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Section I

International Affairs

Asia - Regaining the Lost Prestige

Ion Botescu

„Ovidius” University of Constanta, Constanta, Faculty of Economic Sciences
ion_botescu@yahoo.com

Abstract

Asia's progress over the last 3-4 decades is remarkable, with the continent enjoying the highest growth rates in many respects.

This progress was facilitated successively by Japan, the four Asian tigers, China, India and others.

Among the above-mentioned countries, one must emphasize the crucial contribution of China, during the recent period, to the economic development of the Asian continent in its entirety. China has recorded the highest rhythm of GDP growth, it has become the world's largest exporter, it has the largest currency reserve, and so on.

In fact, in analyzing GDP's evolution and Asia's involvement in the global economy, we used worldwide statistical information, continental statistical information and statistical information that targeted China as a major beneficiary of globalization.

The objective of this paper is the attempt to highlight two periods of economic development in Asian history. It is worth mentioning the nostalgia of the Asians for the silk road period, but especially their pride in the remarkable evolution of Asia during the present period, characterized by an unprecedented process of liberalization of the world economy.

Key words: economical growth, globalization, hybrid, pole of influence

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1. Introduction

One can easily say that Asia is a fascinating continent in both cultural and economic terms.

The special cultural values that characterize the various Asian countries are outstanding.

The economic development and the influence exerted in the field by Asia were enviable in the early Middle Ages. The following period was characterized by more or less appreciated developments, including periods of time in which Asia slid into obscurity.

The contemporary era, whose essential feature is the accentuation of globalization, has represented a good opportunity for Asia, as demonstrated by its economic results.

Asia's economic development since the 1980s has been somewhat winding. The decade of stagnation for Japan, the difficulties faced by the Asian countries at the beginning of the period following the Cold War, the financial crisis that affected the Asian continent in 1977 are a few landmarks that disturbed the above-mentioned continent.

The fact that many Asian countries have learnt from these harsh experiences is demonstrated by the remarkable economic development of the Asian continent, including the last global financial crisis.

Asia's successes in the economic field, at the millennium's boundary, were largely due to the four Asian tigers, China and India. Heterogeneity seems to characterize the group of major artisans of Asia's development. Taiwan and South Korea are in the American sphere of influence, including in military terms, and have been characterized by the existence of authoritative administrations. Singapore and Hong Kong are strong financial centers that are more permissive in terms of democratic expression. China, defined in the specialized literature as a two-system country, has followed quite well the rigors of the capitalist economic system, while the country's political leadership is of Communist origin. One of the fundamental features of the capitalist economy is

represented by performance, and precisely this aspect has characterized the controversial Chinese economy over the past decades. With a relatively democratic administration, the state sector continues to be important in India's economy, and the Indian government has to subsidize a series of products that are absolutely necessary for the subsistence of a large proportion of the population.

2. Theoretical background

On a general level, the methodological framework of this research has focused on a number of aspects highlighted in the specialized literature.

The issue of the Asian continent and its evolution, including in terms of economy, has been of interest to many scholars and authors of economic literature.

Joseph Stiglitz's positions on globalization, Parag Khanna's positions on the world's three-way development, Joshua Goldstein's experience in international relations are some examples that illustrate Asia's development in a global context.

The analysis of the phenomena that characterize the Asian continent was based on statistical data, using appropriate methods of interpreting the information, such as deduction, induction, comparison, etc.

3. Asia during the Middle Ages and the Silk Road

About 100 years B.C., the first caravan that left China and arrived in Persia was registered, without changing the owners of the goods along the entire commercial route. It was the moment that marked the beginning of silk road development as it is currently perceived. Besides the opportunities generated for the producers and consumers who are mostly at the ends of the Silk Road, this has led to an increase in the ownership of settlements located alongside it. The population and the economic importance of the localities adjacent to the Silk Road have increased.

The Silk Road was the most important commercial route since the beginning of the Middle Ages, allowing a relatively small range of goods, but rather appreciated by the higher social layers of the ages, to reach from Asia all the way to the Roman provinces and beyond. The controversies of this trade, which we can consider as a distant precursor to the globalization of the world economy, did not hesitate to make their appearance. Thus, representatives of the Han dynasty of those times in many cases refused the counteroffer made by the Romans, accepting only gold for payment for the famous Chinese silk. Seeing their gold reserves weakened, the Roman Empire's reaction was to impose a ban on wearing silk in the empire.

We need to stress the idea that the Silk Road was more than just a commercial route, connecting different cultures and civilizations.

The simple fact that the Silk Road was the major trade link between the east and the west for a long period demonstrates the special importance the Asian economy had in those times. China's economic strength, followed by India, as well as the cultural peculiarities of the two countries, have turned them into the main attractions for European entrepreneurs and colonialists.

Initiated by ancient China more than two millennia ago, the Silk Road at the beginning of its use involved a route to Asia, Europe and North Africa. Besides the silk, which was the largest share, the traded goods were of utmost importance for those times, e.g. the paper, the rifle powder and the compass being some examples in this respect.

In the ancient period and even 150-200 years ago, Asia held an important position in the production and trade of goods. The efforts of Asian countries led by Japan and later on by China have determined the Asian continent to regain its role as a significant player in the global economy.

4. Japan as the post-war Asian flagship

After the Second World War, Japan was in a very delicate situation, most of the economy (based on the arms industry) being destroyed by war.

With a peculiar culture that puts a major emphasis on domestic values, Japan has impressed through its economic development in the period following the Second World War. The Japanese economy was practically rebuilt in the 60-70s, and in the near future it had an enviable economic

growth. Japan has succeeded in creating a powerful nation based on a strong economy, making full use of its relations with the Western world, including through the use of Western-based counselors and technology. With relatively limited natural resources, the Japanese economic development involved an increase in foreign trade and investment abroad, and this country is becoming increasingly involved in the global economy.

The strong rise in real estate prices driven by the generosity of the Japanese banking system in lending, as well as the strong increase in external debt, have strongly disrupted the Japanese economy in the early 1990s. The rise of the Japanese economy over the period that followed was clearly below the worldwide levels or the country's recorded rates from the previous period.

The lessons learned by the Japanese administration in the early 1990s were the basis of the Japanese development in the current millennium, a development characterized by a pronounced specificity, with the Japanese economy moving at its own pace. At least in terms of the fact that the impact of the 2008 global financial crisis on the Japanese economy was limited shows that the measures taken were correct.

Over a long period, Japan was the world's second economy, giving up this place a few years ago to China. The two major Asian players are, of course, in a regional competition, but with rationalism, they have found ways to boost mutual economic development.

With a well-developed infrastructure, with substantial R & D investments, a high wage level, with a relatively aging population, the world's third economy generates many challenges in the current period of the world economy's deepening globalization. The performance and potential of the Japanese economy have been highlighted in recent years. Stimulating public and private investment, maintaining inflation and unemployment within minimal limits, making investments in labor training were concrete and fair measures taken by the Japanese administration. The result materialized in a rate of growth of just over 2% in 2018. It is a reasonable increase for an economy where GDP per capita is at high rates, making it difficult for Japan as a highly developed country to record spectacular economic growth rates.

On the other hand, Japan has represented a reliable partner of the U.S.A. and a factor of stability in the Far East.

5. China and India as champions of world economy's globalization

China fascinated both in Antiquity through culture and even through the economic opportunities it generated, and in the contemporary era by being de jure and de facto the great beneficiary of the globalization of the world economy.

The Chinese Cultural Revolution, the big state-owned enterprises characterized by weak efficiency, a bureaucratic system, corruption, an overwhelming rural population and lacking in perspective, etc. are the main elements that characterized the Chinese society under the leadership of Mao Tzedun.

The real reforms began to be implemented by Deng Xiaoping in the late 1970s. The agricultural land was given in concession under extremely favorable conditions to peasants willing to work it.

Practically, private development has grown into a sector that is extremely sensitive to the economy, at a time when the other communist countries did not even dare to think of it. Moreover, surprising the whole world, the Chinese National People's Congress imposed by law the equality of treatment between state property and private property. This seems to have been the turning point in China's transition from the planned economy to the market economy.

The Chinese experiment to combine the Communist political leadership with the capitalist economic development was a successful one. China has capitalized the few advantages of a single party's leadership with the remarkable opportunities that the market economy offers, while removing much of the negative effects that the two systems generate.

Thus, optimum conditions were created for capitalizing the huge and disciplined labor force, as well as for the use of the advantages offered by the accentuation of the world economy's globalization.

China was among the first communist countries that, in addition to understanding that economic development based on socialist property was ineffective, acted accordingly.

This political-economic hybrid, in addition to the more than remarkable economic development that has characterized China over the past 3-4 decades, has allowed a fairly equitable distribution of economic effects of the so-called "Chinese Miracle." In the reference period, China is the country where the largest passage of population (several hundreds of millions) from the category of poor citizens to the category of middle class citizens has been achieved, thus increasing the degree of overall social comfort.

China's economic and social development over the last 30 years has been seriously opposed to developments in the Communist and capitalist countries, including in developed countries. Communist countries, such as North Korea, cannot even compete with China. North Korea, for example, is characterized by a precarious level of development and generalized poverty of the population. In most of the capitalist countries, mainly the rich social classes have benefited from the economic advances made to an appreciable extent by globalization. In the last decades, with all the achievements, the inequalities between the rich and the poor have increased substantially, thus increasing the social discomfort.

On the other hand, China's concern for the future must be noted. China's actions in the field of research are worth mentioning. The allocation of important financial amounts for research, the training of young Chinese specialists in the country and abroad, and the attraction of enlightened foreign minds to do research in China are some arguments in this regard. Many countries, including the EU, have lost a whole host of remarkable researchers who have been attracted by China's outstanding research opportunities.

China has a strictly regulated capitalist economy, being in the epicenter of the most populated and economically dynamic areas in the world. In addition to the economic opportunities offered to the countries in the region by promoting a dialogue-based policy, China has become the most important player in the Asian continent and a world-class player alongside the United States and European Union. (Khanna, 2008, p. 235, 237)

The characterization made by Parag Khanna of the three major poles of influence that characterize today's world is interesting. In terms of policies promoted globally, "the US imperial American coalition policy, the European consumption policy and the Chinese consultative policy are in confrontation - each of them having very clear divergent ideologies. The United States offers army protection and aid, China provides unconditional relationships with full services, and Europe comes with profound reforms and economic association with its states" (Khanna, 2008, p. 294).

India, the second country by number of inhabitants, and in the first 10 countries of the world in terms of Gross Domestic Product, in the period since its independence until the 1990s, relied on a mixed economy that combined the principles of capitalism with features of communism. In addition to some economic success, bureaucracy and corruption have led to a strong polarization of the Indian society, with a huge number of poor people in this country. The liberalization of the economy 20-25 years ago, followed by a significant development of the infrastructure, created the necessary framework for India to benefit from the advantages of accentuating globalization in recent decades. With a booming software industry, but also with hundreds of millions of poor people, the complex Indian economy is now characterized by significant government interventionism designed to provide first and foremost the means of subsistence needed by a great deal of population.

India's evolution is somewhat similar to that of China, with the middle class continuously rising, with tens of millions of Indians enjoying prosperity over the last few years. However, India has registered limited success compared to China in combating poverty. Although the middle class layer significantly increased, the inequality between the rich and the rest of the Indian population has visibly deepened in recent decades.

By focusing on attracting foreign investments as many Asian countries have developed in this way, the Indian economy has particular performances in the production of cotton, silk, vehicles, industrial equipment, metallurgy and especially information technology. It should be noted that India currently has a major advantage compared to other economically important states of the planet, i.e. the great potential offered by a very young and large population (with a significant share in the total Indian population). There is every chance that this young population will ensure the economic development and prosperity of India in the following periods of time.

6.Asia's development in data

The success achieved by the Asian continent led by China during the period when the globalization of the world economy has significantly evolved, are strongly supported by statistical data.

Table no. 1. GDP in current prices (billions \$)

	1970	1980	2008	2009	2017
World	3405.5	12305.6	63700.2	60414.7	80501.4
Asia	512.1	2513.5	17585.8	17865.7	29455.9
China	92.6	306.1	4598.2	5109.9	12237.7

Source: www.unctad.org

Asia's economic growth is highlighted by the GDP growth of this continent from \$ 2513.5 billion in 1980 to \$ 29455.9 billion in 2017. For the same period, Asia's GDP share in world GDP rose from 20.4% to 36.5%, while China's GDP in Asian GDP grew at a much more sustained rate from 12.1% to 41.5%. We can state in these conditions that the Asian economic progress over the last 37 years has been overwhelmingly based on China's success in this area.

It should be noted that due to China's contribution, Asia has gone well through the global financial crisis, registering even a slight economic growth in 2009 as compared to 2008, in contrast with world GDP growth that has experienced a significant rebound.

Table no. 2 GDP per capita (\$)

	1970	1980	2008	2009	2017
World	920	2760	9383	8791	10664
Asia	245	972	4288	4308	6541
China	112	308	3420	3779	8682

Source: www.unctad.org

The strong rise of Asian GDP resulted in multiplying by 6.7 times GDP / year of this continent over the period 1980-2017. Despite all the progress made, we can notice that the GDP per capita in Asia is substantially lower than the world average, due to the persistence of extreme poverty in many areas of the Asian continent, and on the other hand, the extremely large number of people inhabiting the continent. China, as the global champion of economic growth in recent decades, has come close to the world average value of this indicator, but it will take it several years to reach that level.

Table no. 3 Exports of goods and services (billions \$)

	1982	2005	2008	2009	2017
WORLD	2223.2	12834.4	19743.1	15814.7	22750.1
Asia	-	4069.9	6611.7	5356.8	8753.9
China	23.6	767.4	1479.8	1241.6	2444.5

Source: www.unctad.org

In many of the specialized literature analyses, when talking about globalization, China and Asia are concerned. Increasing the level of Asian involvement in the world economy is highlighted primarily by the upward trend in exports of goods and services made by this continent. In 2017, the

value of goods and services exported by Asia amounted to \$ 8753.9 billion, accounting for 38.7% of global exports of goods and services. China's evolution in terms of this indicator was spectacular, China's exports of goods and services between 1982 and 2017 multiplying by 103.5 times.

7. Conclusions

Given that Japan, China and India are representative of the most populous continent, the other Asian countries, whose main feature is diversity, should not be forgotten.

Since the 1980s, the contribution of the four Asian "tigers", i.e. South Korea, Taiwan, Singapore and Hong Kong to the development of the Asian continent has to be noted. The economic growth recorded by the four Asian tigers in the 1980-2000 period was substantial (approximately 7% on average per year).

Towards the end of the last century, other Asian countries such as the Philippines or Vietnam began to record high growth rates.

Contrary to the success of the Asian countries mentioned above because of their growing involvement in the global economy, we must also note the weak economic and social progress recorded by countries that have emphasized self-development or have serious internal problems, while being involved in regional military confrontations. It is worth mentioning in this regard, North Korea, Afghanistan, Pakistan, Myanmar and so on.

Central Asia is a less known and less accessible area for Western investors. The countries that make up this area have some deficiencies in terms of technological endowments and democratic standards. Kazakhstan and Uzbekistan, however, stand out from this group of countries primarily by being in possession of important natural resources, including oil, natural gas, uranium, and so on.

Given the heterogeneity of Asian countries and natural disasters (earthquakes, floods) that Asia has faced in the past two decades, the overall economic development of the continent is even more remarkable.

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The Impact of Political Stability on Economic Growth in European Union

Emilia Anuta Corovei

"1st of December 1918" University of Alba Iulia, Doctoral School in Accounting

emilia_lud@yahoo.com

Adela Socol

"1st of December 1918" University of Alba Iulia

adelasocol@yahoo.com

Abstract

In our empirical study we analyze the impact of political stability on GDP growth for European Union Countries over the period 2000-2017. We ran a panel OLS regression with robust standard errors and we removed panel autocorrelation and heteroskedasticity from our data. We consider a politically stable country when doesn't face with conflicts, protests, radical changes of regimes, terrorism and wars. Political risk is often associated with foreign investments. Foreign investors are not willing to invest in war and conflict countries, in regions where the legislative, executive and judiciary powers can not operate under normal democratic conditions. Our empirical results indicate that there is a positive and a significant relationship between political stability and GDP growth.

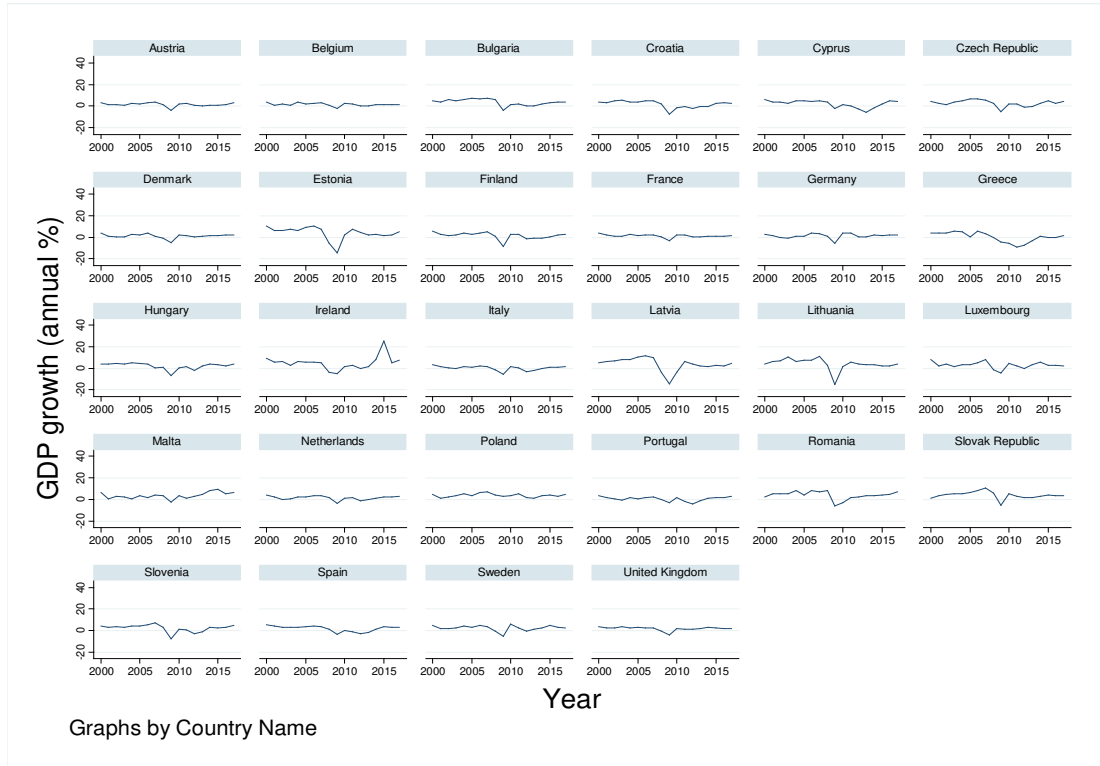
Key words: GDP growth, Political stability, European Union

J.E.L. classification: C23, F43, O47

1. Introduction

We analyzed European Union because is an important trading power together with SUA and China. European Union is a politically stable region because doesn't face with conflicts, protests, radical changes of regimes, terrorism and wars. Compared with the previous year, GDP growth (%) rose by 1.9% in the European Union in 2018. During the analyzed period, we observed a drop in this indicator for all EU countries during the financial crisis (2007 and 2008); but from the figure bellow (*Figure no. 1*) we can also see that are sign of recovery starting with 2010. The political stability was 0.71 points in 2017. The values of the Political Stability indicator may vary between 1.34 (Luxemburg) and -0.13 (Greece).

Figure no. 1 GDP growth (%) for European Union, over the period 2000-2017



Source: Authors' calculations

The structure of the paper is as follows. Section 2 describes the literature review, section 3 describes data used to analyse the impact of political stability on GDP growth across EU countries, section 4 discusses the methodology, section 5 discusses the empirical results and in section 6 we present our conclusions.

2. Literature review

We found lots of articles which analyze the impact of political stability on GDP growth (%). But none of these articles study the impact of political stability for European Union Countries over the period 2000-2017. We will briefly present the most relevant articles analyzed.

Barro and Lee (Barro and Lee, 1994, p. 1-46) analyzed the impact of political instability on economic development. They analyzed 116 economies over the period 1965 to 1985. The results show that political instability has a negative effect on GDP growth.

In addition, Alesina et al. (Alesina *et al*, 1996, pp. 189-211) conducted a similar research by using a panel of 113 countries. Their findings suggests that „economic growth is influenced by government collapsing” and “the economic development may decline as a result of government negative collapsing effect”.

Radu (Radu, 2015, pp.751-757) analysed the relationship between political stability on development in Romania over the period 1990 –2011. The emirical results conclude that political stability has a positive impact in the country’s economic growth and sustainable development.

Nazeer and Mansur (Nazeer and Mansur, 2017, pp. 1-20) analysed the impact of political instability on foreign direct investment. Their study is based on a time series data analyzed over the period 1984 to 2013, on Malaesyia. The empirical results suggest that there is a positive relationship between political stability and GDP growth in this country.

The purpose of our empirical research is to make a new contribution to the existing literature by analyzing the relationship between political stability and Gross Domestic Product growth in European Union countries.

3. Data analysis

The aim of our analysis is to study the relationship between political stability and GDP growth. In order to identify the link between these regressors we have used a panel that includes European Union countries analyzed for a period of 18 years, respectively 2000 - 2017.

Economic growth can be defined as "the annual rate increase in total production or income in the economy" (Poulson and Kaplan, 2008, pp. 53-71) or simply we can define economic growth as an increase in the amount of goods and services produced per head of the population over a period of time. Political stability is defined "as the potential for maintaining a stable government without affecting the constitutional or unconstitutional changes" (Alesina *et al*, 1996, pp. 189-211). The explanatory variables used in our analysis are (See also: *Table no. 1 Descriptive statistics*): Credit Risk, Current account, Foreign direct investment, Inflation, Leverage Ratio, Political Stability, Taxes, Unemployment and Wage. These indicators were determined using annual data extracted from the World Bank and Worldwide Governance Indicators (WGI) databases.

Table no. 1 Descriptive statistics

	Political stability	Leverage	Credit Risk	Current Account	Foreign Direct Investment	Inflation	Taxes	Unemployment	Wages
N	476	283	295	492	500	504	494	504	504
mean	0.782122	7.518893	7.638451	-1.09729	10.94437	2.622767	23.2904	8.859978	83.56565
sd	0.421355	2.593839	8.226127	5.855007	36.39621	3.470587	9.399305	4.398795	7.183114
min	-0.47	3.219011	0.081808	-25.7524	-58.3229	-4.4781	6.100773	1.8	53.892
max	1.76	14.82324	48.67585	13.81237	451.7155	45.6666	49.66034	27.47	93.498

Source: Authors' calculations

4. Methodology

The purpose of our paper is to make a new contribution to the literature by analyzing the relationship between political stability and Gross Domestic Product Growth in European Union [28 countries].

The first step in methodology was to check the stationarity of the regressors in the Panel Database by using Fisher Test. The impact of political stability on Gross Domestic Product growth is examined on an annual basis through the following equation:

$$GDP\ growth_{i,t} = \beta_0 + \beta_1 \times Political\ Stability_{i,t-1} + \Phi \times Controls\ variables_{i,t-1} + \varepsilon_{i,t} \quad (1)$$

where $GDP\ growth_{i,t}$ for country i in year t , $Political\ Stability_{i,t-1}$ denotes the lack of conflicts, protests, radical changes of regimes, terrorism and wars for country i in year t , and $Controls\ variables_{i,t-1}$ are macroeconomic indicators for country i in year t . The growth of an economy may not feel the effects of political stability immediately so we considered all explanatory variables lagged one period. $\varepsilon_{ij,t}$ is an *iid* error term specific to country i in year t . We ran an OLS panel regression with robust standard errors and we removed panel autocorrelation and heteroskedasticity from our data. There aren't correlations bigger than 0.5 between all indicators (Table 2) and all variables used in our analysis are stationary (Table 3).

Table no. 2 Correlation matrix

	Economic Growth	Political stability	Taxes	Unemployment	Inflation	Current Account	Leverage	Foreign Direct Investment	Credit Risk	Wages
Economic Growth	1									
Political stability	0.1868	1								
Taxes	0.0226	0.0341	1							
Unemployment	0.0171	-0.4815	-0.172	1						
Inflation	0.4558	-0.018	-0.0367	-0.2401	1					
Current Account	0.3636	0.3805	0.1064	-0.0487	-0.4544	1				
Leverage	0.2312	-0.1364	-0.4931	0.3028	-0.0706	-0.0963	1			
Foreign Direct Investment	0.0591	0.2814	0.1285	-0.132	0.0373	-0.0291	-0.029	1		
Credit Risk	0.1187	-0.3262	-0.1462	0.5887	-0.2771	-0.0225	0.3325	-0.024	1	
Wages	0.128	0.4344	0.1106	-0.2462	-0.0262	0.412	0.0032	0.114	-0.349	1

Source: Authors' calculations

Table no. 3 Fisher-ADF unit root tests

Fisher-ADF unit root tests				
	Inv. chi-squared	Inv.N	Inv.L	MInv chi-squared
Economic Growth	236.8614 [0.000]	-11.3156 [0.000]	-12.3019 [0.000]	17.0898 [0.000]
Political stability	179.6268 [0.000]	-8.9246 [0.000]	-9.1753 [0.000]	11.6816 [0.000]
Taxes	181.1392 [0.000]	-8.7661 [0.000]	-9.2176 [0.000]	11.8245 [0.000]
Unemployment	216.4520 [0.000]	-10.3721 [0.000]	-11.1569 [0.000]	15.1613 [0.000]
Inflation	248.3148 [0.0000]	-11.7141 [0.0000]	-12.9049 [0.0000]	18.1720 [0.0000]
Current Account	153.2416 [0.000]	-7.4814 [0.000]	-7.6040 [0.000]	9.1885 [0.000]
Leverage	135.8056 [0.003]	-6.5748 [0.000]	-6.8237 [0.000]	8.5806 [0.001]
Foreign Direct Investment	218.1251 [0.000]	-10.7574 [0.000]	-11.3310 [0.000]	15.3194 [0.000]
Credit Risk	163.9194 [0.000]	-8.3327 [0.000]	-8.6262 [0.000]	10.9746 [0.000]
Wages	142.4817 [0.000]	-6.2699 [0.000]	-6.5755 [0.000]	8.1718 [0.000]
GDP per capita growth (annual %)	248.4000 [0.000]	-11.7509 [0.000]	-12.9204 [0.000]	18.1801 [0.000]

Source: Authors' calculations

Note: Fisher-ADF tests with drift, one lag and cross-sectional means removed. Its null hypothesis states that all panels contain unit roots, with the alternative that at least one panel is stationary.

5. Results

The political stability show a positive relationship with the GDP growth as expected. The determination coefficient shows that 40,7% of the gdp growth is explained by the regressors.

Table no. 4 Determinants of Economic Growth

Variables	Main model (1)
Political stability	0.920* (0.549)
Taxes	-0.0428 (0.0301)
Unemployment Rate	-0.0925** (0.0415)
Inflation Rate	-0.905*** (0.127)
Current Account	0.0474 (0.0396)
Leverage	0.461*** (0.132)
Constant	-1.192 (1.878)
Observations	257
R-squared	0.407

Robust standard errors (RSE) in parentheses, where
*** p<0.01, ** p<0.05, * p<0.1

Source: Authors' calculations

We run a number of robustness checks on our main regression model (Main model:1). We ran our regressions adding other control variables (Robustness Tests: 2, 3, 4 and 5) and we also changed the dependent variable GDP growth (annual %) with GDP per capita growth (annual %) (Robustness Tests: 1). Our main results are maintained. The other control variables affecting economic growth are: taxes, unemployment rate, inflation rate, current account, leverage, foreign direct investment, credit risk and wages.

Table no. 5 Robustness Tests

Variables	Robustness Tests				
	(1)	(2)	(3)	(4)	(5)
Political stability	0.411 (0.553)	0.803* (0.578)	1.071 (0.655)	1.143* (0.646)	2.206*** (0.725)
Taxes	-0.000782 (0.0287)	-0.0400 (0.0308)	-0.0466 (0.0330)	-0.0484 (0.0339)	-0.0594* (0.0342)
Unemployment Rate	-0.0381 (0.0448)	-0.0936** (0.0416)	-0.0920** (0.0448)	-0.0905** (0.0431)	0.00345 (0.0460)
Inflation Rate	-0.870*** (0.124)	-0.903*** (0.127)	-0.856*** (0.133)	-0.851*** (0.129)	-0.914*** (0.125)
Current Account	0.0461 (0.0399)	0.0524 (0.0400)	0.0718* (0.0418)	0.0807* (0.0441)	0.0536 (0.0434)
Leverage	0.473*** (0.130)	0.455*** (0.133)	0.457*** (0.134)	0.468*** (0.143)	0.390*** (0.144)

Variables	Robustness Tests				
	(1)	(2)	(3)	(4)	(5)
Foreign Direct Investment		0.00300 (0.00289)	0.00202 (0.00301)	0.00213 (0.00300)	0.00117 (0.00295)
Credit Risk			-0.000856 (0.0308)	-0.00600 (0.0315)	-0.0262 (0.0314)
Wages				-0.0195 (0.0447)	0.00192 (0.0403)
Dummy_income					-3.019*** (0.906)
Constant	-0.618 (1.862)	-1.029 (1.918)	-1.378 (1.992)	0.0912 (3.859)	0.0273 (3.409)
Observations	257	257	238	238	238
R-squared	0.407	0.409	0.417	0.418	0.447

Robust standard errors (RSE) in parentheses, where
*** p<0.01, ** p<0.05, * p<0.1

Source: Authors' calculations

Taxation is defined as the revenue collected from the population by the governments of EU Countries. The amount collected and the way this money is spent has a significant impact on GDP growth. There is a large number of empirical studies that examine the impact of taxes on economic growth (Poulson and Kaplan, 2008, pp. 53-71; Holcombe and Lacombe, 2004, pp. 292-312). All these studies suggest a negative relationship between economic growth and taxes. In our empirical study we have also found a negative relationship between GDP growth (%) and taxation; an increase in taxes on income, profits and capital gains (% of revenue) will reduce the GDP growth. When the state increases consumer taxes, they'll defeat the desire to buy goods and services.

There are a lot of studies analyzing the relationship between GDP growth (%) and unemployment rate (Zonzilos, 2000, pp. 15-30; Villaverde and Maza, 2009, pp. 289-297; Dumitrescu *et al*, 2009, pp. 317-322). Unemployment is a negative phenomenon in all economies. Lack of jobs and implicitly lack of income from wages affects the level of goods and services produced in an economy. Our results suggest an inverse relationship between the gdp growth (%) and unemployment rate.

There is also a a negative relationship between GDP growth and inflation rate. Inflation imposes negative externalities on countries when it interferes with GDP growth.

The current account indicator is defined as "the difference between the value of exports and the value of imports of goods and services". This regressor has a positive impact on GDP growth (%). When imports are higher than exports may highlight the fact that investments have a higher share than saving, which can generate the economic development of the country.

The leverage positively influences economic growth. An efficient banking system and financial markets create a positive impact on the overall wealth and development of society. Foreign direct investment, credit risk and wages have an insignificant impact on economic growth.

6. Conclusions

The purpose of this paper is to determine the relationship between Gross Domestic Product growth and political stability. In order to identify the link between these indicators we have used a panel that includes European Union Countries analyzed for a period of 18 years, respectively 2000 - 2017. We found a positive relationship between political stability and Gross Domestic Product growth. We run a number of robustness checks on our main regression model but the results are maintained. Other control variables affecting GDP growth (%) are: taxes, unemployment rate, inflation rate, current account, leverage, foreign direct investment, credit risk and wages.

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Fiscal Sustainability in Flow Model: Panel Cointegration Approach for the EU-28

Radmila Dragutinović Mitrović

University of Belgrade, Faculty of Economics, Serbia

radmilam@ekof.bg.ac.rs

Olgica Glavaški

University of Novi Sad, Faculty of Economics Subotica, Serbia

olgicai@ef.uns.ac.rs

Emilija Beker Pucar

University of Novi Sad, Faculty of Economics Subotica, Serbia

emilijab@ef.uns.ac.rs

Abstract

This paper assesses fiscal sustainability in 28 European Union economies in the period 1995-2018, using panel cointegration analysis for fiscal sustainability testing. The research is based on econometric framework of nonstationary, heterogeneous, and cross-sectional dependent panels, using robust Westerlund (2007) panel cointegration test, Mean Group, and Pooled Mean Group method of estimations. The results of cointegration analysis for EU-28 point to weak fiscal sustainability, with significant fiscal adjustment in average. However, heterogeneous coefficients show in which economies fiscal sustainability is achieved (whether it is strong or weak fiscal sustainability) and heterogeneous fiscal reactions. Robustness check confirmed existence of fiscal sustainability with heterogeneous fiscal adjustments in European Union economies, and indicated strong fiscal sustainability in the shorter period of time, namely after 1997 when Stability and Growth Pact is introduced.

Key words: Fiscal sustainability, Flow models, Panel cointegration, EU-28.

J.E.L. classification: C33, H50, H62.

1. Introduction

The issue of fiscal (un)sustainability attracted considerable attention in European Union (EU) economies during the past three decades, mainly as a result of high public expenditure, public revenues reduction, and excessive accumulation of public debt. Along with reasons related to fiscal aggregates, fiscal sustainability became questionable due to absence of supranational fiscal rules. Although EU economies are faced with the same fiscal policy framework defined in Maastricht Treaty (1992), Stability and Growth Pact (1997), and Fiscal Compact (2012), fiscal responsibility differ within EU economies. Strategies related to Quality of Public Finance are implemented, however, empirical studies argued that the convergence is weak or no exists (Ferreiro, García de Valle, and Gómez, 2012; Bertarelli, Censolo, and Colombo 2014). Following such considerations, heterogeneous results of fiscal assessment in EU economies in terms of long-run relationship between public revenues and public expenditure, as well as heterogeneous fiscal adjustments are the core of the analysis in this paper.

In the empirical literature, fiscal sustainability is the most often tested using traditional, cointegration approach, based on long-term (in)consistency between the tax policy and the public expenditure policies (flow approach). In this paper is analysed heterogeneity of fiscal sustainability assessments in panel of 28 European economies during 1995-2018, and the goal is twofold: (1) to estimate fiscal sustainability with flow models (panel cointegration approach), and (2) to analyse heterogeneity of fiscal reactions in EU economies in order to achieve fiscal sustainability.

Heterogeneous parameters in flow model are estimated using Meand Group (MG) and Pooled Mean Group method (PMG). The evidence of fiscal sustainability showed that cointegration between public revenues and public expenditure exists in the *weak* sense for average of European economies. However, the most important contribution of the paper is related to heterogeneous parameters in models, which provides information about fiscal sustainability and fiscal reactions in each European country.

The paper is organized as follows. After the introductory part, Section 2 briefly shows theoretical background. Section 3 elaborates used methods and data. Next, in Section 4, the estimation results for fiscal sustainability using panel cointegration analysis with heterogeneous parameters are given. In Section 5 main conclusions and policy recommendations are presented.

2. Theoretical background

Theoretical model of fiscal sustainability is related to intertemporal budget constrain, which could be empirically tested using two traditional approaches: (1) the analysis of stationarity of primary deficit and public debt (Hamilton and Flavin, 1986; Wilcox, 1989); and (2) cointegration analysis between public revenues and public expenditure (Hakkio and Rush, 1991; Quintos, 1995). According to the first approach, intertemporal budget constraint is satisfied when the value of public debt corresponds to the sum of future primary surpluses, and when present value of public debt approaches zero in infinity, which Afonso (2004) points out that could be tested by unit root tests. Namely, intertemporal budget constraint is achieved when primary deficit is stationary process, or when public debt is stationary in the first differences. Hakkio and Rush (1991) showed that second approach could be useful for fiscal sustainability assessment, namely, if public revenues and public expenditure are integrated of order 1, two variables could be cointegrated. If variables are cointegrated, with cointegration parameter $b=1$, fiscal policy is sustainable, otherwise, fiscal policy is unsustainable. Therefore, fiscal sustainability concept could be empirically tested using following equation for cointegration relationship (Hakkio and Rush, 1991):

$$t_t = \mu + bg_t^* + u_t, \quad (1)$$

where t_t represents tax share in GDP, g_t^* is public expenditure share in GDP including expenditure for public debt servicing, μ is constant term or individual effects in panel data, u_t represents error term, and b is cointegration parameter which is the issue of analysis, i.e. if $b = 1$, fiscal policy is sustainable. Contribution of Hakkio and Rush (1991) is introduction of condition $0 < b \leq 1$, as a sufficient for assessing fiscal sustainability.

Related to condition $0 < b \leq 1$, Quintos (1995) introduced new fiscal sustainability terminology, making distinction between *weak* and *strong* fiscal sustainability, and introducing d as government debt share in GDP:

- (1) *strong* fiscal sustainability condition: $b = 1$ and $\Delta d \sim I(0)$;
- (2) *weak* fiscal sustainability condition: $0 < b < 1$ and $\Delta d \sim I(1)$;
- (3) fiscal *unsustainability*: $b \leq 0$ and $\Delta d \sim I(1)$.

Therefore, the main framework for fiscal sustainability flow model is $u_{it} = Y_{it} - \beta X_{it} \sim I(0)$, while the most common used panel cointegration test are Kao, McCoskey and Kao, Pedroni, Westerlund. Null hypothesis is no cointegration, while alternative hypothesis is existence of cointegration with homogeneous or heterogeneous assumptions. If public expenditure and public revenues are integrated of order 1, and cointegrated, fiscal deficit is stationary process; according to flow model, fiscal sustainability exists. This method of fiscal sustainability analysis is advances in comparison to unit root analysis, and it is a good indicator for annual data analysis. On the other hand disadvantage of cointegration analysis is absence of the analysis of the relationship over a longer period of time with stock variables, i.e. public debt, which could be tested within multicointegration analysis.

Defined theoretical concept of fiscal sustainability is extensively used in empirical papers, using different samples and econometrical techniques: from time-series analysis to panel data analysis using unit root tests, cointegration tests of first and second generation, error correction models, methods of heterogeneous non-stationary panels based on common factor approach. In

relation to sample of European Union economies, Alfonso and Raul (2007) analysed 15 EU economies for the period 1970-2006 using unit root tests of first and second generation, and results showed that fiscal policy is sustainable for the EU-15, as well as in the two separated sub-periods 1970-1991 and 1992-2006; Ehrhart and Llorca (2008) showed that fiscal policy is sustainable in six South-Mediterranean countries; Campeanu and Andreea (2010) analyzed fiscal sustainability and fiscal reactions in Central and Eastern European countries; Afonso and Rault (2015) showed that fiscal sustainability is questionable in some EU countries in the period 1960-2012; Josifidis et al. (2018) showed heterogeneous effects of different public policies on fiscal sustainability in EU-28.

In this paper, using sample of EU-28 for the period 1995-2018, following research hypotheses are tested:

H_1 : Fiscal sustainability exists in the sample of EU-28 economies, i.e. cointegration relationship between flow variables exists in homogeneous and heterogeneous parameters.

H_2 : Fiscal adjustment to long-run equilibrium relationship is heterogeneous in the sample of EU-28; i.e. in some economies adjustment is negatively and significant, while in others is positive and significant, or insignificant.

3. Research methodology

Hypotheses 1 and 2 defined in Section 2 are tested using the following econometric techniques: Westerlund cointegration test, Pooled mean group estimator and Mean group estimator. Due to often failure of residual-based cointegration tests which require "that the long-run parameters for the variables in their levels are equal to the short-run parameters for the variables in their differences" (Persyn and Westerlund, 2008), Westerlund proposed error-correction based panel cointegration test. According to Westerlund (2007), four new panel cointegration tests are developed and those tests are not based on residual dynamics, than on structural changes. First two tests have homogeneous alternative hypothesis (the panel is cointegrated as a whole), while other two tests have heterogeneous alternative hypothesis (at least one panel unit is cointegrated). The advantage of Westerlund test is the possibility of taking into account cross-sectional dependence in the model using the bootstrap approach.

Estimation of long-run cointegration relationship could be undertaken using Mean Group approach (MG) or Pooled Mean Group (PMG) estimator proposed by Pesaran, Shin, and Smith (1999). MG estimates N time-series regressions and averages coefficients, while PMG is based on pooling (equal long-run relationship across all panel units) and averaging of coefficients (short-line relationship). Hausman test could be used to distinguish whether restriction related to homogeneous long-run relationship in PMG model is true. If is true, PMG method gives efficient and consistent estimates, while heterogeneous long-run equilibrium relationships mean inconsistent PMG estimates. MG estimates are consistent in both cases. Baseline model is panel error-correction model described as:

$$\Delta l_{it} = \Phi_i(t - \theta_i l g_{it}) + \sum_{j=1}^{p-1} \lambda_{ij}^* \Delta l_{i,t-1} + \sum_{j=0}^{q-1} \delta_{ij}^* \Delta l g_{i,t-j} + \mu_i + u_{it} \quad (2)$$

where λ_{ij}^* represents coefficient of dependent variable with lag, δ_{ij}^* short-run parameters for each economy of the panel, θ_i long-run relationship, μ_i individual effects. Error-correction parameter, Φ_i , is the most important part of the model, showing speed of adjustment to long-run equilibrium relationship, in the case when Φ_i is negative and significant. Empirical analysis related to MG and PMG methods is based on Blackburne III and Frank-a (2007).

The source of data is International Monetary Fund, World Economic Outlook (April 2019), and used software is Stata 13.

4. Findings

The choice of the model that best fits the analyzed data is determined by potential problems of heterogeneity, cross-sectional dependency and nonstationarity of key variables. In the beginning, cross-sectional dependency is tested using Pesaran CD test (Table no. 1A). Results show that null

hypothesis of cross-section independency has to be rejected in all cases. Due to the results of cross-sectional dependencies analysis, second generation panel unit root test is used – Pesaran CIPS test (2007) which allows for cross-sectional dependency (Table no. 1A). Because of significant decline in power of the test when trend is included, decisions are made on the basis of models with constant, and using Akaike information criteria to determine optimal lag in model. According to the results of CIPS Pesaran statistics, it is turned out that variables are nonstationary in the model with two lags. Namely, Pesaran panel unit root test fail to reject null hypothesis at 5% significance level. In the next step, the stationarity of first differences is tested, and results show that variables are stationary in first differences, which is base for cointegration analysis. Integration of order 1 of public revenues and public expenditure, indicate possible cointegration relationship, while integration of public debt of order 1 *weak* fiscal sustainability (according to condition 2 defined in Section 2of theoretical background).

Cointegration analysis is based on Westerlund (2007) test, where the lag and lead lengths structure are chosen using Akaike information criteria, for the model with constant (Table no. 1). The fact that Pesaran CD test indicated cross-sectional dependency in panel (Table 1A) relevant conclusions related to Westerlund (2007) test could be obtained only after bootstrap procedure. Bootstrap procedure for 400 steps is undertaken in order to get robust *p*-values. According to group mean tests (Gt and Ga) and using robust *p*-values, conclusion is that at least one panel unit is cointegrated, rejecting null hypothesis of no cointegration. Using pooled panel tests (Pt and Pa), null hypothesis is rejected indicating that all panel units are cointegrated. Conclusion related to Westerlund test is that at least one or all panel units are cointegrated.

Table no. 1 Westerlund (2007) cointegration test

Test	Value	Z-value	p-value	Robust p-value (bootstrap)
H ₀ : no cointegration H ₁ : at least one panel unit is cointegrated (heterogeneous assumption)				
Gt	-1.512	-2.726	0.003	0.023
Ga	-5.547	-2.030	0.021	0.013
H ₀ : no cointegration H ₁ : all panel units are cointegrated (homogeneous assumption)				
Pt	-9.233	-5.596	0.000	0.010
Pa	-5.883	-8.875	0.000	0.005
AIC selected lag length: 1				
AIC selected lead length: 2				

Source: Authors' estimation

With the intention to estimate long-run equilibrium relationship and heterogeneous fiscal adjustments, Mean Group and Pooled Mean Group methods are used (Table no. 2 represents homogeneous coefficients in model, while Table no. 3 shows heterogeneous coefficients). According to the results of homogeneous coefficients in both cases cointegration vector is significant and between 0 and 1, indicating *weak* sustainability (Quintos-a, 1995, $0 < \theta < 1$). Long-run relationship between public revenues and public expenditure in MG model is 0.582089, while in PMG 0.55747. In order to test whether lon-run cointegration vectors are equal to 0 or 1, Wald test is used, showing that hull hypothesis, $\theta = 0$, as well as null hypothesis $\theta = 1$ have to be rejected, confirming that $0 < \theta < 1$ and that *weak* fiscal sustainability exists in average of European Union members in both models. In comparison of two methods, higher fiscal adjustment is estimated for MG model, showing that 36.11% of deviations are corrected in one year, while according to PMG only 28.12%. However, using Hausman test conclusion is that restriction related to homogeneous long-run relationship in PMG model is true, meaning that PMG method is optimal, providing efficient and consistent estimates, while MG method provides consistent estimates.

Table no. 2 Homogeneous coefficients of Pooled Mean Group and Mean Group Estimators for EU-28 in the period 1995-2018

Dep. variable: log public revenues	Homogeneous long-run relationship (θ)		ΔIE		μ_i		Error correction (Φ_i)	
	Coef.	p-value	Coef.	p-value	Coef.	p-value	Coef.	p-value
Mean Group Estimator	0.582089	0.000	-0.0020	0.966	0.7528	0.000	-0.3611	0.000
$\theta = 1$	$\chi^2=8.30$	0.004						
$\theta = 0$	$\chi^2=16.11$	0.000						
PMG	0.55747	0.000	0.0041	0.928	0.4575	0.000	-0.2812	0.000
$\theta = 1$	$\chi^2=82.89$	0.000						
$\theta = 0$	$\chi^2=131.55$	0.000						
Hausman test for long-run relationship homogeneity								
	MG		PMG		MG-PMG			
Long-run relationship	0.582089		0.55747		0.02461			
Hausman test statistics			0.03					
p-value			0.8659					
ARDL (1,1)								

Source: Authors' estimation

Although Hausman test shows that long-run coefficients are not significantly different between countries (optimal model is PMG), the issue of this research is to find out in which countries precisely the problem of fiscal sustainability is presented. Therefore, in the Table no. 3 are shown heterogeneous coefficients for both models: efficient Pooled Mean Group, and consistent Mean Group estimates. Using Mean Group model, it is possible to test specific long-run equilibrium relationship for each country, and find out whether fiscal policy is sustainable, weak sustainable, or unsustainable in the period 1995-2018.

Table no. 3 Heterogeneous coefficients of Pooled Mean Group and Mean Group Estimators for EU-28 in the period 1995-2018

Dependent variable: log public revenues	Pooled Mean Group Estimator		Mean Group Estimator						Conclusion
	Error-correction (Φ_i)		Error-correction (Φ_i)		Heterogeneous long-run relationship (θ)		$\theta=1$		
Countries	Coef.	p-value	Coef.	p-value	Coef.	p-value	χ^2	p-value	
Austria	-0.651	0.000	-0.688	0.001	0.4622	0.009	9.32	0.0023	Weak sustainability
Belgium	-0.374	0.000	-0.368	0.002	0.5789	0.000	8.05	0.0046	Weak sustainability
Cyprus	-0.248	0.005	-0.245	0.018	0.5253	0.202			Unsustainable
Estonia	-0.688	0.000	-0.694	0.000	0.5972	0.000	17.85	0.0000	Weak sustainability
Finland	-0.303	0.025	-0.665	0.000	0.2693	0.000	209.0	0.0000	Weak sustainability
France	-0.272	0.005	-0.247	0.011	1.0157	0.001	0.000	0.9591	Sustainable
Germany	-0.040	0.727	-0.183	0.225	-0.3117	0.591			<i>Sustainable</i>
Greece	-0.117	0.151	-0.132	0.127	1.657	0.107			Unsustainable
Ireland	-0.083	0.365	-0.070	0.556	0.7584	0.534			Unsustainable
Italy	-0.377	0.004	-0.404	0.003	0.9933	0.000	0.00	0.9807	Sustainable
Latvia	-0.239	0.093	-0.240	0.125	0.6572	0.067	0.91	0.3391	Sustainable
Lithuania	-0.117	0.376	-0.226	0.107	-0.230	0.639			Unsustainable
Luxemburg	-0.197	0.129	-0.239	0.131	0.297	0.450			<i>Sustainable</i>
Malta	-0.174	0.048	-0.198	0.094	0.3181	0.601			Unsustainable

Netherlands	-0.201	0.103	-0.391	0.015	0.0223	0.921			Unsustainable
Portugal	-0.315	0.003	-0.315	0.007	0.5530	0.008	4.56	0.0327	Weak Sustainability
Slovak Republic	-0.326	0.026	-0.293	0.066	0.2762	0.397			Unsustainable
Slovenia	-0.172	0.186	-0.637	0.000	0.1704	0.004	200.9	0.0000	Weak sustainability
Spain	-0.177	0.044	-0.571	0.003	-0.1613	0.271			Unsustainable
Bulgaria	-0.277	0.043	-0.277	0.066	0.5447	0.406			Unsustainable
UK	-0.063	0.491	-0.179	0.192	0.1033	0.714			Unsustainable
Croatia	-0.233	0.168	-0.234	0.210	0.4963	0.583			Unsustainable
Hungary	-0.259	0.038	-0.252	0.089	0.6784	0.509			Unsustainable
Poland	-0.407	0.024	-0.390	0.047	0.2582	0.509			Unsustainable
Romania	-0.435	0.017	-0.418	0.037	0.7846	0.048	0.29	0.5879	Sustainable
Czech Republic	-0.206	0.088	-0.054	0.773	3.8909	0.780			Unsustainable
Denmark	-0.284	0.018	-0.437	0.037	0.2671	0.228			<i>Sustainable</i>
Sweden	-0.327	0.001	-0.352	0.001	0.8246	0.000	1.11	0.2931	Sustainable

Source: Authors' estimation

Using Wald test for heterogeneous cointegration vectors, it is possible to find out whether coefficient θ for each economy is equal to 1 in MG model (Table no. 3). Wald test indicates that long-run equilibrium relationships are not statistically different from 1 for France, Italy, Latvia, Romania and Sweden, meaning that fiscal sustainability in the *strong* sense exists in the listed countries. These results should be interpreted with caution, because estimated fiscal sustainability is related only to the flow variables, not taking into account public debt in the model directly, which is important indicator of fiscal sustainability. Weak sustainability is estimated for Austria, Belgium, Estonia, Finland, Portugal, and Slovenia. In Denmark, Germany and Luxemburg, cointegration relationships are not estimated, however, in situation when public revenues are higher than fiscal expenditure, fiscal sustainability is by default achieved. In analysed period average fiscal revenues in Denmark are 54.28 % of GDP and public expenditure 54.08 % of GDP, in Germany average public revenues are 44.26 % of GDP and public expenditure 44.05% of GDP, while in Luxemburg public revenues are 44.09 % of GDP, and public expenditure 42.18 % of GDP.

Based on results (Table no. 3), error-correction coefficients are the highest in Austria, Estonia (in both models), and Finland and Slovenia (using PMG model), meaning high fiscal adjustment - about 60 % of deviations from long-run equilibrium relationship is corrected in one year. The most weak but significant fiscal adjustment is estimated for the Malta (using both models), namely, only 17.4% (PMG), or 19.8% (MG) of deviations are corrected in one year. However, fiscal adjustments are not significant in Greece, Ireland, Lithuania, Netherlands, Slovenia, UK, Croatia, and this result could be related to crisis in fiscal sector in the majority of the mentioned countries. On the other hand, as it is expected, fiscal reactions in terms of public expenditure adjustments to long-run equilibrium relationship, are not significant in economies with higher public revenues in comparison to public expenditure, such as Germany and Luxemburg.

Finally, we can conclude that Hypothesis 1 is confirmed: *weak* fiscal sustainability exists in the sample of EU-28 according to homogeneous coefficients, as well as in some European economies in *strong* or *weak* sense. In relation to Hypothesis 2, fiscal adjustments to long-run equilibrium relationship are heterogeneous in the sample of EU-28; namely in some economies fiscal adjustments are negatively and significant with different magnitude of influence, while in others, insignificant.

5. Robustness check

Results based on Pool Mean Group and Mean Group method of estimation have at least two important restrictions: (1) models are based only on flow variables, and do not take into account for public debt directly in the models; this could have important implications on fiscal sustainability results especially in countries with high level of accumulated public debt, such as Belgium, France,

Italy, Portugal, and (2) models do not account for cross-sectional dependency. Therefore, the relevance of the results could be analysed by robustness check in two ways: (i) in structural dimension, by reductions in N (Table no. 2A), and (ii) in time dimension, by reduction in T (Table no. 3A and 4A). Estimated model based on reduction in structural dimension is estimated for the EU-27 without Croatia, as the last economy entered in European Union (Table no. 2A). Presented results in Appendix confirmed validity of the results - weak sustainability in EU-28, with heterogeneous fiscal adjustments (fiscal adjustments are the same as in the initial model represented in Table no. 3). Model based on reduction in time dimension, is estimated without the first year used in analysis, the year 1995 (Table no. 3A), and without years 1995 and 1996 in the next model (Table no. 4A). Results showed that for the shorter period of time, long-run relationship between public revenues and public expenditure exists, and could not be considered statistically different from 1, meaning that in the period 1996-2018, and 1997-2018 *strong* fiscal sustainability exists in average of European Union economies according to MG model. This could be linked to Stability and growth pact from 1997 which provided better fiscal discipline in member states through stability programmes and through convergence programmes for economies in the accession phase.

6. Conclusions

Fiscal sustainability in EU-28 economies in the period 1995-2018 is analysed in this paper, using modern approaches for fiscal sustainability testing based on flow variables and panel cointegration analysis. The evidence of fiscal sustainability showed that cointegration relationship between public revenues and public expenditure exists in the *weak* sense for average of European economies, with heterogeneous fiscal adjustments, confirming by the result that public debt is integrated of level one. Error-correction coefficients are the highest in Austria, Slovenia and Finland, meaning high fiscal adjustments - about 60 % of deviations from long-run equilibrium relationship are corrected in one year, while the weakest adjustment is estimated for Malta (about 17-19% of deviations are corrected in one year). Robustness check in structural dimension (sample without Croatia) confirmed weak fiscal sustainability with heterogeneous fiscal adjustments, while reduction in time dimension, indicated better fiscal discipline in average of European Union Economies, indicating *strong* fiscal sustainability after introduction of Stability and Growth Pact in 1997.

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Appendix

Table no. 1A Pesaran CD test and Pesaran Unit Root Test

CD-test		CD-test	p-value	Corr.	Abs. (corr.)
Public revenues		8.85	0.000	0.093	0.349
Public expenditure		24.79	0.000	0.260	0.367
Public debt		6.2	0.000	0.77	0.507
CADF and CIPS test <i>H₀: I(1);</i> <i>H₁: I(0)</i>	lags	Model with constant^a			
		Level of variables		First difference of variables	
		Z($\bar{\epsilon}$)-statistika (CIPS)	p-value	Z($\bar{\epsilon}$)-statistika (CIPS)	p-value
		Public revenues	0	-1.928	0.027
	1	-3.472	0.000	-12.654	0.000
	2	-0.474	0.318	-6.894	0.000
Public expenditure	0	-4.342	0.000	-20.459	0.000
	1	-3.921	0.007	-11.796	0.000
	2	-0.899	0.184	-5.752	0.000
Public debt	0	3.039	0.999	-15.115	0.000
	1	-0.154	0.288	-8.025	0.000
	2	2.956	0.987	-3.565	0.005

Note: ^a Critical values for model with constant are: -2.070, -2.150, and -2.320 for the significance level 10%, 5% and 1%, respectively.

Source: Authors' calculations

Table no. 2A Robustness Check in Flow Model: EU-27 in period 1995-2018

Dep. variable: log public revenues	Homogeneous long-run relationship (θ)		ΔIE		μ_i		Error correction (Φ_i)	
	Coef.	p-value	Coef.	p-value	Coef.	p-value	Coef.	p-value
Mean Group Estimator	0.5852666	0.000	-0.0244	0.570	0.7646	0.000	-0.3658	0.000
$\theta = 1$	$\chi^2=7.60$	0.0059						
$\theta = 0$	$\chi^2=15.13$	0.0001						
PMG	0.5579138	0.000	-0.0179	0.663	0.4599	0.000	-0.2829	0.000
$\theta = 1$	$\chi^2=82.43$	0.000						
$\theta = 0$	$\chi^2=131.28$	0.000						
Hausman test for long-run relationship homogeneity								
	MG		PMG		MG-PMG			
Long-run relationship	0.5852666		0.5579138		0.0273528			
Hausman test statistics			0.03					
p-value			0.8577					
ARDL (1,1)								

Source: Authors' calculations

Table no. 3A Robustness Check in Flow Model: EU-28 in the period 1996-2018

Dependent variable: log public revenues	Homogeneous long-run relationship (θ)		Error correction (Φ_i)		ΔIE		μ_i	
	Coef.	p-value	Coef.	p-value	Coef.	p-value	Coef.	p-value
Mean Group Estimator	0.7956	0.040	-0.3759	0.000	-0.0018	0.968	0.8574	0.000
$\theta = 1$	$\chi^2=0.28$	0.598						
Pooled Mean Group Estimator	0.2257	0.000	-0.3105	0.000	0.0476	0.310	0.8946	0.000
$\theta = 1$	$\chi^2=538.0$	0.000						
$\theta = 0$	$\chi^2=45.72$	0.000						
Hausman test for long-run relationship homogeneity								
	MG		PMG		MG-PMG			
Long-run relationship	0.7956		0.22570		0.56999			
Hausman test statistics			1.83					
p-value			0.1757					
ARDL (1,1)								

Source: Authors' calculations

Table no. 4A Robustness Check in Flow Model: EU-28 in the period 1997-2018

Dependent variable: log public revenues	Homogeneous long-run relationship (θ)		Error correction (Φ_i)		ΔIE		μ_i	
	Coef.	p-value	Coef.	p-value	Coef.	p-value	Coef.	p-value
Mean Group Estimator	0.7156	0.021	-0.3744	0.000	-0.0008	0.968	0.8662	0.000
$\theta = 1$	$\chi^2=0.85$	0.357						
Pooled Mean Group Estimator	0.1918	0.000	-0.3029	0.000	0.0557	0.250	0.9113	0.000

$\theta = 1$	$\chi^2=615.1$	0.000	
$\theta = 0$	$\chi^2=34.67$	0.000	
Hausman test for long-run relationship homogeneity			
	MG	PMG	MG-PMG
Long-run relationship	0.7156	0.19185	0.5237
Hausman test statistics		2.45	
p-value		0.1175	
ARDL (1,1)			

Source: Authors' calculations

Internationalization of Companies – Stages and Challenges in the Global Business Environment

Mihaela-Sorina Dumitrescu

Dorel Paraschiv

Maria Nițu

Bucharest University of Economic Studies

sorina.dumitrescu16@yahoo.com

dorel.paraschiv@ase.ro

nitumaria2@gmail.com

Abstract

For exponentially increasing managerial value, the third millennium has highlighted a multitude of practices, including cost optimization, outsourcing or business internationalization – a goal which has become the focus of an increasing number of firms. Due to innovative technologies, businesses and economy become global easily.

The dynamic environment of business area is full of opportunities which the entrepreneur has to identify for a successful internationalization.

But, undoubtedly, when a firm decides to internationalize its activity, it will have to elaborate a strategy in order to face countless challenges for succeeding in the global market. Moreover, this strategy should include well-planned stages which the company should pass, based on key factors like innovation and agility.

The main goal of this research is to expose the challenges faced by brand companies which adopt the process of internationalization and to present solutions for overcoming these challenges.

Key words: internalization, globalization, business environment, innovation

J.E.L. classification: F64, F23

1. Introduction

We are living in an era of globalization where the elimination of trade barriers, the emerging markets, the evolution of technology, the business environment dynamics and the evolution of the needs of cosmopolitan consumers led to the appearance of corporations that dominate today's world economy.

Trade, services and products have crossed the national borders, transforming into a global market that can be easily accessed.

With the emergence of globalization, a new and important production factor appeared – knowledge, which represents an inexhaustible and globally distributed resource that leads to continuous development.

It has been created complex knowledge networks for customers, global suppliers, with the aid of high technology. (Axinn *et al*, 2002, p. 6).

Internationalization represents the learning and evolutionary process for global managers, being implemented through stage models, which will be detailed in this research.

We are living in a global world which evolve through innovative technology and in a world where rapid changes take place in the business environment. This is why companies should adapt quickly to these changes and should be agile.

One objective of the article is to present the stages of internationalization for brand companies, analyzing if the classical stages of the process could be applied to this type of companies.

Likewise, it will be detailed the challenges met in the process of internationalization by brand companies and the solutions for dealing with them, considering the global business environment dynamics and accessibility, the evolution of technology, the power of innovation and the global competition.

In fact, there are few strategic assets which one company may use in order to own a competitive advantage for a long time. In the global market is about the values competition, not just about the market share.

2. Literature review

Globalization is the very dynamic process that leads to increased global interdependencies, accompanied and amplified by the growth and the interconnection of systems, firms and individuals (John Wild *et al*, 2002, pg. 6).

Internationalization represents the engagement process of companies in international operation in order to exploit the opportunities of the market or its competitive advantages. A trend specific of the 21st century is to pass from the internationalization of business to globalization.

Internationalization in the business environment context is more about exposing companies to, threats, opportunities offered by the international business influences and less about going on foreign markets. (Jones *et al*, 2001, p.3)

The motivations for internationalization of the firm are presented in the literature in two categories: *reactive* and *proactive*. Among reactive factors are included the pressure of competition, the declining sales on the domestic market, the overcapacity, the overproduction or the approach to customers. (Popa *et al*, 1999, p.81).

The access to resources, the cost reduction, the technological advance, the managerial involvement or the developing of information and telecommunication network are considered proactive factors which motivate the decision of internationalization.

Considering the present dominated by the globalization phenomenon and the power of corporations, more and more economists or business specialists wanted to develop innovative business models as strategies for internationalization, based on the study of successful corporations.

The authors' vision differs, building different business models depending on the company's resources, on the field of activity, identifying different key factors like innovation identified by J & I. Butler.

The role of knowledge and information in the process of internationalization implies the use of the business network. (Chetty *et al*, 2003, p. 4).

It has been identified five dimensions which an international company should consider in order to build an efficient business model. These dimensions are: international leadership, organizational system, management process, values and culture, as well as human resources (Costa *et al*, 2007, p.7).

The most relevant business model is *born global model* which creates value faster than the classic internationalization applied to companies after an active period on the local market. Often, the local market is very narrow. Companies need to internationalize immediately in order to cover their research-development costs, which can not be covered on a local market. (Knight *et al*, 2004, p.125).

The born-global model helps a lot the internationalization of small firms and it is relevant to the globalized world economy, being an aggressive learning strategy required. (Chetty *et al*, 2003, p. 1).

A European survey identified the level of adaptation for the marketing mix of brands, considering the differences between countries, on top being legal differences, competition, consumption habits, the structure of distribution or the brand awareness, factors which represent challenges for the companies which want to apply the strategy of internationalization. They should study each type of difference for the target market and should establish strategies of adapting to these differences.

Table no. 1 Differences between countries and the level of adaptation

Type of difference	(%) Necessary adaptation
Legal differences	55
Competition	47
Consumption habits	41
Distribution structure	39
Brand awareness	38
Brand distribution level	37
Media audience	37
Marketing programme success	34
Consumers' need	33
Media availability	32
Brand images	30,5
Norms for products manufacturing	27,5
Brand history	25,2
Lifestyle differences	25
Cultural differences	25
Subsidiary sales	23
Consumers' buying power	22
Consumers' age differences	12

Source: (J N Kapferer, 2012, p. 420)

3. Research methodology

Considering the top goal of this research to analyse the challenges which companies face applying the strategy of internationalization, the first step was to understand the phenomenon of internationalization, in the context of an agile global environment, the strategies applied for internationalization, through theoretical research of specialized articles, using quantitative analyse. For presenting the steps followed by companies for internationalization, it was used synthesis.

In order to have specific results, it was analysed the option of internationalization applied to brand companies which explore foreign markets, being presented the strategies for succeeding internationally, analyzing if the classical stages of the process of internationalization could be applied to the brand companies.

Then, using the logical research method, it were exposed the challenges which companies face applying the strategy of internationalization, considering the characteristics of the global business environment and were identified solutions for overcoming these challenges and for adopting a success strategy of internationalization.

4. Findings

4.1. Stages of the internationalization

Starting from analyzing the company in the international and multicultural context, it can be distinguished between national firm (initial internationalization, ethnocentrism), international firm (internationalization, polycentrism), multinational firm (centrocentrism) or global firm (globalization, geocentricism) (Popa *et al*, 1999, p.25).

For traditional companies which do not adopt the born global model, the classical stages of company's internationalization are: the answer to the external orders, active export, direct export, branches and subsidiaries, assembling abroad, production abroad and the integration of subsidiaries (Popa *et al*, 1999, p.80).

The company starts from an order of a foreign importer. If this order is profitable, the exports will grow as an answer to new orders from importers, working through intermediaries. Then, after the company' exports evolve, an export manager will check for new opportunities on foreign markets in order to sign export agreements through intermediaries.

In the next stage, the export service will not meet the efficiency criteria and it will be necessary to establish an export department, selling without intermediaries. Extending the network of exports, the company will strategically decide to create branches and subsidiaries for a better process control and for a direct interaction with foreign markets.

After this stage, for creating a valuable supply chain and for cost reduction, the company will decide to assembly and later to product abroad. The last stage from the internationalization strategy involves the integration of the subsidiary, becoming a global company.

Could these classical stages of the process of internationalization be applied to brand companies? Extending brands involves all the elements of the marketing mix: price differentiation, line extension of the product, communication, retail extension in order to client relations with customers.

Usually, companies start building a strong brand in the home market and then expand on the international markets. (Cheng *et al*, 2003, p.1).

One short-term strategy of growth is building the brand on the existing customers. It is very important for a brand company to be close to the customer because attracting new customers may be too costly (J N Kapferer, 2012, p. 195).

On long term, the company should invest for research & development in order to innovate and to be different from competitors.

The strategy of extending brand through the opportunities which existing customers offer may be applied by growing the volume per capita. For example, Bailey's consumption was seasonalized, being sold for winter holidays and they launched a successful campaign which promoted the consumption of Bailey's by groups, from normal-sized glasses and not from liquor glasses, designing the newest Bailey's glass.

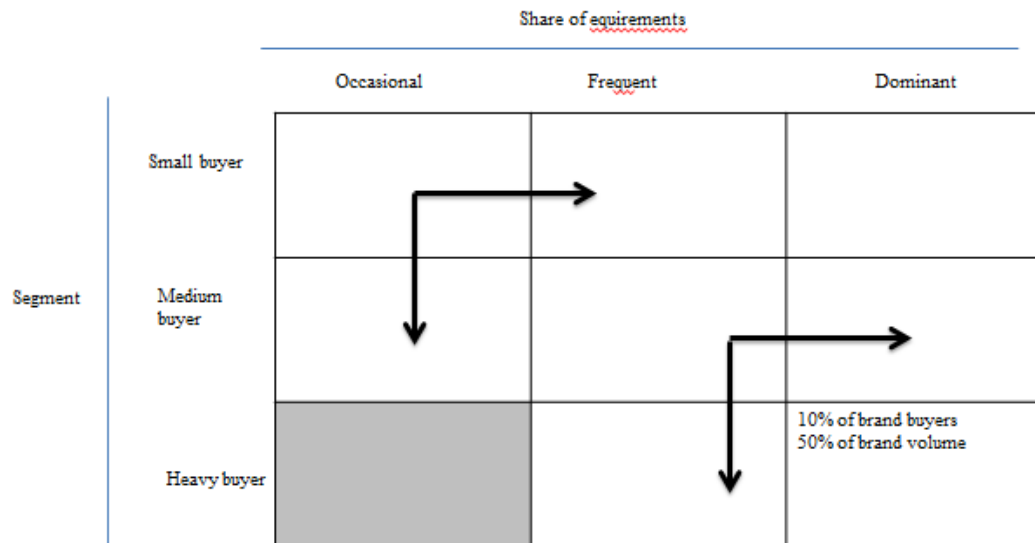
For increasing the volume per capita, Coca-Cola use for research a strategic matrix which segments customers, like in Figure no. 1.

Clients are segmented using two dimensions, coordinated with the customer's behavior: *share of requirements* – how many times clients buy the brand out of 100 occasions of purchasing? and *level of consumption*, buyers being segmented in three layers – small, medium and higher.

Using these dimensions, the strategic matrix has eight cells because the case occasional – heavy buyer is impossible. Each cell from the matrix is the percentage of the number of households and the percentage of the volume sold of the brand.

Bottom right is the key segment represented by high-consumption of the brand. This is why the brand manager should move as many clients as possible in this key segment. For this purpose, he should understand the motivation of consumers in order to segment the by behavior. The main question is why they do not consume more?

Figure no. 1. Strategic matrix – increasing volume per capita



Source: (J N Kapferer, 2012, p. 195)

Another strategy for growing the brand is the line extension by extending:

- the sizes and formats
- the variety of flavors or tastes
- the ingredients – Coca - Cola without sugar,
- the physical forms – Ariel liquid or in powder
- the product add-ons - Basic Homme from Vichy includes a complete line of toiletries products

This is the most used strategy, being faster than creating a new brand. When domestic markets become mature, brands companies should search new markets for internationalization.

On the long term, innovation should be considered the source of competitiveness and growth, being the brand oxygen (J N Kapferer, 2012, p. 202). Companies which innovate assign 3,4% from the total sales for research & development.

Brand's image and sales benefit from innovation through the *spillover effect* because the advertising for one single product influences the sales for another product. Innovation feeds the brand's image with the intangible and tangible characteristics of the new product.

The process of brand globalization has the next key stages (J N Kapferer, 2012, p. 429):

1. Definition of brand identity
2. Selection of regions and countries
3. Access to the market
4. Defining brand architecture
5. Defining the products which will be adapted to the markets
6. Defining global campaigns

First step is the definition of brand identity which is mandatory for globalization and should highlight the difference between competitors, the plus value and the elements of originality offered (high quality, client focused or competence).

For selecting the regions and countries, the brand company should make a strategic analysis including the size of the markets, the indicators of growth – purchasing power of the potential market, the consumer insights, the competition, the distribution channels, the media network, the local commercial partners, the legislation regarding market access or registering the brand name.

The access to the national market should involve the choice of one strategy from the two existing ones – a new category created or the existing category segmented.

The brand architecture should be adapted to the country horizontal by reducing the range of brands in order to choose niche products or vertical by reducing the levels of branding for being more efficient on the potential market.

Moreover, it is important to create products which are relevant for the selected market, adapting to the needs of targeted consumers as prototypes of the image created.

The communication of global brands should be at global level for controlling their global image, establishing rules of promotion based on brand personality. This stage involves marketing structures at international level.

The brand names, the trademark, the features of the product, the packaging, the distribution channels, the after-sales services, the advertising strategy or the sales promotion are some aspects of the brand that should be internationalized.

4.2. Challenges in the global business environment

Companies which follow the born global model are facing the challenge of developing global value. For a new company which has not the organizational structures of a corporation, the use of global networks or international platforms represents the solution for achieving the goals.

The born global model focuses on a global niche and can even represent a challenge for competitors. Internationalization process involves managerial dilemmas of organizations in the changes of structural management, strategic management and human resource (Long Lam et al, 1999, p.1)

Growing a brand is considered to be more difficult than the internationalization of a company which does not have a brand, because supposes building the business and the brand equity for the penetration of target markets. Brand companies should make previous buyers to remain loyal. This is why Customer relationship management (CRM) plays an important role (J N Kapferer, 2012, p. 195).

For the bottom of the pyramid brands, the main challenge is to involve creativity in the product, in the supply chain or for salespeople.

For mature markets, brand management represents a challenge – the way of building the business for consumers who have their needs accomplished a lot of variety, being price-sensitive and also for retailers who expects larger and larger shares.

For line extension of brands, an important challenge is the complexity of the production management and supply chain management which cause the increasing of the selling price.

Another challenge could be the complexity of promoting all products, without explaining the superiority of one product to the detriment of other product from the same range.

For better management of line extension, Quelch and Kenny propose the improvement of the cost system because this extension involves new costs for the value chain. Also, it is recommended that resources should be allocated on high-margin products than on extension for occasional buyers and salespersons should know to summarize each product from the range. Another suggestion is that products which have a low turnover should be gradually withdrawn from the markets.

The name of the brand may represent a really challenge because a success globalization involves using the same name in all the countries, but the name translated in a foreign language in order to send the message to the customers. It is very important how the translated name sounds and how easy is to spell for remaining in the consumer's mind.

An important challenge of the global business environment is the competition because companies innovate in order to face competitors' products. One strategy recommended is *blue ocean innovation*. Considering the *red ocean* a bloody competition, companies should innovate and create new markets without fierce competition.

Blue ocean innovations or value innovation are considered disruptive innovations (J N Kapferer, 2012, p. 207), relying on a set of values different from those of the competitors and involves thinking differently from competitors' innovation.

A successful example of blue ocean methodology is EasyJet, the company which offered low prices and created the low-cost travel market.

Fragmented markets which need customization represent another challenge being limited by cost and profitability. This fragmentation could be transformed in an opportunity, creating coherence among distributors through clear rules, allowing the allocation of specific labels, stores and locations.

Also the fragmentation represents an opportunity for the customers who will feel different using the customized products, increasing the perception of exclusivity.

For the desire of companies to meet different consumer needs, they created multi-brand portfolios, not only through differentiated products, but also through different identities.

They structured their portfolio including global brands which have the largest contribution to portfolio growth, regional brands which have potential to become global, regional brands which have been the market leaders and are still profitable and local brands which have a low growth, but an important contribution for portfolio.

Managing multi-brand portfolio in the global business environment could be considered a real challenge for managers because portfolios involve strong coordination and innovation should be allocated regarding the all brand's positioning.

In a portfolio, each brand should be the reflection of the global strategy for market domination and should focus on different competitors.

It could be tempting to implement the same ideas and the same design for different brands of portfolios, but this is a challenge which should be avoided for a successful extending of brands.

The pricing issue, being a key factor of the brand strategies, should be established in coordination with market positioning because a brand should not have the most expensive price in one market and lower prices on the other market.

This is difficult because international or regional distributors represent a threat for brand price strategy which it is adapted according to their price policy. The price level reflects the prestige and the quality of the brand.

Legal differences represent another challenge for globalization. Even though at regional or international level are trade standards (GATT, Mercosur), laws regarding rights to sell, advertising or products differ significantly.

For local brands, the process of analyzing the internationalization strategy should focus on the necessity of internationalization and on globalization of brands.

Also, it should be established which aspects of the brand should be internationalized and which are the ones that should not be internationalized. The positioning strategy and the identity of brand should be clear defined, alongside the advertising expression and execution, the copy strategy and the global launching.

5. Conclusions

Each company should analyze the decision of internationalization and after this should define the strategy applied, based on a detailed action-plan which should be often adapt in order to keep up with the dynamic global business environment. For succeeding, they should invest in research & development, a vital component for the global competition.

The disruptive innovations, called blue ocean innovations or value innovation should represent the competitive advantage for a company in the global market. Through the spillover effect, the image of the company and the whole sales are positively influenced by this intangible asset.

Moreover, innovation feeds the brand's image with the intangible and tangible characteristics of the new product. Through innovation, companies may be able to adapt to the quick changes of the global business environment.

A part of challenges met in the process of internationalization by companies should be anticipated through the strategy of implementation planned, but if they have not been identified, companies should be ready to overcome them quickly.

For a successful internationalization of the brand, the positioning strategy and the identity of brand are elements which should be clear defined, alongside the advertising expression and execution, the copy strategy and the global launching,

Considering the stages of this process explained, the challenges of the process of company internationalization detailed, some solution proposed for facing it, this research could represent a starting point for future research.

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The Influence of the Depreciation of China's Domestic Currency on Trade Relations with the EU

Loredana Jitaru

Lorena Florentina Dumitraşciuc

"Alexandru Ioan Cuza" University of Iaşi,

Doctoral School of Economics and Business Administration

jitaru_loredana10@yahoo.com

lorena.popescul@student.uaic.ro

Abstract

Despite the fact that EU-China cooperation relations have enjoyed undeniable success, issues that affect the harmonious development of these relationships have not been delayed. One of the issues affecting EU-China trade relations is the EU's trade deficit. In this context, we want to examine the influence of the Chinese currency depreciation on trade relations with the EU. In this regard, we aim to see if there is a possible link between the EU trade deficit in relation with China and the renminbi depreciation, and for this we applied the correlation method.

Key words: depreciation of the Chinese currency, RMB exchange rate, China, trade deficit, EU

J.E.L classification: F10, F14, F31

1. Introduction

China enjoyed impressive economic growth, with a growth rate of around 9% between 1978 and 2018. This formidable growth of China has been largely attributed to the growth of exports; which has transformed China into the world's largest exporter, outpacing Germany in 2009.

In this context, this actor has recorded a huge commercial excedent with its main trading partners, namely: the EU and the USA. European and American decision makers have accused China of maintaining this surplus by depreciating the national currency. Given this, we want to provide an answer to the the following question: Does the renminbi depreciation represent a real factor in deepening the EU trade deficit in relation to China?

Given this the purpose of this paper is to examine the influence of the Chinese currency depreciation on EU-China trade relations.

This research has the following structure: Section no. 1 - Introduction, Section no. 2 - Literature review - where we analyzed the most relevant studies by numerous researchers on the influence regarding of renminbi depreciation on China's trade balance; in Section no. 3 we discuss about the Methodology; then in section no. 4 we have approached quantitative analysis of the influence of renminbi depreciation on foreign trade with the EU - where we applied the correlation; Section 5 - Conclusions.

2. Literature review

Regarding the renminbi's depreciation, it was a controversial subject of research. We have noticed in the literature about the influence of the depreciation / appreciation of the Chinese currency on the surplus of China's trade balance that they are divided into two main categories, namely: research that shows us that the renminbi depreciation has had a positive influence on China's trade surplus and research showing us that the renminbi depreciation did not have any significant influence on China's trade balance. Therefore, in the table no.1 entitled *Previous studies on the influence of the Chinese currency depreciation*, we presented the most relevant results of the research carried out by the most significant authors.

Table no.1 Previous studies on the influence of the Chinese currency depreciation

Authors	The time period under analysis	Research methodology	Influence on the appreciation of renminbi on Chinese imports / exports / trade balance
Garcia, Herrero A. and Koivu, T. (2009)	1995-2005	Co-integration technique	Reducing the level of China's trade surplus that is insignificant.
Guo, W. (2017)	2000-2012	Co-integration technique regression	It has a small influence on the trade balance.
Cardoso, A., Duarte, A.P. (2017)	1995-2011	Correction model for vector errors (VEC); Time series; Dickey-Fuller unit root test (ADF)	It has a significant impact on the trade balance (indicating that a 32% appreciation of renminbi contributes to a 20% reduction in the trade deficit for the EU-China).
Yue, C. and Hua, P. (2002)	1980-2000	Regression, Panel, LM Test OLS Test	Regarding the depreciation of renminbi, we find that this has led to increased exports.
Dees, S. (2001)	1994-2000	Test ADF	The appreciation leads to a decrease in exports.
Rossi, V. (2005)	2001-2010	Equilibrium model of the FEER exchange rate	It does not have a significant impact regarding on China's trade balance.
Zhang, Z. and Sato, K. (2011)	1987-2009	VAR	The evolution of the exchange rate on China's trade balance is too limited.
Eichengreen, B. and Tong, H. (2011)	2005 and 2010 (6000 companies from 44 countries)	Placebo test Robustness checks	Regarding the appreciation of the renminbi, it has a positive impact on the companies that export to China final products. However, there was a negative impact on firms exporting semi-processed products.
Granville, B., Mallick, S. and Zeng, N. (2011)	1987-2010	VAR	The appreciation of the renminbi has a reduced impact on the reduction of the US trade deficit.
Jiang, W. (2014)	1981-2012	ADF, the co-integration test, the associated econometric model	Over a long period of time, the fluctuation of the exchange rate has a positive impact on imports and exports.
Masih, J., Liu, D. and Pervaiz, J. (2018)	August 2005 - July 2016	ADF test VAR	there is no causal link between the exchange rate and the trade balance.

Source: Authors' contribution

In this context, it is found that a significant factor contributing to China's surplus, and implicitly to the deficit in respect of the main trading partners of this actor, is the understatement of the renminbi (Guo, 2017, p.817, Zhang and Soto, 2011, p.3 Cline, 2010, p.1; Darvas and Pisani-Ferry, 2010).

Also, following the statistical analysis, Cardoso and Duarte (2017, p.891) conclude that undermining renminbi is considering providing an incentive for the European investment part in China. As a result, many companies from the EU member countries have transferred their businesses to the Chinese territory, which has resulted in the increase in the quality of Chinese goods through the incorporation of high-tech European technology.

This has resulted in increased competitiveness of Chinese companies compared to European ones. In addition, the two researchers argued that „an appreciation of the Chinese currency by 32% would lead to a 20% reduction in the EU trade deficit in relation to China”. Similarly, Dadush and Ali (2010) said that „a gradual revaluation of the Chinese currency will lead to a more balanced,

more sustainable growth in China”, and this benefits everyone. However, renminbi revaluation are countries that will record losses (eg Italy, USA, etc.).

Instead, Corden (2009, p.431) said that, „on the part of China's trade surplus relative to its own partners is not determined by the depreciation of the renminbi. Instead, as far as the current account imbalances are concerned, they have been associated with all foreign exchange regimes”.

Similarly, Zhang and Soto (2011, p.15) argued that „the trade balance for China is determined mainly by world demand and its commercial performance, which means that it is supported by the maintenance of the comparative advantage”, rather than depreciation and Masih et al. (2018, p.44) said: „the words of critics who claim that RMB has been highly underestimated, which allowed China to get unfair commercial rewards, do not make sense”.

This aspect is also supported by Rossi (2005, p.31), underlining the idea that „a forced appreciation of renminbi could lead to a decrease in international trade. The researcher has estimated that a renminbi appreciation of more than 50% could have some negative effects, and this would not only affect China's economy, but even the world economy”. In this context, we propose in Section no. 4 to analyze the influence regarding of the renminbi depreciation on EU-China trade.

3. Methodology

The present research is a fundamental one that is based on both qualitative and quantitative methods. In the first two sections, we used the document analysis. In selecting and analyzing the documents we took into consideration the keywords, which were mentioned above.

Therefore, for the fourth section, we used the statistical analysis, namely the correlation.

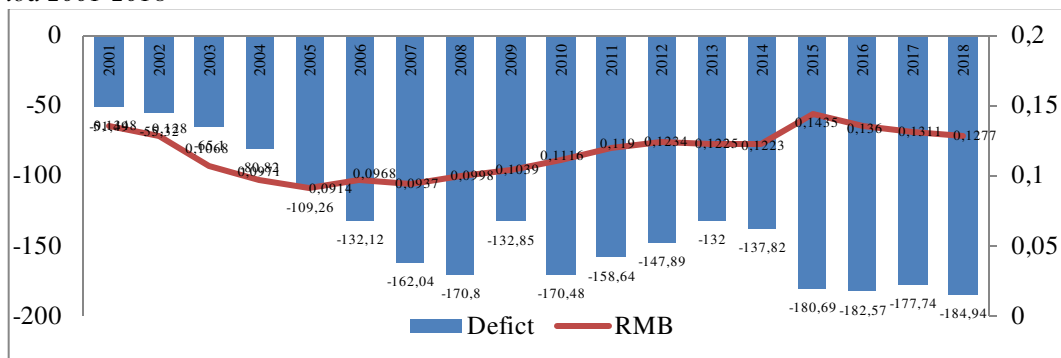
We have used this method to show the direct and significant link between the variables defined in Section 4, in Table 3. The data used in the present research is derived from the documentary analysis based on documents produced by the European Parliament, statistics, specialist articles and other documents (Jitaru și Popescul, 2017) .

4. Quantitative analysis of the influence of renminbi depreciation on foreign trade with the EU

Although the EU and China have the most significant trade relations in the world, they are still faced with a number of problems. The most significant issue behind the harmonious development of mutual relations is the EU's trade deficit with China. The EU has a chronic and quasi-continuous trade deficit. Regarding the European Commission, the two powers trade more than „one billion euros a day, and the EU's trade deficit with China increases by 17 million euros each hour”.

The chart no. 1 shows the evolution of the RMB / EUR exchange rate. We can see that in 2001-2005 there was a 31.19% depreciation of the Chinese currency. As for the EU trade deficit, it doubled over the same period. In 2005, China moved to a free course against the dollar. During this period, the renminbi appreciated by 26.75%, but the trade deficit did not diminish, but on the contrary it increased, amounting to 184.94 billion euros.

Chart no. 1 The evolution of the RMB/EUR exchange rate and the EU trade deficit (billions of euros) in the period 2001-2018



Source: made by authors based on data from Eurostat and Oanda

However, European leaders believe that the Chinese currency is still under-valued, resulting in a deepening of the trade deficit. In this context, we considered a real need to study the link between trade deficit and RMB/EUR exchange rate, of the export and the RMB / EUR exchange rate, between the import and the RMB / EUR exchange rate.

Therefore, to see if there is a significant link between the above variables, we will apply the correlation method.

Entry data were provided by Oanda and Eurostat. The structure of the SPSS database contains 18 records, the analysis period being 2001-2018 and is presented in table no. 2 SPSS screen. Of the software packages dedicated to this type of analysis, we chose to use the SPSS software.

Table no. 2 SPSS screen

Years	Exchange rate	Trade deficit	Import	Export
2001	.1348	-51.49	82.16	30.67
2002	.1280	-55.32	90.42	35.10
2003	.1068	-65.10	106.58	41.48
2004	.0971	-80.82	129.20	48.38
2005	.0914	-109.26	161.01	51.75
2006	.0968	-132.12	195.82	63.70
2007	.0937	-162.04	233.86	71.82
2008	.0998	-170.80	249.10	78.30
2009	.1039	-132.85	215.27	82.42
2010	.1116	-170.48	283.93	113.45
2011	.1190	-158.64	295.06	136.41
2012	.1234	-147.89	292.12	144.23
2013	.1225	-132.00	280.12	148.12
2014	.1223	-137.82	302.50	164.68
2015	.1435	-180.69	351.04	170.36
2016	.1360	-182.57	352.28	169.70
2017	.1311	-177.74	375.37	197.63
2018	.1277	-184.94	394.82	209.87

Source: Authors' contribution

In this case, the following variables were considered:

Table no. 3 Description of variables

Variables	Source	Observations
Exchange rate	Oanda	RMB / EUR exchange rate
Trade deficit	Eurostat	The EU trade deficit with China in the period 2001-2017
Import	Eurostat	Trade between EU and China are between 2001 and 2018
Export	Eurostat	

Source: Authors' contribution

We can observe in the correlation matrix that some coefficients obtained for some variables record higher values, and for others, lower values. Following the analysis, we find that there is a strong and direct correlation between import and export (0.959); a strong negative correlation between deficit and exports (-0.785), deficit and imports (-0.928). It can also be observed that we obtained a moderate direct correlation between the exchange rate variable and the export variable with a level of 0.587.

Instead, we found that there is a direct correlation between the exchange rate variable and the import variable at a level of 0.431. On the other hand, we have noticed that there is no relation between the exchange rate and the deficit variable.

Therefore, we have noticed that in terms of sub-valuation of the exchange rate of the Chinese currency, it may offer an unfair advantage to companies exporting to the EU, with the note that it did not have any significant impact on the deficit trade between the EU and China.

Table no. 4 Matrix of correlation

		Exchange_ rate	Trade deficit	Impo rt	Export
Exchange_ rate	Pearson Correlation	1	-.170	.431	.587*
	Sig. (2-tailed)		.500	.074	.010
	N	18	18	18	18
Trade deficit	Pearson Correlation	-.170	1	-.928**	-.785**
	Sig. (2-tailed)	.500		.000	.000
	N	18	18	18	18
import	Pearson Correlation	.431	-.928**	1	.959**
	Sig. (2-tailed)	.074	.000		.000
	N	18	18	18	18
export	Pearson Correlation	.587*	-.785**	.959*	1
	Sig. (2-tailed)	.010	.000	.000	
	N	18	18	18	18

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

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

Legend:

Strong relationship $r = (0,75, 1) \cup (-0,75 \text{ to } -1)$
 Moderate relationship $r = (0,5, 0,75] \cup (-0,5 \text{ to } -0,75]$
 Poor relationship $r = (0,25, 0,5] \cup (-0,25 \text{ to } -0,5]$
 There is no relationship $r = [-0,25, 0,25]$

Source: Authors' calculations based on data processed with SPSS program

5. Conclusions

In the framework of this research, we intend to analyze the influence of the Chinese currency depreciation on the trade deficit between the EU and China.

Following a simple correlation test, we noticed that there is no link between the EU trade deficit variable and the renminbi depreciation variable. Which means that the EU's trade deficit is not due to renminbi depreciation, as suggested by many researchers and European leaders.

The trade deficit is determined by a series of factors that act together, determining its deepening. In this context, to decrease the trade deficit with China, the EU should increase its imports into China. For this growth to take place, China must respect WTO commitments and remove barriers to market access for EU firms.

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Recent Instruments to Address Financial Crime. The Case of Romania

Oana Maria Neagu

Doctoral School, Bucharest University of Economic Studies

oana.neagu@icloud.com

Abstract

In recent years, the financial crime became a matter of major concern in the European Union and at the level of the Organization for Economic Cooperation and Development (OECD). The phenomenon of financial crime evolves in close connection with the development of society from a technological and economic point of view, permanently adapting and integrating within the rapid advancement of digital technology.

The present paper explores a recent instrument that addresses financial crime, namely the BEPS Action Plan, an initiative of OECD/G20, that through its set of 15 actions, focuses on the tax avoidance strategies used by multinationals on corporate tax planning, to erode the tax base of higher tax level jurisdictions by shifting profits to jurisdictions with lower tax level.

The case of Romania is presented, a country not yet member of OECD, that is participating in the BEPS Plan as Associate Member. Romania assumed to work on the development of standards and to monitor the implementation of the entire package, beginning with the four minimum BEPS standards on: harmful tax practices, abuse of tax agreements, country-by-country reporting requirements and dispute resolution mechanisms.

Key words: financial crime, tax evasion, money laundering, BEPS

J.E.L. classification: H26

1. Introduction

Economic and financial crime has a devastating impact that is felt at all levels of society, negatively affecting both the individual, singularly, as well as institutions, organizations as a whole. The very large gains of an illicit nature and the fact that guilty fraudsters often remain unpunished create anguish, frustrations, tensions and dissatisfaction in society.

The globalization, the constant development of the economic phenomenon, indirectly determine the existence of gaps and imperfections in the legal and economic systems, so that they become lever speculated by individuals or groups with concerns in committing financial frauds. Those illicit operations are performed transnationally and in order to prevent detection, miss-appropriate funds often cross several borders, both physical but also virtual, before reaching their final target.

According to INTERPOL's Director for Organized and Emerging Crime, Mr. Paul Stanfield, "Almost everyone is potentially at risk from Financial crime today, and the effects on victims are often traumatic psychologically, as well as financially".

2. Literature review on financial crime

An important feature of today's global economy is the growing process of globalization. The economic benefits resulting from the globalization process are obvious. Thus, accelerated market liberalization, access to technology, vertically developing e-commerce and informational economies are positive elements following the phenomenon of globalization. Another feature is the growing mobility of financial services and activities. All of these are just as many sources of economic progress but they are also new and important challenge for authorities, whether national or

international. In particular, internationalization of economies and progress in information and communication technology facilitates the proliferation of economic and financial crime and other similar phenomena. In their attempt to make the most of the new realities of the global economy, the world's states have set the fight against economic and financial crime as one of the priorities.

In what concerns the definition, since economic and financial crime has not an internationally accepted one, different dimension were given, depending on the jurisdiction and legislative and economic context.

To assure clarity, it shall be mentioned that financial abuse has a broadest understanding including not only criminal activities that may cause losses to financial systems, but also other types of activities conducted in order to take advantage of the tax and regulatory structures in an illegitimate manner. In a broad sense, financial crime, that is a subdivision of financial abuse, is interpreted as including nonviolent offenses that cause financial and economic losses. These losses are usually caused to financial-banking institutions, whether state-owned or private.

Of the many types of abuses circumscribed to the notion of financial crime, in the present paper tax evasion and money laundering are selected as the most representative.

2.1 Tax evasion

One type of financial crime frequently found in this area is tax evasion (often with international implications). It is the most common offense committed both by individuals and by commercial companies. It often involves the use of illegal complex international tax planning structures as well as numerous financial flows that usually transit several countries in order to minimize the tax burden.

For example, a company, based in a low-tax country, owns a subsidiary in a country with a high level of taxation. In order to minimize the tax burden (the transfer of revenue to the lower tax jurisdiction), the parent company imposes an advantageous transfer pricing system. It could consciously and without any economic basis amplify the services as well as the goods that the parent company would invoice to the subsidiary and understate the services and / or goods that it will import from the subsidiary. These variations in transfer prices affect deceitfully the level of income taxes to be paid by both companies involved, as well as the level of customs duties to which the customs authorities of the two countries are entitled to collect.

When these methods and techniques have the purpose of eluding tax law, we are facing tax fraud or tax evasion.

In general, tax fraud involves either (1) camouflaging legally obtained income, or (2) distorting it in order to illegally avoid taxing it (for example, by illegally turning it into a non-taxable income).

As mentioned above, there are sometimes difficulties in detecting cases of tax fraud from legal evasion, the latter being cases where economic agents use legal "loopholes" to avoid paying taxes and duties, through various methods and techniques of tax planning. In some cases, as the one of Switzerland, tax evasion is just a contravention, the penalty being civil and not criminal.

2.2 Money laundering

According to the International Monetary Fund (2011), money laundering is generally defined as the transfer, through a third party, of funds previously obtained by illegal means, in order to hide their true source. Money laundering works in the opposite direction to tax evasion / evasion. This operation gives an appearance of legality to the funds obtained illegally.

The revenues of a legally established entity have mainly two major destinations: one part is directed to cover the expenses of the entity, while the other part represents the profit of stakeholders. This profit can be, in turn, reinvested or distributed as dividends.

Therefore, when we talk about illegal activities, the income obtained can be recycled in the legal sector of the economy and part can remain in the illegal one. From the illegal income payments to suppliers could be performed, as well as investments, legal or not. One fact is obvious, the part of the income that enters in the legal sector of the economy will gather the attention of tax authorities.

Although those involved in illegal activities will try to minimize tax burden, a minimum tax must be paid to save appearances.

In other words, tax fraud generally minimizes the tax burden. On the other hand, money laundering means introducing in the legal circuit some pre-won money through illegal means.

The frequency and variety of transactions used for money laundering has become increasingly complex, involving many financial-banking and non-financial institutions (insurers, foreign exchange offices, various intermediaries, etc.) from different countries. In addition, laundered funds are not converted into non-cash products at once, they could be transformed in assurances policies, shares. In addition, the types of entities used in these kind of transactions include post office box companies - with no economic substance, but also solid societies with a well-known reputation, where illicit funds are mixed with legitimate ones. Other types of illegal activities in the field of economic-financial crime, that can be associated with money laundering, are corruption, drug trafficking, fraud or organized crime. The funds obtained by those means are then washed through the financial system (or non-financial), and the money laundering can serve to commit other financial crimes (falsification, corrupting the officials of the financial institutions), thus creating a vicious circle.

In an in depth analysis performed by the International Monetary Fund (2000) is stated that as long as there is no uniform set of laws applicable worldwide, we will have a potential conflict of laws and therefore an offshore industry.

To address those issues, the Base Erosion and Profit Shifting (BEPS) is a recent initiative of OECD and G20, that targets tax avoidance schemes that exploit gaps and mismatches in tax regulations with the purpose to artificially transfer profits to jurisdictions with inexistent or very low level of taxes, where the actual economic activity is minimum or non-existent. Although some of the strategies used are not legal, most of them are, multinational corporations having the possibility to legally avoid paying income taxes.

The BEPS package includes 15 Actions that provides governments with instruments to address tax avoidance, at both domestic and international level. This comprehensive package of actions constitutes the first substantial review of the international tax rules in almost one century. According to OECD (2013), the objective is to have the profits taxed in the jurisdictions where the economic activities that generated the profits are conducted and where the value is actually created.

While some actions address the double non-taxation issue and the development of the mechanisms for settling double taxation cases, it should be mentioned that the proposal is oriented towards the allocation of profits between jurisdictions and not focused to change the tax rates.

OECD's Secretary-General report on BEPS to the G20 Finance ministers and Central Bank Governors (2018), another component of the BEPS Action Plan is to "increase the exchange of information on two levels: by increasing the transparency and reporting of information by taxpayers to tax authorities, as well as between tax authorities of different states. This component of the Plan is in line with the proposal to amend the Information Exchange Directive in order to extend the automatic exchange of information for cross-border tax decisions".

A significant component of BEPS actions is dedicated to transfer pricing, since 5 out of the 15 actions refer explicitly or implicitly to transfer prices.

3. Data and method

As the chosen topic of the paper is recent and currently under development at both national and international level, for a comprehensive understanding of the case, a number of written documents from various sources have been analyzed. Secondary data collection method was used, in particular official reports published by OECD, but also studies performed by two of the big accounting firms: Ernst&Young and Deloitte, the most relevant data was selected to increase the research reliability and validity.

The analysis was performed through a process of iterative readings of the texts, the interpretations being further refined during the analysis. At the level of the theoretical research, generally a deductive approach was used, starting from existing concepts, theories and regulations, that were particularized to emphasize the impact of BEPS action plan measures for Romania.

4. Findings on BEPS implementation in Romania

On March 15, 2016, Mr. Pascal Saint-Amans, Director of the OECD Center for Taxation and Administration, sent the Minister of Public Finance the invitation to Romania to participate as a member in BEPS. The OECD Secretariat presented this new framework to the G20 finance ministers at the meeting held in Shanghai on 27-28 February 2016.

G20 Finance Ministers encouraged the initiative to invite countries and jurisdictions as associates to implement the BEPS provisions.

A country or jurisdiction becomes associated within BEPS by sending the acceptance of participation to the OECD Secretariat. Romania submitted the acceptance of participation on June 7, 2016, based on the Government's approval in the meeting on 2 June 2016. The contribution of Romania to OECD as Associate Member is 20.000 Euros per year. Based on Government approval, Romania was represented at the first meeting held in Kyoto between June 30 and July 1, 2016.

At that meeting an Inclusive Framework on BEPS was established, by means of which, the interested countries and jurisdictions are able to support OECD and G20 members on reviewing and monitoring the implementation of the 15 actions. The states members of the IF, that are currently more than 124, including Romania, accounting around 95% of the global GDP, have agreed to start implementing the minimum standards in four key areas: on harmful tax practices (Action 5), on tax treaty abuse (Action 6), on country-by-country reporting (Action 13) and on improving dispute resolution mechanisms (Action 14). Even if the recommendations included in the minimum standards are not legally binding, it is expected that they will be implemented properly by the countries and jurisdictions that are part of the consensus.

Taking into account the status of Romania as an EU Member State, as well as the conclusions of the Council of the European Union that highlighted the need to identify common solutions at EU level, in line with the BEPS conclusions, but also coordinated, effective and rapid implementation measures, the Council Directive (EU) 2016/1164 have been adopted regarding rules against tax evasion with a direct bearing on the functioning of the internal market, which provides a coherent and coordinated common framework for the implementation of Actions 2, 3, 4 and 5 for the substance of the transactions.

This approach at Member State level also ensures legal certainty that these measures are compatible with European Union law and also that the functioning of the internal market is improved and the positive effects of the BEPS initiative are maximized.

Romania, participating in the BEPS Plan as Associate Member, will be involved in activities related to technical issues, in particular in the area of tax treaties and transfer pricing. This includes efforts on the development of transfer pricing guidelines and double taxation avoidance conventions. Also Romania committed to Implement the four minimum standards of BEPS (Action 5 on harmful tax practices, Action 6 on tax treaty abuse, Action 13 on country-by-country reporting and Action 14 on dispute resolution mechanisms); It was assumed by Romania that it will monitor the evolution of taxes in the context of the challenges that the digital economy (Action 1) brought. Romania joined key decision-making bodies in the international tax area, such as the OECD Taxation Committee and its subsidiary bodies and participates in the OECD working groups.

According to Deloitte (2018), the impact of the 15 actions of BEPS is felt by Romanian companies on two main areas. First, the tax authorities will perform in depth analyses on the economic substance of transactions to the detriment of their form. Secondly, tax transparency will be increased. Therefore, the Romanian tax authorities are able to access the financial and tax information of all the entities within a group, that parent companies report in their jurisdiction, including their permanent branches / headquarters in Romania.

One of the areas of significant changes to businesses following BEPS is that smaller economies might become less attractive destinations for multinational enterprises as global tax rules tend to be uniform. In this context, Romania should consider analyzing the implications of international tax initiatives for its own economy and take the necessary measures to maintain its attractiveness to investors at the global level.

Another point of interest for Romanian companies would be that the leaders of the multinational groups are looking for a clear overview of the activity performed in each jurisdiction in which they operate, including the revenues, profits and taxes paid. This has emerged from the public pressure

for transparency, materialized in increased reporting requirements and increased tax controls. Thus, taxation begins to be considered a matter of corporate responsibility, and not viewed just as compliance with local or global rules.

5. Conclusions

Financial crime impacts each of us and, in particular since 90's, became a main concern to governments, as the development of economies are threatened by this phenomenon.

The cost of economic and financial crime is enormous, sometimes slowing down or hindering economic progress in general, but especially in the less developed countries, where it causes dysfunctional economic and financial flows and, in particular, the judicious allocation of resources for development. Moreover, they undermine confidence in democratic institutions and in the market economy.

In the context of the increased mobility of capital and intangible assets, and considering the new business models of this century (the digital economy), the BEPS plan makes recommendations for legislative improvements in both national tax laws system and international regulations to prevent situations arising from the use by the multinational enterprises of the unintended legislative gaps provided by the national tax systems of the countries in which these enterprises extend their activities. BEPS Action Plan, through its set of 15 actions, addresses the tax avoidance strategies used by multinationals on corporate tax planning, to erode the tax base of higher tax level jurisdictions by shifting profits to lower tax jurisdictions.

Romania, as a BEPS associate member assumed to work with the OECD and G20 members to develop standards and to monitor the implementation of the BEPS set of measures, beginning with the four minimum BEPS standards on: harmful tax practices, abuse of tax agreements, country-by-country reporting requirements and dispute resolution mechanisms;

The allocation of profits considering the place where the economic activities are mainly carried out will lead to the increase of the taxable base in Romania, especially regarding the areas of digital economy and auxiliary activities, financing and intangible assets. The profits generated by companies operating on Romanian territory exclusively by digital means, without physical presence (headquarters or employees), will be taxed taking into account sales generated to customers in that state. Also, new stricter rules for deducting funding costs will be introduced. Remuneration of intangible assets should be correlated with the place where activities that create added value are generated. Thus, taxation will be based on the economic substance, not just the ownership of intangible assets.

In order to respond to the BEPS Action Plan, a Chief Finance Officer / tax manager must identify the BEPS actions that target its company, should estimate how the changes proposed by the BEPS Action Plan will impact its company, should prioritize the BEPS actions and rank them by importance, should make the stakeholders (eg shareholders) aware of the impact of the BEPS Action Plan and should find the best ways to respond to the BEPS Action Plan.

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China's Economic Rise after 1978

Sorin-George Toma

University of Bucharest, Faculty of Business and Administration

tomagsorin62@yahoo.com

Andreea Simona Săseanu

The Bucharest University of Economic Studies, Faculty of Business and Tourism

andreea.saseanu@com.ase.ro

Abstract

Since the implementation of its market reforms in 1978, China has gradually shifted from a centrally-planned economy to a socialist market economy and has succeeded in obtaining significant economic development gains. China's spectacular economic rise represents one of the most remarkable phenomena of the last four decades. Since 1978, the Asian Dragon has undergone an astonishing economic transformation under the post-Maoist generation of Communist leaders. The aims of the paper are to present and briefly analyze the Chinese economic rise in the last four decades. In order to achieve the aims of the paper the authors used a quantitative research method. The paper briefly analyzed China's economic rise by taking into account the evolution of its GDP and economic growth rate. The results demonstrated the impressive economic performance obtained by the Asian Dragon even in the period of global crises.

Key words: economic growth, economic reforms, China, Chinese Communist Party, Deng Xiaoping

J.E.L. classification: O4, O53.

1. Introduction

Since the implementation of its market reforms in 1978, China has gradually shifted from a centrally-planned economy to a socialist market economy and has succeeded in obtaining significant economic development gains. With a population of more than 1.39 billion people (National Bureau of Statistics of China, 2018) and a gross domestic product (GDP) at purchasing power parity of more than \$23 trillion in 2017 (Central Intelligence Agency, 2019) the People's Republic of China (PRC) achieved the status of a superpower at the global level (Fishman, 2005; Urio, 2018). It already became the world's largest exporter of goods, the "world's factory" and a huge consumer of commodities (Zhang, 2006; Gilhooly *et al*, 2018).

China's spectacular economic rise represents one of the most remarkable phenomena of the last four decades. Since 1978, the Asian Dragon has undergone an astonishing economic transformation under the post-Maoist generation of Communist leaders (Benson, 2016). In this respect, China's successful economic story began with the historical decisions adopted by the Third Plenary Session of the Eleventh Central Committee of the Communist Party of China in December 1978 when re-adjustments of the economic policies and market-oriented reforms were implemented (Feuchtwang *et al*, 1983; Fewsmith, 1994; Garnaut *et al*, 2018). As a result, the GDP per capita rose from 385 yuan in 1978 to 59,660 yuan in 2017 (National Bureau of Statistics of China, 2018).

The aims of the paper are to present and briefly analyze the Chinese economic rise in the last four decades. The next section of the paper displays the literature review. It is followed by the research methodology. Thereafter, the findings of the paper are illustrated. The paper ends with conclusions.

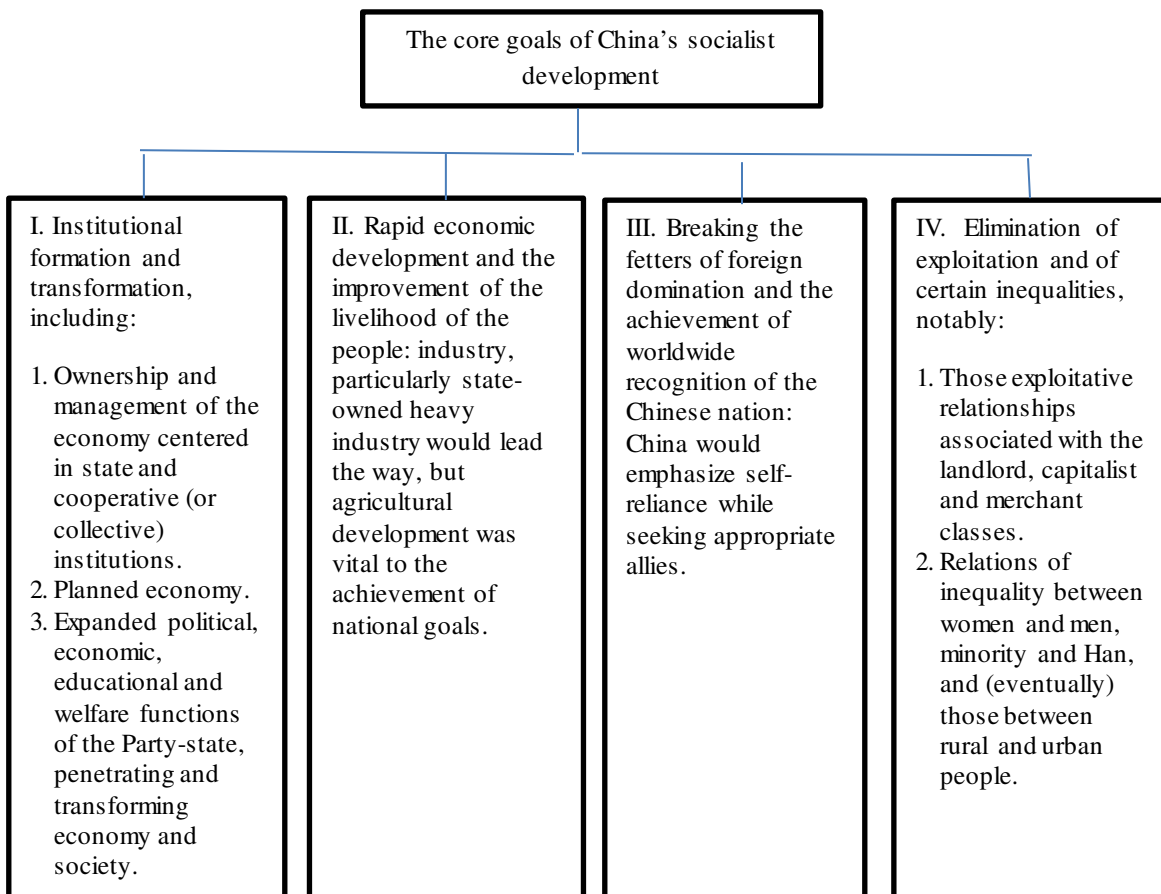
2. Literature review

China's impressive economic rise after 1978 has constituted a topic of interest for researchers and practitioners all over the world in the past decades. After the end of the Second World War, China faced three great challenges as follows: the effects of wartime inflation, the effects of wartime real dislocation of resources, the civil war (King, 1968).

The civil war ended with the victory of the communists over the Nationalist forces and Mao Zedong proclaimed the PRC on 1 October 1949. The adoption of Marxism-Leninism with 'Chinese characteristics' led the Chinese Communist Party (CCP) to the establishment of a centrally planned economy and of four key goals of the socialist development of the country (Figure no. 1).

From 1949 to his death in 1976, Mao ruled the country and highly influenced its evolution. From the beginning, he declared that "the time had come for the CCP's centre of gravity to switch to the cities, which were to focus on production rather consumption" (Fenby, 2013, p. 357). Therefore, the PRC, with its "highly centralised and hierarchical power structure" (Stuart-Fox, 2003, p. 154), its "unique 'socialism with Chinese characteristics' political model but its ancient thought, traditions and attitudes" (Brown, 2017, p. 8) and with Soviet aid, designed and implemented the First Five-Year Plan (1953-1957) that put accent on the industrial development, especially the heavy industry, combined with the socialist transformation of agriculture, handicrafts, and commerce (Guo, 2010, p. 84). Under the Communist regime, it gradually became one of the greatest industrial powers of the world in several domains such as cotton, coal, iron, cement and paper at the end of the 1950s and the beginning of the 1960s (King, 1968). Despite the fact that the economic growth averaged almost 9% between 1952-1957 and less than 5% from 1958 onwards (Pyle, 1997), the country remained poor, rural, and mainly underdeveloped from an economic point of view until the late 1970s.

Figure no. 1. The core goals of China's socialist development after the Second World War



Source: (Selden, 1984, pp. 1-2)

The end of the 1970s witnessed a major change in the PRC when Mao's radicalism was replaced by Deng Xiaoping's economic reforms and open-door policy. In other words, "the most significant single development in China since the death of Mao has been the shift from revolution to reform" (Dittmer, 2018, p. 2). Thus, "'socialist modernization' became the watchword, with decentralization, rationalization, performance-linked rewards and management responsibility at its core" (Fenby, 2013, p. 539). China's economic structure underwent a transition to a new economic system as follows:

"(1) Popularly owned enterprises have begun to transform themselves into independent commodity producers; and managers with the power of decision making in the original organisations are taking up positions within administrative organisations.

(2) Fully nationalised ownership has given way to various forms of shared interest with a majority public component.

(3) The mechanism of economic operation has begun to be transformed from that of mandatory allocation and distribution to a combination of planned economy and market regulation.

(4) The form of economic policy making has changed from the former centralised strategic command system, with its lack of distinction between the responsibilities of the state and the enterprises, to one involving a redefinition of governmental functions and the introduction of multi-level responsibility.

(5) The principle of social provision has begun to shift from the former egalitarian system - everyone 'eating from a big common pot' - to a variety of forms that operate on the basis of distribution according to contribution, etc." (Gao, 1996, p. 11).

The economic reform period can be split in the following three main phases of approximately five years each: agricultural reforms, urban/industrial reforms, financial reforms (Pyle, 1997).

After the inauguration of the so-called "four modernizations" (in industry, agriculture, science and technology, and the military) in the early 1980s, China achieved double-digit economic growth for several years. Later, the fall of the Berlin Wall and the spread of globalization imposed the replacement of politics by economics as the main focus of attention of the PRC (Stuart-Fox, 2003).

The end of the second millennium and the beginning of the third millennium found the Chinese economy engaged in a process of strategic restructuring aiming at the development of manufacturing industries (e.g., electronics, automotive), petrochemical industries, building industries, environment protection industries, and high-tech industries (Zhang, 2000).

After more than half a century of constant change today's China economic system represents a combination of "a predominantly market economy, emerging capital markets, and large and important government-owned corporations" (Tsai *et al*, 2015, p. 2). China's emerging model of state capitalism emphasizes the prominence of state-owned enterprises and banks in an economy that has grown in recent years at an average of around 7% (World Bank, 2019).

China's economic rise constituted the subject of numerous studies that have been published especially after the 1980s. Most of them focused on various aspects related to this topic such as the structure of the Chinese economy, the huge population, the role of state, the abundance of many natural resources or the influence of the political system (Lippit, 1987; White, 1993; Bao *et al*, 2002; Guo, 2010).

3. Research methodology

In order to achieve the aims of the paper the authors used a quantitative research method. First, they collected the secondary data through the deployment of a comprehensive literature review. Second, the authors revised articles, reports and books found in Romanian libraries and electronic databases. Third, they analyzed and synthesized the data.

4. Findings

After the death of Mao, Deng's liberal policies encouraged Chinese people to get rich through their work and efforts. The creation of the special economic zones, the launching of the program of expanded state-owned enterprise autonomy and the implementation of the contract system highly

contributed to the rapid economic rise of China after 1978.

In the period 1978-2017 China's GDP rose from around \$150 billion to \$12,238 billion (Table no. 1). In other words, it increased over 80 times in four decades, a remarkable economic boost for the PRC.

Table no. 1. The evolution of China's GDP and growth rate in the period 1978-2017

Year	GDP (current US\$billion)	Growth rate (annual %)
1978	149.541	11.667
1979	178.281	7.6
1980	191.149	7.807
1981	195.866	5.172
1982	205.090	8.934
1983	230.687	10.835
1984	259.947	15.139
1985	309.488	13.443
1986	300.758	8.94
1987	272.973	11.689
1988	312.354	11.235
1989	347.768	4.186
1990	360.858	3.907
1991	383.373	9.294
1992	426.916	14.216
1993	444.731	13.868
1994	564.325	13.052
1995	734.548	10.949
1996	863.747	9.928
1997	961.604	9.231
1998	1,029	7.838
1999	1,094	7.667
2000	1,211	8.492
2001	1,339	8.34
2002	1,471	9.131
2003	1,660	10.036
2004	1,955	10.111
2005	2,286	11.396
2006	2,752	12.719
2007	3,552	14.231
2008	4,598	9.654
2009	5,110	9.4
2010	6,101	10.636
2011	7,573	9.536
2012	8,561	7.856
2013	9,607	7.758
2014	10,482	7.298
2015	11,065	6.9
2016	11,191	6.7
2017	12,238	6.9

Source: (World Bank, 2019)

China's GDP increased continuously in the period 1978-1985. It followed a short decrease in the period 1986-1987. The period 1988-2017 witnessed a permanent expansion of China's GDP. Moreover, its value doubled in the period 2010-2017.

Also, the economic growth rate achieved high values during the same period of time. It is worth to mention that it had only positive values in those four decades. Furthermore, the average growth rate surpassed 11% in the periods 1982-1988, 1992-1997, and 2002-2007. However, it decreased lately, but exceeded 7% in recent years, namely in the period 2012-2017.

5. Conclusions

In a short period of time after the end of the Second World War China became a communist country. In spite of its efforts it remained an underdeveloped country in the next decades. The year 1978 was the turning point in its postwar history as the country underwent major economic reforms initiated by Deng Xiaoping.

The paper strived to present the economic rise of the Asian Dragon in the last four decades as it has constituted a topic of interest in the literature. A comprehensive review of the literature revealed that this phenomenon has been investigated from various point of views. Also, the paper briefly analyzed China's economic rise by taking into account the evolution of its GDP and economic growth rate. The results demonstrated the impressive economic performance obtained by the PRC even in the period of global crises. Further researches may expand this study by including the analysis of other economic indicators.

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Tendencies of International Migration of Workforce in Georgia

Mamuka Toria

Nana Zazadze

Giorgi Sajaia

International Caucasus University

mamukatoria@bk.ru

nana.zazadze@ciu.edu.ge

Abstract

International migration of workforce is inseparable part of world business life. Work potential, being a significant factor in manufacture both in state as well as internationally, looks for place and means where it's more effective use will be possible.

Workforce migration is one of the most complicated aspects of social life exposing various sides of social-political and economic development of countries and regions. The actuality of migration movements is as well conditioned by its close relation to various sides of social life affecting it significantly and from different perspectives. At the same time, due to social interests, migration processes do not always develop in an optimal way. The purpose of article is studying trends of the international migration of labor from 90s until today. Therefore, to get thorough understanding of its nature it is necessary to get aware of the mechanisms causing migration, its directions, intensity, etc.

Key words: workforce, international migration, labor market, demographical development, employment of population.

J.E.L. classification: A1

1. Introduction

Georgia's current socio-economic reforms, processes regarding establishment of market interactions started in the 90-ies of the previous century and conditioned basic structural changes in country's economy being accompanied by the decline in production levels, increase in redundancy of workers resulting in serious employment problems. Being unable to realize their educational, intellectual and professional potential certain number of the country's population had to emigrate abroad. Tense social conditions as well have dramatically increased intensity of internal as well as external migration. Consequently, the number of emigrated population has risen with high percentage of highly professional and qualified people. This process continues till now.

The current tendencies of external migration have made significant influence on the change of workforce supply to the labor market of the country, rates and dynamics of unemployment and employment. The dramatic decline in qualified human resources supply have essentially influenced economic activity level of the population and employment rates.

The purpose of article is studying of features of migration and migration processes in Georgia from 90th years of the last century.

For achievement of this purpose set the following tasks: Study the causes of migration, the direction and intensity. Study migration flows, statistical data on money transfers and need of the solution of these problems that is an opportunity for stable development of the country.

2. Literature review

The presented work is based on official statistical sources, scientific research and articles. Papers of researchers were studied during the work: 1. Chelidze N., Tukhashvili M., 2003. Labor Emigration Factors for Georgian Population and Social-Economic results. Migration Processes in Post-Soviet Georgia.. Tbilisi: Tbilisi State University; 2. Toria M., 2008. International Migration Regulation of Workforce in circumstances of Economic Globalization. *Economy and Business*, # 6; 3. Toria M., 2007. International Labor Market and its Influence on Workforce Migration. *Social Economics*, # 3, essence of labor migration, which means process of relocation from one country to another country because of employment and also the happening changes in the Georgian labor market since the last century, from 90th years so far and features of labor migration.

Results of migration processes of this period, reduction of the population and increase in number of migrants of the Georgian population had a destructive impact on national economy in different countries. For the analysis we will consider the material developed in articles: N. Zazadze, 2014. Formation of International Labor Market in Globalized World. International Scientific Conference "Globalization and Statistics". Tbilisi State University, Conference Proceedings. p. 184

Researches also show, that inflow of currency by migrants contributes to normalization of a financial situation, what is also important for economy of the donor countries. By consideration positive aspects of the money transfers made by migrants we processed official statistical data (http://migration.commission.ge/files/census_release_geo_2016.pdf.) of National bank of Georgia. (<https://www.nbg.gov.ge/index.php?m=306>).

Our research was concentrated on labor migration and was studied census reports of 2014 of National statistical office of Georgia in which the total number of emigrants and a percentage share of immigrants among women and men according to gender and age indicators was revealed. We also studied the number of migrants over the different countries. The present situation with the international migration of labor demands deeper studying, the analysis of the existing trends based on migration policy of the country. As for migration policy, we discussed work "A migration profile of Georgia in 2017" in which it is emphasized that migration processes are one of country priorities. (http://migration.commission.ge/files/migraciis_profil_2017_a4_new_1.pdf).

3. Research methodology

The theoretical and methodological basis of work is made by works of domestic scientists-economists, official documents of the Government of Georgia, scientific articles and statistical materials. At works on article methods of a theoretical-empirical research, the statistical and economic analysis and synthesis, the historical and logical argument were applied.

The empirical base was made by periodicals materials, data of statistical reports and reference books and also materials of sociological inspection

4. Findings

In recent years, the intensity of migration flows has significantly increased causing some problems both in labor importing and exporting countries. It should also be noted that the socio-economic and demographic consequences of international migration of human resources, professional and qualification composition, directions and magnitude of migrants vary from country to country greatly depending on their socio-economic conditions.

The number of population in Georgia during 1990-2018 decreased by 1 million 694.8 thousand i.e. 31.2%. Population decrease rates were especially high in 1992-2002 when the number of people in the country decreased by more than a million people. Namely, based on the materials of the Migration Control Department of the Ministry of Internally Displaced persons from the occupied regions, by the data of January 1, 2001 Georgia lost 995 thousand people as a result of external migration. 670 thousand out of them went to Russia, 40000 to Ukraine and 50000 to other Post-Soviet countries; 235 thousand people went to other countries, among them 100

migrated to Greece, 30 to Germany, 30 to the Netherlands, 20 to Turkey and 15 000 went to the United States. According to other data, Georgia has approximately 1.5 million migrants and the majority of them 2/3 being labor migrants." (Zazadze, 2014, p.184).

The current situation in migration processes has had a significant impact on those developments conditioned by general economic, political and social crisis developed in the country that had a devastating impact on the socio-economic development of the country.

Thus, we can conclude that in the 90s of the last century, basic changes, radical economic and political reforms accompanied by economic crisis, sharp decline in employment levels led to the intensified migration of the population and this process still continues.

The results of international migration of human resources for Georgia, as for the country exporting predominantly human resources, are miscellaneous. Specifically, on the one hand, the country experiences significant outflow of young people having a great impact on the country's gender-age structure of the population, accelerates the demographic aging process of the population. On the other hand, the share of skilful and highly educated staff who left the country is high which also negatively affects the quality parameters of the workforce in the labor market.

Nevertheless, the migration of human resources has miscellaneous impact on the exporting country. In particular, it has some positive results at the same time. In this regard, direct cash transfers made by migrant citizens have been of great importance for Georgia being the only source of income for thousands of families in the country for years. According to the data provided by the National Bank of Georgia, in 2018 1.57 billion dollar entered through transfer in Georgia 28.9% being from Russia. Regarding the amount of money transfer from the EU member states the leading four countries are Italy, Greece, Spain and Germany. On the whole, the leading countries are Russia (457 million dollars), Italy 191 million dollars), Greece (170 million dollars), the US (159 million dollars), Israel (151 million dollars). <https://www.nbg.gov.ge/index.php?m=306>.

In this regard we would like to note that most of the emigrated workforce from Georgia, particularly in the 90s of the last century, immigrated to Russia. This was influenced by many factors among which economic factor was not the last one. However, they lie in the depths of cultural, political and geographical factors and only complete and proper awareness of their interaction make it possible to estimate complexity of circumstances that have influenced the directions of international migration from Georgia whether it be cultural relationships formed through decades, non-existence of language barrier or geographical proximity, etc. As a result, we have the situation of significant part of emigrated Georgian workforce being in Russia. However, due to the worsening of political relations with Russia, the number of emigrants from Georgia in Russia has been gradually decreasing in recent years. Naturally, the trends of migration flows departed from Georgia have been affected by fostering the cultural and socio-economic ties with such centers of migration in the world like the US and Western Europe.

Thus, we can conclude that the main source of money transfers received from abroad is the amount of money sent by the immigrant population from Georgia. Consequently, it is perfectly clear why Russia holds the leading position among those top ten countries from where money transfers are made.

It should be noted that money transfers are not the only benefits for those countries exporting human resources. Namely, emigration of human resources reduces tensions in the labor market and unemployment rates. On the other hand, emigrants receive their experience abroad, upgrade their qualification and after returning to their homeland enhance economic activities of the country.

In recent years there has been not only a high level of human resources emigration in Georgia but, at the same time, the number of foreign migrants has been increased. For example, during 2002-2017 the number of migrants in Georgia increased 1.75 times but, however, external over-all migrant balance still remains negative in the country. Moreover, it is noteworthy that the share of the immigrants being able to work is 85% and the same share for emigrants is 87%. It is of special interest that the age group of 20-34 has the highest share among the emigrants.

The number of emigrants in the 2014 census of Georgia's population was 88.5 thousand, including 45.4 % males and 54.6 % - female. The main part of emigrants is in 20-54 age interval (75.1 % of emigrants). In the age group of 39 men emigrants are more than women emigrants, while in the emigrant group of 40 and older we have the opposite picture and the number of women exceeds the number of men. Emigrant women aged 50 and older are twice more than the same age

group of men emigrants. The census shows the majority of emigrants live in the Russian Federation (21.7 %), then comes Greece (15.9 %), Turkey (11.2 %). The majority of emigrants in France, Ukraine and Azerbaijan are men whilst in Greece, Turkey, Italy, Germany, the United States and Spain women prevail." (http://migration.commission.ge/files/census_release_geo_2016.pdf.)

Thus, the extent, directions, socio-economic and demographic implications of external migration in Georgia require a thorough and well thought-out study of these processes, analyzing existing trends and the factors affecting them on which the development and realization of optimal migration policies in the country should be based.

This is precisely what conditioned the necessity of migration strategy development for 2013-2015, where it is stated that migration is a global phenomenon and modern challenge affecting the country's socio-economic development, security and stability. According to the above-mentioned and geopolitical location of Georgia, management of migration processes is one of the priorities of the country.

Obviously, integration into the world economic processes and the international labor distribution means mobility of workforce and this process is objective. Georgia can't be isolated from these processes. It is only about the necessity of regulating migration processes and the need to increase its efficiency.

5. Conclusions

Political and socio-economic reforms which started in the 90s have caused major changes in every direction of social life in the country including spheres of human resources, employment and social care where processes have developed especially in a severe way. Economic crisis, decline in production and limited opportunities for employment have forced a significant part of our country's population to go abroad to realize their professional-qualified potential. Therefore, migration has become far more intensive and this process continues to date.

The rise of external migratory flows of the population contributed to the increase in the amount of money transfers from abroad that has become the source of income for thousands of households.

The age group of young people in external migration is particularly high which creates additional problems in terms of demographic aging and natural growth of the country.

In recent years the migration flows from Georgia have been changing which has had a significant impact on strengthening the cultural and socio-economic ties of our country with such centers of migration in the world like the US and Western Europe.

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Section II

Regional Development, Integration and Globalization

Migration in the Context of the Globalization of the World Economy

Ion Botescu

„Ovidius” University of Constanta, Constanta, Faculty of Economic Sciences
ion_botescu@yahoo.com

Abstract

The world's population becoming double in the last 50-60 years, the increased differences in the levels of development recorded by different areas of the planet, and the accentuating free movement of people, make migration an implacable phenomenon in the contemporary era.

Decision makers in rich countries need to realize that immigrants are more than just pawns on a chessboard.

In this paper, we have tried to tackle a number of important aspects of the phenomenon of globalization, such as: the migration causes, the beneficial and less beneficial effects of the international movement of people, the characteristics of migration in the EU and the difficult situation of Romania as a result of the emigration of an impressive number of citizens.

Praised by some people and criticized by others, stimulated by some and blocked by others, international labor migration has become an everyday phenomenon nowadays. The aim of this paper is to emphasize the implacable nature of international labor migration and to highlight the dimensions and implications of this phenomenon in the EU and, implicitly, in Romania.

Key words: migration, poverty, liberalization, remittances

J.E.L. classification: F6

1. Introduction

The need for labor force for the reconstruction of Western European countries and for supporting the United States economic growth after the war, economic crises, reduced workforce in rich countries, the demand for specialists in general and in the IT sector especially in the developed countries, the attitude shown by the extremist parties, the fall of communism represent some of the phenomena that have influenced migration flows over the last hundred years.

It is obvious that the current state of evolution of the capitalist economy is marked by the phenomenon of globalization. The period elapsed since 1980, when there has been an unprecedented increase in global economic globalization, is characterized by the emergence of specific features, including the liberalization of capital flows and the increasing labor migration potential.

The liberalization of national policies in the area of attracting foreign direct investment has resulted in the adoption by most countries of the world of laws favorable to foreign investors. The possibility of the richest people in the world to place their capital, with few exceptions, in all parts of the world, has thus become evident. Capital is usually placed in the areas that ensure its best value.

As far as labor migration is concerned, we can say that liberalization has been to a certain extent partial.

Although globalization as a whole has meant economic progress and rising living standards for almost all countries of the world, and for most of the world's population, respectively, the gap between GDP per capita in developed countries and GDP / per capita in developing and transition countries has deepened. The negative natural increase recorded by developed countries and the surplus labor force in many Asian or African countries have led to a certain degree of flexibility regarding migration in the attitudes of developed countries, amid the labor shortages experienced by these countries in different areas, the services sector being an example in this respect.

On the other hand, the discontent of ordinary citizens in rich countries generated by the pressures that migration generates in the direction of wage cuts acts to limit the cross-border movement of labor. The interests of big capital owners are similar, as they see a great opportunity in the low wages that can be paid to employees from poor countries, especially in the big labor-intensive industries, where access to technology is limited.

The interests for and against the increase in international labor migration have made the liberalization of labor movement, with all the success achieved, to have a lower level of manifestation compared to the liberalization of capital flows.

2. Theoretical background

International labor migration has been of interest to both global institutions, and to many authors of specialized literature.

Thus, the research was based, on the one hand, on the work of remarkable researchers in the field of migration, such as Chetail Vincent, Simon Patrick, Ciprian Iftimoaei, and, on the other hand, on statistics from the UN, World Bank, Eurostat, etc.

Given the complexity of this subject, the research required an objective analysis of international labor migration, taking into account, in addition to the economic aspects involved, interdependent extra-economic factors (social, demographic, political, etc.).

3. The impact of migration on the main involved actors

The issue of labor migration has a complex character being influenced by a number of factors, which sometimes have a contradictory impact.

The effects of migration must be seen from a triple perspective, of the country of destination, the country of origin and the migrants in question.

In the destination country, migrants ensure employment in areas less-favored by local citizens, with the benefit being doubled by paying low wages. Migrants' contribution to the economic growth of destination countries is evident, and in some cases significant. In some periods, especially during economic crises, characterized by an increase in unemployment in the destination countries, the foreign labor force is no longer kindly welcomed, the immigration policies being tightened.

The flows of money sent home by migrants and the reduction of social pressure are the main benefits for the country of origin. We can say that generally these advantages are short-term and possibly medium-term, having a boomerang effect when considering a long period. The loss of workforce and especially highly skilled workforce puts its mark on the economic development of the country of origin. Remittance flows, which initially reduce the current account deficit of countries of destination by supporting the national currency, lead to weak export stimulation, losing the opportunity to ensure economic growth by expanding exports.

The effects of migration on the person concerned and on his family are also clearly contradictory. Achieving better incomes, access to a better health and education system, security provided by a stable economy and society, the opportunity for professional affirmation are counterbalanced by the difficulties imposed by the activity in a different cultural environment and the separation from the family even if only for a certain amount of time.

4. International migration to the EU - a consequence of the globalization process

According to the UN, the number of immigrants at the world level in 2017 totaled 258 million people, representing a relatively small share in the world population, of about 3.4%. The emigrants' countries of origin are mainly located in the southern poor areas, with the most important migration flows being S-S with 97 million people, and S-N with 89 million people. Thus, the global south is the source of 72% of the total flow of international migration.

Over the last 50 years, the United States has been the main destination for migratory flows, being followed by rich countries in the EU.

Approximately 39 million immigrants lived in the EU in 2016, out of which 22 million came from non-EU countries and about 17 million were from EU member states. In terms of the total number of immigrants, Germany is placed first, and in terms of the share of immigrants in the total population of an EU country, Luxembourg is the first. (https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Migration_and_migrant_population_statistics/ro)

For the EU as a whole, the average age of the citizens is 42.9 years, while the average age of migrants living in the EU is only 27.9 years, representing a valuable source of workforce for rich countries. (https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Migration_and_migrant_population_statistics/ro)

Approximately 43% of the immigrants of the EU come from EU countries, with most of them having their countries of origin relatively recently accepted in the EU, such as Poland, Romania, Bulgaria, etc. The large share of EU immigrants from the EU countries is largely due to the freedom of movement of the EU citizens within the territory of the EU, which is one of the fundamental freedoms of European citizens. However, we must emphasize the great diversity of immigrants who have entered the EU.

After the peak of 2015, the flow of migrants attracted by the EU fell sharply in the years to come. In 2015, the EU was practically under immigrant siege, with an extremely controversial proposal to distribute non-EU immigrants in quotas to member countries.

Although the free movement of persons is often invoked by EU officials, significant financial resources have been allocated for border control in particular and for migration in general. Migration has, in fact, been a sensitive topic lately, risking to affect EU unity. In the direction of migration control, the European Commission has taken a number of collective measures set out in the new European Agenda on Migration adopted in 2015. Due to the measures taken, compared to 2015, illegal migration to the EU declined drastically in 2018, the reduction being over 90%. Migration flows from the Middle East conflicts, with all the hardships that had to be borne by the EU, have not significantly impacted the global migration map.

At the same time, we must mention that the EU pays special attention to the integration of immigrants into the destination EU countries, with emphasis on respecting the essential values of democracy, on the ability of immigrants to preserve their own cultural values, on the need to involve immigrants in similar conditions to those of the European citizens in a wide range of activities, including political and social ones.

It is obvious that the globalization of the world economy has generated opportunities for international labor migration. Compared to the world economy, the globalization phenomenon has manifested more strongly in the EU - an economic and political union of 28 European countries. The consequence of this lies in the large number of EU immigrants coming from the EU countries.

5. Particularities of the migration phenomenon in Romania

In the period immediately following the fall of communism, Romania recorded a strong decline in GDP primarily due to the sharp decline in industrial activity. In a certain condition, we can say that it was normal for this to happen, given the weak competitiveness that existed in some of the sub-sectors of the industry. Referring to the Romanian industry (the main contributor to GDP), by a prime minister of the time, as a pile of old iron, has only made things even more complicated. To all this we can add the fall of agriculture, the bankruptcy of several banks, the delays in economic reform, the hesitations and corruption of decision makers, etc. Thus, a cocktail of factors has formed, which for many citizens in Romania has meant a real threat, their future being economically and morally uncertain. The escape from these conditions was represented by migration to other countries, especially in the EU. The EU pre-accession agreement and effective EU membership on 1 January 2007 have only increased the flow of Romanian migrants to the EU countries.

This migratory flow to the EU countries was somewhat diminished by the global financial crisis of 2008, Italy and Spain, the countries preferred by the Romanian immigrants being significantly affected by the crisis.

It should be noted that the 2008 crisis affected mainly the Romanian male migrants, who work largely in areas such as construction, transport, etc. Women immigrants from Romania whose occupations were in the care of the elderly, in the health system or in agriculture were less affected by the crisis.

On the whole, the 2008 crisis did not reduce the Romanians' appetite to migrate to the EU countries. After the crisis, however, there was a reorientation regarding the destination countries, and the Romanians' preferences for Great Britain, Germany etc. increased.

Unfortunately, the migratory phenomenon has continued in Romania, transforming from a balancing factor on the labor market in the sense of reducing unemployment within acceptable limits into a disequilibrium factor, in certain sectors of activity in Romania, an acute staff shortage being registered in the last 3-4 years.

Whereas in 2014 Romania fulfilled all the necessary criteria to join the Eurozone, only one is still fulfilled today. With an economic growth based on stimulating consumption and inflation, with significant salary imbalances between the budgetary and the private sector in favor of the first, with 40% of the Romanian companies that have been sustaining losses for several consecutive years but do not go bankrupt, etc., the future of the Romanian economy and its society is unreliable.

The fundamental cause that led to a strong flow of Romanian migrants, especially to the other EU countries and the U.S., was the poverty faced by a large part of our country's population after 2000.

According to Eurostat data, Romania, according to the GINI coefficient, occupies the 6th place in the EU-related inequality rating in 2017. Romania's capitalist development has led to the massive and extremely rapid enrichment of a small number of citizens, in parallel with the poverty of a major population segment. The benefits generated by the remarkable increase of Romania's GDP after 2000 have been unevenly distributed, being predominantly attributed to a relatively small number of citizens.

Of the 11.8 million poor in the EU established by the World Bank standards, 43% are Romanians. However, the situation has improved in comparison to 2006, when the share of poor Romanians in the total of the poor living in the EU was 60%. Maybe in the meantime some of Romania's poor people have migrated to other richer and more stable economies. Also worrying is the large number of Romanians, about 1 million, who, according to the same World Bank standards, can be included in the extreme poverty category, being citizens who live below \$ 1.9 per day at the purchasing power parity in 2011. (Voinea et al, 2018 p.58)

Poverty has generated, for many Romanians, a whole series of deprivation, life in such conditions being akin to life in prison. Thus, for many Romanians, liberation was represented by the ability to migrate.

The great exodus of Romanians who have decided to move to foreign countries in the last two decades places our country on a dishonorable second place (after Syria) in a ranking of the average annual growth rate of the Diaspora population in the period elapsed since the beginning of this century. (International migration report 2015, https://www.un.org/en/development/desa/population/migration/publications/migrationreport/docs/MigrationReport2015_Highlights.pdf).

For developing countries one of the greatest challenges of globalization of the world economy was the intellectual migration.

With the exit from the communist sphere, the Romanians entered the global brain competition, many competitive Romanians from the professional and intellectual point of view fulfilling the criteria imposed by the welcoming countries led by the U.S. The migration of physicians, researchers, IT specialists, etc. has been damaging to Romania from at least two points of view. On the one hand, Romania has spent money with the trainings of those enumerated above, and on the other hand Romania has remained without many of the best-prepared citizens who could have substantially contributed to the country's economic and social evolution. The situation is even more serious if we consider that many of the Romanian youngsters went to study abroad, and after studying, they remain in other countries.

From what we remember, the Prime Minister of an Asian state said that a country from which young people are leaving is a badly administered country. Romania is a country where mainly the young people are currently leaving.

The negative natural increase, doubled by a strong flow of Romanian immigrants (predominantly young) have led to an obvious aging of the population generating great pressure on the Romanian labor market, in some sectors providing the necessary staff being virtually impossible.

Table no. 1 Evolution by age group of Romanian emigrants

	Age group 0-19 years		Age group 20-29 years		Age group 30-39 years		Age group 40-49 years		Age group 50-59 years		Age group over 60 years		Total
		%		%		%		%		%		%	
2007	99257	18.2	189145	34.7	135248	24.8	79130	14.5	33928	6.2	7365	1.3	544074
2008	55240	18.2	105266	34.7	75270	24.8	44039	14.5	18882	6.2	4099	1.3	302796
2009	48448	19.6	84704	34.3	54038	21.9	36349	14.7	18181	7.3	4906	1.9	246636
2010	38947	19.6	68432	34.5	41966	21.1	28836	14.5	15039	7.5	4765	2.4	197985
2011	39807	20.3	67251	34.3	41584	21.2	27036	13.8	14630	7.4	5243	2.6	195551
2012	34672	20.3	56916	33.4	33446	19.6	25377	14.9	14399	8.4	5376	3.1	170186
2013	33248	20.5	52156	32.2	30569	18.8	24265	15.0	14787	9.1	6730	4.1	161755
2014	28787	16.6	55923	32.3	42004	24.2	26034	15	14249	8.2	5874	3.3	172871
2015	30340	15.5	79811	40.9	45730	23.4	23203	11.9	10316	5.2	5318	2.7	194718
2016	35531	17.1	75781	36.5	45819	22	32963	15.8	11374	5.4	6110	2.9	207578
2017	40476	18.4	69240	31.5	47137	21.4	35051	15.9	17700	8	9723	4.4	219327

Source: (leftimoaie, 2018, 10)

It is easy to notice that in the time interval considered, the highest share of persons who have migrated from Romania is represented by the young age groups, i.e.: the age group 20-29 years and the age group 30-39 years.

According to the National Institute of Statistics/NIS, in 2014, for the first time in Romania, the number of old people (over 65) exceeded the number of young people (under 15). The tendency registered in the following years has been the continuous increase of the demographic aging index in Romania, reaching 116.9 old persons per 100 young people in 2018.

Table no. 2 Evolution of the demographic aging indicator

	01.01.2015	01.01.2016	01.01.2017	01.01.2018
Demographic aging indicator	109.6%	112.1%	114.4%	116.9%

Source: <http://www.insse.ro>

The unsustainable economic growth recorded in Romania in recent years, the problems related to the rule of law in our country, the opening for the Romanians of the labor market in Switzerland, etc. will still generate a substantial flow of Romanian immigrants, especially from the younger category. Under these conditions, the pressures on the Romanian labor market will increase and our country will have to cope in the future also with increasingly complicated problems regarding the financing of social services.

6. Conclusions

The topic of migration in the EU is controversial, with destination countries having somewhat different approaches. Immigrants generally do not generate financial burdens for host countries, with social charges for immigrants being fully offset by the taxes and fees they pay.

The developed countries, which are the main destination of migratory flows, manage to greatly mitigate through migration the shortfall in their labor markets.

Over the years, the migration into developed countries has led to the transformation of some of them into true multinational societies characterized by a high degree of cultural diversity.

The difficulties faced by immigrants must not be forgotten. For a considerable period since arriving in the country of destination, immigrants are one of the most vulnerable social categories, having to deal with discrimination, abuse and other forms of pressure. It is worth mentioning that the period in which immigrants are assimilated by the new society is consistent, stretching over three - four decades or even more.

As long as discrepancies will increase in terms of economy and of the natural increase, we ought to expect significant migration flows. Evolution trends in the near future are sadly pointing in this direction. All we can do is hope that the advantages and disadvantages of the migration phenomenon will be shared more equitably between the main factors involved.

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Global Economy Under Trade War

Maria Alina Carataş
Elena Cerasela Spătariu
"Ovidius" University of Constanta
maria.caratas@gmail.com
ebarbu2001@yahoo.com

Abstract

This article argues the positions of the global trade partners and war trade enemies, the United States and China and how their actions are changing the worldwide trade relations. China is becoming a great power and its expanding economy imposes a threat to the Western monopolized international system. US imposes tariffs on import products but this doesn't mean trade decreases, it only shifts the markets. Partnerships are being built, new trade relations are getting shaped. The paper contributes to understanding the aspects of the trade war. As the conflicts continue, both these economic powers will bring uncertainty in the global trade market.

Key words: global trade, trade war, import tariffs,
J.E.L. classification: D81, F01, F13, N70

1. Introduction

The worldwide trade relations are changing lately. US withdrew itself from the Trans Pacific Partnership (TPP) and President Trump started to impose tariffs outside of the World Trade Organisation (WTO), as an instrument he uses in the economy strategy "putting America first", aiming to raise the American industry, protect the domestic products from imports, lower the trade deficit and expand the national economy overall. The protectionist measures started by imposing tariffs, firstly, on January 2018 on solar panels and washing machines, consequently in March 2018 on steel and aluminum (Bekkers, 2019) and from June 2018 imposed 25% tariffs on over 800 categories of Chinese products worth \$34 billion and then increased the list to reach a worth of \$200 billions in goods. China responded imposing tariffs on imports from US.

Karaganov (2018) argues that the economic powers changed and the new Cold War or Trade War must be analysed from geostrategic and historical points of view, considering the weakening of the West economic power and its dominance and the strengthening of the non-Western countries, specifically in a centralized power center.

2. Theoretical background

China disturbs the great economic powers through its fulminant economic ascents. This happened ever since Deng Xiaoping started in 1978 the economic reforms that had risen China from its lowest point and transformed it in one of the most advanced world economies, becoming "the fastest growing economy in the world" (Chang, 2001). It continued the trend after becoming a WTO member, in 2001. The problem with its high economic rise is with the way of doing business, like conquering markets aggressively with low prices and 'made in China' quality, which everybody knows what it means. Besides the tariffs, the US blacklisted the telecommunication enterprise, Huawei. A short story of this giant starts when it struggled to conquer the data internet Chinese market, owned by Cisco Systems in the 2000s and finally achieved 12 % of the total market share (Ahrens, 2013). Cisco sued Huawei for software theft and by the time they settled the conflict, Huawei owned 33% of the market.

The unfair trade practices of the Chinese government and state-owned enterprises (SOEs) are also permanent reasons of discontent in the European Union, together with the security risks concerns. As Plummer declared, (2019) US and UK share their mistrust and allegations of espionage via Chinese telecommunications firms and about Huawei particularly, due to (its founder) Ren Zhengfei links with the Chinese military (People's Liberation Army).

It is well known that at its origins, Huawei copied world biggest telecommunication companies (Mascitelli & Chung 2019), like Cisco and Fujitsu. But afterwards, Huawei managed to innovate and deliver quality products at much lower prices than its competitors and nowadays is considered to occupy the second position of telecommunication equipment producers, after Samsung and before Apple. This is a strong reason for impeding Huawei providing the 5G technology equipment in the US, Australia, UK, New Zealand and Canada (the Five Eyes), but it doesn't mean that the other countries will not choose it. Furthermore, banning the Chinese producer does not mean that security issues are solved, as almost all telecommunication devices are made of components, most of them Chinese. What China understood is more important, meaning that in order to succeed it has to follow the global trading rules, offer quality and respect the regulations.

China's trade policy, oriented on export is not reliable for economic development. An excess on Chinese goods export brings also foreign reserve accumulation. The truce between US and China will reduce the trade surplus and this will be on China's benefit.

3. Findings

In 2017, America's trading partners were China, Canada, Mexico, Japan, Germany, South Korea and in 2018, the top changed in: Canada, Mexico, China, Japan and UK. The problem was the trade deficit, the highest imbalance and consequently the US dependency on China.

If the US imposes tariffs it doesn't mean trade decreases, it only shifting the markets. Partnerships are being build, new trade relations are get shaped. History changes and so are we; before, China and Russia used to be enemies, now they share markets and try to build international stability, by developing Eurasian trade and relations and trying to counteract the negative effects of the US actions, and neutralize them in the international market. Anyway, after the tariffs brought in the first quarter of 2019 over \$75 billion on US budget, America started to build truces, with Japan and the EU and lately with China too, for free trade arrangements.

The tariffs taxes are to be paid on imports, that means that China does not pay them directly but they are resurrecting on the US firms enrolled on US customs for the goods they import in the country and of course the costs pass to their customers manufactures and concludes in rise consumers prices in the US.

The United States are not anymore a hegemony power, although are still an influential one. The sectors influenced by the US trade policies will have to adjust and switch trade trying to find the equilibrium in the trade market, in the context of global integration with the US not playing anymore a main role in world trade.

According to OECD, the US trade war affected global growth and global business investment will only grow with 1.7% in 2019 and 2020, compared with 3.5% in the 2017- 2018 period (OECD, 2019).

The world's real GDP growth is now projected to slow from 3.6% in 2018 to 3.3% in 2019. (IMF, 2019) And there are several reasons for this, excepting trade war.

Table no. 1 Real GDP growth

Real GDP growth (Annual percent change)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
China, People's Republic of	7,3	6,9	6,7	6,8	6,6	6,3	6,1	6	5,7	5,6	5,5
Japan	0,4	1,2	0,6	1,9	0,8	1	0,5	0,5	0,5	0,5	0,5
Russian Federation	0,7	-2,5	0,3	1,6	2,3	1,6	1,7	1,7	1,6	1,6	1,6
United States	2,5	2,9	1,6	2,2	2,9	2,3	1,9	1,8	1,6	1,6	1,6
European Union	1,9	2,4	2,1	2,7	2,1	1,6	1,7	1,7	1,6	1,6	1,6
World	3,6	3,4	3,4	3,8	3,6	3,3	3,6	3,6	3,6	3,6	3,7

Source (©IMF, World Economic Outlook, 2019)

4. Conclusions

In the end the import protectionist measures, withdrawal from world economy, as the above table shows, has direct and indirect effects on manufacturing which are rather negative than positive, all trade sectors are downshifting. The best move for the US partners would be to not retaliate in the trade war, conforming to the protectionist imposed measures and try to gain markets from the trade shift, increasing trade liberalization (Robinson, Thierfelder, 2019).

Trade actions decreased the Chinese GDP and will continue to affect the economy, slowing it further down from a 6.6 % in 2018 to 6,3% in 2019 and going under 6 until 2022. The Chinese Government will shift on the growth support policy.

- In Japan private consumers and exports fell down and GDP is projected to slow down, as 19% of its exports go to China and the US.
- Russia seems to be the surprise winner of the trade war, being able to cover China's demand on agriculture products. India is on an ascending way, ready to surpass Japan on the top economies in the world.
- The European's economy is stable although there are many trade and politics concerns. Germany breached the EU antitrust rules, colluding on emissions technology on passengers' cars in European market, through his giants VW, Daimler and BMW. Italy is in political turmoil, France confronted to numerous conflicts with gilets jaunes at the beginning of the year and Brexit uncertainty is another factor of European Union's irascibility. The EU needs improved relations on global trade.

China is changing towards a free economy, using baby steps, but still going forward. It started by allowing foreign companies owning shares in local companies. The Chinese prime-minister already allowed a 51% shares control by foreign financial firms and promised that by 2020 they will allow full control of foreign investors, through the program Bond Connect (launched in 2017), allowing shareholders to invest through Honk Kong market infrastructure. Goldman Sachs estimates an insertion of \$11 trillion by the end of the year 2019, compared to \$1,6 trillion 11 years ago, becoming the third biggest actor in bond market. In April 2019, domestic China bonds were included in Bloomberg-Barclays Global Aggregate Index, the last move in the attraction of more billions in the Chinese bond market by attracting investors in buying shares and bonds on local market.

China can anytime fight back against the American protectionist measures, with an alarming weapon for the US economy. In recent years, China became the biggest government debt holder of the US, in 2018 reached a quantum of \$1,8 trillions, about 25% of the debt owned by foreign countries. Being on trade surplus, consisting in dollars waiting to be spent, China wanted to make safe investments and bought scores of US treasury bonds and collecting billions of dollars in

interest payments. So, if China decides to spend those bonds as a response to US president actions, it can cause chaos on international markets. The biggest impact will be on interest rates and bond prices. On consequence, the incomes will fall, the yields will rise and then the loans will get more expensive for US consumers and companies that will result in economy decrease. In the end, tariff war is not the best move for the US.

In the Osaka G20 Summit, President Trump opens up on trade peace, announcing the tariffs get raised and that American companies could sell again equipment to Huawei and also the agricultural product will be available for Chinese market. Of course no guarantees can be made, and by 2020 until the reelections in America, everything is possible, as a war can continue with new battles and peace episodes.

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Opportunities for the Use of Commercial Diplomacy in Municipalities (Using the Example of Kutaisi City)

Nikoloz Chikhladze

Kutaisi University, Faculty Social Sciences, Kutaisi, Georgia

nikoloz.chikhladze@unik.edu.ge

Nana Rusadze

*Akaki Tsereteli State University, Faculty of Business, Law and Social Sciences,
Kutaisi, Georgia*

nana.rusadze@atsu.edu.ge

Abstract

In the Georgian scientific space there is a lack of works on commercial diplomacy. Commercial diplomacy gets a shade of economic diplomacy when it deals with the political, geopolitical goals and security, which always has been increasingly touched upon by traditional diplomacy. Economic diplomacy is a broad term and includes financial diplomacy and development diplomacy. Despite the fact that the recent economic growth in the number of works on economic diplomacy, particularly on commercial diplomacy, there is still not enough knowledge of the issues of the development opportunities of commercial diplomacy at a municipal level. In the presented article, we have tried to identify these problems with the specific municipality of Georgia – Kutaisi Municipality and suggest the areas for increasing the effectiveness of activities in this regard.

Key words: Commercial diplomacy, Municipality, Economic Policy, Export.

J.E.L. classification: H0, H4, H7, F5

1. Introduction

In the context of globalization, commercial diplomacy plays an important role in world trade, investment activities and research activities. The main goal of commercial diplomacy is to enhance business opportunities of national companies, minimize barriers, increase and develop competitiveness of the national economy. Its role and importance are insufficiently explored in relation with foreign economic relations between countries, particularly in connection with the involvement in these relations at the regional and municipal levels and socio-economic conditions in territorial units.

Commercial diplomacy is one of the means of implementing foreign economic policy of the state in the areas of trade and investment. It can be realized at the micro and macro levels.

Commercial diplomacy is trade and investment diplomacy that focuses on the development and modification of international rules in this field, creating an enabling environment for trade and investment cooperation. On the micro or transaction level, commercial diplomacy should provide support for enterprises in the area of foreign trade and investment, to search for new contracts and markets. (Kopp, 2004, p.34) However, many researchers believe, and quite appropriately in our view, that this division is conditional. That is what the focus of work we presented, which addresses opportunities for development of commercial diplomacy in territorial units that is at the meso level. This allowed by the stable situation and favorable macroclimate existing in Georgia.

In real circumstances, Georgia has the export supporting mechanisms and institutions, but they are not able to replace the role of the State in supporting the export for the following reasons: the non-universality of services; they do not provide free or privileged assistance on a significant scale;

they are not seeking to introduce the priority areas of foreign economic policy, and they do not make full use of the official diplomatic instruments for support.

2. Literature review

Georgian authors working on problems of economic diplomacy point out that one of the main tasks of this type of diplomacy is to facilitate the implementation of this type of inclusive and sustainable economic policies that provide all strata of the country's population the results of the country's development. It plays a special role in Georgia's economic development and involvement of the country in international economic processes (Kipshidze, 2014, p.25).

Studies by foreign scholars directed towards commercial diplomacy are of high importance. Commercial diplomacy continues to play a leading role in international business development; there are some 20,000 commercial diplomats and their staff across the world and no fewer than 500 million US dollars are spent on such activities annually. The coverage and nature of the commercial diplomat activities has been evolving over the last two decades in response to shifting government priorities, technological change and developments in the trading system. The change in coverage signifies, in particular, an increasingly active attitude of governments and their commercial diplomats in attracting FDIs. It also means a growing role in the promotion of research and development (R&D), country image or country branding ('made-in') and tourism. (Kostecki and Naray, 2007, p.4).

Commercial diplomacy of different countries significantly varies in terms of organization and implementation: each country seeks the combination of organizational elements and tools of commercial diplomacy that will most effectively assist promotion of trade and investment. Nevertheless, actual practice of commercial diplomacy allows identifying the features common to the key trading regions of the world. It concludes that there are four conventional models of commercial diplomacy - North American, European, Asian, and Latin American. The African model of commercial diplomacy is in the state of formation, taking shape in the course of economic development of the region. (Bezverkha, 2017, p.16)

3. The main areas of commercial diplomacy in the municipalities of Kutaisi City

Over the centuries, States have always tried to create favorable conditions for export and foreign direct investment. Such an attempt had been considered to be a prerequisite for the enhancement and retention of jobs, as well as for achievement of economic growth.

There are numerous different levers to facilitate the entry to the target foreign market, among which commercial diplomacy has become more common during the recent decades. The key role in the development of commercial diplomacy is to implement Reforms implemented in the country and favorable macroclimate, in general, have played a crucial role in the development of commercial diplomacy.

From the territorial aspect of commercial diplomacy, the Belgian experience would be of special interest. According to constitutional reform implemented here in 1993, the issues of export and attracting foreign investment have been passed to the hands of the regions of Flanders, Walloon and Brussels. Belgium's diplomatic missions in foreign countries directly communicate with the regions regarding investment. The federal government has established the International Relations Coordinating Committee, which is led successively by representatives of regions. As a rule, regional actors establish their own export agencies. They have their own economic and trade attaches' networks in foreign countries.. (Rusadze, 2019, p.132)

Georgia has undertaken a number of the WTO commitments, on the basis of which it has implemented reforms. Their were aimed at the major restructuring, liberalization and simplification of trade regulations. Reforms have become particularly intensive since 2004. They facilitated the formation of a competitive market environment in the country, creating a favorable business environment, international trade diversification and deepening economic linkages, contributing also to economic and development of the country.

According to the UN classification, Georgia remains a country with economy in transition. (World Economic Situation and Prospects 2018 UN, p.141) According to the World Bank's Doing Business 2019 report, Georgia has achieved unprecedented success and ranked 6th among 190 countries of the world. Compared to the previous year, the country has risen 3 places in ranking, while ranking scores have risen by 0.48 points, and as a result the country has a historic high of 83.28 points in 2019. According to the 2019 report, Georgia was once again named a leader country on implemented reforms.

Since 2003, Georgia has been the top reformer - 50 reforms have been implemented in the country on improving both the institutional and regulatory environments. Of particular interest is the positive assessment of reforms implemented in the country regarding international trade. The Government of Georgia has undertaken significant reforms for enhancing international trade, including border procedures, which is one of the most important prerequisites for strengthening the positions of local products on international markets. Notable in this respect are the minimum time required for the preparation of documents and zero-cost for ensuring the conformity of the above mentioned documents, and besides, time and expenses related to the border requirements were significantly reduced, particularly, time spent on export was reduced by 42 hours (from 50 hours to 8 hours), while the export costs were reduced by \$306 (from \$418 to \$112). (MOFG, 2018)

We believe that Georgia is not taking full advantage of economic diplomacy, including commercial diplomacy. The decision had taken by the Government of Georgia in recent years on the appointment of trade attachés, is welcome. However, trade diplomacy is still able to encourage the export of products having a comparative advantage.

The main priority of the country's foreign economic policy is the active participation of foreign companies in the Georgian market, as well as the promotion of the successful functioning of Georgian companies in international markets. Economic issues of Georgia abroad are dealt with by economic services existing in diplomatic missions, the main purpose of which is to promote the measures to be implemented the framework of Georgia's economic policy in the host countries. These services are directed persons appointed to diplomatic posts - persons responsible for economic issues whose position is at the advisor level. (Kipshidze, 2014, p.29).

At the level of the individual large municipalities of Georgia (Kutaisi, Batumi, Poti, Rustavi), these activities are being carried out by the foreign relations services/departments. In this regard, we found interesting opportunities for development of commercial diplomacy for the city of Kutaisi.

Due to its 3500-year history, Kutaisi is one of the top ten oldest cities in the world that still continues to develop today. Kutaisi is located in the central part of western Georgia and represents the administrative center of Imereti region. It is the second largest city in Georgia after the capital and its area is 70 sq.km. Kutaisi is linked to all strategic locations of Georgia through the road network. The distance to the port of Batumi is 139 km, and to the port of Poti - 105 km.

Figure no. 1 Cities that are 5 and 9 hours from each other, which can become the target markets.



Source: MP for Imereti Region, 2012

The main railway station is located 10 km from the city, and the Kutaisi Davit Aghmashenebeli International Airport is 18 km away from the city. The distance to the capital is 225 km. Kutaisi has an estimated 147.2 thousand people. 56% of city residents are available for work, 43% of whom are women. The average age of women is 77.2, and of men - 68.6 years. The main reason for decline in the number of city residents is migration of the population both inside and outside the country. As of 2014, 52.4 thousand people were reported as emigrated from Kutaisi. (Kutaisi development strategy "Kutaisi 2021")

We have conducted a SWOT analysis of the Kutaisi municipality in the context of economic diplomacy (see Table 1), which has shown significant problems in this area.

The documents with regard to the development of Kutaisi and which are in close connection with the development of commercial diplomacy are as follows:

1. The Local Economic Development Plan (LEDP), which was developed within the Mayors for Economic Growth initiative (M4EG);
2. Municipal budget of Kutaisi City;
3. Kutaisi City Development Strategy "Kutaisi 2021";
4. Kutaisi City Sustainable Energy Action Plan (SEAP);
5. Kutaisi Municipality Anti-Corruption Strategy Implementation Action Plan for 2017-2019 (within UNDP project);
6. Kutaisi Municipality Adaptation Concept to the Climate Change;
7. Kutaisi and its adjacent areas competitiveness study (2019);
8. Tourism Development and marketing Plan for Imereti Region (Georgia). Marketing Plan – Final Report. Barcelona/Tbilisi, 2012.

Table no. 1. SWOT analysis of Kutaisi municipality in terms of economic diplomacy

Strengths	Weaknesses
<ul style="list-style-type: none"> - favorable macro-economic environment for investors; - Kutaisi is twinned with 27 cities; - experience of holding the business forums in regions/municipalities; - The Local Economic Development Plans (LEDP), developed within the Mayors for Economic Growth initiative (M4EG) for several municipalities (including Kutaisi); - closeness to the transport corridor linking Europe and Asia; - existence of two free industrial zones; - Imereti is a member of European regions assembly; - locally produced products are exported to up to 20 countries throughout the world. 	<ul style="list-style-type: none"> - the regional development strategies of Georgia were obsolete (they were developed in 2014 and cover a period of six years); - the new Local Economic Development Plans are not adapted to the regional development strategies; - absence of general plans of development; - insufficient city brand awareness; - poor quality of public services; - inadequate local infrastructure; - lack of innovations and new technologies; - the slight trends in the green economy; - absence of the city branding concept.
Opportunities	Threats
<ul style="list-style-type: none"> - formation of university city with operationalization of the planned University of Technology; - establishing a logistics center through the expansion of the Kutaisi International Airport; - tourism development. 	<ul style="list-style-type: none"> - the unevenness/asymmetry in regional/municipal development; - the migratory processes; - the deterioration of the demographic situation; - mistrust or/and unrealistic expectations of society towards the possible changes.

Source: Authors' contribution

In March 2019, we conducted a survey of exporters. It covered a total of 50 exporter entrepreneurial entities. Among them are 15 (30% of interviewed) large enterprises, 18 medium (36.7%), and small 16 (33.3%) small enterprises. In Georgia, company with the number of employees is more than 249 persons or an average turnover of GEL 60 million, is regarded as a large company; a medium enterprise is a company with the number of employees varies from 50 to 250 persons and the turnover varies from GEL 12 to GEL 60 million; and a small enterprise is a company, where the number of employees does not exceed 50 persons, and the turnover is not

higher than GEL 12 million (the annual average of GEL exchange rate against the US dollar is \$ 0.403).

Among export products (among the products brought into line with the international quality standards), special mention should be made of textiles, footwear, products produced by processing plant raw material (spices, dried fruits, laurel, tea), hazelnuts, honey, the domestic consumption items and brushes. Local products are exported to 20 countries around the world.

Most of these companies (34 entities, 68% of interviewed) are comparatively more experienced and have more than 5 years are engaged in export-related activities. Only 5 of these companies, engaged in export activities less than 1 year, have turned out the relatively inexperienced in this field. The remaining 11 entities have been active from 1 to 5 years in the export markets.

Through the questionnaire, we tried to highlight 3 most desirable types of support, strengthening and introduction of which would be desirable for exporters at this stage. These include: support to company in exhibition activities; support in finding potential partners; encouraging pre-export lending.

It is noteworthy that enhanced support from the state budget and other funds is a relatively lower priority problem for exporters – such a wish was expressed only by 6 entities.

We have received interesting results by analyzing the inhibiting factors in terms of export activities (each enterprise has chosen 3 factors). In this respect, the respondents found that the greatest challenge is the lack of information about Georgia in foreign countries. Tax and customs barriers are relatively insignificant. It is nice that none of exporters mentions the bank transfers (operations) as a barrier to its activities. Economic entities also highlight 4 types of additional inhibiting factors (logistics, brand advertising, qualified personnel, lack of raw materials).

Geographic range of export is diverse, however, the CIS and EU countries account for 74% of total exports (see Fig. 2). In the Asian region, these enterprises occupy a 14% segment. 36 enterprises (72% of interviewed) are planning to expand the export range.

Figure no. 2. Geographic range of Kutsisi exports.



Source: Foreign Relations Department of Kutaisi Municipality

The assessment score of state support to export on a scale of 1 to 5 was distributed as follows: the most popular assessment score was "4", which was fixed by 29 enterprises (58% of exporters). The lowest assessment score - "1", was fixed only by four exporters, and the highest score - "5", by seven exporters (14%).

Examination of the issue made it clear that in terms of deepening commercial diplomacy, the Kutaisi municipality, from time to time, resorted to the following measures:

- relations with the sister cities;
- relations with the partner cities;
- organizing the international business forums;
- identifying annually the best entrepreneurs in different areas of activities and nominations;
- business visits abroad;
- search for international foundations;

- supporting the involvement of Kutaisi in the international projects;
- organizing exhibits abroad.

Currently Kutaisi is twinning with 27 cities of 16 countries (see Table 2). Of them, Strasbourg and Krakow are the partner cities.

Examination of the issue made it clear that the city branding can play a special role in the development of the municipality's commercial diplomacy. It is based on the positive image of the city, provides its cultivation and promotion. The "city brand" concept emerged earlier than the concept of the "country brand" or "region brand". The first projects on territorial branding that are typical of Europe in XVIII and XIX centuries, as well as for the rapid development of new territories in the United States, were just of city type. The brand "invasion" in urban marketing through two business channels occurred: through the outbound tourism and exports of goods and resources. (Kavaratzis, 2008, p.39)

Table no. 2. The sister cities of Kutaisi

№	Country	City	№	Country	City
1.	Italy	Kochenca	10.	Romania	Iasi
2.	USA	Colombia	11.	Lithuania	Kaunas
3.	Belarus	Gomel	12.	Moldova	Ungheni
4.	Great Britain	Newport	13.	France	Strasbourg
5.	Estonia	- Tartu; - Valga	14.	Ukraine	- Lviv; - Kharkiv; - Sumy; - Dnipro; - Zhitomyr; - Mykolaiv
6.	Poland	-Poznan; -Krakow			
7	Turkey	Karsiyaka		Slovenia	Maribor
9	Latvia	Valka	15.	Hungary	Szombathely
8	China	- Laiwu - Nanchang	16.	Israel	- Ashkelon - Haifa
9.	Azerbaijan	Ganja			

Source: Foreign Relations Department of Kutaisi Municipality

In order to facilitate the formation of the city brand, the consumers should be informed about the quality and the unique features of products in the export market. The city's webpage, which should be updated and should contain exhaustive information, could make a great contribution to that effort.

It is necessary to form a diversified visual and verbal identity of the slogan and logotype of products produced in the region. It can be said that there are some predecessors and certain prerequisites for branding in Kutaisi. It requires more systemic approach, which is one of the goals of the concept to be developed. Self-government bodies should play a crucial role in developing a city's brand. The city hall, together with the City Council and the relevant services, should lead this process.

The emergence of the brand and approaching the image of the city to its identity depends largely on public activism in this process. In order to solicit their interest, it is advisable to do the preparatory work. (Chikhladze N., Valishvili T., and Gabelashvili K., 2014, p.87)

We believe that the improvement of commercial diplomacy at the level of Kutaisi municipality will significantly contribute to the event-economy development. Experience has demonstrated to both the government and businessmen that if there are no special events in the city, they should be promoted and organized.

The main group of the event-economy of Kutaisi City covers the measures and events as follows:

- the traditional city festivals on 2 May of each year – “The May City”;
- business-conference/forum in autumn of each year;
- Imereti Wine Festival;
- theatre festivals;

- opera music festivals;
- sanctification of holy places.

We consider that one of the main objectives of the Foreign Relations Departments in municipalities should be to contribute to increasing the investment capacities of these municipalities in the international arena, and to creating a favorable environment in these municipalities, attracting foreign investment and technical assistance, timely and active involvement of them in the and encouraging the exports in different areas (tourism, transport, energy, education, entrepreneurial sphere).

4. Conclusions

Examination of the issue allowed us for generalizing the following conclusions:

1. We believe that Georgia does not make enough use of the capacities of economic diplomacy, including commercial diplomacy capacities, especially for products in which the country has a comparative advantage;
2. It is necessary to study the capacities of the cities in other countries and to find the new cities to twin with, especially with a view to continuing the trade and economic partnerships and incorporating the tourism capacities, taking into account the bilateral interests;
3. It is necessary to develop a city branding concept/strategy;
4. It is necessary to plan study visits to the sister cities in order to learn and share experience in management of the municipal economy;
5. It would be desirable to work intensively with appropriate trade and industrial cities in regions;
6. It is necessary to prepare investment packages (for proposals) for the sister cities in foreign countries;
7. It is necessary to use the capacities of the portal of a world network of chambers of commerce, which should provide dissemination of information about the legal entities and should provide the target markets with this information;
8. The city's webpage (www.kutaisi.gov.ge) should be updated with a view to placing more complete information there;
9. It is necessary to ensure the effective use of the capacities of economic diplomacy and the institutions of economic attaches;
10. We consider it necessary to plan visits at regular intervals to the diplomatic corps accredited in Georgia;
11. It is necessary to establish favorable conditions for foreign investors, in order to implement various projects (in compliance with legislation in force, especially on municipal property/land).

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Bio-Economy Development in Romania

Irina Chiriac

*"Alexandru Ioan Cuza" University of Iași, Institute of Interdisciplinary Research,
Social Sciences and Humanities Research Department*

irinaochiriac@yahoo.com

Abstract

The global crisis defined by the crisis of energy, ecology and the biosphere, and the environment requires solving the economic problem, satisfying a growing set of needs, given the limited and insufficient resources. Bioeconomy should be the bases for all economic activities and unlimited economic growth must be compatible with the fundamental laws of nature.

The research aim is to emphasize the benefits of the dynamics of the intellectual capital on the evolution of the bioeconomy. In the analysis is used multiple regression to study the established link between bio economy and a number of factors that may measure the intellectual capital, such as: Market Capitalization of Bitcoin, Patent applications and the Turnover from Innovation at Romanian level. The research concludes that bioeconomy is influenced most by the number of Patent applications to the European Patent Office. The progress of bio-economy cannot be achieved without the harness of intellectual capital.

Key words: Market Capitalization of Bitcoin, Patent applications listed by European Patent Office, Turnover from Innovation, Energy intensity of economy

J.E.L. classification: O11, B22

1. Introduction

The balance between man and the environment has been broken by technological progress, economic development and the demographic explosion. The law of action and reaction speaks its word. Albert Arnold Gore, the 45th Vice President of the United States of America, was talking about an environmental holocaust in what Karl Popper, considered to be one of the greatest science philosophers in the twentieth century, considers as an effect of disregarding nature namely the loss of the sense of piety for nature (Ross, 2013). The concept of "bio-economy", according to Bonaiuti, who used the concept at the end of the 1960s, represented an appropriate economic order that underpins all economic activities (Bonaiuti, 2015).

The European Commission has begun to promote this concept much in recent years. One of the most important actors in this effort was Patermann, who was the program director of "Biotechnology, Agriculture and Nutrition" at the European Commission's Directorate-General for Research, Science and Education. The first Global Bio-economic Summit took place in Berlin in 2015. Bioeconomy has gained great significance in last years as a wide range of benefits have been detected by several countries (Patermann, 2018). Intellectual capital in the current economy becomes the new core of economic development, because the impact of financial assets and fixed assets is clearly inferior to the impact sustained by knowledge (Preda, 2013). Reliable measurement of this one has become a major research area for practitioners and researchers since the early 1990s. There are a lot movements in this area, such as circular economy, the green economy and bioeconomy.

Providing the transfer of knowledge at an advanced and rigorous level will give to the exponential increase in the quality of human resources (Staffas et al., 2013). Therefore, the findings of the bioeconomy launches extensive evolutionary processes that require a comprehensive approach where knowledge economy plays a significant role (Birner, 2018). Intellectual property is the currency of research and technology transfer nowadays, especially in the form of patents.

The high quality of intellectual capital can provide and motivate the improvement of human capital and the generation of new knowledge for the realization of a sustainable bio-economy (Dumay, 2009).

In bioeconomy, knowledge is the most important intangible asset, and intellectual property is the currency of exchange so creating value in knowledge depends on access to intellectual property rights (Edvinsson and Malone, 1997).

The research scope is to emphasize the benefits of the dynamics of the intellectual capital growth on the evolution of bio-economy. Therefore is studied the established link between the Energy Intensity of the Economy (IEE) and a number of factors that can measure the intellectual capital, namely the stock market capitalization of the Bitcoin digital coin (MkCapBTC), Patent applications listed by European Patent Office (CB) and the Turnover from Innovation (CA). The data were taken from the Eurostat European Statistics. The study is based on data between 2015 and 2017.

General hypothesis: The evolution of bio-economics is influenced by intellectual capital;

H1: There exists a considerable link between the IEE and the MkCapBTC;

H2: Between the IEE and the CB there is a considerable link;

H3: There exists a considerable link between the IEE and the CA_INV.

The results of our analysis coincide with those of the authors Gărdan, Andronie, Iatagan, and Hurloiu, namely in a knowledge based economy, the link between sustainable bioeconomy and companies is achieved by Intellectual Capital. At Romanian level the bioeconomy is influenced most by the number of Patent applications to the European Patent Office in proportion of 81%. The indicator proposed influences the bioeconomy. Therefore we may believe that the progress of bio-economy cannot be achieved without the harness of intellectual capital.

2. Literature Review

The developments in the bioeconomy sphere should reflect their usefulness regarding the provision of sustainable solutions for future competitiveness growth by using natural resources. Latterly the relevance of education and research in bioeconomy area is obvious because these types of solutions which may be generated mainly by educated individuals who contribute to the better specialization of the human capital on this market. The scope of a lot research is to analyze the influence of universities upon the human capital activating in the bioeconomy sectors throughout the transfer of three types of knowledge: rational, emotional and spiritual. The data obtained capture the facets of intellectual capital in interdependence and interrelation with the dimensions of bioeconomy. The studies can be a starting point to designing strategies for increasing the human capital of organizations in various fields as well as of systems in the bioeconomy field.

The world nowday faces many challenges that may be solved by using the principles of bioeconomy. Bioeconomy had a multi-disciplinary approach with the objective of an integrated scope, namely, to achieve sustainable development. In a knowledge based economy, the link between sustainable bioeconomy and companies is achieved by Intellectual Capital. The intangible assets of Intellectual Capital coming from the external environment of a company in the shape of Relational Capital have great value, as they can offer competitive advantages. The dependency between the intellectual capital and the financial performance of biotechnological (biotech) companies is analyzed also through the article Intellectual capital and financial performance of biotech companies in the pharmaceutical industry . The analysis was performed for 24 biotech companies during 2002-2014, on several indicators available on the Thomson Reuters database. The financial performance was measured through the return on assets, return on equity and the debt-to-equity ratio. In order to capture the intellectual capital, the focus was on a designing a new indicator, proposed by the authors, respectively the efficiency of research and development expenditures, along with another proxy, previously attested by the literature and reflected through the market to-book ratio. The research methodology belonged on applying the correlation method, regression, and structural equations modelling. The results revealed a significant negative relationship between ROA, ROE and MTB, which contradicts the literature and suggests that, for this particular type of companies, MTB wasn't relevant to express the intellectual capital. MTB was

positively correlated with DE indicator. When they used the ECD, the results attested a strongly positive and significant relation with ROA and ROE, and a negative one with DE. Therefore, the applied tests confirm ECD as the most suitable indicator to appreciate the intellectual capital for the biotech companies in the pharmaceutical industries (Anghel et.al., 2018).

The paper of Vătămănescu, E.M., Alexandru, V.A., Cristea, G., Radu, L., Chirica, O., aims to address a demand side perspective of bioeconomy by laying emphasis on the digitalization of markets and, subsequently, on the consumption patterns at the macroeconomic scale (Vatamanescu et. al., 2018). The study investigate the influences of intellectual capital on the consumption patterns through the lens of bioeconomy. The scope is set on the bio products consumption in two European countries relying on a sample of over 700 active online consumers. Processed through an equation modeling technique, the data indicated the existence of significant influences among the considered variables. Another article, Bioeconomy development and using of intellectual capital for the creation of competitive advantages by Smes in the field of biotechnology, aims to present the perceptions and opinions of the managers of small and medium enterprises in applied biotechnology on the importance of intellectual capital and the application of knowledge management principles to create and maintain competitive advantages (Gardan et.al., 2018). Companies that develop a sustainable knowledge management system that they integrate into their marketing strategy have the most prominent position on the market and gain multiple competitive advantages. The research reflect that the strategic decision regarding the implementation of a knowledge management system and the intelligent use of intellectual capital resources are correlated with variables such as: the managers' level of education in the field, correlating managers' activity to organizational culture. Knowledge, for new business models, is a good asset that can be capitalized; from this perspective, the implications at the level of marketing strategies are in the same time diverse and complex.

At the base of the transformations taking place in the economy, knowledge will be found under different circumstances - raw material, production factor or finished product, thus, economic processes will in fact transform and adapt to change and new demands through knowledge (Nicolescu, 2011)..

The conclusion from the revision of the literature is that knowledge management and intellectual capital are indissolubly linked to the application of the principles of the knowledge-based economy, which are also the basis for the current evolution of bioeconomy.

3. Materials and Methods

The European Commission through its statistical database defines intellectual capital through the following indicators that can influence the bio-economy: R&D personnel by sector, Patent applications to the European Patent Office, Turnover from innovation, Graduates by education level and Labor status by educational attainment level. The analysis is based on the indicators: Patent applications listed by European Patent Office (CB) and Turnover from innovation as a percentage of Total Turnover (CA_INV) because they contain in database, data during the analyzed period 2015 – 2017 for Romania country. Although intellectual capital can now be considered somewhat abstract, in the economy, the concept of intellectual capital is defined as an estimate of a person's ability to produce income through work (Pop and Valeriu, 2015). Intellectual capital is considered a hidden treasure to help companies, the economy and, implicitly, bio-economy to develop in this age of technology and knowledge, therefore is why we proposed our indicator of measuring the intellectual capital (human capital), the Bitcoin's Market Capitalization (MkCapBTC). In the analysis we will see if the indicators identified in the literature influence the development of the bioeconomy more than the indicator proposed by us. The tools and methods of analysis used in the study are: the collection of the value of each indicator by the method of observation, sorting and grouping of data; creating graphs using the Excel spreadsheet program in the Microsoft Office 2010 package for identified indicator values and then sorting them for 3 years; statistical analysis using ANOVA, SPSS 19.0, and Pearson correlation indices. In the regression analysis we used those indicators mentioned above as independent variables and as the dependent variable we used the variable Energy Intensity of the Economy. As the analysis tracks the inflow of intellectual capital on the bioeconomy,

the indicators defining the bioeconomy will be dependent variable. ANOVA may use a single variable as a dependency. That is why we extracted from the European Commission database only the values of the indicator Energy Intensity of the Economy because it contains values at the level of Romania for all 3 analyzed years.

Considering intellectual capital as a key resource for the expansion of organizational intelligence, economic growth and especially for the development of bio-economics, we have used the following objectives for analysis:

- O1: Determining the link and the percentage in which MkCapBTC influences the IEE;
- O2: Determining the link and the percentage in which the CB influences the IEE;
- O3: Determining the link and the percentage in which the CA_INV influences the.

Hypothesis 0: The evolution of bio-economics is influenced by intellectual capital;

- H1: There exists a considerable link between the IEE and the MkCapBTC;
- H2: Between the IEE and the CB there is a considerable link;
- H3: There exists a considerable link between the IEE and the CA_INV.

Regression shows how a variable is dependent on another variable. The equation of the regression model is expressed as follows (1):

$$IEE = \beta_0 + \beta_1 * MkCapBTC + \beta_2 * CB + \beta_3 * CA_INV + \varepsilon$$

3. Results

It is noted that the most significant link is between the Energy Intensity of the Economy and the number of Patent applications to the European Patent Office (Table 1). Between the dependent variable - the Energy Intensity of the Economy - and the independent variable - the number of Patent applications to the European Patent Office - there is a strong direct link, the value of the correlation coefficient is + 0.810, with a Sig. value less than 0.05.

Table no. 1. The link that exists between variables at the Romanian level (processing data using the SPSS 19 statistical program)

		Correlations			
		IEE	MkCapBTC	CB	CA_INV
Pearson Correlation	IEE	1.000	-.526	.810	.732
	MkCapBTC	-.526	1.000	-.632	-.997
	CB	.810	-.732	1.000	.779
	CA_INV	.732	-.897	.779	1.000
Sig. (1-tailed)	IEE	-	.011	.021	.008
	MkCapBTC	.011	-	.024	.027
	CB	.024	.024	-	.021
	CA_INV	.027	.027	.0216	-
N	IEE	3	3	3	3
	MkCapBTC	3	3	3	3
	CB	3	3	3	3
	CA_INV	3	3	3	3

Source: Author's contribution

Table 2 highlights the fact that 92% of the variation of Energy Intensity of the Economy can be explained by the influence of independent variables.

Table no.2. The percentage of the link between the variables at Romanian level (own processing data using the SPSS 19 statistical program)

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.926b	.915	.605	3901.4513
2	.797c	.903	.701	4134.5846
3	.738d	.821	.665	1227.6021

a. dependent variable: IEE; b. independent variables: MkCapBTC, CB, CA_INV; c. independent variables: CB, CA_INV; d. independent variables: CB.

Source: Author's contribution

The correlation coefficient (R) increases as many variables are introduced into the model. Model 1 analyzes the correlation between all the variables included in the study. Model 2 and 3 eliminate the variables in order of the weakest influence: MkCapBTC and CA_INV, respectively (see Pearson coefficient in Table 1).

The equation of the regression model according to the data presented below is the following:
 $IEE = 841.328 + 12.305 * MkCapBTC + 43.136 * CB + 32.034 * CA_INV$

The Regression coefficients are as stated in Table 7, e.g. $\beta_0 = + 841.328$; $\beta_1 = + 12.305$; $\beta_2 = + 43.136$; $\beta_3 = + 32.034$.

Table no. 3. The Regression coefficients at Romanian level (own processing data using the SPSS 19 statistical program)

Coefficients ^a							
Model 1	Unstandardized Coefficients		Standardized Coefficients	t	Sig	Collinearity Statistics	
	β	Std. Error	β			Tolerance	VIF
(Constant)	841.328	414.03	0.000	0.000	0.000	0.000	0.000
CB	43.136	0.001	0.46	0.21	0.019	0.377	1.343
CA_INV	32.034	231.00	0.67	0.29	0.023	0.298	1.533
MkCapBTC	12.305	446.24	0.27	0.21	0.013	0.178	0.874

a. dependent variable: IEE; independent variables: CB, CA_INV, MkCapBTC.

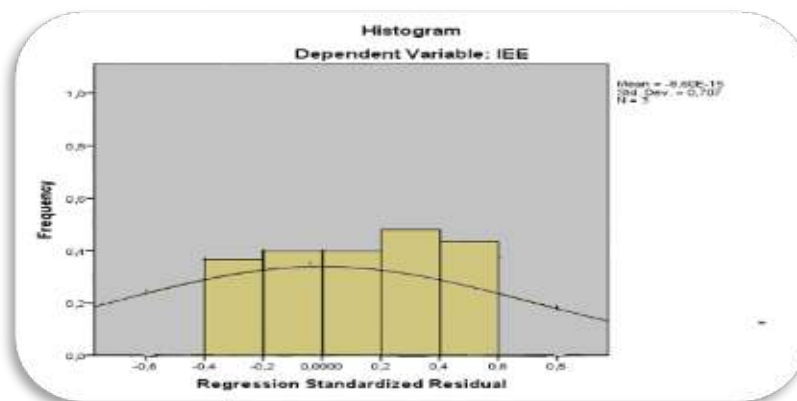
Source: Author's contribution

The model reflects the influence of the evolution of the number of Patent applications to the European Patent Office, the Turnover from innovation and the stock market capitalization of the Bitcoin digital coin on the Energy Intensity of the Economy at the level of Romania. From the analyzed model a few ideas are drawn:

- if we keep constant the Turnover from innovation and the value of Market capitalization of the Bitcoin, a percentage increase in the number of Patent applications listed by European Patent Office leads to an increase in the Energy Intensity of the Economy by 43 percent;
- if we maintain constant the number of Patent applications listed by European Patent Office and the value of Bitcoin's stock market capitalization, a percentage increase in Turnover from innovation leads to an increase in the Energy Intensity of the Economy by 32 percent;
- if we maintain constant the value of turnover from innovation and the number of Patent applications listed by European Patent Office, a percentage increase in the value of Bitcoin's stock market capitalization leads to an increase in the Energy Intensity of the Economy by 12 percent.

Compliance with the hypothesis required by the regression analysis can be graphically checked using the histogram in Figure 1.

Figure no. 1. Verifying the normality of the research through the histogram (own processing data using the SPSS 19 statistical program)



Source: Author's contribution

4. Conclusions

The intellectual capital of an organization can be successfully exploited through appropriate management strategies, these influencing the transformation of the intellectual capital potential into the operational intellectual capital (results that increase the value of the organization). The benefits of optimal management of an company's intellectual capital are numerous and generate an irreversible evolution on the scale of knowledge. Cause the field of bioeconomics is a new and extremely complex one, it requires an advanced knowledge base on different niches. The global crisis characterized by the crisis of the ecology and the biosphere, and the environment requires solving the economic problem, satisfying a growing set of needs, given the limited and insufficient resources. Bio-economy must be the base for all economic activities and unlimited economic growth should be compatible with the fundamental laws of nature.

The results of our analysis coincide with those of the authors Gârdan, D.A., Andronie, M., Gardan, I.P., Iatagan, M., Hurloiu, I., namely in a knowledge based economy, the link between sustainable bioeconomy and companies is achieved by Intellectual Capital. At Romanian level the bioeconomy is influenced most by the number of Patent applications to the European Patent Office in proportion of 81%. The indicator proposed by us also influences the bioeconomy.

The results of our analysis lead to the conclusion that research and innovation play an important role in the evolution of bio-economy at the level of Romania. Intellectual capital is the currency of research and technology transfer, especially in the form of patents. The creation of research

alongside bioeconomic innovation is conditioned by the existence of quality universities. Collaboration between institutions and the economy may increase the quality of innovation.

The European Union has recognized universities as an essential resource for innovation by offering to support such activities (Kuttenkeuler, 2018).

Romania has a great potential to develop an economy based on the concept of bio, because it is a country endowed with a wide variety of natural resources (forests, natural gas, fertile agricultural land - 7.5% of the agricultural area used in the EU - lignite, crude oil, salt, minerals, silver, gold and hydrological networks).

The two-way link between universities, knowledge creators and the economic environment, the knowledge user and the resource generator can be synthesized from the perspective of the development of the Romanian bioeconomy in different ways: transfer of knowledge to enterprises or experimental functional research for products, technologies, methods, services, as well as significant improvement in the fields of intelligent specialization (EU, 2012, and OECD, 2009).

A bio economy should be strongly based on academic research. A strong academic environment may guarantee the existence and management of the resources needed for complex, laborious and expensive research, development and implementation. Starting from these arguments transposed in the context of Romania, the article supports the idea that the relationship between intellectual capital and bioeconomy is the key to progress in the field.

The contribution of this paper to the literature is:

- inclusion of the Bitcoin variable in the analysis besides the variables included in the literature
- proposing to support the research activity of universities as a solution for the development of bioeconomy.

The analysis leaves room for further interpretations and future research because the study was only conducted for a period of 3 years and only at the level of Romania

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Solid Waste Management in the Municipality (On the Example of Kutaisi)

Darejan Chkhirodze

Nikoloz Chikhladze

Kutaisi University, Faculty Social Sciences, Kutaisi, Georgia

darejan.chkhirodze@gmail.com

nikoloz.chikhladze@unik.edu.ge

Abstract

The management of solid municipal waste in Georgia is one of the most important environmental challenges because the existing system requires radical reform. Establishment of solid municipal waste management system and efficient functioning is a prerequisite for the development of urbanization.

Effective management of solid waste remains a problem in post-Soviet countries, including Georgia, Kutaisi in particular.

The Law on "Waste Management Code", adopted in Georgia (2015) and responds to Georgia's obligations under the Association Agreement with the European Union. In this work the research was conducted on the example of Kutaisi municipality, the problems in the field have been identified, namely outdated landfills, problems in waste collection and recycling, The negative impact of landfills on environmental and human health has been identified, and recommendations have been developed based on sharing the experiences of other countries in solid waste management, in particular on the example of Moldavian and Romanian cities.

Key words: waste, solid waste management, recycling

J.E.L. classification: Q01, Q5, R0

1. Introduction

Management of international standards of solid waste is one of the key obligations undertaken by Georgia with the agreements signed with the EU. This obligation simply means that there should be no such landfills in Georgia, such as the famous "Nikea landfill" and many more still present in the regions of Georgia. In addition to regulation of landfills, new standards include sorting household garbage in order to make the environment less likely to be harmed and the society living in this environment. In parallel with building the so-called modern standards of landfills, one part of these obligations is the construction of non-hazardous waste processing factories of modern standards.

Until recently there was no unified legislative system of waste management in Georgia, partly existing regulations did not fully reflect today's realities and did not comply with international requirements.

2. Literature review

Solid waste management means the management of old landfills as well as implementing non-existent technologies. Non-existent technology requires practical application of knowledge, methods and means to ensure the use of natural resources and energy, environmental protection and human health. As for the landfills they are held for 15-20 years (Eristavi, Danelia, Hasan, Archipova, 1985, p.36)

The Law of Georgia "Waste Management Code" entered into force on January 15, 2015 and responded to the obligations undertaken by the Association Agreement with the European Union (Law, 2015).

In order to find the problems in the field of waste collection and recycling, their causes and their possible solutions, the Imereti Scientists Union "Spectrum" conducted a survey of business entrepreneurs in this sector. The entrepreneurs were able to express their vision on the development of prospects of recycling, establishment of effective management mechanisms to facilitate mutual cooperation with governmental and non-governmental sectors. (Imereti Scientists Union "Spectrum", Report, 2018, p.45)

Based on the statistical data, the relationship between Kutaisi population (data is taken from the Kutaisi Civil Status Registration Card) - X, pollution – Y and disease -Z has been identified (Ministry of Environment Protection and Agriculture of Georgia, 2018).

It should be noted that unfortunately, in Kutaisi there is a kind of landfill such as the famous "Nikea landfill".

"Nikea landfill" is located on the continuation of Nikea Street, southwest, on the right bank of the river Rioni and belongs to the sanitary cleaning of the City Hall (Data was taken from the city sanitation service). The landfill is 45 ha, out of which 5 hectares are operating, and 37 ha is preserved. It mainly serves Kutaisi and parts of Tskhaltubo and Baghdadi zones receiving 600 m³ industrial and household waste, in recent years, only from Kutaisi and Tskaltubo.

Landfill has been exploited for 40-50 years. This is when it is usually held for 15-20 years. At first, the landfill was allocated a few kilometers away from the city. Now, there are several hundred meters between the microdistricts build with modern multistory houses and the landfill.

For years the incorrect handling of the landfill, increasing the operational deadlines and violation of the sanitary protection zones from the residential areas put the new landfill construction on the agenda.

The main problems:

- Integrated waste management is not undertaken;
- The existing technical equipment is not enough to retain the whole territory of the city;
- There is no municipal hazardous waste management system.
- Composting waste is not implemented;
- High level of waste, especially the rivers' pipeline and riverbed pollution levels;
- Detailed inventory of wastes has not been conducted in Kutaisi. It is necessary to count the number of waste, the composition, the number of residuals we have, the potential for processing, where we need mining equipment, what can be repaired, etc.
- There is no supportive environment for waste separation, recycling and processing;
- Increasing trend of waste flows;
- Low level of consciousness of the population;

In order to improve the existing situation, Georgia should provide relevant measures according to the obligations undertaken by the Association Agreement with the European Union.

Georgian legislation complies with the Association Agreement with the European Union (Law, 2015).

The Code aims to create legal basis for waste management for implementation of measures to promote waste prevention and increase of their reuse. Environmental and human health is the main objective of this Code, which is designed to safeguard the waste environment in a safe way (including recycling and diversion of secondary raw materials, restoration of waste energy, safe storage of waste). The main objective of this Code is protection of environment and human health.

According to the law, the competence of the Ministry of Environment and Natural Resources Protection is to develop / implement a common state policy of waste management, state control over waste management, etc. The competence of the Ministry of Regional Development and Infrastructure in the field of waste management includes the arrangement, management and closure of non-hazardous waste landfills, arrangement and management of warehousing units taking into consideration the requirements of the Waste Management Code and the relevant subordinate normative acts.

Since 2019, waste management methods have significantly changed in Georgia, improved management methodology, increased demand for waste processing enterprises. It was necessary that the enterprises would have to collect more collected waste. Waste recycling is the business sector that needs to be quickly developed to meet the requirements of the existing reserve management sector in the country.

In order to find the problems in the field of waste collection and recycling problems, their causes and their possible solutions, the Imereti Scientists Union "Spectrum" conducted a survey of business entrepreneurs in this sector. Entrepreneurs were able to express their vision on the development of prospects of recycling, establishment of effective management mechanisms to facilitate mutual cooperation with governmental and non-governmental sectors.

Entrepreneurs of the survey participated in the field of plastic, paper and aluminum collecting and processing, in Kutaisi.

- Kutaisi - 5 enterprises, including plastic processing 3 enterprises, macula production enterprise-1 and aluminum collector enterprise -1;

As the analysis of the survey showed, it is important for entrepreneurs to get access to raw materials. The majority of plastic processing enterprises depend on the imported raw material. In particular, polyethylene and polypropylene granules have been brought from other countries. Local raw materials can not be produced due to the low level of plastic waste disposal in Georgia and the lack of modern equipment. However, there is an attempt to sort and collect the collected plastic on the spot. But the raw quality does not respond to the conditions of the technological process and this time it is less demanded on the market. The majority of enterprises are equipped with old-fashioned machinery. Entrepreneurs do not have the opportunity to invest big investments in modern technologies, which is thus reflected on the quality of their products. Consequently, the quality of manufactured products is low, which is reflected on the competitiveness of these products on the local market.

3. Determining quantitative attitudes between pollution and the disease caused by it.

The method of statistical analysis was used for research studies. Method of multifactorial linear regression dependence. Based on the statistical data, the relationship between Kutaisi population (data is taken from the Kutaisi Civil Status Registration Department) - X, some of the harmful substances (SO₂) – Y and disease -Z has been identified. Multiple regressive analyzes have been conducted to identify this relationship. The equation of the regression derived is as follows:

$$Z = 0,77X - 0,31Y - 103,8 \quad (1)$$

Correlation R=0,8 (by 2000 year data).

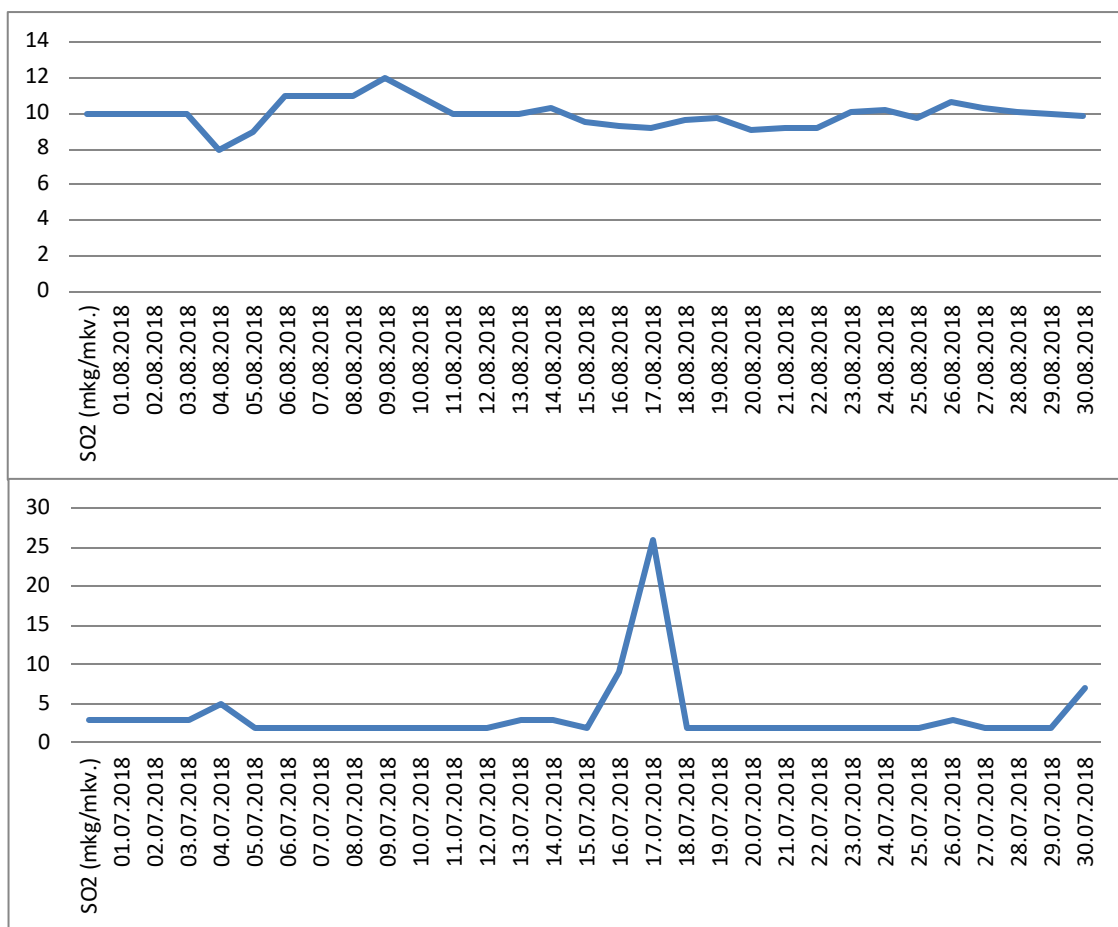
The approach allows for the correlation between the city's population, the harmful substances emptied from the landfill and the diseases caused by these contamination, according to the formula (1).

Table no 1 Street Average monthly concentration of the auto station in Kutaisi

Kutaisi	SO ₂ (mkg/m.kv.)
08.2018	9.54
07.2018	2.8

Source: Ministry of Environment Protection and Agriculture of Georgia, National Environmental Agency.

Figure no 1. Concentration dynamics (August, 2018)



Source: Authors’s contribution after Ministry of Environment Protection and Agriculture of Georgia, National Environmental Agency.

Harmful substances derived from landfill and diseases caused by these contamination

Determined connection between Kutaisi residents X, some of the harmful substances (SO₂) -Y from the landfill and the diseases caused by the contamination – Z correlation connection.

R = 84.71 in July, R = 85.69 in July and R = 87.6 in August. Compared to previous years the growth of correlation union is caused by increasing the scientific and technical potential of the society. In our case, other factors were not included in the pollution.

4. Conclusions

It is noteworthy that the Wastewater Integrated Management Project is designed to create a waste sorting enterprise in a new regional landfill that will significantly facilitate the separation of wastes into different factions and further processing. Construction and operation of a new regional landfill will be carried out in compliance with the requirements and standards of the EU legislation (Kutaisi Strategy, 2016).

Providing adequate conservation of old landfills in order to eliminate and minimize ecological threat from landfills, demands:

- Conducting periodic monitoring of soil, air and ground waters, planning pollution assessment and mitigation measures due to landfills;
- Improving the organization of collection and disposal of municipal waste;
- Introduction of modern methods of waste management;
- Increasing public awareness and involvement in waste management;

- Facilitating the implementation of sustainable management principles of waste, primarily to minimize waste prevention and waste generation;
- Introduction of modern technologies for waste collection and processing;
- Creation and development of waste processing infrastructure;
- Gradual introduction and functioning of the segmented collection system of municipal waste;
- Ensuring the implementation of separation, processing and secondary use mechanisms;
- Development of a local waste management plan, which will discuss in detail the placement and management issues of construction and hazardous waste (including mercury, asbestos, etc).

The introduction of waste management systems ensures the sustainable development of the environment, the reduction of solid waste, recycling of solid waste and consequently improving environment and human health.

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Globalization and Social Justice. The Church Between the Desideratum of Justice and Social Equity and the Primacy of the Transfiguration/Holiness of the Person

Stelian Manolache

"Ovidius" University of Constanta, Orthodox Theology Faculty

stelian81stely@yahoo.com

Abstract

Our study aims to assess, from the perspective of the Holy Scriptures and the Holy Traditions of the Orthodox Church, the connection - so very specific to post-modernity era - between globalization and the aspirations, equally universal, for justice and social equity. In the melting pot of the new post-modern utopia, of economic, social, political as well as religious transformations, the unique doctrine of contemporary economic ultra-liberalism will aim, for final goal, at creating a new man and a new world order, involving the reference to and the assessment of social justice and social equity issues, where, for the sake of the verb "to have", people forget the usage of "to be". In the final part, we will point out some of the defining aspects of the position of the Orthodox Church regarding the presented issue.

Key words: globalization, social justice, social equity, recent man, Orthodox church

J.E.L. classification: F69, H89, I31, Z12

1. Introduction

Supported by the explosion of new technologies of the IT revolution, starting from an ultra-liberal doctrine, globalism - *the ideology of globalization of the free market and trans-culturalism, as unity in diversity*, is, in the dynamic dialogue of the contemporary world, a positive reality which includes absolutely everything, from financial markets to Internet (Held, 2004), marking a decisive path for the human condition and the present-day society. As a phenomenon quite specific to globalization and postmodernity, the idea of social justice does not, in any way, constitute the exclusive attribute of the "recent" man (H.-R. Patapievici, 2006). Its persistence renders itself with an obviously undeniable historical dimension, since its ideal was already present in the Antiquity in Plato's and Aristotle's discourses, while the prophet wrote that *'... the fruit of that righteousness will be peace; its effect will be quietness and confidence forever'*. (Isaiah 32:17) The Saviour warned His disciples that *'... unless your righteousness surpasses that of the Pharisees and the teachers of the law, you will certainly not enter the Kingdom of Heaven'*. (Matthew 5:20). Moreover, He said *'... Blessed are those who hunger and thirst for righteousness, for they will be filled'* (Matthew 5:6), *that theirs is the Kingdom of Heaven'* - justice being illustrated as a guardian of everyone's rights, whose social mission is to regulate the acts of all citizenship virtues according to *the common good*, as in the Scriptural texts: *Give everyone what you owe them* (Rom. 13: 7). This definition is in line with the formulation expressed by the lawyer Ulpian and included in the Roman Law, defining it as *Constans et perpetuam voluntas ius suum cuique tribuendi*. However, between globalization and the actual social justice, as an extremely complex structure process, with multiple determinations and implications, this definition reconfigures the old one into a new, utopian vision, by a conceptual aspiration which has a predominantly social-humanitarian signification, comprising an interconnectivity space, whose origin, *in a reductionist way, only lays in the importance of economic factors, on the expense of the spiritual ones, the first incur a profound mutation in the ontology by nihilistically reducing the beings to objects or goods and the human being to the process of thriving* (Ioan I. Ică jr. , Germano Marani, 2002, p. 487). In fact, the

existence of that common economic space determines the extent to which one can speak of the existence of proper interaction between globalization and social justice. Or, in other words, the fact that both globalization and social justice lie, as we shall see, in a strong connection with the economic factor, which establishes a certain interdependence of them, which we will try to explore in the following pages, leaving to the theological perspective, however, the possibility of drawing the final conclusions.

2. Theoretical background. Globalization and social justice: economic dimensions

The predominant economic acceptance of the globalization process is undeniable, at least as long as it involves the removal of state-owned barriers for production, goods trade and capital movement. In the logic of globalization - *the greatest economic change since the Industrial Revolution* -, the world has become a huge enterprise and, in the same time, a unique market. The international division of labor, albeit more and more accentuated, only accelerates mutual economic dependencies, *the chains of creating a new value* - investment, design, production, sales - subordinating to an obvious multi-national, transnational, managerial logic. Under the pressure of an increasingly aggressive economy, where the rejection of accession to and integration in that reality brings along the risks of isolation and decapitalization and, consequently, the spiritual poverty. The world has become a huge "*global village*" (Marshall McLuhan), tending to suppress the particulars of any culture, civilization and, of course, faith and religious practice, determining "space and time compression" (John Tomillson, 2002, p.11), by the ability of bringing all to the one and same denominator, to homogenize and synchronize multiple identity factors, once untouchable. Dissolving / limiting restrictions on the movement of capital and commodities and favoring industries generating high added value, the trend towards globalization has also been imposed by the fact that, by internationalizing and stimulating production and trade, it is also capable to bring about increased employment and pay. In other words, it will lead to rises in living standards, so that the adherence to the global economic flows will directly influence the advance of any community. In its core, the ultimate spring of globalization is *to maximize at any cost the efficiency and productivity of human labor*, whether physical or intellectual, *up to the point where the modern world has made the material and effective progress into a myth* (Nicolae Achimescu, 2013, p.185), known as *The Myth of Continuous Progress*. In its turn, social justice has a decisive economic dimension, assuming the realization of socially acceptable standards of fairness and rectitude *in the sphere of economic goods and social positions*. Even if not exclusive, as it also involves non-material components, such as rights and freedom, opportunities or social respect, *this dimension is, we believe, the most important, as the inequalities that it generates are the most serious and can irreparably affect life or people's health* (Eugen Huzum, p. 62) Therefore, if the impact of globalization is primarily concerned with the production and sale of goods, to which the movements of capital and labor appear to be somewhat subsequent, *social justice is mainly the way in which society understands to distribute the benefits, costs and risks of the social co-existence* (Eugen Huzum, p. 61). Under these circumstances, the process of globalization will have an impact on the desideratum of social justice in a complex and diversified manner, generating both favorable and reprobable consequences. We present them briefly, referring to an estimate made by Vasile Simileanu (2011):

1. *By positive effects / strong points*: sustainable development, increased investment, limited unemployment, increased income, easy access to goods and services; creating the due requirements for improved access to specialized education and medical care; the free movement of ideas and cultural values; the unitary approach to issues such as poverty, the ecological crisis, and cross-border migration;

2. *By the negative effects / vulnerabilities*: perpetuating and exacerbating the gaps between rich and poor countries / regions, between North and South, respectively West and East; a discriminatory character of investment and commercial policies ; the trend of wage moderation in relation to nominal productivity; the risks of suppressing the particularities of culture, civilization and religion.

Essentially, a large-scale economic development, eased up and stimulated by the globalization of production, has ensured a certain improvement in living standards in states and areas with

extremely serious social problems. Thus, according to World Bank estimates, if in 1981, not less than 43% of the world's population lived in extreme poverty, in 2015 the figure fell below 10%, respectively up to about 700 million people, (comparing to 1.75 million in 1990, for example). The number of people forced to live with less than \$1 a day steadily declined after 1990, the East Asia and the Pacific region experiencing the most accentuated dynamics. This development was substantiated by the steady increase in life expectancy, a pertinent indicator of the living standards, which is 10 to 15 years higher than in 1950, in virtually all the underdeveloped regions of the world, with the exception of Sub-Saharan Africa. Here, the development recorded up to the 1990s was undermined by the AIDS epidemic and the accelerated and often irreversible degradation of fertile farming soil. We can conclude that even though China absorbed about 75% of the global poverty reduction rate between 1990 and 2015, the progress is, in essence, relevant despite the persistence of the extreme situations in Sub-Saharan Africa, where around 36% of those experiencing extreme poverty do live. *Thus, we can see that the general economic development has generated a decrease in poverty, the pace of the expansion of industry and trade being directly proportional to the positive evolution of the living standards.* From the point of view of the desideratum of social justice, *this positive effect of the globalization process is undermined by the continuous deepening of the development gaps between the rich and the poor countries, on the one hand, and between the wealthy and the poor citizen, on the other.* A continuous economic growth does not generate a reduction in income inequalities, wealth, chances, gender, states and/or citizens, but rather emphasizes them, so that, *under its distributive dimension, social justice is harmed.* In fact - as Vasile Simileanu notes - *the global world remains, despite certain rhetoric, far from the ideals of unity and solidarity, clinging to the modern metropolis morphology, one that brings together the glamour of the residential areas with the gray of the periphery.*

3. Research methodology

The research method used in our study is part of the seven types of *research methods in the field of social sciences.* We used the method of *secondary analysis*, taking over the scientific material from several observers, the materials/documents that we have taken for our study, we reinterpreted them in a theological-philosophical-juridical manner.

4. The paradox of globalization: social atomization

Although from a certain point of view, globalization, through globalism, is a perfect means of attitude and action uniformity, *in fact, it tends to accentuate individualism against the person and to dilute the internal cohesion of different social segments, and communities in general.* Implicitly, this is an egocentric world in which each individual would only pay attention to oneself and to one's own needs, desires or aspirations. A world dominated by the criteria of economic efficiency, productivity and the logic of utilitarianism and consumerism, will gradually see weakening one's passion with which one once considered the ideals of social justice. Becoming global and ever more dependent on this, *the world is still atomizing itself, for although forced to work together in the sense of working and performing together, human individuals prefer solitude, their expectations becoming increasingly narrower and only answering their individual aspirations.* In fact, since the 1960s, as the American sociologist Thomas Luckmann noted that an increasing social division of labor and the ever narrower professional disciplines determines the dilution / weakening of the identity factors of human groups (Cătălin Raiu, 2012, pp.15-16), process which, exponentially accelerating, has incurred an extreme fragmentation of society and a preeminence of individualism. Under such circumstances, the adherence to the idea of social justice and, implicitly, the recognition of the values it stands for, strikes the propensity of the *recent man* for the absolutization of his own self and the present experience (Bruno Cescon, 2003, pp. 74-75).

Globalization and its corollaries - post-industrial economy, managerial revolution and postmodern "spirituality" have reduced man to the *temporal flow of production and consumption* (Ioan I Ică jr, 2005, p.692), According to the American sociologist Richard Senett, the globalization means a global world where *a lot of people live with the impression that "the society demands" ... especially the technical integration into an efficient production system* (Nicolae

Achimescu, 2003, p.183) leaving aside the other aspects of cohabitation, including social justice. *By establishing the criteria of economic and financial performance as a reference, such as discipline, efficiency and labor productivity, individual profit, skills and competence, as well as those of consumerism, i.e. access to various goods and services, acquiring power, prosperity and individual wealth, the globalization implies the risk of a substantial alienation of the human condition.* Indeed, this egocentric logic transforms people into "simple, medical, psychological and sociological objects" (Paul Tillich), as long as everyday life seems more and more to become, simultaneously with the "refusal of existential depth", emanates "...a way of being what substitutes the true human identity [...] with a deceiving existence based on the commodity and mediocrity of a consuming life." (Adrian Lemeni, p. 444).

Thus, the "recent" man becomes obviously a simple "wheel" in the huge mechanism created by the process of globalization, which "... foresees the economically efficient triumph at the cost of destroying social cohesion", implicitly emphasizing "social inequality and chaos" (Ioan I. Ică jr., 2002, p. 689). By concentrating and referring exclusively to "one' own feelings and one's present existence", following only "... the immediate satisfaction and achievements" (Nicolae Achimescu, 2003, p. 178), the human of a globalized world seems to be devoid of what H.-R. Patapievici calls "... the discernment to understand that any progress in the visible is due to amputations in the invisible" (H.-R Patapievici, 2001, p. 12).

Thus "pressed" by the economic and financial unilateralism of the consumer society, it avoids with obstinacy the "disturbing questions" concerning its own existence and condition, preferring a flattened / horizontalised, comfortable, egocentric existence and, as such, lacking "the spiritual dimension" of verticality. (Dumitru Popescu, 2001, p.86). The *recent* man will, therefore, have the tendency of solitude, preferring to see himself alone in a world that, paradoxically, becomes more interdependent. Becoming global, the world of people will at the same time fragment to the utmost, atomizing itself, each individual choosing to claim their autonomy from their peers and their community.

The very idea of community is depreciating, becoming almost quasi-utopian, because a global society, largely abandoning the bond of shared belonging to institutionalized and sacramental Christianity, seems unable to find its cohesive factors. Practically, the *recent* man cannot recognize others as fellow men; it seems that globalization has ever more diminished man's godly face, suppressing, even more, the ability to see oneself in the others. Even though God "... carved the human image looking at the Wisdom and heavenly and eternal humanity of Christ" (Pavel Evdokimov 1996, p.67), globalization has forced the *recent* man to be lonely, repressed in his own ego, but also, -observes with precision Father Ioan I. Ică jr. -, "... without defense against technical-economic manipulation" and the *perverse triad* represented by production, profit and consumption/show/ communication (Ioan I. Ică jr. , 2002, p.693). Living in a world where economic factors acquire *authentic existential bases* (Nicolae Achimescu, 2003, p. 181) as if the whole universe had determined and could be reduced to himself, the *recent* man makes his destiny by connecting it, unilaterally, to some aspirations related to his socio-professional development, prosperity and individual well-being. An existence unilaterally oriented towards material values (Dumitru Popescu, 2005, p. 87) can only lead to a consubstantial expectation horizon, i.e. without any spiritual fabric. And indeed, the *recent* man, who has become a citizen of the global world, seems to have suffered an ontological mutation that gave birth to a new human typology, less willing (and able) to accept and disseminate love, kindness, solidarity, community spirit.

Practically, globalization *relies* on an ontologically changed man by *the nihilistic reduction of beings to objects and commodities and of being itself to well-being or to mere exchange value* (Ioan I. Ică, 2002, p.693), and which finds in the egocentrism the main landmark of his existence. Deliberately loosening the identity of the Creator's image, can the *recent* man think in the axiological terms of social justice? Is there still room for the ideas of righteousness and fairness on the agenda, dominated by the utilitarian-consuming imperatives of the man of the globalized world? Yes, no doubt, nor could it be otherwise, *for the divine image of man is indefeasible*, despite *all the places and times when the disinterested service for his fellow man* seems to be abandoned (Dumitru Stăniloae, 1993, p. 40). *That this is the case, is proved by the consistent civic and institutional actions meant in favor of social justice and, more importantly, explicitly referring to situations in which the lack of social justice is flagrant, including, for example, the European*

Union initiatives for the elimination of malnutrition in a number of Asian and African states or the "Compat 2025" Project aimed at completely eliminating hunger.

5. The Church and the need for equity and human solidarity/Research methodology

In order to assess the position of the Church in relation to the need for social justice, from the point of view of globalization, we will have to point out that, as Eugen Huzum notes, *globalization is not equivalent to philanthropy*, and the ecclesial institution does not programmatically ... *bring [all people] to a certain minimum standard of living, health and socio-economic comfort* (Adrian Niculce, 2004, p. 63). Given the prevalence of the secular organization of the modern state and the increasingly obvious secularization, the Church is left outside any institutional or legislative institutional level, *being able to intervene only informally for social justice, the operationalization of its values under the normative plan and their implementation at a community level*. In spite of its limits of action, the Church will proceed, however, by fully assuming the desideratum of social justice, for the achievement of which it will not cease calling all people, whether they are faithful or not. From this perspective, the ecclesiastical institution will not hesitate to disseminate *a core of fundamental (moral-ethical) values*, values of love, solidarity, sociability, gratitude and friendship, values that have proven their relevance in the circumstances of postmodernity (R. Bellah, Ph. Hammond) (Pierpaolo Donati, 2002, pp.324-325). In fact, when it takes on the desideratum of equity, the Church is precisely concerned with the fact that ... *the human person's life [must] be dignified, as Christ the Savior and restorer of full life has revealed man to the commentary man as Image and Similarity of God in History* (Germano Marani, 2002, p.56), which, after all, it is nothing more than a (re)actualization of the thinking of the Fathers of the Church of the IV – V centuries who fought to repair ... *the injustices suffered by society* (Luigi Padovese, 2002, p. 281). Without being in any time autonomous and without a purpose in itself, the efforts in favor of social justice are an integral part of the missionary activity of the Church (Dan Ciachir, 2003, p. 33). Focusing on the human person - for "*Suppose a brother or a sister were without clothes and daily food. If one of you said to them, "Go in peace; keep warm and well fed," but does nothing about their physical needs, what good is this?*" - James 2, 15-16 - the actions of the Church - and we repeat - informal actions, although entirely grounded in a series of explicit biblical imperatives, *will be, implicitly, connected to the particular purposes of a spiritual and eschatological order, as ... those who have a special interest in human beings [...] find themselves tied to the great purpose of the exaltation of the human being, who was made by Christ, the Risen and Ascended* (Atanasie Yannoulas, 2013, p.154). In fact, *the deep vocation of the Church consists in mediating the tensions created, on the one hand, between the individualism generated by the prominent position of the economy, in this case the production and consumption of material goods, in the global world and on the other hand, the need to preserve and strengthen equity in relations social. The Church will, therefore, exercise a mediating function*, to which we can formulate the following observations:

a). In itself, the concerns of contemporary society for the quality and efficiency of labor, productivity and performance do not pose any theological problems, be it just because "... *Isaac planted crops in that land and the same year reaped a hundredfold, because the LORD blessed him.*" (Genesis 26, 12). As a result ... *it is proper for everyone to be aware of his work and [...] to do it without laziness, with diligence and care* (Saint Basil the Great, p. 1024) because The Holy Scripture qualifies labor as the most precious treasure of man, i.e. *the riches of the hunt* (Proverbs, 12, 27), pointing out precisely that this is a human general need that cannot be detached from Adam the fallen's condition (Genesis 2, 15). However, when the preoccupations for productivity and profit become obsessive, monopolizing people's work and thinking to the point where it enslaves and alienates them, the Church will raise its voice, warning of the dramatic consequences of such a state of affairs. Understanding that, ultimately, ... *globalization tends to eliminate God from His own creation* (Dumitru Popescu, p. 13), the Church will assume the safeguarding of the "recent" man, of the man who has lost *consciousness of the ontological dependence on the divine* (Gheorghe Petraru, p. 53), living only ... *for production and consumption [and] emptied of [...] any transcendence* (Valer Bel, p. 33), a accusing man... suffering of solitude and lack of genuine meaning (Valer Bel, p. 36). And in this huge work of salvation of the human being, the restoration of the spirit of *koinonia* - as a way of thinking and acting against individualism (Ion Bria, 2013, p.

189) - will necessarily be imposed, representing a decisive step from the perspective of the Church's action in the direction of supporting and promoting values linked to social justice.

b). The biblical and patristic view in respect with justice point to what we may call the relationship of *proportionality*, socially determined, between the work one does and the associated rewards/benefits one must reap, the theological thinking, anticipating this point of view - dominant in our time - regarding the priority perception of social justice as equity in the distribution of benefits (and also risks) resulting from the social work. The Holy Scripture is explicit in this respect: "*You will eat the fruit of your labor; blessings and prosperity will be yours.*" (Psalm 128: 2); "*That each of them may eat and drink, and find satisfaction in all their toil—this is the gift of God.*" (Ecclesiastes 3:13) or "*the worker deserves his wages*" (Luke 10: 7). Likewise, the Holy Tradition: *The good worker receives the fruit of his labor with joy; the lazy and idle one cannot look in the eyes of the one who gave him work* (Clement of Alexandria) or *Serve all needs, without laziness; engage in your work with all your humility, in order to [...] be sufficient, you and those without means [the poor]* (the Apostolic Constitutions). Therefore, the Church will be fully justified in advocating a fair distribution of the final results of social work to the society as a whole, advocating to avoid situations of abuse, exploitation or discrimination, alongside the support, including by direct actions, of disadvantaged categories of the population, because ... *the care for the grieved and burdened by the needs, the victims of a profoundly unfair social order, was [...] the mark par excellence of the authentic Messiah* (Adrian Niculcea, 2005, p.19).

c). The theological substrate of the Church's actions in favor of a social justice resides, as expected, in the commandment to love one's neighbor ("*... Love your neighbor as yourself*", Matthew 22:39), for only by loving one's neighbor can man fully understand the impact and causes of the lack of equity in social relations ("*The goal of this command is love, which comes from a pure heart and a good conscience and a sincere faith*" - I Timothy 1: 5). In fact, the love of one's neighbor is the basis of the whole social action of the Church, for *since God so loved us, we also ought to love one another.*" (I John 4:11), an action that comes to give meaningful sense in this very life to the preaching work of the Savior Jesus Christ ("*Now that I, your Lord and Teacher, have washed your feet, you also should wash one another's feet. I have set you an example that you should do as I have done for you.*" - John 13, 14-15).

Becoming a worker according to Christ's love model, love - *agape* breaks down any individualism, any lack of empathy with others; learning the love for one's neighbor, man learns to resonate in solidarity with the others, rediscovering his vocation as a community being, according to St. Paul's pleading - "*... as we have opportunity, let us do good to all people, especially to those who belong to the family of believers.*" - Galatians 6:10) . By loving and realizing the profound significance of communion, "the recent man" will immediately discover that "*It is more blessed to give than to receive.*" (Acts 20:35), which is not only the starting point for the philanthropic mission of each Christian, but also for adhering to the broader concept of social justice. Looking at the practice of justice as the defining hypostasis of his own spiritual status - precisely because righteousness is fructification of love, and "*... anyone who does not love his fellow man remains in death*" (I John 3:14) - the man will completely part from the risk of alienation caused by the ever more egocentric perception of redistribution of labor benefits.

6. Conclusions

Fully understanding the need to keep the balance between work and reward and praising those who, through hard work, generate benefits for the whole community, that is to say, accepting the socially useful role of high productivity and efficiency - "*A sluggard's appetite is never filled; but the desires of the diligent are fully satisfied.*"- Proverbs 13, 4 - the Church will be able to modulate its discourse and public action so that righteousness in work is repaid by the equity in reward. The action of the Church - an echo of the urge to solidarity addressed by the Savior Himself, will be based on the virtue of love, for by learning love, the Church assimilates *de facto* the desideratum of social justice, as ... *the loving God [...] at the final judgment will ask us how much we have tried to be like Him by loving our neighbor and answering to his needs* (Adrian Niculcea, 2005, p. 19). Basically, equity gives the measure of human love and solidarity fueled by love; practicing justice and opposing abuse and exploitation, the collectivity merely regains its authentic Christian values,

in order to become once again able to radiate the Savior's archetypal love: " *and walk in the way of love, just as Christ loved us and gave himself up for us as a fragrant offering and sacrifice to God* "- Ephesians 5: 2.

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Opportunities and Challenges for a Sustainable Rural Entrepreneurship

Carmen Nastase
Carmen Chaşovschi
Ancuța Lucaci
„Stefan cel Mare” University of Suceava
carmenn@seap.usv.ro
carmenc@seap.usv.ro
ancutalucaci28@yahoo.com

Abstract

Entrepreneurship is considered to be a solution for the development of rural areas. Furthermore, rural areas are favorable for opening and developing new businesses, but generally are considered to be a vulnerable environment which depends on a number of factors. Also, the sustainability of rural entrepreneurship should be supported through the implementation of strategies in the rural areas and through the development of citizen's entrepreneurial spirit. The aim of this paper is to investigate the importance of supporting rural entrepreneurship within countries, and also the establishment of a various number of opportunities and challenges encountered when creating a sustainable rural entrepreneurship. Statistical indicators regarding the business environment in Suceava County, Romania, have been used as research methodology. The results underline that supporting rural entrepreneurship by governments and creating opportunities to entrepreneurs could ultimately lead to economic growth, innovation, competitiveness, employment and social integration.

Key words: rural areas, rural entrepreneurship, sustainable rural entrepreneurship, rural development

J.E.L. classification: L26, F64, F63, O18

1. Introduction

Most often, rural areas are considered to be very favorable locations for starting and developing new businesses. However, the development of such areas is dependent upon government decisions and policies, which in recent times have been more concentrated on these issues. Supporting rural entrepreneurship by the governments could subsequently lead to economic growth, well-being within society, innovation, competitiveness, employment and social integration.

The main concern approached in this study shall cover the establishment of a sustainable rural entrepreneurship, through the identification of challenges and opportunities that people and countries confront nowadays when trying to develop the rural areas. In order to create a sustainable rural entrepreneurship, it is compulsory to involve the local community, which is directly in charge with the rural development of their areas.

This research aims to investigate the importance of supporting rural entrepreneurship within countries, and also the establishment of a various number of opportunities and challenges encountered when creating a sustainable rural entrepreneurship. People from rural areas must be encouraged towards adopting an entrepreneurial spirit. The establishment of sustainable businesses in rural areas, which will provide qualitative and distinguishable products and services, will further lead to rural development and to a high life standard.

The following section shall include a literature review of rural entrepreneurship and sustainable rural entrepreneurship. Afterwards, undergoes a section regarding the research methodology, one section which contains the results of the research and the opportunities and challenges identified by the authors.

2. Literature review

For what it is recognized worldwide, entrepreneurship is considered to be the engine of a country's economic growth. Therefore, every country supports nowadays the development of the business environment, through miscellaneous policies and programs. In all these decision-making, the individual has a central role. The individual, on the basis of his skills and capabilities, has the power to innovate and to create a very successful business, as Schumpeter stated in his "Theory of economic development" (1934). Moreover, other authors (Acs, 2006; Thurik, 2010), in their articles concerning the relationship between entrepreneurship and economic growth, underline the fact that entrepreneurs are individuals who create new businesses, which will subsequently bring welfare to countries and citizens, like employment, high productivity or new technological changes.

At the same moment, entrepreneurship is also an important source of economic growth for rural areas. Nowadays, in the rurality has appeared the necessity to encourage the local community in adopting an entrepreneurial spirit. Rural areas provide entrepreneurs with an "innovative and entrepreneurial milieu", which will further allow enterprises to develop and become competitive (Stathopoulou et al., 2004). Besides the advantages provided to businesses, rural entrepreneurship also contribute to local development (Korsgaard, 2015). Local people will have the opportunity to remain in the villages and get employed in a local enterprise, without the necessity of migrating to other big cities. Also, decision-makers could deploy measures in order to develop some rural areas for becoming more attractive for future investors. In that manner, local people will attain a higher life standard.

Many authors believe that entrepreneurs can contribute in a high manner to rural development (Malecki, 1993; Henderson, 2002; Acs, 2006). Entrepreneurship remained an important settlement for resolving the economic issues of rural communities, this is why governments are intended to enhance the business environment in rural areas. On the other side, the most important agents who foster rural entrepreneurship and development are entrepreneurs, universities and governments. It is distinguished thereby that a tight connection between these three parties will increase the development of rural communities.

Rural entrepreneurship should not be based solely on setting up businesses in rural areas, but also on setting up businesses that use the raw materials from these locations and to include them in the production processes (Sima). This will add value to various resources from rural areas, and local people will be able to find a job at the local level. However, it is sometimes difficult to achieve this because there is not enough financial capital in order to make these opportunities conceivable, and insufficient available funds from the public institutions to provide investors with different facilities.

Another issue related to rural entrepreneurship is the sustainability of rural entrepreneurship. A solution for creating a sustainable rural entrepreneurship is to set up businesses active in various economic activities, not just in certain activities. One of the most important ways of creating sustainable rural entrepreneurship is considered to be the development of the business environment in these rural areas (Ansari et al., 2013). Also, the development of a sustainable business environment in rural areas can be achieved through the involvement of local communities in entrepreneurial activities. Thus, a sustainable environment will be constructed and developed, because local people are among the most interested parties when it comes to the economic development of those areas and the retention of local people on local labor market.

Furthermore, rural areas are found to be very favorable locations for the development of eco-economy, by taking into account the abundance of natural resources that might be at the base of some innovative enterprises. Thus, several potential areas favorable for the development of eco-

economy in the rural environment would be: agri-food; renewable and alternative energy; tourism; agriculture; forestry; landscape, landscape and biodiversity" (Kitchen et al., 2009).

In establishing a sustainable rural entrepreneurship, a significant role is being played by public institutions that are directly responsible for the development of rural areas and with the creation of an rural entrepreneurial environment. Therefore, these public institutions should establish within these rural areas an entrepreneurial culture, well-developed infrastructure and facilities, and support for local development (Lordkipanidze, 2002).

3. Research methodology

In this research paper, a number of statistical indicators have been used as research methods, concerning the characterization of the entrepreneurial environment in Suceava County, as it is one of the most developed cities in the North-East Region of Romania, of which our university belongs. Statistical data was provided by the Suceava County Statistics Department, for the period 2011-2017.

The main indicators analyzed in the following chapter, referring to the state of the business environment in Suceava County, are the following: total number of enterprises, number of enterprises by size, number of private entrepreneurs by category, active enterprises by activities, turnover of local units from industry, construction trade and other services, gross investment of local units from industry, construction trade and other services, local units personnel and top 10 companies in 2017 by turnover.

4. Analysis of the statistical indicators regarding business environment in Suceava County

Within this chapter were analyzed a set of statistical data, referring to the general situation of the entrepreneurial environment in Suceava County. Suceava is a large city in the North-East Region of Romania, very recognized for its beautiful landscapes, tourism and hospitality. It is also a university center, which means it is quite attractive for foreign investors who intend to set up a business in this area, considering that people are highly educated. Among the most renowned fields in the university are the economic studies, engineering and faculty of letters and communication sciences.

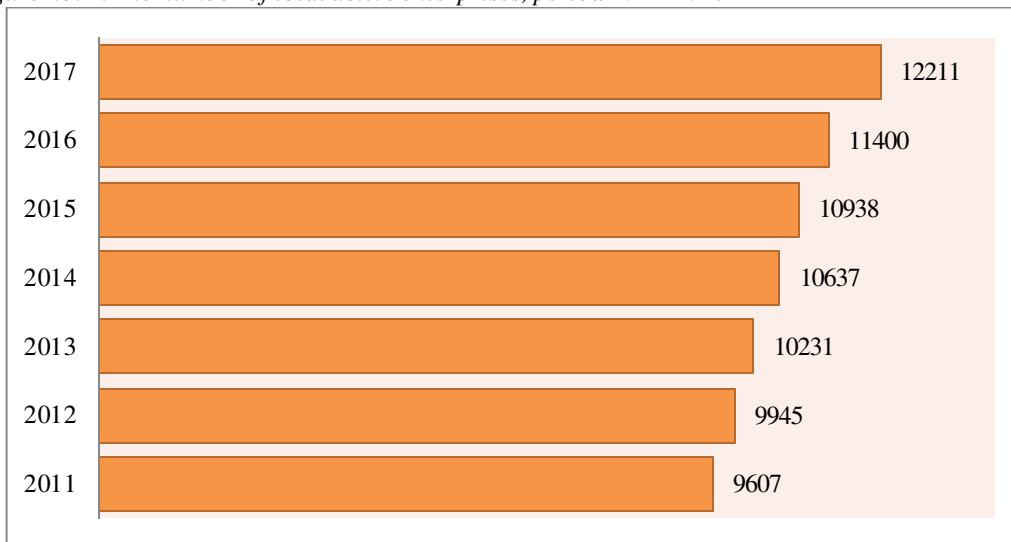
Moreover, Suceava County is predominantly an area in which rural environment dominate the city. The rurality in this city is between 60-70%, therefore there is a huge potential for setting up a business. There are a high number of enterprises in the rural areas, and the majority of them are very well-developed and successful within this area and on national and international level. Both the agricultural sector and the other sectors continue to have a high potential for growth in rural areas, such a way that the general situation of rural economy is rather attractive.

In rural areas, self-employment persons and micro-enterprises dominate the market. Also, according to 2017 Statistical Yearbook of Suceava County, in 2017, almost 42,1% of enterprises have stated that registered address in the countryside. Moreover, there are a lot of companies that have their registered address in the urban areas, but are carrying out their activities in the rural areas. We can safely conclude that rural entrepreneurship is very well-developed in the rural areas of Suceava County.

The number of total active enterprises for the period 2011-2017 has experienced an upward trend, implying that Suceava was and remains an attractive location for foreign investors and for people who want to set up a company here (Figure no. 2). Compared to 2011, in 2017 the number of total active enterprises increased by over 27%, a huge increase, mainly due to the advantages offered to companies, in this city. We also take into consideration the fact that the statistical data are provided after 2011, which means that Romania was in the European Union, and companies started to have access to the free market within the EU. More and more people were motivated to open a company because they had abundant natural resources (forests, salt mines, arable land, ferrous and non-ferrous ores, uranium, etc.), skilled and well-trained workforce, a broad market of consumers at the local level and the level of wages was quite low.

Furthermore, through various programs of decision-makers in Romania and of local administrations, as well as through the implementation of projects within the university in this city, opportunities have been created for the inhabitants to open their own business. At present, there is a lot of emphasis on innovation when it comes to setting up a company.

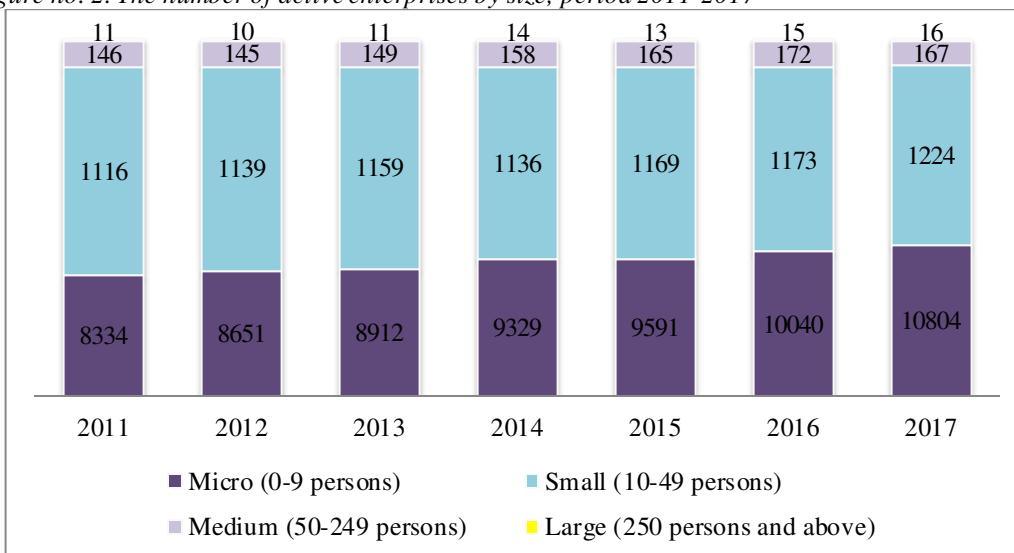
Figure no. 1. The number of total active enterprises, period 2011-2017



Source: processed from 2017 Statistical Yearbook of Suceava County

With regard to the number of active enterprises by size, it can be noticed in Figure no. 2 that the largest share is held by micro and small and medium enterprises (SMEs), followed by large enterprises. The statistical situation is as realistic as in Romania the small and medium-sized enterprises (SMEs) dominate the market. Their role is very important for this city, as they lead to economic growth, to the establishment of a high level of living and to social integration. As shown in Figure no. 2, the high frequency of micro-enterprises in this area makes the number of employees outnumbered.

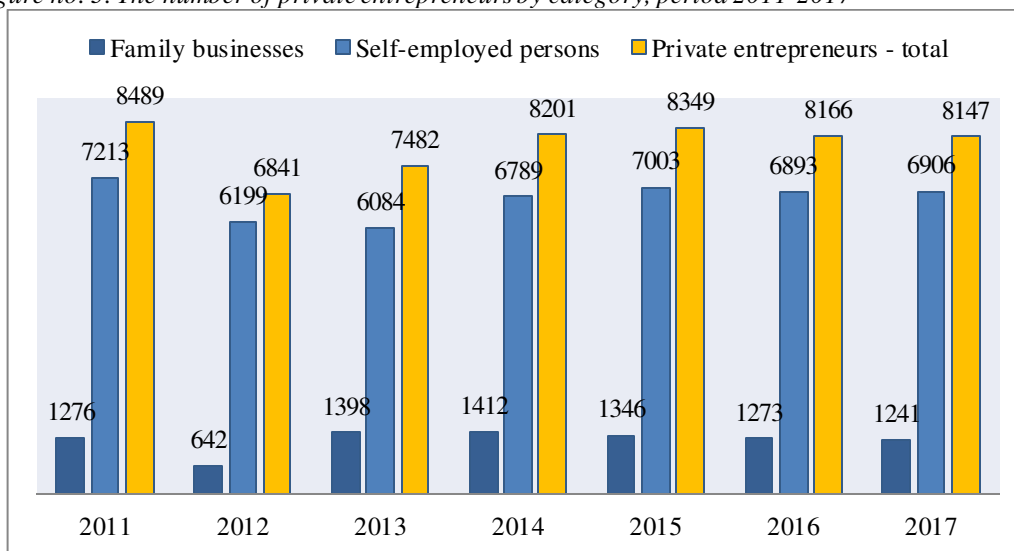
Figure no. 2. The number of active enterprises by size, period 2011-2017



Source: processed from 2017 Statistical Yearbook of Suceava County

Within this city, the largest share is owned by the private entrepreneurs, being the most numerous. In Figure no. 3 it can be observed that the evolution of the private entrepreneurs during the period 2011-2017 had an evolution with small variations. If in 2011 there were 8489 private entrepreneurs, in the years 2012 and 2013 their number dropped quite a lot, by 19.41%, respectively by 11.86%. After these years, their number grew slightly until 2016, and in 2017 the number of private enterprises will fall by 4 percent, which is not a considerable difference. We appreciate that in the period 2012-2013, Romania faced various issues at national level, including high inflation rates, budget deficit, locking down of EU funds. Most often, self-employed people had the highest share in total private entrepreneurs in Suceava County, followed by family businesses (Figure no. 3).

Figure no. 3. The number of private entrepreneurs by category, period 2011-2017



Source: processed from 2017 Statistical Yearbook of Suceava County

Regarding the number of active enterprises by activities, in the period 2011-2017, the largest share belongs to the enterprises that are active in the following fields: wholesale and retail trade, repair of motor vehicles and motorcycles; industry; construction; transportation and storage; professional, scientific and technical support, hotels and restaurants; agriculture, forestry and fishing (Table no. 1).

Table no. 1. Active enterprises by activities, period 2011-2017

Active enterprises by activities	M. U.	2011	2012	2013	2014	2015	2016	2017
Agriculture, forestry and fishing	Number	460	495	517	536	575	601	610
Industry - total	Number	1407	1419	1408	1449	1441	1474	1512
Construction	Number	917	964	1025	1072	1090	1158	1247
Wholesale and retail trade, repair of motor vehicles and motorcycles	Number	3673	3724	3739	3804	3771	3750	3965
Transportation and storage	Number	923	958	1070	1198	1336	1416	1574
Hotels and restaurants	Number	647	673	682	686	725	763	789
Media and communications	Number	182	206	211	222	222	242	270
Financial and insurance services	Number	68	75	82	87	112	131	132
Real estate transactions	Number	130	134	138	149	144	160	164

Professional, scientific and technical activities	Number	634	665	688	719	758	833	917
Administrative and support service activities	Number	186	216	228	233	247	270	303
Education	Number	42	48	54	59	64	81	98
Health and social care	Number	121	128	147	154	170	199	250
Performing, cultural and recreational activities	Number	64	70	70	83	83	105	112
Other service activities	Number	153	170	172	186	200	217	268

Source: 2017 Statistical Yearbook of Suceava County

In Table no. 2 are summarized statistical data regarding the turnover of local units from industry, construction trade and other services, for the period 2011-2017. We underline that the largest turnover is given by companies operating in the following fields: wholesale and retail trade, repair of motor vehicles and motorcycles; industry (manufacturing industry); transportation and storage and construction.

Table no. 2. Turnover of local units from industry, construction trade and other services, period 2011-2017

Activities	million lei at current prices						
	2011	2012	2013	2014	2015	2016	2017
Turnover	13668	16125	17042	17398	18298	19711	21693
Turnover - total	13668	16125	17042	17398	18298	19711	21693
Industry - total	4509	6051	6444	6156	6304	6337	6902
Extractive industry - total	73	91	71	91	98	136	117
Manufacturing industry - total	4072	5565	6012	5744	5981	5935	6474
Electricity, steam, gas, hot water and air conditioning production and distribution	268	296	251	199	82	105	110
Water supply, sewerage, waste management and remediation activities	96	99	110	122	143	161	201
Construction	1084	1042	1040	1160	1378	1168	1325
Wholesale and retail trade, repair of motor vehicles and motorcycles	6416	7077	7222	7304	7473	8701	9410
Transportation and storage	838	1056	1364	1724	1978	2219	2572
Hotels and restaurants	203	206	204	239	311	333	395
Media and communications	140	189	193	180	183	181	203
Real estate transactions	333	355	401	432	443	482	539
Education	6	6	7	8	11	14	16
Health and social care	32	35	40	52	78	98	127
Other service activities	107	108	127	143	140	177	204

Source: 2017 Statistical Yearbook of Suceava County

Data relating to the number of employees in local enterprises in Suceava County are summarized in Table no. 3. Therefore, we argue that the highest number of employees is in the companies that operate in the following fields of activity: wholesale and retail trade, repair of motor vehicles and motorcycles; industry (manufacturing industry), transportation and storage; real estate transactions; hotels and restaurants and water supply, sewerage, waste management and remediation activities.

Table no. 3. Local units personnel, period 2011-2017

Activities	persons						
Personnel	2011	2012	2013	2014	2015	2016	2017
Personnel - total	70133	70614	71277	71323	72079	75215	76485
Industry - total	24766	24589	23634	23559	23747	23884	23442
Extractive industry - total	1667	1349	1239	1368	1472	1413	864
Manufacturing industry - total	20705	20903	20419	20321	20435	20606	20743
Electricity, steam, gas, hot water and air conditioning production and distribution	1134	1083	682	547	486	462	427
Water supply, sewerage, waste management and remediation activities	1260	1254	1294	1323	1354	1403	1408
Construction	8429	7609	7807	7851	8192	8181	8254
Wholesale and retail trade, repair of motor vehicles and motorcycles	20592	20978	21074	20510	19945	21085	21486
Transportation and storage	5541	6071	6840	7598	8368	9693	10360
Hotels and restaurants	3537	3571	3698	3485	3654	3864	4075
Media and communications	897	1070	1015	1131	1019	1142	1215
Real estate transactions	4545	4749	5069	4991	4886	4852	4924
Education	244	246	254	246	270	324	370
Health and social care	531	661	675	672	842	889	1010
Other service activities	1051	1070	1211	1280	1156	1301	1349

Source: 2017 Statistical Yearbook of Suceava County

It can be observed in Table no. 5, a „Top 10 of companies in Suceava County”, in 2017, by turnover. Moreover, these companies carry out their activities in rural areas, and are amongst the most powerful companies in Suceava County. These enterprises operate in the following activities: wholesale and retail trade, repair of motor vehicles and motorcycles; industry and transport and storage. Therefore, it is pointed out that rural areas from Suceava County comprises a high potential for developing, even though are not enough deployed.

Table no. 4. Top 10 - Companies in 2017 by turnover

Top	Name of organization	Settlement	CAEN	Turnover (lei)
1	SC Savcom SRL	Scheia	4639	223768584
2	SC Dorna Lactate SA	Dorna Candrenilor	1051	189515402
3	SC Eurospeed SRL	Scheia	4519	152405571
4	SC Ecuator SRL	Ipotesti	4634	132154090
5	SC Trutzi SRL	Scheia	4690	101952664
6	SC Albertemma SRL	Paltinoasa	4752	90581356
7	SC Tehno World SRL	Baia	2221	90349185
8	SC Symmetrica SRL	Veresti	2361	87350741
9	SC Killer SRL	Horodnic de Jos	1013	75008941
10	Marelbo Prod-Com SRL	Bivolaria	1520	59729783

Source: 2017 Statistical Yearbook of Suceava County

Rural entrepreneurship in Suceava County has experienced in the last few years a growth process, and nowadays, even though the number of enterprises in urban areas exceeds the number of enterprises in rural areas, the majority of entrepreneurs from rural areas lead very big and well-developed companies. As it can be noticed in Table no. 5, Scheia is an area with a high number of enterprises. We state that trends in the field of rural entrepreneurship in Suceava County will be positive regarding the commencement and the expansion of enterprises, taking into account that in Suceava is a preponderance of rural areas.

5. Opportunities and challenges for a sustainable rural entrepreneurship

Countries and companies generally face countless challenges when they plan to build a sustainable rural entrepreneurship. The most well-known issues encountered by most villages and rural areas are a poor infrastructure, the lack of required facilities, a poor education of local people, a lack of services (health, higher education, etc.).

Hereinafter, we will put forward some of the challenges that entrepreneurs usually encounter when planning to open a business in rural areas. First of all, economic factors are the main challenge because it relates to the lack of financial and human resources (well-qualified and educated) for starting a business or developing an existing one. Nowadays, other challenge is the cultural and social factors. Rural areas are currently confronted with a reduction in the number of inhabitants, being densely populated by older people and children. The working age population and young people with higher education have migrated to larger cities or to other countries where conditions are better. Also, some people do not have the desire to work in rural areas due to isolation reasons and lack of diversified services. Another issue concerns the policies and regulations adopted by public institutions in the rural areas. This challenge is seen as a factor of excessive bureaucracy, especially when the business is a start-up or a micro-enterprise that wants to develop its activity. Thereby, shall be identified the need to reduce bureaucracy and simplify the procedures for accessing European funds for opening a business in rural areas.

Many entrepreneurs avoid opening a business in rural areas because sometimes there is no access to certain facilities, such as infrastructure, energy, sewerage and drinking water. Also, the lack of a low supply of differentiated products and services makes rural areas less attractive places for a various number of people. Most individuals prefer to live in big cities because they benefit from more services and products (higher education, health, infrastructure, motivating salaries, leisure, etc.). Finally, another important challenge that entrepreneurs encounter is the small awareness of the importance of entrepreneurship among rural inhabitants. People living in rural areas do not have the entrepreneurial education needed for understanding the importance of entrepreneurship for the economic and social development of the areas in which they live.

Although entrepreneurs often face many issues when expressing their desire to open a business in rural areas, in the meantime are multiple opportunities that they should capitalize on. A first step would be to encourage people from rural communities to participate actively in rural entrepreneurship plans and programs. By creating an entrepreneurial culture, people will more easily identify new business opportunities, while at the same time capitalizing on a multitude of resources that these areas offer.

Other opportunity would be to encourage people to not migrate to cities by creating and offering attractive and well-paid jobs. But in order to achieve this, efforts are also needed from public institutions in order to create very good living conditions for village citizens in order to remain there and work. Developing the infrastructure of the villages in order to create access to new sources of capital and to have an easily access to new markets is other opportunity for the entrepreneurs who are looking for rural enterprises. Moreover, a good opportunity for entrepreneurs would be an efficient communication between local, regional and national actors in order to identify their needs.

Ultimately, we conclude that rural areas are important sources for the economic progress of countries, so that all the challenges we have identified in this chapter should be transformed into opportunities for future entrepreneurs. In order to achieve this, a close connection is needed between decision-makers, entrepreneurs and rural communities.

6. Conclusions

Entrepreneurship is a solution for the development of rural areas, so rural development policies should focus more on developing an entrepreneurial culture. In addition to the skills and innovations that entrepreneurs own and demonstrate when they want to set up a business in the countryside, there is a lot of need and additional support from state institutions, for business consolidation and development.

Also, the sustainability of rural entrepreneurship should be supported through the implementation of strategies in the rural areas. A differentiation of products and services should be made in rural areas, in order to attract more people to live here and for a fast-growing and sustainable development. In Suceava County, enterprises have begun to diversify their products and services, and the economy of the villages has started to increase more and more. Many of them have nowadays become small cities, due to their good standing on the market.

Notwithstanding that there are many challenges and obstacles to entrepreneurs wishing to set up a company in rural areas, through a close connection between decision-makers, numerous opportunities can be created for the development of rural entrepreneurship. The development of rural entrepreneurship will lead to economic growth, employment, social integration and a high standard of life.

7. Acknowledgement

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The Arab East in the Era of Globalization

Raluca Ioana Oprea
"Lucian Blaga" University of Sibiu
raluca.neagu@ulbsibiu.ro

Abstract

Although analyzes centered on the subject of globalization have long been a subject, the topic still has a growing interest. The aim of this paper is to analyze the impact of globalization on the Arab East, an area treated marginally in the literature. The set of economic, first of all, but also cultural, religious and political elements, distinguishes this region from the rest of the world. This updated economic outlook, however, can very easily highlight the fact that the East is lagging behind: Arab states are often in conflict and social disorder, civil society structures are largely lacking, political instability is evident in many Arab states. As a result of these deficiencies, the economy of the troubled states remains behind. In other words, economic modernization did not take place in the East as much as in the West.

Key words: globalization, Arab East, Arab economy, Middle East economy, the West and the East
J.E.L. classification: A10, B10, F54, N40, Z1

1. Introduction

Globalization makes intercultural competences mandatory nowadays for human beings. It is interesting to watch the way East and the West relate in this context, but also to research the particularities that emerge in the Arab East due to globalization. An economic analysis of 1000 years ago would suggest that the Middle East economy is at least as well developed as the one in West, but nowadays the situations looks different. According to the 2010 edition of the Longman Exams Dictionary, globalization is defined as "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/ Globalization of business makes intercultural competencies mandatory." (Longman Exams Dictionary)

Since intercultural competences have become a 21st century imperative, it is relevant to adopt more extensive economic analyzes. By addressing the subject of globalization, references to the East are in minority compared to Western studies. In this context, a presentation of the particularities of the East in the age of globalization is all the more relevant as it comes to completing the intercultural competencies of the reader.

2. Theoretical background

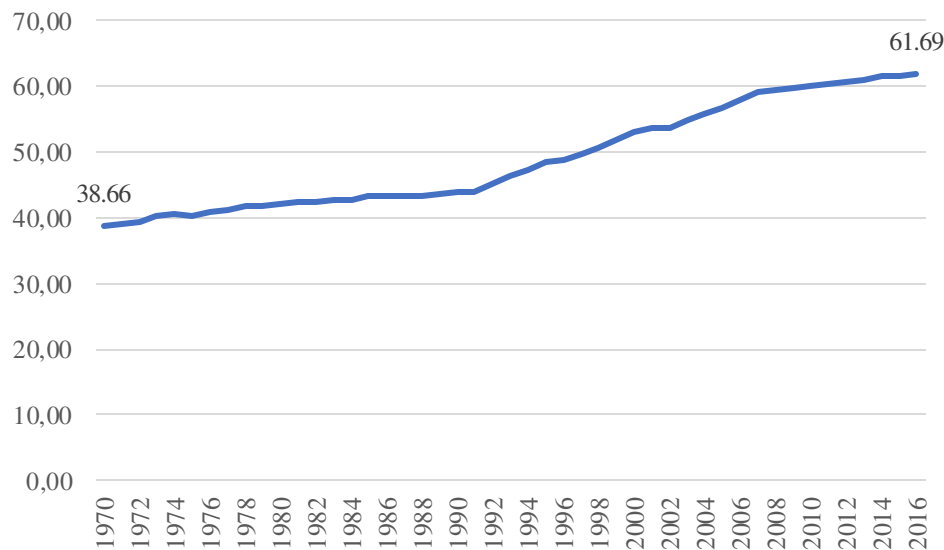
In order to capture a quantitative measure of globalization, Professor Ilie Rotariu mentions the international trade of goods. In the same context, he points out the increase in direct capital investments, which happened after the First World War and continued after the World War II, leading to economic and scientific cooperation between states. (Rotariu, 2004, p. 78)

The means by which nations are and becomes more interconnected are trade, investment and the flow of technology that cross-national borders. The political and social activities are not negligible, which, according to professor Gilpin, have a global dimension, the interactions between states and societies being more intense. The author also points out that due to the high degree of integration, "the nation-state has become anachronistic and is retreating." (Gilpin, 2004, p. 28)

So "globalization comprises a set of linked, interacting regions, not an Orwellian world of competing blocks. It is a world in which each region is open to ideas, goods, capital and people."(World Commission, p. 74). This description captures the openness of globalization, to a great extent already applied though with major limits in some regions of the world. The continuous flow of capital, goods and ideas between regions around the world places in the center the man, either as receiver/transmitter (of ideas, goods, capital) or traveler able to work or relocate elsewhere in the world.

Over time, there has been a need to provide a concrete measure of the degree of integration of a state into globalization, which is why today we can have an overview of the penetration of the globalization process on the globe, even at state level. The KOF (Dreher, 2006) index of globalization takes into account three dimensions of it: economic, social and political, but also considers other data such as trade and information flows and restrictions, personal contact data and cultural approaches, on a panel of about 207 countries from 1970 until in 2013, according to the latest views. An overview, based on the results of the 1970s research carried out by the KOF Swiss Economic Institute, shows a progressive integration worldwide with steady growth rates ranging from 0.33 to 3.24 (with the exception of 1975, 1987, 2008 and 2011 when the growth was slightly negative or tended to 0). In the figure below is shown a progressive growth of KOF Globalization Index from 38.66 in 1970 to 61.69 in 2016, so we can stand that globalization is progressing. Considering the premise of the growth constant for almost a centenary, we can assert that globalization is an independent variable, with little or zero influence from other economic, social or political variables.

Figure no. 1: KOF Globalization Index, rounded, global outlook



Source: adapted after Gygli, Savina, Florian Haelg, Niklas Potrafke and Jan-Egbert Sturm (2019): The KOF Globalisation Index – Revisited, Review of International Organizations, <https://doi.org/10.1007/s11558-019-09344-2>, accessed 01.05.2019

3. Research methodology

The research methodology used to analyze the effects of globalization in the Arab world is indirect research, based on the investigation of secondary data. In this regard, we investigated specialized literature and consulted international databases. Research is descriptive, observational and transversal, as it analyzes the effects of the phenomenon of globalization in the Arab East in the present. The research method used is of a qualitative nature, helpful in exploring information about globalization in the Arab world.

4. The Arab East in the World: From Openness to Conservatism

The most frequently discussed topic is the adoption of Western ideas in the East; practically, Western specialists dealing with the study of the material or spiritual Arab culture describe this phenomenon as one meant to ensure the global integration of the Arabs. On a large scale, the European and American impact on the Arab region, especially during the French-British colonization, is being studied. The Arab world seems rather closed in its own sphere than open to the integration of Western values. Apparently, two parallel worlds are imaginatively created. But looking historically at the interpenetration between the Arab East and other regions of the world, a particularly important aspect must be emphasized: with the advent of Islam, the Arabs managed to instill the religious doctrine into a vast mass, spread even today across the globe, including in the West. It is worth mentioning that Muslims, regardless of the territory in which they live, still adhere to the moral norms established by Muhammad in the 600s.

On the other hand, irrespective of the rigidities that the Arabs seem to have, they live and experience in our times similar activities with the people living in other regions of the world, because the information is flowing more and more unbounded. In a posture delivered in 2012 to the book written by Albert Hourani, states that in the case of trad Professor Malise Ruthven speaks of "the catalyst effect of satellites and social networks" (Hourani, pp. 408-410), starting with the establishment of the television station al-Jazeera with satellite transmission, in Qatar (1996). This unprecedented channel approached taboo subjects and put ministers face to face with the people who could telephone over televised debates, recording an audience of over 40 million viewers. Since 1998, Qatar has completely eliminated the censorship system of the media, television and radio. In 2012, the author confirms the existence of over 30 satellite TV channels broadcast in the Arab world. As far as social networks are concerned, Paul Mason emphasizes a substantial increase in the use of the Internet during the Arab Spring, from 33% to 48%, as well as social networks (the Arabic version of Facebook was launched in 2009, and although 56 million users are Arabic speakers - about 16% of the global population - they use the English version) (Mason, p. 135).

The economy of many Arab states remained behind. A possible cause for this is Professor Kuran's finding: "The Middle East has remained behind the West because it has been delayed to adopt key institutions of modern economics" (Kuran, 2010, p.5.). He refers at regulations, laws and organizations that could allow economic activities in order to bring profits for the owners. The professor continues his argumentation in the book *The Long Divergence: How Islamic Law Held Back the Middle East*, where he points out that in the case of trade and finance, two spheres in which the Middle East is even nowadays, Shari'ah is the central factor of the gap. Contracts between people were framed in Islamic templates and applied through Islamic courts; most of the processes where at least one Muslim was involved were judged by Muslim judges, according to Islamic legal principles; the properties were also divided according to the Islamic law, and the services provided to the inhabitants of the major cities were provided by Islamic trusts and supervised by religious officials (Kuran, 2010, p. 7).

Finally, Islamic jurists saw themselves forced to give new interpretations of the Shari'ah law so as to adapt to modern economic requirements. An initiative that could be considered a step towards integration was the establishment in the middle of the 20th century of Islamic banks, (Professor Kuran signals a contradiction of the terms, from a historical point of view - see Kuran, p. 12). Opinions emerged that called this move economic modernization, but also opinions that called it economic "Westernization".

Regional and global integration is a pressing necessity in the Arab countries and a 21st century imperative. In this sense, the United Nations Economic and Social Commission for West Asia "considers integration to be a means and an end" (UNESCWA, Arab Integration: A 21st Century Development Imperative, p. V). The Commission underlines the relevance of integration for the Arab world in a vision in which the Arabs aspire to achieving this goal by which they could establish a rebirth, aimed at creating beautiful societies based on equality and freedom. As the premise of the aspiration of the masses towards integration will prove more correct, the more desideratum will be made easier. There are, however, contrary assumptions about Arab civil society. In this direction, the economist and political scientist Timur Kuran considers that in the case of Arab society the "chronic debility of civil society" has been reached because leaders

prohibited intellectual investigations, limited artistic expression and suppressed the freedom of population to express political disagreement. One factor stated by the same author that negatively impacts democratization, is that, by the end of the 19th century, Arab societies were governed by the Shari'ah law, which "essentially excludes autonomous and self-governed private organizations". Since the nineteenth century, the corporate concept in Europe has been introduced, which has also gradually led by the adoption of foreign trade codes to the creation of large companies such as banks or telecom giants. At the time of these findings (2011), Kuran also considered an optimistic vision on the Middle East democratization process, based on the fact that a private sector already exists, even if it is in an "embryonic form" (Kouran, 2011).

Before the media could in some way influence the Eastern culture, and especially the Arabic culture, Professor Hitti remarked about the interpenetration of cultures that until the fourteenth century, "The distinction between East and West was rather artificial. It is only from the 16th century (the beginning of the Ottoman period) that the roads split, the West using scientific and experimental methods to acquire technical knowledge meant to lead to the mastery of nature, leaving the Orient outside of these concerns" (Hitti, p. 475, author's translation from Romanian edition).

5. Perceptions of globalization in the Arab world

Following the situation presented above, the central curiosity is to discover the answer for the question: how does globalization feels in the Arab East? Adapting after the World Commission (p. 16), we can draw the following conclusions:

- The Arab perceptions of globalization are shaded by wars and by the ongoing Arab-Israeli conflict.
- Two main factors condition the attitude of the Arabs: the first, represented by the current model of integration with the rest of the world, where oil exports and population migration are the main pillars, and the second, outlined around the fears of globalization's impact on local identity and traditions.
- Though oil reserves have been a major promoter of the region's overall integration, they are regarded with reserve. Although they helped finance large projects such as infrastructure, they have undermined the growth of industry and agriculture. Because of them, the discrepancies between the Arab countries are very high.
- Due to globalization, the Arabs feel the interference of foreign powers in their political and economic affairs; foreign intrusion has undermined sovereignty and led to waste through unnecessary military spending.
- Some Arabs believe that Western interests have not been able to support the democratization of the region, either for fear of political Islam or for maintaining the existing regime in the oil sector.
- Press and Western values have raised concerns, as do the Palestinians.
- Economic modernization is considered by some the end of dependence on foreign powers and the path to accelerated economic growth.
- Opinion polls show that integration between the Arab states and ties with Europe is both desirable, both for positive results from globalization and for counteracting low-priced Asia-wide competition.

6. Conclusions

Regardless of the particularities of the population in different parts of the globe or their history, regardless of the geographical, political or religious differences encountered, globalization acts as a phenomenon that generates change everywhere. Within this framework, global and regional economic integration occupies a central role for each nation. Over time, the ties between East and West have proven to be a necessity and so is today.

In Arab East, globalization feels slightly different than in other parts of the globe, with Arabs feeling that those in the West want to interfere in their internal affairs. Although they live under the shadow of conflicts, war and political uncertainty, the Arabs behave similarly to their Western contemporaries: they use socializing sites in English although they are Arabic, watch TV without censorship, they want to go forward in democracy and looks forward to economic modernization leading to the necessary economic growth.

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Directions of Economic Integration in the Arab East

Raluca Ioana Oprea
"Lucian Blaga" University of Sibiu
raluca.neagu@ulbsibiu.ro

Abstract

Economic integration is one of the most important premises of globalization. The purpose of this paper is to analyze the effects that economic integration can generate in the Arab East, but also to investigate the current state of integration in the region. The benefits that a state can benefit by strengthening its position in the field of economic integration, either through preferential trade agreements or through foreign direct investment or labor migration, are obvious. The Arab East can thus attract a more sustained economic growth process for the less developed countries, either through intra-regional cooperation, through contact with the Arab states that are members of the Gulf Cooperation Council or through trade links developed with Europe, United States or the rest of the world. Also, regional development in the Arab world can benefit developed countries, either by developing successful partnerships with other global regions, or by delivering large-scale projects of particular regional importance, such as infrastructure or telecommunication.

Key words: economic integration, Arab East, Arab world, Arab integration, globalization

J.E.L. classification: F02, F2, F15

1. Introduction

The literature offers arguments to build a hypothesis that regional and global integration is attracting more rapid economic growth, but there are also studies which demonstrate that integration leads to economic growth, but not to a steady growth.

According to the 2010 edition of the Longman Exams Dictionary, integration is: "(1) the combining of two or more things so that they work together effectively ... (2) when people become part of a group or society and are accepted by them... (3) the process of getting people of different races to live and work together instead of separately "(Longman Exams Dictionary).

From these definitions it can be concluded that integration is a precondition of globalization. Globalization involves the interconnection of several states, ranging from regional to multilateral level; this interaction must prove effective.

The concept of economic integration is not new, but has recently returned to the economic debate. The cause of the concerns in the sphere of integration is economic growth. Ehigiamusoe and Lean (2019, p. 1) conclude, following a review of the literature, that economic integration has an impact on economic growth through several channels, including: capital accumulation, productivity growth, trade and financial integration.

2. Theoretical background

The literature offers both arguments in favor of demonstrating this hypothesis and at the expense of it. For example, in 1995, looking for the effects of the European Common Market on the economic growth of its member states, Landau (1995) did not find significant differences between the economic growth registered in the Member States compared to the rest of the European countries. The immediate conclusion is that membership in the European Common Market did not lead to economic growth, or that economic integration, in this case, and economic growth are two independent variables.

Contrary to the conclusion of the above mentioned study, two years later, in 1997, Henrekson et al. (1997, p. 1537), who used a basic regression to analyze the period 1975-1990 on the effects that European integration in the European Free Trade Association (EFTA) and the European Commission (EC), concluded that "EC and EFTA memberships have positive effects on economic growth, and no significant difference in the growth effects between EC and EFTA memberships" (Henrekson et al., p. 1537).

In 1999, Vanhoudt analyzed the effect of Europe's unification on the increase in average labor productivity without finding any scale effect in this sense (Vanhoudt, abstract).

In 2005, Badinger studied the permanent or temporary nature of economic growth generated by global integration (through the General Agreement on Tariffs and Trade) and the European regional integration of 15 states, between 1950-2000. The study's conclusions reject the hypothesis of permanent growth, suggesting economic growth in certain periods of time. Moreover, the author states that European GDP per capita would have been one fifth less at the time of the study if there had been no integration since 1950 (Badinger, p. 50).

For East Asia, in an article published in 2007, Dee puts forward two presumptions about economic integration: one that economic integration would lead to economic growth, and secondly that preferential trade agreements are an effective means to promote economic integration. However, the author asserts, following a partial assessment, that this type of agreements would do little to remove the impediments to economic growth in the region, suggesting rather the need to implement a non-discriminatory competition reform (Dee, p. 405).

Rouis and Tabor (2013), through its comprehensive analysis of the Middle East and North Africa, underlines the importance of deepening economic integration as a means of restoring economic growth, generating jobs and building more democratic and inclusive societies (Rouis and Tabor, p. 1). The authors said the economy of the Middle East and North Africa region is among the least integrated economies in the global economy (Rouis and Tabor, p. XIX).

The literature, in author's adaptation after ESCWA, *Assessing Arab Economic Integration, Towards the Arab Customs Union* (pp. 26-27), Krugman (1993), Brou and Ruta, (p. 191), Rugman and Verbeke (p. 441) and Antras and Foley (2011), gives arguments in favor of regional economic integration, as shown below:

- Regional economic integration limits the impact of major global economic shocks on the national economy;
- Governments can support the weak economic sectors in their own country at regional level;
- Barriers to trade are less numerous and complex, which can be managed more easily by a state involved in a regional economic agreement;
- Developed countries can easily exert a stronger influence on common agreements; in this way, in a regional context, the interests of developing countries could be more easily represented and pursued;
- Possibility of targeting goods of supranational interest, such as infrastructure at regional level;
- The literature notes that there is a tendency for multinational corporations to act at regional rather than global level (see Rugman and Verbeke, 2004 and Rugman, 2005. Free-trade agreements, drawn up at regional level, help boost business in the region; in this way, regional welfare could be increased by firms which register increased productivity and pay higher wages (Antras and Foley, 2011).

3. Research methodology

In order to investigate the positive effects that economic integration could bring to the Arab countries, but also to determine the current degree of integration in this region, I used qualitative, indirect research methods. I have consulted in this regard international databases and specialized literature. Serving the actual purpose of research, I used the descriptive method. The presentation of this paper is of an observer nature. From a temporal point of view, this research is transversal, analyzing mainly the current state of integration in the Arab East and the effects that integration brings.

4. Inter- and intra-regional integration in the Arab countries

In the Arabian region, economic integration is mainly achieved through trade agreements, labor swings and direct foreign investment flows. It also discusses the development of cooperation between states, but also the alignment of macroeconomic policies.

Preferential trade agreements are an effective means of enhancing inter- and intra-regional integration. Towards the end of 2010, in a report by the World Bank, Rouis and Tabor (p.79) recorded 278 preferential trade agreements in all regions of the world, with the indication that there has been an unprecedented increase in this area over the past 15 years where the number of these agreements has doubled. The main motivation for drawing up preferential trade agreements is primarily to open foreign markets, but also to regulate or exclude tariffs and the quantitative ceiling of trade in goods and services between the parties involved. Rouis and Tabor also capture other qualities that a detailed agreement may have, including highlighting some controversial issues such as the role of the state and regulating subsidies or budget constraints designed to favor national firms. They also contribute to stimulating regulatory reform aimed at cross-border issues, contributing to improving competitiveness and productivity in participating countries.

In the Middle East and North Africa there are many preferential agreements, whether intra-regional, as in the case of the member countries of the Gulf Cooperation Council, the Maghreb countries (Arab Maghreb Union) or the entire Arab region (Free Trade Agreement of Arabia) or inter-regional, between the Arab region and Europe (the Euro-Mediterranean Free Trade Area Agreement) or the US (Free Trade Agreement). The benefits of implementing trade agreements in the Arab countries vary, with the most significant advances being made in developed countries (members of the Gulf Cooperation Council).

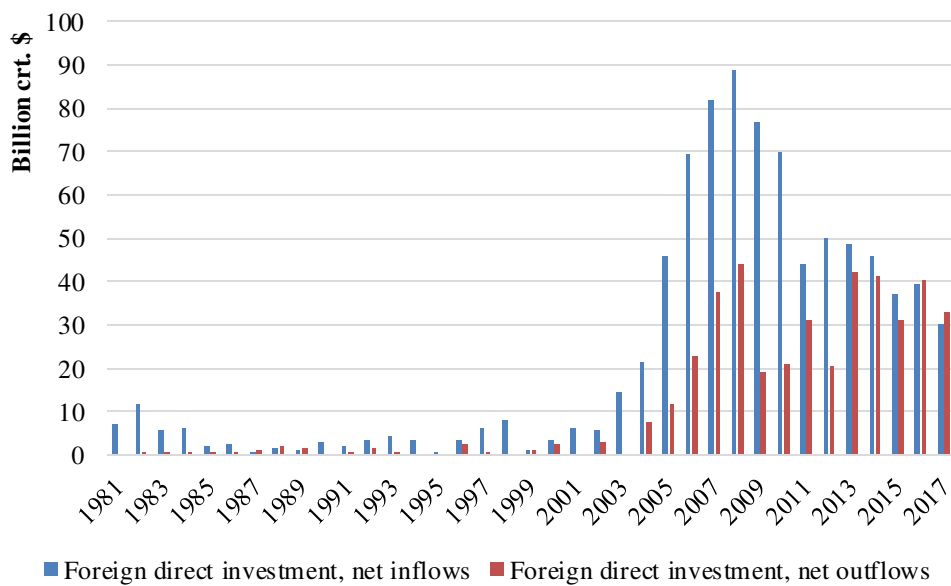
As for capital, there are considerable discrepancies between the Arab countries. The member countries of the Gulf Cooperation Council, as well as Algeria and Libya, are wealthy countries, while the rest of the region is poorer in varying degrees. Regional integration can also benefit these countries with limited financial resources as long as the capitals of other states can finance direct foreign investment in these countries, taking advantage of common cultural and linguistic capital and geographical proximity. In this way, the labor force in the states with limited capital will take advantage of the chance of local employment, without having to migrate, and the economic growth of the host states will be attracted as well. In the process of regional integration, information asymmetry is considerably reduced, benefiting the Arab states.

Global FDI flows have increased considerably in the Arab region over the past two decades. If, in 2001, FDI inflows accounted 1% of the overall FDI, in 2008 the share increased to 6.6% (ESCWA, 2014). In 2014, Sekkat (p. 139) captures a reversal of 2002 trends, highlighting that the Arab region now receives a share of foreign direct investment worldwide higher than the FDI share of global GDP. Among the factors that contributed to the increased attractiveness of the Arab region for foreign investors, helped the "reduction of red tape and business licensing, reduction of barriers to international trade, greater infrastructure investment, and legal frameworks to protect the rights of investors." UNESCWA, 2015, *Assessing Arab Economic Integration Towards the Arab Customs Union*, p. 29).

During the period 2000-2007, the fastest growth in the history of foreign direct investment in the Arab region took place.

Intra-regional investment flows have also increased significantly over time. By example, from \$ 1.4 billion in 1995, they reached \$ 35 billion in 2008 (before the financial crisis, when a maximum investment point can be seen on the graphs above). However, if in the first period they accounted for 50% of the total foreign investment inflows, they have accumulated only 37% in the second period. From 1995 to 2011, intra-regional investment worth 178.5 billion dollars, accounting for about one-third (31%) of total entrants in the region. The most attractive investment point is the real estate market and financial securities. (ESCWA, 2014, *Arab Integration: A 21st Century Development Imperative*, pp. 44-46).

Figure no. 1. Foreign direct investment in the Arab world¹



Source: World Bank, accessed on 30.01.2019

Another factor contributing to regional economic integration is the labor force. Economic disparities between countries are also reflected in the workforce: the less developed countries support growing needs in developed countries. Migration reaches dazzling odds in the Arab East, both due to increased staffing needs and unstable social status, coupled with conflicts in Arab states. The most important destinations for Arab immigrants are the Gulf Cooperation Council countries, where the economic performance of the oil industry has created the premises for sustainable development and economic diversification, which is the force of attraction for workers in the region. At the opposite end, there are underdeveloped states where economic instability and weak and non-inclusive growth fail to reduce the poverty rate, which is why the population of these states emigrates under the influence of these impetus factors.

Remittances are a source of considerable external financing, contributing to reducing the balance of payments deficit in several countries in the Arab region (for example in 2010, 24 billion of dollars from the Arab region were sent to other Arab states, a significantly higher amount than in previous years) (UNESCWA, 2015. *Assessing Arab Economic Integration Towards the Arab Customs Union*, pp. 28-29).

5. Conclusions

As a result of Arab Spring's losses, policy-makers could rely on deepening economic integration to overcome the major obstacles that pull back the economies of Arab states, including youth unemployment, inefficient public sectors alongside unstable governments and shocks generated by conflicts.

Beyond the benefits of regional agreements, states should not disregard the usefulness of multilateral agreements designed to engage them globally. On the contrary, the deepening of regional integration alongside multilateral integration leads to an increase in positive effects on economic growth. Regional economic integration initiatives can contribute to economic diversification but also to specialization, notably through a better link with global value chains.

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Corporate Governance in Romania - Current Trends

Sergiu Sarchizian

Veronica Popovici

„Ovidius” University of Constanta, Faculty of Economic Sciences

ssarchizian@yahoo.com

verovnp@yahoo.com

Abstract

The failures of large corporations like Enron, Parmalat, Arthur Andersen, or Marconi have demonstrated that inappropriate corporate governance can seriously affect both shareholders and other interest groups (creditors, investors, the state, employees, suppliers, customers), even in a developed market economy. These problems would have produced less negative effects if there were more effective ways of controlling and monitoring company management and transparency of their business. The aim of this article is to offer a better understanding of the current state of affairs in terms of corporate governance principles and their implementation in Romania, showcased comparatively via two established companies. On the base of these examples, we conclude by outlining a few priorities that could be taken into account for a better and faster implementation of such principles within the Romanian business field.

Key words: corporate governance, stakeholders, shareholders rights, listed companies, unlisted companies

J.E.L. classification: G34

1. Introduction

A good corporate governance makes companies to use their resources more efficiently and have a better relationship with employees, creditors and other stakeholders. For developing countries such as Romania, it is very important that corporate governance takes steps to increase the trust of domestic and foreign investors, which in turn leads to attracting investment, especially in the long run.

A very current issue is related to implementing the principles of corporate governance in developing countries from Central and South-Eastern Europe and in the former Soviet Union countries. The 1997-2000 financial crisis in Asia, Russia and Latin America have proven once again the need to introduce a system of standards and guidelines on corporate governance for developing countries.

Corporate governance has become increasingly important in the nineties due to the growth of private sector around the world. This is also the case for Romania, a country that did not have large private enterprises at the beginning of the nineties, but which currently has an important sector of such companies.

2. Theoretical background. Corporate governance - a few definitions

As defined by the British almost three decades ago, corporate governance is the system by which a company is run and controlled (Cadbury Code - UK, 1992).

This being said, the Organization for Economic Cooperation and Development (OECD) considers that corporate governance is:

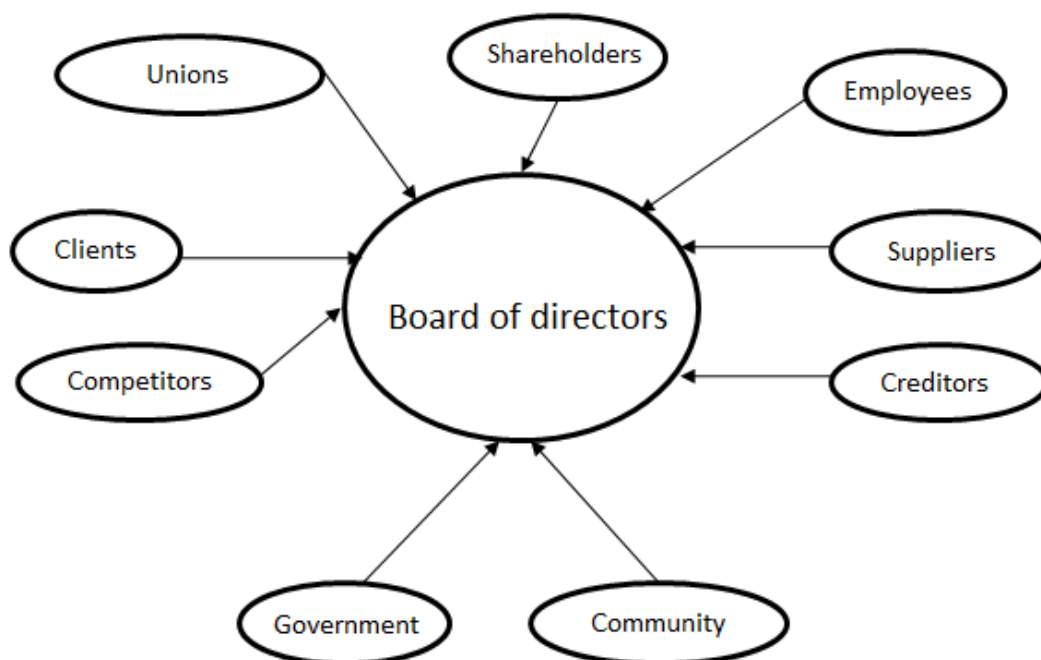
- a set of relationships between different bodies : the management of the company on one side, the Board of Directors on the other side, the company's shareholders and other interest groups in society;
- the structure helping to set out objectives for society, as well as the means for achieving these objectives;
- the system of incentives that the Board of Directors and the management representatives are given in order to pursue objectives that are in the interest of society and that of shareholders, and to facilitate monitoring, thereby encouraging companies to use their resources more effectively (according to the OECD Principles).

In our view, "corporate governance" is a complex system of relationships and interactions between different stakeholder groups within and outside a company in order to maximize their own expectations (Sergiu Sarchizian, Doctoral Thesis, 2011).

The term „stakeholders" was taken from the Anglo-Saxon literature and embraces all agents interacting with the company in one way or another or who have an interest in the company. This category includes: shareholders, managers, employees, creditors, suppliers, competitors, central and local tax authorities, trade unions, the broader community that includes: civil society and opinion leaders.

Schematically, stakeholder relationships can be represented as follows:

Figure no. 1. Relationships between stakeholders – authors' own representation



Source: Authors' contribution

3. Corporate governance structures as they appear in the Romanian economy

A new regime was born in Romania in 1990. The need for a quick transfer of ownership felt back then, as well as the requirements of providing means of co-existence during the property transfer period required a new law, which was Law 115/1990 for reorganizing the state-owned enterprises, the basis of enterprise reform. Thus, two forms of economic units were created:

a) **Autonomous Regias**, independently managed state companies designed after the French model for the strategic sectors of the national economy (defense, energy, mining, rail transport) and owned by the Romanian Government;

b) **Trade companies**, most of which were corporations, with the state as sole shareholder. Institutional design was somehow forced and intended to limit state ownership/control, as a sole shareholder, which applied exclusively to strategic sectors.

In practice, many activities in the economy were organized as autonomous regias.

Law 31/1990 for trade companies has created a certain normality, establishing the framework for creating, organizing, functioning, modification and liquidation of various types of trade companies.

Thus, business structures could take the following forms:

- **General Partnerships** : business arrangements in which two or more partners decide to share in all assets, profits and financial and legal liabilities of a jointly-owned business structure. Within such an arrangement, the involved partners agree to unlimited liability. This means that either of their personal assets may be liable to the partnership's obligations. In fact, any partner may be sued for the entire amount of the business partnership's debts;
- **Limited partnerships** : business arrangements where joint venture partners respond only up to the limit of their input and commanders respond unlimitedly and jointly to social obligations;
- **Partnerships limited by shares** : business arrangements where the company's capital and ownership is divided between shareholders with limited liability on one side, and one or more partners with full liability for the company's debts, on the other side. The partner(s) will usually be the one(s) managing the company's operations, while the shareholders are passive investors.
- **Joint-stock companies** : at the origins of what we now call a modern corporation lays the joint-stock company. This is a business owned by several investors, each of them holding a part of the company based on the amount of stock they purchased;
- **Limited Liability Companies** : in this type of business structure, the owners are not personally liable for the company's debts or liabilities. These companies can be labeled as hybrid entities combining the characteristics of a corporation and those of a partnership or sole proprietorship.

The main privatization methods used in Romania were as follows:

1. Mass privatization, a way of distributing coupon-based assets, which proved to be a cumbersome and inefficient method, because it did not bring capital flows into the companies privatized in this way. There were corporate governance issues as a result of control diffusion within privatized companies, coupon trade has been encouraged (partly on the black market) and implicitly an uncontrolled capital market appeared.

2. The MEBO method (Management Employee Buyouts) was the first serious privatization effort deployed at national level. Originally designed for small companies only, the MEBO method, which essentially represented the sale of shares to management and employees, enjoyed tremendous success, becoming the main method of privatization. The success of this method was determined by a special law (Law 77/1994), which provided substantial facilities to managers and employees who purchase shares of the companies in which they carried out their activity. The MEBO method had the great disadvantage that it did not favor the penetration of significant capital flows.

3. The foreign direct investments in the following years, especially in 1997 and 1998, were correlated with the foreign currency requirements that Romania faced during the period. In parallel with the external loans, the authorities changed their approach to privatization, which was changed from a social justice instrument into a source of government income designed to cover the budget deficit.

4. Privatization using the capital market

As a sign of reduced privatization prospects via the Bucharest Stock Exchange, there have been cases in which typical portfolio investors acquired the majority of shares in a quoted company, with the primary goal of protecting their initial investment, either against faulty company management, in absence of privatization, or by a foreign investor who would not have approved of a strong minority shareholder.

Regardless of the type of privatization used, numerous cases of non-observance of minority shareholders' rights have been reported, such as:

1. Dilution of capital held by minority shareholders due to:
 - a) Capital increase without a prior proper re-valuation of the existing capital;
 - b) Increase of capital through contribution in kind by majority shareholders.
2. Transferring profits outside the company.
3. Transferring the company assets somewhere else ("*naked shell*" tactics)
4. Abusive profit allocation.
5. Delays in payment of dividends.
6. Limited access to information for minority shareholders.

The solutions to minority shareholders' issues can be grouped as follows:

- a) improving shareholder participation in General Assemblies and their decisions;
- b) developing the voting system through "*specific power of attorney*", as well as "*cumulative vote*";
- c) prompt payment of dividends;
- d) no contribution in kind (in principle);
- e) real rights, universal rights and regulated selective empowering;
- f) transparent approval of transactions with stakeholders or their co-relatives by the Board of Directors;
- g) discussion of major transactions in the Board of Directors meeting;
- h) building a real capital market, correlated with increasing liquidity;
- i) open-listed companies on the Stock Exchange should be consolidated;
- j) improving corporate governance by offering a fair, lawfully and loyally option for maneuver and exit for minority investors;
- k) the existence of effective corporate governance control mechanisms, including the mandate of guarantees granted according to certain criteria;
- l) adopting a process of exerting pressure;
- m) increasing liquidity and improving corporate governance by privatizing state owned companies, while ensuring their management through:
 - improving the education and training capabilities of decision-makers;
 - the creation of "committees" (working groups) focused on opening, decentralization and deregulation;
 - construction of professional mechanisms.

4. Corporate governance in Romania: the current state of principles' implementation

The Corporate Governance Code had a very important role in the implementation of the OECD Corporate Governance Principles in Romania. This was developed by the Bucharest Stock Exchange in 2001. After being revised in 2008, the initial Corporate Governance Code was replaced with a new one in 2015.

The Corporate Governance Code of the Bucharest Stock Exchange contains a set of principles and guidelines for companies whose shares are traded on the Stock Market. The aim of the Code is to create an attractive Romanian capital market on international level, based on best practices, transparency and trust. The code encourages companies to build a strong relationship with shareholders and other stakeholders, to communicate efficiently and transparently and to be open and transparent with all potential investors.

The objective of the Code is to increase the level of trust in the listed companies. It does that mainly by promoting new and improved standards of corporate governance amongst these companies. A good corporate governance is a powerful tool to strengthen the competitiveness on the market.

The Bucharest Stock Exchange is maintaining a mechanism based on the "apply or explain" principle, through which clear, exact and updated information is relayed on the market, about observing the corporate governance rules by the listed companies.

The core elements of this Code are access to investor information and shareholders rights protection. The Code, however, tries not to impose to the listed companies excessive rules that could exceed the benefits, but the listed companies should try to follow the Code. Good corporate governance is meant to facilitate a good, efficient entrepreneurial leadership that can sustain the long-term success of society.

The companies on the Stock Exchange have to include a corporate governance statement in their annual reports. This is normally included in a section that contains a self-assessment regarding how "provisions to be respected" were fulfilled, as well as the steps taken towards those provisions that were not met.

Every instance of non-compliance by a listed company of any of the sections titled "Provisions to be respected" will be publicly reported by using a current report, respecting the dispositions of the Bucharest Stock Exchange Code.

This code has a major disadvantage in the fact that it is addressed to the listed, or "open" companies, which actually is a small number of the total Romanian companies, while for the unlisted, or "closed" ones, there is no obligativity to respect the principles of corporate governance. Thus, the Corporate Governance Code of the Bucharest Stock Exchange has an extremely low impact, as only about 390 companies are currently listed on the stock exchange.

Implementing the OECD principles of corporate governance in Romania is supported by the Government Emergency Ordinance 109/30.11.2011 on corporate governance for public companies.

GEO 109/2011 is addressed to:

- public as well as private companies;
- Financial Investment Services Firms, Financial Institutions and Investment Management Companies stated by Government Emergency Ordinance 99/2006 for credit and capital adequacy institutions, approved and updated by Law 227/2007;
- companies whose activity is not regulated by Law 32/2000 _regarding the activity and supervision of the insurance companies and intermediaries.

The objectives of GEO 109/2011 are:

- the need to increase the public enterprises contribution to the improvement of the Romanian economic parameters and government budget balancing;
- understanding that the efficiency of an economic operator depends, in a decisive manner, on how well its management performs and on the correct implementation and functioning of good corporate governance mechanisms;
- improving the legal framework regarding the autonomous regias administration, which negatively affects the competitiveness of this sector, as well as its economic performance;
- the need to develop new mechanisms of corporate covernance in order to improve the efficiency of state owned companies;
- the need to develop means to ensure the transparency of processes such as naming the management representatives and the members of the management bodies, to guarantee professionalism and responsibility in the management decision making process, the development of additional mechanisms to protect minority shareholders' rights and increased transparency towards the public of both the activities of the state entities and of the state owned companies policy in accordance with the principles of corporate governance of state companies, developed by the Organization for Economic Cooperation and Development (OECD).

The impact of GEO no. 109/2011 is not very large either, according to Statistical Yearbook of Romania, in 2017, out of a total of 525,660 active enterprises, only 1,335 were with majority state capital, ie 0,25%.

5. Comparative study of two models of corporate governance, an open company (ARGUS S.A.) vs. a closed company (DOBROGEA GRUP S.A.)

In order to give an example, we conducted a comparative study between two corporate governance structures in Romania, an "open" company (ARGUS S.A.) and a "closed" company (DOBROGEA GRUP S.A.). Both of them are in the food industry and are representative at national level, both having their headquarters in Constanta.

Table no. 1. Similarities and differences between ARGUS S.A. and DOBROGEA GRUP S.A.

Similarities and differences	ARGUS S.A.	DOBROGEA GRUP S.A.
Industry they belong to	Food industry	Food industry
Main activity	Manufacture of oils and fats	Manufacture of milling, bakery, pastry and frozen products
Social capital	Private	Private
Privatization method	MEBO	MEBO
Shareholders	Slightly dispersed	Very dispersed
The Chairman of the Board of Directors is also General Manager	No	No
The existence of a voluntary code of corporate governance	No, but following the principles of corporate governance described in the Corporate Governance Code of the Bucharest Stock Exchange	No
Applying OECD Corporate Governance Principles	Yes	Yes
Transparency in the presentation of financial statements	Published on company website and on the Stock Exchange website	Limited to shareholders
Transparency in communicating GMS decisions	Publishing on company website and on the Stock Exchange website	Limited to shareholders
Respect for the rights of smallholders	Yes	Yes
Vote through power of attorney	Yes	Yes
Share trading	Through B.S.E.	Only among the shareholders, with the approval of the Board of Directors
Pricing method	Stock exchange mechanisms	Free negotiation between seller and buyer
Involvement in the social life of the community	Yes	Yes

Source: (Sergiu Sarchizian, Thesis, 2011)

The comparative study of the two models of corporate governance, an open company (ARGUS S.A.) vs a closed company (DOBROGEA GRUP S.A.), compares several advantages and disadvantages of each model and allows some interesting conclusions.

A first conclusion is that in an "open" (listed on a regulated financial market) company, the way of communication of internal information is very transparent, they are published both on the company website and on the stock exchange where it is quoted. Moreover, the shareholders have a dedicated e-mail address available to communicate with the company.

Another important aspect in terms of differences is underlines by the two ways in which the shares are traded, as well as the way the price is formed. While in an open company any trading of shares is made through regulated financial markets (B.S.E), any person or company can purchase its shares, and the price is determined by transparent stock exchange mechanisms, in a closed company transactions are made only between shareholders. The approval of the Board of Directors is nevertheless required. Although the price at which the shares are traded is fixed by direct negotiation between the seller and the buyer, depending on the demand and supply in terms of shares existing at one point, it can not be determined if the way in which a certain trading value is reached is perfectly transparent, as it is not being fixed in a regulated financial market.

Another aspect would be that a listed firm is required to have its own code of corporate governance. At the very least, a listed company should comply with the principles of the Corporate Governance Code of the Bucharest Stock Exchange.

It should also be noted that a "quoted" firm has much easier access to financial resources and a higher credit rating than an "unlisted" firm.

6. Conclusions

Corporate governance is needed anywhere in the world, even in developed countries (bankruptcies of some prestigious companies such as Enron, WorldCom, Arthur Andersen, Global Crossing, Tyco, Parmalat demonstrate it clearly).

Moreover, a better corporate governance is needed in developing countries in Central and South-Eastern Europe, where the corporate governance model is still inefficient, most companies in these countries being "*closed companies*", mostly as a result of the power being concentrated in the hands of managers and employees, and lack of control from the outside or inside of other important stakeholders such as banks, institutional investors, or through the capital market. We can say that in practice we are dealing with a "*coexistence*" between different models of corporate governance, which in fact shows differences in tradition and culture.

The Romanian companies that came to be by privatization of former state-owned enterprises face the same types of problems: dilution of minority shareholders' capital, transfer of profits outside the company, transfer of company assets to other parties, abusive profits, delays in payment of dividends, limited access to information for minority shareholders.

It can be noted that, in terms of corporate governance, significant progress has been made in Romania in recent years. Recent reforms in the country's legal and regulatory framework are commendable. Still, assuring its effective and sustainable implementation should remain a priority.

We believe that applying the principles of corporate governance should not be limited to public companies or to those listed on a financial market, on the contrary, following the study, we think they can be extended to non-listed companies, which would lead to increasing their transparency.

Based on the analyses and conclusions in the previous paragraphs, we outlined a series of personal assessments and priorities that will lead to accelerating the implementation of corporate governance principles in Romania.

Priority 1: Increase awareness of corporate governance principles

In our sincere opinion, it is of utmost importance to make the principles of corporate governance known among managers and other interested parties through various events - seminars, round tables, symposiums - organized through the Regional Chambers of Commerce and the Bucharest Chamber of Commerce, as well as other key institutions such as the Corporate Governance Institute, the Bucharest Stock Exchange etc., where mass media should be present.

Priority 2: Increasing flexibility of business access conditions to a financial market - Stock Exchange

In this way, it will be able to increase the number of listed companies in Romania, which is currently very small.

Priority 3: Obligatoriness to adopt, at least by the listed companies, of a Voluntary Corporate Governance Code that complies with OECD principles

In our opinion, simply complying with the principles of corporate governance described by the Bucharest Stock Exchange Code is not enough. What would be truly effective would be for listed companies to have their own Corporate Governance Code.

Priority 4: The systematic organization of interactive training programs for managers, in corporate governance, for a better leadership awareness of its importance.

Priority 5: Establish an interactive IT platform dedicated to corporate governance that business administrators, managers, and stakeholders can access and share ideas and knowledge in an interactive way.

Priority 6: Introducing a new section - "Corporate Governance Award" - as part of the annual business charts made by the Chamber of Commerce of Romania and the Regional/Bucharest Chambers of Commerce, awarded to the most transparent companies.

Priority 7: Emphasizing the role of the Corporate Governance Institute in promoting the principles of corporate governance

At the moment, the existence of this Institute and its object of activity are not very well known.

Priority 8: Introducing the study of corporate governance, as a stand-alone class, in economics faculties in Romania

We strongly believe in the importance to cultivate the fundamental notions of corporate governance from the the undergraduate level for the future managers and administrators of Romanian companies.

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Territorial Disparities in the Regional Value Chain of IT&C

Corina Schonauer (Sacala)
Teodor Emanuel Petreanu
The Bucharest University of Economic Studies
corina.coril2@gmail.com
teodor.petreanu@asr2035.ro

Abstract

Regional development in Romania involves direct action on post-suburbia, compact and complex cities as a system of systems, cluster coordinated at the macro level. When we talk about regions and other macroeconomic analysis we refer to clusters and we study the process that includes each stage of development and communication, activities organized in a certain way in order to properly analyze them. Through this article we want to demonstrate the regional development/evolution in Romania in all four industrial revolutions, with an emphasis on the "national goal" represented by IT (the third industrial revolution), the macroregional imbalances that generate territorial disparities, we'll correlate these IT & C insertions with the unemployment rate and tertiary training of residents and those attracted from the neighborhood to work in this industry, namely the influence of the academic environment and the cluster focused on the production cycle as a value chain at the regional level rather than by SMEs.

Key words: value chain, IT&C industry, regions, unemployment, regression

J.E.L. classification: J64, L63, L86, O14, O47

1. Introduction

Over time, human activities have diversified, appearing some new ones or disappearing those that were no longer needed. Thus, in the literature there are talks about four industrial revolutions which had implications both in economic and social life. If the first revolution used steam to produce through mechanization, in the second one invention of electricity has improved productive capacity, in the third one the emergence of computers has brought changes in all economic branches, the Fourth Industrial Revolution began with the emergence of artificial intelligence. This article focuses on the analysis of IT & C activities in Romania, showing the main economic implications at the territorial level (NUTS2 and NUTS3). The four activities analyzed form a part of the value chain for IT&C: computer manufacturing, optical and electronic products; support activity as the field of telecommunication, programming and computer coding, activities in the information service, also consultancy and related activities.

2. Literature review

The most complete, for our study, survey on IT industry in Europe is found in a research conducted by Rachel Nienaber and Thierry Vermeiren (2018), where they have searched for variables and directions in fast growing technological revolution for some countries from Central-Eastern Europe. Many software companies from all over the world choose in this region, based on talent, excellence, price-quality, countries like: Ukraine (230,000 IT professionals), Poland (140,000) and Romania (95,000), which have an estimated IT market growth of 15-20% year by year. For Romania, the exports of IT services are estimated at 4bn in 2019 (from 2bn Euro in 2015). According the data presented we see a correlation between the location of companies and the degree of cities development. So, the companies choose cities from developed regions. Also,

this study highlights the measures of government who intervene with 16% tax cut and incentives for this type of activities.

Andreea Burciu conducted a study on the Romanian industries, with an emphasis on the 3rd industrial revolution, and a comparison with the other European countries, based on Digital Agenda, 2020 strategy on ICT. Today we have 8 Mil. workers in ICT (3,7%). Beside research, sells and maintenance, today's focus is on industry (tools, business), as EU is trying to compete more and more with the US and China. Also, the importance of ICT in business administration, entrepreneurship, named e-business and e-leadership. In Romanian ICT environment, we have Bucharest with 56% from number of employees, and GDP contribution (60%), Timis county (8,6%), Cluj (6,6%), with ICT companies in Bucharest at 41%, national level.

Nelu Popescu, in his study/article "Entrepreneurship and SMEs Innovation in Romania" (2014), gave us a comparison between innovation, entrepreneurship and SMEs, the role of these business for the economic recovery, with an accent on creative industries and ICT. Innovation, as an important component in SMEs is about creation of new products (37,21%); new management and marketing approaches (19,51%), in 2012. In Romanian SMEs we have 16,45% for new technologies and update in ICT systems (7,60%). In the last decades the ICT Industrial Revolution changed the way business is made today, we have SMEs using computers (81,94%), access & use the Internet (80.83%), electronic mail (3/4), own website (1/4), online selling (4,33%).

3. Methodological considerations

For the international comparison the processed data was extracted from the database on EUROSTAT, for the period 2008-2015.

For the national analyze the processed data, for the last 16 years, was from TEMPO database (on the Romanian National Institute of Statistics website)[1], respectively for the period 2002-2016. Given that in 2008 the "Classification of activities in the national economy" (CANE Rev1) "was revised to ensure a 1:1 ratio with the International Standard Classification of Economic Activities" developed by the United Nations Statistical Commission (NACE Rev2 ISIC Rev4) [13] data processing has been divided into two periods 2002-2008 and 2008-2016.

IT and communications activities have been identified as both IT and communications equipment production and IT services and communications.

We present below a correspondence table at CANE level used for IT and telecommunication activities between the two CANE versions:

Table no 1. Correspondence table for CANE versions

CANE Rev.2		CANE Rev.1	
2620	Computers and peripheral equipment manufacturing	3002	Manufacture of computers and other electronic equipment
		3230	Production of radio and television receivers; audio and video recording and reproducing apparatus
2630	Communications equipment manufacturing	3162	Production of other electrical components n.c.a.
		3220	Production of radio and television transmitters, telephone and telegraph equipment and apparatus
6110	Telecommunication services via cable networks	6420	Telecommunications
6120	Wireless telecommunication activities (exclusively by satellite)		
6130	Satellite telecommunications activities		
6190	Other telecommunications activities		

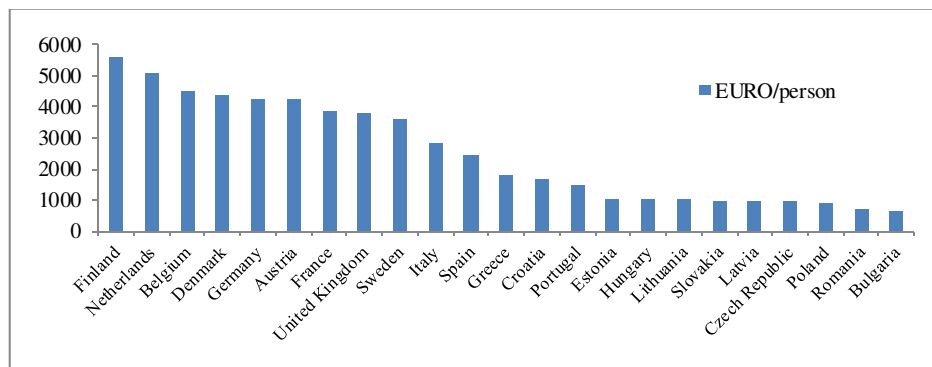
6201	Custom software development activities (customer oriented software)	7221	Program editing
		7240	Database related activities
		7222	Consultancy and supply of other software products
6202	IT&C consultancy activities	7210	Consultancy in the field of computer equipment (hardware)
		7222	Consultancy and supply of other software products
6203	Management activities (management and use) of the data calculation tools	7230	Computer data processing
6209	Other information technology service activities	3002	Manufacture of computers and other electronic equipment
		7260	Other computer related activities
		7222	Consultancy and supply of other software products
6311	Data processing, web page management and related activities	7230	Computer data processing
		7240	Database related activities
6312	Web portals activities	7240	Database related activities

Source: www.insse.ro - methodological notes for "Classification of activities in the national economy" CANE Rev2)

4. Romania within the European Union- territorial level comparison

At European Union level, in 2015, 41,000 [2] of enterprises were active in the field of "Manufacture of computer, electronic and optical products", of which about 2% were in Romania. More than 50% of the number of enterprises with this main activity were located in Czech Republic, Germany, Italy and United Kingdom. Analyzing in terms of value added at factor cost, countries with the highest values per enterprise were: Germany (with over 4 million euro/enterprise), Austria (with 3.70 million euro/enterprise), Denmark (3.56 million euro/enterprise) and France (with 3.51 million euro/enterprise). The added value of just 0.56 million euro/enterprise places Romania on the 18th place in the total countries of the European Union. The highest monthly earnings in this economic activity are earned in Finland, the Netherlands, Belgium, Denmark, Germany and Austria, where they reach average values per employee of over 4,000 euros. With an average monthly earnings / employee of 698 euros, in 2015, Romania is among the last places in the hierarchy of EU countries.

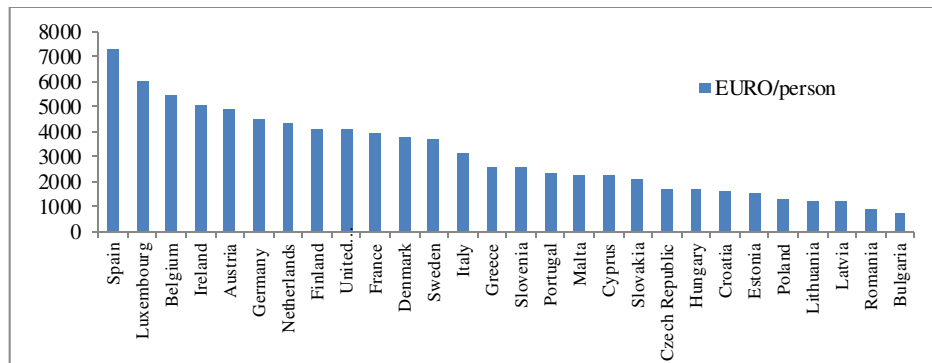
Figure no. 1 Average monthly earning per person from "Manufacture of computer, electronic and optical products activity", in 2015



Source: authors' computation

In 2015, in Romania in telecommunication field were active 2319 enterprises, 30% less than in 2008. The value added at factor cost produced by them is close to the value added by the 80 companies in Luxembourg. Thus, if in EU on average an enterprise achieves EUR 20 million value added, in Romania an enterprise produces on average 0.7 million euros. Also in this field, the average monthly earning obtained by a Romanian person is much lower than in the other EU member states. In 2015, the EU average monthly earning was 3714 euros, and in Romania four times smaller. The countries with the highest earnings are Spain, Luxembourg, Belgium and Ireland where average monthly earnings exceed € 5,000 per person.

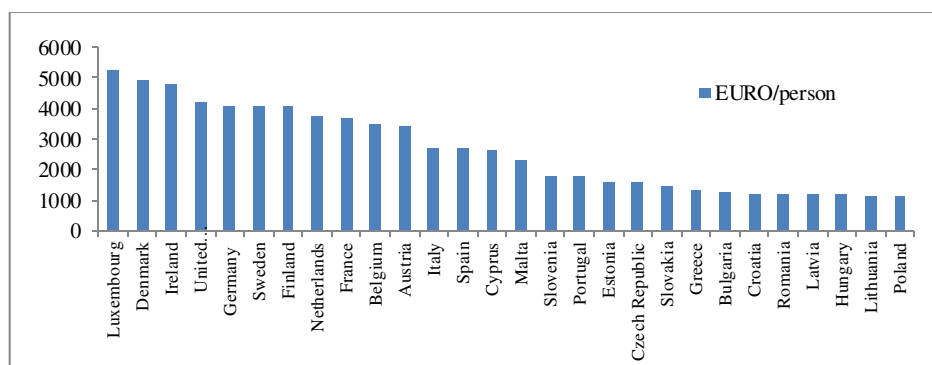
Figure nr. 2 Average monthly earning per person from "Telecommunication" activities, in 2015



Source: authors' computation

In 2015, in EU there were active over 250,000 enterprises with the activity of "Computer programming, consultancy and related activities", of which 9,811 were in Romania [2]. In this economic branch the number of enterprises in Romania has an upward trend, increasing by over 25% compared to 2008. The average value added at factor cost produced by a Romanian company almost doubled in 2015 compared to 2008, reaching EUR 183,070 in 2015 [2]. The average monthly earning gained by one person at EU level was 3365 euro in 2015. Of the 28 countries, 11 countries registered average monthly earning over the european average level. Romania ranks among the countries with the lowest average monthly earning, in 2015 it was 1214 euros.

Figure no. 3 Average monthly earning per person from "Computer programming, consultancy and related activities", in 2015

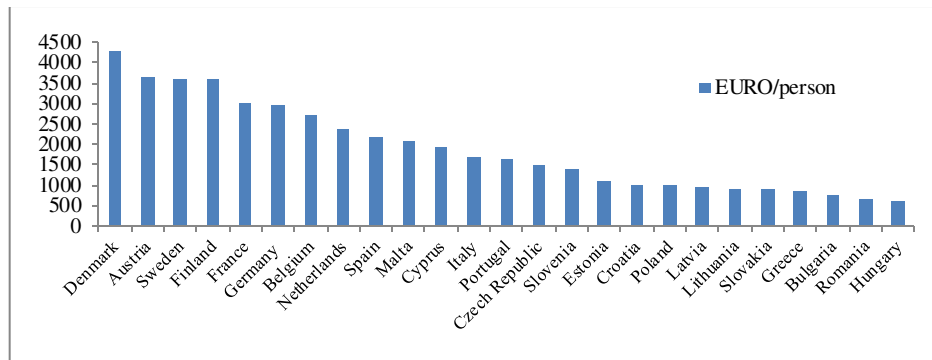


Source: authors' computation

In the field of "Information service activities", in 2015 at the EU level there were registered 130,000 enterprises, the trend being a growing one. Also, gross value added at cost factor has an increasing trend. Over 7,000 enterprises from the United Kingdom provide over 25% of the EU's gross value added in this industry. In 2015, with 656,952 euro/enterprise, Finland was situated on the second place, while on the third place was Germany with 562,359 euro/enterprise. The gross value added of an enterprise, in Romania, was just 68,991 euro, more than four times smaller than the European average. The largest average monthly earning in this area was obtained in 2015, in

Denmark (Ireland, Luxembourg and United Kingdom do not contain figures for this indicator on the Eurostat website), with Romania ranked last but one in the EU countries classification. Thus, a Romanian employed in this field earned in 2015 seven times less than a person in Denmark and over 5 times less than an Austrian.

Figure no. 4 Average monthly earning per person from "Information service activities", in 2015



Source: authors' computation

Analyzing the evolution of Romania's indicators on the four branches of interest, we can highlight the following aspects:

- the enterprises with main activity of "Manufacture of computer, electronic and optical products" and "Telecommunications" bring the almost same value added at cost factor to enterprises with main activity of "Computer programming, consultancy and related activities" and "Information service activities" (in 2015 was 2171.5 million euro versus 2015.7 million euro), although their number is much smaller than the latter (in 2015 the percentage was 1 to 4);

- the activity of "Computer programming, consultancy and related activities" has a growing trend in recent years. The value added obtained by the enterprises with this main activity doubled in 2015 compared to 2008, while the number of enterprises increased with over a quarter in 2015 compared with 2008;

- the highest average monthly earnings are obtained in the field of "Computer programming, consultancy and related activities" (in 2015, the average monthly earning / person was twice as much as that obtained by a person working in one of the branches of "Manufacture of computer, electronic and optical products" or "Information service activities").

5. IT&C activities in Romania - territorial analyse

During 2008-2016 period, the number of local active units from Romania decreased by 4.5%. The number of units with IT activities and communications increases by over 3000 units, their share in the total economy reaching 2.39% in 2008 to 3.13% in 2016. Over 45% of the local IT & C units are in Macroregion Three. Please note that this region includes the capital city, which is a pillar of economically importance. If at the level of three macro-regions: One, Two and Four, the local active IT & C units are around 2%; in Macroregion Three, this weight exceeds 3%, reaching 4.19% in 2016. In the 9 years analyzed, an increase has been made at the level of units with WEB portal activities, the number of them growing more than 10 times; over half of them are found in macro-region Three. Over 95% of the units with this activity are micro-enterprises (SMEs). Many entrepreneurs are also targeting custom software activities, the number of units with this activity increasing by more than 50%.

During 2002-2008 period, the number of units in IT&C (considering CANE Rev1) in total active local units registered values of over 2.30%. These higher values compared to the period 2008-2016 may be slightly deformed by the inclusion in the analysis of CANE 3162 - "Production of other electronic components n.c.a.". Applying a correction coefficient obtained from year 2008 data on both CANE Rev1 and CANE Rev2, these percentages decrease in the range of 1.65% (2002) to 2.41% (2008), the trend being constantly increasing. At the territorial level, the rising

trend is manifested at the level of all four macroregions, the highest pace manifesting in the Macroregion Three, where the share reaches from 2.24% in 2002 to 3.30% in 2008 and 3.84% in 2016. Also, during this period most local units are micro-enterprises (SMEs).

In 2008-2016 period, the average number of employees in IT & C activities has confronted with a growing trend, contrary to the evolution recorded by the average number of employees from total economy. Thus, in IT & C the average number of employees increase from 103,046 people [1] in 2008 to 145,683 persons [1] in 2016 (in "Information service activities" and "Computer service activities" doubling the number of employees). The largest weight of employees attracted in IT & C activities is recorded in Macro-Region Three (in 2016 it reaches 4.35% of employees in this area) and in Macroregion Four (where in 2016 it reaches at 3.08% of total employees). In comparison with the data from the 8 regions of Romania, the regions where IT&C employees are more numerous are the Bucharest-Ilfov Region (where more than 62,000 people worked in 2016) and the West Region (where over 23,000 people worked in 2016).

From the 40 counties of Romania, 7 of them concentrate more than 75% of the average number of IT & C employees nationwide, the only one different is the capital, attracting over 40% of people in this field.

Average monthly nominal net earning from "Service activities in information technology" and "Computer service activities" (div. 62-63, CANE Rev.2)[13] exceeds national average monthly nominal net earning, over the last 7 years being double than this. From all the 40 counties, only 4 are heaving an average monthly nominal net earning higher than the national average, Bucharest - the capital city being one of them.

6. The influence of IT&C activities on unemployment in Romania

Unemployment is a phenomenon due to the lack of suitable workplaces for the population in a given area. Taking into account the number of local active units and the average monthly earnings in the IT&C domains, it was attempted to obtain whether these two indicators influence the registered unemployment rate in the territorial area, regions and counties respectively.

Thus, the model taken into account was:

$$unemployment = a_0 * units + a_1 * salaries + \varepsilon$$

Table no. 2. Variables descriptions

Variable	Definitions
unemployment	registered unemployment rate for each region/county
units_26	number of active local units from 26 division (CANE Rev2)
units_61	number of active local units from 61 division (CANE Rev2)
units_62_63	number of active local units from 62 and 63 divisions (CANE Rev2)
salaries_26	average monthly nominal net earning /person for 26 division (CANE Rev2)
salaries_61	average monthly nominal net earning /person for 61 division (CANE Rev2)
salaries_62_63	average monthly nominal net earning/person for 62 and 63 divisions (CANE Rev2)

Source: authors' computation

Data used was taken from 2016, the software used was EVIEWS and the least squares method. Thus, we present the results obtained for the data at regional level.

$$unemployment = -0.014742 units - 0.002359 salaries + 11.32560$$

Table no.3. Regression of the unemployment number of units and salaries for 26 Div

Variable	Coefficient	Std. Error	t-Statistic	Prob.
UNITS_26	-0.014742	0.005045	-2.922062	0.0329
SALARIES_26	-0.002359	0.000613	-3.851391	0.0120
C	11.32560	1.105315	10.24649	0.0002
R-squared	0.911129	Mean dependent var		4.937500
Adjusted R-squared	0.875580	S.D. dependent var		2.369411
S.E. of regression	0.835768	Akaike info criterion		2.759064
Sum squared resid	3.492538	Schwarz criterion		2.788855
Log likelihood	-8.036256	Hannan-Quinn criter.		2.558139
F-statistic	25.63051	Durbin-Watson stat		3.512420
Prob(F-statistic)	0.002355			

Source: authors' computation

$$unemployment = -0.003269 \text{ units} - 0.001988 \text{ salaries} + 11.53550$$

Table no. 4. Regression of the unemployment number of units and salaries for 61 Div

Variable	Coefficient	Std. Error	t-Statistic	Prob.
UNITS_61	-0.003269	0.002478	-1.319066	0.2443
SALARIES_61	-0.001988	0.000687	-2.892089	0.0341
C	11.53550	1.828121	6.310031	0.0015
R-squared	0.758653	Mean dependent var		4.937500
Adjusted R-squared	0.662115	S.D. dependent var		2.369411
S.E. of regression	1.377288	Akaike info criterion		3.758107
Sum squared resid	9.484616	Schwarz criterion		3.787897
Log likelihood	-12.03243	Hannan-Quinn criter.		3.557181
F-statistic	7.858550	Durbin-Watson stat		0.920765
Prob(F-statistic)	0.028616			

Source: authors' computation

$$unemployment = -0.000112 \text{ units} - 0.001274 \text{ salaries} + 10.33540$$

Table no. 5. Regression of the unemployment units and salaries for 62_63 Div

Variable	Coefficient	Std. Error	t-Statistic	Prob.
UNITS_62_63	-0.000112	0.000422	-0.264169	0.8022
SALARIES_62_63	-0.001274	0.000493	-2.584598	0.0492
C	10.33540	1.579162	6.544864	0.0012
R-squared	0.788964	Mean dependent var		4.937500
Adjusted R-squared	0.704549	S.D. dependent var		2.369411
S.E. of regression	1.287902	Akaike info criterion		3.623903
Sum squared resid	8.293458	Schwarz criterion		3.653693
Log likelihood	-11.49561	Hannan-Quinn criter.		3.422977
F-statistic	9.346310	Durbin-Watson stat		2.372419
Prob(F-statistic)	0.020459			

Source: authors' computation

From the three analyzed cases, we can draw the following conclusion: with the increase in the number of local active IT&C units and the increase in the average monthly nominal net earning from IT&C, the unemployment rate will decrease. It seems that the activity of "Manufacture of computer, electronic and optical products" - 26 according to CANE Rev2 has a higher influence on the unemployment than other IT&C activities, the coefficient of determination being 91%.

At county level, the following models were obtained:

$$unemployment = -0.012166 \text{ units} - 0.001738 \text{ salaries} + 8.530078$$

Table no. 6. Regression of the unemployment on number of units and salaries for 26 Div

Variable	Coefficient	Std. Error	t-Statistic	Prob.
UNITS_26	-0.012166	0.009985	-1.218412	0.2336
SALARIES_26	-0.001738	0.000671	-2.591600	0.0152
C	8.530078	1.232046	6.923507	0.0000
R-squared	0.316691	Mean dependent var		5.003333
Adjusted R-squared	0.266076	S.D. dependent var		2.594355
S.E. of regression	2.222568	Akaike info criterion		4.529843
Sum squared resid	133.3748	Schwarz criterion		4.669963
Log likelihood	-64.94764	Hannan-Quinn criter.		4.574668
F-statistic	6.256808	Durbin-Watson stat		2.298486
Prob(F-statistic)	0.005852			

Source: authors' computation

$$unemployment = -0.0003325 \text{ units} - 0.00639 \text{ salaries} + 9.716714$$

Table no. 7. Regression of the unemployment on number of units and salaries for 61 Div

Variable	Coefficient	Std. Error	t-Statistic	Prob.
UNITS_61	-0.003325	0.003554	-0.935508	0.3553
SALARIES_61	-0.001639	0.000598	-2.741342	0.0092
C	9.716714	1.397619	6.952332	0.0000
R-squared	0.248870	Mean dependent var		5.609524
Adjusted R-squared	0.210351	S.D. dependent var		2.686262
S.E. of regression	2.387072	Akaike info criterion		4.646761
Sum squared resid	222.2263	Schwarz criterion		4.770880
Log likelihood	-94.58198	Hannan-Quinn criter.		4.692256
F-statistic	6.460899	Durbin-Watson stat		1.643857
Prob(F-statistic)	0.003771			

Source: authors' computation

$$unemployment = -0.000262 \text{ units} - 0.000839 \text{ salaries} + 7.833065$$

Table no. 8. Regression of the unemployment on units and salaries for 62_63 Div

Variable	Coefficient	Std. Error	t-Statistic	Prob.
UNITS_62_63	-0.000262	0.000543	-0.482042	0.6325
SALARIES_62_63	-0.000839	0.000297	-2.826761	0.0074
C	7.833065	0.750148	10.44203	0.0000
R-squared	0.286177	Mean dependent var		5.609524
Adjusted R-squared	0.249571	S.D. dependent var		2.686262
S.E. of regression	2.327036	Akaike info criterion		4.595817

Sum squared resid	211.1888	Schwarz criterion	4.719936
Log likelihood	-93.51216	Hannan-Quinn criter.	4.641312
F-statistic	7.817715	Durbin-Watson stat	1.781410
Prob(F-statistic)	0.001396		

Source: authors' computation

The results obtained at the county level are consistent with the results obtained at the regional level. Both independent variables act in the direction of lowering the unemployment rate, but the extremely low coefficients in the models show little influence. However, the emergence and growing of development poles of IT&C activities, such as the counties of Timis, Cluj, Iasi and Bucharest, contribute to the reduction of unemployment in these areas.

7. Conclusions

In Romania, IT & C activities tend to develop especially in recent years, in line with the European trend. Although most enterprises who carries out these activities are micro-enterprises, they attract more and more workforce from year to year. These tendencies influence the orientation of young people towards school units to prepare them in these areas. Compared with the other countries in the European Union, the conditions regarding salary in Romania for people with IT training discourages the workforce from remaining in the country. Thus, Romania is increasingly confronted with the phenomenon of labor force emigration with IT training, which it does in these activities job offer to be higher than demand. Therefore, decisive factors need to think about policies involving both education measures, as well as economic measures to stop this phenomenon. As seen, increasing the average monthly earnings and the number of units with IT & C activities can reduce the unemployment phenomenon, fact found also at the territorial level: in counties where the average monthly earning in IT & C is higher, the unemployment rate is lower. So, our workpaper focused on a part from the value chain for IT&C activities, remaining in the future to extend the analysis to other activities like marketing and labour force education.

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Section III

Economic and Social Studies

Theoretical Incursions into Social Entrepreneurship as a Mean of Development for Rural Heritage Rich Communities

Anamaria Bucaciuc

Paul-Panfil Ivan

Mariana Lupan

"Ștefan cel Mare" University of Suceava, Romania

anamaria.bucaciuc@usm.ro

ivanpaul.ro@gmail.com

marianalupan2015@gmail.com

Abstract

During a visit to the Confederation of Italian Cooperatives in March 2019, Pope Francis highlighted the importance of cooperation in including the weakest, promoting private initiatives, offering alternatives to an inhumane and unjust life governed by money. He adds up to the number of important figures and institutions which encourage the cooperation in order to create resilient and sustainable communities.

Social entrepreneurship is a suitable tool of cooperation for local communities, being connected to both provincial reality and supra-regional networks, having a high innovation ability and keeping as main target the social well-being of their target group. This is even more relevant in the case of rural heritage rich communities which are often forgotten by economic development actions, despite their massive potential as cultural and touristic destinations.

The purpose of this paper is to explore the relationship between social entrepreneurship and rural development in rural heritage rich communities.

Key words: social entrepreneurship, cultural heritage, rural development

J.E.L. classification: L31, R11, Z19

1. Introduction

Based on data extracted in February 2017, Eurostat made some sharp affirmations regarding the situation of rural areas in EU Member States (Eurostat, 2018):

- 23.7% of the EU-28 population was at risk of poverty/social exclusion;
- the highest risk of poverty or social exclusion was registered in the rural areas of Bulgaria, Romania and Malta;
- almost one in five persons living in EU's rural areas was at risk of monetary poverty;
- less than 10 % of the EU citizens living in rural areas came from a household with low work intensity;
- one twelfth of the EU's rural population was in an absolute measure of poverty, facing severe material deprivation;
- Europeans from rural areas were more likely not to have met their needs for health care;
- people living in rural areas leave their education or training earlier than those living in urban areas;
- Rates of unemployment for EU's rural areas of eastern Member States were higher than those for cities.

As we can see, the socio economic situation of EU rural areas has lots of space for improvement, in fields like education, employment, inclusion and so on. Without limiting these issues only to the EU member states, we can see that these general reasons make "rural development" a recurring theme on the agendas of international institutions and local governments likewise (Djankov and Saliola, 2019; European Union, 2019).

From this profile of local communities are not generally excluded the rural heritage rich communities. This happens despite the fact that the existence of heritage elements should enrich local communities, when these are mature enough to preserve and take advantage of these cultural and touristic assets. However, one of the reasons why this is not happening often comes from the voice of different purists who say that heritage conservation is "too crass and too demeaning to the underlying importance of the historic resources to merit serious discussion" (Rypkema, 2008).

Beside the idea of "rural development", also the concept of "cooperation" has an important role in strategic discussions. It was even included in Pope Francis's speech held during a visit to the Confederation of Italian Cooperatives in March 2019 (*Vatican News*, 2019). The Pope connected the core of cooperation with the social doctrine of the Church and insisted on its benefits in including the weakest, promoting private initiatives, offering alternatives to an inhumane and unjust life governed by money.

During this paper, we wish to present some theoretical incursions into the status quo of rural heritage rich communities and the relationship between social entrepreneurship and rural development in these communities. In the end, we should have sketched a few guidelines for further field research.

2. Theoretical background

Our current research deals with two main concepts, social enterprises and rural heritage, both in the framework of rural development. A first step in any investigative course is understanding of the theoretical framework.

Thus, the concept of social enterprises is quite new, being developed in the early 1990s. Based on part of the literature in the field (Dees, 1998; Borzaga and Defourny, 2001; Bornstein and Davis, 2010), we have attributed to the concept of social enterprises the following cumulative characteristics:

- they belong to the third economic sector (term used in the Anglo-Saxon literature, also referred to as the "nonprofit sector" or "the civil society sector", which represents the space between the private and the governmental spheres and includes organizations that invest / reinvest income to achieve social, cultural or environmental goals);
- they fall into the social economy sub-sector (according to one of the most detailed representations of the third sector that was made by John Pearce in 2003 (Pearce, 2003, 2009));
- are organizations with an economic activity that act in the general interest of the community they represent;
- reinvest all or part of the profit in achieving the social goal.

On the other hand, rural heritage is a mixture of elements of tangible and intangible patrimony representative for rural communities (Chiva, 1994):

- landscapes created through the exploitation by man of the natural resources;
- rural architecture which consist the local buildings with different functionalities: living, storage, crafts, industry or administration;
- local products adapted to the local conditions, cultivated, processed or cooked in a traditional manner;
- objects created locally for domestic, festive or religious use;
- techniques and skills inherited from generation to generation, for creating landscapes, building houses and furniture and making local products;
- traditions and ways of life specific to rural communities.

The property of rural heritage is considered to be common, being in the hands of all individuals coming from rural or urban locations (Chiva, 1994).

3. Research methodology

The research methodology for the present paper is based on secondary data analysis. For this, we have collected and explored studies and reports developed by international institutions, but also articles and research papers published by academics in international journals. Further on, we have used descriptive and explanatory methods in order to present our data.

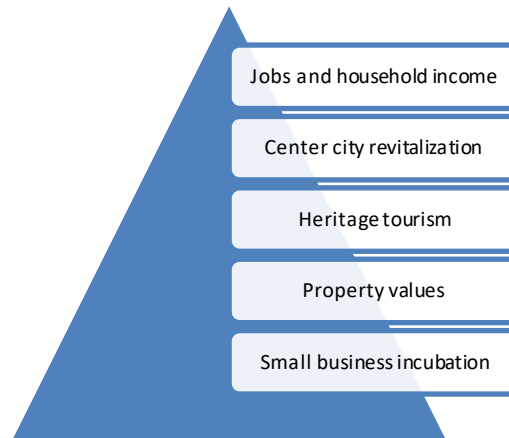
Based on this research course, we have used deductive methods in order to outline some possible future topics to be investigated.

4. Status quo of rural heritage rich communities

Rural communities tend to lack nowadays many social services due to centralization to bigger cities promoted by governments. Without services like administration, sport and leisure activities, public transport, school transport and medical practices, rural areas tend to become more and more marginalized (Naumann and Fischer-Tahir, 2013; Shucksmith and Brown, 2016; in Richter, 2017). Hand in hand with this centralization process goes the exodus of young and qualified people who look for better job offers with access to more, better quality social services. This whole process translates in the end in a lower power of decision making, of investing and innovating in the local rural communities (Richter, 2017).

This degrading status of rural communities is even more regretful when we take into consideration the fact that these communities are losing in the same time with their people some important cultural heritage elements which can still be seen in the form of architectural landscapes and segments, sites, artefacts, traditional ways of life and activities, etc. (Murzyn-kupisz, 2012). The conservation of these heritage elements is important not only for the identity of the local communities, but also for broad cultural and social reasons.

Figure no. 1 Factors measuring the economic impact of heritage coservation



Source: (Rypkema, 2008)

Discussing about the problem of heritage conservation, we can see that it is characterize by several values, from historical, cultural, environmental, aesthetic to educational, social and economic. Even though the economic value of heritage has long been argued by experts saying that the topic would be insensitive and discrediting, nowadays it is identified as a very important factor in local development. More than that, there have been identified also a series of economic impacts of heritage conservation that can be quantified: jobs and household income, center city revitalization, heritage tourism, property values and small business incubation (Rypkema, 2008).

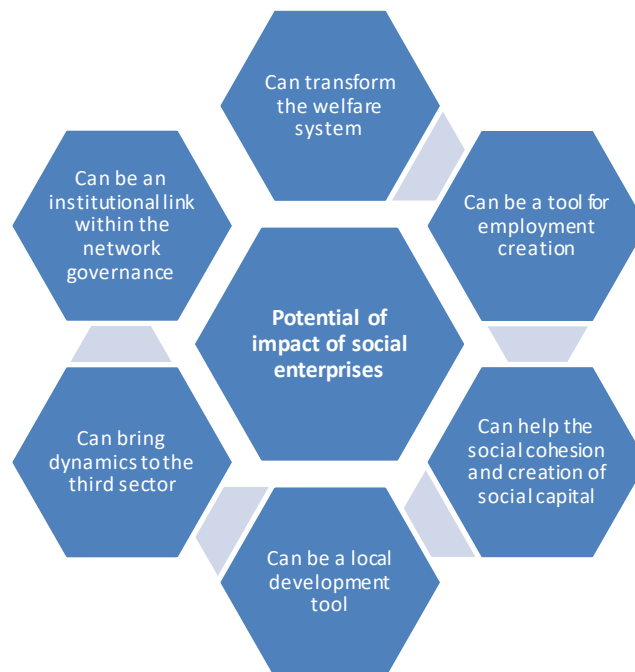
Combining the components characteristic to rural degradation and rural communities rich in heritage elements, result opportunities for projects linked to the conservation, restoration, preservation and adaptation of heritage sites. These, combined with the know-how and adaptability of new types of organisations may lead to a revival of rural communities using their cultural heritage.

5. Rural development and social entrepreneurship

In order to face the backdrop registered by rural communities and to spur development, there is the need of initiatives with a socially centralized mission, with entrepreneurial characteristics, focused on implementing innovative activities in order to solve old problems and being well connected to both provincial reality and supra-regional networks.

In spite of their conceptual versus practice dilemmas, social enterprises check all these conditions, and can be a key player in promoting and sustaining development. Social enterprises appeared as a response to the repeated cuts of public funding, taking the role of social problems solver (Roy *et al.*, 2014). As stated by John Pearce in 2003, these are located in the sphere of social economy, containing organizations like community enterprises, social firms, social businesses, mutual, fair trade companies, several types of cooperatives (Pearce, 2003; in Amin, 2009). Their potential of impact in communities reaches a high range of subjects, from the transformation of the welfare system, employment creation, local development to becoming an institutional link with the network governance (Bucaciuc, 2015).

Figure no. 2 Types of impact potential of social enterprises



Source: (Bucaciuc, 2015)

Taking into consideration the full range of potential impacts social enterprises can have and the needs of rural areas, we can easily presume the impact would be even greater in rural heritage rich communities.

6. Conclusions

Observing the current state of rural heritage rich communities and the potential social enterprises can have in growing the development level on a theoretical level, we feel the need to identify the actual state on the field. This means carrying on a research combining research methods like interviews, field observation, identifying and correlating relevant databases of information.

Some research questions of interest, which can be explored furthermore in the context of supporting the development of rural areas, might be:

- Which is the dimension of the social enterprises sector in rural heritage rich communities?
- Which is the social and economic impact of social enterprises in rural communities?
- How can the legislative system support social enterprises in order to foster development in rural areas?
- Which are the opportunities given to the sector of social enterprises by rural communities rich in cultural heritage objectives?
- How can the business for profit oriented sector and the public sector learn from social enterprises in order to take advantage of cultural heritage objectives in order to foster development in rural areas?

These proposed topics can be enriched with multiple other lines of thought which will proceed from further research.

The results of this cumulated research project would be of interest for policy makers, local and regional administration, business associations and other stakeholders in the field of rural development and cultural heritage preservation.

7. Acknowledgements

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Written Business Communication. Case Study: Auditor's Report

Alina Buzarna-Tihenea (Galbeaza)
"Ovidius" University of Constanta, Faculty of Letters
Alina_buzarna84@yahoo.com

Abstract

This paper is focused on the importance of written business communication and on some of the features that guarantee its success. In this regard, the theoretical part of the paper has tackled general aspects of written communication, focusing on its definitions, process, components and advantages. In the practical part, an analysis has been performed on three specialized texts dealing with auditor's reports. The texts were processed by specialized software that showed the readability indices and the lexical density of the texts. The analysis of the data revealed the importance of developing good writing skills for the purpose of successful written business communication.

Key words: written communication, business communication, auditor's report, lexical analysis, readability

J.E.L. classification: K00

1. Introduction

Communication, which is an element that inherently characterizes the human being, his/her patterns of behavior and relationships, involves more than one individual, i.e. usually at least a sender and a recipient of a certain message. Furthermore, as a "social animal", the human being needs to communicate constantly with his/her peers and to adjust his/her patterns of behavior accordingly.

Nowadays, in the information age, in a world profoundly marked by technological progress, written communication plays a key role in a wide variety of environments (such as businesses, politics, education, etc.). Written communication is eased especially by the developments in information technology and by the increase in the number of computer users. New IT gadgets and the expansion of IT networks contribute to the better organization and faster transmission of information. However, these modern communication methods trigger the need for efficient reading and writing skills.

2. Theoretical background: key concepts in written business communication

Scholars have been striving to define communication for decades and consequently a wide variety of definitions focused on this concept has emerged. This word derived from the Latin verb *communicare* (i.e. "to share") is related to the idea of information and meaning (Coates, 2009), because the communication process involves sharing and transferring pieces of information, transmitting and receiving messages from one or more persons (i.e. senders) to one or more other persons (i.e. receivers) (Nadrag, 2013). Although the idea of two-way communication is more frequent and often preferable, the one-way delivery of information (such as pieces of advice, orders or instructions), still represents communication.

When discussing communication, many scholars mention the definitions given by G. G. Brown and G. Meyer. For instance, A. Hans and E. Hans (2014, p. 72) quote them in their article as follows:

"Communication may be intentional or unintentional, may involve conventional or unconventional signals, may take linguistic or nonlinguistic forms, and may occur through spoken or other modes.

1. "Communication is transfer of information from one person to another, whether or not it elicits confidence. But the information transferred must be understandable to the receiver" – G.G. Brown.

2. "Communication is the intercourse by words, letters or messages"- Fred G. Meyer".

In his definition of communication, Keyton (2011) stresses the importance of transmitting pieces of information during the communication process and the significance of common understanding from one person to another. In DeVito's perspective, communication is referred to as a process and emphasis is placed on the fact that it is always changing, that it is always in motion (1986, p. 239). In this regard, Anderson (1987, p. 49) also argues that the characteristics, causes and consequences of some communication acts are subject to change over the life of the act, a key role being thus played by the change in the communication process. In his work, Griffin (2011, p. 9) defines communication as the relational process of creating and interpreting messages that elicit a response.

Communication is mainly of two types, i.e. verbal (takes place verbally or in written) and non-verbal (takes place through symbols, signs, body language, facial expressions, colors, gestures). In its turn, verbal communication can be oral (verbal, through spoken words) and written (written words).

Written communication, one of the most common and efficient means of business communication, is performed in companies by electronic mails, letters, memos, reports, contracts, official documents, written regulations, job descriptions, etc. Bovee and Thill (2010) see the written communication process a way whereby ideas are expressed through words meant to be read, while Griffin (2009; 2011) envisages it as the process of encoding and transmitting a message in a written form. As far as Mamoria (2016) is concerned, in his perspective, written communication is a process that fulfills the following criteria: the message is written, the audience is usually at a distance and/or a permanent record is needed. Another definition of written communication belongs to Korlahlli and Pal (2011) who argue that written communication deals with everything that must be written and sent in a written form. Therefore, all these scholars emphasize that the written communication process involves the written transmission or exchange of messages or various pieces of information between one or more senders and receivers.

It is noteworthy that efficient written communication is directly related to the adequate choice of terms, their correct arrangement into phrases and sentences, since the recipient of the written message should be able to understand them and trace the main ideas easily (in this regard, a certain structure and paragraphing should be respected). For the above-mentioned purpose (i.e. to be easily understood by the reader), coherence, accuracy, precision and clarity are also among the requirements of successful written communication. Moreover, the use of direct speech is also advisable, as it makes the written message more clear and accurate. Grammar and language mistakes should be avoided as they can hinder the meaning of the written message (see Lynch and Anderson, 2013). The sender should also imprint his/her attitude and personal image in the written message, as it strengthens its general organizational appearance.

Murphy and Hildebrandt (1997) state in their work, entitled *Effective Business Communications*, that good written communication should be characterized by completeness, concision, clarity, concreteness, correctness, consideration, and courtesy. In the authors' view, efficient written communication should be relevant, tactful, good-natured, accurate and nondiscriminatory. The purpose of this type of communication should be focused on answering several important questions (i.e. who, what, when, where). In this regard, it should employ active verbs, present particular facts and figures, give adequate examples and even visual aids, if required. Moreover, according to these authors, it should be focused on the receiver of the written message and on his/her interests. In order to increase readability, the sender may also use a conversational tone. Scholars (see Murphy and Hildebrandt, 1997; Maruntelu, 2006) warn that inefficient written business communication, characterized by lack of clarity, inaccuracy and disrespect usually waste both the sender and the receiver's valuable time; furthermore, it can drive off employees or clients, and negatively affect the reputation of the management or even of the entire business. Therefore, companies should

encourage their employees to develop good written communication skills.

Written communication is effective especially when the information that has to be conveyed is lengthy or when it includes complex concepts that cannot be easily explained. Additionally, written communication in companies represents a proof of various transactions and it is considered more valid, since people usually guide themselves by the saying *verba volant scripta manent* (i.e. words fly, writings remain).

Another advantage brought by written communication is represented by the fact that, since the sender is not required to deliver the message on the spot, s/he is able to edit and review it several times before sending it, thus making sure that its content, tone and form are as adequate and as correct as possible (which, on the other hand, can also take too much time). Therefore, written communication is more appropriate when the sender must provide complex business information, including essential facts and data (e.g. audit reports, director's reports, etc.). Moreover, a written message can be saved and read several times by the recipient, thus enabling him/her to take time in order to review it and give adequate feedback. Nevertheless, one of the most important differences between oral and written communication resides in the fact that the former is characterized by spontaneous feedback. As far as the latter is concerned, the feedback needs a time span that varies from just a few seconds to entire days, which can lead to uncertainty and frustration, especially in contexts where a fast answer is required. Overall, efficient written communication enhances the customer's satisfaction, contributes to inter-organizational and intra-organizational efficiency and improves the company's image in the business environment (see Berger, 2008).

3. Research methodology

The purpose of this study was to analyze three representative samples of written business communication, in terms of readability and lexical density, and to connect the results with the efficiency of the written communication process. Since written business communication comprises a wide variety of documents, I have chosen only one category, i.e. the auditor's reports, in order to compare the results obtained after analyzing each document. The three sample documents submitted to the analysis are: "International Standard on Auditing (UK and Ireland) 700. The independent auditor's report in financial statements" of the Financial Reporting Council (FRC) (June 2013) (hereinafter Text 1), "Illustrative Example of a UK auditor's report reflecting the requirements of ISA (UK and Ireland) 700 (Revised June 2013)" (hereinafter Text 2) and "Independent auditor's report to the members of Gas Networks Ireland Report on the audit of the financial statements" (hereinafter Text 3). It is noteworthy that the first document sets the international standards as far as auditing in the UK and Ireland is concerned, being, therefore, a guideline in this type of written business communication, i.e. auditor's report. The second document sets an example of such a report and the third document is an instance of the practical application of the "International Standard on Auditing (UK and Ireland) 700" (June 2013) and of the illustrative example provided by the Financial Reporting Council.

For the purpose of this study, each of the above-mentioned documents was processed by a specialized software – a text content and readability analyzer, i.e. *Analyze My Writing* (see http://www.analyzemywriting.com/about_us.html). This software provided valuable pieces of information regarding the documents' readability index (i.e. an estimation of how difficult a text is to read), by measuring their complexity, in terms of criteria such as word count, word lengths, sentence count, sentence lengths, syllable counts, punctuation marks (commas, periods, quotation marks, apostrophes, colons, semicolons, parentheses, dashes, question marks, exclamation marks, brackets etc.).

Afterwards, the complexity of the texts was compared to how well readers can understand the respective document, the software creating a formula that predicts the documents reading difficulty level, based on its complexity. According to the information provided by the specialized software *Analyze My Writing*, every readability index (i.e. Gunning fog, Flesch-Kincaid, SMPG, Coleman-Liau and Automated indices) is different, to some extent, as it highlighted certain elements related to text complexity. For instance, some readability indices were focused more on syllable counts while others placed more emphasis on word length and sentence length. Nevertheless, it is

noteworthy that readability indices measure especially a text's complexity (see http://www.analyze-my-writing.com/about_us.html).

4. Findings

As already mentioned, I processed the three texts by using the specialized text analysis software, i.e. *Analyze My Writing*. The first results of the analysis highlighted the texts' statistics, in terms of word count, sentence count, character count, complex word count, syllable count, punctuation marks, word length and sentence length.

Table no. 1 Word, Sentence, Syllable and Character Count

Category	Text 1	Text 2	Text 3
Word Count:	5411	1304	2962
Sentence Count:	195	34	94
Character Count Including Spaces:	35555	8330	19093
Character Count Without Spaces:	29842	6960	16062
Complex Word Count (3 or more syllables):	1459	314	755
Syllable Count:	9718	2257	5317
Period Count:	428	36	100
Comma Count:	158	22	114
Quotation Mark Count:	0	2	8
Apostrophe Count:	136	23	34
Colon Count:	48	8	6
Semicolon [Quotes and Links] Count:	32	11	12
Question Mark Count	0	0	0
Exclamation Mark Count	0	0	0
Dash Count:	10	2	2
Parenthesis Count:	242	28	42
Bracket Count:	22	42	0
Brace Count:	0	0	0
Average Word Length:	5.28	5.17	5.29
Median Word Length:	4	4	4
Standard Deviation of Word Length:	3.13	3.06	3.11
Average Sentence Length:	27.37	38.09	30.9
Median Sentence Length:	20	33.5	26
Standard Deviation of Sentence Length	26.23	20.73	18.53

Source: Author's own processing by "Analyze My Writing" software

The data provided in Table no. 1 show that, although the second and the third texts are smaller than the first one, all of them are similar in terms of word lengths. As far as sentence lengths are concerned, the second text, although smaller, has the longest sentences (i.e. its average sentence length is 38.09 compared to 27.37 for the first text and 30.9 for the third text). Moreover, it should be noted that although the first text is the longest in terms of number of words, it has the smallest average sentence length.

Table no. 2 Readability

Readability Score (Index)	Text 1	Text 2	Text 3
Gunning fog	21.88	24.97	22.8
Flesch-Kincaid	16.42	19.79	17.88
SMOG	18.76	20.49	19.32
Coleman-Liau	15.56	14.81	15.15
Automated	18.42	22.89	19.87
Average Grade Level:	18.21	20.59	19
Median Grade Level:	18.42	20.49	19.32

Source: Author's own processing by "Analyze My Writing" software

According to the specialized software *Analyze My Writing*, each readability index provides an approximate grade level needed in order to read and understand a text without many difficulties. In other words, a lower index indicates that the text is easy to read; consequently, when the index increases, the difficulty of the text in terms of readability also rises. Thus, as indicated by the grid provided by the specialized software, a readability index below 3 indicates that the respective text can be understood by emergent and early readers (such as early reader books). Indices between 3 and 5 indicate a children's level text (i.e. chapter books) while indices between 5 and 8 are typical of the texts dedicated to young adults (e.g. advertising copies, young adult literature). Texts with readability indices between 8 and 12 target general adult levels (novels, blog spots, news, political speeches) and those with readability indices between 12 and 16 are dedicated to undergraduates (for instance, college textbooks). As far as the texts with readability indices above 16 are concerned, they target graduate and post-graduate readers (such as scholarly journals and technical articles) (see http://www.analyzemywriting.com/about_us.html).

Nevertheless, good writing is not always more complex. On the contrary, a lower degree of text complexity may sometimes indicate that the respective text is characterized by clear and concise writing while higher degrees of text complexity may reveal bombastic, cumbersome, laborious texts.

Table no. 2 above shows that the three texts have high readability indices, which means that they are dedicated to readers specialized in the economic field. The second text, which is an "Illustrative Example of a UK auditor's report reflecting the requirements of ISA (UK and Ireland) 700", has the highest readability scores (the average grade level is 20.59, compared to 18.21 for the first text and 19 for the third text). Having in view that it sets an example for the auditors regarding the way in which an auditor's report should look like, this text should have been less complex and easier to understand. Consequently, in order to write such a report, auditors need solid reading and writing skills, as they are key elements of successful business communication. The use of a wide vocabulary, good knowledge of punctuation and grammar, clarity, accuracy, objectivity are only some of the elements that characterize good writing skills.

Another analysis performed by the specialized software *Analyze My Writing* regarded the lexical density of texts, which dealt with the number of lexical words (i.e. nouns, adjectives, verbs, and adverbs) in relation to the total number of words within the respective texts (Zamfir, 2011). According to *Analyze My Writing*, lexical words provide meaning and important pieces of information about the topics tackled by various texts. For instance, while nouns provide information about the subject, the adjectives give further details about them, verbs indicate what they (i.e. the subjects) do, and adverbs show how they do it. As far as non-lexical words or function words are concerned (such as articles, prepositions, conjunctions, auxiliary verbs etc.), their main role is to fulfill grammatical functions (Nadrag, 2004) and provide little or no information about the topics tackled by the respective text. Therefore, as suggested by the specialized software, lexical density emphasizes the percentage of words that provide meaningful pieces of information that are communicated to the receiver, measuring how informative, how descriptive and how meaningful a text is (see http://www.analyzemywriting.com/about_us.html).

Having in view that lexical words provide meaning to the language used by the sender within the written communication process, the specialized software underlines the fact that reading only the lexical words in a text can offer the receiver a "gist" of the main topics tackled by the respective text. It is noteworthy that, in written texts, the level of lexical density does not indicate their complexity or readability, but rather, the amount of information that they attempt to transmit. According to *Analyze My Writing*, high lexical density scores (usually over 56%) are typical of expository texts (i.e. news, journal, technical, and informative articles), which convey massive amounts of information (see http://www.analyzemywriting.com/about_us.html).

This above-mentioned specialized software further emphasizes that since lexical density is usually higher in written communication than in the oral one (which relies on non-verbal cues and is context-dependent), written texts have usually more expository features and include more pieces of information, which increase their lexical density. For instance, according to the grid provided by *Analyze My Writing*, the average lexical density of expository writings ranges between 55% and 58%, while that of fiction and general prose ranges between 48% and 51%. However, as far as interview transcripts are concerned, having in view that they are forms of oral communication at origin, their average lexical density reaches about 45% (see http://www.analyzemywriting.com/about_us.html).

Table no. 3 Lexical Density and Parts of Speech

Parts of Speech	Text 1	Text 2	Text 3
Nouns	31.97%	30.67%	32.44%
Adjectives	8.87%	8.05%	8.04%
Verbs	10.98%	10.97%	10.84%
Adverbs	2.13%	2.07%	2.23%
Prepositions	15.45%	17.02%	15.09%
Pronouns	0.91%	1.92%	2.67%
Auxiliary Verbs	3.64%	3.99%	3.85%
Lexical Density for Entire Text	53.95%	51.76%	53.54%

Source: Author's own processing by "Analyze My Writing" software

As far as the analyzed texts are concerned, they have similar lexical density averages, i.e. 53.95%, 51.76% and 53.54% respectively. According to these averages, the three texts can be classified as expository writings.

Table no. 4 20 Most Common Words

Rank	Word			Number of Occurrences			Percentage of Total Words		
	Text 1	Text 2	Text 3	Text 1	Text 2	Text 3	Text 1	Text 2	Text 3
1	the	the	the	561	129	290	10.37%	9.89%	9.79%
2	of	of	of	243	64	136	4.49%	4.91%	4.59%
3	and	and	and	163	44	104	3.01%	3.37%	3.51%
4	in	in	to	126	44	87	2.33%	3.37%	2.94%
5	financial	to	in	121	32	79	2.24%	2.45%	2.67%
6	to	financial	we	116	28	64	2.14%	2.15%	2.16%
7	a	on	audit	106	24	61	1.96%	1.84%	2.06%
8	statements	statements	financial	94	24	49	1.74%	1.84%	1.65%
9	report	report	our	92	23	47	1.7%	1.76%	1.59%
10	on	for	for	87	17	40	1.61%	1.3%	1.35%
11	auditor	we	statements	84	16	39	1.55%	1.23%	1.32%
12	that	by	a	75	15	34	1.39%	1.15%	1.15%
13	by	audit	group	70	15	33	1.29%	1.15%	1.11%
14	auditor's	our	on	69	14	31	1.28%	1.07%	1.05%
15	is	group	report	62	13	30	1.15%	1%	1.01%
16	with	that	that	61	13	30	1.13%	1%	1.01%

17	or	or	are	60	12	30	1.11%	0.92%	1.01%
18	opinion	changes	is	56	11	29	1.03%	0.84%	0.98%
19	an	are	with	53	11	27	0.98%	0.84%	0.91%
20	audit	have	or	51	10	27	0.94%	0.77%	0.91%

Source: Author's own processing by "Analyze My Writing" software

Table 4 shows the ranking of 20 most common words in the three analyzed texts. In this regard, it should be noted that non-lexical items (such as the definite article "the", the indefinite article "an", the prepositions "of", "in", "to", "on", "for", "by" and "with", the conjunctions "and", "or") play a very important part in all three texts, as they have the highest occurrence degree. Dominant lexical items are the adjectives "financial", the nouns "audit", "statements", "auditor" and "report", which belong to the economic field. The most frequently used verbs are "to be" (its present tense forms "is" and "are") and "to have".

As far as the most common word pairs are concerned, the software emphasized the following combinations: "financial statements", "of the", "in the", "the auditor", "the group", "by the", "the audit", the financial", "auditor's report", "on the", "for the". Most of them are combinations between non-lexical and lexical words or even between two non-lexical words, which means that the role of these function words should not be underestimated. Although they do not usually provide any meaning, they fulfill grammatical functions that contribute to the understanding of the messages conveyed by the texts.

5. Conclusion

The analysis of the data that resulted after processing the three texts (i.e. "International Standard on Auditing (UK and Ireland) 700. The independent auditor's report in financial statements" of the Financial Reporting Council (FRC) (June 2013), "Illustrative Example of a UK auditor's report reflecting the requirements of ISA (UK and Ireland) 700 (Revised June 2013)" and "Independent auditor's report to the members of Gas Networks Ireland Report on the audit of the financial statements") by the specialized software, in terms of text readability and lexical density, emphasize the urgent requirement of developing good written communication skills. Nowadays, when the information technology plays a vital part in the establishment and development of solid business relationships both with partners and customers, written communication is increasingly used especially as a valid proof of various transactions or as a means to convey lengthy or complex instructions or pieces of information.

However, successful written business communication should be characterized by accuracy and concision, in order to reach its purpose. For instance, auditor's reports should transmit valuable pieces of information about the validity of a company's financial statements. Based on the information provided by auditors, certain decisions are taken, which may affect the future of the respective company. Therefore, in written businesses communication, both the over-formal and the informal style should be avoided. The former may hinder the understanding of the message conveyed while the latter may be regarded as discourteous and untrustworthy. The best solution is to employ a respectful and direct tone, which is usually obtained by hard work and writing practice.

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The Opposability of the Effects of the Contract on Third Parties

Sorin Calafus
Constanța Bar Association
helliosinn@yahoo.com

Abstract

The principle of relativity of the contract's effects means that a contract can generate rights and obligations only in favor of, or regarding the obligation of the contracting parties, as well as of persons who became parties after closing the contract or assimilated to the parties. On the other hand, the contract and the legal situations it gives rise to are social realities that must be respected by third parties, as the contract is not an isolated element, but it is integrated into the legal order, bringing about changes to social life. Thus, a contract is opposable to everyone, including third parties, who have the general obligation to abide by the legal situation generated by the contract, even if for them, this reality is presented as a legal fact.

The purpose of this paper is to examine the way in which third parties must observe the effects of a contract according to the opposability principle regarding the effects of the contract.

Key words: contract, parties, third parties, opposability, obligation.

J.E.L. classification: K

1. Introduction

A contract cannot, in principle, generate subjective rights and obligations for a third party. Nevertheless, the rights and obligations of the parties must also be respected by third parties, that is why the contract can be invoked by one of the parties in relation to a third party, as a title of acquirement of a right or debt.

Concretely, the opposability of the contract to third parties means the right of the party to invoke that legal act against the third party that would submit claims in relation to a subjective right acquired by the party under the respective contract, and the unopposability of the contract to third parties means the lack of such a right. As a rule, the opposability to third parties of a contract is conditioned upon the compliance with the formalities of advertising or, as the case may be, upon the ascertainment of a legal act in a document with a certified date (Pop *et al*, 2012, p.186; Deleanu, 2002, p.78).

2. Theoretical background

The theoretical concepts used in the paper are the following: the relativity principle regarding the effects of the contract and the opposability of the contract to third parties.

The relativity principle regarding the effects of the contract is that rule of law under which the contract only affects its authors without being able to take advantage of or harm third parties.

If a contract can not give rise to rights and obligations other than to the contracting parties, this does not mean that third parties may ignore or disregard it. On the contrary, this civil legal act, as a social reality, is also opposable to persons outside it, and the rights and obligations of the contracting parties must also be observed by third parties.

The opposability principle regarding the effects of the contract is that rule of law under which the contract is opposable to third parties, which can not affect the rights and obligations arising from the contract. Third parties may stand on the effects of the contract, but without the right to request its enforcement, except in the cases provided for by law (Art.1281 New Civil Code).

3. Research methodology

There were a few general scientific research methods that were used in this research and methods of legal interpretation; it is based on analysis of legislation and scientific literature. The following methods were used : comparative and legal, analytical, logical and legal.

4. The principle of opposability of the contract to third parties

Unlike the previous Civil Code, the new regulation for the first time sanctions at the legislative level the principle of opposability, in the provisions of art.1281 of the new Civil Code ("The contract is opposable to third parties, who cannot affect the rights and obligations arising out of a contract. Third parties may take advantage of the contract, but without the right to request its enforcement, except for the statutory cases"). This legal provision underlines the fact that opposability is not an exception to the principle of relativity, but it appears as a general principle of the civil legal act, a general rule, according to which the effects of a contract must be recognized as having absolute social relevance. Moreover, the new Romanian Civil Code not only states the principle of opposability, but it outlines the fact that the principle *res inter alios acta* is susceptible to exceptions, as in the cases provided by law, third parties may request the enforcement of the contract (According to art. 1284 paragraph 2 of the New Civil Code, in the case of stipulation for another, the beneficiary acquires the right to ask the promisor directly to fulfill the benefit).

Thus, in principle, a legal act cannot give rise to subjective rights and obligations for a third party; on the other hand, the rights and obligations of the parties must also be respected by third parties. Therefore, the legal act may be invoked by one party against a third party as a title for the acquirement of a real right/property or claim. In particular, the opposability of the civil legal act to third parties means the party's right to invoke the respective legal act against a third party that claims a subjective right acquired by the party in the legal act. The inability to use the opposability of the act to third parties is represented by the lack of such a right. As a rule, the opposability of a legal act to third parties is subject to compliance with advertising formalities or, as the case may be, with the ascertainment of a legal act in a written document with a certain date.

In this respect, we argue that the principle of relativity of the contract's effects and the principle of opposability interact and complete each other, building together the basis of the civil contract. That is why the legal literature has shown that the opposability of the contract's effects is nothing more than the expression for the third parties of the principle of the contract's binding force (Pop *et al*, 2012, p.187, Vasilescu, 2008, p.322).

In the French legal literature, it is considered that "a contract may be relative to the parties when it is directly generating rights and obligations, but its opposability can be acknowledged *erga omnes*, as it is an element of the legal order, whose existence can indirectly benefit the parties (Pineau *et al*, 2001, p.541). Thus, we can argue that the principle of relativity of the contract's effects exonerates third parties from the obligation to enforce contractual rights and obligations, while opposability generates the obligation of the third parties to abide by the respective legal status.

The legal doctrine contains several definitions of the opposability of the contract's effects. Thus, according to an opinion, opposability is the quality of a civil legal act to produce legal effects *vis-à-vis* the parties of that respective legal relation, as well as to command respect from third parties.

According to another opinion, opposability is considered to be the ability of a right, an act or a legal situation, whether *de jure* or *de facto*, to extend its effects to third parties, however, not by their direct compliance with the obligations generated by those elements, which would be an exception from the principle of the relativity of legal effects, but by binding them to acknowledge the effects of that right or act or of that legal situation and to respect it as an element of legal order, accepting its effects, but reserving the right to appeal, when the law provides for such a possibility (Deleanu, 2002, p.18).

According to another author's view, the contracts are opposable to third parties as such only as legal situations, as social-legal realities; for them, the effects of the contracts consist only of the negative obligation to abide by the legal situations generated by the contracts; this opposability does not arise from the will of the parties, but from the objective right, from everyone's obligation

to respect the subjective rights of others (Albu, 1994, p.104).

In another author's opinion, opposability means the aptitude of a contracting party to take advantage of the existence of a contract and the legal effects it entails for the persons who have not participated in its closure.

In the French doctrine, opposability is understood as a general phenomenon that tends to advertise the existence of a contract involving third parties, for if the third parties disobey the contract, it could no longer, in fact, reach efficiency even between its parties. Thus, it was argued that opposability is a consequence of the principle *pacta sunt servanda*, in the sense that it translates the obligation of obeying the norm itself, and not the binding character of the specific content of the norm. However, opposability is not a simple mandatory enforcement, as these two principles are in fact similar: they act as two complementary mechanisms so as to ensure the efficiency of the contract, through binding force between parties and opposability to third parties (Ghestin, 2001, p.79).

Lato sensu, the notion of contract's opposability means that it produces effects between its parties and their successors in title, as well as the reality that the legal fact of the contract's existence must be respected by everyone, therefore also by the third parties as such.

The legal doctrine has shown that the opposability of the contract has the value of a principle governing its legal effects and consequences on third parties; the principle of opposability is a reflection on the social use of the contract, of the private norm generated by it and is quantified in the respect due by all to a legal status; respect - in itself, can be understood as a type of general negative obligation, an erga omnes duty materialized in a respectful attitude toward the private norm generated by the legal operation under discussion (Vasilescu, 2012, pp.482-483)

From these definitions we bear in mind that, viewed as a social reality, the contract is opposable to anyone, even to those who did not enter into a contract, these having the negative obligation to respect the legal situation created by the contract. The parties cannot become obligees or debtors through a contract in which they do not have the status of parties. Therefore, for the third parties the internal, binding effects of the legal relation that arises between the parties do not happen. However, the contract also has external legal effects, which, in fact, represent a legal situation that third parties cannot ignore, disrespect or disregard, even if they are not personally bound by that contract. The contract and the legal situation created as its result are opposable to third parties as existing factual realities, as the contract is not only an isolated element, the result of the wills that create it, but must also be regarded as an element integrated into the legal order (Fîrică, 2013, p.61)

Third parties, unlike the parties, are not obliged to fulfill the benefits from the contract, but they must engage in a certain conduct that does not hinder the fulfillment of the obligations. The obligations of the parties are positive obligations to give or do something, while the obligations of third parties are negative obligations to not do, to abstain from. The only third parties' obligation is to respect the legal situation resulted from a contract.

The opposability of the contract to third parties can be represented as a private norm generated by the contract, a mandatory norm for third parties, which requires them to comply with the concluded legal deal. Failure to comply, disregard or violation by third parties of the legal situation arising from the contract means the violation of the private legal norm established by the will of the contracting parties in compliance with the objective legal norms (Pop, 2009, p.576; Căzănel, 2017, p.23).

If a third party breaks this legal norm, civil delinquency liability is involved, that does not arise from the contract, but from the fault that the third party committed when not respecting a right about whose existence he knew.

In order to explain the principle of contract's opposability, a distinction must be made from the principle of relativity of the contract's effects, a problem causing numerous controversies in the legal doctrine, in order to achieve a more thorough understanding of contractual opposability (Vasilescu, 2008, p.340, Pop *et al*, 2012, pp.190-191). Thus, the relativity of a contract's effects is different from the opposability of the contract to third parties in the following aspects:

- as for the parties, the contract is regarded as a legal act (*negotium*), representing the manifestation of the will of the contracting parties, whereas for the third parties, the contract is regarded as a legal fact;

- in accordance with the principle of relativity, the contract will have a direct effect on the parties and, exceptionally, it will also extend its effects directly to third parties (for example, in the case of the stipulation for another); in accordance with the principle of opposability, the effects of the contract extend indirectly, i.e. third parties will indirectly abide by the situation generated by the act and its content, having only the general obligation to not infringe upon those rights;

- the parties have the possibility to ensure themselves in the event of a non-execution of the contract, whereas in relation to third parties, the existence of the contract does not provide for the right to grant such a possibility;

- when one party causes damage to the other party, contractual liability will be involved, however, when a third party infringes upon a right acquired by contract by one of the parties, causing it damage, or if a third party hinders one of the contracting parties to perform a contractual obligation, delinquency liability will be involved on the basis of the illicit deed causing damage, according to art. 1357 et seq. of the New Civil Code. Furthermore, if when fulfilling the contract the parties cause damages to third parties, delinquency liability will be involved;

- in the event of litigation between the parties, proof of the contract will be made according to the norms regarding the proof of legal acts, while third parties will be able to prove the existence and content of the contract by any means of proof, including witnesses and presumptions, as the proof of the legal fact is free.

5. Conclusions

When it comes to the issue of opposability to third parties of the contract, from their point of view, the legal act appears only as a legal situation, i.e. a strictly legal fact *stricto sensu*.

From this circumstance at least two important consequences are born: if a third party breaks a right belonging to a party in a contract or if it prevents one of the contracting parties from performing its contractual obligation, then the third party's delinquency liability will be involved, and not contractual liability, as the latter only pertains to the contracting parties; when the third party is interested to take advantage of a contract to which they have not been a party, the third party may use any means of proof in order to prove it, the restrictive rules provided by art. 1191, paragraphs 1 and 2 of the Civil Code 1865 not applying in their case.

In doctrine and jurisprudence, sometimes the notion of opposability (respectively, unopposability) is also used for legal relations either between the contracting parties, or between one of the contracting parties and the successors of the other party, or the successors of the contracting parties. For such legal relations, the notion of opposability means the right to invoke the respective legal act in order to demand the fulfillment of the obligation arisen from the contract, and unopposability means the lack of such a right.

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Food Waste and Rural Tourism – a Romanian Perspective

Ramona Cantaragiu
Shahrazad Hadad

The Bucharest University of Economic Studies

ramona_cantaragiu@yahoo.com

shahrazad.hadad@fabiz.ase.ro

Elena Condrea

"Ovidius" University of Constanta, Faculty of Economic Sciences

elenacondrea2003@yahoo.com

Abstract

The present paper shades light into two very hot topics: food waste and rural tourism. In this very fast-paced and consumerist society the issue of food waste becomes of crucial importance in the context of a sustainable bioeconomy conducted under the context of rural tourism. Therefore, the hereby research. The current paper addresses the problem of food waste in rural touristic accommodation from the perspective of the behavior of the guests towards food consumed while traveling/vacationing. through a comprehensive review of the studies currently available, it is established that there are indications that individuals change their food habits while traveling and that these changes can have a negative impact on the amount of food wasted (i.e., by increasing the amount of food that goes unconsumed). The paper concludes with a discussion of the findings and a series of recommendations both for policy makers and for the managers of rural touristic accommodations.

Key words: food waste, rural tourism, sustainable economy, natural resources, accommodation

J.E.L. classification: L66, L83, O18

1. Introduction

Food waste has a tremendously negative impact on the environment simply because the natural resources necessary to produce, store, transport, and cook the food that is not consumed is wasted and because the unconsumed food ends up in landfills where it contributes to the greenhouse effect. In spite of the fact that food waste is one of the major contributors to the waste generated by the tourism industry, food waste has not been prominent on the agenda of researchers or practitioners from the tourism industry. As a result, there are only a handful of studies which have mainly established the strategies for waste management applied in the case of certain hotels and there are not very many insights into the ways in which tourists change their culinary habits and the impact that this change might have on the amount of food wasted in touristic accommodations. In particular, most studies have focused on the attempts made by public authorities and managers from the hospitality industry in order to curtail food waste, but this leaves a gap in our understanding on the guests' psychology when it comes to food consumption and food waste while traveling. In contrast, there is a wealth of studies concerning the psychological aspects of food consumption and wastage in the household (Abdelradi, 2018; Schanes, Doberning&Gozet, 2018; Diaz-Ruiz, Costa-Font & Gil, 2017), but, although these studies are useful in underpinning the main factors that affect food waste at the level of the individual or the household, they do not offer insights into the changes of the food habits and attitudes as a result of traveling.

According to the Food and Agriculture Organization of the UN, food waste can be categorized into three main types: avoidable, potentially avoidable and unavoidable. A large portion of the food wasted throughout the entire food chain is generated at the consumption end, both in the household

and in restaurants or other types of food servicing businesses (Okumus, Koseoglu & Ma, 2018). The hospitality industry is a major contributor to the amount of food consumed on a global level, and, as it would be expected, also a major contributor to the amount of food that is wasted. A recent study made on the tourism industry from the UK revealed that restaurants produce more than 199,100 tons of food waste each year which represents 22% of the total food waste generated by the hospitality sector and that pubs follow closely with around 19% of the total food waste ("The Hospitality Industry' Relation to Food Waste", 2018). In contrast, it seems that hotels contribute less to the total food waste of the sector (only 9%), probably because guest only take breakfast at the hotels and the rest of the meals in pubs or restaurants. The food waste generated by the hotels is spread throughout the entire food chain starting from acquisition, storage, selection, preparation, serving and consumption, but, in general, it is agreed that food waste should be understood as the food that the guests leave on their plates (Pirani & Arafat, 2014), and that the rest of the food that does not end up consumed should be considered part of food losses resulting from poor management of resources (Gustavsson et al., 2011).

Food service is an extremely important part of the hospitality industry because it provides the necessary background to the entire touristic experience. Local foods can be used both to attract tourists and to create a distinctive image of a certain touristic destination, a point that is particularly important in the case of rural tourism which usually involves the service of locally produced food (e.g., the famous Plescoi sausages from Buzau county in Romania or the wide variety of local foods offered by bed and breakfasts from Maramures county). In fact, food provides an opportunity for the touristic activities to contribute to the sustainable development of certain regions, to help maintain the vibrancy of local cultures in spite of globalization and to support the activity of local farmers (Sims, 2009; Hall & Sharples, 2008). This is the reason why most authors agree that food or gastronomic tourism can be a driver of sustainable development for underdeveloped areas (Gossling et al., 2011) such as most rural areas in Romania. However, the same authors notice that there is a dearth of studies on the impact that food consumption has on the sustainability of the regions where rural tourism is practiced and, more to the point of the current paper, on the amount of food waste that is generated through rural tourism and its impact on the local communities and the environment (Okumus et al., 2018).

The current paper addresses the problem of food waste in rural touristic accommodation from the perspective of the behavior of the guests towards food consumed while traveling/vacationing. The paper is split into four main sections each detailing an important aspect of the research. First, through a comprehensive review of the studies currently available, it is established that there are indications that individuals change their food habits while traveling and that these changes can have a negative impact on the amount of food wasted (i.e., by increasing the amount of food that goes unconsumed). Second, a presentation of the research methodology used in order to gather empirical data on the changes in the individual's behavior regarding food is provided. Third, the paper presents an analysis of the main findings, focusing on the impact that the length of stay and type of rural touristic accommodation have on the amount of food wasted by guests. Finally, the paper concludes with a discussion of the findings and a series of recommendations both for policy makers and for the managers of rural touristic accommodations.

2. Literature review

Food in the hospitality industry has been conceptualized in many different ways including as: a) a material component of the local culture that the tourists eat for sustenance and pleasure; b) a component used in promoting certain touristic destinations; c) an outcome of the activities of local farmers and a factor that contributes to economic development; and d) a regional factor that is heavily influenced by the behaviors and preferences of the tourists (Tikannen, 2007). Food waste in the tourism industry is inevitable simply because of the cultural differences between the local food culture and the food habits of the guests that come from different parts of the world where there might be different lifestyles and very different eating habits (Omidiani & Hezaveh, 2016). Incongruences between the home culture and the destination culture can result in food being wasted as a result of the fact that the guest will not be able to consume the food offered due to religious, cultural or taste issues (e.g., Muslim guests that cannot eat food that is not halal). This usually

results in potentially avoidable food waste (i.e., the food wasted as a result of the individual's preferences not as a result of the fact that it is inedible) (Silvennoinen et al., 2015).

Moreover, the way in which touristic accommodations present the food has been signaled as a factor that affects the amount of food wasted by the guests. Hotels usually use an open buffet for breakfast and other meals in order to be able to cater to the preferences of a wide variety of guests, but studies have shown that when guests are offered a wide variety of food items, they tend to eat and drink more than usual and also tend to leave more food untouched on their plates (Tekin&Ilyasov, 2017). In comparison, an a la carte service results in less food waste simply because clients are reluctant to order more food if they are unsure whether they will be able to consume it or not (Pirani & Arafat, 2014). However, when individuals have access to an open buffet, this reluctance is no longer visible, and, knowing that they have already paid a fixed price for the food, they tend to refill their plates multiple times and not to worry about the fact that they cannot consume all the food (Tekin&Ilyasov, 2017). This type of behavior can be linked to the idea that food is not only seen as a means of sustenance (i.e., the source for the necessary nutrients to maintain the functions of the body), but also as a symbol of social status, of plenitude, in which case an abundance of food over the necessary quantities for sustenance is seen as a sign of wealth and success and creates a feeling of psychological comfort (Murphy et al., 2017).

Studies have also shown that when individuals eat outside their home and pay for what they eat, they tend to be more insensitive about the food that is not consumed and take less responsibility over the waste that they produce in comparison to the situation when they eat at home the food that they have cooked (Beardsworth&Keil, 2011). For example, De Luca et al. (2017) found that tourists were more likely to be concerned about the minimization of food waste when they were eating at home (39%) in comparison to when they were eating while traveling (27%). In addition, other studies have found that environmental conscientiousness seems to be less important when making decisions about food item while traveling, because tourists tend to consume food that is highly damaging to the environment that they would probably not consume at home (Gossling et al., 2011; Juvan&Dolnicar, 2017). In fact, Juvan et al. (2016) found that tourists can be split into three categories based on their justifications for the negative impact of their behaviors on the environment and two of the categories (government blames and struggling seekers) included tourists that negated any control over the negative environmental behaviors of their actions and one category (impact neglectors) even refused to acknowledge the negative environmental impact of their behavior as a whole. As a result, it can be assumed that simply being in a location different from home changes the psychological frame which influences the behavior of the individuals, which, in turn, can lead to higher amounts of food waste.

In addition, it can also be argued that the facilities offered by the different touristic accommodations have an impact on the amount of food wasted. For example, the tourists that use camping areas rarely have access to refrigerators which means that the food brought by the tourists cannot be stored properly and, if they have not planned for this, it will result in food waste (Murphy et al., 2017). In contrast, tourists that choose rural touristic accommodations with refrigerators and cooking machines are more likely to adopt similar behaviors to the ones displayed in their homes, which it can be assumed to lead to less food waste in comparison to the situation when tourists choose to stay at hotels or bed and breakfasts where meals are cooked for them. In addition, when the tourists are aware of the fact that food is provided to them from local sustainable sources, they might be inclined to consume more (Font & McCabe, 2017), even though this also results in food waste simply because they are eating more than it is necessary for their bodies to function.

Finally, it is also important to discuss the influence of the number of people traveling together on food waste. Previous studies have signaled that households where there are children tend to waste more food than single-person households (Abdelradi, 2018; Schanes, Doberning&Gozet, 2018), but there are no studies on the impact of the composition of the group of tourists on the amount of food wasted. However, it can be assumed that the same patterns remain valid, and that families traveling with their children will waste more food than individual travelers, irrespective of the type of touristic accommodation chosen.

3. Research methodology

The main objective of this paper is to determine the food waste behaviors of Romanian guests who have stayed at rural touristic accommodations. As such, we employed a quantitative methodology by resorting to the survey as a main data collection tool. The data sources were primary (the ones derived from the survey), as well as secondary data extracted by means of the literature review (qualitative type of research). After conducting the literature review we decided to test for the four main hypotheses:

H1: *There is no significant impact of socio-demographic factors on the food waste behaviors of the Romanian guests housed by rural touristic accommodations.*

H2: *There is no significant impact of the length of stay on the food waste behaviors of the Romanian guests housed by rural touristic accommodations.*

H3: *There is no significant impact of the type of rural touristic accommodation on the food waste behaviors of the Romanian guests.*

H4: *There is no significant impact of the characteristics of the food offered on the food waste behaviors of the Romanian guests housed by rural touristic accommodations.*

The characteristics of the sample are presented in Table 1. In total there were 96 respondents with ages comprised between the interval 20 and 76 and an average age of 34 years. The sample was approximately gender equal with 54 males and 42 females. On average, the respondents stayed at the rural touristic accommodations for approximately 4.3 days, the longest stay being of 12 days and the shortest stay of a single day.

Table no. 1. Description of the sample

Type of lodging	Frequency		
Hotel	31		
Guesthouse	21		
Camping	22		
Bed & Breakfast	22		
Gender	Frequency		
Male	54		
Female	42		
Age	Mean	Min	Max
	34.177	20	76
Length of stay	Mean	Min	Max
	4.354	1	12

Source: Authors' own research results.

4. Research results

To test the first hypothesis, we performed two chi-tests to test the impact of gender on the amount of food consumed and wasted and a series of independent t-tests to test the impact of age on the amount of food consumed and wasted. The results of the cross-tabulation between gender and food wasted and food consumed are shown in Table 2. The Phi value for the relation between gender and food waste was 0.228 (sig. = 0.083), while the Phi value for the relation between gender and food consumed was 0.178 (sig.= 0.219) which means that gender has no influence on the amount of food consumed or wasted.

Table no. 2. The impact of gender on food consumed and food wasted.

Food behaviors		Gender		Total
		Male	Female	
Food wasted	Less	16	20	36
	Similar	3	0	3
	More	35	22	57
Food consumed	Less	25	26	51
	Similar	11	4	15
	More	18	12	30

Source: Authors' own research results.

The ANOVA test for the impact of age on food waste revealed that the difference between groups was not statistically significant (sig. = 0.831). Similar results were obtained in the case of food consumption (sig. = 0.536). The mean ages of the respondents based on the amount of food waste and food consumption are displayed in Table 3.

Table no. 3. The impact of age on food consumed and food wasted

Food wasted	N	Mean age	Std. Deviation	Std. Error
Less	36	33.389	6.1796	1.0299
Similar	3	33.667	11.0604	6.3857
More	57	34.702	12.0608	1.5975
Food consumed	N	Mean age	Std. Deviation	Std. Error
Less	51	33.157	9.0474	1.2669
Similar	15	34.467	12.1941	3.1458
More	30	35.767	10.9251	1.9946

Source: Authors' own research results.

As a result, we can conclude that the first hypothesis was supported and that there is no significant impact of socio-demographic factors on the food waste behaviors of the Romanian guests housed by rural touristic accommodations.

In order to test the second hypothesis, we performed a one-way ANOVA between the length of stay, on the one hand, and the level of overconsumption and the amount of food waste, on the other hand. The results are displayed in Table 4.

Table no. 4. The impact of length of stay on food consumed and food wasted

Food consumed	N	Mean days	Std. Deviation	Std. Error
Less	51	4.804	2.0102	0.2815
Similar	15	3.733	1.9074	0.4925
More	30	3.900	2.3245	0.4244
Food wasted	N	Mean days	Std. Deviation	Std. Error
Less	36	4.889	1.6695	0.2783
Similar	3	3.333	1.1547	0.6667
More	57	4.070	2.3669	0.3135

Source: Authors' own research results.

The difference between groups proved to be statistically insignificant in both cases with a sig. of 0.085 for the case of food consumption and a sig. of 0.138 for the case of food waste. As a result, it can be concluded that hypothesis two was supported and that the length of stay does not have an impact on the food waste behaviors of the Romanian guests housed by rural touristic accommodations.

In order to test the impact of the characteristics of the food offered on the food waste behaviors of the Romanian guests housed by rural touristic accommodations we performed a series of t-tests comparing two groups: the guests who said they wasted more food and the guest who said they

wasted less food in comparison to the amount of food wasted at home. The results of the t-tests are shown in Table 5.

Table 5. The impact of food characteristics on the amount of food waste

Food characteristic	Food Waste	N	Mean	Std. Deviation	Std. Error Mean	T-test (sig. 2-tailed)
Quantity	Less	36	3.944	1.2637	.2106	0.951
	More	57	3.930	.9975	.1321	
Local specificity	Less	36	1.444	1.8585	.3097	0.000
	More	57	3.491	1.2119	.1605	
Freshness	Less	36	4.333	1.0690	.1782	0.107
	More	57	3.912	1.4178	.1878	
Made in-house	Less	36	1.361	1.8846	.3141	0.000
	More	57	3.632	1.3314	.1763	
Bio	Less	36	3.833	1.5946	.2658	0.827
	More	57	3.772	1.1022	.1460	
Variety	Less	36	3.222	1.4165	.2361	0.454
	More	57	3.439	1.2395	.1642	
Nutritional content	Less	36	3.250	1.0790	.1798	0.034
	More	57	3.754	1.1225	.1487	

Source: Authors' own research results.

As it can be seen in Table 5, there are several characteristics of the food offered by rural touristic accommodations which have a significant impact on the amount of food wasted: food with local specificity, food that is made in-house (not bought prepackaged), and food with a high nutritional content. Those guests who rated the food offered by their touristic accommodation high on these characteristics also reported higher levels of food waste. In contrast, the quantity, freshness, variety and quality of the food (bio) had no impact on the amount of food wasted.

Similar results we obtained when we examined the impact of the characteristics of the food on the amount of overconsumption. The results of the t-tests performed are shown in Table 6. The following food characteristics have a positive impact on the level of food consumed: local specificity, made in-house and bio. The guests who rated the food offered by their touristic accommodation high on these three characteristics also reported higher levels of food consumption in comparison to the amount of food normally consumed at home.

Table 6. The impact of food characteristics on the amount of food consumed

Food characteristic	Food Consumption	N	Mean	Std. Deviation	Std. Error Mean	T-test (sig. 2-tailed)
Quantity	Less	51	3.863	1.1835	.1657	0.583
	More	30	4.000	1.0171	.1857	
Local specificity	Less	51	2.020	1.9848	.2779	0.000
	More	30	3.833	.5307	.0969	
Freshness	Less	51	4.059	1.3916	.1949	0.782
	More	30	4.133	1.0080	.1840	
Made in-house	Less	51	1.961	2.0294	.2842	0.000
	More	30	3.833	1.1769	.2149	
Bio	Less	51	3.647	1.5076	.2111	0.043
	More	30	4.267	.8683	.1585	
Variety	Less	51	3.118	1.3513	.1892	0.117
	More	30	3.600	1.2758	.2329	
Nutritional content	Less	51	3.451	1.1716	.1641	0.407
	More	30	3.667	1.0933	.1996	

Source: Authors' own research results.

Finally, in what regards the impact of the type of rural touristic accommodation on the amount of food consumed and wasted, the results in Table 7 show that the highest amount of food consumed was registered in the case of bed & breakfast accommodations (mean = 2.364) and the

lowest in the case of camping areas (mean = 1.00). The same results hold for the amounts of food wasted: the lowest amounts were registered in the case of camping (mean = 1.00) and the highest amounts of food wasted were registered in the case of bed & breakfast accommodations (mean = 2.636).

Table 7. Differences in food consumption and waste across rural touristic accommodations

Type of rural touristic accommodation		N	Mean	Std. Deviation	Std. Error
Food consumption	Hotel	31	1.806	.7492	.1346
	Guesthouse	21	1.952	.9735	.2124
	Camping	22	1.000	.0000	.0000
	Bed & breakfast	22	2.364	.9535	.2033
	Total	96	1.781	.8968	.0915
Food Waste	Hotel	31	2.581	.7648	.1374
	Guesthouse	21	2.524	.8729	.1905
	Camping	22	1.000	.0000	.0000
	Bed & breakfast	22	2.636	.7895	.1683
	Total	96	2.219	.9647	.0985

Source: Authors' own research results.

The results of the post-hoc tests performed after an ANOVA analysis of the differences between the means of the four types of rural touristic accommodations for food consumption and waste, revealed that the difference between the behavior of the tourists who choose camping areas and the rest of the tourists are statistically significant, but that the rest of the differences are not.

5. Conclusions

The present paper fill a gap in the specialized literature with respect to studies conducted on food waste in correlation with rural tourism in the context of a sustainable bioeconomy. It aimed at testing the hypotheses according to which there is no significant impact of the socio-demographic factors on the food waste behaviors of the Romanian guests housed by rural touristic accommodations; length of stay on the food waste behaviors of the Romanian guests housed by rural touristic accommodations; the type of rural touristic accommodation on the food waste behaviors of the Romanian guests, and the characteristics of the food offered on the food waste behaviors of the Romanian guests housed by rural touristic accommodations.

The first hypothesis was supported and that there is no significant impact of socio-demographic factors on the food waste behaviors of the Romanian guests housed by rural touristic accommodations.

However, specific food characteristics have a positive impact on the level of food consumed. Therefore food waste and consumption are positively correlated with the satisfaction felt by the consumer with respect to the following characteristics: local specificity, made in-house and bio – the higher the satisfaction the higher both the consumption and waste.

As Romanians are exceptionally well known for the very large portions they provide to their visitors and customers, these portions should be reduced according to the necessary daily intake of a person in correlation with his/her weight and height and different medical conditions. As with respect to the created waste, it can be very easily used to produce biomass as to enable the production of green energy which can assist the accommodation facilities.

Finally, in what regards the impact of the type of rural touristic accommodation on the amount of food consumed and wasted, the results in Table 7 show that the highest amount of food consumed was registered in the case of bed & breakfast accommodations (mean = 2.364) and the lowest in the case of camping areas (mean = 1.00). The same results hold for the amounts of food wasted: the lowest amounts were registered in the case of camping (mean = 1.00) and the highest amounts of food wasted were registered in the case of bed & breakfast accommodations (mean = 2.636).

As a concluding remark, what can be done in the sense of food waste reduction in rural accommodation is inform the tourists on the sustainability of the bioeconomy which can be supported by each and every one, and by conducting educational campaigns in this respect. Additionally, rural facilities that waste food can be fined by the state as to encourage a more responsible attitude towards consumption and towards informing the tourist with respect to the potential negative repercussions food waste has over their ability of conducting their activities.

6. Acknowledgement

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Pivot Table: A Tool to Calculate, Summarize, and Analyze Data

Emil Cosma

"Ovidius" University of Constanta, Faculty of Economic Sciences
ecosma@univ-ovidius.ro

Abstract

*A **Pivot Table** is one of the most powerful features that Excel has to offer, because it allows the user to instantly group large quantities of data, and the results are almost instantaneous, as well as very easy to obtain. The most accessible method through which we can understand how a **Pivot Table** works and what it has to offer is to analyze one of its many applications. Therefore, we will work with a series of expenses, which are part of the information that already exists in an Excel file, and group this data effortlessly and in a very short time (note that the data can also be imported from other sources, such as an Access file).*

Key words: table, pivot, Excel.

J.E.L. classification : C3

1. Introduction

In economics, data is often required to be grouped, totaled, and sorted, and thus it is necessary to designate certain "**grouping criteria**". For instance, a company's expenses can be grouped by year and, subsequently, by month. If we centralize the costs incurred along the course of one year, we will get two types of totals:

- the total for each month, meaning the sum of the corresponding expenses;
- the total for each year, which we will get by adding up monthly totals.

There is a hierarchical relationship between these two criteria. If more than two criteria are present, then we will also get intermediaries between the major and minor criteria. Consequently, we will be able to calculate more totals:

- minor totals, for each month, for instance;
- intermediary totals, for each year, for instance;
- major totals.

2. Theoretical background: Generating a Pivot Table

We will use a table which contains information regarding the expenses incurred during different periods of time. As we will soon notice, the initial table in *Excel* does not tell us much, but a **PivotTable** can be used to query it in various ways.

- a. Create a small table with monthly and yearly costs. It is important that this table does not contain any blank rows.

Figure no. 1. Screenshot

	A	B	C	D
1	Year	Month	Expense type	Expense
2	2017	January	Food	63,13 €
3	2017	January	Entertainment	22,15 €
4	2017	January	Transport	40,75 €
5	2017	January	Other	122,50 €
6	2017	February	Transport	81,13 €
7	2017	February	Entertainment	77,85 €
8	2017	February	Food	145,00 €
9	2017	February	Other	62,00 €
10	2018	January	Transport	70,15 €
11	2018	January	Food	55,00 €
12	2018	January	Other	95,90 €
13	2018	January	Entertainment	65,15 €

Source: (Cosma E., 2019)



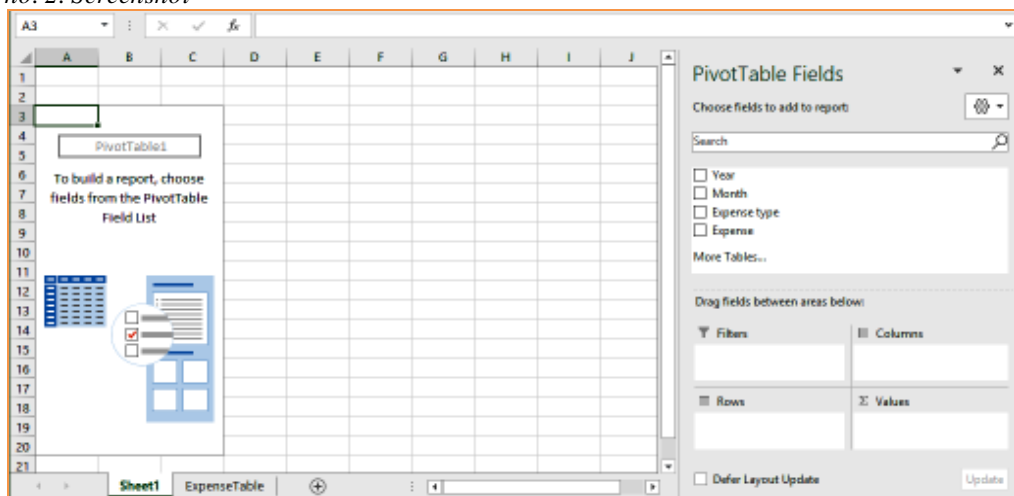
- b. Place your cursor on any cell in the table, and then *click* on the  (**PivotTable**) button from the **INSERT** tab. A dialog box will appear, and we will choose the set of data that we want to group, as well as where we will place the dynamic query that we are creating. Because we had already selected a cell, inserting a **PivotTable** caused the entire area around this cell to be automatically selected (in our case, **\$A\$1:\$D\$13**) from the current worksheet of our *Excel* document. It is also essential to know the location of this extracted data: it could be a **New Worksheet** in our current *Excel* file, or it could be a predefined location in our **Existing Worksheet**. Most of the time, it is advisable to select the **New Worksheet** option, as it is more visually convenient, in terms of available space.
- c. After *clicking* , a new *Excel* sheet will contain an outline of the range of cells that we can fill with information. We may identify an area called **PivotTable Field List**, where we can see the work fields (from the header of the selected table):

Figure no. 2. Screenshot

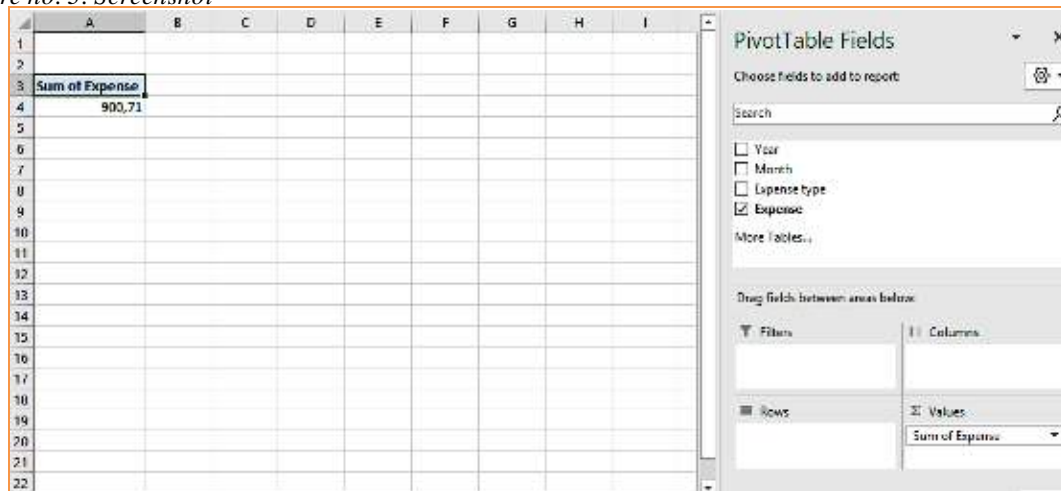


Source: (Microsoft, *Excel - Office Support*)

- d. Under this list, there are four square areas, which contain no information. There we will specify how we want our data to be grouped and filtered. For now, these areas contain no information and therefore the main area of our **PivotTable** lacks useful information as well. In what follows, we will choose the fields listed above, drag them into the four square areas, and the **PivotTable** from our *Excel* worksheet will display the information accordingly. If the field's position is considered inconvenient, we can simply drag it away and place it in another area.

- e. **VALUES** is the box which will contain and generate the most important information. The field placed in this area will represent the sort of data that we want to analyze: the **sum**, **average**, **maximum** or **minimum** among the entries. In general, this field (or column) contains numeric data. In our case, a good choice is the **Expense** field. If we **drag&drop** this field into the **VALUES** area, the **PivotTable** will display the required information (**Sum of Expense**).

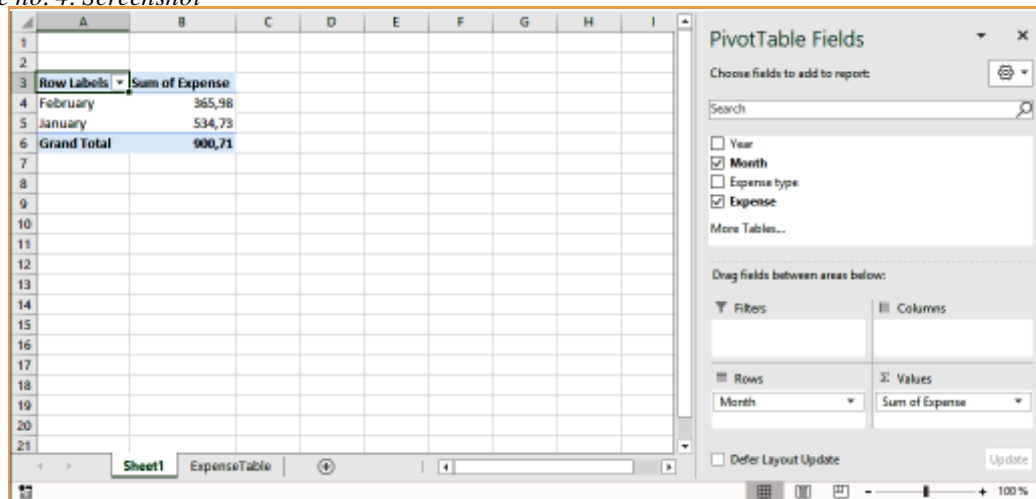
Figure no. 3. Screenshot



Source: (Microsoft, *Excel - Office Support*)

- f. From the list of values (**Choose fields to add to report**), which can be combined, choose the **Month** field and drag it to the **ROWS** area:

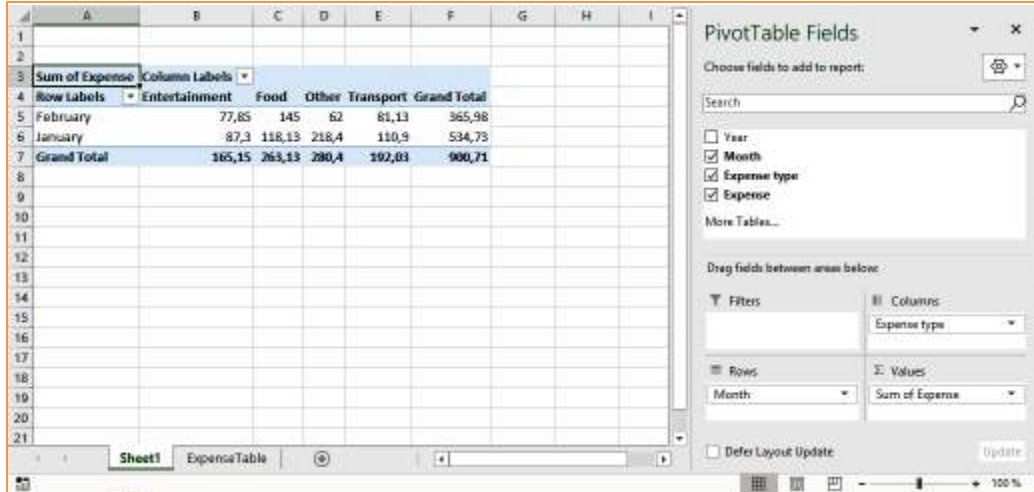
Figure no. 4. Screenshot



Source: (Weterings, *Excel Easy*)

- g. Continue to develop the report that you have created: add a **Two-Variable Data Table**, in which you will group monthly expenses. Drag and drop the **Expense type** field into the **COLUMNS** area:

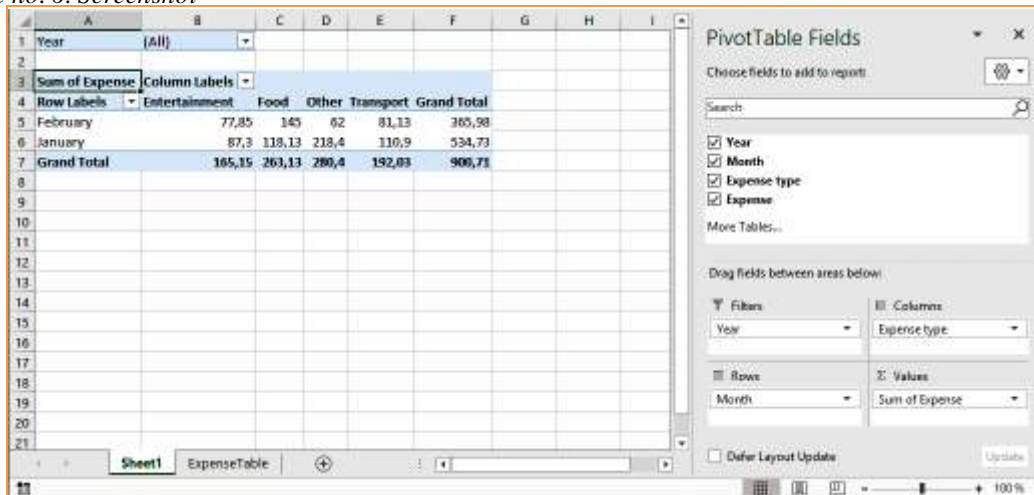
Figure no. 5. Screenshot



Source: (Weterings, Excel Easy)

- h. Add a **Three-Variable Data Table** in which the data will be displayed – drag and drop the **Year** field into the **FILTERS** area:

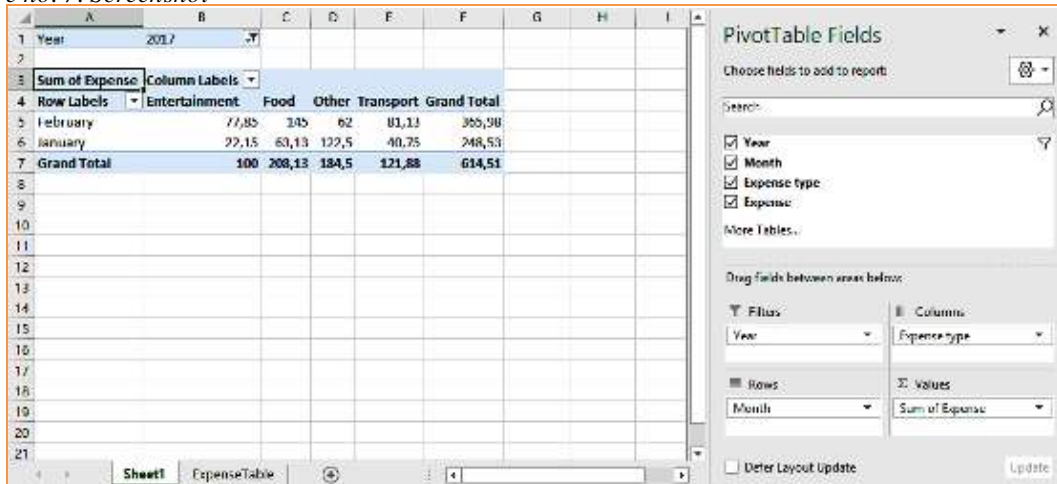
Figure no. 6. Screenshot



Source: (Cosma E., 2019)

- i. Filter the expenses for the year **2017** – open the drop-down list from the **Year** filter, click on **2017**, and then click **OK** :

Figure no. 7. Screenshot

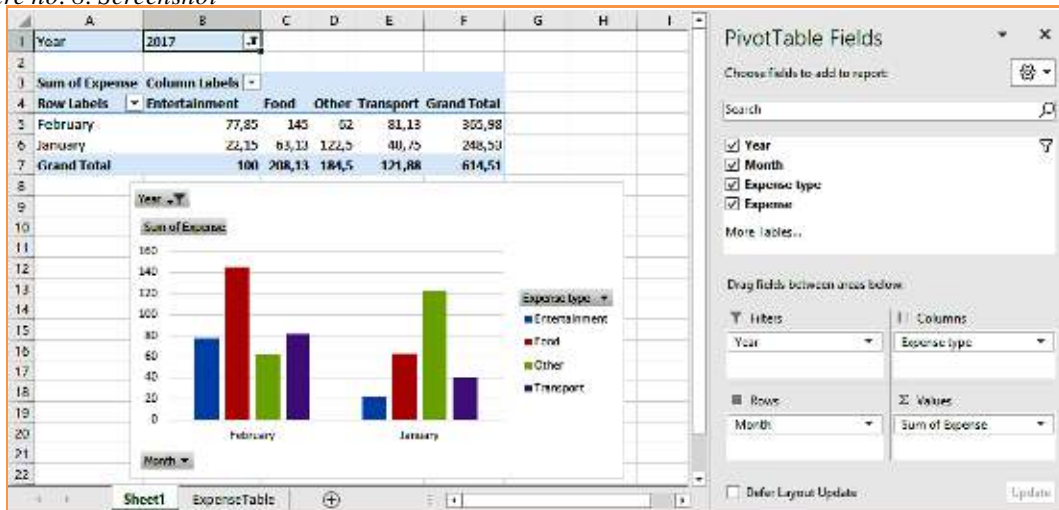


Source: (Cosma E., 2019)

3. Generate a Graph

Generating a graph can be done using the  (PivotChart) button, located in the **Charts** section of the **INSERT** tab:

Figure no. 8. Screenshot



Source: (Cosma E., 2019)

4. Conclusions

Excel's **PivotTable** feature is a very fast, straightforward way to extract relevant information from complex sets of data. Even though it may seem complicated at a first glance, **PivotTable** can soon find itself among anyone's favorite working methods. What is special about this tool is that it supports an accessible variety of querying methods for a table: you may choose to display data in a certain way, at first, but, if you change your mind and wish to sort it in a different manner, all you have to do is change the settings. "**Pivot**" is, in fact, the keyword here: the idea behind this method. Data can be analyzed from a variety of perspectives, which can be changed at any moment. Among others, the user can transpose columns and rows or adjust the filtering criteria.

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Sustainability of Entrepreneurial Education in the Republic of Moldova

Lilia Covaş
Angela Solcan
Liudmila Stihi

Academy of Economic Studies of Moldova, Chisinau, Republic of Moldova

liliacovas@yahoo.com

ansolcan@ase.md

lstihi@gmail.com

Abstract

Education plays a major role in The 2030 Agenda for Sustainable Development, as it contributes to the implementation of many other objectives that cannot be achieved without human capital with corresponding competencies. Investing in entrepreneurship education is one of the most cost-effective investments an economy can make, but at the same time, investing in entrepreneurship education is one of the highest return investments Europe can make. However, the development of entrepreneurial skills requires different mechanisms of involvement both at the state level and at the level of the educational institution.

In the following article was analyzed the situation regarding entrepreneurship education in the Republic of Moldova and concluded by outlining improvement directions given the identified particularities. The research was carried out within the project ReSTART - Reinforce the entrepreneurial and digital skills of students and teachers to enhance the modernization of higher education in Moldova, funded by Erasmus+ program.

Key words: sustainability, entrepreneurship, entrepreneurial education, entrepreneurial skills

J.E.L. classification: A20, I23, I25, L26, Q01

1. Introduction

Sustainable development and economic growth are based on an adequate human capital that is provided through education. The orientation of society towards sustainable development implies the need to develop appropriate skills to citizens, which will enable them to carry out their tasks efficiently, but will also allow them to adapt quickly to the new requirements. International statistics show that developed countries have a higher demand for highly skilled human resources, which must have both key competencies specific to the field and transversal (social and civic) skills needed for good interaction. The policies of developed and developing countries also place a strong emphasis on forming entrepreneurial skills, in stimulating economic and social growth on the one hand and strengthening life skills on the other.

On this note, one of the eight key competences for lifelong learning, established at European level, is the spirit of initiative and entrepreneurship. Because of its universal nature, this competence needs to be developed not only for entrepreneurs but also for all people to help them in their everyday lives. It is a relatively new competence included in the set of key competencies for both the branch of education/formation chosen by the person (lifelong learning) and entrepreneurial activity (Small Business Act).

Currently, in the Republic of Moldova, the key factors in forming and developing entrepreneurship competences activate in a dispersed manner and often their actions overlap and in some cases, some important issues are overlooked. Thus, the purpose of this article is to analyze the situation created in the country for entrepreneurial education and to outline some directions for improvement, taking into account the particularities identified.

2. Literature review

An important role in developing initiative and entrepreneurship spirit lies in entrepreneurial education that enables young people to be more creative and more confident in their work and to increase their chances of employment, encourages them to start new businesses and improve their role in society and economy. Investing in entrepreneurship education is one of the highest return investments Europe can make. The survey suggests that between 15% and 20% of students who participate in a mini-company program in the secondary school will later start their own company, a figure that about three to five times that for the general population (Jenner, 2012).

The member states of the European Union have different levels of development in terms of politics regarding entrepreneurial education. However, the prime document in this respect is the Strategy Europe 2020 which serves as a guideline for the process of entrepreneurial education, including other connected documents and policies (Table 1). Strategies based mainly on entrepreneurial education were proved to cover this field better, perform a wide range of actions and give better support for the implementation of entrepreneurial education. Consequently, for example, in the Nordic countries like Denmark, Sweden, and Norway, the specific strategies regarding entrepreneurial education were implemented with stronger commitment from stakeholders (ministries, private companies, support institutions, and educational institutions). This factor has a major influence on innovation, which can be proved by the primacy of these countries in this respect (for example: The global index on innovation).

Table no. 1 Entrepreneurship education policies in the European Union

Year	Strategy Document	Entrepreneurship education elements
2003	<i>Green Paper Entrepreneurship in Europe.</i> COM (2003) 27. Brussels	Investing in entrepreneurship education is one of the highest return investments Europe can make.
2006	<i>Recommendation of the European Parliament and of the Council on key competencies for lifelong learning</i>	„Sense of initiative and entrepreneurship“ including the 8 key competencies for all members of a society based on knowledge.
2006	<i>Oslo Agenda for Entrepreneurship Education in Europe</i>	The aim of the Agenda is to step up progress in promoting entrepreneurial mindsets in society, systematically and with effective actions.
2008	<i>Think Small First - A Small Business Act for Europe.</i> COM (2008) 394 final. Brussels	Stimulate innovative and entrepreneurial mindsets among young people by introducing entrepreneurship as a key competence.
2012	<i>Rethinking Education: Investing in skills for better socio-economic outcomes.</i> COM (2012) 669 final. Brussels.	Attention should be particularly focused on the development of entrepreneurial skills because they not only contribute to new business creation but also to the employability of young people.
2012	<i>Entrepreneurship 2020 Action Plan.</i> COM (2012) 795 Final. Brussels.	Action Pillar 1 – Entrepreneurial education and training to support growth and business creation
2016	<i>EntreComp: The Entrepreneurship Competence Framework.</i> Joint Research Centre, the European Commission's in-house science service	The EntreComp study was launched to establish a common reference framework for entrepreneurship as competence to help citizens to develop their ability to actively participate in society, to manage their own lives and careers and to start value-creating initiatives.

Source: (Authors' own research)

Education is also one of the most important constraints for Moldova included in the Moldova 2020 long-term national development strategy, is the key element that can change the country's development paradigm and increase the quality of economic growth (Report Adapting the 2030 Agenda, 2017). Although in the Republic of Moldova, as in the European Union, there are no specific strategies dedicated to the development of entrepreneurial skills, entrepreneurial education is included in several national strategies (Table 2).

Table no. 2 Entrepreneurial education identified as a priority in the following National Strategies of the Republic of Moldova

Year	National Strategies	Objective/action
2012	<i>National Development Strategy "Moldova 2020"</i> , Moldova no. 166 from 11.07.2012	Priority 1. Studies: relevant to the career, Strategic vision Target 4.4 on "relevant skills for employment, decent jobs, and entrepreneurship".
2012	<i>Small and Medium Enterprise Sector Development Strategy for 2012-2020</i> , Government Decision no. 685 from 13.09.2012	2.2.3. Developing human capital by promoting competences and entrepreneurial culture
2013	<i>Strategy for the Development of Technical Vocational Education 2013-2020</i> , Government Decision no. 97 from 01.02.2013	100% vocational/technical educational institutions offer entrepreneurial courses.
2014	<i>National Strategy for the Development of Youth Sector 2020</i> , Government Decision no. 1006 from 10.12.2014	Objective 3. Developing entrepreneurship and employment opportunities among the young, especially for those with reduced opportunities
2014	<i>Strategy for the Development of Education for 2014-2020 "Education 2020"</i> , Government Decision no. 944 from 14.11.2014	Stimulating creativity and innovation, including entrepreneurship, at all levels of the education system.
2016	<i>National Employment Strategy for years 2017-2021</i> , Government Decision no. 1473 from 30.12.2016	Action direction 1.1.2. Facilitating creating new workplaces in the rural area and in smaller cities Action Direction 1.1.4. Promoting social economy Action direction 4.3. Economic empowerment of migrants to direct remittances as an investment in the real sector of the economy and create employment/self-employment opportunities

Source: (Authors' own research)

The role of entrepreneurial education is mainly the responsibility of educational institutions at all levels, business support organizations, and the civil society sector. Ensuring the continuity and coherence of the educational process must be achieved through the close collaboration of all institutions involved in the training of entrepreneurial skills, and the teaching methods are mainly focused on the development of practical skills, which will easily be adapted to professional or entrepreneurial activities.

3. Research methodology

The research methodology of the study relies on qualitative and quantitative research. The study was based on published reports and the website material of the European Commission, OECD, and especially that of the Republic of Moldova, as well as the most recent reports, work papers, conference proceedings and publications in relation to entrepreneurial education.

The quantitative study conveys the results of several investigations carried out by the authors of the article regarding entrepreneurship education. The first "Study on the development of entrepreneurial skills in ASEM students" was carried out in March 2017 by ASEM (Academy of Economic Studies of Moldova). It had a sample of 330 respondents - students from the last year of study at Cycle I, Bachelor. The second study, represented in the article, was carried out within the ReSTART Project and targeted students from Cycle II Master, as well as representatives from the business environment. This survey on entrepreneurial education in the Academy of Economic Studies of Moldova was performed during the period of 13 March – 21 April 2018. 101 master students contributed by taking the form online, using Google Forms. Employers were interviewed in a similar manner. 42 partners received online letters with the solicitation to answer the questions, out of which 31 filled in the form.

Data collection was automatic, using Google Forms, and the data was afterward processed on SPSS.

4. Findings

Entrepreneurship is the pillar of economic development of any country, including Moldova. According to the National Bureau of Statistics in the last 3 years, the Republic of Moldova registered an increase in the SME sector, reaching 98,7% in 2017 (NBS,2017), thus approaching the share held by SMEs in the EU area of 99.8 % (Annual Report on European SMEs, 2016/2017).

Although the SMEs in the country has such a large share, the sales revenues for the last two years do not exceed the share of 41.5%, in the EU this indicator is 56.8% and the share of employees in SMEs in the last two years remained constant at 61.2%, compared with 66.6% in the EU. The development of the SME sector is mainly due to a large number of microenterprises, which, by organizational form (individual enterprises and peasant households), represent family businesses accounting for about 85% of the total SMEs and which each year appear more and more in the Republic of Moldova.

This structure of the SME sector is an important prerequisite for the development of entrepreneurial education at all levels of education (secondary, high-school, vocational-technical, superior) through various forms (formal and informal) which would allow not only the continuation of family business initiated but also creating new, innovative businesses with internationalization opportunities. Thus, entrepreneurship education is a field of continuous training that develops specific skills at a personal and organizational level, correlated with the business development cycle and the work environment.

Currently, the educational system in the Republic of Moldova offers opportunities for the realization of the entrepreneurial education through the optional and compulsory disciplines included in the curricula, as well as the extracurricular activities carried out in the educational institutions.

The first entrepreneurial education programs in the country have been carried out since 1993 in the first Business Training Centres (Business Centre Moldova, MACIP – Moldo-American Centre for Private Initiative, Bizpro Moldova, etc.). These centers were created with the support of foreign partners: the TEMPUS project of the European Union and Eurasia - USAID, and the training programs focused in particular on adult education, including students in higher education institutions.

In 1995, with the start of Junior Achievement Moldova, entrepreneurship education is focused on primary and secondary general education institutions. Since the organization's registration in Junior Achievement Moldova entrepreneurship training programs, over 190000 students and about 1800 teachers have participated. Currently, in collaboration with the Ministry of Education, Culture and Research of the Republic of Moldova and the "Sturza Family" Foundation, Junior Achievement Moldova programs are offered in 130 schools and high schools in the country, where about 8000 pupils in grades I-XII benefit both from didactic activities class and extracurricular activities such as Olympics in the economy, school fairs, summer camps, etc (Junior Achievement Moldova, 2018).

Because entrepreneurship is one of the key competencies, studying it has become necessary and important in the formation of any student and pupil.

According to the Framework Plan for Primary, Secondary and Upper Education, Economic and Entrepreneurial Education includes the following courses: Applied Economics, Entrepreneurship, Business Ethics, Key to Success, My Finances, School Ministries, School Company, Economic and Managerial Simulation Exercises (TITAN), etc. are recommended for optional courses and compulsory classes in in-depth classes of economic disciplines. Students study the system of the market economy, discover business operations, study the current world economy and acquire knowledge and skills, develop the skills needed to act as competent citizens, as employees in the labour market and as consumers (Optional Curriculum, 2013). However, due to a wide variety of optional courses, a large number of students did not include in the program any entrepreneurial education course.

In order to increase the attractiveness of the professions, entrepreneurship courses have been introduced in all vocational-technical education institutions. The aim of the discipline The fundamentals of entrepreneurship are the initiation of students in the basic concepts of entrepreneurship and the development of competences in pupils, which will allow them to efficiently capitalize on their own potential and, in the future, to initiate and manage effectively entrepreneurial activities. Within the subject of study, the general notions of entrepreneurial activity, the legal basis and the ways of launching and managing a business, the essential strategies and milestones in the preparation of the business plan, as well as various financing options, are presented in an explicit and accessible form and supporting entrepreneurial activity (National Curriculum, 2015).

At the same time, due to the implementation of dual technical education in 2014, young specialists have the opportunity to develop their practical skills directly at the place of apprenticeship within the economic agents.

Although entrepreneurship education within technical secondary education institutions will encompass all pupils, their efficiency and usefulness depend on how well teachers are trained to develop entrepreneurial skills in students. Therefore, the Centre for Entrepreneurial Education and Business Assistance (CEDA) in partnership with the Ministry of Education, Culture and Research of the Republic of Moldova and the National Agency for Employment "(ANOFM) within the projects" Training in the field of Entrepreneurship and Employment (MEEETA IV) and Rethinking of Professional Orientation and Career Counselling, Phase II (REVOCC II), funded by the Liechtenstein Development Services Foundation (LED), respectively, in the field of Labour in Moldova, Phase IV " Austrian Agency for Development "(ADA), initiates training for teachers who teach entrepreneurship, develops methodical support for teachers, organizes internships, master classes, business visits, business forums, round tables, summer schools, etc.

Table no. 3 Evolution of pupils/students by types of educational institutions and type of teaching entrepreneurship

Educational institution	Entrepreneurial education	Number	2014/15	2015/16	2016/17	2017/18	2018/19
Primary, secondary and general	Optional	institutions	1347	1323	1291	1243	1246
		pupils	340977	334509	333729	335621	334159
Secondary Technical – Professional schools	Compulsory	institutions	31	31	30	29	29
		pupils	17508	15417	17228	15436	13932
Post Secondary Technical - Colleges / Centres of Excellence	Compulsory /optional in depending on the field of study	institutions	45	46	43	43	47
		pupils	29810	31109	31563	31150	30416
Upper – universities	Compulsory /optional in depending on the field of study	institutions	31	31	30	29	29
		students	89529	81669	74726	65543	60608

Source: BNS, The statistical data bank Moldova, Social statistics / Education. Available: <http://statbank.statistica.md>

In terms of entrepreneurship education in post-secondary technical education (colleges) and higher, the realization of these, to a great extent, depends on the field of study. Thus, in educational institutions focused on Economics, Business and Administration, Marketing and Logistics, Accounting, Hotel Services, Tourism and Recreation, etc., the Entrepreneurship course is included in the curriculum either as a compulsory discipline (for example: Business and Administration Studies) or an optional course (Accounting).

During the last 10 years, several universities in the country have implemented, with the financial support of the European Union, several projects aimed at developing entrepreneurial skills.

Table no. 4 International projects aimed at the development of entrepreneurial skills in the universities of the Republic of Moldova

Period	Project	Beneficiary Universities
2017 - 2020	ReSTART" – Reinforce the entrepreneurial and digital skills of students and teachers to enhance the modernization of higher education in Moldova.	5
2017 -2020	SMART – Fostering university-enterprise cooperation and entrepreneurship of students via SMART Cafes	3
2017 - 2019	Higher education institutions for youth entrepreneurship (Erasmus+ HEIFYE)	2
2012 -2015	Inter-university Start-up centres for students' innovation development & promotion (SUCSID)	2
2011 - 2014	Création réseau universités thématiques en sciences appliquées et sciences économiques en Moldavie	9
2008 -2011	Développement de partenariats avec les entreprises en Moldavie	6
2008 - 2011	Création de 4 "Écoles Hôtelières Supérieures'application"	3
2008 - 2011	Modernization et développement de course professionnalisés	3

Source: <http://www.erasmusplus.md>

Non-formal education differs from formal education, both in content and forms of achievement. The content of non-formal education is organized on areas of interest (and not years of study or academic subjects), and the forms are very diverse in terms of duration, way of organization or teaching, characterized by:

- Concrete responsibility for the fixed requirements;
- Allowing abstraction moments by extracting knowledge from practical life;
- Removing the teaching function from education, leaving room for learning.

In the Republic of Moldova the provision of non-formal entrepreneurship education is carried out by various public institutions and SME support organizations: The Organization for Small and Medium Enterprises Sector Development (ODIMM), the Chamber of Commerce and Industry (CCI), etc. With the support of international organizations, various support programs are being developed that offer equal opportunities for business initiation and development, both through entrepreneurial education and financial and advisory support. This is also the type of training provided by young entrepreneurs by the IFAD program.

At the same time, entrepreneurs understand the role and importance of the development of different advanced skills and knowledge in order to be more competitive for local and international markets (ODIMM, 2017). According to more studies realized within international projects where the Republic of Moldova was a partner the following needs can be identified in entrepreneurial education (training and consulting services) which local entrepreneurs mentioned as a priority (Table 6).

Table no. 6 Future entrepreneurial education needs of the entrepreneurs

Training services	Consulting services
<ul style="list-style-type: none"> • Strategic business planning • Marketing online • tax administration • Business negotiation • Export promotion • Customer Relationship Management • Motivation of employees • Leadership skills 	<ul style="list-style-type: none"> • Optimization of business processes • Business analysis • Implementation of different standards • Implementing the KPI • Create and management of business associations

Source: ODIMM. Assessing the satisfaction of young participants in Component I PNAET, http://odimm.md/files/ro/pdf/rapoarte/Studiu_PNAET_Final.pdf

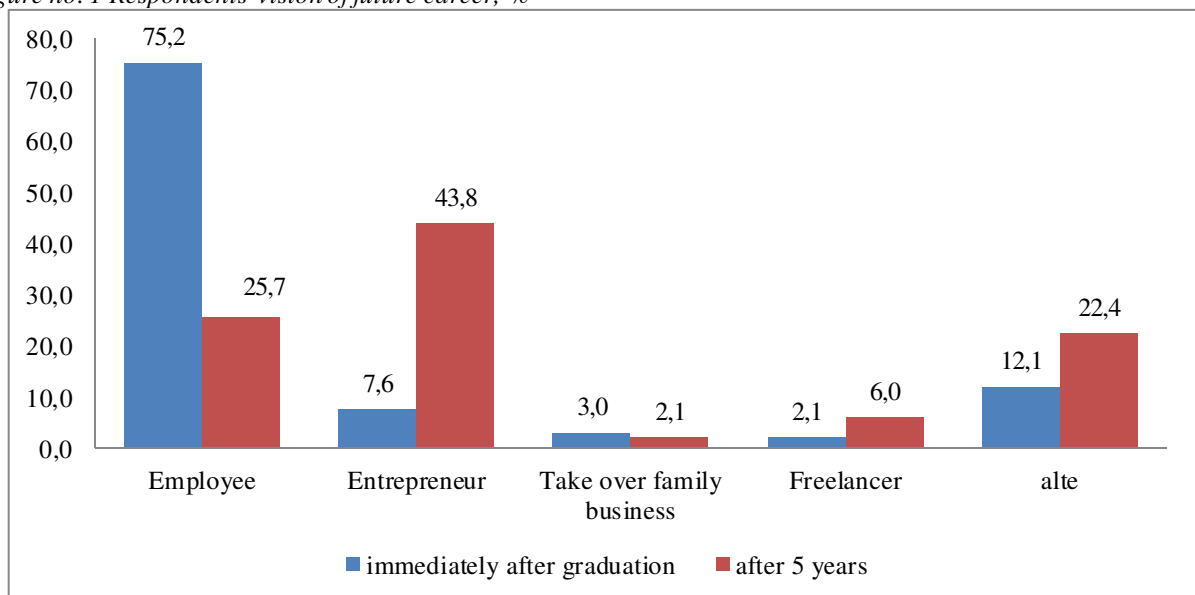
Given the current trends in technology and work process, there is an increasing demand for skilled workers from both the perspective of profession and working within the team. This basic knowledge and abilities, in our opinion, can be obtained only in specialized education institutions, and their adaptation and development can be achieved through non-formal continuing education.

In order to adapt the entrepreneurial education to the requirements of the business environment, the educational institutions carry out various studies and analyses of the needs for the young specialists. Over the last few years, several similar research projects have been carried out by different institutions and organizations, but they have highlighted some of the common needs of employers towards young specialists.

In the study on the development of entrepreneurial skills at the students from ASEM, 2017 interviewed students mentioned the need to include the Entrepreneurship course in the curriculum, 94% consider it welcome, of which: 45.6% as a compulsory course, 40.5% - optional and 7.9% - at the choice and only 2.7% mentioned that it is not necessary and 3.3% do not know.

Immediately after graduating from university, 75.2% of respondents expect to work as employees and only 7.6% and 2.1% respectively plan to open their own business or be free-of-charge. After 5 years, their number doubles, with 43.5% wanting to open a business, and 6% said they would become freelancers (Figure 1).

Figure no. 1 Respondents' vision of future career, %

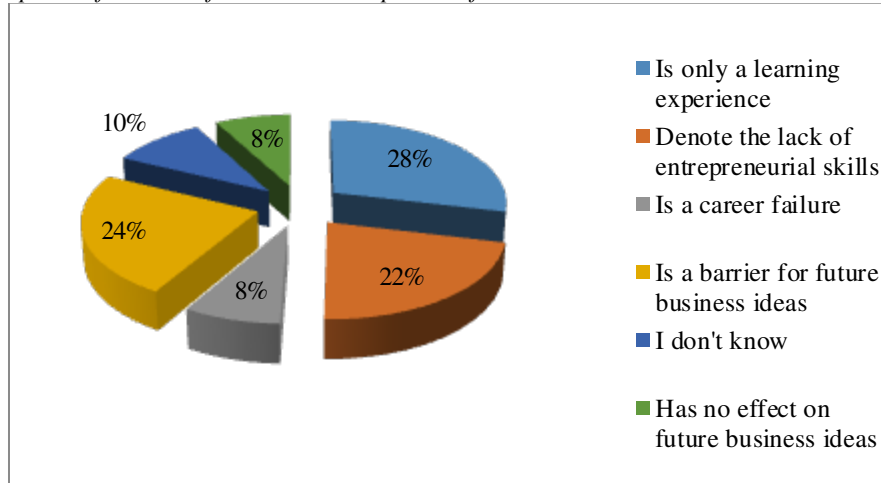


Source: Study on the development of entrepreneurial skills in students ASEM, 2017

Another study aimed at modernizing entrepreneurial education - ReSTART, 2018 highlighted students' perceptions of business start barriers and causes of failure.

Given that failure is quite common among start-ups, students were asked to appreciate how business failure is perceived in the Republic of Moldova. Based on the answers collected, the main perceptions are learning experience, a barrier for future business ideas, lack of entrepreneurial skills, career failure and others (Figure 2). These responses denote the fact that the major cause of business failure is associated with the entrepreneur's personal skills and experience.

Figure no. 2. Perception of business failure in the Republic of Moldova



Source: The study aimed at modernizing entrepreneurial education. ReSTART, 2018

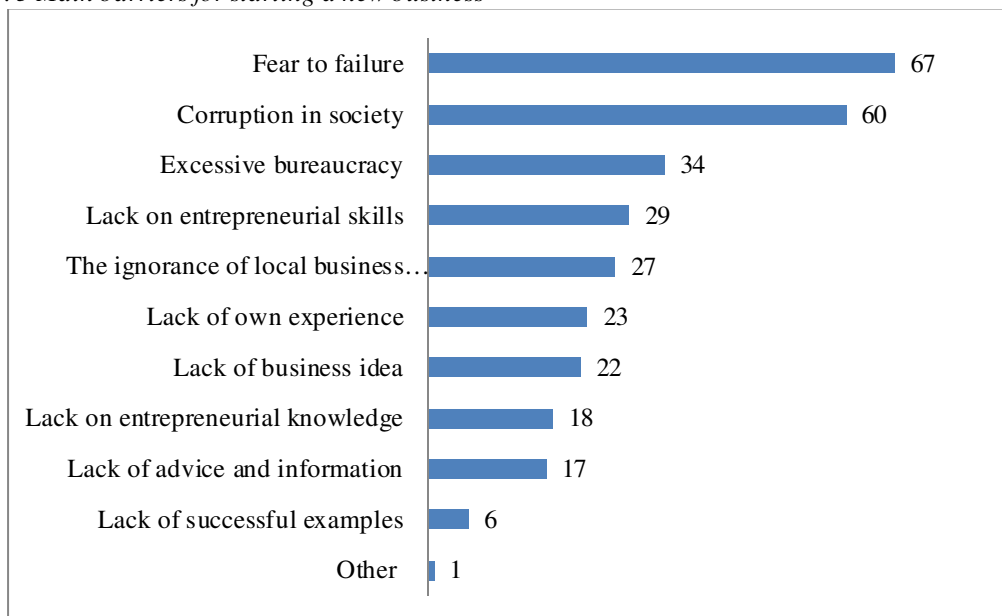
Regarding the willingness to start their own business, there are three significant boundaries, which radically diminish the number of attempts in this direction. These are fear of failure, corruption in society and excessive bureaucracy (Figure 3).

The boundaries delimited by students are mainly a matter of organization and social issues. It should be noted that all these barriers depend on the existing system in the country and less on the skills and knowledge of the entrepreneur.

It is a positive factor that the lack of business idea, of own experience and of entrepreneurial knowledge are not considered significant barriers, indicating on their self-confidence.

The solution to this problem is promoting entrepreneurship education. Entrepreneurship education is an essential element of the curriculum. But by its nature, entrepreneurship cannot be limited to the classroom. Students want the opportunity to do it.

Figure no. 3 Main barriers for starting a new business

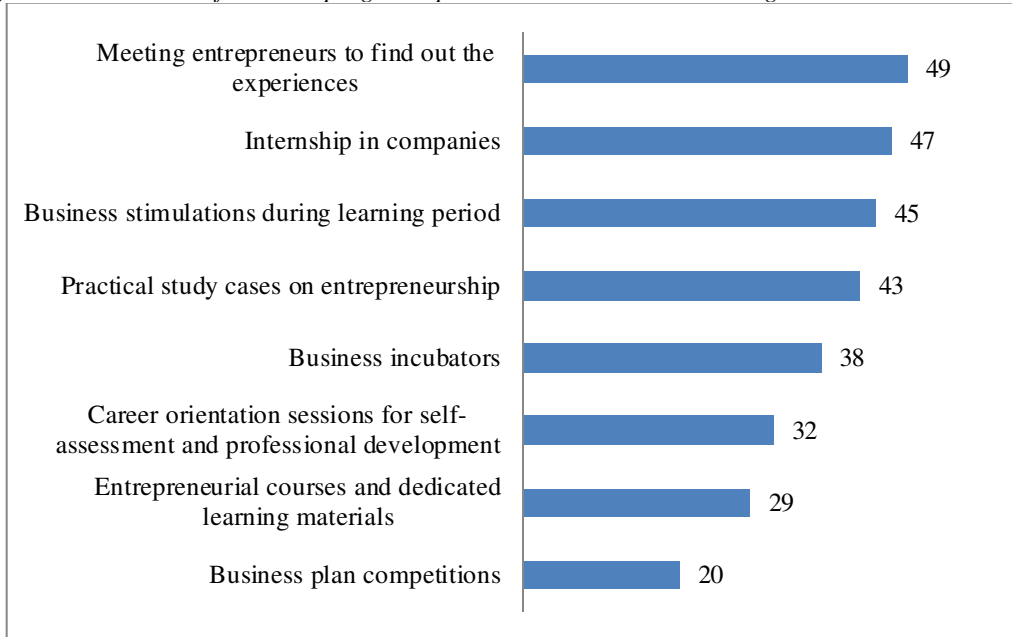


Source: The study aimed at modernizing entrepreneurial education. ReSTART, 2018

Entrepreneurship education should be very closely linked with business practice.

According to students' opinion, the most efficient methods to develop one's entrepreneurial competencies are meetings with entrepreneurs - 49, internships in companies - 47, business simulations - 45, practical study cases on entrepreneurship - 43 (Figure 4).

Figure no. 4 Solutions for developing entrepreneurial skills and knowledge

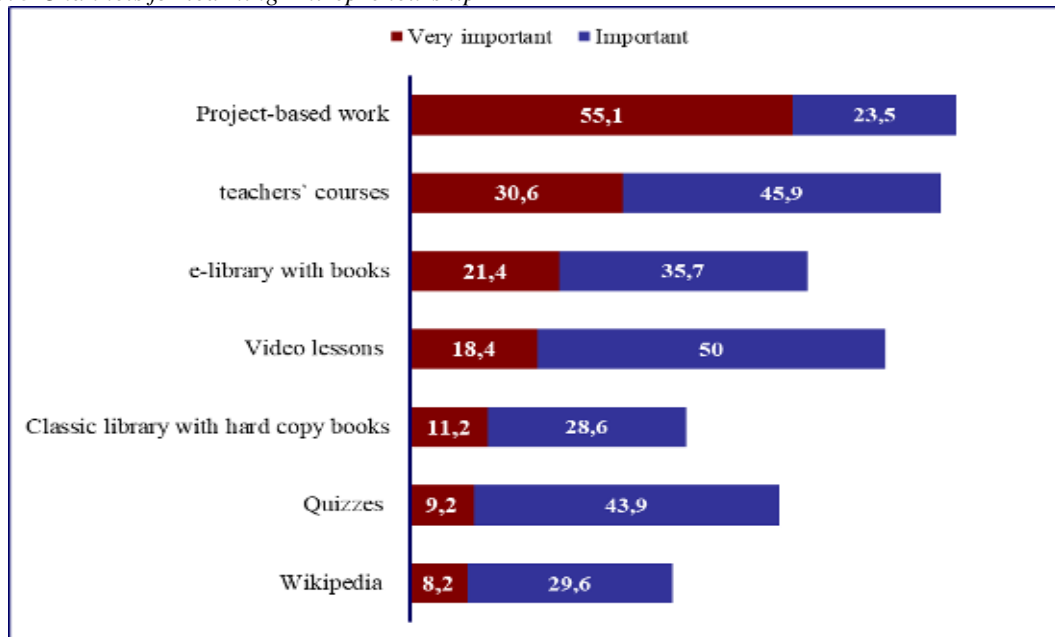


Source: The study aimed at modernizing entrepreneurial education. ReSTART, 2018

Teaching entrepreneurship skills should be interactive and must include case studies, games, projects, simulations, real-life actions, internships, and other hands-on activities. It was also recognized that the entrepreneurial skill development process required the active involvement of practicing entrepreneurs. Using active learning methods is more complex than traditional teaching methods. It requires engaging students more deeply in the learning process.

Ranking learning resources, 78,6 % of respondents rated Project Based Learning as important and very important, 76,5 % - teachers` courses, 68,4 % - video lessons and 57,1 % of respondents have chosen e-library (Figure 5).

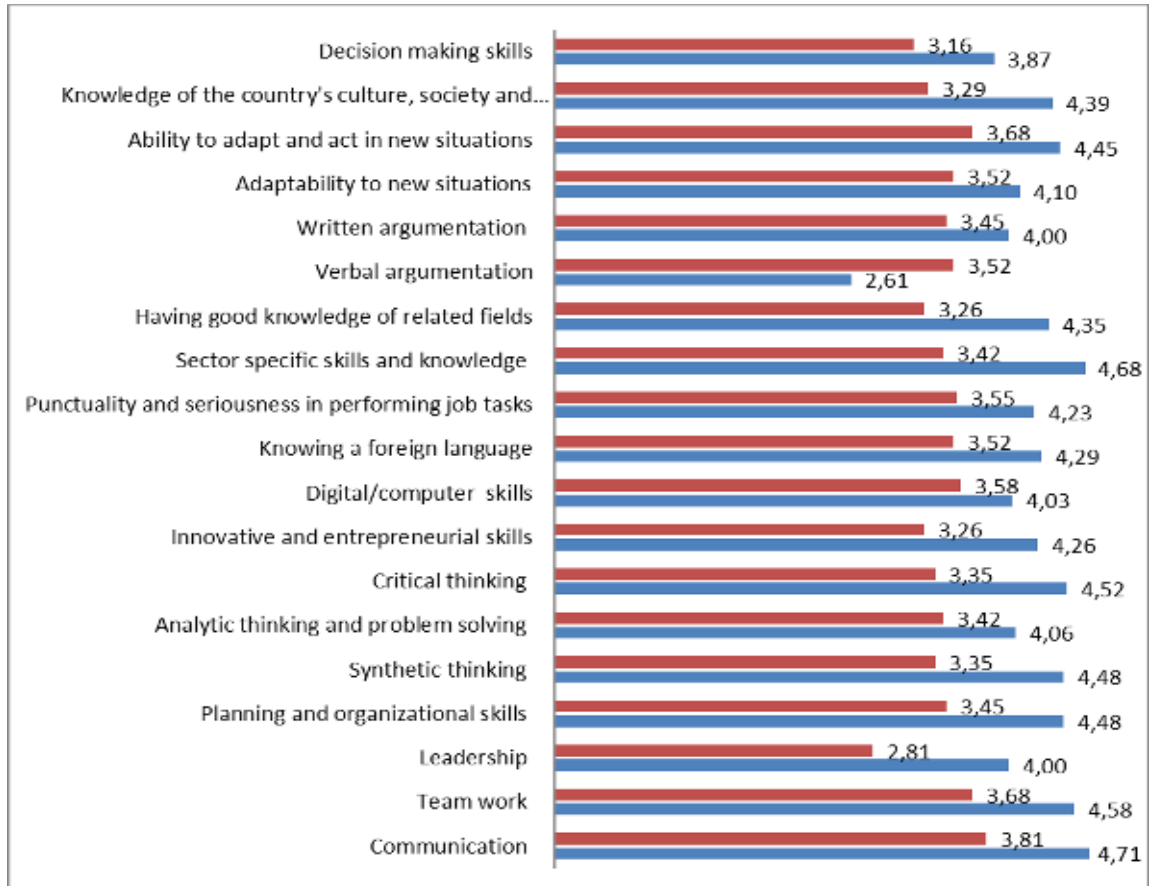
Figure no. 5 Channels for learning Entrepreneurship



Source: The study aimed at modernizing entrepreneurial education. ReSTART, 2018

Speaking of the survey amongst employers, there was a lower level of satisfaction with their expectations regarding the skills of graduates, with the exception of verbal argumentation (Figure 6). The maximum gap can be seen in such capacities as knowledge and skills specific to the field, critical thinking, leadership, etc. It should be noted that the skills of creativity and entrepreneurship are below the expectations of the representatives of the local stakeholders.

Figure no. 6 Comparison between the employer's satisfaction level and expectations related to the young HE graduates' skills



Source: The study aimed at modernizing entrepreneurial education. ReSTART, 2018

In terms of entrepreneurial skills, students, as well as employers, prioritize the ability to communicate, to work in teams, but give insufficient attention to digital skills.

The survey among employers noted that one of the main qualities that they value in the graduates of the educational institutions is the ability to communicate. However, students notice some problems in this respect. Thus, there is a need to improve some aspects of the communication process that deserve to be improved in entrepreneurial education.

According to the students, the barriers that reduce the efficiency of entrepreneurial activity mostly relate to the organizational and societal level, but they also mark certain problems that may arise as a result of lack of entrepreneurial knowledge, own experience, lack of business idea. Thus, students highlight the need to acquire knowledge in the field of entrepreneurship and the development of entrepreneurial skills.

5. Conclusions

The study allows us to conclude that ensuring the sustainability of entrepreneurship education can be achieved through the formation of entrepreneurial competence at all levels of the educational cycle, focusing on the effective combination of knowledge, skills and attitudes appropriate to each context, training of teachers able to form this competence according to trends from the external environment,

working with the business environment to provide opportunities to harness skills in the real sector, identifying sustainable sources of funding for the entrepreneurial education process.

Also, we consider necessary to implement innovative forms of entrepreneurship education by introducing dual education at a higher level of training (technical professional level since 2014 in the Republic of Moldova already implemented this alternative form of training qualified specialists). Thus, through the existence of two places of learning the future specialists will develop their practical entrepreneurial skills in the real conditions of the economic agents.

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The Railway Transport System and its Implications in the Economic Development

Daniel Dăneci-Pătrău
"Spiru Haret" University
danusidenima2@yahoo.com

Abstract

A rail transport system is deemed in most countries a prerequisite for the overall economic development and, in this respect, considerable resources are allocated especially towards the railway installation and improvement, but also for the human resources system efficiency and optimization. Railways usually have an asset value that makes up a significant part of the national wealth and the rail sub-sector should bring a significant contribution to the GDP. It is therefore important and appropriate that this asset be managed professionally and that an increasing number of railway professionals are now encouraged to get involved in this activity. To clarify the impact transport has on the economy, several important research directions also strongly intercorrelated had been laid out in this paper: economic development, material goods production and distribution, influence on prices.

Key words: rail management, transport, economy, prices

J.E.L. classification: L92, O18

1. Introduction

Expanding the business activity internationally implies augmenting the complexity of its unfolding actions, and, above all, developing and diversifying the human resources management tools that they use to manage the cultural, economic, social, political and institutional variables influencing their activity at the level of each country. All these developments call the reconsideration of the human resources' strategic role at organizational level, people being deemed the main competitive advantage they possess. Management has a multidisciplinary character, integrating components belonging to the study subject of other areas: economic theory, mathematics, psychology, sociology, statistics, materials and information technology, etc. In particular, rail management aims to maintain and improve the existing rail network in order to allow its uninterrupted use via commercially exploiting traffic in an efficient and safe manner. Transport activity in all its forms is one of the most complex segments of the economy, but also a factor of great influence on the quality of life, hence the current concerns of the international bodies are oriented towards measures designed to develop effective transport systems compatible with the environment.

In agreement with a reputed specialist in said field, we feel that a country's economy is composed of three major sectors of activity: the primary sector founded on agriculture and farming products manufacture; the secondary sector, represented by industry along with all its subcomponents and the tertiary sector, respectively services. As a whole, the transport activity is part of the tertiary sector of the economy and entails moving the items entrusted to be transported, from a pick-up point to a drop-off point (Jaba, 2007, 120).

Regardless of their type, transports have the main purpose of meeting human needs in what regards traveling, serving the national and international economies, ensuring economic exchange, goods and people transportation. As a rule of thumb, the transportation demands concerning the economy and population are met by several technical transport systems: rail, road, water, air, pipelines. In the specialty literature in our country, the transport system is defined as the totality of

all infrastructures embodied by transit means and terminals, means of transportation and control systems that allow people and goods to be physically moved in due course in order for them to participate in a timely manner in a certain activity (Iancu, 2003, 9). The specific features of the railway transport activity carried out in our country are determined by the structure of goods transported, the diversity of the transport relationships, the means of transport used and their ownership form. The transport systems, being distinct and competitive, are organized as to contribute to fulfilling a combined transport on different distances: rail-road, sea-road, sea-rail, air-road, rail-by pipeline. The five basic modes of transport (rail, auto, maritime, air and pipelines) together with the necessary infrastructure and vehicles form the transport system, being unable to operate outside it.

2. Literature review

For a long time, it has been thought that the rail transport is the most complex and well-organized transport system, but with the skyrocketing development of the auto and air transport, things have been reconsidered, yet without questioning the importance of railways in the general transport system. This importance imposes the current and future need for the railway transport modernization in order to cope with the competitive pressure from the other modes of transport (Dănești-Pătrău, 2013, 64).

In the specialty literature, the railway transport system is analyzed as a set of processes that attempt to optimize the overall performance of the railway operation management (Tănășuică, 2003, p.74). The effects of rail transport are important because this mode of transport is an essential component of the economic and social development process, often absorbing an overwhelming proportion of national budgets. The strong correlation between the mileage completed and gross domestic product also adds its contribution to the developing of an economy via facilitating trade, both nationally and internationally; thus people's access to employment, education, health care and other services is improved.

In order to analyze the main activities and resources of the rail transport system, it is important to define the rail transport. In a narrow sense, it is a special type of service, in the sense that it can not be stored or preserved, being performed under special conditions when it has to deal with times of high demands. In the broad sense, railway transport means any movement of individuals and goods by use of rail vehicles by transport operators on the railway infrastructure (Șimut, 2001, 32).

The main activities of the railway transport are:

- The commercial operation of the transport of goods and persons.
- Maintenance and repair of the railway infrastructure.
- The commercial exploitation of the auxiliary patrimony.

One challenge for the rail management is to identify the best way to use railways as a mechanism to support economic and social development by effectively controlling the management of all types of railway activities. Rail management aims to maintain and improve the existing rail network in order to allow its permanent use through traffic commercial exploitation in an efficient and secure manner.

Railway infrastructure is technically defined as the assembly of elements required for the movement and handling of the rolling stock, railway station buildings with all related facilities, railway yards, bridges, tunnels, signaling, telecommunications and voltage installations meant for the railway transport (Buciumanu, 2002, 97). Railways are a salient element of railway infrastructure. Their most widely used classification is: Current rails, located between railway stations and rails within stations, which fulfill several roles for: circulating, maneuvering, connecting or pending.

Public or private rail transport operators are national companies or companies licensed to carry out public transport or transport for their own benefit of freight or passengers using the capacity of the railway infrastructure. In this regard, railway operators bear a railway infrastructure usage charge called IUC (TUI), which becomes its own income arising from the activity performed on behalf of the national company managing the railway infrastructure.

3. Main activities and resources of the rail transport system

The main purpose of transports is meeting human needs regarding traveling, serving national and international economies by ensuring the movement of goods, economic exchange. In the general trend of increasing railway operation speed, high-speed technology has been developed to overcome the nature, topography and social conditions. Recently, concerns about energy saving and environmental issues related to atmospheric pollution with gas emissions from cars (especially CO) associated to greenhouse effect resulted from ozone depletion, acid rains and life-traffic injuries have accelerated trends to revitalize rail transport, creating the future momentum needed to develop high-speed rail between major cities and for the dense population rails.

The studies drafted have made it clear that the most environmentally friendly means of transport is the railways. As a result of the review and protocol signed in Kyoto (10.12.1997), the European Union has agreed to reduce by 2022 its CO emissions by 18%. Comparing the energy consumption of different means of transport indicate a consumption 3.5 times higher for passenger car transport and double for the maritime transport as opposed to passenger rail transport (Şimut, 2001, 123). Regarding freight transport, the energy consumption for trucks is 8.7 times higher than in rail transport. The advantages of the railways take into account the transport of non-fuel electrified lines. In this respect, the case of Romania is presented, where the electrified network accounts for 33% of the total network, and the rail transport on the electrified network is 54% of the total transport. If the total land area occupied by the means of transport is taken into account, there results a ratio of 5% of the total area of the country; the area occupied by railways is 0.5%, compared to 4.5% covered by roads.

With a density of approximately 97 inhabitants/ km², Romania is among the middle-populated countries, hence additional land surfaces are difficult to obtain. From this point of view, the railroad requires a relatively small area compared to other means. A modern railway with two electrified lines has a width of only 14 meters, while a four-lane motorway with similar transport capacity requires an area double in size (31.5 m). To this advantage the impact on the environment must also be remembered, being less intense in the case of railroads compared to roads, as these have layers of non-environmental friendly materials applied.

Nowadays, about 120,000 people travel daily by train all over the country. Every day, around 200,000 tons of goods are delivered to the economic agents by railway. These realities make the Romanian Railways the seventh railway network in Europe in terms of traffic volume. Why do all these people prefer traveling by train to using their own cars or other means of road, aerial and maritime transport? Because they all know that the CFR safety indicators are superior to those of many other European railway administrations. For the Romanian railway operators, the safety of travelers and merchandise integrity are the most important aspects, sometimes prevailing in the face of timely deliveries or other transport services quality assessment parameters.

To identify the rail transport rank among the rail transport system in Romania, the evolution of the significant quantity indices related to railway infrastructure was assessed, their situation being illustrated in table 1.

Table no. 1 Quantity indices related to railway infrastructure

INDICES	MU.	1998	2008	2018
Total length of the rail network	km	11348	11057	10820
Unfolded length of rails	km	22567	22247	20347
Electrified rail length	km	3680	3885	3971
Percentage of electrified rails	%	32.4	35.1	36.7
Rail network density	lkm/1000 km ²	47.8	46.7	45.8
No. of railway stations		1419	1100	978

Source: CFR SA National Company website, www.cfr.ro

The railway rolling stock consists of locomotives, railroad cars for goods and passengers transport. The locomotives provide the traction of freight and passenger trains on the traffic sections, as well as their maneuvering in stations. The total of locomotives in the track record

represents the inventory park for locomotives. The diversity of freight requirements has led to the emergence of several types of railcars with constructive and functional characteristics adapted to the nature of goods: uncovered, covered, clean, tank car, platform, and all these types of freight railcars together with passenger cars form the fleet inventory of railcars.

The railway network length index in our country presents, at the end of 2018, 36.7% of electrified rails of the railway network total length, constantly increasing since 1998 and a network density of 45.8 lkm / 1000 km² decreasing in recent years due to the network total length mitigation, which amounted 10820 km rail. At the same time, due to the rail transport activity cutback, the number of railway stations has fallen by one third over the last 20 years, from 1419 stations in 1998 to 978 functional units at the end of 2018.

Rail transport is the second mode of transport in the economy after road transport, as per the *transported goods* index, annually carrying about 50 million tons of goods out of the total of approximately 380 million tons, which represents approximately 13.4% of the market for freight transported in Romania, as you can see in Table 2. The market share of rail freight transport in Romania decreased from 17.1% in 2008 to 13.4% in 2018.

Table no. 2. Evolution of the market quota for the main freight transport types

Goods transported, of which: (%)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
SNTF Freight	17.1	20	19.7	18.8	18.5	15.9	13.6	11.8	10.9	9.7	7.8
Private transport operators (OTF)	0	0	0.2	0.7	0.7	2.5	3.4	3.9	4.2	4.9	5.6
TOTAL railways	17.1	20	19.9	19.5	19.2	18.4	17	15.7	15.1	14.5	13.4
Road	75.8	73.5	73.7	73.7	74.3	74.6	75.6	77.6	78.8	79.5	77.8
Maritime	5.94	4.94	4.59	4.87	4.32	4.87	5.25	4.39	3.82	3.77	5.95
Aerial	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.3	0.2	0.2	0.4
Pipelines	1.06	1.36	1.71	1.83	2.08	2.03	2.05	2.01	2.08	2.03	2.45
TOTAL	100	100	100	100	100	100	100	100	100	100	100

Source: Ministry of Transport and Infrastructure website, www.mt.ro

During the last three years freight and rail transport has decreased steadily. The causes of these declines lie in the general decrease of the large enterprises production, the closure or liquidation of some economic agents due to the financial crisis, the fast shift of others to road transport with the activity dispersal to a large number of partners in small quantities and last but not least the decrease in family incomes due to budget cuts.

The direct consequence of the traffic decrease was the drastic cut of the railway companies collections, accentuated by the fact that the CFR tariff increases did not keep up with the inflation rate, especially for passenger tariffs.

Specific to the rail transport system is the existence of large masses of moving commodities containing significant amounts of kinetic energy. As the tendencies in rail transport speak of increasing tonnages and speeds, in order to ensure transport safety, the principle prohibiting two or more railway vehicles on the same traffic sector is respected.

4. Economic aspects of transports

Of the basics needed for a fundamental economic growth, we mention three of the most important: the transport system, a convenient source of energy and an efficient communication system. Since economic development implies large-scale production as well as its distribution within the area, operations that are not possible without effective transport, the conclusion to be drawn is that transport lies at the foundation of economic activity.

4.1 Transport and economic development

Market economy, characterized by the commodity exchange development, which involves transporting it from producer to consumer, depends on the availability of transport services. In areas of the world where transport is primitive, populations live at the level of a subsistence economy. They depend on the food resources, clothing and other products designed for living, provided by neighboring areas that produce only for local consumption, and the exchange of goods is totally random.

During the periods preceding the use of mechanical power, most of humanity depended on subsistence agriculture; exceptions to the rule were:

- Countries in the northern hemisphere, in the areas adjacent to the sea, where the shoreline configuration provides numerous natural shelters (ports) and the water courses were navigable also towards the interior of the continent, offering limited access; the progress of navigation allowed the development in these areas of the first buds of the market economy.
- Euro-Asian countries on the former "Silk Road" route, using camels for transport, created conditions for trade; the goods brought on camels from the Far East were taken over from the ports of the Near East by ships and brought to Europe.

At present, however, there are many areas of the globe (in Asia, Africa, South America) far away from the communications means, which for this reason have remained economically and socially far behind the favored areas. The economic development process is one of interaction between economic components; transport activity improvement stimulates progress in the economy, which is reflected in the transport field through its enhancement. The link between transport and communications is, at its turn, very close; the invention of telegraphy in 1840 has greatly accelerated the progress of rail transport, ensuring rigorous control of trains departures and arrivals. Phone and radio are two other great inventions of mankind that have contributed to the development of maritime and airborne transits. Wireless telephony through satellites got also applied in transport. It is clear that between transport and telecommunications there has always been a continuous mutual stimulation.

4.2 Transport and production

Transport has a fundamental role in the production process, which consists of changing the location of material goods in space and time. The classics of science have noticed that these processes can create value and obviously a certain kind of utility. Two notions that characterize transport in general were defined: the usefulness of place and the usefulness of time.

Usefulness of place or value creation by changing location of an object refers to the fact that raw material or the sub-assemblies of certain products are worth it only if they are moved to the place where they are needed. Production requires constant collection of various material goods, to a certain extent, in a certain place, in order to achieve a particular product. Transport is the factor that makes it possible to carry out production.

The usefulness of time refers to the fact that for the smooth running of production it is not enough that materials be moved from one place to another; it is very important that this is done in a certain time, optimal for the production process. Because, for various reasons, transport was not always done smoothly within the pre-established time, it was necessary to build up the stocks (storage of material goods near the place of use), which allowed the unfolding of production in conditions of transport discontinuity, but also of discontinuities specific to production.

In conclusion, large-scale production depends on the usefulness of place and time that characterizes transports. This is true for both large products and lighter and high value products that require special transfer conditions.

In the same order of ideas, transport contributes decisively to:

- Stimulating regional specialization, by ensuring the division of labor in space, regionally, but also globally; resources, climate, people's expertise vary from area to area, which makes the productive process to be characterized by great diversity; transport enables each region to specialize in the production they achieve best, which will lead to quantitative and qualitative

- benefits under minimum costs.
- The location of productive activities by allowing for the costs transport operations so that they remain minimal.
- Determining production costs by taking into account the unavoidable expenses related to the transport activity.

4.3 Transport and distribution

Large-scale production must be accompanied by a mass distribution that moves products to different markets at a sustained pace. And in this area, transport creates usefulness of time and space. Every product acquires its value if moved to where it is desired and at the moment it is desired. Stocking of goods makes it possible to avoid over-saturation of markets and thereby maintaining prices, which is particularly important in seasonal production.

In this context, it can be concluded that the transport:

- Ensures the means to distribute the production outcome, making regional expertise efficient.
- Determines the increase of the sales markets.
- Sets the costs of product distribution operations, which will be part of the final value.

4.4. Transports and prices

As shown, transport operations are related to certain costs, which are part of the final product value. The rapport of transport costs varies in relation with the product characteristics; hence transport plays an important role for the price as follows:

- Ensure the stability of market prices; most varieties are not produced in equal amounts of time; in the absence of an adequate transport system, these products would be in excess in certain areas and at certain times of the year, which would add up to a substantial fall in price, while in other areas and time periods lack of products would be registered. The presence of a well-established transport system leads to balancing the supply of products in space and time with beneficial effects on price fluctuations.
- Supports promotion of low prices on the market by encouraging trade; the most productive areas, with the lowest prices (excluding transport costs), determine market prices; the other areas must align to these prices if they do not want to lose market share.
- Determines the value of land use, so that, by placing them further away from the transport routes, they obviously have a lower value and lower chances to acquire an important productive use.

The same appreciation can be extended over to any natural resource value that grows as it is closer to the major transport routes.

5. Conclusions

During the last three years freight and rail transport has decreased steadily. The causes of these declines lie in the general decrease of the large enterprises production, closure or liquidation of some economic agents due to the financial crisis, the fast shift of others to road transport with the activity dispersal to a large number of partners in small quantities and last but not least the decrease in family incomes due to budget cuts. The direct consequence of the traffic decrease was the drastic cut of the railway companies' collections, accentuated by the fact that the CFR tariff increases did not keep up with the inflation rate, especially for passenger tariffs.

Due to the lack of necessary funds, the public railway companies had to discharge some of the employees, limit expenses to the basic necessities for operation, reduce maintenance, repair and investment values in order to keep it steady. The price paid for this steadiness was, however, recorded in significant technical losses, resulting from the heavy wear and tear of all railway facilities, and while the share of budget revenues for transport infrastructure maintenance under the total revenues decreased, the degree of traffic safety on rail simultaneously declined, incurring direct consequences in the volume of services rendered.

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From Government to Governance in the Public Water Resources Field Organisations - the Importance of the Legal Framework

Aurel Dincă

University of Craiova, Faculty of Economic and Business Administration

aureldinca@yahoo.com

Abstract

According to the principles of corporate governance in public organizations, set up by the Organisation for Economic Cooperation and Development based on the most advanced legislative standards and best practices of corporations, it was necessary to create legislative measures to guarantee the objectivity and transparency when the management and the members of the administration bodies are elected, to guarantee both professionalism and responsibility in the management decisions, additional mechanisms for the rights of minority shareholders and increased transparency to the public both in the activity of the state companies and in the shareholding policy of the Romanian state.

This research is aimed to highlight the importance of the legislative support in improving the corporate governance for public organizations and in stopping the perpetuation of the dysfunctions in the activity of the independent administrations and companies owned in majority or in full by the state, which used to impede the ability of these entities to influence the balance of the state budget.

Key words: corporate governance, public organizations, legislation, reform

J.E.L. classification: G30, G39

1. Introduction

The public enterprises – the autonomous administrations and companies where the state had the majority or full capital – as an important segment of the national economy - had a decisive influence on the stability of the economy due to their liquidation, solvency and functionality; so it became imperative to increase very fast the contribution of the public entities to increase the parameters of the Romanian economy and the balance of the state budget.

Therefore, in the economic context of the year 2011, measures were taken such as the creation of legislative and administrative conditions in order to lead to a higher efficiency of the economic operators.

The general legislation of the companies had not been adapted so that the public organizations could work effectively and be a vector of economic recovery, so, it was important to develop new mechanisms such as corporate governance, additional to those covered by the general legislation of the companies, tailored to the particularities of the public organizations, knowing the fact that their efficiency is strictly linked to the performance of their management, as to the proper implementation of the mechanisms of good governance.

2. Theoretical background

I investigated the evolution of the positive aspects as a result of corporate governance's principles in developed countries, but also the shortcomings of these principles that resulted in significant failures in private commercial societies in the capitalist system (Ghiță M., et al.,2009). I have also analyzed both the need for existence and the importance of unified respect by OECD Member States of the principles of corporate governance (Principles of Corporate Governance, 1999 and 2004).

In this study I want to point the importance of the legislative ensemble for implementing in public institutions in Romania the corporate governance and its principles. I have watched the way in which public policies of Government and Parliament of Romania have come to support this desideratum (Emergency Ordinance no. 109 from 30 November 2011, Government Decision no. 722/2016, Law no. 111/2016 from 27 May 2016).

3. Methodology

The research methodology was based on the analysis of data sources mostly represented by the specialized scientific writings, as well as on the direct observations taken on the specific legislation and regulations regarding the corporate governance.

4. Analysis and findings

Corporate governance is, basically, the system by which a company is managed and controlled – setting certain special conditions for the governing bodies but also regulations meant to protect the rights of the shareholders.

This applies mainly to the public organizations, but also to the private companies organized as entities traded on the capital markets.

The corporate governance has emerged as a response to a series of spectacular failures in the private sector in a relatively short time which, through their scale, rocked the confidence of the investors in the way in which both the large corporations and the public institutions were being managed.

In Britain, Sir Adrian Cadbury studied the usual causes of the corporate failures in the private sector, developing, in 1992, The Cadbury Report. It noted that the bankruptcy of the companies had occurred due to a series of major problems in the the internal control systems, i.e. problems which lie within the competence at senior management level. The overall management itself was the source of these failures failing to prevent the produced disasters.

Following this report, in 1992 Sir Adrian Cadbury developed the first corporate governance code which established the basic rules of the management of a company to achieve increased efficiency, while displaying a non-discriminatory behaviour towards shareholders.

At the end of 1998, the finance ministers of the G7 member countries launched an appeal on transparency, quality, coherency and comparability of the information on the capital markets.

Thus, the OECD member countries - countries with highly developed market economies – have developed and materialized the idea of corporate governance inside joint stock companies.

In 1999 the OECD published "The Principles of Corporate Governance" which included the principles related to the issues where the managers had a key role regarding the rights of the shareholders, their equitable treatment, providing information and its transparency and where the investors, employees, creditors and suppliers were considered partners in the process of increasing the welfare of the organization.

Thereafter, each State (member or non-member of the OECD) has been adopting domestic laws that introduce these principles into their legislation in order to improve management and hence the operation of businesses.

The corporate governance appeared in Romania in the early 2000s, this delay being caused by the slow measures taken on the economic, political, legal and social reforms.

According to Nicholae Feleagă, in Romania the corporate governance was accompanied by some key inconsistencies (Feleagă et al., 2011, quoted by Fulop and Pinteau, 2015):

- ✓ the absence of details analysis in the relationship owners - management;
- ✓ other stakeholders doesn't involve in the process of decision;
- ✓ the absence of the conceptual framework necessary for an efficient market;
- ✓ the controversial involvement of the auditors in promoting corporate governance;
- ✓ the weakness of the accounting systems to update according to the international developments;
- ✓ an insufficient control mechanism for providing reliable financial reports in a sincere, relevant, understandable, comparable and meaningful manner.

Speaking of the introductive legal framework of the corporate governance in Romania, of relevance are the following: the Law no. 31 from 1990 on Companies – with all subsequent amendments and additions, Law no. 29 from 2004 on the Capital Market – with all subsequent amendments and additions and the Corporate Governance Code (BSE).

This first Corporate Governance Code established the guidelines on the integrity and transparency of the financial statements. This code proved to be a failure, which led to the development, by the BSE, of a new Corporate Governance Code in 2008. This time, the starting point of the code consisted in the basic principles established by the OECD and voluntarily applied by the companies listed on the stock exchange.

In Romania, the focus was on establishing a legal framework for corporate governance, legal framework which, even if it materialized only in 2011, was an absolutely necessary step for the public companies.

The importance of the reform in 2011 consist in the elimination of political decision in the appointment of the managers of such state-owned companies, implementing some specific means and procedures regarding a private, independent and competent management.

The government has made great steps in implementing corporate governance in state-owned companies: it supplemented the legislation, it brought new managers in companies, it adopted rules regarding the management of the state companies, it introduced the obligation to comply with the corporate governance.

Thus, in compliance with the Romanian legislation inforce, the administration system of the public organizations in the field of water resources has the following structure:

- The Ordinary General Assembly of the Shareholders which role is to appoint the Administration Board
- The Administration Board consisting in seven members for a term of four years and is led by a president elected by the whole Board from among its members.

This board operates under the Constitutive Act and his own Rules of organization and functioning. Those documents provide the Board the limitation of his responsibility in the administration of the company.

The Administration Board basic competencies are:

- to point the direction and the development of the activities in the company;
- to establish the financial control and accounting system including the approval of the financial planning;
- to appoint the directors (the director general, the executive director and the economic manager) recommended by the Nominating Committee, after the first selection was made by an independent expert, necessarily specialized in the recruitment of human resources;
- to approve the director's management plan;
- to establish their remuneration, in general limits, decided by the General Assembly;
- to revoke the directors after the prior assessment of their work, to evaluate both the performance of their mandate contract and their accomplishments from the management plan;
- to evaluate the directors activities as set in the contract of mandate or the management plan;
- to summon the Ordinary and Extraordinary General Assemblies of the shareholders, according to the law and to the Constitutive Act;
- to prepare the annual report, to organise the General Assembly of the Shareholders and to implement its decisions;
- To submit the request for opening the insolvency proceedings.

The Council has a mixed and balanced componence in terms of professional experience, thus ensuring a diversity of expertise and experience. Each board member must be adequately qualified to properly evaluate the policies and operations of the company.

The Council also must be composed in such a way that, as a whole, it has a proper economic education, a good understanding of the main economic terminology and of the specific terminology related not only to management but to corporate governance, too.

The Council is formed in such a way that, in relation to the executive management, its members can operate independently and critically, and, within the Board, they are able to form a homogenous team.

All Council members must have an academic education seconded by an experience to enable them to understand the business environment and also the technical and economical terminology specific to the administration of a company.

Given the organizational context, mission, organizational expectations and strategy elements, in accordance with Art. 1 paragraph 18 of Annex 1 of the GD. no. 722/2016, the board's profile reflect a image of all capabilities, features and requirements that the board must collectively have.

The candidates must meet some mandatory and some optional criteria.

The mandatory criteria are the skills and features all the members must fulfil and the optional criteria are the skills and features which must be met not necessarily by all, but for some of the board members.

Also, the candidates must specify, in their statement of intent, their considerations on the corporate governance, proving their corporate governance knowledge and showing their vision on this field with application in the public enterprise.

5. Conclusions

The law on corporate governance was the necessary regulatory act for the improvement of the performance in public enterprises management, given that the general legislation on companies was not adapted to the particularities of the state companies.

This law's declared purpose was to improve the efficiency of the state enterprises by developing new mechanisms of corporate governance to equally guarantee the objectivity and transparency in the process of selecting the management and the members of the administration boards, exclusively based on the professionalism and responsibility in taking management decisions. Also, it provided an increased transparency to the public.

Given the increasing complexity of the area in which they operate, in order to demonstrate a good organization, flexibility, ability, a good risk management and prove to be reliable to their economic and social partners, implementing the rules of corporate governance in the public organizations acting in the field of water resources was an important step to make in the transition from government to governance.

Lately, in Romania, the corporate governance legislation went through a series of changes which have resulted in the regulation of the responsibility and transparency among a broader range of key actors, not only for shareholders, but also for other categories of stakeholders (investors, suppliers, creditors etc.).

The legislative framework on the corporate environment is very wide and should be considered as a whole, which implies a different issue the organizations face: the work organization, the rules on the trade activity, consumer protection, the manner in which the employees and partners are treated etc.

Corporate governance is clearly beneficial both for companies and for countries and the rapid pace of development imposed by globalization has urged the need to implement its rules. In this context, action is required both at micro-economical level (organization level) and macro-economic level (state level). Therefore, the companies must change the way they operate, while the national governments must establish and maintain an appropriate institutional framework.

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The Influence of Neoliberalism in Europe

Ioana Claudia Dobre

"Ovidius" University of Constanta, Faculty of Economic Sciences
dobre_claudia@yahoo.com

Abstract

Two main orientations can be identified in neoliberalism: a liberal-social one - ordoliberalism and another predominantly conservative. The ordoliberalism (and the social market economy) are the expression of a German cultural and political development, that marked western Europe. In this paper I emphasize the role that ordoliberalism has had over the Treaties of the European Union, influencing the competition policy, the monetary policy and the system of the social market economy. I inform that the Central and Western European countries have been influenced by ordoliberalism in remodeling their own economic system.

Key words: ordoliberalism, neoliberalism, state power

J.E.L. classification: K21, L40, B13, B2

1. Introduction

From the mid 70's, Keynes's theory has entered a state of crisis. Anti-cyclical fiscal policy did not work: spending in times of crisis increased, but budget debts were not reimbursed when the economy worked better. As a result, public debt has accumulated and the margin of maneuver for deficient spending has shrunk from one crisis to another. Above all the other problems, there came two oil crises.

With the enormous rise in oil prices, a vicious circle has been instated: wages have risen, but rising energy prices have again depleted the surplus; wages have risen again, but this has led to an increase in inflation, putting new wage pressures. Economic recovery programs weren't impactful anymore. The economy stagnated, in parallel with a galloping inflation (stagflation).

Under these circumstances, the Neo-Liberals have put in place a bidding policy to encourage and attract entrepreneurs: local benefits through cost-cutting, budget consolidation and austerity measures became the order of the day.

2. Literature review

The term neoliberalism was coined in 1938 by economists Friedrich Hayek, Wilhelm Röpke and Walter Eucken at a conference in Paris on the development of a concept for a long-term economic policy, a term that was understood as a middle way between liberal capitalism, undirected and socialism. According to this concept, State interventions in the economy are justified and necessary only when market distortions are hindered by monopolies and cartels.

Two main orientations can be identified in neoliberalism: one socio-liberal (the mainstream - ordoliberalism) and another predominantly conservative.

The advocates of a wider social opening of neo-liberalism have proposed abandoning those classical liberal approaches that have proven obsolete or unrealistic, without giving up the basic principles of liberalism.

Thus, free competition on the market is indispensable, but it must be ensured and controlled by the state (given that leaving the market to self-regulate itself leads to economic crises).

The main current of this neoliberal orientation is developed within the Freiburg School before World War II is ordoliberalism. The name is related to the publication issued in 1948: the *ORDO* academic journal - the main platform of this theoretical and political orientation. The core of the ordoliberal trend was Walter Eucken (economist) and Ludwig Erhard (Finance and Chancellor).

Ordoliberalism does identify the state as a central category of capitalist economy (Haselbach, 1991; Bonefeld, 2017a). It holds that capitalist society 'cannot function without political authority' (Böhm, 2010: 167). As Franz Böhm (1973: 101) states the capitalist economy is an 'eminently political practice'. The role of the state in ordoliberalism is that of 'market police' (Rüstow, 1942: 289; Röpke, 2009: 52). The foundation of the market police is the independence of the state from the economic interests and the democratic majorities – it presumes government as an exercise in the 'independence of political will' (Eucken, 1932:307-8).

Ordoliberalism is the economic philosophy behind the successful German social model following World War II: the social market economy. The excellent economic performance and position of Germany might have given weight to the ideas behind ordoliberalism in the way in which both the EU competition policy and the EU monetary policy were constructed and have developed (Dullien and Guérot 2012).

3. Research methodology

The project explores the roots of neoliberalism in the German ordoliberal tradition. Its methodological approach is grounded in critical theory. It is an interdisciplinary study in the ideological history of neoliberalism, and bears on how we conceptualise current political economy.

The research comprises critical study of primary German language sources. Ordoliberalism developed in the late 1920 at a time of great economic uncertainty, a political crisis of ungovernability, social polarisation and strife. It argued that the free economy depends on the existence of a strong state. Ordoliberalism saw itself as a critique of laissez faire liberalism which it deemed to be unable to maintain free markets in the face of social challenges.

Ordoliberalism promotes the decentralized coordination of economic activities within a framework of rules and regulations in opposition to any form of centralizing State intervention but while granting public authorities a major role in designing and transforming these rules and regulations. This is what also differentiates it rather significantly from the contemporary Austrian liberalism of von Mises or in a more complex way from that of Friedrich Hayek, not to mention the previous generation represented by Carl Menger and Eugen von Böhm-Bawerk.

4. Ordoliberalism

Ordoliberalism is deeply interwoven with the tumultuous economic history of Germany in the 20th century. It developed in 1930s in response to the economic crises of the Weimar Republic. Its foundational thinkers were Walter Eucken, Wilhelm Röpke, Franz Böhm and Alfred-Müller Armack. Its original intellectual epicenter was Freiburg, where legal (e.g. Böhm) and economic (Eucken) scholars worked together to develop what became known as the "Freiburg School of Law and Economics", also known as Ordoliberalism.

Dardot and Laval (2017) describe ordoliberalism as simply "the German form of neoliberalism." In line with the overall neoliberal outlook, competition within the framework of the market economy lies at the core of the ordoliberal philosophy – for two main reasons.⁹ First, in practical terms, such a competitive market economy, by maximising incentives to production, is seen as the only way that the problem of the scarcity of goods can be overcome and economic output maximised. Second, and at a more basic philosophical or even moral level, such a system is seen as granting people maximum freedom to live their lives as they see fit and thus enhances human dignity.

In the process of ordoliberalism, the state must be strong, but without becoming totalitarian and without directly intervening in the economic process. A strong state means the use of limited means, capable of ensuring economic order. The state "is not an instrument of private interests, but a guarantor of order and competition."

The state must also ensure freedom for the individual through economic order. And the goal of this "order" is "to guarantee the inalienable right of the people to freedom" (W. Eucken). The key to understanding the ordoliberal approach is the concept of "economic constitution", which assures the order under which the rules of the economic game are implemented, as well as several constitutive principles:

The market cannot be left exclusively to spontaneous market forces, in order to avoid the risk of increasing private power and its prevalence over the state (as was the case with cartels - those secret agreements between firms on market sharing and sales pricing). Ordoliberals regard competitive market economy as the "constitutional order" that gives individuals the means to coordinate their preferences and decisions when allocating resources. Coordination is carried out by private agents without the interference of public authorities. This constitutional order opposes the order of privileges, in which individuals are subjected to political decision-making, and in which the preferences of some are subordinated to others. So, competition is the first constitutive principle.

Another principle relates to the free pricing mechanism in a competitive environment. Prices are the main parameters in a competitive market economy order. Any intervention during the establishing of prices alters with information and the efficient allocation of resources. Free pricing must be underpinned by the principle of monetary stability. In this sense, the ordoliberals support a strict money supply control, coupled with a control over the money demand assured by the central bank money (this thesis explains Germany's adverse reaction to US monetary policy expansion in recent years as well as their insistence to promote a fiscal austerity policy). For the Germans, austerity does not mean privatization, but fiscal discipline, in a Protestant environment of institutional ethics and social solidarity.

Private property is another constitutive principle of ordoliberalism as it is a precondition for a competitive economy that ensures the decentralized allocation of resources and constitutes a "guarantee against political and economic monopoly".

5. The Social Market Economy

The social market economy ("Soziale Marktwirtschaft") is the reflection of the ordoliberal thinking that has turned into an economic system, namely in "economic order" (Alfred Müller-Armack, 1947). Alfred Müller-Armack was inspired by Werner Sombart's concept of "social capitalism."

But the phrase "social market economy" is also the result of a political compromise between liberalism and publicly regulated social distribution so that the capitalist system can be preserved in the western part of post-war Germany: "We are talking about a social market economy to characterize this third form of economic policy. It means [...] that the market economy seems necessary as a support for the future economic order, but it is not a liberal market economy left in the will of fate, but a consciously guided economy focusing on the social aspect " Alfred Müller-Armack, 1947).

The phrase "social market economy" may not have scientific rigor, but it is a successful political and economic project. The "social market economy" is a form of social liberalism, different from Friedrich Hayek's liberalism that we see in the UK as conservatives, libertarianism (Murray Rothbard) or constitutional liberalism (James M. Buchanan).

6. Rhine Capitalism

These new ideas also outlined the guided capitalism, "rhine" capitalism (Michel Albert, 1994) based on a coordinated market economy, on the exchange of private information through independent market institutions - trade unions or professional organizations. The rhine model developed in Germany and then expanded to other northern European countries - Belgium, the Netherlands, Austria, and Japan, focusing on collective success, on consensus, on long-term concern.

Rhine capitalism is characterized as follows:

- financial system: financing is usually provided through bank loans. This capital is "more patient" than the "shareholder value" model, allowing longer-term investments. However, this form of enterprise financing can make access to finance more difficult for new market players, such as those that set up businesses. In addition to the market, management is controlled and evaluated by others, such as banks, workers and state actors (this is the stakeholder model).

- labor relations: wages are negotiated in a coordinated and sectoral manner at a superior level to enterprises (collective bargaining agreements). Labor relations are rather long-lasting. Between stability and social balance, the bond is tight. Employers' unions and trade unions are well-organized, as are the co-decision systems at the enterprise level.

- the school and training system: the training model combines business-specific qualifications with industry-wide standards, supported by trade unions and employers' unions (dual training system). Thus, the transmission of specialized knowledge specific to enterprises and sectors of activity is established.

- business relations: there are frequent situations in which there are links between enterprises through mutual participation in capital. Branch organizations have an important role in the political system. Guided capitalism is characterized by high stability, as well as by lower dynamics and flexibility than unguided capitalism. In this system, production lines and processes are constantly changing in "low doses". Innovation progresses with small steps. The system adapts slowly to new situations.

7. Conclusions

In practice, the ordoliberal ideology has had a particular influence on the development and progress of the European rules of competition. The Maastricht Treaty of 1992 – the blueprint for European Monetary Union (EMU) – would stipulate that member states had to implement policy in “accordance with the principle of an open market economy with free competition.”(art 119 and 120). Amsterdam Treaty placed limits on states’ deficit spending and debt levels – through the Stability and Growth Pact (SGP) – and thus on the extent to which governments could economically intervene other than to promote the competitive market economy.

The central idea of ordoliberalism - after which the economy must be put in a certain order - is more than ever topical, because states fail to provide solutions to the global problems faced by mankind. Ordoliberalism and the social market economy are the expression of a German cultural and political development that marked western and European political and economic space.

In Eastern Europe, the situation is different. Eastern European countries do not have strong market institutions, and their social capital (community norms and values) is fragile and heterogeneous, as they have had a different economic and cultural development, and the degree of urbanization is low.

The incorporation of the values underlying the social market economy is slow, especially in the Balkan area, since this type of "economic order" was not built only on the background of economic evolution, but also depended on the evolution of the synergic social capital type (cooperation and complementarity between actions of social actors). Thus, an economic development depends on property relations, but also on the change of the social capital.

It is a necessary precondition for authority to act as a ‘market police’ capable even of breaking up corporations or financial institutions if they are ‘too big to fail’ and harbor excessive market power. After all, concentration of (economic) power was the source of most evils for the ordoliberals.

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What Shapes Elections and Corruption in Emerging and Developing Countries ?

Lavinia Dudaş

"Vasile Goldis" Western University of Arad

laviniamustea@gmail.com

Lavinia Mihit

West University of Timișoara

lavinia.mihit@gmail.com

Abstract

Over time it can be observed an increase in publication investigating the corruption and elections impact on country economic development, especially after a major economic and financial crisis. This paper aims to bring together theoretical and empirical studies that are analyzing corruption and elections periods focusing on emerging and developing countries between 2008-2018. To best achieve the research objective, we made use of content analysis focusing on two directions: (1) methodologies used for measuring and (2) the variables of interest. Our results reveal a scarce literature that investigates elections, while an increasing literature on corruption and that the empirical approaches are more often used in favor of theoretical ones. Moreover, corruption is related on the one hand, with the decrease of the economic growth, scheduled elections or a low level of government effectiveness and rule of law, public wages and on the other hand with the existence of mobile phones and internet access, expected years of schooling. Furthermore, electoral years impact the public expenditure structure. The probability of being reelected is positively associated with an increase in the economic growth, government subsidies and a decrease in the inflation rate, while the budget deficit has no significant impact.

Key words: corruption, elections, developing countries

J.E.L. classification: D72, D73, F62

1. Introduction

In order to establish a functioning democracy, countries need to provide for their citizens the possibility to choose the parties to represent them, hence to organize elections, but also to ensure a low level of corruption for a better employment of the public resources.

Several decades ago a functional link between economic cycles and political cycles has been highlighted in the literature. It outlines how economic cycles are influenced by the parties in power through budgetary, fiscal and monetary measures that they generate and adopt, depending on the electoral calendar. There have been two important moments in which political-economic cycles have been defined. In a first phase in 1975 Nordhaus and Lindbeck in 1976 described the "opportunistic" cycles, and in 1977 Hibbs described the "partisan" model.

In the beginning, scholarly literature has investigated the relation between elections and economic and social variables mostly in developed economies or "old democracies" mainly due to more available data. Nowadays, there is an expanding body of literature that is trying to understand the elections period impact on economic variables in developing countries or "new democracies". Among other things, the literature suggests that the electorate can have an impact on the degree of fragmentation of the party system and the wider effectiveness of the government. There is also an effect on the results of public policy as well as on the behavior of the policymakers and the resulting links of responsibility. In addition, some researchers have argued that several electoral

systems have more chances to ease or exacerbate conflict, while others started to investigate electoral malpractice and the effects on the economy.

Turning to the corruption phenomena, we can observe it throughout history, but worldwide scandals, e.g. Watergate, Enron, have increased academic interest on this topic and also the anti-corruption legislation. In the last thirty years, major international institutions started to assess corruption effects and to fight it all around the world. To this end, in April 2018 the International Monetary Fund (IMF) presented a new framework for measuring corruption and weak governance firstly in their member countries. One year later, in the April 2019 IMF Fiscal Monitor, it is revealed that at the same level of development the least corrupt government collect tax revenues of 4 percent of GDP more than the country with the highest level of corruption.

In what concerns the scholarly literature tackling the topic of corruption in emerging and developing countries after 2000, Cintra et al. (2018) observed that published paper were concentrated in five important periods, namely (i) between 2000-2002 with a special interest in corruption and emerging economies, (ii) 2003-2005 where a theoretical basis can be observed, (iii) 2006-2008 characterized by theoretical maturity, and (iv) 2008 -2014 with only a hand of publications and (v) 2015-2018 with a rebirth of the corruption topic and a special focus on empirical approaches.

The presence of corruption at increased levels in one country is associated with the impossibility to maintain a long-lasting positive trend of economic growth. Moreover, the country economy suffers on varied dimensions starting with the improper use of public expenditure, the ability to attract FDIs, the stability of the country, e.g. government failure even the press freedom is affected.

In this paper, we gather studies published in scholarly literature between 2008 – 2018 in order to observe the trend in investing the relation between economic and social variables with, on the one hand corruption and on the other hand elections in developing and emerging countries. The rest of the paper is structured as follows: section 2 provides a brief literature review, section 3 presents the applied methodology to select the studies, section 4 the main findings and section 5 concludes.

2. Literature review

It is worth noticing that economists and academia have an increased interest in the relation between electoral systems and the level of corruption and it seems only natural to briefly define the two concepts. To this end, a concise description of electoral system design is provided in Table 1.

Turning to corruption, the definition can range from an individual moral problem to a political or economic problem. According to Andvig et al. (2000), the strict definition of corruption is an act of bribery involving a public servant and a transfer of tangible resources. Moreover, corruption is a behavior that deviates from the formal rules of conduct governing the actions of someone in a position of public authority because of private-regarding motives such as wealth, power, or status (Khan, 1996, p.12). Institution like World Bank (1997), Transparency International (1998) and others point out that corruption is the abuse of public power for private benefit (or profit).

The relation between corruption and elections has been investigated from different points of view during the years and in different countries. We observed that a special attention was given to elections in the United States of America mainly due to the existence of data. Myerson (1993), considered a pioneer in investigating the above mention relation, suggested that political corruption can be reduce if the entry to political market is accessible. More recently, analyzing Italian districts Chang and Golden (2007) observe that corruption becomes more severe when there is an open list proportional representation (PR) practice for big magnitude districts, while a closed list PR practice for small magnitude districts (page 117).

Moreover, there is a part of scholarly literature that has been investigating if corruption charges have an impact on the reelection prospects. Thus, Peters and Welch (1980) observed that corruption charges slightly reduce the number of expected votes of one incumbent and allegation of corruption have no impact on the turnout. This conclusion, namely that there is no significant negative impact of corruption charges on reelection expectation is supported also by recent literature (Zechmeister and Zizumbo-Colunga 2013, Costas-Perez et al. 2012, Chang et al. 2010, S Pereira et al. 2009).

Additionally, corruption and elections have been analyzed together with other economic variables. Klasnja and Tucker (2013) reveal that corruption has a negative impact on voters, regardless of the state of the economy in a developed, low corrupted country like Sweden, while in Moldavia, a developing and high corruption country, voters are negatively influenced only when the country economic climate is poor. Analyzing a sample of 35 countries, Krause and Mendez (2009) observed that in addition to corruption, lower GDP growth and high inflation generate a loss in votes for the incumbent.

Table no. 1 Electoral systems

TYPE OF VOTING SYSTEMS			Examples of countries in which a given system is applied (the number of countries)
MAJORITY/PLURALITY	First-past-the-post	Single-member districts	Great Britain, India, Canada (44)
		Multi-member districts	Kuwait, Lebanon, Tuvalu (9)
	Majority system		France, Vietnam (18)
PROPORTIONAL	Lists ' type	closed	Austria, Chile, Island, Israel, Morocco, Norway
		Open	Dania, Latvia, Poland, Sweden
		free	Switzerland, Luxemburg, Ecuador
	Voting formula	the highest average methods	Argentina, Poland, Sweden, Norway,
the largest remainder methods		Algeria, Cyprus, Colombia, Russia	
MIXED	Parallel		Bulgaria, Lithuania, Mexico (23)
	Personalized		Germany, Hungary, Romania (9)
OTHERS	Alternative vote		Australia (2)
	Single Transferable Vote		Ireland, Malta (2)
	Single Non-transferable Vote		Afghanistan, Vanuatu (4)
	Borda method		(0)

Source: Joanna Dzionek-Kozłowska (2014) *Political Corruption and Electoral Systems Seen with Economists' Lenses*, page 85.

3. Research methodology

We make use of content analysis in order to best respond to the research objectives on the assessment of corruption costs and elections impact in emerging and developing economies. We performed two important steps in order to carry out the search. Firstly, the selection has been carried out using Scencedirect and Web of Science platforms. Secondly, we started the research using, on the one hand, the words "corruption", "developing countries", "emerging countries", and on the other hand the words "elections", "developing countries", "emerging countries". Furthermore, we have restricted the period for publication between 2008-2018. We have selected only the literature that is investigating the macroeconomic effects of corruption and elections at country level and not at company level. Afterward, based on the title and abstract, full papers have been recovered in order to perform the actual content analysis.

Special attention was given on the one hand to the identification of the variables that were analyzed in relation with corruption, elections periods respectively and on the other hand to the identification of the methodology that was used.

4. Elections and corruption throughout the literature

A complex analysis of elections periods is carried out by Vergne (2009) in 42 developing countries. First, analyzing the government expenditures structure before and during the election year, he reveals an increase in current government expenditures, while a decrease in capital expenditures and no significant change in infrastructure expenditures. Moreover, he determines that public wages and subsidies are the subcategories that are increasing in the pre-election year, especially since these are immediately providing economic benefits for the population. Klomp and de Haan (2013) encountered that the increase in the budget deficit and government spending generates support for the political parties in the government, especially in developing countries and that inflation and growth influence the incumbent popularity.

Analyzing the probability of reelection in 74 developed and less developed countries, Brender and Drazen (2008) reveal that (i) the budget deficit has no impact in any type of country, (ii) higher growth rates of real GDP increase the chances to be reelected only in less developed countries and new democracies and (iii) that the inflation rate has a statistically significant negative impact only in developed countries. Furthermore, they pointed out that a 1 percent increase in the central government surplus ratio to GDP is increasing by 3-5 percent the probability to be reelected in developed countries and by 7-9 percent in developing countries (p. 2219). Focusing on the direct payments from the government to individuals in 229 counties from Chile, Cerda and Vergara (2008) established a positive relation with the votes obtained by the incumbent.

Turning to elections manipulation, Beaulieu and Hyde (2009) demonstrate that the presence of international monitors increases the probability of elections boycotts on a data set of 453 elections from 107 countries. They also endorse the idea that international pressure is building electoral politics in developing countries (p. 410). Similar results are produced by Daxecker (2014) for African countries, namely that the presence of electoral observers support pre-election violence incidents. More recent, Kerr and Lührmann (2017) encountered that the public trust in election is increased by the existence of autonomy in election administration, while reduced by media freedom.

Table 2 and Table 3 illustrate published studies between 2008-2018 by highlighting the authors, the publication year, the applied methodology and the analyzed variables besides election and corruption respectively.

Table no. 2. 2008 – 2018 studies on elections in developing countries

Authors	Publication year	Method	Variables
Brender and Drazen	2008	Regression	Growth, inflation, budget deficit
Cerda and Vergara	2008	Regression (panel)	Government subsidies
Beaulieu and Hyde	2009	Regression (logit)	Presence of international monitors
Vergne	2009	Regression GMM model	Current government expenditure, capital government expenditure and expenditures in infrastructure, wages subsidies
Klomp and de Haan	2013	Regression Multilevel model	Budget balance, total spending, inflation, economic growth
Daxecker	2014	Regression	Presence of international election observers
Kerr and Lührmann	2017	Regression	autonomy of election administration, media freedom

Source: Authors compilation based on above-mentioned studies

The impact of corruption on the economic growth of one country is a topic that was studied since the early studies on corruption and still continues in the recent literature. The direct impact of corruption on the economic growth variable is investigated by D'Agostino et al. (2016) on a sample of 48 African countries and reveals a negative impact of corruption and military spending on economic growth. Lin (2018) discovered that public infrastructure investments have no impact on increasing growth and only anti-corruption policies in a middle-income African economy with high levels of corruption.

The literature is also focusing on the relation between corruption and variables that generate a stable fiscal space and a healthy development of a country economy. To this end, Berdiev et al. (2013) reveal that in non-OECD countries, remittances generate an increase in the corruption level, while An and Kweon (2017) show that a 1 unit increase in public wages will decrease corruption by 0.26 units. Cooray and Dzhumashev (2018) confirm that higher wages and regulatory quality tend to reduce the level of corruption, mentioning also the negative impact of corruption on the labour force participation rate and the employment rate. In the same line, Dutta et al. (2017) observe that countries with lower levels of corruption show an increase in human capital accumulation.

Analyzing Brazil municipalities, Ferraz and Finan (2008) observe that political selection appears if citizens are informed about the corruption in the district. Investigating the relation between corruption and election, Vladamannati (2015) observes an increase in the registered corruption cases during scheduled elections. Corruption levels are found to decrease in countries where the use of mobile phones and the internet are not restricted (Kanyam, 2017). The same study encountered a negative correlation between corruption and government effectiveness and the rule of law in 44 Sub-Saharan African countries. Canalizing on the same region, Sulemana (2018) established that higher levels of income inequalities are linked with lower levels of corruption. Furthermore, in countries with a lower level of corruption the expected years of schooling in public higher education increases and decreases in countries with higher corruption (Duerrenberger and Warning, 2018). Considering 71 countries Menard and Weill (2016) found no significant causal relationship between aid and corruption.

Table no. 3. 2008 – 2018 studies on corruption in developing countries

Authors	Publication year	Method	Variables
Ferraz and Finan	2008	Regression	Citizen level of information regarding elections
Berdiev et al.	2013	Regression	Remittances
Vladamannati	2015	Regression	Scheduled elections
D'Agostino et al.	2016	Endogenous growth model	Military spending and economic growth
Menard and Weill	2016	GMM model	Aid
An and Kweon	2017	Dynamic principal agent model	Public wages
Dutta et al.	2017	GMM model	Human capital and FDI
Kanyam	2017	Regression GMM model	Mobile phone and internet Government effectiveness and rule of law
Cooray and Dzhumashev	2018	Theoretical model	Labour force participation rate and employment rate wages, regulatory quality and consumption
Duerrenberger and Warning	2018	Regression	Expected years of schooling
Lim	2018	Endogenous growth model	Public infrastructure investment
Sulemana	2018	OLS	Income inequalities

Source: Authors compilation based on above-mentioned studies

5. Conclusions

Although corruption probably appeared at the same time with the first known societies and evolved together, only relatively recently, namely starting with the '70s, anti-corruption law regulation started to be put in place. Furthermore, major international institutions recognized the negative effects of corruption on the economy and developed indices and indicators to measure it and also measures to fight it.

After performing the content analysis on the above mentioned studies we observed that empirical approaches are far more used than theoretical approaches. Furthermore, higher levels of corruption are found to decrease the economic growth of the country and the expected years of schooling, is higher before electoral years and in countries with lower public wages. The presence of mobile phones and unrestricted internet access in one country will generate a decrease in the corruption level.

Turning to elections in developing and emerging countries, our results revealed a scarce literature and the fact that empirical estimations are preferred. Government spending, especially current expenditures like public wages and subsidies, are found to be increasing before and during the elections in order to improve the chances to be reelected. Moreover, the presence of international observers is increasing the possibility of elections boycotts or violence, while media freedom reduces the people trust in elections in developing countries.

Future research needs to consider why perceived corruption in the public sector increases before elections and which are the major determinants of this phenomena.

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Opportunities for Romanian Entrepreneurs in Digital Single Market

Raluca Ignat
Carmen-Lenuța Trică
Monica Tudor (Triculescu)
Bucharest University of Economic Studies
raluca.ignat@ase.ro
carmen.trica@eam.ase.ro
monica.tudor89@gmail.com

Abstract

Digital single market represents the future of European companies. This is no longer a desiderate, but is a certainty of how the business environment would be in the future Europe. The aim of the paper is to determine what are the main opportunities for national business in order to become more digitalized and easily access the financial opportunities that the European Strategy in the field is given. The paper identifies that not all small companies in Romania have possibilities for accessing digitalization, and yet, they have other market opportunities for obtaining financing in order to become more competitive. The success is much closer for those which shall implement digitalization in their operational and management activities. Added value of the paper is given by the listed opportunities for future entrepreneurs and future activities for entrepreneurs in the context.

Key words: entrepreneurs, digital market, business incubators, new business models

J.E.L. classification: M21, O1, R1

1. Introduction

Purpose: The main purpose of this paper is to determine what are the main opportunities for national business in order to become more digitalized and easily access the financial opportunities that the European Strategy in the field is given.

Methodology: The research question is: What are the opportunities that Romanian entrepreneurs do have in the context of European Strategy in the field of digital single market? In order to reach the answer, a descriptive statistic analysis was made. The tested hypothesis are:

- Romanian small enterprises are very vulnerable to market changes.
- Romanian small enterprises are less prepared than the big enterprises for enhancing digitalization
- There is a lack of national education for digitalization.
- Romanian business environment offers market opportunities for small enterprises in different shapes and scales depending on localization and activities types.

Findings: The paper identifies that not all small companies in Romania have possibilities for accessing digitalization, and yet, they have other market opportunities for getting financing in order to become more competitive. Still, the success is much closer for those which shall implement digitalization in their operational and management activities.

Added value of the paper is given by the pragmatic approach of the paper. It gives some ideas for future entrepreneurs and future activities for entrepreneurs in the context of single digital market.

Paper type: literature review, statistical analysis, comparative analysis.

Limits of the study: The present study may be continued with taking into consideration other indicators and correlations between indicators, such the digitalization degree of companies and

their performance. Future research may include the construction of other conceptual models and multiregressions analysis for better indicate solution in the field.

2. What about digital single market

Digital single market represents the future of European companies. This is no longer a desiderate, but is a certainty of how the business environment would be in the future Europe. European Commission extended in its strategy that "The digital Single market strategy aims to open up digital opportunities for people and business and enhance Europe's position as a world leader in the digital economy" (<https://ec.europa.eu/digital-single-market/>, accessed on May 2019).

Of course, there are strong opinions who consider that the developments of the digital economy will have an elementary impact on economic systems (Zimmermann, H.-D., 2000, p. 729). Yet, the consumers will still be those who will better decide for them in the digital market (Kumar, A. et al, 2018, p. 674).

In all these situation „new technologies are therefore enabling a new category of intermediaries to appear" (Blackman, C., 2016, p3). Here may be the opportunities for Romanian entrepreneurs and not only to accomplish competitive business and to better create added value.

While all these, authorities that regulates these Single Digital Market should take into consideration the data preservation, the protection of identities and the ethics of all these issues. Obviously, there are big differences and contrasts between public policies at international level (Holt, L., Malcic, S., 2015, p 155).

In any conditions, SME's have become conscious about the importance, as well as they become increasingly aware (Grimes, S., 2003, p. 174) of the need to face the challenge of effectively exploiting the opportunities presented by the digital economy.

The market opportunities should take into consideration not only the current needs and demands, but also, the financial help that public administration is given, as well as the support offered by modern structures that aims at developing business.

3. Research methodology

The motivation of the paper is given by the fact that Romania appears to be very digitalized, but there are so many companies in different sectors which do not really neither implement digitalization in the production and management systems nor use computer in their daily activities. Therefore, the research question is: What are the opportunities that Romanian entrepreneurs do have in the context of European Strategy in the field of digital single market?

The main objectives of the paper is to determine what are the main opportunities for national business in order to become more digitalized and easily access the financial opportunities that the European Strategy in the field is given.

The hypothesis tested in the present research paper are:

- Romanian small enterprises are very vulnerable to market changes.
- Romanian small enterprises are less prepared than the big enterprises for enhancing digitalization
- There is a lack of national education for digitalization.
- Romanian business environment offers market opportunities for small enterprises in different shapes and scales depending on localization and activities types.

An important part of the present paper is descriptive statistics, in the area of number of small companies in Romania, their survival capacities.

The second part of the analysis refers to the impact of the modern structures that supports business development in Romania.

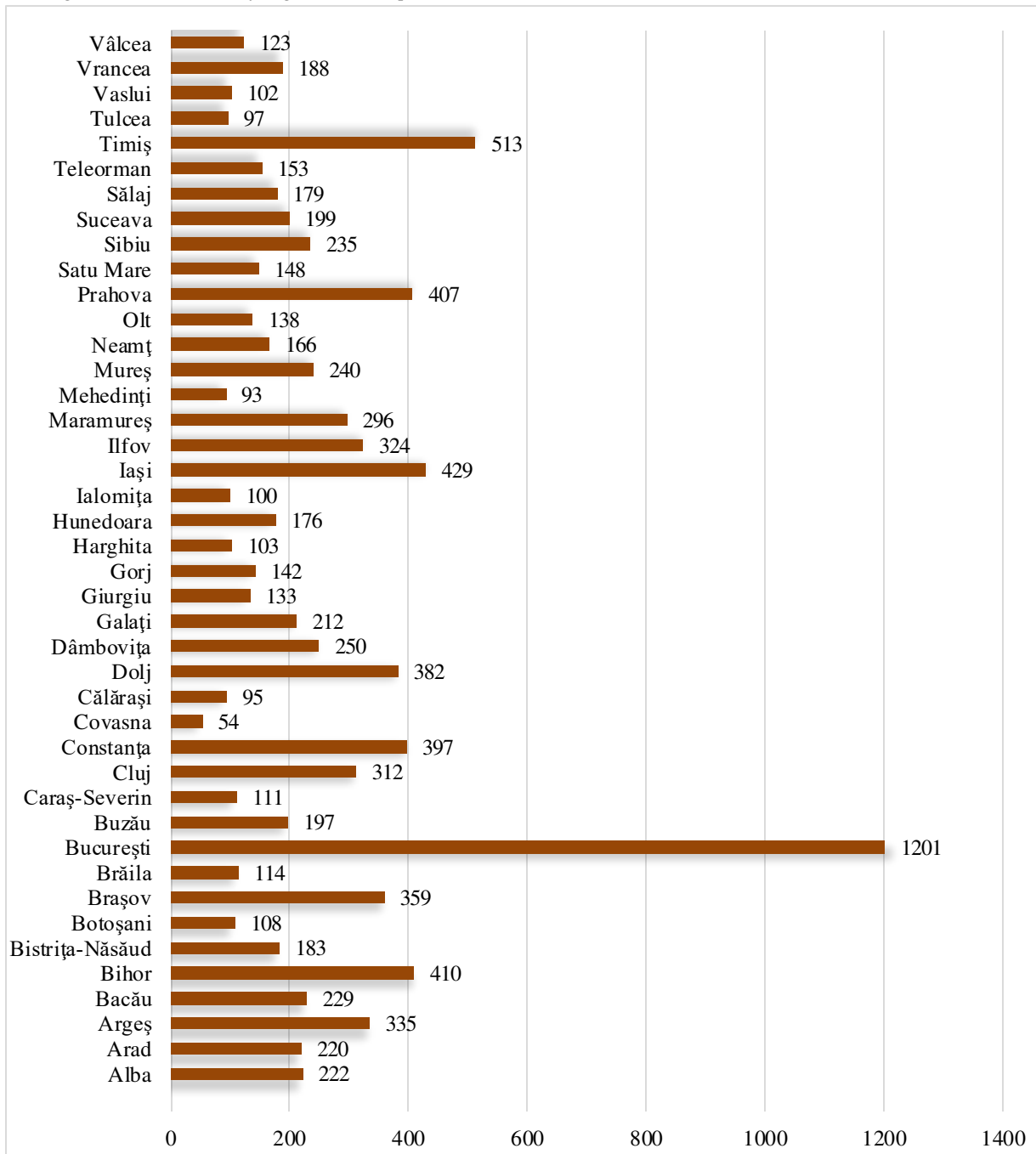
Then, a list of main market opportunities according to specificities of local economy is being exposed.

The conclusion of the present paper are that not all small companies in Romania have possibilities for accessing digitalization, and yet, they have other market opportunities for getting financing in order to become more competitive. Still, the success is much closer for those which shall implement digitalization in their operational and management activities.

4. The survival struggle of Romanian small companies

The official registration degree of Romanian companies has a decreasing trend for the last years in the majority of the Romanian counties, as shown by National Trader Register Office (www.onrc.ro, May 2019), and the total number of new registered firms in 2018 is -0,85% against 2017.

Figure no 1 Number of registered companies between 01.12.2018 - 31.12.2018, in Romania



Source: (www.onrc.ro, May, 2019)

Still, there are regions in Romania where the number of new registered firms is much higher than in other counties, such as Iasi, Cluj, Dolj, Constanta. The average number of registered firms in Romania in 2018 was 3227 per county, but Bucharest has a total of 19979 firms, almost six times higher than the national average (www.onrc.ro, May 2019).

Table no 1 The dynamics of erasure Romanian companies between 2017-2018

County	Number of erasures between 01.01.2018 - 31.12.2018	Number of erasures between 01.01.2017 - 31.12.2017	Dynamics
Alba	1692	1698	-0.35%
Arad	1888	1710	10.41%
Argeş	2377	2748	-13.50%
Bacău	2193	2057	6.61%
Bihor	2867	2516	13.95%
Bistriţa-Năsăud	1222	1259	-2.94%
Botoşani	1101	947	16.26%
Braşov	2236	2566	-12.86%
Brăila	1130	1149	-1.65%
Bucureşti	13034	13475	-3.27%
Buzău	1214	1198	1.34%
Caraş-Severin	912	933	-2.25%
Cluj	4024	3602	11.72%
Constanţa	2973	3290	-9.64%
Covasna	595	681	-12.63%
Călăraşi	611	848	-27.95%
Dolj	2478	3389	-26.88%
Dâmboviţa	1724	1344	28.27%
Galaţi	1627	1631	-0.25%
Giurgiu	866	656	32.01%
Gorj	1068	1076	-0.74%
Harghita	970	1116	-13.08%
Hunedoara	1674	1790	-6.48%
Ialomiţa	606	577	5.03%
Iaşi	3137	3720	-15.67%
Iłfov	2683	2199	22.01%
Maramureş	1806	1888	-4.34%
Mehedinţi	1011	1112	-9.08%
Mureş	1717	1847	-7.04%
Neamţ	1401	1489	-5.91%
Olt	1502	1918	-21.69%
Prahova	2640	2772	-4.76%
Satu Mare	1221	1130	8.05%
Sibiu	1438	1733	-17.02%
Suceava	1542	1546	-0.26%
Sălaj	1048	919	14.04%
Teleorman	679	737	-7.87%
Timiş	3178	3190	-0.38%
Tulcea	840	911	-7.79%
Vaslui	799	762	4.86%
Vrancea	1044	906	15.23%
Vâlcea	1413	1260	12.14%
Total	80181	82295	-2.57%

Source: (www.onrc.ro, May, 2019)

Obviously, this may be explained by the fact that these regions have both more citizens than other and more market opportunities.

On the other hand, in the same analyzed period, less companies were erased in 2018 than in 2017.

This is a good market sign for the companies survival, even if is not sufficient for an accurate interpretation on long run of their survival capacities.

5. Modern support structure for Romanian companies

In Romania, in the last two decades, many national Programs were run in order to boost the entrepreneurial manifestation and to create added value. Thus, modern structures such as business incubators, clusters, business centers, and even hubs were more or less financed by the state in order to help those persons who would intended to create an enterprise to really realize this.

After years of implementation of the National Programmed for Business Incubators, the current situation is not very encouraging for these modern business supportive structures. The Program has provided funding between 2012-2016 for the establishment of new business and technology incubators and for the development of existing ones for several eligible expenditure categories (Impact National Programs 2009-2014, 2015) through :

- Construction and / or renovation / rehabilitation and arrangement of each new location to be included in the Business incubator program;
- Rehabilitation / renovation and refurbishment of the incubator building at the beginning of each new incubation cycle;
- Purchase of IT & C equipment and furniture for the equipment of each new incubator;
- Designing and hosting an Incubator's own web site where the activity will be presented;
- Utilities and related services (water, sewerage, electricity, methane gas, heating, telephony, internet, sanitation, cleaning, disinfestation);
- Non-reimbursable financial allocations to each incubated firm for consulting and procurement of technological equipment (machinery, equipment and work installations), site, IT equipment, software and licenses, furniture, office equipment, vans, fairs, exhibitions, promotional activities;
- Funds to pay to the Business Incubator Administrator and to organize events.

The impact of the Program was oscillated between the analyzed period, according to a study made by Ministerul pentru Mediul de Afaceri, Comert si Antreprenoriat .

Table no 2 The impact of National Programme for Business Incubators

Year	Budget Lei	Beneficiaries			Impact		
		Incubators number	Incubated firms number	New created jobs number	Sum/Incubator lei/number	Sum/incubated firm lei/number	Sum/new created job lei/number
2009	2000000	3	30	25	666666.667	66666.6667	80000
2010	2400000	5	59	73	480000	40677.9661	32876.71
2011	6150000	6	54	59	1025000	113888.889	104237.3
2012	-	9	65	170	0	0	0
2013	1410000	13	13	33	108461.538	108461.538	42727.27
2014	5400000	15	20	20	490909.091	270000	270000
Total	17360000	15	241	380	2771037.3	599695.06	529841.3

Source:(<http://www.imm.gov.ro/mmaca/mediul-de-afaceri/>, May, 2019)

In the same time, the situation of the Business centers is in advantage for Bucharest, with 33 such centers followed by Ploiești:5, Deva: 2, Arad: 5, Cluj-Napoca: 4, Braşov: 4, Piteşti: 3, Oradea: 3, Timişoara: 4, according to the same study (<http://www.imm.gov.ro/mmaca/mediul-de-afaceri/>, May, 2019). The same situation, were Bucharest is the national leader, is also for the number of hubs and co-working places study (<http://www.imm.gov.ro/mmaca/mediul-de-afaceri/>, May, 2019): Bucharest: 13, Timişoara: 2, Cluj-Napoca: 2, Oradea: 2, Braşov: 2 Târgu Mureş: 1, Iaşi: 1, Constanţa: 1, and Sfântu Gheorghe: 1.

6. Business opportunities for Romanian small companies

The business opportunities for small and medium enterprises are very diverse and they are given by series of situation in which Romanian entrepreneurs may decide to involve, such as bioeconomy, clusters, smart agribusiness, circular economy – reuse and recycling, alternative

energy, outsourcing.

In order to digitizing their activities, companies may access Europe's Digital Innovation Hubs, which intend to be "not-for-profit one-stop-shops that support companies – in particular small and medium-sized enterprises (SMEs) – and public organisations in their digital transformation, offering them services such as" (FactsheetDigitalInnovationHubs.pdf, May, 2019):

Figure no 1 Services offered by Digital Innovation Hubs



Source:(FactsheetDigitalInnovationHubspdf, May, 2019, May, 2019)

Even if Romania starts from only 8% of companies that have digitalized activities, there are strong activities that may involve these orientation. Romanian entrepreneurs may consider best practices projects (<https://ec.europa.eu/digital-single-market/en/projects/75989/76256>, May 2019) and develop their owns, such as:

- Creating and construction of drones able to monitor fields and crops, turbines, and weather conditions;
- Developing smart tools as meters and sensors in order to boost water efficiency in agriculture, irrigations etc.;
- Creating and designing smart devices able to assist gardening, even farming depending on local and weather conditions;
- Creating and designing smart devices in order to better implement activities specific for smart cities, as waste, energy saving systems etc.;
- creating and designing smart tolls for companies to become more and more competitive and digitized.

These may be only few opportunities in the current areas for Romanian companies to better evolved and implement European financing, and national.

7. Conclusions

Following the findings, we may consider that the Romanian small enterprises are very vulnerable to market exchanges and they are not so well trained to face them, as the number of the companies that are being erased each year is still high.

Second of all, small enterprises are not ready to implement digital activities in their operations. One of the current objectives of the public policy in the area of entrepreneurship is to boost the use of computers in the companies management and daily activities and to stimulate the web-site creations for each financed company.

Only 8% of Romanian companies use digital tools, therefore tere is still a lack of national education for digitalization.

Romanian business environment offers market opportunities for small enterprises in different shapes and scales depending on localization and activities types. Bucharest and other big Romanian cities better integrates the entrepreneurial manifestation and attracts smart activities, while rural areas do not provide the same facilities. This is supported by the huge number of firms created in these cities and the huge number of modern facilities that are offered in these areas, against the rural ones.

In the context of future digitalized world, were Romanian companies benefit of grants, modern structures that supports business development, a more creative and competitive business environment and better quality of life, Romanian entrepreneurs should overcome all weaknesses and threats and go further.

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Migration and Cultural Landscape, a Romanian Perspective

Paul-Panfil Ivan

Anamaria Bucaciuc

"Ștefan cel Mare" University of Suceava

ivanpaul.ro@gmail.com

anamaria.bucaciuc@usm.ro

Abstract

We all have seen and we probably have in our computers or phones idyllic cultural landscapes with traditional villages either from rural areas of Austria, Germany or France or from any Asian country.

Unfortunately, in the case of Romania, we can no longer speak of fully authentic cultural landscapes, they still exist in Transylvania, Bucovina, Maramures or in extremely isolated areas, but for photographers it becomes increasingly difficult to take panoramic photos (wide frames), at most can be found groups of traditional houses but not villages or entire localities.

The traditional cultural landscape in Romania has been irreversibly profaned and the present paper aims to present the role of international migration in this case.

Key words: migration, cultural landscape, traditional villages, built patrimony

J.E.L. classification: F22, R23, Q01

1. Introduction

There is no doubt that Romania's presence within the European Union has positively influenced the economic and social development of our country. In the meantime it has changed the definition of migration also: we can no longer talk about immigrants and emigrants across the EU as long as it is a home for all its citizens. Today we cannot say that we emigrate or emigrate to the EU but just that we migrate. Practically we take a walk into a giant and multicultural familiar space.

The phenomenon of migration has expanded a lot over the last 30 years for Romania, the reason for leaving is mainly the financial gain that cannot be earned by the family in the country. Migration has resulted, globally, in the decrease of the population and the loss of a significant volume of labor, including highly qualified. Compared to January 1992 census data, the stable population of Romania declined by 14.41%, or 3286414 inhabitants; if in 1992 there were 22810035 persons, after ten years in 2002, there were 21852600 persons (Otovescu, 2005, pp. 293-299) and at the beginning of 2018 it reached 19523621 persons (INS, 2018, p. 1).

In addition to the declining population, the above forecast also shows that somewhere between 2050 and 2060 we will go below the psychological threshold of 15 million citizens residing in Romania.

Another interesting aspect related to the effects of international migration on the labor force comes from the selectivity of the phenomenon. Irrespective of the type of migration, young people are predominantly those who engage in international travel. From the countries of origin point of view, departures of this type are a loss. Migration makes the investment in long-term education of these young people a total loss for the state of origin (the one who pays part or all of the schooling), but a benefit for the state of destination. In the long run, departures of this type affect the development capacity of the home society, leaving it without of some of its most capable individuals (Cojocaru *et al*, 2006, p. 40). In this respect, remittances associated with migrant labor could be regarded as compensation for human capital outflows (Prelicean, 2009, p. 11). Although positive, these remittances complicate the situation in the country from the point of view of the cultural landscape, with migrants playing a key role in "building" the built patrimony from home,

although they are so far away.

A metaphoric image might be that of a child playing with a puzzle game chaotically arranging the pieces – practically creating remote worlds without being aware of the consequences of his arrangement.

This paper aims to analyze and present the role of international migration in the modification of cultural landscapes in rural areas of Romania, with a special emphasis on several villages in Bucovina representative of this phenomenon.

2. Literature review

As expected, there are many scientific papers dealing with migration issues as well as those related to cultural and traditional landscapes, but there are few works to treat the influence of migratory phenomena on traditional landscapes. Of the few works that fall within the scope of this paper, the vast majority refer to: landscaping changes in the destination area, with an emphasis on urban settlements and examples from Western Europe, Asia, Africa and America.

According to the Antrop's analysis (Antrop, 2005, pp. 21–34) of the landscape changes that took place in the last centuries, there are three main social forces responsible for landscape change: accessibility, urbanization and globalization. Other social factors, such as demographics; technology; economy; political and social institutions; attitudes, beliefs and behavior determined by culture, information and flow (Agarwal *et al*, 2003, p. 36) are also noted in the literature. Lambin (Lambin *et al*, 2001, pp. 261-269) that attempts to summarize the factors that affect landscape change, used the term „globalization” as a unifying theme, because it can increase or decrease the driving force by connecting people, places, markets and information around the world (Lambin *et al*, 2001, pp. 266). What illustrates the migration literature is that migratory flows are one of the expressions of globalization processes appearing at national and international levels and reflects the different economic and social policies of each country. While the link between migration and urbanization has been presented in the literature for certain areas, such as Spain (Zasada *et al*, 2010, 125-141), it is less clear how accessibility and globalization interact with migration.

Since the 16th century, demographic change in Europe has also served as a driving force for changing the landscape (Antrop, 2005, pp. 21–34). The impact of migration on host societies has been widely discussed, mainly in terms of social and economic effects, rather than landscape change, although, according to Greenwood and Hunt (Greenwood and Hunt 2003, p. 3), urbanization could have been responsible for raising the initial interest in the process of migration by academics. During the transition from the 19th century to the twentieth century, both in the United States and in Western Europe, urbanization has increased rapidly, mainly due to the population moving from rural areas to cities and by the number large of immigrants arriving in American cities.

Recently, many researchers have looked at this phenomenon from different perspectives, such as sociology, anthropology, politics and the economy, leading to a fragmentary view of migration (Borkert *et al*, 2006, pp. 282-288).

However, studies on the impact of migration on land use change are very limited (López *et al*, 2006, pp. 62-78), especially in the European context; Recent work by the authors of this paper has begun to remedy this imbalance by examining some of the migration hotspots, for example, for pension migration and the subsequent landscape changes. In addition, it is important to note that although much of the migration is from rural areas in urban areas and therefore the significant impact on land use tends to focus on urban areas, migration in rural areas has a profound effect on change land use. But, as we previously stated these effect is analysed for the destination areas and not for the home areas.

Strictly for Romania and the Bucovina area it is worth mentioning the brochure of the Suceava County Council - Bucovina Village as a tourist destination. How do we protect and promote it? (Suceava County Council, 2014), which presents the changes to the traditional landscape and heritage built in Bucovina, without necessarily placing them on the migration point of view.

3. Research methodology & Main findings

The research methodology consisted in making trips to different villages in Bucovina selected as representative for the existing cultural landscapes and for the modifications to the built heritage.

The selected villages/localities were: Cacica, Ciocănești, Dorna Candrenilor and Poiana Stampei. A series of meetings and discussions were held with the residents of these villages as well as representatives of the local public institutions (mayors) as well as photographic documentation of the houses in the selected areas.

Also, the research methodology involved a stage of documenting and studying specialized works in the following areas: migration phenomenon in Suceava County, traditional architecture, agricultural activities and rural development.

One of the limits of the research was the fact that migrants return to the country in the summer months (July and August in particular) this fact making it impossible to talk with those who effectively influenced the cultural landscape of the native village. In a future work it is also considered the investigation of their opinion and motivation to change the built heritage, based on questionnaires and interviews.

The results of the research revealed that the international migration phenomenon is an intense one in Suceava County, with rural areas being heavily affected. A simple and banal indicator of the intensity of this phenomenon is that in less than two years since the airport was reopened, Suceava County has a daily flight to London that maintains what it shows to be passengers in both directions.

Regarding the traditional Bucovina architecture, based on our field observations the following aspects can be mentioned:

- the traditional wooden house evolved from a one-room house and a tent, with a porch, to the house-room-room-room, as a gang and tower on the façade and the pantry on the back side;
- in addition to the four-sided („waters”) roof, specific to Bucovina architecture and perfectly adapted to the climatic conditions, it appeared the two-sided roof of the so-called German houses;
- types of joints for building a house, technical solutions for a comfortable living, wooden roofs and steep slopes for snow drip are just a few elements of authenticity of Bucovina;
- the height regime has evolved from one-level houses and roof (attic) to two-storey houses (ground floor), with a closed balcony (open less often due to weather) central or lateral and even with a cellar below the house - third level);
- it is interesting the different evolution of the concept of the traditional house in Bucovina: in the Dorna area for example, due to the economic and social development of the area, most of the old houses structured on a level were transformed after the 50s, in two-level houses using wood and wooden decoration. This houses are also traditional today even though they are "younger" than four-sided roof houses with one level. They became traditional with the passage of time, even though at their time those were considered modern houses.

Regarding the influence of migration on cultural landscapes, from the discussions and from the observation on the field, it is appreciated that the built heritage was unfortunately irreversibly influenced by a series of non-traditional ideas that can only have an origin outside the Romanian traditional space.

These ideas are coming also from the villages' migrants and their remittances remotely finance the renovation, construction and extension of homes in their home villages either for the remaining families, for their own families or even for businesses developed at home after the phenomenon of return migration.

The main observed changes to the built heritage are, unfortunately, mostly negative, irreversibly destroying the village's cultural landscape and its traditional features so beautiful and appreciated by tourists. The most common changes are:

- old houses are demolished because they are considered too old and unprofitable;
- the height regime changes, there are houses on three or even 4 levels that spoil and turn out negative in the landscape (the wide frame of the village);

- the traditional roofs (four or two-sided) are replaced with roofs with irregular and non-traditional forms;
- wood carpentry of doors and windows is replaced by metal or plastic windows with reflective glass or various applications on glass;
- window shape changes, triangular, round or oval windows appear;
- the roofs are made of materials that replace wood in often shady colors;
- the facades are covered with inappropriate materials such as plastic or metal, which also damage the thermal regime of the house and the colors used are unnatural and strident (pink, blue, orange, green, purple, yellow or even unpleasant color combinations)
- the decorative motifs that decorate the house are destroyed for „modernization” reasons.

A unique case in Romania is the one in the village of Ciocanesti. Since the 40s, the facades of the houses have begun to be decorated with a series of traditional elements that in time have become the main means of promoting the village.

The power of the example and the pride of the villagers made in time that all the houses in the village to be decorated with traditional models, including those of public institutions.

Starting a few years ago there is a local council decision obliging all owners of new homes to apply the traditional models on their houses within two years.

This is a way of transforming modern houses into traditional houses and placing them in the cultural landscape of the village (as pieces of a puzzle). Unfortunately, the regulation does not limit strident constructions and their height regime as long as the traditional models are applied.

Is Ciocănești village an undercover kitsch?

Figure no. 1. Ciocănești guest house



Source: the personal archive of the authors, date taken May 2019

Figure no. 2. Ciocănești pharmacy



Source: the personal archive of the authors, date taken May 2019

Figure no. 3. Ciocănești private house



Source: the personal archive of the authors, date taken May 2019

Figure no. 4. Ciocănești local shops



Source: the personal archive of the authors, date taken May 2019

We cannot respond to that question but we think that the pictures above can offer some answers.

4. Conclusions

The beauty of a village and its power to attract tourists do not lie only in the objectives around it (monasteries, natural attractions, recreation, etc.) but also in the village itself and in the built heritage.

Unfortunately, there are no signs that villagers are aware of this and migrants have not learned this in the destination countries, although it is such a simple and banal aspect that can attract tourists and revenue implicitly. The building has been chaotic, based on ideas from other countries, and today we can no longer talk about traditional villages but only, at best, about groups of traditional houses.

The preparation of this work was interesting precisely from the perspective of the field trips and the discussions with the locals. From the discussions and from the observation on the field, it is appreciated that the built heritage was unfortunately irreversibly influenced by a series of non-traditional ideas that can only have an origin outside the Romanian traditional space.

One of the limits of the research was the fact that migrants return to the country in the summer months this fact making it impossible to talk with those who effectively influenced the cultural landscape of the native village. In a future work it is also considered the investigation of their opinion and motivation to change the built heritage, based on questionnaires and interviews.

5. Acknowledgements

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Issues Regarding the Dynamics of the Economic and Financial Efficiency, Correlated with the Dimension of the Human Resources Used by Companies from the Urban Area of Constanța County, Romania

Ion Dănuț Jugănaru

"Ovidius" University of Constanța, Faculty of Economic Sciences

juganarudan@yahoo.com

Abstract

*This paper is part of a broader analysis of the business environment in Constanta County in 2016 and 2017. The present study includes the dynamic analysis of two economic and financial indicators: the value added and the average number of employees registered and reported by the companies operating in the **urban localities** of Constanta County.*

The quantitative research carried out helps to identify the urban localities where the highest values of the analyzed indicators are concentrated, provides information about their hierarchy and importance in the economy of Constanta County.

The results obtained from this study represent a database used to perform comparative analyses regarding the economic profile of urban localities (in terms of the indicators used), but also a starting point (for the managers of the companies and the decision-makers in the localities / county of Constanta) in terms of deciding the strategy for increasing the economic and financial performance, of adopting policies correlated with the current economic and social context.

Key words: efficiency, companies, value added, number of employees, urban area

J.E.L. classification: C10, C40, E24, J21, L11, L25, M10, M21, O11, O12

1. Introduction

The Chamber of Commerce, Industry, Navigation and Agriculture Constanta (CCINA) is a private organization, established under Law no. 335/2007. According to the law, Chambers of Commerce are autonomous, non-governmental, apolitical organizations, without a patrimonial purpose, of public utility, with legal personality, created in order to represent, protect and support the interests of their members and of the business community in relation to the public authorities and the organizations in the country and abroad. (Law no. 335 of 2007).

Each year, CCINA organizes the Top Companies in Constanta County event, in accordance with art. 4 of Law 335/2007 of the Chambers of Commerce and Industry of Romania, amended and completed. In order to draw up the Top Companies List, CCINA processes information from the balance sheets of the companies for the previous year, according to the EU Directives provided by the Ministry of Public Finance; information about companies legally registered in Romania, provided by the National Trade Register Office; as well as information about companies resulting from the activity of the county Chambers of Commerce. (Constanta Chamber of Commerce, Industry, Navigation and Agriculture, 2017 and 2018 ;Law no. 335 of 2007 ;OECD, 2018).

2. Theoretical background

The activity of any economic unit also involves drawing up balance sheets, in accordance with the provisions of the Order of the Ministry of Public Finance no.1802/2014. (The Ministry of Public Finance, 2017). These annual balance sheets are official documents drawn up at the end of the financial year and are referred to as annual balance sheets.

On the one hand, this information is of microeconomic importance for each economic unit as it provides an accurate image of the assets, liabilities, financial position and profit or losses of the entity (Matiş D. *et al*, 2007), reflects the company's present financial situation, but, at the same time, it is a database useful for different users in the decision-making process concerning the future of the activity.

On the other hand, these annual balance sheets are databases for meso and macroeconomic studies / analyses. Depending on the objective, the statistical-mathematical apparatus and the support of the information technology used, the way of combining the information from the annual balance sheets, various analyses can be made, which bring a host of useful information in understanding and explaining economic and social phenomena/aspects, but also in the formulation of business orientation decisions.

3. Research methodology

For the study presented in this paper, a broad initial database was used, consisting of information recorded in the balance sheets of 26,978 companies in 2016 and 28,292 companies in 2017 (Constanta Chamber of Commerce, Industry, Shipping and Agriculture, 2017 and 2018).

In order to obtain factual results, it was considered appropriate to improve this ample database in the sense that companies that reported zero turnover and declared a number of zero employees were excluded. Under the circumstances, 11,186 companies for the year 2016 and 11,945 companies for the year 2017 remained in the database of the study. In the quantitative research (Jugănaru, M., 1998), conducted and presented in this paper, the system of absolute, relative and mean indicators of chronological series was used (Aivaz, K., 2007 a, p. 329 ; Aivaz, K., 2007 b, p. 99).

For the systematization of information and the calculation of statistical indicators, the SPSS software program (Field, A., 2009) was used.

4. Data, results and discussion

The starting point of the study was the statistical description of the value added and the average number of employees, using the following statistical indicators: the average level (mean), the number of companies (N), the aggregate value of the financial indicators (Sum), the lowest value of the analyzed financial indicator (Minimum), respectively the highest (Maximum), amplitude variation (Range), the structure of the financial indicator - value added (% of Total Sum) and the structure of the number of firms (% of Total N). The results obtained for the first ten urban localities (selected according to the number of companies) in the two analyzed years (2016 and 2017) are presented in Table 1.

We note that, from an administrative point of view, there is a single Eforie Town, with two tourist resorts, namely Eforie Nord and Eforie Sud. Moreover, Mamaia is a tourist resort, however, from an administrative point of view, it is part of Constanta municipality. In the database used, the annual balance sheets of the companies are recorded separately, by cities and resorts, which is why we followed this particular method of presentation in our study.

In Table no. 1, the urban localities/resorts are placed alphabetically (as in the consulted database), but in the interpretation of the results their hierarchy was presented (according to the number of companies).

Table no. 1 The statistical description of the "value added" and "average number of employees" indicators for companies in the first ten urban localities of Constanta County, for the 2016-2017 period

2016			2017		
Locality		Value added	Average number of employees	Value added	Average number of employees
Cernavoda	Mean	499154.26	11.50	334891.89	9.69
	N	321	321	323	323
	Minimum	-764342	1	-30308786	1
	Maximum	21806236	558	20211395	414
	Range	22570578	557	50520181	413
	Sum	160228516	3690	108170081	3129
	% of Total Sum	1.9%	2.7%	1.2%	2.3%
	% of Total N	1.7%	1.7%	1.6%	1.6%
Constanta	Mean	465322.70	7.36	478821.65	7.10
	N	11533	11533	11963	11963
	Sum	5366566749	84860	5728143356	84989
	% of Total Sum	63.5%	62.2%	64.0%	63.2%
	% of Total N	60.3%	60.3%	59.8%	59.8%
Eforie Nord	Mean	220367.75	4.48	258525.07	4.25
	N	286	286	297	297
	Sum	63025176	1281	76781947	1263
	% of Total Sum	.7%	.9%	.9%	.9%
	% of Total N	1.5%	1.5%	1.5%	1.5%
Eforie Sud	Mean	209980.94	4.64	215753.08	4.34
	N	169	169	178	178
	Sum	35486779	784	38404048	773
	% of Total Sum	.4%	.6%	.4%	.6%
	% of Total N	.9%	.9%	.9%	.9%
Mamaia	Mean	873241.61	16.00	1016875.43	16.36
	N	146	146	137	137
	Sum	127493275	2336	139311934	2242
	% of Total Sum	1.5%	1.7%	1.6%	1.7%
	% of Total N	.8%	.8%	.7%	.7%
Mangalia	Mean	355543.88	11.10	364335.07	9.10
	N	957	957	991	991
	Sum	340255490	10621	361056059	9023
	% of Total Sum	4.0%	7.8%	4.0%	6.7%
	% of Total N	5.0%	5.0%	5.0%	5.0%

Medgidia	Mean	210651.23	5.00	197912.62	4.94
	N	762	762	768	768
	Sum	160516235	3810	151996895	3795
	% of Total Sum	1.9%	2.8%	1.7%	2.8%
	% of Total N	4.0%	4.0%	3.8%	3.8%
Navodari	Mean	1265024.32	7.32	1097870.64	6.48
	N	727	727	833	833
	Sum	919672679	5325	914526246	5398
	% of Total Sum	10.9%	3.9%	10.2%	4.0%
	% of Total N	3.8%	3.8%	4.2%	4.2%
Ovidiu	Mean	387386.99	6.35	392041.13	5.99
	N	371	371	382	382
	Sum	143720572	2354	149759710	2290
	% of Total Sum	1.7%	1.7%	1.7%	1.7%
	% of Total N	1.9%	1.9%	1.9%	1.9%
Techirghiol	Mean	187191.04	4.95	173372.86	4.24
	N	199	199	204	204
	Sum	37251016	986	35368064	865
	% of Total Sum	.4%	.7%	.4%	.6%
	% of Total N	1.0%	1.0%	1.0%	1.0%

Source: Data obtained by processing the information from the financial and accounting balance sheets of active companies in Constanta County

1. The municipality of Constanta has the highest value of the indicators analyzed. Thus, in 2016, the average value added of the 11,533 companies, of 5,366,566,749 lei, was 465,322.70 lei, and the share held by the companies in the city, in the total value added realized in Constanta county was of 63.5 %. In 2017, the values of the indicators increased. It can be noted that the 11,963 companies in this city achieved 5,728,143,356 lei total value added, reaching a mean of 478,821.65 lei and a share of 64% at the county level.

As for the average number of employees, there is a slight increase, from 84,860 in 2016 to 84,989 in 2017. The number of employees in the city's companies represented 62.2% in 2016 and 63.2% in 2017, in the total number of employees of the companies in Constanta County.

2. Mangalia municipality, ranked second on the top list of urban localities in Constanta County, registered 340,255,490 lei of value added in 2016, which increased to 361,056,059 lei in 2017. These values show that Mangalia Town made a contribution of 4% (both in 2016 and in 2017) to the achievement of the total value added indicator at the county level. The share of companies in this city is 4% over the analyzed period, even if their number increased in absolute terms from 957 in 2016 to 991 in 2017. Furthermore, the mean value added indicator increased from 355,543.88 lei in 2016 to 364,335.07 lei in 2017. Decreases were recorded in the average number of employees, from 11.1 in 2016 to 9.1, in 2017, but also in the share of the number of employees in the city of Mangalia in the total number of employees of companies in Constanta County, i.e. from 7.8% in 2016 to 6.7% in 2017.

3. In Medgidia Municipality, as the total number of companies increased from 762 in 2016 to 768 in 2017, there were decreases of the value added indicator, in terms of total value: from 160,516,235 lei in 2016 to 151,996,895 lei, in 2017; and as a mean value from 210,651.23 lei in

2016 to 197,912.62 lei in 2017, but also as share, from 1.9% to 1.7% over the analyzed period. Further decreases were registered in the number of employees: from a total of 3,810 employees in 2016 to 3,795 employees in 2017; from a mean number of employees of 5 in 2016 to 4.94 in 2017.

4. The evolution of Navodari Town is very similar to that of Medgidia. Given that the total number of companies increased from 727 in 2016 to 833 in 2017 (as a share, from 3.8% to 4.2%), there were decreases of the value added indicator, as a total value: from 919,672,679 lei in 2016 to 914,526,246 lei, in 2017; and as a mean value from 1,265,024.32 lei in 2016 to 1,097,870.64 lei in 2017 and in share from 10.9% to 10.2% over the analyzed period. The difference is that in Navodari Town, compared with Medgidia municipality, there have been increases in the number of employees indicator: from a total of 5,325 employees in 2016 there were 5,398 employees in 2017, but also a decrease from the 7.32 average number of employees in 2016 to 6.48 in 2017.

5. Ovidiu Town shows a positive evolution of the value added indicator: in terms of total level, the increase was from 143,720,572 lei in 2016 to 149,759,710 lei in 2017; in terms of average level, it increased from 387,386.99 lei in 2016 to 392,041.13 lei in 2017, and in terms of share it remained at 1.7% over the analyzed period. As far as the number of employees indicator is concerned, in terms of total value there was a decrease from 2,354 in 2016 to 2,290 in 2017, the average level reduced from 6.35 employees to 5.99 employees over the analyzed period, while the share of the total number of employees in the companies operating in Ovidiu Town, in the total number of employees in the companies operating in Constanta County, remained 1.7%.

6. The evolution of Cernavoda Town is similar to that of Navodari and Medgidia towns. A very small increase in the total number of companies, from 321 in 2016 to 323 in 2017, was accompanied by decreases of the value added indicator at a total level: from 160,228,516 lei in 2016 to 108,170,081 lei, in 2017; in terms of mean value, from 499,154.26 lei in 2016 to 334,891.89 lei in 2017, and in terms of share, from 1.9% to 1.2%, over the analyzed period. Unlike Navodari Town and similar to Medgidia Town is that there have been decreases in the number of employees: from a total of 3,690 employees in 2016 to 3,129 employees in 2017, a decrease in the average number of employees from 11.5 in 2016 to 9.69 in 2017.

7. In Eforie Nord there was a positive evolution of the economic activity, similar to the one recorded and presented about Ovidiu Town. The total level of the value added indicator increased from 63,025,176 lei in 2016 to 76,781,947 lei in 2017; the mean level increased from 220,367.75 lei in 2016 to 258,525,07 lei in 2017, and in terms of share it increased from 0.7% to 0.9% over the analyzed period. As regards the number of employees indicator, there were decreases in total value from 1,281 in 2016 to 1,263 in 2017, and the average level decreased from 4.48 employees to 4.25 employees over the analyzed period, while the share of the total number of employees in the companies operating in Eforie Nord from the total number of employees in the companies operating in Constanta County remained 1.5%.

8. Techirghiol Town's evolution is similar to the towns' of Cernavoda, Navodari and Medgidia. In the context of a very small increase in the total number of companies, from 199 in 2016 to 204 in 2017, there were decreases of the value added indicator in terms of total level: from 37,251,016 lei in 2016 to 35,368,064 lei in 2017; in terms of mean value, from 187,191,04 lei in 2016 to 173,372.86 lei in 2017, while the share remained at 0,4% over the analyzed period. There were decreases in the total number of employees: from a total of 986 employees in 2016 to 865 employees in 2017; from 4.95, the average number of employees in 2016 to 4.24 in 2017; the share decreased from 0.7% to 0.6% over the analyzed range.

9. In Eforie Sud there was a positive evolution of the economic activity, almost identical to that of Eforie Nord. It can be noted that the total value added indicator increased from 35,486,779 lei in 2016 to 38,404,048 lei in 2017; the mean value rose from 209,980.94 lei in 2016 to 215,753.08 lei in 2017 and in terms of share it remained at the 0.4% level over the analyzed period. As regards the number of employees indicator, there were decreases, in terms of total value, from 784 in 2016 to 773 in 2017, the mean value decreased from 4.64 employees to 4.34 employees over the analyzed period while the share of the total number of employees in the companies operating in Eforie Sud in the total number of employees in the companies operating in Constanta County remained 0.6%. This evolution was possible as a result of the increase in the total number of companies from 169 in 2016 to 178 in 2017.

10. The evolution registered by Mamaia resort is positive, given that the total number of companies decreased slightly from 146 in 2016 to 137 in 2017. It can be noted that the total value added indicator increased from 127,493,275 lei in 2016 to 139,311,934 lei in 2017; the mean level increased from 873,241.61lei in 2016 to 1,016,875.43 lei in 2017, and the share increased from 1.5% to 1.6% over the analyzed period. As far as the number of employees indicator is concerned, there were contradictory changes: on the one hand, there was a decrease in total value, from 2,336 employees in 2016 to 2,242 in 2017, and on the other hand there was a slight increase in terms of mean value, i.e. from 16 employees to 16.36 employees over the analyzed period, while the share dropped from 8% to 7%.

5. Conclusions

The research carried out has focused on the following aspects:

More than half of the total value added in Constanta County is realized in Constanta municipality, i.e. 63.5% in 2016 and 64% in 2017. Furthermore, more than half of the employees in Constanta County (62.2% in 2016 and 63.2% in 2017) are concentrated in the companies operating in Constanta municipality.

The municipality of Medgidia is notable for the decrease in the efficiency of the economic activity over the analyzed period, due to the quantitative increase in the number of companies.

Navodari Town (ranked No. 4), with a smaller number of companies, has higher values than those of Medgidia Town (ranked third). The explanation lies in the fact that in Navodari the largest refinery in Romania, as well as other larger companies in the petrochemical industry are operating.

In conclusion, one can speak of an intense concentration of economic power in Constanta County. Thus, the 10 urban localities contribute to the total value added realized in Constanta County by 86.9% in 2016 and 85.7% in 2017; they total 80.9% of the total number of companies operating in the county in 2016 and 80.4% in 2017, and they hold 85% in 2016 and 84.5% in 2017 of the total number of employees in Constanta County.

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The Dynamics of the Economic and Financial Efficiency, in Correlation with the Size of the Human Resources Used by Companies in the Services Sector in Constanța County, Romania

Ion Dănuț Jugănaru

"Ovidius" University of Constanta, Faculty of Economic Sciences

juganarudan@yahoo.com

Abstract

The study presented in this paper represents a comparative and dynamic analysis of the activity recorded in four fields of activity (according to the CAEN classification): "Wholesale and retail trade; repair of motor vehicles and motorcycles", "Transport and storage", "Hotels and restaurants", "Professional, scientific and technical activities", using two economic and financial indicators: "value added" and "average number of employees".

A large database was consulted for the study, consisting of the information recorded in the financial and accounting balance sheets of the companies operating in Constanța County for the years 2016 and 2017.

The analysis started from a microeconomic approach, and the results provided support for meso-economic assessments. The study includes assessments of the importance of each analyzed field of activity, as well as the impact of the four fields as a whole on the economy of Constanța County in terms of their contribution to the creation of value added.

Key words: balance sheets, indicators, companies, evolution, county

J.E.L. classification: C10, C40, M10, M20, M21, O11, O12

1. Introduction

The Classification of Activities in the National Economy (CAEN) is a step taken in the context of the concerns over achieving an integrated system of statistical classifications at international level. (National Institute of Statistics, 2007).

For over two decades, a complete revision of international statistical classifications has been undertaken. Regional organizations, such as the European Union or the North American countries have, to varying degrees, aligned their own classifications with the world classifications developed by the United Nations Statistical Commission (StatCom) and, furthermore, each country has aligned its national system to the international statistical classifications systems.

Currently, The International Standard Industrial Classification of All Economic Activities, developed by the United Nations Statistical Commission - ISIC Revision 4 is aligned to The Statistical Classification of Economic Activities in the European Community - NACE Revision 2. (National Institute of Statistics, 2007, p.3-4).

By using CAEN, statistical data are collected on the basis of the same classification structure (national and European), CAEN being transposed directly into ISIC Revision 4 with the help of correspondence tables. (National Institute of Statistics, 2007, p.5-6).

The Classification of Activities in the National Economy was last updated in 2007, ensuring the alignment of CAEN Revision 2 to NACE Revision 2 and ISIC Revision 4.

In order to provide as much information as possible on the main international statistical classifications used in various areas: economic analysis, environment, education, occupations, national accounts, etc., the Eurostat server RAMON was created (publicly accessible on the Web at the following address: <http://www.europa.eu.int/comm/eurostat/ramon/>). (National Institute of Statistics, 2007 p.4). The available information refers to the following aspects: general description;

structure of classifications (consisting of codes and headings); explanatory notes; correlation tables between classifications; methodological documents, other general classification information.

At national level, in Romania, SENIN was created, a server which includes the national classifications developed by the National Institute of Statistics (NIS). It is available to users on the NIS website under the heading Nomenclatoare statistice (Statistical Nomenclatures). (National Institute of Statistics, 2007, p.4).

2. Theoretical background

Value added is one of the most significant indicators (Peyrard, J., 1999) for quantifying the activity of a company. In the diagnostic analysis, the value added indicator has the role of highlighting the economic and financial performance of the company and expresses the size of the newly created value through the undertaken activity. (Niculescu, M., 2005). From this perspective, the value added indicator plays an important role for decision-making structures, at society's level, in the elaboration of feasibility studies and arouses the interest of the company's staff, shareholders, state institutions and financial institutions. (Petcu, M., 2009).

The value added indicator may be used to describe the economic and financial activity of a company, branch activity, or national economy.

At macroeconomic level, the indicator total gross value added (GVA) is used, at basic prices, as a main component for the calculation of Gross Domestic Product (GDP). Gross value added (GVA) is estimated as the difference between the value of production (measured at basic prices) and intermediate consumption (valued at purchase prices). (Robu, V. *et al*, 2001 ; Vîlceanu, Gh. *et al*, coord., 2005).

If, at microeconomic level, the value added reflects the measure of the wealth actually created by the economic units, regardless of the specific form of their activity at macroeconomic level, Gross Domestic Product (GDP) is the domestic supply of goods and services to meet (internal and external) demand of final consumption in the private and public sectors.

There are several methods for calculating the value added indicator, but perhaps the most commonly used is: $VA = \text{commercial margin} + \text{output} - \text{intermediate consumption}$. (Niculescu, M., 2005 ; Petcu, M., 2009; Robu, V. *et al*, 2001 ; Vîlceanu, Gh. *et al*, coord., 2005).

For companies with production activity, value added is determined as the difference between output and intermediate consumption. (National Institute of Statistics, 2007).

For retail companies, value added is represented by the commercial margin, determined as the difference between the revenue from the sale of the goods and the expenses incurred. Commercial margin is, in fact, the value of commercial revenue resulting from the goods' trading activity. (National Institute of Statistics, 2007).

We note that "value added is the basic indicator, used to determine the core activity of a unit, according to CAEN Revision 2. ... The main activity is the activity that contributes the most to the value added of the unit ... Representing the difference between production and intermediate consumption, value added is a measure of the contribution of each economic unit to gross domestic product (GDP). The calculation of this contribution is performed by relating the gross value added to the factor cost. Gross value added at factor cost is the sum of wages and other items related to the cost of labor factors, profit, operating subsidies, fixed capital write-off, minus production taxes." (National Institute of Statistics, p. 10).

3. Research methodology

For this study, a large database was used, that of the Chamber of Commerce, Industry, Navigation and Agriculture Constanta (CCINA), resulting from processing the information recorded in the financial and accounting balance sheets from 26,978 companies in 2016 and from 28,292 companies in 2017 Constanta Chamber of Commerce, Industry, Navigation and Agriculture, 2017 and 2018; County Statistics Directorate Constanta, 2018; Ministry of Public Finance). According to the legal framework, companies have the obligation to report a series of economic indicators regarding their work. (Accounting Law no. 82, 1991; Ministry of Public Finance, 2014). The study is a quantitative research (Jugănar, M., 1998), in which the processed

database was made up of two economic and financial indicators (selected from the financial and accounting balance sheets), i.e. "value added" and "average number of employees", reported by the companies operating in Constanta County in the years 2016 and 2017.

The companies that reported zero turnover and declared a number of zero employees were excluded from the initial database in order to ensure that the results obtained through processing are correct. After this filtering, 11,186 companies for the year 2016 and 11,945 companies for the year 2017 were kept in the study. The next step was to group the indicators by the fields of activity of the companies (kept in the research), according to the CAEN, Revision 2. From the twenty-one fields of activity, four were selected: "Wholesale and retail trade; repair of motor vehicles and motorcycles", "Transport and storage", "Hotels and restaurants", "Professional, scientific and technical activities". The database obtained was processed using the system of absolute, relative and mean indicators of chronological series (Aivaz, K., 2007a ; 2007b), while the SPSS software program was used for information systematization and statistical indicators calculation (Field, A., 2009).

4. Data, results and discussion

The statistical description of the two selected economic and financial indicators ("value added" and "average number of employees" over the 2016-2017 period), grouped into the four activity fields analyzed, was made using the following statistical indicators: the average level (mean), the number of companies (N), the aggregate value of the financial indicators (Sum), the lowest value of the analyzed financial indicator (Minimum), respectively the highest (Maximum), amplitude variation (Range), the structure of the financial indicator - value added (% of Total Sum) and the structure of the number of firms (% of Total N).

The results obtained by processing the database, are presented in the table below.

Table no.1. The statistical description of "value added" and "average number of employees" in the companies operating in Constanta County, in the 2016-2017 period, grouped into four fields of activity

Report 2016			Report 2017		
CAEN group		Value added	Average number of employees	Value added	Average number of employees
Wholesale and retail trade; repair of motor vehicles and motorcycles	Mean	222386.65	4.71	256469.37	4.51
	N	5702	5702	5775	5775
	Minimum	-71294771	1	-42720006	1
	Maximum	69653601	565	87501460	565
	Range	140948372	564	130221466	564
	Sum	1268048652	26860	1481110611	26021
	% of Total Sum	15.1%	20.0%	16.6%	19.4%
	% of Total N	30.7%	30.7%	28.9%	28.9%
Transport and storage	Mean	772193.84	8.07	830895.65	8.94
	N	2144	2144	2180	2180
	Minimum	-1186471	1	-2509518	1
	Maximum	160257169	939	204379117	1940
	Range	161443640	938	206888635	1939
	Sum	1655583601	17306	1811352514	19490
	% of Total Sum	19.7%	12.9%	20.3%	14.5%
	% of Total N	11.5%	11.5%	10.9%	10.9%
Hotels and restaurants	Mean	317302.53	7.13	368129.34	7.08
	N	1640	1640	1737	1737

	Minimum	-5112008	1	-299231	1
	Maximum	25944578	354	23022992	322
	Range	31056586	353	23322223	321
	Sum	520376146	11693	639440663	12297
	% of Total Sum	6.2%	8.7%	7.2%	9.2%
	% of Total N	8.8%	8.8%	8.7%	8.7%
Professional, scientific and technical activities	Mean	142837.09	2.68	174858.34	2.56
	N	1916	1916	2051	2051
	Minimum	-4399905	1	-228064	1
	Maximum	12093709	142	19672256	178
	Range	16493614	141	19900320	177
	Sum	273675862	5136	358634447	5241
	% of Total Sum	3.3%	3.8%	4.0%	3.9%
	% of Total N	10.3%	10.3%	10.3%	10.3%

Source: Data obtained by processing the information from the financial and accounting balance sheets of companies operating in Constanta County

1. For the field of activity "Wholesale and retail trade; repair of motor vehicles and motorcycles" over the 2016-2017 period, a positive evolution of the economic activity can be noticed. The value added indicator increased in total absolute value from 1,268,048,652 lei in 2016 to 1,481,110,611 lei in 2017, and in terms of mean value the increase was from 222,386.65 lei in 2016 to 256,469, 37 lei in 2017. While the number of companies in this field of activity increased from 5,702 in 2016 to 5,775, in 2017 the share of these companies declined in the total number of companies operating in Constanta County, from 30.7% to 28.9% over the same period. There were also decreases in the number of employees indicator, both in absolute terms (from 26,860 in 2016 to 26,021 in 2017), and as average (the decrease was from 4.71 to 4.51 employees in the 2016-2017 period). CAEN Revision 2, Section G, presents the activities included in the field of "Wholesale and retail trade; repair of motor vehicles and motorcycles". These activities are Wholesale, Intermediate Wholesale and Retail trade for all types of goods: motor vehicles; motorcycles; parts and accessories for motor vehicles; industrial equipment, ships and airplanes; furniture, household articles and smithery; food, beverages and tobacco; raw agricultural goods and live animals; consumer goods (textiles, clothing, household electrical appliances, radio and TV sets, ceramics, glassware, maintenance goods, cosmetics and perfumery, pharmaceuticals, furniture, carpets, lighting, watches and jewelry); computer and telecommunication equipment; solid, liquid and gaseous fuels; motor fuels; cultural and recreational goods, etc. (National Institute of Statistics, 2007, p.43).

2. A positive evolution of the activity was also registered in the field of "Transport and storage". The value added achieved by the companies increased from a total level of 1,655,583,601 lei in 2016 to 1,811,352,514 lei in 2017, and in terms of mean, the increase was from 772,193.84 lei in 2016 to 830,895.65 lei in 2017. The increase in the number of companies (2.180 in 2017, compared to 2,144 in 2016) was accompanied by an increase in the total number of employees (19,490 in 2017, compared to 17,306 employees in 2016), and in the average number of employees (8,94 in 2017, compared to 8,07 in 2016). It should be noted, however, that the share of the number of companies active in this field of activity, in the total number of companies in Constanta County, decreased from 11.5% in 2016 to 10.9% in 2017. CAEN Revision 2, Section H - "Transport and storage" presents the activities specific to this field, namely the passenger transport activities (by rail, air, water and road), freight transport (by rail, air, water, road and pipelines), storage and auxiliary transport activities. (National Institute of Statistics, 2007, p.50).

3. In the field of "Hotels and restaurants", the activity, analyzed in its dynamics, shows an ascending trend. With a larger number of companies (1,737 in 2017, compared to 1,640 in 2016), but also with a larger number of total employees (12,297 in 2017, compared to 11,693 in 2016), in

this field of activity a higher value added was achieved (639,440,663 lei in 2017, compared to 520,376,146 lei in 2016). In terms of the mean level, an increase in value added from lei 317,302.53 in 2016 to lei 368,129.34 in 2017 is noticed. Over the analyzed period, the average number of employees decreased (from 7.13 to 7.08). The "Hotels and restaurants" field of activity is presented in CANE Revision 2, Section I, and the main activities it includes refer to Hotels and other accommodation facilities; Restaurants and other food service activities. (National Institute of Statistics, 2007, p.52).

4. With regard to the last analyzed field, "Professional, scientific and technical activities", the positive evolution registered in 2017, compared to 2016 is to be noted. The total value added achieved by the operating companies increased from 273,675,862 lei to 358,634. 447 lei, between 2016 and 2017. The mean level of the value added indicator increased from 142,837.09 lei in 2016 to 174,858.34 lei in 2017. The increase in the total number of companies (to 2,051, in 2017, compared to 1,916 in 2016) was also reflected in an increase in the total number of employees (5,241 in 2017, compared to 5,136 employees in 2016). On average, the number of employees was lower in 2017 (2.56), compared to the 2016 level (2.68 employees). In CAEN Revision 2, section M - "Professional, scientific and technical activities", the specific activities within the structure of this field are stated: Legal and accounting activities; Activities of departments (headquarters), centralized administrative offices; management and management consulting activities; Architectural and engineering activities; Testing and technical analysis activities; Research and Development; Advertising and market research activities; Other professional, scientific and technical activities. (National Institute of Statistics, 2007, p.58).

5. Conclusions

The results of this study show that in all four analyzed activity fields, which are part of the services sector, there was a positive evolution of the economic activity over the analyzed period.

If we consider the increase recorded in the total "value added" volume in 2017, compared to 2016, the four fields can be ranked as follows: "Wholesale and retail trade; repair of motor vehicles and motorcycles" (with an increase of 213.061.959 lei) is the first, the second place belongs to the "Transportation and storage" field (with 155,768,913 lei), the third place belongs to the "Hotels and restaurants" field (119.064.517 lei), and the last to "Professional, scientific and technical activities" (84.958.585 lei). One can see that between the fields on the first and the second place there is the greatest increase in value added, of 57,293,046 lei, between the second and third place the increase (the difference) is of 36,704,396 lei, and between the third and fourth place it is of 34,105,932 lei.

Another hierarchy can be done according to the increase in the volume recorded by the average level of the "value added" indicator. This time, the "Transportation and storage" sector occupies the first place (with an increase of 58,701.81 lei, obtained in 2017, compared to 2016), the second place belongs to the "Hotels and restaurants" field (50,826.81 lei), the third place to the field "Wholesale and retail trade; repair of motor vehicles and motorcycles" (an increase of 34.082,72 lei), and the last to the field "Professional, scientific and technical activities" (increase of 32,021.31 lei).

It should be noted that these four fields of activity contributed with a 44.3% share to the creation of the total "value added", at the Constanta County level in 2016 and 48.1% in 2017. Under these conditions, one can say that almost half of the development of Constanta county's economy was supported by activities in the services sector.

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A Dynamic Analysis of Economic and Financial Efficiency, Correlated with the Dimension of the Human Resources Used by Companies from the Rural Area of Constanta County, Romania

Mariana Jugănaru

"Ovidius" University of Constanta, Faculty of Economic Sciences

juganaru.mariana@yahoo.com

Abstract

This paper presents a dynamic analysis, based on two economic and financial indicators: the value added and the average number of employees registered and reported during 2016 and 2017 by the companies operating in ten rural localities selected from Constanta County.

The study is based on a quantitative research in which quantitative information, represented by the absolute values of the two above-mentioned indicators, was used, and the interpretation of the results can be considered a useful information database for decision-making concerning the activity, both at the micro and meso-economic level. One may say that value added expresses, much better than any other indicator, the effectiveness of combining capital and labor production factors.

The specificity of this study is that interesting aspects have been brought to attention regarding the contribution of each selected rural locality to the economy of Constanta County, their hierarchy and the particularities of the economic activity presented in the evolution of the two indicators over the analyzed period.

Key words: efficiency, companies, rural area, value added, number of employees

J.E.L. classification: C10, C40, E24, J21, L11, L25, M10, M21, O11, O12

1. Introduction

Constanta County is located in the south-eastern part of Romania, it occupies an area of 7,071 km², which represents 3% of the total area of the country and is the eighth county, by size, among the counties of the country. The administrative-territorial organization of Constanta County, on December 31 2017, was the following: 9 cities and 3 municipalities, 58 communes and 189 villages. (County Statistics Directorate Constanta, 2018). The statistical data show that in 2018 this county ranked second, in terms of GDP (EUR 9.58 billion), after Bucharest (EUR 49.15 billion), followed by Cluj (9.22 billion euros) and Prahova (9.0 billion euros). The economic activity of Constanta County reflects the results registered by the companies operating in the urban and rural localities from its administrative-territorial structure.

2. Theoretical background

Value added is an indicator of the volume of activity, a reference concept in the economic and financial analysis and it plays an important role for the decision-making structures at the company level.

Value added is part of the performance indicator system that measures resource consumption against the results achieved after the end of the production process and compares them with the levels set out in the objectives. (Matiş D. *et al*, 2007).

As Peyrard points out (Peyrard J., 1999), the concept of value added is "more significant than turnover; the turnover of an enterprise aggregates all upstream turnover, while value added reveals exactly the role of the enterprise"¹. In the diagnostic analysis, the value added indicator is meant to highlight the economic and financial performance of the enterprise and the efficiency of production factors' use.

3. Research methodology

The study presented in this paper is a quantitative research (Jugănar, M., 1998), which used the system of absolute, relative and mean indicators of chronological series (Aivaz, K., 2007 a,p.329 ; Aivaz, K., 2007 b,99) Moreover, the SPSS software program was used for information systematization and statistical indicators calculation (Field, A. 2009).

The database is represented by the information recorded in the balance sheets of 26,978 companies in 2016 and 28,292 companies in 2017 (Constanta Chamber of Commerce, Industry, Shipping and Agriculture, 2017 and 2018 ; Ministry of Public Finance). From the initial database, the companies that reported zero turnover and declared a number of zero employees were excluded so that the results could be factual. Thus, 11,186 companies (year 2016) and 11,945 companies (year 2017) remained in the study.

4. Data, results and discussion

The study was limited to ten rural localities, considered to be the largest according to the number of operating companies, and the processed data refer to the following economic and financial indicators: the value added and the average number of employees, for the 2016-2017 period. We stress that, in the administrative-territorial organization of the county, Lazu locality is a village in the structure of Agigea commune, and Schitu is a village in the structure of Costinesti commune. In the database used, the annual balance sheets of the companies are recorded separately, by communes and villages, which is why we have followed this particular method of presentation in our study. We have also kept the presentation of the localities in alphabetical order, but the interpretation of the results was realized according to their hierarchy in terms of the number of companies.

At the database processing stage, a statistical description of the value added and the average number of employees was made using the following statistical indicators: the average level (Mean), the number of companies (N), the aggregate value of the financial indicators (Sum), the lowest value of the analyzed financial indicator (Minimum), respectively the highest (Maximum), amplitude variation (Range), the structure of the financial indicator - value added (% of Total Sum) and the structure of the number of firms (% of Total N). The results obtained for the ten selected rural localities over the two analyzed years (2016 and 2017) are presented in the table below.

Table no.1. The statistical description of "value added" and "average number of employees" in ten rural localities of Constanta County in the 2016-2017 period

2016				2017		
Locality		Value added	Average number of employees		Value added	Average number of employees
Agigea	Mean	574247.54	10.63	Mean	696487.74	10.15
	N	202	202	N	197	197
	Minimum	-6803596	1	Minimum	-9302907	1
	Maximum	35083241	419	Maximum	50091387	419
	Range	41886837	418	Range	59394294	418
	Sum	115998004	2147	Sum	137208084	1999

	% of Total Sum	1.4%	1.6%	% of Total Sum	1.5%	1.5%
	% of Total N	1.1%	1.1%	% of Total N	1.0%	1.0%
Cobadin	Mean	240101.05	4.00	Mean	273321.44	3.63
	N	107	107	N	103	103
	Sum	25690812	428	Sum	28152108	374
	% of Total Sum	.3%	.3%	% of Total Sum	.3%	.3%
	% of Total N	.6%	.6%	% of Total N	.5%	.5%
Cumpana	Mean	185185.26	4.69	Mean	205772.50	4.39
	N	224	224	N	266	266
	Sum	41481499	1050	Sum	54735486	1167
	% of Total Sum	.5%	.8%	% of Total Sum	.6%	.9%
	% of Total N	1.2%	1.2%	% of Total N	1.3%	1.3%
Lazu	Mean	210712.59	4.14	Mean	215180.87	3.61
	N	71	71	N	77	77
	Sum	14960594	294	Sum	16568927	278
	% of Total Sum	.2%	.2%	% of Total Sum	.2%	.2%
	% of Total N	.4%	.4%	% of Total N	.4%	.4%
Limanu	Mean	428458.43	10.96	Mean	244318.58	8.41
	N	67	67	N	71	71
	Sum	28706715	734	Sum	17346619	597
	% of Total Sum	.3%	.5%	% of Total Sum	.2%	.4%
	% of Total N	.4%	.4%	% of Total N	.4%	.4%
Lumina	Mean	234509.33	5.95	Mean	284857.46	5.88
	N	192	192	N	201	201
	Sum	45025792	1143	Sum	57256349	1181
	% of Total Sum	.5%	.8%	% of Total Sum	.6%	.9%
	% of Total N	1.0%	1.0%	% of Total N	1.0%	1.0%
Mihail Kogalniceanu	Mean	307999.70	6.37	Mean	347773.20	6.21
	N	193	193	N	188	188
	Sum	59443943	1229	Sum	65381362	1168
	% of Total Sum	.7%	.9%	% of Total Sum	.7%	.9%

	% of Total N	1.0%	1.0%	% of Total N	.9%	.9%
Schitu	Mean	367934.67	7.07	Mean	375051.39	7.46
	N	73	73	N	87	87
	Sum	26859231	516	Sum	32629471	649
	% of Total Sum	.3%	.4%	% of Total Sum	.4%	.5%
	% of Total N	.4%	.4%	% of Total N	.4%	.4%
Tuzla	Mean	260451.86	4.75	Mean	246525.71	4.23
	N	100	100	N	112	112
	Sum	26045186	475	Sum	27610879	474
	% of Total Sum	.3%	.3%	% of Total Sum	.3%	.4%
	% of Total N	.5%	.5%	% of Total N	.6%	.6%
Valu lui Traian	Mean	162832.50	3.40	Mean	192140.18	3.31
	N	297	297	N	327	327
	Sum	48361253	1009	Sum	62829839	1082
	% of Total Sum	.6%	.7%	% of Total Sum	.7%	.8%
	% of Total N	1.6%	1.6%	% of Total N	1.6%	1.6%

Source: Data obtained by processing the information from the financial and accounting balance sheets of active companies in Constanta County

1. Valu lui Traian Commune is the rural locality with the largest number of companies: 297 in 2016 and 327 in 2017. The analysis of the evolution of the two selected indicators for this study shows the positive trend of economic activity of this commune. Thus, value added increased, in absolute terms, from 48,361,253 lei in 2016, to 62,829,839 lei in 2017; in terms of mean value, the increase was from 162,832, 50 lei in 2016, to 192,140,18 lei in 2017, and the share (in the total value added recorded in Constanta county) increased from 0.6% in 2016 to 0.7% in 2017. The number of employees indicator shows, on the one hand, an increase in absolute value: from 1,009 employees in 2016, to 1,082 employees in 2017, but also in share (at county level) from 0.7% to 0, 8% (over the analyzed period) and, on the other hand, a slight decrease in the average number of employees: from 3.4 in 2016 to 3.31 in 2017.

2. Cumpăna Commune is ranked second on the list, with a small difference in the number of companies, compared to Valu lui Traian. Moreover, one can see that the two communes had a similar evolution of the indicators. In Cumpăna, in absolute terms, value added increased from 41,481,499 lei in 2016 to 54,735,486 lei in 2017; the increase for the mean value was from 185,185.26 lei in 2016, to 205,772.50 lei in 2017, and the share in the total value added registered at the level of Constanta county increased from 0.5% in 2016 to 0,6% in 2017. The total number of employees increased from 1,050 in 2016 to 1,167 in 2017, which represents an increase (in terms of share) from 0.8% to 0.9% over the 2016-2017 period, but a decrease, in terms of mean value, from 4.69 in 2016 to 4.39 employees in 2017.

3. In Agigea Commune, as the total number of companies decreased from 202 in 2016 to 197 in 2017, increases were registered at the total value added level: from 115,998,004 lei in 2016 to 137,208,084 in 2017, but also the mean level: from 574,247.54 lei in 2016 to 696,487.74 lei in 2017. Furthermore, the share held by the value added in Agigea Commune increased from 1,4% to 1.5% between 2016 and 2017. The number of employees decreased in absolute terms (from 2,147

in 2016 to 1,999 employees in 2017), mean value (from 10.63, in 2016, to 10.15 employees in 2017) and share (from 1.6% to 1.5%).

4. Mihail Kogălniceanu Commune's evolution in connection with the analyzed indicators is similar to that of Agigea commune, in the sense that there were increases in value added and decreases in the number of employees, in the context of the declining total number of companies, from 193 in 2016 to 188 in 2017. Even if the total value added level increased from 59,443,943 lei in 2016 to 65,381,362 lei in 2017, the share in the total value added registered at the level of Constanta County remained the same, 0.7%. On average, the value added was 307,999.70 lei in 2016, increasing to 347,773.20 lei in 2017. The total number of employees decreased from 1,229 to 1,168 employees over the 2016-2017 period and in terms of mean value, the reduction was from 6.37 to 6.21 employees.

5. In Lumina Commune one may find that there has been a small increase in the total number of companies from 192 in 2016 to 201 in 2017, accompanied by an increase value of the value added indicator. Thus, from a total value of 45,025,792 lei, the value added in 2016 got to 57,256,349 lei in 2017. This evolution has generated a share increase (the value added created in Lumina Commune in the value added total recorded in the county of Constanta), from 0.5% to 0.6%. In addition, the mean level increased from 234,509.33 lei to 284,857.46 lei over the analyzed period. The number of employees decreased from 266 to 261 over the 2016-2017 period, respectively, from an average of 5.95 employees to 5.88 employees. However, the share of the number of employees of the companies of Lumina commune in the total number of employees in Constanta County increased from 0, 8% in 2016 to 0, 9% in 2017.

6. In Cobadin Commune there was a positive evolution of the value added indicator. Thus, from a total level of 25,690,812 lei in 2016, it increased to 28,152,108 lei in 2017, and in terms of mean level the increase was from 240,101.05 lei to 273,321.44 lei, over the same period. In terms of share of the value added in Cobadin, in relation to the total value in Constanta County, one can see that it remained at 0.5% level, over the 2016-2017 period. The reduction in the number of companies in this commune, from 107 to 103, was accompanied by a reduction in the total number of employees (from 428 to 374) and the average number of employees (from 4 to 3.63) between 2016 and 2017.

7. Tuzla Commune also recorded a positive trend. If 297 companies were operating in 2016, in 2017 327 were in operation; from a total value added of 48,361,253 lei in 2016, the value added reached 62,829,839 lei in 2017, and the mean level increased from 162,832.50 lei to 192,140.18 lei. In terms of share, the increase in value added was from 0.6% in 2016 to 0.7% in 2017. At the same time, an increase was registered in the total number of employees of the companies operating in Tuzla, from 1,009 to 1,082, as well as their share (in the total number of employees of the companies in Constanta County), from 0.7% in 2016 to 0.8% in 2017. The average number of employees registered a small decrease, from 3.4 in 2016 to 3.31 employees in 2017.

8. Schitu Village is notable for increasing the values of the analyzed indicators in all forms of computing / expression. In terms of absolute value, the following increased: value added from 26,859,231 lei in 2016 to 32,629,471 lei in 2017; total number of employees, from 516 to 649, as well as the number of companies, from 73 to 87, over the 2016-2017 period. The share in the total value added in Constanta County increased from 0.3% to 0.4% and the share (in the total number of county employees) increased from 0.4% to 0.5% in the analyzed period. The average number of employees increased from 7.07 in 2016 to 7.46 employees in 2017.

9. In Lazu Village the value added indicator registered an increase from 14,960,594 lei, total level, in 2016 to 16,568,927 lei in 2017, and the mean value was 210,712.59 lei in 2016 and it increased to 215,180, 87 lei in 2017. The share of value added achieved in Lazu village, in the total value added realized in Constanta County, remained unchanged (0.2%), over the analyzed period. One can see that the number of companies increased from 71 in 2016 to 77 in 2017, but the total number of employees decreased from 294 to 278, and the average number of employees from 4.14 to 3.61 in the above-mentioned period.

10. Limanu Commune stands out as a result of the negative evolution recorded during the analyzed period. Even though the number of companies in this rural locality grew from 67 in 2016 to 71 in 2017, the other indicators decreased significantly. Thus, the value added indicator, in absolute value, decreased from the total level of 28,706,715 lei in 2016 to 17,346,619 lei in 2017;

the average level decreased from 428,458.43 lei to 244,318.58 lei, and the share from 0.3% to 0.2% over the 2016-2017 period. Moreover, the employee number indicator decreased from a total level of 734 in 2016 to 597 in 2017, the average from 10.96 in 2016 to 8.41 in 2017 and also the share, from 0.55% to 0.4%.

5. Conclusions

Over the analyzed period, for the ten rural localities analyzed, it can be said that they have registered a positive economic evolution and no significant changes have occurred regarding their contribution / participation rate to the results obtained at the level of Constanta County. If, in 2016, their participation rate was 5.1% (of the total level of the value added indicator in Constanta County), in 2017 it increased to 5.5%.

The ten rural localities analyzed accounted for 8.2% of the total number of active companies in operation in the county in 2016 and 8% in 2017, and they accounted for 6.5% of the total number of employees registered in all the localities of Constanta County in 2016 and 6.8% in 2017.

From the hierarchy analysis, two communes have drawn our attention. Thus, on the one hand, Valu lui Traian Commune, which ranked first, has the largest number of companies of all the rural localities in Constanta County. However, from the data presented, one may find that this commune is not notable (as we could expect, due to this aspect) for any special contributions, at the level of the county, in terms of its share in the total volume of value added (0,6% in 2016 and 0,7% in 2017) and the total number of employees in the county (0,7% in 2016 and 0,8% in 2016). On the other hand, Agigea Commune, which ranks third, has the highest contribution (of all rural localities) to the value added indicator at the level of Constanta County, i.e. 1.4% in 2016 and 1.5% in 2017. It is worth mentioning that, when considering these contribution rates, we must also take into account the rates recorded by Lazu Village, which is part of Agigea Commune, but which, in our analysis, is presented separately.

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Economic and Financial Efficiency, Correlated with the Dimension of the Human Resources used by Companies in the Industry and Agriculture Fields in Constanta County, Romania

Mariana Jugănaru

"Ovidius" University of Constanta, Faculty of Economic Sciences

juganaru.mariana@yahoo.com

Abstract

This paper presents a quantitative research of a database based on two economic and financial indicators: the "value added" and the "average number of employees" registered and reported during 2016 and 2017 by the companies operating in Constanta County, which belong to four fields of activity, corresponding to the Classification of Activities in the National Economy (CAEN): "Agriculture, forestry and fishing", "Extractive industries", "Manufacturing industry" and "Construction".

The results obtained by processing the database have created the framework for a comparative and dynamic analysis regarding the particularities and the contribution of each selected field of activity to the economy of Constanta County, over the analyzed period.

The specificity of this study is that it started from a microeconomic approach, and the meso-economic level has been reached after processing the database. Interpretation of the results can be used to inform and determine decisions at all economic levels.

Key words: balance sheets, indicators, companies, evolution, county

J.E.L. classification: C10, C40, M10, M20, M21, O11, O12

1. Introduction

Any economic study, regardless of its objective and the level at which it is done, involves the use of information. The creation of databases is a complex activity, which implies registration, measurement of economic phenomena, transmission of information to different institutions (corresponding to the national and European legal framework) in order to be centralized and processed, so that, in the end, the information is accessible to all stakeholders (business sector, political sector, academic sector, etc.). In conducting this study, we have used available information provided by the Ministry of Public Finance, the National Institute of Statistics, Constanta County Department of Statistics, and the Chamber of Commerce, Industry, Navigation and Agriculture (CCINA) Constanta, which we have processed and interpreted. (Constanta Chamber of Commerce, Industry, Navigation and Agriculture, 2017 and 2018; Statistics Directorate Constanta, 2018; Ministry of Public Finance).

2. Theoretical background

The classification of the activities within the national economy was carried out by the National Institute of Statistics (NIS) in order to ensure the specific organization of the information, in accordance with the requirements of the market economy and the transition to the system of national accounts (National Institute of Statistics, 2007). CAEN has replaced the Classification of Branches of the National Economy - CREN, implemented in Romania in 1963, based on the provisions of the Council of Ministers' Decision (HCM) no. 483/1962.

The legal framework for the elaboration and implementation of CAEN at national level was ensured by Government Decision no. 575/1992 on creating unitary nomenclatures of general interest provided in the general context of computerization in Romania (National Institute of

Statistics, 2007) and by Decision no. 656/1997 on the Classification of Activities in the National Economy - CAEN. According to these normative acts, CAEN becomes the unitary framework of general interest, the use of which is mandatory for organizing information regarding economic and social activities. Furthermore, CAEN also applies to all areas of economic and social activity and is mandatory for all central and local public administration bodies, budget units, economic agents, regardless of the type of ownership, employers' organizations, trade unions, professional and political organizations, foundations, associations and other natural and legal persons, when completing official documents whenever it is required to specify the activity. (National Institute of Statistics, 2007).

In collaboration with the National Trade Register Office and the Chamber of Commerce and Industry of Romania, NIS introduced CAEN gradually, between 1993 and 1997, into the national statistical and economic system. At the same time, CAEN was updated twice in the 1997 – 2007 period: in 2002 (CAEN Revision 1) and in 2007 (CAEN Revision 2). (National Institute of Statistics, 2007).

CAEN allows the collection of data on homogeneity criteria regarding "statistical units" (represented by an economic entity) and creates "the basis for the preparation of a wide range of statistical data (production, production factors, capital formation and financial transactions) of these units". (National Institute of Statistics, 2007, p. 1)

The emergence of new activities and products (an increasingly obvious phenomenon), due to new technologies and the change in economic structures, must be seen as a constant challenge for statistical classifications. One can say that, at present, at the European Union level, there is an integrated system in which the different classifications have been harmonized and each country has established the appropriate national system. The current structure of CAEN (respectively, CAEN Revision 2) is compatible with The Statistical Classification of Economic Activities in the European Community - NACE Revision 2. Moreover, CAEN Revision 2 is harmonized with ISIC Revision 4 (International Standard Industrial Classification of All Economic Activities). (National Institute of Statistics, 2007).

3. Research methodology

In this quantitative research (Jugănar, M., 1998), selected data from a large database were used, comprising a series of economic indicators that companies are required to transmit. (Matiș D. *et al*, 2007 ; Accounting Law no. 82, 1991; Ministry of Public Finance, 2014).The database, processed at Constanta Chamber of Commerce (CCINA), is represented by the information recorded in the financial and accounting balance sheets from 26,978 companies in 2016 and 28,292 companies in 2017. (Constanta Chamber of Commerce, Industry, Shipping and Agriculture, 2017 and 2017 ; Ministry of Public Finance). To ensure that the results obtained through processing are correct, the companies that reported zero turnover and declared a number of zero employees were excluded from the initial database. After this filtering, 11,186 companies for the year 2016 and 11,945 companies for the year 2017 were kept in the study. The information recorded in the companies' financial and accounting balance sheets was grouped according to the field of activity (corresponding to the CAEN classification), out of which, for this study, the following four fields were selected: "Agriculture, Forestry and Fisheries", "Extractive industries", "Manufacturing industry" and "Construction".

For the data processing, the system of absolute, relative and mean indicators of chronological series (Aivaz, K., 2007a, Aivaz, K., 2007b) was used, and the SPSS software program was used for information systematization and statistical indicators calculation (Field, A. 2009).

4. Data, results and discussion

In this study, a limited database was used, represented by the economic and financial indicators: "value added" and "average number of employees" in the 2016-2017 period, reported by the companies operating in Constanta County, from four fields of activity.

At the database processing stage, a statistical description of the value added and the average number of employees was made using the following statistical indicators: the average level (mean), the number of companies (N), the aggregate value of the financial indicators (Sum), the lowest value of the analyzed financial indicator (Minimum), respectively the highest (Maximum), amplitude variation (Range), the structure of the financial indicator - value added (% of Total Sum) and the structure of the number of firms (% of Total N). The results obtained are presented in the table below.

Table no.1. The statistical description of "value added" and "average number of employees" in the companies operating in Constanta County, in the 2016-2017 period, grouped into four fields of activity

Report 2016			Report 2016		
CAEN group		Value added	Average number of employees	Value added	Average number of employees
Agriculture, forestry and fishing	Mean	832659.46	5.80	790843.60	6.06
	N	729	729	773	773
	Minimum	-408538	1	-17209311	1
	Maximum	15352537	148	20557739	156
	Range	15761075	147	37767050	155
	Sum	607008746	4231	611322106	4685
	% of Total Sum	7.2%	3.1%	6.8%	3.5%
	% of Total N	3.9%	3.9%	3.9%	3.9%
Extractive Industries	Mean	716031.92	11.36	-3020424.85	16.06
	N	39	39	34	34
	Minimum	-1937727	1	-133816679	1
	Maximum	6474927	85	12663033	162
	Range	8412654	84	146479712	161
	Sum	27925245	443	-102694445	546
	% of Total Sum	.3%	.3%	-1.1%	.4%
	% of Total N	.2%	.2%	.2%	.2%
Manufacturing industry	Mean	1208857.64	17.84	1185611.87	16.02
	N	1467	1467	1468	1468
	Minimum	-1627707	1	-18474272	1
	Maximum	671486448	2389	614247620	1988
	Range	673114155	2388	632721892	1987
	Sum	1773394159	26169	1740478230	23519
	% of Total Sum	21.1%	19.5%	19.5%	17.5%
	% of Total N	7.9%	7.9%	7.4%	7.4%
Construction	Mean	412848.31	8.96	382008.05	8.12
	N	1473	1473	1529	1529
	Minimum	-4511623	1	-30308786	1
	Maximum	21806236	558	44095930	414

Range	26317859	557	74404716	413
Sum	608125562	13203	584090312	12417
% of Total Sum	7.2%	9.8%	6.5%	9.2%
% of Total N	7.9%	7.9%	7.7%	7.7%

Source: Data obtained by processing the information from the financial and accounting balance sheets of companies operating in Constanta County

1. In 2016, the field of activity "Agriculture, forestry and fishing" had a share in the contribution to the economy of Constanta County of 7.2% and 6.8% in 2017. One can see that the number of companies operating in this field increased, over the analyzed period, from 729 in 2016 to 773 in 2017. This was accompanied, on the one hand, by the increase in total value added from 607,008,746 lei in 2016 to 611,322,106 lei in 2017 and, on the other hand, by the decrease in the mean level of value added from 832,659.46 lei in 2016 to 790,843.60 lei in 2017. The number of employees in this field of activity increased, both in absolute value: from 4,231 employees in 2016 to 4,685 employees in 2017, and in terms of mean value: from 5.8 in 2016 to 6.06 employees in 2017. Moreover, 3.1 % in 2016 and 3.5% in 2017 of the total number of employees of the companies operating in the county is concentrated in the field of activity "Agriculture, Forestry and Fisheries". In CAEN Revision 2 (National Institute of Statistics, 2007,p.15) all the activities included in this field are presented, however, for Constanta County we consider the following to be representative: Cultivation of non-permanent plants; Cultivation of plants from permanent crops; Animal breeding; Hunting; Forestry and logging; Fisheries and aquaculture.

2. The Extractive Industries is the field of activity which, in 2016, had a contribution rate to the value added in Constanta County of 0.3%, and in 2017 of -1.1%. With a smaller number of companies (34 in 2017, compared with 39 in 2016), but with a higher number of employees (546 in 2017, compared to 443 in 2016), this area of activity has seen a decrease in the value added indicator level. It should be noted that from 27,925,245 lei (total value added / summed up in 2016), the negative level reached was -10,2694,445 lei (total value added / summed up in 2017). While in 2016 the average value added was 716.031,92 lei, in 2017 the value was negative (-3,020,424.85 lei). In Constanta County, the following activities can be found in this field (according to CAEN Revision 2 (National Institute of Statistics, 2007, p.17) : Extraction of crude oil and natural gas; Extraction of ores; Extraction of stone, sand and clay.

3. The Manufacturing Industry is said to be the field of activity (of the four analyzed) with the highest contribution rate to the value added in Constanta county, i.e. 21.1% in 2016 and 19.5% in 2017.

The number of companies operating in this field of activity is almost unchanged: 1,467 in 2016 and 1,468 in 2017, but in terms of share, it decreased, from 7,9% to 7,4%. The two analyzed indicators registered a decreasing trend. The total value added decreased from 1,773,394,155 lei in 2016 to 1,740,478,230 lei in 2017, and in terms of mean level the decrease was from 1,208,857.64 lei in 2016 to 1,185. 611.87 lei in 2017. If in 2016 in this field of activity there was a total number of 26,169 employees, in 2017 there were 23,519 employees. Similarly, the share of employees in the manufacturing industry dropped from 19.5% in 2016 to 17.5% in 2017. Among the activities included in this field (corresponding to the CAEN), which are present in the economy of Constanta County, are: Food industry; Manufacture of wearing apparel; Woodworking, manufacture of wood and cork products, except manufacture of furniture; Binding and related services; Manufacture of petroleum products; Manufacture of chemicals and chemical products; Manufacture of pharmaceutical base products and pharmaceutical preparations; Manufacture of cement, lime and plaster; Cutting, shaping and finishing of stone. (National Institute of Statistics, 2007, p.19)

4. The "Construction" field of activity had a share of 7.2% in 2016, respectively 6.5% in 2017 in the value added in Constanta County. In this field of activity, the total value added decreased from 608,125,562 lei in 2016 to 584,090,312 lei in 2017, and the mean value added decreased from 412,848.31 lei to 382,008.05 lei, over the same period. The total number of employees decreased in absolute value, from 13,203 in 2016 to 12,417 in 2017, and also in terms of average number of

employees, from 8,96 in 2016 to 8,12 employees in 2017, and in terms of share, from 9.8% to 9.2%, within the time frame. The activities in this field (according to CAEN), present in the economy of Constanta County, refer to: Building construction; Road and railway construction works; Hydrotechnical structures; Special construction works. (National Institute of Statistics, 2007, p.41)

5. Conclusions

This analysis highlights relevant aspects of the economic activity's evolution, recorded at the meso-economic level, in terms of the changes shown (and expressed in absolute and relative terms) of the "value added" and "number of employees" indicators.

The four fields of activity analyzed had a contribution rate to the total value added (aggregate) in Constanta County of 35.8% in 2016 and 31.7% in 2017.

Only in the "Agriculture, Forestry and Fisheries" field the "value added" indicator (in absolute terms) increased in 2017, compared to 2016.

In all the fields of activity, the mean value of the "value added" indicator decreased in 2017, compared to 2016.

In three fields of activity: "Agriculture, Forestry and Fishing", "Manufacturing industry" and "Construction" the number of companies in operation increased over the analyzed period, but the number of employees increased only in Agriculture (total and average value).

Unlike the other fields, the "Extractive Industries" field of activity is characterized by the negative trend recorded in 2017 by the "value added" indicator.

The values obtained by processing the database show that in 2017 the results registered by the companies in each field of activity, on the one hand, and by the four fields, viewed as a whole, on the other hand, decreased compared to 2016. This study emphasizes only the trend manifested in the evolution of the activity, it does not analyze the causes / phenomena which determined this evolution.

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Perspectives of the Balneary Tourism in Romania

Corina Aurora Marin (Barbu)

Gabriela Gheorghiu

Daniel Lipară

*"Ovidius" University of Constanța, Faculty of Economic Sciences
coribaru@yahoo.com*

Abstract

Tourism is far more than an economic sector. It is a complex system in which potential interactions with other economic sectors can be developed in a sustainable way both upstream and downstream. For this reason, it is essential to implement and develop projects in Romania in a much larger context.

Contemporary tourism succeeds in being a complex activity, having numerous economic, social and cultural implications. The development of tourism is constantly in close correlation with the growth rhythms of other economy branches. Lately, balneary tourism, known also as health tourism, benefits from an increased attention, as it presents outstanding resources, such as health care factors, which help to maintain the health. Given this, we have chosen to conduct a study on the importance and development of the balneary tourism in our country.

Key words: tourism, balneary tourism, Romania

J.E.L. classification: Z30

1. Introduction

At the base of modern tourism there were two major precursors: pilgrimages to sacred places, which created basic services for travelers and formed trails that prefigured the modern tourism itineraries for sightseeing touristic landmarks, spas or thermal springs, to which the members of the European top class gathered to "take the waters," which have prefigured the popular modern holiday tourism on the seaside beaches.

The growing economy, the living conditions of the people in today's modern society and the hurried pace of life lead to the emergence of negative aspects such as increased pollution, which affects the development of the human body, having harmful effects on it, daily stress, food imbalances both quantitative and qualitative, but also the intensive work have an impact on people's health. Balneary tourism is seen as a solution to these consequences, helping to improve the damaging effects of these factors. The tourist chooses a balneary resort as a destination to recover their energy and to care for their health.

The balneary sector belongs to the health tourism market, along with medical tourism, thalassotherapy, hydrotherapy, wellness/spa and fitness. The balneary tourism is one of the forms with constant tourist traffic, having a relatively stable clientele, and which contributes to the increase of the coefficients which analyze the accommodation capacity and to obtain higher average incomes daily per tourist. Taking into account the need to adapt the balneary resorts to the requirements of the tourists, in the following paragraphs there are going to be highlighted some aspects regarding the content and character of the balneary tourism, as well as the importance of balneary resorts and the prospects for the development of this kind of tourism in Romania.

2. Literature review

The term "balneary" originates in Latin, in the singular form "balneum", which translated means bath. According to the Dictionary of Touristic Terminology, balneary tourism is the "specific form of tourism for (long stay) rest, practiced by people going to balneary resorts for health care or disease prevention."

This form of tourism dates back to the ancient times, but has developed in the last decades simultaneously with the evolution of many diseases that affect the wellbeing and health of people. People, in the old days, were exploiting the properties which the thermal and mineral waters, heliomarine sludges and slides in resorts such as Herculaneum (Băile Herculane) in Romania, or Pamukkale in Turkey had.

The balneary resort is considered to be a city or at least part of a city where natural factors of cleanliness are found, which are the main components that contribute to the prevention of illnesses and health care. The resort has indispensable facilities and the means for obtaining balneary products.

The balneary resorts highlight the interdependence relationship that links two concepts of great significance, the tourism-medicine relationship, forming a close connection between the two. From the point of view of the above, it is clear that the number of tourists increases, because some can be just visitors and others can be patients in a balneary resort. Account shall be taken of the diversity of the customers forming the market segments for these service typologies.

The needs of the clients are very well individualized and highlighted in the spa tourism. In addition to medical services, they must also benefit from the rest of the good quality tourism services as much as possible. Medical treatment recipients must be looked after as any other type of tourists, they do not differ in anything, so they have to enjoy the whole package offered by the balneary resort.

Balneotherapy uses mineral water and mud baths that are applied as treatments for diseases. This technique uses mostly spring water, whose quality is limited to mechanical effects. Mineral waters and therapeutic mud are known from ancient times. The first practical, therapeutic applications appeared at the ancient Greeks and Romans, especially mineral waters and springs, which were well known as places with medical qualities.

Balneo-medical treatments can be procedures, ways in which tourists treat their affections through natural therapeutically means, at the advice of doctors in specially arranged areas, different from the usual environment in which the tourist performs daily activities. "The treatments are complemented by all the therapeutic procedures specific to treating traveler's illnesses, which, in such an approach, become associated services (e.g. inhalations, pulverizations, sauna, underwater massage, electro-physiotherapy, slimming treatments, diets, mud treatments, medical gymnastics, geriatrics and more). Throughout the treatments or prescribed treatments, patients receive medical assistance from specialist and auxiliary staff. In this way, medical consultations and medical assistance are also a special form of balneo-medical services "(Snak, O; Baron, P; Neacsu, N; 2003, p. 291).

Thus, in antiquity, spa treatments have occupied an important place in the therapeutic arsenal of alternative and traditional medicine. Thereby, neither the passage of time, nor the emergence of technological advances in medical science have succeeded in diminishing the significance of balneotherapy. This type of treatment has been improved, tinted with precise indications and contraindications, enriched with new procedures and even gaining the title of scientific treatment.

Often, to define the concept of balneary tourism, various terms are used, such as health tourism, medical tourism, wellness tourism, and spa tourism. The terms are seen as synonyms, but each one designates a different category and does not have to create confusion.

Health tourism requires the trip or the stay to be done for health care. This type of tourism has long been known in Croatia, and is currently in a rapid development phase, in line with market trends. Health tourism is that form of tourism that involves a trip to the balneary resorts and offers specialty treatments naturally or in other destinations whose purpose is to improve the health of tourists. Health care treatments are done through a regime of physical exercise and therapy, medical services and a controlled alimentation, relevant to maintaining and/or improving the health.

Medical tourism requires people to travel with the objective of receiving medical procedures that are not available in the city or country of residence. The move also involves the need for the tourist-patient to gain expertise and the possible advantage of lower costs for the intervention.

The American doctor, Dunn, was the one who developed the concept of **wellness** in 1959, which describes it as a special condition of health, a condition that embodies the wellbeing of the whole body but also of the mind or spirit.

The **Wellness** also promotes the activities which are directed towards fitness and physical training. The emergence of the notion is largely due to the awareness and concern of the people for their health. The term wellness should not be confused with health tourism because it requires you to adopt a healthy lifestyle or do something healthy to prevent illness, not to treat them.

Through recreational or spiritual activities circumscribed to this concept, there are attempts to find ways of relaxation to help achieve physical, mental, and spiritual balance.

The **spa** concept is a place where water is used for therapeutic purposes. Worldwide there are met such procedures, where the water's properties are exploited, but a greater spread is found in Europe and Asia. "Faith in the curative powers of mineral waters returns to prehistoric times" (Georgescu M., Necşoi A, 2013, p. 361).

The spa concept is in close connection with the wellness one, because water is not only used to treat, it also brings a state of freshness, of well-being. Spa and wellness procedures do not need to be done by well-trained staff, a modest training is enough. Also, spa and wellness centers can be arranged in any area, not necessarily within a balneary resort. Cleaning factors are an option within these centers, they do not have a mandatory role, and if they are used, they can come from that respective area or have another provenance.

Balneary tourism is part of the health tourism, due to the motivation behind the practice, that of health care. It also coincides to some extent with medical tourism, because the medical procedures used are made by highly knowledgeable staff in the medical field. It is also a part of the wellness and spa tourism, because of the concern for the mental or spiritual well-being and finding a physical balance for the patients.

Balneary tourism presents numerous features that make it possible to overcome some shortcomings due to the characteristics of the tourism industry. Seasonality or a low level of complexity and loyalty, are some examples of tourism industry characteristics that make up for the deficiencies, which represents a hindrance to other forms of tourism.

Balneary resorts are very widespread on the territory of our country, in the Carpathians, Subcarpathian, the Western Plain and the East of the Romanian Plain, Transylvania and the seaside. These areas have natural therapeutic factors that are exploited, protected and used under special legal regulations. These resorts are well equipped and adequately designed for the activity which they have.

The resort represents "the city which presents, through its location and facilities, a special touristic interest". As far as the touristic resort is concerned, it is the "place that presents a set of attractions and is equipped with means of accommodating and receiving tourists. At the same time, it can be a balneary resort, climatic, thermal or which is focused on grape therapy, if it additionally offers the specific characteristics of these resorts "(Candea M., Erdeli G., Simon T., Peptenatu D., 2003, p. 176).

The activities are based on specific procedures, thermal baths, mud packs, sulfur or gaseous water baths, or medicinal water cures. In addition to the natural resources that allow the treatment of certain affections, there have been created conditions in order to allow several specific procedures, such as physiotherapy, electrotherapy, thermotherapy, hydro-physiotherapy, sleep-therapy, aerosols, inhalations, etc.

Romania has a very varied and rich pool of natural therapeutic factors, mineral water, sludge, gas emanations, etc. which are spread generously on a fairly large area of our country in different climate zones. This is due to the geographical location and structure of the country. The presence of these natural factors allowed them to be used for treatment and the construction of some forms of touristic organization.

3. Research methodology

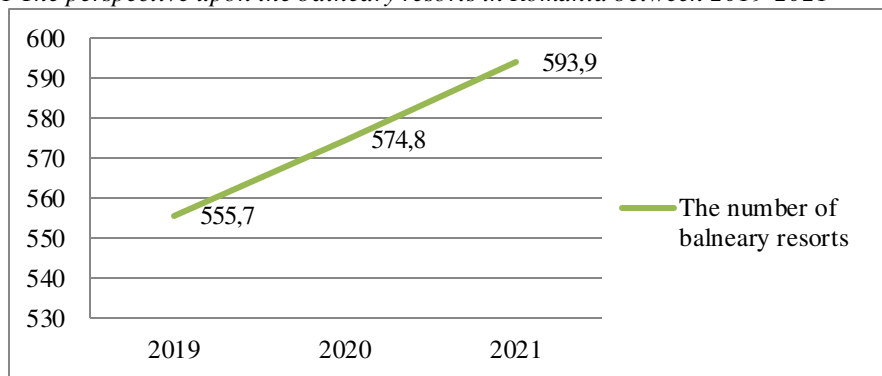
The touristic offer represents the package of materials and services that are able to satisfy the needs of the tourists during their stay, meaning the period from when they left the city of residence and until their return. The content of the balneary touristic offer includes accommodation, treatment and food services, these being the basic services to which recreation, transportation and more can be added.

Three methods of forecasting, namely the method of average growth, the average index and the linear trend, were used for the forecasts regarding the offer and the touristic demand in Romania. The forecast was made with the method which took the smallest value of the variation coefficient, resulting in the most effective value for performing the analysis.

4. Results

The evolution of balneary tourism will not be the way it deserves, as the number of days from overnight stays and from average stays decreases from year to year. These figures should not be discouraging, as there are solutions to redress the situation that will occur and bring it to a point where it is possible to develop the balneary tourism activity.

Figure no.1 The perspective upon the balneary resorts in Romania between 2019-2021



Source: Drafted by the authors based on data from INSSE

As far as the number of accommodation units, the value of the variation coefficient was 6.54%, being the lowest through the linear trending method. There is a decrease in the number of balneary resorts in 2018 compared to 2017 by about 21, but also in 2019 compared to 2017 with almost 3 resorts, even though there is a slight increase compared to the previous year. Only in 2020 we are witnessing a positive evolution, according to the drafted forecast, the number of balneary resorts will be around 594.

Table no.1 Current touristic accommodation capacity

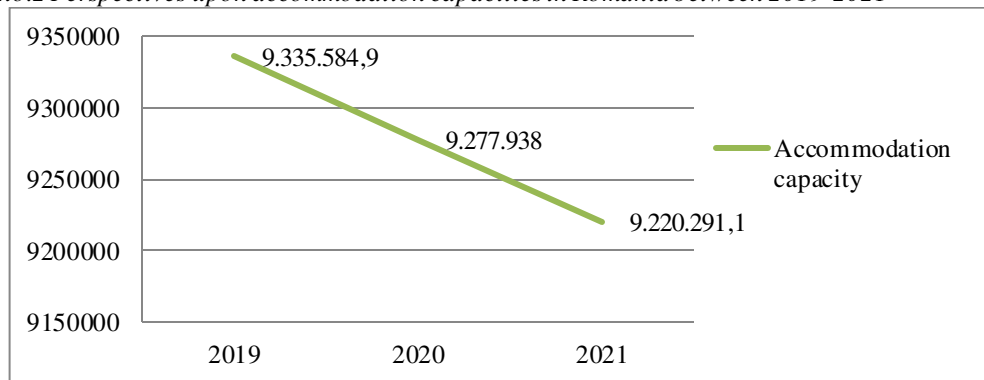
Year	Balneary resorts (number of places)	Romania (number of places)	Share in total in Romania (%)
2015	9,136,031	81,872,539	11.16
2016	9,321,299	83,323,220	11.19
2017	9,852,659	87,655,762	11.24
2018	9,845,187	89,075,891	11.05

Source: Drafted by the authors based on data from INSSE

Regarding the existing accommodation capacity (places), in 2015 in balneary resorts there were 9,136,031 places. Starting with 2016, there is a visible increase in the number of accommodation places, as in 2017 there were 9,852,659 places. Their number has increased from year to year. The share of accommodation places in the balneary resorts in all Romanian accommodation places increases and decreases so that in 2015 it was 11.16%, then in 2016, in a similar percentage of 11.19%; and in 2017, 11.24%. In 2018, the percentage of accommodation

units decreased by 0.19 percent. About the total number of accommodation places in Romania, we can say that they have grown every year, there have been no fluctuations, from 2015 until 2018, they have grown consistently.

Figure no.2 Perspectives upon accommodation capacities in Romania between 2019-2021



Source: Drafted by the authors based on data from INSSE

Regarding the number of places and of the accommodation capacity available, the least variation coefficient was in the linear trending method. The negative evolution of the accommodation places is closely related to the number of balneary resorts. As the number of resorts will be lower and places will be fewer in number, in 2020 there would be a number of 9,277,938 according to the forecast presented above.

Thus, we are witnessing disappointing figures, as the number of accommodation and balneary resorts will be smaller with the passage of time. I consider that this decline is due to the lack of involvement of the stakeholders in the field of balneary tourism, a lack which directly and inevitably affects the balneary tourism offer.

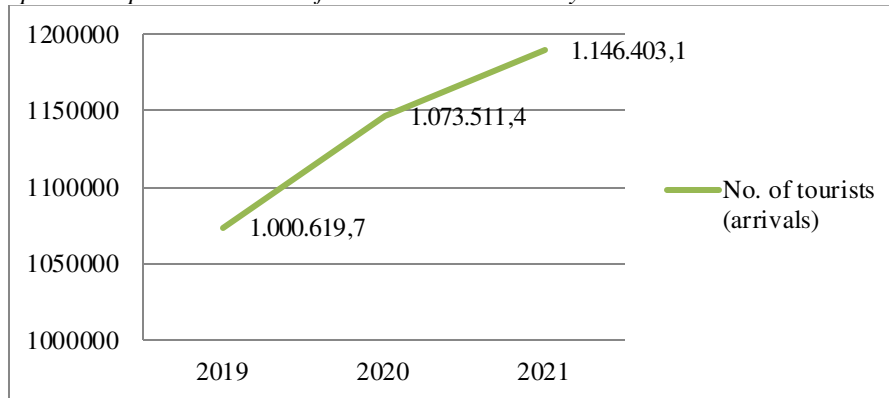
Table no.2 The number of tourists between 2015-2018

Year	Balneary Resorts (no. of tourists)			Romania no. of tourists			The Share of Tourists from the Balneary Sector in Romania (%)		
	Total	Romanians	Foreigners	Total	Romanians	Foreigners	Total	Romanians	Foreigners
2015	779,325	735,869	43,456	9,921,874	7,681,896	2,239,978	7.85	9.57	1.94
2016	851,040	804,955	46,085	11,002,522	8,521,698	2,480,824	7.73	9.44	1.85
2017	945,257	896,515	48,742	12,143,346	9,383,266	2,760,080	7.78	9.55	1.76
2018	1,018,721	979,243	39,478	12,905,131	10,108,509	2,796,622	7.89	9.68	1.41

Source: Drafted by the authors based on data from INSSE

As a result of the distribution of the Romanian and foreign tourists' arrivals in the Romanian balneary resorts, we find that the Romanian tourists account for 90% of the registered arrivals, a dominance that remains constant although the evolution of the number of arrivals of foreign tourists is a positive one. The reasons for this development are numerous, but little relevant, given the low level of the absolute numbers of foreign tourists, irrelevant for the development of export competitiveness of the Romanian balneary sector. As far as the Romanian tourists are concerned, their arrivals at the balneary resorts are equal to the steady growth trends (between 2015-2018) illustrated above by the general figures.

Figure no.3 Perspectives upon the number of tourists in the balneary resorts in Romania between 2019-2021



Source: Drafted by the authors based on data from INSSE

According to the above forecast for the years 2019-2021, the number of arrivals within the balneary resorts in Romania will increase, which means that the interest of the tourists it is not only maintaining itself, but there are no decreases, and there is even an increase, demonstrating that they put more and more value upon their health and want to turn their attention to the places where they can have the treatments which they need and the relaxation they want.

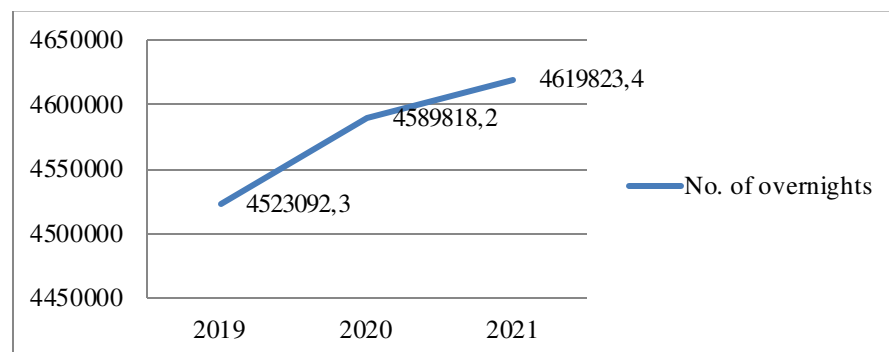
Table no.3 Overnights of tourists in the balneary resorts

Year	Balneary Resorts (no. of tourists)			Romania no. of tourists			The Share of Tourists from the Balneary Sector in Romania (%)		
	Total	Romanians	Foreigners	Total	Romanians	Foreigners	Total	Romanians	Foreigners
2015	3,917,389	3,747,388	170,001	23,519,340	19,047,701	4,471,639	16.65	19.67	3.80
2016	4,192,978	4,021,567	171,411	25,440,957	20,609,141	4,831,816	16.48	19.51	3.57
2017	4,204,898	4,032,534	172,364	27,092,523	21,801,487	5,291,036	15.52	18.49	3.25
2018	4,405,740	4,266,344	139,396	28,644,742	23,315,138	5,329,604	15.38	18.29	2.61

Source: Drafted by the authors based on data from INSSE

Overnight stays have a more negative marginal evolution than that of the arrivals, with a weaker growth in the period 2015-2018, of only 488,351 tourists. This trend indicates the fact that the loss of customers is represented by those customers with stays characterized as "long-term", and do not come from tourists who go to the resort with treatment tickets. This phenomenon is quite worrying for the competitiveness of the balneary sector, indicating the fact that this sector is losing its "paying" clientele for reasons of attractiveness, but also because of the purchasing power, without replacing it with other clients.

Figure no.4 Perspectives upon the number of overnights in the balneary resorts in Romania between 2019-2021



Source: Drafted by the authors based on data from INSSE

In the case of the forecast for the number of overnight stays, the best method was the linear trend, therefore it was used. It is noteworthy that the number of nights spent in a balneary resort will increase "in small steps" between 2019-2021, as it is not an impressive increase and compared to the number of arrivals is a significant difference. This difference between the two components of tourism demand, indicates that not all tourists who come to a balneary resort, stay overnight in it. This may be due to the poorly modernized conditions and the fact that in the balneary tourism predominates the accommodation units with 2 and 3 stars, respectively, and on the other hand the expectations and claims of the tourists are higher, so that they do not fully meet their exigencies.

5. Proposals and recommendations

Creating sustainable communities as well as sustainable forms of life, including the tourism, has been a key objective for many government agencies and community stakeholders. In this context and through the activities that can be proposed, this subchapter seeks to highlight how to maximize the potential for the development of sustainable tourism in balneo-climatic resorts.

This section aims to show that there are a number of activities available in the country that could be done in order to further develop the balneary tourism. What is missing is primarily the promotion of these activities as balneary tourism products, especially by interested parties, such as the national tourism organization and tour operators. Most hotels are increasingly trying to exploit the growing interest in natural health care by developing tourism packages based on different medical procedures and spa treatments.

The participation of stakeholders can be understood in two related ways. In the broader sense, it can be understood as a multitude of techniques or practices by which stakeholders are involved in deciding on the processes of the balneary tourism development. Thus, attending a meeting, engaging in a partnership or a consultation exercise could be described as forms of stakeholder participation to the development. In a narrow sense, stakeholder participation can have a deeper meaning, just like the partnership and collaboration. Thus, some believe that the participation requires more of an active role for the stakeholders, both in the decision-making process and also in the related activities.

The stakeholders can be defined in the tourism field as individuals or groups that can affect or be affected by tourism businesses in a particular market or community and who have interests in planning the tourism process. Among the stakeholders in the field of tourism are the following: the chambers of commerce, the touristic authorities, local tourist agencies, non-governmental organizations, tourism associations and councils, convention and visitor offices, tourism planning and development companies, tourism faculties and professionals, and state parks, as well as visitors and information centers, accommodation units, tourists, etc.

Depending on the type of stakeholders, their benefits within the development are different. Therefore, a clear understanding of their attitudes and interests is a necessary precursor to planning and managing sustainable tourism.

The attitude is a psychological tendency that is expressed by evaluating a particular entity with certain degrees of favoritism or disfavor. It is therefore essential to understand the attitude of local communities, as it also allows other stakeholders in the tourism sector to adopt an appropriate response mechanism to the negative influences of tourism.

The involvement of the community can be defined as being the way in how the residents are involved in the daily activities of the communities where they live. Therefore, tourism development will be more successful with the involvement of local communities, as their perceptions and attitudes are important for the decision-makers in achieving a sustainable balneary tourism.

Touristic accommodation capacities in balneary resorts need to be expanded and upgraded. However, this approach should not affect the degree of attractiveness of the resort in terms of architectural and urban planning. It is important to ensure a high occupancy of the accommodation structures and the limitation of new constructions in order not to clutter the town from an urban point of view and to not environmentally aggravate the green spaces and the neighboring natural landscapes.

Travel agencies play an important role in the development of balneary tourism in Romania. Travel agencies are defined as companies qualified to organize travel-related services on behalf of various managers from the tourism industry.

Travel agencies have a great power to influence and direct the consumer's demands in comparison to other industries. They are not just intermediaries; they act as an interface for the supply and for different segments of the demand. Also, travel agencies can take up different forms and can create very strong and important relationships with service providers in the balneary areas.

As far as the balneary offers are concerned, Romanian travel agencies, and even less so from abroad, do not have a wide range of tourist offers. Improving and diversifying the offers for these touristic areas would bring a major contribution to the development of the spa tourism in our country.

The improvement of the existing touristic offers in the Romanian balneary resorts, as well as the creation of new touristic products must also take into account the demographic changes among the tourists and the implications on their preferences and motivations regarding the trip.

Most of the problems regarding the development of the balneary tourism in Romania are related to the lack of financial resources. Thus, a major investment is needed for the restoration, protection and the touristic valorization of the heritage in these areas, as well as the adequate quipping of the resorts with new treatment technologies and current housing conditions.

6. Conclusions

Romania has a redoubtable potential for balneary tourism; however, the balneary resources are not exploited at their true value. It must be understood how to use these natural resources, the treatment units, to provide a pleasant atmosphere for the tourist so that he spends his time without getting bored. The stays within the balneary tourism, used to be the longest ones, but it got registered an annual decrease which has been worrying, in the number of days spent in treatment facilities. This should be a question mark; an alarm signal must be drawn and awareness must be raised regarding the need to make touristic offers more attractive.

The main objective for the development of balneary tourism in Romania must ensure the effectiveness and consistency of all the actions taken in all areas of activity and by all the stakeholders in order to achieve an optimal outcome. All plans for tourism development in the balneary area should focus on the competent public authority in the field of tourism (National Tourism Authority), as the institution responsible for all implementations. However, we must state that in order to achieve all the objectives that are required for the sustainable development of the balneary resorts in our country, it is necessary to involve all stakeholders through effective actions aimed at improving and promoting the medical services in these areas.

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Strategies of Improving the Quality Management System in the Tourism Industry: Pamukkale

Corina Aurora Marin (Barbu)

Elena Cerasela Spătariu

Gabriela Gheorghiu

"Ovidius" University of Constanța, Faculty of Economic Sciences

coribaru@yahoo.com

Abstract

The touristic activity is among the few phenomena that have been imposed in the contemporary era. Through the dimension reached today in tourism, in all its components, through its implications on the development of the economy, but also on the quality of the environment, we can appreciate that tourism really has implications in three essential areas: economic, social and environmental.

The organization and management of the touristic activity thus requires a process of ordering the components of the touristic device in order to ensure the functioning of the ensemble and to obtain a profit. It aims at synchronizing and correlating this field with the other branches and activities, as well as establishing attributions so as to ensure the development of tourism activity.

Key words: touristic activity, quality management system, tourism management

J.E.L. classification: Z30

1. Introduction

In our days, tourism is considered an extremely important attribute in the economic development of more and more countries around the world. By engaging in a huge human and material potential, but also through the beneficial effects brought upon the interference domains, tourism is an important factor in the progress of a country's economy for which a major importance is given to tourism management.

Tourism management is the process of overseeing all activities related to the tourism and hospitality sector. It is a multidisciplinary field that prepares the people who have the interest, experience and training required for leading positions in the food, accommodation and tourism industry. Tourism management could also include businesses, associations and public authorities which are marketing tourism services to potential travelers.

Tourism management has been for a long period of time, a management that was impressed by the manager's personality. In the past, few of the tourist unit managers could be considered managers in the current sense of the term. Investments in tourism were few, and human resource management problems were largely unrecognizable. At an empirical level, tourism management is the ability to provide comfort to the traveler.

2. Literature review

The complex nature of tourism has been debated in numerous papers focused on this particular issue, emphasizing the emphasis on sustainable development that meets the needs of today's generations without compromising the possibilities of future generations to meet their own needs.

The tourists are looking for an extensive range of facilities and services that are supported by a multitude of operators participating in the development of tourist activities at different stages of their voyage or holiday. Their roles and functions fluctuate in the various stages of tourism

development and relate to a number of features: tourist attractions, accommodations, facilities and local services, transport.

Today, the touristic product has evolved to become more and more complex, its legal framework becomes an increasingly important component considering the phenomenon of the internationalization of the markets, so that the touristic enterprise operates in an increasingly complex environment. At the moment, the efforts are focused on reducing costs and increasing profit. In order to achieve these results, it is necessary to introduce appropriate scientific managerial practices in the activity of businesses in order to address the increasing pressures faced by the tourism industry, infrastructure and investments.

Tourism management includes business management functions, such as finance, human resources and marketing. Also, tourism management involves theories and management principles of the tourism industry sectors, such as travel motivation, environmental factors and tourism organizations.

The principles of general management need to be adapted to the tourism industry, according to its particularities, the service being the central element in this field. Thus, the branch of balneo-climatic tourism knows some features specific to its characteristics, for which the management is different from other areas of tourism.

The managerial approach to tourism at the microeconomic level focuses on the managerial activity needed by a business operating in the field of tourism. The managerial approach is considered to be the most important component in the study of tourism. Where changes occur in tourism products, institutions, legislation, society, the managerial approach needs to be modified and adapted to the new touristic environment.

The tourism industry usually includes three main components related to the business sphere. These are: *accessibility*: means of transportation and travel such as public transport or private car; *accommodation*: refers to the accommodation units, such as hotels, motels, resorts, etc.; *attractions*: touristic landmarks, such as parks, historical monuments, natural resources, etc.

The set of these elements, which motivate the touristic movement, represents, in a broad sense, the touristic offer. Each one of these tourism management components contributes to the development of tourism, because the existence of valuable touristic resources, although important, is not enough to attract tourists in the area. Their capitalization depends on the degree of development of the material base, the quality and diversity of the services offered.

Also, a particular influence on the tourism management activity is represented by the technical progress registered in the development of the field dedicated to the means of transportation and the visible and invisible touristic infrastructure. Regarding the demographic evolution, correlated with the population dynamics and with the mutations in its structure, they also influence the tourism activity, as well as the urbanization process and the governmental actions or psycho-sociological factors and the facilities provided by the tourism organizers.

The latest strategic management theories believe that entrepreneurship and innovation development are more favored by certain organizational development contexts. Due to the fact that innovation has become both an instrument and a condition for performance, its approach should be done in a systematic way. Managers are responsible for developing an organizational entrepreneurial environment and adopting innovation as the main tool for development.

Thus, managers occupy an important place in the development of the touristic activity, and they are assigned to perform a management activity. In the context of tourism, the manager is not the person who directs the organizational activity in a direction that has been previously established, but has the role of realizing the activity through a continuous stream of changes and innovations at the level of the entire structure.

The manager performs the role of leader that is particularly important in the tourism industry. The leader must tend to reflect the character and spirit of an organization in this industry. Many of the activities done by the managers in the tourism industry are rooted in the activities related to the gathering, processing and transmission of information. This means that the receiving and communication of information is a very important element of the manager's activity.

Tourism and management are closely related concepts and without the strategic approach of tourism management, the evolution of tourism cannot be commensurate nowadays. Maintaining the competitiveness and efficiency of tourism destinations can be ensured by the direct response of

management and tourism to the global market. The management puts its mark on improving the tourism through the strategic system that benefits it, so that the vision, mission and goals define the current and future potential of tourism. In reality, there are innumerable opportunities where the management can improve and enhance knowledge in tourism organization, addressing the system and developing strategic competitive advantages.

The activities belonging to the touristic services sphere are directed mainly to the outside, to the client or to the consumer, but also to the other components of the economic environment in which the organization operates - regardless of its size. More than any field of activity, as it is well known, touristic services cannot exist and cannot be provided without the participation in the same place - in most cases - of the supplier and the tourist.

In this context, a complex arsenal of management principles, methods and techniques, decision-making, informational and organizational procedures will be used to achieve the desired objectives that will put the human, material and financial factors in motion to achieve the results. In using this arsenal there is an increased reorientation towards operational methods that offer the opportunity to replace descriptive empirical leadership with a normative and scientific one.

The set of procedures, rules, and tools used to conduct the leadership activity, helps the formation of leadership. The complexity of the touristic system is due to the embedded primary units (methods or techniques) which are harmonized to achieve the proposed results.

The scope of management in the touristic destination is identified by three leadership systems: *leadership through objectives*: is that system that has led the leadership field at the rank of science and the one that outlines the moment when it began to talk about scientific leadership; *product management*: is a management system that consists in creating a leader in the form of a product or product group in the organizational structure with the unitary responsibility to organize, coordinate and control all successive activities involved in the product or product group from the conceiving moment, until it is completed; *management through exceptions*: is a simplified management system based on the upward movement of information that reflects deviations from tolerance limits and the focus of the best leaders and specialists in key decision-making and operational areas for enterprise competitiveness.

Tourism management is a complex process. The most valuable attributes of a management are its credibility as a strategic leader in the development and marketing of the destination, as well as its ability to facilitate partnerships and cooperation of the tourism industry in order to establish a common vision of the destination.

Organizational structures in tourism management can help avoid overlapping efforts in terms of promotion, visitation services, initial and in-service training of human resources, business support and identifying any management deficiencies that have not been identified.

3. Research methodology

Pamukkale, also known as the "Cotton Castle", offers a picturesque and unique natural beauty blend with stunning limestone formations. This place it is found in Turkey. Pamukkale is designated as having a remarkable universal value, for which UNESCO named it as a World Heritage Site and a cultural and natural patrimony for World Heritage.

The Pamukkale balneary resort addresses mostly, or even exclusively, to the curative tourism, which aims towards health care. This area has natural therapeutic factors that are exploited, protected and used under special legal regulations. This resort is well-equipped and well-suited to the activity which is carried out.

The activities which are offered there, are based on specific procedures, thermal baths, calcareous or gaseous water baths, or medicinal waters cures. In addition to the natural resources that allow the treatment of certain affections, conditions were created in order to allow more specific procedures such as kinetherapy, thermotherapy, hydro-physiotherapy, sleep-therapy, aerosols, etc.

In order to establish management strategies for tourism development in Pamukkale, we used the analysis as a research method.

4. Results

As far as accessibility is concerned, Pamukkale offers various possibilities for its guests in terms of transport modes. Located about 20 km away from Denizli, Pamukkale is visited by local and foreign tourists, who want to see thermal springs and travertine but to also treat various diseases. For this reason, the transport network is highly developed, with access to both land and air.

Those who come to Pamukkale with their own vehicle can follow directions by connecting to the nearest motorway in their cities. Tourists can follow the İzmit route from Istanbul and continue on the Eskişehir one, without departing from the Anatolian highway. They will move from the Bursa - Kütahya direction, to Afyon and then to Denizli.

Those who choose the air route can fly with Turkish Airlines and Pegasus to Cardak Denizli airport from Istanbul. From there, tourists can take the bus and reach Pamukkale in about an hour.

Tourists can also come by train to Pamukkale, but those who choose to use this transport method on the Istanbul - Denizli route will face a 12-13-hour long journey that can be difficult.

The technical and material base is the combination of the material means used to ensure the comfort and all that a tourist needs during his stay. Thus, in the composition of the material base, there are accommodation, food, and entertainment and facilities to spend the free time, namely recreation and leisure facilities. All components play an important role, making it a complete and attractive tourist product, but the accommodation places present a bigger attention because they are practically becoming the home of the tourists. Also, the degree of development of those that are part of the technical-material base is regarded as an advantage, the touristic resorts are enjoying a higher degree of development and better conditions, registering a high tourist circulation, unlike those with a lesser degree.

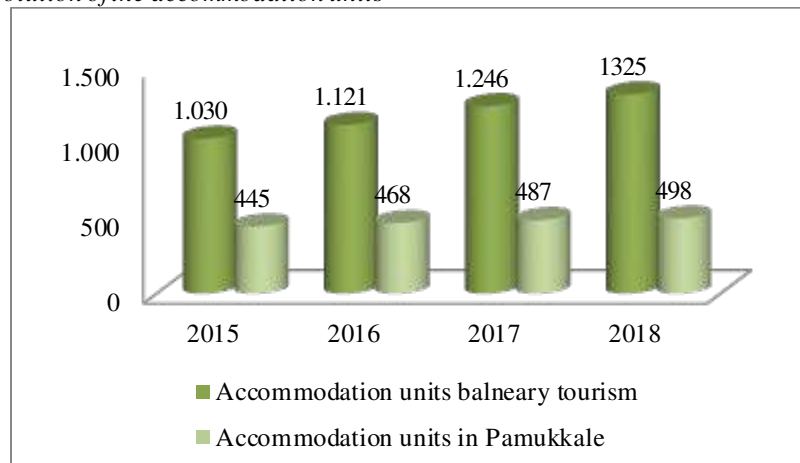
Table no.1 The number of accommodation units in the period 2015-2018

Year	Accommodation units in the balneary sector in Turkey	Accommodation units in Pamukkale
2015	1.030	445
2016	1.121	468
2017	1.246	487
2018	1.325	498

Source: drafted by the authors, based on data from <http://yigm.kulturturizm.gov.tr>

It can be noticed that the number of tourist units which are functional in the balneary resorts was 1,030 in 2015, but in 2016 their number increased to 1,121. Starting with 2016, the number of units is on the rise, so in 2017 it has been 1,246, an increase followed by a real explosion in 2018, as the number of units currently reached 1.325.

Figure no.1 The evolution of the accommodation units



Source: drafted by the authors

The existing tourist accommodation capacity represents the number of accommodation places available to tourists by the touristic structures, taking into account the number of days they are open. There are excluded the places in the rooms or structures which are temporarily closed, for lack of tourists, for fundamental repairing or for other reasons. The touristic accommodation capacity available for the years 2015-2018 is highlighted in Table no.2.

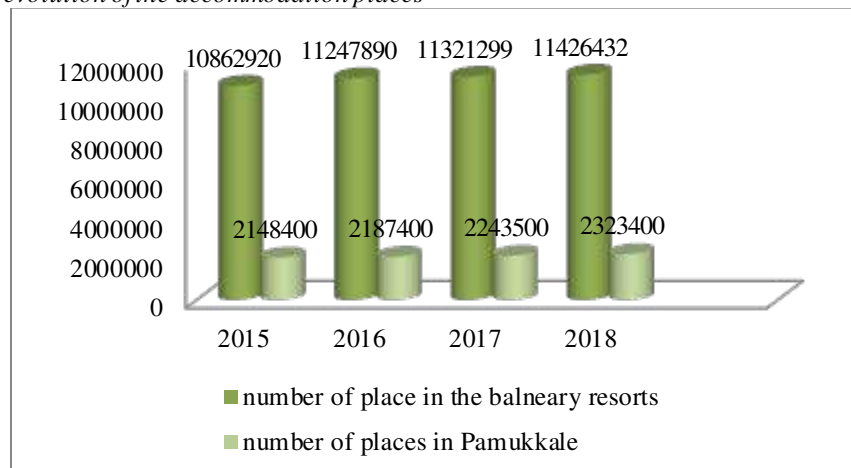
Table no.2 The touristic accommodation capacity in the period 2015-2018

Year	Number of places in the balneary resorts	Number of places in Pamukkale
2015	10,862,920	2,148,400
2016	11,247,890	2,187,400
2017	11,321,299	2,243,500
2018	11,426,432	2,323,400

Source: drafted by the authors, based on data from <http://yigm.kulturturizm.gov.tr>

Regarding the existing accommodation capacity (places), in 2015 in balneary resorts there were 10,862,920 places, and in 2016 they increased significantly, reaching 11,247,890. Starting with 2017, the growth has been slower. Thus, in 2017 there were 11,321,299 places and in 2018, 11,426,432. We note that the number of accommodation places offered by the Pamukkale area in Turkey, has a significant share in the total number of accommodation units in the whole thermal touristic area. (see figure no.2).

Figure no.2 The evolution of the accommodation places



Source: drafted by the authors

Both the number of accommodation units and capacity in Turkey's balneary resorts reached higher rates in 2018, this being an increase in this Turkish tourism sector. Within the Pamukkale resort, being the most visited in Turkey, the number of accommodation places has risen.

The Pamukkale balneary resort, which hosts thousands of local and foreign tourists every year, with natural beauty and historical sites, was preferred by foreign tourists in 2015, more so than in 2014. Pamukkale, which attracted the world with its white travertine, is among the natural beauty which have to be visited, mentioned in the Huffington Post, one of the most important newspapers in the United States. This has led to an increase in foreign tourists who visited Pamukkale in 2015.

Even though in 2015, Pamukkale has been visited by a large number of foreign tourists, the total number of tourists has been declining.

Denizli Metropolitan Municipality began the advertising campaign in order to attract local tourists to Pamukkale in 2016 with the support of the tourism ministry, businesspeople and non-governmental organizations. After the actual spread of promotional activities in the social media, there was a visible increase in the number of local visitors to Pamukkale. Although the number of

local tourists increased, the decrease in the number of foreign tourists led to a decrease in the total number of tourists in 2016, reaching 1,543,000 people who visited Pamukkale.

The total number of tourists (Turkish and foreigners) accommodated in the tourist accommodation facilities which are functional in Pamukkale in the period 2015-2017 has fallen and in 2018 it has seen some increases, but not significant.

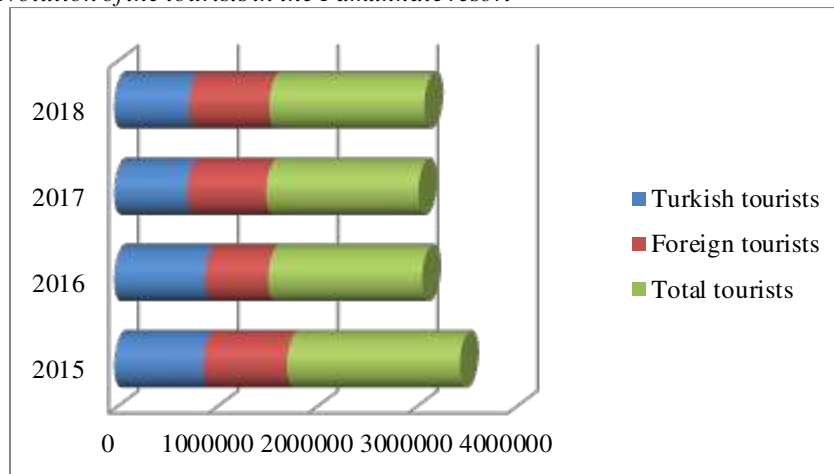
Table no.3 The number of tourists in the period 2015-2018

Year	Turkish tourists	Foreign tourists	Total no. of tourists
2015	895,000	837,000	1,732,000
2016	912,000	631,000	1,543,000
2017	735,000	789,000	1,524,000
2018	752,000	802,000	1,554,000

Source: drafted by the authors, based on data from <http://yigm.kulturturizm.gov.tr>

We note that the total number of tourists who visited the Pamukkale resort in 2014-2017 has been decreasing, even though the number of foreign tourists has increased at some point, while the number of tourists in Turkey has decreased. (see figure no.4).

Figure no.4 The evolution of the tourists in the Pamukkale resort



Source: drafted by the authors

Although in 2014, Pamukkale was the most visited area in Turkey, since 2015 the Cultural and Tourism Agency in Denizli, said there was a slight decrease in the number of tourists visiting Pamukkale, but that they are still expecting the hotels to be full the next year. Unfortunately, 2016 did not offer an increase in the total number of tourists, but on the contrary. Only in 2018 there is a certain increase in the number of tourists.

5. Proposals and recommendations

In order to be able to create a micro-enterprise or a world-class tourism industry, the work carried out must be characterized by high professionalism. This is all the more so since the touristic product is the result of several related activities. The touristic product must be looked at especially in its *intangible* side. Many of the elements from the tourism industry activity are *tangible*, but the main factor determining the attitude of tourists towards the tourist product is targeting its intangible side. In connection with this, the tourism industry, both in terms of inputs and outputs, emphasizes the *human element* as a determinant element of this activity.

This section aims to show that there are a number of available activities that could be made for the development of the balneary tourism. What is missing is primarily the promotion of these activities as balneal tourism products, especially by stakeholders, such as the national tourism organization and tour operators. Most hotels are increasingly trying to exploit the growing interest

in natural health care by developing tourism packages based on different treatments and spa procedures.

Participation of stakeholders can be understood in two related ways. Broadly, it can be understood as a multitude of techniques or practices through which the stakeholders are involved in taking the decisions regarding the development of balneary tourism. Thus, attending a meeting, engaging in a partnership or a consultation exercise could be described as forms of stakeholder participation to the development. In a narrow sense, stakeholder participation can have a deeper meaning, just like the partnership and collaboration. Thus, some believe that the participation requires more of an active role for the stakeholders both in the decision-making process and in the related activities.

Depending on the type of stakeholders, their benefits within the development are different. Therefore, a clear understanding of their attitudes and interests is a necessary precursor to planning and managing a sustainable tourism.

The involvement of the community can be defined as how the residents are involved in the daily activities of the communities where they live. Therefore, tourism development will be more successful with the involvement of local communities, as their perceptions and attitudes are important for decision-makers in achieving a sustainable balneary tourism in Pamukkale.

Thus, local communities can carry out the following types of activities in order to develop the tourism in the Pamukkale region: to take part in the decisions regarding the balneary spa tourism; to share the information and knowledge they have regarding the benefits and "secrets" of the touristic area and the existing thermal waters; the increase of the citizens' participation in their community; the identification of the needs that have not been met; the conservation of natural resources and environmental care.

On the other hand, tourist accommodation facilities in Pamukkale need to be expanded and modernized. However, this approach should not affect the degree of attractiveness of the resort in terms of architectural and urban planning. It is important to ensure a high degree of occupancy of the accommodation structures and the limitation of new constructions in order not to clutter the town from an urban point of view and to not environmentally aggravate the green spaces and the neighboring natural landscapes.

Travel agencies play an important role in the development of the Turkish balneary tourism. Travel agencies are defined as companies qualified to organize travel-related services on behalf of various tourism industry managers. As far as the balneary offers are concerned, Turkish travel agencies, and even less so from abroad, do not have a wide range of touristic offers. Improving and diversifying those offers for these touristic areas would bring a major contribution to the development of the balneary tourism in Turkey and implicitly in Pamukkale.

In this sense, tourism agencies could: promote more the Turkish touristic areas which have thermal waters; to promote the facilities offered by the Pamukkale thermal waters; to increase the cooperation between travel agencies and accommodation facilities; providing special packages for the elderly or families; promoting existing offers in on-line media; to provide transport for groups of people to the resort where the accommodation is located.

The Turkish Tourism Authority (Ministry of Culture and Tourism) may develop a strategy to promote the products developed by healthcare providers through: identifying the markets and potential customers; identifying the product-market couples with the greatest potential in the context of competition; coordinating the promotion effort, along with suppliers of new products and services; establishing conventions and partnerships with international organizations; the development of projects for the decongestion of the balneary tourism destinations and redirecting the flow of tourists to those.

Improving existing touristic offers in Pamukkale, as well as creating new touristic products must also consider the demographic changes among tourists and the implications which those have regarding their travel preferences and motivations. Thus, among tourists, it is necessary: to change the perception about the Turkish balneary tourism destinations; to influence the viability of services and products based on demand; recommending visiting Pamukkale to other people; playing a role as a reference tourist; sharing the beautiful experiences of the places visited in Pamukkale and spreading positive opinions about them.

The main objective for the development of balneary tourism in Turkey is to ensure the effectiveness and consistency of all the actions undertaken in all areas of activity and all stakeholders in order to achieve an optimal outcome. All plans for tourism development in the Pamukkale area should focus on the competent public authority in the field of tourism as the institution responsible for all the implementations. However, we must state that in order to achieve all the objectives that are required for the sustainable development of the balneary resorts in our country, it is necessary to involve all stakeholders through effective actions aimed at improving and promoting the medical services within the Pamukkale area.

6. Conclusions

In the context of the existence of a multitude of touristic areas with a specific destination in Turkey, which presents numerous natural resources, which are beneficial to the treatment of various medical conditions, the touristic development is considered absolutely necessary through the involvement of all forms of promotion both internally and externally and by increasing the responsibility of all the actors involved.

Regarding the balneary and cultural resort, Pamukkale, thanks to its curative waters, cultural and historical landmarks, unbeatable natural landscapes, is a great potential for Turkey, both in terms of increasing the level of competition with other countries, and as well as ensuring an economic interest by expanding the spa tourism.

In conclusion, the future of tourism depends on the development of an adequate global infrastructure, involving all parties, both public and private, by creating new facilities (entertainment, cycling trails, golf courses) according to the advantages that each have, as well as highlighting the natural, historical and cultural heritage. These actions will stimulate the organized tourism by enabling the involved stakeholders to streamline and guide towards the tourism, to implement its better organization over time, and reduce the negative effects of existing gaps.

Therefore, countries aiming at developing and achieving a level of competition in the field of tourism have to shape their tourism policies in this direction by creating new tourism activities and promoting the benefits of alternative tourism by spreading them throughout the world, in one word to implement management improvement strategies.

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Employment in the Informal Sector of the Economy

Cristian Marinescu

Romanian Court of Accounts

cristian.marinescu@macroeconomie.ro

Ileana Mircioi (Vălimăreanu)

Institute for Doctoral Studies, Business Administration PhD Programme,

Bucharest University of Economic Studies

ileana.mircioi@ase.ro

Abstract

In this paper we aim to present some aspects regarding employment in the informal sector of the economy as well as the main aspects that distinguish the informal sector of the economy from the formal sector.

We will refer to the structure of the informal sector in terms of occupation, as well as to its main features and traits, focusing on the three main criteria: the social, political and economic criterion.

With regard to the structure of the informal sector, we will focus on the three categories of labor force, small enterprises (micro-enterprises) or formal (registered) firms but also part-time and informal activities.

Key words: informal employment, employment in the informal sector

J.E.L. classification: J20, J21, J22

1. Introduction

Economics now operates only with notions, concepts and phenomena that take place in the *formal economy*, that is, everything that is subject to regulation. In this respect, *informality* could be considered, in my opinion, a lack of *formality*, an unusual phenomenon, an exception to what is considered *normal* in economic science, that is, from *formality*.

As Taleb says, there are two ways to study social phenomena. The first is to turn off the extraordinary and to focus on *normal*, and the second approach involves studying the most unusual forms of a phenomenon to understand it, especially if it has an extraordinary effect. Almost every social life event is caused by rare shocks and fluctuations, but with many consequences. However, almost everything that is studied from social life requires only a *normal* analysis (Taleb, 2009, p.23). For this reason, Taleb recommends that analysts and social experts focus more on *extraordinary* phenomena and rare and less common phenomena. Taleb considers it important to study the extraordinary phenomena, which he calls plastic, *black swans*, as they can bring essential information that can be explained more easily by ordinary events.

Taking a parallel with Taleb's opinion, I think that the study of *informality* can bring extra knowledge that could help researchers and even economic science as a whole by making it easier to understand the context of economic and economic phenomena how formal economy mechanisms work.

Research on the informal sector of the economy is also necessary for the following reasons (Dinga, 2009, pp. 295-296):

- The informal economy has a significant influence on labor supply and demand, money supply in the economy, demand and supply of goods and services etc;
- The informal economy has a significant influence on the economic behavior of all economic actors, namely: individuals, economic agents and the state;
- The informal economy can both replace and complement the formal economy;

- The informal economy is not only conjectural, its existence being as real and perennial as the formal one, which is why it can not be eradicated, but at the very least limited to a level considered acceptable and controllable;
- The informal economy seems to be, together with the bureaucratic system of the state, a regulator of micro- and macro-economic equilibria and imbalances;

2. Literature review

Labor market informalities have been approached in the work of many researchers, but the main studies we report when talking about employment in the informal sector of the economy are those of Keith Hart (1973), John Harris and Michael Todaro (1968) , Gary Fields (1975, 2008), Guillermo Perry, William Maloney and Col. (2007).

3. Research methodology

For this research we used qualitative research methods and emphasis was put on descriptive and explanatory methods.

4. Criteria for analyzing the informal sector

Informality exists all over the world, but its share in the economy varies from country to country, depending on: degree of development, implicit by size of labor productivity, living standard, local tradition and specificity, etc.

Informality is all the more so: the degree of development of the country and the standard of living of citizens are lower, labor productivity is lower, the level of corruption is higher, regulations are more burdensome, law enforcement is more arbitrary and impartial (Perry , Maloney and Co., 2007, p. 18).

A complex analysis of the informal system can be made taking into account three main criteria: political, economic and social criteria (Gerxhani, 2004, pp. 3-6, Harding, Jenkins, 1989).

Depending on these key criteria, a number of other sub-criteria can be defined, which are used to define a mix of informal sector activities.

The main sub-criteria regarding the political aspect are:

- Government regulations;
- Illegal activities;
- Gross National Product (GDP).

These sub-criteria, following analyzes, can show the influence that the informal sector (involving the lack of government regulations, illegal activities and, as a consequence, substantial errors in GDP measurement) has on politics and vice versa.

The main sub-criteria for the economic aspect are:

- the labor market (including undeclared work, no social benefits, no suitable working conditions, etc.). Based on this criterion, we can define the informal sector as the total amount of all revenue-generating activities, excluding those based on contract work and legal regulations.
- undeclared income or tax evasion. The definition of the informal sector, based on this criterion, is the sum of all undeclared taxable income, with the intention of evading taxes.
- the measure of the activity. This criterion refers to the number of non-legally employed persons.
- professional status (self-employed workers, family workers, apprentices, employees, etc.). This criterion is intended to distinguish between employed and self-employed workers.
- the status of an activity towards regulations. This criterion takes into account the relationship of an activity or business to government regulations, whether or not they are legally registered.

- national statistics and gross domestic product (GDP). The informal system causes distortions in the GDP calculation, as informal activities escape accounting records and are therefore not reflected in GDP.

The third criterion, the social one, has several sub-criteria:

- Social networks or ease of entry into the informal system. It has come to the conclusion that it is very easy to enter the informal system through the *knowledge* method. *Friend of a friend* are keywords and the method of informal entry. This type of social network is very important in dividing the underground economy into different areas.
- Autonomy and flexibility. Many participants in the informal sector, especially in developed countries, choose this sector for more autonomy, flexibility and freedom of movement compared to the formal sector.
- Survival. This criterion is not specific to developed countries, but only to the poor.

5. Characteristics of the informal sector

The informal sector differs from the formal one through a series of specific features. In the view of some authors, the most important features of the informal sector are (Perry, Maloney & Co., 2007, pp. 13, 51, Renooy, 1990, Sandmo, 1981, Gerxhani 2004, pp. 18; Fields, 2008, pp. 17:

- high income inequality;
- market power is linked to informality and most often to inefficient institutions;
- the relatively small (on average, slightly more than a year) period in which workers work in the informal sector;
- a higher level of flexibility in the labor market than in the formal system;
- informal activities take place both outside and within the formal system and interact with formal ones;
- is very fragmented;
- low productivity;
- lack of official regulations;
- there is a combination of various informal activities, because sometimes only one activity does not produce enough income;
- represent an important element of masked unemployment;
- there is great ease of entry into the informal sector through lack of bureaucracy;
- represent the gateway to the labor market, especially for young people, unskilled workers and married women and children;
- goods and services are cheaper than in the formal sector;
- is based mostly on social, family networks.

The economic features of the *dual economy* (informal) can be divided into three categories (Dinga, 2009, pp. 299-300):

• **Generative features** - subtask; over-profiling or overpayment of wages, profits or other net results of activities; the subunit report between the cost of the violation of the legal norm and the cost of its observance; the subunit report between the benefits of re-entering the formal economy and the benefits of remaining in the informal economy;

• **Structural features** - the osmotic layer between the primary economy and the dual economy, which could be called an osmotic economy, considered by the author as a laboratory of formal informal economy and a laboratory of the informal economy of its formalization; the illicit nature of resources used or the illicit nature of the use of illicit resources, irrespective of whether the purpose of the activities is illegal or legal; institutional deregulation accompanied by strict ad hoc non-institutional regulations; the presence of corruption as a factor of emergence and protection.

• **Operational features:**

- *Candy Syndrome*, in which the author understands the inclination of dual economic activities to exploit only one section of the generic allocation of resources, that is, that section which brings the greatest global advantage to the recipient of informal activities (eg ignoring environmental protection or protection biological employees);

- *Carapace Syndrome* refers to the fact that the informal economy, once constituted as a set of activities, has major difficulties in expanding or proliferating precisely because of the increased risk of its detection by government observers. From an economic point of view, there are no economies of scale in the informal economy;
- preponderance of interim cash transactions;
- the interference of transnationalization;
- the lack of arrears, mainly due to the use of prepayments in cash; the emergence of a sui generis form of non-institutional, criminal, protection of economic subjects, which often extends to some structures belonging to the formal economy.

The most used characterization of the informal sector is the ease with which it can enter this sector. The informal sector of the economy is preferred by the active population only as an alternative to the formal one, people always prefer to earn some money, even on the black, rather than win nothing. The important features of labor market dualism refer to the fact that the formal sector offers attractive salaries and working conditions, while the informal sector offers those unattractive. This leads to a first characterization of the informal economy: workers prefer formal jobs and accept to work in the informal sector only as an alternative.

Another point is that the informal economy has its own duality by combining these two characteristics (Fields, 2008, p. 15).

A broad empirical research has shown that labor income in the informal sector is small. For example, Sudarshan and Unni (2003) think that job in the informal sector is a *survival activity for the very poor people* and the measure of the informal sector is high, accounting for 35-85% of non-agricultural employment in Asia, 40-97% in Africa and 30-75% in Latin America Caribbean region (Fields, 2008, p.16).

The key idea of free entry into the informal sector is that all who want a job can have it. "Work" includes both entrepreneurs and employees. Barriers to entry into the job market are virtually non-existent. In certain situations, especially in the urban sector, all that the active population has to do to work is to invest minimum amounts in certain products or services that they then sell. In the case of families or communities living in rural areas, it is mandatory to keep these products for their own consumption (Fields, 2008, p17).

The existence of jobs available in the informal sector can be a strong tool in explaining the comparable or even lower rates of unemployment in developing countries than in developed countries (Turnham 1971, 1993).

The standard definition of unemployment considers that a person is unemployed if he has not paid any work paid during the last week, not even for an hour. In poor countries where there are no unemployment insurance schemes, most poor people can not afford to earn more than a week's income. So, to the extent that the poor can quickly find an opportunity to earn money in an informal job, they will take it. That's why, in those economies, unemployment is relatively low. Because of the easy way to get such jobs, other ways of setting wages based on labor productivity need to be found (Fields, 2008).

In another paper (Perry, Maloney et al., 2007), informality is seen as the manifestation of the relationship between economic agents and the state and more precisely as a process of *exit or exclusion* from the labor market. Workers can voluntarily step out of the formal labor market when they consider that informal work brings them more cost-benefit advantages or can be excluded from the formal labor market when bureaucracy is excessive or when firms decide to fire.

6. The structure of the informal sector

The structure of the informal system, depending on the composition, includes the workforce, small enterprises, or firms in the formal (registered) sector but also partially engaged in informal activities (Perry, Maloney & Co., 2007, pp. 21, 22, Ruffer & Co. 12).

The workforce includes:

- workers, especially elderly and young people, who would prefer a job in the official (formal) system but are unable to find one;

- workers who have voluntarily abandoned formal employment in order to start a business on their own, where they are their own managers and where they can earn higher income and can at the same time avoid paying taxes and duties;
- women, especially married and with children, leaving the formal sector and moving into the informal sector, primarily for non-pecuniary benefits (such as job flexibility that allows them to cope with both their professional, and domestic.)

Small businesses (micro-firms) include:

- firms that either do not intend or do not have the growth potential and therefore do not want and do not need to get in touch with state institutions;
- companies that would like to develop but who are struggling with the regulations and excessive costs imposed by the formal system and then seek to find their solution in informality.

Formal firms. Although they are legally registered, they are actively engaged in formal, part-time activities, which place them in the informal sector, such as:

- declare lower incomes to pay reduced taxes;
- do not draw up contracts for all workers, so some are paid *on the black*, thus avoiding social insurance payments.

The structure of the workforce operating in the informal system is made up of two categories of workers, namely self-employed workers and employees (Perry, Maloney & Co, 2007, pp. 5, 51, 81).

• **Workers on their own - they are relatively well paid, and include:**

- small family businesses,
- independent professionals (doctors, lawyers, teachers, etc.)
- workers with some professional skills (craftsmen, construction workers, drivers, etc.)
- unskilled workers (sweepers, other street activities, etc.).

• **Informal employees include:**

- workers in domestic work,
- unskilled workers in small enterprises,
- workers from large firms working illegally;
- contract workers who do not receive a regular salary, but who are paid at a percentage, commission.

In the case of micro-firms operating in the informal sector, they have the following characteristics (Pery, Maloney & Co., 2007, pages 51, 60, 151):

- is a family business;
- have one, maximum two workers;
- (most) work in the construction, manufacturing and service sectors;
- have a very high failure rate because the business owner does not, in most cases, have entrepreneurial skills and does not properly appreciate the difficulties and costs of the business. This is true both for underdeveloped and developed countries.

7. Conclusions

As a conclusion, we can state that most of the studies in the developing and developed countries, concerning the informal sector (the share in the total labor force, its structure and the option of companies and workers to work informally) looks like:

- there are significant differences between the measure of the informal sector, in the sense that the measure of the informal sector is much higher in developing countries;
- there are significant differences between the motivations of companies and workers to opt for the informal system according to the level of development of the state of which they are part;
- there are significant differences between the structure and size of the informal sector in each country, and this depends on the macroeconomic policy applied in each state and on the culture and predisposition of citizens to informality;

- there are significant differences between the motivations of workers within each country, depending on: the sector of activity (urban or rural), gender, age, education and qualification level, traditions, site specificity, subjective desires.

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Influence of Population Growth on the Environment

Maria Nica

Ionut Laurentiu Petre

Constantin Caraman

The Bucharest University of Economic Studies

nicamaria93@yahoo.com

laurpetre15@gmail.com

caraman_costel@yahoo.com

Abstract

In this paper, we will examine the impact of population growth on the environment, which has caused major concerns lately, living in a period of unparalleled population growth. An analysis of population evolution, temperature changes and carbon dioxide emissions per capita will be conducted over the last twenty-seven years. At the same time, two models of linear regression were made to determine the influence that the population has on the two indicators studied. Population growth has a significant influence on temperature change and carbon dioxide emissions. The paper ends with predictions, based on population data, on temperature and carbon emissions.

Key words: population growth, environment, carbon dioxide emissions, temperature change, global warming

J.E.L. classification: Q54, Q56

1. Introduction

Exponential growth of the human population and food production can not continue forever on our planet (Ansell et al, 2018).

People and all living organisms rely on the basic resources found in the Earth's environment for their survival, and these resources are fertile, fresh water, energy and biodiversity (Pimentel et al, 1997).

Human activities change the environment in important ways, causing ever more severe damage to its components. Given the cumulative and irreversible nature of many of these processes, there is a real need to give greater priority to environmental concerns in development and economic policies (LeGrand, 2009).

People's views on the relationship between economic growth and environmental sustainability remain divided, population growth being considered incompatible with environmental objectives such as mitigating climate change, people being willing to prioritize environmental protection on economic growth in many European countries (Drews et al, 2019).

One of the consequences of the population's growing environmental impact is drought; it can be considered one of the natural hazards with the biggest disrupters affecting millions of people around the world each year and posing substantial challenges for the environment, the economy and society, more damaging natural disaster, due to its prolonged and extensive socio-economic impact (Ahmadalipour et al, 2019).

Another consequence of the influence of population growth on the environment is the carbon footprint. The relationship between everyday people's behavior, carbon emissions and global climate change is at the heart of understanding and tackling climate change. People are aware of the danger of climate change, but they are unable to understand and take action to combat them (Mulrow John et al, 2019).

Global warming and climate change are serious threats to sustainable development (Mufutau Opeyemi Bello et al, 2018).

Assessing the impact of human carbon emissions on the scientific environment has become a bigger and more important issue for us to reduce carbon emissions properly and to cope with global climate change. In order to clarify the serious consequences of carbon emissions for humans and their environment, the carbon footprint that quantifies the impact of carbon emissions from human energy consumption and regional development on the ecosystem at all spatial levels has been presented and widely recognized. Aligning global energy conservation and emission reduction efforts, rational assessment of global carbon footprint variation and distribution is essential to tackling climate change (Xing Li et al., 2019).

2. Literature review

Excessive use and abusive use of the physical resources of the environment has increased excessively due to the increase in human population. Population means more mouths to eat foods that require more agricultural production. Forest clearing has its own serious environmental effects as the population is growing and needs the availability of more consumer goods and more space to build homes. There is also a need for more transport, more fossil fuel consumption and more pollution of air, soil and water. Thus, population growth leads to pollution of air, soil and water. Different types of pollution cause a number of physical problems, which still affect the biological environment (Mittal et al, 2013).

Population growth and economic development contribute to many serious environmental problems including land pressure, soil degradation, forests, habitat destruction and loss of biodiversity, changing consumption patterns, increasing energy demand, air pollution, global warming and climate change and the deficit water and water pollution (Guria et al., 2015).

The impact of human activity is devastating for biodiversity, and urban growth pushes animals out of their habitats and becomes urbanized (Baus Doris, 2017).

The impact of population growth on economic development is a complex issue. Population growth, as one might imagine, has positive and negative effects on development (Walker J. R., 2012).

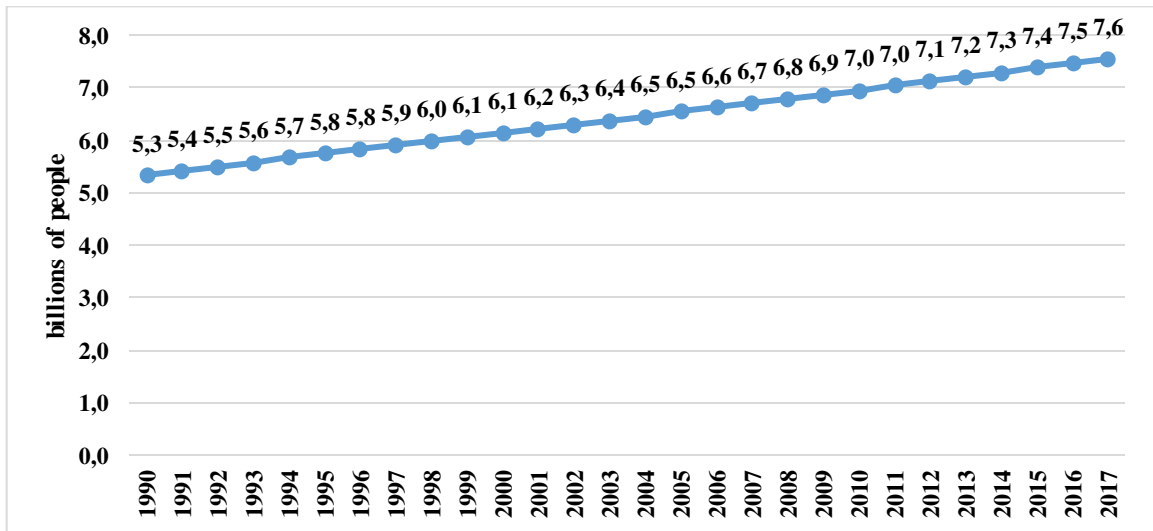
3. Material and method

In order to determine the impact that population growth has on the environment, quantitative and qualitative data, population change, temperature and carbon dioxide emissions per person have been analyzed from the world bases of data, respectively FAOSTAT and the World Bank. Following this analysis, to directly assess the impact of the demographic development on the two indicators, two linear regression models were developed to determine the equation between these variables and the correlation coefficients, this analysis being made using the program IBM SPSS Statistics 20.

4. Results and discussions

In order to analyze the impact of the population on the environment, it is desirable to analyze the statistical data over a longer period of time, so that the results are as conclusive as possible. Thus, the first part of the analysis will assess the current situation and population evolution, temperature changes and carbon dioxide emissions per capita.

Figure no. 1. The evolution of the world population in 1990-2017

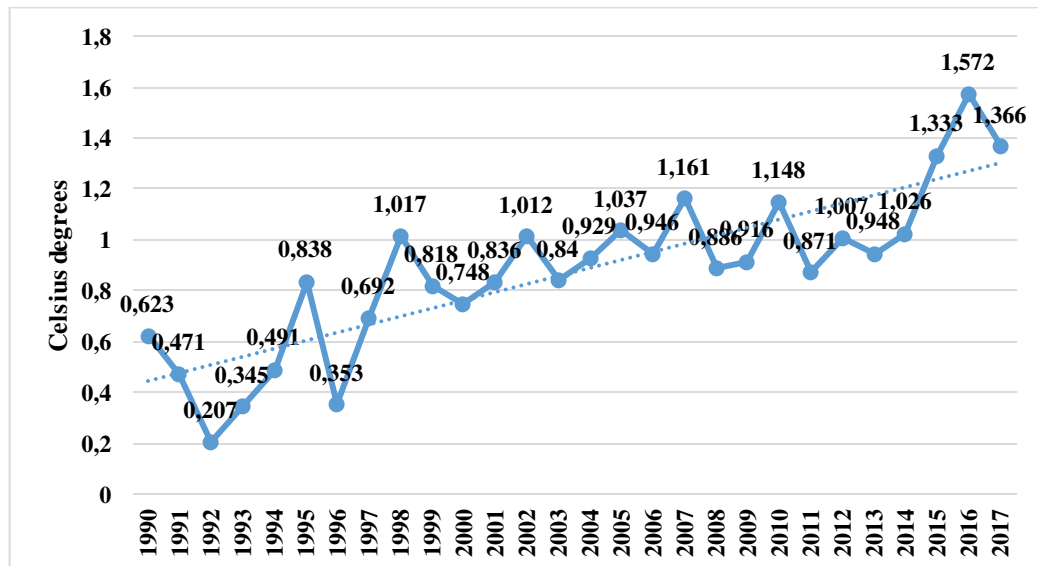


Source: own processing based on FAOSTAT data

As can be seen in Figure 1, and as is well known, the world's population has steadily grown over the past three decades. If in 1990 there were about 5.33 billion inhabitants, in 2017 they had reached the 7.5 billion (7.55 billion) threshold, which means an increase of 41.6%. On average, analyzing the annual growth rate, there is a population growth of about 1.3% each year.

As is well known, global warming is a very serious issue, for which solutions are still being sought and decisions are made to slow down this phenomenon. Global warming can be measured by the evolution of global temperature changes. One of the negative effects of global warming is the drought, which directly influences human activity through soil depreciation and, implicitly, agricultural crops, but not only.

Figure no. 2. Evolution of temperature change



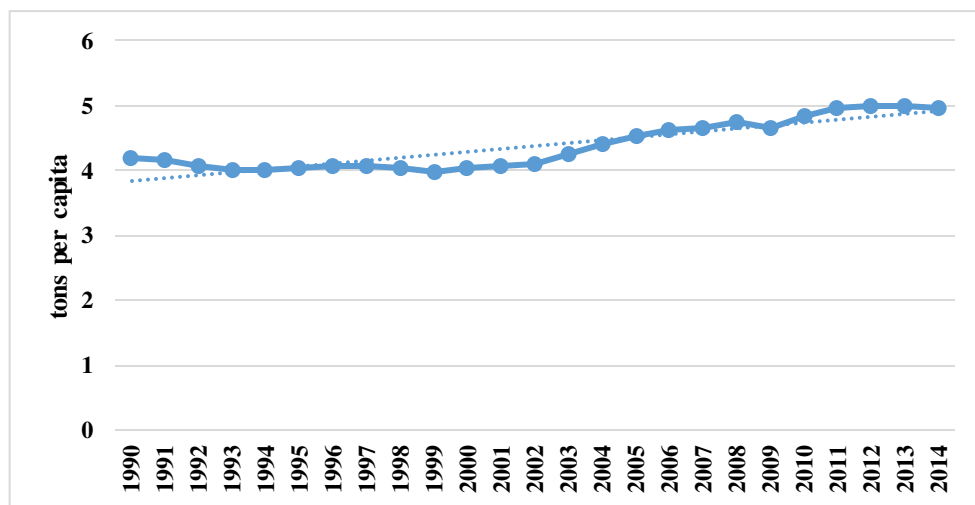
Source: own processing based on FAOSTAT data

According to the FAO specifications, the temperature change indicator contains data on observed mean surface temperature changes, while the data provides information on annual average temperature abnormalities over a reference period.

Figure 2 graphically represents the global temperature changes over the period 1990-2017, according to it, although the recorded data fluctuates from year to year and there is a general increase in these temperatures. In 1990, there was a temperature difference of 0.6 degrees Celsius, and in 2016 there was the highest difference of almost 1.6 degrees Celsius, decreasing in 2017 to 1.36 degrees Celsius. Thus, in 2016 there was a difference in temperature, more than 2.5 times the first year of analysis. Analyzing on average, each year, the temperature difference increased by about 3%.

Among the main effects of population growth is the increase in greenhouse gas emissions it produces, quantified in carbon dioxide emissions, being generically called carbon footprint. Figure 3 shows the carbon dioxide emissions of a single person globally, expressed in tonnes per capita, between 1990 and 2014.

Figure no. 3. Evolution of carbon dioxide emissions per capita

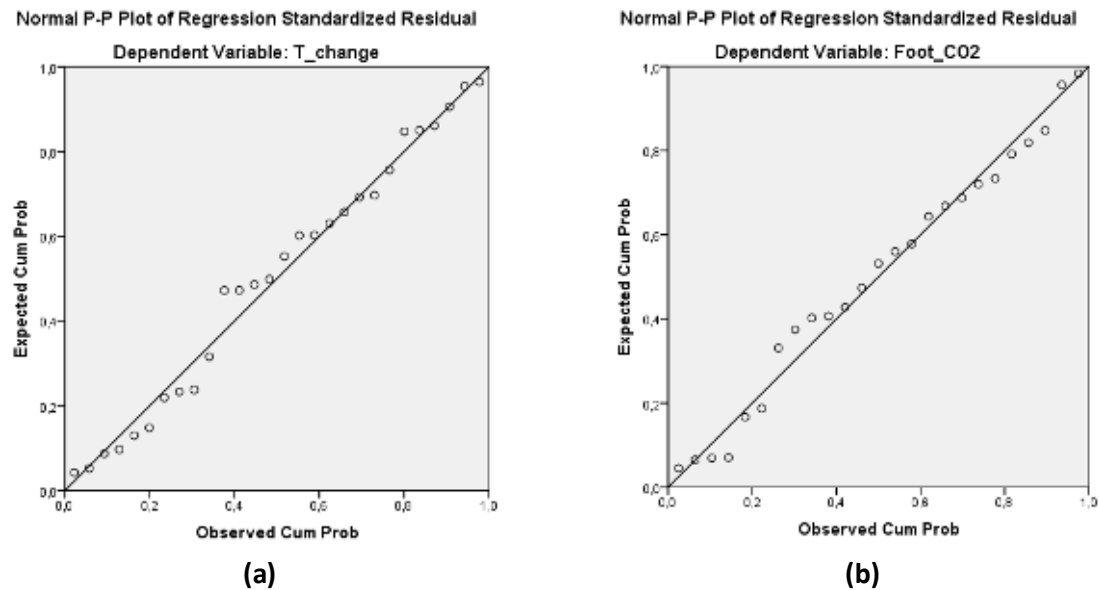


Source: own processing based on World Bank data

As can be seen in Figure 3, the amount of carbon dioxide emitted by one person increased during the analyzed period, which was easily anticipated given the continuing increase in population. In 1990, an average carbon footprint of 4.19 tonnes per capita was recorded, reaching about 5 tonnes per capita (4.97 tonnes / person) in 2014, with an increase between the ends of the range analyzed by 18.6%. On average, carbon footprint increased by 0.72% each year, rhythm being lower than population growth, so we can say that actions to slow down processes that have a negative impact on the environment are effective.

In order to determine concretely the influence of the population on the environment, an analysis of the impact of the population on the change of temperature and the amount of carbon dioxide with linear regression will be made; it will be possible to estimate these quantities in the next period, knowing that the world's population will exceed 9 billion in 2050.

Figure no. 4. Correlation between population level and temperature changes (a), and between carbon footprint (b)



Source: regression model results (SPSS processing)

As can be seen in Figure 4, the graphical representation of the variables corresponds to the linear regression, given that the point cloud for the two variables analyzed make up the right equation. Thus, we can analyze the correlation coefficient between these variables and the function resulting from the regression model.

Table no. 1 Influence of the population on temperature change and carbon dioxide emissions

Variable	Correlation coefficient (R)	Coefficient of regression function	Sig.
Temperature change	0,835	0,390	0,000
CO2 emissions per person	0,895	0,564	0,000

Source: regression model results (SPSS processing)

The relationship between population level and temperature change is shown in Table 1, the correlation coefficient between these two variables is 0.835 which shows a close and positive relationship between the population level and temperature changes, so when the population grows, increases the temperature changes too. The linear regression model was able to determine its equation, namely how the dependent variable (change of temperature), independent (population) is influenced: $y = 0.39x - 1.634$. Thus, as can be seen in the table, the population coefficient for correlation with temperature changes is 0.39, so if the population increases by one unit, the temperature change will increase by 0.39 units, therefore if the population increases with one billion, the temperature change will increase by about 0.4 degrees Celsius. The value of Sig. is 0.000, being less than 0.05, which means that the model is valid. The confidence interval for this model does not contain the value of 0, so again, the model is valid. The results are provided with a standard error of 0.05.

Analyzing the pattern of population regression and the amount of carbon dioxide emitted by each person, an even closer relationship can be observed, with a correlation coefficient of 0.895 being positive, indicating that these two variables are directly proportional, when the population increases, they also increase carbon dioxide emissions as expected. The linear equation that the model estimated, considering the population independent variable, and as a variable dependent on CO2 emissions, is: $y = 0.564x + 0.818$. Thus, if the population increased by one unit, carbon emissions would increase by 0.564 units, for example, if the population were to increase by one billion, there would be an increase in the amount of carbon dioxide emissions per person of 564 kilograms.

The model is validated on the one hand by the Sig value. (0.000), which is less than 0.05, and on the other hand that the value 0 is not included in the confidence interval values. The results are provided with a standard error of 0.059.

5. Conclusions

In this paper we wanted to analyze the impact of the population on the environment, namely on the change of temperature and carbon dioxide emissions. As is known, the world population is growing steadily, estimated to be 9.8 billion people in 2050. Although the analysis of the statistical data reveals that carbon dioxide emissions, but especially temperature changes, fluctuate from one year to the next, they show significant increases over the entire period.

The linear regression model analyzed the influence of population growth on these two dependent variables, so it was established that both temperature changes and carbon footprint are directly and closely related to population multiplication. If this rhythm of growth is maintained, based on the regression model equations, predictions can be made based on population data. Taking into account the figure above, if by 2050 there were 9.8 billion inhabitants, we could say that the climate change would rise to a difference of 2.19 degrees Celsius and the carbon emissions per person would be 6.35 tonnes per capita. With a population increase of about 30% from the current level, the temperature change will increase by 60% and the carbon dioxide emissions will increase by 28%.

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Big Data Solutions for Efficient Operation of Microgrids

Simona Vasilica Oprea
Adela Bâra

The Bucharest University of Economic Studies

simona.oprea@csie.ase.ro

bara.adela@ie.ase.ro

Abstract

In this paper, we propose a big data solution architecture for the efficient operation of the microgrids that have emerged as a consequence of distributed generation, storage systems and advances of ICT technologies. The main goal is to develop a smart adaptive platform for Big Data analytics for microgrids efficient operation that involves monitoring and control of electrical appliances, generation and storage activities, demand response and market mechanisms.

The platform essentially necessitates Big Data solutions that will process, manage and analyze large volumes of data generated by microgrids and modern appliances (IoT & sensors), small- and mid-scale generators based on renewable energy sources such as photovoltaic panels (PV) or micro-wind turbines which are integrated with storage devices (banks of batteries), smart loads, Electric Vehicles (EV) stations, settlement mechanisms and market trading activities.

Key words: big data, demand response, distributed generation, sensors

J.E.L. classification: C8, C55, P28, Q41, Q42, Q47

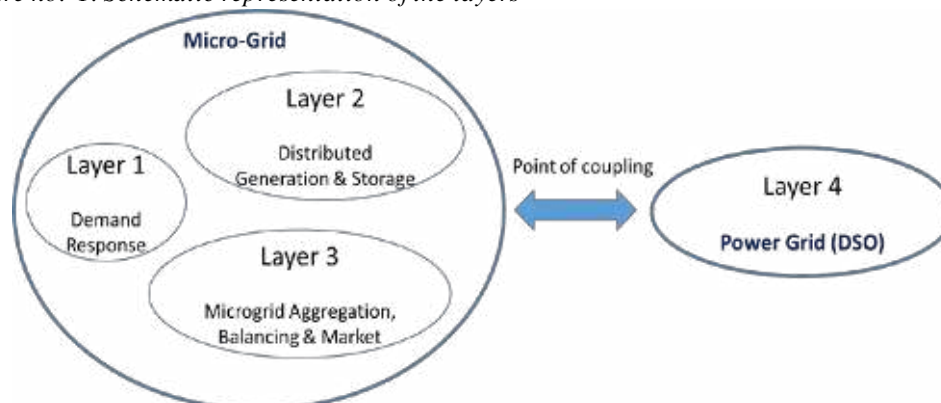
1. Introduction

The traditional energy flows from large power plants to the end-users has changed and new devices and sensors emerged that generate large volume of data.

The smart adaptive Big Data platform proposed in this paper is modular and scalable, build on the following layers since there is a high diversity of development stages related to microgrids (as in

Figure 1): *L1 - Demand Response mechanism, L2 - operation and maintenance of the Distributed Generation & Storage, L3 - Community Microgrid aggregator & Market trading and L4 - Power Grid integration and exchange.*

Figure no. 1. Schematic representation of the layers



- L1 Demand Response (prosumers, smart appliances, micro-generation, batteries, EV)*
- L2 Distributed Generation & Storage (large-scale PV, micro-wind turbines or other gen, battery banks)*
- L3 Microgrid Aggregation, Balancing & Market (prosumers communities, distributed generation & storage, balancing, settlements)*
- L4 Power Grid (Distribution System Operator - DSO & interconnected microgrids)*

2. Theoretical background

In (Liu et al., 2018), a control center handling big data is included into a microgrid (with distributed generation, storage and loads) to ensure its management. Real-time data generated by sensors is collected, processed and analyzed predicting and optimizing the activities of the microgrid improving its operation.

A framework that integrates IoT consisting in a multi-layer model with layers for data collection, management and analytics for improving the energy efficiency in a manufacturing factory in Italy is proposed in (Bevilacqua et al., 2017). The data is taken from smart meters and manufacturing machines and integrated to improve decisions and decrease the energy costs of the factory.

Energy consumption patterns for buildings of smart cities can be extracted from large volumes of data generated by sensors with big data technologies. Based on these patterns, the authors of (Pérez-chacón, Luna-romera and Troncoso, 2018) used machine learning and proposed some policies to optimize the electricity consumption at a university campus.

A review of big data methods, analytics and challenges for buildings from electricity consumption perspective is proposed in (Koseleva and Ropaite, 2017) considering the large volume of raw data that comes from smart appliances and buildings.

Also, in (Jiang et al., 2016), the authors described and reviewed the concept of big data in smart grid, several big data architectures, recent studies and big data applications in energy, challenges, obstacles, addressing the security issues.

Reduction of energy consumption and emissions for energy-intensive manufacturing industries have been approached in (Zhang et al., 2018) applying energy big data acquisition and data mining, showing that the energy consumption and energy costs could be decreased by 3% and 4%. These findings promote cheaper products and sustainable development of manufacturing factories.

MapReduce framework especially Hadoop coexists with Spark or Flink, a comparative assessment of these technologies being necessary according to (Veiga et al., 2016) considering case studies and indicators such as performance and scalability or these solutions. The results showed that replacing Hadoop with newer technologies such as Spark or Flink reduces the execution times by 77% and 70% respectively.

The MapReduce and Hadoop are analyzed in (Wu et al., 2018) considered as feasible solution for buildings big data management; disadvantages of using Hadoop are also addressed. The authors reviewed several studies regarding energy efficiency with Hadoop clusters, providing useful information to better implement Hadoop on improving the energy efficiency with big data analytics.

3. Research methodology

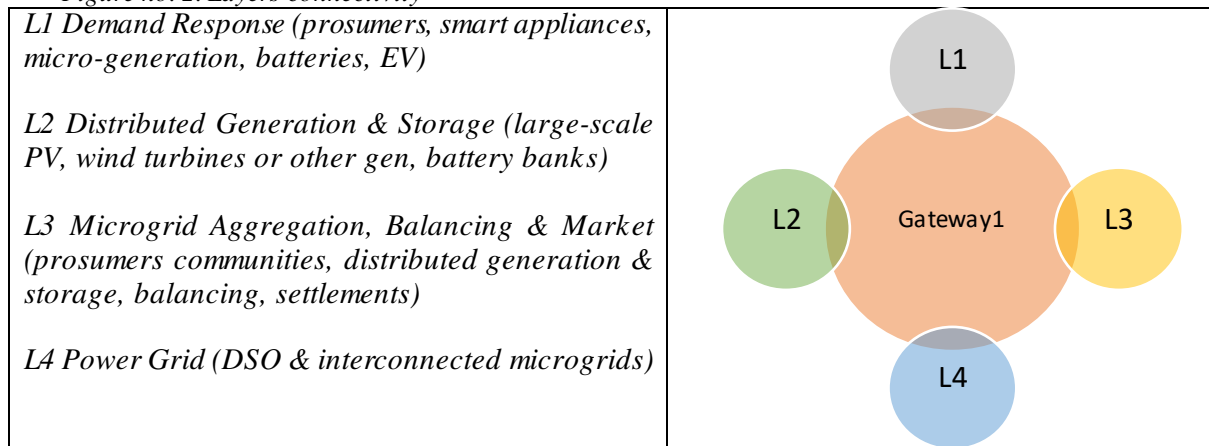
The layers were depicted in Figure 2 and in the following paragraphs:

Layer L1 – Demand Response (DR) approaches the electricity consumers and prosumers supplied at the microgrid level. Nowadays, most of the consumers own modern appliances, mostly based on batteries, that can be remotely controlled and continuously generate large volumes of data that will be the input data for load profiles, short-term forecast and dynamic consumption optimization including the operation of the distributed generation systems and the potential of peer-to-peer exchanges. Also, *L1* involves setting DR strategies and analyzing prosumers behavior based on incentives, tariffs, surveys, questionnaires and web/social media interactions.

Layer 2 - Distributed Generation & Storage (DGS) addresses large-scale generation, operational optimization and forecast focusing on short term, but also on maintenance aspects focusing more on mid- and long-term optimization (reduce downtime of PV/wind turbines, extend

generation lifetime, decrease cost of Operation and Maintenance (O&M), enhance safety and reduce risks). To support O&M activities for PV/wind turbines and storage devices, some challenges must be overcome. One of them is the amount of data that should provide a continuous transparent picture of the DGS performance over its expected lifetime. Also, the data produced by DGS has at least four characteristics describing Big Data: volume, velocity, variety and veracity of data. In addition, O&M require real-time monitoring, diagnose and predictive analytics, optimization, forecast and advanced Key Performance Indicators (KPI) reporting. Therefore, data generated by DGS and process modelling require Big Data solutions to support decisions regarding O&M activities.

Figure no. 2. Layers connectivity

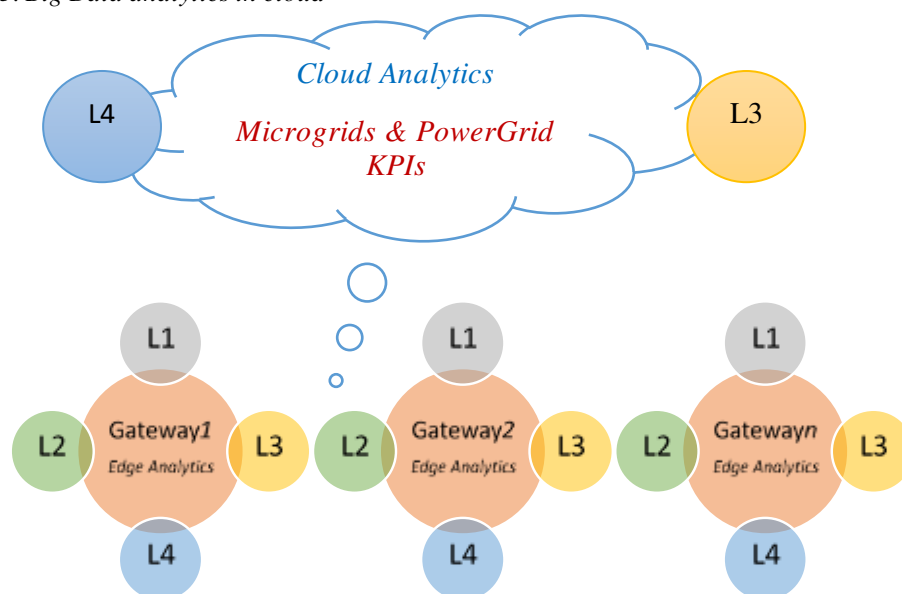


Source: Authors' contribution

Layer 3 - Microgrid Aggregation, Balancing & Market (MABM) integrates and is above *L1* and *L2*, manages the interactions and exchanges between prosumers, community and distributed generation by the settlement mechanisms, provides support for balancing, market trading activities and other microgrids or power grid exchanges. *L3* requires Big Data analytics for decision support on *L1* and *L2* management, balancing and market trading activities.

Layer 4 – Power Grid (PG) represents the supervisor layer from the DSO perspective and other microgrids interconnections. *L4* integrates the previous layers and requires Big Data analytics to enhance the efficiency of operation of interconnected microgrids (as in Figure 3).

Figure no. 3. Big Data analytics in cloud

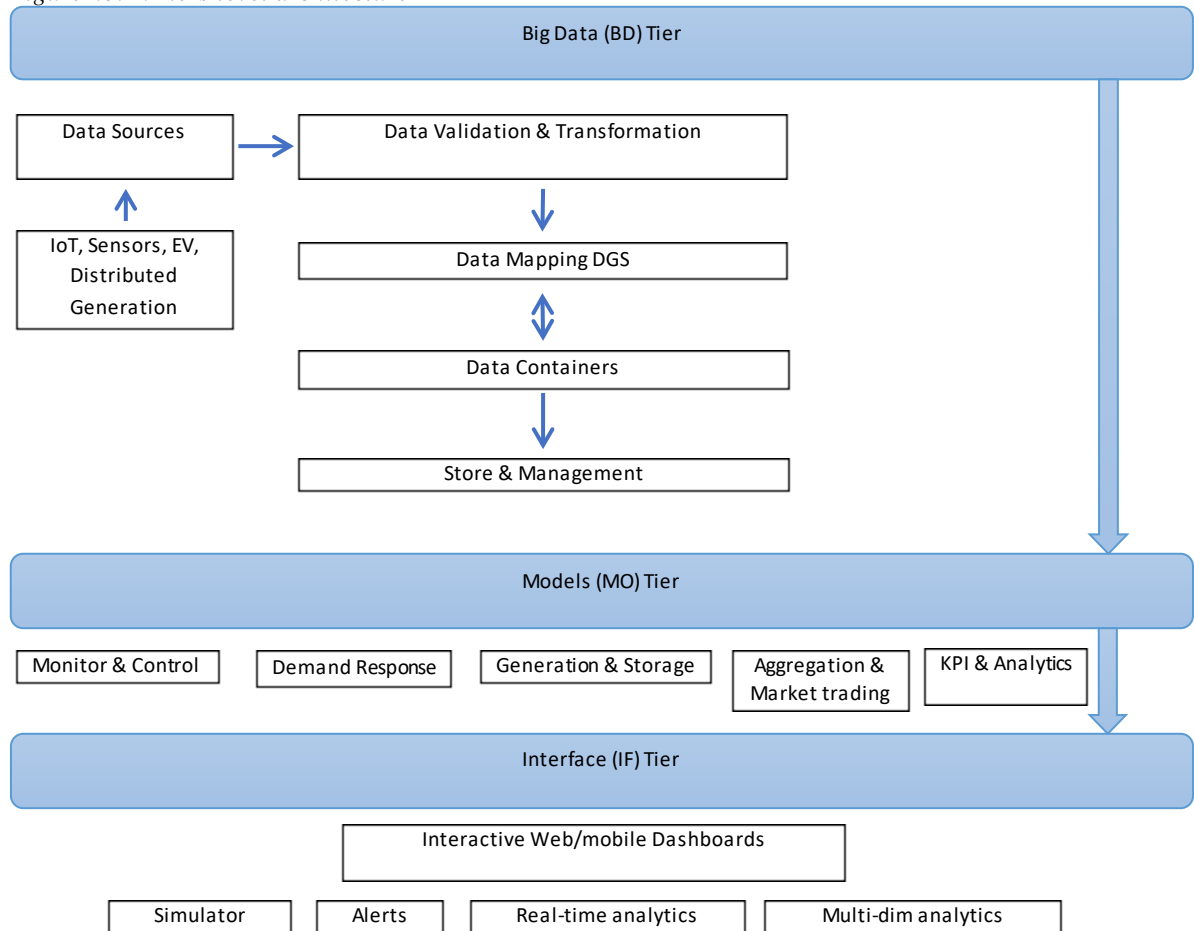


Source: Authors' contribution

4. Findings

The platform will be developed on three physical tiers (as in Figure 4) to support the data and analytics for each layer: *Big Data tier* for data integration and processing, *Models Tier* for implementing the algorithms, Key Performance Indicators (KPI) and Big Data analytics, *Interface Tier* for users' access to platform based on web-services dashboards.

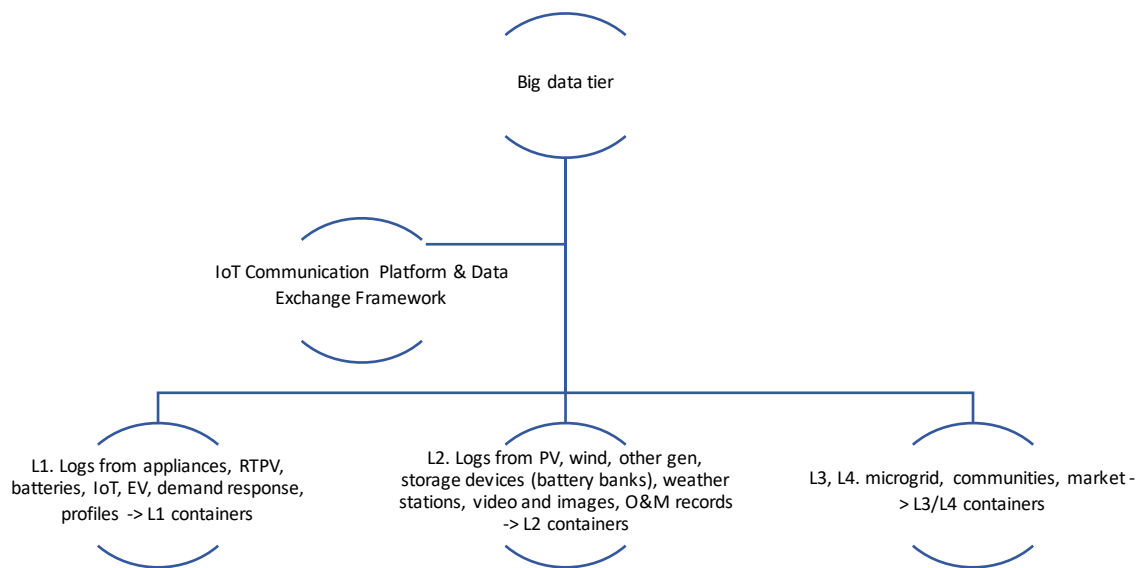
Figure no. 4. Tiers level architecture



Source: Authors' contribution

Big Data (BD) tier (Figure 5) aims to support the acquisition, processing and management of large amounts of data collected from modern appliances (IoT devices), smart meters, sensors, PV/wind systems (including sensors, video and images), EVs, storage devices, consumers activities (web/social media, surveys and questionnaires) and market trading. This layer will be mainly implemented on gateways for L1 and L2 to enable edge computing to reduce the communication bandwidth. To collect the data sources, BD tier will contain a data exchange component build on top of an IoT & sensors communication platform. For the management of the Big Data streams, an in-memory sliding time window processing mechanism will be developed to transform the data sources into flexible data containers that represent customizable data sets that integrate the sources and provide support for the layers' models. For L3 and L4, the BD tier will be developed in cloud to integrate all the data from L1 and L2 and will provide a complete data framework for the microgrid operation.

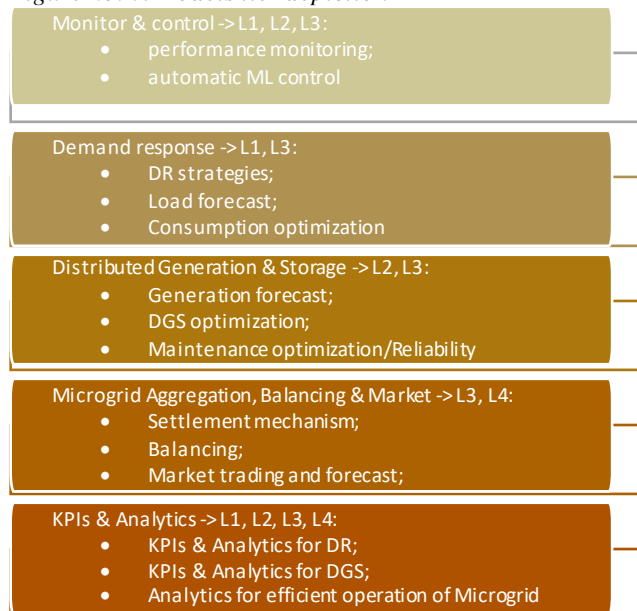
Figure no. 5. Big Data tier depiction



Source: Authors' contribution

Models (MO) tier (Figure 6) contains models for each layer to support decisions that should lead to a better integration of the distributed generation, DR mechanism and the improvement of the overall microgrids exchanges. MO tier will contain models for real-time monitoring and automatic control, operation and maintenance, load and generation optimization, forecast, consumers' behavior analysis, balancing, market trading, blockchain and DR strategies. Machine Learning (ML) algorithms will be developed on top of the BD tier to implement these models. To reduce the communication bandwidth, some of these ML algorithms will be implemented at the level of the gateways to enable edge analytics. In cloud, a set of KPIs for each layer will be developed to provide Big Data analytics for efficient operation of the microgrids.

Figure no. 6. Models tier depiction



Source: Authors' contribution

Interfaces (IF) tier offers access to the platform via web-services for prosumers, users of the power plants, aggregators and DSO. The IF tier will contain dashboards to access the models, KPIs and Big Data analytics for each layer.

The platform will be modular, scalable, open source-based technologies for Big Data management, models and analytics to provide advanced monitoring and decision-making support for increasing the microgrids efficient operation.

5. Conclusion

A big data solution architecture for the efficient operation of the microgrids that have emerged as a consequence of distributed generation, storage systems and advances of ICT technologies is proposed in this paper. Our main goal is to develop a smart adaptive platform for Big Data analytics for microgrids efficient operation that involves monitoring and control of electrical appliances, generation and storage activities, demand response and market mechanisms.

The smart adaptive Big Data platform proposed in this paper is modular and scalable, build on layers since there is a high diversity of development stages related to microgrids. The platform will be developed on three physical tiers to support the data and analytics for each layer: *Big Data tier* for data integration and processing, *Models Tier* for implementing the algorithms, Key Performance Indicators (KPI) and Big Data analytics, *Interface Tier* for users' access to platform based on web-services dashboards.

6. Acknowledgment

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Value Chain in Industry 4.0, Concept Development in the Previous Industrial Revolutions

Teodor Emanuel Petreanu
The Bucharest University of Economic Studies
teodor.petreanu@asr2035.ro

Abstract

A value chain means bringing a product from designing (conception) to delivery, and it includes all the stages needed, in a business, to bring something from the producer to client, including marketing and distribution. If a company is focused on production of goods, a value chain contains all the stages and inputs from the raw materials needed to consumer delivery.

This paper aims to illustrates the value chain concept in his entire evolution, in developing business models, in all the four industrial revolutions. After Steam, Electrical power and IT revolutions, now we leave the CPS industrial revolution. Industry 4.0 is a german term used for the new type of industry, that includes services sold by the industry. Growth clusters of high-added activities bring high income into the economy. Interdependence is the future and this trend includes real and financial market interactions.

Key words: business models, value chain, creative industries, Industry 4.0

J.E.L. classification: M20, N10, O11

1. Introduction

In the societal continuum, the last 150 years have brought an accelerate development considering the industry and the anthropology of the urban and rural environments. We have had four industrial revolutions and now we develop the fifth, behind which we have had changes in the dynamics of the rural and urban, with migrations that represent a challenge for the value chain process. We've had a passing from agriculture, guilds to steam for the mechanization of production, electricity that improved productive capacity (factories), emergence of computers that brought changes in all economic branches (IT&C), artificial intelligence or Cyber Physical Systems (CPS) that enable the physical world to merge with virtual leading to an internet of things, data and services. We can bring more value, more income quickly with services, but we have to consolidate the primary base of economy and that is production of goods, agriculture and energy. If we consolidate the levels of economy in the right way, taking all the steps, we can avoid another crisis.

This article focuses on the analysis of the dynamics between rural and urban, in the last 20 years, using also social indicators from every industrial revolution with an emphasis on urbanization, an extremely important aspect in these developments and also the trending topic for 2050, in Sustainable Development Goals – SDG's, United Nations.

2. Literature review

James M.Tien (2012) conducted a research on Industry 4.0, as the present Internet of Things (IoT) and ICT , with a review of the other three. He searched for variables and directions in fast growing technological revolution with systems of systems, data analytics, digital manufacturing, adaptive services. He studied the mass customization as the simultaneous and real-time management of supply and value chain, with the competitive advantage in the industrialized countries where customers are the coproducing producers.

In the studied conducted by Tim Weilkiens (2013) on Industry 4.0, he is studying and explaining the smart factory, with grids and system of systems, communicate the information between the manufacturing machines. This is easy adaptable to last-minute changes, can be implemented in different enviroments, as rural and urban, connecting the levels of economic activities, four main categories, with the future of machine learning, software, electrical and mechanical engineering. This will save time and costs, will have people working on creative industries, and let the machine do the repetitive work.

Mike Mortson makes a parallel between Industry 1.0 and 5.0 (the future) considering the cyber physical systems (CPSs) as value chains involved in the manufacturing process. Supply chain technology develop automatic spply chain functions, can reduce error and manual labor. For this to happen we need specialized providers, that must communicate, integrating all the components of a value chain. Industry 4.0 brings digitalization in the value chain, generate complexity for the manufacturers at lower costs and brings the product faster on the market.

Lionel Fontanea, Pierre Mohnenb and Guntram Wolff (2013) have had an articole related to France’s Industrial development, speaks about clusters, knowledge that is shared between entities with different activities that works together to develop a product more efficiently, in a face-a-face between researchers, business and industry dialogue, better than books and computer codes, also with an input on covering long distances. As they’ll have everything in the same place or connected, as skills, tools and companies, with sectoral subsidies and public procurement, this will generate a more efficient transfer of knowledge, using geography and on-line tools to generate complementarity of the companies skills as technology and competitiveness clusters. In France, 2007, statistics shows that services represent max procent in the current activities, as 87% only sold services, 1/3 mainly sold services, as the value chain is based upon economy of scale.

3. Research methodology

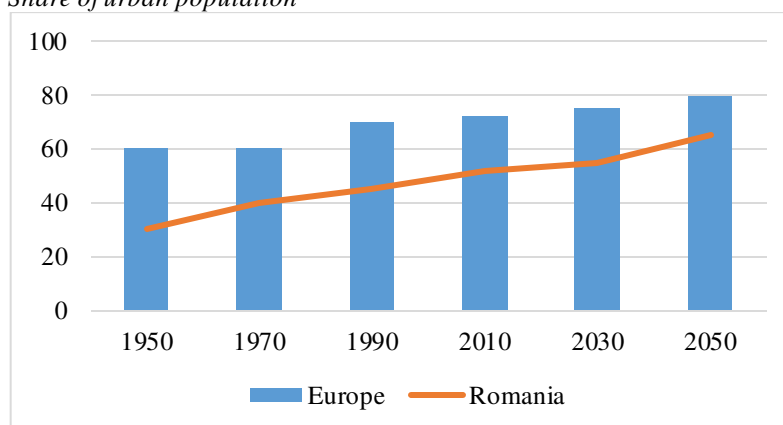
I will use an approach for the third level NUTS regions, considering three steps as typology statistics on the rural an urban studies. Here we have grid shells, with three categories: predominantly urban regions (<20%), intermediate regions (20-50%), predominantly rural regions (>50%). On Eurostat website there is a section City Statistics Illustrated and Statistical Atlas, where the information can be visualized and analysed as territorial data, correlated with the population.

I used also Urban Europe manual, statistics on cities, towns and suburbs, studying Europe from the 1950 to 2017, with an emphasis on Romania, studied conducted by Enache and Holtier in 1980 (for the 1945 and 1977 period) and Enache in 2013 (for the World Bank).

4. Findings

In 2017, three quarters of the European population lived in urban area (Eurostat Urban Europe)

Figure no. 1 Share of urban population



Source: personal calculation, based on Enache and Holtier (1982)

EU's activity is concentrated in predominantly urban regions (53% of the GDP) in 2012, with an increase in population, as migrators from rural, as 72% in 2015 living in the urban comparing to 59 % in 1950. Romania is following the raising trend in urban-rural typology, with an increase from 31% in 1950 to 52% in 2015. Also there is a problem with the growth poles, in the present day we have Bucharest, the capital, that attracts population and developed this sector of IT&C, the third industrial revolution and the industry of services.

Value chains in the rural-urban environment is based on the production of goods, processing, distribution, services and trade, that can be local, national and global, connecting the rural to global consumers, as smallholders, transporters, input suppliers, processors. In developing countries, we have >30% of GDP based on agricultural value chains, where >75% of the population live in the rural areas.

The 1st industrial revolution started in 1760 introduced water and steam in the manufacturing process, with influences in residence use, textiles and transportation; made production more faster. The 2nd revolution, 1840, it is called the technological revolution, in Britain, Germany and America. It was focused on electrical power with sophisticated machines that allowed an increase in production. The increasing usage of IT and automation in the 1970 ties it known as the third industrial revolution, Information and Communications Technologies (ICT). The 4.0 as an industry was the internet of things and cyber physical systems, cloud computing, cognitive computing that employs artificial intelligence, solving the global challenges of our time, the communication of the systems involved in the manufacturing process with each other. The 5.0 industrial revolution emphasizes the passing from human to virtual, machine between machine, factories transformed through the Internet of Things, interconnect cognitive computing with cloud servers.

Industry 4.0 brings data analysis into the supply chain, processing large amounts of data, grow businesses faster. If we have a rural and urban comparison, we can find a new trend in moving to villages, where the entrepreneur can have a smart factory, also can work coding from home, staying in the rural, where the quality of life is better. Manufacturing 5.0 is an upgrade of 4.0 and follows its grids and directions.

5. Conclusions

What is industry for in a world of services? I think industry is now, more than ever, a security issue. If a country wants to have independence it needs to consider to major aspects: agriculture and energy; both of them relates to industry. Industry now undergoing major restructuring – shift from monopolistic to competitive structure – new economic/social pressure. The difference between industry and services is the concentration of qualifications. The authors wrote about the agglomerations of related industries, as „brain hubs” that represent urban areas with high-income employees, industrial capitals, help suburban areas with a declining in jobs and migration of the inhabitants, their jobs generates other 5/1 other jobs. If we only export, if our industry will concentrate only on services, on short term there can be an increase on the income from services, but afterwards we have an import of consuming products that could generate insecurity as a nation, limited independence in decisions, conditioned by the export countries. Industrial companies, at the international level, with a split value chain are classified as services, so we need to redefine the industry as today ICT and CPS where the production of goods don't represent anymore the only way to obtain profit. We can do this first creating clusters. The rapid evolution of the technological innovations from the last 40 years is continuing with a faster pace as today's revolutions last only as long as it takes for industry-wide implementation to complete itself.

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The Economy of Florence during the Medici Government

Ionuț Alexandru Pleșcău
University of Bucharest
ionutplescau@yahoo.com

Abstract

The aim of this paper is to present some aspects of the florentin economy, in the 15th century. Prior to the arrival of Cosimo in Florence, the inhabitants' life was monotonous, marked largely by several religious holidays, small merchants, traveler dialects and agriculture farming. The plague epidemic in 1348 has led to a considerable economic crash period and to a decline of italian population. The old political elites and the new rich class have produced a social disorder among ordinary people. But the quattrocento will bring an unexpected economic and cultural expansion through the presence of Cosimo „il Vecchio”. The modern capitalism has his roots in this period given the importance of Medicean Bank (1397 – 1494).

Key words: Renaissance, Florence, trade, Cosimo de Medici, Byzantium

J.E.L. classification: B00, N230, Z10

1. Introduction

Florence was the source of the Renaissance in the 14th-15th centuries. This metropolis of the times embraced the elements that led to the grandeur of the later republic, for example, political life, cultural effervescence, religious debates, controversial aristocracy led by the Medici family, the banking system, and others. The rediscovery of the values of Greek-Latin culture was made with the help of Byzantine scholars from Constantinople, where a struggle for survival took place, given the threat of the Ottoman Empire. In Florence, the Italian elite, dreamer poets, businessmen, and dark artists who would make this city the first of the most cultivated of the time, gathered in the middle Ages.

At the beginning of the fifteenth century, many intellectuals found a refuge for themselves, for their families, but especially for their works in Florence. In fact, Greek language and oriental culture have been present in Italy for a long time. There were from the beginning of the medieval age colonies that continued to speak Greek, and this was mainly used in the ecclesiastical environment, but especially by the merchants who had relations with the Levant. Two monks remembered at the end of the fourteenth century a brother, Angelo da Cingoli, who believed that he had learned Greek by a miracle as a special gift from God (Monnier, 1901, p.3). In Italian intellectual environments, however, the Greek language was hardly known. Tuscany's richest families started to help the poor refugees and to manage young artists circles. With the cultural expanding, suddenly started the development of economy.

2. Theoretical background

About Florentine society we can say that in the fifteenth century there were, besides well-known multiculturalism, negative aspects such as anti-Islamic and anti-Semite currents, slavery or ethnic prejudices. Giovanni Villani writes about Florence that, before Cosimo's arrival, he was a 100,000-strong city with a well-fed population, consuming up to 60,000 wine-growers, 4,000 calves and 30,000 pigs. The education of children and adults was far above the media at that time, with schools, churches (about 110), hospitals (about 30), and 40 banks (Villani, 1857, p.338).

Before Cosimo de Medici came to Florence, the life of the inhabitants was marked by religious holidays, and the main features of society were outlined by coins in circulation, various merchant dialects, and agriculture farming. The various forms of urbanization were manifested through competition between regions or cities that were generally run by families. This ambience of power and wealth to the already wealthy families of the Tuscan Republic will lead to many intrigue and fights. This family initially dealt with textile trade, and after 1350 it began to enter the banking branch, a field in which they also became politically forced, after the family became the official representative of the wealth of the Western church.

Perhaps the most valuable work of charity was for Cosimo de Medici was the architecture. Even though medieval historians sometimes compare Cosimo with his nephew Lorenzo, considering that they are equal, yet „Il Vecchio” remains a landmark in medieval history. Cosimo built the sacristy and the chapel of San Lorenzo, paying Brunelleschi to design them. He built or renovated the *Badia Fiesolana* (a Catholic monastery in northern Florence), the *Basilica della Santissima Annunziata*, the *Basilica di Santa Croce*, and others. One of Cosimo's works will be the *Monastery of San Marco*, next to Medici Palace, which he renovated and added a library for which he paid a lot of money, especially for furniture, books, etc. It should be remembered that the ruling family supported Filippo Brunelleschi to build the last part of the Dome of Florence, the greatest engineering achievement of the fifteenth century.

One little known issue today is that the first open library in Europe was the one built by Cosimo de Medici at the San Marco Dominican Monastery in Florence in 1444. This library consisted of 400 volumes, and many intellectuals came here, including Federigo de Montefeltro or even Pope Nicholas V (Jurdjevic, 1999, p.1111)

Vespasiano da Bisticci, a cosmopolitan historian, calculated the entire investment in buildings, at about 193,000 golden florins, a colossal amount that now exceeds 600kg of gold. The respect of the citizens was great because these innovations remained forever in their city, and they are preserved today (da Bisticci, 1976, p.19).

3. Findings

The city of Florence boasts the crowd of businessmen eager for enrichment ever since the Crusades. After the majority visited Byzantium and Jerusalem, they wanted to become artisan patrons. Through the Medici Family Bank, representing the Pontifical State, we can see the first nuances of capitalism (Booth *et al*, 2008, p. 132).

The title of *republica* was carried on by the city of Florence from 1115 until 1532. The city was headed by a council called *Signoria*, and by a leader. After 1532 the republic became ducat. What interests us in this article is the period between Cosimo de Medici as governor in 1434 until 1494 when the government of the republic was taken over by the monk Girolamo Savonarola. Cosimo de Medici reigned between 1434 and 1464, then his son Piero between 1464 and 1469. He follows his son, Lorenzo Magnificul, between 1469 and 1492, followed by Piero the Unfortunate. Then power will be taken over by the Dominican Girolamo Savonarola. After the Medici family resumes political power in Florence in the sixteenth century, its status will change to duchy.

In the fifteenth century, Toscan's monetary system used florin, a gold coin with the city emblem on it. There were also used small coins (*moneta di piccioli*), *denaro* and *quattrino*. A silver coin was used and was called "*grosso*." These coins had different amounts of gold and silver, which also denotes individual value. At the request of the market, coins, sometimes made of gold ingots, were sometimes injected (Booth *et al*, 2008, p. 132).

About Florentine society we can say that there were, besides well-known multiculturalism, also negative aspects such as anti-Islamic and anti-Semite currents, slavery or ethnic prejudices.

The economic, cultural and social progress that Florence has many levels of comprehending. Since the previous century, Italian history shows us some negative aspects. First, in 1333 a natural catastrophe took place, through the overflowing of the Arno River, with devastating effects. In 1348 the plague epidemic appeared, which would kill nearly two-thirds of the city's population. The economic downturn was marked by the strong financial crisis caused by the failure of the 1365,000 loan of florins by the king of England in 1339. There is a pressing struggle between the bourgeoisie (*popolo grasso*) and the class of craftsmen (*popolo minuto*) and *plebei*. In 1378 the

Tumulto dei Ciompi the nobles of the Palazzo Vecchio were replaced by craftsmen from the wool industry. This power exchange has been short-lived, as the leadership will be taken over by the Albizzi family, who will fight officially and unofficially with the Medici family. The latter will take over the rebellion of the republic after its members will assume the high post of Pope's official bankers in 1424.

The period of the 15th century shines through the complexity of cultural, social and artistic activities at all levels. What Brunelleschi, Donatello and Boticelli started, continued Michelangelo and Leonardo da Vinci. There is no other place in Europe where such a cultural movement has crystallized in any age. This is also due to Cosimo il Vecchio, who gathered under his patronage the geniuses of time, promoted them and gave them a place in history. Mostly *pater patriae*, for his generous donations in the field of art, he has a tradition of *mecena* which will be continued by his successors.

In medieval Florence there is a decadent moral side, which very few historians have approached. It refers to the sin of sodomy, or homosexuality, a sin that will be extensively described by Michael Rocke in his book, „Forbidden Friendship”, published at the University of Oxford (Rocke, 1998, p. 29). The author says the number was high, up to 17,000 suspects. A "night office" was set up between 1432 and 1502. Only 3,000 were convicted. A great success in the "healing of these sins" was given to Girolamo Savonarola in 1490. Unfortunately, the luxury and opulence of the Medici family provoked the monk Girolamo Savonarola. He spoke in his sermons about poverty and shortcomings, and about the greedy wealth in which the leaders of the republic lived, who at that time were led by Cosimo's nephew Lorenzo the Magnificent. Giovanni Gentile (1875 - 1944), the first author of the character of Renaissance philosophy denies his paganism, underlining the capital difference between the humanist and the Renaissance phenomenon. The atheism of the era was, in fact, the struggle of humanists with the Western clergy and its claims.

The fundamental trait that historians generally describes about the Tuscan republic's spiritual life is a very interesting one. Church life was very complex, as there were many local traditions, civil and religious celebrations, majestic ceremonies, philanthropic charitable activities of nearby monasteries. Besides, we also notice a superstitious side that sometimes merges with mysticism, such as the case of Girolamo Savonarola.

Fortunately, we also have bright faces that shone in the decadent atmosphere of Florence. Archbishop Antonino Pierozzi, who will be the confessor of Cosimo, was very respected for his faith and piety. At one point, in 1456, Marsilio Ficino accepted the advice of his spiritual confessor Antonino Pierozzi, the Archbishop of Florence, to withdraw from the world's disorder towards loneliness, more precisely to the paternal house in Figline. It should be stressed that although many of Florence's high-ranking clergy very warmly embraced humanism and Greek-Latin culture that were just reviving, Archbishop Antonino Pierozzi had preserved an unmoved ecclesiastic sobriety. He counted very dangerous philosophers and believed that it was an enormous mistake to revive "pagan mistakes of the past". In general, the Western Church accepts Aristotle, but the Archbishop decides against, and even more rejects Plato, through which the new philosopher wants to bring back the "cult of demons." But his ascetic life impressed Cosimo Il Vecchio (Negulescu, 1986, p.167).

Once Cosimo had stated that for a long time "the Tuscan republic was lost because of wars, plague and hunger, if her archbishop would not have eternally prayed to God." German historian Georg Voigt will describe the archbishop saying that in a time of luxury, not only excessive, but also without any discretion, eternally exhibiting in an eternal parade, when enormous sums were spent for grand palaces, rare and expensive mobiles, paintings and statues signed by famous artists, when at the banquets of the rich, the dishes were served only in silver and gold, nicely decorated, when the private crews were as pompous as the royal courts - Antonino Pierozzi lived in a cell where there was only a bed, a table and a chair, an ordinary monk's race, eating earth-pots and visiting the diocese riding on a donkey (Negulescu, 1986, p.167). And not for lack of means. With the Catholic system of church gifts, the Tuscan diocese, which was one of the richest, brought considerable taxes to its leader. But Pierozzi spent all for the poor. Not only to help them with their individual needs, but to give them free confessional schools, at the time when, without public state schools, element education had to be paid by individuals to those who were taking this task as teachers. And after the soul's attention came that of the body. In order to give the poor a serious

medical care in hospitals, the Archbishop of Florence also spent important sums. Moving was, in particular, his solicitude for the children of sin, who had no fault of their own, that is to say, for the illegitimate children that he grew up in a special asylum.

For ordinary people, another factor contributing to the loss of trust in their official church was the Western schism. It lasted between 1378 and 1417, when the western church had two or three popes in Rome, Avignon and Pisa. It is obvious that through these political-religious approaches the faithful began to look for other forms of religiosity. And, in principle, the intellectuals came to the Greek-Roman culture with its riches, and the simple people took the ideas of reform.

In addition to these unfavorable factions, the tendency of secularization and removal from the church was also due to the Inquisition. It generally deals with serious situations of mourning and blasphemy. Worthy of note is the case of Jan Hus, or Savonarola, who was burned at the stake. The instability of papal schism has weakened the intransigent action of the Inquisition. That is why the Neo-Platonic philosophy of the Byzantines was received in Italy, and they were able to teach the Greek language, or Plato's philosophy unhindered. As long as they did not oppose papal ideas, they were tolerated (Rose, 1898, p.130).

But let us not believe that ordinary people have fallen into religious or spiritual indifference. Looking at the huge cathedrals and the writings of time, we can easily see that the Florentines were practitioners.

4. Conclusions

From the above we noticed that the fifteenth century was very complex for the Tuscan capital. If in the first half the family of Medici, who initially traded textiles and then reprofiled on the banking system of the time, becoming the official administrator of the Catholic Church's fortunes, we will see how the best known, Cosimo and Lorenzo will become real protectors of artists, teachers, culture people, and not, in the end, Byzantine refugees. This family felt that the true value of its wealth would only exist through culture. And much has been invested in architecture, sculpture, painting, various workshops, bringing Greek manuscripts, opening libraries that have existed to date, sending some talented young people to scholarship, encouraging multicultural relationships with other developing countries. The Medici family gave history two popes and some queens who will keep a deep resonance for eternity: culture and economic success.

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Aspects on the Promotion of Public-Private Partnership, in Romania, after 1990

Florina Popa

Romanian Academy, Institute of National Economy
florinapopa289@gmail.com

Abstract

The introduction and expansion of market forces in the public sector field, as a result of substantial changes initiated by governments, as early as the first decades of the last century, has taken place based on some political mechanisms and institutional structures, whereat the Public-Private Partnership is included, too.

In Romania, in the period after 1990, PPP has manifested itself in the context of the structural changes in the economy, in the period of transition, in the effort to find answer to the social and economic problems characteristic of the period.

The paper shows the challenges in the Romanian economy generated by the transition from a model based on the command-control principle, to a competitive economy system, supported by the principle of freedom of action, as well as the applied strategies oriented towards the economic reform in the context of this process.

There are shown the measures of upholding and promoting the cooperation between the public and the private sector through the actions of strengthening the legislative framework, respective, developing legal regulations and the establishment of institutional structures, with attributions in the implementation of the public-private partnership.

Key words: transition, centralized economy, market economy, public-private partnership, legal regulation.

J.E.L. classification: P10; P11, P16, P20, P21, L32, L33.

1. Introduction

The knowledge of the historical aspect of the partner forms practiced in Romania and their evolution in the last century is a topic of interest, relevant to the role played in promoting the development of the economy.

At the national level, various theorists have shown their interest in the field, making their contribution to highlighting the forms of association between the public and the private sector; these have manifested differently, over time, depending on the economic, social and political context in which they evolved.

This material is referenced to the manifestation of the Public-Private Partnership in Romania, after 1990, in the context of the structural changes in the economy, in the period of transition, of the restructuring of the relations between the governmental and the non-governmental sector, as an echo and response to the social and economic problems characteristic of the period.

There are presented the measures of upholding and promoting the cooperation between the public and the private sector through the actions of strengthening the legislative framework, respective, the elaboration of legal regulations and the establishment of institutional structure with attributions in the implementation of the public-private partnership.

The end of the study presents the conclusions resulting from going over the literature in the field.

For the achievement of the present paper, the methodology of the domestic specialty literature and of the relevant legislation research in the field was used.

2. Theoretical background: Some elements, concerning transition and measures for restructuring the economy

The transition of society from the socialist model, based on the command-control principle of economic and social activities, to a system with competitive economy supported by the principle of freedom of action, in which autonomy is controlled by the democracy of the collectivity, is a normal process of social evolution, oriented towards progress and prosperity. Human collectivity needs to make efforts of adaptation and social costs may be lower if the process follows a normal course of economic and social activity.

The transition from the socialism, based on a centralized economy, to the competitive, market economy is complex in nature, in relation to the transition from the totalitarian state, to the rule of law, from an obsolete behavior pattern, to a new, educational and cultural one, oriented towards international economic integration.

The challenge is the ability to make economic judicious decisions, to ensure the correlation of resources and their use, accordant with social needs, so that the market freedom to be in relation to social harmony (Popescu and Ciucur, 1995, p. 12).

The finality of the transition must lead to the achievement of competitive, well-developed and competitive market economy able to join to the world economy (Popescu and Ciucur, 1995, p. 12, 13).

The process of systemic-post-communist change, covered in democratic ways presents difficulties and requires a long time that engage significant economic and social costs and a change of mentalities and people.

Removing the political system has had consequences on the economic system, also changing, and on the population subjected to some severe attempts. The need for relocation of resources was hampered by the lack of an adequate institutional system needed to coordinate a complex process of change. (Prelipceanu, 2006, p.13).

The change covered by the Romanian society, beginning with the last decade of the last century produced itself with difficulties, under the influence of internal economic and social conditions and of the international trade. After 1989, the Romanian economy faced a structural crisis, a result of the imbalances accumulated in the period previous the transition, of the extensive development that has not always been done, on the criteria of efficiency, competitiveness, of the effects generated by the change in ownership reports, of the impact of the international conjuncture on the internal processes. The effects have been negative felt on functioning of the basic sectors of production (industry, agriculture, infrastructure, services) of the correlation between the consumption of factors of production and outputs (Popescu and Ciucur, 1995, p. 32-37, p. 151).

The applied strategies aimed at the economic reform were accompanied by unsatisfactory elements, too, significantly to economy, such as: inflation, unemployment, budgetary and trade deficit, social inequities (Popescu and Ciucur, 1995, p. 11).

The experience of the transition countries did not identify a middle way between the centralized system and market economy system of capitalist type, so that the manifestation of the economic imbalances meant an incentive for the governments in the Central and Eastern European countries, towards the improvement of the reforms (Iovițu, p. 32) .

In Romania, some of the elements initiated within the reform, were remarked by (Iovițu, p. 215, 216, 230):

- The abolition of the old economic structures, without preparing the implementation of other efficient forms for society, in prospective, which led to chaos and big losses in the Romanian economy: the diminution of the industrial and agricultural production, resulting in the loss of a large number of external markets, the penetration on the Romanian market, of a large volume of foreign products; the rise and increase of unemployment which became a perpetual phenomenon, the devaluation of the national fixed capital, the decrease of the national currency rate and the accelerated increase in the prices of consumer goods and services, the decrease of the labor cost, the consequence being a pronounced impoverishment of the population. The measures in the transition period were accompanied by inflationary processes manifested by controlled or evolving inflation, as well as by a financial deadlock whose effects ranged in vicious circle, namely: postponing the payment

to suppliers who, in their turn, as buyers, delayed the performance of other payments. The phenomenon could lead to companies' default and to their call for support and sustain by the authorities.

- A coherent program needed to design a modern economy, effectively, from an economic, social and ecological perspective did not materialize. The general nature of the goals targeted at and the macroeconomic measures adopted did not correspond to the needs of microeconomics, the consequence of which was the slowdown in national production, the increase in imports of expensive similar products paid through the call for foreign loans.
- The excessive liberalization had serious consequences in various fields: industry, agriculture, tourism, scientific research, culture, health, education, but also for the population benefiting from these activities.
- A rapid decentralization of administrative decisions and structures took place in the 1990-1991 period;
- There have been changes in the mentality and behavior of a part of the population;
- In order to support economic reforms, Romania called for the World Bank's support and benefited from loan programs, such as: the ASAL project intended for the rehabilitation of the agricultural sector and the FESAL project aimed to the recovery of the financial system and enterprises.

For Romania, the transition to a market economy meant a correct perception of how a free market economy should operate, so that, the fall in economic activity could be stopped and the conditions needed to relaunch the production capacities of the economic system should be designed. (Popescu and Ciucur, 1995, p. 181).

The restructuring of the Romanian economy consisted in integrating the specific risks determined by internal factors and also, by the risk of the world economy implications on the Romanian economy (Popescu and Ciucur D, 1995, p. 198, 199, 200).

The solution chosen and considered efficient for the restructuring of the economy was the privatization, the condition of the success of action being the consistency and the pursuit of the economic and social efficiency and the fulfillment of the final objective of achieving a competitive economy, this being a way of incentive of the capital investments (Popescu and Ciucur, 1995, p. 193; Prelipceanu, 2006, p.14). In this respect, one of the measures considered useful for the need of restructuring of the economy was the Foreign Direct Investment that could favor the process of relocation of resources, of market economy behaviors instauration, of getting competitiveness on the external market (Prelipceanu, 2006, p.14).

In the case of Romania, the flow of FDI (Foreign Direct Investment) is closely correlated with the privatization process. The progress of the privatization in Romania should be traced from the perspective of the main theories and methods used at that time (Prelipceanu, 2006, p.14).

The privatization in our country has developed, gradually, since 1991, through the adoption of the Privatization Law, according to which the National Agency of Privatization (NAP) was empowered to privatize trading companies. (Prelipceanu, 2006, p.89).

The MEBO method, the main form of privatization used until 1995, has allowed the privatization of many companies, with some remarks: the former managers were the main shareholders, the prices of the shares were symbolic, the debts held by some companies were not acquitted, in other cases they increased. This form meant an advantage for the employees of the enterprises, who had become shareholders (the goal being the salary increase, job security), but it was considered as a brake in the way of potential acquisitions of some outsiders, causing the discouragement of external investors (Prelipceanu, 2006, p. 89).

The year 1995 meant an acceleration of the privatization program by the transition to *mass privatization*, consequence of the pressures of international bodies such as the World Bank and the International Monetary Fund, which conditioned the granting of new loans, by speeding up this process. The method of mass privatization consisted in distributing of privatization coupons to the population, free of charge, in nominative form, with a determined nominal value. The coupons were to be exchanged for a percentage of 30% of the share capital of the state-owned trading companies after the ownership certificates had been distributed, in the first form. Finally, the designated percentage, of 30% of the share capital of state-owned trading companies has reached less than 1%. (Prelipceanu, 2006, p. 90, 91).

The method of mass privatization has not reached its expected purpose, resulting in a slowdown in the process of privatization and difficulties in implementing the other programs of privatization.

The direct sale was another form practiced in the 1996-1997 period. In the ECE countries it has been difficult to apply because of the low level of savings and the low level of business environment attractiveness, for foreign investors (Preliceanu, 2006, p. 92).

The auction sale has been practiced since the beginning of 1998 years; by this method, priority was given to the highest price offered, which was the best offer, too (Preliceanu, 2006, p. 93).

The privatization through the capital market, the enterprises privatized by this method, being called "rebut", was considered as the only method suitable for their privatization (Negrescu, 2001, quoted by Preliceanu, 2006, p. 93)

Up to 1998, 72 enterprises were liquidated, by the end of 2000 year, 572 enterprises in the FPS portfolio were taken into liquidation, elements generated by the delay of the adoption of the bankruptcy law, Law no. 64/1995 (Legea 64/1995), but also, by avoiding the increase of the unemployment rate and the emergence of new deprivations that the population would have, heavily, endured (Preliceanu, 2006, p. 93, 94 quotes Legea 64/1995 and OCDE, 1993, apud Labaronne, 1997).

Overall, the privatization of small enterprises has been achieved successfully, with the privatization of large enterprises being achieved the most difficult; in 1995, from the total of privatized enterprises, the small and medium enterprises represented 3/4.

Creation of some **joint-venture** type enterprises, a form supported by foreign investors; in 1995, these were over 50.000 (Preliceanu, 2006, p. 94).

Table no. 1 Trading companies in the FPS and FPP portfolio privatized on 1 October 1995

The size of enterprises	Number	%	The share capital in billions of lei	%	The number of employees in tens of thousands	%
Small	976	73,4	0,2	11,7	175	33,2
Medium	308	23,1	1,01	59,0	217	41,2
Large	45	3,5	0,5	29,3	134	25,6
Total	1329	100	1,71	100	526	100

Source: Labaronne (1997), quoted by Preliceanu R., 2006, p. 95

It is noted that the largest share of privatizations is held by small enterprises (73.4%) or with the share capital of only 11.7% in total.

According to a study achieved by Earle and Talegdy, 2001 (apud Negrescu, 2001) (Preliceanu, 2006, p. 95, quotes Earle și Talegdy, 2001, apud Negrescu, 2001) it was shown that the privatization contributed, positively, to the labour dynamics and productivity.

In Romania, almost all the methods of privatization were carried out, the results being relatively modest. The privatization process in Romania had a negative impact on the flow of FDI and, implicitly, on the economy, as a whole (Preliceanu, 2006, p. 96).

During the first period of transition, between the 1991-1996 years, there were reached large discrepancies in regard to the volume of Foreign Direct Investment, between Romania and the countries that were to join the EU, in 2004 (Preliceanu., 2006, p. 99). During this period, the level of Foreign Direct Investment per capita, in Romania, amounted to \$ 9 (Preliceanu, 2006, p. 100).

It followed a 1997-2002 period, in which the FDI flow reached a significant increase in comparison with the previous period as well as with the group of the 10 countries that joined in 2004, although, an enough large discrepancy remained between Romania and these countries (Preliceanu, 2006, p. 100).

As early as 1993, the Council of Europe stipulation for ECE countries, aspiring to become a member of the EU, has been their ability to assume their obligations that they are incumbent on to meet the economic and political conditions of accession (Tita M., <http://capriro.tripod.com/econ/econ09.htm>).

The criteria formulated have remained, over time, elements of substance in the accession talks, mainly referring to: the stability of the institutional system, guarantor of democracy; orderliness of lawfulness, of human rights, protection of minorities; competitive functional market economy; the assumption of follow-up accession obligations, including adherence to political, economic and monetary objectives (Tita M., <http://capriro.tripod.com/econ/econ09.htm>).

In connection with EU accession Romania's request, the EU Commission's analysis (Agenda 2000) reported, in 1997, the failings of the authorities in the reform process, due to the non-implementation of the reform programs, but only partially, and the non-achievement of the anticipated progress; the instability of the economic environment could not stimulate the savings and investments (Tita M., <http://capriro.tripod.com/econ/econ09.htm>).

For Romania, joining the European Union meant the implementation of measures provided for in the Partnership for Accession, which, in essence, emphasized the need for the structural transformation of the economy interconnected with a rational fiscal policy, among the requirements, being: accelerated privatization and restructuring of large state-owned enterprises, restructuring of the financial system, inclusively, the privatization of state-owned banks, strengthening the financial control means, aligning the fiscal system with the community model, continuing the restructuring of some industrial sectors, respectively, food, steel, other heavy industries and mining (Tita M., <http://capriro.tripod.com/econ/econ09.htm>).

In agriculture, too, within the restructuring measures, also, the privatization of companies with majority state-owned capital was provided for (Tita M., <http://capriro.tripod.com/econ/econ09.htm>).

The Romanian economy has undergone several stages of restructuring which have conditioned its becoming as a member country of the EU, the policies of adjustment of the economic structures, continuing after the moment of the accession (2007), too, in the efforts of increase the competitiveness and the opportunities of access to the external market (Tita M., <http://capriro.tripod.com/econ/econ09.htm>).

3. Public-Private Partnership, a favorable solution to the challenges of the economy

The introduction and expansion of market forces in the public sector field, as a result of substantial changes initiated by governments, as early as the first decades of the last century, has taken place on the basis of some political mechanisms and institutional structures, whereat the Public-Private Partnership is included, too.

Developed both at European and international level, in the period of the last fifty years, the Public-Private Partnership is as an advantageous solution for the implementation of some projects of major importance in the economy of a country, the cooperation of the two sectors being profitable to both sides: investors, public authorities (Singurel and Coman, 2017).

The perspectives for the realization of cooperation between public authorities and the business environment, towards the development of Public-Private Partnership projects are due to the challenges in the economy: the infrastructure deficit, lean budgetary resources. In this way, the jointly use of the available resources of the central, local administration and of the private economic agents, based on partnerships, constitute itself as a real necessity and chance in stimulating the regional economy development.

For the government, the achievement of the Public-Private Partnership implies assuming some roles wherewith to guarantee and ensure favorable conditions for the manifestation of these processes. A number of elements contribute to the success of Public-Private Partnership projects (Mina-Raiu, 2015, p. 61, 62 quotes Consiliul Național pentru Parteneriat Public-Privat, SUA):

- *The political element* - involves ensuring by government, the rigorous legislative and institutional framework that form a support for project implementation and an incentive for investors.
- *The public sector supervision* of private sector performance.
- Determination of objectives, responsibilities, how to resolve litigations, aspects that can be outlined in a *plan of the projected work*.

- The existence of *income streams* throughout the whole span of the project. Their source may come from taxes, subsidies or the resources of the private partner, which he must recover during the operation of the contract.
- *The rigorous selection of the partner*, taking into account both the price offer and its competence and performance in the field associated with the project.

Alongside the two partners (public and private), other actors are involved in the partnership, too: banks, financial institutions (domestic, international), insurance companies, consultants, law firms. In this context, the partnership is both as an infrastructure project - object of the contract, and as a stakeholder network, playing an important role in negotiating the conditions of the two parties. The management of the stakeholders is determinant in ensuring the success of the partnership (Mina-Raiu, 2015, p. 67).

4. Initiatives for Promoting Public-Private Partnership in Romania, through measures aimed at strengthening the legislative and institutional framework

After 1990, in Romania, the manifestation of the Public-Private Partnership took place in the context of the structural changes in the economy in the period of transition, of the restructuring of the relations between the governmental and the non-governmental sector, as an echo and response to the social and economic problems characteristic of the period. Since the early years of the last decade of the last century, privatizations targeted at different forms of concession have been initiated and subsequently, developed (Mina-Raiu, 2015, p. 87).

The promotion of cooperation between the public and the private sector was supported by actions of strengthening of the *legislative framework*, respectively, legal regulations were developed and institutional structures were created. Following-up the Sustainable Development Strategy (1999) and Economic Development Strategy on medium term (2000), partnership structures or institutionalized structures emerged, with role of coordination and promotion of this form of association, an example being the Tripartite Commission and the Economic and Social Council (Mina-Raiu, 2015, p.87 quotes IPP, 2004:7).

The first legislative initiatives concerning the Public-Private Partnership, were taken in 2002.

O.G. no.16/2002 on the Public-Private Partnership contracts and H.G. no. 621/2002 concerning the methodological norms for its implementation, are the first regulations issued for the Public-Private Partnership; by this legal framework there were specified the situations in which partnerships can be found, "projection, financing, construction, exploitation, maintenance and transfer" (Mina-Raiu, 2015, p.88 quotes Săraru, 2009:361), of the asset whereby the provision of the public service is achieved.

O.U.G. no. 34/2006 on assigning of public procurement contracts, of public works concession contracts and services concession contracts takes over the provisions of the European Directives 2004/17/CE, 2004/18/CE, 2007/66/CE and the Regulation 1177/2009/CE Through the Ordinance, the concession contracts are considered Public-Private Partnerships; OUG no. 34/2006 repealed the previous regulation - OG no.16/2002 (Mina-Raiu, 2015, p. 88, 89 quotes O.U.G. nr. 34/2006)..

The Decision no.71/24 January 2007 (Hotărârea nr.71/ 24 ianuarie 2007) approves the Norms for the Application of the provisions regarding assigning the public procurement contracts, public works concession contracts and services concession contracts, provided in OUG no. 34/2006 (Mina-Raiu L., 2015, p. 89, quotes H.G. 71/ 24 ianuarie 2007 pentru aprobarea normelor de aplicare a prevederilor referitoare la atribuirea contractelor de concesiune de lucrări publice și a contractelor de concesiune de servicii prevăzute în Ordonanța de Urgență a Guvernului nr. 34/2006).

In 2010, the Law on Public-Private Partnership no. 178/2010, published in M.O. Part I no. 676/5 October 2010 (Legea Parteneriatului public-privat nr.178/2010, publicată în M.O. Partea I nr. 676/5 octombrie 2010) was enacted (Mina-Raiu, 2015, p. 89 quotes Legea Parteneriatului public-privat nr. 178/2010). By law, it is regulated that the partnership has as public goal "the projection, financing, construction, rehabilitation, modernization, operation, maintenance, development and transfer of a public good or service" (Mina-Raiu, 2015, p. 90 quotes Art. 1 in Legea nr. 178/2010).

The Ordinance no.39/2011 for the modification and completion of the Public-Private Partnership Law no. 178/2010 published in M.O. P. I, no. 284/21 aprilie 2011 (Ordonanța nr.39/2011 pentru modificarea și completarea Legii parteneriatului public-privat nr. 178/2010 published in M.Of. P. I, nr. 284/21 aprilie 2011) amended the Law 178/2010 (Mina-Raiu, 2015, p. 90 quotes Puie, 2011: 10-11).

From the same period of the years 2001- 2010, a number of other regulations, also, refer to cooperation between the public authorities and the business environment for the achievement of some public utility works, local services or projects (Mina-Raiu, 2015, p. 90 quotes Puie, 2011: 26-35):

- *The Law on local public administration no. 215/2001 (Legea administrației publice locale nr. 215/2001)* establishes the competence of local councils and of county councils to make decisions on "cooperation or association with Romanian or foreign legal persons, in order to finance and jointly carry out some actions, works, services or projects of local public interest".
- *Decision 246/2006 on the approval of the National Strategy concerning Accelerating the Development of Community Services of Public Utilities* item 6.3.6 (*Hotărârea 246/2006 pentru aprobarea Strategiei naționale privind accelerarea dezvoltării serviciilor comunitare de utilități publice* pct. 6.3.6) refers to the private sector's participation under the terms provided by the public-private partnership legislation „, to streamline service operation, for a better quality/cost ratio, to expand the operating area, to ensure the increase in quality and continuity of community services of public utilities, to transfer a part of risks and guarantees of operating and financing of private sector and to cover the co-financing needs within the European programs (grants)”.
- *OG 57/2002 concerning the scientific research and technological development (OG. 57/2002 privind cercetarea științifică și dezvoltarea tehnologică)* refers to the partnership in different forms of association: art. 10 (1) "the research-development activity in the public or private field may be carried out within some associative forms, too, under the conditions provided by the law".
- *The Law on Community Services of Public Utilities no. 51/2006 (Legea serviciilor comunitare de utilități publice nr. 51/2006)* correlated with the Norms of Implementation of the Law 178/2010 (Normele de aplicare a Legii 178/2010), refers to the management of the community public services and to the Public-Private Partnership contract.

The institutional framework created for the public-private partnership, stipulated by the law (OUG 34/2006) includes structures and authorities with attributions for the promotion and coordination of the public-private partnership.

The Central Unit for the Co-ordination of Public-Private Partnership Activities (UCCPPP) was created on the basis of HG no. 208/2005 on the Organization and Functioning of the Ministry of Public Finance and the National Agency for Tax Administration (Mina-Raiu, 2015, p. 92 quotes HG 208/2005). It is important for the development of the government policy and strategy as well as for supporting local administration authorities, in promoting and implementing the Public-Private Partnership. Its tasks are related to the areas of evaluation, consultancy and expert assistance verification for public and private actors, who intend to engage in Public-Private Partnership projects.

The Export Council - an institutional Public-Private Partnership that relates to the National Strategy of Export and has attributions in promoting the development of some partnerships for activities of export promotion (Mina-Raiu, 2015, p. 93 quotes Consiliul de Export).

Other institutional structures with responsibility in the field of Public-Private Partnership can be named: The National Authority for Regulation and Monitoring the Public Procurement (ANRMAP) (Autoritatea Națională pentru Reglementarea și Monitorizarea Achizițiilor Publice (ANRMAP)); Unit for Coordination and Verification of Public Procurement (UCVAP) (Unitatea pentru Coordonarea și Verificarea Achizițiilor Publice (UCVAP)); The National Council for Settlement of Litigations (CNSC) (Consiliul Național de Soluționare a Contestațiilor (CNSC)); The Competition Council (Consiliul Concurenței) (Mina-Raiu, 2015, p. 93).

The amendments to the legislation during the last decade have been made in the intention of creating a legislative environment which to encourage the development of these activities with a major impact on the Romanian economy.

The last regulation given by OUG no.39/2018 (OUG nr. 39/2018) on the public-private partnership (MO no. 427/18.05.2018) aims at removing some elements that could hinder the promotion of projects, referring to the partial financing of the works and the way of guaranteeing them, reported to the public partner (Van de Waart, 2018).

5. Conclusions

In Romania, the introduction and materialization of the concept of Public-Private Partnership has been made gradually, both through the creation and efforts of Parliament and Government, of improvement of the legal framework and through the achievement of projects in some areas of the economy.

After 1990, *the Public-Private Partnership manifested, itself, within the actions of restructuring of the economy, by achieving investments in various fields, concessions to private foreign investors but also domestic and privatizations (transfer of property from the public sector to the private one).* The procedure consisted in the sale of shares managed by FPS and the investor's capital contribution. The privatization of state assets (factories, plants etc.) for which expenditure of maintenance were supported from the budget, generated, different forms of partnerships and concessions, in economy (Mina-Raiu, 2015, p. 87). The transfer of public capital to the private one led, as a rule, to the private partner getting the majority stake, thus, taking over the control on the activity of the respective firm. As regards the concessions that concern constructions, operation and long-term maintenance of some state assets, the regulations (O.U.G. 34/2006) do not provide for express financing by the private partner (Mina-Raiu, 2015, p. 95 quotes UCCPPP 2008d: 29-32).

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Rising Protectionism within the Global Economy

Gabriela Prelipcean
Diana Georgiana Bucătar
"Stefan cel Mare" University of Suceava
prelipceang@usm.ro
diana.bucatar@usm.ro

Abstract

After more than two centuries during which economists have pointed to the benefits of free trade, compared to the costs of applying trade restrictions, one of the most significant events marking the beginning of the 21st century is the transition from globalization and trade integration to nationalism and protectionism. The International Monetary Fund warns that protectionism is increasing and poses a threat to global economic growth. Uncertainty related to protectionism is pressing for the economic outlook situation and could erode and further affect the euro area and the global economy. The present article discusses why rising protectionism re-emerged in the global economic arena, identifies a set of economic and socio-political determinants and brings to the forefront possible macroeconomic implications of an escalation in trade tensions. We propose to tackle current movements such as Brexit and Euroskepticism that challenge the principles of trade liberalization, generating an increase in sovereign national accents.

Key words: globalization, protectionism, trade liberalization, global economic growth, trade integration

J.E.L. classification: F02, F13

1. Introduction

The post-crisis constant weakening of global trade, in an obvious contrasting situation with the market acceleration in the previous two decades, has been one of the most debated topic within discussions that concerned the current global policy. Given the importance of trade in generating innovation, lifting productivity and ultimately encouraging economic growth, a deep understanding of trade developments and outlook is crucial for policymakers.

One of the most significant events marking the beginning of the 21st century is the transition from globalization and trade integration to nationalism and protectionism. The International Monetary Fund, through the voice of the director of the institution, warns that governments should avoid protectionism in all its forms, citing history, which shows that import restrictions affect all global players, especially poorer consumers. "Not only do they lead to more expensive products and more limited choices, but they also prevent trade from playing its essential role in boosting productivity and spreading new technologies." (Lagarde, 2018, Speech at University of Hong Kong).

Recent research conducted around the topic of reconfiguring the global economic order revealed three possible perspectives under which global economy can be deciphered, in the context of moving from a multilateral system, organized around one great power to a multipolar one, dominated by bilateral and regional arrangements (Bucătar, 2018, p.107). The relevant perspective, identified and explained previously, for the topic of this article is the one referring to a possible future collapse of the multilateral trading system generated by the Republican administration installed in the United States (US), in 2017, considered protectionist and nationalist which already took important actions with obvious intentions to replace multilateralism with bilateral negotiations. The denunciation of the Transpacific Commercial Agreement (TPP), the attitude towards the North

American Free Trade Agreement (NAFTA) and the Transatlantic Trade and Investment Partnership (TTIP) along with intense discussions on tariff barriers as protection of some economic sectors, US firms urged to move home, repatriating profits, expressing doubts about new international financial system regulations, and so on denotes a radical change of vision in external trade relations - if we relate it to post-1945 dominant thinking.

As free trade has been openly called into question in the US, public support for globalization has declined on both sides of the Atlantic. Factors such as Brexit and Euroskepticism have challenged the principles of freedom of movement and economic integration in Europe, the European Union's countries showing an increase in sovereign national accents. But the EU rules still maintain the free trade order. Many European leaders are worried about the approach taken by the new Republican administration and Brexit can be judged in the logic of changes in the US, even though the United Kingdom (UK) remains attached to the vision of free markets.

In the case of the BRIC states, a strong rising protectionism at a global scale will affect mostly China that has abandoned protectionism and adopted an expansionary fiscal policy, but if the crisis expands and leads to persistent social movements, the Communist Party will clearly be pressured to adopt a tough line both to suppress dissent and rethink its open trade strategy and other measures of economic liberalization. Brazil has a more conservative financial system and is less influenced by international trade, while Russia is more affected by the price of oil than by the volume of industrial exports. Despite declining exports, India is less exposed financially, but there could be a crisis response at the level of various separatist movements in India, leading to external instability, less likely related to protectionism.

After putting things in perspective by creating an imaginary map of protectionism manifestation around the globe, several questions may arise: is trade protectionism re-emerging as a controversial tactic among policymakers and economists in enhancing a nation's economic well-being? Could trade protectionism generate a crisis like the one of the 1930s? The article discusses why rising protectionism re-emerged in the global economic arena and what are the macroeconomic implications of this fact, answering, to some extent, this questions and identifying the determinants of new protectionism of the 21st century. In order to understand protectionism, it is necessary to know how it manifested itself throughout history. For this, we entered in history and contextualize the phenomena subjected to our analysis, with the intention to interpret and to understand the current global economic situation, the following findings having no normative character.

2. Theoretical background

For more than two centuries, economists have pointed to the benefits of free trade, compared to the costs of applying trade restrictions. Adam Smith, in his famous work, *The Wealth of Nations* (1776) laid the foundations for the free exchange institution with a force of persuasion that kept its intensity in time. Smith pleads for the system of natural freedom, in which the individual is free to pursue his own interest, while the state has only the role of providing the legal framework for conducting the economic activity. "Free exchange made without restrictions and with regularity is always advantageous, although not equally advantageous for both parties "(Smith, 1962, p. 327). We can say that Adam Smith demonstrates that tariff barriers and non-tariff barriers hamper the free competition and freedom of action, freedom that is the engine of economic development.

David Ricardo enters the direction opened by Smith, pointing out that perfect trade freedom spreads general advantage and strengthens the universal society of nations. He proposes a gradual return to the "sound principles of free trade" (Ricardo, 1959, p. 236). The principle of competitive advantage states that it is appropriate for a country to specialize itself in the production and export of those goods that provide it with the highest efficiency. In Ricardo's view, the "pattern" of international trade is not outlined by the absolute cost of production, as Smith thinks, but by the opportunity costs. For example, a country is efficient in producing two goods, A and B, and in producing B, it is more efficient than other countries; so it is more advantageous to export good B and import good A. The principle of competitive advantage remains the cornerstone on which the entire theory of international trade has been consolidated and inspired many other economists concerned with international trade issues.

John Stuart Mill analyzes in more detail the gains associated with foreign trade, highlighting the existence of direct economic benefits, indirect benefits and benefits of moral and intellectual inference. Mill believes that expanding the marketplace beyond national boundaries leads to a more rigorous division of labor, an intensive use of machinery, and hence to the interventions and improvements in the production process. Another indirect advantage is given by the fact that opening up to the outside, through trade, sometimes can become a sort of industrial revolution. Trade facilitates the access of the people of a country to new commodities that they previously did not know or could not afford. Thus, people are motivated to work harder to meet their new wishes and are even tempted to save and accumulate capital to provide more satisfaction in the future. Mill emphasized that the economic benefits of free trade are outweighed by the moral and intellectual ones. If, many centuries ago, it was the war that, beyond the sides and the negative effects, connected people who belonged to different worlds and cultures, today this role belongs to the trade. Thus, trade becomes one of the main sources of progress. At the same time, Mill also assigns it the role of educator, as it teaches nations to look favorably on the well-being and prosperity of other nations because a rich nation is a potential commercial partner solvable for other nations. The rapid expansion of international trade becomes, in the opinion of the same author, a guarantee not only for world peace but also for the continuous progress of ideas, institutions and the character of the human race.

If the three liberal classics, Smith, Ricardo and Mill, build their theories based on a series of common hypotheses, being convinced of the virtues of free trade, P. Samuelson points out the existence of limits, launching the idea that when economies face dysfunctions it is difficult to determine if countries will benefit from trade or not. According to Kicsi R., history has shown that this theory has fewer followers in times when economic activity is disorganized; for example, during the crisis of the 1930s, the nations have raised real "tariff kits" in an attempt to recover (Kicsi, 2013, p.26).

More or less visible protectionist measures have become a reality of the contemporary world in which all countries want to limit their imports and, at the same time, amplify their exports, situation characterized by L. von Mises as grotesque, stating that "the only great achievement of protectionist tariffs is that it prevents production from developing where natural and social conditions are most favorable" (von Mises, 2002, p. 130,136).

Milton Friedman is also convinced that "free trade not only contributes to world welfare, but also fosters peace and harmony among nations." However, even if economists continue to deliver strong arguments in favor of international trade, protectionist measures are booming in many highly industrialized countries.

On the other hand, one the most popular supporters of protectionism measures is the Nobel Prize winner Paul Krugman that referred to the "Noble lie" that the depression of the 1930s was caused by protectionism, arguing that that crisis was generated by deflationary macro-politics and that the exit from the current crisis can be done through tax incentives. Starting from the hypothesis launched by Jonathan D. Ostry, Deputy Director, International Monetary Fund, according to which "It is sometimes alleged that for all the microeconomic distortions that protectionist policies inflict, there can be a silver lining in terms of macroeconomic gains: more jobs, more output and a stronger trade balance" (Ostry, 2019), we could motivate why, indeed, some economies today are apparently using commercial policy to pursue macroeconomic objectives. "Tariffs can dampen imports, boost net exports (the difference between exports and imports, or the trade balance), and so boost GDP, other things being equal" (Ostry, 2019).

3. Research methodology

Connected with previous research concerning the economic impact of globalization, the present paper is an analytical one which puts rising protectionism in perspective by investigating current data collected from specialized bodies like the World Trade Organization (WTO), the Organisation for Economic Co-operation and Development (OECD), the United Nations Conference on Trade and Development (UNCTD), Global Trade Alert (GTA) and also recent ideas launched by important experts from institutions that play key roles in setting global economic policies, such as the International Monetary Fund or the European Commission. In addition, opinions of economists

that marked the history of the economic science were analyzed, in order to create a solid theoretical base for our investigation.

We also want to emphasize the interdisciplinary character of our paper due to the investigated aspects that fit mainly in the economic sphere, but have important and relevant connections with other fields like political sciences or international relations.

The research methodology used in the paper included several stages: documentation and information (including consultation of representative works in the field), synthesis and systematization, and finally, a personal approach on the complexity of the phenomenon regarding the protectionist pressure within the global economy, mainly its influence on international trade.

Given the complexity of the topic, the present paper aims, first of all, to highlight the dynamics and peculiarities of the evolution of trade protectionism after the economic crisis, through a review of its the main determinants. Secondly, it outlines the global implications of the protectionist phenomenon from two different perspectives for a better understanding of the topic. The analysis is based on historical facts and current results of the latest WTO-OECD-UNCTAD monitoring reports and also on the findings of an independent monitoring initiative.

4. Findings

The process of trade integration started after the Second World War. It gained new impetus in the 1980s and had a golden age in the period 1990-2008, when total trade in goods and services increased from 39% to 61% of world GDP, proving to be an essential factor in economic growth and development that has benefited many countries in the world. At present, international trade is going through a very difficult period, with a current ratio of 58% of world GDP, marked by the increase in restrictions on goods and services flows and the implied tensions in trade relations between states of the world, accentuating hostile perceptions of trade and collaboration in the commercial sphere.(The World Bank, 2018)

The fact that the dynamics of international trade has registered a downward trend in recent years, and foreign direct investments flows (FDIs) have not yet managed to return to the pre-crisis level, generate major challenges for the global economy, especially since recent analyzes suggest that, at present, trade is no longer a driver of economic growth, neither in industrialized countries nor in emerging countries (Hoekman, 2015). In the context of these new realities outlined in the global commercial landscape an aggravating factor that makes its presence more and more pregnant is, without a doubt, rising protectionist within the trade policy measures.

At a global scale, opinions on the intensity, dynamics and the potential impact of current protectionism is divergent, which is explained, partially, by the significant differences between the results of several monitoring exercises, and in particular between the reports prepared by the two major monitoring bodies - WTO and GTA. While the WTO assessments reflect an indulgent and rather optimistic note, those of the GTAs are much more intransigent and even alarmist, which is why the role of the latter was assimilated to that of an "aggressive guard dog".

According to a research conducted by David Lowe, head of international trade at law firm Gowling WLG, using World Bank, Heritage index and Global Trade Alert figures, in 2017, quoted by Reuters Press Agency in London, the world's top 60 economies have adopted more than 7,000 protectionist trade measures since the financial crisis and tariffs are now worth more than \$400 billion. The US and EU were each responsible for more than 1,000 of restrictions. India was next with over 400 followed by Argentina, Russia and Japan all with restrictions between 365 and 275, while only three countries - Brazil, Saudi Arabia and Tunisia - had liberalized trade rules over the period (Reuters, 2017).

Determinants of new protectionism of the 21st century

Changes in the international context have led to two major consequences on trade policy: 1. companies have realized that the comparative advantage has gained a volatile character and seeks to ensure that their rivals do not engage in what they consider to be incorrect trade; they try to press governments and international institutions to harmonize policies so that all competitors work in the same framework; 2. The accentuation of international instability is accompanied by an increase in the feeling of insecurity of workers, the problem of job insecurity concerning both skilled and

unskilled work; the possibility for companies to reorient themselves to other locations generates pressure from workers to introduce a regulated framework to defend their rights. In consequence, when identifying the processes and facts that explain why rising protectionism re-emerged in the global economic arena we divide them into two categories: 1. economic evolutions; 2. dangers to the security of citizens, states.

Concerning the first category we have distinguished the following factors:

- Erosion of the US position in the distribution of economic power in the global space. For the first time in the last centuries the economic preeminence of the Western world is threatened by the rise of Asia, China in particular, but also of India, determining a multipolarization of the global economy. A consequence of this fact is that arrangements like Bretton Woods compete with alternative agreements and institutions, mainly promoted by China, to which many European countries have joined.

- New technologies (the Fourth Industrial Revolution) eliminate labor intensively, but economic and public policies are responsible for social dislocation. Imposing barriers to accessing foreign goods on markets in countries such as US, UK, France or other several countries is directly linked with massive job losses in the manufacturing industry of trade-deficient states. China, South Korea, Malaysia and several other Asian countries have followed export-led growth policies.

- Bad corporate practices, avoidance of taxes and fees (including export earnings), hostilities of public authorities, fueling reactions against globalization. The "new globalism" that only serves the business interests of corporations, causing subordination of workers, consumers, public and social interests and even of profit, considered one of the biggest changes in the world in the last 350 years, imminently generates protectionist reactions.

- There is a widespread feeling that external (financial) markets exercise excessive power in influencing national government decisions. In this respect the problem is delicate because the legitimacy of those with mandate to manage public affairs is at stake. The most eloquent situation is that of the EU within which it is manifested an institutional crisis. Nowadays, many nationalist parties reject the need of supranational institutions and claim that EU membership undermines national sovereignty and freedom. This led to the 2016 referendum in the UK. The Brexit's evolution, the inability to reach an agreement, and the contesting of this process give reasonable arguments to sustain the existence of a strong link between nationalism and the lack of a future-oriented vision, which means consequently the incapacity to deal with nowadays issues: climate change, migration, technological disruption, bioengineering matters, that cannot be managed by the State only, as it lacks the resources and capacities. Brexit and the current US Administration have opened a new door to undemocratic populist movements in Central and Balkan Europe. More and more frequently, some European leaders reject the idea of liberal democracy, promoting populism dressed in a non-developed regional nationalism, oriented to structural and institutional changes in Europe. In the context of mistrust in supranational institutions and national parliaments, there is an attempt to build a new type of decision-making system based on nationalistic and economic arguments specific for a neoliberal market, that nevertheless does not lack a significant Euroskepticism mark.

Moving on to the second category proposed in this article, we bring to the forefront the fact that increasingly prominent on the public agenda in Western countries is the issue of safety, protection of citizens and the state as a defender of public interests. The US has been hit by terrorist attacks in September 2001, which changed the concept of security of citizens and the state. And Europeans have been struck in recent years by terrorist acts that have created an anxiety syndrome. Terrorism, unconventional dangers (including cyber-attacks, hybrid wars), fear of the future, great uncertainties, cause many citizens to demand firm measures from national governments. In France and Belgium, for example, operate emergency situations. New security measures proliferate. In Europe the crisis of refugees, of immigrants, has made the functioning of the Schengen space worse. Within this generalized atmosphere of uncertainty, we are witnessing a resurgence of national interests (of nationalism) in a world with great disturbances, with redistribution of economic power (multipolarization and disorder - what Ian Bremmer calls "G-0" vs. G-20 or G-7, multilateral institutions) with conventional and unconventional threats that proliferate. (Daniel Dăianu, 2017)

Macroeconomic implications of rising protectionism

Intensification of protectionism promoted by the *G-20 countries*. According to the monitoring of commercial and investment measures report regarding the G-20 countries, developed by WTO together with the OECD and UNCTAD, published twice a year with the purpose to monitor and publicly report on the G20 countries trade and investment policy, the current situation (The Twentieth Report on G20 Investment Measures developed jointly by the OECD and UNCTAD Secretariats covers investment policy and investment-related measures taken between 16 May 2018 and 15 October 2018) provides a first factual insight into the trade restrictive measures imposed in the context of current trade tensions. The information provided by the report indicated that global FDI flows have descended by more than 40 percent to around US \$ 450 billion in the first half of 2018 compared to the same period in 2017. This decline was largely due to significant repatriations of US parent companies' profits from their foreign subsidiaries as a result of the corporate tax reform in the United States. Another interesting and relevant aspect delivered by the report we analyzed is that in the first half of 2018, compared with the first half of 2017, FDI inflows to developed economies drop-out by more than 50%, while inflows to developing economies were more stable. The largest FDI sources in the world in the first half of 2018 were Germany, Japan, France, China and the Netherlands. Another interesting and relevant aspect delivered by the report we analyzed is that in the first half of 2018, compared with the first half of 2017, FDI inflows to developed economies drop-out by more than 50%, while inflows to developing economies were more stable. The largest FDI sources in the world in the first half of 2018 were Germany, Japan, France, China and the Netherlands. Surprisingly for the general public is that the US, which has been constantly the most important source of FDI, registered negative investment abroad, the main cause being the fiscal reform. (UNCTAD-OECD, 2018, p.1).

Australia, Canada, China, India, Indonesia and South Africa are the six G20 Member States that have promoted specific FDI measures, part of which liberalizes foreign investment, consisting of: relaxation in air transport in Canada and the issuance of updated negative lists by China, which reduces the number of sectors where restrictions apply to foreign investors. Another situation is that of India that clarified specific investment regulations or Indonesia that simplified bureaucratic mechanisms. In Australia, taxes have been increased for real estate purchases or property ownership by foreigners. Also, if we take the case of South Africa, we find that the new investment promotion act has entered into force with the aim of replacing the system of protection of investment treaties with national legislation. (UNCTAD-OECD, 2018, p.2).

The report also comes to support the concept that protectionism is not based only on economic factors, but has strong links with the national security phenomenon, referring to the situation of three G20 Member States that have changed their investment policies related to national security trying to manage the potential threats to national security that are directly connected to international investment. The increase in national security measures reported lately and the fact that several countries are preparing sets of such measures underline the importance of multilateral dialogue with the purpose of drawing better policies.

To put things in perspective, we also take into consideration previous reports, starting 2008, and we determined that several commitments to refrain from applying new measures affecting trade and global investments and to eliminate the protectionist measures introduced were violated. The introduction of new protectionist measures was found: the number of new restrictive trade measures imposed by these countries constantly increased, reaching the highest monthly average recorded since 2008 in 2016 (UNCTAD-OECD, 2016); by mid-2016 about three-quarters of the cumulative number of restrictive trade measures implemented by the G-20 economies since 2008, such as the imposition of import / export duties or their increases, the introduction of prohibitions on imports or quantitative restrictions, the establishment of more complicated customs procedures, measures on local content and the temporary or permanent introduction of import / export duties, is still in force.

Intensification of protectionism promoted at a *global scale*. From a global perspective, trends in trade policy developments in the last months of 2015 and in the first half of 2016 show the existence of a serious possible threat for the global economic recovery. The results of the latest WTO Trade Policy Monitoring Report, covering the period mid-October 2015 to mid-May 2016, confirm that in the seven months under review there was a clear re-emergence of protectionist

measures at the level of WTO members (WTO, 2016). Not only has the stock of restrictive trade measures accumulated since 2008 continued to increase, but during the monitored period there was an increased number of new trade restrictions targeting both imports and exports as compared to the period precedence. Thus, between mid-October 2015 and mid-May 2016, WTO members implemented a number of 154 new restrictive trade measures. Of the total of 2,835 restrictive trade measures imposed by the WTO members since 2008, only 708 or 25% were eliminated by mid-May 2016, with 2,177 (75%) remaining, which corresponds to a stock increase of more than 11% between October 2015 and May 2016. When analyzing protectionism globally, according to the WTO report mentioned already, three aspects must be taken into consideration: 1. The significant number of non-tariff trade measures materialized in "specific trade concerns" submitted to the WTO Committee are a confirmation of the upward trend in recent years of the number of these concerns submitted to the WTO Committee. Even if, according to the WTO, the increase in the number of notifications does not automatically involve a more intense use of these measures for protectionist purposes, this tendency is symptomatic of escalating the commercial friction between WTO members: 2. Strengthening trade defense measures, which refer to the initiation of investigations that can lead to the imposition of anti - dumping measures, countervailing measures or safeguard measures, and in relation to which the WTO members have an obligation to inform the organization, become an indicator of growth regarding the degree of strain in trade relations between states: 3. general measures of economic support (such as subsidies), implemented by WTO members, have signed upon an ascending trend (WTO, 2016).

These findings complement the different approaches in recent specialized literature, and come to support the idea that the slowdown in world trade may be a phenomenon with temporary implications, even being voices talking about the emergence of a "new normal." However, global trade is unlikely to regain the dynamic registered before the crisis. Finally, it is unlikely that the upward trend of trade in the past, manifested by the rapid process of trade liberalization, the integration of China and the Central and Eastern European countries into the world economy, the reduction of transport and communication costs, will have, in the future, a similar course.

At the same time, the data gathered by specialized institutions reveals that, in parallel with the unprecedented intensification of the countries' recourse to protectionist measures, there have also been changes in the physiognomy of protectionism. Thus, prior to the capping of international trade, the most commonly used protection instruments were the increases in import duties, anti-dumping measures, countervailing duties and safeguard measures, during the capping period of trade, state aid - government bailouts launched in national industries - alongside financial assistance programs and tax incentives moved in the foreground, having a huge potential for distorting international trade.

5. Conclusions

Rising protectionism could harm trade and activity. The new protectionism is to be judged not only in commercial terms, since the crisis maneuver invites the state to intervene more in the economy. The crisis of globalization is to be examined from a broader perspective that goes beyond strictly economic aspects. There is widespread consensus among economists on both the overall net benefits of trade openness and the need to cushion the negative impact it has had on certain groups in society. However, raising trade barriers is not the solution to the latter. Reversing trade integration may put at risk the net economic gains that it generated. By unravelling the long-term benefits of closer trade and investment links, retreating into protectionism also has the potential to unsettle global financial markets.

There is a worrying amplification of negative perceptions and attitudes towards trade and the steps taken to liberalize it, in countries and regions around the world, along with obvious signs of the exacerbation of economic nationalism and populism. As European Trade Commissioner, Cecilia Malmström, notes: "There is a paradox at the heart of trade policy today. On the one hand, people on both sides of the Atlantic are benefitting more from economic openness than ever before. They benefit from exports. In the EU, one in every seven jobs depends on exports outside our borders. In the US, the figure for manufacturing jobs alone is a quarter. And these are higher pay and higher skilled jobs. And we need them. We need more of them. People also benefit from

imports. Consumers have access to the products of the whole world, so they can pick the best for their needs. Businesses do too, making them more competitive. And they are benefitting from foreign direct investment. Over 7 million people are employed in the EU and over 6 million here in the US thanks to foreign direct investment. On the other hand, trade is more debated than ever before". (Malmström, 2016). Likewise, beyond the anti-trade and anti-globalization rhetoric, it seems more and more common that international trade has reached its peak, and the process of globalization and, implicitly, the process of global economic integration stopped.

The global economic system is in a process of accommodating with a new situation, of poor and persistent economic growth, where investment returns are low (as well as interest and inflation rates) and incentives for globalization and labor force relocation is gradually decreasing. As the process of globalization is in retreat, it is to be expected that the economy of the future will increasingly acquire a "local" dimension. As a result, the concept of "de-globalization" is no longer just a "political" one with the stagnation of the increase in trade, confirmed by the official data of international economic organizations (Minenna, 2016). Broad political and societal concerns about the impact of free trade can be an important source of protectionist pressure. These concerns arise from the fact that globalization has been perceived as a major contributor to widening wage inequalities in developed countries.

For further research, we are interested to develop the idea released by Evenett & Fritz, regarding the specter of imposing a new type of mercantilism, specific to the 21st century, which, unlike its predecessors in the past centuries, would have the potential to affect a much wider range of trade, taking into account new economic realities, especially within the global trading landscape. The two authors draw attention on the fact that in a world where global trade is no longer growing, governments may tend to gain larger market shares for their exporters just on account of the commercial partners. We believe that the present economic and political context will generate an exacerbation of the competition for foreign direct investment, for a highly skilled workforce, for research and development centers and for intellectual property, tendencies that may conduct to the emergence of a new version of mercantilism.

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The Digital Economy

Oana Iuliana Rujoiu

The Bucharest University of Economics Studies, The Doctoral School of Law

rujoiuoana@yahoo.com

Abstract

The digital economy encompasses economic and social activities that are enabled by platforms such as the internet, mobile and sensor networks, including e-commerce.

The total contribution of the digital economy to country growth is composed of a direct impact on the digital capital growth and indirect one through the diffusion of digital capital into the productive system.

In full swing, the digital economy is a strategic sector of the economy, and its contribution to the growth of states is not negligible. In Romania, digital represents 6% of the created added value, and its weight in the input to growth is higher than that traditional sectors.

Key words: the digital economy, the process of economy's digitalization, digital money, internet, industrial revolution.

J.E.L. classification: A 13

1. Introduction

Information and communication technologies (ICT) or new economy, new technologies and electronic economy, are labels used to describe the digital economy.

But what is the digital economy? What are the sectors it encompasses? What are the theoretical and empirical impacts observed in Romania?

The digital economy is today's vector of growth, productivity, and competitiveness of companies and countries. Its transversal nature impacts all sectors of the economy; it is also at the origin of the new innovative industries and has made others dependent on it.

2. Research methodology

The research has adopted an empirical model. For collecting the data, I used various literature titles and reports regarding the digital economy inside Romania's borders. Sources which had been in the making process of this research can be found in the references section. The main objective of the research is to evaluate the level of Romania's digital economy which can be used for developing new strategies for the country's growth.

3. Theoretical background. The digital economy - Definition and Sectoral Composition

Although the literature is varied, there is no exact definition of the digital economy. Indeed, it is not limited to a particular sector of activity and encompasses very different concepts.

It results from the widespread use of new technologies, of general use first of all the field's information and communication; however, it has become a universal that technology has implications far beyond information and communication technologies (ICTs). It has had an impact on all economic sectors, the growth and productivity of the states without forgetting the business environment, individuals, households and their behavior (Underhill, 2019).

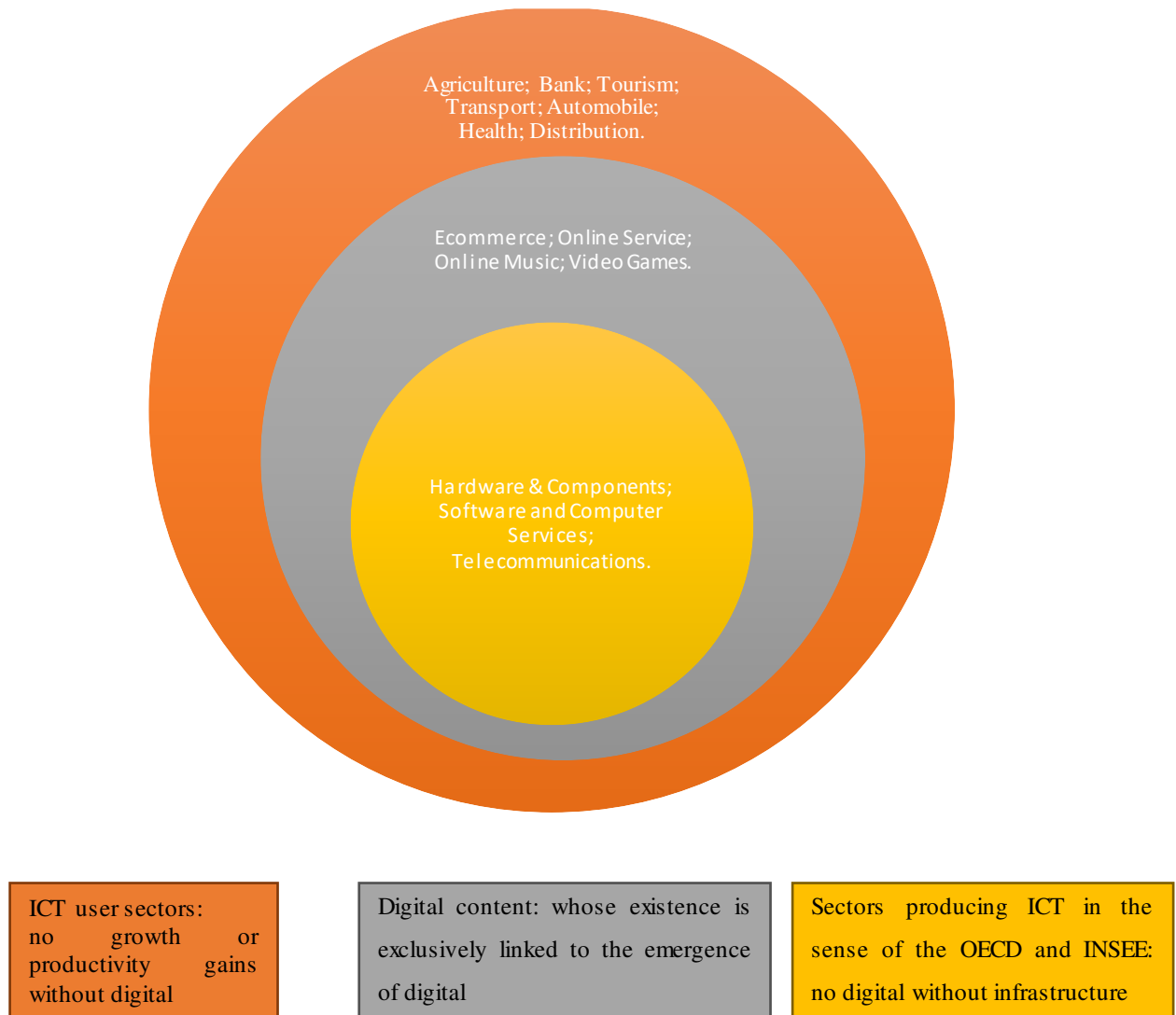
The use of the internet, for example, has brought people together and means by dematerializing the physical distance to create, develop and share their ideas giving rise to new concepts, new contents and consequently to the birth of a new generation of entrepreneurs and markets.

According to the UN (un.org, 2019), the digital economy is a complex of economic activities that are enabled by platforms such as the Internet, mobile and sensor networks, including e-commerce. Its main goal is to enhance efficiency in the production and distribution processes.

Given the difficulty of defining the digital economy and the complexity of quantifying it, INSEE likens it to the ICT-producing sectors. The ICT sector companies that produce goods and services which are supporting the process of economy's digitalization is the transformation of information used or provided in digital data (IT, telecommunications, electronics) (Krikke, 2018).

The transversal nature of the digital economy affects all sectors; it is at the origin of the new innovative industries and has made the existence of other areas dependent on it. It brings together the ICT sector, user sectors and sectors with high digital content; the latter could not exist without these technologies.

Figure no. 1 Composition of the Digital Economy



Source: Data Processing by Carvalho (2018).

4. Theoretical Impacts on Growth

Krikke (2018) estimates that the contribution of the digital economy to economic growth, in general, is twofold. Indeed, there is a direct contribution by increasing digital capital as a factor of production and an indirect contribution generated by the fact that the increase in digital money has a positive effect on the overall productivity gains of the economy.

In terms of direct contribution, the digital economy has a macroeconomic effect linked to the increase in business productive investment, investment in tangible goods: digital equipment and materials; or intangibles: software used in the production process. Therefore, there is a volume effect on growth because an increase in the productive capital leads to a rise in aggregate gross fixed capital formation (AGCF) and consequently in GDP (Boccia&Leonardi, 2018).

Another effect is related to the increase in the productivity of employees. Proper training of the employees in the use of the digital in company increases their productivity, in particular, thanks to the possible automation of the tasks, which lead to a saving of time, to an improvement of processes, to an increase of the exchanges and an optimization of the organization. This reorganization leads to the improvement of labor productivity, a major determinant of economic growth (Tobji et al., 2018).

Concerning the indirect contribution, it is the heavy use of digital technologies that leads to an improvement in the global factor productivity (GFP). This notion of GFP is challenging to quantify because it can not be measured by the increase in the use of factors of production such as capital and labor. The GFP reflects the impact of technical progress on growth and its improvement is partly attributed to the digital material producing sectors but also to the digital innovation user sectors (Ibid.).

Indeed, the substantial productivity gains (direct volume effect) of the producing sectors have led to a fall in price' production and sales of digital goods and services, which has an impact on price dynamics and therefore on inflation. The lower the prices, the more user sectors will be encouraged to invest in digital products to increase their productivity. Overall productivity factor also depends on the wide diffusion of digital innovations throughout the economy (OECD, 2018).

Digital innovation has "network" externalities, and digital changes are widely disseminated and adopted, with more significant benefits (learning effect, economies of scale). Thus their diffusion allows all other economic sectors to gain in innovation and productivity as well (OECD, 2017).

5. The Impacts of the Digital Economy Observed in Romania

In Romania the digital economy is a strategic sector whose weight is substantial and represents a factor of growth. In 2018, the value added of digital brought to Romania GDP amounted to 6%, its contribution to GDP is estimated to be higher than that of specific traditional sectors such as agriculture (2%) and financial services (4.8%).The digital economy and its constituent sectors contributed to the growth of Romania GDP on average between 2010 and 2013 at 13%.

The importance of this sector is driven by household consumption of digital equipment such as smartphones, tablets as well as private investment and public spending in digital infrastructure. According to the report OECD, Romania: in terms of direct employment, digital employs 3.3% of the active population in Romania and creates quasi-equivalent indirect or induced jobs (jobs generated by digital activities in sectors using digital goods and services). In terms of traditional commerce, digital directly or indirectly influences 42 billion euros of market transactions.

For companies, there is a growing weight of B2B exchanges, that is to say of the intercompany trade thanks to the increased use of digital channels. Similarly, for consumers, the widespread use of the internet has a powerful influence on exchanges between individuals (online sales and purchases). Regarding B2B transactions, they represent in Romania around a few billion euros and more than 50% of sales between individuals are made through the internet.

In addition, consumers can gain purchasing power thanks to direct financial gains from lower prices in online commerce and the deflationary pressure it exerts on traditional trade. In addition, savings can be achieved with the development of exchanges of goods and services between individuals.

The gains related to Internet use in Romania are estimated at € 20 per month per user. Indirect earnings are linked to services such as access to free online services (social networks, emails, information), access to a massive variety of products, time savings, and so on. These gains represent an estimated financial gain in Romania of around € 15 billion per year.

Other gains related to the use of digital for consumers are not quantified (online job search, access to education and culture, etc.). Part of these purchasing power gains is reinjected into the economy and translate into revenues of around € 7.7 billion benefiting Romanian companies. Other qualitative gains in digital are due to the adoption and emergence of organizational innovations that aim to increase business performance by improving processes or optimizing the organization. For example, these organizational innovations reduce administrative costs, transaction costs, increase well-being at work and therefore productivity.

6. Conclusions

The rise of the digital economy is associated with a new industrial revolution affecting social, economic, political and cultural spheres.

In addition to the observed and empirical impacts of the digital economy on the growth of countries, it also has a disruptive effect on all sectors of activity and consumer behavior has been altered. The organization of transformed enterprises, notably through the improvement of value chains, production processes, managerial organization and their business model continues to be called into question.

Digital transformation brings many benefits for companies that are ready to embrace change, dematerializing distances, eliminating barriers to entry in some markets, and opening up massive new opportunities for businesses.

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The Informal Economy

Oana Iuliana Rujoiu

The Bucharest University of Economics Studies, The Doctoral School of Law

rujoiuoaana@yahoo.com

Abstract

The informal economy can take forms as: fraud or scale evasion, diversion or abuse of advantage scale, moonlighting, fiscal paradises, money laundering, money for drugs and criminal activities, shadow banking, off-shore centers, numbered accounts.

The underground economy includes legal business activities carried out outside the eyes of the public authorities.

In full swing, the undeclared economy is a big piece of the overall economy, and its impact on the growth of states is not negligible. In Romania, the undeclared economy represents 31,9% of the country's GDP, and it has a significant impact on the growth of the economy.

Key words: the informal economy, the undeclared economy

J.E.L. classification: K 42

1. Introduction

In its broadest sense, the informal economy concerns all trade in goods and services. Phenomenon growing and worrying, it affects both individuals and legal persons (companies and associations). It affects all economic sectors and is an attack on the principles underlying our economic and social model. However, it doesn't need to be considered as a closed world, disconnected from the formal economy; the two economies - formal and informal - are linked: companies in the formal economy sometimes outsource some of their activities to companies that employ undeclared employees, and so on.

The informal economy can take forms as: fraud or scale evasion, diversion or abuse of advantage scale, moonlighting, fiscal paradises, money laundering, money for drugs and criminal activities, shadow banking, off-shore centers, numbered accounts. These words are the illustration of a world that cheats or plays with legality in order to get rid of taxes, taxes or social contributions, or to maximize its profit (Horodnic et al., 2017).

The claim that it feeds the world of the economy and finance is true, especially as the fraudulent schemes are more complex, as the interministerial circular on the implementation of the European plan to combat illegal work (un.org, 2019). It can be solely local, organized at the national level or rely on international networks sometimes giving it a global dimension. According to the countries, the undeclared economy represents a variable part of the GDP (Godfrey, 2015).

Its consequences are also qualitatively and quantitatively variable depending on the economic and financial structures that prevail: for example, in countries where tax collection is low or social protection doesn't exist, they aren't the same as in those where state revenue is tax-based or high-level social protection. In the European countries, which fall into this second category, with certainly notable variants, the underground economy deprives the public accounts (State, Social Security) of revenues by reducing the tax base, creates situations of unfair competition for businesses, causes individual insecurity and loss of rights as well as legal uncertainty for users or consumers (Cling et al., 2018).

2. Theoretical background

The undeclared economy is often defined as a grouping of activities that are either beyond the control of the state in terms of legal obligations or are criminally guilty, that is to say:

- unlawful activities for failing to comply with certain standards such as minimum wage, legal working hours, health and safety conditions or to evade payment of taxes, contributions or compliance with administrative or customs formalities of the police; but also, this is not negligible, to produce an additional subsistence income, in addition to social assistance or low wages (fixed-term, part-time, timesharing). In the latter case, it is not a question of justifying illegal practices, but of explaining or understanding them;

- illegal activities, which include the production of goods or services and selling them, distribution or possession of products which is prohibited by law, money laundering or for financing illegal activities, or the exercise of legal actions as a result of producers who don't have the right (Danielsson, 2018).

The OECD, suggests dividing the *unobserved* economy, which can't be entirely assimilated to the undeclared economy, into four categories:

- underground production which includes activities that are productive and legal, but deliberately removed from the public authorities to avoid paying taxes or complying with specific regulations;

- illegal production: productive activities that generate goods and services prohibited by law or that are illegal when they are carried out by producers who are not authorized to do so;

- production of the informal sector: productive activities carried out by unincorporated enterprises belonging to households, which are not registered or are smaller than a given size in terms of assets and which have a market output;

- household production for own use: productive activities that result in the consumption or accumulation of goods and services by the households that produce them. This phenomenon can't be assimilated to the previous ones (Danielsson, 2018).

More recently, in a study of the underground economy Horodnic et al.(2017) propose the following definition:

"The underground economy includes legal business activities carried out outside the eyes of the public authorities. These activities fall into two categories commonly found in Europe. On the one hand, hidden work includes wages that workers and employers don't declare to public authorities to avoid taxes, contributions or formalities; on the other hand, under-reporting of income to limit taxation. The underground economy does not include illegal activities or domestic crimes or activities that, by law, do not need to be reported."(Schneider, p. 34).

We propose to use this conception, which corresponds to the first category of the OECD manual, or *underground production*, and which is the one on which the European Commission relies (OECD, 2018).

3. Evaluation methods

However, the delimitation of the concept doesn't smooth the traditional problems of evaluation of underground production. By the notion, when the enterprise is unknown, or it does an occult activity, it is challenging to carry out evaluations: it is also one of the cases where the legislator has been the most severe since the statute of limitations is increased to 10 years (Boels, 2018).

We distinguish in general:

- the direct methods, based on investigations or controls of the fiscal administration: they allow an in-depth knowledge of the practices and the individual behaviors of the fraudsters, as well as the level of compliance for the laws and the importance of the principal one's influence factors; on the other hand, they are often suspected of diminishing the significance of the phenomenon, and they don't ensure perfect comparability between countries;

- indirect approaches, which are based on the comparison of economic aggregates, such as national accounts, electricity consumption and cash transactions; they generally give an amplified result;

- an ad-hoc method called "Mimic" is based on an analysis of causal factors and the evolution of target indicators (Ledeneva, 2018).

These methods are all based on strong hypotheses, which sometimes are questionable. They give very sophisticated results, which they need a careful analysis; thus, for a given country, estimates can vary. There is no perfect method, even if the direct techniques have the advantage of allowing a more analysis of the behaviors: the main focus is to use them in parallel and comparing the results (Ibid.).

4. Research methodology

The methods used in the approach of this research are empirical ones. For collecting the data, I used various literature titles and reports regarding the undeclared European economy. The sources which helped me to elaborate this research can be found are mentioned in the references section. The main goal of my research was to evaluate the level of undeclared European economy which can help in the design for new strategies that meant to fight with this form of illegality.

5. Findings

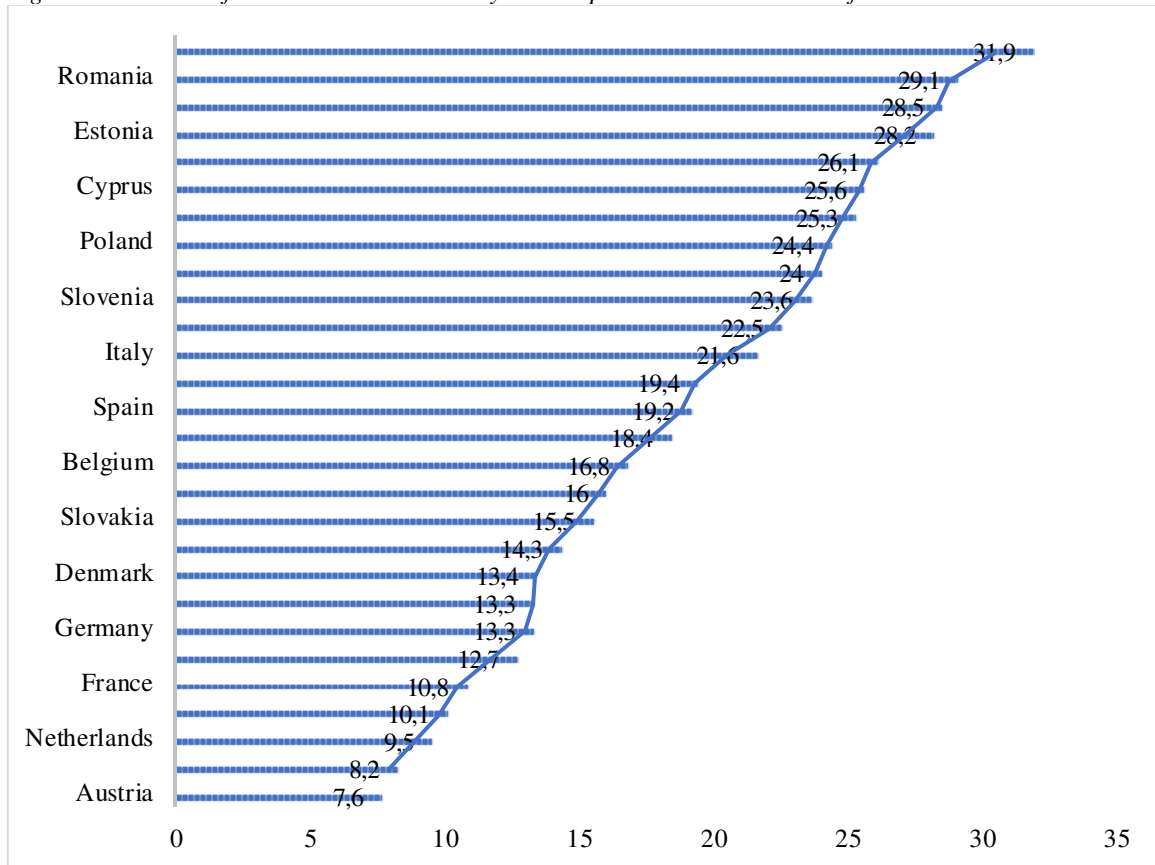
5.1. At European Level

Concealed work, whether it is *black* that is entirely exempt from reporting obligations, or *gray*, is widespread fraud in Europe. In fact, according to a special issue of Eurobarometer, 4% of Europeans report having carried out undeclared activities outside their employment during the previous year, and 11% acknowledge having bought goods or services *black*. According to the European Commission, the importance of the underground economy would be between 7 to 16% of EU GDP, or 7 to 19% of total declared jobs. In the study cited above, the UN estimates that *moonlighting*, and income concealment corresponds respectively to two-thirds and one-third of the total estimated for the undeclared economy (OECD, 2018).

With the reserves exposed above, in the countries of the European Union, in 2013, the underground economy would represent approximately 18.9% of the activity or 2.1 trillion euros! Austria has the lowest (7.6%) share of the undeclared economy compared with its GDP and Bulgaria has the highest rate (31.9%). Countries like Germany, United Kingdom, and France are on the top of the list of countries with the lowest share of the undeclared economy (among Austria, Netherlands, Ireland, Scandinavian countries), far ahead of the countries where it is the most important (Bulgaria, Romania, Greece, Italy) (Ibid.).

In Italy, the product of the undeclared economy outside the administration scale would be between 255 and 275 billion euros in 2017, between 16.3 and 17.5% of GDP according to an estimate of Eurostat, published in July 2018. We can say that the size of the undeclared economy increases as we move from North-West Europe to South-East Europe. We should underline that Switzerland is a good example because the share of the undeclared economy is representing only 7% of GDP.

Figure nr. 1 Share of the undeclared economy in European countries as a % of GDP in 2018



Source: Eurostat.eu (2019)

5.2. At an International Level

The main estimates of the undeclared economy (under tax return and undeclared work) converge to levels that frequently reach 10% of GDP in Western countries, approaching 50% in emerging countries, to exceed this level. It is estimated at the international level that the undeclared economy would weigh slightly less than the US economy. However, it must be recognized that despite international harmonization efforts, particularly within the framework of the so-called Delhi Statistical Group, the statistical data are very easily comparable between countries. According to the OECD, 1.8 billion people worldwide would work without a contract and social security cover.

Over the long term, there has been a trend towards decreasing the weight of the sector in GDP, which notably reflects the introduction of progressively more effective scale governance systems, the development of social protection systems guaranteeing minimum incomes. Not surprisingly, among the European countries most exposed to the underground economy are countries with the highest economic backwardness compared to the EU average.

However, it should be pointed out, that while the trend over the long term is bearish, we are witnessing an influence in the wake of the 2008 crisis. Factors like the slowdown in growth caused by the financial crisis and the austerity policies that followed, the unemployment rise, the stagnation of purchasing power, are all possible explanatory ones.

The development of the social economy, a sign of decomposition of social relations, may then appear as a response to the financial implications of the population in the process of impoverishment.

6. Microeconomic Factors

The causes that govern the development of hidden work are well known and the financial aspect remains decisive. Above all, it is a matter of absolute necessity or a desire to increase their resources and, for others, to reduce their expenses. The aim pursued is the reduction of a direct cost (wages, social contributions) or indirect (social or environmental regulations), related to the will to emerge from a legal obligation. From this point of view, the mechanics is the same as that which is set up for the black market: we observe an increase of the black market when regulations are superimposed, whose respect constitutes a disproportionate cost for the company.

The incentive to defraud is strong at both ends of the earnings ladder:

- at the bottom of the scale, both need to increase their earnings and the imperative of avoiding detrimental threshold, lead to privileging the non-declaration of additional gains;
- at the top of the scale, the desire to escape an excessive levy rate can produce similar effects through the under-reporting of earnings.

From this point of view, we can almost distinguish two undeclared economies that are far from being watertight: the first, which is built on the desire to increase its income, to produce at a lower cost by circumventing the legal provisions and the second, which is based on the exploitation of vulnerable people, the unemployed at the end of their rights and illegal migrants.

Therefore, it will be necessary to pay fewer wages contributions and spend fewer taxes, for benefiting from a more significant net gain, or more marginally, to deceive a regulation deemed to be restrictive and therefore expensive:

- provisions to ensure the protection of employees or consumers, standards relating to the quality of products, which may also have health consequences or rules guaranteeing the security of the broader environment, etc.

It should also be noted the consequences of the development of the digital economy, which relies on a large workforce staying in front of a computer:

- young creators are employing more and more trainees around the digital economy in *incubators*, spaces for *co-working*, and there is a specific porosity between legal status and informal status of paid employees, in conditions that don't comply with the regulations. The proliferation of sites that directly link jobs and requests for services (*jobbing*) is also a factor that facilitates the development of the undeclared economy.

7. Macroeconomic Factors

Macro-economic factors such as the economic situation, the level of unemployment and the weight of the tax are explaining the emergence and development of the undeclared economy.

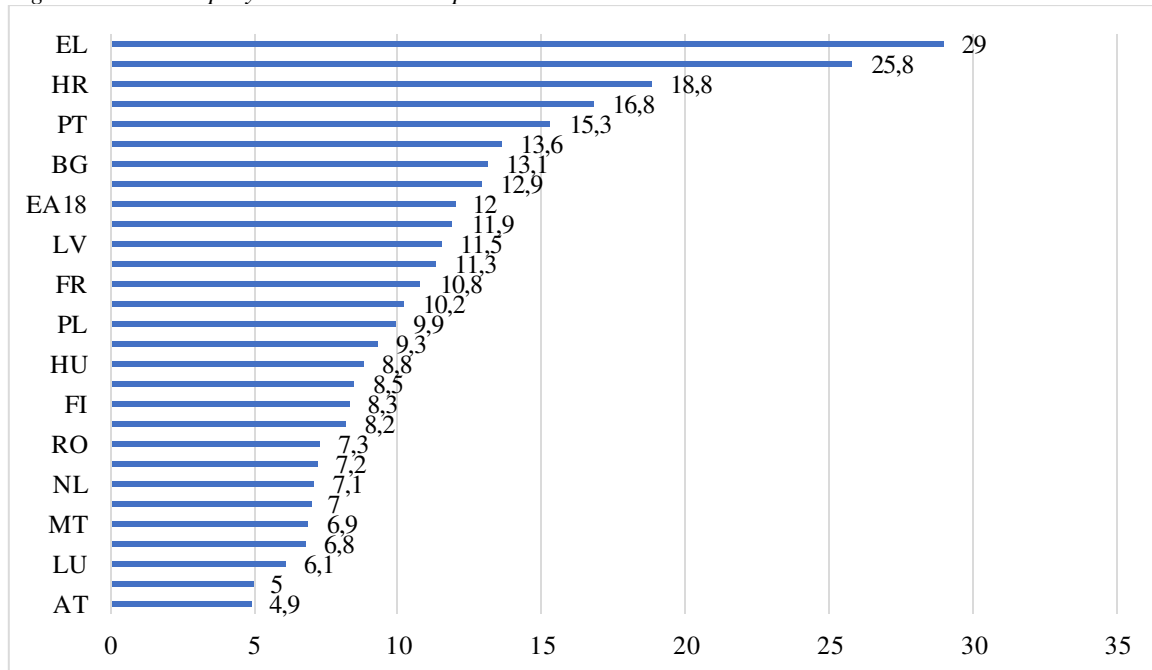
Thus, we will mention in a non-exhaustive way:

- a context of massive unemployment, which creates healthy competition between job seekers and encourages them to be less demanding on working conditions;
- the economic crisis, which depresses activity and obscures the business horizon, creating a need for employers' flexibility ;
- taxes and contributions that increase the cost of labor and reduce earnings for employees, creating a shared financial interest for hidden work;
- poverty which explains the attraction that can constitute a fast and unconstrained income of subsistence;
- the competition that may weigh on the results of the enterprise, or even the globalization of trade and industry, which exacerbates international competition in the unsheltered sectors.

The Eurobarometer survey of March 2019 indicates that the main reasons given for the exercise of an undeclared activity are: the difficulty of finding a declared job (21 %), the high level of taxes and contributions (16%), the non-existence of other sources of income (15%); and the invocation of a common practice in the sector or region that makes it challenging to find an alternative (14%) (eurostat.eu, 2019).

There is also a strong correlation with the unemployment rate under a sustainable level, which cannot surprise: workers experience a loss of income that they are trying to offset, and also, the intense competition between workers on the labor market, allows employers to impose conditions that emerge regulation. At the same time, in the short term, precarious workers are the first to be hit by the economic slowdown and the decline in activity.

Figure no. 2 Unemployment Rate in European countries



Source: Eurostat.eu (2019)

In the 1990s, at the international level, globalization has contributed to the development of an informal workforce. The ILO observes that while globalization creates new jobs and new markets, not all of these jobs are good ones, and these new markets may not provide opportunities for the least advantaged producers (ilo.org, 2019). International competition is changing employer/employee relations and pushing companies to hire low-wage workers or outsource production.

In any case, it is clear that the causes of the underground economy are a function of the ways in which societies are organized. For the industrialized countries, the welfare state and the weight of the seal, while in the developing countries the economic structures are poorly organized.

8. Conclusions

In 1983, many countries voted an opinion regarding the shadow economy. The situation has changed little, and the causes remain as well as the consequences even if, on the one hand, the forms taken by the illegal workers have been able to evolve (absence of a preliminary declaration, bargaining, illicit loan of labor, dissimulation of activity, employment of foreigners without a title). Misappropriation of the status of self-entrepreneur, fraudulent implementation of the regulatory framework on the posting of workers, increasingly complex arrangements or even institutionalization of fraud and, on the other hand, the legislative arsenal has been strengthened (responsibility of the chiefs, financial and administrative sanctions, clarification of the duties in control, etc.).

During economic downturns, the importance of the undeclared economy throws a dim light on the social consensus: the quest for profit at any price, refusal to participate in the recovery of public accounts, refusal to take its share in the financing of rights acquired by all. Even if some economists have seen a shock to the crisis, or even the manifestation of a need for flexibility to promote innovation and growth, we cannot ignore that it is part of a withdrawal, a disrespect of the

rights of the other, of a tolerance of the collective conscience too often characteristic of our society. In this respect, it must be fought as it proceeds from the quality of citizen to participate in the financing of the State.

But it must also warn about the complexity of a regulation that can discourage to declare.

Stacking of normative texts does not explain the underground economy as a whole, but it is one of the factors on which the public authorities must act: the work of simplification which has begun, must continue, but must not be the pretext for deregulation or weakening of standards. Stacking of normative texts does not explain the underground economy as a whole, but it is one of the factors on which the public authorities must act: the work of simplification which has begun, must continue, but must not be the pretext for deregulation or weakening standards.

Poverty, exclusion, mass unemployment provide docile labor for unscrupulous employers: the response to the development of the undeclared economy therefore also requires the implementation of inclusive macroeconomic policies. It must also be noted that the undeclared economy is based on cultural practices: adherence to the social model, attachment to individual freedom, and the promotion of work.

Therefore, the fight against the undeclared economy must, combine a better awareness and prevention, a reinforcement and an effective enforcement of sanctions, targeting more of controls and better articulation of the devices between them. At a time when the recovery of public accounts is considered a priority by policy makers, fairness dictates that efforts are properly distributed and in particular, that no one can avoid them by legally reprehensible behaviors.

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Modern Formula of Tourism – Virtual Tourism

Adriana Ștefan (Matei)
„Valahia” University of Târgoviște
adriana24matei@yahoo.com

Abstract

Virtual tourism is part of e-commerce and unites some of the fastest growing technologies such as information and communication technologies, the hospitality industry and the management / marketing industry and are the electronic markets where e-business attracts consumers, partners and other e-commerce businesses on electronic platforms.

Information and communications technology development and Internet developments have revolutionized the entire tourism industry, generating new business models, changing the structure of tourism-specific distribution channels, and redesigning all the processes involved in this industry, and last but not least, influencing suppliers of tourist packages, destinations and stakeholders.

Activities specific to virtual tourism imply the existence of tour operators, travel agencies and other entities with tourism-related interests in the virtual space through a specialized portal. The phenomenon itself has implications for both the tourist services consumer and those listed above.

In recent years, more and more cultural institutions in Romania are trying to attract visitors through virtual tours organized on their own website.

Key words: virtual tour, travel, electronic platform, 3D, exotic destinations.

J.E.L classification: M 21

1. Introduction

Virtual Reality can offer only a small part of the experience of visiting an exotic home destination. But augmented reality changes the ways in which real-time places are visited. AR is the technology that provides the visitor with information that overlaps over landscapes and streets he sees in real time using a digital device (mobile phone, for example). The technology is used to bring back the history of life in Washington, United States, where the Smithsonian National Natural History Museum offers the opportunity to see how electronically lived species have disappeared.

According to data provided by the National Heritage Institute, there are over 50 museums in Romania that have virtual tours, including the former Communist Prison at Râmnicu Sarat, as well as the White Carolina Citadel, newly restored in Alba Iulia. The advantage of a virtual tour in a museum is that it takes less and does not involve any effort on the part of the visitor.

In Ireland, in Waterford, the Museum of the Treasures offers visitors the opportunity to browse the lives of the Vikings, and in Darwin Australia, the curious can try to resume the bombing of the city's harbor in February 1942. In Paris, the Pont d'Arcole and the Place de la Bastille, special devices offer the opportunity to see what the city looks like in 1789. In Dubai, the 125-storey Burj Khalifa can be climbed virtually using goggles giving sensation, AR glasses hiding the feeling of falling from 828 m. recent Google representatives' declarations, Egypt's major tourist attractions can now be visited online.

The new technology offers you the opportunity to "get" into long-awaited holidays with a minimum budget without having to book flights and accommodation in advance, and you do not even have to plan your days off at work.

Today, Google's Street View service covers over 3,000 cities in over 50 countries, as well as a small part of Antarctica. Since the start of the project in 2007, eight million kilometers of roads have been featured in Street View. The Google Cultural Institute project has over 300 partners from 53 countries, with 80 museums being visited.

2. Theoretical background

Tourism is a trip made for recreation, recreation or business. The World Tourism Organization (WTO) defines tourists as "traveling or living in places outside their area of permanent residence for a minimum of twenty-four (24) hours but not longer than one consecutive year in recreation, business or other activities not related to the pursuit of a paid activity in the locality concerned. "Tourism has become a popular global recreation activity. Tourism is the most powerful economic branch in the world. In 2014, around 623 billion US dollars were obtained in the sector according to the World Tourism Organization \$. In 2018, there were over 922 million international arrivals, up 1.9% compared to 2017. International tourism revenue grew in 2018 to 944 billion US dollars (642 billion euros), which corresponds to a real increase of 1.8%. With about 100 million employees worldwide, tourism is also emerging as the most important employer. Cross-border travel amounts to 25 to 30 of world trade in services.

Theobald (1994) suggested that from etymological point of view, the word "tour" derives from Latin (casting) and from Greek (tornos), with the meaning of circle - the movement around a central point or an axis. Taken in English, the word tour took on the meaning of action to move around in a circle. Consequently, a tour / tour is a round trip, and the tour operator is called tourist / tourist.

According to other opinions, tourism is "the art of traveling for pleasure" (Bran, F., 1997). The same author sees tourism as "leisure activity consisting of traveling or living away from the place of residence, for fun, rest, enrichment of experience and culture due to the knowledge of new human aspects and unknown landscapes."

In 1941, Hunziker and Krapf defined tourism as "a sum of phenomena and relationships arising from the journeys and stays of non-residents, as long as they do not lead to permanent establishment and are not related to any paid activity." In 1981, The International Scientific Association of Tourism Experts defined tourism as voluntary selected activities outside the area of residence. In recent decades, new forms of tourism have become popular, also known as various tourism segments. Adventure tourism - tourism in hard-to-reach places or adventure sports such as climbing and pedestrian tourism. Agrotourism - farm tourism that supports local agriculture. Genealogy tourism undertaken to discover ancestors and visit places of origin and sometimes to get acquainted with distant relatives. Couch tourism and virtual tourism - lack of travel as such, studying the world through the Internet, books, television, etc. Audio tourism includes audio guides and other forms of tourism such as museum tours and audio guides, etc.

3. Research methodology

Tourism in Romania and in the world is a subject in continuous research, substantiation, delimitation and organization, with theoretical concepts and methodological tools that require arguments and discussions. Virtual Reality can offer only a small part of the experience of visiting an exotic home destination. But augmented reality changes the ways in which real-time places are visited. AR is the technology that gives the visitor information that overlaps over the landscapes and streets he sees in real-time using a digital device (mobile phone, for example).

In order to accomplish the present work, we conducted a study based on the consultation of the specialized bibliography with information related to the reality of the websites that corroborate with the virtual tourism, sometimes with data contradictory to those found in the bibliographic sources, which required a filtering, and some kept to be presented versus reality.

4. Tourism types and forms

The notion of type of tourism activity means the essentialized representation of a thing, a phenomenon, a process, meant to define by its expression an appropriation or an ensemble of attributes with dominant characteristics, and in an individualized way, the type of tourist practice appears as a representative example of the tourism phenomenon, through an expression or presentation form. Based on typing, typology is reached, which means differentiation in the structure of a structure with the aim of analyzing it, but especially synthetic. The type of tourism activity helps us to structurally differentiate the internal organization of this socio-economic phenomenon and to understand the emergence and the development of this phenomenon in line with the development of the society in a certain time on a concrete territory. The types of tourism are based on a certain criterion support: purpose, destination, duration, dynamic, and in its essence a mode of production with a type a tourism practice, a habitat, a human community with its specificity, in a motivational aspect, but may be other criteria in the typing schemes. The form of tourism according to its nature of manifestation marks the characteristics of the type of tourism and not its content. Thus, there are several criteria in the literature. The main criterion finds the motivational act Bernecker (1962) considers that the types of tourism reflect the differences that occur essentially in the tourism of the motivational determinants. Swizewski C. and Oancea D. (1977) distinguish three major categories of tourism:

- structural (mountain, sports, cultural, commercial);
- dinamic (hiking, traveling, transit);
- short, medium, long.

After the freedom of choice of the destination, tourism can be divided into two types:

- conditioned (medical, sports);
- voluntary when choosing the destination is purely sub-effective.

Tourism as a human manifestation (psychophysiological, financial and desires) Ion Mac, (1992) typifies it as follows:

- Tourism of "leisure" comprising:
 1. leisure tourism (walking, hiking, holiday trips);
 2. recreation and health care (recreation, treatment, medical, spa);
 3. visiting tourism (cultural, social, family, religious);
 4. small distances.
- Tourism of transit (voluntary and conditional transit);
- Cultural tourism (folkloric events, festivals);
- Sports tourism (sports competitions, olympics, etc.);
- Tourism professional (scientific, cultural, technical, business, etc.)

Mihaela Dinu (1996) types of tourism classify them:

- Tourism of recreation and recreation;
- Curative spa tourism;

-Cultural tourism;

- Tourism of education;
- Tourism complex (polyvalent);
- Tourism for shopping (commercial).

5. Recreational and leisure tourism

The aim of the practice is to satisfy the psychophysiological needs of the population in general, but it is especially practiced by people involved in demanding work, with high mental energy consumption, or living in stressful (urban) habitats. This type of tourism trains a large number of people from the developed-urbanized states, the urban population, participating in all types of age, but especially children and adults. Recovery and recreation has a seasonal character of winter (mountain) and summer (heliomarine) , predominantly short (weekend) or average.

Distances in tourist practices depend on the tourist's financial potential. And according to the type of tourism resources, it exploits the qualities of the natural landscapes. In the context of the

economic efficiency of the bidder, it is the most profitable type, if the infrastructure satisfies the recreational requirements of the type of tourist trained in the recreational process in accordance with the financial potential and the personal desires. Recreational and recreational tourism according to the share of the participants is launched in the tourist circuit during the tourism stage mass, becoming a fashion, a tradition at individual and family level, to the urban population with superior potential and financial environment. Balneo-curative tourism (health care). It is considered the oldest type of tourist practice that has its origins since ancient times. The healing effects of mineral, thermal, sapropelic and heliomarine sludge in the restoration the body is addressing the elderly population, which is currently the population of over 60 years.

In recent decades, new forms of tourism have become popular, also known as tourism segments that may be quite diverse.

Adventure tourism - tourism in hard-to-reach places or adventure sports such as climbing and pedestrian tourism.

Agrotourism - farm tourism that supports local agriculture.

Genealogy tourism undertaken to discover ancestors and visit places of origin and sometimes to get acquainted with distant relatives.

Couch tourism and virtual tourism - lack of travel as such, studying the world through the Internet, books, television, etc.

Audio tourism includes audio guides and other forms of tourism such as museum tours and audio guides.

Scout tourism - attempts to support independent bookstores that position themselves as a tourist destination.

Cultural tourism - visiting interesting cities or historic sites such as Berlin, Kathmandu, Lahore, Lima, Buenos Aires, London, Paris, New Delhi, Rome, Prague, Dubrovnik, Beijing, Istanbul, Kyoto, Warsaw cultural. This type of tourism can also include a variety of special cultural events, such as museum tourism, when tourists visit many museums.

Opera tour - visiting opera and concerts.

Slight tourism - visiting places associated with death and suffering. The first travel agencies that specialize in this type of tourism began with the excursions to Lakehurst, New Jersey, the location of the Hindenburg aircraft.

Eco-tourism - clean ecological tourism that has a minimal impact on the environment, such as Kenya safaris, tropical jungle in Belize, pedestrian tourism (Lapland) and visiting national parks.

Educational tourism - visiting institutions to gain knowledge of interests, such as cooking courses run by famous chefs or hand-class classes.

Extreme tourism - tourism associated with higher risk.

Gambling tourism - Visit gambling venues in cities such as Atlantic City, Las Vegas, Palm Springs, Macau, Monte Carlo.

Botanical Tourism - Visit famous botanical gardens in history such as Versailles and Taj Mahal. Historical tourism - visiting historic cities (Rome, Athens, Krakow) or industrial cities and their attractions: canals, railway stations, battlegrounds, etc. Curative tourism - leaving cities to relieve stress, relax in the sun, etc.

Often with the purpose of visiting curative baths. Hobby-tourism - individual or group tourism, to meet people with similar interests in order to feel something related to the hobby. Examples are botanical excursions, simultaneous amateur radio communications, market dancing cruises. Tourism for people with disabilities or the disabled. In some regions, it is sometimes called "tourism for all". Medical tourism - to obtain services that are illegal in the country of origin - abortion, euthanasia, such as the stateless "Dignitas" hospital in Switzerland, or for a more modern treatment not available in their country, or when it is necessary to stay high to receive medical services, or to use the free or cheap services offered by medical organizations.

Pop culture culture - visiting places present in a movie or book. Permanent tourism - wealthy people on a permanent leave, some of them in connection with taxes, not being a citizen of a country. Religious or pilgrimage tourism.

Pilgrimage to the holy ancient places (Rome and Santiago de Compostela for Catholics, temples and monasteries in Nepal for Hindus and Buddhists, Mount Athos and churches painted in northern Moldavia for Orthodox), places of worship, such as mosques, graves, etc. Solo-tourism - trips made

by yourself. Sports tourism - alpine skiing, golf and diving are the most popular means of spending the holiday.

This category also covers the holiday spent with your favorite baseball team and the daily attendance of the games with its participation. Cosmic or Space Travel. Vasilando (wandering) - a man for whom the travel process is more important than the direction of travel.

6. Virtual tour museums in Romania

Not only the cities have virtual tours in Romania, but especially the museums. The first virtual tour in our country had the Grigore Antipa Natural History Museum in Bucharest. Naturally, a natural history museum in the world does not show more than 5% of what it exposes in a virtual tour. All of these virtual pieces aim to create a picture as close as possible to reality and to get you to go on the spot. The Antipa Museum was the first museum in Romania with a virtual tour and at that time, in the early 2000s, it was intended to bring visitors to the museum.

One of the most visited museums in Romania in 2012, the Peles National Museum in Sinaia, has one of the most detailed virtual tours. On site you can see both the gardens of the castle and every room. The site can be seen "closely" including the room where King Carol I had official audiences. In this room can be seen the two original portraits of King Carol in 1881 and Princess Elizabeth with their only daughter Maria in 1874, portraits signed by the American painter George Peter Alexander Healy.

The results of the Peles Museum were the fact that the number of visitors increased online, the time visitors spend on the site increased, but also the most important number of real visitors.

The technology used to make a virtual stop at the museum is relatively simple. A camera and special photo processing software is needed. In the case of the Peles Museum, it took three days to complete the tour for 66 rooms of the complex. Costs range from \$ 50 to \$ 500 for each room for a virtual tour.

Other museums in Romania with virtual tours are,

- in the capital: The Romanian Peasant Museum, Cotroceni National Museum, National Museum of Romanian Aviation, National Museum of Natural History "Grigore Antipa", National Village Museum "Dimitrie Gusti";

- in Sibiu: National Museum Complex "Astra", The Village Museum, Brukenthal Museum, History Museum, Museum of Natural History, Museum of Arms and Trophies of Hunting;

- in Iasi: The Palace of Culture, Museum of Natural History, Bojdeuca "Ion Creangă", House "Dosoftei";

- Museums from other cities: Museum of Mineralogy in Baia Mare Art Museum "Baia Mare Artistic Center", Peles Castle and Pelișor Castle in Sinaia, Argeș County Museum, Museum of Natural Gas in Medias, Memorial Museum "Calistrat Hogaș" from Piatra-Neamț, Museum of History and Archeology of Constanta, Bicaz History Museum, History Museum in Sighisoara, History Museum in Onesti, Botosani County Museum, Village Museum Galati, Sarmizegetusa Museum, Museum of Art Brașov, National Museum of Agriculture in Slobozia, Bistrita-Nasaud Museum Complex

A new concept of virtual tourism. The website that launched the VIDEO map of locations around the Even if it seems to totally contradict the meaning of the word "journey", a website has launched a new concept of virtual tour, based on the online journey using drone.

Specifically, according to Geek, this is the website called **TravelByDrone**. There, maps of the places that can be visited from the home armchair can be found through drone videos.

And, whenever someone records such an aerial video, **TravelByDrone** can include it on the map. Not all videos appear to have been shot by drones, and some of the videos belong to entities like National Geographic, whose name appears above Jerusalem.

Generally, the vast majority of these videos focus on the big cities, where most people live, but some users say it would be good if there were clips and less visited places.

Figure no. 1 Differences between traditional and virtual tourism

Traditional tourism	Virtual Tourism
-period of time: between 23 hours and 12 months	- The time period can start from a few minutes
-Development: outside the settlement	-Display without moving
-surcharge	-gratis
- interaction with people, living beings	-in front of the computer
-use of accommodation units	-depopu
- 5 senses	larization of accommodation units
	-vizual-hearing

Source: Author's contribution

The technologies used to practice virtual tourism, are:

3D images The 360 ° camera

Video

Audio

Panoramic views

Virtual tours

Examples of sites:

google maps (street view)

<https://www.google.ro/maps/@45.9418997,25.0200795,7z?hl=ro>

www.everyscape.com

www.neamtvirtual.ro

www.sibiu360.ro

7. Conclusions

Tourism is a widely debated area at national, and even regional level, but many research in this area has a general theoretical character. Most researches and publications refer mainly to the tourist region of the country, and those referring to smaller regions within the country are relatively few. Tourist activity is among the phenomena that have been imposed in the contemporary era.

The desire of the people of today's society to spend their time traveling, looking for quiet, natural corners, visiting cities and villages is infinite. Lately, "virtual tourism" is being discussed and analyzed, the visualization of the rural regions with tourism potential, the ways of their visitation, and especially the socio-economic benefits brought by the tourism development.

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Development of Romanian Balneo Tourism

Adriana Ștefan (Matei)
„Valahia” University of Târgoviște
adriana24matei@yahoo.com

Abstract

Romania is among the European countries with a remarkable spa fund what made the Romanian spa tourism have an old tradition and know a great deal development.

Of all the tourism segments in Romania, the spa tourism is the only one form of tourism that is based on a permanent, highly complex, practical potential inexhaustible and independent of atmospheric conditions.

In line with the increasing development of information technology, in parallel with the isolation of man of nature, it is increasingly evident from the point of view of the body-mind-spirit relationship the importance of tourism products, with an emphasis on health, meeting global needs, aggregates, by extending the concept of health to achieving well-being. Well-being, superior to happiness, means having a clear direction to be followed in life, a sense of belonging, a coherent and positive vision of life, and a sense of affiliation, and is more and more common in the literature, other needs on different stages of Maslow's pyramid. Considering the complexity of health tourism with its forms, it can be said that it has become a form of tourism "of the senses"

Key words: development, spa tourism, wellness destination, health, well-being.

J.E.L. classification: M31, G14

1. Introduction

After a period of decline due to inadequacy of supply and products specific to the new requirements and mutations in the motivation plan - balneary tourism has become a major and growing dynamic segment of the international tourism market in recent decades, through its important social and economic effects. To this sector, more emphasis is placed in the developed countries and with a balneo-tourism tradition, important material and human resources, a deeper involvement of science and technology, the provision of tourist and medical services with a complex invoice and a high quality level to meet the vital needs of modern humans, generated by the evolution of living conditions and the health of the population.

The generosity of the natural balneal resources that Romania offers has determined that most stations can offer therapeutic solutions for a wide range of conditions. In this respect, the latest hydrological research has revealed impressive hydro-mineral resources - more than 2,500 springs and drillings. These are studied according to their physical, geochemical, physico-chemical, microbiological and pharmacodynamic properties.

2. Theoretical background

The spa segment is one of the health tourism products / markets, along with medical tourism, thalassotherapy, hydrotherapy, wellbeing / spa and fitness. Of the above, it ranks second in the rising order of medication. The spa segment uses natural mineral water that comes from groundwater or natural sources and whose curative properties are recognized (chemical, thermal and mechanical effects). It is generally practiced in an appropriate natural environment. Spa treatments are increasingly considered as preventive treatments. Spa tourism is one of the forms of constant tourist traffic, with a relatively stable clientele, which contributes to the increase of the

coefficients of utilization of the accommodation capacities and to the achievement of average daily / tourist average receipts. Among the favorite destinations of foreign tourists, health tourism occupies a very important place. In the years to come, this form of tourism will be even greater, being one of the largest sources of income for our country, which is one of the countries with very rich climatic resources in Europe. We have spa resorts with great tourist potential, if they would run to the standards demanded by modern tourism, but many of the accommodation structures require major or even capital repairs. Europe as our country is in an accelerated process of demographic aging, the elderly being the most important target group for health tourism. In addition, the purchasing power of a person over 50 is now superior to 30% of that of other age groups. Seniors hold 50% of household net income in Western Europe.

2. Description of balneo-tourism resources in Romania

• Mineral waters

If we refer to cold mineral waters, their specter is quite large and comparable to the well-known water minerals in Europe. In the group of oligomineral waters (with a total mineralization below 1 gram per liter) are mainly Călimănești-Căciulata, Olănești or Slănic Moldova.

They are used both internally and externally, with various therapeutic effects: diuretics, anti-inflammatory, anti-spastic, muscle relaxants. Alkaline and alkaline-mineral mineral waters (containing at least 1 gram of dissolved salts per liter) are used, for example, in Bodoc, Malnaș, Slănic Moldova, Borsec, Covasna, Zizin, Sângeorzu de Mureș, Vâlcele, Buziaș or Lipova. In their case, the range of treatable conditions is very wide: gastro-duodenal, liver, gallbladder, allergic, dermatosis, calcium metabolism disorders. The chlorine-sodium or saline mineral waters are mainly characterized by the presence of sodium and chlorine ions, and secondary and other chemical elements. The most famous resorts, where these waters are used by washing the salt masses, are concentrated around salty lakes to Sovata, Cacica, Praid, Ocna Sibiului, Ocnele Mari, Ocna Mures, Ocna Sugatag. Among salty waters other than chloromagnesium or chlorocalcic, also include Black Sea water, which has a total mineralization of approximately 15.5 grams / liter of salts.

In these cases, the treatable diseases refer primarily to internal cure by inhalation, but especially to external cure dedicated to the therapy of rheumatic, post-traumatic, neurological, arthritis, circulatory, gynecological disorders. With regard to carbonated mineral waters containing at least 1 gram of CO₂ / liter, they form mofetic alveoli, widely developed in geological formations in the vicinity of former volcanoes. In Romania, over 1,500 locations of this type were recorded in the Maramureș area, Căliman-Gurghiu Mountains, as well as in the Vatra Dornei area. Other locations are related to the Apuseni Mountains (the most famous place is at Geoagiu Bai) and the Western Plain (Tinca, Lipova, Buziaș etc). Beneficial consequences are noted in the treatment of digestive, urological, circulatory diseases, through internal or external cure. With a content of at least one milligram of titrable sulfur / liter of water, sulphurous mineral waters are mainly bound by sulphates of gypsum formations in the Eastern Carpathians and Getic Depression.

In the resorts such as Govora, Călimănești-Căciulata, Olănești, Herculane, Pucioasa, Mangalia or Săcelu, these waters are used together with some of their mixed character, the latter also containing chlor-alkali, carbon-carbon, alkaline-calcium, magnesium compounds. The beneficial curative effects are manifested in the therapy of digestive, hepato-biliary, respiratory or cutaneous diseases. In the diverse palette, as well as composition and therapeutic effects, there are also sulphated mineral waters, generally hypotonic, noted for the presence of the sulfate anion. These, in turn, may be predominantly sodium or magnesium. Their exploitation is done through internal cure, due to the choleric, cholecysto-kinetic and purgative effect, in numerous spa treatment bases: Slănic Moldova, Sărata Monteoru, Vața de Jos, Amara, Ocna Șugatag, Bălățești, Mirrors, Govora, Călimănești. Another special category is feruginous mineral waters, which usually contain carbon dioxide (CO₂)

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vicinity of former volcanoes. In Romania, over 1,500 locations of this type were recorded in the Maramureş area, Căliman-Gurghiu Mountains, as well as in the Vatra Dornei area. Other locations are related to the Apuseni Mountains and the Western Plain (Tinca, Lipova, Buziaş, etc.).

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A special category is the numerous therapeutic lakes in Romania that have a particularly important therapeutic interest. These lakes are classified in salted, liman or plain. According to the therapeutic properties, the most important in terms of effectiveness and number of treated diseases are: Techirghiol, Amara, Sarat Lake, White Balt, Ursu and Lake Complex in Ocna Sibiului.

• **Therapeutic sludge**

In Romania there is a long tradition of using sludge for curative purposes. Depending on their content, plasticity and consistency, they were classified as: sapropelic (Amara, Salt Lake, White Balta) - located at the bottom of mainland lakes, Techirghiol and salt lakes (Sovata, Ocna Sibiului); minerals - formed by sedimentation of carbonated, calcium, ferrous, sulphurous, salted salts (Govora, Geoagiu Bai, Turda, Sarata Monteoru, Sacelu, Bazna); peat - which are organogeneous deposits formed by the decomposition of vegetal remains on the bottom of some swamps under the action of microorganisms (Poiana Stampei, Mangalia, Imeni-Covasna).

Their use is the external treatment, the wraps, mud baths, local lubrication, the most popular resorts are: Techirghiol, Bazna, Sovata, Amara, Ocna Sibiu, Wah, Ocnele Govora.

• **Therapeutic gases**

Emissions of carbon dioxide are known as "mofet", in which the radon gas is composed. Their use is only in external cure, in the treatment of peripheral circulatory disorders, hypertension, nervous system disorders or rheumatic diseases. In this respect, Romania is one of the few European countries with important therapeutic gas resources, used in the Eastern Carpathian resorts: Tusnad, Covasna Balványos, Borsec, or Banat in Buziaş. Until now, if we are considering the estimate of reserves, the quantity used in the balneal bath by specific arrangements is still modest. The second category of therapeutic gases are "solfatarele", ie natural emissions of sulfur hydroxide (H₂S), in mixture with carbonic gas and sometimes with radon in special grottos. Among the most famous are the ones from Turia - Pucioasa Cave and Harghita (Băile Harghita and other neighboring sources).

• **Therapeutic salines**

In this respect, there are several underground spaces in our country with famous special arrangements, where the saline climate is used to treat respiratory diseases, especially in bronchial asthma. Spa treatment called "speleotherapy" is practiced predominantly in the salines of Praid, Târgu Ocna, Cacica, Slănic Prahova or Turda. Black Sea Coast In the seaside, there are three natural therapeutic factors used for therapeutic purposes in so-called "free balneotherapy": wave massage (thalasotherapy), sand, harnessed by psano therapy (sandbags or walking through hot sand - thermotherapy), marine aerosols. They are formed by waves breaking and evaporation of marine water, and the treatment consists in their inhalation for respiratory disease therapy.

The natural factors enumerated could also contribute, by their variety, to bio-climatic factors, with a special incidence and variety. Virtually all areas of the main bioclimatic factors in Europe are found in different areas: the exciting steppe and seaside bio-climate (for helium-marine cure); sedentary bio-climate indifferently recommended to people with overwhelmed states and patients who can not bear the stress of climatic factors; bio-climatic tonic-stimulant mountain (to improve cardio-circulatory, respiratory activity, balancing the central nervous system, metabolism and to increase immunological capacity); micro-climate of salines and caves, favorable for chronic obstructive airway diseases.

3. Methods of assessment

In our country there are 160 resorts and spa resorts with mineral resources, of which 24 are considered of national importance with recognition also at European level. The 24 stations of national importance were hierarchized on the basis of the classification system in Romania according to the degree of their endowment. This kind of classification can be considered limited and unrealistic, reflecting the endowment of a moment of spa resorts, usually incomplete and especially insufficient for the complex and rational use of the spa resources. Due to this, in order to have a real image, it is necessary to align to the international system for the assessment of the resorts, which makes a scientific and objective hierarchy of the spa resorts in particular.

The evaluation of the spa and the hierarchy of the resorts in the context of the general spa treatment and in detail on the treatment profiles is beneficial both in tourism and socio-economic. This assessment must be made taking into account the objective factors that characterize the spa offer, first of all the quantitative and qualitative aspects of the therapeutic mineral and environmental substances; the endowment with tourist structures that allow the valorisation and development of the spa function, the tradition of their valorisation, the degree of endowment with elements of general and tourist infrastructure and the impact of the weekend cuturism. The qualitative assessment of the spa resort offer is synthesized by the tourist attractiveness index, which can be calculated on the basis of the factors that define it, each having a certain weight in total attractiveness of the resort, considered 100%:

- therapeutic minerals 30%
- ambient and anthropic media 20%
- opportunities to capitalize on development 10%
- trading of 3%
- Accessibility 6%
- Access 5%
- infrastructure 5%
- Tourism 10%
- concerns of general interest 4%
- impact at the end of the week 3%
- other forms of tourism 4%

Based on the calculated attractiveness indices, a hierarchy of spa resorts can be made on the one hand and depending on their pathological profile on the other. In both cases the hierarchy does not overlap with the current classification of spa resorts in resorts of national, regional and local interest, which mainly concerns the volume and the degree of endowment of the resorts, as well as the duration of their exploitation (permanent or seasonal)

4. Directions for the development of the Romanian spa tourism

The strategic directions for the development of spa tourism in Romania can be supported by the strengths of the tourist areas and proposed to improve the weaknesses of the poorly developed regions in order to increase the competitiveness on the national tourism market:

1. Modernization of tourism infrastructure;
2. Development of tourism products ;
3. Promotion of tourism ;
4. Developing human resources in the tourism sector ;

5. Support the development of sustainable tourism.

5. Opportunities and limits of development

Customers are becoming more and more keen to benefit from an intimate, non-interior, self-centered framework, but be open to an outer space of calm and natural balance. In this regard, he prefers the authenticity of nature and the ecological wellness cottage, immersed in forest, instead of the major infrastructures that value the state-of-the-art technological equipment.

In fact, this preference is in line with the more general tendency to seek natural tranquility, an increasingly rare and increasingly active asset in the ever-urbanized, ever-connected, technologically. Thus, destinations that can offer "peace of mind" have a major competitive advantage that they capitalize through communication. So, the Baltic countries show the sanogenic virtues of ecotourism, their traditional cottage tourism in the woods, near the lake. Finland has a campaign of tourist promotion with the motto "Silence Please". There are more and more accommodation structures located in isolated areas, relying on the attractiveness of the quiet and curative virtues of simple living in the middle of nature.

For example:

- ♣ Fogo Island Inn, located on an isolated island in Newfoundland, Canada, focuses on offering and communicating around the concept of self-reliance: "To be given back".
- ♣ In Italy, Miramonte Boutique Hotel (Meran, South Tyrol) offers forest therapy treatments
- ♣ Hotel Forsthofgut in the Alpine region of Austria has a spa treatment area called "wald SPA" and offers besides treatments based on natural elements in the forest (wax, resin, wood, herbs, etc.) and guided bathing in the woods and walks on bare forest paths.

The advantage of Romania offered by virgin forests and the pure natural environment, more and more known internationally, can be used to develop a New wellness offer with national brand potential.

6. Conclusion

After a period of decline due to inadequacy of supply and specific products to the new requirements and mutations in the motivational plan - balneary tourism has become a major and increasingly dynamic segment of the international tourist market in recent decades, with its important social and economic effects. To this sector, more emphasis is being placed on the developed countries and the tradition of balneo tourism, important material and human resources, a deepening involvement of science and technology, the provision of tourist and medical services of a complex and high quality invoice qualitative level in order to meet the vital needs of modern humans, generated by the evolution of living conditions and the health of the population.

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Observing Some Influences of Emotional Intelligence in the Teaching Environment

Monica Tudor (Triculescu)

Raluca Caplescu

The Bucharest University of Economic Studies

monica.tudor89@gmail.com

raluca.caplescu@csie.ase.ro

Abstract

The current research presents some differences between bachelor and master students, grouped by level of emotional intelligence based on Petrides' model of emotional intelligence. Taking into account that almost everything that people do is based on education, career and personal life, this research is developed in the teaching environment. The purpose of this paper is to observe if there is any difference between the levels of emotional intelligence, including the factors of Trait Model, on students' and on teachers' sample.

Key words: Emotional intelligence, trait model, Petrides, education

J.E.L. classification: I20, I23, O30

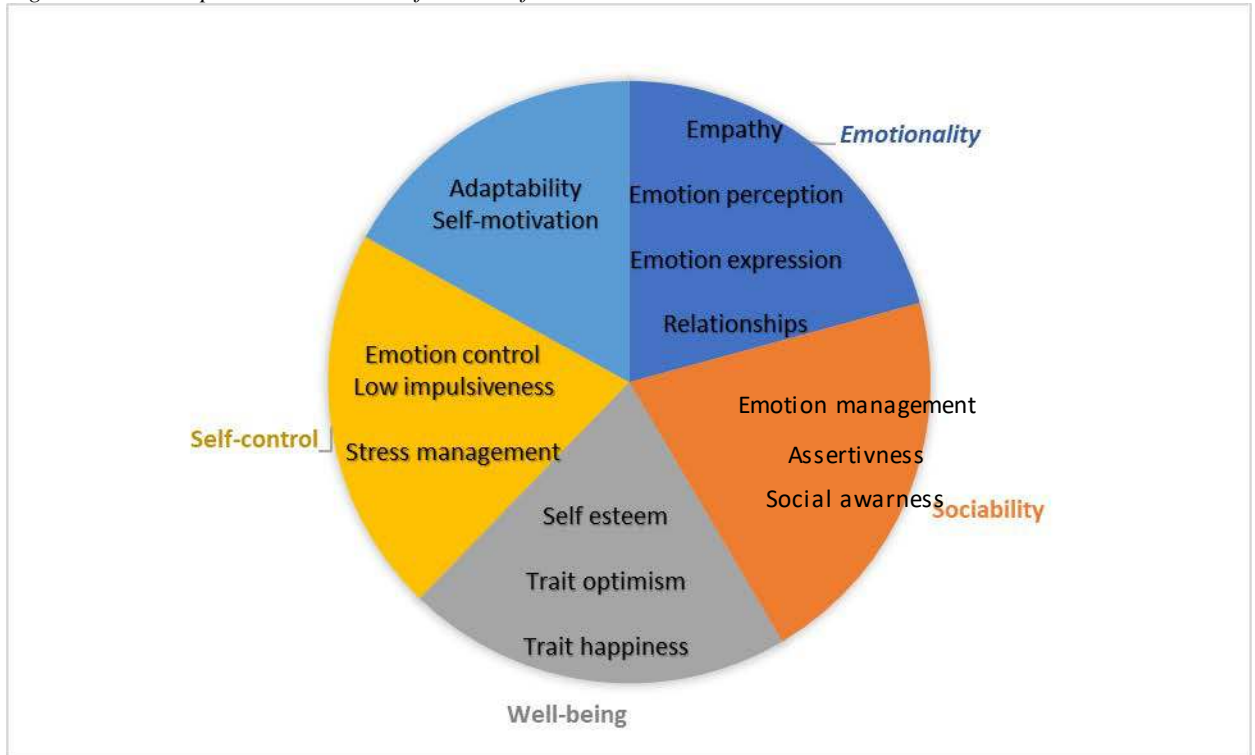
1. Introduction

Over the past decades emotional intelligence has proven to be one of the most important factors in one's characterization. It defines one's way of interacting with the others around them, understanding their emotions and others emotions and, not last, it helps them manage emotions.

This paper aims to present some important differences between the students involved in the research. The most important aspects that the authors follow are the facets and factors of emotional intelligence from Petrides' Model.

Emotional intelligence is defined as "a constellation of emotional self-perceptions located at the lower levels of personality hierarchies and measured via the trait emotional intelligence questionnaire" (Petrides, Pita, & Kokkinaki, 2007). Petrides is one of the researchers interested in emotional intelligence and the one who developed Trait Emotional Intelligence model over several years of research (2001, 2004, 2007, 2009). This model presents emotional intelligence as being composed of 15 facets (adaptability, assertiveness, emotion perception, emotion expression, emotion management, emotion regulation, impulse control, relationships, self-esteem, self-motivation, social awareness, stress management, empathy, happiness and optimism) and 4 factors (emotionality, sociability, well-being and self-control) (Petrides, 2009).

Figure no. 1. Components/Facets and features of the trait model



Source: www.psychometriclab.com

This model of emotional intelligence is well structured and thought so that researchers from all over the world can easily use it.

2. Theoretical background

For a better understanding of this concept through trait emotional intelligence model, in Table 1 the authors presented the facets and factors of this model.

Table no. 1. Facets and Factors of Trait Emotional Intelligence Model

Facets	High scorers perceive themselves as...
Adaptability	...flexible person, confident when adapting to new conditions.
Assertiveness	...forthright, direct, and willing to stand up for their rights.
Emotion perception (self and others)	...understand their own and other people's feelings.
Emotion expression	...able to express their feelings to others.
Emotion management (others)	...able to influence other people's feelings.
Emotion regulation	...able to control their emotions.
Impulse control	...analyze the situation before acting
Relationships	...able to have fulfilling personal relationships.
Self-esteem	...positive, successful and self-confident.
Self-motivation	...perseverance, involvement and unlikely to avoid adversity.
Social awareness	... good negotiators, influential with excellent social skills.
Stress management	...able to cope with pressure and capable of regulating stress.
Trait empathy	... seeing the world through the eyes of others.
Trait happiness	...cheerful and satisfied with their lives, enjoying today rather than yesterday or looking forward for tomorrow.
Trait optimism	...confident and willing to see the positive aspects of life.

Factors	People are described as...
Emotionality	...perceiving their emotions and other people's emotions, easily describing their feelings.
Sociability	...very good listeners, trustful, good with social interaction.
Well-being	...being satisfied with their overall experience in life starting from the past and including their future expectations.
Self-control	...are very good in managing their wished, needs, impulses and they can easily control their stress level.

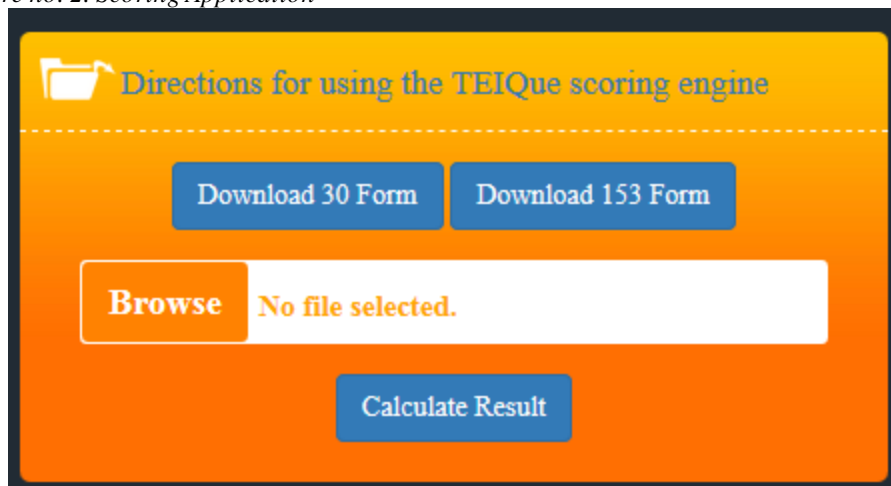
Source: www.psychometriclab.com

The trait emotional intelligence model continues with a unique test and application developed for it in order to score the levels of emotional intelligence and easily interpret them.

3. Data and Methods

In Petrides' model the measurement method is known as the TEIQue test. It consists of 153 statements and its purpose is to calculate the scores for each facet and also, the total score (level) of emotional intelligence. The answers fall on a scale of 1 to 7, where 1 represents *I do not agree at all*, and 7 represent *I totally agree*. The method of obtaining these scores is through the online application provided by the Psychometric Laboratory in London. This application allows import of the data and easily exports the scores.

Figure no. 2. Scoring Application



Source: <http://www.psychometriclab.com/Home/Default/14>

With such a complex tool, we've conducted a quantitative research using an online survey. The sample consisted of students and teachers from four leading universities in Bucharest (University of Bucharest-UB, Polytechnic University of Bucharest-UPB, University of Medicine and Pharmacy Carol Davila in Bucharest-UMFCD and Bucharest University of Economic Studies-ASE).

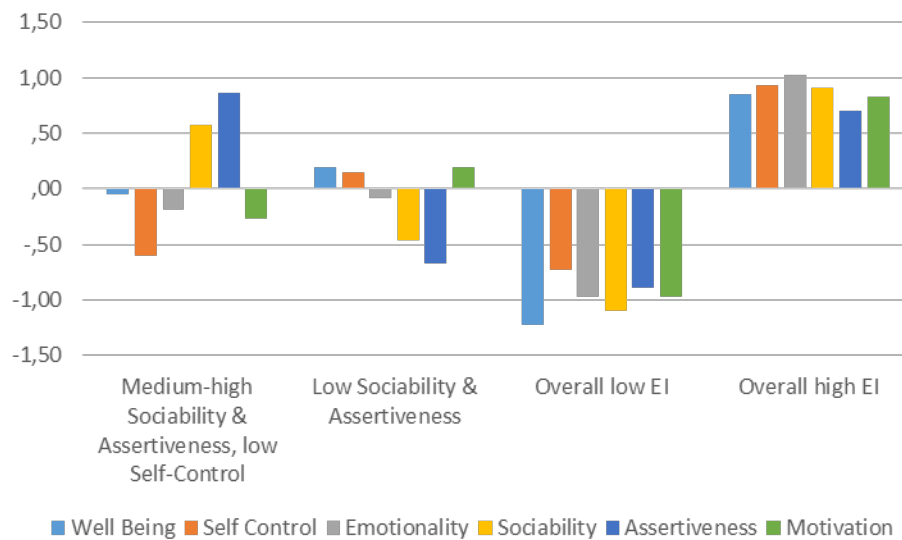
The questionnaire was sent to students/teachers (1,000 questionnaires for students and 200 for teachers) through E-mail and LinkedIn or through flyers that had a QR code which could have been scanned in order to open the online survey. The response rate was 43%, and at the end of the research period, only 595 questionnaires (521 students and 74 teachers) were available for processing.

The analysis is based on the four factors (Emotionality, Sociability, Well-being and Self-control), plus the two facets that are not included in any of them (Assertiveness and Self-motivation). In order to ascertain the impact of various socio-economic and demographic characteristics on levels of emotional intelligence (EI), the respondents were grouped into clusters with the help of K-Means Clustering. Given that the collected data only has positive values, we standardized the variables so as to obtain distance from the mean. This also greatly contributed to the ease of interpretation for the results.

The four clusters obtained are presented in the figure below. Due to standardization, we can easily interpret the results in terms of below or above average, as the mean value for each variable is represented by zero. The length of the bars represents distance from the variable mean, namely how far and in which direction are the members of one cluster from the mean value of each variable considered. Thus, we obtained the following four clusters:

- Cluster A: students with sociability and assertiveness levels higher than the mean, but lower self-control. The other variables are very close to the mean.
- Cluster B: students with low scores on sociability and assertiveness and average on all other variables.
- Cluster C: students with scores below the mean for each of the variables considered, thus with an overall low emotional intelligence level.
- Cluster D: students with high overall emotional intelligence (higher than average scores).

Figure no. 2. Clusters resulted from the sample



Source: authors' computation

Subsequently, we tested for significant (at 0.05 level) differences between the four groups. The analysis was performed in SPSS™.

4. Results

This section will begin by highlighting the differences between socio-economic and demographic characteristics of respondent students. To this aim, Table 2 presents only the significant differences obtained in the analysis. For each variable there are one or more categories and beneath each category there is a line which indicates the existence of a significant difference (significant diff.), as well as level of significance (0.05). The letter shows a significantly lower value for the respective cluster compared to the cluster in which box the letter appears. The total line contains the number of students in each cluster.

Analyzing Table 2 we can sketch the profile of each cluster. Cluster D (High overall EI) stands out as the most distinctive group and it comprises older, graduate students, who are above 21 years old and currently enrolled in Master's studies. They declare to a higher extent that they are in the top 5% of their class and are also more satisfied with the teaching process. About half of them are employed (significantly more than their counterparts in clusters A and C) and they are less likely to be single. Being employed also explains their significantly higher income level (about 2000 lei on average), since the significance disappears when controlling for employment status. Combining education with a job, coupled with a bigger age than the rest of the group is probably also a good explanation for their higher EI scores as well as their greater satisfaction level.

Table no. 2. Significant differences between clusters for socio-economic and demographic variables

		Cluster			
		(A)	(B)	(C)	(D)
Level of studies	Bachelor's significant diff. (0.05)	86 76%	96 69%	96 79%	90 62%
	Master's significant diff. (0.05)	26 23%	39 28%	25 21%	52 36%
	Total	113 100%	139 100%	121 100%	146 100%
Place in student ranking	Top 5% significant diff. (0.05)	22 19%	23 16%	14 12%	40 27%
	Total	114 100%	140 100%	121 100%	146 100%
Year of study	Year 2 (Bachelors') significant diff. (0.05)	43 38%	31 22%	35 29%	29 20%
	Total	114 100%	140 100%	121 100%	146 100%
Age group	18-21 significant diff. (0.05)	66 58%	72 51%	73 60%	62 42%
	Total	114 100%	140 100%	121 100%	146 100%
Marital status	Single significant diff. (0.05)	41 36%	59 42%	67 55%	51 35%
	Total	114 100%	140 100%	121 100%	146 100%
Highest education attained	High school significant diff. (0.05)	85 75%	94 67%	94 78%	91 62%
	Bachelors' significant diff. (0.05)	28 25%	46 33%	26 21%	53 36%
	Total	114 100%	140 100%	121 100%	146 100%
Are you employed?	No significant diff. (0.05)	80 70%	91 65%	87 72%	78 53%
	Yes significant diff. (0.05)	34 30%	49 35%	34 28%	68 47%
	Total	114 100%	140 100%	121 100%	146 100%

		Cluster			
		(A)	(B)	(C)	(D)
Income	Mean score	1.393	1.500	1.348	2.039
	Standard deviation	1.135	1.252	1.210	1.549
	significant diff. (0.05)				A C
On a scale from 1 (lowest) to 7 (highest), what is your satisfaction level regarding the teaching process?	Mean score	4,25	4,61	3,73	4,93
	Standard deviation	1,50	1,39	1,54	1,42
	significant diff. (0.05)	C	C		A C

Source: authors' computation

As could be expected, Cluster C lies at the opposite end. Students with an overall low EI level are mostly high school graduates enrolled in Bachelor's studies, aged up to 21 years and least likely to perceive themselves in the top 5% of their class. They have characteristics specific to their age group, most of them being single (55%) and unemployed (72%), which is also reflected in their income level (lowest of all groups). In contrast with the previous cluster, students belonging to this one are least satisfied with the education process. It is possible that their expectations are higher, since they have not yet entered the labour market to be able to correlate theory with practice. Also, being younger, they may be focused on different aspects of their lives, since this is the group with the least percentage of self-perceived belonging to the top 5% of their class.

It is important to mention that even by splitting the entire sample into two groups (above and below average) the differences between the groups were significant. However, we opted for a more detailed grouping because we were interested in seeing how various combinations of the six

variables are impacted by different characteristics. Thus, groups A and B are more nuanced versions of groups C and D.

What stands out in group A is the relatively high levels of sociability and assertiveness of second year undergraduate students, almost 4 out of 10 of them being in this group. On the other hand, they seem to have a lower level of self-control and a slight tendency towards demotivation. As in the case of group C, students in this cluster are also mostly unemployed (70%), thus have approximately the same income, but unlike their counterparts in group C, they are less frequently single. Also, their satisfaction level regarding the education process is significantly higher.

Less assertive and less sociable than students in groups A and D, students in group B are mostly single (2 out of 5) and quite likely to be employed (35%). This accounts for their higher income in comparison with students in group C. In fact, group B seems to be somewhere in between groups A and D, both of which have in common high levels of assertiveness and sociability. It might be, that these two characteristics can be compensated for by self-control and motivation, which students in group A have problems with.

However, it is well worth analyzing the non-significant results as well (not shown) as they also provide insight into the matter of students' emotional intelligence profiles. We also tested for differences between genders, universities (as proxies for specialties), settlement and perception regarding the influence of the emotional intelligence of the teacher on satisfaction level with respect to the teaching process. None of these variables yielded any significant result, which indicates that these factors do not impact emotional intelligence of the respondents in our sample.

5. Conclusions

It is very important to mention that the students with high scores of emotional intelligence are the most successful ones from a professional and personal perspective and they are also very satisfied with the teaching environment that they are part of. On the other hand, students with lower levels of emotional intelligence are younger and less satisfied of the teaching environment, even if they've just graduated high school and they are enrolled in the bachelor program.

Another aspect that needs to be carefully observed is that students with low scores in assertiveness and sociability are mostly single and mostly unemployed and students that have high levels of assertiveness and sociability find it mostly difficult to succeed in self-control and are more demotivated.

The limitations of this study are strictly related to the number of students involved from each year of study. On a more balanced sample, the results may differ.

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Agency for Payments and Intervention for Agriculture – Agency which Manages the Funds Destined to Agriculture

Daniel Petru Vârteiu
“1st of December 1918” University of Alba Iulia
varteiu_daniel@yahoo.com

Abstract

Agriculture is amongst the domains of great interest both for European and national level because it has to ensure safe and quality products to the population. Therefore, the purpose of this article is of presenting one of the modalities of financing the Romanian agriculture from the European funds, in order to develop it and place quality products on the market. Nationally there is the Agency for Payments and Intervention for Agriculture, which is ancillary to the Ministry of Agriculture and Rural Development and which manages European funds for implementing the proceedings for supporting the farmers from the European Agricultural Guarantee Fund. This agency was founded based on the law no. 1/2004 and finances Romanian agriculture through some proceedings such as single payment scheme on surface, payment scheme for agricultural practices which are beneficial for the environment and climate, payment scheme for young farmers, paired support for vegetal and zoo technical sector, proceedings for agricultural environment and climate, ecological agriculture, payments for areas having natural restraints, payments for animals' wellbeing, investments for developing weald areas.

Key words: agriculture, European Funds, payment agency, financing the agriculture

J.E.L. classification: Q14

1. Introduction

Nationally, the agriculture represents one of the domains of great interest because about 45% of the population lives in the rural environment, but also due to the fact that it has to ensure quality product to the population of the country. Romania has great and favourable conditions for practicing the agriculture. (Ioniță, 1999, p.48) but with all these, according to the data provided by Eurostat, our country had in 2005 a total number of 4256,15 thousand agricultural holdings, and following this date a descendent trend was registered reaching 3629,66 thousand holdings in 2013, decreasing with 14,71%. In encouraging the development of agricultural activities in the whole Europe, the European Union came and fixed a set of rules and mechanisms which regulates production, processing and commerce with agricultural products (Common Agricultural Policy). Common Agricultural Policy is one of the most important policies of the Union, both because a great amount of the Union's budget is allotted to this policy and because of the historical importance and sovereign tributes appointed by Member States to the decision community level (European Union – Agriculture, 2002, p.9). Nationally, the European funds for agriculture from the Common Agricultural Policy, are made available to the beneficiaries through the Agency for Payments and Intervention for Agriculture (<http://www.apia.org.ro/ro/despre-apia/prezentare-apia>).

2. Theoretical background

Agriculture is one of the branches of material production which aims cultivating plants and animal growth for obtaining food products an raw materials (<http://www.archeus.ro/lingvistica/CautareDex?query=AGRICULTUR%C4%82>).

The Agency for Payments and Intervention for Agriculture is a public institution subordinated to the Ministry of Agriculture and Rural Development which is responsible for running and managing the funds concerning direct payments and market measures and some of the measures financed from European funds for agriculture and rural development, established through ordinance of Ministry of Agriculture (www.afir.info).

European funds are funds which finance national programs, approved by the European Union for a clearly delimited period of time (<http://madr.ro/docs/dezvoltare-rurala/rndr/buletine-tematicce/PT23.pdf>).

European Agricultural Guarantee Fund is a fund created by the European Union for developing the agriculture of its Member States, through shared management between the Union and the Member States (www.finantare-rurala.ro).

The schemes of direct payment are mechanisms for sustaining the agricultural producer, which are applied in agriculture on clearly delimited periods of time (www.finantare-rurala.ro).

The measurements of sustaining the market consists in interventions on agricultural markets under the form of stocking and export refunding (http://www.eca.europa.eu/Lists/ECADocuments/AR08/AR08_RO.PDF).

3. Research methodology

Our research aims the presentation of theoretical aspects referring to financing the Romanian agriculture through the Agency for Payments and Intervention for Agriculture. The followed main aspects aim presenting the Agency for Payments and Intervention for Agriculture, the schemes and proceedings for helping the farmers, made by the Agency and the agency's activity in numbers. As methods and techniques of research, in our research we have used the theoretical research, analysis and synthesis. Theoretical research consisted in studying the specialty literature. We have utilized analysis in presenting the numbers concerning the activity made by the Agency for Payment and Intervention for Agriculture starting with the year of 2007 until now. Synthesis was used in presenting the theoretical aspects, the agriculture domain being a very vast one.

4. Presenting the Agency for Payments and Intervention for Agriculture

Agency for Payments and Intervention for Agriculture (APIA), is an agency having the headquarters in Bucharest, and which has 42 county centres and 266 local centres, and starting with the year of 2007, the year of Romania's integration in the European Union, makes payments for supporting the farmers and the market, proceedings financed from the European Agricultural Guarantee Fund (EAGF). Presently to the Agency for Payments and Intervention for Agriculture was delegated by the Agency for Financing Rural Investments (AFRI), a series of proceedings financed from the European Agricultural Fund for Rural Development (EAFRD) which aims ecological agriculture, areas with natural restraints, agri-environment and the climate, improvement of forest areas, animals' wellbeing.

APIA manages not only European funds such as EAGF (100% EU financing), and EAFRD (about 95% EU financing, the rest being a national contribution), but also funds from the National Budget which are granted under the form of state aid.

APIA as a payment agency has to fulfil a series of legal attributions which aims a good management of the funds which were entrusted to it, verifying the payment applications made by farmers and authorizing payments toward them, book keeping for the already made payments.

Farmers' **supporting procedures** and the **direct payment schemes** financed from EAGF and EAFRD made by APIA are presented within table number 1.

Table no. 1. Payment proceedings and schemes made by APIA from European irredeemable funds

Proceedings/schemes financed from EAGF	Proceedings financed from EAFRD and appointed by AFRI
Single payment scheme on surface	Proceeding concerning agri-environment and climate
Redistributive payment scheme	Proceeding concerning ecological agriculture
Greening payment	Payments concerning areas with natural restraints
Payment scheme for young farmers	Proceeding concerning improving forest areas
Paired support for vegetal sector	Payments concerning animals' wellbeing
Paired support for zootechnic sector	Proceeding concerning climate services and forest conservation

Source: (<http://www.apia.org.ro/despre-apia/scheme-de-plata-masuri-de-sprijin-derulate-de-apia>)

5. Schemes and Proceedings for Supporting the Farmers made by APIA

Single payment scheme on surface - the beneficiaries of this scheme are natural or legal persons who exploit the agricultural surface and who are enrolled in the Farmers' Register and at the expiring date of the payment request fulfil requirements such as http://www.apia.org.ro/files/pages_files/Raport_de_activitate_2010.pdf:

- ✓ The agricultural exploited field is to be of minimum 1 hectare
- ✓ Declaration of all the lands that he/she uses
- ✓ To present data in accordance with reality from within the payment request and to agree with the introduction of data in the agency's database
- ✓ To fulfil the conditions concerning good agricultural and environment conditions
- ✓ To provide APIA with all the required justification papers
- ✓ To respond to APIA's request and to offer the competent bodies the possibility of control
- ✓ Marking the boundaries of agricultural parcels when they abut other parcels with the same crops so that the utilized parcels are to be easily recognized

Redistributive payment – proceeding which consists in annual payment destined to farmers who have the right to single payment on surface and it is gradually offered for the first 30 hectares of the agricultural holding no matter its surface. (http://www.apia.org.ro/files/pages_files/Raport_anual_de_activitate_APIA_2017_01.02.2018.pdf).

Greening payment – is a proceeding which implies that all the farmers who have the right to single payment on surface, mandatory apply on all eligible hectares the next agricultural practices which are beneficial to climate and environment, according to the population's structure and/or cultures' structure: diversifying the crops, maintaining the existent permanent meadows, the presence of an area of ecological interest on the agricultural area (http://www.apia.org.ro/files/pages_files/Raport_anual_de_activitate_APIA_2017_01.02.2018.pdf)

Payment for young farmers – suppose annual payments towards young farmers who have the right of single payment on surface and who firstly settle in an agricultural holding having the quality of leaders and respectively who are at most 40 years old at the moment of demand (http://www.apia.org.ro/files/pages_files/Raport_anual_de_activitate_APIA_2017_01.02.2018.pdf)

Scheme for paired support – supposes payments towards different sectors and productions which encounter difficulties and which are economically, socially and environmentally important.

Simplifies scheme for small farmers – consists in payments of maximum 1250 Euros according to the surface and the number of detained eligible animals.

Agri-environment and climate – proceeding which aims encouraging of adopting an agricultural practice which is favourable to the rural environment from the point of view of keeping its value, its existent habitat, the natural resources and traditional landscape.

Ecological agriculture – consists in encouraging the farmers to pass from the traditional agriculture to an ecological one

Payments for areas which encounter natural restraints or other specific restraints – are payments made for compensating the losses as a result the land's low productivity and the increasing of costs of the activity developed in these areas.

Animals' wellbeing – this proceeding consists in payments effected for environment's amelioration and of rural space for keeping the animals' wellbeing at high standards. Payments made through this proceeding, concern the pig sector and the poultry sector.

6. Numbers Concerning the Activity Made by APIA

Community financial allocation managed by APIA for the programming period 2007- 2014 was of 7793,91 million Euro from EAGF representing direct payments and of 3160,04 million Euros from EAFRD representing proceedings delegated on rural development on surface, while the absorption degree of European funds managed by APIA for the period 2007- 2014 was of 98,33% from EAGF respectively 96,14% from EAFRD. (http://www.apia.org.ro/files/pages_files/Raport_activitate_APIA_2015_PT_SITE.pdf).

Activity developed by APIA in the period 2007 – 2015 supposed spending some significant funds for direct payments as a result of the requirements made by farmers, situation which will be presented in table 2.

Table no.2. The evolution of funds spent on direct payments and of the applications submitted by farmers in the period 2007 - 2015

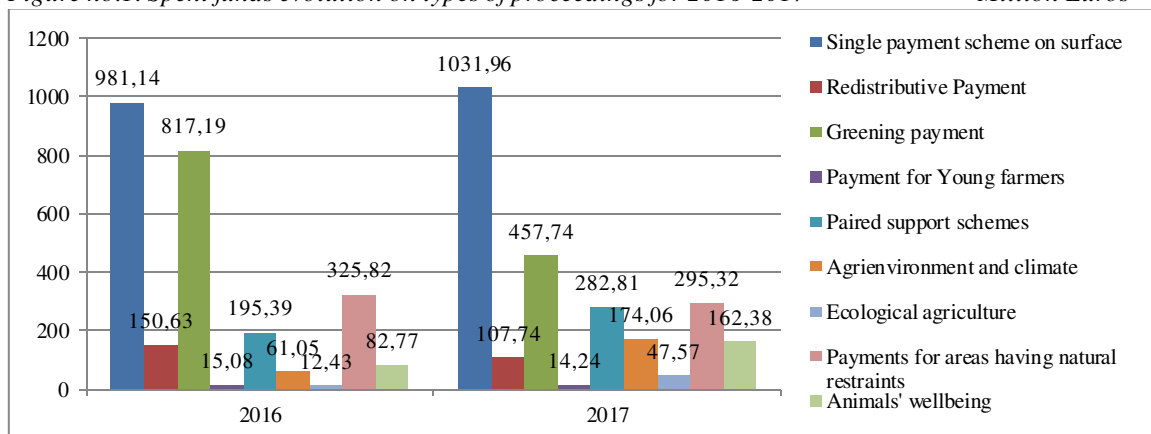
Campaign	Spent funds -Euros-	Increase rate as opposed to the previous year (%)	Number of farmers who have submitted applications
2007	749.126.908	-	1.241.934
2008	1.057.324.142	41,14	1.130.404
2009	1.182.866.854	11,87	1.122.046
2010	1.404.305.740	18,72	1.093.167
2011	1.523.890.364	8,51	1.088.809
2012	1.716.175.762	12,61	1.079.899
2013	1.808.696.364	5,39	1.048.728
2014	1.911.776.088	5,69	1.027.874
2015	2.088.057.161	9,22	944.076

Source: http://www.apia.org.ro/files/pages_files/Indicatori_statistici.pdf

Analyzing the data from the table we can infer that the spent funds have registered a positive trend on all the reference period, the biggest increase level of 41,14% being registered in 2008. We can also infer that the year of 2015 was the year in which the expenses first surpassed the amount of 2 billion Euros. Referring to the number of farmers who have submitted requests we can infer that this is in a continuous decrease due to the amalgamation of agricultural areas.

APIA activity afferent to the period 2016-2017 supposed payments from EAGF and EAFRD for implementing the undertaken proceedings, according to figure no. 1

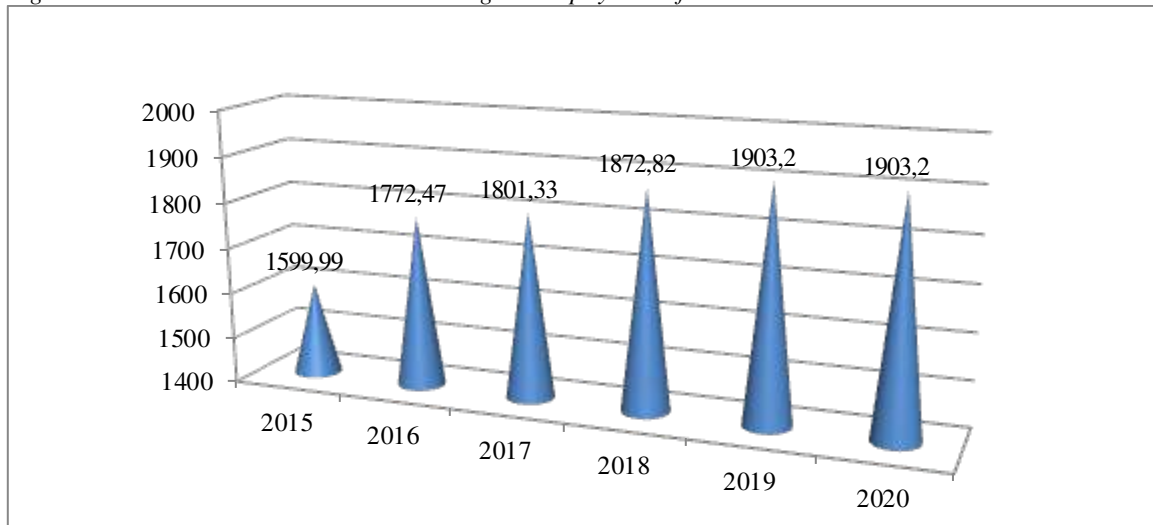
Figure no.1. Spent funds evolution on types of proceedings for 2016-2017 -Million Euros-



Source: (http://www.apia.org.ro/files/pages_files/Scan_Raport_de_activitate_APIA_2016.pdf, http://www.apia.org.ro/files/pages_files/Raport_anual_de_activitate_APIA_2017_01.02.2018.pdf)

Financial allotments from EAGF for the proceedings afferent to direct payments managed by APIA in 2015-2020 sum 10.853,01 million Euros according to figure 2

Figure no.2. Financial allotment concerning direct payments for 2015-2020



Source: http://www.apia.org.ro/files/pages_files/Raport_activitate_APIA_2015_PT_SITE.pdf

We can see that the financial allotment has an increasing trend on all the reference period, from the value of 1599,99 million Euros in 2015 till the value of 1903,20 million Euros in 2020.

7. Conclusions

European Union finances the agricultural of the Member States, in strict accordance to the stipulations of Common Agricultural Policies, through European Agricultural Guarantee Fund and through the European Agricultural Fund for Rural Development. In Romania these are made available for the beneficiaries through two agencies which are under subordination of the Ministry Of Agriculture and Rural Development. The Agency for Payments and Intervention for Agriculture was consisted based on law 1/2004 and finances the Romanian agriculture through some proceedings which aim payments on surface, payment for young farmers, paired support for vegetal and zoo technical sectors, ecological agriculture, animals' well being etc. Community financial allotment managed by APIA for the programming period 2007-2014 was of 7793,91 million Euros from EAGF representing direct payments and of 3160,04 million Euros from EAFRD representing proceeding delegated on rural development on surface, while the absorption degree of the European funds managed by APIA in the period 2007-2014 was of 98,33% from EAGF, respectively 96,14% from EAFDR. For the period 2015-2020 the financial allotments from EAGF for the proceedings afferent to direct payments managed by APIA sum a total of 10.853,01 million Euros.

8. Acknowledgements

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Effective Strategies for Successful Presentations: An NLP Analysis

Cristina Mihaela Zamfir
"Ovidius" University of Constanta, Faculty of Letters
cristina_m_zamfir@yahoo.com

Abstract

In the context of business interactions, the presentation process and the abilities it activates are of utmost importance.

Firstly, the paper attempts to present the basic communication and relational skills for effective presentations that are absolutely necessary for trainers and managers to create a bond with their audience.

Secondly, the article helps us to highlight the powerful role of the essential elements which appeal to any presentation as well as the 'signposts' and 'sandwich' methods that establish a strong rapport with the listeners during the presentation.

The results of the research show that the Neuro-Linguistic Programming (NLP) approach to the presentation process provides a better understanding of the linguistic characteristics, techniques and strategies which enrich and make our speech more persuasive.

Key words: business communication, NLP, presentation skills, 'sandwich' method, signposts

J.E.L. classification: Z00

1. Introduction

An essential activity that makes a difference in business is the ability to present your ideas to a group and lead the discussion. The effective presenters' search for a "well-constructed argument" is best founded on establishing and maintaining rapport with their audience. Various practical strategies, skills, tools, techniques and learning styles have been provided by NLP researchers to help professional trainers and teachers, managers and consultants share knowledge and information and create a bond with their audience (Johnson and Barrall, 2006; Pile and Lowe, 2006).

I would like to focus on the models/principles of *speaker-listener communication* which I find particularly relevant for building professional relationships.

The NLP practitioner Robert Dilts' book on "Effective Presentation Skills" (Meta Publications 1994) aims at covering and unveiling *what* professional skills need to be practised and managed to produce a very detailed list of skills divided into *Basic Communication Skills* and *Basic Relational Skills* which can be summarised under 12 headings.

2. Theoretical background

According to Robert Dilts (1994), an effective presentation focuses on verbal skills as well as on the specific techniques, methods and structures we use in delivering it. In his book, *Effective Presentation Skills* (quoted in Encyclopedia of NLP by Dilts and DeLozier, 2000, p.996), he makes a synthetic description of the basic skills used in delivering information:

Basic Communication Skills

1. Using all Representational Channels for "Output"
 - verbal – words
 - visual – illustrations and images
 - kinesthetic – gestures and demonstrations
2. Verbal Pacing of all Representational Systems

3. "Analogical Marking" – Emphasizing Messages with Voice Tone and Gestures
4. Making Micro Demonstrations – "Doing what you are talking about"
5. Creating and Utilizing Metaphors and "Universals"
6. Giving Examples Incorporating key words and Related Vocabulary
7. Facilitating Understanding and Recall Through Anchoring
8. Backtracking and Reviewing Relevant Information

Basic Relational Skills

9. Developing a 'Second Position' with the Audience
10. Pacing and Leading
11. Responding to Positive Intentions
12. Reframing, Reformulating and Paraphrasing the Responses of Others

On the basis of this description and through an appropriate use of interactive language (Perlman, 2006; Grussendorf, 2009), skilful presenters bond with their listeners more easily within a shared context.

When presenting an argument and giving reasons in a presentation it is clearly important to prepare useful language (phrases) to organize, explain and emphasize each reason logically and effectively.

3. Essential elements appealing to any presentation

The research in the area of presentations was conducted by the NLP practitioner and social psychologist Andrew Bradbury (2006) who adopted a different and more modern approach drawing on 5 elements which apply to *any* presentation and make up the *mnemonic OSCAR*:

clear	O utcome
layered	S tructure
selective	C hunking
positive	A ttitude
flexible	R esponse

Outcome

A successful presentation is guaranteed when the speaker has a "well – formed outcome", i.e. the more focussed s/he stays on what is to be assumed, the more achievable the outcome will become.

According to Bradbury, the presenter should always have a set of outcomes – one for himself/herself and one for their audience:

e.g. *I want to make a detailed presentation of three good reasons why we should use ID tags to identify our brand.*

I want the people at the presentation to feel free to ask questions at any time during my talk and work together, with joint effort, to protect our name and our investment.

Such outcomes usually deal with the organization of your talk, why it is relevant to the audience and they should be clearly stated and adhered to at the very beginning of your presentation:

e.g. *I'll start by describing a number of reasons of why proposing a system of electronic ID tags is necessary to make our company's products easy to identify.*

Moreover, I would be glad to welcome your ideas to achieve this goal and take action now to find a secure method of protecting our brand name.

Thus, Bradbury suggests that "This approach quickly puts the audience at ease because they no longer have the feeling that they must blindly follow wherever you choose to lead" (2006, p.111).

By structuring your arguments in a logical order and offering a clear background, the audience will know and follow at all times what you want to do and how you want to do it.

Structure

In structuring your presentation, it is essential to consider, on the one hand, the "what's in a mode" aspect, i.e. listen out for the different sensory "modes" or representational system predicates/preferred thinking styles (PTS) in the way people emphasize key words (using visual, auditory, or kinesthetic channels) or show feelings (making use of strong and exaggerated language) to respond emotionally to your arguments.

On the other hand, meta programs, like PTS in NLP, work best in presentations when we recognize which filters a person works with and frame our communication, in consequence. Briefly, experiment whatever meta programs motivate and bring a change in people's reaction to what we do and say (people who operate *in time* or *through time*; people who work *towards* or *away from* the stated result; people who feel more comfortable in a *proactive* / versus / *reactive* mode).

Chunking

Selecting the correct chunk type in any presentation, be it chunking up or down, will improve the chance of getting your message across. To put it differently, in order to arouse audience interest, "your best option is to choose a middle-of-the-range starting point, and then chunk up. Allow questions from the audience [...], but avoid getting bogged down in 'nitty-gritty' details" (Bradbury, 2006, p.112).

Attitude

Bradbury claims that attitude in presentations means more than "*simply think positive*" since the presenter is considered as important as his or her topic. When delivering a presentation, personality and culture can influence your body language and indicate self- confidence or lack of it. That is why, in the first minutes of your presentation, you should concentrate on getting your audience's attention, using your personality more, being enthusiastic, and building good rapport with the people in the room.

A similar approach was offered by Dilts and DeLozier (2000) who remarked that, in NLP, a person's attitude stems from his/her internal state, the mental map they operate with and their meta program patterns. In both Bradbury's (2006) and Dilts and DeLozier's (2000) opinion, attitudes in presentations are often related to particular values, beliefs, or non-verbal signals. Optimistic attitudes of effective presenters are characterized by a positive outlook and the attempt to find something good in whatever is occurring (Dilts and DeLozier, 2000 after Grolier's Encyclopedia, 1991); the strongly held belief that your presentation will create a positive intention is sent out to your audience through clear non-verbal signals (Bradbury, 2006).

Response

From the NLP perspective, what makes a presentation stronger is the fifth element of the mnemonic OSCAR, i.e. our creative and flexible *response* to environmental changes, our ability to view any situation through at least three positions: our own, the other person's standpoint, and that of the unbiased observer.

Bradbury further clarifies that the fifth element which is a 'mixture of sensitivity and flexibility' helps top presenters to constantly "switch back and forth between viewpoints, always aware of the response they are getting from their audience, and able to customise the presentation as they go in order to achieve their desired outcome" (Bradbury, 2006, pp.112-113).

The rationale behind this idea is that presenters who have taken multiple perspectives can use perceptual positions as a modality of becoming increasingly "response-able" for their behaviours' consequences, producing self-mastery and achieving desired outcomes.

4. The signposts' functions and the 'sandwich' method

A clear and structural perspective on effective presentations comes from the ability to give your speech a simple, unloaded and perceivable organization within your audience's attention span and retention capability. It is well-known that most people might have a real problem with retention of information, and as Perlman (2006) explains, once you "confine yourself to a very few points that relate to your central purpose, your speech will be even better if your content is in some sort of logical sentence [...] a story arc for the audience to follow" (2006, p.15). He further argues that verbal signals ("signposts") mark your transitions from one subject to another, "keeping your audience abreast of where you are in the discussion" (2006, p.16).

Signposts fulfill different functions depending on where you take your audience along with you:

a) Saying what is coming

e.g. *In this part of my presentation, I'd like to talk about...*

So first I'm going to tell you about...

First, I'll give you some general information about...

So, let me start with...

Let me first give you a brief overview.

b) Moving on to the next point

e.g. *This leads to the next point, which is... (price).*

Let's now turn to the issue of product innovation.

This brings us directly to my next question.

This brings me to the second thing I'd like to say.

c) Indicating the end of a section

e.g. *So far, I've talked about [topic #1] and [topic #2]. Now let me acquaint you with [topic#3].*

Well, so much for the background and the conceptual framework of [concept].

Let me close this portion of my presentation with a general remark.

Let me finish up this section with some comments.

d) Referring back

e.g. *Let me go back and elaborate on each of these issues.*

Which brings me back to the key message I have for you today: ...

As I mentioned before / pointed out in the first section / have already explained / said earlier, I'd like to focus on our new marketing techniques.

e) Summarizing a point

e.g. *Before I stop, I'd like to run through my main points again...*

Let me go over the key issues again.

To conclude / In conclusion, I'd like to...

To sum up, we...

Signalling the end of your talk by using the 'sandwich' technique is another strategy for making good conclusions. The 'sandwich' method is commonly used when the speaker intends to establish and maintain good rapport with his audience throughout the presentation (Zamfir, 2018).

From an NLP point of view, the speaker's opening of the presentation with a story / anecdote / joke will trigger creativity, arouse the audience's curiosity by putting them into a positive frame of mind, and promote deeper level change and problem solving. Thus, participants will stay tuned for more information and explanations about a particular subject at a later time.

In this light, the aim of using a story, an interesting fact, or metaphor as a less formal opening of a presentation can diffuse a tense situation or explain a difficult problem in a friendly manner:

Typical phrases – Tell a story / interesting fact in the introduction:

e.g. *I clearly remember when I attended a conference in Barcelona. ...*

At a seminar in Berlin, I was addressed the following question: ...

I read in an article somewhere that the only place where 'success' comes before 'work' is in the dictionary. I tend to agree with that!

Typical phrases – Finish the story / interesting fact in the conclusion:

e.g. *Remember what I said at the beginning of my talk today? Well...*

Let me go back to the question I mentioned at the start of my presentation. Remember...

Indeed, success without work won't swing the door open to you. So this just shows you that...

To stress this point more strongly, Dilts and DeLozier (2000) also state that stories "can often bypass conscious resistance, confusion and conflict [...], provide a way of thinking that is different from the way of thinking that is creating the problem. Like all their forms of communication, [...] storytelling is considered a primary presentation skill and change method in NLP trainings and interventions" (2000, p.1309).

The 'sandwich' method for effective presentations is challenging and makes a lasting impression. It increases the presenter's chances of saying something memorable, inspirational and entertaining. Thus, the speech becomes more convincing and authentic, especially if it draws extensively on personal experience. The pitfall could be too much "I / me" focus, and the solution to connect your experience with the participants' personal development and growth.

5. Research methods and material

In my research, I considered that a worth mentioning approach related to the process of delivering presentations is to analyze this key business skill according to language accuracy and effectiveness. Hence, I have emphasized that preparing structural and signposting language, particularly at transitions between sections, enables speakers to present ideas, keep people focused and persuade them of the strengths of their arguments. I have also concentrated on analyzing strategies and techniques (the 'sandwich' method) which function more powerfully when we want to make a connection between the beginning and the end of our talk – start telling a joke or funny story in the introduction, stop at an exciting moment and move on to the main part..

The data illustrate that, to do this successfully, we often need to use clear language, pause appropriately and stress key words and phrases.

6. Findings

The findings of my research show that body language, visual elements and a permanent interaction with the public are a 'must' when we speak in a controlled manner and are open to any suggestions, questions or comments without taking them personally.

When delivering a presentation, one has to find out the audience's information background, keeping in mind that the content of the presentation is just as important as the presentation style. Adjusting language so that everybody can understand is the key which gives us more confidence in both formal and informal presentations by using specialist/vs/non-specialist terms, reading from a script/vs/speaking without a script and checking understanding.

The logical structure (beginning, middle and end) highlights our personal intentions, a well-structured speech, or the relevance of our talk to our audience.

7. Conclusions

To sum up, the art of making presentations is based on gaining the audience's attention and keeping it. The challenge is to constantly adjust the presentation style according to the purpose, the situation and the audience.

The results show that in style-oriented company cultures, presenters are expected to create an impact by making their presentations entertaining. The humour (jokes and funny stories), pace (fast and dynamic), colourful visuals and body language guarantee the success of a presentation.

Moreover, the skillful use of the six conversational elements stimulates, on the one hand, live communication by inviting the audience to share our reaction and thought processes (Perlman 2006).

On the other hand, the 'sandwich' technique and the signposts' functions help maintain rapport with the audience and get our message across throughout the presentation.

Overall, these techniques and language structures are expected to serve as guidelines for the seasoned presenter to make his/her presentation as dynamic and entertaining as possible in order to capture attention and arouse curiosity among the participants.

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Transitional Free Allocation under EU ETS to Modernise Electricity Generation

Daniela Zănescu

The Bucharest University of Economic Studies

panaitdana@yahoo.com

Abstract

Investments in the modernisation of the electricity sector in certain lower income EU Member States are supported by the provisions of article 10c of the EU ETS Directive as derogation from the general rule of buying the necessary volume of EU allowances (EUA) through the auctioning method from the carbon market. Eight out of ten eligible Member States, including Romania make use of this derogation and allocate to the production of electricity a number of allowances for free if investments for modernization of the energy system are carried out.

The objective of the paper is to analyze the benefits and costs when implementing the ETS derogation for the power sector, across EU and in Romania, according to the EU legislation and national procedure.

The outcome of the paper is to set up a starting point for further debates and also the development of a point of view/analyse in the field.

Key words: climate change, EU emission trading scheme

J.E.L. classification: Q 58

1. Introduction

The Climate-Energy 2020 legislative package contains measures to support the fight against global warming and promote renewable energy for the period 2013-2020. This package is designed to achieve the "EU's target of a 20 % reduction in greenhouse gases and a 20 % share of renewable energy in the EU's total energy consumption by 2020". One of the pillars of this package is represented by the EU ETS revised Directive (2003/87/EC Directive amended by Directive 2009/29/EC) .

The 20% reduction target for greenhouse gas emissions by 2020 compared to 1990 at EU level. the ETS sectors have a 21% reduction compared to 2005 , while the non-ETS sectors have a 10% reduction as compared to 2005. For the ETS sector, the 21% reduction targets is a EU-wide target. Given the differences in economic development and taking into account the need for economic growth in the new MS, the 10% reduction for non-ETS sectors was reflected by different national targets for each MS ranging from - 20% to + 20%.

In October 2014, the Heads of State and Government decided on the EU's contribution to the Paris Agreement by adopting the 2030 Climate and energy framework. The EU contribution is reflected by the commitment of Member States to achieve a "mandatory reduction target of at least 40% of greenhouse gas emissions by 2030 compared to 1990".

For this purpose, in 2030, emissions from sectors covered by the revised EU ETS will be 43% lower than in 2005.

The reduction of greenhouse gas emissions(GHG) in the most cost-effectively manner is delivered at EU level through its policy to combat climate change implemented mainly via the EU emissions trading system (EU ETS) . The EU carbon market is the first one and remains the biggest at global level .("The EU ETS stand as an EU – specific legal construction, independent from the global climate change law framework").

The EU ETS covers 31 countries namely all 28 EU countries , also Iceland, Liechtenstein and Norway.

Total GHG emissions can be separated into GHG emissions under the EU ETS and the non ETS emissions. The GHG emissions under the EU ETS are generated by the stationary installations across EU territory and international aviation.

For the total amount of "GHG that can be emitted by installations covered by the system a cap is set which is reduced over time" so that total emissions decrease in. Within the cap, companies receive or buy EUA which they can change between them considering the ETS verified emissions or trading scope. ("Limiting the total number of EUA available ensures that they have a value on market".)

specific number of EUA must be surrendered by each company to cover all its emissions from the previous year, otherwise they must pay heavy penalties. Under the scenario of a GHG emissions reduction of , it can keep these allowances either to cover its future needs or to sell them to another company for trading purpose.

Trading brings flexibility that ensures the reduction of GHG in a cost-efficient manner a robust carbon price and appropriate signal for the private sector promotes investment in low-carbon technologies and green energy.

The system covers the following sectors and gases: power and heat generation, energy-intensive industry sectors ("oil refineries, steel works and production of iron, aluminium, metals, cement, lime, glass, ceramics, pulp, paper, cardboard, acids and bulk organic chemicals), commercial aviation")- carbon dioxide (CO₂); production of nitric, adipic and glyoxylic acids and glyoxal - nitrous oxide (N₂O); aluminium production - perfluorocarbons (PFCs).

In the period 2013-2020 (ETS third phase) "auctioning is the default method for allocating allowances" because is the most transparent allocation method which implements "polluter pays" principle.

To stimulate the adoption of clean technologies, EU ETS provides that GHG emissions allowances will no longer be given to industry for free, but be auctioned by Member States from 2013 onwards. In order to hinder the windfall profits, the power producers do not receive free EUA are obliged to acquire by auctioning all of their emissions allowances. Based on the provisions of article 10c of the EU ETS Directive a derogation is available ensuring the transition towards green energy and low carbon economy. The eligible EU countries are those with high dependence on fossil fuel or insufficient connection to the European electricity network.

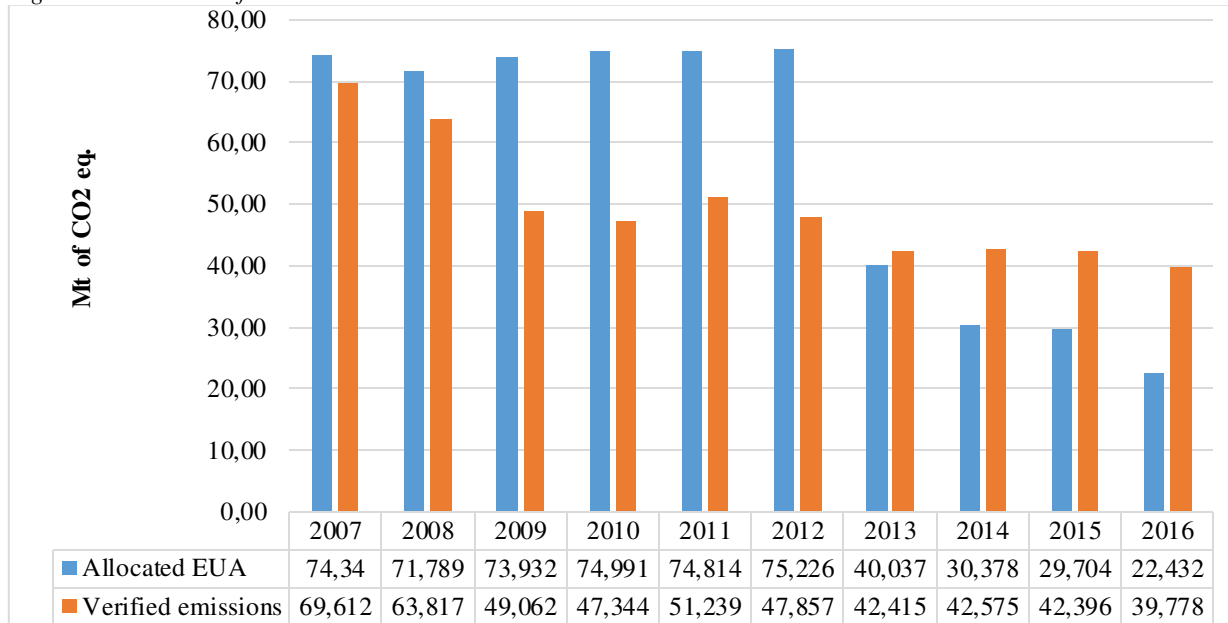
"In order to achieve the EU's 2030 emission reduction targets as agreed within the 2030 Climate and Energy Framework and as part of the EU's contribution to the 2015 Paris Agreement", the legislative framework of the EU ETS for phase 4 (2021-2030) was revised in early 2018.

The revision focuses on:

- "strengthening the EU ETS by increasing the linear reduction factor (LFR) "from its current level of 1.74% to 2.2% as of 2021 and consolidating the Market Stability Reserve. This mechanism was established in 2015 to reduce the surplus of EUAs in the carbon market, including the heavy decrease of the carbon price);
- "continuing the free allocation of allowances as a safeguard for those industrial sectors at risk of carbon leakage" while acting on the international market ;
- low-carbon funding EU ETS mechanisms designed to help the industry and the power sector achieving the innovation and investment challenges of the transition to low-carbon economy available only under EU ETS.

Starting 2007 – the year of Romania's accession to EU – Romania has successfully participated in the EU Emissions Trading Scheme, according to Alberola et al (2008).

Figure no. 1. Status of EU ETS in RO



Source: Author, data adapted from <https://www.eea.europa.eu/data-and-maps/dashboards/emissions-trading-viewer-1>, 2019

2. Theoretical background of EU ETS derogations and legal aspects

Transitional free allocation of EUAs to installations generating electricity is foreseen by the article 10c of Directive 2003/87/EC for those Member States whose electricity systems meet certain criteria. The need to modernise the energy system and diversify the energy mix represents the core of the criteria. Those Member States using this ETS mechanism must secure their "green investments in the energy system, such as upgrades of infrastructure, clean technologies etc., of an amount equal the market value of the EUAs allocated for free".

Considering the auctioning revenues that Member States must reduce when allocating free EUAs to power sector, it is not mandatory to use the option for those countries meeting the criteria.

"The Directive 2003/87/EC establishes auctioning as the basic principle for allocation of emission allowances. Auctioning also provides a level playing field for competition on the internal electricity market to be further developed".

The explicit exclusion of free allocation of EUAs in respect of electricity production is reflected by "the article 10c of Directive 2003/87/EC which also contains provisions derogating from a number of core principles of Directive 2003/87/EC".

The maximum number of free EUA that may be allocated in eligible Member States in 2013 is foreseen in article 10c, paragraph (2) of Directive 2003/87/EC. «The number must decline in subsequent years and result in no free allocation of emission allowances in 2020 "the total transitional free allocation ... shall gradually decrease, resulting in no free allocation in 2020" ».

In return for transitional free allocation to the power sector, a National Plan for Investments setting out investments to be financed through the free allocation must be sent to the European Commission by the Member States concerned. The purpose of this investments is also modernising the electricity sectors and diversifying their energy mix. ("They can not, however, strengthen dominant positions or unduly distort competition as well trade in the internal market and, if possible, should strengthen competition in the internal market competition").

For phase 4 of ETS (the period 2021-2030), modernising the energy sector will be supported by the optional transitional free allocation under Article 10c of the EU ETS Directive and the Modernisation Fund under the Article 10 d.

These mechanisms will be available for in the 10 lower-income Member States:" Bulgaria, the Czech Republic, Croatia, Estonia, Hungary, Latvia, Lithuania, Poland, Romania and Slovakia".

New provisions have been introduced in order to enhance the transparency of the resource allocation procedures. Projects considered small with a value below 12.5 million EUR will have a simplified selection procedure while investments over that value will have to be selected based on competitive bidding procedure. The selection results must meet public consultation. The current legislation mention that unallocated Article 10c allowances from the third trading period (2013-2020) may be allocated in 2021-2030 to investments selected through such competitive bidding, unless the Member State concerned decides not to do so in full or in part and informs the Commission. Moreover, according to the new provisions, eligible Member States may use all or part of their Article 10c allocation to support investments within the framework of the Modernisation Fund.

3. Research methodology

Regarding the adequacy of the methodology, the EUA price refers to secondary market auctioning data from the EEX compared with the shorter time series of EUA prices from Commission's Communication 2011/C 99/03 "Guidance document on the optional application of Article 10c of Directive 2003/87/EC".

At the same time legislation I analyzed and assessed relevant data and documents of the European Commission, European Environment Agency, private company.

I used the "EU ETS data viewer" (available on the European Environment Agency website) to determine different indicators. The EU ETS data viewer provides an easy access to emission trading data contained in the European Union Transaction Log (EUTL). The EUTL is a central transaction log, run by the European Commission, which checks and records all transactions taking place within the trading system. The EU ETS data viewer provides aggregated data.

Data sources for greenhouse gas emissions were documents produced by different ministries, as well as European and international institutions (sites and publications), such as the Ministry of Energy, the European Environment Agency, the European Commission.

Through the process, I have created an electronic database by collecting data on the derogation for the power sector.

4. Implementation of 10c derogation

a. Implementation at EU level

Ten member states can apply for for this derogation in power production: "Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland and Romania". Although eligible to use this derogation, Latvia and Malta chose not to. ("It was not mandatory for the Member States to use the derogation mechanism. Each of the Member States could individually decide whether it would implement it").

Romania fulfills the criterion that in 2006 more than 30% of electricity was produced from fossil fuels and GDP per capita did not exceed 50% of average GDP per capita at Community market prices.

At EU level, the modernization of the electricity generation of the eligible Member States and diversify their fuel mix was supported by the free allocation of up to 680 million allowances under Article 10(c). . More than 50% of the maximum EU budget for Article 10(c) allowances was used between 2013 and 2017. ("The total value of reported investment support during the years 2009 to 2017 is around EUR 11.3 billion"). Although should have been otherwise, the investments in clean technologies or diversification of supply represented only 20% while the rest of 80% was dedicated to upgrading and retrofitting infrastructure.

"According to the new EU ETS legislative framework, allowances not included in transitional free allocation up to 2020 could be transferred to the fourth trading period, to investments selected by competitive bidding". The nature of the investments each Member State makes to modernise its electricity generation triggers the environmental benefits resulted from the allocation under Article

10(c). ” The majority of the investments dedicated to upgrading and retrofitting infrastructure. The remaining investments supported clean technologies or supply diversification”.

Table no. 1. Maximum number of annual free EUAs requested by MS under the derogation from full auctioning for the power sector

Maximum number of EUA forecast by Member State to be allocated per year - millions EUAs -								
Member State	2013	2014	2015	2016	2017	2018	2019	Total
BG	13, 54	11, 60	9, 67	7, 73	5, 80	3, 86	1, 93	54, 16
CY	2, 51	2, 19	1, 90	1, 58	1, 25	0, 93	0, 57	10, 97
CZ	26, 91	23, 07	19, 22	15, 38	11, 53	7, 69	3, 84	107, 66
EE	5, 28	4, 5	3, 77	3, 02	2, 26	1, 51	0, 755	21, 15
HU	7, 04	0	0	0	0	0	0	7, 04
LT	0, 582	0, 536	0, 486	0, 428	0, 36	0, 28	0, 17	2, 85
PL	77, 81	72, 25	66, 70	60, 03	52, 24	43, 35	32, 23	404, 64
RO	17, 85	15, 30	12, 75	10, 20	7, 65	5, 10	2, 55	71, 40
Total	151, 56	129, 50	114, 52	98, 38	81, 12	62, 74	42, 07	679, 92

Source: Report on the functioning of the European carbon market - COM(2018) 842 final, 2018

At EU level, considering the data from Table 1. Maximum number of free allowances per year requested by MS under the derogation from full auctioning for the power sector, results that for the period 2013-2017, the amount forecast represented 575,10 millions EUA, while actually used 434,13 millions EUA for the implementation of the 10 c derogation for the power sector. As a result 140,96 millions EUA moved to the auctioning share of the MS. The mechanism was used with an efficiency of 75,48%.

The equivalent value of the abovementioned volume of EUA represents up to 3,73 billions EUR projected for the modernization of power sector while being actually used for this purpose 2,82 billions EUR; the rest of 916,28 millions resulted from the moved to the auctioning share of each Member State.

Table no. 2. Number of free allowances allocated for modernising the electricity sector

Number of free EUA allocated by Member State pursuant to Article 10c - millions EUAs -					
Member State	2013	2014	2015	2016	2017
BG	11, 00	9, 77	8, 25	6, 59	3, 81
CY	2, 51	2, 19	1, 90	1, 58	1, 25
CZ	25, 28	22, 38	20, 62	15, 83	11, 68
EE	5, 13	4, 40	3, 66	2, 93	2, 05
HU	7, 04	n.a.	n.a.	n.a.	n.a.
LT	0, 32	0, 29	0, 26	0, 23	0, 200
PL	65, 99	52, 92	43, 59	31, 62	21, 75
RO	15, 74	8, 59	9, 21	7, 18	6, 22
Total	133, 05	100, 56	87, 53	65, 99	46, 98

(Source: Report on the functioning of the European carbon market - COM(2018) 842 final, 2018)

Considering the data from Table 2. Number of free allowances allocated for modernising the electricity sector, results that for the period 2013-2017, RO forecast 63,75 millions EUA and actually used the 46, 96 millions EUA for the implementation of the 10 c derogation for the power sector. As a direct consequence 16,79 millions EUA moved to the auctioning share. The mechanism was used with an efficiency of 73%.

Taken into account the average price of EUA on the secondary market, the abovementioned volume of EUA represents up to 414,56 millions EUR projected for the modernization of power sector while being actually used for this purpose 305,25 millions EUR; the rest of 109,17 millions went to the state budget, the most of it for the modernization of Metrorex infrastructure.

b. Mechanisms under 10c derogation

"A installation benefiting from the allocation under the article 10c of Directive 2003/87/EC needs to use the value of the free emission allowances by means of undertaking an investment identified in the national plan pursuant to Article 10c(1)".

In particular, investments refers to: retrofitting and upgrading their infrastructure; clean technologies; diversifying their energy mix and sources of supply.

The overall amount invested must match or exceed The value of the free EUAs must be equal or smaller than the total investment in modernizing a power installation. . The electricity generation companies receive those EUA only if they demonstrate that they have carried out the investments.

At national level, in accordance with Article 10c, paragraph 1, the investments included in the national plan must be equal to the market value of the EUA. The Member States implementing this mechanism shall use EUA's market value as the reference point when developing their national plans.

The *Figure 2. EUA price evolution 2013-2020* reflects the comparison of EUA price from Commission's Communication 2011/C 99/03 to shorter time series of EUA prices from secondary market sales at the EEX platforms.

As a direct consequence, the ETS operators who contributed to the National Fund paid the EUA at a smaller price than the one from the real carbon market. The GHG reductions were achieved at least costs and the implementation of the mechanism was efficient.

Figure no. 2. EUA price evolution 2013-2020



Source: Author data adapted from Annex VI to Commission's Communication 2011/C 99/03 and <https://www.eex.com/en/market-data/environmental-markets/spot-market/european-emission-allowances>, 2019

5. Implementation of 10c derogation at national level

At national level, to date from 63,75 million EUA proposed for allocation for 10c derogation, only 46,96 million EUA were used. The leftovers representing 16,79 million EUA went to the Romania's auctioning rights and not to the power sector. The equivalent amount of money went to the state budget and was largely used for the modernization of Metrorex infrastructure.

Romania initially proposed in its National Investment Plan, 29 investments representing the equivalent amount of 6.703.503.000 EURO for 71,4 millions EUA projected to be used for 2013-2020 period. At the moment, there are only 5 investments to be supported/financed under the provisions of 10c derogations and subject to the reimbursement mechanism.

a. Mechanisms under 10c derogation

The installations under 10c derogation receive a specific volume of EUA according to the provisions of National Investment Plan. Under the payment mechanism, the operators pay (buy) these EUA. The Ministry of Energy under a specific procedure sets up the EUA price at national level. The level of the EUA price is below the carbon market price from secondary auctioning platform (EEX/PCL). The carbon market price is calculated as an arithmetic average of the closing

prices from PCL/ EEX. Thus under the reimbursement mechanism, the operators recover part of their eligible expenses (a specific share %).

b. Implementation of 10c derogation at Brazi installation – OMV Petrom

The installation receiving the biggest financing under the romanian National Investment Plan is OMV Petrom - Brazi. Investment costs after June 2009 for OMV Petrom - Brazi were estimated at 376 million euro and 25% of this investment represents up to 97 million EUR. The amount is eligible for reimbursment under the 10c mechanism in Romania. Do date, although the operator requested the reimbursment for almost 87 million EUR, the national authorities had not answered/approved the request.

Do date the Brazi installation received the entire allocation foreseen under 10c mechanism for the period 2013-2018 representing 8,91 millions EUA, as shown by the data from Table 3. It should be noted that Greenpeace considers that "this investment was undertaken before 25 June 2009 regardless of the existence of Article 10c provisions and Romania's eligibility for derogation and consequently it is not eligible."

Table no. 3. Total free allocation received according to article 10 c and the number of allowances allocated annually for the period 2013 -2020 for Brazi installation

Maximum number of millions of EUA forecast to be allocated per year								
	2013	2014	2015	2016	2017	2018	2019	Total
Brazi	2,31	1,98	1,65	1,32	0,99	0,66	0,33	9,24
ROMANIA	17,85	15,30	12,75	10,20	7,65	5,10	2,55	71,4

Source: Appendix 1 to the Governmental Decision no. 1096/2014, published in the Official Journal no. 37/16.01.2014

6. Findings

I analyze the efficiency of the implementation of ETS derogation for the power sector, across EU and in Romania, according to the EU legislation and national procedure. My contribution to the research topic is represented by the development of literature review with relevant examples and information, especially at national level. These can be further improved and properly used for other comparisons.

The Member States justified this derogation based on the need to prevent too abrupt increases in electricity prices which affects mainly the households and small consumers. Another reason was to support the high investments needs of power sector in these countries on the path to the transition to lowcarbon electricity generation. With the exception of Latvia and Malta, all eligible Member States, including Romania submitted applications to allocate a limited number of EU allowances(EUA) to power plants for free starting 2013, in order to finance the modernization of the energy system. Romanian authorities use this derogation to upgrading and retrofitting energy infrastructure, while one investment was in clean technologies at SC OMV Petrom SA - Brazi installation. To date, the lessons learn from this process have been used to strenghten knowledege and practices exchange with other Member States. On the other hand, they were the milestone to improve by simplifying the future legislative framework for the 2021-2030 period.

One of the findings is that in terms of environment benefits the implementation of derogation for power sector ensure the GHG emissions reductions, although with limited use of clean technologies, at national and EU level.

As regards cost-effectiveness, the ETS operators who contributed to the National Fund paid the EUA at a smaller price than the one from the carbon market. So the GHG emissions in the power sector were cut at least costs. In case of Romania, the state budget have been financed with significant amount of money with the equivalent sum for the EUA which have not been used for the 10c derogation. Instead the revenues were used for the modernization of Metrorex infrastructure.

7. Conclusions

("In the EU context, [...] the emission trading has become a key instrument of EU climate policies").

Since the adoption of Climate and Energy Package in 2009, the European electricity sector is undergoing the process of modernisation towards a low-carbon power generation, in line with EU climate policy.

At EU level, most of the investments completed so far under Article 10(c) have not had a major contribution to the diversification of their energy mix. During the years 2009 to 2017, from the total reported amount, investments in clean technologies or diversification of supply represented one fifth from the total and the rest of the amount was dedicated to modernization and development of the infrastructure.

At EU level, as regards cost-effectiveness, the ETS operators who contributed to the National Fund paid the EUA at a smaller price than the one from the carbon market (secondary market EEX). At installations implementing 10c derogation, the GHG emissions were cut at least costs. At EU level the mechanism was used with an efficiency of 75,48% , while at national level the efficiency was 73%.

Across all MS modernization of power sector for the period 2013-2017 was supported by 434,13 millions EUA used for the implementation of the 10c derogation r, representing 2,82 billions EUR. Romania used 46,96 millions EUA for the implementation of the 10 c and the equivalent value is up to 305,25 millions. Add to this amount, 109,17 millions EUR went to the state budget, the most of it for the modernization of Metrorex infrastructure. For the period post 2020; Romania is still eligible to use this mechanism.

At Brazi installation, the investment costs were estimated at 376 million euro and 25% of this investment represents up to 97 million EUR eligible for reimbursement under the 10c mechanism in Romania. Do date, although the operator requested the reimbursement for almost 87 million EUR, the national authorities had not answered/approved the request. The installation received the entire allocation foreseen under 10c mechanism for the period 2013-2018 representing 8,91 millions EUA.

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The Architecture of EU Emission Trading System and Its Specific Funding Mechanisms up to 2030

Daniela Zănescu

The Bucharest University of Economic Studies

panaitdana@yahoo.com

Abstract

The European Union Emissions Trading Scheme (EU ETS) is the core mechanism for addressing climate change through the reduction of greenhouse gas emission in a cost-efficient manner. While the theoretical foundation of EU ETS has been widely acknowledged, the research on its future architecture has only been published recently or is forthcoming.

In order to describe and summarize the main features of EU ETS in the period 2021-2030, this paper reflects the operating mechanism and economic effect of the EU ETS. To summarize, moreover, considering the dynamic of international negotiations under the United Nations Framework Convention on Climate Change and the Paris Agreement, the future architecture of EU ETS in the post-2020 period also considers the connection of EU trading system with other trading systems around the world in the light of international carbon markets.

Based on the current research on the future legislation on the revised EU ETS, this overview may be helpful to recognize and implement the features of the EU ETS in the post-2020 period, including in our country.

Key words: climate change, EU emission trading scheme

J.E.L. classification: Q 58

1. Introduction

On 12th December 2015, in Paris was adopted the Paris Agreement (PA). It imposes legal obligations on all Parties and how to achieve the long-term global objective of maintaining global warming below 2 ° Celsius by 2030 compared to the pre-industrial, depending on their capabilities and responsibilities and capabilities. The long-term goal of PA is limiting global average temperature increase below 2 degrees Celsius. As a unique element, Parties will strive to limit the temperature increase to 1.5 degrees Celsius.

This is the first legally binding multilateral agreement with universal participation in the field of climate change and to be applied starting 2020. The Paris Agreement entered into force on 4 November 2016. The ratification of PA by the EU triggered its entry into force worldwide.

On June 1, 2017, the US Presidential Administration announced its withdrawal. At EU level, the European Council has consistently delivered a message from European leaders on the EU's firm commitment to implement the Paris agreement. The Heads of State and Government decided on the EU's contribution to the Paris Agreement by adopting the 2030 Framework, namely "mandatory reduction target of at least 40% of greenhouse gas emissions by 2030 compared to 1990". On 6th of March 2015, the EU submitted its Intended Nationally Determined Contribution (INDC) formally putting forward a its binding, economy-wide 40% reduction GHG target by 2030.

The 40% greenhouse gas emissions reduction target compared to 1990 is divided as follows: by 2030, the reduction of GHG from EU ETS sectors by 43% and by 30% by the non-ETS sectors..

In July 2015, a legislative proposal was presented by the European Commission which supported the revision of the EU Emissions Trading System for the period after 2020. The revised EU ETS Directive Directive EU 2018/410 amending Directive 2003/87/EC to enhance cost-effective emission reductions and low-carbon investments entered into force on 8 April 2018.

In the context of each global stocktake under the Paris Agreement, the provisions of the revised EU ETS Directive will be kept under review. The PA shall be reviewed every five years beginning in 2023.

Table no. 1. EU ETS verified emissions and allocation in RO and EU

YEAR	RO total allocated EUA (millions tonne CO2)	EU total allocated EUA (millions tonne CO2)	RO verified emissions (millions tonne CO2)	EU verified emissions (millions tonne CO2)
2013	73,85	2 096, 54	42, 41	1 881.84
2014	46,859	1 551,26	42, 57	1 787.15
2015	55,08	1 479,54	42, 39	1 775.53
2016	66,29	1 548, 05	39, 77	1 723.70
2017	72,40	1 696, 82	40, 61	1 726.61
2018	16,48	672 655		

Source: Author data adapted from <https://www.eea.europa.eu/data-and-maps/dashboards/emissions-trading-viewer-1> , 2019

2. Theoretical background

The Directive 2018/410 includes, inter alia, provisions on free allocation of EU allowance (1 EUA = 1 tonne of CO2 equivalent) to sectors under the EU emission trading scheme, measures to protect the industry at the risk of carbon leakage based on free allocation, auctions, the reserve for new entrants and specific financial mechanisms. These ETS specific mechanisms are the Innovation Fund, the Modernization Fund and the derogation for power sector represented by the transitional allocation for the energy sector based on the provisions of article 10c.

The Market Stability Reserve (MSR), is a specific EU ETS mechanism aiming at reducing the surplus of EUA in the carbon market.. In this respect, between 2019 and 2023, the amount of EUA put in the reserve will be doubled to 24% of the allowances existing in the market. The regular feeding rate of 12% will be restored as of 2024.

”At the start of phase III, the formation of a significant surplus of allowances, initially started in phase II as a consequence of the lower demand for allowances in the aftermath of the 2008 economic crisis, became a serious problem. The EU ETS’s fixed supply of allowances offered the advantage of simplicity when determining the cap – but it did not provide for any possibility of adjustment to unexpected economic conditions”.

a. Free allocation to industry and carbon leakage rules

The revised EU ETS Directive provides predictable, robust and fair rules to address the risk of carbon leakage In this respect energy-intensive industries will receive free 100% allocations. For the other sectors and sub-sectors that are able to transfer a higher share of the cost of EUA into product prices, the level of free allocation is 30% (binary system). Unless otherwise decided in the review, free allocations for these latter sectors and subsectors, except for district heating plants, the allocation after 2026 will gradually decrease so that in 2030 it reaches a level of 0, without any free allocation.

The system of free allocation will be prolonged for another decade and has been revised to support those sectors at the highest risk of relocating their production outside of the EU. The district heating installations will receive part of their allocation for free, considering that their activity has a social component.

More than 6 billion allowances are expected to be allocated to industry for free over the period 2021-2030.

b. Auctioning

Member States can make revenues from auctions EUA that will be used, under certain conditions, to fund emission reduction measures. At each Member State, the volume of the EUA for auctioning are distributed as follows:

- according to the emission criterion, i.e. the share held by the Member State concerned in total verified emissions under the EU ETS, 90% of the total number of allowances will be allocated to all MSs while the rest of 10% will be distributed
- to certain MS for the application of the principle of solidarity , but also for growth and interconnections. For this purpose and for those countries with GDP / capita under 90% will be used the 2013 data.

c. ETS specific funding mechanisms

will be set up to help of the transition to a: The Innovation Fund, the Modernisation Fund and derogation for modernization of power sector under Article 10c are the ETS funding mechanisms helping the energy-intensive industrial and the power sector meet green energy .

They are presented at length and in details in the below section.

The main features of the **Innovation Fund** are:

- all Member States are eligible;
- the fund comprises 450 million EUA which will be monetized and managed by the European Investment Bank (EIB);
- projects are selected on the basis of transparent and objective criteria, taking into account, where appropriate, the extent to which these projects contribute to the reduction of greenhouse gas emissions below the reference values;
- projects must have the potential to be widespread or significantly reduce the cost of transition to a low-carbon economy;
- projects involving the CCU (Carbon Capture and Utilisation) must ensure a net reduction in emissions and the avoidance or permanent storage of CO₂;
- supported technologies must not be available on large scale on the market but must be revolutionary solutions or mature enough to be ready for a pre-commercial demonstration;
- can cover up to 60% of the relevant costs.

The key characteristics of **the Modernization Fund** are:

- eligible Member States are: Bulgaria, Czech, Estonia, Croatia, Hungary, Latvia, Lithuania, Poland, Romania and Slovakia (same beneficiaries as for derogation under the provisions of article 10c);
- its volume is around 310 million EUA for the period 2021-2030; these will be auctioned by the European Investment Bank (monetization of allowances);
- the Fund will be distributed among eligible Member States according to a pre-defined formula based on 2 criteria, each weighting of 50% namely the ETS verified emissions and GDP;
- Romania will receive 11.98% of the 310 million EUA; the level of the revenues will depend on the carbon price at the time of the auction;
- at least 70% of the financial resources resulted from the Modernization Fund are used to support investments (projects) provided that the remaining costs are financed by private legal entities: production and use of electricity from renewable sources; improving energy efficiency, without production of energy using solid fossil fuels; energy storage and

upgrading of energy networks, including pipelines for district heating plants; electricity transmission networks and increasing interconnections between Member States; support for the transition to a low carbon economy in the regions addicted to fossil fuels in the beneficiary Member States so as to sustain the relocation, vocational reconversion and improvement of workers' skills, education, initiatives for job search and start-ups in dialogue with social partners. Investments in energy efficiency in transport, construction, agriculture and waste are also eligible;

- before deciding to finance an investment from the fund, the Member States shall submit the investment project to the Investment Committee and the EIB. If the EIB confirms that the investment falls within the areas mentioned above, the authorities may proceed to finance the project on the basis of Member State share from the fund;
- where a project in the modernization of energy systems proposed to be financed by the fund does not fall within the areas mentioned above, the Investment Committee shall assess the investment concerned from technical and financial point of view, including emission reduction and give a recommendation, including appropriate financing instruments. The Investment Committee shall ensure that any investment in district heating achieves a major increase in energy efficiency and emission reductions.

The key characteristics of the **derogation for modernizing the power sector** are:

- the general rule for energy producers is that they buy from the market all the necessary EUA. For Member State with a GDP/capita below 60% of the EU average in 2013;
- under certain conditions and meeting the criterion GDP/capita below 60% of the EU average in 2013, 10 member states can apply for for this derogation; alongside Romania there are Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, and Poland (same beneficiaries as for the Modernization Fund);
- these Member State can decide to allocate a transitional free allocation to power production which ensures modernization of the energy sector and diversification of energy mix;
- the supported investments must be consistent with the transition towards a secure and sustainable low-carbon economy and with the objectives of climate policy reflected by the EU legislation and Paris Agreement;
- the selection of investment projects to be funded and involving a total investment amount below 12.5 million EUR is based on a competitive bidding procedure to be developed by the beneficiary Member State;
- where investments of less than EUR 12,5 million EUR are not selected through the competitive bidding procedure, the Member State selects the projects on the basis of objective and transparent criteria. The results of the selection process are subject to public consultation.

Table no. 2. Treatment of unused 10c allowances 2013-2017

Member State	Number of 10c allowances which have been auctioned	Number of remaining unused allowances
BG	7 800 000	1 100 000
CY	0	0
CZ	0200 000	0200 000
EE	300 000	400 000
HU	0	0900 000
LT	700 000	0400 000
PL	0,0	113 300 000
RO	12 400 000	4 400 000
Total	21 400 000	119 600 000

Source: Report on the functioning of the European carbon market - COM(2018) 842 final, 2018

The EUA which were initially intended to be used for the the purpose of power sector derogation but left unused, may either be auctioned under the pre 2020 period , or may be allocated in 2021-2030 to Article 10c investments selected through competitive bidding. *Table 2. Treatment of unused 10c allowances 2013-2017* shows the number of 10c allowances for the years until 2017 which have been auctioned in the period 2013 -2017, although initially proposed for the use of derogation. Investments for the purpose of 10c derogation are reflected by the last column of the table, namely the equivalent allowances which may be transferred and allocated in 2021-2030. .

For the period 2013-2017, Romania used 46, 96 millions EUA for the implementation of the 10c derogation for the power sector. The equivalent value of this volume represents up to 305,25 millions EUR for the modernization of power sector. National authorities used the mechanism with an efficiency of 96,71% compared to european average.

d. International carbon markets

The Paris Agreement provides for a robust and ambitious basis for the use of international carbon markets which can play a key role in reducing global greenhouse gas emissions cost-effectively. Similar to EU emissions trading system there are systems already operating or under development all around the world (Europe – Switzerland; North America - United States and Canada; Asia - China, Japan, South Korea; New Zealand) .

In 2014-2017, the European Commission in close cooperation with China carried out a 3-year project to support the design and the implementation of emissions trading in China.

The emission trading programme in China can, on the micro-economic level, help minimize the costs of GHG emission reduction, develop new business opportunities, promote business engagement, and establish links with international carbon markets. At a macro-economic level, a successful national ETS will contribute to the transformation to a low-carbon economy and strengthen China's role in international climate change negotiations.

3. Research methodology

Based on the current research on the future legislation on the revised EU ETS, this overview may be helpful to recognize the of features EU ETS for 2030 and guide its efficient implementation, including in our country.

At the same time I analyzed and assessed relevant data and documents of the European Commission and European Environment Agency. I used the "EU ETS data viewer" (available on the European Environment Agency website) to determine different indicators. The EU ETS data viewer provides an easy access to emission trading data contained in the European Union Transaction Log (EUTL). The EUTL is a central transaction log, run by the European Commission, which checks and records all transactions taking place within the trading system. The EU ETS data viewer provides aggregated data.

4. Findings

The historic Paris Agreement to combat climate change was signed by 195 nations in 2015 (COP 21, Paris) and will come into effect in 2020. The Paris Agreement represents the decisive point for the development of present generations so as not to jeopardize the inheritance of future generations. The main objective is to keep under control the increase in the global temperature below 2 degrees Celsius. .

In the forthcoming of COP 21, the revision of EU ETS for the post 2020 period was initiated. The main featur of the revision focus are: further development of EU ETS as an investment driver in low-carbon technologies and innovation, increasing the increasing the linear reduction factor from 1.74% in the current trading phase to 2.2% as of 2021; consolidating the MSR considering a higher level of its feeding rate and validity rules; under certain conditions on technological progress, further use of the free allocation for those industrial sectors at risk of carbon leakage ; the transition of EU's industry and power sector to low carbon economy will be supported by several low-carbon ETS funding mechanisms .

The principle that polluters should pay is enshrined in the provisions of article 191(2) of the Treaty on the Functioning of the European Union (TFEU). Considering this the auctioning of allowances remains the general rule with free allocation as the exception.

The main effect of the auction is to transfer the windfall profits of (high) emitters into government revenue.

To address the oversupply of EUAs under the current trading phase and create a more stable carbon price, EU policy makers established the MSR. It starts in 2019 by temporarily withholding part of the surplus from the market and bring it back when available allowances go below a certain level. A robust carbon price also promotes investment in clean, low-carbon technologies. From the perspective of an efficient CO₂ cost management, the current low EUA prices seems to be no longer attractive for the private sector to support investments in low-carbon technologies in the energy sector.

The ETS specific funding mechanisms include one new fund, namely the Modernisation Fund. It will support investments in modernising the power sector and diversify the energy mix, improving energy efficiency and facilitating the transition to low –carbon economy in 10 lower-income Member States. For all these mechanisms alongside Romania, there are 9 other eligible Member States with a Gross Domestic Product per capita below the 60 % Union average in 2013: Bulgaria, Czech, Estonia, Croatia, Hungary, Latvia, Lithuania, Poland and Slovakia.

The support under Article 10c of the EU ETS Directive will continue to be available for the abovementioned 10 Member States also eligible for the Modernisation Fund. Unallocated allowances for the purpose of power sector derogation may either be auctioned or allocated in 2021-2030 under the Article 10c investments. The implementation of the 10 c mechanism is at the decision of each MS eligible. At national level, having in mind the efficiency of its implementation in the current trading period and the need of decarbonisation of our energy system, the mechanism should be further used in the period post 2020.

The Innovation Fund will support innovative technologies and peak of innovation in industry. The amount of funding available will correspond to the market value of at least 450 million emission allowances.

5. Conclusions

The European Commission launched the revision process for phase IV of the EU ETS in 2015, in the forthcoming of COP 21 (Paris, december 2015) and at a moment when the carbon price generated was relative low compared to previous expectations.

A reformed EU ETS is the path for the European Union to reach its agreed greenhouse gas emission reduction target for 2030 and the commitments under the Paris Agreement. The EU ETS stand as an EU specific legal construction, permanently adapting itself to the fight against global warming and at best support achieving the necessary long-term decarbonisation. The achievement of a 43% GHG emissions reduction generated by EU ETS sectors by 2030 will be delivered by the revised EU ETS Directive for phase 4 for . Many of the elements included in the phase IV reform aim at addressing the shortcomings previous experienced.

In order to meet the Paris Agreement goal, the reformed ETS decrease the total volume of EUA available on the carbon market while increasing the linear reduction factor of 2.2% from 2021 onwards compared to 1.74% (). It corresponds to the EU target of an overall 40% reduction in greenhouse gas emissions by 2030.

The measures to strengthen the ETS post 2020 based on the MSR are likely to be justified considering the current surplus of EUAs on the EU carbon market. Establishing a meaningful ETS price signal alongside a broad set of policy measures and instruments will be needed in order to guide the transition to a renewable energy future.

The modernization of the energy system and the improvement of energy efficiency is

According to market analysis forecasts, the average price of the EUA could be 20 euro/EUA in the period post 2021-2030. Regarding the Modernisation Fund, the amount that Romania could benefit from is 742,76 millions EUR, calculated with a volume of 37,138 millions EUA. The Investment Board and a Management Committee will govern this fund. .

The international carbon markets can play a key role in the future architecture in the field of climate change at global level. The EU ETS is the first emissions trading market on global level, accounting for over threequarters of international carbon trading. It continues to be starting point for other national or regional emissions trading systems. Europe wants to link the EU ETS with compatible tradingsystems in other countries.

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Section IV

Marketing – Management

The Key Indicators Used to Measure the Performance of the Service Companies: A Literature Review

Andreea Barbu
Gheorghe Militaru
„Politehnica” University of Bucharest
andreea.barbu2901@upb.ro
gheorghe.militaru@upb.ro

Abstract

Performance has begun to become a real challenge for those who want to study it. So much has been written about performance over time that you can hardly imagine that you have something new to add. But as technology advances at astonishing speed and the world adapts to changes in the environment, the ways to evaluate and improve performance will need to be adapted to the times we live in. Through this paper, the authors aim to identify the most used performance indicators in the field of services, but also the fewest used indicators of performance that can be found in the literature. Following the findings, the authors wish to identify the less-valued areas when it comes to service performance, to further improve the performance area of industrial services.

Key words: performance, industrial services, industrial service performance, key performance indicators

J.E.L. classification: L00, L25, L80, P47

1. Introduction

In the last decades, the peoples' skills, knowledge, needs, and expectations have evolved greatly as well as the technology sector. Individuals are not satisfied with their current conditions and want to develop themselves both personally and professionally. So they started to think about performance problems, whether we are referring to an individual, a product, or an organization.

This study is an initial part of a much more complex study that will be conducted to determine various practices to improve organizational performance in industrial services. The study aims to determine the most commonly used performance indicators, but also the fewest used indicators that can lead to less developed areas that are worth analyzing to make important contributions to improve organizational performance.

2. Theoretical background

Company performance

By looking into the concept of performance in the literature, a lot of articles and papers dealing with this concept can be found. For example, at the beginning of May 2018, a search of the keyword "performance" using the Google Academic Search Engine generated 6,290,000 results, out of which approximately 72,600 were published in 2018. On the same search engine, this time using the keyword "performanță" (same keyword but in the Romanian language), there were 14,300 results, of which only 133 were published in 2018, most of them being published in Romanian scientific bulletins.

In his papers, Ph. Lorino (1998) defines the performance of an enterprise as "what, and only what contributes to the improvement of the value-cost pair" or "what and only what contributes to the achievement of the strategic objectives".

In the opinion of J.H. Jacot (1997) "in order to achieve global performance at the physical level, you need to look for productivity, at the level of the market competitiveness and at the financial level profitability". This idea was also supported by P. Pottier (2000), which states that performance within an enterprise must be analysed through the interaction of productivity, competitiveness, and profitability.

Performance dimensions and key performance indicators

According to Kaplan and Norton (1996), the most important dimensions of performance can be found in the Balanced Scorecard, which involves developing a strategy that focuses on 4 perspectives: Financial Perspective - the main goal of maximizing shareholder value, Customer Perspective takes into account the value created for consumers, the company's internal processes perspective - which analyses key processes in a company and their performance, the Learning and Development Perspective - which refers to the knowledge, skills and systems needed to continuously improve the business.

According to M. Niculescu and G. Lavalette (1999), performance can be seen as "an unstable balance between efficiency and productivity," a definition that was reiterated by M. Barabel and O.Meier (2006). According to them, performance can be seen as an objective measure of effectiveness or efficiency of action. Studying the works of various Romanian authors, we found that the main dimensions defining the performance models refer to: effectiveness (Albu and Albu, 2005), economy, efficiency (Deselnicu, 2015), but also the competitiveness of companies or their behaviors (Verboncu and Zalman, 2005).

Key performance indicators (KPIs) can be defined as different kind of items of information collected at regular time intervals in order to track the performance of a system (Fitz-Gibbons, 1990). KPIs have attracted the attention of many researchers, managers, and also business people who are trying to find the most representative elements that should be monitored and analysed to improve organizational performance.

3. Research methodology

Regarding this study, the authors have set four objectives.

- The first objective was to determine the level of interest in the literature for the term "performance";
- The second objective was to identify the main elements that are associated with the term "service performance";
- The third objective was to achieve a hierarchy of these identified elements that help to improve service performance;
- The fourth objective of the study was to identify the items which are the least used and that can improve service performance, the authors start from the hypothesis that those items could be the starting point for future research, because those elements are not yet sufficiently studied in the literature, indicating areas where the authors could make improvements.

4. Findings

In order to determine the level of interest in the literature for the term "performance", at the end of May 2018 (May 22, 2018), the authors made various searches in several of the most important databases, such as: ISI Web of Science, Science Direct or Springer Link, the initial search results being shown in Table no.1.

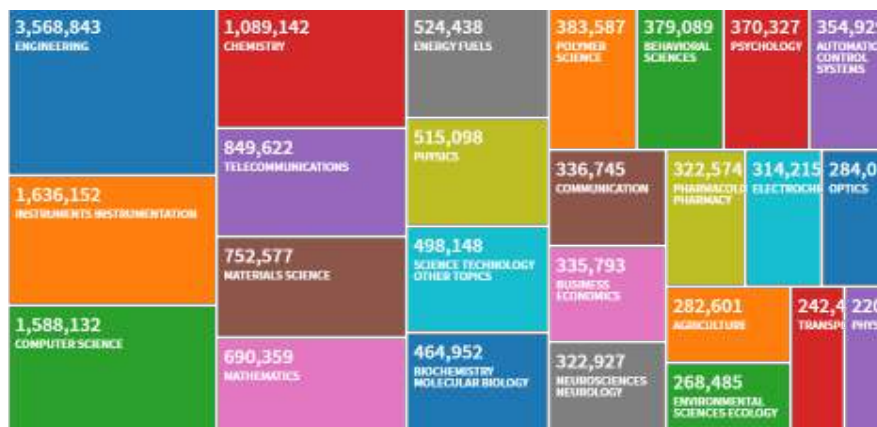
Table no. 1. The number of results from different databases as a result of searching for the keyword "performance"

ISI Web of Knowledge	Science Direct	Springer Link
6.271.560	3.250.450	2.249.474

Source: Authors' own research

There are a number of about 11,771,500 results, of which the most numerous are ISI indexed. Most of the papers dealing with the term "performance" are in the "engineering" field (approximately 57% - Figure no.1), being largely written by Chinese authors, most of the papers being written in US and China, while 0.281% of papers are written by authors from Romania. The authors also noticed that most performance papers are written after 2014 (over 500000 works/year).

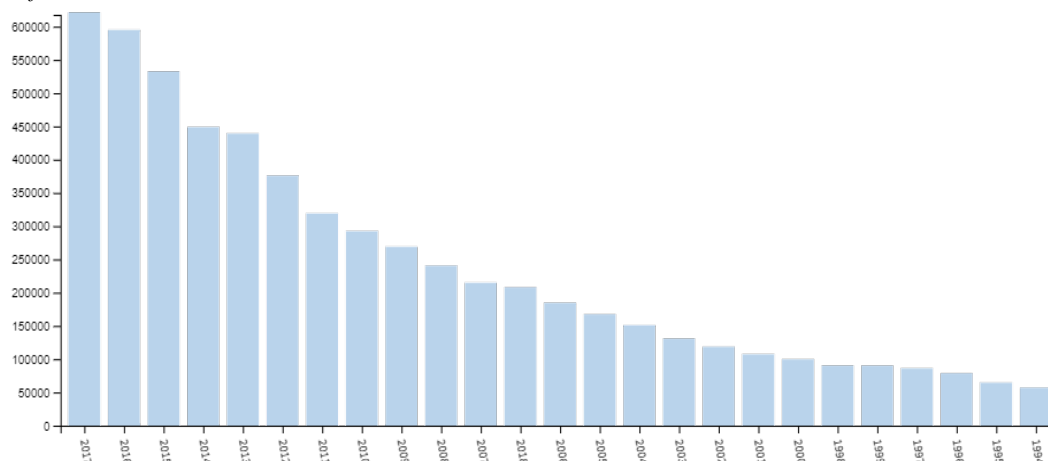
Figure no. 1. The search results of the term "performance" in the ISI Web of Knowledge database by domains



Source: Authors' own research

Following previous results, the authors have decided to restrict the search circle, using the same databases (ISI Web of Science, Science Direct and Springer Link), limiting searches for 2015-2018, first doing searches after the term "service performance" and then searches for "performance of industrial services".

Figure no. 2. The results of searching the term "performance" in the ISI Web of Knowledge database after the year of occurrence



Source: Authors' own research

Table no. 2. Number of results from different databases following the search for "service performance" (sites accessed on June 4, 2018)

ISI Web of Knowledge	Science Direct	Springer Link
118.178	167.911	196.965

Source: Authors' own research

Table no. 3. Number of results from different databases following the search for the keyword "performance of industrial services" (sites accessed on June 4, 2018)

ISI Web of Knowledge	Science Direct	Springer Link
3.678	48.009	55.365

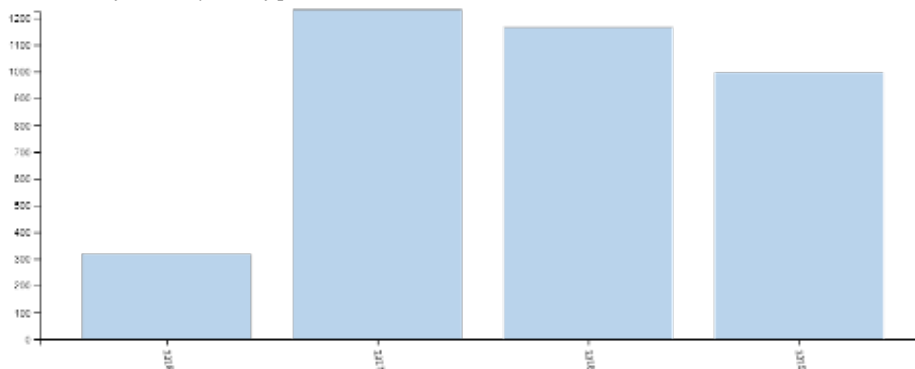
Source: Authors' own research

Analysing only the results of the ISI Web of Knowledge database from 2015-2018, it has been observed that most of the work is in the fields of engineering, computer science or business economics.

In 2018, up to June 4, 2018, approximately 300 papers covering the term of industrial service performance were published, most of which were published in 2017 (1,224), most of which were articles (2,156) and patents (956) (Figure no. 3).

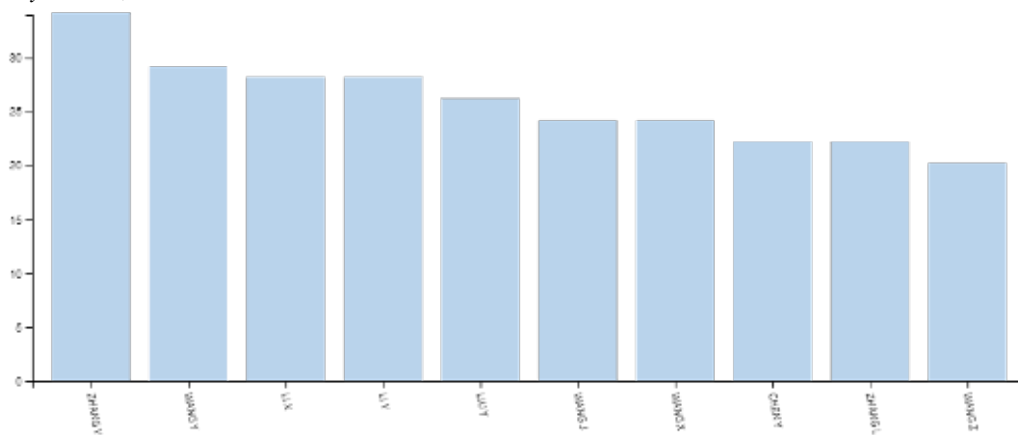
The authors also noted that in this case, those who address this subject are the Chinese authors (499), followed by those in America (432), the person who published the most articles in this field between 2015-2018 being Zhang Y. (34 papers) (Figure no.4).

Figure no. 3. The results of the search for the term "performance of industrial services" in the ISI Web of Knowledge database after the year of publication (2015-2018)



Source: Authors' own research

Figure no. 4. Results of search for the term "performance of industrial services" in the ISI Web of Knowledge database by author, 2015-2018



Source: Authors' own research

5. Study on the current state of research on the performance of organizations in the field of industrial services

The authors conducted a literature research to identify studies related to the term „performance”. First of all, using the Google Scholar Search Engine (accessed on June 14, 2018), the authors searched the terms "service performance", "industrial service performance" and "measure service performance", selecting 48 papers by relevance and number of citations. Then, the authors read the selected papers but found out that only 26 of them are indeed relevant for the study and the established objectives.

All of the 26 analysed articles were receiving a code from A to Z, as it can be seen in Table no.4. For this study, no special selection was made in terms of the publication year of the papers.

For each article, the authors identified the main elements contributing to the performance of organizations in the industrial services sector that were used by the authors of the selected papers, their number being visible in Table no.5. It can be seen how out of the 26 papers, the Paul Folan and Jim Browne's paper (2005) contains the most analysed concepts that can contribute to a company's performance (22 items).

Next, in Table no.5, the authors listed the 33 elements identified, also mentioning the articles in which they are found. Then he ordered the items according to their number of appearances in the analysed articles (Table no.6), making a classification of the most common defining elements for the concept of performance.

In Table no.6, it can be seen how the most used concepts are: financial factors (in general); customer orientation; customer loyalty; technology, equipment, computer systems; costs; processes, employee satisfaction; customer satisfaction; employee development; education and training, these items being discussed in more than 10 of the analysed papers.

Financial factors are ranked first, which means they are still the easiest to use to measure performance, being easy to define, identify, track and quantify. Then the satisfaction part occupies an important place in the measurement of performance, whether we are talking about employee satisfaction or customer satisfaction. Taking into account that an employee needs to be happy and satisfied at work, he needs education, training and other various ways to develop new skills or competencies.

In the second group of classification of elements that help to determine and measure performance, there are concepts that were mentioned in between 4 and 10 papers of the 26 analysed. Most of the concepts focus on organizational culture, stakeholder relationships, flexibility, and communication within the organization, material resources used and results, techniques used to reduce losses, productivity, innovation and customer participation in the service delivery process, as well as environmental attention surrounding.

In the queue of the ranking, there are the least used elements, including balanced scorecard, benchmarking, but also elements such as the time resource, quality, digital marketing elements or prizes, the distinctions received and the achievements.

Table no. 4. Articles included in the authors' research

Code	Title of the articles	Authors	Year of publication	Where articles were published	Number of identified items associated with performance
A	A Business Tool to Measure Industrial Service Performance - The Total Care Index	Dehmer, J.; Niemann, J.; Wemer, W.	2016	Conference: Africa, Europe, Middle East 4th International Conference on Quality and Innovation in Engineering and Management, At Cluj-Napoca	5
B	Service Delivery Performance Measurement System: A Conceptual Framework	Marakeset, Tore and Kumar, Rajesh and Michel, Jacques-Etienne	2007	Proceedings of the 2nd International Conference on Operations and Supply Chain Management, 18-20 May 2007, Novotel Bangkok on Siam Square, Bangkok, Thailand.	2
C	Customer Orientation in Industrial Service Innovation. Deepening the Understanding on Customers, Needs, Involvement, and Value	Heidi M. E. Korhonen	2016	Aalto University publication series DOCTORAL DISSERTATIONS 124/2016 VTT SCIENCE 131	3
D	Employee development and organizational performance: a review of literature and directions for future research	Ronald Jacobs & Christopher Washington	2003 (ONLINE 2010)	Journal Human Resource Development International, 6:3, 343-354	1
E	Education and Entrepreneurship Selection and Performance: A Review of the Empirical Literature	Justin Van Der Sluis, Mirjam Van Praag, Wim Vijverberg	2008	Journal of Economic Surveys	1
F	Implementing performance measurement systems: a literature review	Bourne, M., Neely, A., Mills, J. and Platts, K.	2003	Int. J. Business Performance Management, Vol. 5, No. 1, pp.1-24	9
G	Performance measurement systems: A consensual analysis of their roles	Edson Pinheiro de Lima, Sergio E. Gouvea da Costa, Jannis Jan Angelis, Juliano Munik	2013	Int. J. Production Economics 146(2013)524-542	12
H	Evolution of the performance measurement system in the Logistics Department of a broadcasting company: An action research	Debora M. Gutierrez, Luiz F. Scavarda, Luiza Fiorencio, Roberto A. Martins	2015	Int. J. Production Economics 160(2015)1-12	7
I	Flexibility in industrial service relationships: The construct, antecedents, and performance outcomes	Bjoern Sven Ivens	2005	Industrial Marketing Management 34(2005) 566 - 576	11
J	State of the art literature review on performance measurement	S.S. Nudurupati, U.S. Bititci, V. Kumar, F.T.S. Chan	2011	Computers & Industrial Engineering 60(2011) 279-290	8
K	Reviewing and improving performance measurement systems: An action research	Renata Gomes Frutuoso Braz, Luiz Felipe Scavarda, Roberto Antonio Martins	2011	Int. J. Production Economics 133(2011)751-760	6
L	What Do We Mean By „Company Performance“?	CLAUDIU MARIAN GRUIAN	2010	Analele Universității "Constantin Brâncuși" din Târgu Jiu, Seria Economică, Nr. 4/2010	8
M	Financial and nonfinancial performance measures: How do they affect job satisfaction	Chong M. Lau, Mahfud Sholihin	2005	The British Accounting Review 37(2005) 389-413	17
N	Transforming the Balanced Scorecard from Performance Measurement to Strategic Management: Part I	Robert S. Kaplan and David P. Norton	2001	American Accounting Association Accounting Horizons Vol. 15 No. 1 March 2001 pp. 87-104	12
O	Patent: Key Performance Indicator System And Method	Grzegorz Guzik, Amir Netz, Marin Bezic	2010	United States Patent No.: US 7,822,662 B2 Date of Patent: Oct. 26, 2010	10
P	Performance measurement system design A literature review and research agenda	Andy Neely, Mike Gregory and Ken Platts	1995	International Journal of Operations & Production Management, Vol. 15 No. 4, 1995, pp. 80-116.	13
Q	Developing New Business-to-Business Professional Services: What Factors Impact Performance?	Ulrike de Brentani, Emmanuel Ragot	1996	Industrial Marketing Management 25, 517-530 (1996), Elsevier Science Inc., 1996	13
R	Social Media Use and Potential in Business-to-Business Companies' Innovation	Hannu Kärkkäinen, Jari Jussila, Jaani Väisänen	2010	MindTrek '10 Proceedings of the 14th International Academic MindTrek Conference: Envisioning Future Media Environments, Pages 228-236	4
S	Predicting service industry performance using decision tree analysis	Benjamin Yeo, Delvin Grant	2018	International Journal of Information Management 38 (2018) 288-300	4
T	Success and Failure in New Industrial Services	Ulrike de Brentani	1989	Journal of product innovation management	8
U	Key performance indicators for assessing the planning and delivery of industrial services	Horst Meier, Henning Lagemann, Friedrich Morlock, Christian Rathmann	2013	Procedia CIRP 11 (2013) 99 - 104	11
V	A New Approach for the Development of Services for Industrial Product-Service Systems	Dieter Haeblerle, Saed Imran, Christian van Husen and Carsten Droll	2016	Procedia CIRP 47 (2016) 353 - 357	10
W	Performance measurement and performance management	Michel J. Lebas	1995	Int. J. Production Economics 41 (1995) 23-35	13
X	A review of performance measurement: Towards performance management	Paul Folan, Jim Browne	2005	Computers in Industry 56(2005) 663-680	22
Y	Putting the profit service chain to work	James L. Heskett, Thomas O. Jones, Gary W. Loveman, W. Earl Sasser, Leonard A. Schlesinger	1994	Harvard Business Review, Vol. July-August (2008), pp. 118-129	15
Z	The Service-Profit Chain: A Meta-Analytic Test of a Comprehensive Theoretical Framework	J Hogreve, A Iseke, K Derfuss, T Eller	2017	Journal of Marketing: May 2017, Vol. 81, No. 3, pp. 41-61.	15

Source: Authors' own research

Table no. 5. Elements related to the performance of firms in the industrial services sector

Articles	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z
Elements																										
Financial factors (in general)	x				x	x	x	x		x	x	x	x	x				x	x	x		x	x	x	x	x
Costs	x				x	x	x	x		x	x	x	x	x						x	x		x	x	x	x
Market share; sales; competitiveness																		x		x		x		x	x	x
Customer orientation; customer loyalty			x		x	x		x	x				x	x	x	x				x	x	x	x	x	x	x
Co-creation; customer participation										x								x								
Value of the service										x												x	x	x	x	x
Customer satisfaction									x	x			x	x	x	x						x	x		x	x
Safety; trust; risks								x	x				x									x	x		x	x
Employee satisfaction	x				x	x	x		x				x	x		x	x							x	x	x
Employee development; education and training					x	x	x						x	x		x							x	x	x	x
Employee loyalty									x				x											x	x	x
Productivity												x			x										x	x
Lean techniques; reducing losses and resources							x						x									x				x
Efficiency; effectiveness												x	x		x											
Inputs and outputs												x	x		x							x		x	x	
Time																							x	x		x
Material resources																							x			x
Technology, equipment, information systems	x						x	x	x		x		x	x	x	x	x	x	x	x			x	x	x	x
Digital marketing																										
Improving stakeholder relations			x			x		x															x		x	
Processes	x				x	x	x	x		x	x	x	x	x	x	x	x	x	x					x	x	x
Communication																									x	x
Improving delivery and shipping strategies			x				x	x																		x
Innovation			x										x	x	x	x	x	x								
Balancescorecard						x								x	x											
Defining and setting goals; planning						x	x		x	x	x		x			x										x
Organizational culture							x			x					x										x	x
Benchmarking							x																			
Quality							x			x																
Flexibility									x			x														x
Development of new processes, products and services																										
Attention to the environment																										
Awards, distinctions, achievements																										

Source: Authors' own research

Table no. 6. Classification of performance-related elements in industrial services

Articles	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z	Number of references
Financial factors (in general)	x				x	x	x	x	x		x	x	x	x		x				x	x	x	x	x	x	x	17
Customer orientation; customer loyalty		x			x	x		x	x			x	x	x	x					x	x	x	x	x	x	x	17
Technology, equipment, information systems	x					x	x	x		x		x	x	x		x	x	x		x	x	x	x	x	x	x	17
Costs	x				x	x	x	x		x	x	x	x	x		x				x	x						16
Processes	x				x	x	x	x		x	x	x	x	x	x							x	x				16
Employee satisfaction	x				x	x	x		x			x	x	x	x								x	x	x	x	13
Customer satisfaction								x	x			x	x	x	x							x	x		x	x	12
Employee development; education and training				x	x	x						x	x		x								x	x	x	x	11
Improving delivery and shipping strategies	x						x	x		x					x	x						x	x				9
Defining and setting goals; planning					x	x		x	x	x		x			x										x	x	9
Safety; trust; risks							x	x				x										x	x		x	x	8
Improving stakeholder relations	x				x			x							x	x					x		x		x		8
Innovation		x									x	x	x	x	x	x											8
Organizational culture					x			x				x			x		x						x		x	x	8
Value of the service									x													x	x	x	x	x	7
Market share; sales; competitiveness																x					x		x		x	x	6
Employee loyalty								x				x											x	x	x	x	6
Inputs and outputs											x	x		x								x		x	x		6
Productivity											x			x										x	x	x	5
Development of new processes, products and												x	x	x	x	x											5
Co-creation; customer participation		x							x							x								x			4
Lean techniques; reducing losses and resources						x						x										x		x			4
Communication																					x		x		x	x	4
Flexibility								x		x					x									x			4
Attention to the environment																x	x		x					x			4
Efficiency; effectiveness											x	x		x													3
Time																						x	x		x		3
Balancescorecard					x						x	x															3
Material resources																						x		x			2
Quality						x			x																		2
Digital marketing																											1
Benchmarking						x																					1
Awards, distinctions, achievements																									x		1

Source: Authors' own research

In the international databases searching for these keywords associated with the industrial service performance term, the authors have found that there are quite a lot of results from these queries, most of which are found even at the top of the chart presented in Table no.6 (ex. over 108,000 results associated with the searches of cost term and industry service performance in the Science Direct database). However, many results have also been found for items at the end of the ranking (e.g., more than 100,000 results associated with the search of the time term and industry service performance in the Science Direct database), which contradicts the authors' hypothesis that this

positioning of the elements in the ranking queue would suggest the lack of authors' concern to research performance in terms of analyzing these elements.

As a result, there may be two possible explanations for identifying this inconsistency. The first one refers to the fact that although there are several papers containing these key elements, they are not found in the same structures in articles, not necessarily correlated and analysed in the author's direct link. Also, there are still many shortcomings in the literature on the broad research of the links between the elements presented in the ranking queue and the performance of the industrial services. The second explanation is strictly related to the research conducted by the authors. It is possible that the authors did not include in his research the most relevant and complex papers that were not published online, but only in special journals.

6. Conclusions

When it comes to measuring service performance, the study of literature offers us a starting point for our research. Following the analysis, the authors will continue to research the performance indicators used within an industrial service organization, analyzing each department of a company for that purpose. This will identify the most used performance indicators at any department level, identifying departments where these indicators are not sufficient, clearly defined or inadequate. Together with the results of this study and with the results of future studies, the authors wish to identify the area where he can make significant contributions in order to improve the performance of industrial service organizations by combining business process modeling with organizational performance.

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Is Continuous Training Relevant to Employees and Sustainable Development ? Evidence from Timis County

Claudiu Boțoc

West University of Timisoara, Faculty of Economics and Business Administration

claudiu.botoc@e-uvt.ro

Sorana Vătavu

*West University of Timisoara, Faculty of Economics and Business Administration,
Postdoctoral School*

sorana.vatavu@e-uvt.ro

Leontin Gheorghe

West University of Timisoara, Doctoral School of Economics and Business Administration

leontingheorghe@gmail.com

Abstract

Based on the idea that the most valuable resource of an organisation is the human resource, our research objective is related to identifying the perception of the importance of staff training for company development. The analysis was realised based on a survey completed by 122 persons living in Timisoara, Romania. Almost all respondents perceive employee training and development courses and specializations as important and very important for the development of the company. This general opinion reveals the importance of training activities for both, employers and employees. Approximately 60% of the cases related to the training sessions were fully paid by companies, while 14% of them were fully covered by the beneficiary. In addition, the survey statistics proved that companies contribute financially for executive and younger employees to a much greater extent than to the elderly ones. In general, the employees were satisfied by the overall quality of the courses attended, confirming their positive influence on their personal and professional development.

Key words: training, employee satisfaction, sustainable development, survey, Romania

J.E.L. classification: M52, M53, K31

1. Introduction

In order for organisations to survive in this competitive economy and volatile marketplace, employees satisfaction became extremely important. Therefore, the organisations realised that the loyalty and efficiency of its employees are its key competitive advantages. For achieving this, training and development for increasing employees' efficiency and job satisfaction should yield higher returns than the costs involved. Nowadays, training and development is understood as one of the best ways to retain your employees. Moreover, these one-time costs with employees' development will have returns over the long-term, building up towards the sustainable development of the company.

This research is based on an online survey, completed by both employees and managers, and it represents the first step on analysing the impact employees development has on the performance of the organisation. Due to the complex implications of this topic, this paper will present the main reasons for attending training and development courses, presenting the respondents' opinions on the importance and relevance of training and development courses.

2. The premises of the study

Due to the current volatile conditions and unsustainable growth, the crisis of employment could deepen in Romania. Citizens with limited experience are facing higher risks of unemployment and lack of labour safety. On the other side, employers are facing great mobility of the labour force, especially in the developed regions of the country, which makes it difficult to develop and grow the companies on the basis of permanent and trustful human resource. Therefore, the work paradigm should shift towards the organisational climate offered to employees, focused on innovative working methods, employed to develop employee skills and offer them various advantages (flexibility for working hours, the possibility for home office, trainings for permanent development on both professional and personal life, etc.).

As long as the most valuable resource of any organisation is considered its human resource, we presume that the most educated employees will become one of the most important competitive advantages. Therefore, the human resource strategy should be closely related to the permanent development of employees, although it will increase the costs for companies over the short-term. For this reason, Čihovská and Hvizdová (2011) emphasized the necessity for shifting from the traditional view of considering employees as costs towards increasing their values. Through a sustainable educational and training policy, employees become eager to learn and permanently develop. In addition previous studies (Kotler and Armstrong, 2011; Dobre, 2013) proved the positive relationship between employee care and job satisfaction, and constant development is one way organisations show their interest for employees.

By offering employees opportunities for training and development courses, the organisations transmit a signal of appreciation towards their employees, increasing their potential. In addition, employees' work will improve by the extra knowledge, helping the human resource on achieving a new work potential, and even receiving a raise for improved efficiency or a promotion (Trelová, 2016).

Although training and development courses are traditionally understood as means of increasing the organisational performance based on the human resource developed, nowadays they are perceived as employee benefits, along with healthcare, hospitality, loyalty rewards, etc. Moreover, in the current environment employee benefits should be offered individually, based on a flexible programme of employee benefits. This way, each one would opt for what motivates him best, or based on its personal needs (Trelová and Olšovský, 2017).

Based on this recent awareness on the value of human resource in any organisation, our research objectives are related to identifying the perception of the importance of staff training for company development. For it, there is a need for revealing the motivation for attending vocational training courses, based on the frequency of attendance at training and development courses and the main types of training and development courses where employees participated. Further research on the degree of satisfaction related to the courses followed and the usefulness of these courses may be reflected through the impact employees development has on the performance of the organisation. In this paper, only the first stage will be presented, as the premises for further analysis of the relationship between employees development and organisational performance.

3. Methodology

A cross-examination was initiated by the survey undertaken for this study, as we consider it as the best scientific method for reviewing the subjective opinions of the people, under their differences related to gender, age, education, professional level, etc. The results may be used by employers in terms of offering an educational package adapted to the labour market requirements.

This analysis was realised based on a survey completed by 122 persons living in Timisoara, Romania. The convenience sample was consisting of managers and employees, who completed the survey online. The statistical analysis of the responses was realised through the SPSS software.

The first part of the survey reflects how many training and development courses were attended and the main reasons for attending them. Next, the survey emphasizes the respondents' opinions on the importance of the training and development courses for each one. The last part of the survey is

related to personal characteristics of the respondents: age, gender, level of education, position and the field of activity, and will be used to structure the overall database on population differences.

4. Results

Answers related to the question "From your point of view, how important are employee training courses and training for company development?" are presented in Table 1. The answers are presented based on population characteristics.

Table no. 1. Results from survey analysis on the question "From your point of view, how important are employee training and development courses for company development?"

	% of total resp.	Gender		Position in the firm		
		Male	Female	Executive	Middle Mgm.	Top Mgm.
<i>Useless</i>	0.8	2.3%	0%	1.5%	0%	0%
<i>Not important</i>	1.6	4.5%	0%	1.5%	2.9%	0%
<i>Important</i>	28.7	34.1%	25.6%	26.9%	31.4%	30%
<i>Very important</i>	68.9	59.1%	74.4%	70.1%	65.7%	70%

	Field of activity (values in %.)											
	Financial / Accountancy	Public administration	Audit	Sales	Constructions	Consultancy	Education	IT	Mass media	Human resources	Automotive	Others
<i>Useless</i>	-	-	-	-	-	-	-	-	-	-	-	-
<i>Not important</i>	0	14.3	0.0	11.1	0	0	0	0	0	0	0	0
<i>Important</i>	23.5	0	34.6	44.4	50	55.6	40	0	33.3	0	0	25
<i>Very important</i>	76.5	85.7	65.4	44.4	50	44.4	60	100	66.7	100	100	75

	Age					Level of education			
	19-24	25-34	35-44	45-54	over 55	Highschool	Bachelor	Master / postgraduate	Doctoral
<i>Useless</i>	5.9%	0%	0%	0%	0%	20%	0%	0%	0%
<i>Not important</i>	0%	0%	2.8%	6.3%	0%	20%	0%	1.6%	0%
<i>Important</i>	41.2%	24.4%	25%	18.8%	62.5%	0%	40.4%	20.6%	42.9%
<i>Very important</i>	52.9%	75.6%	72.2%	75%	37.5%	60%	59.6%	77.8%	57.1%

Source: authors' own calculations

69% of the respondents evaluated this aspect as "very important", while 29% of them as "important". In terms of gender differences, more women (74.4%) than men (59%) considered employee training "very important", while the rest of them considered it as "important"; opinions such as the training courses are "useless" or "unimportant" were expressed by very few men. They were from public administration and companies operating in sales.

Regardless of the level of their job position (in executive/middle management/top management), respondents considered that these training and development courses are very important (66%-70%) or important (27%-31%). Moreover, based on the responses, a lower level of education is associated with an evaluation of "useless" or "unimportant" for the question mentioned.

For the question "Have you participated in any type of training or development courses over the last five years?", less than a quarter of the respondents specified that they have not attended any type of courses over the period mentioned. Approximately 80% of the women respondents attended these type of courses, a little more than men (70.5%). About half of these women respondents and 30% of the men attended the minimum number of courses, between one and five, and approximately 20% of men and women participated in five up to ten training and development courses. More results on courses participation and the number of courses attended by every respondent are presented in Table 2 and Table 3.

Table no. 2. Results from survey analysis on the question "Have you attended courses or any kind of training or specialization over the last 5 years?"

	% of total resp.	Gender		Position in the firm		
		Male	Female	Executive	Middle Mgm.	Top Mgm.
Yes	76.2	70.5%	79.5%	70.1%	77.1%	95%
No	23.8	29.5%	20.5%	29.9%	22.9%	5%

Field of activity (values in %.)												
	Financial / Accountancy	Public administration	Audit	Sales	Constructions	Consultancy	Education	IT	Mass media	Human resources	Automotive	Others
Yes	76.5	71.4	80.8	55.6	50	77.8	100	100	33.3	100	100	83.3
No	23.5	28.6	19.2	44.4	50	22.2	0	0	66.7	0	0	16.7

	Age					Level of education			
	19-24	25-34	35-44	45-54	over 55	High school	Bachelor	Master / postgraduate	Doctoral
Yes	47.1%	87.8%	72.2%	81.3%	87.5%	40%	68.1%	82.5%	100%
No	52.9%	12.2%	27.8%	18.8%	12.5%	60%	31.9%	17.5%	0%

Source: authors' own calculations

Table 3. Results from survey analysis on the question "How many courses have you attended?"

	% of total resp.	Gender		Position in the firm		
		Male	Female	Executive	Middle Mgm.	Top Mgm.
None	24.6	31.8%	20.5%	31.3%	22.9%	5%
1-5 courses	41.0	29.5%	47.4%	46.3%	37.1%	30%
5-10 courses	22.1	20.5%	23.1%	16.4%	25.7%	35%
10-15 courses	7.4	9.1%	6.4%	3%	5.7%	25%
more than 15 courses	4.9	9.1%	2.6%	3%	8.6%	5%

	Field of activity (values in %.)											
	Financial / Accountancy	Public administration	Audit	Sales	Construc- tions	Consul- tancy	Educ- ation	IT	Massm- edia	Human resourc- es	Auto- moti- ve	Others
<i>None</i>	23.5	28.6	19.2	44.4	50	22.2	0	25	66.7	0	0	16.7
<i>1-5 courses</i>	41.2	57.1	34.6	44.4	25	22.2	100	25	33.3	33.3	0	58.3
<i>5-10 courses</i>	17.6	0.0	23.1	11.1	25	44.4	0	50	0	66.7	50	25
<i>10-15 courses</i>	11.8	14.3	11.5	0	0	11.1	0	0	0	0	0	0
<i>more than 15 courses</i>	5.9	0	11.5	0	0	0.0	0	0	0	0	50	0

	Age					Level of education			
	19-24	25-34	35-44	45-54	over 55	Highsch- ool	Bachelor	Master / postgra- duate	Doctoral
<i>None</i>	52.9%	14.6%	27.8%	18.8%	12.5%	60%	34%	17.5%	0%
<i>1-5 courses</i>	35.3%	41.5%	41.7%	43.8%	50%	40%	40.4%	44.4%	14.3%
<i>5-10 courses</i>	11.8%	31.7%	19.4%	12.5%	25%	0%	19.1%	25.4%	28.6%
<i>10-15 courses</i>	0%	2.4%	5.6%	25%	12.5%	0%	6.4%	6.3%	28.6%
<i>more than 15 courses</i>	0%	9.8%	5.6%	0%	0%	0%	0.0%	6.3%	28.6%

Source: authors' own calculations

From all types of training and development courses, 43% of the respondents attended courses in Taxation and Accounting (Audit, Taxes, Accounting, Budget, Acquisitions, ACCA Courses, etc.) and 20% of them in Management (entrepreneurship, project management, organizational analysis, managerial internal control, risk management, etc.). About 8% of the respondents participated in courses of "Communication" and 6% in courses related to the development of digital competences (ECDL, Office, any other course on the Internet or digital competences). Although participation in these courses is viewed as a mean of permanent development for 65% of the respondents, courses or training for personal development do not appear to be very popular (only 4% attended such type). Very few courses on sales, human resource, training, and European funding were declared by the respondents.

The answers indicate that people who are in top management positions tend to participate in training and development courses to a much larger extent than any of the rest (95% of them participated in these courses over the past five years). In addition, the highest level of respondents who attended between five and ten courses are those from top management. For executive and middle management levels, the respondents usually attended from one to five courses.

Respondents who are 25-34 and over 55 are those who participated the most in these courses (more than 85% of them). Moreover, three-quarters of them attended from one to ten courses, being the most involved in their personal and professional development over the last five years. A little less of the respondents aged between 35 and 54, approximately 60%, participated in multiple courses. It can easily be observed from the answers grouped that for the highest education level, doctoral studies, respondents declared the highest number of courses attended over the last five years.

The economic sectors with the least respondents who were trained or attended development courses are in mass-media (33%), constructions (50%) and sales (56%). All the respondents working in education attended at least one training and development course. Other sectors with most respondents with participation in such courses are related to human resource, IT, public

administration, consultancy, and financial and accounting.

Besides aiming for permanent development, a quarter of the respondents specified that their participation was a request from the employer. Accordingly, about 60% of the training and development courses attended were fully covered by the company, and 14% of them were covered by the full expense of the respondents. Differentiated gender analysis does not illustrate significant differences between men and women, but when we look at the age or position occupied in the company, things are quite different. First of all, we can see that firms contribute much more financially to executive and younger employees to a much greater extent than to the elderly.

In terms of the quality of the courses attended, most respondents offered an evaluation score. On average, the courses were evaluated with 8.46 for their overall quality. Based on how useful these courses will be for the respondents' professional and personal life, they were evaluated with an average of 8.51. It was interesting to observe that lower grades were offered by the youngest respondents (between 19 and 24 years old) and by those with lower levels of education.

5. Conclusions

Almost all respondents (97.6%) perceive employee training and development courses and specializations as important and very important for the development of the company. This almost unanimous opinion reveals the importance of these activities for both, employer and employees. Accordingly, approximately 60% of the cases related to the training sessions were fully paid by companies, while 14% of them were fully covered by the beneficiary. The questionnaire proved that companies contribute financially for executive and younger employees to a much greater extent than to the elderly ones.

Regarding participation in different training courses and specializations, about three-quarters of the respondents confirmed that they had participated in at least one of such activities over the last five years. Regarding the profile of the beneficiary of such courses, as it appears from the data obtained, it can be concluded that the beneficiaries of these sessions are:

- more women (79.5%) than men (70.5%);
- involved in management (95% from Top Management and 77.1% in Middle Management) to a greater extent than in an executive position (70%);
- young, within the age bracket of 25-34;
- increasing with the level of their education.

The average of the training courses attended by the respondents, over the last five years, is approximately six courses. However, a quarter of the respondents did not participate in any training, and the same amount of companies to which respondents referred to did not send their employees to training or development courses. Moreover, most courses attended by employees are related to accounting, taxation, or management, and those on training, human resources or European funding are the least popular within the choices offered by the companies. The positive fact is that although a quarter of the respondents attended some type of training or courses as their employer required them to, about two-thirds of the respondents participated in training and courses for their personal development.

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The Leadership - Communication Relationship in the Inclusive School Management System

Ionela Bucăloiu

"Valahia" University of Targoviste

ionelabucaloiu@yahoo.com

Abstract

The leader of an organization must pay close attention to the communication act both for being effective and for its actions and actions to have a positive impact on the organization. This can be done if the leader finds a common link with the people he leads, if he establishes inter- and intrapersonal links with them.

In inclusive school, both students and staff can become leaders because each adds value to processes within the organization through: own experience, competencies formed and put at the service of the organization, its own rhythm of involvement in micro- or macro-organization issues, and solving them.

Key words: inclusive school, communication, leadership

J.E.L. classification: C 92, D 81, D 83

1. Introduction

Inclusive school is a school that facilitates the open and active participation of all participants in learning. A first step in this direction is the achievement of an effective communication act by imposing filters aimed at directing and uniformizing the actions of both the manager and the teaching staff of the direct and indirect beneficiaries of education. All the more so as direct access to education means recognizing that any student can learn and that only teachers need to identify and motivate, to stimulate learning. Good leaders are needed to foster the creation of an environment where the student acquires knowledge, skills, skills to foster subsequent socio-professional integration. There is a need for good managers to make an inclusive school management effective because, through inclusive learning, the best correspondence between the individual needs of each student and the educational offer proposed by the manager is certainly achieved.

2. Literature review

In the context of the translation from the model of the professor in a field of activity to the model of the teacher capable of addressing transdisciplinary situations and self-forming continuously, a new notion emerged in the literature. It is about educational leadership, a concept that has emerged in the United States since 1980, but which has also been quickly embraced by Western European countries to provide quality education through the reinvigoration of the teaching profession. After 2000, there is an increase in the studies that deal with this concept in the literature. Among the most outstanding studies in this field are the studies of Schein (1992) where the link between organizational culture and leadership is emphasized; the studies of Adair (2002) dealing with the link between leadership and motivation of subordinates; Yulk (2002) and Armstrong (2006) highlight the link between leadership and organizational performance. Tichy (2002), Couto and Hickman (2006) highlight the influence of leadership in making change. The teacher demonstrates his / her leadership abilities as educator, organizer of the didactic process, partner, member of the local community, but and existing structures at the organization level. The

teacher-manager initiates, disseminates a vision, but through his professional and moral activity, he trains, positively influences, guides, inspires and motivates all members of the community to reach the promised vision.

3. The traits, skills of a successful leader in inclusive school

Not everyone can communicate effectively, communication being both art and skill. That is why a manager or a leader must pay close attention to the way they communicate because the efficiency of the communication act depends on the efficiency of the organization.

Bennis (2000, pp. 77-83) demonstrates that in order to be successful, a leader must have the ability to communicate effectively, by communicating in order to achieve the appreciation and respect of others, which will contribute to strengthening self-esteem and it will prompt others to follow him, listen to him and be receptive to his ideas; a leader must have the tools and techniques necessary to persuade the subordinates to follow him, validate his point of view, follow the vision he proposes; to use the methods and tools needed to influence the behavior of others around them, to mold them, to cooperate and to get involved by maximizing the individual potential and putting it at the service of the organization and its goal;

As a corollary of the above, a decisive role in achieving these communication goals and emphasizing the relationship between communication and leadership undoubtedly has the image and self-esteem that the leader has and his ability to convince, motivation, motivation, motivation of the other members.

Specialist literature (Maxwell, 1999, page 37, Maxwell, 2005, page 43, Tichy, 2000, pages 97-98) appreciates that there are three situations of influencing the communicative act:

- the personal example of the leader, which can be highlighted by: respecting the promises made by adopting a behavior focused on patience and diplomacy, avoiding the negative outcomes in the organization, active involvement in all issues and sectors of the organization;

- building relationships marked by a lot of affection through a series of ways such as: tolerance manifested towards any person or contextual situation, recognizing and rewarding others, understanding them, getting closer to the members of the organization, and building a positive image about them. Assuming both success and personal failure, strengthening members' membership in organizational culture;

- counseling through: consensus on proposed norms / activities / expectations / goals and organizational objectives, avoiding quarrels, practicing participatory management by delegating tasks and responsibilities, involving all members in the organization's projects, waiting for the right moment to influence the behavior of those around, using, inter alia, emotional and logical language. Involvement and personal presence at crucial times for the organization's life and activity.

In order to achieve these goals, the leader must demonstrate that he possesses and possesses a series of features, abilities, skills, abilities to communicate verbally or nonverbally, formally or informally, in writing or orally, these being acquired from birth, but in - a high percentage, they can be acquired through long practice.

Leadership is the science and art of driving, motivating, influencing, and determining free participation and involvement of other people in the process of solving work tasks designed to meet organizational goals. Instead, management represents science and the art of driving, reaching the targets proposed by planning, leadership, coordination, organization, motivation, motivation, evaluation - control. And then, a conclusion is that an organization can be run by an efficient manager without having the attributes, the traits of a leader. Managers can act as leaders by influencing them by persuading subordinates to act in the direction of voluntary organizational goals. That's why successful organizations are constantly looking for new leaders to create contextual situations that continually develop their potential (Păuș, 2005, pages 46-39).

In this context, the literature (Maxwell, 1999, pp. 86-89, Maxwell, 2005, pp. 221-223, Tichy, 2000, pp. 97-99, Yukl, 2001, pp. 56-60) skills, abilities, features:

- good professional;
- creative and original;
- multidisciplinary training and experience;
- sociable and good orator;

- visionary and intuitive;
- positive attitude;
- fine psychologist;
- resistant to stress and change;
- confident in his own and empathic forces;
- responsible and flexible;
- bold and ethical;
- able to take risks;
- capable of achieving emotional self-control;
- credible and integral;
- careful to the problems of the one next to him;
- the ability to appreciate people at their fair value and to value them at maximum odds;
- honest and efficient;
- the ability to create relationships and develop the skills of staff;
- the ability to communicate effectively.

In view of this possible portrait of a leader, the literature (Maxwell, 2005, pages 178-192, Tichy, 2000, pages 67-77, Yukl, 2001, pages 167-184) identified four levels it is possible to analyze the features, skills of a successful leader in the inclusive school at both macro and micro-level (Table no1):

Table no. 1 The traits, the skills of a successful leader in inclusive school

Domain of management	Characteristics of the leader
Attention Management	<ul style="list-style-type: none"> - good communicator; - certain capacities to attract others and engage in enhancing organizational culture; - the ability to impose through personal example; - the ability to influence the behavior of others;
The management of trust	<ul style="list-style-type: none"> - the leader's ability to inspire confidence; - the leader's ability to build affinity relations based on mutual trust, solidarity, fidelity; - the leader's ability to keep his promises made; - the leader's ability to keep secret the confidentiality; - the ability of the leader to permanently build a system of values of the organization and to attract others in the maintenance, maintenance, improvement, development of this system of values.
The management of significance	<ul style="list-style-type: none"> - the ability of the leader to make others understand the importance of his plan and the stages he proposes to put into practice; -the leader's capacity to translate into one's own thoughts and to decisively influence the behavior of others who adhere directly to his vision;
Management your own person	<ul style="list-style-type: none"> - the leader's ability to objectively assess their own activity and identify their weaknesses and strengths; - the leader's ability to accept views different from his / her for the benefit of the organization; - the leader's ability to transfer its own system of values and other members of the organization, stimulating them, motivating them permanently, making them feel important as part of a team.

Source: (Adaptation after Rogojinaru, 2005, pages 77-91)

Statistics supported by practice support the fact that in 94% of cases the problems that arise in an organization are due to poor communication because the communication has the role of receiving, understanding and accepting correctly the message transmitted, but also creating the framework necessary to make a change of attitude or behavior so that there is a mutually beneficial relationship between the management and the organization base.

This is done by highlighting the role of communication to inform, motivate, coordinate, manage, monitor, advise and evaluate processes in any organization seen as a group in which each person develops an individual relationship with the manager and competitive relationships with other members to delimit and support a position as high as possible on the hierarchy within the organization, respectively for prestige (Whenea, 2008, p. 67-71).

That is why leaders are seen first and foremost as team leaders and not as heads or monitors because they are not respected for their position within the company but for empathy, understanding, for the ability to motivate, to train good allowing others to carry out processes within the organization, thus gaining the trust and respect of those with whom they work, fully assuming their role in the hierarchy of the institution and, implicitly, the expectations that others have of it. The leading teacher highlights the complex set of professional and social competencies to actively involve in addressing the malfunctions encountered in the processes carried out within the school organization at both macro and microsystem level. The leading teacher creates an environment favorable to the establishment and functioning of professional classroom / institution learning communities by promoting authentic values by creating an environment conducive to the active involvement of all direct and indirect beneficiaries of education in decision-making at various levels. At the same time, the leading teacher assumes the role of mentor or trainer, creating permanent opportunities for professional assertiveness; through its proactive attitude, by highlighting the skills of human communication and communication, the leader has the capacity to inspire and encourage his followers to change, reflect, and engage in activities that he / would thus take into account, thus contributing directly to the improvement of processes within the organization, but also to the revitalization of the institutional brand in the community (Chiriță, 2015, P. 36-37, Chivu, 2008, p. 110-114, Cismaru, 2008, P. 56-58).

4. Conclusions

Communication is both art and skill. The success and efficiency of an activity are given, according to the specialists, how we communicate effectively with each other.

The goals that any leader / leader wants to achieve through communication depend on both their qualities, personal traits, their own image and self-esteem, as well as their ability to influence, persuade, motivate, impulse others. These goals refer to:

- Recognizing it as an important person, valuable at both a personal and a professional level, which will contribute to increasing self-esteem and strengthening the confidence of others in the leader / leader's ability to make decisions;
- gaining the respect of others, which will contribute to the strengthening and validation of their own image for themselves as well as for the others who will follow and listen unconditionally;
- powering others to persuade them and encouraging them to accept their opinions, ideas, products;
- Influencing opinions, thoughts, attitudes of others and their determination to cooperate to achieve the proposed organizational goals;
- increasing influence and strengthening its position both on a personal and professional level.

The leader is the one who, using language, creates an environment conducive to work and learning, motivating people to engage in organizational activities, to take on new tasks according to individual or collective needs.

Both the manager and any of the members of the organization can become leaders if they value their abilities, skills, personal traits to influence and shape the behavior of others.

In inclusive school, both students and staff, managers, parents can learn, change and adapt, become leaders anticipating change through a complex system of interactions involving them and by capitalizing on and valorizing your own experience or the experience of other participants.

By capitalizing on its communication and human engagement skills, through its involvement in decision-making and implementation, inspiring, engaging, influencing behavior and motivating its followers, the leader regulates the processes of the inclusive school.

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Comparative Analysis of Micro - and Macromanagement Features of the Inclusive School

Ionela Bucăloiu

"Valahia" University of Targoviste

ionelabucaloiu@yahoo.com

Abstract

Making an effective school and classroom management in particular is indeed a challenge for both the director and the teachers. Because, it is necessary to consider the action of continuous regulation and efficiency of the communicative process, transformation of the institution into an inclusive organization in the sense of knowing, understanding the differences that arise from the multiple interactions between the people involved in the educational process, irrespective of the hierarchical line , but especially in order to exploit and maximize these differences in the direction of increasing the efficiency and productivity of work at both individual and collective level.

Key words: inclusive school, micromanagement, macromanagement

J.E.L. classification: C 92, D 81, D 83

1. Introduction

Inclusive school is about education for all, regardless of the skills, skills, features and skills of adaptation or learning, but also the concern for each student to be supported and the teaching-learning-assessment act to be centered on his or her individual needs , the specific peculiarities of age, intellect, mental development of each person, so that both the manager and the teaching staff can capitalize on their experience, capacities, innate or acquired skills through practice for the benefit of all.

It is necessary to correlate the management of the class with that of the school on the basis of common tools, techniques and methods, the need to develop the institution's institutional development project in accordance with the educational policies and the strategies elaborated at county or national level.

2. Literature review

The beginning of management formation as a science is only put in the early years of the twentieth century, although even from the Neolithic period there is a beginning of social stratification. However, the interest in the field of management and the relationships and implications within this field arise much later with the development of the industry and with a definite evolution of technical progress (Constantinescu, 2000, p. 45, Lazăr, 2002, p. 53). Then it becomes necessary to systematize knowledge, the emergence of management schools and the formation of specific leadership theories. The management concept appears in 1941 in the "The Managerial Revolution," published by James Burnham in New York, the occasion being the term manager as the main vector of innovation and progress. Management aims to analyze the role of the manager in order to increase the productivity and efficiency of the organization. In this respect, management is the process of coordinating the financial, human and informational resources available to an organization to meet its short, medium or long-term objectives. The management style of the 20th century was based on excessive control and micromanagement, which restricted the freedom of action of staff and reduced their intrusive and extrinsic motivation to engage in the organization's decision-making process, a situation translated by a drop in work efficiency and productivity of the organization. The concept of "micromanagement" therefore refers to

observation, careful supervision by the driver, strict control exercised by him on the entire activity of the employees (Cândea, 2008, p. 76).

3. Micro - or macromanagement in inclusive school?

All the more so since, from the perspective of the general management of the school organization, but also from the perspective of the management of the class of students, the roles of the teaching staff take place at the level of the leadership of the organization, respectively the instructive - educational process and follow the functions of the scientific management as shown in Table 1:

Table no. 1 Characteristics at the level of macro-and micro-management of the inclusive school organization

The function of scientific management	Macromanagement features of the inclusive school organization	Characteristics at the level of micro-management of the inclusive student class
Planning / Forecast	The strategy adopted by the manager for the development and implementation of specific managerial tools leading to the achievement of the organizational objectives and the achievement of the long-term, medium and short-term targets.	The ability of the teacher to build on his / her knowledge, skills, the skills acquired / trained over time to adopt the appropriate strategy to achieve the goals set out in curriculum documents. This capacity is concretized by developing and implementing specific managerial tools for the long, medium or short term.
Organization	The ability of the manager to capitalize on the competencies of setting, operating, implementing, collecting and providing information needed to harmonize all compartments through a collaborative division of interdepartmental attributions.	Choosing the most effective way to implement the planned strategy to achieve the proposed finality through a balanced assignment of tasks, by establishing the most effective ways of collaborating and judiciously integrating available resources.
Driving / Coordination	All the means that the manager uses to maximize, motivate and maximize the entire human and material potential of the organization in order to create an organizational climate favorable to the achievement of the proposed goals, focusing on the link between the organizational structure of the institution, the material and human resources, on the one hand, and the proposed objectives, on the other. Coordination / management activity involves the existence of an intense, rapid, clear information flow so that the message becomes undistorted at all levels of the organization and the actions taken and the decisions adopted are uniform regardless of the hierarchical level. This situation can be materialized in practice by organizing regular meetings with subordinates.	The totality of the means used by the didactic framework to influence and motivate the students to get involved in the achievement of the proposed objectives by fully capitalizing on the material and human resources.
Training - motivation	Differentiated use of verbal appraisals, positive reinforcements, scraps, material rewards in order to influence the behavior of the subordinate staff in a positive and active way in order to correlate the satisfaction of the organizational needs with the achievement of the organization's objectives.	Use of verbal appreciation, positive reinforcement, written notes to influence positively and actively the behavior of students in order to harmonize the action to satisfy individual needs with the achievement of the proposed objectives.

Control / Evaluation	Elaboration of specific procedures, specific tools to determine the ratio between the proposed and the achieved performances in order to correct the reported deficiencies. The control and evaluation action requires the rhythmical verification of the accomplished tasks, as well as the identification and correction of the reported irregularities, also emphasizing the valorisation and promotion of the positive experience of members of the organization.	Elaboration of specific procedures, specific tools for determining the ratio between the proposed and the achieved performances, for the periodic verification of the achievement of the objectives set, for correcting the reported deficiencies and for drawing up a plan of remedial measures.
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Source: (Adaptation from the Căndeia, 2008, pages 98-107, Păuș, 2006, pages 141-150)

Inclusive school is the school that focuses on individual participants' needs for a macro or micromanagement, but at the same time it is a school that focuses on collaborating all participants in achieving lifelong learning as the source of learning comes from from interacting with others, from maintaining and capitalizing on human relationships, from experience gained from interaction with peers, but also with oneself. Inclusive school considers that both students and staff, managers, parents can learn, change, change, and change, anticipating change through a complex system of interactions involving and capitalizing on and valorizing your own experience or the experience of other participants.

That is why a comparative analysis between the features of micro-management and macromanagement reveals the following:

Table no. 2 Comparative Analysis of the Micro- and Macromanagement Characteristics

Macromanagement features	Micromanagement features
Trust to the team, regardless of hierarchical scale;	He does not trust the team, regardless of the hierarchical scale;
Manager's open attitude, which increases the confidence in each employee's own strengths, assuming responsibility for conducting / implementing / coordinating efforts to achieve well-trained work tasks;	Closed attitude of the manager which determines employees' reluctance to assume responsibility for the partial / total performance of the trained work tasks;
Allow employees to be involved in the decision-making process of the organization by giving them some freedom of action;	It does not allow employees to be involved in the organization's decision-making process by exercising strict control over them;
Pay attention to the peculiarities and individual needs of employees;	It does not pay attention to the peculiarities and individual needs of employees;
Allow employees to associate with organizational culture;	Does not allow employees to be affiliated to organizational culture;
Maximizing the individual potential of each employee to increase work productivity;	Ask the employee to engage only in solving the tasks for which he was delegated;
Allows staff to choose their own way to work as efficiently as possible, in the shortest time and with the use of minimal resources, the trained workload;	Ask the staff to strictly follow the path they designate to solve the task they are trained;
They assign important task tasks to team members who have confidence in their experience, training and individual potential;	Do not delegate important work tasks to team members without trust in their training or ability to carry out their assigned work tasks;
Allows freedom of action for staff assigned to resolve a specific workload;	Intervenes with suggestions during the implementation of a work task not allowing staff freedom of action;
It is based on employee creativity to solve a work task;	It often comes with tips, suggestions for solving a work task traced to an employee;

Consult with the staff;	Take decisions alone, even though the decisions taken affect all staff;
Takes into account the overall picture of the project;	It considers more details than the overall picture of a project;
It aims at gaining employee loyalty, trust, developing an efficient communication system with all staff;	It does not propose gaining staff loyalty and does not intend to develop an efficient communication system;
It envisages keeping well-trained people in the organization with a vast experience in the field and with great individual potential that could be used in the interest of the organization;	It does not intend to keep well-trained people in the organization with a vast experience in the field and with great individual potential that could be harnessed in the interest of the organization;
It envisages decentralization of decisions;	It envisages an increase of employees' dependence on it;
It takes into account the professional development of the employees, their career development.	It does not pay attention to the professional development of employees, their need for professional realization.

Source: (Adaptation after Nicolescu,1992, pages 78-81, Oprean, 2007, pages 23-27, Russu, 1993 pages 54-59)

A number of advantages can be identified in the practice of micro-management: interest, attention given by the micromanager to newcomers in the unit can only be beneficial provided that when these members have entered the required work rate, the micro-manager must withdraw and give them freedom of action. A similar situation is also observed for those members who come from an organization where their role, their attributions were not well established, and then the mild intervention of the micro-manager can only be beneficial (Danciu, 2000, p. 78, Mihut, 1998, p. 32).

Also, the situation requires strict control of the manager if it is to solve a difficult task, with major implications for the organization and which must be solved following certain procedures, especially if the manager is directly responsible, hierarchically, for the good performance of the this task, or if certain staff members are supervised due to indiscipline or inadequate performance of the tasks that would result in a decrease in the efficiency and productivity of the organization, and then it is the principal task of the manager to strictly and often supervise these members, but only for a period determined.

4. Conclusions

Management is both science and art, and the weight of each component in practice varies according to several criteria, since a good manager is the one who coordinates the effort with the other employees so that the organizational goals are achieved, good manager is the one who follows the generally accepted principles of management but also takes into account the individual particularities of the staff, the internal and external environment in which the organization operates.

The practice of an efficient macro-or micro-management requires the fulfillment of criteria such as: the need to establish main and derived objectives for an activity in order to ensure its efficiency; the need for a person / a management department to has the role of coordinating the individual efforts of all staff in order to make full use of all existing resources within the organization; the proper activity should be done by the employees and not by the managerial staff.

Regardless of the function of the managerial process and the level at which it manifests itself, it is imperative that the communication process has to play a predominant role. It is necessary to have a permanent dialogue with the subordinated staff, with the pupils, with the indirect beneficiaries of education, all of which mean creating a medium stable, dianmatic, interactive, open, constructive because any mistaken decision of the manager has negative effects on the subsequent evolution of the school organization, but also on the individual and social development of students. From this point of view, it is the responsibility of the manager to professionally exercise the role he has

assumed, namely: quantitative and qualitative increase of the organization, increasing its visibility in the local community.

Inclusive school is a school that focuses on individual participants' needs for a macro or micromanagement, but at the same time it is a school that emphasizes the collaboration of all participants to achieve a lifelong learning given that the source learning comes from interacting with others, from maintaining and capitalizing on interpersonal relationships, from experience gained from interaction with peers, but also with oneself.

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Employee Engagement Strategies Concerning Competitive Advantage Achieving

Natalia Burlacu

Ion Mura

Free International University of Moldova

nataliaburlacu@mail.ru

ion.mura@lukoil.md

Abstract

This article analyse the organisational strategies that utilise employee engagement approaches as a means to improve organisations' business performance. The strategies are examined to determine the role of the employee engagement approach as well as the process and nature of the relationship thereof with other organisational factors.

Key words: employee engagement; competitive advantage; individual performance; alignment strategy; employee development.

J.E.L. classification: M0, M1

1. Introduction

Firms' search for competitive advantage in the global economy is a phenomenon that has been thoroughly researched within many disciplines. During firms' quest to survive and improve their organizational effectiveness, numerous strategies involving human resources have been developed. As a result, organisations are continuously changing in an attempt to seize whatever business advantage or element of survival there is possible to be assimilated.

In order to understand how employee engagement contributes to organisational performance, it is necessary to consider where it fits into an organisation's business strategy.

2. Literature review

In order to deepen the knowledge of the organizational strategies that utilize employee engagement approaches, we reviewed employee engagement strategies presented by Gratton (2000) and Willis Towers Watson (2013, 2014).

3. Research methodology

The article methodology has an analytical character mainly focused on the research of the specialized literature concerning human resource management and strategic management, and consists of methods and techniques of data selection and processing, logical analysis of the procedures of theory generalization and systematization, induction and deduction approaches, observation, compassion, synthesis.

4. Findings

Gratton's Strategy – "Utilizing people to achieve competitive advantage", applies clearly defined business goals as the basis for describing the linkage of the causal relationship between individual behaviour and financial performance, as depicted in figure 1. She asserts that highly competitive companies are created by focusing on well-defined business goals that are converted

into an appropriate context in which people work. This implies that business goals are aligned with human resource practices such as pay, performance measurement, training and may also lead to the restructuring of jobs. These practices will over time positively influence individuals' behaviours (aligned with business goals – i.e. speed of delivery) to deliver the kind of product or service commensurate with those demanded by customers.

Figure no. 1. Causal relationship between individual performance and financial performance



Source: Gratton (2000, p.10)

Individuals' behaviour and performance therefore determines the firm's performance, which in turn leads to financial performance. Behaviour of individual employees, as depicted in figure 1, is at the centre of the value chain thus underscoring the importance of employees in creating competitive advantage. There is reporting a growing body of research that identifies attitudes, skills and capabilities of people as having and creating sustainable competitive advantage. She attributes the potential of people to create competitive advantage to three aspects namely the ability to create rarity, value and inimitability (Gratton, 2000, p.11). These aspects whereby people create competitive advantage are elucidated by means of examples in table 1.

Table no. 1 How people create competitive advantage

When is it rare ... so that all competitors do not have it	The Motorola University in Beijing, through training and mentoring, has created a Chinese management cadre whose commitment and loyalty ensure that skills and knowledge remain within the firm
When is it valuable ... so that it impacts on the bottom-line performance	Glaxo Wellcome's creation of cross functional teams has significantly reduced product time to market
When is it inimitable ... so that it cannot be easily copied or substituted by competitors	The Hewlett Packard (HP) way and HP's strong culture of commitment and involvement has proven to be very difficult for competitors to imitate

Source: (Gratton 2000, p.11)

Three tenets of human behaviour. Professor Gratton (2000, p.13) asserts that if people are to be the primary source of competitive advantage then organisational strategies should acknowledge the fundamental characteristics of human capital. She distinguishes amongst three major tenets of human behaviour namely people operate in time, we search for meaning and we have a soul. These three tenets form the basis of her nomenclature for engaging people to reach organisational goals and are used as a discussion piece to increase the insight into the organisation's understanding of the tenets. For each of the tenets questions are designed (i.e. How committed are individuals to the organisations vision? How are managers appraised? How long do people remain in a role?) to gauge where the organisation is failing to capitalise on employees' potential to produce superior performance. He describes the key characteristics of the three tenets as follows:

People operate in time

- Past beliefs, hopes and commitments influence our current behaviour: 'the memory of the past';
- Current behaviour is influenced by beliefs about what will happen in the future: 'the memory of the future';
- Skills and knowledge take many years to develop;
- Human development progresses through a shared sequence; and
- Attitudes and values are resistant to sudden change.

Gratton (2000, p.216) asserts that unlike financial or technical capital, people operate in time and have memories of the past and expectations of the future. Human capital therefore, should be measured in years rather than hours and months. Employees' willingness to contribute to organisational goals are therefore influenced by their past experiences (positive or negative) and future expectations (rewards or outcomes).

We search for meaning

- We strive to interpret the clues and events around us, we actively engage with the world to seek a sense of meaning, to understand who we are and what we can contribute;
- Symbols, which may be events or artefacts, are important in creating a sense of meaning; and
- Over time groups of people create collective viewpoints, a sense of shared meaning.

The more employees experience meaning and purpose from their work the more engaged and inspired they become. How appraisals and rewards relate to the purpose of the business are key dimensions for determining alignment, which consequently influences the meaning employees derive. Employees' development needs (long term expectation) as well as policies that are no longer appropriate causes misalignment to organisational goals and detracts from people experiencing meaning in their jobs.

We have a soul

- Each of us has a deep sense of personal identity of what we are, and of what we believe in;
- We can trust and feel inspired by our work – and when we do we are more creative;
- We can dream about possibilities and events; and
- We can choose to give or withhold our knowledge – depending on how we feel.

This tenet focuses on the 'soft' issues in people management namely respect, pride, emotions and commitment shown in the organisation. Gratton (2000, p.219) points out that this concerns the extent to which management includes 'softer' measures in their objectives and performance metrics. Gratton (2004, p. 7) states those organisations that include the softer issues make regular use of employee surveys in an attempt to build employee commitment.

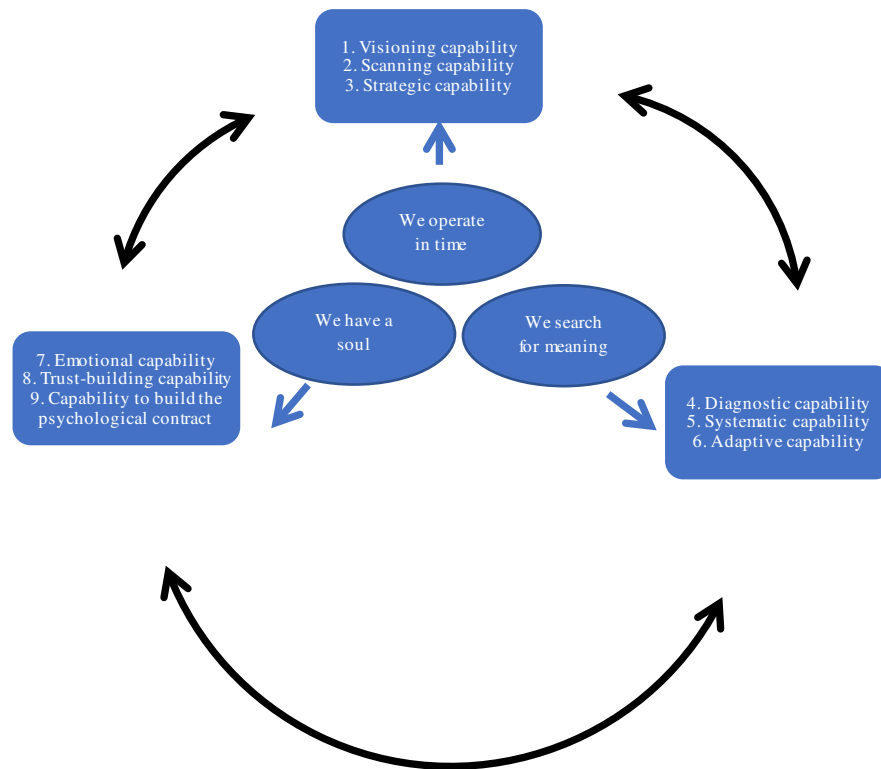
Organisations however, although they may aspire to appeal to the tenets influencing people, send mixed messages by creating working environments that are not conducive to harnessing the discretionary efforts of employees, thus causing misalignment between goals and individual behaviours. In order to ensure alignment and to utilise people as a source of competitive advantage and proposes nine capabilities that explicate the three tenets (time, meaning and soul).

Strategy – nine capabilities

The nine capabilities for placing people at the heart of a strategy to gain competitive advantage and their relationship to the three tenets of human behaviour are depicted in figure 2. These capabilities require organisational and managerial competencies that are derived based on the analysis of the organisation using the three tenets (Gratton's, 2000, p.17).

In order to capture the first tenet (we operate in time) of human behaviour proposes three organisational and managerial competencies namely building compelling and engaging visions, to develop capabilities to sense the future, and to create a strategic approach to the management of people. These are briefly discussed below.

Figure no. 2. Strategy for utilizing people as a source of competitive advantage



Source: (Gratton, 2000, p.21)

Capabilities of the first tenet – we operate in time

Building visioning capabilities relates to the ability to create and develop a vision of the future that inspires and engages people and provides a shared view of how to achieve it. Utilising peoples’ time perspective, the vision for the future should be inclusive, drawing people in by portraying a future that is meaningful and exciting.

The second capability namely developing scanning incorporates the ability to provide a blueprint of what the future may be like. Scanning the environment (political, economic, socio-demographic, competitors) for clues of what the future may hold and the impact it may have on the work organisation of people is essential. The anticipated view of the future then needs to be articulated in order to appeal to peoples’ time frames in dealing with change and organisational renewal. Gratton (2000, p.45) advises that this is an opportune time to check whether old policies are appropriate to meet the challenges of the future and formulate new ones.

Building a people-centred strategy capability requires an understanding of how the vision and goals can be attained through people and the actions necessary to bridge peoples’ perceptions and turn these perceptions into aspirations. This capability requires that a bridge (time line/frames) be built from the current realities to future visions and that employees’ inputs are crucial during this phase. She proposes a ‘strategy as learning’ process for the development of a people-centred strategy, which is based on dialogue at various levels in the organisation and assumes that there is the capacity to learn from one another. This approach clearly makes for maximum involvement from employees whilst acknowledging their specialised knowledge.

In the following section diagnostic, systemic and adaptive capabilities derived from the tenet for developing meaning, as depicted in figure 2, are discussed.

Capabilities of the second tenet

Developing diagnostic capability implies that organisations need to know how employees feel and perceive their organisations. An analysis of what drives the organisation together with its aspirations, vision, goals, processes and systems make the organisation what it is and determines what actions/behaviours it requires from people. However, it also provides employees with clues as

to what is valued by the organisation and what excites and motivates them. It is at this phase where an engagement approach (as discussed in chapter three) is essential for determining the drivers as well as the level of employee engagement.

Developing systemic capability involves a complex process aligning all the processes, systems and policies with each other and the goals of the organisation. Gratton points out that this represents one of the biggest challenges for organisations, as processes, systems and policies are interlinked and should be vertically and horizontally aligned in order to meet organisational goals. To achieve alignment, it requires people who are capable of thinking systemically, therefore, seeing an organisation as an inter-related system of interdependencies (processes, systems and policies) where realignment of one element has an immediate impact on another (Gratton, 2000, p.18). He asserts that for employees who experience the whole interlinked system on a daily basis this represents the meaning they derive from the organisation. Employees' perceptions of meaning are distorted due to misalignment of organisational processes that are developed in isolation, especially human resource systems such as reward, development, training and career management. Systemic capability therefore, involves aligning all the elements in such a way that the organisational context (climate) experienced by employees are maximised (meaning derived from organisation), and that they will willingly contribute discretionary effort (be engaged).

Building adaptive capabilities involves developing change competencies, which should acknowledge the human time frame for change whilst considering realigning organisational processes, systems and policies. According to Gratton (2000, p.69), the vision and business goals should provide the impetus for change specifying targets and spelling out what must be achieved, which will provide the blueprint for aligning processes and systems necessary to support change. Specified targets are necessary to initiate change and indicate to employees the path of transformation. Organisational processes should be aligned to support this path to renewal and change.

Capabilities of the third tenet

Capabilities of the third tenet, 'we have a soul', focuses on the 'softer' human aspects such as dealing with employees' aspirations, gaining inspiration and building commitment; all of which are crucial elements for gaining competitive advantage when operating within the knowledge paradigm. Gratton (2000, p.73) however cautions that research has shown that only fifteen per cent of employees feel inspired by their jobs, thus indicating that capabilities in the third tenet are often neglected by organisations. She expounds this notion as follows.

"So, while we may extol the precision of our strategy creation processes, or the exuberance and strength of our leaders, or the profound ability of our company to create shareholder value, the hidden, dirty secret is that many of us are working, and know we are working, in companies where neither we nor our colleagues feel inspired." (Gratton, 2000, p.73)

The first of the capabilities in the third tenet is to develop emotional capacity, which is vital for organisations that have knowledge at the centre of their strategy to create competitive advantage. Gratton (2000, p.85) places trust, inspiration and commitment at the heart of the organisation and emphasises that these elements should be measured to determine the emotional state of employees. These elements that cannot be supervised or forced from people, will determine whether they will share their knowledge or provide discretionary effort. People, unlike machines, have a sense of fairness and justice and have the capacity to withhold their knowledge and skills if they feel disrespected or are uncommitted.

According to Gratton (2000, p.83) continuous restructuring and cost cutting measures affect emotional reserves of organisations and drains its people of hope and energy. Conversely, hope, trust and commitment are built by providing people with a voice (adequate explanation why decisions are made), managers who are skilled in dealing with people and who listen. Covey (2004, p.5) also believes that peoples' voice, which comprises their talents, passion (energy, things that excite, motivate and inspire), needs and conscience lie at the soul of the organisation and should be harnessed as a source of competitive advantage. However, in order to do so, organisations have to develop metrics that determine the 'softer' issues for example trust, commitment, and faith in the organisation/leadership vis-à-vis utilising an employee engagement approach.

Creating trust building capability relates to the justice and fairness with which people are treated and has a significant impact on trust and commitment. Human resource practices such as selection, objective setting, performance measurement, rewards, training and development, have a major impact on employees' perceptions of justice and fairness. Gratton (2000, p.86) points out that the manner in which the human resource practices are implemented are just as important, thus alluding to the influence that both substantive and procedural justice have on employees' commitment and trust. She suggests three factors that builds trust namely voice (have inputs and for people's opinions to be heard), an individual's capacity to exercise choice at work and, the fairness of those making the decisions (referred to as interactional justice).

The final capability is to build the psychological contract, which according to Gratton (2000, p.93), has become blurred due to organisations continuously revising their goals in order to remain competitive. Continuous change causes misalignment between organisational goals and employee expectations thereby complicating the psychological contract. Organisations today have moved away from the traditional employee-employer relationship that was characterised by a fairly stable alignment between organisational goals and employee expectations, where the employer would look after the employee (paternalistic approach).

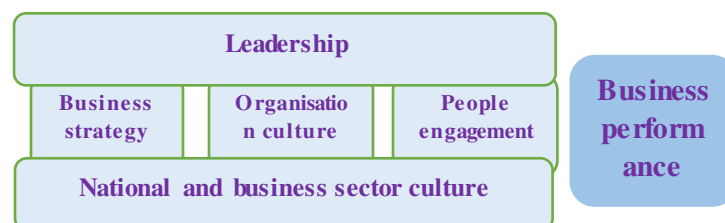
Gratton (2000, p.93) argues that the new psychological contract should be formulated by considering peoples' sense of time (loss of the past, anxiety about the future, and concern for the present), emotions (meaning they derive) and amount of trust and commitment they feel towards the organisation. In addition, human resource practices (remuneration, training and performance measurement) should be aligned with the goals of the organisation giving employees direction and shaping their expectations of the future.

Gratton's (2000) strategy depicted in figure 2 clearly places the human resource (people) at the heart of the organisation's capability to create competitive advantage. Her approach albeit a more strategic approach, relies extensively on the contribution employees make and the commitment they show to deliver discretionary effort (engagement). The three tenets (time, meaning and soul) of human behaviour on which the nine capabilities are based underscore the essence of employee engagement. Four of the abovementioned capabilities namely strategic, diagnostic, adaptive and emotional capabilities require that employees' feelings/attitudes should be measured, therefore, justifying the use of an employee engagement approach as discussed in chapter three.

Willis Towers Watson – Alignment Strategy

Willis Towers Watson (2013, 2014) alignment strategy depicted in figure 3, purports that employee engagement contributes significantly to improved business performance given that a number of organisational factors are aligned. From figure 3 it is clear that leadership, business strategy, and organisational culture should be aligned to provide people with a clear direction of the future and a consistent message (relayed by senior management and evident in organisational policies) as to what is expected from them. Alignment strategy commences by extrapolating from senior management a shared meaning of their strategic business priorities. The next step involves selecting 'change coalition leaders' (high-performing or high-potential employees at various levels) who are tasked with assessing the organisational culture and effecting change.

Figure no. 3. Willis Towers Watson – Alignment Strategy



Source: (Willis Towers Watson, 2013, 2014)

Coalition leaders' major task includes identifying cultural elements that both impede and support the execution of the strategic priorities. Following the cultural alignment with strategic business priorities, employees are surveyed using presented approach. Willis Towers Watson uses a cognitive/think dimension in their assessment of employee engagement that determines firstly, what drives engagement in the organisation and secondly, whether employees believe and support organisational goals and values. Results from the employee engagement survey will then reveal the extent of employees' perceived alignment between culture and business goals and values. Willis Towers Watson then uses their database to compare the organisation's results with similar (innovators, cost leaders, etc.) high-performing organisations across the globe and recommend appropriate strategies for realignment. Typical areas of comparison may include organisation structure, stimulating work environment, knowledge management, teaming, empowerment and risk taking.

Willis Towers Watson (2013, 2014) alignment strategy depicted in figure 3 develops specific action plans for organisations based on their particular strategy and prevailing organisational culture. Results from the survey on employee engagement are interpreted and used in formulating specific alignment strategies for organisations. Areas that are usually targeted for improvements include recognition systems (tie in with achieving strategic goals), career development, planning and internal communications.

Willis Towers Watson assert that alignment between the leaderships' vision, organisational culture and employees' expectations (engagement) determines organisational effectiveness. Misalignment of any of these factors renders the organisation ineffective and leads to frustration for the leaders (not being able to execute strategy), employees (working in an environment with too much friction), and finally leaving customers feeling less than delighted.

5. Conclusions

In conclusion, we can deduce that Gratton's (2000) strategy clearly places the human resource (people) at the heart of the organisation's capability to create competitive advantage. Her approach albeit a more strategic approach, relies extensively on the contribution employees make and the commitment they show to deliver discretionary effort (engagement). The three tenets (time, meaning and soul) underscore the essence of employee engagement. Four of the abovementioned capabilities namely strategic, diagnostic, adaptive and emotional capabilities require that employees' feelings/attitudes should be measured, therefore, justifying the use of an employee engagement approach as discussed in chapter three.

For the other side the alignment strategy of Willis Towers Watson (2013, 2014) assists organisations to develop their own unique action plans based on the alignment picture formulated by analysing the relationship between leadership (vision and goals), culture (organisational) and the level of employee engagement. The action plans will lead to:

- Enhanced business performance in targeted areas;
 - Improved understanding of how the organisation's key components interact;
 - Greater facility for making internal adjustments as the strategic priorities evolve; and
 - Measures to assist employees in becoming engaged.
- In the next section a 'partnership' relationship as a means to engaging employees for improved business performance will be discussed.

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Risk Allocation within Public-Private Partnership in the Republic of Moldova Framework

Irina Calugareanu

Academy of Economic Studies of Moldova

irinapoloz@gmail.com

Abstract

A significant feature of infrastructure projects performed under public-private partnership (PPP) contracts in the Republic of Moldova is manifested by their multilateral state support. The state controls a large number of parameters that influence the successful implementation of the infrastructure projects, so potential investors decide to participate in the project only if they are sure that the government will support and compensate their investment through proper risk management. The confidence of the PPP partners and the effectiveness of their interaction reduce the risks and their consequences. The purpose of this article is to identify, classify and distribute risks in public-private partnership projects since these kinds of affairs has become increasingly popular in recent years. The determination of the best evidence approaches and risk assessment of the implementation of these projects is of particular relevance in each investment project.

Key words: public private-partnership, contract, concession, risks, projects

J.E.L. classification: M0, M1, M2.

1. Introduction

Due to the relatively recent appearance of the PPP mechanism in the Republic of Moldova practice, the subject matter requires constant scientific analysis, relevant theoretical studies development and to search new solutions using modern economics achievement.

Obviously, PPPs contracts can benefit all partners, with the condition that the associated risks in this type of cooperation are thoroughly analyzed at the pre-investment stage and that their allocation and mitigation is correct and in line with the concept of "effective risk sharing". This means that the risks must be transferred to the partner who controls them better and has a more efficient evaluation and management methods. However, current practices shows that the state aims to transfer to the private partner all the risks (in the form of contractual obligations) which contradict to the concept of economic efficiency, considering that stakeholders are pursuing different goals and interests. Effective risk sharing will be an important part of the project documentation process and an essential condition for project success. Further, it is proposed the improvement of risk evidence methodology for infrastructure projects implemented through the PPP mechanism.

2. Literature review

The article development started from a series of direct and indirect knowledge of the reality using of public-private partnership mechanisms, data of Public Property Agency- coordinator of the initiation of public-private partnerships at the national level, local legislation and literature in the field of specialty.

3. Research Methodology

The research methodology has an analytical character mainly focused on the specialized literature research, and consists of several theoretical principles of the PPP, infrastructure, risk management concepts, methods and techniques of data selection (information-factual support), methods and techniques of data handling (qualitative dimension processing), theory logical analysis of procedures generalization and systematization, induction and deduction.

3. Findings

At the present time, public-private partnership relations in the Republic of Moldova are becoming more and more attractive and widespread, since this effective method allows increasing the use of private capital for projects of public interest. In Moldova, the beginning of privatization became the starting point for the formation and further development of the features of public-private partnership. The changes in property relations have determined the qualitative characteristics of the national economy that have developed in the process of denationalization and privatization of state and municipal enterprises. Over the years of reforms in the Republic of Moldova economy, the public sector has been significantly reduced, and the management functions of the most important social life support objects have gradually been transferred to private business. In this context, it is extremely important to move on to a viable strategic partnership with the private sector and to create a system of relations that would provide a rational combination of free competition with state management monitoring in order to serve the interests of society (Calugareanu, 2018, p.47).

Obviously, the PPP is an alternative to the privatization when privatization is impossible for social or strategic reasons. The implementation of PPP's schemes is able to ensure firstly, the possibility of realization, in the shortest possible time, socially significant projects in the most non-attractive areas for traditional forms of private financing. Secondly, to improve the efficiency of projects through the participation of private business, which, in contrast to state institutions, could solve production and management tasks more effectively. Third, to reduce the burden on the budget by attracting private funds and shifting part of the costs to users, involving the best managerial staff, equipment and technologies, and improving the service quality for end-consumers and forth, creating conditions to state bodies in concentrating the attention on the administrative functions, as well as helping to reduce risks by distributing them between private partners and the authorities

In the Republic of Moldova, the areas where PPPs were concluded at the central level refers to:

- social constructions for the budgetary sector employees;
- health care (provision of radiology and imaging diagnostics, qualitative hemodialysis services and haemofiltration);
- the assets concession of S.E. "Chisinau International Airport" and its associated land;
- the concession of geological exploration works on the territory of the Republic of Moldova.

At the local level, contracts are concluded for areas such as sanitation, water supply, construction / social infrastructure, health care, video surveillance of road traffic, etc.

As we can see the peculiarities of state regulation on business partnership are determined by the general expansion of agreement relations with private sector enterprises, non-profit and public organizations in areas where previously was the prerogative of the public sector. Such a partnership requires an adequate and continuous improvement of the contractual tools, including risks identification and mitigation.

According to the figures presented by the Public Property Agency, it is monitoring 76 contracts, of which 9 are concluded at the central level and 58 at the local level. In the 2015, only four public-private partnership contracts were concluded, of which one contract at central level and three at local level. In 2016, two contracts were concluded, one at the central and local level, and in 2017 four such acts, one at the central level and three at the local level. For each of them, the risks associated with the projects were analyzed and shared between the partners (Public Property Agency, 2017). Therefore, each contract is individual and the risks are monitored by the public partners who have concluded the documents. In spite of this, PPP demonstrates to the parties its complexity and diversity in the process of projects implementation. In particular, at the PPP

projects implementation occurs risks, which can have a significant impact on their realization which is why they are not always so attractive to private investors.

J. Delmon agrees that all risks should not be attributed only to the private sector, because it is usually inefficient, costly and makes the project useless and sensitive to changes and crises. Certainly, inappropriate activity or project failure will affect all participants (Delmon J.,2009, p.30):

- for a private investor: decrease in profitability, or loss of invested capital;
- for the concessionaire (if the concessionaire and the investor are different companies): the risk of reputation loss or even the risk of bankruptcy;
- for the state: deterioration of service quality, non-implementation of the project and unplanned budget expenditure risks.

Thereby, the risk that affects one partner will affect the project and the other parts of the contract, that why the partners are interested in minimizing the risks that prevent the successful implementation of the project. The risk management process is necessary for all possible investment projects. In particular, it is important for high-profile and long-term projects, as this analysis is an ancillary tool for attracting funds from private investors. But, of course all stages of risk management are important, but one of the fundamental steps is risk analysis.

According to EU practices, concession are the most promising mechanism of a public-private partnership because of its efficiency at various stages of the investment process and its successfully combination with the state control. Furthermore, we intend to analyze the types of risks related to the implementation of infrastructure projects since the project realization on the basis of a concession contract implies the existence of general and specific risks. General risks are the same risks as in any similar investment project; the specific risks are associated with the chosen partnership form. Global risks are divided into internal project risks and risks influenced by external factors (Călugăreanu, I., 2018, p.49). Risks associated with external conditions do not depend on the activities of project participants but may have financial implications for the private partner and the state. Traditionally, the following risk groups are identified in the different types of PPPs: financial, administrative, political, economic, social, project financing, fiscal and monetary risks, design risks, construction risks, force majeure risks. Risk groups can be combined into modules - an invariable risk module and a variable risk module, where invariable risks are inherent in all projects and variation risks are involved in the state projects. The PPP legislation contains several risk minimization mechanisms at the fundamentals and attribution stage of the project, but unfortunately, without the approval of secondary acts, they will not give the desired results (Law, 2008).

According to local legislation concerning concessions, the execution of PPP contracts includes the following types of risks, which must be represented in the form of matrices (Law, 2018):

- a) the risks of design, construction and works reception;
- b) establishment risks;
- c) financing risks;
- d) exploitation risks;
- e) market risks;
- f) risks related to legislation changes and/or political risks;
- g) risks associated with the assets of the concession project;
- h) force majeure risk.

Risk identification is basically an assessment of the risks that may affect the public-private partnership project by identifying foreseeable threats and hazards and calculating the likelihood of their occurrence and the severity of their impact on the public-private partnership project. As future events have a certain degree of uncertainty, estimating the likelihood of materialization is made with a margin of error, using, where appropriate, specialized advice to quantify this value (Delmon J., 2009, 60). Hereby, the risks associated with the project we will divide according to the implementation phase of the investment project: risks at the design stage, risks at the construction and reception stage of the works, risks of the operating (exploitation) stage. Risk allocation is not static. It is necessary to rely on the constraints of the public partner and it must be taken into account whether the allocation of risks is acceptable to investors. Thus, during the process of negotiating, the developed risk matrix for the specific public-private partnership project will be

updated as a result of the negotiations/dialogue with the bidders, and the final form of the Matrix will be stipulated as the contractual clauses for parties under which the Public Property Agency will keep track of the risks associated with the implementation of the public-private partnership contract in accordance with its legal obligations (Law, 2018). According to the above mentioned the author has developed the following risk matrix.

Table no 1. Risks matrix associated with the investment project at different stages

No.	Risks associated with the investment project	The responsible party	
		Private partner	State partner
1. Design stage			
1.1.	Risks associated with the project design	+	+
1.2.	Risks associated with the project terms	+	+
1.3.	Risks associated with the project quotas modification		+
1.4.	Project errors	+	
1.5.	Administrative barriers resulted in the stage of project approval with state or municipal authorized bodies	+	+
1.6.	Risks associated with the land	+	+
1.7.	Corruption	+	+
2. Stage of construction and works reception			
2.1.	Guarantees and quality control	+	
2.2.	Compliance with building regulations and requirements	+	
2.3.	Increasing project costs	+	
2.4.	Construction terms extension	+	
2.5.	Delays caused by the activities of governmental bodies, or local authorities	+	+
2.6.	The macroeconomic influence on the terms of construction	+	+
2.7.	Availability of raw material and human resources	+	
2.8.	Damages and losses caused by third parties	+	
2.9.	Contravention of safety and health regulations	+	
2.10.	Bankruptcy or contractors insolvency		+
3. Operation phase			
3.1.	Risks associated with a possible revenue decrease	+	
3.2.	Failure in managing and exceeding operation costs	+	
3.3.	Technical risks regarding the object operation (hidden defects, maintenance, and repairs)	+	

Source: Developed by the author according to the Law (2018)

1. Risks at the design stage can be caused by various factors: design errors, environmental legislation violations, administrative barriers that appear at the preliminary project approval stage, etc. It should be known that the proportion of the pre-investment stage can account for up to 70% of the total transaction costs.

The result of the preliminary investment stage is reflected in a feasibility study that includes the detailed elaboration of all project phases and permits for building and land allocation. The feasibility study should include an analysis that enables the definition and quantification of risk and risk transfer options to the concessionaire, in economic and financial terms as well as to include the calculation of the estimated value, the opportunity study, the specification, and to justify the fact that a concession contract is economically more advantageous than a public procurement contract.

In consequences, if the concessionaire receives all approvals and permits without the help of the state body, obviously the transaction costs will be very high.

2. The risks during the construction phase come from the choice of technologies and the construction works progress. They represent the events of the public-private partnership projects that could come along with defective design and construction and/or engineering errors that impact on the project cost starting with the design, construction stage and finishing with operation phases. The consequences of these risks lead to excesses and delays in project implementation in addition on the inappropriate activity of suppliers and contractors, delays in obtaining work permits, underestimation of labor costs. Ultimately, these circumstances influence either the project financing or lead to the delay in obtaining the initial income.

3. Risks associated with the operation stage occur at the completion of the construction phase and are generated by events that are not under the control of the parties to the concession contract and/or market fluctuations. Operation risk refers to all events within public-private partnership projects that occur from direct or indirect losses as a result of the bad organization of technological processes, the inefficiency of internal control procedures, technological disturbances, unauthorized personnel activities or external influence. In these cases, the concessionaire is not guaranteed the recovery of the investments. The amount of project revenue depends on the frequency of the consumer usage of the built object and the established price. At the same time, the infrastructure objects utilization depends directly on the correctness of the tariffs establishment and acceptability for the beneficiaries. For example, the tariff on the M5 motorway in Hungary, built with PPP, proved to be too high according to Hungarian standards. As a result, many people preferred to use longer alternative routes, and the project was financially unviable.

There are several principles for determining the acceptability of the established price for using an infrastructure object. However, according to global practice, in 50% of cases, the forecasts for the use of paid infrastructure object contain an error of more than 20% (Delmon J., 2009, p.97). Thus, we can say that it is particularly difficult to estimate the demand if the paid infrastructure is new to the country. In addition, infrastructure exploitation takes place over a long period of time after the pre-investment studies have been done, where macroeconomic and social conditions may change unpredictably. Based on this, it is impossible to make reliable predictions on the intensity of user streams. That why we consider that one of the main type of infrastructure projects risks is the risk of not receiving the planned income for the project and it makes sense to distribute between the participants of the concession agreement.

There are other direct risks that lead to revenue decline and are indirectly related to demand and price flexibility. These may be caused by the following reasons: installation technical problems, strikes, results of the company's management activity, etc.

The operation technical risks may be caused by faulty installation management, underestimation of the maintenance and repair cost of the installation, increased security requirements, service quality, violation of infrastructure operation rules, loss of ownership.

Further are presented risks related to location, financing, trade, legislation changes and/or political risks, concession assets and force majeure.

Table no. 2. Risks matrix associated with the investment project that could lead to revenue decline

No.	Risks associated with the investment project	The responsible party	
		Private partner	State partner
1. Location risks			
1.	Location availability	+	+
1.1.	Establishment conditions of ground that could not be forecasted	+	+
1.2.	Approval of necessary documentation	+	+
1.3.	Title of ownership (claims)	+	+
2. Financial risks			
2.1.	Risk of insolvency	+	
2.2.	Credit risk	+	
2.3.	Lack of available funding	+	
2.4.	Increased in costs of initial investment	+	+
2.5.	Interest rate variation, inflation of exchange rate	+	
2.6.	Taxes modification	+	

3. Commercial risks			
3.1	Changes of economic conditions		+
3.2	Increase competition		+
3.3.	The decline of market demand		+
4. Political/legislation risk			
4.1.	Change of legislation in the field	+	
4.2	Retirement of complementary support	+	
5. Environmental risk			
5.1.	Adjacent properties not available for project implementation		+
5.2.	High emission standards	+	
6. Force majeure risks			
6.1	Force majeure events	+	
6.2.	Risks that can not be assured due to insurmountable conditions	+	

Source: Developed by the author according to the Law (2018)

Financial risks refer mainly to the external parameters of the contract, which determine the financing conditions. In addition, this type of risk may be caused by the ability of the contracting parties to comply with the contractual conditions.

Inflation risk: Inflation above the planned level will increase the need for funding.

The risk of unfavorable exchange rate fluctuation usually occurs when a part of the project financing is borrowed in the form of a foreign currency loan.

The risk of interest rate change occurs when an infrastructure project is credited at a floating interest rate. During the construction period, the project does not generate income, and an increase in the interest rate leads to an increase in interest payments, which means a decrease in the project's profitability.

Institutional risks are the risks of changing the political course, the risks associated with the activities of financial institutions, the unfavorable development of legislation, the activities of environmental organizations involved. For example, the risk of legislation changes prevents the expropriation of property by the country's government.

Most of the risks that have a low probability of occurrence, but serious financial consequences are force majeure, financial and institutional risks. They should be entrusted to the grantor as the party to the agreement with the greatest financial strength. Most of the internal risks inherent the project should be assigned to the private investor as a participant in concession relations, who has considerable experience and qualifications in solving such issues (risks associated with the design, construction and operation stages).

We would like to mention that all the risks that may arise in a public-private partnership project are anticipated by the public and private partners in the feasibility study, which includes a complex analysis that would define and quantify project and project risks in economic and financial terms, taking into account the scenarios identified by sharing them with partners with rational arguments.

4. Conclusions

In conclusion, we can say that there are currently no effective tools and methodologies for a comprehensive assessment of the many risks that arise during projects management within the public-private partnership. Therefore, there is a contradiction between need in the further development of the PPP mechanism in the complex infrastructure projects implementation and the absence of mechanisms for an integrated assessment of emerging risks. At the same time, taking into account the risk classification, it should be noted that the exact limit between each type of risk is quite difficult to achieve because most of the risks are interconnected and therefore changes in one of them affect changes in another. Risk classification, however, helps to identify risks which ultimately affect the precision of risk analysis and risk management results.

These contradictions led to the highlight of the research problem - the absence of a qualitative and quantitative risk assessment mechanism resulting from the implementation of infrastructure projects, which is not allowed to fully evaluate the effectiveness of the PPP models proposed.

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Particularities of the Organisational Culture in the Companies from the Republic of Moldova

Lilia Covaş

Academy of Economic Studies of Moldova, Chisinau, Republic of Moldova

liliacovas@yahoo.com

Abstract

As for now, the concept of organisational culture is a highly debated topic in the academic environment, developing with rapid ascent from defining the term to being the subject of various studies that investigate the correlation between organisational culture and organisational performance, as well as ways to improve the financial indicators by changing the culture at the enterprise level. Speaking of enterprise management in the Republic of Moldova, the organisational culture is not regarded as a technique to improve organisational performance yet. Therefore, a study was conducted in order to identify methods to improve the organisational culture of autochthonous enterprises. The results made it obvious that within the organisations from the Republic of Moldova, while employees would prefer a clan type organisational culture, the hierarchical culture prevails. Consequently, the need to address this problem and come with solutions to facilitate the development of adhocracy and clan organisational culture elements arises, which contribute to increasing organisational commitment and civic behaviour, encouraging creative thinking and innovation.

Key words: Organizational Culture, Competing Values Framework, Dominant Culture, Cultural Dimensions, Cultural Types

J.E.L. classification: M12, M14, M21

1. Introduction

Although the term "organisational culture" has been largely used only in the last decades, it became soon afterwards an important organisational element to increase competitiveness and efficiency. The organisational culture can be treated as a powerful strategic tool that allows orienting all the subdivisions of an organisation and individuals towards reaching common goals, mobilizing employees, ensuring organisational commitment and improving communication. The organisational culture is a key factor not only in reaching corporate goals, but also in attracting and maintaining valuable employees, building a positive public image, as well as building reliable and respectful relationships with the stakeholders. A strong culture has a positive impact on team performance. The top management's policies, actions and set goals are viable only if the team's attitude towards their work and towards the company where they activate is taken into account.

The importance of creating a strong organisational culture, that is capable of sustaining performance, is still underappreciated between managers from the Republic of Moldova. In order to identify particular viable recommendations for perfecting the organisational culture was conducted a study aimed at determining the particularities of the organisational culture within the companies from the Republic of Moldova.

Quantitative research based on the method of questionnaire was applied to a number of 300 employees from 28 companies. The organization culture was analysed according to the Competing Values Framework (CVF) by Cameron and Quinn (2011), which is one of the most objective and extensively used models in the area of organizational culture research.

The study was focussed on three scientific research assumptions:

Hypothesis 1. The companies from the Republic of Moldova are characterized by a hierarchical organisational culture, resulting in an environment based on formality, control and orientation towards internal causes;

Hypothesis 2. The staff at companies of Moldova would prefer to work in an environment typical of clan cultures, characterised by engaging the employees in making decisions, organising team-building activities and enterprising actions aimed at personal development;

Hypothesis 3. Comparative analysis of the current state regarding the organisational culture within the companies taking the survey and the preferred state shows a significant discrepancy.

2. Literature review

The rapidly changing economic, technical and social environment highlights the need for economic entities to find answers regarding market forces. The high competition and technological revolution has two effects on organizations: the problems faced by organizations by number and complexity are on the rise, whereas the time available for managers to consider and analyse these issues is declining (Bratian, 2010). Under these circumstances, only companies that are rapidly adapting to changes in the external environment of the economic entity have a stable development. Facilitating the creation of such an organizational environment is possible only by promoting a flexible organizational culture, oriented towards change and innovation.

Therefore, regarding an organisation as a socio-cultural system is one of the essential aspects of the new management paradigm. The management centred on control, focused on rationalising the organisation and personalising tasks and expecting results is replaced with participative management, where effective leadership entails the manager's capacity to integrate the effort of each employee of an organisation to obtain the desired results (Cîrnu & Boncea, 2010). Similarly, Dygert & Jacobs (2006, p. 18) stated that within thousands of organisations, autocratic management styles are replaced with supervising and management techniques that focus on coordination and counselling. Lawson & Samson, 2001 (apud Yesil & Kaya, 2012) claim that comparing the 90's and 80's of the last century "modern organisations have to deal with an additional challenge – the requirement to be, not only occasionally, but even very frequently innovative, while also rapid and with a high success rate". This imperative compels companies to be continuously searching for new methods to ensure creativity and innovation at organisational level. Also, one of the most important sources that can contribute to creating a favourable environment to stimulate creativity is the adapting the organisational culture.

However, adjusting the organisational culture to market demands entails a series of difficulties. The fact that the culture is not as easy to observe makes identifying and understanding it harder (Moldovan & Macarie, 2016). Managers and the most influential people in an organisation always dictate its culture, highlighting the priorities or rather secondary goals and how the organisation's mission should be understood (Alvesson, 2002, p. 12)(apud Hudrea 2015). Cercel (2012, p. 20) expressed a similar point of view saying that it is extremely difficult to tell apart the management practices derived from fundamental values from those driven by the values shared by the organisation members. Because of that, some researchers regard the organisational culture as "mystical and practical at the same time" (Cercel, 2012). Even if managers do not give enough importance compared to other problems within the organisation, or think this concept is too ambiguous to be worth much time, the subject is not losing any importance.

3. Research methodology

Particularities of the organisational culture characterising the environment within the companies of the Republic of Moldova were brought out by conducting a survey in 28 companies from our country chosen through the probabilistic method stratified sampling. The main criterion for choosing the companies was belonging to different fields of activity, as well as company size diversity. This diversity is necessary for the objectivity and relevance of the study because it is important to analyse the model's applicability in various activity sectors.

Therefore, out of the total number of companies taking the survey 46% were big companies, whereas the remaining 54% are small or medium-sized companies. The analysed companies are specialised in 10 different fields, a higher number activating in industries like manufacturing, wholesale and retail commerce, transport and storage, hospitality industry, etc. Also, it was taken into account that the analysed enterprises were located in all three territorial areas of the republic.

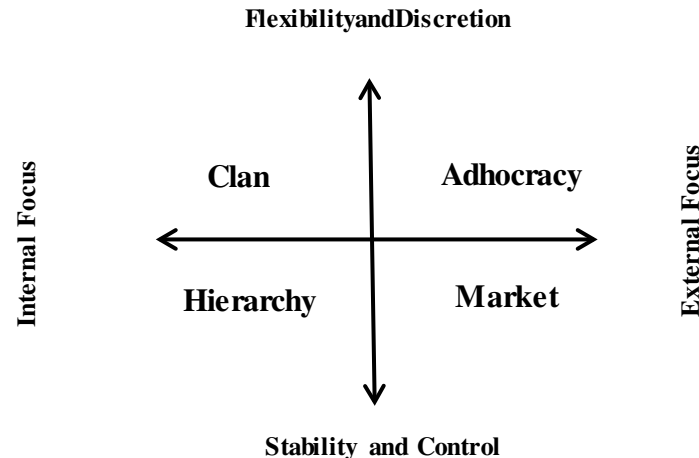
The key-characteristics of the companies from Moldova were identified using the method of questionnaire based survey. Previous studies have shown that respondents from different organisational levels perceive the organisational culture differently (Gordon & Di Tomaso, 1992), which led to the necessity to seek the opinion of employees from different levels of the organisational structure. The questionnaires were spread proportionally to the size of each enterprise. Initially, 340 questionnaires were given away, but when returned only 300 were validated.

The questionnaire was structured in two parts. The first part contained questions regarding personal traits of the respondents. The second part was adapted according to the organisational culture analysis methodology by Kim S. Cameron and Robert E. Quinn (2011) “Organizational Culture Assessment Instrument” (OCAI).

The Competing Values Model is considered a very representative one from both the perspective of applicability and forming a vision. Nica (2008, p. 68) mentioned that this model is designed to promote successful management, organisational efficiency improvement creating more value for the company.

This method allows identifying the six dimensions of organisational culture (dominant characteristics, organizational leadership, management of employees, organizational glue, strategic emphases and criteria of success), as well as highlighting the four prevailing organisational culture types (hierarchy, market, clan, adhocracy). Each organisation is characterised by a particular mix of these four culture types.

Figure no. 1. Competing Values Framework



Source: Author's adaptation of Kim S. Cameron and Robert E. Quinn, 2011 model

According to the model mentioned above, the organisations closer to the left end are oriented towards inside problems (what is important for **us**, how **we** want to work), while the ones closer to the right end are focused on external issues (what is important for our **external stakeholders**: clients, partners, etc.). The upper a company is placed the more of priority flexibility and spontaneity are. On the other hand, the ones placed lower value stability and control (OCAI, 2012).

As can be observed from the model by Cameron and Queen (2011) the *hierarchical* organisation *culture* is a good example of bureaucracy being oriented towards control and formalism:” Procedures govern what people do. The leaders pride themselves on being good coordinators and organizers.” (Cameron and Quinn, 2011, p. 42). The work environment in such organisations is rigid, formal and the activity is regulated by rules and norms. The hierarchical culture shows orientation towards the internal environment of the organization. According to

Barley and Kunda, 1992 (apud Gutterman, 2010) the culture of these organisations corresponds to the ideology of scientific management, which is geared towards maximising economic benefits by rationalising production processes. Analysing the correlation between organisational culture and work satisfaction, organisational commitment and group cohesion, Odomed et al, 1990 (apud Bellou, 2010) reached the conclusion that bureaucratic cultures have the lowest probability to have a positive impact on the three employee attitudes. It was proved efficient only when the external environment is relatively stable.

The *market organisational culture* is based on competition both on company level to secure a top position in the industry, as well as between employees in order to increase productivity. According to Cameron and Quinn (2011) the market culture is treated as an environment oriented towards results, productivity, efficiency and extremely high competition. This culture places special emphasis on external issues while still promoting stability and control. Such organisations are based on planning, anticipation, control and elaborating organisational structures and adapting the decision making process to the demands of the external environment.

The *clan culture* is oriented towards the company's human resource, largely involving team work, active participation and mutual respect. The work environment is relaxed, often compared to the interactions within a family. Leaders are assigned with mentor roles. The clan culture promotes and encourages loyalty, commitment, collaboration, delegation, individual development. This culture type implies orientation towards the company's internal environment. Gutterman, 2010 mentioned that such organisations are not based on formal control procedures like rules and regulations, but rather on motivating the members through vision, shared values, positive consolidation. Such organisational structures are relatively flat and emphasis is placed on teamwork, social interaction and working conditions.

The *adhocracy culture* is also centred on entrepreneurial spirit, innovation, flexibility and dynamism. Developing new products and services, growth, change and experimenting are top priorities. Leaders are characterised as entrepreneurs oriented towards innovation and finding original ideas. This culture type promotes values from the external environment. They are treated as organisations of the future, capable to modify their structure, strategy and identify fluctuations in the economic environment as well as its tendencies and to integrate them as essential elements in achieving success (Marcu et al., 2017).

The Competing Values Model evaluates the organisational culture at the moment when the survey was taken (current organisational culture) and, at the same time, ascertains the culture that the employees would want to develop (preferred culture).

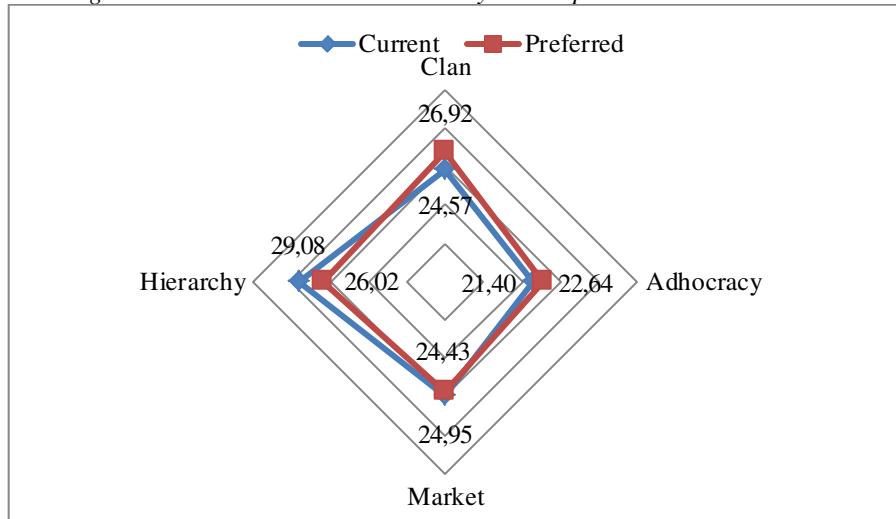
All the data was processed afterwards through the statistical analysis program SPSS.

4. Findings

The method (OCAI) used to determine the characteristics of the surveyed companies from the Republic of Moldova allowed us to recognise some particularities.

As can be observed in Figure 2, regarding the current culture no single type of organisational culture can be declared predominant. However, data shows that between the four types of organisational culture the *hierarchical culture type* prevails (29,08 points out of 100), characterised by formalism, control and orientation towards the internal environment. At the same time, the values typical of the *clan and market culture type* are appreciated at the same level (24,57 out of 100) and (24,95 of 100 possible). This means that in the said companies emphasis is placed on cooperation, teamwork, promoting values like competence, efficiency and productivity.

Figure no. 2. The organisational culture within the analysed companies



Source: (Authors' own research)

Amongst the analysed companies the least common are elements of the *adhocracy culture*, only (21,40 out of 100). Therefore, entrepreneurial spirit, dynamism and creativity are valued the least in the analysed companies.

Table no. 1. Cultural profile of the analysed enterprises

Culture type	Result type	Desired result	Ecart
Clan	24,57	26,92	2,35
Adhocracy	21,40	22,64	1,24
Market	24,95	24,43	-0,53
Hierarchy	29,08	26,02	-3,06
	100	100	

Source: (Authors' own research)

The results of the study regarding the respondents' preferences regarding the existent culture are presented in Table 1. Each culture type registered discrepancies between the current state and preferred state. The staff of the analysed companies would like the share of the hierarchy culture to be reduced with 3,06 points and of the market type with 0,53 points. At the same time the respondents would prefer to integrate in their company more elements of the clan culture, the difference between preferred and current state being 2,35 points and of the adhocracy culture with 1,24 more. The employees also reported that they would like the work environment resemble more the interactions within a family where they would take part in the decision making process and with more team building and consolidation activities as well as a more dynamic and creative work climate.

An interesting subject is the analysis of the organisational culture from our country on different dimensions. As mentioned above, the OCAI method makes it possible to identify how employees of the companies taking the survey perceive the current state of the six dimensions: dominant characteristics, organisational leadership, management of employees, organizational glue, strategic emphases and criteria of success.

The final score of the cultural profile of each company was obtained by calculating the average of their answers to the six dimensions.

Table no. 2. Cultural profile of the analysed companies by dimension (current situation)

Dimensions	Clan	Adhocracy	Market	Hierarchy
Dominant characteristics	25,77	21,58	25,14	27,51
Organizational Leadership	23,08	20,90	25,62	30,39
Management of Employees	25,89	20,51	23,66	29,94
Organizational Glue	25,38	20,74	24,50	29,37
Strategic emphases	23,37	22,57	25,25	28,81
Criteria of success	23,94	22,07	25,55	28,44
Cultural profile of the analysed company	24,57	21,40	24,95	29,08

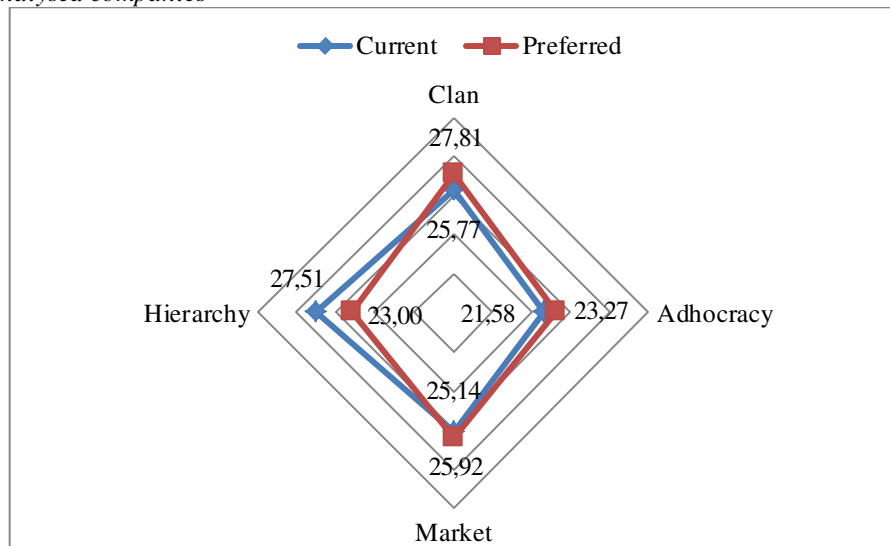
Source: (Authors' own research)

1. Dominant characteristics: the first dimension analysed by the respondents. This dimension identifies the perception of the employees regarding their life within the organisation illustrating how they appreciate the organisational climate (Figure no. 3).

The current situation: *The hierarchy culture* prevails with a score of 27.51 points, being followed by market and clan culture, obtaining similar results (25.77 and 25.77 points). The *adhocracy culture* obtained the lowest score with only 21.58 points. It suggests that employees think the organisational environment is strictly controlled and structured. At the same time, they appreciate the current competitiveness in their activity and the importance of interpersonal relationships. On the other side, elements of innovation and change are less prioritised.

The preferred situation: As can be observed, the employees from the analysed companies would prefer *the clan culture*, having obtained the highest score of 27.81 points. *The market culture* is on the second position with 25.92, followed by *the adhocracy culture* – 23.27 and *the hierarchy culture* with only 23 points.

Figure no. 3. Graphical representation of the scores obtained for the dimension Dominant Characteristics within the analysed companies

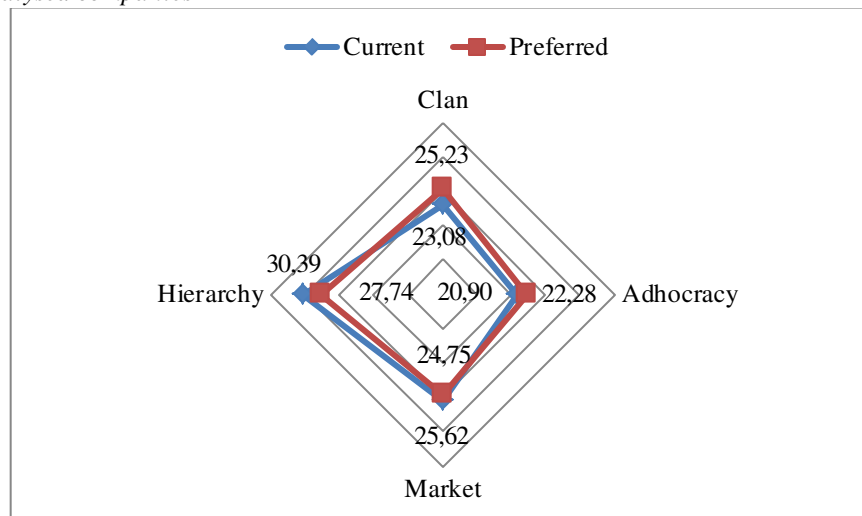


Source: (Authors' own research)

On this note, the most obvious discrepancies between the current and preferred situation registers *the hierarchy culture* (-4.51puncte). The staff would like the work environment not to be reigned by bureaucracy and to be less formal. At the same time, the increase obtained by *the clan culture* (+2.04 points) is a sign that employees want the companies to focus on human relationships and personal development. Summing up the opinions expressed by those taking the survey regarding dominant characteristics, we can conclude that employees would prefer increasing the flexibility level and more orientation towards the external environment.

2. Organisational Leadership. This dimension is focused on evaluating how employees perceive the leadership style practiced within the organisation.

Figure no. 4. Graphical representation of the scores obtained for the dimension Organizational Leadership within the analysed companies



Source: (Authors' own research)

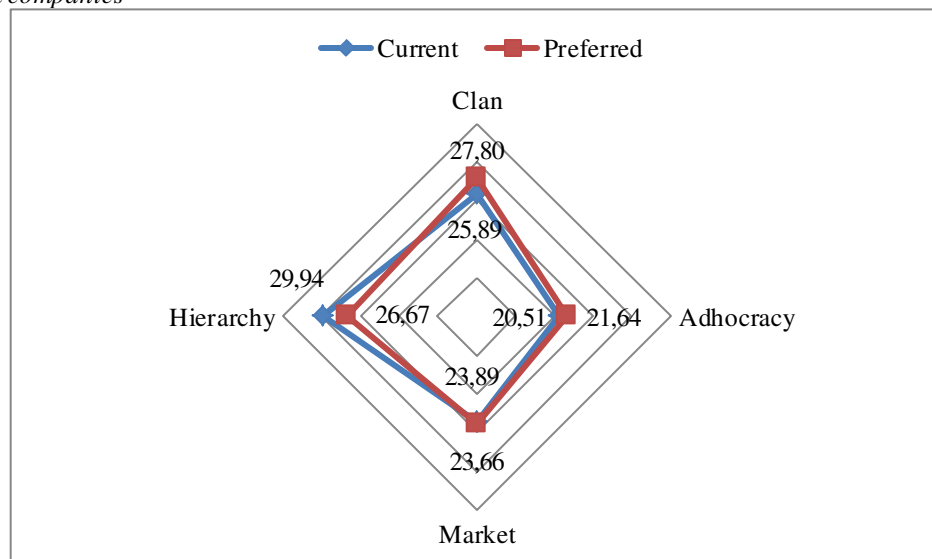
The current situation: *The hierarchy culture* was appreciated with the highest score – 30.39 points which is a good indicator of how employees appreciate the leadership style in the companies. It is followed by *the market culture* (25.62 points) and *the clan culture* (25.23 points). The lowest score was registered by *the adhocracy culture* – 22.28 points. The obtained scores prove the fact that leaders are most often perceived as too strict and competition oriented, being focused coordination and organisation. Leaders are regarded as beneficiaries and low-risk entrepreneurs.

The preferred situation: *The hierarchy culture* is given the highest score again (27.74 points). We believe that this result means that leaders in autochthonous organisations are regarded as a person that would direct, instruct and control as opposed to being a mentor. The following is *the clan and market cultures* evaluated with 25.23 and 24.75 points. The employees of the analysed companies gave less importance to the *adhocracy culture* scoring only 22.28 points.

Comparing the two current situations with the preferred situation highlights the fact that they would prefer a decrease the elements of leadership characterising the *hierarchy and market culture* types with 2.65 and 0.88 points and a significant increase of the elements of the *clan and adhocracy culture* with 2.15 and 1.38 points. This means the employees would prefer the leader not to be as oriented on results and to pay more attention to human resource issues, motivating the members through vision, shared views and positive consolidation. Similarly, they appreciate the importance of leaders as entrepreneurs oriented towards innovation and finding original ideas.

3. Management of Employees. This dimension quantifies the opinion employees have regarding human resource treatment within the company.

Figure no. 5. Graphical representation of the scores for the dimension Management of Employees within the analysed companies



Source: (Authors' own research)

The current situation: When it comes to their attitude towards human resource management, employees think that currently elements of *the hierarchy culture* prevail, with a score of 29.94 points, followed by *the clan culture* with 25.89 points. Lower in the ranking are the *market culture* with 23.66 and *adhocracy* – 20.51 points. Thus, the staff appreciates the existence of aspects related to involvement, team work, but without placing emphasis on assumptions. Less valued are risk and innovation.

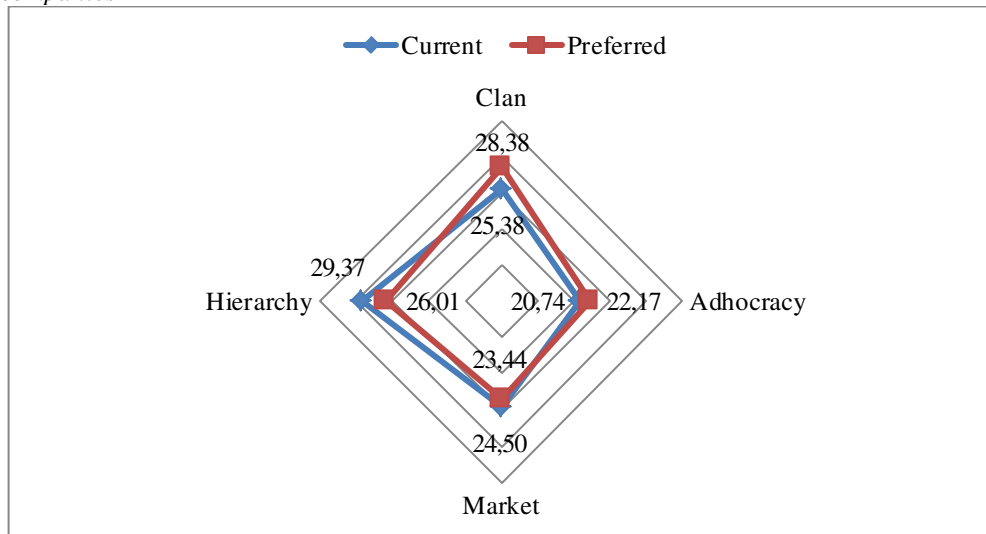
The preferred situation: As can be observed from their answers, they want to work in an environment where teamwork, social interactions and work conditions are prioritised, *the clan culture* obtaining 27.80 points. At the same time, it is considered that in interactions with the human resource, it is important to maintain *the hierarchy culture* type at a high enough level – 26.67 points. *The market and adhocracy culture* were ranked as third and fourth most important with 23.66 and 24.64 points.

Although *the hierarchy culture* elements are highly popular amongst the preferences of employees, there is still a desire to reduce conformity and security of human resource management with 3.28 points and to increase the integration of *the clan and adhocracy culture* with 1.91 and 1.13 points.

4. Organisational Glue. It is a dimension that measures and identifies the nature of the interactions and cohesion inside the company (Figure no.6).

The current situation: Employees of the analysed companies considered the organisational glue was mainly sustained by existing norms and rules (*the hierarchy culture* gained the highest score – 29.37). *The clan culture* was ranked second with 25.38 points, which is a sign of loyalty and mutual support, followed by *the market culture* – 24.50 which means focusing on organisational goals. A lower score was obtained by *the adhocracy culture* with only 20.74 points out of 100 possible.

Figure no. 6. Graphical representation of the scores for the dimension Organisational Glue within the analysed companies



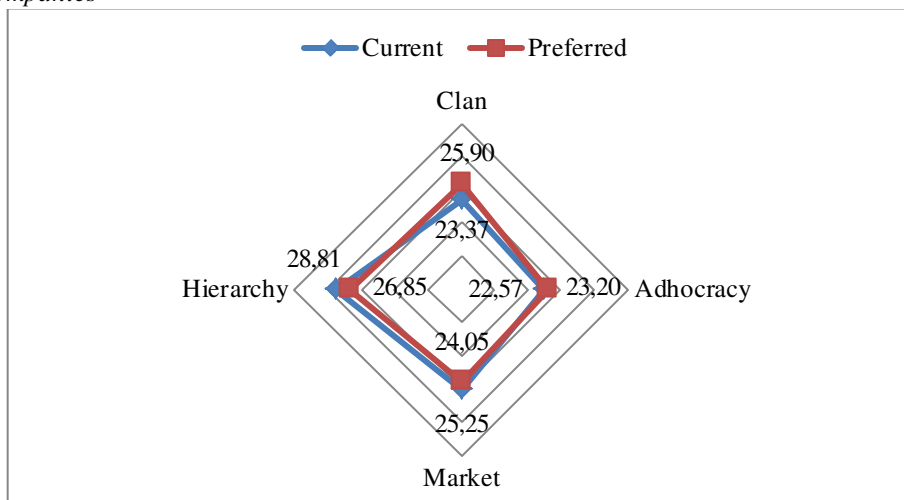
Source: (Authors' own research)

The preferred situation: Again, it can be observed that the employees would prefer the *clan culture* to prevail, giving 28.38 points, being followed by the *hierarchy culture* with 26.01 points. The *market culture* garnered 23.44 points and the *adhocracy culture* – 20.74 points.

The analysis of the difference between the current and preferred culture shows that the staff of the companies taking the survey would like to work in a more comfortable climate, resembling the interactions within a family (+3.00 points) and less formal, rigid and bureaucratic (-3.36 points). It is noteworthy that the desires expressed by the employees imply an even stronger orientation towards the intrinsic environment, whereas the *market culture* (-1.07) and especially the *adhocracy culture* (+1.43), both being oriented towards the external environment, are rather neglected.

5. Strategic emphases. Represents a dimension that identifies the employees' perception regarding the most important elements within an organisation.

Figure no. 7. Graphical representation of the scores for the dimension Strategic emphases within the analysed companies



Source: (Authors' own research)

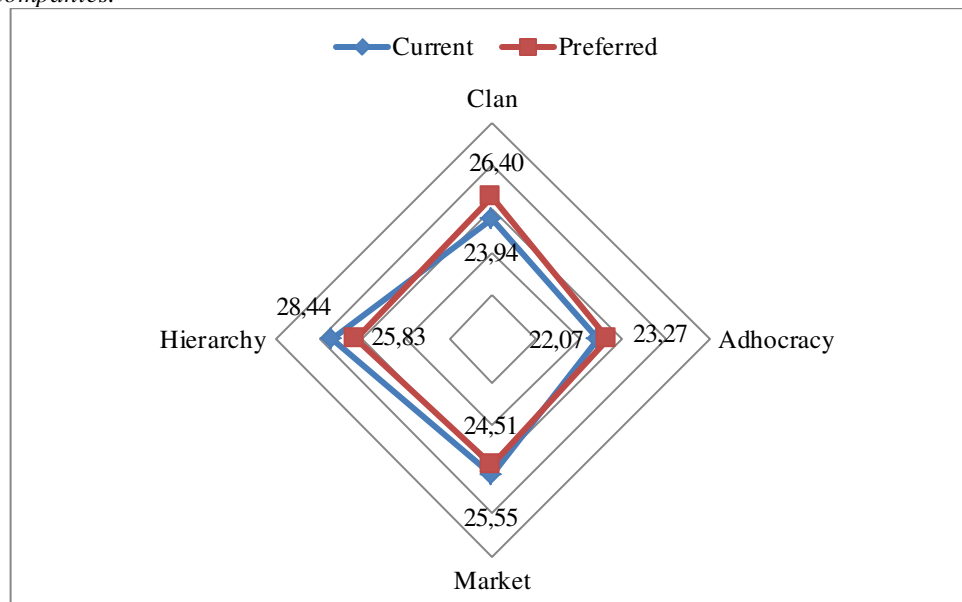
The current situation: *The hierarchy culture* prevails when it comes to strategic elements just as well with 28.81 points. On the second place is *the market culture* with 25.25 points and on the third *the clan culture* – 23.37 points. *The adhocracy culture* was appreciated with 25.57 points. These scores indicate that employees are aware the emphasis is placed on stability, efficiency and control of the realised operations with an orientation towards the demands of the external environment. According to the employees, within the analysed companies developing the human resource, exploring new challenges and opportunities are not as prioritised in the organisational strategies.

The preferred culture: An interesting fact is that the preferences of the staff don't differ too much from the current situation. It is considered that the *hierarchy culture* should prevail – 26.85 points with a small decrease (-1.96 points). *The clan culture* follows with 25.90 points, *the market culture* with 24.05 points and the *adhocracy culture* with 23.20 points.

The comparative analysis of the current and preferred situation shows that in the organisational strategies employees would like paying more attention to human resource (+2.53 points) and a less challenging, strictly results-oriented environment (-1.20 points).

6. Criteria of success. Represents a dimension that identifies which criteria are used to define whether a company is successful.

Figure no. 8. Graphical representation of the scores obtained in the dimension Criteria of Success within the analysed companies.



Source: (Authors' own research)

The current situation: Regarding employee perception of what the success criteria are in the said companies, the same tendencies as above can be observed. *The hierarchy culture* prevails with 28.44 points, followed by *the market culture* with 25.55 points, *the clan culture* – 23.94 points and *the adhocracy culture* – 22.07 points.

This evaluation indicates the fact that employees perceive success as offering high quality services, strict planning of activities and maintaining low prices, as according to market demands. Performance is less defined from the perspective of human resource, implication, care towards employees, innovation, advanced technology and maintaining a leading role in the industry.

The preferred situation: The preferences of the staff regarding criteria of success differ from the current situation. The clan culture prevails with 26.84 points, followed by the hierarchy culture – 25.83 points. A lower score was obtained by the market and adhocracy culture, 24.51 points and respectively 23.27 points. Therefore, in employees' preferences there is a considerable reduction of results orientation typical of *the hierarchy culture* (-2.61) and an increase in orientation towards people, which characterises *the clan culture* (+2.46 points)

This evaluation suggests that employees think it would be better to have performance criteria that would be focused on personal development, team work and organisational commitment, while also prioritising time efficiency and organisational safety.

5. Conclusions

Validation of scientific research hypotheses: Analysing the organisational culture of the companies from the Republic of Moldova, both at the level of companies and dimensions indicates that the hierarchy culture prevails, therefore validating the *hypothesis number 1*.

The employees' preferences show that they would like to work in a less formal environment, with emphasis placed on people, not tasks, in other words, the clan culture. This proves the *hypothesis number 2*.

Analysing the results of the study on each dimension of organisational culture, we can state that the respondents do not have high aspirations regarding changing the management style of the analysed companies. According to Cameron & Quinn (apud OCAI, 2012), if the difference between the current score of the organisational culture and the state preferred by the employees is smaller than 10 points, it is important to implement changes. In the study conducted, no discrepancy was higher than 10 points between the current and preferred state, the highest being 4.51 points. However, we think it is not necessarily an indicator that the situation is favourable and requires no change, but rather that employees do not claim to other types of organisational cultures. Thus, the *hypothesis number 3* was not validated.

We can conclude that managers of the analysed companies must take measures to develop specific elements typical of the clan and adhocracy culture, which encourage organisational commitment, civic behaviour and facilitate creativity and innovation.

The limitations of this research are about the number of respondents, as the primary data were collected from employees working in 28 companies from the Republic of Moldova. I intend to extend my future researches to investigate the organizational culture in other companies of the republic. The tested and presented methodology can be easily adapted to future organisational culture research.

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The Workforce Crisis Overcome with the Help of Cultural Management

Maria Magdalena Criveanu

University of Craiova, Faculty of Economy and Business Administration
mag_da64@yahoo.com

Abstract

One of the major concerns of today's management is the harmonization of employee-management relationships. It is a known fact that one of the main sources of conflict at the organizational level is the discrepancy between the employees' expectations and those of the managerial staff. Thus, managers are increasingly involved in the relationship with the staff, wanting to identify possible inconsistencies, in order to prevent conflicts. As a consequence, the present paper aims at providing managers with an organizational analysis model in order to identify possible discrepancies between higher and lower hierarchical levels, in terms of organizational culture. In order to come up with the diagnosis in what the organization is concerned, we have used in our research a tool for assessing the organizational culture, which records the choices that the members of the organization have made. The end of the paper provides with an assessment of these data, giving solutions to improve or even suppress these discrepancies.

Key words: organizational culture, leadership, organizational conflict, managers.

J.E.L. classification: M12

1. Introduction

In the context of a labour force crisis, triggered mainly by the employee migration from the private sector to the state sector as a consequence of some favourable actual regulations of this sector, the managers are striving to develop a series of tools meant to offer an explanation regarding the employees' lack of satisfaction with the private sector. Of course, one of these complaints are related to the organizational conflicts, which are usually generated by the cultural discrepancies between the employees and the leaders. In this respect, we have analyzed the dimension *Organizational leadership* within a private company from Craiova whose main area of activity is the distribution. Thus, the people who were involved in this study have answered a series of questionnaires that evaluate the organizational culture by mentioning both the actual state within the company, but also the state they aim at. The questionnaires have been divided into two categories of wage earners, managers and employees, and the results have also been interpreted in a different way by bearing in mind this division. In this way, we were able to analyze both the discrepancies between what the employees regard as being valid in what the leaders are concerned, but also the situation they strive for, which means the path that the members of the management could follow, but also the board's opinion regarding the actual leadership and the one they want to achieve.

2. Literature review

This workforce issue requires increased attention so that specialists in the field propose a series of instruments that can assess the satisfaction of employees. Thus, Hofstede proposes an analysis of behavioral differences starting from 5 dimensions: distance to power (power intensity), individualism / collectivism, femininity / masculinity, avoidance of uncertainty, long / short orientation (Hofstede, 1980, p.42-63). The model of the systemic approach (Burduş et al, 2008, p.41) represents another solution for evaluating the employees in relation to other variables such as

their technology, strategy or tasks. Schein's model presents a different approach based on a debate session which aimed at identifying differences between the two categories of employees at the level of shared beliefs. Kim Cameron and Robert E. Quinn are also proposing an instrument to evaluate one of the most important dimensions within an organization namely the Organizational Leadership Dimension.

3. Research methodology

In this respect, we have used a tool in order to evaluate the organizational culture (Organizational Culture Assessment Instrument - OCAI), which belongs to the two specialists mentioned above, Kim Cameron and Robert E. Quinn, who have identified the 6 dimensions one should approach when shaping a full cultural profile. The 6 dimensions refer to: Dominant Characteristics, Organizational Leadership, Management of Employees, Organization Glue, Strategic Emphases, Criteria of Success (Cameron et al, 2011, p.39). The first part of the study aims at identifying a cultural type in what the dimension *Organizational leadership* is concerned. This dimension is analyzed both from the employees' perspective, as well as reflecting the status of the individuals who have a leading position. The role of this division into two wage earner categories, managers/ employees, is that of pointing out some potential inconsistencies between what the employees regard as being something dominant within the organization and what the managers think the specific culture is. The leading style is a specific element, because the leadership is increasingly significant when it comes to organizing the activity of the private companies. This study has counted with the answers of 50 subjects, out of which 12 have signaled that they have a leading position within the enterprise, whereas the rest has rendered itself as normal employees.

The hypotheses of the scientific research

Throughout this study we have borne in mind also the validation/ invalidation of the following scientific hypotheses:

Hypothesis no. 1: When it comes to the dimension *organizational leadership*, there is a conflict between the employees and the managers, because the two categories of subjects tend to identify two different types of culture for this dimension.

Hypothesis no. 2: The culture identified by the employees will be the market type one, whereas the culture pointed out by the managers will be the clan oriented one.

Hypothesis no. 3: The employees strive for a clan oriented culture, a human resources oriented culture, thus claiming that they need the managers' attention.

Hypothesis no. 4: The managers aim at a hierarchy oriented culture because they assume that the more strict, formal and organized environment from the public sector is important for the personnel's stability and therefore that the harsher rules forestall the migration from the public sector towards the private one.

4. The Dimension of the Organizational Leadership viewed from the managers' perspective

Before starting to analyze the results that we have come up with, we will briefly describe the 4 types of culture, i.e. the clan oriented culture, the hierarchy oriented culture, the market culture and the adhocracy oriented culture.

The clan oriented culture: The leaders are seen as mentors or even as fatherlike figures.

The market culture: The leaders are regarded as being strong, productive and competitive managers. The managers are firm and strict.

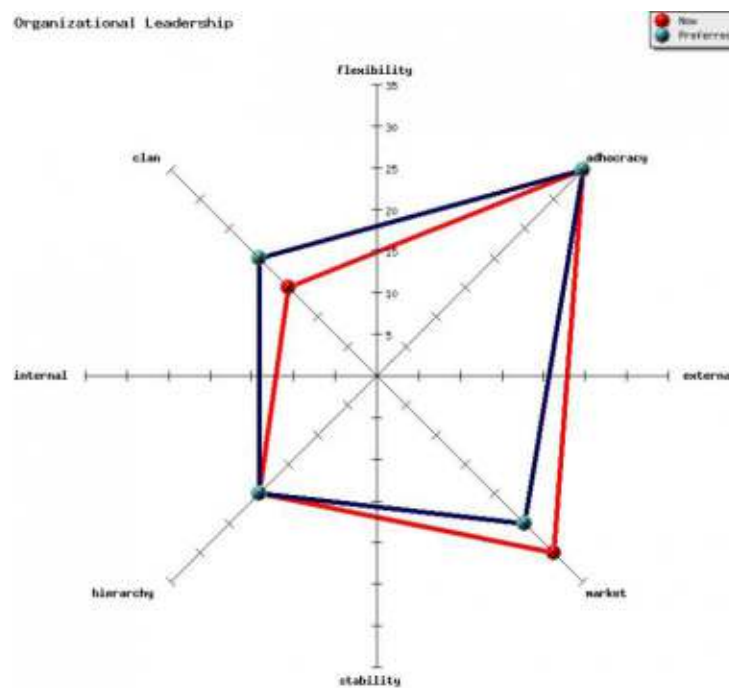
The hierarchy oriented culture: The leaders are perceived as being good coordinators and organizers, efficiency oriented. Their purpose is that of maintaining the organization at a constant level.

The adhocracy oriented culture: the leaders are innovative, willing to take risks.

The dimension *Organizational Leadership* stresses out how the organization's leaders are perceived, the way they behave towards their employees and which their perception regarding success is. By analyzing the results that we have come up with after having interpreted the questionnaires, there can be noticed that, the opinion of the subjects who are at a high hierarchical

level, which means, they have leading positions, is that leaders are innovative and willing to take risks (the adhocracy oriented culture has registered 35.00 points). They are, at the same time, competitive, productive and good managers (the market culture has 30 points). At a lower level, they are regarded as good coordinators and organizers (the hierarchy oriented culture has 20 points). At a lower scale, the leaders are regarded as being mentors or fatherlike figures (the clan oriented culture has 15 points). This points out that, for this dimension, the discrepancies between the wanted culture and the actual one don't register higher differences than 10 points or even this value, thus this does not require an increased attention in any of the 4 situations. The clan oriented culture has registered a positive increase of 5 points, whereas the market culture has a decrease of 5 points. The adhocracy oriented culture and the hierarchy oriented culture have registered no changes.

Figure no.1. Organizational Leadership Dimension viewed from the managers' perspective

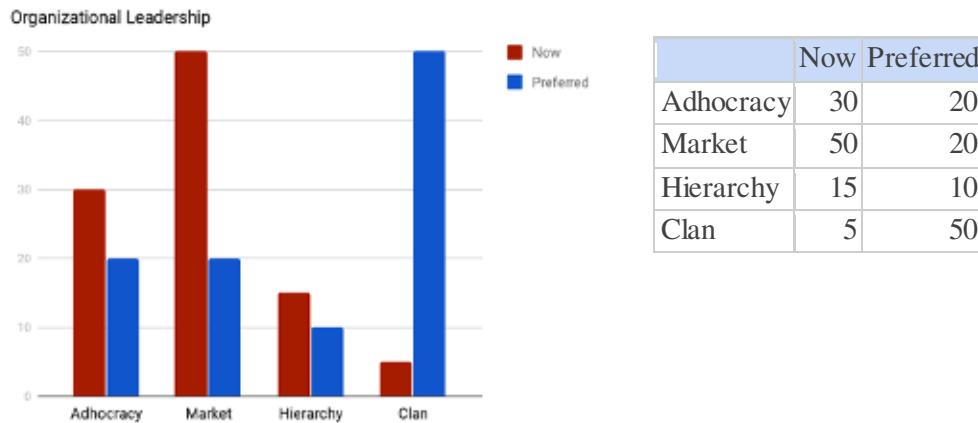


Source: data processed according to the applied questionnaire

5. The Dimension of the Organizational Leadership viewed from the employees' perspective

By analyzing the same dimension, but from the employees' perspective, there is a different situation in what the identified type of culture is concerned. The employees regard the leaders as being strong, productive and competitive, but, at the same time, also as being firm and strict (the market culture has the highest score - 50 points). When referring to the wanted situation, there is a significant difference regarding this type of culture, which means a decrease of 30 points, a wish to improve, even to supersede these features. Such a difference points to a way too high disparity between what the employees experience as being the actual organizational climate and what they really want. The adhocracy oriented culture has 30 points, and not 35 points as in the managers' perception, the latter ones have also mentioned features such as creativity and willing to take risks. Also in this case there is a tendency of improving this predisposition, sometimes the risk is considered to be a threat against the employee and the job reliability. The hierarchy oriented culture has only 15 points and thus the concepts of stability, reliability, of being something permanent do not shape the leader's profile, whereas the clan oriented culture is almost invisible. At this level also there is a difference of 45 points between the actual and the wanted state, a difference that urgently requires the managers' interference because it is an obvious source of conflict.

Figure no.2. The organizational leadership dimension viewed from the employees' perspective



Source: data processed according to the applied questionnaire

6. The validation of the hypotheses of the scientific research

Hypothesis no. 1 is totally valid, the two categories of wage earners have different visions regarding the leaders' behaviour. Hence, if, in the employees' opinion, the leaders appear as being firm and strict, (the market culture is the dominant one) they will consider themselves rather as being innovative and willing to take risks (the adhocracy oriented culture mainly shapes the leader's profile).

Hypothesis no. 2 is partially valid, the employees render the market culture as the dominant one, but the managers accept the low interest towards the human resources or towards the creation of a familiar environment, by rather stressing out a competitive climate.

Hypothesis no. 3 is totally valid, the employees claiming that they need an increased attention from their managers, who, being dominated by a high trade sense, ignore the significance of the human resource and become the prey of the desire to make profit.

Hypothesis no. 4 is not valid, therefore there are no significant discrepancies between the actual situation and the one the managers strive for. The adhocracy oriented culture has not registered any changes and it is still considered to be the best attitude the managers could have.

7. Conclusions

As a conclusion, with the help of this analysis we have identified the existence of a conflict within the organization, a significant unease pointed out by the employees, but also some disparities between the perspectives of the two categories (employees and managers). Hence what can be noticed is that the actual situation within the enterprise is perceived differently by the higher hierarchical levels, where the managers render themselves as innovative, autocrat, ambitious, whereas the lower hierarchical levels regard them as firm and strict. But the most important source of conflict is not the actual situation, but the situation the enterprise is striving for. If, from the leader's perspective, the situation is accepted, tolerated and even still wanted, the differences between the two states being insignificant, things are different from the employees' perspective. Not only they identify a different type of culture, but the major source of conflict is the dissatisfaction degree with the actual situation. The employees reprobate the authoritarian leading style, whose main purpose is the profit, the clients and requires an increased attention in what the employees' needs are concerned.

Taking this into consideration, it is recommended that the managers notice these disparities and take into account the employees' perspectives, especially when confronted with such a labour force crisis. Because the public sector offers its employees a series of indisputable advantages, such as the job reliability, continuity, a stable schedule, stability and even motivating incomes, the statistics showing that the incomes from the public sector are higher than the ones in the private sector, a change of attitude and perspective is required in order to annihilate or, at least, to improve these

negative aspects. Probably one of the aspects that the public sector does not take into consideration refers precisely to the close attitude between the employees or to the familiar environment which is not specific to state institutions. This aspect must be speculated on by the private environment that can compensate these disadvantages by showing an increased interest and attention in what the employee is concerned.

Taking this into account, the manager who is supposed to make the change must have as the center of his preoccupations the human resource and therefore to identify its needs and potential ways of complying as efficient as possible with the employees' requests. A lot of private companies gamble on the relationships between the co-workers established within the enterprise, but also on the relationships between the employee and the manager, because they act as a bond, as a connection between the employee and the enterprise, thus ensuring a sustainable and stable relationship. In this respect, the manager stands for communication, for solving conflicts through negotiation, for the cancellation of the borders between the higher and the lower hierarchical levels, for the team work, for the organization of social events which act as an integrating myth. Hence, the first step takes place when the managers admit that there is a need for change, then try to implement the way the company is going to follow in order to achieve this change.

A pertinent example refers to setting up team buildings, where the employees will acquire new skills or knowledge, where they have the possibility of knowing each other better, of creating social connections and of cooperating in order to solve some tasks, because team buildings are usually organized based on common activities.

Another significant aspect is connected to identifying a leader for these activities who manages to make the teamwork and encourage it, thus contributing to the annihilation of the borders between leaders and employees because when it comes to such activities the leader status is gained through the presence of a series of indisputable capacities and not through the stiff higher position within the organizational chart. What counts as another important aspect can be the increased attention shown to the signs and symbols, the rituals and the myths, that contributes to the shaping of an inner and outer organizational identity. The employees end up accepting these elements as their own and will form a powerful culture, which will prevent the surfacing of certain negative phenomena such as the migration and will cause the group to fall apart.

The participatory management contributes to the annihilation of the differences between the two categories of wage earners, therefore making decisions together is a good way to involve the personnel in the company's activity, to offer them attention trust and even to provide them with a series of responsibilities. At the same time, managers refuse to invest in the human capital any longer, because they regard the investment as useless when the employees leave the company and the possibility to recover the lost investment is basically non-existent because of the increasingly higher personnel mobility. On the contrary, such investments increase the degree of involvement the employee has, because he achieves new knowledge and it becomes more productive, and the investment is regarded as a way of agreeing with his skills, but also as a proof of the increased attention whose beneficiary the employee is, which is exactly what they claim as being necessary in order to improve the cooperation. Changing the organizational culture will also imply benefic effects in what the whole activity is concerned, thus annihilating a series of negative effects such as absenteeism, not being willing to work overtime when necessary, but also the improvement of the efficiency and efficaciousness through involvement.

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Human Resources Motivation – Component of the Labor Relations and Human Behavior Development

Daniel Dăneci-Pătrău
"Spiru Haret" University
danusidenima2@yahoo.com

Abstract

In human resources management the influence of the motivation theory on management practice is absolutely vital as human resources are the most important category of assets used by an organization, but paradoxically they are the only asset that can act against the organization's goals. Thus, only through an effort of collaboration and motivation, employees find in their work the exterior outcome of their latent energy and creativity. In the organizational context, performance refers to the execution of the work activity. The level and quality of an employee's performance are determined by the employee's ability to perform the assigned work and the employee's motivation to perform it. There is an interconditioning between motivation and performance. The objective of this article is to synthesize the research outcome on human resources motivation as a component of labor relations and human behavior development.

Key words: human resources, motivation, management performances

J.E.L. classification: M12

1. Introduction

To better emphasize the basic characteristics of the human resources motivation it is necessary to define and outline as clearly as possible its place and content within the human resources management, and from this standpoint, specialty literature approaches numerous different opinions. Regardless of the diversity of opinions, the vast majority of experts in the field believe that human resources management, like any other scientific field, is the result of specialized research and falls under the already known trajectory of a relatively rapid evolution and diversification in many areas of activity.

Thus, depending on the goal pursued, research undertaken and issues addressed, the general management was divided into a plethora of specialized fields, among which the human resources management, an area which has, over time, experienced significant changes.

The system of individual needs, interests and attitudes determines their degree of motivation, which in turn influences the individual and organizational performances. Theories on motivating employees actually refer to how managers treat them. In specialty literature, there is no pattern for staff stimulation, motivation theories are diverse, which has led us to synthesize the existing classifications according to several criteria.

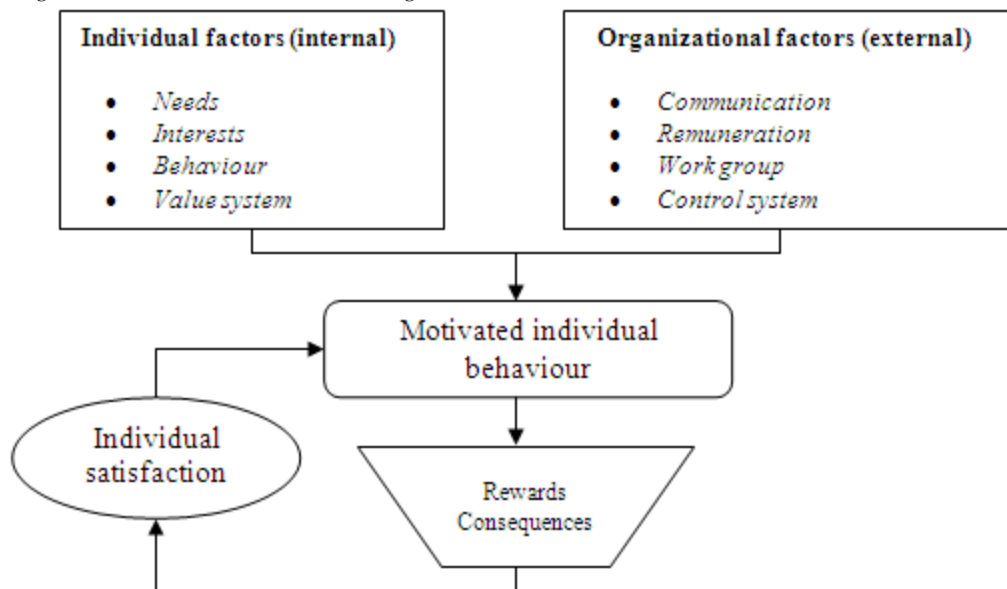
2. Literature review

There are many definitions for the term "motivation" in specialty literature. Although there is no universal definition, most of them emphasize that motivation is a set of forces that incite the individual to engage in a certain demeanor (Prodan, 2008,16). The motivation in the work field is defined by D. Currie (2009, 23) as "the individual's willingness to channel work efforts towards achieving organizational goals, while meeting individual needs." The individual alone is able to motivate himself because all motivational processes are coordinated within the human being, and the manager is in the position to identify and show in what context achieving the company's

objectives also ensures meeting the employees' personal needs. Motivation is a concept that relates to both internal or individual factors and external or organizational factors, encouraging the individual to adopt a particular behavior. The individual's mental and physical balance, caused by the satisfaction of the needs, is fragile and fleeting, in the sense that a new need arises as soon as another has been satisfied thus provoking a new instability that stimulates the individual again.

A general motivation diagram is illustrated in Figure 1. According to this diagram, the level of motivated behavior and human adaptability to different situations are determined by the two categories of interacting energizing factors.

Figure no.1 General Motivation Diagram



Source: (Prodan, A., 2006, 16)

Managers are predominantly preoccupied by motivation in their work, all the more so as employees seek recognition and engagement in meeting needs without the authority and external control have the previous effect. The finality of an action naturally comes to fruition in a material or moral satisfaction, depending on the purpose in question. In the case of the employee, when the effectiveness of the individual's participation in the group's activities is reduced and arisen satisfaction does not exist, there is a state of dissatisfaction that affects people and the organization as a whole, causing the phenomenon of frustration.

The research conducted by a group of specialists within governmental organizations in the United States of America led to designing an assessment model for a six-phase employee motivation system, which has provided a set of new methods for human resources performance review (Edwards, 2017, 87).

Authors view these methods as applicable to any type of organization, in the context of the new challenges of human resources management regarding the evolution of their strategic role within the organization. The novelty of the proposed assessment program entailed determining a systematic methodology that established an appropriate successful metric intended for motivating human resources as well as determining how this program accepts improvements or outsourcing in order to successfully fulfill the criteria for which it was designed.

3. Analysis of the main motivation theories and their implications in the human resources performance growth

Of all the motivation theories, the study of *content* and *process theories* has been of particular importance among the theorists of last century. Advocates of content theories emphasized the importance of environmental and job intrinsic factors, stating that employees are more or less motivated by the presence or absence of the factors desired. The adepts of process theories have

argued that people choose to behave in certain ways because they expect to achieve their desired results. In the opinion of most specialists, human resources managers and practitioners have a full understanding of the factors that motivate people to work. Motivation leads to performance, and the degree to which a well-trained and qualified individual will perform a task is determined by the extent to which he feels motivated to do so.

The main motivation theories presented in Table 1 start from the existence of individual requirements that the organization seeks to satisfy or neutralize if they oppose its objectives.

Table no.1 Main motivational theories

Theory Category	Theory name	Representatives	Characteristics and fundamental principles
Preliminary Theories	Classical school	F. Taylor	Employees are stimulated by various categories of financial or economic rewards
	Human resources school	Elton Mayo	Noteworthy social elements associated with work, rendering employees the sense of their importance
Content Theories - Refer to the factors initiating motivated behavior	The hierarchy of needs theory	A. Maslow	People constantly seek to meet certain needs, which manifest in a certain order of their importance
	The two-factor theory	F.W. Herzberg	Employees are influenced by two types of factors, some causing dissatisfaction (hygiene factors) and others satisfaction (motivation factors)
	ERG Theory - Existence, Relationship, Growth	C. Alderfer	Employees work under the impetus of requirements related to respect, affiliation and growth
	Theory X and Theory Y	McGregor	The theory comprises two fundamental models based on different assumptions about employees and practices of implementing managerial styles
	Need theory	D. McClelland	The organization provides employees opportunities to meet at least three needs: the needs for power, achievement and affiliation
Process Theories - Address the factors that motivate the behavior	The VIE expectancy theory	V. Vroom	People choose their behavior depending on the extent to which they value the expected outcome; the theory uses the terms <i>valence, instrumentality, and expectancy</i>
	The expectancy theory	L. Porter, E. Lawler	Develops Vroom's ideas stating that performance is that that produces satisfaction and emphasizes the expected results
	Goal-setting theory	E. Locke	Highlights individual's ability to choose the goals they want to achieve and which strongly influence behaviors
	The equity theory	S. Adams	Employees compare themselves with others in terms of efforts and outcomes to ensure that they are treated fairly and equitably
Reinforcement theories	Operant conditioning theory	B.F. Skinner	The theory deals with the factors that lead to the repetition of a certain behavior; positive or negative reinforcement conditions the behavior

Source: (Adapted after Rosca, et al, 2015, 399) and (Currie, D., 2016, 235)

The social exigencies related to wage as a motivating factor, represented by satisfaction generating, employees motivating, equity policies implementing or directing labor force to some priority areas, with strong effects on individual and organizational performance, are currently the subject of major concern for many case studies. Criticisms of individual motivation theories for being focused only on one side of the motivation influence have led to the idea that some comparisons and combinations of the concepts involved are achievable through considering several theories. For example, Herzberg's environmental factors fully satisfy the needs from the inferior levels of Maslow's theory or Alderfer's relationship and existence ones, but only partially satisfy McClelland's theory of affiliation.

At the same time, Herzberg's motivating factors meet the needs of the higher levels of the other three theories. The motivation shift from a more simplistic view to a more refined, well-drafted theory is manifested by the abandonment of content theories that claimed universal applicability. In this respect, the correspondence of the main individual motivation theories is important, according to the depiction in figure 2.

Figure no. 2 Correspondence of needs in individual motivation theories

	HIERARCHY OF NEEDS THEORY Maslow	TWO-FACTOR THEORY Herzberg	ERG THEORY Alderfer	NEED THEORY McClelland
Superior needs	Self- accomplishment needs	Motivators	Growth	Needs of accomplishment, Needs for power
	Need for respect			
Basic needs	Social needs to affiliation and acceptance	Environmental Factors	Relationship	Needs of affiliation
	Needs for safety and protection			
	Physiological needs		Labor conditions, Remuneration	Existence

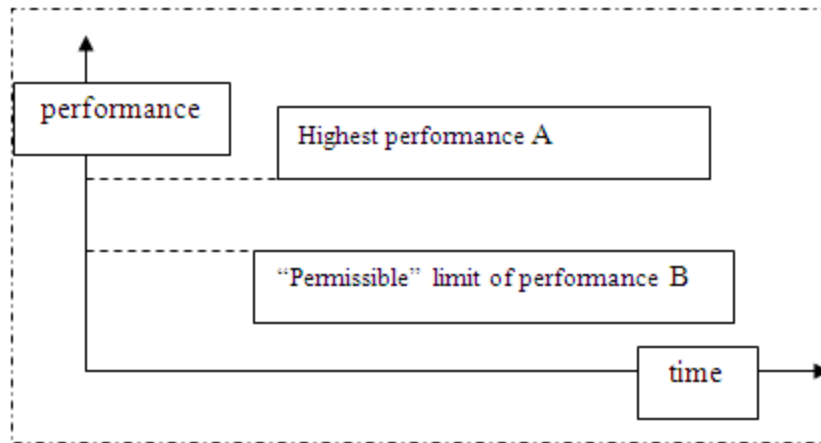
Source: Adapted after Nica, 2010, 173

As opposed to the approaches of motivation content theories, a new vision is being developed today in the management practice according to which there is no motivator per se, only concepts on the basis of which a certain social issue becomes motivating or not. In agreement with a reputable specialist in human resources management, we believe that each time employees are motivation-deprived the problem is particularly identified in one of the following five areas: inefficient selection, lack of communication within the organization, ambiguous objectives, system performance assessment or defective organizational management (Robbins, 2008, 98). Productivity, efficiency, performance are labor desiderata. How they are derived from the influence of human factor, how high performance in an organization is and which the permissible limit is for employees are issues that most managers seek to clarify.

To outline possible responses to these issues, we suggest taking into account the performance monitoring system shown in Figure 3.

Based on this model, the *upper limit* of performance is conditioned by the ability of each individual to fulfill workload, but also by the technical system provided by the organization; the *lower limit* is the lowest level of performance that the leadership of an organizations is willing to accept. The place occupied by an employee between the two limits of performance depends on his motivation and willingness to work better.

Figure no.3 Employees performance monitoring model



Source: Author's contribution

According to the model in figure 3, an employee in position A proves a higher motivation, whereas another, in position B, is demotivated. The aim of positive influence on motivation is to move most employees to position A and to this end, working conditions, job satisfaction, promotion perspectives, performance evaluation system are directly acted upon via additional use of valuation tools of the work done, the delegation and encouragement of the employee's initiative at the workplace.

4. Wage policy - human resources motivating factor

In management practice, salary management has become a limited concept in terms of the issues addressed and was gradually replaced by the *rewards management* which, according to a group of authors, represents the process of developing and implementing strategies, policies and rewards systems allowing organizations to accomplish their goals by employing, maintaining and motivating human resources (Lefter, 2008,89). Employees' appropriate motivation as to contribute to the increase in the organization's competitiveness is achieved through their appropriate rewarding based on their specific strategy and policies and their own reward system.

In most organizations, the rewards system includes, in addition to work, other items (Manolescu, 2013, 123) that Fisher, Schoenfeld and Shaw divided into:

- Direct rewards, represented by the basic salary, merit pay, incentive system and deferred payment.
- Indirect rewards, represented by protection programs, paid non-worked time, services and other rewards.

Component of the reward system, the wage policy influences the organization's performance through how it is developed and used by managers. An adequate wage policy becomes a motivating factor for human resources when, deemed as reward, is desired and credited to the employee who improves his work performance and at the same time requires a proportional ratio between the employee's additional effort and performance improvement.

Defining the wage policy, V. Petrovici (2007, 165) considers that this constitutes "an association of action decisions aimed at achieving the organizational objectives in the field of wages and also the means to achieve them." According to this definition, through the salary policy used, the organization's management seeks to develop a payroll system targeting work performance. This means that it is intended to increase the incentive nature of salary, to support competitiveness and performance through its level and evolution, which implies a direct correlation between the results of the work and its payment. The fundamental element of wage policy is salary, which represents the remuneration for the work done and due to an employee based on a labor contract. Salary separates work from other human activities by the fact that it helps an individual become materially independent and the gain earned will determine the standard of living for himself and also his dependents. This highlights the motivational nature of the salary in regard to

work performance increase and the degree of belonging to a certain social group. If there are no prospects for career development and salary increase, the employee will look for another job able to fulfill his material and professional aspirations.

The wage policy development is a complex activity requiring consideration of all the salary components, the functions it performs, the correlations with various economic and social variables, as well as their implications on the interests of the parties interested in the organization's activity, divergent in most cases.

Thus, for the *capital owner*, pay is often the most important element of production costs and its minimization becomes an essential requirement to maintain the competitiveness, competitive capacity and viability of the market firm.

For the employee, as a *labor force owner*, salary represents income, the main means of his and his family's existence, and his reaction is to try to upsurge salary. Therefore, it is imperative that wage policy neglect not employees' fundamental needs and goals, as salary is a means to meet their social and personal needs.

The third part of the labor relations, the *public authority* conceives salary both economically and socially, from the perspective of the labor market, the existing institutions and the economic and social equilibrium that it generates. Therefore, the contradictions generated by the divergent interests of the three parties, which are also the source of the malfunctions within the organizations, require the development of wage policies that determine the adherence of the employees to the organization and allow the motivation for an increased contribution to the long-term global performance .

In G.A. Cole's opinion (2006, 45), an organization's wage policy targets three main purposes:

- Attracting a sufficient number of suitable employees.
- Keeping employees happy.
- Rewarding employees for their effort, loyalty and achievement.

Under these circumstances, the majority of the private sector organizations, as well as a significant part of the public sector, spend a great deal of time and effort on designing adequate remuneration systems to cope with pressures from trade unions that negotiate a higher labor cost, competing firms that attract better qualified human resources and the state, which requires minimum working conditions for all employers. The generalization of the salary as a form of earning an income has occurred in the context of the modern capitalist organization. Salary is an economic, social, but also a legal category.

With respect to salary, various theories have been developed over time from the economic standpoint, where there are no predetermined and categorical rules for establishing the distribution of income between salaries and profits. As a result, the negotiation between the social partners that ultimately determine the division of income into wages and profits is critical.

From a social point of view, salary has nutrition character, because it is for most employees the essential income through its periodicity and regularity. By making the workforce available to others, the person engages herself and must instead receive the necessary means to lead a dignified life.

From a legal point of view, the labor fulfillment and its remuneration are the main obligations resulting for the employee and respectively for the employer based on the individual labor contract signing or the existence of the service relationship. The legal obligation to work, , possibly, determined or determinable and personal, is also characterized by the fact that it has a patrimony character and can be economically assessed. In our country, the concept of salary is legally prevalent, and its components arise according to legal norms. In this respect, we highlight the position according to which, in the Romanian budgetary system, the emphasis is set on the earnings stability and wage equal distribution in compliance with strict rules, and the confirmation is rendered by the existing salary method in the public railway companies.

We believe that, at a macroeconomic level, wage policy is conceived as a component of the overall economic strategy along with the employment, fiscal and monetary policy; at a microeconomic policy, it is an intrinsic part of the organization's strategy, involving internal and external equity. Internal equity starts from a balance that the organization has to promote between the employee's performance and the reward offered. In order to achieve this balance some authors considered necessary to quantify a series of factors, namely: experience, education, supervision

degree, activities complexity, physical and mental capacities, working conditions (Panisoara, 2005, 136). External equity refers to stabilizing the salary level within an organization with the salary level existing on the labor market for a similar position.

From the perspective of a staff department within an organization, salaries are seen as a balance between supply and demand, setting competitive rhythms and rewarding systems for valuable activities. Each understanding on wages has an effect on the production process and involves the use of a certain human resources motivation system.

5. Conclusions

The role of the human factor increases as consumers' demands for quality of services and participation in the production activity of some diverse segments of the population increase. These actions of population's direct involvement educates the consumer more easily, increases the level of accepting different services and, implicitly, his satisfaction. The quality of social relations reflects the place occupied by the employees in the company, and the assessment of the level of these relationships must be based on the staff's motivation and participation and behavioral style of managers organised hierarchically, both in the company's central structure and the regional branches.

The activity efficiency of an economic organization largely depends on how its leadership succeeds in maintaining a permanent social dialogue within it as a constructive way to integrate employees' personal goals into the organization's overall objectives. Employees' permanent participation in the social dialogue is beneficial for the organization, as it responds to specific, high-interest objectives and targets the achievement of the economic and social requirements. Employees' participation is justified and *economically* supported, as it contributes to finding solutions for production and productivity increase, costs cut, avoiding damage or losses emerging from social conflicts. This economic coordinate resulted from employees' participation in the social dialogue is complemented by the organization's *social* dimension by meeting the external clients' demands as well as by solving its own staff's emergent demands.

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Measuring Customer Satisfaction of Tourist Services. Case study: President Hotel

Gabriel Dinu

Loredana Dinu

"Eftimie Murgu" University of Resita, Faculty of Economic Sciences

gabi_dinuus@yahoo.com

loredanavamvu@yahoo.com

Abstract

One of the biggest challenges of the hotel management is the consumer satisfaction. Qualities of the services with customer satisfaction are key factors in the battle for the customer retention.

Assuming that customer satisfaction is essential for the successful development of hotel industry in Romania, and through it the Romanian tourism, in this study we aimed to provide a starting point in an area of great interest.

Key words: satisfaction, tourist, tourist services, hotel industry

J.E.L. classification: M3

1. Introduction

From the literature review results that that tourism is an old business whose origin dates back to ancient times and it experienced a real development from the second half of the twentieth century.

According to the WTO in 2017 it was 1.326 million of international tourists, which generated an income of 1.340 billion dollars (1.186 billion euros), and the latest forecasts announced an increase in tourists for 2030 at 1.8 billion tourists (WTO, 2018).

2018 reinforces strong results from 2017 (+ 7%) and is the second strongest year since 2010. The overall results were driven by a favourable economic environment and strong demand. (Middle East (+ 10%), Africa (+ 7%), Asia, Pacific and Europe (+ 6%), America grew 3%.

The data analyzed show that the tourism industry is a dynamic industry and that its vulnerability to crises of any kind can be significantly reduced as long as we can speak of a satisfied consumer.

2. Literature review

Customer satisfaction is the key driver for any organisation to sustain in current competitive era. Service providers need to understand their customers and design their services in such a way that maximum possible satisfaction is attained by the customer (DilPazir, Insha Amin, 2015, p.1117).

In literature there is a wide range of views in terms of satisfaction, from a simple cognitive outcome to a general attitude that is based on a comparison of cognitive and affective components. Thus the oldest definition considered is dating from 1969 which sees satisfaction as "the cognitive status of the buyer to be rewarded appropriate or inappropriate for the sacrifices they made" (Howard & Sheth, 1969, p. 145), while the last analysed definition is from 2011: "customer satisfaction is a complex human process involving cognitive, emotional, psychological and physiological extended interactions". (Sanchez-Gutierrez Gonzalez-Urbe & Coton, 2011, p. 18).

Satisfaction can not be reduced to an individual cognitive transaction, it also has an emotional dimension. When performance exceeds expectations, the emotional reaction can reach high levels. "Managers are driven by the need for consistency which is an innate of their own influences". (Dinu G, 2012, p.1047).

3. Research methodology

"In order to achieve an efficient study is needed firstly a research program, establishing the stages and the required resources in order to achieve the optimal research and obtaining the most important information necessary for the decision". (Dinu G., 2014, p.473).

Research, science-based, requires a serious accumulation of information derived from sustained research activity.

Research objectives:

- Identify all the factors or attributes of satisfaction;
- Measurement of the current levels of satisfaction;

The first condition of the surveys of satisfaction is multidimensional measuring. President service consumption experience was resolved into components and levels of positive or negative reaction to each dimension (Datculescu P., 2004, p.335).

To this end, we conducted a directly primary research (by taking information directly from consumers).

Obviously, the polls held in place to achieve product consumption. information was collected through direct contact with tourists (face to face), based on a questionnaire.

This questionnaire was divided into three sections that aimed matters relating to the following issues:

- measuring tourist satisfaction to the tourism product investigated;
- future behavior (programmed) of the traveler;
- socio - demographic and economic characteristics of the tourist.

4. Findings

The objective of the study based on the survey was to identify the satisfaction attributes or dimensions of tourists to the tourism product studied. These main objectives were, of course, linked to the socio - demographic and economic characteristics of the tourists, in order to form a clearer picture of the motivational factors involved.

The application period of the questionnaire was on short-term, it was applied at the beginning of December, during two weeks, on a sample of 200 persons.

The tool developed for gathering information was a questionnaire consisting of 8 questions of content and 3 questions of identification.

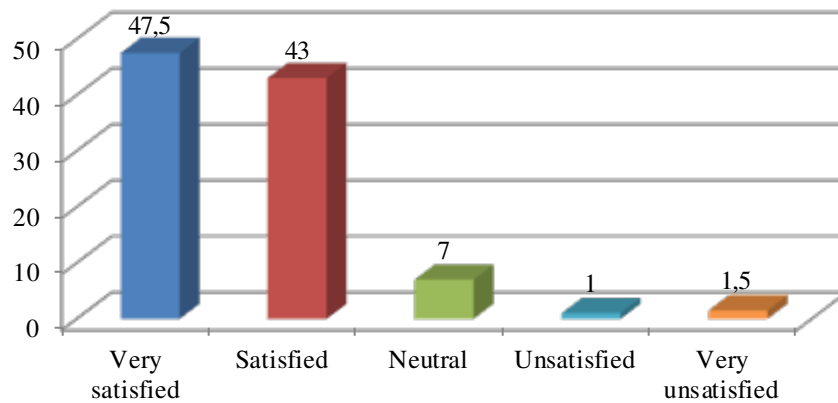
The information as it was collected as a result of questioning was centralized and interpretation of results will be presented in further study.

Analysis of the survey results was made for each question included in the questionnaire, highlighting, in each case decisive trend in the behaviour of tourists.

The success or failure of a firm on the market is closely related to the extent of potential or actual customer behaviour known and taken into account.

Regarding the satisfaction of tourists to the services offered by the hotel President we have seen that almost half of respondents (47.5%) are very satisfied with the services offered by Hotel President at the opposite being only 1.5% among the respondents.

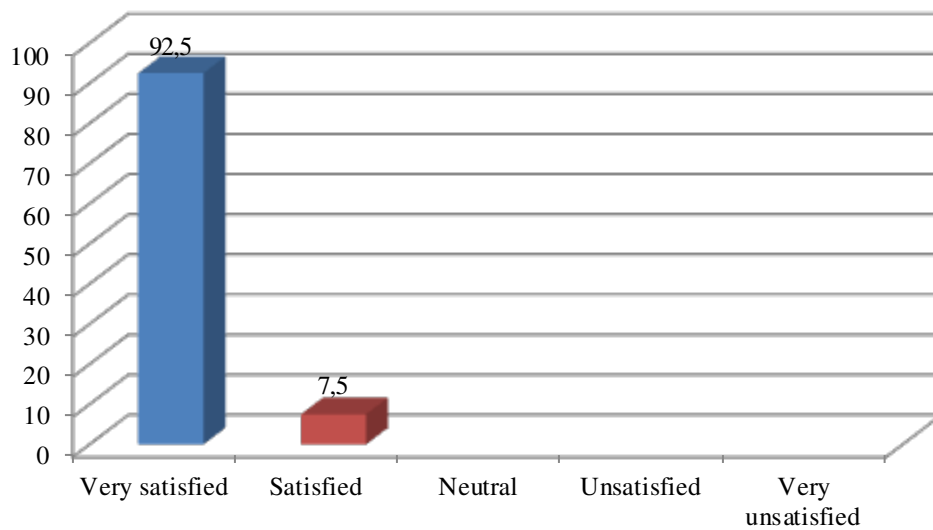
Figure no. 1 The satisfaction of tourists regarding the services offered by the hotel President



Source: Authors' own contributions

Regarding the way of welcoming tourists, 92.5% of tourists were very satisfied with the service in the hotel reception, and 7.5% of respondents felt that they were satisfied with the service analyzed.

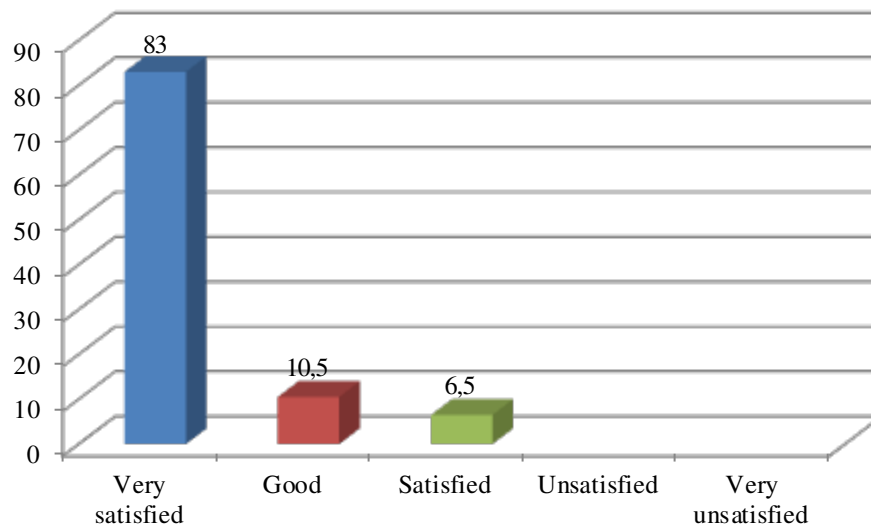
Figure no. 2 The satisfaction of tourists regarding the way they are welcoming



Source: Authors' own contributions

Regarding the quality of the restaurant, 83% of the respondents said they were very satisfied with the services offered in the restaurant, opposite a rate of only 6.5% were those who said they were satisfied with the quality of the services.

Figure no. 3 The satisfaction of tourists regarding the quality of the restaurant

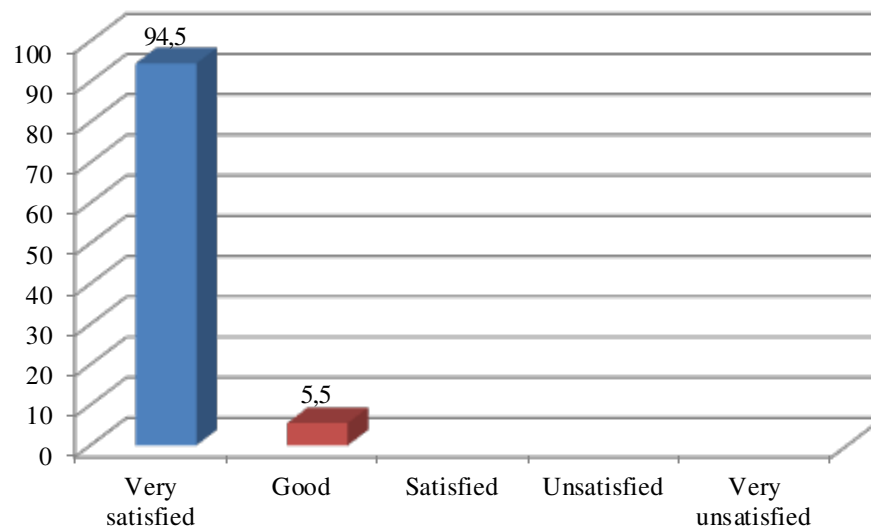


Source: Authors' own contributions

Analyzing the quality of food and beverages served in the restaurant we could see that most customers (94.5%) were very satisfied and only 5.5% of respondents considered that the dishes offered by the accommodation structure were good, this is the reason why it can be considered that the image of the restaurant is fully integrated into the hotel.

Starting from the idea that the quality of products and services is a key determinant of the competitiveness of enterprises, satisfying the needs, sometimes sophisticated, represents a step towards excellence.

Figure no.4 The satisfaction of tourists regarding the quality of food and beverages

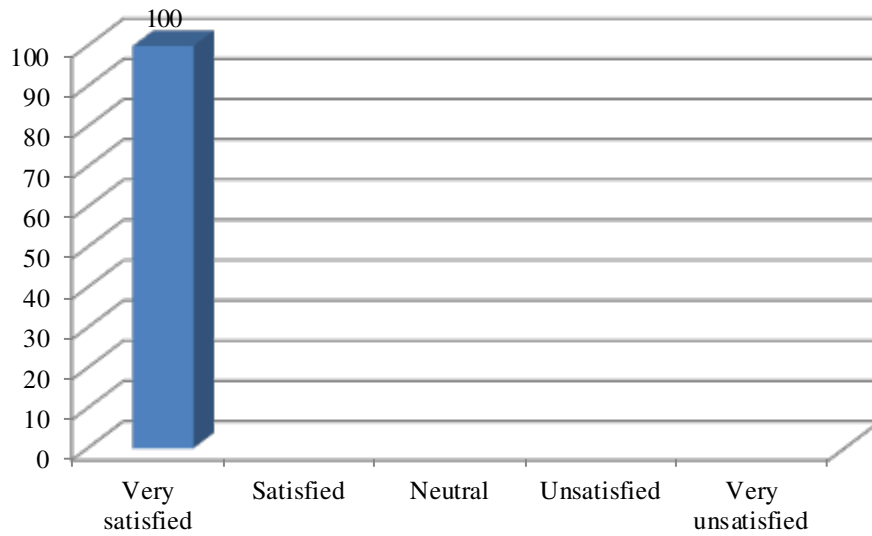


Source: Authors' own contributions

In the hotel activity, effects of professional conduct directly impact the quality of the services and on the customer perception regarding their quality. On the question regarding the staff behaviour to guests, all subjects surveyed were very satisfied. Therefore we can say that a sincere smile and particular attention may counteract some shortcomings, representing key criteria for assessing the quality of services as a whole, generating satisfaction and customer satisfaction.

We could see from the research conducted that an important component of quality hotel services is the behaviour of the staff, who is the supplier of satisfaction and customer satisfaction.

Figure no. 5 The satisfaction of tourists regarding the staff behaviour to guests



Source: Authors' own contributions

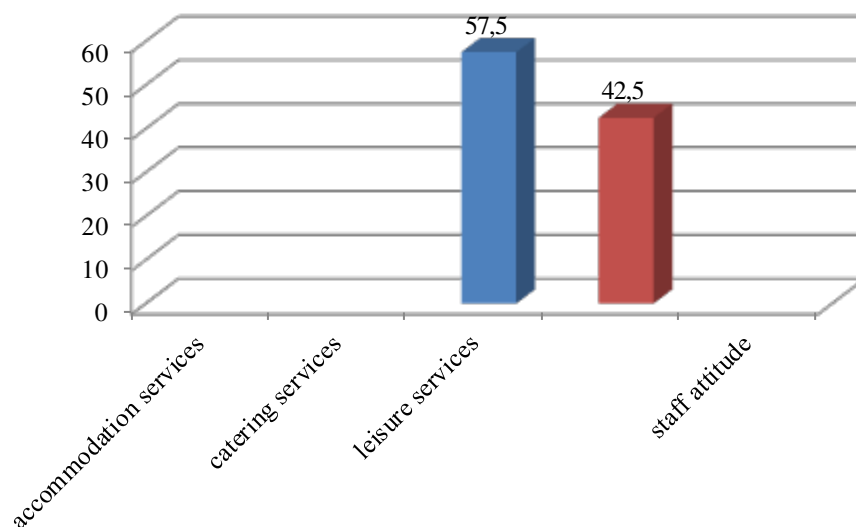
When asked about the necessary improvements to the views of those interviewed tilts to the leisure services 57.50% and ways to promote tourism offer 42.50%.

People make certain choices for several reasons. Some experts say that decisions are not the result of a single motivation, but of a motivational complex, built on the existence of opportunities and stimulated by some publicity actions.

Thus, the most important thing should be in addition to creating conditions for restoring the physical capacity of the body simultaneously with the nice and instructive spending the free time and ensuring an active recreation of the tourist or finding modern and effective methods of disconnection and treatment, in one word offering holidays with multiple deployment of recreational activities: sports, cultural, artistic and even stimulating hobbies of the tourists.

Another battle that the hoteliers need to have is to promote tourism offer because attracting the tourists is the most advantageous business at the beginning of this millennium.

Figure no. 6 The satisfaction of tourists regarding the necessary improvements



Source: Authors' own contributions

The intention to return was observed in 94.5% of subjects surveyed, while only 5.5% of respondents answered that probably will return to the accommodation structure studied.

Tourists left with a good memory of their leave (stay) spent at Hotel President, and this thing determinates most of them to recommend the hotel to their friends and relatives to spend the vacation.

97% of those who have spent their holidays at Hotel president say they would recommend the President hotel to their relatives and friends.

Given the fact that the recommendations are the best advertising, the experience of the tourists from their last holiday is important for future tourists, and the fact that 97% of them would recommend the hotel to their relatives and friends is a sign that this type of advertising will work in the coming years.

5. Conclusions

The study about the consumer satisfaction, although it is an important element in the literature devoted to consumer behaviour for nearly fifty years, in some aspects is just at the beginning, and the examples from the Romanian market, with its characteristics and peculiarities, can only help to enrich a field from which they benefited all: both organizations that ensure their satisfaction by providing a current and future profit and especially the consumers, their lives being improved by satisfaction.

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The Influence of the Life Coaching Process on Entrepreneurial Talents in Romania

Lorena Florentina Dumitrașciuc

Loredana Jitaru

„Alexandru Ioan Cuza” University of Iași,
Doctoral School of Economics and Business Administration

lorena.popescul@student.uaic.ro

jitaru_loredana10@yahoo.com

Abstract

The purpose of this research is to show how life coaching can support the IT start-up entrepreneurs to train their talents.

In this research we aim to analyze how life coaching can help IT start-up entrepreneurs to train their talent by applying a qualitative experiment. The experiment covered 5 stages: development and learning strategies, talent, collaboration (life coach-entrepreneur-organization), how to solve problems in a creative way, and align with business and market needs. Selection criteria referred to: entrepreneurs that have not participated in life coaching sessions, years of entrepreneurial experience in IT field 1-3 years, and ages 25-28.

Through life coaching sessions, entrepreneurs have set out to expand their business and solve their personal life issues such as different states of emotions, thoughts and behaviors.

Life coaching improves the IT entrepreneurs' talent at start-up level, which increases the productivity of the work of the entrepreneurs.

Key words: entrepreneurs, life coaching, start up, IT, experiment

J.E.L. classification: I25, J24, J28, L21, L26, L29, M13

1. Introduction

Due to the dynamic nature of the environment, entrepreneurs need to learn to be flexible and adapt to customer and employee requirements to achieve results (Stone and Deadrick, 2015). In this context, life coaching is used as an active learning tool for entrepreneurs in order to improve their skills and increase their business (Lyons, 2009).

2. Theoretical background

Today, organizations have to face a series of economic, political and social challenges. Organizations need talented entrepreneurs to achieve valuable results and develop a leadership culture. Developing a knowledge-based economy has led to increased demand for talented entrepreneurs, as they are a factor of competitiveness.

Practically, value is in the unique set of behaviors, knowledge, capabilities, contributions, engagements, skills and abilities that are in the possession of an organization's talent (Sparrow and Makram, 2015).

Which means that talent is an essential asset for companies (Maqueira et al., 2019). Thus, talent for entrepreneurs is defined as a sum of abilities (innate gifts), skills, knowledge, experiences, intelligence, beliefs, attitudes, personality and entrepreneurship, as well as learning and self-improvement skills (Michaels et al., 2001).

As far as life coaching is concerned, it is a process of human resource development through questions that support talented entrepreneurs to achieve personal and professional performance.

Therefore, the life coaching process is useful for entrepreneurial talents because it facilitates reflective learning, provides feedback and provides support to entrepreneurs, and addresses questions that will take them out of the comfort zone (Lyons, 2009).

3. Research methodology

The purpose of this research is to show how life coaching can support the IT start-up entrepreneurs to train their talents.

In this research, we aim to analyze how life coaching can help IT start-up entrepreneurs to train their talent by applying a qualitative experiment. The experiment was applied to 6 entrepreneurs (all 6 male) between September 2018 and March 2019.

The experiment covered 5 stages: development and learning strategies, talent, collaboration (life coach-entrepreneur-organization), how to solve problems in a creative way, and align with business and market needs.

In this sense, we applied the experiment to entrepreneurs who did not have such sessions, but in which they felt motivated to test the life coaching process. The entrepreneurs who were part of the experiment were picked up via Facebook Ads on September 3-10, 2018.

Selection criteria referred to: Entrepreneurs have not participated in life coaching sessions, years of entrepreneurial experience in IT field 1-3 years, and ages 25-28.

The life coaching sessions were held with each of the entrepreneurs. In this context was 5 meetings, every 2 weeks.

Then there was a 3-month implementation pause of the action plan and a final progress monitoring meeting.

Entrepreneurs have been assured of confidentiality of information and data because this is component part of the life coaching process and contributes to ensuring success in these sessions.

4. Findings

In terms of presenting the results, we aim to highlight only the most important questions that were addressed in the life coaching sessions. The questions that marked the entrepreneurs to take a break in thinking and reflect on them.

For the part of **development and learning strategies**, to the question: What is the highest professional goal for you in terms of your business?

Entrepreneurs have said that (1) *I want to take my business to another level in terms of turnover and gross profit (...)*, (2) *I want to increase our work productivity (...)*.

(3) *We want to increase our turnover and gross profit to reinvest money to new products and services*, (4) *we want to improve our selection, recruitment, development and rewarding processes*, (5) *we aim to improve our work productivity and work more efficiently and effectively in a our team* or (6) *we want to improve our communication skills and make decisions as easy as possible*.

With regard to **talent**, the question: What do you propose to change in your behavior regarding your business?, The entrepreneurs replied that (1) (...) *I do not want to stress myself anymore and make myself angry so soon (...)*, (2) *I want to get the balance in my personal and professional life*, (3) (...) *to have more confidence in me*, (4) (...) *to delegate responsibilities*, (5) *to make quicker decisions* and (6) *to have more freedom for other activities to inspire me and to have time to think about new investments*.

As far as the **life coach-entrepreneur-organization collaborative part**, to the question: What would be the worst thing that could happen if you do not do what you proposed?, The entrepreneurs said that (1) *I would feel exhausted and I could not concentrate on what I have to do*, (2) *I think I would not be happy and fulfilled*, (3) *I suppose I would feel stressed and disappointed at the fact that I did not manage to carry out my plan*, (4) *I would feel depressed because I did not achieve my intended purpose*, (5) *I do not have enough free time so I can dedicate myself to the activities of my personal and professional life*, and (6) *I would feel disappointed because I wish very much to be a close and united team on all the projects worked together*.

Regarding the way **to solve the problems in a creative way**, the question: On a scale of 1 to 10, how much do you want to achieve this goal? Through this question, we wanted to find out if entrepreneurs feel motivated to work for what they have proposed in this phase of the experiment.

Entrepreneurs from both groups were very receptive and said they feel very motivated to achieve their goal, mainly when it comes to their business where they invested time and money.

For the **alignment to business and market needs**, to the question: How would the success of achieving the goal show?, entrepreneurs reported that (1) (...) *I believe that through this life coaching process I would get out of the comfort zone, I would regain my confidence and be a much better leader for the people I'm leading.*

(2) (...) *I hope that the life coaching process will help me better manage my time and emotions and learn to provide feedback in a constructive way (...).*

(3) (...) *I would have a new front view my people and my business and I would delegate from the tasks and give consistency feedback (...).*

(4) (...) *I would manage my personal and professional life more efficiently and effectively (...).*

(5) *I plan to implement a life coaching integration and implementation strategy that is in line with the organization's overall strategy and goals to support talent in my organization.*

(6) *Success in achieving my goal would help me better understand how the market is reacting to our new products and services. In addition, I would create some scenarios with the life coaching process that would help me visualize their needs more clearly and concisely, and I would not fail.*

For the **progress monitoring side**, to the question: How did you reach your target? The entrepreneurs stated that (1) *I have slightly increased my turnover and gross profit, and if there are any significant increases in the two indicators, to invest in a new product on the market and I am firmly convinced that we will succeed because we have analyzed in detail the needs of the market.*

(2) *I learned to trust more in my people, and we have noted an increase in labor productivity both I and my employees, especially since we have integrated life coaching into all processes of human resources, (...) new learning and development opportunities have emerged within the organization.*

(3) *Given the relatively short time since started this process of life coaching, I found that there were slight improvements in the selection, recruitment, development and reward processes. I will continue to apply what I have learned in order to achieve the desired results.*

(4) *I have begun to see improvements in me and in my team on feedback, communication skills and decision-making.*

(5) *I feel much better with me because I have improved my work productivity and I have a leadership strategy that I want to apply into my organization and which I hope will work.*

(6) *I felt encouraged and supported in this process, so I've been thinking about creating a life coaching culture that I hope will be long-term and work for my employees, considering that we have already made progress in balancing personal and professional lives, confidence in our own strengths and delegation of tasks.*

5. Discussions

Phenomenological research allows us to understand the entrepreneurs' experiences at the start-up level of the IT field and their natural setting (Creswell, 2003, p.15). In this sense, the life coaching process assists IT start-up entrepreneurs to train their talents so that they get remarkable results related to the company's financial performance, such as turnover and gross profit. The life coaching process helps experienced entrepreneurs focus on an objective and pursue it in such a manner as to make every effort to change their behavior. This is an indicator of action for entrepreneurs (Popescu, 2017).

Life coaching improves the IT entrepreneurs' talent at start-up level, which increases the productivity of the work of the entrepreneurs and identifies new opportunities for their learning and development.

Through the life coaching process, start-up IT entrepreneurs have learned to manage their talents in the organization through selection, recruitment, development, and rewards.

Start-up IT entrepreneurs have called for life coaching sessions because they wanted to improve their communication skills, make decisions, learn to work in teams, improve their productivity, and develop a strategy leadership.

In addition, the life coaching process helps to develop and maintain employees and increase their performance. In this sense, organizations focus on the knowledge and skills of staff and on their preservation, whose skills are irreplaceable (Stone and Deadrick, 2015). Therefore, life coaching has the effect of improving work quality, developing autonomy and supporting talented employees who contribute with the skills, knowledge and experiences that exceed the job requirements (Lyons, 2009).

Also, following the life coaching sessions, start-up IT entrepreneurs have created a long-term life coaching culture in which they aim at developing a strategy for integrating and implementing life coaching - aligned with the overall strategy and goals of the organization and integrated life coaching into all human resource processes.

Finally, life coaching strengthens entrepreneurs' learning, provides moral support, access to innovation, and helps entrepreneurs develop their creativity to come up with solutions to their own problems (Lyons, 2009).

6. Conclusions

As we have seen, IT entrepreneurs often face stress-related problems, leisure time management, work-life balance, emotional states management, self-confidence, the ability to make decisions in a way ease and delegation of tasks.

Through life coaching process, entrepreneurs gain a new vision, different from the past, because the needle is associated with a series of constructive emotions and is based on effective action.

As can be seen, life coaching sessions help entrepreneurs to visualize in the future how to react to the market in terms of their product or service, based on tools and scenarios built with life coach- and these sessions can also help entrepreneurs to establish a concrete action plan (Popescul, 2017).

The role of life coach was to support entrepreneurs with the help of questions to generate a range of options, to encourage them and to support them in the actions they will take.

The life coaching process focuses on the behaviors and actions of entrepreneurs and helps them become aware of their impediments to professional life.

As far as validity is concerned, it has been realized from a phenomenological perspective.

In addition, in order to be sure of the validity and reliability of the experiment, we conducted a pre-test of the interview guide (Cook et al., 2000) in order to test and improve the questions. Before implementing the interview guide, a pilot survey of 5 coaching specialists from different organizations was applied.

Coaches participants in the pilot study that provided comments and suggestions were not accounted for in the final survey.

Finally, we noticed that there were no changes, and the tool was approved by all those who participated in the field study.

Study boundaries include the fact that the data are not generalizable due to the small number of entrepreneurs participating in the experiment and because it has not been applied over a longer period of time.

We propose a longitudinal study to apply the life coaching process as an experiment to a larger number of entrepreneurs (20 entrepreneurs) and over a longer period of time such as 1-2 years.

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The Role of Higher Education in Creating Sustainable Leaders

Adriana-Ioana Filip (Croitoru)

Diana Nicoleta Georgescu

„Valahia” University of Târgoviște, Doctoral School

filipadrianaioana@yahoo.com

georgescu.dianna@yahoo.com

Monica-Ioana Toader

„1st of December 2018” University of Alba Iulia, Doctoral School

monica.ioana66@yahoo.com

Abstract

Universities are one of the most important trend setters for the modern society, transcending from their role: they educate, they train, are also important partners in public governance, both local and national level. In our paper we try to study why sustainable development is the way to follow for a public entity – namely a university. We focused on identifying the evolution and the state of the art for sustainability assessment tools in higher education institutions and leadership. As methodology we utilized chronological literature review, taking into consideration mostly the English written published research, including also the Romanian linguistic space. The main results consist in presenting the evolution of sustainability assessment tools and leadership in higher education institutions. Future's leaders need to see organizations as complex systems and understand how individual actions have a global impact.

Key words: sustainable development, assessment tools, sustainability, higher education institutions, leadership

J.E.L. classification: A20,I20, M12, M14, Q56

1. Introduction

In a constantly changing world, where schools are more resilient for their own development, and also to encourage teachers to become leaders with the ability to shape educational processes. And in today's global dynamic economy, centered on the development of knowledge and information, those individuals who are fluent in some disciplines and feel comfortable moving between them thrive. Creativity, adaptability, critical thinking and collaboration are highly valued abilities. When it comes to developing these skills in class, integrated studies are an extremely effective approach, helping students develop a multi-faceted expertise and understand the important role that inter-relationship plays in the real world. Thus, we can have the opportunity, through existing technologies, to bring the necessary innovation into the strategies and modalities of education, while addressing the issue of sustainability from the pre-university classes by introducing issues related to this topic in education formal, especially in addressing science and non-formal subjects, especially in cross-curricular development programs. It is precisely for these reasons that higher education institutions need to be able to create sustainable leaders for the ever-changing future subject to accelerated development from all points of view.

2. Theoretical background

Before tackling more about sustainable development within higher education institutions, it is necessary to define the key terms for this study.

History shows that leadership has been a worthy matter to be scrutinized since the earliest times of mankind, and has also been a scientific attraction for over 100 years (Aysegul Ertugrul Azanci, Evren Ayranci, 2015).

In order to define leadership, first of all, we used the explanatory dictionary of the Romanian language, where we found a definition of the concept of "leader" that is explained as being the person who leads a party or an organization, a dominant personality in a group .

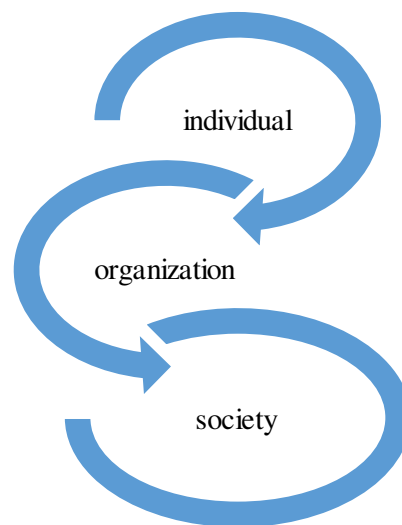
From an etymological point of view, leadership and leadership terms come from English to Verb to lead, which means to straighten, to determine, to lead, to lead, to accompany, to show the way. Another definition given by T. Peters and N. Austin is that leadership means enthusiasm, vision, trust, love, obsession, verva, use of symbols, consistency, the creation of heroes at all levels, managing to manage concerns and many other things (T. Petters, N. Austin, 1985, p. 56). Also, with regard to the leader, is the person who has a vision of the organization and who shows the direction the organization is heading for. The leader focuses on setting a strategy on the goal of the organization, on vision and less on concrete goals.

As far as the term of sustainability is concerned, it can be said that it represents development that meets the needs of the present without compromising the ability of future generations to meet their own needs, this being the most accepted definition of sustainability in the report of the World Commission on Environment and Development (Brundtland Report, 1987: 41).

In a world where organizations adopt sustainable development practices will be different from our current world where competitiveness and profitability have been inextricably linked to ever diminishing environmental diminution and damage (Benn et al., 2014).

Sustainability comprises three levels, as can be seen in the figure below:

Figure no.1. Sustainability levels



Source: Docherty, P, Forslin, J, Shani, AB and King, M (2002) „Emerging work systems: from intensive to sustainable” In P Docherty, J Forslin, AB Shani and M King (eds): *Creating Sustainable Work Systems: Emerging perspectives and practices*. Routledge: London.

According to the figure, sustainability at a level can not be built on the exploitation of others. These levels are closely linked to the organization's main stakeholders: staff, customers, owners and society. Thus, sustainability has a valuable basis in considering and balancing the legitimate needs and objectives of different stakeholders. Leadership has begun to be increasingly defined in terms of complex socio-economic and environmental risks and opportunities and in terms of progress towards sustainable development. Also, in order to achieve these concepts, there is a need for an education system that increasingly focuses on these two concepts just to create sustainable leaders.

The concept of sustainable development (or sustainability) is widely used and nowadays almost everything is under the sign of sustainable development: society is developing through sustainable development, so education must become sustainable; industry or agriculture is developing sustainably; research must support sustainable development, and so on.

The concept of sustainable development must be implemented at the level of society as a whole, and the role of education - in general - and of higher education - in particular - being decisive. For a society to become sustainable, it is necessary first and foremost to become universities sustainable.

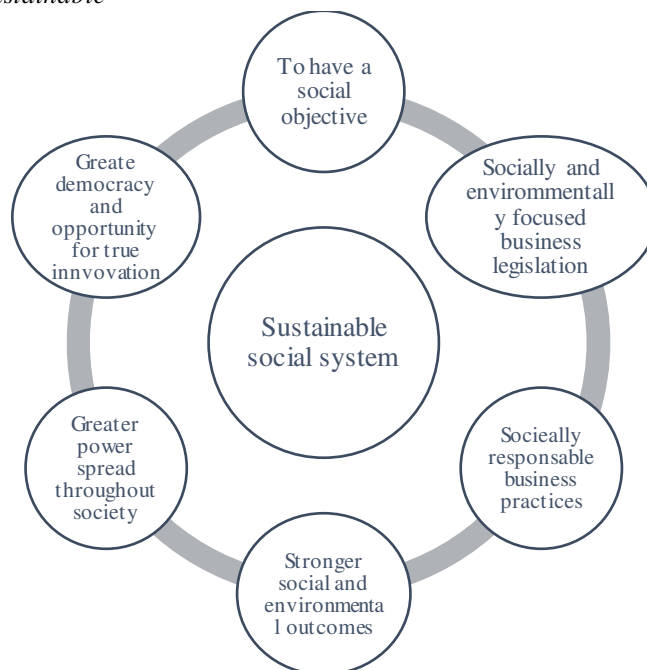
Sustainability challenges universities around the world to rethink their mission and to restructure their university curricula, research programs and campus lives. Graduates are increasingly exposed to concepts of sustainability that are emotionally, politically, ethically and scientifically loaded. They must be able to cope with conflicting norms and values, with uncertain results and ideas, as well as changing general knowledge (Corcoran and Wals, 2004).

Sustainability in education aims to help learners understand their relationships with life, become creative and active citizens, and engage personally and intellectually in the tensions caused by social, environmental, economic, and political pressures.

In sustainable education, pupils need to learn information about what is necessary and useful to meet their needs and society, present and future. Students must also acquire these skills at full, sustainable levels (Dilafuz R. Williams, H. L, 2014).

A system that is truly sustainable should focus on the needs and rights of all members of society. They need to start building a system that does not focus on corporate sustainability, but focus on social sustainability. This system must ensure that everyone's needs and human rights are met. A sustainable social system should include the following elements:

Figure no 2. Social System Sustainable



Source: Carbo, J., Langella, I. M., Dao, V. T., & Haase, S. J. (2014). „Breaking the Ties That Bind: From Corporate Sustainability to Socially Sustainable Systems”. *Business and Society Review*, 119(2), 175–206. doi:10.1111/basr.1202, pp.201

We need a sustainability education that places education at the heart of the problem-solving mission that threatens the future. Education, in all its forms and at all levels, is seen not only as an objective in itself but also as the most powerful tool to bring about the changes required to achieve sustainable development. Teacher leaders are highly effective teachers who accept responsibilities that go beyond the classroom delivery within a task or function that enhances quality in school. These professors are brand-name professionals who appeal to both their own and their outside knowledge to continuously improve their work with an emphasis on equity and learning. They are true sources of inspiration for colleagues and ambassadors of the schools in which they work. For

most organizations, and even for higher education institutions, pursuing global sustainability will therefore require a fundamental change in their values and leadership priorities to balance profitability with viability (Benn et al, 2014, Lombardo et al. , 2013, Piasecki, 2012).

In essence, this means - as Stiglitz (Martin, 2016) claims - that these organizations will be driven by a new set of values based on sustainability. This need for a fundamental change in values offers reason to rethink organizational leadership and one based on a sustainability paradigm (Burnes et al., 2016, Carbol et al., 2014). Sustainable leadership highlights the fact that everyone in the school will be successful in their learning process. At the same time, sustainable leadership is made up of the key factors behind school, namely, long-term success and development.

On the other hand, sustainability sees success both as sustainable and accessible to everyone. Thus the successful of sustainability plays an important role in the survival and success of any organization or systems in today's environment, which are extremely competitive and continually evolving (Oncioiu, I., Căpușeanu, S., Türkeş, M., Topor, D., Constantin, D.-M., Marin-Pantelescu, A., & Ștefan Hint, M., 2018).

3. Research methodology

Based on a report published in 2014 by Deloitte Consulting LTD, "Global Human Capital Trends - Engaging the 21st Century Workforce", a survey conducted over several years involving HR leaders and executives from 2532 companies of 94 countries, covering all sectors of activity, resulted in the fact that most companies face similar needs and difficulties in employing the competent workforce (J. Schwartz, J. Bersin, B. Pelster, 2014, P.7, 8) .

4. Findings

As a result of this study, it has been shown that all interviewed companies face similar needs and difficulties in employing a human resource prepared to meet current demands, a workforce capable of providing the development that all companies need. Companies primarily need leaders at all levels of activity and human resources with different skills than previous periods. And despite the fact that there is a large mass of unemployed waiting to enter the labor market, companies struggle with each other to attract the people they need because they do not find enough people trained to the required technical and professional skills. And many companies admit that they are not ready / able or have the resources / time to train their graduate schools and faculty (J. Schwartz, J. Bersin, B. Pelster, P.7, 2014, p.8).

5. Conclusions

Due to the fact that we live in a society based on rapid and complex knowledge that is constantly changing, in order to be able to meet the new challenges around us, it is necessary that education is always in step with the evolution and changes that occur, for that this can be achieved requires a well-thought-out leadership system that generates a sustainable education system. Education is sustainable when it is effective over time, when it integrates well with social, economic, political, technological changes, and can adapt to these changes. A system that is truly sustainable should focus on the needs and rights of all members of society. They need to start building a system that does not focus on corporate sustainability, but focus on social sustainability. This system must ensure that everyone's needs and human rights are met.

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Sustainability Management in the Higher Educational System

Mohammad Jaradat
Marius-Anton Stupar
"Valahia" University of Târgoviște
jaradat_hadi@yahoo.com
stupar_marius@yahoo.com

Abstract

The complex interface between globalization and promoting fundamental standards of labor enjoys increasing attention. The European public attention in connection with this fact reflects a much bigger understanding of the globalization impact, an interest much more pronounced towards the economic relations and the understanding of the fact that an important part of the population wants to gain something more than money. There is a universal recognition of the fundamental labor standards. In Europe is recognized that sustainable economic growth goes hand in hand with social cohesion – which means respect for fundamental labor standards – and that is fundamental for EU's economic and social policy. From this perspective, the present article aims to highlight the importance of Romania's employment policy in relation to the EU policy and the importance of investing in education from the perspective of sustainable development in the labor market in higher education, as well as especially the sustainability of the Romanian higher education itself.

Keywords: cohesion policy, durable (sustainable) development, employment policies, unemployment rate, sustainable higher education

J.E.L. classification: I25, I28, M54

1. Introduction

The cohesion policy is the main investment policy of EU. This policy addresses every region and city of EU supporting the creation of jobs, the competitiveness of enterprises, economic growth and sustainable development and helps improve the quality of life.

European investments which contribute to the fulfillment of this policy are significant, between 2014-2020 approximately 381.8 billion euros (approximately a third of EU's budget) being allocated in this sense. Taking into account the private investments, the impact of this policy for the 2014-2020 period is at approximately 450 billion euros.

The cohesion policy stays at the basis of European solidarity being the first tool that supports states less developed to recover and / or reduce economic, social and territorial gaps. In this sense, the cohesion policy has priorities such as: job occupancy and education, research, innovation, but also development.

2. Literature review

When it comes to cohesion policies within the EU and their appliance within the educational system there are very view detailed researches regarding this particular topic. However key finding can be related to this field by understanding the main concepts regarding the EU's framework on cohesion policies, but also understanding the corporate governance and sustainability process. While some authors (Voicu-Dan Dragomir) focus on the importance of the beneficiaries of the process, such as the main institutions that benefit from the process, others (Ancuța-Mirela Mirea) focus their attention on the importance of labour markets in the cohesion policy making within the EU. Further, most of the authors focus their general view over the process as a whole, rather than

applying it to a certain case such as focusing their efforts on a particular research such as sustainable management in higher educational systems, such as the Romanian one.

3. Research methodology

The research methodology involves establishing a clear link between the importance of cohesion policies within the EU, the Romanian National Policy in the field of employment in compliance with the Europe's 2020 Strategy and the evolution of higher education in Romania After 1989. The first goal is to establish the evolution of the sustainable development process in the higher educational system in Romania. The second goal of this article is to establish what the future holds for the sustainable development process in the higher educational system in Romania as things stand. The studies that will be used and the statistics will explain that the sustainable process is highly volatile when it comes to public universities and even more, when it comes to private universities.

4. The Importance of Cohesion Policy in the EU

The main accomplishments of this policy are the creation of jobs, economic development, investments in people (regarding job occupancy), enterprise support, innovation and research consolidation, improvement of transport and of the surrounding environment.

Through three main funds cohesion policy objectives are being achieved:

- **European Regional Development Fund (ERDF)**, which aims to strengthen economic and social cohesion by investing in sectors that increase development for generating a higher level of competitiveness and job creation.

- **European Social Fund (ESF)**, through which it is aimed at the investment in people and puts its emphasis on developing opportunities in employment and education. Much more, this fund has into account even the support of the most deprived persons that are facing the risk of poverty, but also the risk of social exclusion.

- **Cohesion Fund** invests in ecological development, but also in sustainable development and in improving interconnectivity between member states.

There need to be an understanding of the fact that the European cohesion policy supports and aims achievements of investments in the field of education, of professional training and of teaching throughout a lifetime, the promotion of quality jobs in the academic environment, but also aims strengthening research. Another main goal of the European cohesion policy is to support technological development and innovation, improving access to information, but also to communication technology, as well as improving their use and quality. Therefore amongst the main beneficiaries we can count the public organisms that are involved in education, universities, NGO's and other volunteer organizations. (Dragomir, 2015)

5. The Romanian National Policy in the Field of Employment in Compliance with the Europe 2020 Strategy

In order to react to the permanent tendency of rising unemployment in the EU, the Commission has launched in April of 2012 a set of measures that form the so called *Employment Package*, which targets:

- The encouragement of creating new jobs through: reduction of taxing the labor force; the efficient use of employment subsidies; exploitation of potential key sectors such as ecological economy, information and communication technology, medical assistance;

- Restoration of the dynamics of the labor market: supporting workers that want to change their job or to reintegrate in the work force; mobilizing every actors that are involved in actions such as implementing necessary reforms; making targeted investments in developing skills on the basis of a better anticipation or supervision of the market needs; promoting the free movement of labor;

- Strengthening the governance process in labor policies through: improving their monitoring system, together with member states, to guarantee that the social aspects and the ones regarding occupying the labor force benefits from the same attention just like the economic ones.

At that date, Romania has identified a series of specific challenges to the labor market and those were:

- **Demographic:** a slow and continuous process of decreasing Romanian population (negative natural growth and negative balance of mobility and external migration); reduction of the total amount of active population and ageing of the labor force;

- **Labor market participation:** increased share of population occupied with agriculture; reducing the level of participation in the labor market of women in comparison with men; increasing of the level of poverty risk and social exclusion and, especially, in-work poverty; high level of unemployment amongst younger people, and last but not least, having a higher share of long term unemployed within the total amount of unemployed; (Mirea, 2011)

- **Labor force competencies and the state involvement in the learning process throughout an individual's lifetime:** the level of educational labor force (15 years and above) has decreased in comparison with the EU average; a very low level of use of ICT by the population, also a very limited role of ICT use in the economy; the decreased participation in learning programs throughout life; insufficient funds and measures for fiscal stimulation, addressed both to employers but also to employees in the field of continuous professional formation;

- **Active measures of employment:** short level of investment and reduced participation of the unemployed and other vulnerable categories of the labor market to active measures of occupation; training measures in the total of active measures occupy a second place; insufficient surveillance of the impact of active measures over diverse groups that are addressed.

Thus Romania's action in this sense has been in achieving a sustainable level of employment sustained by a competitive economy, social cohesion and sustainable development. One of the key scopes for 2020 is reaching a percentage of 70% rate of occupation of work force for the group of people between 20-64 years old.

In regard to the conditioning in achieving this objective in education it was wanted to:

- Reduce educational abandonment and early leaving of school. There also needs to be an implementation of programs for people who have a low level of education;

- The increase of quality within process of education, having focus on the skills that need to be obtained for the development of a professional career;

- Correlate the educational program (middle level and higher level) with the current needs and the perspectives of labor market.

6. The Evolution of Higher Education in Romania After 1989

The reform within the higher education system in Romania began in the year of 1993. The first step was the establishment of a legal framework for then need of accrediting higher education institutions, but also for the need of recognition of diplomas. To goal was to preserve certain national quality standards. Every high education institution operating in December 1989 was considered accredited and therefore only passed through the regular external evaluation process every five years. State and private higher education institutions set up after 1990 have had to apply for provisional authorization, followed by the accreditation process. (Deneş & Radu, 2011)

All regulations on authorization, accreditation and periodic evaluation have been applied equally to all state and private education institutions. (Istrate, 2012)

Making sure that the quality of the educational process has been achieved and continues to be carried out at the level of the university specializations, but also and/or at the level of the institutional structures. Regular assessment of accredited programs and institutions involves observing the quality increase, observing the improvement of institutional capacity to perform quality management. (Chivu, 2018)

EU has decided on a major legal framework through which the European states have created a Single European Area of Higher Education.

This framework is also known as the Bologna Process but also the Sorbonne Declaration, and its aim is to harmonize all of the architecture of the European higher education system, which can be achieved by establishing a common higher education system based on certain levels of education (Bachelor, Master, Doctorate) as well as by enhancing the mobility of students, teachers, recognition of academic titles and qualifications. (Chivu, 2018)

7. Sustainable Development in the Higher Educational System in Romania

If initially the term of sustainable development was designed to be a solution to the ecological crisis caused by the intense industrial exploitation of resources, later the term got picked up in all fields, so that today's sustainable development concept is referring to three essential aspects, namely: ecological balance, economical security and social equity. (Dragomir, 2015)

Consequently, the concept of sustainable development has an understanding of having all the forms and methods of socio-economic development, and also has a foundation primary to maintain a balance between the socio-economic systems and all of the elements of natural capital.

With regard to education, "*sustainable development is globally recognized as a critical platform that allows all sectors of society how to learn and to manage change and make the transition to sustainable practice*". Thus, more and more emphasis is being placed on the role of the formal education sector, the need of partnership with the community, as a key player in facilitating the education of society, "*needed to meet the growing challenges posed by the environmental and social components of sustainable development*". (Benn & Dunphy, 2007)

Thus in society there is a large expectation that universities must play an important role in facilitating education which enables current and future generations so that they redesign their personal and professional activities in order to create a sustainable future.

At the level of the Romanian higher education system, sustainability was transposed into the administrative evolution of certain processes and activities. There was always a need of the fundamental and durable increase of the quality of the services offered by the Romanian universities (state or private). The major goal of sustainability in the higher education was to create graduates that are well trained, both a theoretic and practice perspective, in order to meet the real needs expressed in the labor market, needs that are continuously changing, especially due to technical and technological progress.

According to UNESCO, "*Universities must act as research and learning centers of sustainability [...] higher education should be an engine in this respect by practicing what it teaches by making investments and sustainable facilities that are integrated into teaching and learning [...] higher Education should focus on systemic, interdisciplinary, experiential approaches based on investigative, problem-solving and critical thinking.*" (UNESCO, 2004)

An important attempt to define what "sustainable university" means was made in 1990 by the Talloires declaration. Jean Mayer, president of Tufts University – Boston, who invited 22 rectors in Talloires, France to express his fears regarding the state of the world. He then conducted a process that ended up with the conceiving of a document identifying key actions that universities must make for a sustainable future.

"Universities educate most individuals responsible for the development and organization of social institutions. For this reason, universities have a huge responsibility to enhance the awareness, knowledge, development of the technologies and tools needed to create a sustainable environmental future." (The Report and Statement of Presidents Conference, 1990)

In the context of sustainable development, the role of higher education is currently limited to:

- The education of students by helping them so that they can acquire knowledge of the world they live in and of the complex interaction between all factors (economic, social and environmental etc.)

- Identifying social and technical solutions to the challenges posed by sustainable development

- Taking the position of a catalyst for learning about sustainable development, beyond the barriers of higher education, by exchanging knowledge and ideas with the local communities, the business environment, government and other authorities, and respectively the whole world.

At a European level, the European Association for Quality Assurance in Higher Education (ENQA) is an umbrella organization representing quality assurance organizations from the European Higher Education Area (EHEA) member states. ENQA helps promote European cooperation. This cooperation takes place in the field of quality assurance in higher education. It aims to disseminate information and expertise among its members and stakeholders and to develop and share good practices. It also aims to foster the European dimension of quality assurance.

In Romania the role of ENQA is being played by the Romanian Agency for Quality Assurance Higher Education which can:

- certify, on the basis of quality standards, the capacity of education providing education organizations to meet the expectations of their beneficiaries
- it can also contribute to the development of an institutional culture, in order to ensure the quality of higher education
- ensure that the direct beneficiaries of study programs are being protected at the level of higher education by producing and disseminating systematic, coherent and credible, publicly accessible information about the quality of education
- develop proposals addressed to the Ministry of Education certain strategies and policies that will allow continuous improvement of the quality of higher education, in close correlation with the pre-university education system.

Sustainable development in the Romanian university system implies:

- Creating campuses – laboratories for learning about sustainable development
- Active involvement of students in the development of the university and society
- Enriching interdisciplinary knowledge, skills and aptitudes to identify and solve problems in the spirit of sustainable development
- The formation of active, well informed citizens in a global economy, taking into account the evolution of the technological process.

In Romania, according to a report of the Ministry of National Education, the number of students has decreased dramatically since the academic year 2010/2011. If at the level of the academic year 2009/2010 the number of enrolled students was 775300, at the end of the academic year 2015/2016 the number of students was less than 410700.

Table no.1 Number of students at a Bachelor level in Romania, from 2009 to 2016 (thousands)

	2009/ 2010	2010/ 2011	2011/ 2012	2012/ 2013	2013/ 2014	2014/ 2015	2015/ 2016
No. of students at a Bachelor level (total)	775,3	673,0	539,9	464,6	433,2	411,2	410,7
Public universities	453,0	433,1	399,5	364,9	354,0	345,3	351,5
Private universities	322,3	239,9	140,4	99,7	79,2	65,9	59,2

Source: elaborated based data provided by the *Raport of the Educational Ministry regarding the Superior Educational System (2016)*, available at:

https://www.edu.ro/sites/default/files/_fi%C8%99iere/Minister/2017/transparenta/Stare_sup%20%202016.pdf

The drastic decrease in the number of students is due to the measures taken to improve the surveillance of the B.A. Exam, which has dropped by 50% the number of high school graduates in Romania over the same period. The number of people enrolled in vocational schools increased by more than 100000 in the academic year 2016/2017. In addition, the percentage of foreign students doubled compared to the academic year 2009/2010. At the beginning of the academic year 2017/2018, a total number of 538900 students were enrolled in the Romanian higher education process.

Private universities had most to suffer, with a total of 10 institutions being closed in the last 8 years.

The unemployment rate in Romania is however below the European average (7.3% the EU average in 2018), while in Romania this was 3.31% in December 2018. With the exception of Ilfov County (Bucharest) and Iași County, all the other counties holding the largest number of students in the country have the lowest unemployment rate, namely: Timiș (1,02%), Cluj (2%), Arad (1,5 %), Sibiu (2,4 %), Bihor (2,4 %), Brașov (2,8%).

8. Conclusions

Romanian universities have been subjected, even without their will, to a competitive environment in the last ten years, which has put them in the need to develop and operate sustainably, to have a strategy to attract and retain students. If there were rigorous admission processes ten years ago, the number of student being nearly double and faculties having the option to choose their students, today the ratio has been reversed and the students are the ones with options, universities being the ones who need to develop their infrastructure and offer more, in such a way to attract students (Romanian or foreign ones).

Universities have had to ensure the evaluation, review and updating of the offered curriculum, teachers and all the services provided. Private universities have suffered the most, their number of students has dropped five times in the last ten years, notably because they have not been able to compete with state universities and the facilities they offer.

In the context of a very low unemployment rate compared to the European average, Romania will soon see itself forced to import labor force, so Romanian universities will have to concentrate their efforts on attracting foreign students. The sustainability process of the whole academic environment is of major importance in the Romanian educational system, with private universities being threatened with extinction.

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- The official ARACIS website, available at: <http://www.aracis.ro/despre-aracis/misiune/>

Integrating Organizational Culture in Strategic Human Resource Management of the Educational Institutions

Monica Logofătu
University of Craiova
monicalogofatu15@gmail.com

Abstract

Human resources are readily recognized as the most important resource of the resources needed for an organization in order to produce goods and services. Human resources are key to rapid socio-economic development and efficient service delivery. Without an adequate, qualified and well-motivated workforce that functions within a robust human resource management system, organizational development is not possible. Improving organizational performance must be based on a strategic approach to human resource management. Organizational and professional culture can facilitate the strategic approach of human resources in order to achieve good results and outstanding performance. This paper proposes the implementation of a theoretical framework that allows integration of organizational and professional culture into the structure of strategic human resources management, using the change management.

Key words: organizational culture, strategic human resource management, educational system, educational institution

J.E.L. classification: I21, L15

1. Introduction

The crucial role that human resources play in an organization, especially in the tertiary sector, of services, has been the focus of many researchers. Such research has been generated by the fact that it is widely accepted that employees represent the most important resource that enables organizations from service sector to achieve their set objectives (Kinnie et al., 2005; Nishii and Wright, 2008; Liao et al., 2009; Den Hartog et al., 2013). Nowadays, "education changes everything" is a commonly used statement, which shows that teachers play an essential role in contemporary society (Schwittek, 2016, p. 231).

In order to respond to changing needs, school organizations should consider setting up a dedicated human resources management function and invest in the management system. Because student results are a function of teacher performance, it is important to develop and implement creative and innovative practices that facilitate employee attraction, retention and development of human resources. If these needs are neglected, failures can be recorded in achieving the objectives set for the management of the education system. To this end, it is necessary for the school organizations to promote the achievement of an organizational climate and adequate organizational culture to ensure effective and efficient management.

Each education system at all levels depends largely on human resources to implement strategies. The major premise of human resources management in the education sector results in the fact that the final outputs of the educational process will be determined by resource efficiency, including the human resource and the effectiveness of teachers.

The challenge to which paper proposes to respond will be to create a framework for integrating organizational and professional culture into the human resources management system of the education organizations using organizational change management and PDCA cycle of quality improvement. In the first section of the paper I made an introduction to the research theme. The second section presents the theoretical context of the systemic approach of human resources

management in the field of education. The third section presents the methodological tool used, while the fourth section examines the elements of professional culture: the professional roles and the responsibilities of the teaching staff. The fifth section proposes a useful tool for implementing the organizational culture in the strategic approach of human resources management within the educational system, using management of organizational change. The conclusions summarize the findings from the exploratory research on the specialized literature.

2. Theoretical background concerning the systemic approach of human resources management in the area of education

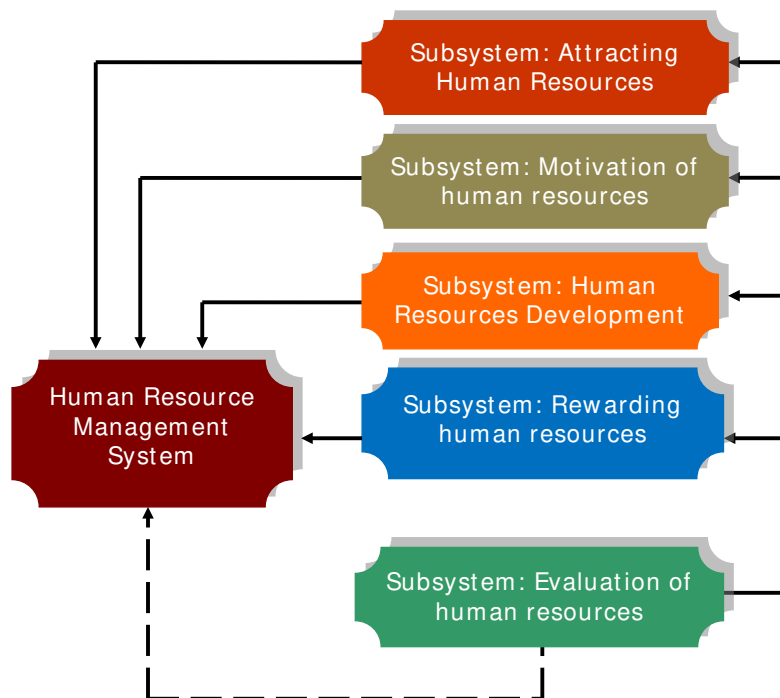
The purpose of a human resource management system is to build a competent and qualified human resource, a teachers body that is endowed with the expertise needed to deliver very good educational outcomes. In order to understand a human resource management system specific to the educational area, it is necessary to analyze the subsystems included.

The five independent subsystems fulfilling the five essential functions of an effective human resource management system specific to the educational area are as follows (Myung et al., 2013):

- attracting talented human resources: recruiting, selecting and employing adequate teaching staff in suitable positions;
- motivating teachers to retain them within the system and to achieve high performance;
- evaluation: making decisions about human resources based on a correct system of assessment of activities and results;
- development of existing human resources: support for professional training and personal development as well as professional orientation;
- reward human resources, based on the principles of equity, based on the rewarding of contributions, special merits and performances.

A representation of a human resource management system specific to the educational area is presented in Figure no. 1.

Figure no. 1. The human resource management system specific to the educational area



Source: (Adapted from Myung et al., 2013)

Figure 1 illustrates the major ways in which subsystems influence the purpose of the system. The Attraction, Motivation, Development and Reward subsystems significantly and directly influences the purpose and objectives of the human resources system. The Evaluation Subsystem has a lower direct influence on the purpose and objectives of the overall system, being more a supportive subsystem, providing the necessary data and support for management decisions. However, the Evaluation Subsystem is essential because it provides information on skills shortages that can be covered either by recruitment, selection and employment, or by developing existing human resources, enabling those who have contributed and recorded performance, encouraging the replication of those behaviors that have leading to performance through a fair and performance-based reward, act indirectly to strengthen the workforce in education. The Subsystem Evaluation affects the other four subsystems through the data they provide by facilitating the activities that take place within them.

Given that the human resources management system specific to the educational area is a system involving interconnected processes, it can be said that the isolated improvement of a system will not lead to the improvement of the quality and performance of human resources in the educational system (Myung et al., 2013). All subsystems and the processes that define them are crucial to enhancing teachers' skills. Synthesizing, it is not appropriate to explicitly or implicitly rank the importance of these subsystems in order to improve the performance of the system as a whole. As a rule, the political factor interferes with running activities within the human resources management system, favoring the concentration of resources and efforts on one or two subsystems, which will ultimately lead to compromising the process of improving the system as a whole (Odden, 2004). This is the case for Romania, where there is much talk about rewarding human resources and attracting them into the system, ignoring the motivation and development subsystems (Bocean, 2009). A systemic perspective, rather, requires inspectorates or school organizations to optimize multiple interdependent processes to create a stronger and more efficient human resource.

In addition to the interconnection of subsystems, there is also inter-conditioning of the subsystems and processes that make up the system. For example, the values and preferences of the teachers that a school organization employs should influence their professional development. Better rewarding of early-stage teachers (including the provision of facilities such as transportation to school, subscriptions to magazines and book series, etc.) will influence the process of attracting human resources, bringing more talented individuals into the system (Kinnie et al., 2005). Attracting talented human resources will reduce the need for further professional development. Better rewarding of higher professional degrees will encourage the professional development of existing resources. Evaluation is the subsystem that influences all others with a supportive role (Bocean, 2008).

The systemic outlook suggests different needs and starting points, especially for school organizations with limited resources or capacities for a particular subsystem. In conclusion, all processes are equally important, but not all processes need to be improved at the same time.

3. Research methodology

In this paper we conducted a qualitative exploratory research of specialized literature in the area of human resource management specific to educational systems, using a series of research techniques such as analysis, synthesis, deduction and induction. The proposal of the instrument for integration of organizational and professional culture in the strategic management of human resources has occasioned the use of conceptual integration and interconnection techniques to provide a synthetic and intelligible model.

4. Professional roles and responsibilities of teachers

A key challenge for many education systems and education institutions is to develop systems, procedures and arrangements with teachers to balance the changing roles, provide professional support, freedom and autonomy to teachers on the one hand and establish effective and robust forms of supervision and evaluation to promote public accountability and improve teaching and learning in schools, on the other hand. Balancing quality and responsibility objectives with

teachers' rights and responsibilities requires the design and implementation of effective teacher evaluation systems, the promotion of codes of conduct and codes of good practice as self-regulatory strategies, the protection of the professional and academic freedom of teachers, respecting citizens' rights and ensuring that correct disciplinary procedures are enforced (Rosenblatt, 2001).

The ILO and UNESCO Recommendation (1966) and the recommendations of education authorities, private employers and trade union organizations of teachers (ILO, 2000, pp. 34-35, OECD, 2005, pp. 97-98) underline the roles and responsibilities teachers in teaching as a profession and as a form of public service. They focus on several roles and responsibilities in a changing, lifelong learning environment and operate on several levels (Table no.1).

Table no.1. Roles and responsibilities in a changing learning environment

Teacher level	• knowledge: acquiring and maintaining specialist knowledge in at least one learning area;
	• pedagogical skills: developing specialist skills to convey the knowledge of students, acquired and maintained through continuous professional development, including the integrated use of ICT;
	• Learning dynamics: facilitating the acquisition of generic skills for learners in order to manage life situations, including the promotion of interactive learning techniques, problem solving skills and self-directed learning;
	• evaluation: assessing the strengths, weaknesses and progress of students and guiding their further development through a series of methods (observation, test results, homework, teamwork within a project and others, both formative and summative);
	• self-learning: research, reflection and changes in teaching practice as teachers are also students in the process of continuous professional development.
At the class and school level	• collaboration: development and implementation of collaborative and team teaching practices;
	• diversity of learning: teaching of trans-curricular subjects (life skills, civic education, sustainable development) and integration of students with special needs in classrooms;
	• school cohesion: social inclusion and cohesion in a multi-cultural school population from an ethnic and religious point of view;
	• school planning and management: teamwork to set common goals through school plans and management of school;
	• decision-making: participating individually and collectively (through associations or unions) in the decision-making process at the classroom and school (school councils, evaluation commissions or disciplinary bodies).
At the level of parents and communities	• Relations with parents: feedback and reconciliation of parents or guardians on students' difficulties, their progress and the role of parents in the education process;
	• community mobilization: building broader support for school and community mobilization and partnerships with community leaders, institutions, businesses, private employers, trade associations and trade unions.

Source: (Adaptation after ILO, 2000, pp. 34-35; OECD, 2005, pp. 97-98)

All these roles are constantly evolving over time, as a result of the impact of social, economic, political and technological changes on the teaching and learning environment. In order to these roles be successfully fulfilled by teachers individually and collectively, a strong professional and organizational culture is needed which, through professional and personal development programs, facilitates the accumulation of skills and encourages performance.

5. Implementation of organizational culture in the strategic approach of human resources management

To be strategic, human resource management should aim to find, develop and maintain intelligent people with the necessary knowledge, skills and competencies and with the ability to implement strategies in order to improve educational services. If all elements of the strategic human resources management system function properly, the results should be the following (Odden, 2004):

1. The inspectorate and each school should have enough talented people distributed equitably to all strategic posts (teachers and directors);
2. Teachers should have the basic skills required to successfully carry out the work tasks;
3. The strategy for improving the education system must be clear to everyone and must be implemented effectively;
4. Teachers' performance as well as student performance should improve, i.e. teachers should become even better at teaching, and students should achieve higher levels of performance.

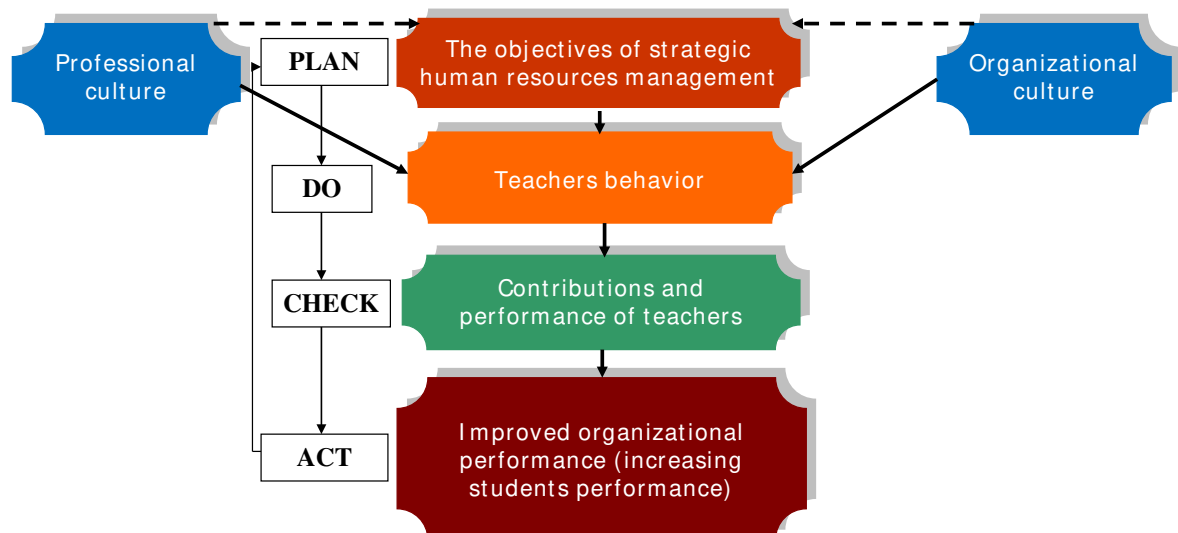
A wider view on the role that a strategic human resources management system can play in inspectorates and school organizations can include designing, promoting and supporting a professional and organizational culture characterized by (Liao et al., 2009):

- high expectations for student learning;
- common understanding of effective training practices;
- support for strategy and vision for improving education;
- collective responsibility for student achievement in the system.

Somacescu and others (2016) show that a strong organizational culture is the safest way to improve organizations' performance. Elmore (2004) came to similar conclusions when he argued that in order to external responsibility influence schools in positive ways, it must meet the development of internal responsibility for the practice of teacher training.

A two-way relationship is established between organizational culture and strategic human resources management. The implementation of the various strategic resource management system programs has an impact on organizational culture. On the other hand, organizational and professional culture influences teachers' behavior, enhancing contributions and achievements, leading to improved organizational processes and results. By implementing an organizational and professional culture based on competency and performance-oriented, the strategic human resources management system will achieve its objectives by reinforcing high expectations and focusing on quality training (figure no. 2).

Figure no. 2. Integration of organizational and professional culture into the strategic management of human resources



Source: (own concept)

The entire implementation process of organizational and professional culture is reinforced by integrating the PDCA cycle to ensure improved process and outcome quality.

There are several contextual aspects that shape the design and effectiveness of a comprehensive strategic human resources management plan (Nishii and Wright, 2008). Changes in the human resources management system should be done with the agreement of the teachers and reflected in a revised collective bargaining agreement. Almost all the changes that are imposed without the involvement of teachers or trade unions meet resistance, cause disturbances and return to their initial state in a few years.

Ultimately, the goal of implementing a strategic human capital management system is to improve students' academic achievements and teaching practices for teachers. As a result, adequate organizational and professional culture will enable continuous improvement of results and achievement of outstanding performance.

6. Conclusions

Creating a workforce within educational systems requires careful orchestration of several interdependent processes within a human resource management system. In this paper we presented a human resources management system in the educational area composed of many interdependent factors. On the system, we tried to find a balance between representing the multitude of connections between processes and maintaining the model at a synthetic and easily understandable level. Subsystems for attracting, motivating, developing and rewarding resources have a strong and direct influence on teacher development, while the main contribution of the evaluation subsystem is manifested through support and provision of information to the other three subsystems. A systemic approach to human resource management in education is essential. Interventions cannot be random done. The subsystems are interconnected in order to shape the system. Thus, any intervention designed to influence a part of the system will produce effects that will influence subsystems.

In order for the human resources management to acquire strategic dimensions, it is necessary to relate vertically with the strategy of improving the whole national education system, as well as horizontally uniting all its key elements - recruitment, selection, retention, mentoring, professional development, performance management, evaluation, reward. In this way people will come and remain in the system with the knowledge and skills necessary to operationalize the overall strategy of improving the quality of education.

A deep understanding of the need to improve the performance of the education system may be the motivation factor to stimulate both the creation of a strategy for improving education and the creation of a human resource management strategy aligned with it, which consider organizational and professional culture. In conclusion, it is imperative that in Romania a strategy for improving education also includes new approaches to human resources in the educational area, such as the integration of organizational and professional culture into the strategic approach to human resource management.

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Like It or Not: Facebook Advertising Triggers

Adriana Manolică

Teodora Roman

Alina Ioana Roman

"Alexandru Ioan Cuza" University of Iași

manolica@uaic.ro

throman@uaic.ro

ioana.a.roman@gmail.com

Abstract

Nowadays, Facebook is considered to be the most important social network worldwide, becoming a part of many people's daily lives. Some users might find Facebook advertising very useful and easy to use and others might find it disturbing and they are tired of seeing it everywhere or some might not even notice it. And is known that how the customers perceive advertising is strongly related with whether or not they would click on a Facebook advertising. So, what triggers the consumers exposed to Facebook advertising? Our research aims to find out what makes the customer click on a Facebook advertising, what elements attracts the customer. The outcome of the research will show us if people enjoy Facebook advertising and if they are attracted by emotional triggers, offers or photos.

Key words: online advertising, Facebook advertising, Facebook advertising triggers, offer ads, photo ads

J.E.L. classification: L86, M30, M31, M37

1. Introduction

Embellished or straightforward, with nice stories, original, funny, memorable songs, with messages remembered from the first contact, advertisers try many combinations in their online advertisements, trying to reach the so wanted "consumers mind" (Caples, 2008, p.13). Advertising agencies and marketing departments try daily to find the magic formula to the perfect advertisement that will surprise with its creativity to also guide the consumer in buying the product, trying to find what the consumers want in an advertisement, what elements makes the consumer buy and how important is the frequency of broadcasting. With the help of digital advertising you can reach the right person with the right message at the right time (Zarella, 2011, p.37).

Here, in this research the mission is to find what is the consumer's perception of Facebook advertising and what triggers the customer to click on a Facebook advertisement.

In the last few years the advertising environment had a rapid evolution from traditional advertising to online advertising. More and more people migrated towards the online environment and the websites and social networks took advantage of this change (Pulizzi, 2013, p.11). Also, today people are in a continuous rush and the online environment offers the rapid pace to do things that they desire. The consumers' attention is hard to obtain, and their attention is also limited, you need to catch their attention in a matter of seconds or else they will just scroll further on the webpage (Wittkower, 2010, p.56).

Our research aims to find out what makes the customer click on a Facebook advertising, what elements attracts the customer. The outcome of the research will show us if people enjoy Facebook advertising and if they are attracted by emotional triggers, offers or photos. This result will help us determine what triggers the customer to click on an advertisement in order to help the companies get into the consumers mind and therefore find out what they like and how their advertisements should be shaped in order to attract the consumer.

2. Theoretical background

As Facebook becomes more entrenched in people's lives, marketers seek to engage with Facebook users through an increasingly complex ecosystem of ads, fan pages, news feeds, applications, and events (Wittkower, 2010, 5).

In the literature on Internet advertising, a wide range of antecedents regarding consumer responses to Facebook advertising have been identified (Cho & Cheon, 2004, p.89; Ducoffe, 1996, p.21; Keyzer et al., 2015, p. 124) Among many other factors, the consumer's attitude toward Internet advertising has been identified as a strong predictor of his or her behavioral response to advertising (Kirkpatrick, 2011, p. 11).

Since social media and customer preferences are in continuous change and expansion, when it comes to online advertising, the business have to keep up with the customers and fulfill their needs in order to obtain a positive outcome.

On the same idea, this thesis will try to identify what triggers the click behavior of a consumer on Facebook. There would be 3 chosen triggers that will be analyzed in order to identify if they play a role in the click behavior of the consumer.

Emotional Triggers. Any advertising agency would like to read the mind of the customer if possible, to find out what expectations has from a specific brand, and also to get a spot in its heart.

Emotions are essential for advertising effectiveness and our decisions are influenced, sometimes even conducted by emotions that we feel when we see an advertisement. Furthermore, according to the same source, advertisements that got the best emotional feedback generated an increase in sales up to 23% (Cho & Cheon, 2004, p.93).

Consumers are attracted by a reality presented as it is, by advertisements that transmit strong emotions, but which does not affect or exceed ethical principles. The audience generates an emotional response and a profound connection with the brand. It is what we name empathy such that people get to identify with what it is presented to them and even to recognize themselves in the advertisement content.

Offer Ads. When people see that a certain product or service is on offer they tend to access the ad advertising the offer more rather than just a usual advertising. In online offer ads customers who save an offer will get Facebook notifications reminding them to use it when they switch devices (like from a phone to a computer) and again before the offer expires.

There are 3 main triggers generated by offer ads and those are substantial discounts, engaging image and a reasonable expiration date (Surmanek, 2003, p. 79)

Photo Ads. No matter in which sector a business is, nothing describes better the product or the activity of the business as an image, it is even said that a picture is worth a thousand words. A photo ad on Facebook is a great way to increase awareness of the product or business and what it does. A photo ad gives you a clean, simple format to use with inspiring imagery and engaging copy. When advertising space is limited, using a picture to advertise a product or service is a great idea. Any piece of advertising only has a few seconds to grab a potential customer's attention, so it is important for the image to be an eye catching one to attract to consumer to stop by. Pictures help potential consumers visualize the product or service being offered and they capture attention better than a slogan or headline.

3. Research methodology

The entire research is focused to answer the research question, which is: What triggers the consumer to click on a Facebook advertising? Therefore, the aim is to identify what triggers influence the click behavior of the consumer when it comes to Facebook advertising.

We organized the research around eight objectives:

- O1. To identify the Facebook user type the respondent is.
- O2. To identify mental spontaneous associations generated by Facebook advertising.
- O3. To identify to what extent consumers like Facebook advertising.

- O4. To identify to what extent consumers click on Facebook advertising.
- O5. To identify to what extent consumers find Facebook advertising useful.
- O6. To identify the emotions generated by Facebook advertising in the consumers mind.
- O7. To identify the response to Facebook Offer Ads.
- O8. To identify the response to Facebook Photo Ads.

As a method, we chose an online survey, on various Facebook groups, to a wide range of people, with mixed ages and interests. The questionnaire gathered 100 responses. We had a sample composed of 74% people aged between 18 and 24 years old and only 26% aged between 25 and 49 years old. When it comes to gender, the sample was formed of 67% females and only 33% male.

4. Findings

We wanted to see the expertise as Facebook users of our respondents. It turned out that 77% of them have had their Facebook account between 5 and 10 years, and 5% for more than 10 years. This period of time is a significant one in order to have some experience with the platform and to be able to create an opinion about Facebook advertising.

The majority of 34% says that on a daily basis they access the platform between 1 to 2 hours which is not a big amount of time, but it is enough to catch up with the latest news and to be able to acknowledge what is showing on your Facebook wall. What is interesting is that there is a tie between the next percentages which are the same (23%). The interesting factor is that they are the exact opposite of each other. One extreme is people that spend between 0 to 1 hours daily on Facebook and the other that spends more than 3 hours a day on the platform. This only means that people have different preferences when it comes to Facebook and how much time they decide to spend on it daily.

Also, the results showed us that a big percent (59%) of people access Facebook more than 5 times a day. This can explain the previous finding of how people spend in majority between 1 and 2 hours on Facebook. If people spend more time on Facebook it is clear that they access the platform multiple times a day.

When it comes to Facebook advertisement, 92% of the respondents said they noticed it on their Facebook wall which means that they are already familiar with the subject and might already have an opinion created about it.

We wanted to identify spontaneous mental associations generated by Facebook advertising, to see what is the first word that people think of when they hear "Facebook advertising". The respondents could write down their answers without having any answer options to choose from. In the table below we included only the responses that appeared more than once.

Table no. 1. Spontaneous Mental Associations Generated by Facebook Advertising

Answer	Frequency
Too many	17
Annoying	13
Money	6
Boring	4
Games	4
Clothes	2
Cookies	2
Interesting	2
Social network	2
Spam	2
Targeted	2
Useless	2
Zuckerberg	2

Source: Authors' contribution

If we see all the responses, we can say that the perception is rather negative than positive. The top 3 answers on this question were: too many, annoying and money. By giving these answers, people seem to be annoyed with Facebook advertising and are tired of it. On a quick search on google on "How to get rid of Facebook, advertising" there hundreds of pages where people ask how to get rid of Facebook advertisements as they find them unbearable anymore. The third most used word is money. That is maybe because it is known that advertisements aim is to convince the consumer to buy the product or service presented in the advertisement. Today, driving sales with Facebook ads is one of the fastest ways to make money.

We also wanted to find out how much people like or enjoy Facebook. This is the starting point to see what triggers the consumer to click on a Facebook advertisement, if they don't enjoy it, it is more probably that they will not click and vice versa. On a scale from 1 to 10 (where 1=not at all and 10=very much), the overall average response for this item is 3.99. This value is on the lowest side of the scale, meaning that on average people dislike Facebook advertising but not on the highest degree of dislike since this value is close to 5 which is the neutral point of the scale. When analyzing by gender, there a difference in what males and females enjoy/like. It seems like females enjoy, on average, more (4.21) Facebook advertising than males (3.55). For the same question we analyzed the average results based on age categories. The younger respondents aged between 18 and 24 years old enjoy more Facebook advertising (4.07) than people aged between 25 and 49 years old (3.77).

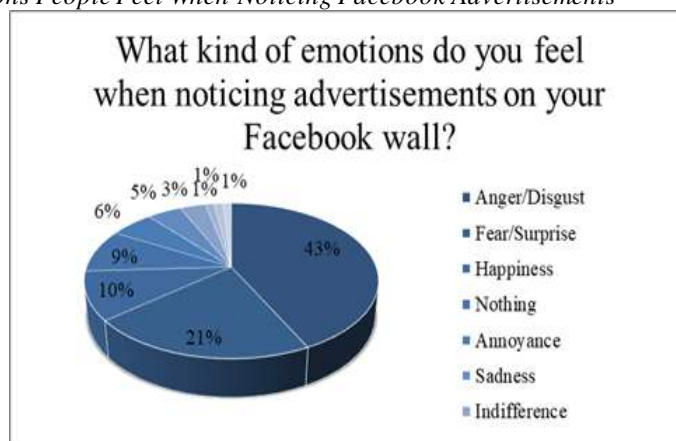
Then, we aimed to identify what the probability is, on a scale from 1 to 10 (1-the lowest), with which people would click on Facebook advertising. This question was put with the purpose of finding out the overall intention on clicking on a Facebook advertisement. The overall average response is 3.84. This means that the scale is on the lowest side and people would not click on Facebook advertising. When it comes to gender comparison, it seems like females are the ones who are more likely to click (4.07 vs. 3.36 for men) on a Facebook advertising. When it comes to the age difference perception, it seems like the younger generation (aged between 18 and 24 years old) are more likely to click on Facebook advertising (4.16 vs. 2.92 for the older users).

Also, when it comes to identify to what extent respondents find Facebook advertising useful, on a scale from 1 to 10 (where 1=not at all and 10=very useful), we can observe that overall, on average the answer was 3.99. This means that people don't find Facebook advertising particularly useful. Females find Facebook advertising more useful than males, but the number is still on the negative side of the scale. Which means that both genders don't find Facebook advertising useful, but males (3.39) have this opinion stronger than women (4.28). On the age side, the young generation find Facebook advertising more useful (4.15) than people aged between 25 and 49 (3.54). Though, both results are on the side on which people think Facebook advertising is useless.

We chose to identify what emotions are generated by Facebook advertising. The majority of respondents (79%) said that Facebook advertising don't trigger any emotions on them.

The figure below shows what specific emotions people feel when they notice and view Facebook advertisements.

Figure no. 1. Emotions People Feel When Noticing Facebook Advertisements



Source: Authors' contribution

As we can see, people had the chance to type down other emotions as well, not only to choose from the fundamental emotions. When it comes to what people feel when they notice an advertisement on their Facebook wall, the majority of 43% said they feel anger and disgust. This only means that people are not really happy with Facebook advertisements, we can even deduct this by analyzing the words they freely chose to type in, in order to express what they feel when they see such Facebook advertisements: Nothing, Annoyance, Indifference.

We were interested to know how much more drawn consumers are to click on a Facebook advertisement if it gives them a certain emotion. We can observe that people are maintaining their negative attitude towards Facebook advertising. On a scale of 1 to 10 (where 1= not at all and 10=very much drawn), the overall average response is 4.22 which is on the negative side of the scale resulting that people are not drawn to click on Facebook advertising if they impact emotionally the customer. As we have seen before, it seems like the average response generated by women is greater (4.72) than men response (3.21). When it comes to make a difference between the age samples, the younger generation has a average response close to the neutral point (4.65) meanwhile the generation aged between 24 and 49 years old are definitely more on the negative side (3.00) where they are more likely not to click on a Facebook advertisement that gives them a certain emotion.

It is known that people are drawn to click on an advertisement if a product or service of interest is on sale. Therefore, we want to analyze if people respond to Facebook Offer Ads.

On a scale from 1 to 10 (where 1=not at all and 10=very much), the results show an overall average response of 4.05 which is, again, on the negative side of the scale but close to the neutral response 5. This shows that people are not that interested on a product or service that is on sale. We believe it is not important for them if it's on sell, as if they really need the product or service, they will buy it anyway if they need it. As expected, women are more likely to click (4.22) then men (3.70), and the younger users (4.39) then the older ones (3.08).

We also aimed to identify if people are familiar with the Facebook Offer Ad concept, to see if they clicked before on such advertising. Most of the respondents (42%) clicked before on Facebook Offer Ads. The result of this question is promising to the research, showing that people have used before Facebook Offer Ads and have knowledge about this subject and therefore most of the provided answers are a reliable source. But we have to also take into consideration that another 40% which is a big percent didn't use Facebook Ads before and 18% don't what this is. This means that maybe this kind of advertisement should be more visible.

We tried to identify to what extent the respondents find Facebook Offer Ads useful. If people find a certain advertising useful it is more likely they will click on that particular advertisement. Analyzing the responses, we got to the overall average response of 3.76 which is, again, on the lowest side of the scale. People don't seem to find Facebook Offer Ads useful. Women tend to find Facebook Offer Ads more useful (3.99) than men (3.30), even though it's still on the lowest side of the scale. When it comes to age categories, the younger generation find Facebook Offer Ads significantly more useful (4.05) than the generation aged between 25 and 49 years old (2.92).

In order to attract a consumer and make them stop scrolling for your advertisement, you have to attract their visuals. You have only a few seconds to catch their attention. That's why we will further analyze how people respond to Facebook Photo Ads or even if there is a response for this type of advertising. On a scale from 1 to 10 (where 1= not at all and 10= very much), the overall average response on this question is 5.07, which is in the middle considered as neutral. It is also shown that women prefer Facebook advertising with photos more than men (5.66 vs. 3.88). While men remain in the lowest sphere, women seem to enjoy Facebook Photo Ads. When it comes to differences between the age categories they remain close to each other, having the average response on the same interval (4.12 the younger users vs. 4.05 the older ones).

People prefer Facebook advertising with photos over other types of advertising because they perceive Facebook advertising with photos as a better representation of the product or service presented. On a scale from 1 to 10 (where 1=Not at all and 10=Very much), the overall average response is 6.35 and means that people tend to think that advertising with photos is a better representation of the product on Facebook. Women agree more than men (6.93 vs. 5.18) about how Facebook advertisements with photos are a better representation of the product or service presented, leaving men more on the neutral side.

The younger generation also agrees more (6.76) with the statement rather than people aged between 25 and 49 years old (5.19).

As this being the last trigger analyzed, we wanted to see to what extent people are attracted to click on a Facebook advertisement that contains photos. We observed that the overall average result is 4.76 which is rather neutral. Taking a look on the numbers we would say that people are not willing to click on Facebook Photo Ad. As usual, females have a bigger average result (5.18) than men (3.91) and the younger generation a bigger average result (5.04) than the ones aged between 25 and 49 years old (3.96).

In order to identify if there is a relationship between variables we made further a correlation test for each trigger.

Firstly we analyzed the relationship between how useful consumers perceive Facebook advertising and if they are more drawn to click on a Facebook advertisement that gives them a certain emotion. There is a medium direct relationship between the two variables (0.541, sig. 0.000). If people don't perceive Facebook advertising useful there is also the probability they would not click on Facebook advertisements that give them a certain emotion.

Up next, we analyzed the correlation between how useful people perceive offer ads on Facebook and if they tend to buy a product or service if it is on offer. There is also a medium direct relationship between the 2 variables (0.593, sig. 0.000). This does not mean that they are influenced by each other but that they are related. This means that if people tend to buy a product that it is on offer, they will also find Offer Ads on Facebook useful.

And lastly, the third trigger analyzed was Photo Ads on Facebook. We tested the correlation between how much people like advertising that contains photos and the probability with they would click on Facebook Photo Ads. There is a strong correlation between the two variables (0.725, sig. 0.000) and there is a direct relationship between them. This shows us that if people like advertisements with photos the probability to click on Facebook advertising increases.

5. Conclusions

Facebook is one of the biggest social networks on the market. Today, Facebook has become part of our daily lives and it keeps us constantly connected. Since this happened, businesses had to step their game and take advantage of the situation, so there appeared advertisements to Facebook. What easier way to attract customers than placing advertisements on the platform they access daily? As a bonus, you can also aim to your target audience since Facebook uses information about user activity to improve your advertising.

What seems very easy to do, changes when you take look into the depths of Facebook advertising. Facebook ads now come in several varieties and you have to make sure you use the right one in order to attract the response you want. Facebook advertising is an essential part of any ecommerce entrepreneur's plan to grow a long-lasting online business.

That's why we felt the need to analyze what triggers a consumer to click on a Facebook advertising. On a quick search on google we can see that people are tired of advertising invading their pages and mostly about banners. It is important to offer variety in advertising; if people see the same type of advertising and same message every day or every time they access their Facebook page, they will get tired of it and generate anger emotions.

The triggers we analyzed we considered to be important in choosing whether to click or not on a Facebook advertisement. But it seems like people are so tired of Facebook advertising that these triggers don't seem sufficient to attract their attention and for them to respond on a positive way.

When we wanted to see the spontaneous mental associations with thinking about Facebook advertising, people wrote "too many" and "annoying". We believe this is the real reason why people don't like Facebook advertisements anymore. They are too many to the extent that they annoy the users and make them angry. Thus, there is no way these advertisements will get a positive response if the customer's attitude towards them is negative.

In conclusion, none of the triggers we analyzed make the customers click on Facebook advertising.

Research limitations. Although this research was carefully prepared, I am still aware of its limitations and shortcomings. First, results of this study may not be completely generalizable because the sample was restricted to the 100 answers I could gather. Therefore, to generalize the results for larger groups, the study should have involved more participants at different levels.

The second limitation was the lack of previous studies in the research area. It is hard to conduct a research without a base, trying to create everything from the scratch. There is plenty of information about Facebook advertising and advertising in general, however there is not much about what triggers a consumer to click on a Facebook advertisement.

Managerial implications. When it comes to managerial implications, it is not hard to determine why we need to know what triggers the consumer to click on Facebook advertising. Nowadays, most businesses promote their activity on Facebook or by Facebook advertising. Since Facebook has become a part of our daily lives it is known that placing advertisements on Facebook would have many people noticing them. In order to get a positive response to their businesses, the managers need to know what attract the customer in order to click on their advertisement. If managers know what triggers the audience, they have a greater chance to get a positive response to their businesses.

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The Self-Assessment of Services' Quality in Public Administration

Ruxandra Marin
Polytechnic University of Bucharest
Doctoral School of Engineering and Management of Technological Systems
ruxy1579@yahoo.co.uk

Abstract

The paper is part of doctoral research which researches current trends in the quality management in public administration.

Increasing service quality and minimizing risks in public administration is the main goal of the quality-risk management in the present context in which Romanian public administration is constantly changing having as background its alignment to the new European standards.

The objectives of this research are the following: the analysis of public services quality as well as the way in which clients perceive these services. The paper studies the self-assessment process viewed as the main instrument in measuring the quality of public services, the author creating a model of the self-assessment cycle in public administration within this paper.

Key words: quality management, quality, public administration, self-assessment

J.E.L. classification: G32, H83

1. Introduction

In the department of public services, quantifying the quality of rendered services is very difficult as it has few physical features that can be used for comparison or measurement. This constitutes the main reason for which we cannot evaluate or quantitatively measure the quality of services in public administration. Services quality can be measured by using the assessment from clients. The citizen is the main beneficiary of public services and their quality can be conveyed as the ratio between the consumer's expectations and the real performance of the rendered service. The management of public institutions pursues an increase in the quality of these services by exceeding the clients' expectations.

Seen from another perspective, the quality of public services can be analyzed according to the stages of the service, that is from the initial request to the actual performing of the service and even the post-performing period.

Figure no.1 The perception of the direct provider



Source: own processing

To conclude, it can be stated that, in accordance with the client's/consumer's demands, quality can be defined based on two main components: the quality of the actual service being performed for the client and the quality of the attendance service.

Objective quality refers to the physical support, the environment, the equipment and the qualified personnel.

Public institutions wish to attain exceptional quality standards and, to achieve this, they must present an offer suitable to all the needs of the target clients while offering very well-trained employees and excellent serving abilities so that the entire process following the performed service may run without problems. In other words, all the departments of a public institution should function as a coherent system. (Žurga, 2008).

2. Theoretical background

The main method of measuring the quality of public services is SELF-ASSESSMENT. By using it, the level of performance offered by public institutions can be identified in connection to quality standards. Self-assessment aims for two main objectives: monitoring the progress of public institutions' management and its streamlining.

Self-assessment can be defined in many ways:

- the first stage toward achieving excellency, further development. It refers to growth, an enhancement of public administration functioning;
- a step toward progress;
- a real opportunity for future development;
- an integral part of activities meant to improve the quality of public administration.

It targets improvement activities planned by the professor.

Feedback coming from direct and indirect recipients of these services offers important information regarding the quality of the rendered service. Collecting this information from the recipients is done by using "self-assessment tools".

At the European level, self-assessment is the main tool used in the public sector and it is used within a common framework used by all public institutions. This self-assessment tool for public administration services refers to the techniques used by public servants to identify strengths and weaknesses generated by public institutions and propose solutions that have at their core the improvement of such activities. (Petrescu, 2008)

Considering the previous statements, we can deduct that self-assessment has the following advantages: it is a tool for management quality created and specifically used for public administration, it is very easy to use and implies minimal costs as it is done by the actual employees which generates a strong involvement of all the parties concerned; it leads to the analysis of the way in which the organization functions, starting from the performed services and the results that follow them.

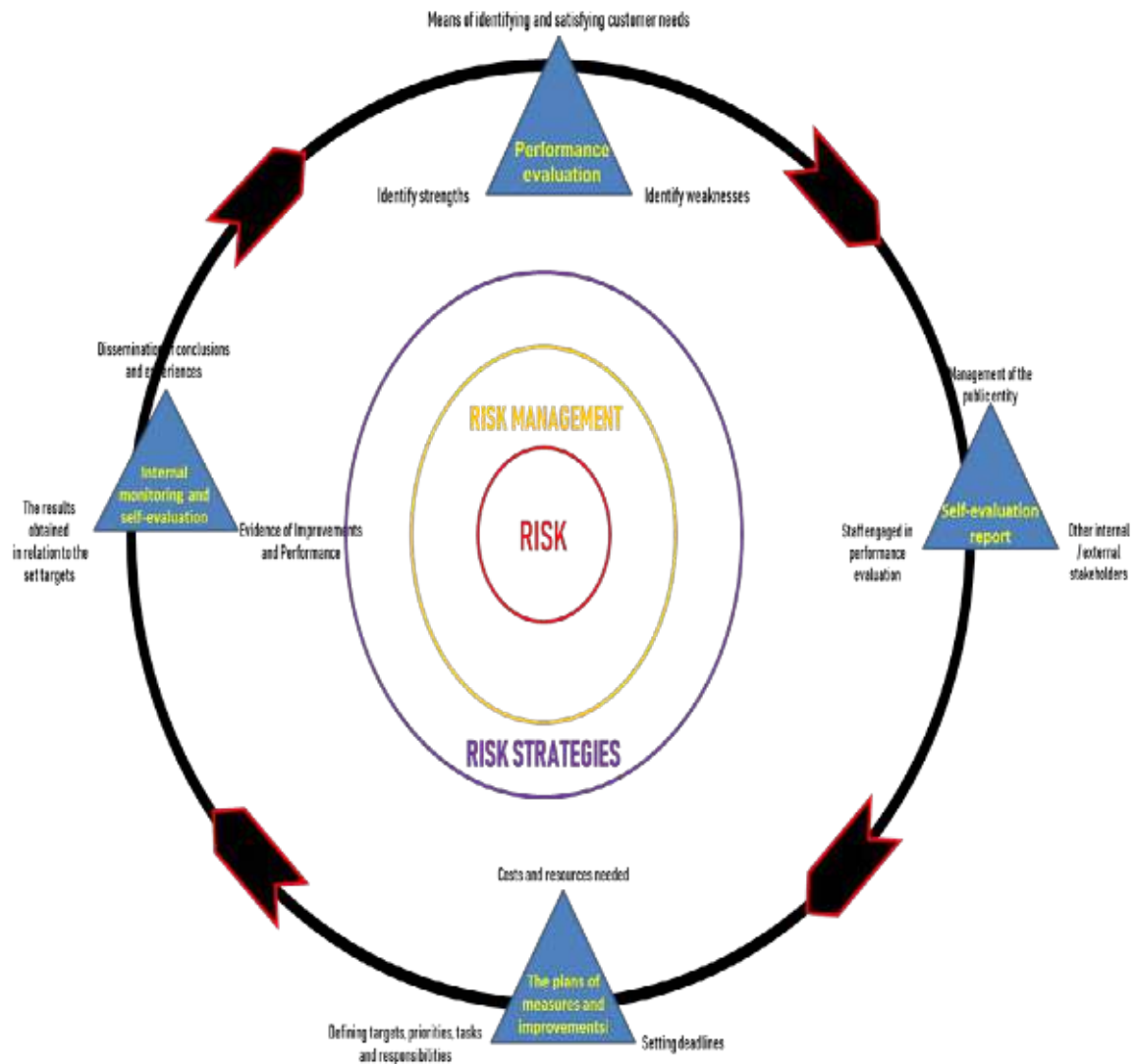
3. A model of the self-assessment cycle in public administration

Being a relatively new instrument, self-assessment has an innovative potential that starts from within the organization, being at the same time a positive aspect as well as a challenge. Self-assessment must begin with an evaluation that has the purpose of identifying the improvement measures that are to be implemented. It also offers the possibility of external feedback.

Since ensuring the quality of public services means increasing the trust of the people in public administration in the sense of satisfying expectations and demands as well as the compatibility of the institution's quality management system with current European standards, we can state that these activities that target the achievement of quality cannot directly control it. At this stage, the organization's self-assessment comes in, being achieved in compliance with certain standards.

The first stage in the self-assessment process is that of measuring the obtained results. Stage two pursues identifying remedial and improvement measures that will be implemented in order to obtain an improvement in services quality. It has as its main goal improving quality permanently and constantly.

Figure no. 2 A model of the self-assessment cycle in public administration



Source: own processing

As shown in figure no. 2, the process of self-assessment and continued improvement has more stages: evaluating performance; the self-assessment report; the plans of measures and improvements which consider what needs to be improved and the action plans; internal monitoring and self-assessment-the stage that targets in what way the plans of measures have been implemented and the percentage of the achieved proposed aims.

The last stage is external assessment. The self-assessment cycle centers on the risks that will be analyzed in order to be diminished or eliminated followed by the risk management the institution's manager relies on during self-assessment. The risk strategies represent the overview vision the top managers in public institutions acquire by involving themselves in the self-assessment process.

Self-assessment has as its main objective improving one's own performance.

This process offers public institutions the possibility to identify their own strengths and weaknesses and, even to compare their performance to that of other suppliers of public services. It pursues the possibilities of improvement as well as setting objectives and organizing the actions required to increase performance based on their priority while supplying the means to identify and satisfy the clients' needs.

Self-assessment must be regarded as a means of continuous improvement even if it is not a goal in itself and has as its main target the elimination of weaknesses. It starts with planning the improvements wanted to be achieved. This planning pursues consolidating pre-existing strengths and identifying the weaknesses to be modified during evaluation. Planning and implementing

changes are very important processes that must be done thoroughly. Poor planning and implementation lead to failure in obtaining improvements. To avoid this, it is paramount that all interested parties be involved in the planning process. They will have clear responsibilities and clearly set deadlines.

During self-assessment, the main specific instrument is CAF (Common Assessment Framework). It is promoted by the European Institute for Public Administration and pursues achieving a common self-assessment framework in the entire European public administration system.

Although it was implemented as a pilot-program ever since 2000, it is still not implemented in all public institutions at the moment but is nonetheless an important step toward TQM –Total Quality Management.

In terms of total quality management in public administration, the CAF is the tool for mobilizing and promoting and raising awareness. In conclusion, the CAF not only evaluates, it sensitizes, meaning it tries to change outdated mentalities and make it easier to accept new working tools.

In Romania it is considered of great importance to stimulate the development of the quality management by the public entities, if we take into account the increased efficiency of the quality management when it uses as the main instrument the self-evaluation, creating a functioning framework correlated with the requirements and expectations of the citizens benefiting by public services.

4. Conclusions

Self –assessment is the process that is used to answer the needs of all employees in public administration in order to efficiently fulfil all work-related tasks, the main goal being that of increasing quality and efficiency in performing current activities.

By using self-assessment, the management identifies internal and/or external problems and aims at diminishing or even removing the risks that cause these problems.

It can be concluded that a more active involvement of the top managers in public institutions increases the quality of services by attaining a unitary vision during experience exchanges while, at the same time, increasing the capacity to anticipate, prevent and diminish the risks that appear with public institutions.

It can be stated that during the self-assessment cycle all the personnel involved in it acquires knowledge that targets the principles of quality-risk management.

And last but not least, self-assessment offers benefits that regard the increase in quality of the offered services. The public entity will streamline its processes with the purpose of welcoming and satisfying the clients' needs, having as its background a dynamic society in perpetual change in what IT is concerned.

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Methods of Analyzing the Functioning of a Public Administration System

Ruxandra Marin

Polytechnic University of Bucharest

Doctoral School of Engineering and Management of Technological Systems

ruxy1579@yahoo.co.uk

Abstract

The paper is part of doctoral research, encompassing a study on the current trends regarding risk management administration in public administration. Increasing the quality of services and minimizing risks in public administration is the main objective of quality-risk management in the current setting in which Romanian public administration is in perpetual change on the background of aligning itself to the new European standards.

The objectives of the research are: analyzing risks at the level of public administration and public services as well as the way in which they are managed. The paper analyzes the risks that appear and risk management is seen as a working instrument with the purpose of highlighting the benefits of risk management compared to other instruments such as the internal public audit.

Key words: risk management, risk, public administration

J.E.L. classification: G32, H83

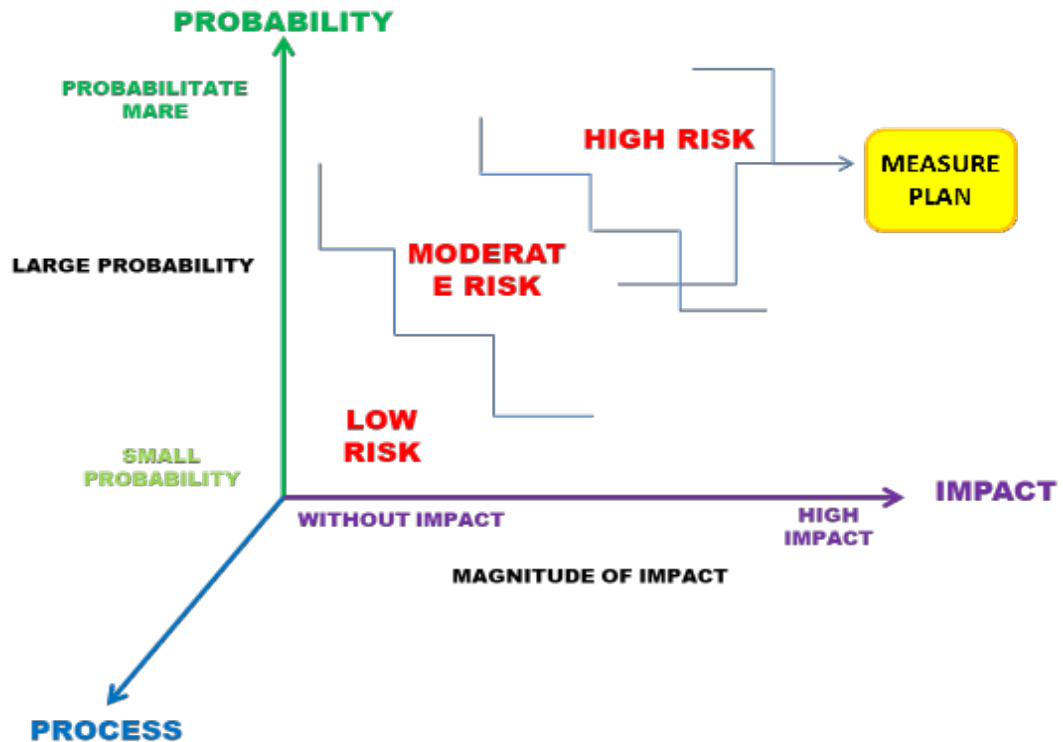
1. Introduction

At present, public administration is in perpetual change and development, having as background a dynamic social and economical environment that is continually growing. It is hard to maintain a high level of quality in public administration seeing as the customers' demands are increasingly diverse as they become more and more demanding. The desire to solve as many problems as possible in the shortest amount of time determines public administration to make changes and try to align itself to European standards, rely on decentralization and e-administration. Providing online services has many benefits but generates supplementary risks that require a detailed analysis with the goal of minimizing the impact of such risks or eliminating the probability of them appearing again.

Risk is a relatively new outlook and, although present in all areas of activity, it is very difficult to foresee and detect. Risk is often associated with "uncertainty". (Cişmaşu, 2003).

As shown in figure 1, the size of risks is determined by the size of two elements: the probability of them appearing and the magnitude the impact has on the public entity. Every manager wants to minimize at least one of the two elements, that is to reduce the probability of risk appearance or to minimize the impact it produces.

Figure no. 1 Risk hierarchy



Source: own processing

Risks represent uncertainty generated by a team regarding carrying out objectives or respecting deadlines, and in some cases these unforeseen events can even lead to significant financial loss. This is the reason why public entities personnel must be involved in risk analysis and in taking the right decisions in order to minimize these risks. The management team identifies the risks, evaluates the probability of them being generated, they evaluate the impact risks can have on daily institutional tasks and creates a classification of these risks, all of this to execute a plan of measures that will be taken to remedy problems and minimize moderate and severe risks. This entire process is actually risk management.

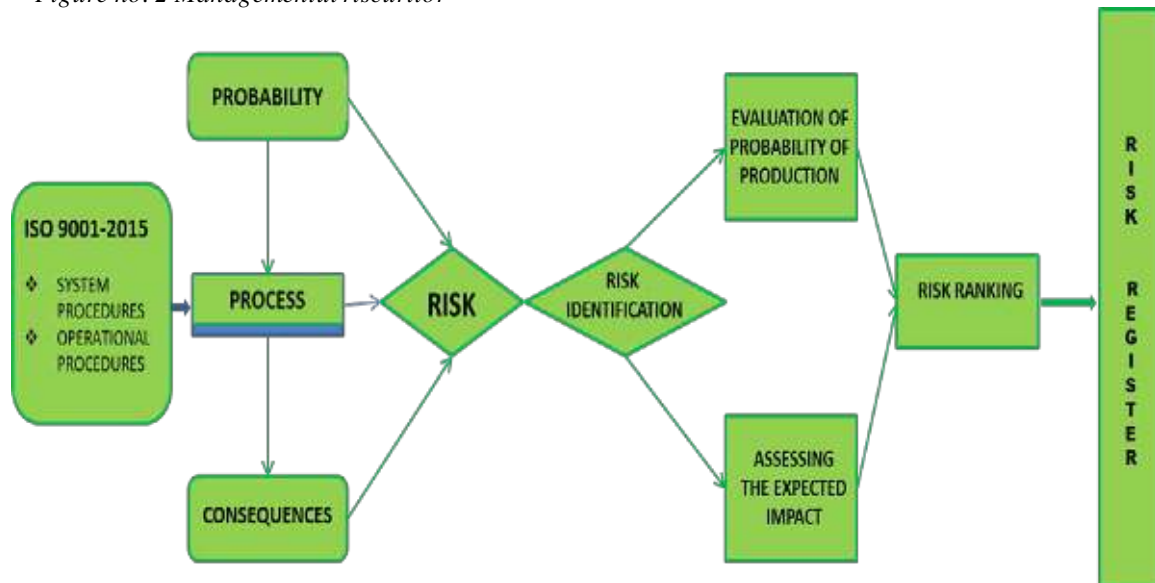
2. Theoretical background

Risk management is a cyclical process and implies covering five stages: planning risk, identifying risk, quantitatively and qualitatively analyzing risk, determining risk-approaching strategies and risk monitoring and control.

Planning risk is the first stage of risk management and implies planning the entire risk management process, including the appointment of persons responsible of monitoring risks at each hierarchical level and risk category. At this stage, the management team must be very careful as to exclude any errors because these errors can generate severe problems in the future and even important economical losses.

The second stage in risk management concentrates all the efforts of the team towards identifying risk sources. This stage is done during meetings in which specialized personnel searches for all the vulnerabilities in the public institution's activity with the help of risk management specific-instruments. After risk sources have been identified, a list with all the possible events is created along with their probability of occurrence, their frequency and the effects they may have. Identifying risks has as its main purpose avoiding crisis situations such as when the manager of a team within the public institution is taken by surprise by an undesired event, an event which can negatively affect all activity in that institution.

Figure no. 2 Managementul riscurilor



Source: own processing

Theoretically, all risk sources are identified but practically, it is very hard if not impossible to determine all risk sources. Risk analysis is done both qualitatively and quantitatively to identify and quantify the impact the analyzed risk can have on activities performed in public institutions.

The next stage of risk management is elaborating the strategies used to approach risks. This stage targets the risks that have been identified and analyzed in the previous stages.

During this stage, specific methods and procedures are used in order to ascertain tactics used to approach these risks. It is a very important stage as its main goal is to shelter the manager as well as his organization from risky events. (Bârsan-Piu, Popescu, 2003).

Control and monitoring is the final stage of risk management and is an activity that concludes the cycle of the risk management process, ending with operations that, in certain situations, can resume the entire process, reverting to the first stage.

3. Methods of analyzing the functioning of a public administration system

Risk management is an ongoing process, structured and consistent within the whole organizations. It aims to identify, evaluate and appreciate risks. Risk management sets responsibilities, risk attenuation or anticipation measures, periodical progress monitoring and reviewing, all of them guaranteeing the safety and integrity of the public institution.

Implementing the risk management system at the level of the public entity implies the existence of a favorable background with experienced personnel, balanced functional structure, adequate attributions and responsibilities and a technical infrastructure.

An organization's main goal is to identify, evaluate and deal with risks in order to reduce the level of exposure and maintaining risks at acceptable levels. The responsibility of conceiving and implementing the risk administration system falls to the management. The main goal is to maintain risks within acceptable levels, control them through sufficient and adequate control devices. The management is responsible for the harmonization of the organizational structure, its personnel, processes and infrastructure to implement the strategy and maintain a good level of control over risks, using risk management integrated in the systems and methods of work as a functional tool. The public institution's management must ensure the putting into practice and proper functioning of risk management processes in order to achieve its aims.

On the other hand, the internal audit is a process used to examine and evaluate the risk management processes being put into practice and capable to guarantee the achievement of all goals. The responsibility of risk management is attributed to the management which must insure the implementation and proper functioning of risk management processes in order to achieve its goals.

Risk management is the process that identifies, evaluates, manages and controls all the processes to offer reasonable insurance regarding the achievement of the institution's goals. It is the process that involves all personnel, from the general manager, the executive organization all the way to the public workers. It is a concept used to identify possible sensible events that can influence the organization's activity and also manage risks. Risk management is the basis for generating the risk strategy at every level and activity pertaining to the public institution.

Introducing risk as a central element in ISO 9001: 2015 succeeded in redefining risk and consolidating the role risk management has in all public institutions. The current trend within the European Union is to align to European standards all public institutions in EU countries. The decentralization and alignment process to the European Union practices is the main objective of risk management at the level of European public entities. Risk and risk management are the elements brought forward by ISO 9001: 2015 and aim at increasing the complexity of activities performed in public institutions. The more or less accentuated economical crisis in the last years generated a downward trend of resources of any type and, at the same time, an upward trend in present commitments. The current trend of bringing risk in the foreground in public administration brings obvious benefits as opposed to the internal audit and helps institutions to identify, classify and prevent significant risks and avoid uncertainty situations. Risk management prevails in organizing and facilitating decision-taking to decrease the impact risks have or eliminate their occurrence.

4. Conclusions

Risk management is the basis for the risk strategy. This tool is used to bring as close to zero as possible the risks' impact or to diminish a lot the frequency with which risky events appear. Risk analysis and starting procedures are elements pertaining to risk management, elements that constitute the basis for the measures plan that is to be implemented in public institutions.

It is directly responsible for the accomplishment of set goals at the level of public institutions. This is why risk management is an instrument used by public institutions managers as it has advantages compared to the internal public audit because it involves all personnel at every level in the organization, actively contributing to making decisions in uncertain and risky circumstances.

In conclusion, system and operational risks, brought forward by the ISO 9001: 2015 standards, turn risk management in to a vital instrument.

ISO 9001:2015 standards analyze risks in all the entity's structures so it can be stated that risk management is the process that involves all the personnel in the public institution. They take part in the stages of analysis and achievement of the measures plan as well as in the actual implementation of the adopted measures, having as their main goal risk reduction such as material or financial losses. Involving all personnel in risk management implies a continued improvement of their performance, their level of training always increasing. All these factors lead to the conclusion that risk management is a far superior work instrument compared to others used in quality-risk management in public institutions.

It can also be deduced that the two instruments-risk management and internal audit-must complete each other because, only by integrating them, public institutions can satisfy the public's needs at very high quality standards.

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Human Resources Shortage – Decisive Factor in Substantiating the Personnel Attraction Strategy

Micu Angela-Eliza

"Ovidius" University of Constanța

angelaelizamicu@yahoo.com

Popa Daniel

"Dunărea de Jos" University of Galați

popadaniel.central@yahoo.com

Abstract

This paper offers a particular view on the human resources shortage within the organizations providing auto repair services in Galați City, which determines the need of identifying a personnel attraction strategy through specific techniques, accounting for the specificity of the approached field. This step is taken in order to create an overall view of the skilled human resources shortage on the entire national service provision market, which shall constitute the underlying foundation of the strategy to be enforced at national level. Thus, the need to implement a human resources attraction strategy distinguishes itself by using procurement, flexibilization, retaining and restriction plans, but also human resources development coaching and mentoring programmes in order to counter the workforce shortage.

Key words: coaching, mentoring, strategies, workforce, shortage

J.E.L. classification: J21, J23, J24, M12, M53

1. Introduction

At global level, the workforce market is a complex market influenced by political, demographic and cultural factors. Domestically, the workforce market is tightly connected to the free circulation of workforce within the European space, social marginalisation and demographic decline. Along with the less restrictive travel requirements in the European space, further to the accession on 1 January 2007, Romania, through its capacity of member state acquired both rights and obligations (European Commission, 2019). Thus, such rights and obligations have been automatically transmitted to the Romanian citizens.

One of the rights the Romanian citizens have enjoyed and used was the free circulation of workforce. According to the findings of a previous study, between 2013 and 2016, a shortage of 183 300 people was recorded, due to the migration of workforce. (Micu and Popa, 2018)

Between 2011 and 2016, a significant immigrant inflow was recorded; 870 600 people were recorded in this phenomenon. For the same period, 1 101 000 people emigrated (National Institute of Statistics, 2018, p.51). We consider that the immigrating workforce is over-skilled to a great extent. Generally speaking, immigrants fill in management positions within multinationals or top domestic companies. We believe that a large share of the emigrants are low-skilled people. Such people, through professional reconversion programmes or workplace qualifications, could partially fill in vacancies in industry and services. The human resources crisis in Romania is obvious within industries and services. In order to counter the human resources crisis, Romania is ranked among first countries in the European Union who import workforce from the non-EU space. (Abrihan, 2018)

The growth of the number of immigrants was supported by the approval of the Government's Decision no. 946/2017, which allowed to increase the batch of workers coming from outside the European Union from 7 000, initially approved, to 15 000 for 2018. Further to a package of

measures having similar impact, throughout the last years, Romania is now ranked second in the European Union as to the request of non-EU workers according to the data provided by Eurostat. (Abrihan, 2018)

In order to encourage the employment of non-EU immigrants, the Romanian Parliament adopted in 2018 Law 247, whereby the gross monthly national salary of the non-EU workers was set at the level of the minimum gross monthly national salary, in comparison to the average one previously set. (Parliament of Romania, 2018)

2. Theoretical background

In order to counter the skilled workforce deficit in the technical field, we consider that coaching and mentoring programmes must be implemented within organizations and at national level. The need to enforce this strategy is also highlighted by the fact that recruitment possibilities are limited.

Within organizations, human resources are employed, promoted or transferred from one position to another. Human resources need development as part of a continuously growing professional route. Human resources perceive the training programmes as one of the most effective ways of acquiring new skills and working tools within organizations. The training programmes are but one way to cover the development process shortages. The acquisition, development and retention of good quality human resources are acknowledged by organizations and competitive advantages. Thus, coaching developed as a strong discipline whereby organizations act in order to build and retain human resources. (Homan and Miller, 2008, pg. 3)

Coaching also aims at unlocking the potential of individuals within a company in order to maximize efficiency at the workplace and to reach its objectives. Coaching does not limit individuals in learning but comes to their support. Coaching is a challenge to all the parties involved in the process. (Yeung, 2000, p.8)

3. Methodology

This study was elaborated by using the quantitative survey. The survey form was elaborated in order to identify the workforce deficit within the units providing auto repair services from Galati City. The highlighting of the total capacity of jobs and filled positions has been envisaged. Open questions were used. The research was conducted within the bodywork department, which includes the plate workshop and painting workshop.

The survey was strictly conducted in order to highlight the workforce shortage for the position of automotive body repairer – COR code 721303, sometimes called auto plater and, auto painter – COR code 713205. (Ministry of Labour and Social Justice). The survey was conducted between 01 Oct. 2018 and 15 Dec. 2018, on a sample of ten representative auto repair shops.

According to the work methodology, the notion of repair shop designates an organisation at least 10 years old, with a business area of at least 1 000 sqm. The survey included both independent multi-brand repair shops as well as mono-brand and multi-brand repair shops agreed directly by the car manufacturers, which operate together with or near sales dealers or concessionaires for certain car brands. For a more succinct expression throughout the paper, we shall designate the first category of repair shops as multi-brand and those in the second category mono-brand. From the ten repairs shops participating in the survey, six are mono-brand and four are multi-brand. All repair shops that participated in the elaboration of the survey have been authorized by the Romanian Automotive Registry. (Parliament of Romania, 2013).

Several stages have been gone through for the elaboration of the survey, comprising the preparatory documentation and the effective achievement.

The first stage consisted in the identification of the repair shops available in Galati City by accessing the website <http://service.auto.ro/>. Further to applying location filters, it resulted that there are ninety-one repair shops in Galati City. Well-known repair shops on the local market have been selected from the filtered results. They were included in the next survey stage.

The second stage consisted in testing the sample eligibility from the viewpoint of the incorporation year of the companies holding repair shops. In this stage, the web portal mfinante.gov.ro. (Ministry of Public Finances) was accessed. For the verification, the company number from the Trade Register was checked. (National Trade Register Office).

In the third stage, the presence of the R.A.R. (Romanian Automotive Registry) authorization was verified by using the on-line database rarom.ro.

The eligibility of the available area for conducting the business was tested in the fourth stage. The testing was done by going to the physical address of the workpoint. Thus, the location area could be estimated for each particular case.

The fifth stage represents the survey itself. First, the companies' decision makers were contacted and the survey reasoning was given. Then, the data was collected through the survey sent by e-mail.

4. Findings

The obtained results were summarized in the table below:

Table no. 1. Status of available jobs and filled in positions within the auto body repair workshop

No.	Service unit	Plate workshop jobs	Plate workshop employees	Painting workshop jobs	Painting workshop employees	Service type
1	Unit no.1	3	4	3	4	mono-brand
2	Unit no.2	5	5	4	3	multi-brand
3	Unit no.3	2	1	2	1	multi-brand
4	Unit no.4	4	4	4	5	mono-brand
5	Unit no.5	8	5	3	3	mono-brand
6	Unit no.6	5	3	4	2	mono-brand
7	Unit no.7	4	4	4	6	mono-brand
8	Unit no.8	9	2	4	4	multi-brand
9	Unit no.9	4	2	4	2	mono-brand
10	Unit no.10	6	4	4	2	multi-brand
TOTAL		50	34	36	32	

Source: Table processed by the authors based on the collected survey data

Further to the analysis within the plate workshop, a shortage of 16 employees was found, since the total number of jobs is 50 and the number of filled in positions is 34. Thus, there is a 32% shortage in this case. It can be seen that three repair shops are working at normal capacity. Only one repair shop has personnel in excess while the personnel shortage is present within six repair shops.

As to the analysis undergone within the painting workshop, a 4-employee shortage was noticed. The total number of jobs is 36 while there are 32 employees. In terms of percentage, the shortage is of 11%. We could speak of total job coverage in the case of two repair shops. Three repair shops have excess personnel while five repair shops are facing personnel shortage.

Further to the global analysis of the shortage, it was found that eight repair shops faced this issue. From the two analysed units, only two are operating at optimum or in excess personnel level. The global human resources shortage arising from the survey is of 23%.

In the first stage, in order to fix the personnel shortage issue, the targeted organizations need to adopt a viable human resources strategy. We consider that the most readily available variant is to enter into a collaboration with "TraianVuia" Technical College of Galati, which trains students in the automotive field. According to the "School action plan for 2013-2018", "TraianVuia" Technical College envisages the creation of an external horizontal collaboration network in order to improve graduates' employment level and extend their vocational horizon. (Homner *et al*, 2015)

Another stage referring to human resources is flexibilization. This involves training the human resources in order to perform a varied range of works. Considering the technological evolution, it might be said that the training formation represents the essential support of flexibilization (Borza *et al*, 2006). Thus, the recruited workforce needs to be updated with the new repair technologies, such

as: repair of aluminium items, cosmetic repair of rims and chrome or nickel-plated items, paintless dent repair – PDR etc. Training may be performed internally – by know-how transfer from the experienced employees or externally – participation in specialised courses, a generous offer being available to this effect.

Retaining human resources plays an important role in an organization's strategy, since this might provide a competition advantage. After selecting the human resources meeting the requirements and making time and material investments, the retaining strategy is important. Human resources may be retained by proper incentive and providing a friendly work environment. If motivation falls exclusively to the management by performing an input/output analysis, the provision of an adequate environment is up to the other human resources involved in the work process. Thus, the benefit of the entire team in the process of integrating a new employee must be pointed out.

Once the human resources shortage has been covered, a shrinkage plan could be enforced with the clear purpose of improving productivity and cutting expenses. The impact of work processes' optimization has a major impact on the organization's figures. A strategy could be employed, which provides employees' freedom to establish the works' execution order if they have high organization capacity. Therewith, a duty assignment strategy providing the execution of repetitive actions could be selected. Both strategies must be enforced in order to improve productivity so that, subsequently, the restriction plan does not affect the company's results.

When the team has been homogenized and the shortage covered, the need to implement coaching and mentoring strategies could be considered. Their purpose is to improve employees' productivity when the space extension business possibilities are limited or the workload is volatile. Thus, business development is pursued without arrangement/technology refurbishment investments, and on the other hand, human resources are trained for the peak periods, when the workload matches the potential of that moment.

In order to attract already qualified and experienced human resources, we consider that another strategy should be approached. Within the same organization, by using the Delphi technique, we have elaborated a study about competitive benefits packages that the management teams should agree to award the employees as part of the workforce procurement and retaining strategy. The service director of each entity was contacted – who knows the needs of the entire organization's employees, as well as the head of the body repair department – who has intimate knowledge of the employees' needs, who were included in the previously calculated shortage study.

Further to the first research stage, it was found that the studied organizations awarded as benefits Easter and Christmas premiums, as well as the employees' possibility to repair their own cars after the working hours. It was also found that, in general, the multi-brand repair shops awarded an additional benefit, in that they offered the employees the possibility to purchase parts for the repair of their own cars at a low mark-up. In exchange, the mono-brand repair shops do not employ this strategy due to the price scales imposed by the organizations they are affiliated to and to the price policy elaborated by the local management. It was also found that, to a great extent, employees having under their care children aged up to 14 years-old, receive additionally, on the occasion of the Christmas holidays, gifts for each child consisting in sweets and fruits. The managers who do not choose this variant consider that it is equitable that the other employees should be awarded as well an additional bonus in order to establish a balance, which would significantly impact on the forecast budget. Moreover, within the mono-brand repair shops, on the occasion of the New Year, the practice of giving personalized items such as agendas, calendars, wine bottles, key fobs, car sun shields and T-shirts was found, considering that significant quantities of such products are ordered in order to offer them to collaborators for marketing purposes.

Further to a subsequent survey, a list of additional benefits that might be awarded was elaborated. By summarizing the experts' opinions, we found that additional benefits to employees might be included, such as: hobby-recreational training courses in the manufacturing and artistic field (pottery, painting etc.), spare parts discounts and free repairs, shopping vouchers, one-day trips or recreational activity vouchers with the entire team (their families included), subscriptions to fitness or massage centres, medical insurances, subscriptions to play areas or entities the profile of which is children's development. It was also found that the budget would allow the award of a

monthly benefit package amounting to 100 lei, maximum 150 lei without impacting on the level of the already awarded premiums. To a very small extent, there were also subjects who considered that in the months when Easter and Christmas premiums are awarded, award of the previously stated benefits should be suspended.

In the second round, due to budget reasons, the experts ruled out from the seven possible activities the participation in hobby-recreational training activities and the shopping vouchers. The reason was that those activities would have led to budget overrun.

In the third round, experts waived the activities that would have led to varied incentive variants for various categories of employees. In this case, it was considered that employees had children of various ages or not at all. At the end of the round, four personnel incentive packages remained eligible: spares discounts and free repairs, one-day trips or recreational activity vouchers with the entire team, subscriptions to fitness or massage centres, medical insurances.

In the end, experts unanimously agreed that only two benefits packages could be implemented:

- Awarding spare part discounts and free repairs – because they do not generate high costs to the organizations, the only costs referring to the wear and tear of the materials used in the repair process and utilities expenses. Considering the cost level, the idea that these are negligible was accepted;
- One-day trips or recreational activities with the entire team – a large group being considered the costs are low compared to the other activities. Moreover, in the case of travels on distances under 50 km it was agreed that the renting of common transportation means was not required. In this case, the trip could be made through one's own forces since, generally each family has a car. Otherwise, two colleagues could use the same car. On the other side, the variant was also agreed because it would be more suitable for the hot season than the cold season, the creation of such monthly event being impossible.

As to the temporal extent, experts unanimously agreed that the strategy could be applied on a permanent basis since the costs are low and the impact on employees is strong. Moreover, experts also considered that socialization and participation in joint activities outside the working hours strengthens interpersonal and workplace relationships, which brings direct benefits on the work process. Experts also agreed that the strategy be enforced with immediate effect. The mono-brand repair shop experts also found a solution to the issue of granting spare part discounts: spare parts can be purchased from parallel import networks as well, which trade spares manufactured under license, not only original spares.

5. Conclusions

Through this study, we highlighted the personnel shortage that the field of the organizations from Galati City, the business object of which is automotive repair, is facing. The study reveals the human resources crisis at national level.

In order to point out the authenticity of the study, we collected statistical data regarding the registration of road vehicles between 2015 and 2018. The data was selected from the "New road vehicle registrations" statistical bulletins for the years 2015, 2016, 2017 and 2018, published by the National Institute of Statistics and exposed in the table below:

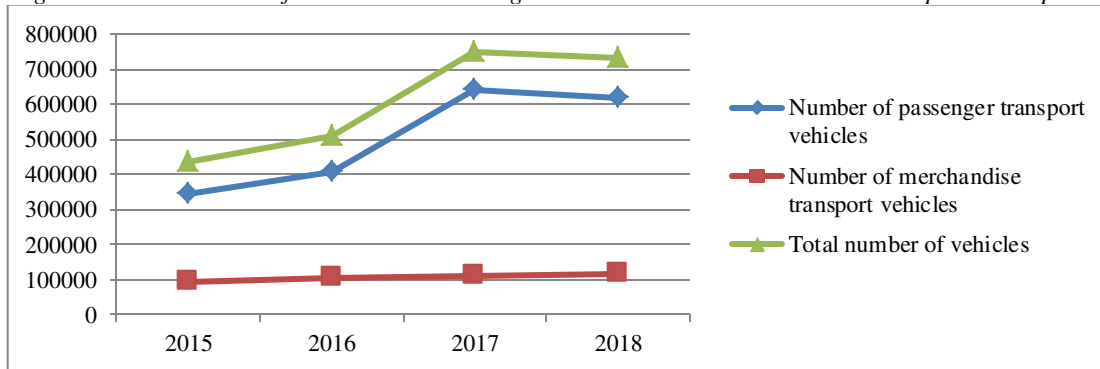
Table no. 2. New road vehicle registrations between 2015 and 2018 expressed in pieces

Year of reference	2015	2016	2017	2018
Number of passenger transport vehicles	342 058	406 058	638 485	617 208
Number of merchandise transport vehicles	91 595	103 091	110 134	116 887
Total number of vehicles	433 653	509 149	748 619	734 095

Source: Table processed by the authors (National Institute of Statistics, 2016 – 2019)

Further to the processing of the collected data, the following graph was elaborated for better highlight the evolution:

Figure no. 2. Evolution of new road vehicle registrations between 2015 and 2018 expressed in pieces



Source: Table processed by the authors (National Institute of Statistics, 2016-2019)

Thus, an increase in the number of registered road vehicles is noticeable between 2015 and 2017, while it stagnates in 2018. We wish to emphasize the fact that from 2015 until 2017, the total number of registered vehicles almost doubled. This led to the increase of the number of customers of the repair shops. Thus, the hypothesis that vacancies are due to the lack of customers is excluded.

In order to strengthen the number of potential customers for the repair shops, we decided to analyse the evolution of the number of damage files opened on the automobile liability insurances. The data was collected from the webpage of the Financial Supervision Authority. Although the data is not quantitatively significant, they sufficed for undertaking an approximative survey. Thus, reality could be accurately highlighted.

In the "Status of Automotive Liability Insurance damage files opened in the 2nd semester of 2015" press release (Financial Supervision Authority, 2016), it was specified that in that period 116 585 damage files were opened. It results that on average, approximately 634 files were open every calendar day.

According to the "Status of Automotive Liability Insurance damage files opened in the 1st semester of 2016" (Financial Supervision Authority, 2017) and "Status of Automotive Liability Insurance damage files opened in the 2nd semester of 2016" (Financial Supervision Authority, 2017) it arises that the number of opened damage files is of 135 709 namely 119 623. Thus, we could conclude that in 2016, approximately 698 files were opened on each calendar day.

Considering that for 2017 no data was found, we proceeded to the calculation for the year 2018, approximately 959 damage files opened on the Automotive Liability Insurance policy on each calendar day. In this case, the "Status of Automotive Liability Insurance files opened and approved by the insurance companies in Q1 2018" (Financial Supervision Authority, 2018) was considered.

Therefore, making the direction connection between the number of damage files opened on the Automotive Liability Insurance policy and the number of potential customers of the automotive service units, we considered we brought an additional argument whereby we prove the need to employ personnel due to the increase recorded by the market of the industry.

We would like to emphasize the fact that a physical job could be filled in by two people, considering that organizations having excess personnel have been identified. In this case, the time allotted to each order is reduced.

We consider that we managed to substantiate a personnel attraction strategy that could settle to a great extent the human resources shortage in the studied field. The strategy refers both to the freshly qualified people and those with work experience. This strategy can be adapted to any other economy field, the Delphi technique being an effective surveying method regarding the competitive benefits packages that might be awarded to employees. Moreover, by surveying the opinions of various experts in a certain field, a homogenous environment having a direct impact on the improvement of the offered services' and products' quality. Thus, together with other human resources attraction and retention methods, the possibility for a permanent and sustainable development in this envisaged field is created.

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Organizational Culture within Romanian Companies

Camelia Mihai

Norina Popovici

"Ovidius" University of Constanta, Faculty of Economic Sciences

cami.moraru@yahoo.com

norinapopovici@yahoo.com

Gheorghe Moraru

"Mircea cel Batran" National College of Constanta

gheorghe.moraru@yahoo.com

Abstract

The concept of organizational culture is fundamental for explaining critical phenomena in the functioning of organizations, phenomena such as the creation of the hierarchy of values on which the process of strategic directioning of the system depends, the establishment of the paradigmatic framework of human relations, the interpretation of time and space or the determination of fundamental attitudes towards internal and external environment. This paper treats the subject of organizational culture, starting from the basic idea that it represents the character of a company, being the nucleus of the personality.

Key words: culture, performance, leadership

J.E.L. classification: M10, M14

1. Introduction

Organizational culture is defined in several forms and variants. A culture is not inherited, it is learned as a set of norms, values and rules of behavior. There is a close link between culture and organizational behavior. Organizational behavior covers a wide range of activities: perceiving group dynamics, agreeing and respecting the differences between people and the cultural values they come into the organization, knowledge and fulfillment of employees' needs and other managerial activities.

Knowledge and cognitive foundation have become for many businesses the strategic funds for the continuity of competition. Today, there is a strong connection between the economic community and the scientific community. For this reason, the cognitive dimension has become a deep principle of organizational culture. This paradigm oscillation has forced the re-evaluation of the definition of business competitiveness. The focus on organizational knowledge, on the application and development of the cognitive skills, abilities and skills necessary for its acquisition and use, has been the foundation of knowledge management. Knowledge management is the action that refers to the management of knowledge. In the organizational perspective, the process of organizational knowledge management is designed to create a competitive advantage and to capitalize on the activities. Creating knowledge within the organization is essential, which is in fact the biggest capability of a company, especially because it leads to innovation (*Nonaka, Takeuchi, Umemoto, 1996*).

2. Theoretical background

Over time, the concept has been treated by a number of researchers. According to Peters and Waterman (1982) organizational culture *responds to the satisfaction of primordial human needs such as the need for meaning, control, positive feedback, the need for stability and security or*

ideological needs that structure the purpose, direction, organization and action comply with it (Peters, Waterman, 1982). The researcher Whitley (1990) formed the synthetic definition of culture, according to which it is *the sum of knowledge, moral norms, customs, art and beliefs that have the role of differentiating groups of individuals from one another, to be passed on to other new members, as the right way to perceive, understand and feel about issues (Whitley, 1990).* In the perspective of the author Geert Hofstede, organizational culture can also be defined as a *collective mental programming that distinguishes members of an organization from members of another organization (Hofstede, 2001).* The Romanian authors Ion Verboncu and Ovidiu Nicolescu define the organizational culture as an ensemble of values, beliefs, aspirations, expectations and behaviors shaped over time in each organization, which predominates within it and, directly and indirectly, condition their functionality and performance (*Verboncu, Nicolescu, 2007*).

The flow of elements found in defining the culture of organizations are: ensembles of values and norms specified in languages with certain specifications having finality, the core of habits, staff conceptions and beliefs, integrating myths, rituals, ceremonies, symbols, opinions, social standards, common practices and individual experiences.

As a philosophy of the organization, in the opinion of the Romanian authors Tatiana Gavrilă and Viorel Lefter, the organizational culture represents the *managers' thinking, the ethical standards, the types of behavior, the adopted management policies, the traditions, the attitudes and the specific events that marked the evolution of the company (Gavrilă, Lefter, 2007).* The authors Eugen Burduş et al, have defined the organizational culture as *a set of artificial products, basic values and concepts, thought patterns and behavior generally accepted in an organization as a common basis of action (Burduş, Căprărescu, Androniceanu, 2008).*

3. Presentation of Enel

Enel Energie S.A. is a multinational company that was born in Italy and is ranked 4th among the top European energy companies. They are one of the world's largest suppliers of energy and gas. The company is present in 35 countries on five continents and have over 63 billion users worldwide with the largest portfolio of customers in the European market. Manages more than 38GW of installed capacities in Europe, the Americas, Asia and Afric of water, wind, geothermal, solar, biomass and cogeneration installations.

Enel's mission is to open up access to energy for more people; opening the world of energy to new technologies; opening new ways for people to manage energy; opening up new uses of energy; and the opening of several partnerships.

The company Enel has been present on the Romanian market since 2005 and is now the largest private investor in the country, in the energy field, with electricity supply and distribution operations as well as renewable energy production. The company has over 3.100 employees and offers services to 2.8 million customers in three key regions of the country: South Muntenia (including Bucharest), Banat and Dobrogea, representing one third of Romania's electricity distribution market.

Enel Green Power is a company within Enel Group dedicated to the development and management of renewable energy production in Italy and around the world. It is responsible for all activities of the Enel Group in the field of wind, solar, geothermal and hydroelectric power plants without accumulation. Enel Green Power Romania is the local subsidiary of Enel Green Power. It develops electricity production projects from wind power in the Banat and Dobrogea regions. The clean energy generated by factories is able to meet the consumption needs of millions of families around the world and contributes to reducing carbon emissions, combating climate change and facilitating a new decarbonised development model.

4. Identifying the norms and values prevailing in Enel Romania

The Enel Group is formed of around 62.900 people worldwide and is based on four values: responsibility, innovation, trust and proactivity. To fulfill the mission, innovation and sustainability are the two basic principles: one cannot be sustainable without the help of innovation and

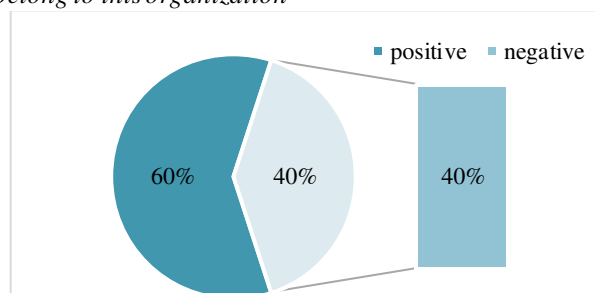
innovation should be focused on sustainability. Along with more and more advanced technology, the company is doing it best to leave creativity to find new ways to promote sustainability at all levels. The Enel Group embraces diversity and recognizes it as part of the company's success in a constantly changing world, a success that depends on the people with whom it works. Promotes diversity in order to innovate, improve the lives of customers and develop the business.

Group values are passed to subsidiaries around the world, Enel Romania making no exception. In order to identify the norms and the dominant values within Enel Romania we used the descriptive analysis and the questionnaire was used as the method of the survey. The questionnaire, consisting of 9 questions, was applied to 80 employees within the organization. After applying the questionnaire, it was found that out of the total of respondents 65% are women and 35% men with ages between 18-20 years (3%), 21-25 years (4%), 26-30 years (10) %, 31-35 years (15%), 36-40 years (30%) and over 40 years (39%). They are part of Enel for less than 1 year (5%), between 1-10 years (25%), 10-20 years (40%) and over 20 years (30%).

5. Research results

According to the results of the questionnaires, 60% of employees of Enel Energie S.A. are proud of belonging to this organization, but 40% of them are not as proud as their colleagues, for various reasons. Pride is a sense of dignity, trust in your own qualities that create a sense of contentment, satisfaction, pleasure and joy. The feeling of satisfaction is caused by success, a victory. In the negative sense, an exaggerated pride when the individual has an unjustifiable superiority towards others, it is called presumption, pride. Some say that patience and indulgence are a quality, but not pride.

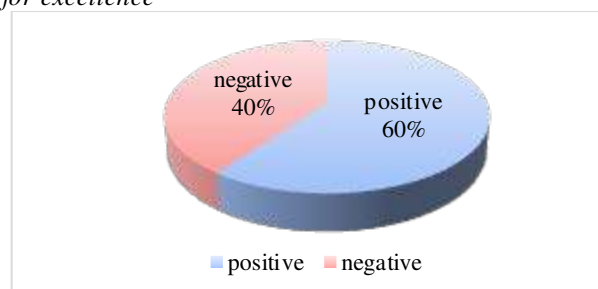
Figure no.1. Pride to belong to this organization



Source: own processing based on the results of the questionnaire

The data show that 60% of the company's employees say they are concerned about excellence, working as efficiently as possible to deliver the best results and to reach very good position within the company. 40% of them work in the standards offered and only reach the well-established goals of the company with no extra effort to excel. Operational excellence consists of combining four elements: processes, human resources, IT support systems and the organizational structure that is fundamental to each organization. These four elements must be in balance so that excellence projects can be successfully implemented.

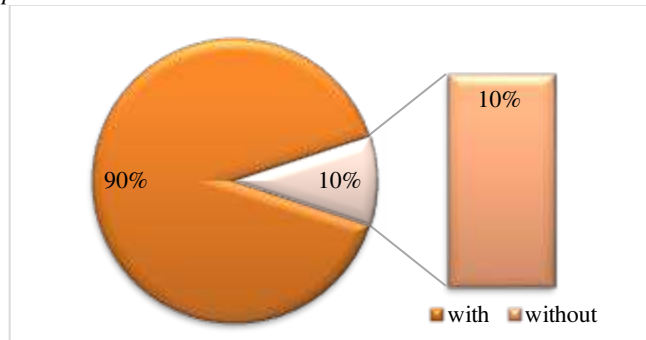
Figure no.2. Concern for excellence



Source: own processing based on the results of the questionnaire

The results show that there is a spiritual relationship between the employees of the company, that they have that pleasure to work and achieve results together. The figure below shows that 90% of employees have team spirit, trust each other. Team spirit is one of the most important values in an institution. Instead, 10% have still failed to fit into this group. Considering the high percentage of those who managed to establish a strong link between them, it is believed that the 10% will eventually be part of the same team.

Figure no.3. Team spirit

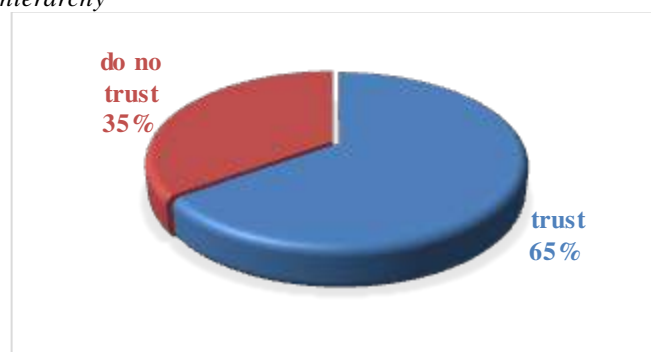


Source: own processing based on the results of the questionnaire

Team spirit requires the learning and development of essential skills and values such as responsibility, cooperation, trust and communication. It is important when working in teams that they are focused on achieving clear goals. This builds up skills, knowledge, useful skills when working in a team. At the same time, transparent communication, innovation, active listening, creativity, collaboration and friendship are encouraged.

Following the interpretation of the results, it was found that 65% of the company's employees trust the organization / management and 35% of them failed to establish a trust relationship with the management of the organization. The feeling of trust has an important role within the organization in order to achieve the necessary results, so that the company excel. Given the figure below, 40% of them do not want to excel and one of the reason is that they do not trust the hierarchy.

Figure no.4. Trust in hierarchy

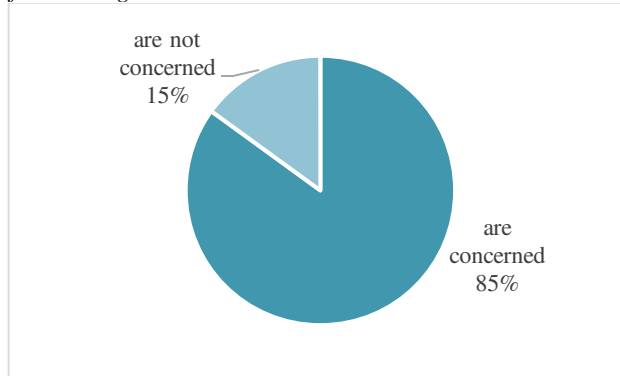


Source: own processing based on the results of the questionnaire

The sense of trust plays an important role in the life of each organization, facilitating the development of healthy relationships of communication and collaboration. It takes time to build trust in an organization, and once lost, trust will be hard to regain. That is why managers who want success must create and develop a culture of trust in their organization, starting with their image as a manager and image of the management team in front of employees or the external environment (clients, partners, collaborators).

According to data, within Enel Energie S.A. there is a strong bond between colleagues, they understand each other and respect each other, considering their colleagues friends outside the workplace. 85% are concerned about other colleagues, but there is a small percentage of 15% that they are not concerned at all about their coworkers.

Figure no.5. Concern for colleagues

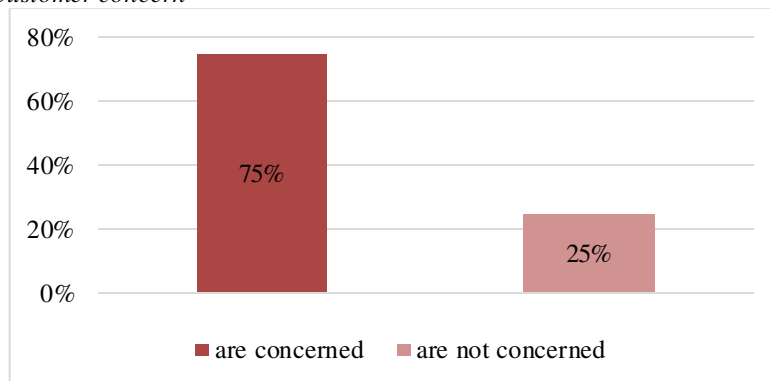


Source: own processing based on the results of the questionnaire

The whole issue of intra-organizational relationships is treated too simplistically by both managers and management consultants. Inter-human relationships are "multi-faceted", involving a multitude of aspects and, also, existing in different relationships with each other. In analyzing these relationships, must be taken into consideration a number of factors such as communication problems, lack of procedures, ethical climate, managerial style or financial and social factors.

Employees of Enel Energie S.A., in a percentage of 75%, are concerned regarding the clients, while 25% of them are not interested in the customer. The percentage of those not interested in the interests of the clients is high, but it can be explained by the fact that employees can have difficult days, that at times they cannot detach themselves from personal problems and focus only on fulfilling the tasks.

Figure no.6. Customer concern

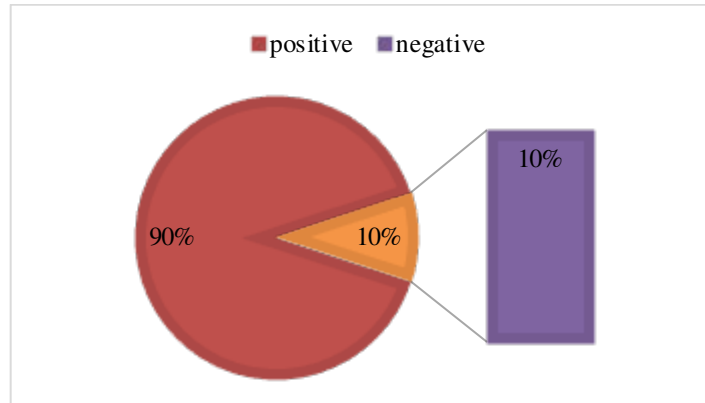


Source: own processing based on the results of the questionnaire

The client is the most important link in a business, he is the one who decides the level of company's profit, the level of salaries in the company. There can be no customer-free business and their satisfaction has to go into the business's DNA, as the success of a company can not build on customer dissatisfaction. The customer is the largest "asset" of a firm. Building a trustworthy relationship with customers is very important in the new client-centered approach. A dedicated customer network, that tells others about the company's products is a good thing for business development, based on the cheapest, strongest and most credible advertising.

Looking at the results of the study, 90% of the company's workers suggest new ideas and new working methods, these being innovative, but there is also a 10% of employees who only perform their tasks. Innovation is generally considered the main driver of economic growth in the global economy today. By introducing innovations, products with improved quality features, superior quality services, new are more efficient production processes, improved business management system models and modern methods of workforce management can be achieved. There are multiple incentives for businesses and organizations to innovate, including: increasing market share, conquering new markets, improving product quality, expanding product ranges, replacing old products, reducing environmental impact. Innovation is linked to creativity.

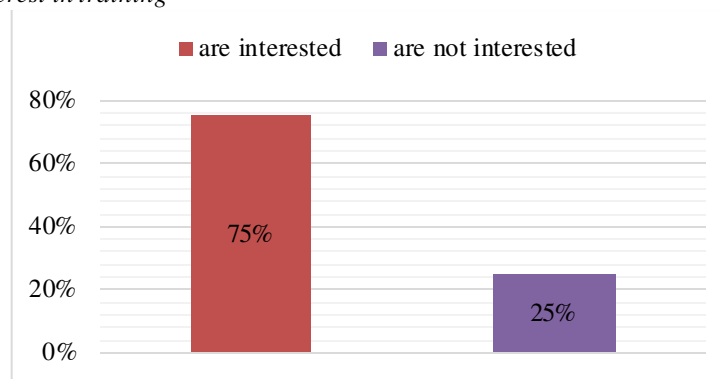
Figure no.7. Innovation within Enel



Source: own processing based on the results of the questionnaire

It can be seen that 75% of respondents are interested in personal training, professional training and personal development, while 25% are not interested in these issues. Vocational training is the procedure that ensures the growth and diversification of professional skills, which has an impact on the way in which work is done, thus contributing to the faster achievement of the company's overall objectives.

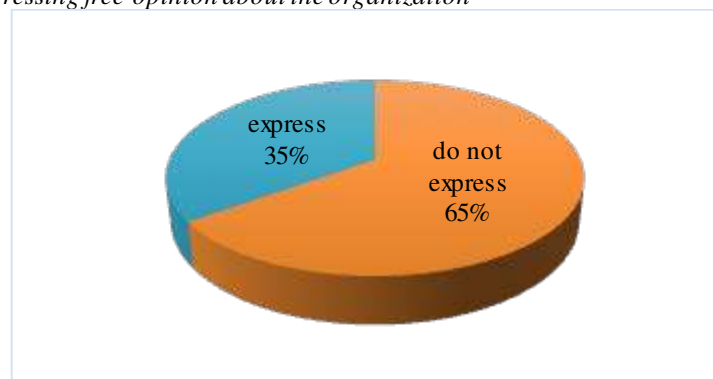
Figure no.8. Interest in training



Source: own processing based on the results of the questionnaire

Regarding the results of the questionnaire, 65% of the company's employees prefer not to communicate freely their personal opinion about the company's problems or its errors. Instead, 35% of them express themselves freely and tell their opinion about problems that arise in the day-to-day ongoing activities.

Figure no.9. Expressing free opinion about the organization



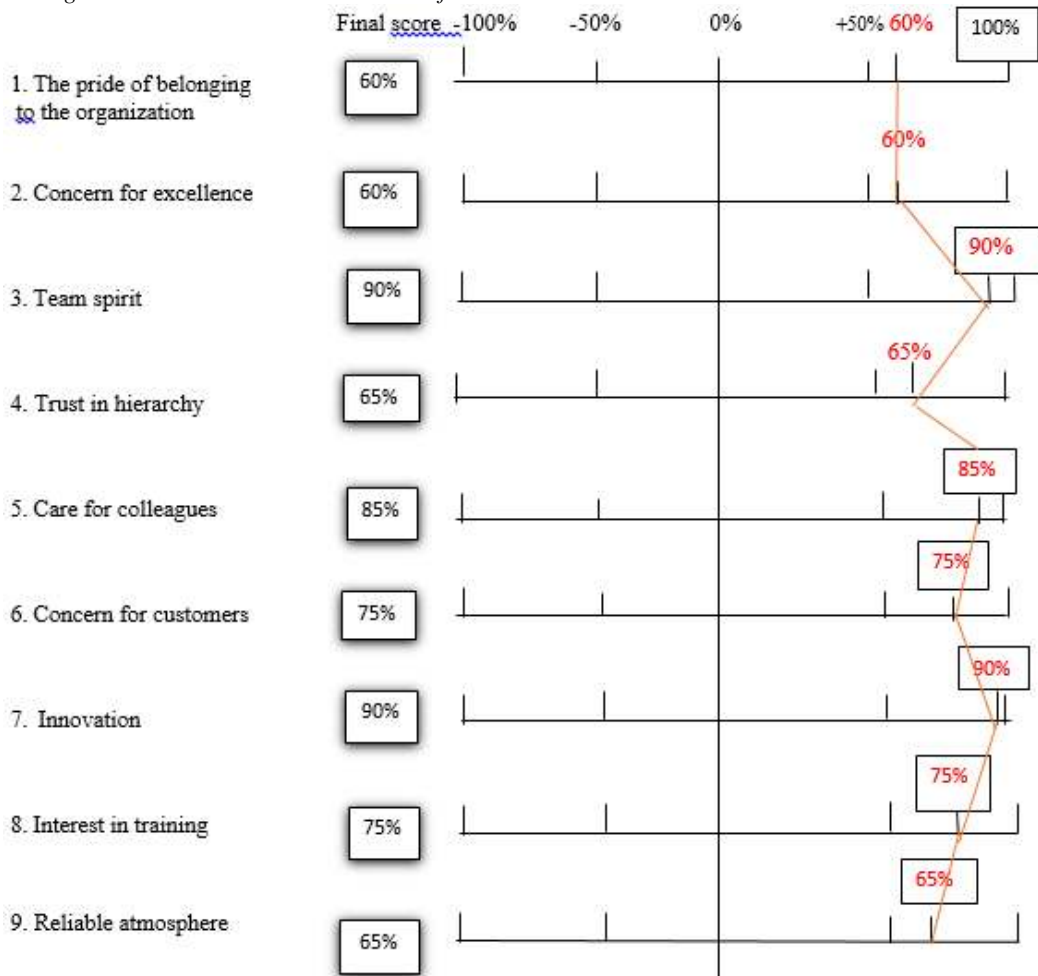
Source: own processing based on the results of the questionnaire

Establishing company strategies and vision, product sales, customer interaction, implementing company policies and procedures, employing, training and evaluating employees, all are based on communication. Profitable organizations at this point are those where employees are not afraid to talk openly with colleagues and management representatives, where they can express their opinions and their creativity and innovation are appreciated.

6. The profile of the dominant norms of Enel Romania

The results obtained relate to the questionnaire interpretation grid. There are different interpretations of dominant norms in an organization.

Figure no. 10. The dominant norms of Enel Romania



Source: own processing based on the results of the questionnaire

At present, there is an own organizational culture, well-founded based on norms, values and behavioral rules. The values associated with this organization are the general ones: communication, understanding of team spirit. If several years ago Enel Energie S.A. was the only enterprise that supplied the electricity on the market, after the market liberalization, the culture of this organization changed. Monopoly has meant more power, self-confidence and convenience, the emergence of competitors has led Enel to be more careful in choosing employees, delivering quality services in order not to lose customers. In conclusion, in this institution there is an own culture, some values and ideas being already implemented at national level, but each employee has a certain character and personality leading to different organizational culture in Enel points. The Enel Point in Constanta consists of an united team that respects, helps, solves problems together, asks for help to the manager when necessary and respects the rules implemented by the institution.

7. Conclusions

The cultural approach of organizations in the absence of correlation with behavioral analysis is almost unnecessary, as cultural elements are objectified by social action. Economic decisions are closely linked to certain cultural factors. The colors of a company, the logo, the design of products and services, everything that signifies the internal and external image of an organization, the way of negotiation and the articulation of business meetings, cultural protocols, all carry the burden of the ensemble of values, symbols, routines, customs.

In addition to structure, economic processes and people, an important element of the organization is culture. In the new equation of multinational organizations, culture must become an adaptive environment alongside the other components of the organization. The organization is bounded by a set of values, beliefs and mentality common to a group of individuals and supported by specific structural arrangements that give them a basis and substance.

While the design of a strategy feeds on economic imperatives, its realization involves crossing a set of sociological and psychological processes that define the quality of the organization. The focus is on issues related to the origin of the organization, the forces that have shaped it, the relationships that support its values, beliefs and ways of functioning.

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Business Communication: Director's Reports

Lavinia Nădrag

"Ovidius" University of Constanta, Faculty of Letters

lnadrag28@yahoo.com

Abstract

This paper is based on the scientific literature related to communication issues, especially those concerning companies, with an emphasis on written communication and on how Director's Reports are organized (in terms of form and content). A software tool has been used to underline the characteristics of such documents and the elements to be considered both by the students in economics and company managers. The bottom line is that the means of communication used at all levels of the company can boost or hinder its development, profitability, policy and plans for the future. In such circumstances, Director's Reports can be an effective means of communication sending a very strong message to other companies and to its own employees.

Key words: communication, business, director's report, software tool

J.E.L. classification: K00

1. Introduction

Firstly, one needs to understand the general, social approach to what an organization is: "a collection of individuals who have been brought together to carry out tasks to achieve set aims" (Dimpleby, Burton, 2007: 130). It has certain specific characteristics, as follows: it is established by an individual or group of people; it develops formally structured relationships among people; it sets objectives that the people in the organization are supposed to achieve; it manages all kinds of resources. In such circumstances, effective communication is essential.

Secondly, especially in organizations, communication is focused on sending and receiving messages related to tasks for providing and seeking information and options, organizing ideas and activities, clarifying ideas and plans, making plans and proposals, making and executing decisions, summarizing and assessing people's performance and their activities. At the same time, it can encourage and harmonize relationships and relieve tension in a company.

Thirdly, we should bear in mind how international business can be understood as various types of business transactions that are performed both nationally and internationally. This general definition refers to small companies that deal with the export or import of small quantities of goods or services and also to large companies that perform integrated operations and have certain strategic alliances at the international level. Thus, distinctions should be made among various types of international companies because they could assist us in understanding a firm's policy, strategy, objectives, organization, decisions.

2. Theoretical background: Written communication

A great deal of actions undertaken in relationship with other persons are based on messages expressed orally. Oral communication (deliberately or not accompanied by nonverbal communication) is categorically different from the written one. Depending on the situation (conferences, workshops, business meetings, etc.), the message is conveyed through internal or external, upward, downward or horizontal communication, especially for exchanging information and providing feedback, for transmitting vital information, advice, recommendations, warnings, for giving instructions, encouraging 2-way discussions, seeking cooperation, boosting morale and increasing efficiency (see Nădrag, 2011).

The oral form of communication offers the opportunity of correcting mistakes; avoiding misunderstandings, conflicts; negotiating, discussing, emphasizing, clarifying business issues, and expressing attitudes.

Effective written communication involves one's ability to select the appropriate terms, to build phrases and sentences and to design paragraphs and even entire texts. A skilled writer should select the most appropriate words, collocations and sentences. The bottom line is that the receiver should understand the meaning in a precise, unambiguous manner. According to Edward T. Hall (1998:17) using familiar words enhances communication because they are easy to understand: "show" instead of "demonstrate", "use" instead of "utilize", "try"/"endeavor", "quit"/"terminate", "last year"/"previous year". Moreover, correct grammar structures provide clarity.

According to Rollo May (1991: 22), the main purpose of any writing is to attract the attention and time of the reader. One should use strong and vigorous words like "tycoon" instead of "eminently successful businessman", "boom" instead of "period of business prosperity". Using concrete words makes writing more accessible to the target group.

Any author should pay attention to the length of the sentence because long sentences are not easy to read and understand. Thus, a few suggestions could be: to eliminate superfluous words; to avoid roundabout ways of saying things; to avoid repetition of words and phrases. Constructing long, ambiguous, illogical sentences can spoil the unity of a sentence.

The length of the paragraphs can vary, as well. A paragraph should consist of up to 10 lines only. Large paragraphs make reading dull and difficult to follow and understand; shorter ones seem to be better organized and invite readers to read on with attention. One can make the paragraph smarter by omitting extraneous details; much depends upon the writer's judgment. (Hall 1998: 22)

When it comes to written communication, we should keep in mind the fact that it has at least three levels, i.e. choosing the appropriate term/word, constructing correct sentences and designing adequate paragraphs and even entire texts. In order to acquire writing skills, one should engage in a great deal of hard work. Moreover, we should bear in mind the fact that written communication is conceived as a delayed response that also requires creativity. Written communication also involves a certain lag time for feedback (i.e. the feedback takes longer and there are situations when it does not happen at all). For useful information concerning written translation, one can refer to Buzarna's articles on this topic (2013, 2016).

3. Communication in international business

In general, the actions undertaken in the relationship with another person are based on a message expressed orally. Oral communication is categorically different from the written one in that it offers much more means for conveying the necessary information to the interlocutor. There are areas where oral and written communication go hand in hand for conveying specific information: conferences, workshops, business meetings, etc.

Oral communication offers the opportunity to correct, explain, exemplify, repeat, clarify, underline the ideas or issues expressed when negotiating with partners, discussing things, doing business, especially when the message was misunderstood or misinterpreted, or when certain feelings or attitudes are involved.

In a multicultural approach, an oral presentation can be accomplished in various ways. Americans, for example, prefer presentations that seem natural. For a better reception of the message by the audience, the speaker must speak clearly, using an appropriate vocabulary, correct grammar structures, focusing on those ideas that are significant, avoiding reference to activities with strict national or regional application that may seem insignificant or offensive to business partners.

"When individuals speak, they normally do not confine themselves to the mere emission of words. A great deal of meaning is conveyed by non-verbal means which always accompany oral discourse - intended or not. In other words, a spoken message is always sent on two levels simultaneously, verbal and non-verbal. Non-verbal behavior predates verbal communication because individuals, since birth, rely first on non-verbal means to express themselves." (Hargie, 2011, p.135)

It is generally considered a matter of courtesy the lecturer's/businessperson's attempt to use a few words in the language of the foreign country, which demonstrates his/her interest in the language and culture that they want to know. The behavior of the audience can sometimes seem inconsistent with the usual standards of the speaker. Therefore, s/he must be prepared to accept cultural (and behavioral) differences inherent in doing business in an international environment.

For example, the apparent lack of attention towards the audience, manifested by lack of direct eye contact, meaning that listeners avoid looking directly at the speaker can create discomfort to a European or American businessperson. The speaker must show patience and invite listeners to pay attention if the transmitted message is not fully understood.

All presentations taking place internationally must be adapted to local customs. In general, transnational companies seek to collaborate and communicate as much as they can with their subsidiaries from different countries. For an effective communication, there have been developed joint strategies for international production, management and marketing.

International communication must take into account cultural differences among countries, differences that concern standards of behavior that they consider as being known by their foreign partners and generally applicable in their business environment. In international affairs, participants should pay particular interest in the national behavioral peculiarities of material values, use of time, behavior and attitudes towards the language or languages that are spoken in those countries.

4. Research methodology

In order to conduct our study on The Director's Report, that we are going to refer to as **DR** (https://www.omv.com/pbd_download/281/244/2016-04_HV_n_Konzernlage_EN,0.pdf), we decided to choose the *Analyze My Writing* software, an online text content and readability analyzer (http://www.analyzemywriting.com/about_us.html), which interprets "readability" and "lexical density". "A readability index is an estimation of how difficult a text is to read. The estimation is made by measuring a text's **complexity**. Measurable attributes of texts such as word lengths, sentence lengths, syllable counts, and so on give us ways to measure the complexity of a text. Text complexity is then compared to how well readers comprehend the text. From these data, a formula is created which predicts a text's reading difficulty from its complexity. Every index does this a little bit differently and emphasizes particular aspects of text complexity. Some emphasize syllable counts while others look only at word and sentence lengths".

In order to interpret the numbers provided by the software, the readability index "gives an estimated grade level (United States) required to be able to read and comprehend a text without difficulty. For those outside of the United States, this grade level can be considered the number of years of formal education (conducted in English) needed in order to read and understand a text. Thus, **the lower the index, the easier the text is to read**, and conversely, the higher the index, the more difficult the text is to read." Journals generally score above 12.

"*Lexical density* is defined as the number of **lexical words** (or content words) divided by the total number of words". Therefore, it measures the informative quantity, characteristic of a text. "Lexical words are simply nouns, adjectives, verbs, and adverbs. Nouns tell us the subject, adjectives tell us more about the subject, verbs tell us what they do, and adverbs tell us how they do it. Other kinds of words such as articles (a, the), prepositions (on, at, in), conjunctions (and, or, but), and so forth are more grammatical in nature and, by themselves, give little or no information about what a text is about. These **non-lexical** words are also called **function words**. Auxiliary verbs, such as "to be" (*am, are, is, was, were, being*), "do" (*did, does, doing*), "have" (*had, has, having*) and so forth, are also considered non-lexical as they do not provide additional meaning".

5. Findings

The Director's Report proceeds with a table indicating the company's "Sales revenue", "Earnings before Interest and Taxes (EBIT)", "Net income for the year", "Net income attributable to stockholders of the parent", "Cash flow from operating activities", "Capital expenditure".

The first page analyzes the economic and geographical conditions leading to the "Group financials": "the challenging market environment", "operating loss", "below last year's operating low", "significant impairments", "the drop in gas and oil prices", and lots of other words, especially verbs, nouns and adjectives, characterizing the ups and downs, the strengths and weaknesses of the company and the impact of external factors, the components of the process ("storage", "production", "transportation"), economy terms ("net", "financial", "taxes", "rate", "stockholders", "parent" (company), "income", "associated companies", "interests", "market environment", "performance ratios", "return", "capital", "assets", "joint venture partner", "customers", "retail network"), and legal terms ("charged", "obligation", "provisions", "commitments") and so on.

A lot of collocations are met in this text. Most of them are written in bold: "Downstream Gas", "Downstream Oil", "consolidated sales revenues", "geographical market", "Direct selling expenses", "Cost of sales", "Selling and administrative expenses", "Research and development (R&D) expenses", "operating expenses", "net financial result", "Income from equity-accounted investments", "dividend income", "net interest result", "taxes on income", "total assets", "non-current assets", "cash outflow due to investments in intangible and tangible assets", "Capital expenditure", etc.

More economy terms can be found in one of the Director's Report tables, from which we eliminated the digits:

Table no. 1 Summarized statement of financial position

Summarized statement of financial position				EUR	
mn					
Assets	2015	%	2014	%	
Non-current assets					
Intangible assets and property, plant and equipment					
Equity-accounted investments					
Other non-current assets					
Deferred tax assets					
Current assets					
Inventories					
Trade receivables					
Other current assets					
Assets held for sale					
Equity and liabilities					
Equity					
Non-current liabilities					
Pensions and similar obligations					
Bonds and other interest-bearing debts					
Decommissioning and restoration obligations					
Other provisions and liabilities					
Deferred tax liabilities					
Current liabilities					
Trade payables					
Bonds and other interest-bearing debts					
Provisions and other liabilities					
Liabilities associated with assets held for sale					

Total assets/equity and liabilities

Source: https://www.omv.com/pbd_download/281/244/2016-04_HV_n_Konzernlage_EN,0.pdf

The occurrence of specialized terms and phrases in Table 1 suggest that the reader should have specialized knowledge in the economic field for a better understanding of the information provided by the report. Moreover, a non-native English speaker should be able to use economic English, because there are terms that in general English are associated to certain meanings and in economic English have different specialized connotations. For instance, in general English, the term "liability" means, among others, "responsibility", while in economic English it refers to "the amount of money that a person or organization owes"; the word "interest" means "the feeling of wanting to

give your attention to something or of wanting to be involved with and to discover more about something", "something that brings advantages to or affects someone or something", but also "money that is charged by a bank or other financial organization for borrowing money", "money that you earn from keeping your money in an account in a bank or other financial organization". (see Cambridge Dictionary online)

We went further in our analysis with text statistics, readability and lexical density. The specialized software tool provided the following tables:

Table no. 2 "Word, Sentence, Syllable, and Character Count"

Word, Sentence, Syllable, and Character Count		
Word Count:	8462	
Sentence Count:	318	
Character Count Including Spaces:	51894	
Character Count Without Spaces:	43370	
Complex Word Count (3 or more syllables):	1573	
Syllable Count:	13995	
Period Count:	379	
Comma Count:	460	
Quotation Mark Count:	12	
Apostrophe Count:	34	
Colon Count:	73	
Semicolon [Quotes and Links] Count:	3	
Question Mark Count	0	
Exclamation Mark Count	0	
Dash Count:	109	
Parenthesis Count:	403	
Word Lengths		
Average Word Length:	Median Word Length:	Standard Deviation of Word Length:
4.9	4	3
Sentence Lengths		
Average Sentence Length:	Median Sentence Length:	Standard Deviation of Sentence Length
25.22	20	21.59

Source: Author's own processing by "Analyze My Writing" software

Table 2 shows that, in terms of text statistics (sentence count, word count, character count, punctuation marks), we are dealing with a quite complex text: it has 8,462 words distributed in 318 sentences; the average word length is 4.9 and the average sentence length is 25.22. In terms of punctuation marks, the text includes commas (460), periods (379), quotation marks (12), apostrophes (34), colons (73), semicolons (3), dashes (109), parentheses (403), which also reveal its degree of complexity.

Table no. 3 "Readability"

Readability	
Readability Score (Index)	Grade Level of Entire Text
Gunning fog	18.08
Flesch-Kincaid	14.3
SMOG	15.83
Coleman-Liau	13.22
Automated	16.02
Average Grade Level:	15.49
Median Grade Level:	15.83

Source: Author's own processing by "Analyze My Writing" software

The readability indices shown in Table 3 above reveal that the text has a high complexity level. The average and median readability scores are situated between the maximum score level for the texts dedicated to undergraduates (such as college textbooks) and the minimum level score level of the texts that can be understood only by graduates, post-graduates and professionals (such as specialized academic journals and articles). Therefore, in order to understand the analyzed text, one needs both solid economic knowledge and good economic English language skills.

Table no. 4 Lexical density

Parts of Speech	
Part of Speech	Percentage
Nouns	37.46%
Adjectives	7.78%
Verbs	9.32%
Adverbs	2.81%
Prepositions	12.75%
Pronouns	0.21%
Auxiliary Verbs	2.9%

Lexical Density	
Lexical Density for Entire Text	57.37%

Source: Author's own processing by "Analyze My Writing" software

As far as lexical density is concerned, Table 4 shows that nouns play a major part in the construction of the text, more than one third of the words used being nouns (37.46%). Since "lexical density is simply a measure of how informative a text is" (see <http://www.analyze-my-writing.com/lexical-density.html>), the high share of nouns highlights the fact that the analyzed text conveys a great deal of specialized information to its readers, who should thus be endowed with good specialized English skills. It should also be noted that prepositions also play an important role in the analyzed text, as they hold a share of 12.75%. These non-lexical words perform grammatical functions and are essential to the understanding of the text. Therefore, the role played by these function words within a text should not be disregarded.

6. Conclusion

As expected and reinforced by the analysis based on a software tool (with several indices, i.e. "text statistics", "readability" and "lexical density"), the text under discussion can draw the attention of specialists in the field of economics. Economists can draw conclusions as far as the profitability of this company is concerned. As for lay people, the complexity of the text is high in relation with general English.

The students analyzing this text can become aware of the necessity of studying both general and specialized English. Acquiring, having and using a rich vocabulary must be taken into account. Developing reading, and writing skills as well as listening and speaking skills not only in a formal environment (high school and/or university), but also in informal contexts should be one of their objectives. Such texts deserve the teachers' attention, as well, and their use as teaching or supplementary material.

Besides the category of specialists in the field of economics, linguists (especially terminologists) and translators may be interested in the information provided by such texts as far as vocabulary, grammar, sentence and paragraph structure, translation are concerned.

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IoT Embedded System for Environmental Monitoring

Eugen Petac

Alexandru Constantin

"Ovidius" University of Constanța, Faculty of Mathematics and Computer Science

epetac@univ-ovidius.ro

constantin.alex96@icloud.com

Abstract

Environmental monitoring aims to provide an objective image as close as possible to reality. This paper proposes an IoT embedded system for temperature, humidity and dewpoint remote monitoring. The main contribution of this paper is in providing a robust and reliable multithreaded client-server application called THbot. Our solution offers security and reliability for data storage and transmission, authentication, and architecture support for cloud integration. The management of the IoT embedded system is done safely and securely. The results of our THbot solution can be easily integrated into environmental control applications.

Key words: Environmental Monitoring, IoT, Embedded System, Dewpoint

J.E.L. classification: L8, M1, Q5

1. Introduction

Weather affects the human body (Lee et al., 2018), which clearly notices the impact of sudden temperature and humidity changes. For values lower or higher than normal of the temperature-humidity index, which is also called thermal comfort index, cellular-level changes occur, and the overall health status of the human body is altered (Mora et al., 2018). Besides those extreme temperature values, the dewpoint is used to evaluate the thermal comfort index (Pflugler, Feist and Neher, 2013). The dewpoint corresponds to the temperature at which the water vapor concentration in the air is saturated. Weather affects us, humans, but affects animals (Silva and Passini, 2017) and plants (Xu, Yan and Tang, 2015) as well. For a correct diagnosis, specialized literature recommends gathering data regarding the state of the body or the state of the plants related to the weather state. Thus, indoor and outdoor environmental monitoring over a time period becomes a major concern for the quality of life (Jayaratne et al., 2018).

In this paper we propose a robust system called THbot, with THbot_Server and THbot_Client parts, as an IoT embedded system for temperature, humidity and dewpoint remote monitoring. As an Internet of Things (IoT) embedded system (Vermesan et al., 2018), the hardware part of THbot_Server includes the Single Board Computer (SBC) Raspberry Pi Zero WH (Adafruit.com, 2019), the DHT11 humidity and temperature sensor (Learn.Adafruit.com, 2019), and a 0.96-inch OLED screen based on the SSD1306 chip. The screen displays the temperature and humidity values and it can be used as an alternative for the client application when we are situated in the proximity of the SBC. Our THbot software application, presented in Section 3, is a distributed client-server application developed using the C# and Python programming languages and the .NET Framework. This implements a remote monitoring system for temperature, humidity and dewpoint values. The application offers security and reliability for data storage and transmission, authentication, and architecture support for cloud integration (Jassas et al., 2017). The application's main achievements are the stability and reliability of the transmitted data regardless of the geographical position of the servers and clients, and also the ease of use. The THbot system is able to generate statistics and graphs regarding the monitoring status of a certain day and hour. Some results are presented in Section 4.

2. Theoretical background

According to Gartner "The Internet of Things (IoT) is the network of physical objects that contain embedded technology to communicate and sense or interact with their internal states or the external environment" (2019). Each object that is part of the IoT system is equipped accordingly, and can send and receive data. The object must be capable of capturing data, usually through sensors, and must be capable of sending the captured data through the internet. IoT has become a network of billions of smart devices which connects people, systems and other applications together, in order to collect, process and share data.

Created by Microsoft, C# (Nagel, 2018) is a object-oriented programming language, suitable for developing web-based and desktop applications. Derived from the C and C++ programming languages, including influences from other languages, most notably Java, C# allows for developing robust industrial-grade applications, which work under a variety of operating systems, being adequate for systems which target real-world applications as well.

The most important features that recommend C# for such applications are: features that enable direct implementation of software components, such as properties, methods and events; the possibility of working in an environment with multiple languages; automated management for used system memory; the possibility of using features and APIs which belong to the operating system.

.NET Framework (GoalKicker.com, 2018) is an environment that allows for developing and running applications and web services in a cross-platform manner. The automated memory management, the interoperability of the languages and the security and portability of the applications are the main features of the architecture of this environment. .NET Framework has two main components, Common Language Runtime (CLR) and Base Class Library (BCL). CLR is the execution environment of the applications, which also handles memory management and exceptions. BCL covers a large area of programming work, including user interfaces, connections to databases, web application development, network communications and others. The code of the library is precompiled, being encapsulated in methods, which programmers can call in their own programs. In turn, methods belong to classes, and classes are organized in namespaces. To create applications, programmers combine their own code with BCL code.

Created by programmer Guido van Rossum, Python (Jaworski and Ziade, 2016) is a multipurpose, portable, interpreted, high-level programming language, which makes use of the object-oriented programming paradigm, and allows for imperative, functional or procedural programming. Also, it is a dynamically typed language, which combines coding power and a clean syntax. The Python API provides many modules for a large number of functionalities, from basic functionalities such as string and file handling, to complex functionalities such as processes and thread handling, sockets, serializations, and many more. Python is used in embedded systems, automatization, web applications, artificial intelligence, data analysis, etc.

Healthcare, hydro-climatic and agro-climatic researches, tourism (Scott and Lemieux, 2010), civil buildings (Kharseh et al., 2017) and the automotive industry (Pillmann et al., 2017), are some fields of activity that have major interest in monitoring temperature, humidity and dewpoint values. The dewpoint corresponds to the temperature at which the water vapor concentration in the air is saturated. The dewpoint's value depends mostly on the relative humidity and temperature of the environment. To obtain the dewpoint temperature, denoted with TD and expressed in Celsius degrees, we used the following relationship (McNoldy, 2015):

$$TD = 243.04 * (\ln(RH/100) + ((17.625 * T) / (243.04 + T))) / (17.625 - \ln(RH/100) - ((17.625 * T) / (243.04 + T)))$$

where:

T - stands for the environment temperature in Celsius degrees;

RH – stands for relative humidity in percentages;

LN – stands for natural logarithm.

3. Research methodology

Our THbot research system is a distributed client-server application developed using the C# and Python programming languages and the .NET framework.

Named THbot_Server, the server side of the application allows for local and remote connections. Opting for the multithreaded programming paradigm, the overall speed of the application is improved, and system resources are optimally used. The use of multiple threads allows for the parallelization of the application tasks. The Raspberry Pi Zero WH board uses the Raspbian operating system. Raspbian is an open-source Debian-based Linux operating system, its main advantages being its low system resources usage and the official support from the Raspberry Pi Foundation. The *systemd* system manager (Debian.com, 2019), which comes preinstalled on Raspbian, provides parallelization capabilities as well as the possibility of configuring and monitoring system services.

THbot_Client is the client side of the application. Developed as a client for the Windows operating system, THbot_Client allows connections to multiple servers. It is capable of retrieving data from THbot_Server, to process them, to create graphs and send notifications to the users. For a reliable communication between THbot_Client and THbot_Server, the application is based on Transmission Control Protocol (TCP). To secure the communication between THbot_Server and THbot_Client the AES-GCM algorithm is used, which stands for Advanced Encryption Standard (AES) in GCM mode (Galois/Counter Mode). THbot_Client can run in a private IoT cloud, local or remote connection.

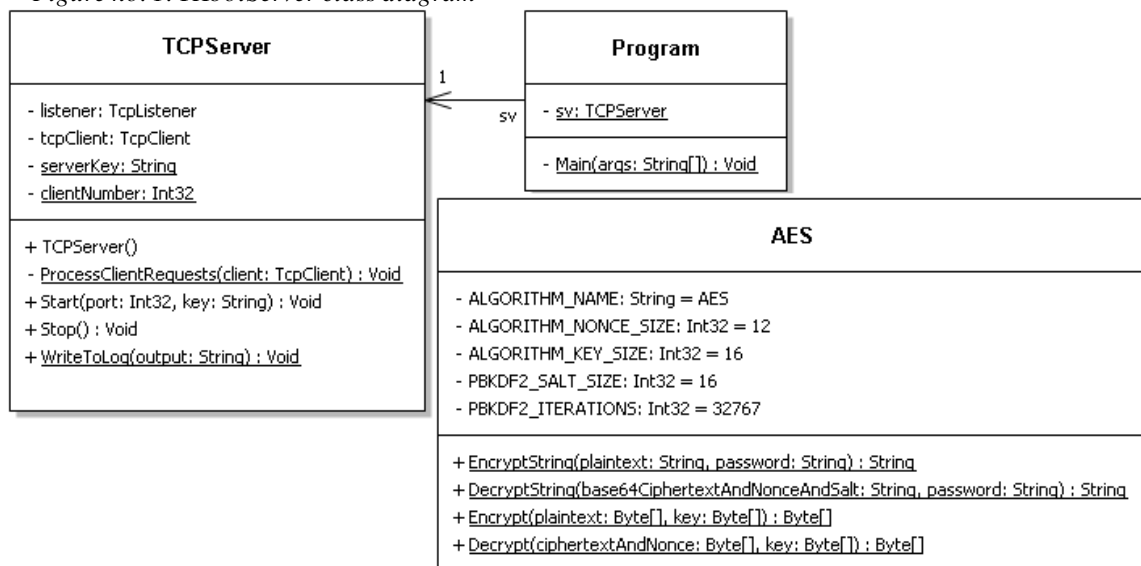
3. Results

3.1. THbot Server

After the installation and configuration of the Raspbian operating system, the SBC is ready to host the server application. It has three main components:

- The THbot.py Python script that reads and displays sensor data.
- The THbotServer.exe server application, written in C#, that allows for new client connections and processes their requests. Figure 1 represents the class diagram of the server application.
- The server system service, which allows for starting, stopping and restarting the server.

Figure no. 1. THbotServer class diagram



Source: Authors' processing using NClass

3.1.1. THbot.py

The script THbot.py uses the DHT11 Python library which enables communication with the sensor in order to retrieve temperature and humidity values. The commands "*sudo apt-get update*" and "*sudo apt-get install rpi.gpio*" once run, install the RPi. GPIO package which is mandatory for the DHT11 library to work.

After the installation of all required packages and libraries, and after the initialization of the GPIO pins, we are able to read temperature and humidity values from the GPIO24 pin. Data retrieval is performed once every one second, considering the technical specifications of the DHT11 sensor (Mouser.com, 2019).

3.1.2. THbotServer.exe

The THbotServer application is written on a machine that runs the Windows operating system. It is a console application, which utilizes the .NET framework and the C# programming language. THbotServer generates logs for every important event. After a client connection, a new thread is created, on which the server will process messages coming from the client and send response messages accordingly. Further, a description of the application will be presented.

3.1.2.1 The TCPServer class

The *Start* method allows the server to accept new connections from clients. The passed parameters are the port number on which the server will listen for new connections and the encryption/decryption password of the sent and received messages, which also works as an authentication password, being only known by the owner of the server and the clients that wish to connect. The *ProcessClientRequests* method analyses messages from each client individually.

The following messages are the ones the server is looking after:

!connection – the server responds with a confirmation message that the connection was established successfully;

!temp – the application will open a new process in which it will obtain the result displayed by the THbot.py script, and the result will be send to the client. This message marks the fact that the client wanted to obtain the sensor values at a given time;

!info – the server sends a message regarding its version, uptime and the number of connected clients;

!exit – this message tells the server that a client wishes to disconnect.

When a message received from a client can't be decrypted successfully, which means an unknown encryption/decryption password and implicitly a wrong connection password was used, the authentication is unsuccessful, and the server closes the connection with the client. The *Stop* method allows the server to be stopped. The *WriteToLog* method is used to generate logs for important server events.

3.1.2.2 The AES class

The AES class makes use of the Bouncy Castle API, which provides access to encryption algorithms and other encryption-related resources. The sent and received messages are crypted and decrypted using the *EncryptString* and *DecryptString* methods. The Advanced Encryption Standard (AES) algorithm is used, in Galois/Counter Mode (GCM) mode (Gueron, Langley and Lindell, 2017). Each plain text message is divided into 128-bit blocks, called generic data. If the last block is incomplete, it will be padded. If the message is divided in uniform 128-bit blocks, a dummy 128-bit block will be appended. For client-server communication, AES-GCM provides three security services, confidentiality, integrity, and authentication. The passwords used by the clients and the server are derived into secure keys using PBKDF2 (Password-Based Key Derivation Function 2), a password hashing algorithm (Iuorio and Visconti, 2018).

3.1.2.3 The Program class

In order to launch the THbotServer application the Program class is used. From the "*server.cfg*" file which is located in the same directory as the application's executable file, the port number and the encryption/decryption password are obtained, then the server is started. The password must have between 15 and 30 characters in length.

In order to run the THbotServer.exe executable on *Raspbian*, the Mono software platform (Mono-project.com, 2019) was used, which helps in developing cross-platform applications using the C# programming language and .NET Framework. Mono can be installed on Raspbian using the "*sudo apt-get install mono-complete*" command, and allows applications created on Windows to run on operating systems that belong to the Linux family without needing to develop a special version dedicated to Linux.

3.1.3 Running the sever as a system service

In order to run THbot Server as a system service, *systemd* was used. This is a system and service manager for Linux-based operating systems. With *systemd* we can start, stop and restart THbotServer, and most importantly, we can run THbotServer automatically after the system starts.

The *THbotServer.service* file contains the necessary instructions. The commands that copy the *THbotServer.service* file in the *systemd* directory and update the list of services managed by *systemd* are "*sudo cp THbotServer.service /etc/systemd/system*" and "*sudo systemctl daemon-reload*" respectively and can be found in the *install_app_services.sh* bash script, which installs the system services for both the server and the screen.

To make server interaction easier, the following bash scrips were created, which have the role to manage THbot Server:

enable_startup.sh – the THbot Server service will automatically start after the system starts after running this script;

restart_server.sh – restart the server service;

server_status.sh – check server status and displayed messages;

start_server.sh – start the server service;

stop_server.sh – stop the server service.

Every script has its permisssons set up by the following command: "*chmod u+x <script_name>.sh*".

3.1.4 Displaying values on the screen

In order to display temperature, humidity and dewpoint values on the screen and read them when located in the SBC's proximity, an OLED screen was used, which boasts a 0.96-inch diagonal and a resolution of 128x64 pixels. This screen is based on the SSD1306 chip and provides an I2C connection, low energy consumption (0.08W max) and a very good color contrast. The advantage which this solution provides is that there is no need for a client application when located in the SBC's proximity. The Python script that displays values on the screen is called *screen.py* and makes use of the Adafruit-SSD1306 library to display text on screen, via the I2C connection. To obtain sensor data the DHT11 library is used. The dewpoint temperature is calculated using the formula that was presented earlier. To run *screen.py* as a system service, a similar approach to THbot Server was used, by creating the *THbotScreen.service* file, registering the *THbotScreen* service, and by creating the *screen_enable_startup.sh*, *start_screen.sh*, *stop_screen.sh*, *restart_screen.sh* and *screen_status.sh* bash scripts, and finally setting the permissions of these scripts.

3.2 Thbot_Client

Written using the C# programming language and the .NET framework, Thbot_Client allows for connections to Thbot_Server, which provides temperature, humidity and dewpoint values. Thbot_Client has as its main classes the TCPClient class and the AES class which is identical to the AES class found in the server's code, Section 3.1.2.2.

3.2.1 The TCPClient class

Values passed to the constructor of the class are the IP address and port number of the server, as well as password for the messages transmitted between the client and server. In order to retrieve the data provided by the server, the *GetData* method is used after the connection to the server is established successfully by using the *ConnectionConfirmation* and *GetServerVersion* methods. The *GetServerVersion* method allows the client to retrieve server information such as software

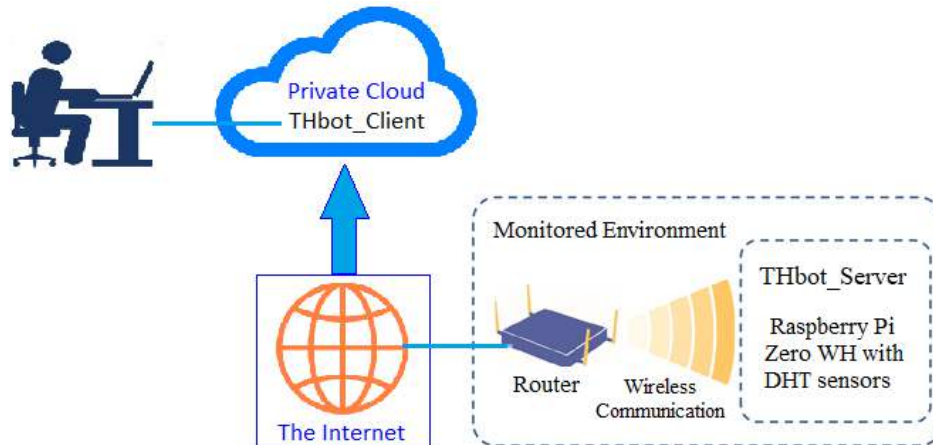
version, server uptime and the number of connected clients. The methods which belong to the TCPClient class are used in the UI class, which displays the graphical user interface.

4. Experimental Results

4.1 Running THbot_Server

For the SBC (Raspberry Pi Zero WH) which hosts THbot_Server and is connected to the internet through a router (Figure 2), we need to enable port forwarding on the port which will be used to accept connections and messages from clients. THbot_Server is configured to run as a system service.

Figure no. 2. THbot Data communication



Source: Authors' contribution

There is the possibility of starting, stopping and restarting the server manually, using the scripts mentioned in Section 2. For this, a SSH connection to the SBC is needed, which can be achieved with the Hyper or PuTTY applications. The *server_status.sh* script allows us to check the status of the server (Figure 3).

Figure no. 3. Status of the THbotServer

```
pi@raspberrypi:~ $ cd THbot
pi@raspberrypi:~/THbot $ ./server_status.sh
● THbotServer.service - THbotServer
   Loaded: loaded (/etc/systemd/system/THbotServer.service; enabled; vendor preset: enabled)
   Active: active (running) since Tue 2019-04-23 14:36:43 EEST; 22h ago
   Main PID: 14475 (Main)
   CGroup: /system.slice/THbotServer.service
           └─14475 /usr/bin/mono /home/pi/THbot/THbotServer.exe

Apr 23 14:37:26 raspberrypi mono[14475]: [23/04/2019 14:37:26] From client (192.168.0.103) > Temp & humidity data request
Apr 23 14:37:29 raspberrypi mono[14475]: [23/04/2019 14:37:29] THbot: Temperature: 27 C @ Humidity: 32 % @ Dew Point: 8.9 C
Apr 23 14:37:36 raspberrypi mono[14475]: [23/04/2019 14:37:36] Closing client (192.168.0.103) connection!
Apr 23 17:34:00 raspberrypi mono[14475]: [23/04/2019 17:34:00] Accepted new client connection: 192.168.0.103
Apr 23 17:34:00 raspberrypi mono[14475]: [23/04/2019 17:34:00] Waiting for client connections...
Apr 23 17:34:00 raspberrypi mono[14475]: [23/04/2019 17:34:00] From client (192.168.0.103) > Connection confirmation
Apr 23 17:34:00 raspberrypi mono[14475]: [23/04/2019 17:34:00] From client (192.168.0.103) > Server information
Apr 23 17:34:02 raspberrypi mono[14475]: [23/04/2019 17:34:02] From client (192.168.0.103) > Temp & humidity data request
Apr 23 17:34:05 raspberrypi mono[14475]: [23/04/2019 17:34:05] THbot: Temperature: 27 C @ Humidity: 31 % @ Dew Point: 8.43 C
Apr 23 17:34:11 raspberrypi mono[14475]: [23/04/2019 17:34:11] Closing client (192.168.0.103) connection!
pi@raspberrypi:~/THbot $
```

Source: Authors' processing with *server_status.sh*

With the WinSCP application we can check server logs, which are located in the “logs” directory (Figure 4).

Figure no. 4. Viewing server logs with WinSCP

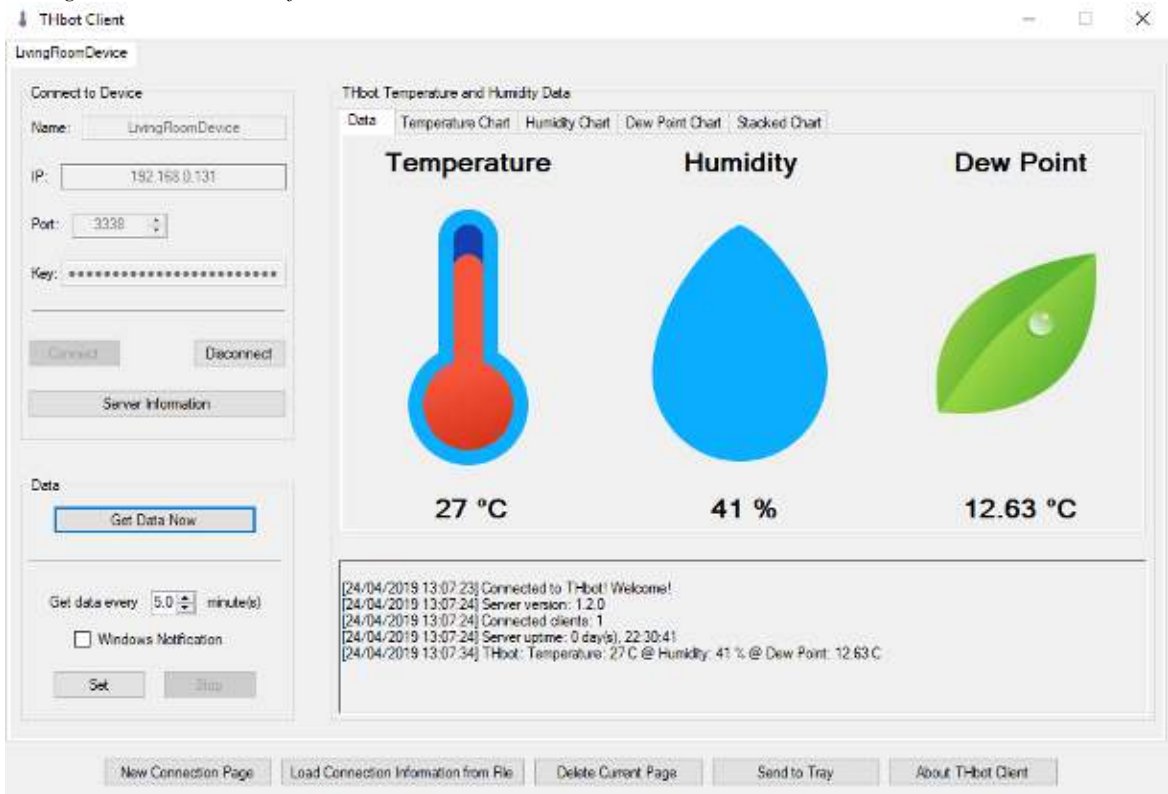
Name	Size	Changed	Rights	Owner
16-04-2019.log	5 KB	16-Apr-19 2:15:22 PM	rw-r--r--	root

Source: Authors' processing with WinSCP

4.2 Running THbot_Client

The graphical User Interface (UI) of THbot_Client is depicted in Figure 5. After inserting the appropriate data in the corresponding fields, by pressing the "Connect" button a connection to the desired server is established. The "Server Information" button helps in obtaining server information such as software version, server uptime and the number of connected clients. To retrieve data regarding temperature, humidity and dew point temperature values, the "Get Data Now" button is used.

Figure no. 5. Main UI for the THbot Client



Source: Authors' contribution

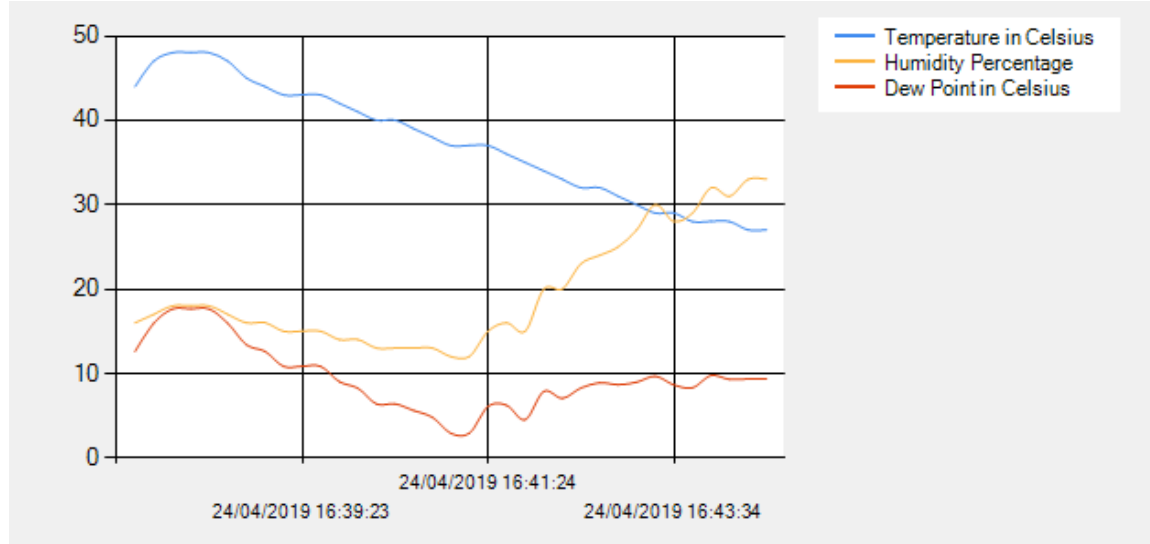
After selecting a time interval measured in minutes, pressing the "Set" button will yield value readings at the selected time interval, and notifications can be sent. The "Temperature Chart" tab displays a graph which can have different styles, column, spline or bar. The "Save Chart" button saves the chart as a .png file image which depicts the state of the graph when the button was pressed. An example graph is shown in Figure 6. The graph shows the relationship between the dewpoint temperature and the temperature and humidity percentage, over a period of time, according to the relationship mentioned in the 2.1.1 Section.

The "Humidity Chart", "Dew Point Chart" and "Stacked Chart" tabs work in a similar way. Placed at the bottom of the UI, the "New Connection Page" button will open a new connection page, which allows for a new connection to a server.

The “Load Connection Information from File” button allows for adding new connection pages. These pages have the “Name”, “IP”, “Port” and “Key” fields automatically filled in with the information read from a text file chosen by the user.

The text file contents should comply with the following format: <SBCDeviceName Without Whitespaces>[space]<ServerIP>[space]<PortNumber>[space]<Password>. The “Send to Tray” button will send the application to background, and the application icon will be shown in tray.

Figure no. 6. Temperature, Humidity Percentage and Dewpoint Temperature curves over a period of time



Source: Authors' contribution

5. Conclusions and Future Work

Environmental monitoring is a decisive factor in maintaining a good quality of life and preserving materials. The THbot application uses hardware which is readily available at a reasonable cost, and that is well supported by entities like the Raspberry Pi Foundation and the enthusiast community. The main contribution of this paper is in providing a robust and reliable multithreaded client-server application. Our THbot software application is easily modifiable and extendable, and it's written with programming principles and readability in mind. The application achieves its goals, but the field of IT and programming constantly proposes improvements. One way of improving the application would be the addition of a gas and pressure sensor, to further improve the quality of the retrieved data. Another way of improving the application would be the addition of a CSI camera module, which would be helpful in monitoring movements, to further extend the functionality and feature set of the application.

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Study on the Elasticity of Reward and Performance of Employees at the Slatina County Emergency Hospital

Cristina Claudia Ploscaru

Cătălin Ștefan Rotea

Monica Logofătu

University of Craiova

ccploscaru@yahoo.ro

roteacatalinstefan@gmail.com

monicalogofatu15@gmail.com

Abstract

Healthcare systems around the world are failing to produce optimal health outcomes, and successive reforms have sought to make them more effective, fairer and more responsive. In this paper we aim to analyze the elasticity of the evolution of data collected from employees on rewarding and the impact of reward on organizational performance, data collected from patients on human resource performance, non-human resources and performance of services as a whole, as well as the data obtained from the hospital records regarding two indexes of health efficiency, the case mix index and the diagnosis concordance index. The findings indicate that rewarding policies have a positive impact on efficiency: increasing labor productivity in the health sector by increasing employee efforts, loyalty and commitment. Research has shown that strategies to increase the motivation of hospital staff should be used to enhance performance in service delivery, paying particular attention to their effect on end users, patients.

Key words: elasticity, reward, employees performance, work productivity

J.E.L. classification: J33, O15.

1. Introduction

Assessing the ways in which appropriate reward policies can increase the responsiveness of healthcare providers, and therefore patient satisfaction is crucial to delivering effective and quality medical services.

Productivity is a vital component in any organization and the organization's employees are the key driver of productivity improvement. Without a dedicated and enthusiastic workforce, the goal of an optimal productivity level cannot be achieved. Such features of human resources cannot be acquired, they must be developed among the members of the organization. Therefore, management must create an organizational culture and an organizational climate where people are continually motivated to reach their full potential and to develop continuously.

The ultimate goal of each organization is to improve productivity, which is the optimal use of inputs used in the organization (human or non-human resources: material, technological, natural, financial). The efficiency and effectiveness of organizations depends not only on technological and non-technological factors, but also on labor effectiveness. Employees are responsible and involved in all activities of the organization, so increasing their productivity must be the primary focus of the organization. Work productivity plays an important role in any organization, as employees are involved from the beginning to the end of any activity. If labor productivity is higher, it ultimately increases the overall productivity of the organization. Labor productivity can be improved by appropriate reward policies. Labor productivity contributes to increasing the overall productivity of any organization. Reward policies are always considered as crucial in the organization, if they are not managed correctly, they can affect the organization's productivity (Bocean, 2009).

The paper examines how reward policies influence work productivity and employee performance by analyzing the elasticity of variables that define reward, work productivity and employee performance in a public hospital in Romania: Slatina County Emergency Hospital (SCEH). The paper is structured in five sections. The first section discusses the topic of research, and the second section provides the theoretical background on which research is based. The third section presents the methodological framework of the research, and the fourth section outlines the results and discussions based on these results. The final section concludes and provides recommendations in the area of research.

2. Theoretical background

Reward systems play a significant role in promoting strategic goals of organizations (Gerhart and Milkovich, 1988). Traditionally, reward systems have been designed to reward employees with their specific jobs and the activities they have done. Previous research has led to the conclusion that employees are the organization's most important resource, and in order that employees to meet customer needs, organizations must first meet the requirements of their employees (Henne and Locke, 1985; Thierry, 1987; Nebeker et al., 2001; Dessler, 2016).

Human resource management strategies are critical to improving the performance of an organization (Huselid 1995; Mabey et al., 1998). The human resources system is made up of inputs, outputs and results. The inputs are represented by the human resources needed to achieve the production, ie the knowledge, skills and abilities of the employees. These inputs are taken over and transformed into the organizational system in the production process, and the results obtained include productivity, professional satisfaction, retention and absenteeism (Wright and Snell 1991; Wright and McMahan 1992). In order to achieve the expected results, human resources management strategies should aim at attracting, developing, motivating and maintaining human resources (Bocean, 2008; Werner et al., 2012).

Facer and others (2014) noted that several researchers explored the experiences and perceptions of employees about the different components of the reward system. The purpose of our research is to relate them to the productivity or effectiveness of individuals at work and to the efficiency and performance of employees implicitly. Because motivations at work are diverse, conducting additional study on motivation and reward could provide managers with additional resources to motivate employees and increase productivity and performance in the workplace.

In the healthcare area, perceptions of service performance are closely related to the level of patient satisfaction (Williams and Calan, 1991; Cronin and Taylor, 1992; Brady et al., 2002; Akdere et al., 2018). However, there are a number of studies that suggest that patient satisfaction has emerged before quality assurance has been assured (Bitner, 1990; Bolton and Drew, 1994; Kayral, 2014; Akdere et al., 2018). Although there is no full consensus on the relationship between service performance and patient satisfaction, it is widely accepted that the level of satisfaction is determined by the quality of services (Dabholkar, 1995; McAlexander and Kaldenberg, 1994; Kayral, 2014).

Evaluating the results the patient obtains from a healthcare service takes time. Evaluating patient outcomes can sometimes be difficult and even impossible. The elements that determine patients' perception of service performance are indirect criteria, such as the relationship between patient and hospital staff, facilities, hospital cleanliness, etc. (Bowers et al., 1994; Donabedian, 1996; Ettinger, 1998; Kayral, 2014; Akdere et al., 2018).

3. Research methodology

In order to examine and explore the perceptions of a public hospital patients on the performance of healthcare services, we conducted a qualitative study of a sample of 100 patients hospitalized at the SCEH, who will participate in a questionnaire survey (based on SERVPERF model). In order to build the sample we used the proportional stratified sampling method as a selection process. The SERVPERF model has five generic dimensions that will be adapted to the case study of the hospital unit, each dimension containing a series of items illustrating individual variables: the quality of the tangible elements (eight individual variables); reliability (six individual variables);

empathy (eight individual variables); responsiveness (six individual variables); assurance (five individual variables). For each individual variable we have defined five levels with associated values: very weak (1), weak (2), medium (3), good (4), very good (5). Based on the applied questionnaire items, we calculated the following aggregate indices:

- IAIP1.cet - aggregate index calculated for tangible elements quality dimension;
- IAIP2.fiab - aggregate index calculated for reliability dimension;
- IAIP3.emp - aggregate index calculated for empathy dimension;
- IAIP4.resp - aggregate index calculated for responsiveness dimension;
- IAIP5.asig - aggregate index calculated for insurance dimension;
- IAIP.PT - aggregate index calculated for total service performance;
- IAIP.PRU - aggregate index calculated for the performance of human resources;
- IAIP.PRNU - aggregate index calculated for the performance of non-human resources.

In order to achieve the objective of the paper, we conducted also an empirical study at SCEH. For this purpose, we selected a sample of 70 employees from all levels of the medical services within the staff of the SCEH. For each item constituting an individual variable there were defined five levels that had attached values: total agreement (5), partial agreement (4), neutral (3), partial disagreement (2), total disagreement (1). Based on the applied questionnaire items, we calculated the following aggregate indices:

- IAIR1. Satisfaction with the way the salary package is structured and managed.
- IAIR2. The salary package communication.
- IAIR3. The salary system is fairly and correct structured.
- IAIR4. The wage package is motivated in the SCEH.
- IAIR5. Salary package encourages performance.
- IAIR6. The contributions and achievements of the employees are recognized.
- IAIR7. SCEH is a better place to work than private medical centers.
- IAIR total. Aggregate index of compensation.
- IAIRPP. Aggregate index of the impact of reward policy on work productivity and employees' performance.

Before conducting the questionnaires, we conducted a pilot study of 33 staff questionnaires and 25 patient questionnaires to assess the intelligibility of the information and questions contained in the questionnaire and to perform a data calibration by providing the possibility of comparing the answers obtained at an interval one year. The pilot study was conducted in November 2017, while the basic investigation was conducted in November 2018. The two series of data are compared using the analysis of the elasticity of their evolution and are the basis for determining the influence of reward on organizational performance in the coming years.

Elasticity refers to the ratio between the relative changes of two variables and not the ratio of their absolute changes. Essentially, the elasticity illustrates the percentage change of the dependent variable as a result of a change in the independent variable by one percent. The concept of elasticity is borrowed from physics and applied in the economy by means of a coefficient, called coefficient of elasticity. The coefficient of elasticity illustrates the change of the dependent variable following the change of the independent variable. The formula of the coefficient of elasticity is as follows:

$$E_{Y/X} = \frac{\Delta Y\%}{\Delta X\%} \quad (1)$$

$$\Delta Y\% = \frac{Y_1 - Y_0}{Y_0} \quad (2)$$

$$\Delta X\% = \frac{X_1 - X_0}{X_0} \quad (3)$$

where:

- $E_{Y/X}$ – the elasticity coefficient of the variable Y relative to the variable X;
- Y_1 - the value of the Y variable in the current period;
- Y_0 - the value of the Y variable in the base period;
- X_1 - the value of the X variable in the current period;
- X_0 - the value of the X variable in the base period;

Elasticity indices will be calculated to test relationships between variables that illustrate reward, work productivity, and employee performance.

4. Results and discussions

In order to assess the impact of reward policies on labor productivity, employee performance and performance of services provided by Slatina County Emergency Hospital, it is necessary to calculate the elasticity of variables that indicate the extent to which two variables in a causal relationship co-vary. In our research we will use as dependent variables a series of aggregate variables expressing patients' perceptions of service performance as well as two indicators of medical efficiency that are of increased relevance in terms of efficiency in general and especially the efficiency of human resources. These are: IAIP1.cet, IAIP2.fiab, IAIP3., IAIP4.resp, IAIP5.asig, IAIP.PT, IAIP.PRU, IAIP.PRNU, CMI (case mixed index), DCI (diagnosis concordance index - rate of concordance of diagnosis at admission with diagnosis from discharge).

The independent variables used to calculate the elasticity coefficients are cost indicators (payments for staff, payments for goods and services, total budget), aggregate variables expressing employees' perceptions of reward policies, and the impact of reward on employee performance, aggregate variables that express patients' perceptions of service performance, and the two selected health efficiency indicators (CMI and DCI).

In table 1, we calculate the coefficients of elasticity in relation to the cost indicators (payments for staff, payments for goods and services, total budget) and the two selected health efficiency indicators (CMI and DCI).

Table no. 1. Elasticity of performance indicators in relation to costs indicators and health efficiency indicators

	Payments for staff	Payments for goods and services	Total budget	CMI	DCI
Absolute values 2017	126164424	46794894	178634	1.32	0.74
Absolute values 2018	167774667	48908974	231288	1.38	0.78
Relative change ($\Delta Y\% = \frac{Y_1 - Y_0}{Y_0}$)	32.98%	4.52%	29.48%	4.55%	5.41%
CMI	0.1378	1.0061	0.1542	1	0.8409
DCI	0.1639	1.1965	0.1834	1.1892	1
IAIP.PT	0.2539	1.8535	0.2841	1.8422	1.5491
IAIP.PRU	0.3379	2.4666	0.378	2.4515	2.0615
IAIP.PRNU	0.0956	0.698	0.107	0.6938	0.5834
IAIP1.cet	0.0547	0.3996	0.0612	0.3971	0.334
IAIP2.fiab	0.2994	2.1854	0.335	2.1721	1.8265
IAIP3.emp	0.2227	1.6258	0.2492	1.6159	1.3588
IAIP4.resp	0.4611	3.3665	0.516	3.346	2.8137
IAIP5.asig	0.2787	2.0347	0.3119	2.0223	1.7006

Source: Developed by the author based on collected data

From the analysis of the data in Table 1 it can see a relative inelasticity of the variance of the performance indicators (both those of medical efficiency and those perceived by patients) in relation to the indicator expressing the payments for staffs. A rather large increase in wages did not result in a proportional increase in performance and efficiency indicators in 2018 as compared to 2017. This phenomenon is driven by the spectacular increase in payments made to staff (a change of 32.98% in 2018 compared to the year 2017), which surpasses the relative changes in performance indicators (located at the level of numerator in the coefficient of elasticity). The substantial increase in wages should have effects in the coming years on performance and efficiency indicators.

A fairly good elasticity is found between performance indicators and payments made for purchases of goods and services. Elasticity coefficients have an over-unitary values, with two exceptions (elasticity coefficients of the aggregate index calculated for the performance of non-human resources and the aggregate index calculated for the size of tangible elements in relation to payments made for the procurement of goods and services). These developments are not generated by a better use of goods and services in order to ensure performance, but rather by the fact that the total amount spent on goods and services has shown a relatively small change relative to staff costs or total budget. This finding is reinforced by the sub-unitary values of the aggregate index elasticity coefficients calculated for the performance of non-human resources and the aggregate index calculated for the quality dimension of the tangible elements in relation to the payments made for the procurement of goods and services. These sub-unitary values indicate an inelasticity, revealing a not very good perception of the evolution of the tangible elements quality dimension and generally of the performance of the non-human resources used by the hospital.

The elasticity coefficients calculated by reporting performance indicators and health efficiency indicators to the total budget record similar values to the coefficients obtained in the case of payments for personnel costs, as more than 70% of the total budget is staff expenditure.

From the analysis of the elasticity coefficients calculated by the reporting of the performance indicators and the indicators of the medical efficiency to the two selected indicators of health efficiency (CMI and DCI) it can also be observed the poor allocation of non-human resources. The elasticity coefficients of aggregate index calculated for the performance of non-human resources and the aggregate index calculated for the dimension of the tangible elements in relation to CMI, respectively the DCI, have sub-unitary values indicating an inelastic evolution showing poor material resource endowment of the hospital and a low influence of non-human resources in terms of increasing medical efficiency.

In Table 2. there are presented the elasticity coefficients of the performance indicators (IAIP.PT, IAIP.PRU, IAIP.PRNU, IAIP1.cet, IAIP2.fiab, IAIP3.emp, IAIP4.resp, IAIP5.asig) and medical efficiency (CMI and DCI) relative to other performance indicators.

Table no. 2. Elasticity of performance indicators in relation to other performance indicators

	IAIP1.cet	IAIP2.fiab	IAIP3.emp	IAIP4.resp	IAIP5.asig	IAIP.PT	IAIP.PRU	IAIP.PRNU
Absolute values 2017	3.67	3.68	3.71	3.43	3.59	3.62	3.61	3.65
Absolute values 2018	3.74	4.04	3.98	3.95	3.92	3.92	4.01	3.76
Relative change ($\Delta Y\% = \frac{y_1 - y_0}{y_0}$)	1.81%	9.87%	7.35%	15.21%	9.19%	8.37%	11.14%	3.15%
CMI	2.518	0.4604	0.6188	0.2989	0.4945	0.5428	0.4079	1.4414
IDG	2.9944	0.5475	0.7359	0.3554	0.588	0.6455	0.4851	1.7141
IAIP.PT	4.6386	0.8481	1.14	0.5506	0.9109	1	0.7514	2.6553
IAIP.PRU	6.173	1.1287	1.5171	0.7327	1.2123	1.3308	1	3.5336
IAIP.PRNU	1.747	0.3194	0.4293	0.2073	0.3431	0.3766	0.283	1
IAIP1.cet	1	0.1828	0.2458	0.1187	0.1964	0.2156	0.162	0.5724
IAIP2.fiab	5.4694	1	1.3442	0.6492	1.0741	1.1791	0.886	3.1308
IAIP3.emp	4.0689	0.7439	1	0.4829	0.799	0.8772	0.6591	2.3291
IAIP4.resp	8.4252	1.5404	2.0706	1	1.6545	1.8163	1.3648	4.8228
IAIP5.asig	5.0921	0.931	1.2515	0.6044	1	1.0978	0.8249	2.9149

Source: Developed by the author based on collected data

From the analysis of the data in Table 2, we can say there is a high elasticity of the performance indicators (both those of medical efficiency and those perceived by patients) in relation to the indicator IAIP1.cet. A more pronounced variation in the aggregate index calculated for the tangible quality dimension would lead to a significant increase in performance and efficiency indicators,

which confirms the need to provide material resources to the hospital to achieve better performance. The elasticity coefficients calculated for performance indicators (both those of medical efficiency and those perceived by patients) in relation to the indicators that express the other dimensions of services (IAIP2.fiab, IAIP3.emp, IAIP4.resp, IAIP5.asig) record mixed values due to the relative significant variations of these indicators.

Relevant are the values of the aggregate index elasticity coefficients calculated for the total services performance calculated in relation to the aggregate index calculated for the performance of human resources (1.3308) and the aggregate index calculated for the performance of the human resources calculated in relation to the aggregate index calculated for the responsive dimension (1.3648).

These values indicate a significant influence of human resources in increasing the performance of services and an influence on the size of hospital staff responsiveness in increasing the performance of human resources. The values of the elasticity coefficients of the performance indicators (both those of medical efficiency and those perceived by patients) in relation to the IAIP.PRNU indicator are overly similar to the values of the IAIP1.cet indicator, which underlines the need for investments in non-human resources.

In Table 3, there are calculated the elasticity coefficients of the performance indicators (IAIP.PT, IAIP.PRNU, IAIP.PRNU, IAIP1.cet, IAIP2.fiab, IAIP3.emp, IAIP4.resp, IAIP5.asig) and medical efficiency (CMI and DCI) against indicators that capture employees' perceptions of reward policies and their effect on performance.

The elasticity coefficients of the performance and medical efficiency indicators in relation to the way the salary package is structured and managed (IAIR1) indicates a relatively high elasticity of the IAIP.PRNU and IAIP4.resp. The structure and management of the salary package has a significant influence on the performance of human resources and mainly on the responsiveness dimension. However, it can be noticed that the structure and management of the salary package does not have any significant influence on the indicators of performance and medical efficiency, the values of the coefficients of elasticity being generally sub-unitary.

Table no. 3. Elasticity of performance indicators in relation to human resource reward indicators

	IAIR1	IAIR2	IAIR3	IAIR4	IAIR5	IAIR6	IAIR7	IAIR total	IAIRPP
Absolute values 2017	3.42	3.38	3.11	2.85	4.17	4.24	3.97	3.55	4.35
Absolute values 2018	3.76	3.41	3.02	3.29	4.33	4	4.46	3.72	4.42
Relative change ($\Delta Y\% = \frac{Y_1 - Y_0}{Y_0}$)	9.94%	0.89%	-2.89%	15.44%	3.84%	-5.66%	12.34%	4.79%	1.61%
CMI	0.4572	5.1212	-1.5707	0.2944	1.1847	-0.803	0.3683	0.9492	2.8247
IDG	0.5437	6.0901	-1.8679	0.3501	1.4088	-0.955	0.4379	1.1288	3.3591
IAIP.PT	0.8423	9.4342	-2.8935	0.5424	2.1824	-1.4793	0.6784	1.7486	5.2036
IAIP.PRNU	1.1209	12.5549	-3.8507	0.7218	2.9042	-1.9687	0.9028	2.327	6.9248
IAIP.PRNU	0.3172	3.553	-1.0897	0.2043	0.8219	-0.5571	0.2555	0.6585	1.9597
IAIP1.cet	0.1816	2.0338	-0.6238	0.1169	0.4705	-0.3189	0.1463	0.377	1.1218
IAIP2.fiab	0.9931	11.1238	-3.4117	0.6395	2.5732	-1.7443	0.7999	2.0618	6.1355
IAIP3.emp	0.7388	8.2754	-2.5381	0.4758	1.9143	-1.2976	0.5951	1.5338	4.5644
IAIP4.resp	1.5298	17.1354	-5.2555	0.9851	3.9638	-2.6869	1.2322	3.176	9.4513
IAIP5.asig	0.9246	10.3565	-3.1764	0.5954	2.3957	-1.624	0.7448	1.9195	5.7123

Source: Developed by the author based on collected data

Instead, the aggregate index illustrating communication on the wage package (IAIR2) in relation to performance and medical efficiency indicators determines broader evolutionary elasticity coefficients, meaning the importance of communication on performance and the margin of hospital management in terms of improvement communication on the wage package. Although medical staff has benefited from significant wage increases, there are still quite significant complaints about wage policies, which shows that communication policy is not very effective.

Because IAIR3 aggregates (the pay system is structured equitable and fairly) and IAIR6 (recognition of employee contributions and achievements) have experienced relatively negative changes, it can be said that they have a negative impact on performance indicators and medical efficiency. As a result of the increase in salaries only of medical personnel and not the auxiliary staff, the ineffectiveness of the reward system has increased, which has dissatisfied the employees, and has a negative impact on performance.

The elasticity coefficients of the performance and efficiency indicators in relation to the IAIR4 aggregate index (wage package is motivating) register a sub-unitary values, which reveals a rather low margin in employee motivation. Increasing motivation in previous years as a result of wage increases will has beneficial effects on performance indicators but reduced elasticity indicates that it will not have the same effects in the future. Similar developments have both performance and medical efficiency indicators in relation to the aggregate IAIR7 index (SCEH is a better place to work than private medical centers).

Based on the analysis of the elasticity coefficients of the performance and efficiency indicators in relation to the aggregate index IAIR5 (salary structure encourages performance) and the aggregate index IAIRPP1 (reward policies have a significant and direct impact on employee productivity and performance) we may notice a significant influence of rewarding policies on performance. High values of the coefficients of elasticity are recorded especially by the variables IAIP.PT, IAIP.PRU, IAIP4.resp, IAIP2.fiab, revealing a high sensitivity of employees to performance rewards. Any measures taken to encourage performance through various rewards will lead to higher performance levels with the variables studied indicating high elasticity.

As regards the elasticity coefficients of the performance and efficiency indicators in relation to the total IAIR aggregate index, which captures the overall perception of employees on reward policies, one can also see increased elasticity emphasizing the influence of reward policies on medical performance and efficiency. The only sub-unitary values are recorded by the aggregate index calculated for the tangible element quality dimension, the aggregate index calculated for non-human resource performance and CMI. In the case of the two aggregate indices, the explanation comes from the object of measuring the two indices, namely the performance of resources that are not related to human resources and their reward. CMI has some non-human component related to the material resources needed to solve the complex cases, therefore the elasticity is sub-unitary, however close to the value 1.

In order to strengthen the reliability of the research and to check the validity of the results we determined a compound elasticity, dividing the performance indicators (IAIP.PT, IAIP.PRU, IAIP.PRUNU, IAIP1.cet, IAIP2.fiab, IAIP3.emp, IAIP4.resp) and medical efficiency (CMI and DCI) to the average of the relative changes of the seven aggregate indices illustrating perceptions of reward policies (IAIR1, IAIR2, IAIR3, IAIR4, IAIR5, IAIR6, IAIR7). The calculation formulas of simple elasticity and composite elasticity are as follows:

$$E_{Y/IAIR_total} = \frac{\Delta Y\%}{\Delta IAIR_total\%} \quad (4)$$

$$E_{Y/IAIR_compound} = \frac{\Delta Y\%}{(\Delta IAIR1\% + \Delta IAIR2\% + \dots + \Delta IAIR6\% + \Delta IAIR7\%)/7} \quad (5)$$

In table 4 are calculated and compared the two forms of elasticity (simple and compound). It can be seen that the recorded values are relatively close, which validates the reliability of the results.

Table no. 4. Simple elasticity and compound elasticity of performance indicators in relation to total aggregate index of reward policies

	Simple elasticity	Compound elasticity	Differences between compound and simple elasticity
CMI	0.9388	0.9492	0.0104
DCI	1.1164	1.1288	0.0124
IAIP.PT	1.7294	1.7486	0.0192
IAIP.PRU	2.3015	2.327	0.0255
IAIP.PRNU	0.6513	0.6585	0.0072
IAIP1.cet	0.3728	0.377	0.0042
IAIP2.fiab	2.0391	2.0618	0.0227
IAIP3.emp	1.517	1.5338	0.0168
IAIP4.resp	3.1411	3.176	0.0349
IAIP5.asig	1.8985	1.9195	0.021

Source: Developed by the author based on collected data

The compound elasticity is higher than the simple elasticity due to the influences of the individual variables that make up the aggregate IAIR total index, but the differences between the two data series are low, falling within a margin of 3.5%.

Following research into the elasticity of employees' perceptions of reward policies and patient perceptions of work productivity, employee performance and service performance, we came to the deduction that the perceptions of employees of Slatina Emergency County Hospital on the reward system are directly related to patient perceptions of employee productivity and performance as well as performance and hospital overall.

5. Conclusions

In order to have efficient and quality health services, in all aspects, patients should be considered as consumers to whom healthcare providers have to meet their requirements to ensure that they will visit the hospital again and thereby increase income-generating activities. Consequently, health care providers need to be concerned about patient satisfaction being stimulated by resource allocation mechanisms to meet patients' needs.

In this paper we intend to analyze the elasticity of the evolution of data on reward and the impact of reward on organizational performance as well as on medical efficiency indicators.

Firstly, in order to evaluate the impact of reward policies on work productivity, employee performance and performance of services provided by Slatina County Emergency Hospital, we calculated the elasticity of the variables expressing patients' perceptions of service performance, as well as two indicators of medical efficiency.

The analysis of the resulting calculations revealed a relative inelasticity of the variance of the performance indicators (both those of medical efficiency and those perceived by the patients) in relation to the indicator expressing the payments for personnel expenses, phenomenon determined by the spectacular increase of the payments made to staff, which outweighs the relative performance indicator changes. The substantial increase in wages should have effects in the coming years on performance and efficiency indicators.

The sub-unitary values for elasticity coefficients of the aggregate index calculated for the performance of non-human resources and the aggregate index calculated for the quality dimension of tangible elements in relation to payments made for the procurement of goods and services indicate an inelasticity, revealing a poor perception of the evolution of tangible elements quality dimension, and generally the performance of non-human resources used by the hospital. From the analysis of the elasticity coefficients calculated by the dividing the performance indicators and the indicators of the medical efficiency to the two selected indicators of health efficiency (CMI and DCI) it can also be observed the poor allocation of non-human resources.

From the analysis of the elasticity of performance indicators and medical efficiency in relation to the aggregate index that captures the overall perception of employees on reward policies (total IAIR), we observed an increased elasticity that emphasized the influence of reward policies on medical performance and efficiency.

Following the research conducted within the SCEH we came to the conclusion that appropriate reward policies can increase hospitality response to patients' needs and patient sensitivity, thus demonstrating a link between responsiveness and health workforce performance. The impact of adequate reward policies on patient satisfaction could be even greater if they are explicitly communicated to hospital management.

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Some Considerations regarding Emotional Intelligence

Norina Popovici

Camelia Mihai

"Ovidius" University of Constanta, Faculty of Economic Sciences

norinapopovici@yahoo.com

cami.moraru@yahoo.com

Gheorghe Moraru

"Mircea cel Batran" National College of Constanta

gheorghe.moraru@yahoo.com

Abstract

Emotions are equivalent to "the spirit that moves us". These can lead us to a better mobilization, no matter how logical and rational we are, even if we are on the wrong paths. Although it is frequently discussed about emotional intelligence, it has not yet reached its full strength. We still continue to focus on education, self-improvement, intelligence, experience and we still think that the intellect is separate from emotions, even superior to them. Things would be different if we understand that intellect and emotions are not mutually exclusive, but have a similar importance and impact in our lives. The purpose of this paper is to highlight the reasons why emotional intelligence is decisive in professional success, but also in personal life.

Key words: IQ, emotions, IQ

J.E.L. classification: M10, O15

1. Introduction

Intelligence is the ability to retrieve new information, to assimilate and to implement it quickly and efficiently. Emotions help us make decisions, create and maintain social ties, protect ourselves, be creative, discover our potential, presenting physical, behavioral and cognitive aspects that interact with each other (Roco, 2004). The significance of emotional intelligence is based on the bonds between emotions and thoughts, between feeling, thinking and action. Emotional intelligence is a skill that can be learned and consists of the power to acknowledge feelings and identify their source. Emotional intelligence is about the awareness of one's own emotions, inner motivation, optimism, empathy and last but not least, social skills, that is, the ability to establish positive relationships, to collaborate with others, to resolve conflicts (Bar-On, 2011).

2. Theoretical background

Other researchers have defined emotional intelligence as "the ability to perceive and express, to feel emotions in thinking, to understand the prism of emotions and to adjust the emotions of oneself and others (Caruso, Mayer, Salovey, 2002).

Surely, we've all met people who are able to handle even the most uncomfortable situations, that always make others feel good. These individuals possess what psychologists call emotional intelligence. Daniel Goleman, suggested that there are five components of emotional intelligence: *self-awareness* (the ability to meditate on our own lives, to enrich our knowledge of ourselves and to use them either to compensate for weaknesses or to overcome our limits), *self-balancing* (emotional intelligence requires us to adjust and manage emotions, respectively the expectation of the right moment to express them correctly), *social abilities* (it refers to how people try to find creative solutions to problems and to interact optimally in order to achieve the common goals),

empathy (those competent in this field are able to understand who has power in different relationships, understand how these forces influence feelings and behaviors), *motivation* (internal rewards like:pleasure to undertake an activity, to obtain top experience, to fulfill their own needs and goals) (Goleman, 1998).

Emotional intelligence will make the difference between an efficient person and a remarkably efficient person. Not long ago, it was supported the idea that feelings should be released to avoid inconvenience. It is now known that emotions can reshape and educate and the benefits of this process are significant.

Emotional intelligence redefines the image of the world and people, emotions becoming the most important resources of human. Howard Gardner's theory was adopted by theoreticians in education and applied by teachers. By evaluating the type of intelligence that we have starting from school, we can develop and capitalize it on the career we choose. According to the Harvard Educational Psychology Specialist, there are seven types of emotional intelligence: musical, kinesthetic, logic-mathematical, spatial, linguistic, interpersonal, intrapersonal (Gardner, 1983).

3. Emotional Intelligence and Academic Intelligence

Emotional Intelligence (EQ) and academic intelligence (IQ) are not opposing competences, but rather separate. While the intellect helps us solve problems, compute or process information, emotional intelligence allows us to be more creative and use our emotions to solve problems.

Daniel Goleman reports that emotional and social skills offer people benefits in areas such as love or relationships where such skills can make a difference.

Table no. 1. EQ vs. IQ

	EQ	IQ
<i>Definition</i>	Emotional intelligence is the ability to identify, evaluate and manage your own emotions and others.	IQ is used to determine academic abilities and to identify individuals who have a wide range of information.
<i>Abilities</i>	Identify, control and express own emotions. Perceiving and evaluating the emotions of others. Understanding emotional meanings.	Ability to learn, understand and implement information held; characteristics: logical reasoning, mathematical abilities, abstract and spatial thinking, filtering irrelevant information.
<i>In the workspace</i>	Teamwork, leadership, successful relationships, service orientation, initiative, collaboration.	Success in difficult tasks, ability to analyze opportunities, research and development.
<i>Can be identified at</i>	Leaders, team players, people who work best alone	Capable or talented people, mentally or specially developed individuals.

Source: (Goleman, 2006)

For a long time, IQ was considered the only measure for career success and life in general. However, some critics have begun to realize that not only the high intelligence guarantees the achievements of life, but also the concept, poorly analyzed, which fully embraces a wide range of emotional and emotional knowledge. Although IQ is still recognized as an important element of success, the concept of emotional intelligence has had a powerful impact in many areas, corporations and large organizations starting to use EQ tests during the hiring process (Goleman, 2008).

Social knowledge allows people to interpret tone, language, facial expressions and body language. In 2014, researchers Thompson and Voyeur found a general advantage of women in emotional recognition. Studies have also found that men are more unlikely to make social judgments than women (Thompson, Voyeur, 2014). Psychologist Jack Block has made a comparison of two pure types: people with high IQ vs. people with high emotional abilities. Profiles differ from men to women. Men with a high IQ present a wide range of intellectual interests, are ambitious, productive, self-confident, but can become critical, hard to please, indifferent and inexpressive. In opposition, those who have well-developed emotional intelligence

are cheerful, assume responsibilities, provide affection and support to others, but most importantly they are emotionally balanced and happy with their life. Women with a high level of intellectual intelligence, express their thoughts fluently, appreciate intellectual issues, tend to fall prey to feelings of guilt and anxiety. Women with a high EQ are categorical, spontaneous, cheerful, communicative, can easily establish new relationships and resist stress and choose positive thinking (Goleman, 2006).

4. Research methodology

Before defining the term Emotional Intelligence, its features were defined by terms such as "character", "personality", "abilities", "maturity". Unfortunately, in school there not treated topics such as awareness and understanding of emotions and once you enter the labor market, there are many situations where we find that we lack the skills to manage our behavior.

The purpose of the study is to identify how EQ is manifested among all people, based on the components of the concept of emotional intelligence. The central objective of the study is to balance the hypotheses created on the basis of the theories and the results of our own research. The study was conducted on a sample of 100 randomly selected individuals.

This research is based on descriptive analysis and the questionnaire was used as a method of investigation. The questionnaire consists of five chapters: chapter I (general information on respondents: age, gender, background, civil status), chapter II contains six statements by which the interviewees discover self-awareness, chapter III contains the following six affirmations regarding the management of one's own emotions, chapter IV contains six statements about the identification and understanding of the emotions of others and chapter V includes six statements about how the emotions of those around us are managed.

Of the 100 questioned 60% are women and 40% are men, aged 15-25 (65persons), 23-36 years (13 persons), 37-47 years (10 persons) 48-58 years old (7 persons) and 59-75 years (5 persons), 56% come from urban area and 44% from the rural area, 30% are married and 70% are unmarried.

5. Research results

Self-awareness. Of the 100 people surveyed 34% claimed that they only admit their disappointment sometimes, when they do not get what they want. A fairly low percentage of respondents do not assume what they feel and try to mask the feeling of frustration. Half of the subjects responded equally that often or always they are aware of the regret that occurs as a result of poor employment or poor performance.

Figure no. 1. Admit disappointment

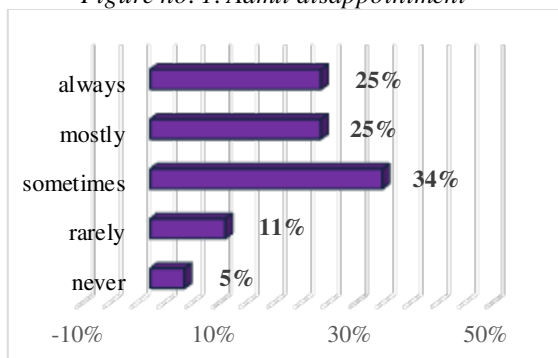
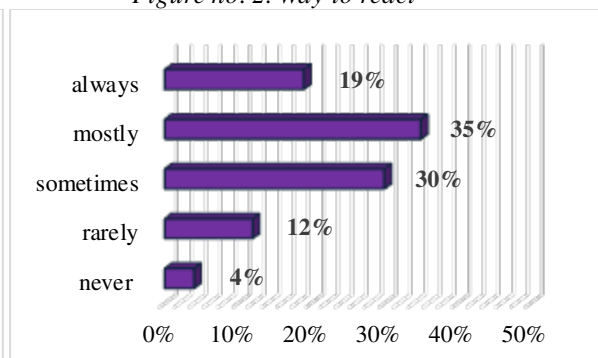


Figure no. 2. Way to react



Source: own processing based on the results of the questionnaire

When we are in a difficult situation, we are confronted with emotional blockages, emotional instability and depression. If respondents are aware of how they respond when they are being criticized, the data are presented in figure no 2. 35% of the people often know how they feel and do what they have to do after a critique, whether they take revenge or are indifferent or empathize with it. Those who are very secure on their senses are 19% and those who do not master their feelings own at all are 4%.

Managing your own emotions. Often or even always, people are extremely sincere and say directly what they think. In the percentage of 21% and 29% are included the respondents who choose to hide their suffering and when they accumulate, they explode. There are also weak subjects who can not cope with a confrontation, as seen in figure no 3. In the next figure, the highest percentage is characteristic to people who, with all their desire not to create a conflict, also have moments of weakness and they explode. Subjects who calm down, always before sending a response to a disturbing email, are considered rational people who hate conflicts. Sometimes or very rarely people act at the first impulse regardless of consequences. Surprisingly, have answered the question of the questionnaire and those for whom the scandal is a way of life, without thinking about the discomfort of everyone around.

Figure no. 3. Transparency of feelings

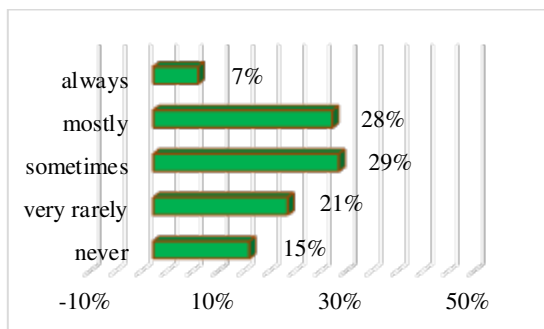
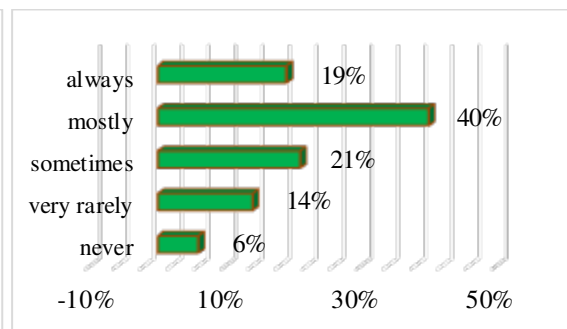


Figure no. 4. Attitude towards conflict



Source: own processing based on the results of the questionnaire

Among the people surveyed, there are also individuals who will always be conscientious, for whom their image is very important. Often or sometimes there are people who, not always, are aware of the impact they have on other people. The last two variants with low percentages were chosen by subjects whose self-esteem is not very high, thus risking appearing in front of the crowd nervous and completely unprepared to support a presentation, as seen in figure no 5.

In figure no 6, respondents' answers to this question are included mainly in the first two variants, showing their satisfaction for each compliment received. Sometimes or very rarely, 15% and 4%, are people who do not expect praise from everywhere, but only from a small group of friends, family. Following the analysis, it is obvious that there are no individuals, among the individuals questioned, who do not accept compliments.

Figure no. 5. Impact on others

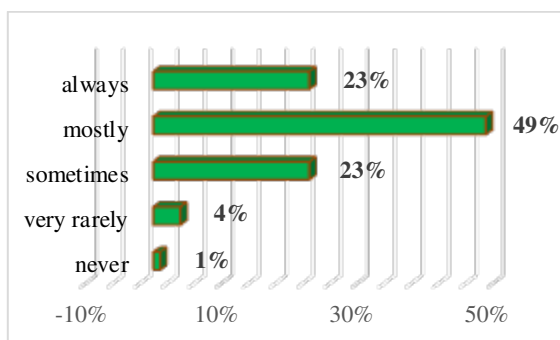
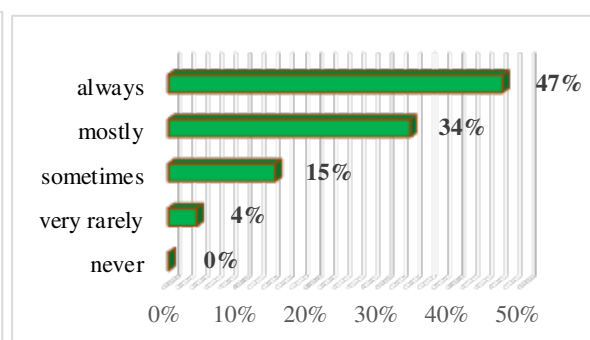


Figure no. 6. Attitude towards compliments



Source: own processing based on the results of the questionnaire

Identifying and understanding the emotions of others. There are always subjects who have the impression that they are good psychologists and can evaluate any person without being deceived about their character. The highest percentage falls on those who think deeply, connoisseurs of human psychology, but are aware that people can change their behavior. People questioned for whom do no matter the feelings that friends show, answered in percentage of 30% and 10%. To a small extent, 1% responded those individuals who can not assess the emotions of others, not even theirs, as can be seen in figure no 7.

Most times or sometimes, the subjects have the patience to wait the right time to say things to others. Those who know their life partner very well responded in a relatively low percentage, only 13%. Very rarely some people have encountered a refusal and it does not really matter the moment when they choose to say something. The 10% is the category for which the refusal is certain, as figure no 8 presents.

Figure no. 7. Understanding the feelings of others

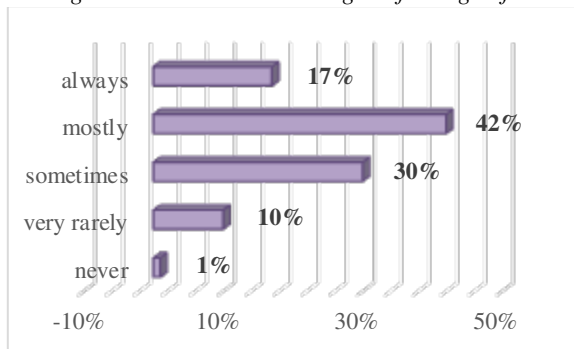
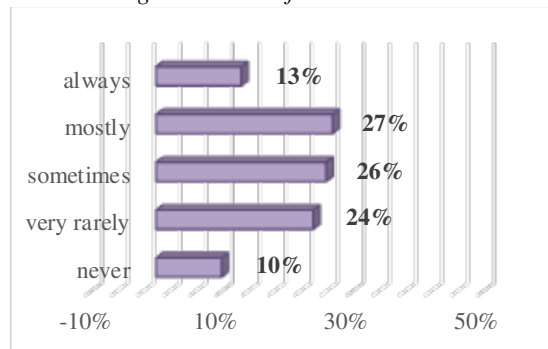


Figure no. 8. Refusal encountered



Source: own processing based on the results of the questionnaire

In the following, we will note with S1 = the statistic variable that denotes Self-consciousness, S2 = the static variable denoting Managing own emotions, S3 = the static variable that denotes Identifying and understanding the emotions of others. The values of the variables S1, S2, S3 were obtained by calculating the average score of an individual obtained as an average of the answers to the questions in data from Set 1.

We begin by checking whether there is a correlation between the variables S1 - Self-awareness and S3 - Identifying and understanding the emotions of others.

Table no. 2. Testing correlation between Self-awareness and Identifying and understanding the emotions of others.

<i>Regression Statistics</i>					
Multiple R	0.237762397				
R Square	0.056530957				
Adjusted R Square	0.046903722				
Standard Error	0.615223616				
Observations	100				
<i>ANOVA</i>					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	2.222546	2.222546	5.871983	0.017219
Residual	98	37.09301	0.3785		
Total	99	39.31556			

Source: own processing

The Pearson correlation coefficient between the variables S1 and S3, respectively the statistical variable that denotes the Self-consciousness and the static variable that denotes the identification and understanding of the emotions of the others is 0.237762.

Although the correlation between S3 and S1 is much lower than 1, we have determined the linear regression model for the variable S3, having the variable S1 as the explanatory variable. Thus, the significance level F of the resulting model is 0.017, less than 0.05, so we can express that the pattern obtained is significant.

Using the same method, we check that there is a correlation between S2 and S3. The test results indicate a Pearson correlation coefficient between S2 and S3 of 0.379684. We can interpret that there is a positive correlation between Managing our emotions and Identifying and understanding the emotions of others. Therefore, we calculated the linear regression model, which explains the variation of the variable S3 based on the variable S2.

The resulting model is $S3 = 0.41 * S2 + 2.14$

The value of the significance level associated with the F statistic of the model is $9.78E-05 \ll p (= 0.05)$, therefore much lower than the specified significance level ($p = 0.05$).

The p values associated with the coefficient of S2, respectively the free term, are also lower than $p = 0.05$. We deduce that the pattern obtained is significant.

Since the correlation coefficients between S1 and S3, S2 and S3, respectively, did not show a strong association between the variables, we calculated a linear regression model to explain $S3 =$ Identifying and understanding the emotions of others according to both variables, $S1 =$ Self-awareness and $S2 =$ Managing own emotions.

Table no. 3. Testing correlation between Managing own emotions using Self-awareness and Identifying and understanding the emotions of others.

<i>Regression Statistics</i>	
Multiple R	0.40016689
R Square	0.16013354
Adjusted R Square	0.142816705
Standard Error	0.583447066
Observations	100

ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	2	6.295739072	3.14787	9.247276	0.000210958
Residual	97	33.01981648	0.34041		
Total	99	39.31555556			

Source: own processing based on the results of the questionnaire

The equation of the resulting linear pattern is: $S3 = 1.763771 + 0.16 * S1 + 0.37 * S2$.

The linear model obtained by regression is statistically significant for Set 3, having a significance $F = 2.1 * 10^{-4} \ll 0.05$ established level.

The correlation coefficient of the model (MR) is 0.4, which argues a positive but not very strong correlation, being less than 1. This leads us to the idea that although the variables S1 and S2 are useful for explaining and predicting the S3 variable, there may be additional variables that are currently unknown, which contribute explaining the S3 variable.

6. Conclusions

The study revealed that there is a close link between people and emotional skills, which supports the idea of researchers that social, emotional and relational skills are factors of success and success in life.

Following the questionnaire, the following conclusions can be noticed: 34% of the respondents sometimes admit disappointment; 50% of the subjects are always aware of the regret that occurs as a result of failure; 19% of people who wanted to answer the questions always calm down before sending an irritating e-mail; 40% of people cannot appreciate their strengths; 23% are people who will always be conscientious, for whom their image is very important; 24% have encountered refusal and it does not matter the moment when they something.

The study shows that emotional intelligence stimulates passion and enthusiasm, besides supporting motivation and devotion. People who have developed emotional skills know better, know more empathy, increase self-esteem and enjoy harmonious, inter-human relationships, aware of how their feelings affect them first and foremost others. Even if an individual proves to have enough knowledge, if he does not recognize and fails to manage his emotions, he may encounter obstacles in building relationships with others or a successful career.

The results of the study confirmed the idea that emotional and social skills should be learned in school as this will help students to better integrate into society and adapt more effectively to the professional environment. Over time, emotional intelligence will help young people become more effective, think positive and communicate emotionally. Emotional intelligence is the ability to control your own mood and to quickly emerge from confused situations by adopting instant solutions. This concept plays an important role in self-motivation, in solving the problems of others, as well as in the awareness of our own emotions.

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Quality Management as a Dimension of Evidence-based Medicine

Cristina Racoceanu

*National School of Political Science and Public Administration,
Faculty of Communication and Public Relations*

cristina_racoceanu@yahoo.com

Vasile Cepoi

"Grigore T. Popa " University of Medicine and Pharmacy

vasilecepoi2013@gmail.com

Stanciu Anca Cristina

"Ovidius" University of Constanta, Faculty of Economics Sciences

castan22us@yahoo.com

Abstract

Council of Europe, starting with 2000, emphasized that the improvement of the quality system is a set of integrated and planned activities and measures at various levels in the health care organization, aimed at continuously assuring and improving the quality of patient care.

The quality management system, irrespective of the level of approach (organizational, local, national, European), needs to be implemented, assessed and, above all, developed on the basis of standards and practice models. The purpose of this analysis is to emphasise the fact that quality improvement efforts and the support of the management/decision-makers are the key drivers of quality and patient safety improvement at any level of the health system. Based on the latest theoretical and practical considerations, we could say that is necessary to evaluate continuously not only the results obtained from the analyses of the quantitative and qualitative data, but also the tools used in the field of quality management, in order to decide based on clear evidence and real practice. In this context, as a conclusion, we could talk about a complex activity for health care organizations, in order to implement, evaluate and continuously improving a quality management system.

Key words: quality, health care, management, patient safety

J.E.L. classification: I1, I18, M10, M16, M20

1. Introduction

In the last few decades the health sector has undergone changes and significant development. The circumstances of illnesses and deaths, diagnostic methods and therapeutic technologies applied in the health care sector have changed. At the same time, the structure of the health system, the organization and complexity of services are different in comparison with the 90s. The request for health care services, at different levels, did not follow either the development of medical science or the medical techniques, nor the needs or expectations of the beneficiares/patients. As a result, the discrepancy between the available financial resources and the needs of the health system (in order to satisfy the request that has increased in time, while the health of the population has not improved or, even worse, in some areas deteriorated) has escalated. Having present that the health system comprises the four groups of health determinants -environmental, biological dowry, behavior, and health care – a few questions arise. Is it sufficient to address quality in the health system from the perspective of clinical practice or from the perspective of the organizational management? Is it sufficient to implement quality management at the organizational level without an suitable approach to the strategic health policies? Is this a problem that is specific only to the health care

provider? The answer is, with no doubt, not! Therefore, in the field of quality management in healthcare, the key-word is the strategy and it is mandatory to have one established on medium – term and even on long - term. Achieving quality and financial goals is quite a challenge for any type of organization that is currently activating in healthcare, this subject being left open to further in depth assessments.

2. Theoretical aspects and research methodology

As World Health Organization and European Commission emphasised, in order to shift from performance measurement, to performance assessment, qualitative information and in-depth assessments of the health system are needed. This aspect is creating the premises that the policy decisions in health care are elaborated according to an evidence-based framework

The way in which a health system is organized, operated and funded and, last but not least, the way in which healthcare is provided is directly reflected in the quality of care, taking into account all its dimensions: (Maxwell,1992)

1. Efficacy - the ability to achieve the best results in improving health through the best care;
2. Efficiency - the degree to which the care received has the expected effect, with a minimum of effort and costs;
3. Optimization - the balance between the costs of health care and the effects obtained from such care;
4. Accessibility - the ease with which the patients can get the care they need, when they need it, according to their wishes, needs and expectations;
5. Legitimacy - providing health care in accordance with the social principles expressed through norms, values, laws and regulations;
6. Equity - providing health care to each member of society according to his/her needs. As we can see, patients should no longer be seen only as healthcare subjects but become participants in medical decision making.

When we discuss about the quality systems in healthcare it is necessary to understand that we cannot have expected results without the correlation between structures and processes related to the established objectives. (Donabedian,2003)

The following steps were taken into account in terms of *research methodology*: the identification / definition of the problem, assesment of the regulations in the area of health care, from the perspective of the patient quality and safety management, as well as examples of good practice at national and European level, setting the objectives by presenting the principles and concepts quality assurance, analysis of the major issues involved and conclusions. Thus, taking Romania as study base, it can be noticed that the needs to be met by the health system both at central and local level have changed as a result of the demographic and epidemiological transition in the country. As reported in the statistical data, the burden of morbidity in Romania, previously dominated by maternal and infant diseases and communicable diseases, is currently dominated by chronic and non-communicable diseases - e.g. cardiovascular diseases are the leading cause of death, causing 57% of all deaths; cancer, the second cause as frequency, causes 20% of them. Together, the two cause over three out of four deaths. External factors (accidents and intoxications) are the third cause of death, causing 5.6% of deaths, while infectious diseases account for only 1% of all deaths.

Yet, the current health system in Romania is based on an old model that focuses on hospital treatment, episodic of acute conditions, with patients considered as passive recipients of health care. Furthermore, as per reports of the National Authority of Quality Management in Health, quality assurance is not an daily basis preoccupation of the personnel of the healthcare providers, as it is shown so far by results of the hospitals evaluation in the first and second cicle of accreditation (the lenght of an accreditation cicle is five years).

3. Structural integration of the Quality Assurance (QA) and Quality Improvement (QI) in an under pressure health system

In now days is a paradigm shift when we discuss about the quality of the health care services: is not about the providers is about the fundamental right of every person to receive high-quality care. Therefore, having present that the external factors that are influencing the health systems across Europe are putting a lot of pressure on the healthcare systems (as aging population, mobility of the citizens, mobility of the health professionals, demographic background, changes in disease occurrence, development of the new high technologies, economic changes, European and local regulations) is important to understand that a high level of quality of the care and patient safety must be guaranteed regardless of the country where the person is receiving the health care services.

The information explosion, the widespread use of new technologies and the need to improve clinical practice and health outcomes has led to a rapid development of a new concept of evidence-based medicine (EBM). Thus, for the optimization of health care, evidence-based medicine has become an important element in improving the care processes and an important and effective tool for sustainably delivering a patient-centric, quality-oriented, safe care. Evolution of the decision-making in health care it is obvious: from opinion-based decision (guided solely by experience on learning and experience, practitioners selects the approach to patient care) to care decisions based on sound scientific evidence -EBM- (Hoelsing,H.,2016)

Despite this, recent researches and studies has shown that many patients do not receive the care that they are entitled to, due to the various reasons, as the lack of accessibility, inefficient policies in the field of health care, unnecessary extensions of various structures or the shortage of the specialists in certain areas of activity, which led to a scarcity of the quality of care or even to harmful care.

Who is accountable for the level of the quality in a health system as well as for the patient safety? Each one of the stakeholders have different responsibilities in creating a proper quality culture in healthcare. Government and regulatory bodies have to provide the proper framework regulations and policies to encourage, monitor and control the system in terms of quality of health care. Those who are in charge with the financing of the health care services have to provide the resources in order to make quality improvement possible. Professional bodies must be a real support and driver for their members. The management of each healthcare provider need to put in practice their statement regarding quality improvement at all levels and structures. Professionals in healthcare (doctors, nurses etc) are responsible with the practice as well as with the interaction with the patient and continuity of care, with the aim of changing the quality for the better. Medical schools and universities must provide to the future professionals of the healthcare system, education focused on patient safety and quality improvement. Patients, as the consumers of the healthcare services, must be more involved in what are their rights, but also, assuming their obligations as they are the key player of the system. And last, but not least, the media that must inform properly and equitably the public about the quality of health services provided by healthcare facilities, in order to increase (when is the case) the trust of the population in the quality of health services and, very important, not to cultivate a blame culture. It is obvious that the development of quality culture is a long process that involves understanding the concept of quality with the aim of leading to a change of mentality. Regarding the upmentioned concept of quality, we have to link three perspectives as pilons of the quality management::

1. **Quality assurance (QA)** – all the processes must be done in order to have a coherent quality planning (objectives, standards, aims and indicators, thresholds and milestones in order to evaluate the compliance with the standards or deviations, and control loop); quality assurance strategies seek to prevent, detect and correct problems in the quality of services provided to individuals and populations.

2. **Quality Improvement (QI)**–Quality improvement strategies attempt to improve quality through continuous study and modification of the services being provided; even if these approaches tend to have different quantitative techniques and strategic perspectives, a lot of scholars are accepting the fact that are implementable. In other words, an effective quality assurance program is not an end in itself; rather, it is a means of maintaining and improving care.(O'Leary,1988)

3. **Quality Control (QC)**- is a proactive approach to improving processes and activities in a continuous manner. One of the tools used to develop systems to ensure that the services provided to the beneficiaries are meets or even surpassing their expectations, is "The four step cycle", known as Plan-Do-Check-Act (PDCA) Model, which focuses on the problem solving and, at the same time, emphasizes the importance of preventing the recurrence of errors by establishing appropriate standards. One of the key aspects of effectively implementing this tool is to instruct professionals to identify and act on variation issues in healthcare practice;(Shewhart 1986, Deming, 1993)

Quality Management (QM)-coordinates and facilitates all processes and activities within the assurance and control of the quality and the improvement of it. This applies to any organization, as well as to the entire health system. Quality management is implemented by the entire organization's staff and it must be a constant concern of all. As a result, an essential element in assuring and continuously improving quality remains the appropriate education and understanding of the principles that govern quality management in health care by all the key-players of the health system.

4. Through an active and coherent involvement of all actors in the system, immediate results can be obtained

Building a structured quality management system, accepted and implemented at all levels of a health system, represent the premises of the assuring and improving the quality of healthcare and patient safety, taking into account the ability to provide uninterrupted health care services in a coordinated manner, in a cost-efficient way, with a not disputable satisfaction of the patient and the personnel involved .

In examples of good practice in different European countries or in the programming documents of the regulatory bodies (European Commission, World Health Organization, ISQua), it could be noticed that the improvement of the quality, at any level of the health system, is based on the development of standards and the assessment of the level of achievement them. (European Commission initiative on "Health status in the EU",2014)

Quality standards need to be disseminated among healthcare professionals, accepted and put into practice by all, in order to ensure a formally recognized level of quality as acceptable, so that, from the perspective of the participatory principle of evaluating the performance of a health care system, they can be part of a collaborative platform for data aggregation at regional / national level in terms of the out-comes of the evaluation of the health care providers, as an the assessment of high-level health objectives (national health strategies and policies.(World Health Organisation - Pathways to Health System Performance Assessment,2012)

This approach could provide the following information, sustained by an evidence based point of view:

- knowing the degree of exposure to risk factors for people in the care process and taking preventive,
- an early detection of pathological changes caused by exposure to risk factors,
- ensuring an integrated and interdisciplinary case management,
- harmonization of the collaboration between the three levels of healthcare, primary health care, specialized medical assistance in outpatient clinics and hospital care,
- increasing access to outpatient health services by: improving communication with patients, improving communication between professionals, ensure traceability of the patient at all levels of health care,
- compliance with the professional competence levels,
- identifying managerial malfunctions at the level of health care providers generated by the health system regulations, with possibility to provide recommendations for remediation,
- reducing variability in clinical practice.

5. Conclusions

In the last few decades the health sector has undergone changes and significant development. The circumstances of illnesses and deaths, diagnostic methods and therapeutic technologies applied

in the health care sector have changed. At the same time, the structure of the health system, the organization and complexity of services are different in comparison with the 90s. The request for health care services, at different levels, did not follow either the development of medical science or the medical techniques, nor the needs or expectations of the beneficiaries/patients. As a result, the discrepancy between the available financial resources and the needs of the health system (in order to satisfy the request that has increased in time, while the health of the population has not improved or, even worse, in some areas deteriorated) has escalated. This discrepancy is due to the ever-increasing needs of the population, both as a result of the elevated diagnosis and treatment possibilities, which lead to higher costs, as well as to the increase in the level of population which is having access to information - as examples: high-performance imaging investigations, treatments for previously incurable diseases (Gaucher disease, hepatitis C, stenosis and thrombolysis in the myocardial infarction, etc.) dialysis and so forth. Even if these diagnostic and therapeutic solutions have penetrated, due to the delayed detection of the cases they would benefit from, we still have a high level of avoidable mortality and avoidable hospitalizations. This reflects that resource efficiency is low. Furthermore, focus on patient should be adopted as a key aspect of measurement and performance assessment of health systems, yet this approach is not taking into account in developing health care policies in many regions. (OECD Initiative, Paris, January 2017)

In Romania, reliable information are collected and analyzed by the National Authority of Quality Management in Health. This data, collected during the assessment of hospitals, regarding the organizational culture, is reflecting a poor orientation on quality of medical services and patient safety and, moreover, patient-centered care is not understood as a key factor. (<https://anmcs.gov.ro/web/comunicat-de-presa-numai-1565-dintre-spitalele-evaluate-pe-baza-standardelor-recunoscute-international-indeplinesc-conditiile-de-acreditate/>)

Therefore, the implementation of quality management at the level of the building- blocks of the health system (primary care, ambulatory, hospitals) is essential for the efficient functioning of the national health system as a whole and it must be based on evidence and scientific information critically assessed at the starting point of implementation, as well as during the improvement process. Managers are critical in meeting the challenges that they have to face during the assessment of the level of implementation of quality across their organization and, at the same time, in managing the change process required, in order to offer a sustainable high-quality of health care.

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Leadership and Employees' Motivation

Andreea Simona Săseanu

The Bucharest University of Economic Studies, Faculty of Business and Tourism

andreea.saseanu@com.ase.ro

Sorin-George Toma

University of Bucharest, Faculty of Business and Administration

tomagsorin62@yahoo.com

Abstract

Leadership is not just about leaders, it is a unitary one, based on balance and which is often the success formula. It is well known that people is the most important resource of an organization. They represent a decisive factor in organizational success or failure. Although employers are aware of this, they do not always invest or make changes, ending up with a deadlock and facing serious problems. Motivation constitutes not only an important tool in the process of self-regulation, but also a driving force of psychological and human development. The purpose of the paper is to illustrate the importance of leadership in motivating employees. In order to reach this aim the authors conducted an exploratory research in the milling and bakery industry by using the questionnaire as a tool. The results show that motivation represents a factor of influence at the workplace and leaders should identify and meet employees' needs.

Key words: motivation, leadership, leader, motivational theories, milling and bakery industry

J.E.L. classification: M12, J16, J28.

1. Introduction

Motivation is the tool used to make people work in order to achieve goals, which is suggested by the very meaning of this word. So, the word "motivation" comes from the Latin word "moves" which means to move or to get moved (Popescu, 2013, p. 211). Vagu *et al* (2007) provide a different sense of the concept of motivation as they point out that it is the sum of the reasons that make someone to perform an action for certain purposes. Thus, it can be seen that each person needs specific reasons in order to achieve certain goals or to reach certain objectives.

This concept is also applicable within an organization because without a strong motivation, employees will not work long term to achieve the organizational goals. That is why the leader is the person who has the most responsibility for employees' motivation. The leader's responsibility for motivation was also surprised by Boboc (2003) who claims that mentoring, understanding the employees, and motivating staff and inspiring them, are among the leader's roles. Moreover, Adair (quoted by Boboc, 2003) argues that the great quality of leaders is their ability to motivate people. The purpose of the paper is to illustrate the importance of leadership in motivating employees.

2. Literature review

During the time numerous definitions of motivation have been formulated. According to Nicolescu and Verboncu (2007), motivation is "the correlation of the needs, aspirations and interests of human resources within the organization with the achievement of the objectives and the exercise of the tasks and responsibilities within the organization". In this definition it can be seen the authors emphasize the correlation between the needs of the organization and the employees, a

correlation that allows the objectives of the organization to become the objectives of the employees.

The link between leadership and the motivation process is highlighted by Popescu (2013, p. 49), who argues that "leadership is a concrete activity by which an individual or more exert an influence on others by which they try and sometimes succeed motivation and change which facilitate the achievement of group or organizational goals. " Great leaders, such as Steve Jobs, proved to be great motivators and they highly influenced the organizational culture (Toma *et al*, 2013; Săseanu *et al*, 2014).

Maslow's theory is one of the most well-known motivational theories. The theory distinguishes five basic needs, which are hierarchically linked to each other. Needs are listed from the basic to the most complex: physiological needs, safety needs, membership needs, need for self-esteem and the need for self-updating. When a need is satisfied, the following "greater" need arises.

Alderfer's ERG theory compresses Maslow's five/seven needs in three categories - life needs similar to Maslow's physiological and safety needs, relational needs - are satisfied by interactions and communication with others, development needs - are focused on the development of new abilities / skills, the maximum utilization of the potential of each person, on self-realization. In comparison with Maslow's theory, ERG theory considers it unnecessary to fulfil the basic needs in order to meet the higher ones.

Herzberg's theory is made up of two factors: hygiene factors and development factors (Herzberg, 1968). Hygiene factors refer to the context of work and the environment in which work is carried out and include the policy and administration of the organization: the wage; job security; surveillance and technical control; interpersonal relationships with supervisors and leadership of the organization; status; personal life. Development factors are related to the nature of work, responsibility, recognition, advancement, personal development. Hygiene factors have no motivating potential, but help to avoid dissatisfaction. On the other hand, the factors of development are those that lead to motivation and satisfaction of the employees.

McClelland's theory starts from the premise that the needs of an individual reflect personal characteristics (McClelland, 1971). It outlines three needs: achievement, affiliation, power. People who have a strong realization need workloads have a moderate difficulty so they can be successfully completed, focus on their own efforts and abilities rather than those of the team, prefer to receive feedback on tasks achieved, avoids routine. People who have a desire to learn have social intelligence, learn social networks very easily, communicate frequently with social networks, avoid conflicts. The need for power is met in people who want to influence others and pictures as leader in a group.

Vroom's theory of expectations contains three key variables - valence, instrumentality, expectation (Vroom, 1964). Valence consists of the anticipatory satisfaction of a person to achieve certain results that can be perceived as attractive or unattractive. Instrumentality refers to the likelihood that a direct, performative result leads to a less manifest result but is developed by the employee on a personal level or needs. If the probability is high and the valence attributed to the personally developed result is high, expectation arises. Waiting measures the degree to which a person believes one can achieve that direct, performing result. The three variables are the motivational force.

Adams's equity theory starts from the premise that employees compare their efforts at work and the rewards obtained with the efforts and rewards of other people. If the employee perceives a balance between these relationships then he is satisfied. But, if one perceives inequality, it will lead to disillusion, discouragement and demotivation, and can no longer fulfill his responsibilities well (Pânișoară *et al*, 2016).

House (quoted by Popescu in 2013) also highlights the link between leadership and motivation through "the theory of the road to goals". According to this theory, "leaders are efficient because of their positive impact on the motivation of their subordinates and their satisfaction" (Popescu, 2013, p. 331). This theory bears the name of a road to objectives as it shows how leaders can influence employees to work in order to achieve certain goals, aims and also the way they can reach them (House, 1976).

"The Road to Goals Theory", therefore, suggests the leader's style can be motivational if it is adopted according to the personal characteristics of the employees and the environmental specifications with which the subordinates must come into contact. For example, a personal feature is the employee's view of their own abilities. The more employees think they are more capable of performing their own tasks, the less likely they are to be motivated by a leader's style of instruction, giving specific tasks and guidelines to employees (Popescu, 2013).

Moreover, according to this theory, individuals who feel that rewards are in direct connection with their efforts prefer a participatory style in which the leader consults and uses employee suggestions before making a decision. In contrast, employees who consider that rewards are not closely related to their work efficiency are more satisfied with a directive style. So, according to the "The Road to Goals Theory", the leader's style can be motivational and can help employees adapt to the environment in which they work (Popescu, 2013).

In addition to the adopted style (Sudha *et al*, 2016), a leader can also use other employee motivation methods. To identify these methods, it is imperative to identify the types of motivation that exist. Deac *et al* (2012) describe the following types of motivation: intrinsic, extrinsic; positive, negative.

Intrinsic motivation is "the process of engaging the person in a sustained effort, because of the feeling of accomplishment, fulfillment, which one feels after fulfilling his tasks" (Deac *et al*, 2012, p. 343). Thus, the work no longer represents for the employee only a means of gaining certain advantages, but rather it is regarded as an end in itself, and it even represents a necessity that evolves as it is satisfied. Examples of such needs may be: "responsibility, autonomy, possibilities of using and developing skills and abilities, interesting and exciting work, opportunities for advancement, etc." (Herzberg, quoted by Armstrong, 2003, pp. 140-141). The intrinsic motivation is what causes a person to do a certain thing. This stems from the content itself. Activity is done with great pleasure; it is an end in itself and not a means of getting benefits (Aniței, 2010, pp. 78-85).

Extrinsic motivation has external motivating factors and involves undertaking certain actions to avoid punishment or receive rewards. An activity is not fulfilled for your own satisfaction but to receive something in return.

Cognitive motivation exerts an influence on the individual through cognitive processes (thinking, perception, memory, imagination). It stems from the need for knowledge, in exploratory activities (Sîrbu, 2015).

The affective motivation is determined by the individual's need to relate to others, to belong to a group. This type of motivation implies the need for social respect, cooperation, reconciliation, empathy (Aniței, 2010, p. 56). An example of such motivation may be the acceptance of certain tasks or functions by an employee only in order not to be perceived as an incapable person by his colleagues and to obtain recognition.

The positive motivation is produced by certain material or psychic recompense stimuli (rewards, praise, etc.). This is for the benefit of both the individual and society. Therefore, a positive reason is when it has positive effects on the person and at the same time it does not have negative effects on the people around or on society.

The negative motivation arises from the use of aversive stimuli such as punishment, blame, threats. The effect is inhibiting, avoiding, abstaining, and refusing unwanted behaviors. This type of motivation is mainly used in the educational process. But it has fewer positive effects than the positive motivation that produces positive affective states.

3. Research methodology

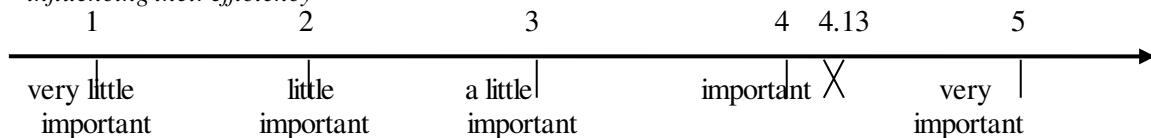
In order to highlight the importance of leadership in motivating employees, the authors conducted an exploratory research using the questionnaire as a tool. The main purpose of the research was to identify the importance of leadership in motivating employees. The secondary objectives of this research were to identify the importance of employee motivation, to identify the predominant types of motivation, and to identify the leader's role in motivating employees.

In this respect, a questionnaire comprising 12 questions was designed and applied offline to a sample of 100 people. The respondents belong to different companies from the milling and bakery industry in Romania. Two out of the 100 completed questionnaires were invalidated. As a result, 98 valid questionnaires were obtained. The structure of the questionnaire comprised 3 identifying questions, regarding to the level of studies, gender and the length of employment. The persons selected to answer the questionnaire were from different departments in executive positions. 64 out of the 98 respondents were university graduates, with a difference of 34 persons with secondary education. 45% of the respondents (44 persons) were men and 55% of them (54 persons) were women.

4. Findings

The first question of the questionnaire was used to determine the importance given by the employees to the motivation as a factor influencing their activity at the workplace. Of the 98 respondents, 14 said that it is somehow important, 58 - it is important and 26 - it is very important.

Figure no. 1. The centralizing axis regarding the importance given by employees to motivation as a factor influencing their efficiency

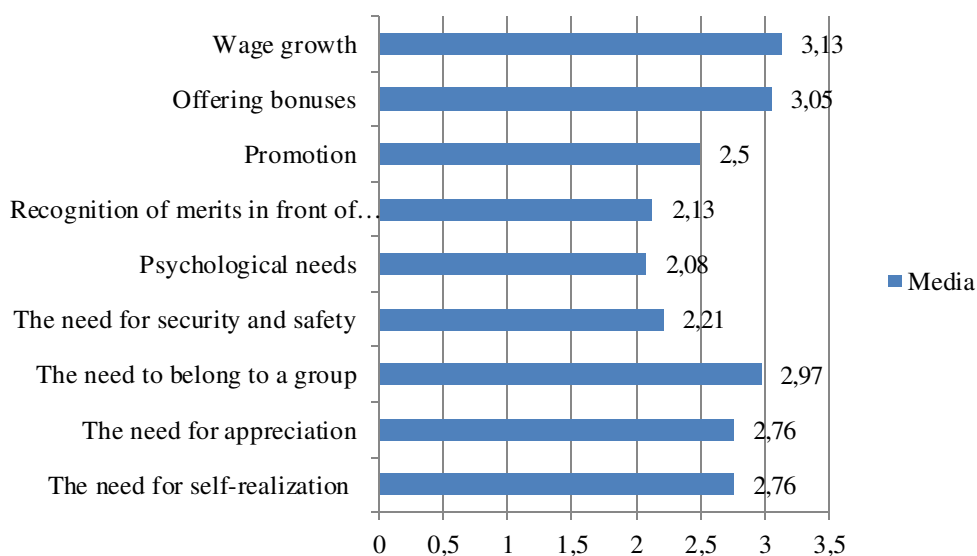


Source: (authors' contribution)

Thus, it can be noticed that 59% of the respondents consider motivation as an important factor that influence their work, the average of responses being 4.13.

The second question was formulated to determine whether the respondents are satisfied with the way they are valued at work. Thus, 31 employees replied they were motivated to a small extent, 11 to some extent, 36 to a large extent and 20 to a very large extent. The average answer given by respondents to this question is 3.47, which shows they are appreciated, but only to a certain extent by the leaders of the companies they work for.

Figure no. 2. Types of motivation used by leaders of different companies and the extent to which they are used by them

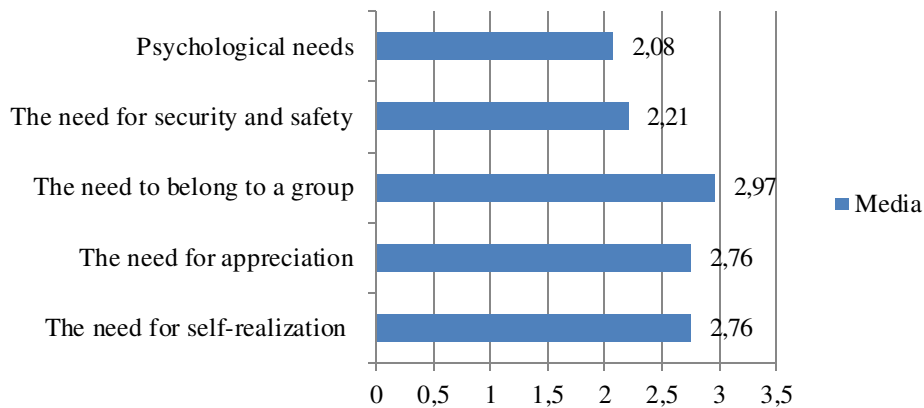


Source: (authors' contribution)

1= very little; 2= little; 3= a little; 4= much; 5= very much

As can be seen, in the organizations, on average, the various types of motivation listed are found to some extent. Wage growth is the most common form of motivation used by the leader, when the appointment of the employee of the month is only to a small extent. Negative motivation, and more precisely job loss, is also found in organizations to a certain extent. As a completion to question 3, respondents also stated the following types of motivation are used: commissions, threats, free days and a pleasant work environment.

Figure no. 3. The Influence of Employee Needs on Workplace Efficiency



Source: (authors' contribution)

1=very little; 2=little; 3=a little 4=much; 5=very much

In order to motivate employees by meeting their needs, the leader must therefore first take into account the need for achievement and then the appreciation and security needs. The need for self-realization, having the average of 4.16, shows that employees consider this need to have an impact on workplace efficiency to a large extent. The need for belonging to the group is the need with the least influence on the efficiency of respondents, considering they influence to a certain extent.

Question 7 was formulated to determine the extent to which leaders from different companies acting within the milling and bakery industry are trying to motivate employees by meeting their needs. So, centralization resulted in an average of 2.73, which shows that to some extent leaders have tried to identify the needs of employees.

Question 8 sought to identify the main motivational forms desired by employees. Thus, promotion is the main form of motivation for 49 respondents. They provided this answer because in this way they get alongside a higher salary and a better status. The second form of motivation preferred by respondents is wage growth. Obviously, any employee wants a higher salary, regardless of the work they have done. Also, getting bonuses is considered a motivation factor, but only by 8 respondents.

In question 9, employees were asked how satisfied they are with the motivation of the leader, and the centralization of answers resulted in an average of 3.10, which means that they are somehow motivated. If leaders wanted to meet the needs of their employees, then, they would raise the average of this question as well because the employees would have been much more satisfied at the time.

5. Conclusions

Leadership and motivation influence each other: people who are highly motivated have a very motivating leadership and vice versa. It can be said that motivation is an essential factor in achieving the company's objectives. Furthermore, very satisfied and motivated people contribute to the survival and growth of a company, especially in this dynamic environment which is quite uncertain. This is due to the influence that leadership has on the performance of employees involved in achieving the company's goals. It is recommended that leadership be supportive and the leader interested in the welfare of employees and their needs. It should also be open, friendly, in

order to create a climate that is conducive to teamwork, while treating his employees as equal (Buble *et al*, 2014).

The paper shows that successful organizations are those in which leaders know how to motivate the workforce. Effective leaders are those who manage to motivate their employees. They have the power to increase the motivation of their employees or followers through the way they treat them but at the same time they can neutralize or worsen their motivational force.

Leadership models start from the premise that a person can motivate another person to act in a certain direction. Leaders can motivate followers according to their traits, leadership style, the way they respond to the environment and the needs of their followers. Expectation can influence employees' motivation. Thus, if people are perceived as responsible and motivated, they will act in this way. Leaders need to trust their members.

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Managing the Issue of School Deviance

Timeea-Alexandra Simionescu (Savu)
Doctoral School, „Valahia” University of Târgoviște
alexa_timeea@yahoo.com

Abstract

School deviance is a current phenomenon and, unfortunately, of great complexity, a problem that cannot be eradicated and will only disappear through the involvement of the school as a form of institutionalized mass education.

School deviance generally designates the set of behaviors that violate school norms and values.

School deviance occurs as a result of faulty and timely failure of certain events, to which the society has no positive reaction, but only stigmatization of these mistakes and shouted for help.

The purpose of this article is to define the causes of school deviance and identify possible solutions to reduce and even suppress this phenomenon.

Through management at the level of education it is attempted to timely suppress the deficiencies with negative effects on the achievement of the educational objectives.

Apart from the school's involvement in minimizing these behaviors, a special involvement should be made by the family and public institutions.

Key words: Educational management, school organization, school deviance, behavioral disorder.

J.E.L. classification: I21, M12, M54.

1. Introduction

Deviance can be defined as a result of the interaction of the deviant person with those who judge it as deviant behavior in relation to certain rules, social rules, analyzed in terms of the effects it produces, here referring to the reactions that they causes, for example: sarcasm, harsh rebuke, isolation, conviction, denunciation, compulsory treatment, deprivation of liberty, execution, etc. When the act previously considered to be deviant no longer provokes any stigmatization reaction on the part of those around, it means it has ceased to be deviant.

We could define school deviance as representing those abnormal, exaggerated behaviors, against rules, norms, and school values. It can also be characterized as an individual or normal group behavior, but in abnormal conditions.

However the definition we give to this phenomenon, it is a dissonance related to what is considered to be normal within a group, class or school, within the society we are part of. In the literature there are terms such as: indiscipline, school resistance, juvenile delinquency, school inadaptability, behavioral disorder.

2. Theoretical background

Deviance represents "*all behaviors directed against rules of conduct or institutional order*". (Sellin, 1976)

One of the references to school deviance considers that the main cause is emotional instability and personality disorders that make children deviant, non-cooperative with the authorities. Another cause of school deviance in pupils' school experience may be that deviant students reject school because they feel rejected by school. (Moscovici, 1998)

Management in education manifests itself on the human dimension (pupils, teachers, and other staff) using strategies from the most diverse ones, with priority being those of communicative type.

So, from the point of view of the deviant, school deviance is understood as a way to overcome the feelings of humiliation determined by school failure as a way to react against teachers, teachers whom these students consider to be indifferent to their protest. It may happen that teachers have a part to blame and to be responsible for deviant acts when they often, without any particular intention, label students as turbulent, inappropriate, different, and always treating them with suspicion, can cause them to conform to those expectations and follow that direction.

3. Research methodology

In an attempt to explain and understand the phenomenon of school deviance and its implication on society and the identification of the most effective methods of combating, I started from the question: "Why do children violate school norms and values?" There can be multiple answers, of the most varied, but we should all look for solutions as well as identify the causes that lead to such behavior.

The research is a deductive one and starts from the generalities related to the stigmatization of the deviant behavior and will be reduced to the field of analysis of the educational field, finalizing with the importance of knowing the causes of the school deviance and finding the best strategies for combating by implication in solving of these major issues of all individuals and institutions.

4. Findings

Various studies have shown the incidence of a link between child misbehavior and low levels of family cohesion. In families where cohesion is reduced, the partners of the couple have a particular interest in personal needs and aspirations, spending most of the time outside of family space and very rarely participating in family activities, which is why many times these encounters are often conflicts, the family being at the center of tensions. In this context, children may have emotional and behavioral difficulties, not knowing how to handle the conflict. That's why it is very important for a minor, student, adolescent to establish and develop a relationship of unconditional acceptance with his mother or another person in the family, trying to establish a relationship of trust with an adult; the failure of such attempts will restore and reinforce the child's loneliness, loss and mistrust.

The fraternal relationship establishes interpersonal relations between children who grow up in the same family, having an important role in establishing and forming relationships and attitudes, gestures, behaviors that will later be beneficial and useful in integrating into the family, school, and social environment. Relationship between siblings according to the values, attitudes and behavior of parents can lead to feelings of affection, attachment and mutual trust between them, but it can also generate conflict, rivalry, jealousy, even hate.

The level of education and the socioprofessional status of parents have a great influence on family education. In the interactions of family members, a social group with different problems and visions, as well as influences from the outside, understood and managed by family members according to their cultural and educational level, are presented on a smaller scale. (Cristea, 1996)

Of great importance in keeping distant behaviors at a distance is the way parents value the school institution and implicitly school education, allocating all necessary resources, time, energy, money to maintain good relationships with the school and gaining the most important benefit, a pleasant personality of their child and implicitly a chosen education and a promising future. Therefore, the lack of time must not be an excuse for not having a good relationship with the school, but rather their attitude towards the child, school, educational system, etc.

Often parents with a high level of education communicate fairly easily with school representatives, understanding how important the school is in the harmonious development of their child. Therefore, a continuous and functional relationship between the student's family and the school, based on effective communication and mutual appreciation, is an element of stopping school deviance. (Mihalcea, 2000)

We have shown so far that, depending on the specificity of primary socialization, children go into unequal school in terms of culture and school exigency. From the moment the child enters the school environment, the etiology of school deviance increases as a result of the factors related to the school institution and its functioning, the educational process and the socialization process inside the school.

School deviance includes a multitude of different behaviors in terms of the severity of facts, manifestations, intensity, and trigger factors. Among these we can list: school run, copying, absenteeism, school dropout, vandalism, violent behavior, addiction, and suicide. (Neamtu, 2003)

Absenteeism, school abandonment, drug addiction and suicide are directed at one's own person, being escapist behaviors, disguised defenses, while vandalism and violent conduct are open defenses and are directed toward those they come into contact with, directing these violent behaviors to others as a result of inability to manage personal problems, of one's own life.

Generally, children and adolescents are indisciplined because they want to gain the attention of the adult, get bored, feel unjust, have no confidence in others, feel frustrated or rejected, want to control others, are afraid, have neurological or emotional disorders, etc. Hours are noisy, hindering good classroom performance, doing everything to attract attention to them.

Juvenile delinquency is a non-conforming behavior of young people that violates the legal norm in force, for example: theft, affiliation to a group or band (various anti-social activities), violence against others in order to obtain material advantage and violation state laws.

School resilience consists in non-acceptance of rules, values, school culture, because students consider them to be incompatible with the world they live in, feeling constrained or wronged. School is perceived as a constraint, and students react in the only way they can, disturb normal class activity, absent, etc.

Copying is specific to students with average or above average results, so generally not the weaker ones in learning, and it appears from the student's desire to acquire their knowledge without going through the study or only partially. The reasons are the most diverse: the students are not sure that they have correctly understood and assimilated the required knowledge, the pupils consider that the maximum mark can only be obtained if they reproduce word by word the information received, thus with maximum marks remaining in the hierarchy of the pupil class to which it belongs, or by the fear of parents who ask the child to be good at all and obliges him to have the highest marks in all subjects of education.

Run away from home or school: it is a serious, risky, highly victimized behavior. Children running away from home live shock because their hopes of adventure and freedom are contradicted when they hit the hard reality. They can survive in improper places, being involved in theft of food, prostitution, drug use, etc.

School absentisms appear more in urban and poor families. When children begin to miss systematically from school, this is a late signal of problems and urgent action needs to be taken.

School vandalism represents acts of violence directed toward objects, objects within the school unit, as students who commit such acts have low self-esteem, reduced tolerance to frustration and low levels of self-control. Vandalism is manifested in school when the student feels unreasonable, wants to revenge or protest against the authorities and school rules.

School abandonment is leaving the education system, not attending classes before the end of the cycle of studies started. Causality is determined by both economic, religious, socio-cultural, psychological and pedagogical factors as a result of the fact that the respective pupils can not adapt and integrate in the classroom context, have mediocre results, come from families facing serious economic problems, unable to set up professional goals, are very stressed by hard work, are not involved in any school, non-formal or formal activity.

Violence in school is the most common form of school deviance and manifests itself in various forms: nicknaming, teasing, ironing, shaking, pushing, hitting, refusing to give help, injuring. Toxicomania is the state of intoxication caused by the consumption of psychoactive, ethnobotanic, drugic substances that occur due to the fact that some children integrate into some inappropriate groups, out of curiosity or because they present a form of unknown risk that adolescents want to test. Often curiosity turns, unfortunately into addiction. Suicide is the worst form of deviance and is mainly due to the lack of attachment from parents. As possible causes, we identify:

- the death of one of the parents;
- poor communication with the family for a long time, followed by the inability to overcome the stress caused by the situation created;
- acute stress: parental divorce, exam periods, evaluation, etc.

As previously demonstrated, the family environment with its characteristic and defining elements may be the origin of school pupil behavioral deviations. As a consequence, any prevention measure has to start from a common action of the school and the family, the interest being the diminishing of these phenomena of school deviance of the pupils.

They must also join the community, because more stringent supervision measures for students with deviant behavior and more severe punishments against those who violate regulations within the school will not have the expected effectiveness without other measures of limiting and suppressing deviance taken at community level. (Ciofu, 1989)

In order to achieve a lasting effect from the perspective of addressing school deviance, the influence should come from society to school, aiming at identifying the best strategies to prevent deviance in general and to reduce school deviance in particular. To achieve this goal, a first step in this global prevention strategy could be to increase living standards for all members of the community.

Consequently, many of the school deviance manifestations cannot be diminished unless incipient measures are taken from family, group, community and even society-wide. In addition, greater collaboration between school, family and community will increase the effectiveness of mitigation measures adopted both in and outside school. (Nicola, 2003)

5. Conclusions

Prior to school, I think family involvement has a decisive role. Parents have to understand their children and accept them with qualities and defects, and especially to support and guide them in life. If at home they are criticized, they are stigmatized at school, and by the groups they belong to or not, they are isolated or mocked, then they will also try to defend themselves, having a hostile attitude towards others and not complying with the rules of the class pupils, group, school, family, etc.

Unconditional love for one's own child and an attempt not to constrain it is the key aspect in the harmonious formation and development of a child with a balanced and strong personality, and this increases the child's self-esteem. Family involvement includes all the components that characterize the individual, the acceptance with good and bad, the attempt to understand the aspects, behaviors and reactions appreciated as correct or less correct by the family but still accepted.

As a result of the analysis, it was found that the main cause of most children with emotional disturbances and behavioral deviance is the fact that these children received from parents only conditional acceptance in which adults clearly expressed the rejection of certain aspects of their personality. These aspects of personality that were not accepted can later be denied by the child, designed by the person on other people or expressed in unacceptable ways.

The mother has a major role, she can make her child's unconditional acceptance and teach him to tolerate and accept his own frustration, hostility or negative aspects of his own personality, guide him so that he is able to manage his own life.

If you cannot support the mother, the child, especially the teenager - age being a favored element, will try to establish a relationship of trust with another adult. If this fails, disappointment will be even greater and implicitly a sense of disbelief in one's own forces, but also in others generating anti-social behaviors.

Family and school need to share common ground; find effective ways to communicate with the child, set strategies, and define educational and development priorities appropriate to the child's abilities and skills, always following just the interest of the child. They need to join the community through actions to design and adopt global strategies to prevent deviant behaviors.

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Management and School Education

Timeea-Alexandra Simionescu (Savu)
Doctoral School, „Valahia” University of Târgoviște
alexa_timeea@yahoo.com

Abstract

Educational management represents the complex process of managing the educational act at the level of the education system in its entirety, or at its structural levels. Education is the complex work done in cooperation, by the teacher and the student for assisted training and self-help, with the aim of developing personality, but also of creating a positive-constructivist mentality.

Being a teacher does not mean doing a job, that is, fulfilling a profession. The teacher's involvement in various cultural-educational and political-ideological activities is a proof of the superior understanding of his social role, acting as an agent of social transformation.

The purpose of this article is to analyze the importance of the educational process and of the school management in the formation of the pupil's personality and the labor force according to the requirements of the society.

Key words: Educational management, school education, school manager.

J.E.L. classification: I21, M12, M54.

1. Introduction

Educational management represents a theoretical and methodological ensemble of strategic, global approach to education and learning as subsystems of the entire social system.

It has as its primary mission to ensure the cultivation and valorisation of the human resources available to each society in full accord with the social ideal that inspires it and on which its principles, values, norms and modalities are founded, so that the human ideal derived from them corresponds with the educational ideal being in relations of mutual interdependence.

The teacher occupies an important place in the educational activity because it contributes to the formation of pupils' personalities, to their conduct in society, to their formation as individuals and citizens. As a result, education indicates the level of instruction, culture, and outline of the different components of the personality following educational influences.

2. Theoretical background

Educational management encompasses the study of all processes and relationships that take place within educational institutions on the course of the educational process, aiming to optimize the efficiency of this process by using the most appropriate methods, techniques and management techniques. (Andronicescu, 1998)

Due to the social, economic, political and educational complexity of the educational ideal and because of the finality of each school cycle, the educational management in relation to the educational ideal that is being pursued year after year, generation by generation, has a complex character of social, educational, economic, systematic and multidisciplinary nature, so:

- Social - as a result of the object of the activity;
- Educational - the importance of the school in the dynamics of the current evolution;
- Economic - the purpose of education is to form the workforce as society demands, permanently targeting the efficiency of the labor market;
- System-wide circuit is a system due to connections with other components;

- Multidisciplinary - due to interconnection, connections with different disciplines such as: sociology, psychology, pedagogy, law, economy etc. (Ghergut, 2007)

Education is, in fact, the totality of actions - deliberate or not, explicit or implicit, systematic or unsystematic - with the role of creating and shaping man in dependence on the existing socio-economic-historical-cultural landmarks. Education has a leading role in sustainable economic and social development in the long run and should be given due attention.

Education proves us at every stage and in any field of social and personal life, how important it may be and the fact that it makes a difference. Thus, the destiny of each individual, group, and each society as a whole depends on the quality of education. (Stan, 2010)

Education is an important element of the socialization process that allows people to learn specific behaviors that are useful for actively participating in social life. (Chirica, 2003)

It can be seen that education represents the complex activity that is realized through the cooperation between the teacher and the student with the purpose of assisted training and self-training, in order to develop the personality and the implementation of a positive-constructivist mentality. In essence, education essentially aims at removing the individual from the initial, biological, primary, and leadership to the spiritual, cultural status. (Cristea, 1996)

From the point of view of the process, education encompasses all the actions undertaken in order to achieve the transmission of knowledge and the systematic and organized influences aiming at the formation of the human personality.

To educate is to train, shape, develop. Etymologically, the term derives from either the Latin "education" which means to care for, to grow, either from "educate - education" that translates to lead, lead, to guide. It seems that both etymological elements are correct, leading to the recent meaning of the term.

The importance of education is essential to the development of the individual in a social context and, implicitly, to the development of a society.

Starting from the idea of action-interaction, education is manifested in three different ways: formal education, non-formal and informal education. (Ungureanu, 1999)

Formal education is carried out within educational institutions and aims to introduce pupils progressively into the knowledge paradigms and to transmit useful techniques that will help them to provide their own educational autonomy. This type of education needs a group of trained people who manage the way the information is transferred.

Through formal education, assimilation of knowledge and facilitating the improvement and development of the capacities, attitudes and skills necessary for the individual to be introduced into society is ensured. This kind of education is influenced by the social and political context. The importance of formal education is given by the transmission to each generation of historical and cultural heritage in order to provide professional training. (Foriș, 1999)

Formal education is done through the intermediary of the school and the teaching staff. The teacher has the freedom to use the methods and techniques that he / she considers most appropriate for educating new generations. The role of formal education is to transfer to students the social identity, the historical and cultural location, the acquisition of knowledge necessary for personal and professional development, to achieve as individuals and to integrate socially.

Non-formal education takes place outside the classroom through extra-peer-to-peer activities and optional activities. Nonformal means less formalized or unformalized, but includes formative effects. Non-formal education is important because it meets the different individual interests of students and has a high degree of flexibility.

This type of education has great pluses as it offers the opportunity to discover the most diverse tendencies and concerns, supports those who have artistic inclinations or other professional calling and want to develop particular sectors of activity, helps exploiting personal and local resources, supporting literacy, professionally perfecting and supporting the idea of health education.

This type of education can also be applied to isolated people, geographically reluctant people, drifting young people with different behavioral and adaptation problems, people with special needs, and people with a lower chance of attending a normal school.

For the results of this type of education to give the expected results, it should be applied in combination with the institutionalized system.

Informal education is the education the individual enjoys willingly or not, with whom the individual comes into contact in everyday life. This includes all information that comes in an unselected, unorganized and pedagogically unprocessed way. This type of education brings data that are unconsciously introduced into the thinking and behavior of individuals in spontaneous circumstances. Society can be influenced through the media in both good and bad ways.

The contemporary world has led to the formation of new trends and ideas, generating new types of education such as peace education, education for human rights, demographic education, ecological education, economic education, communication education, nutrition education, education for health, leisure time education. All these annexe branches have the role of supporting the main goals of education and leading to the formation of free, open, positive, trained and evolved people. (Vlăsceanu, 2002)

3. Research methodology

The research starts from the following issue: "The importance of management in school education". It is necessary to know the provenance and usefulness of the management concept, the leader in the educational process and the school organization, in order to understand how to select the strategies that can be adopted, adapted and developed in order to provide the students with a quality education.

The research is a deductive one and starts from the generalities related to the concepts of school management and education, and in the course of time this knowledge will be reduced to the field of analysis of the educational field, finalizing with the importance of education in forming the personality of individuals and preparing them for social life.

4. Findings

School is the place where young people spend a lot of their time, so the school environment must provide a stimulating learning and training environment to continually provoke the interest in their knowledge. (Moscovici, 1998)

Educational activities within the school, at or outside the classroom, lead to the development of an individual character of the young, planned and well-programmed, school being the launching platform for continuous and systematic education.

Education is a duty to us, to everyone, first of all to ourselves, second to the others, to the entire community, to the society as a whole.

Education must be open to all, and can provide the opportunity for training and reformation, always willing to help create and form a personality, develop skills, enrich knowledge, familiarize with new directions, focus on new horizons, to areas of interest. (Mihalcea, 2000)

The learning methods are chosen by the teachers, depending on the intellectual contingent of the individuals with whom the teacher interacts. In selecting these methods, the teacher takes into account both the psychological factors of educators and pedagogues. (Nicola, 2003)

In terms of educational activities, these are structured according to didactic principles, the teacher uses teaching and learning methods that he adapts to the class with which he works, to the pupils in that class and to the working conditions. The teacher, in terms of his role and function, besides the specialized knowledge that he / she must know, master and develop, also needs to know psychology, teaching methodology, pedagogy in order to be trained and able to do the face of any situation that may occur at the level of the student class she is leading.

Education should last throughout life with the aim of developing responsibility and independence. By educating individuals, they develop self-esteem; they can capitalize on and meet the expectations and demands of society.

5. Conclusions

Educational management refers to the contributions made by management to the school organization in order to achieve the objectives of the education system. Functions engage all management actions: information, communication, evaluation, and all control operations required

to measure and qualitatively and qualitatively assess the educational system in terms of diagnosis and prognosis, finalized in the pedagogical decision.

Education is of great importance for our society. A cultured, educated, trained generation that has been transmitted to it and has absorbed its cultural, historical and moral values can further transmit the inheritance it gives, giving the chance for a better future. An educated society can not be easily influenced and can discern between good and evil.

Education is essential for the harmonious development of the individual in a social context, and for the development of society as a whole.

An educated individual will be able to respond to new and complex needs and situations will be aware of personal and collective needs, will be able to cope with some bottlenecks and will be able to overcome them by finding the best solutions.

An educated individual will make the necessary efforts to sustain education, will make a common front to support the fight against ignorance, vulgarity, indifference and cultivation of the lack of values, and will support continuous education and personal fulfillment, but also a better life in a responsible society to the needs of others.

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Sports Branding – A Complex Process

Sergiu Vlad Stan

"Valahia" University of Târgoviște

sergiu_stan14@yahoo.com

Abstract

"Sports and entertainment have been convergent ever since the dawn of capitalism" (Carter, 2010, p. 26). From this point of view, throughout the years, sports stakeholders and every person involved in sports activities understood the necessity of promoting sports as a social phenomenon. However, the evolution of sports branding, the complexity of the process of sports branding has evolved and today consists rather in promoting each part of the sports process.

Therefore, the present article aims to highlight the sum of processes, which stand behind sports branding. Thus, sports branding is a concept that can be analysed through different perspectives such as product branding, personal branding, corporate branding, place branding and last but not least events branding. All these concepts are not convergent but rather seek to explain different areas finding practical application in sports as well as in other fields of activity.

Key words: sports branding, product branding, personal branding, corporate branding, re-branding
J.E.L. classification: M31, M39, Z20, Z29

1. Introduction

Throughout the past 20 years, the process of branding has had the same path: research, developing a strategy, design, positioning and communication through different channels depending on the strategy (Cortsen, 2016, p. 35). The only significant change regarding branding was probably the change that occurred regarding the channel of communication (due to the evolution of digitalization and online environment). On the long term, this involves the shift of focus from campaigns created around a single creative idea to campaigns that identify more ingenious and attractive ways to engage consumers in active ways. Thus, one of the main components of branding is communication, because it not only reflects the creativity of the process but also it acts like a differentiation factor. Because of this, sports organizations have adapted their communication, many of them developing their own media channels, communicating their progress in real time.

Sports, or more precisely all the elements that compose it, must adapt to the modern era, and its rigours that come along with the necessity of commercial success, so therefore the success of sports is reflected on the success of each organization that is involved in the process and of each component of that organization.

2. Theoretical background

The present article aims to underline the importance of concepts such as: **brands and branding** as a process. The key understanding of branding as a process lies mainly in Wally Ollins view over this process. However, over the years several definitions have emerged, underlining the importance of understanding the different types of branding. Therefore concepts such as **1) product branding; 2) personal branding; 3) corporate branding;** will be explained in the following article. There needs to be a clear understanding of the fact that these concepts have a general appliance, however the present article has a theoretical approach over the importance of understanding how this concepts can work in the world of sports. Finally, the concept of **re-branding** as a process will also be explained from both a general view and an applied view in the field of sports.

3. Product branding in sports

Product branding is understood as being the way in which a product interacts with its consumers through its design, its logo and message. If done properly, following some basic principles, sports branding can be sustained in time because it creates a powerful connection between product and consumer throughout their lives. The greatest challenge is given by the possibility in which the message is transmitted to consumers. The message must start from branding idea and this idea often comes as an answer to a set of questions that are carefully selected and addressed. The structure of the questions is aimed at (Adamson, 2010, p.41):

- a) Target audience;
- b) Competition;
- c) Ways of succeeding on the market.

Product branding was easier to achieve when there were no websites, smart phones, interactive games or social networking. Product branding strategies that are developed today aim at multiple platforms. Positioning product branding must capture the main attributes, benefits and values of the brand.

When we refer to sports and product branding, the word "*product*" is referred firstly to sports itself as being the product of which we refer to. In this sense, there can be given a number of examples of sports products that are on an expansion mission such as: women's football, cycling, golf, swimming etc. These sports have had major developments in the last 10 years.

A distinction between sports product branding and the branding of sports products must be made due to the fact that the last one represents a way through which sports organizations choose to communicate their brand, their corporate brand, by placing it on different products. It can also represent a partnership between a sports product manufacture and sports organization, a partnership that both agree on and decide to develop and promote.

Thus, coming back to product branding of sports, the organizational support of the sports federation must be taken into consideration. Both sports leadership (referring to the central organization that manages a certain sports branch) and the affiliated members of a sporting federation must realize the fact that their actions can lead to the increase or decrease of the popularity of sports. That is why it is mandatory that the decision factors must choose their target audience, their possible competition regarding target audience and make sure that their sport is perceived firstly as a recreation activity that fills in ones spare time to the detriment of competitors.

The way of transmitting the benefits of practicing certain sport becomes thus the main way on which decision makers must focus their attention. If the benefits of practicing certain sport are being well transmitted to an individual being convinced to practice the sport before watching its professional events, it is fair to say that the chances of that certain sport to grow on the market would be significantly increased, thus finally leading to the commercial success of professional events as well. Therefore, the success of a professional sport is given firstly by the promotion of amateur sport, and a good example in this way is given by the high numbers regarding the number of amateurs playing football. In a study made by the International Football Federation (FIFA) numbers reveal that in Brazil and Germany the number of amateurs football players is over 15 million amateur players, which also leads to the highest number of professional participants (Germany and Brazil having the highest number of professional football players from both South America and Europe).

In the process of product branding of a certain sport, or all sports generally, an important amount of support can be offered by local and central public authorities that can help increase the popularity and the identification of a certain nation with a certain sport. It can also financially support the developing of infrastructure and the number of variables that can assure the success of sports. On the flipside of the coin, they can also negatively influence the process by means of stopping the sports organizations effort to brand its activity.

4. Personal branding in sports

Mostly understood as being a perception regarding individuals, build on the interactions that consumers try to have with the athlete, personal branding can change in both positive and negative ways due to the athletes actions, his/hers conduct playing a huge part in the way she/he is perceived. (Montoya & Vandehey, 2009, p.51).

In sports, an important part of one's personal branding is being played by his/hers performances. But it is not a general rule, many athletes having proved that their success when it comes to the idea that marketing can transcend their performances in sports, proving that even if/when you're not at your top performance you can still have your own brand that can have a huge financial impact (mostly to themselves but also to the teams where they played (if the case)): David Beckham, Shaquille O'Neal, Maria Sharapova, Kimi Räikkönen, Kobe Bryant and many more.

The real challenge of a particular individual is to offer the full experience in sport.

Willingly or not, many athletes offer their fans a full experience, meaning that they manage to transmit a branding idea and then keep and further develop their fan base by becoming a sports icon. It is usually the case of athletes that practice mostly individual sports (Roger Federer, Conor McGregor, Floyd Mayweather, Manny Pacquiao, Tiger Woods etc.). This is not a general rule, there are cases of athletes who's success in team sports has made them also famous and helped them create their own individual brand (Michael Jordan – Air Jordan brand, Cristiano Ronaldo – CR7 brand etc.)

Each individual athlete branding process begins from a branding idea that stands behind him, some choosing to brand their sports success (by simply branding their name/ initials, Jordan, CR7, Tiger Woods TW, Roger Federer RF), others their lifestyle (Floyd Mayweather – TMT, Conor McGregor – The Notorious, The Mac Life etc.).

They key concepts behind communicating the personal brand of an athlete combine sports and entertainment. It can feature a large number of promotion materials such as:

- presenting the athlete in its natural environment, with him either performing or training;
- presenting the athletes opinions, values, history, by either directly interviewing him or indirectly presenting him (by interviewing his entourage, family, training partners or coaches)
- Inside access to his/hers lifestyle
- presenting his/hers fashion choices etc.

In some cases, due to the intense promotion of an athlete, members of his entourage can also become famous and develop their own brand. It is usually the case of their coaches. Some sports, like boxing, MMA or Jiu Jitsu have given their fan base a high number of famous coaches, like Floyd Mayweather Sr., Freddie Roach, John Danaher, John Kavanagh, The Gracie Family members, coaches that although they created their own brand while being associated with a world champion, later on went on to train and develop other champions or simply benefiting from their own personal brand.

Thus communicating represents a key part of personal branding.

5. Corporate branding in sports

Corporate branding refers to the practice of developing and promoting the brand of a corporate entity, using its brand name as opposed to promoting individual products or services. It is a way broader concept that product branding, having an impact on its stakeholders, on the whole way the products, the services, the identity, the organizational culture are designed, promoted and evaluated. (Tudor, 2014, p.11)

Some consider that "*branding should focus firstly on building a positive image of the brand itself within the consumer range (firstly through advertising), and only afterwards on offering a positive experience*". (Fisher-Buttinger & Vallaster, 2010. p.42)

Developing corporate branding in sports might be one of the most complex processes if we look at the complexity of international business process in sport. If "*The Olympics reflect international business at its most intense*" (Griffin & Pustay, 2011, p.8), then sports corporate branding might be one of the biggest challenges in terms of developing but mostly communicating the sports corporate brand. It involves strategic planning regarding social responsibility, developing good

commercial relationships with sponsors (both parties having the need of a strategic common goal), and last but not least, creating a brand capital (Cortsen, 2014, p.24). All this means that corporate branding exceeds the simple understanding in which branding is the developing of a "name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers." (Shank, 2009, p.51)

Corporate sports branding must take into consideration a series of variables, that exceed the general interpretation of a symbol, logo etc. Yes, logos and symbols do matter, but they represent a small part of the process. Sports organization might change their logos, but what does truly matter when it comes to sports branding is the brand experience, the atmosphere that a sports organization can offer to its public whether we refer to sport clubs or generally to a major sports competition that's being organized by a one or more major association/s.

If we refer to sport clubs, there are many instruments that help create a unique brand experience such as: fan-clubs, charts, foundations, and charity, own media channels, museums, books, DVD's, restaurants/coffee shops, club shops, social media etc. All these are platforms through which clubs can create and offer their own brand experience.

Most of the sports clubs try to keep their branding identity close to the communities for whom they were created, their local communities, and thus the corporate branding process is very close related to the place branding process. The image of the club becomes an identity that has already raised a loyal capital of public among the local ones, and wishes to promote that identity nationally/regionally/globally.

By representing a local community, a sport club develops rivalries with other local communities and their clubs as well. There are many cases of such different types of rivalries in the entire sport world, but if we refer strictly to football, such examples could be classified by the idea that is promoted such as:

1) Promotion of local independence desires of the local community (in Spain: Barcelona FC, Athletic Club Bilbao; in Brazil: Grêmio Foot-Ball Porto Alegrense)

2) Promotion of a deep local origin that is opposed to the capital cities of certain countries (SSC Napoli, Olympique de Marseille etc.)

3) Promotion of local rivalries that globally identify both clubs: (Spain: Betis Sevilla vs. FC Sevilla, Real Madrid vs. Club Atlético de Madrid, Germany: Borussia Dortmund vs Schalke 04, Italy: AS Roma vs. SS Lazio, Inter Milan vs. AC Milan)

4) Promotion of a local identity of a community recognized worldwide (Liverpool FC as „scouses”, Newcastle United FC fans as „geordies”, FC Bayern Munchen fans as „bavarians” etc.)

5) Promotion of different local rivalries between the upper and the lower classes (Argentina: Club Atlético River Plate vs. Club Atlético Boca Juniors. River Plate fans are called *Los Millonarios*, having its headquarters in the Núñez neighbourhood of Buenos Aires, a wealthy part of the city, while Boca Juniors were founded by poor Italian and Greek immigrants living in the poor neighbourhood called La Boca.

6) Promotion of different rivalries between different ethnicities (France: Corsica derby, between Ajaccio and SC Bastia. Ajaccio fans represent the Italian community living in Corsica, while Bastia fans represent the French community living on (in?) the island)

Place branding also helps the growth of sports organizations, sports arena and sporting events being often promoted as tourism destinations.

A branding strategy implies certain mandatory stages, but every author has its own opinion regarding these stages:

In one opinion (Olins, 2009, p.55), the branding process has 4 stages:

Stage 1: Research, analysis, recommendations;

Stage 2: Developing the brand idea (image and spirit);

Stage 3: Release and presentation (communicating the vision within the organization and also externally)

Stage 4: Implementation (effective achievement)

In another opinion (Adamson, 2010, p.76) there are 5 main stages of branding:

Stage 1: Developing the brand idea after a prior research within and outside the organization;

Stage 2: Extracting the essence of the idea in order to achieve a strategic communication plan;

Stage 3: Choosing the brand name;

Stage 4: Choosing the branding signals that will be transmitted:

- Brand name, colours, slogan, music and all communications related to the marketing process
- Brand design, product functionality, and design
- Brand outlets, online experiences
- The behaviour of people inside the organization
- The services provided by a brand are a signal regarding everything that is felt in connection with the brand

Stage 5: The actual communication;

As far as sports clubs are concerned, if the branding process has already been carried out, usually sports clubs are faced with the re-branding process. The re-branding of a company is defined as "that practice whereby not a representative name is created, but a different position in the minds of stakeholders as well as consumers and a new identity distinct from that of competitors." (Juntunen & Saraniemi, 2009, p.57).

Re-branding is required when (Tudor, 2014, p.44):

- The brand has a confused or non-existent image;
- The company wants a change in the way it approaches the promotion of products and services;
- The company changes its identity through various changes at the shareholder level;
- The company's image is altered due to management errors;
- The company goes into a new business and its current position on the market is no longer adequate;
- A new, possibly very strong competitor, targets the same market;
- The competition has sabotaged the company's current brand, turning it into an inefficient mechanism;
- The organizational culture is renewed;
- The company wants to broaden the scope of the current brand, but its position on the market does not allow this;

The re-branding process of a corporation can involve up to seven main phases and includes many internal and external actors (Juntunen & Saraniemi, 2009, p.42):

Phase 1: Release - is the first phase of the process of identifying the strength behind the need to change the existing brand;

Phase 2: Analysis and decision-making - includes an analysis of the current situation and the reasons that brought the company at this stage, as well as an analysis of the market, competitors and possible alternatives.

Phase 3: Planning - it's seen as a broad phase that involves a plan to create a new brand of the company.

Phase 4: Preparation - consists of preparing plans for testing and launching the new brand.

Phase 5: Launching - involves communicating the new company brand first to stakeholders in the company, as well as to employees, and then to the general public.

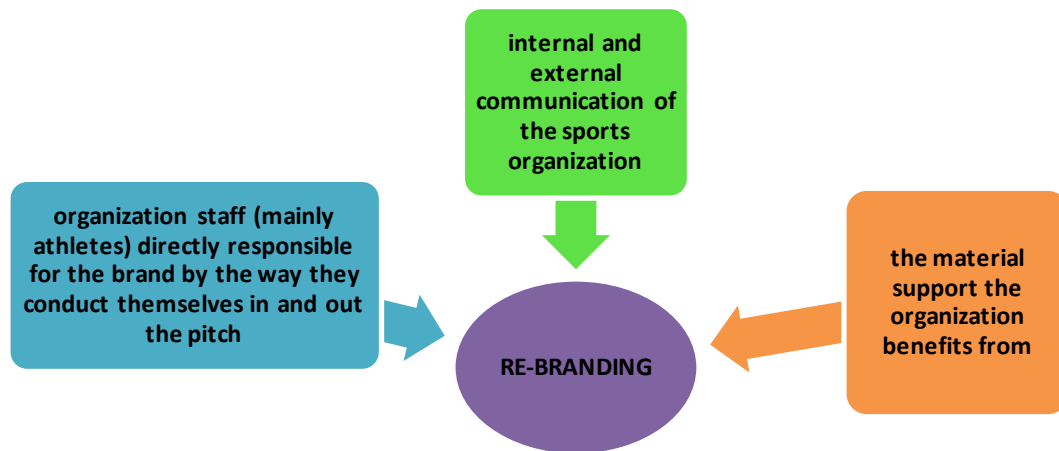
Phase 6: Evaluation - Includes measuring the success or failure of the re-branding process. Although a difficult process, it must be related to the original purpose

Phase 7: Continuation - Requires the necessary measures following the final assessment to achieve the initial promises regarding the brand.

Applying these principles to sports, we can understand that sports organizations are periodically choosing to revive their existing brands through a variety of changes in the means by which they communicate their brands to their consumers, whether they are annually changing their sports equipment kits, the logo, whether they come with new promotional products, new destinations for promotional tournaments, new charity actions, etc. All of this is part of a permanent re-branding process through which clubs expand their fan base and help promote the product brand of their sport.

If we were to synthesize we could say that there are 3 decisive factors in the sport re-branding process, namely:

Figure no.1. The rebranding process



Source: Elaborated based on previously provided data

Last but not least, the importance of the platforms chosen for the communication of this process, namely the means of online communication, must not be forgotten. Each sports organization must be active in promoting their brand online, through social networks (Facebook, Instagram, and YouTube), micro-blogs (Twitter), or different search engines and applications.

6. Conclusions

The re-branding process actively and permanently contributes to the ongoing life of sporting organizations, regardless of the form of the sporting entity or the sport itself.

The branding process has different manifestations, different points of view regarding its components and the way we apply it, but there are some key facts that can be found in all visions of this concept. The first is that at the basis of the process is a brand idea, representative, whether we refer to a sport, a person or an organization. The brand idea differentiates from competitors and is at the basis of the choices of which branding signals need to be transmitted.

As far as the re-branding process is concerned, it should be seen from two perspectives:

- The first one according to which it refers to the corporate visual identity;
- The second one according to which it refers to the internal and external communication process of the organization;

In the context of sports globalization, it is very important to understand how the branding / re-branding process influences the evolution of sports as a social activity, due to the fact that the way in which sporting organizations choose to promote themselves as well as the sport that they represent actively contributes to their commercial evolution and the evolution of the sport itself.

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Strategic Management in Sports. The Rise of MMA Around the World – The Evolution of the UFC

Sergiu Vlad Stan

"Valahia" University of Târgoviște

sergiu_stan14@yahoo.com

Abstract

Over the past 25 years, MMA (Mixed Martial Arts) has evolved from being some form of barbaric organized brawls to the fastest growing sport in the world. So how does something not even recognized as a sports discipline evolve into a global sports activity? The most important part in the world of MMA is being played by the Ultimate Fighting Championship (UFC). Similar to the boxing world, there are more than one entities organizing and leading this field. UFC is however by far the most important player in the MMA world and its global rise. The present article aims to present the evolution of MMA and the UFC, but also their strategic management approach. Due to its success, the model can offer important lessons to other sports entities promoting their businesses globally. It can also show how the marketing process is adapting to the modern needs of a business.

Key words: Mixed Martial Arts, Ultimate Fighting Championship, strategic management

J.E.L. classification: O10, O20, Z20, Z29

1. Introduction

Since the dawn of mankind one of the main reasons behind the competition amongst individuals was to find out which human being is stronger. A brutal form of boxing (bare-knuckle boxing) was recognized as an Olympic sport in the year 688 BC (in Ancient Greece). More than two thousand years later, the modern form of boxing as we know it was recognized by the IOC in 1904. Muhammad Ali's most important fights still sit next to the Olympic Games and the FIFA World Cup events in the all time ranked broadcasts around the world. Therefore sports has not only been viewed as the most important activity for mankind, but fighting in particular has its own place in the eyes of the public. Everyone wants to know "who's the strongest man (or even woman) alive?".

Having build on that idea, for many centuries boxing has gained its global recognition in proving that certain individual. However, that idea fall apart at the first ever UFC event in November, 1993 when Royce Gracie (a Brazilian jiu-jitsu expert) beat Art Jimmerson (a highly reputed boxer) in a "no rule cage fight". Since then UFC has capitalized on that idea, and the MMA world has developed from a sport that initially had in mind to prove which martial art is more efficient, to a sport in which more disciplines are been mixed and developed so that a fighter can master the whole system of MMA which finally provides him with the much needed victory in the cage. In terms of business, UFC has been since then the fastest growing sports entity in the US and had to adapt to certain rigors of the professional sport. After establishing itself as the main nationwide cage fighting circuit, UFC has expanded its business globally and since 2017 has stated that its mission is to "*help promote the sport of MMA evolve into a major world sport.*"

2. Literature review

MMA management is a new field especially when it comes to research on topics such as the strategic approach or the UFC's global expansion. However key findings can be learned from either general approaches such Hambrick & Chen ("*What is strategic management, really?*")

Inductive derivation of a consensus definition of the field") or Porter's strategic management approach from the Harvard Business Review articles. Understanding the strategic approach of management in the sport field is a process that is largely explained by authors such as Anne Tønndal, but while the author focuses on the innovation necessity in sports management, its theoretical framework can be applying as a result of viewing other authors work in the field of MMA management such as Brandon Weber's work on the matter. The author talks about the origins of MMA, its expansion and its key players, but also about the current MMA regulation, the importance of the State Athletic Commission in the process of MMA sports governance and the legal framework of the MMA contracts. The present article aims to combine all these authors findings but also to anticipate the trends in the matter of MMA's strategic management approach.

3. Brief history of MMA

Mixed martial arts is a full-contact combat sport that allows striking and grappling, both standing and on the ground, using techniques from various combat sports and martial arts. The only combat sports recognized as Olympic disciplines are boxing, fencing, wrestling and judo. Martial arts are traditionally viewed as a codified system and traditions of combat practiced for a number of reasons such as self-defence, military and law enforcement applications, physical, mental and spiritual development, but also entertainment and the preservation of a nation's intangible cultural heritage. The most popular combat sports are: boxing, wrestling, fencing, kickboxing, Muay-Thai, Tae Kwon Do, Capoeira, Judo, Brazilian jiu-jitsu (BJJ), Sambo and Kyokushin. The term of "martial arts" has its origins in the Latin culture where the term "arts of Mars (the Roman god of war)" where used to describe ancient combat events. The term "MMA" (Mixed martial arts) was first used by Howard Rosenberg while providing TV commentary for the first UFC event in 1993.

The first UFC events were won by Royce Gracie son of Helio Gracie (one of the founders of the art of Brazilian jiu-jitsu together with his brother Carlos Sr.). Back then there were no weight divisions, which made things even more interesting since Royce Gracie was just an average approximately 80 kg (176 Lbs) person who defeated all his opponents via submissions, most of them being huge heavyweights (having more than 100 kg – 220 lbs). His success put Brazilian jiu-jitsu on top of the martial arts, but also stated that many improvements needed to be made in both the rules of MMA as a sport and the way UFC approached its further events. Brazilian jiu-jitsu has then evolved when it comes to adapting its methods for MMA only, due to the fact that Royce's Gi (traditional BJJ equipment) was clearly an obstacle in his performance. The Gracie family, but mostly Helio's other sons (Rickson, Rolls, Royler, Relson) went on to prove in worldwide similar competitions that they martial arts was the most efficient one.

What started as a no rule, bare knuckle cage fight has evolved massively in a short amount of time. Rules were improved, time limits for rounds were set, special (4-6 oz) gloves where introduced, weight categories where set, as well as anti-doping policies and many more improvements were made to give MMA a clear path in order to achieve global recognition. Each similar MMA promoting entity such as the UFC adapted the same similar rules as the UFC set.

What shortly became a sport that was ruled by the BJJ practitioners later on adapted, the new rules and bonus payments seeing the importance of BJJ in the world of MMA slightly decreasing. UFC added referees and a scoring system was needed due to the fact that fights were eventually limited in time. Each martial arts that contributed to the rise of MMA still has its own competitions, its own rules, only practitioners that feel somehow restricted by them choose to follow a different path, the one towards MMA and that is why MMA and UFC in particularly have grown massively and globally. Most of the UFC stars of today (Conor McGregor, Khabib Nurmagomedov, Ronda Rousey, John Jones, Henry Cejudo, Daniel Cormier, George Saint Pierre) have all different backgrounds in different single combat disciplines: boxing, wrestling or judo (some of them are even Olympic medalists).

The boxing fight between UFC superstar Conor Mcgregor and retired boxing superstar Floyd Mayweather Jr. and the events that followed in both sports were clear statements that boxing has lost its supremacy as a combat sport in the public opinion. Although Conor Mcgregor lost the boxing match, he lasted 11 rounds with what boxing experts claim to be the greatest boxer of all time. The message that he outlined after the fight was that he lasted 11 rounds in a single extremely

limited combat discipline, while Floyd Mayweather Jr. refused to enter the MMA world and fight in a less restricted combat, and the public could understand that he would never last even a single round in an MMA cage. The fight itself and the fights that followed in both sports lead to the result of boxing losing its place in the public eye and MMA becoming the number one combat sport in the world in terms of popularity.

4. The strategic management of UFC and its evolution model

As a field and also as an industry, sport is rapidly changing. It is the case of the UFC as well. Being originally founded by Art Davie, Rorion Gracie, Bob Meyrowitz and Campbell McLaren, the UFC was later on sold to the Zuffa LLC for 2 million dollars in 2001. This company was responsible to the modern managerial approach. Their growth has since then relentlessly snowballed, entering into new markets every year, with the number of pay-per-views (PPV) growing and growing until MMA events surpassed boxing events in terms of PPV buys.

The owners of Zuffa LLC (Ferttitta brothers Lorenzo and Frank, and also Dana White) have sold their majority stake for a staggering 4.2 billion dollars in 2016 to William Morris Endeavor LLC (also known as WME IMG), with Dana White remaining the CEO of UFC. Dana White stated that thought the years he and the Ferttitta brothers have invested no more than 100 million dollars into the UFC.

With the 2.25 billion dollars ESPN deals signed in 2018 the UFC became the global and by far major provider of MMA events. The 42 live UFC annual events are now available in more than 150 countries with numbers still rapidly growing.

It is thus important to have a clear road map and vision for the future, rather than rely on standard old business models, or outdated practices. The success of a sport depends on much strategic decisions as it depends on the performance of the athletes.

Strategic management is a three stage process which requires the formulation, implementation and evaluation of a strategy. Some authors (Porter, 1996, p.13) have a different approach and underline 3 principles such as:

- creating a "unique and valuable (market) position"
- making trade-offs by choosing "what not to do"
- creating "fit" by aligning company activities with one another to support the chosen strategy.

The vision statement should provide a solid foundation for the long term objectives and the strategic goals are usually based on that. (Comănescu, 2008, p.12) The mission statement should provide a core purpose and seek to satisfy all stakeholders, but it should also express a sense of social responsibility and summarize the aims and values of an entity. However, sport organizations usually adapt, renew and develop through creative ideas. Therefore innovation plays its part in managing the case of sports. While strategic management can be applied and used to improve athletic performance, modern sports have highly business oriented models when it comes to management.

Some would argue (Hambrick &Chen, 2007, p.4) that the most important part of the strategic management is the strategic implementation. It could be also the most difficult part, as it involves budgeting, project management, staffing and leadership. (Wahlström, 2018, p.24)

The evolution of the strategic management in the case of MMA in general and UFC in particular has had some key moments that need to be underlined to be able to recognize its past and present but also to be able to anticipate its future. Due to its evolution, we cannot state that strategic management in MMA has followed exactly the order of the steps mentioned above but as a whole process it has integrated many of them, and this proves that creativity and important decision making into the daily operations of a company are as important as planning.

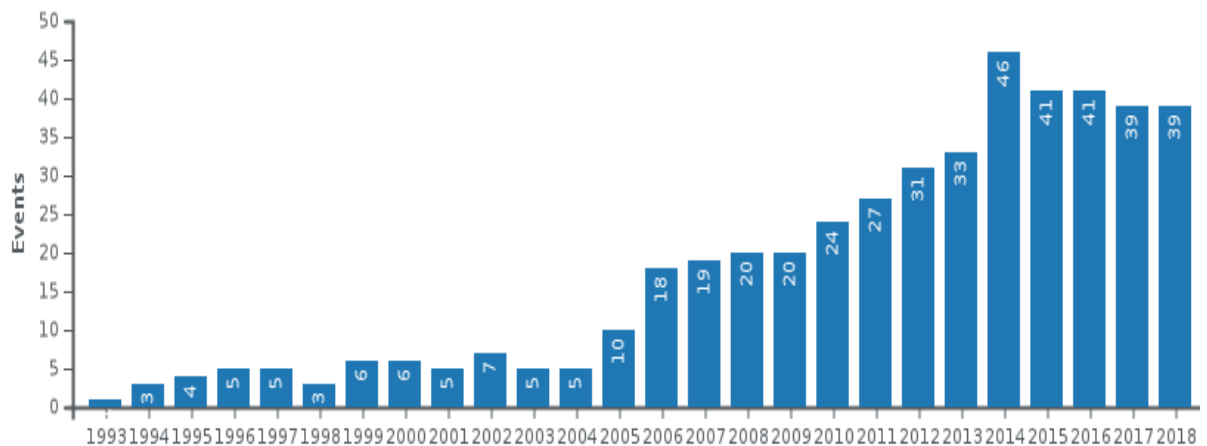
a) The branding idea- MMA in general and UFC in particular have mastered the idea that they offer the answer to the question: "who is the strongest"? Due to the fact that it offers an extremely permissive or even "no rules" of engagement platform, people are likely to understand how the nature of fighting works and which particular skills work better in a controlled or even un-controlled environment. Being the MMA's top promotion circuit, UFC in particular provides the best athletes MMA has to offer, and therefore the UFC champions are considered to be the best in the world in the public perception of fighting.

b) Branding the sport- many forms of martial arts have been almost destroyed by the efficiency of one or more than one been promoted in the MMA environment. Some experts have explained that MMA itself is a totally different sport that the disciplines that are used to train its athletes. In boxing one doesn't have to worry about being taken down, therefore the stance is different, in BJJ events striking is forbidden, in wrestling there are no leg-locks etc. Thus a MMA athlete need to understand cage fighting and its own rules, and adapt each martial art he uses to the environment he is in and the opponent he faces. There are no MMA athletes that are single disciplined and usually the an MMA athlete`s weakness in a particular martial art is being exploited by his opponent.

c) Alignment to international safety and anti-doping standards – The UFC has made serious efforts (unlike BELLATOR or other local MMA circuits) to offer both safety and high anti-doping standards. The new deal UFC has signed with USADA (United States Anti-Doping Agency) states that in 2019 a total number of at least 4300 tests will be conducted for UFC fighters. More than 40% of the fighters participating to UFC events will be tested frequently. Since his first UFC contract in 2013, UFC superstar Conor McGregor has been tested 48 times by the USADA. Ever since its first ever event the UFC never had any tragic incidents in the cage (octagon) and that alone is a statement that not many sport entities can make. In terms of long term injuries or any serious medical effects, none of the first participants at the UFC events has been diagnosed with serious brain traumas.

d) Increasing the number of events/ year and openness to more and more viewers –

Figure no.1. Number of UFC events 1993-2015



Source: Elaborated based on data from UFC`s official website (ufc.com)

UFC has held a total amount of events surpassing 475 events in more than 120 cities in 24 countries. With the two ESPN deals in 2018 and the new ESPN deal in 2019, more than three quarters of the UFC events can be viewed by any people having ESPN provided to them by their cable provider, with ESPN+ being the new easy access pay-per-view platform ESPN has to offer. The UFC also had events held in more than 20 countries.

e) Supremacy over boxing – in terms of competition MMA and UFC in particular had to compete with boxing events. However, after the “Mayweather vs McGregor” fight (4.5 million PPV`s in US only), there was a huge difference between what boxing had to offer and what the UFC had to offer. Conor McGregor went on and fought again in the UFC with the lightweight UFC champion Khabib Nurmagomedov, with the event having 2.4 million PPV`s, while the highest anticipated fight by boxing fans, the one between world champions Canelo Alvarez and Gennady Golokvin had only 1.3 million pay-per-view buys. Since then UFC events constantly surpass boxing events in terms of popularity on ESPN.

f) Aligning company activities with one another to support the chosen strategy- UFC has built its own infrastructure in terms of training and developing professional MMA athletes. The success of the UFC Performance Institute in Las Vegas has made UFC CEO Dana White state in a recent interview that UFC will expand its mission as the world`s premier MMA organization in China, Mexico and Puerto Rico. UFC will build a number of Performance Institutes in all these countries

where not only professional athletes can train, but also where children can learn MMA for free. Very few sports offer juveniles the possibility to learn and grow in a professional environment for free. This will ensure that first steps are being made toward the direction of providing UFC with enough talent for the future as well. Dana White also stated that co-owner of WME-ING Ari Emanuel shares his vision of globally expanding the company and help create an infrastructure so that UFC can translate its US success into a global one, rather than seeking short term profits.

Table no.1 S.W.O.T. analysis regarding MMA and UFC`s strategic management

<p style="text-align: center;">Strengths</p> <ul style="list-style-type: none"> - success in promoting a secure and efficient combat sport - the development of global UFC superstars such as: Conor McGregor, Khabib Nurmagomedov, Ronda Rousey, John Jones, Henry Cejudo, Daniel Cormier, George Saint Pierre, Anderson Silva and many others - partnership agreement with ESPN - partnership agreement with USADA 	<p style="text-align: center;">Weakness</p> <ul style="list-style-type: none"> - UFC has failed to convince parents that this sport is less risky than other combat sports, or even other sports generally; - Although UFC has many main events, its highest ranking athletes lack in the number of fights the take part/ year - UFC is still a PPV sport which means it has a huge gap in comparison to other global sports such as football
<p style="text-align: center;">Opportunities</p> <ul style="list-style-type: none"> - the ownership by WME-ING and the partnership between UFC CEO Dana White and WME-ING owner Ari Emanuel can lead to the global expansion of MMA - partnership agreement with ESPN can expand the number of MMA viewers - in terms of infrastructure, even more training facilities around the world can and will be built attracting more children towards this sport 	<p style="text-align: center;">Threats</p> <ul style="list-style-type: none"> - the low amount of money upcoming fighters are being paid still fails to convince professional athletes to pursue a career in MMA - lack of local competitions and a clear procedure regarding the ranking system in each weight class - many countries are reluctant to what they consider as being the promotion of violence in their society.

Source: Elaborated based on previously provided data

5. Conclusions

UFC has branded itself as being “the world`s premier MMA organization”, and it has carried out its mission so far into making MMA the number one combat sport on the planet. Now that the combat sport world has been conquer, the UFC has stated its new mission in “*helping promote the sport of MMA evolve into a major world sport.*” The first steps in terms of marketing have already being taken with the MMA being the major professional combat sport. The company has thus created its own identity in promoting a sport with its own identity and the next step will be to make sure that it will be communicated an accepted in each culture so that it can one day be recognised as an Olympic sport as well.

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Eco-practices – Prerequisite for Increasing the Environmental Performance and the Social Responsibility in Hotel Industry

Mirela Ștefănică,
Christiana Brigitte Sandu
„Alexandru Ioan Cuza” University of Iasi,
Faculty of Economics and Business Administration
mirela.stefanica@uaic.ro
christiana.balan@uaic.ro

Abstract

This paper aims at explaining the relationship between hotels' environmental performance, achieved through the implementation of good managerial eco-practices, and the social responsibility. In this study, we have assessed the managerial eco-practices through the following dimensions: eco-friendly purchases and suppliers, energetic efficiency monitoring, waste management, recycling, water management and staff ecological formation. The data collected through a survey on a sample of hotels from the Veneto Region of Italy have been analysed using the Partial Least Squares method performed using the SmartPLS 3.0 software. Research results confirm that good eco-practices of hotel managers lead to environmental performance. Moreover, the results also suggests that hotel managers are involved in programs and projects with a role in enhancing environmental issues, thus demonstrating social responsibility.

Key words: good managerial eco-practices, recycling, waste and water management, eco-friendly purchases, PLS-SEM

J.E.L. classification: C30, L83, O13, Q56

1. Introduction

The environmental performance, the measures implemented to achieve it, the environmental strategies adopted in the tourism industry, and the factors and tools underpinning have been important issues in tourism research (Mensah and Blankson, 2013; Ayuso, 2007; Radwan, Jones and Minoli, 2012; Kasim, 2009).

Theoretical and practical approaches in the field of tourism have placed great emphasis on economic and social performance and have been less concerned about the environment. Recent studies have shown that economic performance was monitored, for example, by 66% of the respondents, while the environmental and social performance were monitored by only 42% and 28% of the respondents, respectively (Mihalič et al., 2012).

The concept of environmental performance refers to measurable results of the environmental management system, linked to organizational monitoring of the environmental issues, based on its policy, general objectives and specific environmental objectives (Hobincu, 2004). In tourism, the achievement of environmental performance does not only comply with minimum environmental standards but also refers to the adoption of best practices, accreditation schemes, codes of ethics, and environmental certification (Honey and Rome, 2001; Popescu et al., 2014). Moreover, every manager is concerned with maximizing the positive impact and minimizing the negative impact of the organization on society, and consequently with increasing the organization's social responsibility (Dumitriu, 2005). It can be noticed an evolutionary process at firms' level with regard to the integration of environmental issues into complex strategic plans. It has been highlighted that the inclusion of environmental issues among the main concerns of large-scale general planning also entails increased social responsibility (Țigu and Călărețu, 2013).

Therefore, our study aims to assess the implementation of good managerial practices in hotels and consequently to study the relationship between achieving environmental performance and social responsibility. Our goal is to highlight that hotel managers interested in reaching environmental performance are more involved in programs and projects with a role in improving environmental issues and they are more socially responsible.

2. Literature review

Many studies have emphasized the fact that hotel industry is a high-energy intensive and polluting sector (Bohdanowicz, 2005; Ragab and Meis, 2016; Zorpas, Voukkali and Loizia, 2015). It has been observed that a hotel produces between 160 and 200 kg of carbon dioxide (CO₂) per square meter in order to generate electricity, heating or cooling, in dependence to the type of fuel used. In the case of European hotels, yearly energy consumption is of 39 twh (terawatts per hour) and the emissions are responsible for approximately 13.6 megatons of CO₂. Additionally, tourists consume between 170 and 440 liters of water per day and each tourist produces about one kg of daily waste, of which no more than 60% is recyclable (Bohdanowicz, 2005).

It has been argued that many hotel operators have little interest in undertaking actions such as reducing waste, implementing an efficient waste management or recycling, considering that such activities are highly costly and time-consuming (Kasim, 2009). More recently, based on a cost-benefit analysis of the impact of the hotel industry on waste management, it has been underlined that providing a solid waste management in hotels and implementing specific practices for waste prevention / minimization at source are highly important (Zorpas, Voukkali, and Loizia, 2015). Considering that solid waste generation and disposal is one of the most negative effects on the environment, some studies have developed good practice models that policymakers should be encouraged to implement in their hotels (Radwan, Jones, and Minoli, 2012; Kasim, 2009).

A study on recycling gray water and reducing water consumption in hotels suggests implementing a water management system through 4Rs approach: Innovative Reducing, Innovative Reusing, Innovative Reaching and Innovative Recycling (Kasim et al., 2014). By implementing water management system, hotels have obtained commercial benefit irrespective to hotels' size or different managerial capacities. Other authors have found that implementing environmental measures leads to customer benefits, energy efficiency, efficient water use, thus influencing recycling policy and green living characteristics of hotels (Trang, Lee, and Han, 2018).

Recent studies have identified six key factors in achieving environmental performance, namely: environmental education and staff training support for the host community, support for preservation projects, compliance with environmental regulations, waste management and volunteer programs (Mensah and Blankson, 2013). It has been noticed that higher rated or larger hotels have improved their environmental performance, while affiliation to hotel chains has not led to higher performance. The effective use of lighting and the elimination of diesel use are the most common strategies in Mexican hotels in order to improve environmental performance. Nevertheless, hotels have begun to become involved in preserving and recycling programs as a means of reducing energy costs and solid waste (Revilla, Dodd and Hoover, 2001).

The analysis of voluntary environmental instruments used to achieve environmental performance (codes of conduct, environmental best practices, eco-labels, EMS – environmental management systems and environmental performance indicators) has allowed identifying formal certification systems, such as eco-labels and EMS as the most effective tools in achieving environmental performance (Ayuso, 2007).

Recent studies on the relationship between hotels' environment initiatives and financial performance have highlighted that companies' financial performance can have influence on environmental performance, as firms with good financial performance are better able to allocate more resources to support environment initiatives (Jackson, Singh, and Parsa, 2015). However, other studies have come to the conclusion that environmental practices have a direct and significant impact on the competitiveness of hotels and their financial results (Bagur-Femenías, Martí, and Rocafort, 2015; López-Gamero, 2016). Thus, the use of environmental management systems is associated with cost-saving innovations, while innovations in water and energy saving, wastewater treatment, noise reduction, sound insulation have contributed to increasing hotel's quality and

competitiveness (De Burgos-Jiménez, Cano-Guillén, and Céspedes-Lorente, 2002).

It is worth noting that obtaining environmental performance means savings, competitive advantage, employees' loyalty, customers' fidelity, compliance with regulations, risk management and social responsibility (Graci and Dodds, 2008). A recent study highlighted that hotels communicate fewer pro-environment practices than they actually achieve, and there has been shown that only 30% of these practices are made public (Font, Elgammal, and Lamond, 2017). Nevertheless, there is still a great gap between attitude and action in the tourism industry.

3. Research methodology

The aim of this study is to analyse the relationship that exists between good eco-managerial practices, environmental performance and social responsibility. Consequently, we have developed the following conceptual model presented in Figure 1.

Figure no. 1. Conceptual model



Source: Authors' construction

Eco-managerial practices relate to efficient waste management, energy consumption reduction, recycling, eco-friendly purchasing, staff training – all of which play an important role in achieving environmental performance that can influence increase of social responsibility.

We have advanced two research hypotheses:

H1. There is a direct and positive relationship between good managerial eco-practices and the hotel's environmental performance.

H2. There is a direct and positive relationship between the environmental performance and the ecological social responsibility of the hotel.

For this study, data have been collected through a survey. The benefit of this approach is that it provides more flexibility and data gathering is faster than other methods.

The questionnaire was designed to assess the eco-managerial practices and the social ecological responsibility behaviour of hotels' managers. All survey questions utilized a five-point Likert scale that offered a range of answer options from 1 – “strongly disagree” to 5 – “strongly agree”. The questionnaire has been pre-tested within a pilot survey on a small convenience sample in order to verify the appropriateness of questions. After the errors have been solved, the actual survey was executed.

The sample comprised 43 hotels from the Veneto Region of Italy. The Veneto Region is located in north-eastern Italy and comprises seven provinces, namely: Belluno, Padova, Rovigo, Treviso, Venice, Verona, and Vicenza. The hotels were selected based on accessibility.

The sample structure according to a set of characteristics such as property type, hotel classification and hotel size (upon the number of employees) is presented in Table 1.

Table no. 1. Sample structure

Hotels' characteristics	N (%)
Type of property	
Independent hotel	31 (72.1%)
Chain hotel	12 (27.9%)
Classification	
3 stars	14 (32.6%)
4 and 5 stars	29 (67.4%)
Size	
Small and Medium	29 (67.4%)
Large	14 (32.6%)

Source: Authors' calculation

For testing the relationship between the constructs, structural equation modelling based on partial least squares method was used. We have applied partial least square analysis (PLS) using SmartPLS (v. 3.2.7) software (Ringle, Wende, and Becker, 2015). The PLS handles two models: the outer model (the measurement model) relating the manifest (observable) variables to their own latent variables; and the inner model (the structural model) relating some latent variables to other latent variables. The measurement model is tested by the reliability and validity analyses while the structural model is tested by path coefficients between constructs and the model.

4. Findings

Convergent reliability and validity indicators (Cronbach's alpha, AVE – average variance extracted, CR – composite reliability) measure the degree to which the items quantifying the same concept are in consistency (Hair et al., 2017). We can conclude that the measurement model is valid and reliable when the alpha values are above 0.6; the AVE values are greater than 0.5; the CR values for all constructs are above 0.7.

The list of constructs considered in our study and the measuring items corresponding to each construct is presented in Table 2.

Table no 2: Constructs and measurement items

Energy efficiency monitoring	
En1	Regular (monthly) monitoring of energy consumption
En2	Constant maintenance of the equipment
En3	High thermal insulation
En4	Employees' instruction to disable power-consuming sources (electrical and home appliances, lights) when not in use
En5	Installation of an energy-efficient heating and AC system
En6	Heating control by a thermostat
Waste management	
Ws1	Types and quantities of waste are monitored
Ws2	There are identified ways to reduce waste and actions are taken accordingly
Ws3	There are systems to minimize waste and to reuse and recycle whenever possible
Recycling	
Rec1	Recycling paper and cardboard
Rec2	Plastic recycling
Rec3	Recycling glass
Water management	
Wa1	Use of devices to reduce water flow in places of consumption (e.g. shower trays)
Wa2	Use of ventilating devices for the aeration of water to the sink batteries
Wa3	Use of wastewater recycling systems (gray water)
Staff ecological training	
Set1	The staff is regularly trained on environmental issues
Set2	Environmental policy or environmental policy statement is known by all employees
Set3	Environmental Policy or Environmental Policy Statement holds a commitment to continually improve environmental performance
Ecological products	
P1	Use of biodegradable cleaning agents (detergents)
P2	Use of hygienic paper with eco-labelled or chemically untreated
P3	Use of biodegradable, recyclable or returnable packaging
P4	Use of natural shampoos and soaps
Eco purchases and suppliers	
S1	Acquisition of organic products is a current policy of the hotel
S2	Ecological issues are taken into consideration when deciding to call upon a supplier
S3	In the contract with suppliers there are clauses requiring as few packaging as possible
S4	In the contract with suppliers there are clauses requiring a non-polluting transport of goods
Social ecological responsibility	

Ser1	Supports reforestation projects
Ser2	Sponsors events to increase awareness and understanding of environmental issues
Ser3	He is a member of an environmental protection association
Ser4	Supports and sponsors environmental organizations
Ser5	Makes donations to natural reserves
Ser6	Participates in garbage collection programs

Source: Authors' definition

The results presented in Table 3 on the measurement model indicate an adequate level of convergent reliability and validity.

Table no 3: Convergent reliability and validity

Construct	Cronbach's Alpha	Composite Reliability (CR)	Average Variance Extracted (AVE)
Staff ecological training	0.839	0.905	0.763
Energy efficiency monitoring	0.841	0.883	0.563
Waste management	0.761	0.862	0.676
Water management	0.517	0.749	0.502
Recycling	0.832	0.764	0.549
Environment performance	0.858	0.875	0.256
Ecological products	0.817	0.879	0.646
Eco purchases and suppliers	0.730	0.829	0.554
Eco friendly	0.880	0.905	0.521
Social ecological responsibility	0.661	0.774	0.385

Source: Authors' calculation with SmartPLS (v. 3.2.7) software

Furthermore, the hypothesized relationships in the structural model were tested. Bootstrapping procedure was used to verify the significance levels of path coefficients.

Table 4 shows that path coefficients are significant between constructs in the model. These results show a strong support for the two hypotheses of this study. The path coefficient "Energy efficiency monitoring → Environment performance" with 0.556 followed by the path coefficient "Eco friendly → Environment performance" with 0.470 show that eco managerial practices (except for recycling) have a positive effect on environment performance. Thus, the first hypothesis (H1) is supported by the data. Similarly, the results show a strong support for the second hypothesis (H2). There is a positive and significant effect of environment performance on social ecological responsibility.

Table no 4. Testing of significance of path coefficients

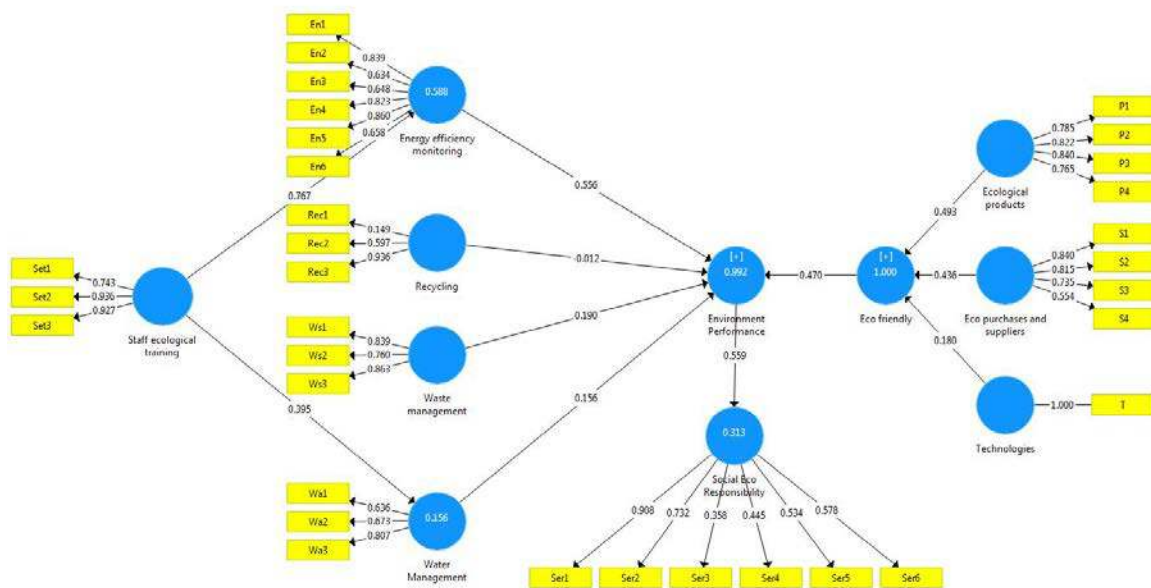
Relationships	Path coefficient	T Statistics
Staff ecological training → Energy efficiency monitoring	0.767***	25.845
Staff ecological training → Water Management	0.395***	4.939
Ecological products → Eco friendly	0.493***	18.011
Eco purchases and suppliers → Eco friendly	0.436***	17.033
Technologies → Eco friendly	0.180***	10.707
Energetic efficiency monitoring → Environment performance	0.556***	4.371
Waste management → Environment performance	0.190**	3.160
Water management → Environment performance	0.156***	4.573
Recycling → Environment performance	-0.012	0.838
Eco friendly → Environment performance	0.470***	3.788
Environment performance → Social ecological responsibility	0.559***	7.114

Note: *** p value < 0.001, ** p value < 0.01, * p value < 0.05

Source: Authors' calculation with SmartPLS (v. 3.2.7) software

Figure 2 shows the coefficients of the structural equation model using the PLS analysis.

Figure no. 2. Structural model



Source: Authors' calculation with SmartPLS (v. 3.2.7) software

The results in Table 4 and Figure 2 reveal that the path coefficients are above the recommended value of 0.1 (Lohmoller, 1989). Moreover, the combination of ecological managerial practices has the predictive ability for 99.2% of the Environmental performance. In the same time, Environmental performance has the ability to explain 31.3% of the Social eco responsibility.

5. Conclusions

Hotels' environmental protection activities have impact on the sustainable development of tourism industry and support sustainable ecologic systems.

In order to explain the relationship between hotels' environmental performance, achieved through the implementation of good managerial eco-practices, and the social responsibility, we have conducted a study on a sample of 43 hotel establishments with three or more stars, located in the Veneto region of Italy. The managerial eco-practices have been assessed through the following dimensions: eco-friendly purchases and suppliers, energetic efficiency monitoring, waste management, recycling, water management and staff ecological formation.

The results of the structural model showed that eco managerial practices of hotels' managers have a positive and significant impact on environment performance. Moreover, it was also observed that environment performance has effects on ecological social responsibility. Hence, the two hypotheses were accepted.

The limitations of this study refer to the specific region of Italy where the survey was conducted. However, a similar study may be conducted in other regions of Italy or in other countries.

We can conclude that hotel managers from Veneto region have an ecological behaviour with impact on environmental performance. Furthermore, they are involved in programs and projects thus proving their role in a society.

In conclusion, the paper has highlighted the importance of hotels' ecological behaviour, emphasizing its role in achieving environmental performance. The results have managerial implications that should encourage hotel managers to adopt eco-practices in order to achieve environmental performance and increase social responsibility.

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Section V

Finance and Accounting

The Effectiveness of Pension Systems in Some Countries of Central and Eastern Europe

Nicolae Balteş

„Lucian Blaga” University of Sibiu

baltes_n@yahoo.com

Ştefania Amalia Jimon

„Lucian Blaga” University of Sibiu; „Vasile Goldiş” Western University of Arad

jimonstefania@yahoo.com

Abstract

Pension system is the main structure of financial protection of elderly. Worldwide, it can be found some archetypical models of pension systems organization. In most countries from Central and Eastern Europe pension systems are based on the contributory principle and solidarity between generations.

This paper aims to appreciate the effectiveness of pension systems in five countries of Central and Eastern Europe, including Romania, in the period 2007- 2017. Therefore, it was considered both microeconomic perspective of pension systems beneficiaries, and macroeconomic perspective, through the equilibrium of social insurance budget and the amount of contributions applied to labor market.

The research led to the conclusion that the pension systems implemented in countries of Central and Eastern Europe, regardless of their organization, have both advantages and limitations, but the success of any national pension system is given by the adequacy to national context and conditions.

Key words: contributory pension systems, social transfers, intergenerational support, pension adequacy.

J.E.L. classification: D31, I31, J38.

1. Introduction

United Nations Organization by Universal Declaration of Human Rights (1948) underlines the right to social protection of everyone and emphasizes the role of the state in ensuring social protection to its citizens and especially to older people, which are financially vulnerable.

The social protection of elderly is mainly made through national pension systems. The aim of these is to ensure a decent life at old age, to protect against the poverty risk and to smoot the consumption.

Over the time, the pension systems have developed in order to reflect the needs of older population. Nowadays, World Bank and International Labor Organization sustain a multi-pillar structure of pension systems through which the needed resources will have more funding sources and, as a consequence the pressure existing in public pension system will decrease. The Central and Eastern European countries selected in this paper, namely Czech Republic, Hungary, Poland, Romania and Slovakia have passed through the experience of communism and now these are in the process of catching-up with developed countries. As a consequence, the national pension systems of these countries have been subjects of extensive regulations.

The paper aims to appreciate the pension systems effectiveness in five Central and Eastern European countries vis-à-vis the achievement of their objectives regarding the protection of elderly. Therefore, the paper has considered both the perspective of beneficiaries of pension systems, which want a maximization of the provided benefits, and also the macroeconomic perspective through the

budgetary equilibrium. The study pursues the effectiveness of pension systems by the analysis of the most relevant indicators of pension systems throughout 11 years, respectively the period between 2007 and 2017.

The paper is organized in six sections. First section establishes the purpose of the paper, the second one summarizes the literature regarding the pension systems and it is followed by the section of research methodology. The fourth section overviews the national pension systems implemented by Czech Republic, Hungary, Poland, Romania and Slovakia, and in the fifth section is presented the evolution of indicators specific to pension systems which characterize their effectiveness. The last section is dedicated to conclusions and final considerations.

2. Theoretical background

The social protection system is considered by the International Labor Organization as a form of respect of primary rights of individuals, rights which are: right to health care, right to financial security of children, older people, and those persons who, due to disabilities or pathologies, are incapable to reach any revenue (ILO, 2012).

The state, through its institutions, has the capacity to organize and manage social protection system. Due to the regulatory and income redistribution functions, the state carry on actions in order to ensure social protection and decrease poverty risk among vulnerable citizens.

The pension systems can be defined as the mechanism of protection of individuals against the risk of losing or decreasing the ability to obtain the needed incomes in the future, following ageing, accidents, pathologies or disabilities, which restrain them in carrying out professional activities and even personal activities. The pension systems have the purpose to ensure and keep a decent life standard of older people, especially in conditions of financial instability (European Parliament, 2014). Therefore, decreasing poverty and consumption smoothing at retirement, are the main objectives of the current pension systems. Therefore, it can be said that the generosity of pension systems shows the respect, the decency and the dignity of human beings (Shahid, 2014).

World Bank promotes the idea of diversification of the funding sources of pension systems in three pillars. The first pillar is formed by the mandatory public pension system, managed by state. The second pillar, the mandatory pension funds privately managed, has the purpose to decrease the budgetary pressure of public pension system and ensuring adequate incomes at retirement. The third pillar consists of voluntary pension funds, as an investment alternative of private savings and a mean to supplement the revenues at retirement.

Worldwide, national pension systems show the political preferences from the period of their establishment (Perotti & Schwienbacher, 2009), being configured according with the political, economic and socio-cultural environment (Aggarwal & Goodell, 2013).

Therefore, in Europe can be noted a diversity of pension system organization. The western countries have implemented national pension system according with the principles established by William Beveridge. He promoted the universality of social protection systems and the provision of financial support to all citizens found in difficult situations. In these countries, state ensures to all its citizens a minimum income at retirement, but the most important role is held by privately managed pension funds. These are based on contributory principle, the funds being invested in different financial assets (monetary assets or stocks) with different risk degrees, following to redistribute at retirement, according with the foreseen life expectancy, either the assets or their value.

In most countries from Central and Eastern Europe pension systems were developed according with the principles set up by the Chancellor of Germany, Otto von Bismarck. Known nowadays as pay-as-you-go (PAYG) pension systems, these imply compulsory pecuniary contributions payed by the active persons on labor market and the redistribution through pensions. The right to pension is conditioned by the achievement of some stringent eligibility conditions, mostly referring to the minimum contributory period and the standard retirement age. However, in the latest decades these countries brought significant reforms in the field of social protection.

It can be noted that the pension systems established by democratic countries are usually based on contributory principle. This is conditioning the social transfers and the access to benefits by the accomplish of eligibility criteria (Beju, 2007; Dodlova et. al., 2017), so it can be said that national

pension systems based on contributory principle does not decrease the poverty risk among all citizens (Collado & Iturbe – Ormaetxe, 2010) and their purpose are partially achieved.

3. Methodology of research

This paper is a descriptive research which proposes a comparative presentation regarding the evolution of some pension systems indicators with the purpose to bring out their effectiveness in five countries of Central and Eastern Europe. Therefore, the research used the method of bibliographic study, the synthesis method, the comparison method, the observation method and the graphical method in order to show the essential aspects of pension systems in Central and Eastern European countries, but also to highlight the evolution of the most relevant indicators of them, between 2007 and 2017.

4. Brief review of the pension systems implemented in countries of Central and Eastern Europe

In Central and Eastern European countries social protection systems and pension systems were founded in socialist period based on the principles established by the Chancellor Otto von Bismarck. The abolishment of the socialist governing system, transition to market economy and then integration to European Union had caused changes in these countries. The accommodation to the new socio-economic and demographic conditions led to the reformation of national pension systems (Bonenkamp et. al., 2017).

The greatest reform was the implementation of multi-pillar structure proposed by World Bank. Hungary and Poland were the first countries which have enforced the national pensions systems based on three pillars, in 1998-1999. Between 2005 and 2007 Slovakia and also Romania have applied the multi-pillar structure. Czech Republic has chosen a two pillars structure of national pension system: the compulsory public pension system and the voluntary pension system.

On the context of economic and financial crisis from 2007 and following the decreased returns of privately managed pension funds, the decision to privatize the pension systems through the 2nd Pillar was reconsidered. Therefore, Hungary in 2011 and Poland in 2014 decided the nationalization of mandatory privately managed pension funds. Also, Romania decreased the contributory rate to this pillar.

Therefore, the compulsory public pension system continues to be the main component part of the national pension systems these five countries. The post-socialist demographic changes generated the settlement of parametric reforms in order to strengthen the financial sustainability of public pension system. Another objective was to provide adequate benefits for pension system beneficiaries. Among these regulations, the most important have regarded the standard retirement age and the minimum contributory period, which were increased as a consequence of enlarged life expectancy. As well, it was discouraged early retirement by decreasing of provided benefits, meanwhile for the postponement of retirement is received additional revenue.

The redistribution of benefits is made through four categories of pensions, which are: the old age pension, the early retirement pension, the disability pension and the survivors pension. The benefits are related with the incomes obtained in the activity period and the paid contribution, the computation formula being specific for each country.

Regarding the redistribution of privately managed pension funds, the amount of benefit will indicate the history of incomes and contributions, taking into account the life expectancy. In countries considered in our research, this type of pension system is quite young, not having yet beneficiaries.

5. The effectiveness of pension systems in countries of Central and Eastern Europe through the evolution of specific indicators

Regarding the pension systems, we can define the effectiveness as the capacity to achieve a purpose, respectively the capacity to ensure "a safe minimum income flow, avoiding impoverishment of elderly" (Lanoo et. al., 2014, p. 31). On the other hand, pension systems are

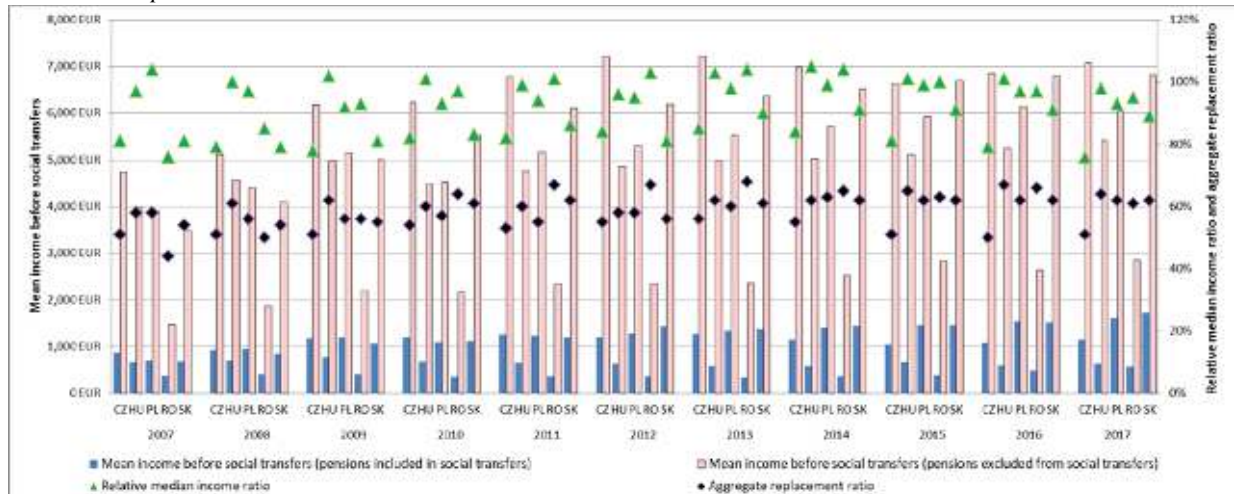
macroeconomic structures through which social transfers are made, thereby their effectiveness imply the optimization of the redistribution of revenues and also of the contributory pressure of current taxpayers (Chybalski, 2016).

From the perspective of the pension systems beneficiaries, the received benefits are the criteria to appreciate their effectiveness (Figure no.1). In this regard, we consider that the benefits provided through pension systems are best reflected by the indicator mean income before social transfers of persons aged 65 years and over. It can be noted that in these 11 years of the study the value of this indicator, in the case in which pensions are included in social transfers, had a progressive growth, the greater has been recorded in Slovakia (+1,031 €) and the smaller in Romania (176 €). If the pension are excluded from social transfers, the mean income before social transfers of persons aged 65 years and over has significant increases between 1,094 € and 6,008 €. The higher values are achieved in Czech Republic, Slovakia and Poland, the lowest values being in Romania. These evolutions indicate the importance of financial transfers made through pension systems.

Beside income level, to appreciate the benefits provided through pension systems is used the indicator replacement rate of incomes by pensions. This indicator shows the ability of pension systems to maintain the revenues obtained before retirement and, according to World Bank, it is recommended that the value of this indicator to be at least 40%. In the period of our research, this threshold is exceeded in all five states, in Romania it can be noted a considerable increase of the value of this indicator compared with 2007 (+17%).

Linked with replacement rate of incomes by pensions, to appreciate the revenues of older people it is determined the relative median income rate, indicator which appreciates the equalised median income before and after 65 years old. The values of this indicator in the analyzed years are over 75% in all five states, fact that suggests a good adequacy of benefits provided by pension systems in countries of Central and Eastern Europe.

Figure no.1. Evolution of the most relevant indicators regarding pension systems in countries of Central and Eastern Europe



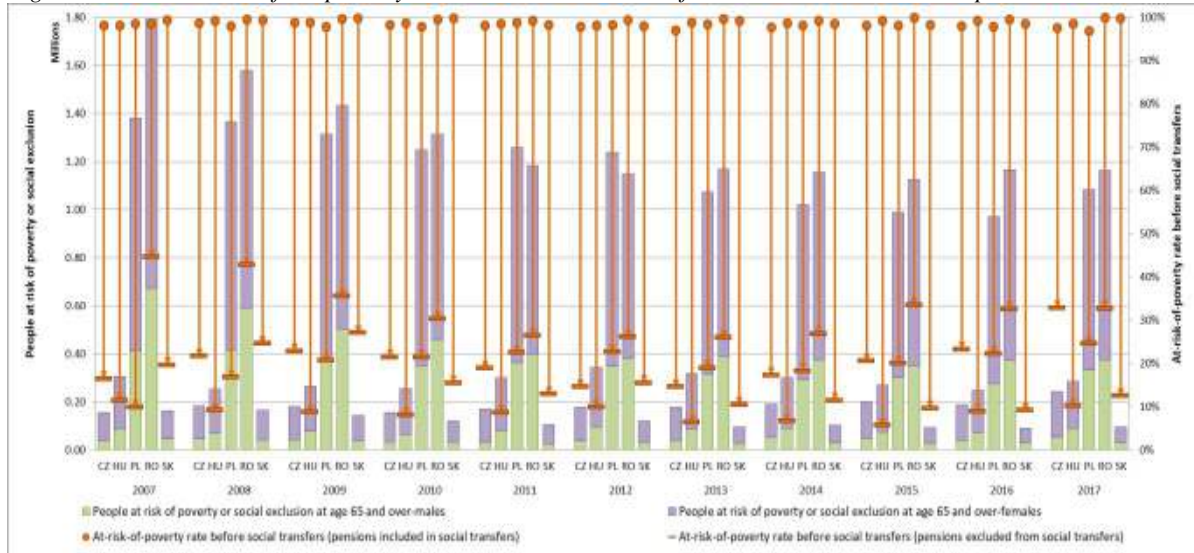
Source: Author's own processing based on data published at Eurostat database

For a larger framework regarding the transfers made by pension systems, Chybalski & Marcinkiewicz (2016) recommend the correlative analyze of these indicators with the poverty and social exclusion risk (Figure no.2). The share of persons aged 65 years and over threatened by the risk of poverty is between 1.5% and 8.6% of total number of population, proportion being greater in case of women. It can be remarked that the number of persons at 65 years old and over threatened by the poverty risk in the analyzed period has decreased especially in Romania (with about 600,000 persons) and in Czech Republic had increased with almost 89,000 persons.

Except the number of persons threatened by poverty risk, we consider that the indicator risk of poverty and social exclusion rate before social transfers to have an important significance. Considering this, if pensions are included in social transfers, this indicator exceeds 97%. But, if the

pension benefits are excluded from social transfers, it can be observed that the risk of poverty and social exclusion rate before social transfers decrease at values below 10%. This evolution highlights the direct influence of benefits provided by pension systems in reducing poverty and social exclusion risk, suggesting the dependency of elderly to the redistributions made through pension systems.

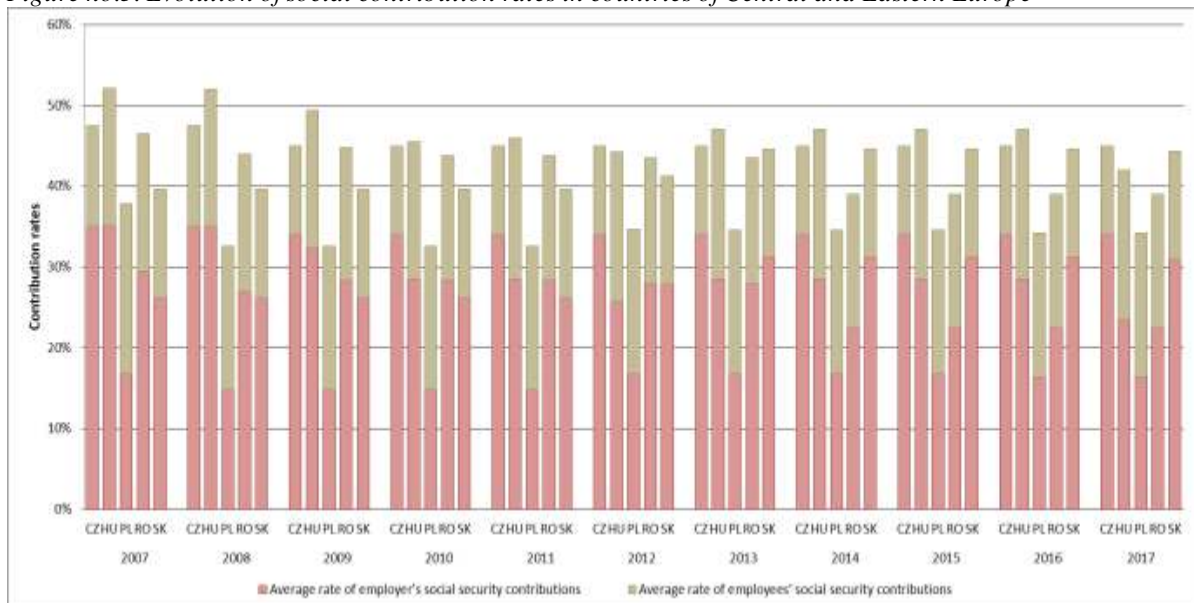
Figure no.2. Evolution of the poverty indicators in countries of Central and Eastern Europe



Source: Author's own processing based on data published at Eurostat database

Considering the point of view of the pension systems financial providers, the effectiveness is appreciated related with the costs involved to organize and manage the pension systems. The five countries of Central and Eastern Europe presented in this study have the main component of national pension system the public pension system. Their funding is made based on the contribution paid by employees and employers. Therefore the effectiveness of pension systems from a contributor perspective is reflected by the social contribution rate (Figure no.3). In the analyzed period, the social contribution rates are included between 30% and 50% and cover health care contributions, retirement contributions and unemployment contributions. With regard at the retirement contributions in 2017 the rates fluctuated between 19% and 34% of gross income.

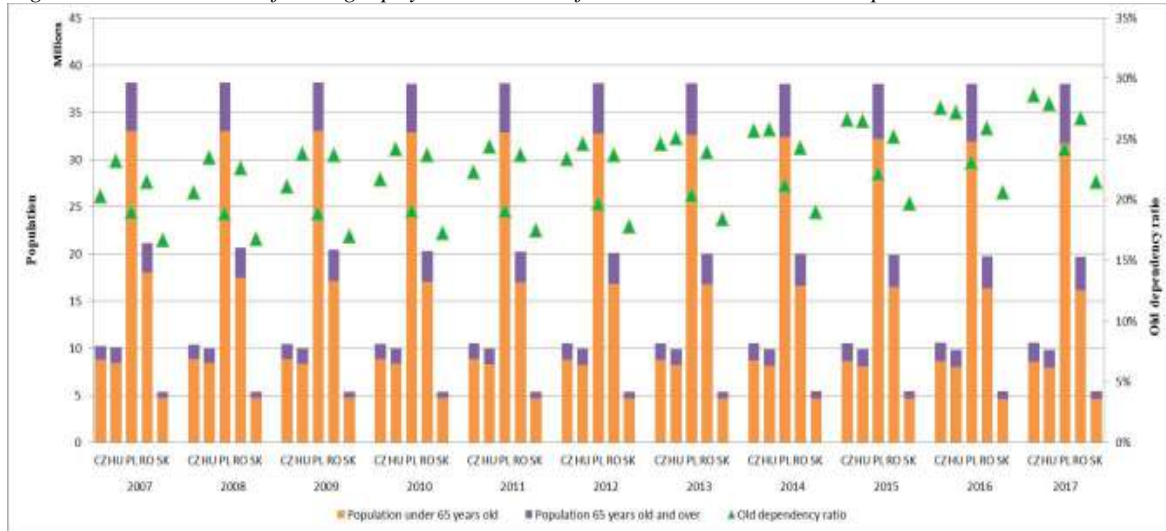
Figure no.3. Evolution of social contribution rates in countries of Central and Eastern Europe



Source: Author's own processing based on data published at OECD database and Romanian tax legislation

Also, an indicator of interest is the dependency ratio as the ratio between beneficiaries and contributors of pension systems. As it can be seen in the next figure, between 2007 and 2017 this indicator increased in all five countries of Central and Eastern Europe, the greater value being recorded in Czech Republic (8.3%), and the lower in Slovakia (4.8%). This evolution is sustained by the aging trend of population.

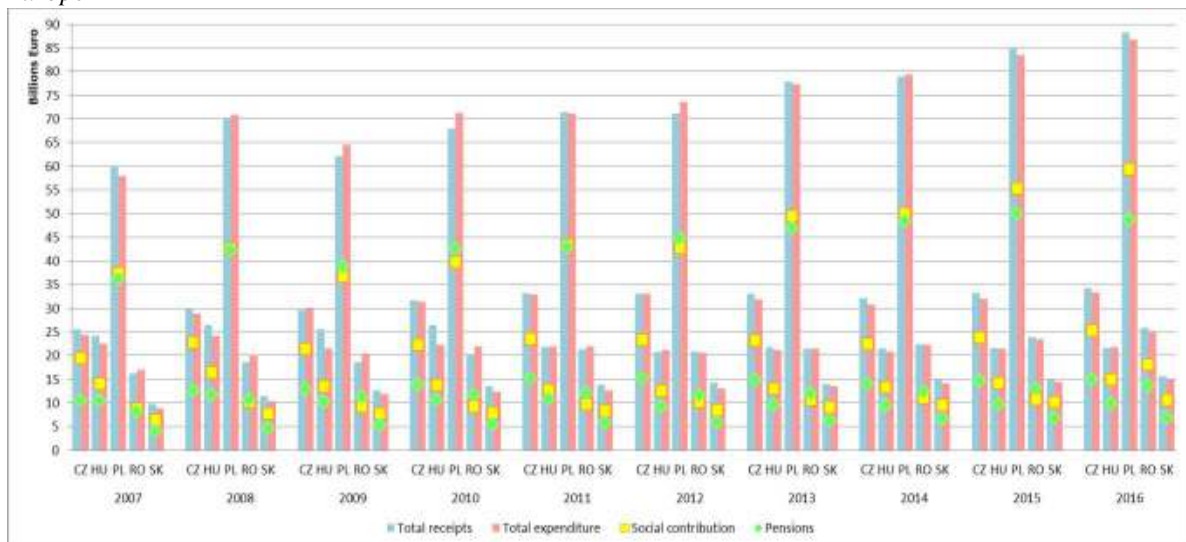
Figure no.4. Evolution of demography in countries of Central and Eastern Europe



Source: Author's own processing based on data published at Eurostat database

Nevertheless, at macroeconomic level the success of any pension system is given by the budgetary equilibrium, knowing that social protection systems have as main source of funding the contributions paid by employees and employers. For all five countries of Central and Eastern Europe the situation of Social Insurance Budget is showed in Figure no.5. It is noted that incomes obtained from contributions does not cover entirely the total expenses of social protection system, but it is enough for pension expenses, except Romania and Poland. The budgetary deficit is covered from other sources, mostly by subsidies from state budget and from loans.

Figure no.5. Evolution of main indicators of Social Insurance Budget in countries of Central and Eastern Europe



Source: Author's own processing based on data published at Eurostat database

6. Conclusions

Central and Eastern European countries have implemented extensive reforms regarding their national pension systems. The latest regulations aimed to consolidate the public pension systems, but also to adequate them to the current socio-demographic situation. As we could see, these reforms have partially succeeded in accomplish their purposes.

The aim of pension systems is to ensure financial protection of older persons. In European countries included in research, the objectives regarding the decreasing of poverty risk among older people and maintaining the consumption were achieved, but the deficit of Social Insurance Budget draws attention to the need of new regulations coordinated with current demographic situation and the conditions existing on labor market, so that tax policy can stimulate the entrepreneurship and legal work.

The regulations implemented by countries of Central and Eastern Europe regarding social protection system had mostly positive effects, but we consider that the reformation process must go on in the sense of consolidation the budgetary sustainability.

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Analyzing the Correlation and Influence of Asset Management on Financial Balance. Case Study Horeca Sector in Dolj County

Silviu-Valentin Cârstina

Elena Bonescu

Olimpia Livia Preda Buzgurescu

University of Craiova, Faculty of Economics and Business Administration

silviu.carstina@yahoo.com

Abstract

The research work consists in analyzing the correlation and influence of the indicators that reflect the way in which the company's assets were managed on the financial equilibrium of the economic entities, for example the horeca sector. In order to determine the influence and the correlation it was necessary to determine several indicators, such as in the case of asset management: the speed of rotation of the stocks, the speed of rotation of the receivables, the rotation speed of the circulating assets, the financing of the fixed assets, efficiency in the use of total assets, and in the case of financial balance: financial autonomy rate, financial stability rate and overall solvency. In order to analyze the correlation between the indicators, the Pearson correlation index, determined by statistical program S.P.S.S. After determining the correlation between the indicators, the influence of the asset management indicators on the financial equilibrium indicators was determined, the method used in this respect being the chain substitution method.

Key words: active management, financial equilibrium, correlation

J.E.L. classification: G20, O12, C01

1. Introduction

Financing of investments and current activity at the level of an economic entity requires the change in the structure of its capital. In general, financing of investments is done through the use of permanent capital and financing of current management needs, namely current assets, using own capital and short-term debts.

One of the concerns of the managers or managers of these entities is to determine the optimal financing, respectively to maintain a financial balance.

We can say that from the point of view of existing financing rules at the level of companies, the financial equilibrium can be seen on the part of the existing correlation between assets and capital and on the other hand, the observance of the optimal financing structure.

Another concern of the managers is to use as much as possible capital-funded assets so that the results obtained at the end will not only cover the costs of their financing but also all the running costs of the company and why not insuring the investor's profit.

In other words, investment decisions and the financing of current business influence the structure of the firm's capital, and the continuity of activity derives from the sound management of assets and capital, and thus there are permanent direct or indirect links between them.

In view of these aspects, the paper has as main objectives the pursuit of the correlation between the way assets are managed and the financial equilibrium indicators, as well as the analysis of how the asset management indicators influence the financial equilibrium indicators. In order to achieve these objectives in the structure of the paper we have proposed to carry out a study at the level of horeca sector in Dolj County, the period being analyzed being 2016 -2017.

We chose the horeca sector as it is a complex sector in the asset structure of particular importance, playing both fixed assets and current assets. Fixed Assets are viewed in terms of investments that owners of restaurants, hotels, restaurants should do to attract as many customers as possible, and assets that are ongoing in terms of business continuity, the latter being the ones that reflect whether the entity enjoys a real success or vice versa.

2. Concepts and terms used

An indispensable element for understanding and interpreting an economic and financial analysis is the knowledge of the elements used and the understanding of how they are found and conditional at the level of commercial companies.

Asset management of an economic entity can be seen as the "success key in a business" (Sichigea N, Vasilescu Giurcă L, Craiova, 2007, pp. 28), the results obtained as a result of using it as a benchmark for what the costs of financing, operation and ultimately the motivation for its investors are.

The asset decision is the link between their structure and the firm's capital, largely depending on a number of factors such as: the level of the firm, the activity carried out within it, etc.

Considering the sources of financing of a company's assets, its analysis seeks to appreciate its main strategies and financial policies, how to create financial resources by source categories and on terms of exigibility (Siminica M, Craiova, 2010, pg. 45).

Asset management analysis is carried out in the case study using indicators that can be grouped as follows: indicators reflecting the rapidity with which assets generate material, financial flows at the firm level (rotational speed of circulating assets, stock speed, speed rotation of claims); indicators reflecting the efficiency of asset use (asset cost-effectiveness ratio) and indicators reflecting asset financing (financing of fixed assets from working capital, financing of fixed assets in fixed capital).

In the case of financial equilibrium indicators these have been established according to the data found on the website of the Ministry of Finance, the calculation relations used are the following (Pantea M.I, Timisoara, 2017, pp. 121 – 124):

- for the rate of financial autonomy:

$$R_{aut} = \frac{K_{pr}}{K_t}$$

where: R_{aut} = global financial autonomy rate

K_{pr} = own capital

K_t = total capital

- for the financial stability indicator:

$$R_{sf} = \frac{K_{per}}{K_t}$$

where: K_{per} - permanent capital

- for the general solvency indicator:

$$S_g = \frac{A_t}{D_t}$$

where: S_g = general solvency

A_t = total assets

D_t = total debts

- for the debt ratio indicator:

$$G_i = \frac{D_t}{K_t}$$

where: G_i - the degree of indebtedness

All these indicators were calculated based on the financial data extracted from the site mfinanțe.ro, the selected period being given by the last two fiscal years, respectively 2016 and 2017.

3. Research methodology

Concerns about efficient asset management as well as finding optimal sources of funding have been permanent among researchers, for example Corina Oloinic, who addresses these issues in the doctoral thesis entitled "Improving the current asset management system of enterprises consumer co-operation in the Republic of Moldova " (Oloinic C, Republic of Moldova, 2008). In this paper there are studies on how to manage the assets and their implications on the financial balance, which represent for us a starting point in the realization of the present research paper. In addition to the research conducted by the author, our paper also proposes to analyze a correlation between the asset management and the financial equilibrium indicators, which is achieved using the Pearson index calculated with SPSS, and also an analysis of the influence of the management indicators of assets on financial equilibrium, the method used in this respect being the chain substitution method.

The underlying assumptions of the research, which we propose to examine below, are as follows:

H1 - there are significant, direct and indirect correlations between asset management and financial balance ratios;

H2 - the factorial influences respect the type of links existing in the correlation studies, which also have a significant impact on the financial equilibrium indicators.

The paper is based on a series of financial data from some companies in Dolj county that operate in the Horeca sector. In order to collect the primary data necessary for the study, the official website of the Ministry of Public Finance, www.mfinante.ro, the "Business Areas" section was used as the main source of information.

The criterion on which the firms under investigation were selected was the turnover, which was selected according to its size. The number of firms used as a sample in the Horeca sector is 30.

The factorial analysis by which we highlighted the influence of the asset management indicators on the financial equilibrium we achieved with the help of the chain substituting method. Thus, starting with the initial computation ratios of the financial autonomy ratios, the financial stability rate and the overall solvency, we have developed a model analysis model for each of them using the French system Du Pont.

The models of factorial analysis obtained are as follows:

$$1) Raut = \frac{Kpr}{Kt} = \frac{Kpr}{Pn} * \frac{Pn}{Ai} * \frac{Ai}{At} = Rf * Eai * Rai$$

$$2) Rsf = \frac{Kper}{Kt} = \frac{Kper}{Ai} * \frac{Ai}{At} * \frac{At}{CA} * \frac{CA}{Pb} * \frac{Pb}{At} = Rfai * Rai * Eat * MPb * Eat$$

$$3) Sg = \frac{At}{Dt} = \frac{At}{CA} * \frac{CA}{Kpr} * \frac{Kpr}{Dt} = Vat * EKpr * Raut$$

Each indicator present in previous computing relationships is presented in the case study at the time of its calculation.

4. Case study

Taking into account the methodology presented above, we selected the horeca sector at the level of Dolj county, of which, according to the turnover, we extracted a number of 30 companies. From the site mfinante.ro we extracted for each entity in part the synthetic indicators in the balance sheet and the results account, indicators that we used on the one hand in the determination of asset management indicators and on the other hand the equilibrium indicators financial. The level of these indicators is reflected in Annex 1 of the paper.

The correlation analysis of the indicators is reflected in the following table:

Table no. 1 Pearson Index Level Set between Asset and Financial Balance Sheet Indicators

Indicators	Statistical indicators	FR	Cr/CA	AC/CA	St/CA	FR/Ai	Kper/Ai	Pn/Ai	At/CA	Pb/At	Raut	Sg	Gi	Rsf
Raut	Pearson Correlation	-.070	.609(**)	.676(**)	.318(*)	-.022	-.022	-.030	.704(**)	-.107	1	-.015	-.071	-.076
	Sig. (2-tailed)	.597	.000	.000	.015	.867	.867	.826	.000	.415		.909	.588	.565
	N	60	58	58	58	58	58	58	58	60	60	59	60	60
Sg	Pearson Correlation	-.086	.041	.229	.964(**)	-.013	-.013	-.042	.144	-.198	-.015	1	-.131	-.135
	Sig. (2-tailed)	.517	.759	.084	.000	.920	.920	.753	.282	.133	.909		.322	.306
	N	59	58	58	58	58	58	58	58	59	59	59	59	59
Gi	Pearson Correlation	-.076	-.067	-.091	-.091	-.128	-.128	-.111	-.074	-.132	-.071	-.131	1	.985(**)
	Sig. (2-tailed)	.562	.616	.496	.499	.340	.340	.406	.583	.313	.588	.322		.000
	N	60	58	58	58	58	58	58	58	60	60	59	60	60
Rsf	Pearson Correlation	-.083	-.073	-.097	-.097	-.134	-.134	-.118	-.082	-.141	-.076	-.135	.985(**)	1
	Sig. (2-tailed)	.530	.587	.468	.469	.314	.314	.379	.542	.282	.565	.306	.000	
	N	60	58	58	58	58	58	58	58	60	60	59	60	60

Source: Spreadsheet from SPSS

The analysis of the results provided by SPSS indicates a significant direct correlation between the rate of financial autonomy and the management indicators of current assets, receivables and total assets.

Another significant correlation is identified between the overall solvency and the rotation speed of the circulating assets.

We can say that the analysis of correlations between asset management indicators and financial equilibrium ratios is partially validated because no significant correlations have been identified in all financial equilibrium indicators, but only two of the four analyzed.

The factorial analysis of the specific rate of financial autonomy model is reflected in the following table:

Table no. 2 Factorial analysis of the financial autonomy rate

Elements	2016	2017
Personal capital (Kpr)	2,782,101	2,966,293
Immobilized (Ai)	3,460,603	3,145,137
Total assets (At)	4,319,752	4,507,675
Net income (Pn)	391,544	422,634
Financial Return Rate (Rf)	7.105463	7.018583
Effective use of fixed assets (Eai)	0.113143	0.134377
Rate of structure of fixed assets (Rai)	0.801111	0.697729
Rate of financial autonomy (Raut)	0.644042	0.658054
- influence Rf	-	-0.00787
- influence Eai	-	0.119391
- influence Rai	-	-0.0975
Absolute change	-	0.014012
Sum of factorial influences	-	0.014012

Source: Author's table

The factorial analysis of the rate of financial autonomy shows a negative influence on the rate of financial return and a positive influence from the point of view of the efficiency of the use of fixed assets.

The factorial analysis of the specific rate of financial stability model is reflected in the following table:

Table no. 3 Facial Analysis of the Financial Stability Rate

Elements	2016	2017
Capital permanent (Kper)	4,319,752	4,507,675
Immobilized (Ai)	3,460,603	3,145,137
Total assets (At)	4,319,752	4,507,675
Turnover (CA)	2,874,371	3,070,240
Gross income (Pb)	467,280	466,146
Funding rate of fixed assets in permanent capital (Rfai)	1.248266	1.433221
Rate of structure of fixed assets (Rai)	0.801111	0.697729
Effective use of total assets (Eat)	1.502851	1.468183
Gross profit margin in turnover (MPb)	6.151278	6.58643
Economic Return Rate of Assets (Re)	0.108173	0.103412
Financial Stability Rate (Rsf)	1.00	1.00
- influence Rfai	-	0.148169
- influence Rai	-	-0.14817
- influence Eai	-	-0.02307
- influence MPb	-	0.06911
- influence Re	-	-0.04604
Absolute change	-	0
Sum of factorial influences	-	0

Source: Author's table

From the data we can say that the financial stability rate did not change from one year to the next in the horeca sector. The analysis showed a positive influence in terms of indicators of the financing rate of fixed assets by means of permanent capital and by the margin of gross profit in

turnover, and a negative influence from the point of view of the fixed assets, the efficiency of the use of fixed assets and the rate of economic profitability of assets.

The factorial analysis of the general solvency model is reflected in the following table:

Table no. 4 Factorial analysis of general solvency

Elements	2016	2017
Total assets (At)	4,319,752	4,507,675
Personal capital (Kpr)	2,782,101	2,966,293
Total debts (Dt)	1,590,674	1,541,382
Turnover (CA)	2,874,371	3,070,240
Rotational speed of total asset (Vat)	1.502851	1.468183
Effective use of equity (Ekpr)	1.033166	1.035043
Rate of financial autonomy (Raut)	1.749008	1.924438
General solvency (Sg)	2.715674	2.924438
- influence Vat	-	-0.06265
- influence Ekpr	-	0.004819
- influence a Raut	-	0.266589
Absolute change	-	0.208763
Sum of factorial influences	-	0.208763

Source: Author's table

From the analysis of the data obtained in the factorial analysis we can say that we only have a negative influence on the rotational speed of the total asset, but if we are mathematically related to the two elements this influence is justified.

5. Conclusions

Following the analyzes carried out at the level of the horeca sector in Dolj County, we came to the following conclusions:

- the analysis of the results provided by the spss indicates a significant direct correlation between the rate of financial autonomy and the management indicators of the current assets, receivables and total assets;
- another significant correlation is identified between the general solvency and the rotation speed of the circulating assets;
- we can say that following the analysis of the correlations between the asset management indicators and the financial equilibrium indicators the h1 hypothesis is partially validated as no significant correlations have been identified in all the financial equilibrium indicators but only two of the four analyzed;
- the factorial analysis of the rate of financial autonomy shows a negative influence on the rate of financial return and a positive influence from the point of view of the efficiency of the use of fixed assets;
- the factorial analysis of the financial stability network showed us a positive influence in terms of indicators of the financing rate of the fixed assets by means of permanent capital and by the margin of the gross profit margin in the turnover and a negative influence in terms of the fixed asset rate, the use of fixed assets and the rate of return on assets;
- the factorial analysis at the level of the general solvency showed only a negative influence on the rotational speed of the total asset, but if we are mathematically related to the two elements this influence is justified.

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7. Annexes

Annex no. 1 Asset Management Indicators and Financial Balance Sheet Use

Name	FR	Cr/C A	AC/C A	St/C A	FR/A i	Kper/ Ai	Pn/A i	At/C A	Pb/At	Raut	Sg	Gî	Rsf
HELIN'S TRADING SRL	670,089	1.86	0.04	0.03	0.04	1.04	0.07	1.30	0.08	1.16	6.06	19.83	1.20
RESTAURANT BACOLUX SRL	2,584,124	9.63	0.18	0.02	0.16	1.16	0.11	1.31	0.11	1.11	4.17	31.50	1.32
EMMA S.R.L.	5,311,002	13.30	1.20	0.01	0.43	1.43	0.06	3.99	0.05	4.61	12.88	8.45	1.09
EUROPECA IMPEX SRL	3,165,100	42.09	0.72	0.01	0.39	1.39	0.17	2.57	0.15	3.52	13.26	8.15	1.08
D.V.M. PREST SERV SRL	465,405	39.96	0.15	0.00	0.10	1.10	0.07	1.95	0.08	1.09	1.90	115.86	2.20
C&M LUXURYBOUTIQUE HOTELS S.R.L.	451,924	43086 .73	119.7 5	0.00	12.42	13.42	0.01	171.0 9	0.00	8.61	2.86	53.77	1.54
EVENIMENTE DE AUR SRL	2,782,641	22.12	0.56	0.02	0.78	1.78	0.45	1.29	0.31	1.44	3.09	65.44	2.02
TRACIA IMPEX SRL	983,561	198.8 9	1.06	0.49	0.34	1.34	0.06	4.26	0.05	3.55	2.92	52.06	1.52
PORT CETATE S.R.L.	864,571	140.6 6	0.61	0.21	0.48	1.48	0.10	1.88	0.08	0.33	1.18	564.72	6.65
LORDENTAL SRL	119,794	#DIV/ 0!	#DIV/ 0!	#DIV/ 0!	#DIV/ 0!	#DIV/ 0!	#DIV/ 0!	#DIV/ 0!	-0.03	34.20	#DIV/ 0!	0.00	1.00
HANUL GHERCESTI S.R.L.	217,155	0.00	3.56	0.00	#DIV/ 0!	#DIV/ 0!	#DIV/ 0!	3.56	-0.07	2.51	7.90	14.48	1.14
GALBEN S.R.L.	151,397	125.6 2	0.76	0.34	0.32	1.32	-0.01	3.11	0.00	0.45	1.18	556.18	6.56
PERLA CARPATILOR S.R.L.	3,303,394	307.3 5	0.92	0.05	0.34	1.34	0.11	3.66	0.09	0.24	1.17	639.63	7.48
GALACTIC HORSE SRL	508,643	1744. 21	5.37	0.53	0.13	1.13	0.00	46.06	0.00	3.63	1.60	165.99	2.66
BELVEDERE-TURISM S.R.L.	275,094	23.40	0.71	0.37	9.60	10.60	3.79	0.78	0.37	0.75	3.12	47.16	1.47
OCEALAN-DEZMEMBRARI SRL	960,293	4.42	0.26	0.17	0.20	1.20	0.11	1.63	0.11	0.67	1.55	191.40	2.98
COM CANT 91 SRL	476,083	39.62	0.15	0.02	0.41	1.41	-0.08	0.70	-0.01	0.59	6.66	17.67	1.18
SPEED CENTER SRL	1,162,013	88.69	0.28	0.00	0.93	1.93	0.20	0.58	0.13	0.08	1.15	687.65	7.88
CAPRICORN S.R.L.	1,029,617	38.98	1.91	0.00	1.12	2.12	0.34	3.61	0.19	4.74	1.68	176.61	2.97
PROMEDIA SRL	692,216	5.36	0.43	0.20	0.58	1.58	0.02	1.31	0.02	0.71	2.35	233.07	5.48
ITAL STRUCT CG S.R.L.	537,737	14.02	0.57	0.13	0.36	1.36	0.08	2.16	0.07	1.41	2.26	79.28	1.79
BORDEAUX SRL	197,297	13.30	0.09	0.03	0.07	1.07	0.21	1.38	0.23	1.27	6.36	18.66	1.19
HATE SRL	635,937	10.75	0.13	0.02	0.60	1.60	0.56	0.50	0.40	0.16	2.05	94.90	1.95
MIHAFLOAR S.R.L.	651,067	3.13	0.34	0.29	62.91	63.91	25.48	0.34	0.47	0.17	1.71	140.63	2.41
GEBLESCU SRL	503,083	12.01	0.57	0.53	1.97	2.97	0.58	0.86	0.23	0.49	1.83	120.72	2.21
BITELE TOUR S.R.L	709,134	635.6 0	2.28	0.01	9.29	10.29	0.13	2.83	0.02	1.32	1.81	122.92	2.23
TOL CONSTRUCT SRL	376,241	13.52	0.50	0.01	4.98	5.98	2.65	0.59	0.53	0.79	11.59	9.44	1.09
RUK TOUR SRL	2,654,512	3.93	0.33	0.31	6.59	7.59	0.26	0.38	0.04	0.18	1.92	108.14	2.08
PRO M SI D SRL	34,566	4.66	0.02	0.00	0.20	1.20	1.10	0.24	1.09	0.11	1.53	187.27	2.87

MIRIDIS EXIM SRL	222,000	117.77	0.35	0.33	1077.67	1078.67	32.04	0.35	0.04	0.28	4.44	29.08	1.29
HELIN'S TRADING SRL	1,082,663	5.56	0.07	0.03	0.06	1.06	0.07	1.26	0.07	1.22	11.52	9.53	1.10
RESTAURANT BACOLUX SRL	4,347,063	16.38	0.28	0.02	0.28	1.28	0.16	1.30	0.14	1.04	3.00	50.10	1.50
EMMA S.R.L.	6,584,760	14.11	1.51	0.01	0.64	1.64	0.05	3.88	0.02	3.13	13.22	8.21	1.09
EUROPECA IMPEX SRL	5,163,776	41.10	1.08	0.04	0.66	1.66	0.21	2.75	0.14	3.94	12.45	8.74	1.09
D.V.M. PREST SERV SRL	228,660	14.18	0.07	0.00	0.05	1.05	0.09	1.71	0.12	1.22	2.28	78.21	1.78
C&M LUXURYBOUTIQUE HOTELS S.R.L.	450,478	#DIV/0!	#DIV/0!	#DIV/0!	12.38	13.38	-0.01	#DIV/0!	0.00	841.16	2.84	54.35	1.54
EVENIMENTE DE AUR SRL	5,035,049	7.83	0.84	0.00	1.77	2.77	0.84	1.31	0.32	1.46	4.30	33.13	1.42
TRACIA IMPEX SRL	1,171,826	145.64	0.90	0.51	0.41	1.41	0.06	3.12	0.05	2.48	3.13	47.02	1.47
PORT CETATE S.R.L.	842,813	102.58	0.56	0.27	0.37	1.37	0.14	2.05	0.10	0.57	1.29	340.06	4.40
LORDENTAL SRL	100,391	2835.72	31.42	5.92	19.91	20.91	-2.86	33.00	-0.14	5.97	511.81	0.20	1.00
HANUL GHERCESTI S.R.L.	206,486	103.84	2.15	0.02	22.91	23.91	1.98	2.24	0.09	2.70	32.07	3.22	1.03
GALBEN S.R.L.	136,741	114.96	0.63	0.30	0.30	1.30	-0.08	2.75	-0.06	0.23	1.11	915.31	10.15
PERLA CARPATILOR S.R.L.	2,656,857	179.35	0.63	0.11	0.28	1.28	0.02	2.92	0.01	0.49	1.20	541.52	6.49
GALACTIC HORSE SRL	389,322	1214.98	3.59	0.01	0.11	1.11	-0.03	37.39	-0.03	3.46	1.61	163.16	2.63
BELVEDERE-TURISM S.R.L.	266,924	13.93	0.82	0.46	9.59	10.59	1.81	0.91	0.18	0.95	7.78	14.76	1.15
OCEALAN-DEZMEMBRARI SRL	1,131,169	7.68	0.29	0.25	0.21	1.21	0.10	1.70	0.09	0.73	1.66	159.02	2.63
COM CANT 91 SRL	736,780	44.16	0.31	0.02	0.80	1.80	0.16	0.74	0.13	0.70	13.79	7.82	1.08
SPEED CENTER SRL	1,154,768	89.04	0.26	0.00	1.12	2.12	0.01	0.50	0.01	0.06	1.13	779.51	8.80
CAPRICORN S.R.L.	958,386	41.85	1.70	0.00	1.20	2.20	0.32	3.13	0.19	1.74	1.30	523.03	6.78
PROMEDIA SRL	613,236	50.83	0.28	0.06	0.59	1.59	0.07	0.83	0.07	0.63	4.41	89.37	3.94
ITAL STRUCT CG S.R.L.	742,184	14.26	0.66	0.07	0.48	1.48	0.15	2.04	0.11	1.56	2.48	67.56	1.68
BORDEAUX SRL	198,370	26.31	0.09	0.02	0.05	1.05	0.16	1.83	0.16	1.16	2.85	63.30	1.81
HATE SRL	1,110,531	35.56	0.19	0.02	1.25	2.25	0.93	0.54	0.43	0.19	2.40	71.56	1.72
MIHAFLOR S.R.L.	685,741	3.69	0.43	0.35	80.79	81.79	17.47	0.44	0.23	0.19	1.64	155.99	2.56
GEBLESCU SRL	535,273	14.34	0.77	0.73	2.15	3.15	0.29	1.13	0.10	0.67	2.12	89.22	1.89
BITELE TOUR S.R.L	292,115	71.44	0.70	0.01	4.65	5.65	0.53	0.85	0.11	0.67	3.63	37.95	1.38
TOL CONSTRUCT SRL	604,618	8.70	0.84	0.01	14.49	15.49	4.77	0.89	0.32	1.19	18.73	5.64	1.06
RUK TOUR SRL	2,694,579	18.58	0.36	0.29	7.10	8.10	0.55	0.41	0.08	0.21	2.00	99.59	2.00
PRO M SI D SRL	509,164	61.02	0.26	0.04	0.69	1.69	0.14	0.64	0.10	0.10	1.17	594.43	6.94
MIRIDIS EXIM SRL	245,431	0.05	0.40	0.39	1191.41	1192.41	161.26	0.40	0.16	0.35	6.10	19.61	1.20

Source: Author's table

Analysis of the Relation between Conservatism and the Amount of Dividends Payable to Shareholders. The Case of Romanian Listed Companies

Claudia-Cătălina Ciocan
„Alexandru Ioan Cuza” University of Iasi,
Faculty of Economics and Business Administration
ciocan_claudia_catalina@yahoo.com

Abstract

This paper has as a main purpose to identify if the use of provisions in accounting is able to produce significant changes in the amount of the distributed earnings (dividends) for the Romanian listed companies. For this purpose, we compute a correction of the distributed earnings by excluding expenses and revenues reported for provisions while maintaining the dividend payout ratio at a constant level. The results indicate significant differences between the dividends actually paid and the potential dividends obtained by excluding the effects of the provisions recognition. We conclude that the use of conservatism in order to avoid decapitalization is a real fact for the company even though the investors seem to be placed in the background. Also, the paper aims to identify and systematise the reasons that should lead the management to recognize provisions in accounting despite the impact exerted over the dividends payable.

Key words: provisions, conservatism/prudence, dividends, decapitalisation, risk

J.E.L. classification: M41

1. Introduction

In the context of the continuous evolution of the economy, both at national and international level, an important element to be considered is the risk. This is an extremely known concept and by understanding it it's possible to explain the success or economic failure. The development of all businesses is under the mark of risk, and its approach makes the business a resounding success or a lamentable failure. At management level a wrong approach or risk avoidance can lead to alteration of the managerial process, the company being unable to effectively cope with various exposures to losses. Given that management bases its decisions on financial and accounting information, it should be seen to what extent this information describes the risks that threaten the company.

In order to see how the risk is dealt with in economic theory and practice, we decided to focus on the use of *provisions* which, in this case, can be considered instruments of anticipation and protection against negative events that can generate losses for the company and whose recognition is intimately linked with accounting conservatism (Feleagă, Dragomir and Feleagă, 2010, p. 6).

The paper is divided in the following way: section two presents the theoretical background, introducing provisions and the reasons that should lead managers to recognize them, the third section presents the conceptual delimitations of conservatism and its relation with provisions, the fourth section presents the methodological approach followed by the results and discussions section and the last part presents the conclusion.

2. Theoretical background

To get to the reason for using provisions, we must first talk about the risks and how they are addressed in line with *true and fair view*, considered by international accounting practice an overriding concept, that takes precedence over all other legal provisions (Van Hulle, 1997;

Alexander and Archer, 2003) and **conservatism**. When it comes to risk, we have to admit that it is a factor present in every moment of our lives, whether we are walking down the street or we decide to invest our savings. Risk is everywhere and is both the most interesting and exciting challenge, precisely because of its presence in both the social and business spheres, in all areas of activity. We can argue with certainty that the main goal of a business is to achieve positive outcomes/ profit. Either way, achieving this goal can not take place in the absence of potentially loss-making events. According to Lam (2014), running a successful business involves pursuing the opportunities that come with the financial and managerial capacity of society by taking risks.

The concept of risk is defined in the literature in several directions: „*an uncertainty affecting the outcome*”, „*the likelihood that the actual outcome will differ from what is expected*”, „*the possibility that losses are greater than initially estimated*”, „*uncertainty about a disaster*”, all of these definitions starting from a common element, **uncertainty**. Uncertainty/insecurity in the economic environment can arise from two sources:

- the unpredictability of economic processes that reflects the objective nature of risk;
- the lack of essential information that reflects the incomplete character of information published by companies.

Until recently, the definition of risk included only the negative side, the threats it implies. At the beginning of the 21st century, the definition of risk marks a change of mentality in terms of its components. So new definitions emerged, which included both the negative side and the positive aspects that accompany this concept. In light of the occurring changes, a proper definition of risk can be considered „*an uncertain event or condition that, if occurs, has a positive or negative effect on the target set*” (Project Management Institute Inc, 2000).

There are numerous classifications for the risk, depending on the areas, the activity and other criteria proposed by the extensive literature regarding risk management. The most representative for accountants involves:

- contractual risks - caused by the lack of liquidity, which leads to the impossibility of paying the debts at maturity. According to Neacsu (2018), this risk can occur either when a contract is no longer of interest to the partner (risk of failure) or a partner is unable to meet its contractual obligations (risk of insolvency).
- financial risks - generated by changes occurring under market conditions. These risks are beyond the control of the company and directly affect its results.
- taxation risks - mostly generated by changes occurring in the tax laws of a country. Some examples that have made the mark on the Romanian business environment are: the increase of the limit to which a company may pay tax on the income of microenterprises, the reorganization of social contributions, the 10% tax on personal income, the increase of the gross minimum wage and the new system for paying VAT, all applicable from 1 January 2018.
- legal risks - generated by possible loss of income due to penalties, fines the company is liable due to non-application or misapplication of contractual / legal disposition or by inappropriate establishment of the obligations owed by the state (Moinescu and Codirlasu, 2009).

Companies need to realize their vulnerabilities, to reconfigure their strategies, to identify ways to break out of potential crises and mitigate losses. All these factors have led executives to propose a series of solutions: *preparing plans with solutions for the „worst case scenario”, under the current conditions of accelerated declining growth, a concrete orientation towards cost reduction and increase of cash inflows* and last but not least, **a realistic and balanced assessment of contractual, financial, fiscal and legal risks**, especially for countries where the taxation system is unstable (as is the case for Romania). Probable losses may be known, reasonably estimated, or not, and hence **the estimated amount of the provisions**.

Provisions can be considered an accounting tool used to anticipate and manage business risks. The pertinent question is „*what is the maximum level to which we can be cautious?*” Because conservatism prevents exaggeration with the purpose of overvaluing assets or understating debts and also does not involve the creation of secret reserves, overvalued or facade provisions. In order to answer this question, we must look at conservatism through a relationship of subordination with the true and fair view concept. This concept symbolises the quality of the information provided by a company, in terms of fidelity and sincerity, namely a clear, real picture without influence from

the information producer. Or, the relationship between the two concepts can often be considered conflictual, because by using conservatism we get a pessimistic picture of the business, a picture that lacks neutrality. In most cases, shareholders require less prudent accounting information, because they are interested in the company's ability to pay dividends, and creditors prefer conservatism, because influences the results in terms of their reduction, avoiding this way the distribution of unrealistic earnings through dividends. The two concepts appear again in antithesis because at international level, true and fair view is a highly used one, being in fact a basic principle of accounting. Nationally, however, it does not enjoy this recognition, true and fair view being noted more at a theoretical level than the practical one. The same cannot be said about conservatism which, although it is left in the background at international level, at national level, occupies a privileged place, even overriding the other principles.

The issue of reporting provisions in the financial statements also makes a mark in comparing the two concepts. Feleagă et al. (2010, p. 2) state that the accounting theory predicts the alteration of the true and fair view through the abusive use of provisions. Therefore, we can say that exaggeration, the abuse, the creation of hidden reserves and oversized provisions is able to distort the true and fair view of the results of a company. The use of provisions based on realistic estimates of required expenditure, appreciated by the entity's management, supplemented by the experience of similar transactions and in some cases by reports prepared by independent experts of the entity (Feleagă, Dragomir and Feleagă, 2010) may place conservatism as a complement of true and fair view. The situation can be addressed from two perspectives:

- „*why should we report provisions?*” Reporting provisions in this case would lead to transparency in the business environment, to qualitative information that would lead investors to a sense of security, to a complete and faithful representation of the business. They would see that the company respects moral values and will thus be protected in the future. On the other hand, risks also arise because shareholders are interested in dividends, and their reporting diminishes it. These situations lead shareholders to raise questions: „*Are the provisions really necessary or are they used in order to justify the reduction of the earnings and dividends by default?*” Also, the risk may also occur for potential investors, who are ultimately interested in the same thing as the shareholders: dividends. In addition, the non-inclusion of provisions in the financial statements in a consistently manner may raise questions about the sincerity of the information provided through financial reports.
- „*why should we not report provisions?*” A company would be tempted not to include provisions in financial reports as they could lead to a negative image vis-à-vis to creditors, current and potential investors and other users interested in the company. Lenders can ask for their loans to be covered within a shorter period of time, which would destabilize the company's liquidity and increase long-term indebtedness. Certain provisions, such as for litigation or onerous contracts, raise questions to investors and shareholders about the company's business, which poses new risks to the entity, the risk of losing shareholders or new investors.

However, whether we report provisions or whether we decide not to, one thing is certain: the risk is present and unattainable in this equation. Conservatism, in this case, complements the construction of the true and fair view because the estimation of the economic downturn of the negative events that took place only completes the overall picture of the company's results. It is up to each accountant to decide whether to take into account the signs that arise and which require their transposition into accounts using provisions. This reasoning is necessary especially in the context of the current economic and financial crisis where quality information leads to future economic benefits and the lack of it or using it improperly could lead to the loss of these benefits or even bankruptcy (Robu, 2014).

3. About conservatism and its relation with provisions

The explanatory dictionary of the Romanian language defines prudence as the assimilation of a person to be far-seeing, circumspect or cautious. When prudence is used in a colloquial sense, it is associated with self-protection, the relationship between the two being almost tautological. This association is maintained as well, at the conceptual level, in accounting but it lags behind the

seemingly negative consequences of recognizing potential losses using provisions. From an accounting point of view, conservatism (prudence) is defined by accounting regulations as the impossibility to recognize asset increases or debt reduction (OMFP No. 1802/2014), while some authors define it as the difference between economic value and net book value (Barker, 2015; Tracey, 2015). Maltby (2000, p. 52) identifies three overlapping but distinct meanings of prudence. The first and oldest related to prudence as a moral virtue conducive to honesty and competence in business. The second meaning, which became current in the nineteenth century, was the conservation of capital through the avoidance of over-distribution and the third sense of prudence was associated with creative accounting. According to the author, the 20th century prudential discussions are organized around two opposite principles: a belief that prudence is irrelevant because leads to understatement, and a commitment to it as an indispensable tenet of accounting. The significance of prudence, as suggested by the author is not fixed and immutable, but has evolved along a path that has progressively aligned it with the interests of social capital. The change was a gradual alignment of prudence with investor interests. It ceased to be a general moral virtue and became a specific economic one, characteristic of the successful businessman. Basu (2001) puts into question the issue of the definition and measurement of prudence and reconciles some previous findings with regard to differences in prudence between countries. The author presents the concept as denoting accountants' tendency to require a higher degree of verification to recognize good news as gains than to recognize bad news as losses (Basu *et al.*, 1997, p. 7) and states that it is necessary to distinguish between the balance sheet and income statement effects of conservatism, since they do not always go „hand in hand” (Basu, 2001, p. 1335). Gox and Wagenhofer (2009, p. 2) contribute to the understanding of the economic roles of conservative accounting and provide an economic reason for why asset measurement is conditionally conservative, or, more precisely, why unfavourable information is recognized by an impairment of the book value of assets whereas favourable information is not recognized. The authors point out, using an investment model in a risky project, that in the absence of any accounting regulation, a firm seeking to fund a risky venture capital project will optimally design a conservative accounting system.

One of the roles that can be attributed to financial reporting is to reflect management's ability to maintain capital and reward investors by providing dividends. Therefore, cautiously addressing the profit is to mitigate allocations from a non-existent or insufficient profit, as well as to prevent cash-flow outflows. The financial statements prepared according to the accounting regulations in force reflect the past activities of a company, taking into account two dimensions: quantitative and qualitative. A first dimension, the quantitative, takes into account the figures resulting from the accounting processing and which represents the financial position and the performance of the entity (Berheci, 2010). The second, the qualitative dimension provides interpretations of the abovementioned figures, usually in the notes to the financial statements describing the used methods and other additional information. In the financial statements, *provisions* are recognized as liabilities and are expensed to cover future losses that are probable at the end of the year. Therefore, they affect both the financial position and the performance of the company. According to *IAS 37 Provisions, Contingent Liabilities and Contingent Assets* the recognition of a provision occurs when (a) an entity has a present obligation as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation (IFRS, 2017). No provision for future operating losses is recognized because these future losses do not meet the definition of a liability and the criteria for recognizing provisions (MFP, 2014). Feleagă et al. (2010, p. 7) state that because the entity can avoid the future expenditure by its future actions, for example by changing its method of operation, it has no present obligation for that future expenditure and no provision is recognized.

Recognition of provisions in the financial statements is a result of the application of the conservatism. But it is considered that their use creates an asymmetry in accounting: *on the one hand, a company cannot present asset value increases or decreases for debts, even if they are obvious, but it is required to record all negative trends in accounting, even if they are estimated.* By ignoring potential earnings, the company protects its stakeholders from the risk of being ... optimistic and by recognizing provisions discloses information about events that can generate

losses for the company. Watts (2003) explains that the contracting explanation of conservatism suggests that accounting is a means of addressing information asymmetry amongst the various parties to the firm. In practice, accounting conservatism defers reported earnings and understates net assets, thus constraining opportunistic wealth transfers by management at the expense of other parties.

4. Research methodology and data

Toma (2001) states that conservatism seeks to provide a safety margin for the company and users of financial information. It protects tomorrow's owner from an expense that belongs to today's owner and avoids decapitalization of the firm, which may occur in response to the distribution of unrealistic earnings (Horomnea, 2013, p. 258). The same assertion is supported by Montesinos et al. quoted in Machado Cabezas (1996, p. 811) and Maltby (2000, p. 52). It can therefore be concluded that the purpose of conservatism is to protect the wealth of a company against the risk of reflecting oversized earnings, the distribution of which could lead to the company's decapitalization. Neag and Adorjan (2016, p. 136) assert that *provisions*, which can be considered an accounting tool used to anticipate and manage business risks, directly influences the calculation of the distributed earnings. Thus, starting from the model proposed by the authors, we sought to identify the impact exerted by the non-recognition of the provisions over the dividends and in order to do so we analysed the change in the amount of the dividends (ΔDiv) considering the paid dividends and the corrected ones as follows:

$$\Delta Div = \frac{Div_{corrected} - Div_{paid}}{Div_{paid}} \times 100$$

Where

ΔDiv is the change in the amount of the dividends

Div_{paid} the paid dividends according to www.bvb.ro

$Div_{corrected}$ the corrected dividends resulting from the corrections applied over earnings per share ($EPS_{corrected}$) in line with the formulas:

$Div_{corrected} = (R_{div} \times EPS_{corrected}) / 100$, where

R_{div} represents the Dividend Payout Ratio = $(Div_{paid} / EPS) \times 100$ being considered a constant in the analysis

$EPS_{corrected} (1) = [(Net\ Income + Expenses\ reported\ for\ provisions) / Outstanding\ shares] \times 100$

$EPS_{corrected} (2) = [(Net\ Income + Expenses\ reported\ for\ provisions - Revenues\ reported\ for\ provisions) / Outstanding\ shares] \times 100$

Dividend payout ratio indicates the percentage of earnings paid to shareholders in the form of dividends. The closest to 100%, the higher the share of the profit for the dividend's payment (Neag and Adorjan, 2016). This rate is constant.

To reflect the extent to which provisions affect the size of dividends, we recalculated the **dividends** and the **earnings per share** considering two options: one in which the estimation of these indicators take into account only the income and expenses reported for provisions excluding the revenues reported for provisions (results presented in Panels A - section 5) and one in which we included both expenses and revenues reported for the provisions (results presented in Panels B - section 5).

Unlike Neag and Adorjan (2016), which adjusted the paid dividends using only the value of the reported provisions, the present paper uses the expenses and revenues reported for provisions, for the recalculation of earnings per share ($EPS_{corrected}$). We consider that this correction is much more appropriate because it includes only the effects produced in the analysed financial exercise. As reflected in the balance sheet, the reported provisions include, in addition to the estimates attributed to the current period, the value of the estimates made in previous years, thus leading to over-sized corrected dividends for each analysed exercise. Considering the explanations given by Basu (2001, p. 1335) concerning the distinction between the effects of prudence on the balance sheet and income statement and the fact that the profit is calculated as the difference between revenues and expenses, by limiting only to the information in the income statement, we eliminate the

shortcomings created by the use of provisions in the calculation of the corrected dividends.

The analysis includes a total of 64 companies listed on the Bucharest Stock Exchange (BSE) on the Standard and Premium tier. From a total of 87 listed companies registered in 2018 we excluded some companies as follows:

- 12 financial institutions, financial investment institutions, mutual funds and other similar financial entities;
- 11 companies for which it was not possible to collect data for the analysed period.

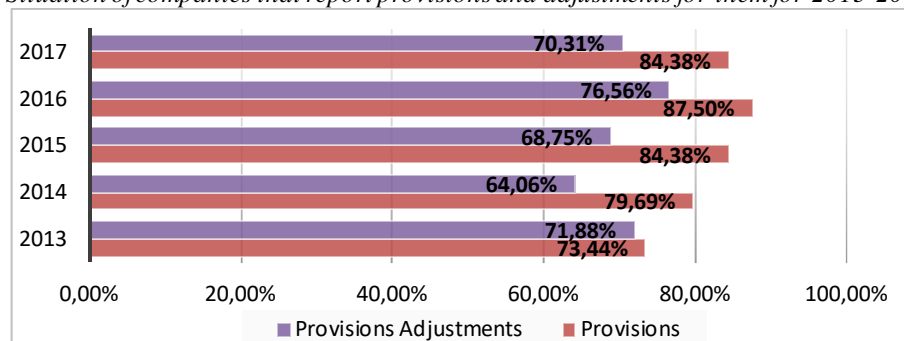
The data for the analysed variables were collected from the individual financial statements of the companies reported in accordance with IFRS. The time horizon considered was the 2013-2017 period. The primary source of data collection was the www.bvb.ro site and in some cases (either due to the unavailability or to confirm the data) we visited the websites of the analysed companies. For each year, all 64 enterprises were counted thus totalizing 320 observations.

5. Findings

The Romanian business environment is an unstable one and is at an early stage in attracting financing through stock exchanges. Romania is also a country where small companies and microenterprises, are predominant. As Burlacu (2017) pointed out in the situation presented at the CAFR (Chamber of Financial Auditors from Romania) congress, Romanian SMEs accounted in 2017 for 99.91% of all enterprises active in the national economy. Microenterprises registered a weight of 97.8%, small enterprises 1.7% and medium enterprises 0.3%. These are companies to which the general public does not have access to financial statements, companies that have no legal obligation to audit the financial statements. As provisions are not mandatory, but are a voluntary component that involves using professional reasoning to estimate uncertainties, for some small companies, we dare to say that for most of them, they are not a priority either because the risks are too many and difficult to estimate, either because accountants do not consider it necessary to use them or do not know how. In the process of collecting data from the financial statements we found cases where the depreciation of current assets (especially adjustments for bad debts) were recognized erroneously as provisions. Transparency required by users is not a primary objective for companies, especially for small ones. *Should investors be aware of all the details, all the risks faced by the entity in perspective, or is it preferred a higher and more attractive income for this category?* The answer to this topic may be different from one company to another.

It can be seen from Figure 1 that, within the analysed sample, the proportion of companies reporting provisions (according with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*) oscillates between 73.44% in 2013 and 87.50% in 2016. At the same time, the proportion of those who report provisions adjustments (expenses and/or revenues reported for provisions) oscillates between 64.06% in 2014 and 76.56% in 2016. Given that the analysed companies are predominantly big ones, that are submitted to external audit and their reports are public for existing and potential investors we can state that reporting provisions in this case is designed to ensure a higher degree of transparency regarding risk management.

Figure no. 1. Situation of companies that report provisions and adjustments for them for 2013-2017 period



Source: Author's own processing

From table no. 1 it can be seen that out of the 64 companies analysed for the 2013-2017 period only a part of them paid dividends. Also, the further analyses will exclude the cases in which the companies paid dividends but there were no provisions adjustments, since these results will not be relevant leading to no changes in dividends.

Table no. 1 Companies that granted dividends during 2013-2017

Year	Companies that paid dividends		Companies that paid dividends and reported expenses reported for them		Companies that paid dividends and reported expenses and/or revenues reported for them	
	Valid		Valid			
	N	Percent	N	Percent	N	Percent
2013	22	34.4%	15	23.4%	17	26.6%
2014	29	45.3%	21	32.8%	22	34.4%
2015	27	42.2%	20	31.3%	20	31.8%
2016	32	50.0%	25	39.1%	28	43.8%
2017	30	46.9%	23	35.9%	25	39.1%

Source: Author's own processing using SPSS 23.00

The purpose of the paper is to determine whether the use of provisions is likely to lead to a significant change in the earnings distributed to shareholders in the form of dividends. In order to do so, we considered the paid dividends during 2013-2017, we calculated the earnings per share, the dividend payout ratio and we adjusted the first two according to the expenses and revenues reported for provisions.

Table no. 2 Changes in dividends

Panel A: Companies that paid dividends and reported expenses reported for them						Panel B: Companies that paid dividends and reported expenses and/or revenues reported for them					
Year	Statistic	Std. Error	Year			Statistic	Std. Error	Year			
			Mean	95% Confidence Interval for Mean	5% Trimmed Mean			Mean	95% Confidence Interval for Mean	5% Trimmed Mean	
2013	Mean	48.02%	22.47%			Mean	9.50%	8.53%			
	95% Confidence Interval for Mean	Lower Bound	-0.17%			95% Confidence Interval for Mean	Lower Bound	-8.59%			
		Upper Bound	96.21%				Upper Bound	27.59%			
	5% Trimmed Mean	38.55%				5% Trimmed Mean	4.00%				
	N	15				N	17				
2014	Mean	74.46%	32.08%			Mean	39.07%	22.35%			
	95% Confidence Interval for Mean	Lower Bound	6.88%			95% Confidence Interval for Mean	Lower Bound	-7.41%			
		Upper Bound	142.04%				Upper Bound	85.55%			
	5% Trimmed Mean	50.65%				5% Trimmed Mean	19.77%				
	N	21				N	22				
2015	Mean	84.82%	35.86%			Mean	54.89%	31.10%			
	95% Confidence Interval for Mean	Lower Bound	9.76%			95% Confidence Interval for Mean	Lower Bound	-10.20%			
		Upper Bound	159.89%				Upper Bound	119.97%			
	5% Trimmed Mean	59.86%				5% Trimmed Mean	33.47%				
	N	20				N	20				
2016	Mean	43.16%	18.85%			Mean	6.32%	7.92%			
	95% Confidence Interval for Mean	Lower Bound	4.25%			95% Confidence Interval for Mean	Lower Bound	-9.93%			
		Upper Bound	82.06%				Upper Bound	22.58%			
	5% Trimmed Mean	25.51%				5% Trimmed Mean	3.50%				
	N	25				N	28				
2017	Mean	18.20%	3.84%			Mean	-2.94%	7.92%			
	95% Confidence Interval for Mean	Lower Bound	10.23%			95% Confidence Interval for Mean	Lower Bound	-19.30%			
		Upper Bound	26.17%				Upper Bound	13.42%			
	5% Trimmed Mean	16.88%				5% Trimmed Mean	2.02%				
	N	23				N	25				

Source: Author's own processing using SPSS 23.00

From Panel A presented in table no. 2 it can be noticed that the exclusion of expenses reported for provisions leads to a **positive** change in the amount of the dividends for all of the analysed cases (the interpretation is based on the 5% trimmed mean which is much more relevant considering that the analysis highlighted numerous outliers for the analysed sample). For 2013 it can be seen that the amount of the dividends increases on average by 38.55%, oscillating (as can be seen from Panel A presented in Table 3) between an increase of 3.02% registered by FARMACEUTICA REMEDIA SA and an increase of 263.54% registered by AEROSTAR SA. In 2014, on average, the dividends amount increases by 50.65%, oscillating between a 0.53% increase registered by SOCEP SA and a 586.99% increase registered by OIL Terminal SA. In 2015, the value of dividends increases by an average of 59.86%, oscillating between a 0.39% increase registered by SOCEP SA and an increase of 618.54% registered by COMELF SA. In 2016 the dividend value increases, on average, by 25.51%, oscillating between 0.90% increase registered by T.H.R. MAREA NEAGRA S.A and 472.73% recorded by IAR SA. In 2017 dividend value increases, on average, by 16.88%, oscillating between a 0.61% increase recorded by TERAPLAST S.A and an increase of only 60.05% this time recorded by IAR SA. If we were to consider only the results presented in Panel A without addressing the revenues reported for provisions due to the decrease or use of the provisions, we could argue that the situation of non-recognition of the provisioning expenses is a potentially favourable one for the shareholders who could otherwise be remunerated with more than if they are actually paid.

Table no. 2 Extreme values for changes in dividends

		Panel A: Companies that paid dividends and report expenses reported for them			Panel B: Companies that paid dividends and report expenses and/or revenues reported for them			
ADiv	An	Acronim	Value	An	Acronim	Value		
2013	Highest	1	ARS	263.54%	Highest	1	IARV	137.04%
		2	IARV	248.99%		2	COTE	27.71%
		3	ELMA	79.59%		3	CMF	20.94%
		4	COTE	41.72%		4	ARS	16.11%
		5	CMF	22.61%		5	CMCM	8.46%
	Lowest	1	RMAH	3.02%	Lowest	1	BCM	-19.11%
		2	SNP	3.05%		2	TUFE	-17.77%
		3	PTR	3.36%		3	ALU	-13.90%
		4	SNG	3.48%		4	SNP	-11.06%
		5	SNN	3.82%		5	TGN	.33%
2014	Highest	1	OIL	586.99%	Highest	1	OIL	460.52%
		2	ARS	378.62%		2	IARV	169.32%
		3	IARV	180.71%		3	ARS	138.42%
		4	ELMA	164.76%		4	SNP	58.89%
		5	SNP	79.47%		5	MECF	23.24%
	Lowest	1	SOCP	.53%	Lowest	1	ATB	-8.97%
		2	SPCU	.61%		2	CMCM	-7.00%
		3	ELGS	1.31%		3	SOCP	-3.74%
		4	EFO	1.84%		4	BIO	-2.38%
		5	SNG	2.54%		5	VNC	-2.08%
2015	Highest	1	CMF	618.54%	Highest	1	CMF	529.40%
		2	PREB	356.19%		2	PREB	356.19%
		3	IARV	287.84%		3	OIL	125.93%
		4	OIL	175.54%		4	IARV	42.84%
		5	ARS	64.53%		5	ARS	31.07%
	Lowest	1	SOCP	0.39%	Lowest	1	MECF	-34.04%
		2	TRP	1.16%		2	TRP	-2.88%
		3	ELGS	2.01%		3	COTE	-2.48%
		4	SNG	3.16%		4	TUFE	-1.92%
		5	TGN	3.90%		5	BIO	-.89%
2016	Highest	1	IARV	472.73%	Highest	1	CNTE	131.47%
		2	CNTE	131.47%		2	IARV	127.52%
		3	ARS	82.42%		3	PREB	36.67%
		4	PREB	53.22%		4	BRM	32.70%
		5	MECF	46.71%		5	ARS	23.99%
	Lowest	1	EFO	0.90%	Lowest	1	IMP	-74.21%
2		TRP	1.02%	2		RMAH	-48.12%	

		3	IMP	2.30%		3	ALR	-40.97%
		4	TGN	3.26%		4	SNP	-34.91%
		5	SCD	3.87%		5	CMF	-14.46%
2017	Highest	1	IARV	60.05%	Highest	1	BRM	56.86%
		2	BRM	56.86%		2	IARV	33.89%
		3	ARS	51.54%		3	ELGS	21.15%
		4	OIL	45.20%		4	SNN	11.30%
		5	TBM	26.10%		5	ALR	8.03%
	Lowest	1	TRP	0.61%	Lowest	1	OIL	-178.10%
		2	VNC	0.63%		2	SNP	-24.62%
		3	SOCP	1.81%		3	TRP	-14.88%
		4	CBC	2.41%		4	CMF	-7.23%
		5	PTR	2.91%		5	ATB	-7.04%

Source: Author's own processing using SPSS 23.00

We further consider the fact that the use of provisions requires on the one hand, their recognition, which implies an expenditure recognition, and on the other hand their use, which implies the recognition of a revenue. Thus, we conducted a second series of adjustments in order to exclude both expenses and revenue reported for provisions from the earnings per share quantum.

From the data in Panel B (presented in Table 2) it can be seen that, on average, the exclusion of both expenses and revenues reported for provisions also leads to a positive change in dividends for many of the analysed cases, although significantly smaller than in the first case. Also, from Panel B presented in table no. 3 we can observe that in many of the analysed cases eliminating both the expenses and revenues reported for provisions may lead in fact to less distributed earnings (smaller dividends) than if they were recognized. This observation can be attributed to the fact that an undeclared and unrecognized risk may adversely affect the company, the loss being felt more strongly by the shareholders than when the provisions are recognized.

6. Conclusions

This paper had as a main purpose to identify if the use of provisions in accounting is able to produce significant changes in the amount of the distributed earnings (dividends) for the Romanian listed companies considering for that manner the paid dividends (according to www.bvb.ro) and the corrected ones obtained after the exclusion of the expenses and revenues reported for provisions, under the mark of conservatism, from the earnings per share amount. The results indicate significant differences between the dividends actually paid and the potential dividends obtained by excluding the effects of the provisions recognition.

First, the exclusion of expenses reported for provisions leads to a *positive* change in the amount of the dividends for all of the analysed cases. Thus, if we were to consider only the exclusion of the expenses without addressing the corresponding revenues, due to the decrease or use of the provisions, we could argue that the situation of non-recognition of the provisioning expenses is a potentially favourable one for the shareholders who could be remunerated with more than if they are actually paid.

Second, considering the fact that the use of provisions requires on the one hand, their recognition, which implies an expenditure recognition, and on the other hand their use, which implies the recognition of a revenue we observed that, on average, the exclusion of both expenses and revenues reported for provisions also leads to a *positive* change in the amount of the dividends for many of the analysed cases, although significantly smaller than in the first case. Still eliminating both the expenses and revenues reported for provisions may lead in fact, in some cases, to less distributed earnings (smaller dividends) than if they were recognized. This observation can be attributed to the fact that an undeclared and unrecognized risk may adversely affect the company, the loss being felt more strongly by the shareholders than when the provisions are recognized.

Considering the abovementioned we can argue that the use of **provisions** under the mark of accounting conservatism in order to avoid decapitalization is a real fact for the company even though the investors seem to be placed on a second place. Moreover, despite the fact that it reduces the amount of distributed dividends, we can assert that their recognition benefits shareholders by minimizing the impact of losses from negative events.

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Ethics in Financial Analysis: Battlefield of Principles

Cristina Drumea

"Transilvania" University of Brasov

cristina.drumea@unitbv.ro

Abstract

The paper discusses the way in which creative accounting practices and subsequent financial audit and analysis transform the economic environment leading to cascade crises, to proliferation of ill-practices and to violating ethic principles in the hope of a swift cash-out from volatile situations. Recent decades' financial crises are discussed in relation to an increasingly controlled financial services market, while financial scandals keep on overflowing despite the over-regulation worldwide. Ethical behaviour of the main actors involved is disbalanced by quick profit enticement, which calls for stronger regulatory measures, in many legislators' opinion, or for lesser intervention in the hope of a self-regulation under the law of supply and demand of financial services.

Key words: Creative Accounting, Financial Ethics, SOX Standard

J.E.L. classification: M42, M48, G01, G38, H32

1. Introduction

Nowadays economic reality often presents operational decisions and erroneous strategic positionings related to controversial accounting reporting by major companies or other important economic actors. Most of these decisions based on the results of economic and financial analyses conducted by competent teams, being less influenced by the emotional-intuitive approaches of key decision makers. In the same family of analytical instrumental failures, we can include the low predictability of negative economic shock-events. It would be sufficient to remember the persistence of questions about the "surprising" 2008 financial crisis and the criticisms manifested by the decision makers towards economists in regard to its unpredictability. In this context, it is justified to have a deeper look at how an economic analytical tool relates to an expected positive result and can or cannot respond correctly to the current society's expectations.

A first issue is discussing how to combine a technical measuring instrument, bearing objective and quantitative characteristics to ethics in general, and to the ethical principles of our present time as long as a quantitative element (analysis) is thus associated with a pronounced qualitative one (ethics). As a rule, the use of an analytical tool which presents a realistic view on the reality that is observed can be discussed through ethical compass mainly at times when it is considered that its use was inappropriate. The implicit assumption is that use itself is ethical, but occasionally unethical results have been generated by the particularities of the case.

Considering both these types of failure and the current ethical standards associated with the business world, we consider that starting the discussion by scrutinizing the analytical instrument itself and its usage in second range seems to be a more comprehensive approach. In addition, the approach is less ambiguous than the one that is limited only to the mode of use, possibly through a case study.

For the financial analysis as a tool to measure the economic performance of an organization, especially a profit-oriented one, the last decades have marked enough events (Enron, Lehman Brothers to cite only the most famous ones) raising questions about its ethics.

A collateral "event" of a theoretical nature was the development of the CSR (Corporate Social responsibility) concept. The latter has reset talks about business' goals and the ethics of the profit maximization. In fact, there has been an important trend in how to redefine business and use certain management tools, including financial analysis.

2. Literature review

Financial analysis is an instrument designed to help improve the way an organization meets the purpose for which it was created. If the organization is a profit-oriented entity, the analysis would improve the organizational behaviour adopted to maximize profits through the information it synthesizes in diagnostics. This role of financial analysis for this type of organizational structure is built on the assumption that a company's rationality is of an economic nature. With this hypothesis, another set of assumptions about relationships between people and the behaviour of the corporation is validated, based on current theories and accumulated practice, including by reference to the moral and ethical system of nowadays society founded on a capitalist approach and development.

Assuming in this general context that the company is established for economic purposes, it is necessary to identify their characteristics as well as their beneficiaries. In other words, it is necessary to identify the characteristics of the "good" pursued by the company and who are those who perceive these "good" deeds. The impact of the tool should then be assessed both in identifying this "optimum" and in shaping the behaviour of prospective beneficiaries in its search. Without looking for references in the classical works of old and new Marxists, the discussion about the "good" of a company at the moment, carried with the generic reference concepts, means to counterpart the interests of shareholders with those of the stakeholders. In essence, two relatively opposite approaches, theorized by Friedman (1970) and Freeman (1984), would counterbalance. In other words, shareholder vs. stakeholder means Friedman vs Freeman. The way in which it is considered ethical to move the balance towards one of the two sides will finally define the ethical context of using the financial analysis.

Friedman (1970) considers that a business has no social goals, but only the responsibility of profit. On this fundament, all its actions are designed to satisfy the interests of the shareholders, and maximizing profits is the essence of the actions taken by the company in which the latter share an interest. The consequence is that the financial analysis, calibrated on the optimization of the results that are currently used on the stock exchange analysis is an ethical tool because its unanimously accepted goal is pursued according to the ethics of the capitalist economy.

In a financial analysis, tracking profitability is the action of maximum interest. Dilemmas arise about the way in which profitability is synthesized in different indicators, but also about the way profitability truly reflects the firm's well-being.

Profitability indicators are known by the three-letter acronyms used on stock exchanges: ROA, ROI, EPS, and ROE. The EVA (Economic Value Added) and MVA (Market Value Added) metrics, which are supposed to reflect market opinion, were added almost half a century ago. Positive appreciations (Skyrme and Amidon, 1997) are counterbalanced by Goldberg (2000), which claims that these indicators generate illusions. Theoretical disputes remain current, illusions continue to be created and drive markets, and smaller or larger falls continue to appear "surprisingly." To what extent the creation of illusions is ethical, as well as the mechanism associated with the appreciation of "added value", remains to be debated.

The way in which profitability reflects the company's wellbeing also remains in debate. Undoubtedly, the approach that focuses on the interests of shareholders is preserved, even if the perception of the market is discussed as alternative, which would also infer the interests of other stakeholders. As a principle, it is worth noting that the company's wellbeing does not necessarily mean the shareholders' wellbeing. In order for them to fulfil their desired level of security, they will modulate the business, meaning they will tend to shape the company's relationship with other companies, along with moulding the organization's behaviour toward maximizing their own profit. This structure shaping may translate in practice into including the company in a holding and/or operating with off-shore companies located in fiscal paradises. In addition, profit optimization is also made by choosing a convenient operating formula between parent and subsidiaries in other countries, especially in emerging economies.

The clearest consequences fall into two categories of voluntarily diminishing the profits of a company operating in economies with high taxation. The first category consists of diminishing the profit of the parent company by operating in conjunction with offshore firms in tax havens. Examples of famous companies (Deutsche Bank, Société Générale) or names in more than 100 states associated with the notorious "Panama Papers" investigation line are already part of the

literature and of the recent past and practice. Additionally, it is worth mentioning the case of General Electric, a corporation celebrated for corporate governance innovations, who had years (2008 to 2016) [<https://itep.org/wp-content/uploads/35percentfullreport.pdf> accessed 27 May 2019] of reporting zero profit in US after transferring its fruitful activity results to offshore subsidiaries. The same was reported about other giants of the US economy (Apple, Microsoft, Oracle and Google), who rounded up the top 20 companies with the biggest cash in offshores in 2016.

Similar situations are reported in the EU: "The European Commission expects more than 6,000 multinational companies to be affected. It estimates that the EU, which is composed of 28-member countries, is losing as much as 70 billion euros (\$ 80 billion) a year because of corporate tax avoidance. [https://money.cnn.com/2016/04/12/news/tax-europe-companies-eu/index.html?iid=EL consulted on 21 May 2019] The second category is represented by the subsidiaries located in emerging economies that report, on average, less important profitability rates as compared to the local companies, including the public ones. The reason is the transfer of profit to areas with more favourable fiscal policy, following shareholders' interests.

Besides shaping the company's relationship with its economic environment, using the holding/grouping principle as a tool, its "borders" can be transformed by the A & M (Acquisitions and Mergers) approach. Essentially end in reference to the financial analysis tool, it is noteworthy that its results can be carved according to the stakeholders' temporarily "fashionable" illusions - using the same A & M policy.

The specific economic literature notes that US companies were hit in the 1980s and 1990s by what was called a merger-mania especially in sectors such as Telecommunications, commercial Banking, Aerospace and Pharmaceuticals. Of course, a significant part was due to a defragmentation tendency in the sense of increasing the influence of the resulting colossus on the market and its associated benefit range. In other situations, however, in order to improve the financial analysis figures in the chosen market sense of the moment, the companies grew affected by a fever of acquisitions and mergers. Long-term results were poor, but immediate ones - reflected in outstanding outcomes revealed by diagnoses and financial reports - gave satisfaction to those directly involved as initiators. This is the case for a number of CEOs who have been trained on the wave of financial wizards, ignoring the product, technical innovation and longevity of the firm in its economic environment.

It should also be noted that the profit reporting discussion is inextricably linked to a standardized 1-year financial interval, which is likely to significantly distort a rational behaviour that targets the wellbeing of a company over a time frame that should not be linked to the power arrangements of the executives or the transitory interests of the shareholders, but to the logic of the product(s) and of the respective business.

In summary, the financial analysis is intended to be an objective tool to optimize the economic behaviour of a company for the benefit of its shareholders primarily. This optimization occurs under the caveat that the entity is demarcated by its executives who tend to create through financial reporting the illusion of a positive development as compared to the epicentre, possibly using financial and fiscal malpractice in the other countries in which it operates. Reactions by the governments of these countries are increasingly punitive, even though the list of such countries includes the world's champion of economic liberalism or the EU member States.

Freeman (1984) has launched the idea that the company should take into consideration the interests of its stakeholders in a balanced way. In practice, this would mean pursuing a series of performance criteria other than purely financial ones. These criteria may intend to support the interests of stakeholders other than the shareholders. In this way, the ethical impact of a tool that absolutizes interest in financial performance is basically diminished, but it is implicitly recognized that it would generate an ethical issue by stimulating selfish behaviour and greed, to the detriment of social orientation and even to the detriment of the true and fair view accounting principle. It should be noted that Freeman does not discuss in terms of clarifying the financial analysis ethics but moves the scope from profitability to other measurable criteria that should be considered relevant to the success of a business.

The introduction of quantifiable and difficultly manageable criteria (Holbrook, 1999 and Priem, 2007) does not simplify the ethics of using financial analysis, however it provides an elegant solution to avoid a corrosive discussion that undermines a tool with satisfactory outcomes.

3. Research methodology

As essential as it is, ethics is a non-quantifiable element that through its nature cannot be controlled at every junction. Legislation can though be modified in order to alter the effects of non-compliance to ethics codes, which for a given economic environment can be reassuring in theory but quite extraneous in practice.

The research hypothesis we start from is that financial services sophistication comes along with the corporations' inclination to avoid rules and regulations and to slide in the grey zones that insure better returns despite of risks.

Second hypothesis is that governments' tendency is to over-regulate the financial services field (audit, accounting, financial analysis, diagnosis, banking services etc.) in a strive to combat the creative accounting practices on one side (ref. to US Sarbanes-Oxley Act of 2002) and the formation of shadow banking structures on the other side (ref. to EU Regulation No. 2365 /2015 on transparency of securities financing transactions and reuse and amending EU Regulation No 648/2012).

Several famous cases are discussed and inter-linked in order to depict an economic reality of the 2007-2008 and earlier financial crises, with a focus on the governance's legislatives responses and their effects over the sanity of the financial world.

4. Findings on financial analysis ethics

Considering the general question of the relevance of a company's financial results for the "good" of its stakeholders, the assessment of the usage of financial analysis is rigorously required, because its misuse can only amplify doubtful approaches as discussed above. Assuming, however, that the prior principal issues are maintained in an acceptability zone, usage of financial analysis tools would theoretically reveal two possibilities of introducing negative impact elements.

The first possibility would be to introduce erroneous data in the decision-making process due to malfunctioning but unintentional use of the analysis tool. The optimistic variant would be the occurrence of errors due to the lack of knowledge of the field of financial analysis and/or the related rules or even due to the occurrence of material errors, in the sense used in legal procedures. The situation seems to be plausible for small and medium-sized companies, and for example, tax authorities in Romania have begun to consider this possibility of unintended error. Even if the accounting documents have to be certified by authorized personnel, the unintentional error is possible and reasonable.

The second possibility and the really damning one would be to deliberately generate errors or to use procedures that speculate grey areas at the limit of regulations. Economic dictionaries have introduced the term of "misleading financial analysis". It is defined as "Financial analysis of an organization is misleading when it is used to misrepresent the organization, its situation or its prospects"[English Encyclopaedia]. It also explains that it is used to mislead investors by creating market bubbles. The topic of financial analysis ethics is part of the financial ethics.

Obviously mal-intended use takes many and diverse forms and contradicts the current ethical norms of the capital world in the developed countries. For example, a private organization interested in this field - the Seven Pillars Institute for Global Finance and Ethics - uses a collection of over 100 cases to discuss and illustrate the issues and themes related to this topic. In other words, forms of business ethics violation under the umbrella of figures of financial significance, forms embodied in notorious cases (e.g. Deutsche Bank) or involving well-known names such as that of President Trump as a businessman, are numerous. However, those who escape academic analyses or judicial establishments are probably more numerous and are already using banalized recipes due to their frequent use.

Discussions about use and spread of creative practices in the financial statements identify three primary reasons for it:

1. A link of embellished financial results with the executives' benefits,
2. The freedom of interpretation that the Financial Accounting Standards Board (FASB) allows for, *and*

3. The concentration of accounting, auditing, and diagnosis services into huge companies (in the US especially, with reference to the Big Four group).

If in the first two causes the logic of the process is clear, concentration of the accounting services offer generates a more sophisticated response. Simplifying, one can say that a big accounting firm is required to provide a pink image of the financial situation in order to keep that client satisfied and willing to (over) pay for these services (Anton, 2011).

The "classic" area of accounting creativity in the sense depicted above has its peak in the invasive scheme for generating a market bubble. From the manipulative recipes, in a relatively logical way in the mentioned context of the three cases, an equally "creative" approach of the use of the financial analysis has been reached. Although these approaches can be considered defensive and tracking local effects at the level of one company, the "wave" can generate negative effects across an entire industry. Implicitly, it generates a devastating effect on the reputation of the sector/auditing profession and, more generally, on the credibility of an instrument that is claimed to be objective, such as financial analysis.

The major shock associated with the audit and consultancy sector became prominent in 2001 at the collapse of the energy giant, Enron. This was a Texan corporation well-known for its expansive behaviour and the relatively persuasive organizational culture associated with its business success. The audit firm that testified Enron's success was the famous Arthur Anderson, one of the "big Five" accounting firms that dominated the American market at the time and became legendary worldwide. Arthur Anderson has endorsed the "creative" recording practices of the Enron client. Essentially, they presented positive financial results, although the situation was unfavourable to that extent that in 2001 the company went bankrupt. Given the gap between the real situation and the audit outcome, Arthur Anderson was found guilty of criminal charges in 2002 and voluntarily surrendered license. Even though in 2005 the Supreme Court cleansed Arthur Anderson due to procedural errors of the first instance court in 2002, the case remained emblematic for the misappropriation of financial analysis and the name Arthur Anderson disappeared from the accounting services market by reducing the circle of the auditing companies' elite from Big Five to Big Four.

Without neglecting the implicit ethics signals given by the court judgments, it is worth noting that the market has reacted by generating consistent discussions on audit ethics and related financial analysis. Similar scandals involving emblematic firms on the American market of the same period, Tyco or WorldCom were added to the Enron case. The negative consequences of bankruptcies and financial malpractice have been perceived not only by shareholders, but also by many stakeholders: employees, participants to pension funds, suppliers, local communities, etc. Their dissatisfaction got politically aggregated and materialized the ethics signal in a regulation issued in 2002, the Sarbanes-Oxley Act. The Act enter in effect since then and was no longer influenced by the 2005 Supreme Court ruling on Arthur Anderson, which shows that the ethical "defect" perceived by the public was set straight by new anti-fraud legislation, and not by a post-factum punishing intervention, based on the previous legislation.

This regulation was intended to emphasize pressure towards standardized use of financial analysis and its tools, in order to limit "creativity" in the field, and to reduce the number of cases with negative consequences across a country's economy. The tendency towards standardization has become increasingly clear, and in practice national standards and IFRS international standards have been set up for the European area. Their effect seems to have been positive in its initial stages of implementation, yet the number of financial scandals remains significant (Drumea, 2008).

In terms of financial sector sanity and for the business world, much more severe were the shocks created by banks, leading to the 2008 crisis. In some situations, as in the cases of PNP Paribas in early crisis 2007 or the famous Lehman Brothers in the September 2008 crisis, their effects have generated major global issues.

Although for a crisis of this magnitude some general pre-conditions are necessary, as in questionable practices supported by a large number of organizations, the prompting role belongs only to a restraint number of companies or a minor number of decision-makers (Bacanu, 2016). In the most recent subprime crisis, the role of trigger is attributable to the American banks. More specifically, the 2008 crisis, which was fuelled by the housing boom in the United States, was triggered by an unregulated shadow banking system that has grown out of proportion and

overtaking the traditional banking sector in size. Most of these institutions did not fall under the supervision of the Federal Reserve at the time (Keats, 2015). The ultimate point of origin of the great financial crisis of 2007-2009 can be traced back to an extremely indebted US economy. [...] Accounting data fail to reveal the full extent of the financial maelstrom. Ironically, according to these data, US banks appear to be still adequately capitalized (Fратиanni and Marchionne, 2009).

5. Conclusions

The discussion on ethics in financial analysis reveals an annular, self-destructing structure: the economic context is distorted by ethically questionable practices under the grey zones of rules and regulations, which calls for actions from the legislator. However, the existing distortions already generate further tools and procedures that stimulate unethical approaches in direct relation with the initial intention to positively impact the context. Which one triggered the other? The dilemma ...

Over-regulating the relations between companies in a given economic context, as well as focusing on the shareholders' interests associated with annual profit can constitute prerequisites for misleading financial analysis. It comes from a natural behaviour of the main actors seeking the best outcome of a situation and is to be expected. What are the correct answers to this form of normality? All regulatory attempts have triggered more sophistication on the faultier side, with no concrete and long-term effects on the sanity of the context.

In the depicted economic torments, the reaction is to discuss about the technical triggers and the solutions allowing to shift the situation back to the positive coordinates before the crisis. The general context is less discussed, nor the direct reference to ethics. In the case of the most recent 2007-2008 crisis, it has not been analysed to what extent the "unregulated shadow banking system" is ethical or an "extremely indebted economy" is likely to generate a framework that favours sustainable unethical behaviours rather than sustainable economic development. In other words, while we make the same errors, it is very likely that we will obtain the same doubtful results.

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Investigation of the Corporate Social Responsibility Practices at OTP Group. Evidence from the Subsidiary – Parent Relationships

Georgiana-Loredana Frecea

“Ovidius” University of Constanta, Faculty of Economic Sciences

frecealoredana@gmail.com

Abstract

The present paper starts from the leading position of OTP Bank according to the Global Reporting Initiative framework, extending the analysis at the group level. The main purpose of this paper is to investigate the relationship between the financial group and the subsidiary, providing a broad picture of the corporate social responsibility (CSR) development based on the influences of the group. The present case study is an ambitious example of how to improve the corporate social responsibility agenda through a positive communication on sustainability topics among the parent-group and the corresponding subsidiary, establishing some synergies between activities, major stakeholders, CSR objectives and reporting practices. The main results highlight the increasing role of the non-governmental sector for the CSR development and its evolution to foundations attached to the group, being an appropriate example of best practices for other subsidiaries that activate in the Romanian banking system.

Key words: corporate social responsibility, influence, subsidiary, financial group

J.E.L. classification: G21, M14

1. Introduction

The corporate social responsibility concept has gained a significant increase in terms of practice and theoretical insight, influencing the economic environment worldwide. Its evolution puts more pressure on some companies from sensitive economic sectors which depend on the approval of key stakeholders for their presence on the market. One of the most sensitive field is the financial sector, engaging economic transactions of high dimensions due to the development of the globalization process. The stakeholders' trust in the financial services provided by the credit institutions depends, in a certain degree, on the bank's public image, shaped by the recent expansion of the CSR activities.

The corporate concern for CSR was translated in the Romanian market by a set of marketing tools and patterns from the parent-group CSR strategies, the banks implementing an adjusted form of corporate social responsibility. This paper presents the OTP Group case study in connection with the sustainability strategy of OTP Bank Romania, suggesting a close liaison with the main CSR fields integrated in a unitary vision of social responsibility.

2. Literature review

In the context of a wide CSR exploration by both academic and practitioners, the fundamental mechanism of the corporate social responsibility concept is still ambiguous, being required a more in-depth analysis on its comprehension in different economic sectors and a focus on the psychological effects of sustainable behavior on stakeholders. “From a public perspective of transparency, banks live actual confused times” (Tamas-Szora and Socol, 2015, p.39), searching from an optimal point between financial and non-financial disclosure. The banking sector is a proactive investor in sustainable actions (Truscott *et al*, 2009) due to the high interest for a positive customer rating. Even if there is still unclear how clients relate to the corporate social responsibility

concern of the banks, the "purchase intention level were greater among the CSR aware group than the unaware group" (Fatma and Rahman, 2016, p.217), the consumer awareness being considered a prerequisite to obtain a positive impact in the acquisition process.

In a study conducted by Mocan *et al* (2015), the main CSR practices identified at the banks operating on the Romanian market were: environment, education, social involvement, art and culture. In Romania, there is "a certain degree of progress and maturity in comparison with the situation encountered before the crisis" (Iamandi, 2012, p.43) regarding the sustainability disclosure, the OTP Bank Romania being an illustrative example of coherent CSR communication in line with the corresponding parent-group selected tools in transmitting the social responsibility messages.

3. Research methodology

Four companies from the Romanian market have been listed on the Sustainability Disclosure Database of Global Reporting Initiative (GRI) before May 2019: BCR, OTP Bank Romania, Provident Financial Romania and Raiffeisen Bank Romania. OTP Bank Romania has the largest CSR reporting period, presenting such a report between 2007 and 2014. This was the first reason to choose OTP Bank Romania – OTP Group case study, exploring the relationship subsidiary-parent group in the corporate social responsibility framework and the highlighted influences. In order to achieve this goal, the option for the present case study has a high relevance as the efforts to implement the CSR strategies were doubled by the communication results, becoming an appropriate example of good practices for the Romanian banking environment. The last year when a CSR report was available for OTP Bank Romania was 2016, conducting to a comparative analysis of the *CSR reports 2016* for OTP Group and OTP Bank Romania which reveals various common points and asymmetries. The research was extended to the analysis of the official websites and complementary documents, such as codes of ethics or corporate governance reports.

4. Results and discussions

One of the main features of the CSR implementation within OTP Group was the limited visibility of the CSR actions at the international level due to the language barriers. Although the advanced searches have highlighted the existence of an official sustainability website and a CSR report for the group, the information is only available in Hungarian and reduce, in this way, the value of the CSR communication. Although until 2013 the CSR reports of the group were also published in English in the CSR section of the OTP Bank website in Romania, there was a deficiency on the CSR visibility in the period 2014-2016, being available only the CSR reports for OTP Bank Romania. Thus, the access to the *OTP Group Report 2016* - English version, was only available through the Hungarian website and reveals a compiled report according to the GRI standards very similar to the CSR report of OTP Bank Romania.

If OTP Group presented a CSR strategy dominated by three key priorities (providing responsible services, responsible employer and active citizenship), the CSR policy of OTP Bank Romania relied on improving the welfare of society through discretionary business practices and supporting the social causes. But one of the most significant directions in the common CSR approach is in the area of financial education, regarded as one of the most profitable investments for the future. Through the *OTP Fáy András Foundation* which was set up at the group level and through the *OK Educational Center*, the career development events and the finance courses were organized, being extended to Slovakia through *OTP Ready Foundation* or to Romania through the *Right to Education Foundation*. These foundations were established in accordance with the model of parent foundation *OTP Fáy András* from Hungary. Among the results of OTP Bank Romania in this field were the 1,368 young people who participated in the financial education events, while in Hungary the number of them was around 20,000 children.

It is also noteworthy the integration of the economic responsibility into the CSR vision of the group and the placement of transparency into the priority area of CSR as a result of the volume of assets traded on the Budapest Stock Exchange and the main objective of increasing the shareholder value. In the same vein, OTP Bank Romania reports responsibility towards the community in

financial terms. Thus, with 96 units in Romania and 1198 employees, OTP Bank Romania proved to be an important contributor to the state budget in 2016 (32.8 million lei). OTP Group numbered 1,316 units and 35,950 employees in 2016, totalizing 2.4 billion lei as tax liabilities. The sustainability report of OTP Bank Romania showed a significant increase of the investments in community taking the form of sponsorships and donations from 0.254 million lei in 2014 to 0.791 million lei in 2016, while at the level of the group the value of donations reached in 2016 the amount of 34.8 million lei. With a total capitalization of 33.8 billion lei and total assets of 165 billion lei, OTP Group has demonstrated its ability to gain a stable position on the market and an optimal liquidity level in 2016, while OTP Bank Romania has exceeded its planned profit level after the completion of the merger with Millennium Bank and the corresponding increase of the portfolio.

Regarding the innovation of the banking solutions, OTP Group has focused on the digital challenge with effects on both customer experience and banking operations through a well-balanced cost-efficiency ratio, an easy-to-use service and the easier adjustment to the legal provisions. In this context, it must be mentioned the online platform that facilitate the customer's access to the banking services in Hungary, the development of the first online credit product for SMEs in Romania, the quick and free transfer of funds from a debit account open to any bank in an OTP account through the *Money Magnet* option available in Romania, the mobile app *Simple* through which cinema tickets, theater, concerts or bill payment services can be purchased at the due date.

There were also strategies for rewarding the clients with points, turning them into prizes to the bank's partners on the Croatian market. These acts falsify the CSR concept, turning it from a voluntary mechanism through a practice with direct financial implications. The introduction of the electronic signature for both individuals and legal entities in Ukraine has facilitated a wide range of online transactions in a secure manner, significantly reducing the operating time. However, the CSR value of these actions is questionable due to the growth of the financial services consumption, the increased operability, satisfaction and profit.

In Hungary, the waiting time in the use of the banking services was monitored, a situation that stimulated the development of the online chat service in Romania, which significantly reduced the response time for customer requests. OTP Group has taken measures to transform the waiting time into a relaxing time by creating childcare facilities, providing WiFi services and equipping the units with water cooling systems. The OTP Group's subsidiaries from Ukraine and Croatia have introduced the programming meeting function which is considered more satisfactory than the traditional system, according to customers' answers. These measures were important in assessing the customer satisfaction, the analysis of the questionnaires suggesting the main advantages for OTP Bank Romania: the customer loyalty (83%) and the high rate of bank recommendation to other potential clients (76%). Approximately 93% of the respondents were satisfied or very satisfied with the interaction bank-client, noting the professionalism of the employees, the inclination towards innovation and the general responsibility towards the clients. The customer satisfaction questionnaire has also been applied at the group level, adding the need for a policy in the field of complaints management and a set of recommendations formulated by the parent-bank regarding the complaints resolution process.

The group performance as a responsible employer has manifested by adapting the buildings to the employees/customers with locomotor disability, providing ATMs for the blind and informing them about their possibility to access the financial services. The OTP Group has encouraged the sustainable consumption by providing financial education services and including in its portfolio products with social or environmental benefits. In this sense, there have been included the basic accounts with preferential interest rates for disadvantaged and low-income people, the financial products for the young people or children, including savings accounts with higher interest rates.

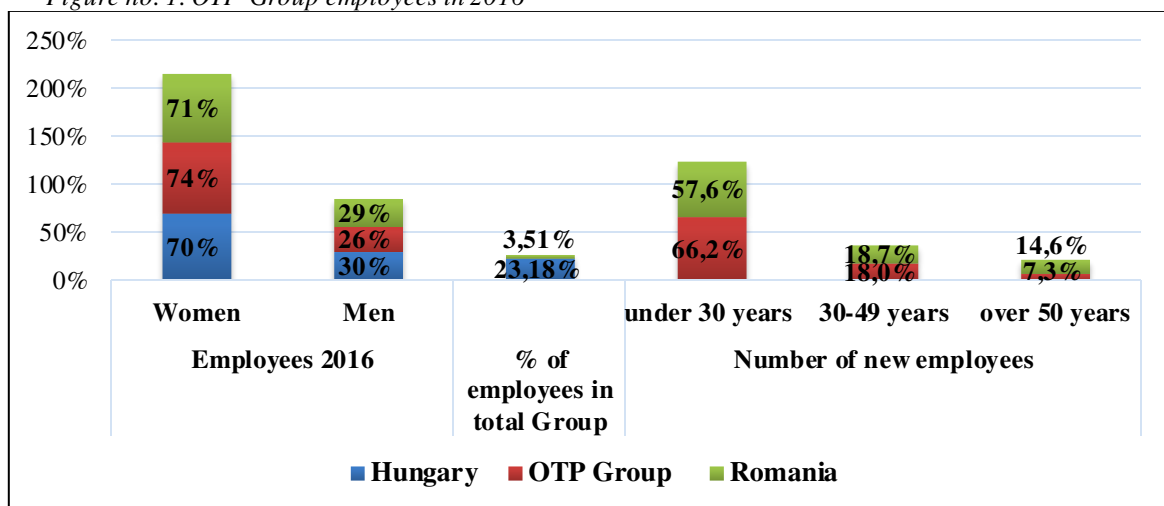
A dominant direction for both subsidiary and parent-group was the mortgage loans and those promoting the energy efficiency of buildings, while on the Romanian banking market a strong upturn was noticed in the case of the *First Home* program, supported by the Government and included by OTP Bank Romania under the CSR umbrella. According to the corporate portfolio of OTP Bank Romania, the main focus was on the medium-sized enterprises (43%), followed by the large enterprises (31%), the micro-enterprises and small businesses (23%). The bank increased by

approx. 86% of the volume of loans to SMEs in the agricultural sector and developed the *OTP Smart Start* package, which attracted more than 1,600 customers involved in a start-up or micro-enterprise. Although one of the most coherent policies at both subsidiary and group level was customer-related, the authenticity of the customer responsibility is questionable given the financial results of adjusting the portfolios to different customer segments, which make these direct efforts to increase the overall profitability.

Another common approach of OTP Bank Romania and OTP Group refers to the business ethics and banking security, going beyond the legal requirements. Among the most important risks faced by the banking system are those specific to the online environment, where cyber-attacks can seriously damage the customers and the bank, considering the negative effects on the bank's image. OTP Group focus on the deep connection between the services provided and the security need of customers, developing efficient solutions while maintaining an easy interface to the e-banking service user. However, the two reports present unfiltered information, ensuring a high level of transparency, with the inclusion of the negative aspects, such as the increase of compensation paid for legitimate complaints by almost five times between 2014 and 2016, from 105 cases in the year 2014 to 506 cases in 2016.

The human resource policy was based on career development opportunities, performance management and leadership development, while promoting active partnerships with higher education institutions for internships. Romania ranks fifth according to the number of employees at group level, after Russia, Hungary, Bulgaria and Ukraine, concentrating approx. 3.51% of total employees, compared to approx. 23.18% in Hungary. Regarding the gender balance, OTP Bank Romania aligned itself with the OTP Group figures, with a clear majority for female employees. In contrast, the comparative analysis of the number of new employees by age demonstrates a moderation in the employment phenomenon of persons up to 30 years of age in Romania, compared to the situation identified at the group level. Most of the difference is attached to the segment of new employees aged over 50, whose number in Romania is double that of the OTP Group employees. According to the Figure 1, the rate of OTP Bank Romania's new employees in the segment of persons over 50 years old was 14.6% (2016).

Figure no. 1. OTP Group employees in 2016



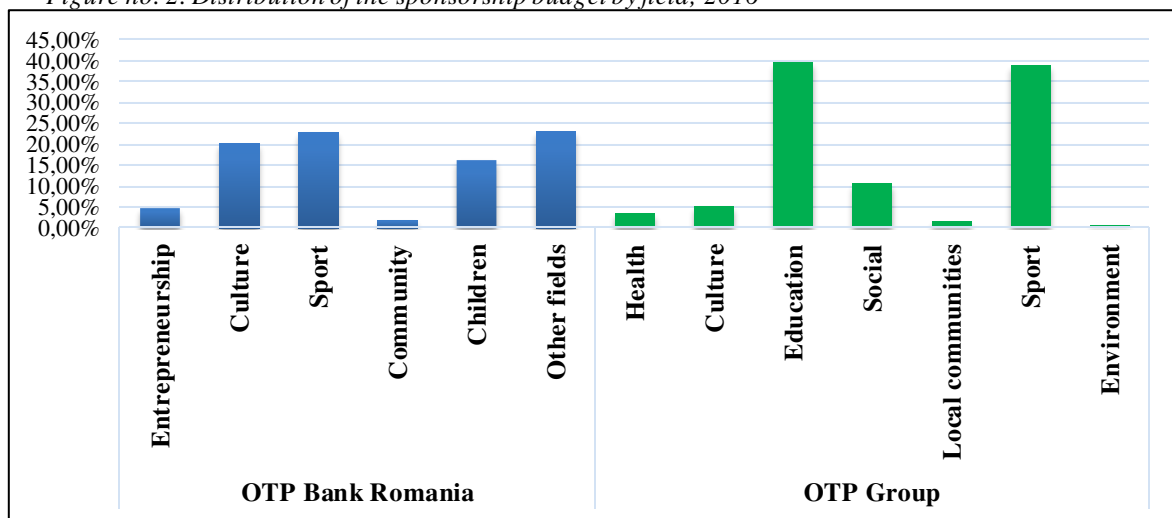
Source: processed based on data released by <https://www.otpbank.ro/en>, <https://www.otpbank.hu/portal/en/AboutUs/OTPGroup>

For the professional development of the OTP Bank Romania managers, it was created the *Leader Academy* program, the bank implementing in the same time transparent and performance-based evaluation systems and remuneration policies. At the group level, there were 762,000 hours of training per year and an average of 21 hours of training / employee. Except Russia and Ukraine subsidiaries, the reports have highlighted the principle of fairness in the distribution of benefits between employees with full-time or part-time employment contracts for medical services, special benefits (childbirth, death, and marriage), meal vouchers or recreational facilities. The safety and

health at work were key elements of employee responsibility, going beyond the regulatory sphere and leading to a reduced level of work accidents at OTP Group and OTP Bank Romania. The transparency of CSR reporting has been amplified by communicating both the positive and the negative aspects, the comparative situation between group subsidiaries showing a significantly higher absenteeism rate in Romania than other countries.

The analysis suggests a high level of community involvement through donations, to which was added the employee volunteering. The OTP Group employees were strongly encouraged to support social causes and to actively participate in blood donation campaigns. The OTP Group's vision to develop its CSR practice through sponsorships reflects a particular form of CSR, less invasive, acting more as sponsor than initiator of CSR actions. According to the Figure 2, OTP Bank Romania has maintained the same dominant line of the Group in the fields of culture, community and sport.

Figure no. 2. Distribution of the sponsorship budget by field, 2016



Source: processed based on data released by <https://www.otpbank.ro/en>, <https://www.otpbank.hu/portal/en/AboutUs/OTPGroup>

Compared to 2015, the OTP Bank Romania's CSR sponsorship budget increased by approx. 24% in 2016 and an important role in the CSR development was given to the *Right to Education* Foundation. At the group level, we note the establishment of the *OTP Fáy András* Foundation, with major objectives in the field of financial education and the *Humanity Social* Foundation, through which there were developed training programs for disadvantaged people, medical and financial support was provided to the vulnerable people or Christmas packages were donated to the underprivileged children. In addition to the blood donation initiatives or the production of handmade articles for charity purposes, the OTP Bank Romania employees have financially supported the *Right to Education* Foundation by redirecting 2% of the income tax to this organization.

OTP Bank Romania has also pursued the OTP Group's CSR policy in terms of measures taken to protect the environment, reducing the energy/paper consumption or the emissions from vehicle displacements. The data per employee provided a more comprehensive picture of the internal efforts made in this direction: 14.1 GJ / employee (2016) versus 16 GJ / employee (2014) for electricity and 2.8 GJ / employee (2016) versus 9.4 GJ 2016) for the natural gas consumed within OTP Bank Romania. In contrast, a reverse trend towards the group was found in terms of paper consumption, as the paper used increased by almost 3% in OTP Bank Romania, while the OTP Group data suggested a 12% decrease. OTP Group demonstrated a clear consistency in the CSR implementation and non-financial reporting, a strict alignment of subsidiary and group policies in this area, as well as greater transparency in providing the CSR data.

5. Conclusions

The two sustainability reports for 2016 highlight the same CSR directions, including: the focus on customers, the development of responsible financial products, the ethical conduct, as well as employee, community and environment. Moreover, the way the two reports are structured allows for easy comparisons, suggesting a transition area of CSR to the sustainability concept through innovative solutions tailored to the customer's needs. The CSR topics covered by both OTP Bank Romania and OTP Group address sensitive issues regarding the economic performance, the anti-corruption policy, the education theme, the unemployment issue, the diversity problem or the environmental concerns. The CSR report of the group suggests greater openness to the audience of the group's home-country, as it refers to the Hungarian sustainability website. This particularly situation of OTP Group is an evidence of a poor CSR management in reporting the sustainability matters on all the markets it operates.

OTP Group provides a model of social responsibility through foundations, which are the extension of the bank-NGO partnerships and involve in a more assumed way the institution. The Romanian subsidiary was described in the group's sustainability report as an actor involved in providing an educational model through the *OK Educational Center*, supporting sport clubs, museums and educational institutions. Even if there are steps ahead promoting long-term sustainability, there are still gaps in terms of the basic reasons for the online transactions and digital transformation, presented by the banks as a form of CSR. The customer-related services are also questionable, being perceived more as a marketing tool due to the economic returns for the bank.

The research illustrates a good practices example of OTP Group, creating a basis for other similar banks in performing CSR with the parent-group implication. The main contributions are in the CSR communication area, providing a coherent representation of appropriate elements to be included in the social responsibility reports as recommendations to consolidate their competitive position through corporate social responsibility.

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Grants through the European Agricultural Funds for the Rural Development. Case study: The Modernization of the Community Centre of a Municipality

Teodor Hada

"Bogdan Vodă" University of Cluj-Napoca

teohada@yahoo.com

Iulia Iuga

Mihai Căruț

"1st of December 1918" University of Alba Iulia

iuga_iulia@yahoo.com

mihaimihnea@gmail.com

Abstract

The case study present the project: The modernization of the community centre of Pianu de jos, municipality of Pianu, Alba County, an objective that is part of the Strategy for sustainable development for the Municipality of Pianu 2015-2020, financed through Sub-measure 7.6, Investments associated with the protection of the cultural patrimony, in the National Rural Development Programme 2014-2020, financed by the European Union and the Romanian Government, through the European Agricultural Funds for Rural Development.

Key words: European grants; public investments; cost-benefit analysis; acquisitions list.

J.E.L. classification: H81, H43, O22

1. Introduction

The case study present the project: The modernization of the community centre of Pianu de jos, municipality of Pianu, Alba County, an objective that is part of the Strategy for sustainable development for the Municipality of Pianu 2015-2020, financed through Sub-measure 7.6, Investments associated with the protection of the cultural patrimony, in the National Rural Development Programme 2014-2020, financed by the European Union and the Romanian Government, through the European Agricultural Funds for Rural Development.

The case study implies the following stages:

The first stage is representing by sending the grant application to the financing authority together with the documents required by the Guide for Applicants. The Guide for Applicants contains technical information for the potential beneficiaries of the grants from the European Agricultural Funds for Rural Development (EAFRD), implemented through the National Rural Development Programme (NRDP) 2014 – 2020, and represents a complex support of information for writing projects according to the specific exigencies of NRDP. The Guide for Applicants presents the rules for the preparation, elaboration, edit and submission of the investments project, as well as the method for the selection, approval and the progress of the implementation of the project.

In the same time, the Guide for Applicants contains the indicative list of the eligible investments for non-refundable grants, the necessary documents, permits and agreements. The filling of the Application form, including its annexes, must respect the standard model provided by the Financing authority.

In our case study, the application form contains:

- The Application Form
- The Documentation for the Approval of the Interventions

- The energy expertise
- The technical expertise
- The geotechnical study
- The topographic study, the Land registry record
- The Urban planning certificate and Approvals
- The Record extract from the inventory of the public domain
- The Decision of the Local Council of the Municipality of Pianu for the implementation of the project
- The VAT registration
- The Report on the use of the non-refundable grants programs
- The Notification from the Direction for Public Health
- The Strategy record extract
- The Document issued by the village hall related to the number of activities in progress
- The copy from the Identity Card of the Legal Representative
- The Certificate from the National Agency for Fiscal Administration
- The inventory list of the capital goods and inventory objects

2. Theoretical background

The Application Form provides the necessary and relevant information, indicating the modality for the achievement of the project, the advantages of its implementation, and in which degree the project contributes to the achievement of the objects of the program. It also contains the Indicative Budget, the Annex A1, The financial estimate – Chapter 3, the Annex A2, The estimate on the object, the Annex A3 Estimate Chapter 2 and Estimate Chapter 5, the self-evaluation of the score of the applicants, and monitoring indices. In the presented case, the score was 50 points, resulting from:

Table no. 1. The score

	Achieved score:
S 1 projects serving localities with numerous population	=20 points, because the Municipality of Pianu has 3082 inhabitants
CS 1.4 projects in areas with high touristic potential	= 10 points, because the Municipality of Pianu is mentioned in O.U.G 142/2008 in the category of the municipalities with an important amount of natural or anthropic touristic resources
CS 2.a projects indicating the developed social-cultural activities	= 10 points, because the Municipality of Pianu develops more than 5 cultural activities
CS 2.b projects indicating the developed social-cultural activities	= 10 points, because the Municipality of Pianu develops more than 5 social activities

Source: own processing of data collected from municipality of Pianu

The elaboration stages and the framework content of the technical-economical documentations for the achievement of the new objectives/ projects in the field of constructions, of the interventions to the existent constructions and other investment works is regulated by Decision (Hotararea) 907/2016 on the elaboration stages and the framework content of the technical-economical documentations for the objectives/ projects in the field of investments from public funds.

The framework content of the documentation for the approval of the interventions, according to Decision 907/2016, includes:

I. WRITTEN DOCUMENTATION

- General information on the investment object;
- The existent situation and the necessity of the interventions;
- The description of the existent construction [Particularities of the location; the legal regime; technical characteristics and specific parameters; the analysis of the condition of the construction, based on technical expertise and/or energy audit, as well as the

architectural-historical study for the buildings included in the protection area of the historical monuments or in constructed protected area; the technical condition, including the structural system and the diagnose analysis, related to the insurance of the legal fundamental conditions; the certificate for force majeure, if needed].

- The conclusions of the technical expertise and, if required, of the energy audit, the conclusions of the diagnose studies: the seismic risk class; the presentation of minimum two solutions for the intervention; technical solutions and measures proposed by the technical expert and, if needed, by the energy auditor, in order to be developed in the documentation for the approval of the interventions; the recommendations for the necessary interventions in order to insure the functioning according to the quality requirements and exigencies.
- The identification of the technical-economical scenarios/ options (minimum two) and their detailed analysis [The technical solution from technological, construction, technical, functional-architectural and economic; the necessary of resulted utilities, including estimations on the exceedance of initial utilities consumption, and the modality for the insurance of the supplementary consumption; the completion period and the main stages correlated with the dates from the indicative schedule for the completion of the investment, detailed for each main stage including the sustainability of the investment; the financial and economic analysis related to the implementation of the interventions (the analysis of the call for goods and services that justifies the necessity and the dimension if the investment, including medium and long term prognoses; the financial analysis, the financial sustainability; the economic analysis; the cost-benefit analysis; the risk analysis, measures for the prevention/reduction of the risks)].
- The recommended optimal technical-economic scenario/ option: the comparison of the proposed scenarios/ options, from technical, economic, financial, sustainability and risk perspectives; the selection and the motivation of the recommended optimum scenario/ option; the presentation of the insurance modality for the conformation to the legal provisions specific to the planned function from the point of view of the regulations that are to be applied to the construction, according to degree of details in the technical proposals; the nominalization of the financing sources for the public investment, as a result of the financial and economic analysis: own funds, bank credits, funds from the state/ local budget, external credits guaranteed or contracted by the state, non-refundable external funds, other legal sources; the main technical-economic indices of the investment:
 - a) maximal indices: the total value of the investment objective, expressed in RON, with VAT and without VAT, from which constructions-montage (C+M), according to the general estimate;
 - b) minimal indices, respectively the performance indices – physical elements/ physical capacities indicating the achievement of the investment objective – and, depending on the case, qualitative indices, according to the legal technical standards, norms and regulations;
 - c) financial indices, social-economic indices, impact indices, result/operation indices, established according to the aim of each investment object;
 - d) the estimated duration for the execution of the investment objective, expressed in months.
- Certificates and agreements of urbanism [Urban planning certificate for the construction authorization; topographic study, approved by Real Estate Cadastre and Advertising office, Land registry record, excepting the special cases mentioned by the law; the Administrative certificate of the competent authority for the protection of the environment, measures for the reduction of the impact, compensation measure, modalities for the integrations of the provisions of the Environmental certificate in the technical-economic documentation; Specific notifications, agreements and studies that may condition the technical solutions].

II. DRAWING DOCUMENTATION: depending on the category and the importance level of the investment objective, the drawing documentation will present to a relevant scale:

1. The existent construction (location plan; the exact site; architectural report and, if necessary, the structure and the installations – plans, sections, facades, cotes; specific drawings for analysis and synthesis, for the historical monuments and related protected areas).
2. The recommended optimal technical-economic scenario/ option: location plan; the exact site; general plans, facades and architectural specific sections, cotes, resistance and installations schemes in principle, volumes, functional and isometric drawings or specific plans; general plans, longitudinal and transversal profiles, cotes, and specific plans. Through the feasibility study used for the new investments or DALI for the existent constructions, the project must prove the opportunity and the social-economic necessity of the investment. This is achieved using the cost-benefit analysis.

3. The cost-benefit analysis

1. The identification of the investment, objectives and reference period

2. Options analysis (The beneficiary must prove that the choice of the recommended scenario is socio-economic optimal. At least two variants will be analysed: the zero variant (the variant without investment) and the recommended variant (the variant with investment).

3. The financial analysis (The financial analysis is performed from the point of view of the beneficiary. If the beneficiary and the operator are not the same entity, a consolidated financial analysis must be taken in consideration (as if they were the same entity); the recommended actualization rate is 5% for RON). The financial analysis evaluates:

- a) The financial profitability of the investment in the project, determined with VAN (net actualized value) and IRP (internal rate of profitability). The total of the investment value includes the total of the eligible and non-eligible costs from the Cost estimate. For a project to receive a non-refundable financial intervention VAN must be negative and IRP must be higher than the actualization rate.
- b) The financial durability of the project is evaluated by verifying the net flux of the cumulated cash-flow. This must be positive for each year in the reference period.
- c) The determination of the intensity of the public support for the projects related to water/residual water, generating income (based on article 61 from Regulation 1303/2013)

Stage 1: determining VAN – net actualized value. It represents the sum of the net actualized incomes (payments-costs) for 5 consecutive years after the implementation of the projects, according to the legislation.

Stage 2 – determining IV – investment value. It represents the total of eligible and non-eligible costs from the project.

Stage 3 – using the calculation formula:

The intensity of the public support (%) = $100 - [(VAN/ IV) \times 100]$

Example:

1. NAV = 50.000 EUR

2. IV = 800.000 EUR

The intensity of the public support (%) = $100 - ((50.000/800.000) \times 100)$
= $100 - (0.0625 \times 100)$
= $100 - 6.25$
= 93.75%

4. The sensitivity analysis identifies the critical variables; the financial and economic performance of the project will be analysed in the condition of varying values, upwards or downwards.

5. The risk analysis - a qualitative risk analysis (the qualitative evaluation of the risk in a narrative form), for the critical variables identified in the sensitivity analysis, as well as for the other risks that may appear during the implementation of the investment (technical, environmental, financial, institutional and legal), and measures for their reduction.

4. The financing contract

The financing contract is signed after the selection of the project and the acquisitions stage begins, according to the legislation. The acquisitions list is approved by the financing authority.

For the direct acquisitions, the beneficiary must present:

- The acquisition contract/ order/ other document legally issued
- The calculation of the estimative value of the acquisition, according to art. 9, paragraph (1) from the Law 98/2016;
- Depending on the value of the acquisition:
 - **The extract from the electronic catalogue** posted on SICAP or **the announcement published** in a dedicated section of the beneficiary's website/ ANAP or SEAP, together with the description of the products, services or works to be bought, and the probative note for the direct acquisition outside SEAP, when the case;
 - **The presentation of minimum 3 offers** - when the condition for a direct acquisition are fulfilled, without using the electronic catalogue, when the estimated value of the acquisition is under 100,000 RON for products and services, and 280,000 RON for works;
 - **The presentation of a unique offer** - when the value of the acquisition is under 70,000 RON;
 - **The legal engagement** – when the value of the acquisition is under 4,500 RON
- Certificates, certified statements, authorizations, as mentioned in the legislation, proving that the economic agent has the right to develop the activity mentioned as main object of the contract;
- The declaration of the beneficiary on the conflict of interest, using the form "Declaration on the conflict of interest";
- Other documents, if necessary.

For the simplified procedure, the beneficiary presents:

Stage I: The opening of the acquisition: the file of the acquisition transmitted by the beneficiary will include the following documents:

- a) The contracting strategy;
- b) The instructions for the bidders and the annex forms, according to the model specific to each type of investment, including the model for the contract and DUAE. The instructions can be presented as draft in the form generated by SEAP;
- c) Specifications;
- d) Other documents, if necessary.

Stage II: The evaluation committee, the evaluation file and the contractual file: The acquisition file transmitted by the beneficiary must contain the following documents:

- The decision/ disposition/ order for the appointment of the evaluation committee and of the experts;
- CVs of the members in the evaluation committee and of the experts, if necessary;
- DUAE of all bidders in .xml format;
- The technical proposals of all bidders;
- the financial proposals of all bidders;
- all the solicitations for clarifications issued by the evaluation committee and the responses of the bidders;
- qualifying documents of the bidders placed on the first and second place – if necessary – for the situation mentioned in art. 66, (1) and (2) from HG 395/2016;
- the report of the award procedure;
- the reports of the experts, if necessary;
- the appeals formulated in relation to the award procedure, together with the motivated decisions of the National Council for Review of Appeals, if necessary;
- the decisions of the court on the award procedure, if necessary;
- the communications on the result of the procedure and the proof for their transmission to the bidders;
- the acquisition contract;

- the proof for the performance guarantee;
- the declaration of the beneficiary on the conflict of interest, using the form "Declaration on the conflict of interest";
- other documents, if necessary.

After the end of the acquisitions, the implementation of the investment execution the payment requests and the reception of the works take place.

After the final payment, the investment enters in the monitoring period, for the compliance with the indicators provisioned in the financing contract.

5. The accounting registration of the investment

Table no. 2. The registration and the payment of the design services

Design services			
Corporal fixed assets in progress		Suppliers of fixed assets under 1 year	
231.00.00.02.A.	=	404.01.00.02.A.67020501.580402	64,864.00
Design performance guarantee			
Corporal fixed assets in progress		Suppliers of fixed assets under 1 year	
231.00.00.02.A.	=	404.01.00.02.A.67020501.580402	3,056.00
VAT Design services			
Corporal fixed assets in progress		Suppliers of fixed assets under 1 year	
231.00.00.02.A.	=	404.01.00.02.A.67020501.580401	12,904.80
Suppliers of fixed assets under 1 year		Financing from the budget	
404.01.00.02.A.67020501.580402	=	770.00.00.02.A.67020501.580402	64,864.00
Suppliers of fixed assets under 1 year		Financing from the budget	
404.01.00.02.A.67020501.580402	=	770.00.00.02.A.67020501.580402	3,056.00
Suppliers of fixed assets under 1 year		Financing from the budget	
404.01.00.02.A.67020501.580401	=	770.00.00.02.A.67020501.580402	12,904.80

Source: own processing of data collected from municipality of Pianu

Table no. 3. The registration and the payment of Works execution

Works executions			
Corporal fixed assets in progress		Suppliers of fixed assets under 1 year	
231.00.00.02.A.	=	404.01.00.02.A.67020501.580402	410,269.73
VAT Works			
Corporal fixed assets in progress		Suppliers of fixed assets under 1 year	
231.00.00.02.A.	=	404.01.00.02.A.67020501.580401	41,026.97

Suppliers of fixed assets under 1 year		Financing from the budget	
404.01.00.02.A.67020501.580402	=	770.00.00.02.A.67020501.580402	410,269.73
Suppliers of fixed assets under 1 year		Financing from the budget	
404.01.00.02.A.67020501.580401	=	770.00.00.02.A.67020501.580402	41,026.97

Source: own processing of data collected from municipality of Pianu

Table no. 4. Payment requests to the financing authority

EC Payment requests to the financing authority			
Sums to be received from the Certification Authority/ Management Authorities/ Payment Agencies		Post-accession external non-refundable funds	
POST-ACCESSION EXTERNAL NON-REFUNDABLE FUNDS			
458.03.02.01.A.48020401	=	775.00.00.02.A.48020401	478,189.73
Payment request for BS financing authority			
Sums to be received from the Certification Authority / Management Authorities/ Payment Agencies		Income from the national contribution to the programs/ projects financed external non-refundable funds	
- FUNDS FROM THE BUDGET			
458.03.02.02.A.430231	=	778.00.00.02.A.430231	53,931.77

Source: own processing of data collected from municipality of Pianu

Table no. 5. Cashing sums from the payment requests

Availability of the local budget		Sums to be received from the Certification Authorities/ Management Authorities/ Payment Agencies	
		- POST-ACCESSION EXTERNAL NON-REFUNDABLE FUNDS	
521.01.00.02.A.48020401	=	458.03.02.01.A.48020401	478,189.73
Availability of the local budget		Sums to be received from the Certification Authorities/ Management Authorities/ Payment Agencies	
		FUNDS FROM THE BUDGET	
521.01.00.02.A.430231	=	458.03.02.02.A.430231	53,931.77

Source: own processing of data collected from municipality of Pianu

The investment enters in the public domain of the municipality at the moment of the reception of the works.

Table no. 6. The introduction of the investment in the public domain of the municipality at the reception of the works

Constructions – other fixed assets assimilated to constructions		Corporal fixed assets in progress	
212.09.01	=	231.00.00.02.A.	532,121.50
Operational expenses For the amortization of the fixed assets		The fund for the goods that enter in the public domain of the municipalities	
681.01.00	=	103.00.00	532,121.50

Source: own processing of data collected from municipality of Pianu

6. Conclusions

The public investments have the following stages:

1. The planning process (the analysis of the status quo leading to the necessity of an investment; the identification of the financial resources; the elaboration of the technical-economical documentation; the attribution of the work and supplying contracts)
2. The implementation
3. The use of the investment by the beneficiaries

Usually, in the case of the local public administration, the planning of the investments starts with the elaboration of a multi-annual local development strategy, approved by the Local Council, which establishes the directions of the social and economic development. This strategy details the following aspects: the planning process, the situation of the local level; the evaluation of the natural capital; the structure of the economic system; the social field; the potential analysis (Physical-geographical aspects: Environment, Economy, Infrastructure, Tourism, Population, Education, Science and vocational training, Health and social assistance services, Administration); objectives and priorities; institutional structures for implementation, monitoring and evaluation; the evaluation of the administrative capacity of the public local administration; proposed projects.

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- Guidance of the applicant for the sub-measure 7.6 - Investments Associated with the Protection of Cultural Heritage <https://online.afir.info/> (The Guide for Applicants for Sub-Measure 7.6)
- Law No. 98/2016 of 19 May 2016 on public procurement (Law 98 / 19.05.2016 on public acquisitions)
- Government Decision no. 395/2016 for the approval of the Methodological Norms for the application of the provisions regarding the award of the public procurement contract / framework agreement of Law no. 98/2016 on public procurement (The Government Decision 395/2016 on the adoption of the Methodological norms for the enforcement of the provisions of the public procurement acquis 98/2016 on public acquisitions)

The Role of Credits and Bank Guarantee Letters in Financing Trading Companies

Luminița Gabriela Istrate
The Bucharest University of Economic Studies
istrate_luminita@yahoo.com

Abstract

Banks provide businesses with a multitude of bank instruments which may be used to finance and develop the business of entrepreneurs. Of these, credit and guarantee instruments are the most commonly used.

This paper aims to identify financing alternatives to classical loans so that businesses can carry out their work by attempting to outline the impact of credit instruments as well as of guarantee instruments used at trading company level on economic and financial indicators and on cash flow. The achievement of this approach is useful in the relationship between entrepreneurs and banks, so that the most suitable bank instruments can be used to develop the business in a changing business environment.

Key words: economic and financial indicators, bank guarantee letters, bank credit, cash flow, bank instruments

J.E.L. classification: G21, G32

1. Introduction

Access to financing is essential for the development of trading companies, the most important direct sources of external financing for SMEs being credit lines, bank loans and leasing.

According to a survey conducted at EU level and published on November 30th, 2016, for 9% of SMEs in the EU, the main concern is the access to financing, the percentage of companies expressing concerns about access to financing declining from 16% in 2009 to 9% in 2016.

Collett et al. (2014) have directed their research to highlight the impact of indebtedness on companies in times of crisis. Other researchers (Lawless, 2013) analysed alternative financing sources, so companies can record an economic growth and secure their cash flow.

The purpose of this paper is to highlight the importance of credits granted to companies, but also of guarantee instruments to business development in an environment subject to change and increase in cash flow.

After a review of the scholarly literature, the paper presents the research methodology, detailing the way we identified the analysed enterprises, the software used and the judgment for their choice, the data collection and processing method, followed by the data analysis and interpretation, the calculation of the main economic and financial indicators, the determination of the cash flow and the enunciation of conclusions.

2. Literature review

There are a diversity of types of credit to finance businesses, among which the most used are: credit line, credit for temporary stock financing, credit for seasonal stock financing, overdraft credit, operating global credit, discount credit, export pre-financing credit, investment credit, refinancing credit.

Unlike credits, bank guarantee letters, *sui generis* guarantee instruments do not involve cash availability and are found in a variety of fields and obligation relationship. They can take the form of tender guarantee in public procurement proceedings by which, for example, it is guaranteed the solvency of the tenderer; the contract performance bond whereby the risk of the proper fulfilment or non-fulfilment of the contractual obligations is protected; the maintenance letter to ensure the beneficiaries against the risk of incurring repairing costs during the warranty period; the bank guarantee letter for payment (of the price or advance); the credit guarantee and counter-guarantee letter, etc. (Cioc, 2000).

As a rule, the guarantee letter is issued by a bank, thereby it irrevocably and unconditionally undertakes that in case the principal debtor fails to fulfil their obligations by the due date and under the conditions assumed under the contract (concluded between the principal debtor and the guarantee beneficiary), to pay the guarantee beneficiary the amount expressly indicated in the contents of the bank guarantee letter.

The bank guarantee letter is a means of facilitating transactions concluded between parties between which there is no required cash availability or there is no guarantee of honouring the mutual obligations, representing an instrument to guarantee contractual obligations.

It is worth mentioning that bank guarantee letters reduce the risk of international transactions between professionals, being an efficient and simple instrument that confers on the beneficiary the certainty that the business partners will fulfil their obligations assumed under the concluded contracts.

The outbreak of the international economic crisis has led to a sharp decline in the financing sources and liquidities of entrepreneurs, with severe consequences on their performance, but especially on the relationship with the business environment. Under these circumstances, numerous studies in the scholarly literature belonging to researchers or international bodies have focused on the use of alternative sources of financing (Lawless, 2013).

Capital is an indispensable element of the business and plays an important role in the general protection of credit institutions against the risks to which they are exposed. In this respect, the size and especially the structure of capital are essential in determining the risk profile of credit institutions. In line with the requirements of the Basel III Agreement, the quality of the capital base and new standards in liquidity management are required to strengthen banks' ability to absorb shocks, avoiding the use of public funds for recapitalization, with beneficial effects also targeting consumers, investors or governments. Medar (2011), Dănilă (2012), Egami & Yamazaki (2013) concluded that there should be close ties between business and banking environments, so that, in the long run, sustainable and effective crediting can be ensured, based on financial capital, with effects on the increase in the enterprise performance and the development of the entire business environment.

In 2013, Brigo highlighted that a better understanding of the credit risk is the starting point for finding alternative financing solutions. At the same time, Joseph (2013), Gaganis et al. (2010), concluded that, if used with caution, credit can create wealth, and Castro (2013), Alessi et al. (2014) concluded that understanding the credit risk is the best way to use credits.

The aim of the research conducted in recent years has been to reduce indebtedness and increase cash flow at entrepreneurial level. Thus, it has been demonstrated that the regional background is of great importance in the formation of the entrepreneurial capital (Drakopoulou and Hynes, 2012; Kibler, 2013), but the resource shortage is easier to be financed by innovative companies that have ties with casual experienced entrepreneurs, having relations with external partners (Fitjar et al., 2013).

The requirement to reduce corporate indebtedness, the business financing, and the cash flow generation has prompted international bodies to focus their attention more on bank guarantee letters.

Unfortunately, during the period from 1999 to 2009, bank management did not give due importance to bank guarantee letters, preferring an infusion of funds into the economy amid the economic growth.

3. Research methodology

For the purpose of the research, we have selected 40 companies operating in the field of manufacturing and which during the period from 2013 to 2017 used credit instruments and guarantee instruments provided by banks for carrying out the activity. The specificity of the activity of the selected companies for the research is industry, due to the complexity of the crediting and guarantee instruments used in this field.

Within the 43 selected companies, 22 entrepreneurs who financed their activity by credits and 18 entrepreneurs who secured their business using bank guarantee letters were identified.

In the design of the research we used the software DIAFIN and RISC.ev., both being some of the most complex educational software, by which a dynamic analysis of the main economic and financial indicators and the cash flow can be performed.

In order to perform the analysis, we used the data reported in the annual financial statements for the period 2013-2017, submitted by the trading companies subject to research. On the basis of the accounting information entered in the annual financial statements, we were able to calculate the main economic and financial indicators and cash flows, after which we generated their average mean by the two groups of entrepreneurs studied.

4. Findings

Starting-up a business often involves risk-taking, usually underlying the success or failure of a business. When talking about a bank credit, we refer to a short, medium or long term commitment, whether it is an operating or investment credit.

Bank credit is the most well-known source of business financing, but it may be a costly choice for start-ups, as there are quite stringent rules in granting the financing, and companies have to meet several conditions, which many times prove to be difficult to be met by small businesses or businesses not having yet a history.

In order to get a credit from the bank, the company will have to come up with real guarantees worth at least the amount of the credit. These guarantees are represented by real estate, equipment, passenger vehicles owned by the company or the entrepreneur who is willing to put them as a mortgage or pledge in favour of the bank in order to obtain the financing. There may, however, be other types of guarantees other than those listed, such as: guarantee funds, re-re-guarantee, guarantee letters from other banks, etc. By means of bank guarantee letters, these funds guarantee companies wishing to obtain repayable credits.

Using the DIAFIN and RISC.ev software, the main economic and financial indicators for the analysed companies were calculated, averaging the indicators by the two groups of studied entrepreneurs, as shown in Table 1 and Table 2.

Following the processing of the end-of-year financial statements for the 22 companies that financed their activity through credits, a synthetic financial situation was drawn (table no. 1). Please note that the average values of the indicators for the 22 analysed companies are shown in the table.

Table no. 1 Abridged financial statement of the 22 companies that financed their activity during the period from 2013 to 2017 using bank credits

Indicators	2013	2014	2015	2016	2017
Sales of commodities + Income generated by assets (thousand lei)	5170	4135	3446	2061	1183
Ordinary operating profit/loss (thousand lei)	520	470	413	225	99
Profit (loss) before payment of interest and profit tax (thousand lei)	567	501	455	268	154
Net operating profit/loss (thousand lei)	420	386	309	138	73
Added value rate (%)	23.8	21.1	20.8	18.1	22.1
Net return on sales (%)	14.0	15.1	12.1	11.3	12.3
Net financial return (%)	66.3	74.8	73.3	128.7	68.1
Interest coverage (no.)	12.2	11.1	10.0	7.8	1.7
Total of debit entries (thousand lei)	3071	2456	2047	961	792
Equity (thousand lei)	624	509	416	106	106
Total liabilities (thousand lei)	1901	1596	1353	854	684
Total financial liabilities (thousand lei)	761	598	507	150	104
Current liquidity (%)	75.9	64.3	50.1	46.0	34.1
Immediate liquidity (%)	37.1	26.1	25.1	21.1	17.2
Current solvency (%)	160.5	152.8	150.2	111.5	114.7
Overall indebtedness (%)	303.3	312.1	323.7	798.0	639.1
Financial indebtedness (%)	120.9	116.4	120.8	140.1	97.1
Net working capital (thousand lei)	-136	-140	-38	-151	-189
Working capital requirement (thousand lei)	-96	-159	-112	-141	-158

Source: author processing

Following the processing of the end-of-year financial statements for the 18 companies that secured their transactions through bank guarantee letters, an abridged financial statement was drawn (table no. 2). We mention that the table shows the indicator average values for the 18 companies analysed.

Table no. 2 Abridged financial statement of the 18 companies securing transactions during the period from 2013 to 2017 using bank guarantee letters

Indicators	2013	2014	2015	2016	2017
Sales of commodities + Income generated by assets (thousand lei)	4901	4310	3209	1915	1217
Ordinary operating profit/loss (thousand lei)	469	327	307	196	122
Profit (loss) before payment of interest and profit tax (thousand lei)	486	350	327	210	131
Net operating profit/loss (thousand lei)	409	294	275	177	110
Added value rate (%)	20.2	18.1	17.9	21.0	20.0
Net return on sales (%)	12.1	10.2	13.0	9.8	11.3
Net financial return (%)	67.4	50.7	53.7	44.5	38.6
Interest coverage (no.)	38.9	27.2	25.1	23.5	15.9
Total of debit entries (thousand lei)	3417	3215	2610	1112	903
Equity (thousand lei)	598	569	503	390	279
Total liabilities (thousand lei)	1811	1619	1210	708	509
Total financial liabilities (thousand lei)	109	126	97	55	61
Current liquidity (%)	159.1	156.2	169.1	146.1	136.4
Immediate liquidity (%)	100.2	96.1	79.0	71.1	67.1
Current solvency (%)	187.6	197.5	214.6	155.9	176.2
Overall indebtedness (%)	301.5	283.2	239.2	180.3	181.1
Financial indebtedness (%)	17.3	21.2	18.4	13.3	21.1
Net working capital (thousand lei)	-147	-97	-101	-137	-113
Working capital requirement (thousand lei)	119	146	86	57	104

Source: author processing

The analysis of the two tables reveals that a series of indicators (the current result for the year, the sales of goods, the result before the payment of interest and profit tax, the net result for the year) registered a significant decrease both among the companies financing their business by bank credits, and companies that secured their transactions through bank guarantee letters. However, the evolution of these indicators is not influenced by the two banking instruments, which is why this study does not intend to deepen their analysis.

It is worth noting that the net financial return has a better level for companies that have financed their business through bank credits, while the value of the interest coverage indicator is better for companies that have secured their transactions through bank guarantee letters.

Also, the companies that secured their transactions through bank guarantee letters registered a positive working capital requirement for the entire analysed period, unlike those who financed their activity through bank credits and registered a negative working capital. This is due to the fact that in the case of the companies that secured their sales by guarantee letters, the banks have fed their current assets if the selling companies did not make the payments in due time.

The regularity with which companies using bank guarantee letters have collected their receivables from clients has determined positive cash flow values for these trading companies.

Positive cash flows were also due to the fact that the supplying companies used the advance payment guarantee letters issued by banks as veritable financing instruments because they financed their businesses with the advances received from the beneficiary companies. Beneficiary companies have also been confident that they would get their advances back if supplying companies would not honour their obligation to deliver the products.

Performance bonds issued by the banks of the supplying companies in favour of the beneficiary companies represented a counterweight to the payment guarantee letters issued by the banks of the beneficiary companies in favour of the manufacturing companies. In this way, the beneficiary companies were confident that the supplying companies will fulfil their contractual obligations in the amount and by the deadlines stipulated in the commercial agreements (Fircă, 2011)

5. Conclusions

The credit risk involves the bank assuming the risk that, at the due date, the client will not be able to pay up its obligations to it. To this end, through its specialists, the bank needs to form a prudent opinion on the actual possibility of repaying the credit, and it must consider not only a first source of reimbursement for the payment of the obligation, but also a possible secondary source of recovery of receivables.

The crediting activity is based on the viability of business plans and on the ability of debtors to generate income and, respectively, liquidities, which is the main guarantee and source of credit repayment and interest payment, provided that their cash flow be assigned to the bank and run through the accounts opened with it.

The bank guarantee letter is the document by which a bank, namely the guarantor bank, will irrevocably commit to pay a certain amount of money to a beneficiary, if the principal debtor fails to do so. Through this *bank guarantee letter*, the beneficiary will always have the opportunity to claim the amount of money owed by the principal debtor. If the debtor fails to comply with the terms and conditions of the contract, then it is the bank that will have to pay the beneficiary the amounts of money entered in the guarantee letter.

The use of bank guarantee letters secures business contracts between companies, the main result being the generation of positive cash flows, which allows entrepreneurs to resort to bank credits to a lesser extent.

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The Influence of Inflation rate on Robor in the Romanian Banking System - Case Study

Iulia Iuga

"1st of December 1918" University of Alba Iulia

iuga_iulia@yahoo.com

Abstract

In this paper, the author analyzes the evolution of inflation, the evolution of ROBOR 3M, and, respectively, ROBOR 6M, for the 2007-2018 period. It also analyzes the correlation between the inflation rate and ROBOR 3M/6M in the Romanian Banking system using the Pearson index. The result of the correlation based on Pearson correlation coefficient between the inflation rate and ROBOR 3M, respectively ROBOR 6M, was 0.76 for the first correlation, indicating a very good correlation, and 0.78 for the second correlation, indicating a better correlation than the first one.

According to the results based on theory and practice, there is a connection, a strong relation and a correlation from good to very good between the inflation rate and ROBOR 3M, and respectively ROBOR 6M. Starting with May 2019, for credit variable interest rate contracted after May 2, 2019, will have the formula for slightly modified interest rates.

Key words: inflation rate, Robor, Pearson coefficient, correlation

J.E.L. classification: E31, E43, C58

1. Introduction

Inflation is defined as the rate at which the general price for goods and services increases over a period. Thus, the deflation is defined as the rate to which the general price for goods and services decreases. In case of inflation, the currency loses its buying power in time, while in case of deflation, the currency gains buying power. A high or unpredictable inflation can have a negative impact on the economy.

Inflation distorts the long-term plans of the companies. The incertitude related to the real value of the currency can discourage significantly the investment decisions. The retirement funds, the insurance companies and other financial companies follow attentively the inflation in order to ensure a real positive profitability of the investments.

The clear expectations related to inflation are important for the allocation of the investment portfolio, preventing the loss of real value in cases when the profitability is inferior to the inflation.

Inflation is best described as an increase in price as general, where inflation decreases purchasing power from a currency (McConnel and Brue, 2008). There are some causes for the inflation, when the aggregated demand increases more rapid than the aggregated supply, also increasing the price of goods and services. The imbalance between the demand and the supply is connected to the government deficit, the expansion of the bank interest and the growth of the external demand (Haberler, 1960).

The interest rates are part of the monetary policy; the currency supply is reflected on the market also as a way to neutralise the inflation (Asghapur et al., 2014). Asghapur, Kohnehshahri and Karami (2014) agreed that the interest rates have a negative relation with the inflation. This opinion is supported by Kandel, Ofer and Sarig (1996), affirming that the interest rates are negatively correlated with the inflation. Fisher Hypothesis (1930) stated that the interest rates reflect the fluctuations of the inflation. On the other hand, the interest rates can be in a positive relation with the inflation, as expressed by Mishkin (1984) and Gibson (1982). Ghazali (2003) stated that there is no significant relation between the interest rates and the inflation.

2. Literature review

Bilan & Roman (2016) studied the relationship between inflation rate and non-performing loans and concluded: "On the one hand, a high inflation rate can reduce the real value of outstanding loans, which makes it easier for borrowers to service their debts. On the other hand, a high inflation rate leads to a fall in real incomes, so the ability of borrowers to service their debts deteriorates".

The high rhythm of the inflation during the last century required a profound process of reform, where the central banks were kept responsible for reaching the objectives of the inflation. In Romania, at the end of the last century, the objective was represented by the maintenance of the monetary stability without increasing the prices (Cioran, 2014).

The stability of the prices is one of the most important objectives of the monetary policy. In order to reach this objective, we must consider the fact the notion itself does not involve the fact that all the prices are stable or fix. Pragmatically, the emphasis is on the maintenance of a constant medium level, to a relative stability and not to an absolute value. Castelnuovo et al. (2003, p.12) show the fact that the countries practicing a regime of aiming to the inflation do not use an explicit definition of the price stability; instead, this is characterised by the announcement of the inflation aim.

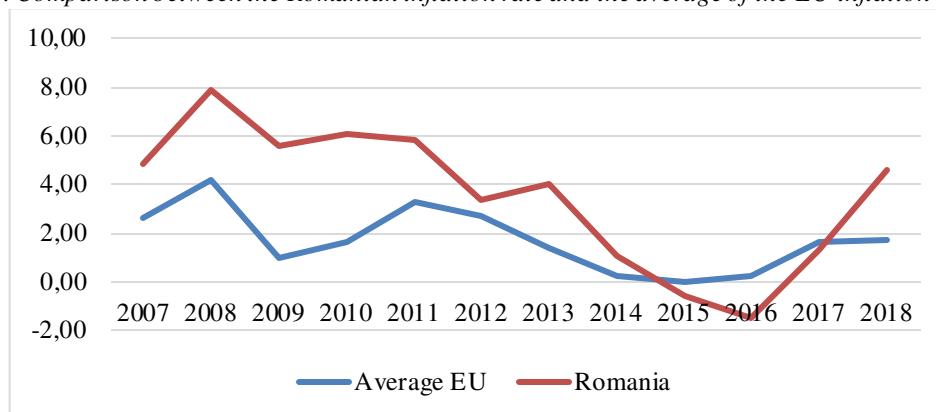
The European Central Bank considers as price stability a yearly increase lower than 2% from the Harmonised Index of Consumer Prices in the euro area.

Using a model of segmented markets, Alvarez et al. (2001) showed that a policy for the increase of the interests on short term for the reduction of the inflation can be rationalized, in essence, with essential models of monetary balance. John H. Cochrane (2016) stated that: "The observation that inflation has been stable or gently declining at the zero bound, suggests that an interest rate peg can lead to stable inflation. If that is true, then raising the interest rate peg should raise inflation". De Grauwe and Schnabl (2008) analyse the impact of the exchange rate on the inflation and the production from the South-East and Central Europe. Related to the entire period of analysis, the estimations show a significant impact of the stability of the exchange rate on the low inflation and a significant positive impact of the exchange rate on the real growth.

3. Comparison between the Romanian inflation rate and the EU inflation rate

The study period is the time interval 2007 – 2018, years. As observed in Chart no.1, the Romanian inflation rate had almost the same fluctuation as the EU inflation rate. When the inflation rate in the European Union increased, the inflation rate increased also in Romania. The situation was slightly different in 2016, when a negative inflation rate of -1.53% was registered in Romania, while in EU there was a positive inflation rate of 0.21 %. The highest inflation rate in the European Union and in Romania as well was registered in 2008: 4.20% in the European Union and 7.86% in Romania, a remarkable high rate.

Figure no.1. Comparison between the Romanian inflation rate and the average of the EU inflation rate



Source: own processing of data collected from: <http://www.insse.ro>, <http://www.bnr.ro>; <http://databank.worldbank.org/>

The deflation process continued in the last quarter of 2013. The inflation rate registered in December decreased until the low point of the variation of the stationary target: 1.55%, a minimum value for the last 24 years.

The financial crisis from 2008 led to an abrupt decrease of the production. The inflation rate in the more developed EU countries registered negative values for short periods, returning to a slightly lower level compared to 2008, but with positive values. On the other hand, the employment rate decreased significantly, leading to an increase of the unemployment. This aspect, together with the inflationist pressure and the deepening of the macroeconomic imbalance, forced the governments to adopt policies for the recovery of the macroeconomic stability. Many times, the macroeconomic stability is associated with the monetary stability.

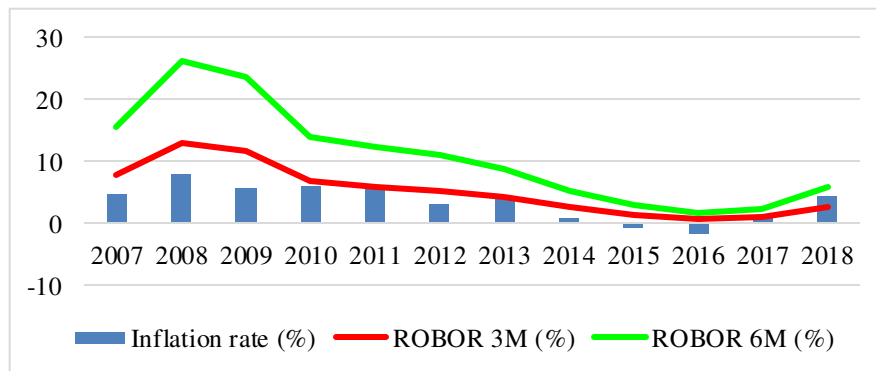
The reduced inflation from the period 2014-2016 is the result of a combination of economic policies favouring the deflation, followed by restrictive monetary and fiscal policies and by an almost neutral budgetary policy. The monetary policy was mainly characterised by the high rate of the interests, the mandatory reserves and the appreciation of the currency (Pop, 2011).

The European Union registered a negative inflation rate -0.05%, only in 2015, when the inflation rate in Romania was -0.59%. If the difference between the EU and Romania was high enough in 2007, with an inflation rate of 2.63% for the EU and an inflation rate of 4.83% for Romania, a difference of 2.2%, the situation was reversed in 2017, when Romania had an inflation rate lower than the rate in the EU. That year, Romania registered an inflation rate of 1.34%, while the EU inflation rate was 1.60%, a difference of only 0.26%. In 2009, the difference between the EU average and the Romanian inflation rate was 2.9%.

4. Case study

As observed in Chart no.2, there is a close connection between the inflation rate and ROBOR 3M and ROBOR 6M. When the inflation grows, ROBOR grows, too, and when the inflation rate decreases, ROBOR also decreases.

Figure no. 2. The inflation rate and ROBOR 3M/6M



Source: own processing of data collected from <http://www.bnro.ro/>

The highest inflation rate was registered in Romania in 2008, a level 7.86%. In the same year, the highest ROBOR was also registered in Romania: ROBOR 3M was 13.00% and ROBOR 6M was 13.07%.

From 2015, the inflation rate and also ROBOR began to decrease, reaching that year the negative inflation rate of -0.59%. The rate was even lower in 2016, when it reached the value of -1.53%. ROBOR 3M was 1.33% in 2015 and ROBOR 6M was 1.58% in 2015, while, for 2016, ROBOR 3M was 0.78% and ROBOR 6M was 1.03%. The inflation rate also ROBOR increased in 2017 compared to 2016, with an inflation rate changing from -1.53% to 1.34%, ROBOR 3M from 0.78% to 1.15%, and ROBOR 6M from 1.03% to 1.34%. The inflation rate and ROBOR 3M and 6M increased with 0.25% in 2017 compared to 2016.

5. The Pearson coefficient

We use Pearson coefficient to calculate correlation between the inflation rate and ROBOR 3M/6M. The period we analysed is January 2007 - December 2018. Discussing a maximum or a minimum registered by the inflation rate and ROBOR, we may say that the highest inflation rate was in 2008, a level of 9.04%. ROBOR 3M reached a maximum of 22.15% in October 2008, while ROBOR 6M reached the maximum of 22.33% also in October 2008.

The lowest inflation rate was registered in Romania in May 2016, with a level of -3.46%, while ROBOR 3M was at the lowest level in October 2016, with a level of 0.69%. ROBOR 6M registered at the same time a minimum of 0.93%.

In conclusion, the Romanian inflation rate passed from a maximum of 9.04% to a minimum of -3.46, ROBOR 3M from 22.15% to 0.69%, and ROBOR 6M from 22.33% to 0.93%. The inflation rate was of 4.01% in January 2007 and increased to 4.95% in 2018. ROBOR 3M was 7.93% in January and reached to 2.09% in March 2018, while ROBOR 6M had a value of 8.05% in January 2007 and 2.38% in March 2018.

The Pearson correlation coefficient can be defined as a numerical index measuring the relation between two continue or discrete quantitative variables (x; y). It has a value between +1 and -1, where 1 is the total positive linear correlation, 0 is not a linear correlation and -1 is the total negative linear correlation. **The calculation formula** for the **R** correlation coefficient:

$$R = \frac{\sum_i (X_i - \bar{X})(y_i - \bar{y})}{\sqrt{\sum_i (X_i - \bar{X})^2} \sqrt{\sum_i (y_i - \bar{y})^2}}$$

A correlation coefficient from **-0.25 to 0.25** indicates a **weak or a void** correlation. A correlation coefficient from **0.25 to 0.50** (or from **-0.25 to -0.50**) indicates an **acceptable** degree of association. A correlation coefficient from **0.5 to 0.75** (or from **-0.5 to -0.75**) indicates a **moderate to good** correlation. A correlation coefficient higher **0.75** (or **less than -0.75**) indicates a **very strong association or correlation**.

The coefficient of determination is the square of the **correlation coefficient R**, meaning **D=R²**. The value of the coefficient of determination expresses an intensity of the linear relation between the two variables. It answers to the question: what percentage from the variation of **Y** can explain the linear relation with **X**?

An idea on the relation between the two characteristics may be obtained by dividing the dispersion diagram in four quadrants through two perpendicular lines passing through the point (X, Y) and presenting coordinates which are equal to the averages of the two variables.

II	I
III	IV

If there is a linear relation between the two variables, then the points of the diagram will be distributed especially in certain quadrants (II and IV or I and III). If the points are distributed in the quadrants I and III, then the dispersion diagram has an increasing trend (the regression line will have an upwards trend). If the points are distributed in the quadrants II and IV, then the dispersion diagram will have a decreasing trend (the regression line will have a downwards trend). If the points are equally distributed in all the four quadrants, then the dispersion diagram indicates a void correlation.

The calculation formula for the coefficient **R²** :

$$R^2 = \frac{n(\sum xy) - (\sum x)(\sum y)}{\sqrt{[n\sum x^2 - (\sum x)^2][n\sum y^2 - (\sum y)^2]}} \quad (1)$$

Table no. 1. The correlation between the inflation rate and ROBOR 3M/6M

Inflation rate– ROBOR 3M	Inflation rate– ROBOR 6M
0,76	0,78

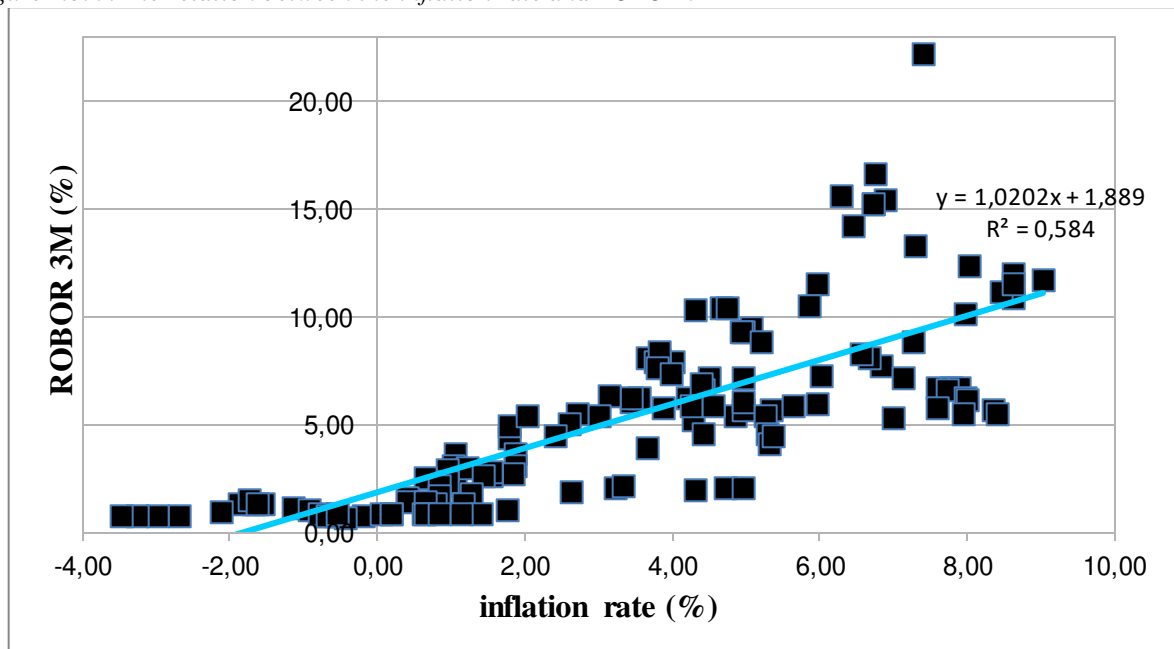
Source: own processing of data collected from the Romanian National Bank web site

Based on the correlation between the inflation rate and ROBOR 3M, we obtained the result of **0.76**. Based on the theory, there is a very good correlation for a correlation coefficient higher than 0.75. In the same time, also based on the correlation between the inflation rate and ROBOR 6M we obtained a result of **0.78**, representing a better correlation than the previous one.

In conclusion, according to the results based on theory and practice, there is a connection, a strong association and a good to very good correlation between the inflation rate and ROBOR 3M, respectively ROBOR 6M.

The Charts 3 and 4 present with more details the relation between the inflation rate and ROBOR 3M, respectively ROBOR 6M for the period 2007-2018, which was our study period.

Figure no. 3. The relation between the inflation rate and ROBOR 3M



Source: own processing of data collected from the Romanian National Bank web site

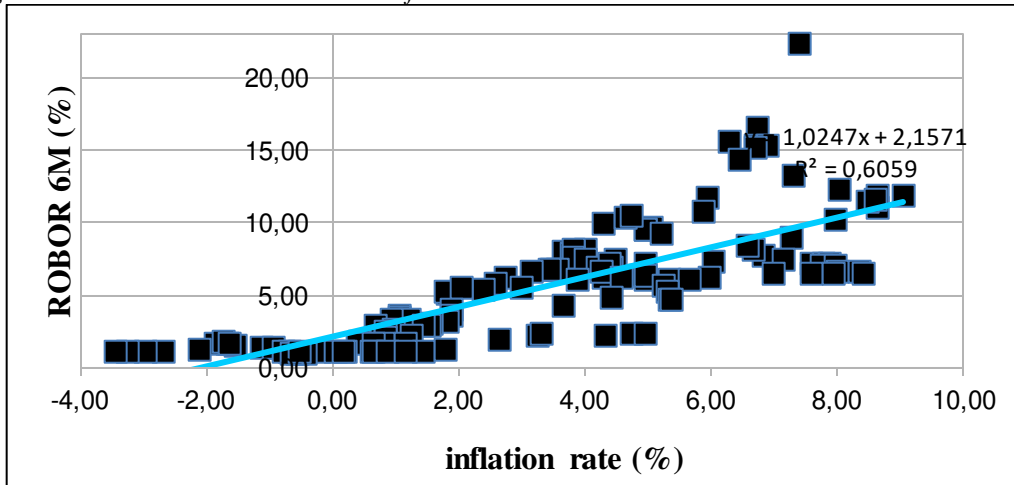
The diagram points are distributed mostly in the quadrants I and III. The dependence between ROBOR 3M and the interpretation rate is positive, an increase of the inflation rate implying a growth of ROBOR 3M. The regression line has an ascending trend, while the dispersion diagram indicates an upward trend.

For the formula: $f(x) = ax + b$, we have: $f(x)$ – ROBOR 3M and x – inflation rate.

$$y = 1.0202x + 1.889; \quad R^2 = 0.584.$$

This result means that approximately 58% from the variation of ROBOR 3M is explained by the linear relation with the inflation rate. For each growth of the inflation rate (x) with 1%, ROBOR 3M (y) increases with 1.02%. If the inflation rate would be 0, ROBOR 3M would equal 1.89%.

Figure no. 4. The relation between the inflation rate and ROBOR 6M



Source: own processing of data collected from the Romanian National Bank web site

The diagram points related to the relation between the inflation rate and ROBOR 6M are mostly distributed in the quadrants I and III. The dependence between ROBOR 6M and the inflation rate is positive, an increase of the inflation rate implying a growth of ROBOR 6M. The regression line has an ascending trend, while the dispersion diagram indicates an upward trend.

For the formula: $f(x) = ax + b$, we have: $f(x)$ – ROBOR 6M and x – inflation rate.

$$y = 1.0247x + 2.1571; \quad R^2 = 0.6059$$

Approximately 61% from the variation of ROBOR 6M is explained by the linear relation with the inflation rate, for each growth of the inflation rate (x) with 1 %, ROBOR 6M (y) will grow with 1.02%. If the inflation rate would be 0, ROBOR 6M would be 2.16%.

6. Conclusions

In conclusion, based on theoretical and practice data, we may conclude that there is a quite strong relation between the inflation rate and ROBOR. The aimed level of inflation was around 7.5% in 2005. Starting in 2013, The Romanian National Bank has proposed an inflation rate under or around 2.5%, as aim and engagement, even if, in 2008, Romania registered the highest inflation rate, a level 7.86%. In the same year, Romania registered the highest ROBOR: 13.00% for ROBOR 3M and 13.07% for ROBOR 6M.

Starting in 2015, the inflation rate and ROBOR have started to decrease, with a negative inflation rate of -0.59% in 2015 and -1.53% in 2016. ROBOR 3M was 1.33% while ROBOR 6M was 1.58% in 2015. ROBOR 3M was 0.78%, while ROBOR 6M was 1.03% in 2016. Both the inflation rate and ROBOR increased in 2017 compared to 2016. The inflation rate changed from -1.53% to 1.34%. ROBOR 3M changed from 0.78% to 1.15%, while ROBOR 6M increased from 1.03% to 1.34%. The inflation rate and also ROBOR 3M and 6M increased with approximately 0.25% in 2017 compared 2016.

July 2008 presented the highest inflation rate, a level of 9.04%. In October 2008, ROBOR 3M reached the maximum of 22.15%, while ROBOR 6M reached the maximum of 22.33% in the same month. The lowest inflation rate in Romania was registered in May 2016, a level of -3.46%. ROBOR 3M presented the lowest value of 0.69% in October 2016, while ROBOR 6M had the lowest level of 0.93% at the same time.

Finally, the result of the correlation based on Pearson correlation coefficient between the inflation rate and ROBOR 3M, respectively ROBOR 6M, was 0.76 for the first correlation, indicating a very good correlation, and 0.78 for the second correlation, indicating a better correlation than the first one.

In conclusion, according to the results based on theory and practice, there is a connection, a strong relation and a correlation from good to very good between the inflation rate and ROBOR 3M, and respectively ROBOR 6M. Approximately 58% from the variation of ROBOR 3M is

explained by the relation with the inflation rate, while approximately 61% from the variation of ROBOR 6M is explained in the same way, meaning that ROBOR 3M increases with 1.02% for 1% growth in the inflation rate. The situation and the values are similar for ROBOR 6M. If the inflation rate would have been 0, ROBOR 3M would have been 1.89% and ROBOR 6M would have been 2.16%.

Starting with May 2019, for credit variable interest rate contracted after May 2, 2019, will have the formula for slightly modified interest rates. ROBOR will be replaced with an index. The new index represents the interest rate calculated as the weighted average of interest rates with the interbank market volumes. Index change occurs automatically only for new loans after May 2 or refinanced after that date. However, the new index may also be used for ongoing loans if the bank and the client come to an agreement in this regard, initialed "by an addendum to the credit agreement".

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Banking Activity in Romania: Where to?

Eleodor Alin Mihai

University of Craiova

alineleodormihai@yahoo.com

Cornelia Tomescu-Dumitrescu

"Constantin Brâncuși" University of Târgu-Jiu

elitomescu@gmail.com

Abstract

Lately, the Romanian banking system has experienced legislative changes that do not correspond to those imposed at European level, changes made without previous studies, which in the long run will affect lending, leading Romania to a new financial crisis. This article presents specific banking activity in Romania, starting from the analysis of the evolution of the inflation rate at both European and national level. Subsequently, the main aspects of financial stability in Romania were mentioned, continuing with the analysis of risk indicators and the rate of non-performing loans.

Key words: loans, deposits, inflation, banking system

J.E.L. classification: E58, G01, G15, G21

1. Introduction

The Bank is a rather complex credit institution that engages in the intermediation of central bank reserves as an organization for them and other financial authorities involved in promoting financial and monetary stability. So, the Bank's attributions in the last financial exercise were influenced by their diversity in the following observations, bank activities will be classified into three elements: activities involving banking operations; activities related to providing support to the community of central banks, and activities designed to support all committees and groups hosted by the Bank. Finally, the banking activity in Romania also registered aspects favorable to the economy, because last year very good prudential indicators were found, a solid banking system that managed to overcome all the shocks encountered lately, exemplifying solvency rates over the European average, according to the ABE classification.

2. Theoretical background. Banking activity in Romania, evolution of inflation and risk analysis

To analyze the banking activity, we started from the idea that any bank is an intermediary of central bank funds, so the guiding principles used in customer service are: confidentiality of personal data of clients, their financial liquidity, information security, but also money recovery. (Badea, 2010).

To meet the objectives, bank managers apply customer-centric strategies, in order to provide them with liquid tools which provide efficient returns for comparable qualitative alternatives so as to in order to increase all the central bank's portfolio investment to properly manage the two priority, credit and market risks, and to periodically monitor all banking activities. (<https://eur-lex.europa.eu/>).

Taking this into account, most managers of credit institutions have exemplified an increase in their balance sheet lately, so that in the 90's 90 billion lei were declared, 10 years later this value doubled to 175 billion lei, and in 2018, 20 billion have been exemplified.

Analysing the market share, it is found that credit institutions intermediate about 6.5% of all international reserves, reserves used by more than 120 central bank customers. The growth of deposits was particularly strong.

Lately, instruments used over a longer period of time have been a pretty big attraction for central bank funds.

These instruments have been created to meet customer demands regarding longer marketable instruments (Căpraru, 2010, p. 57).

Commitment to excellence must remain supported by a rigorous monitoring of risk exposures, of liquidity, market and operational risks. Currently, in line with best practice, this is done by a separate unit of risk control, reporting directly to the Deputy Chief Executive Officer and through him/her, to the manager of the credit institution.

The National Bank of Romania (BNR) was established in 1880, and it is the 16th central bank in the world from a historical perspective (www.bnr.ro).

The main attributions of the NBR are shown in Figure 1.

Figure no. 1. The main attributions of the NBR

- to define and implement the monetary policy and the exchange rate policy;
- to conduct the authorisation, regulation and prudential supervision of credit institutions;
- to promote and oversee the smooth operation of payment systems with a view to ensuring financial stability;
- to issue notes and coins to be used as legal tender on the territory of Romania;
- to set the exchange rate regime and to supervise its observance;
- to manage the official reserves of Romania

Source: (<https://www.ecb.europa.eu>)

As a result, the Bank Deposit Guarantee Fund of credit institutions was established in 1996, it has legal personality, its purpose is to ensure the reimbursement of these deposits, according to the legislation in force, taking into account the limits and deadlines initially established. It has the status of interim administrator or liquidator if appointed.

In conclusion, since the establishment, the fund has had the role of guaranteeing deposits and payments to depositors in the event that a credit institution reaches the brink of bankruptcy, yet the insured amount is currently EUR 100,000, that being the maximum threshold offered to depositors. In order to illustrate the evolution of banking activity in Romania, we have chosen to reflect the evolution of the Euro-zone financial key figures to illustrate the position it occupies as member of the European Union.

3. Research methodology

In figure no. 2. the inflation rate in the Euro area over the past 10 years is identified, locating the area in which Romania is, in order to identify the inflation value in February 2019 as the latest information gathered (<https://www.ecb.europa.eu/>).

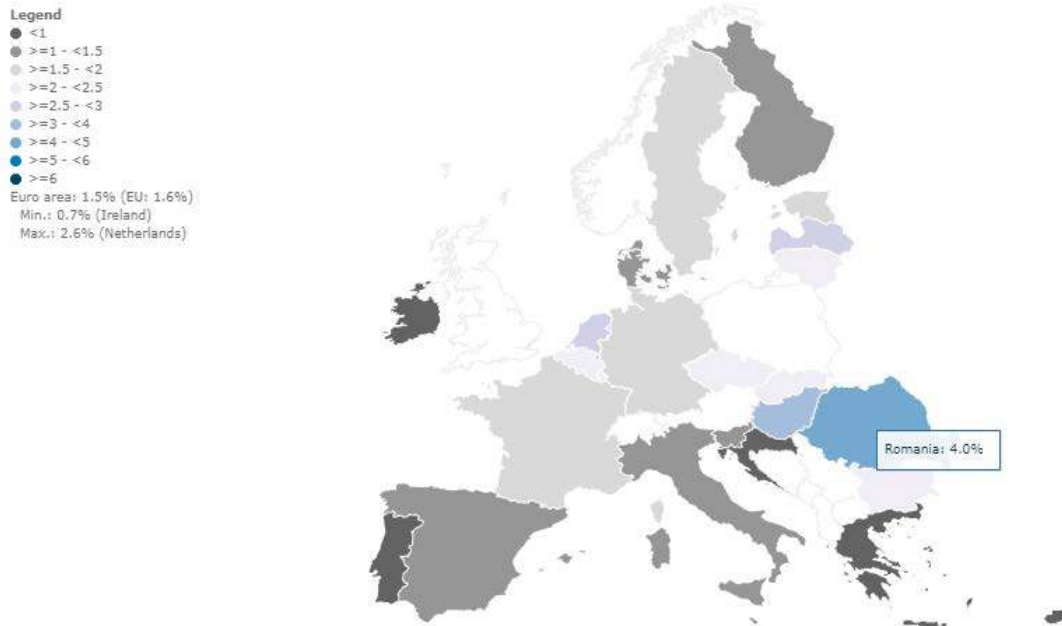
According to the data presented, it can be noted that the inflation rate in February 2019, the European average is somewhere at 1.6%, being about 2.5 times lower than the percentage recorded in Romania (4%), the lowest values being identified in Ireland (0.7%) followed by Croatia with 0.8% and Greece with 0.8%.

European countries which register an inflation rate below the European average are:

- Finland (1,3%);
- Denmark (1,1%), Spain (1,1%) and Italy (1,1%);
- Portugal (0,9%).

And those that exceed the European average are: Sweden with 1.9%, France with 1.6%, Germany with 1.7%, followed by Lithuania and Belgium with 2% each, Bulgaria 2.4% and the Netherlands with 2,6%, which shows that Romania has the highest percentage of inflation in the Euro area.

Figure no. 2. The inflation rate by country at European level

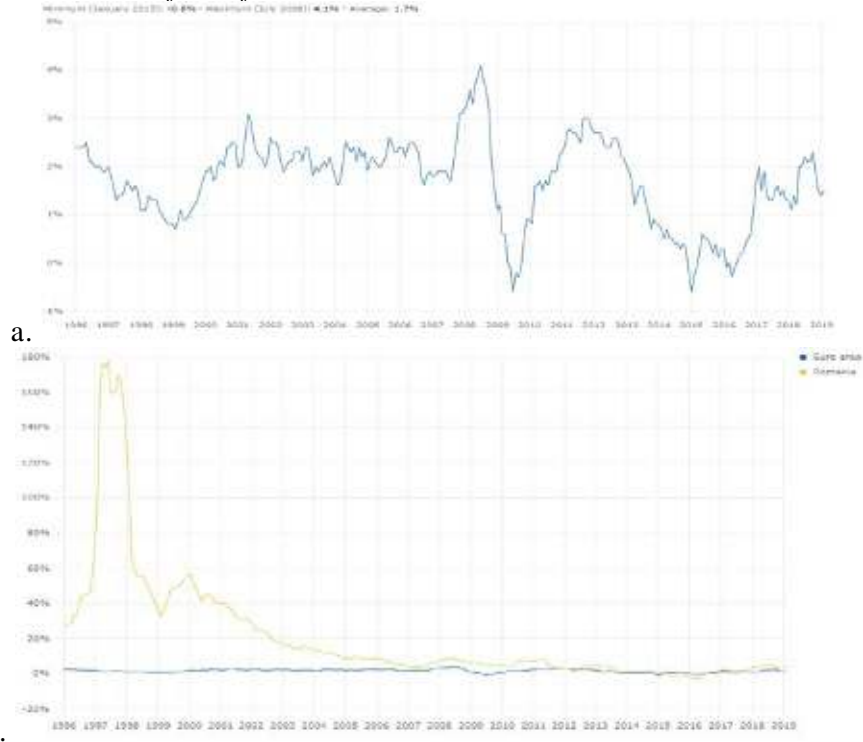


Source: (<https://www.ecb.europa.eu>)

For the calculation of European averages, only Ireland was taken into account, because the UK is currently in the Brexit negotiation process, which means that Euro-area exit measures are being negotiated.

In figure no. 3. We have reported the evolution of the inflation rate since 1996 to our country (see paragraph a) and developments in the euro area (see point b).

Figure no. 3. Evolution of the inflation rate between 1996-2019 in the Euro area and in Romania

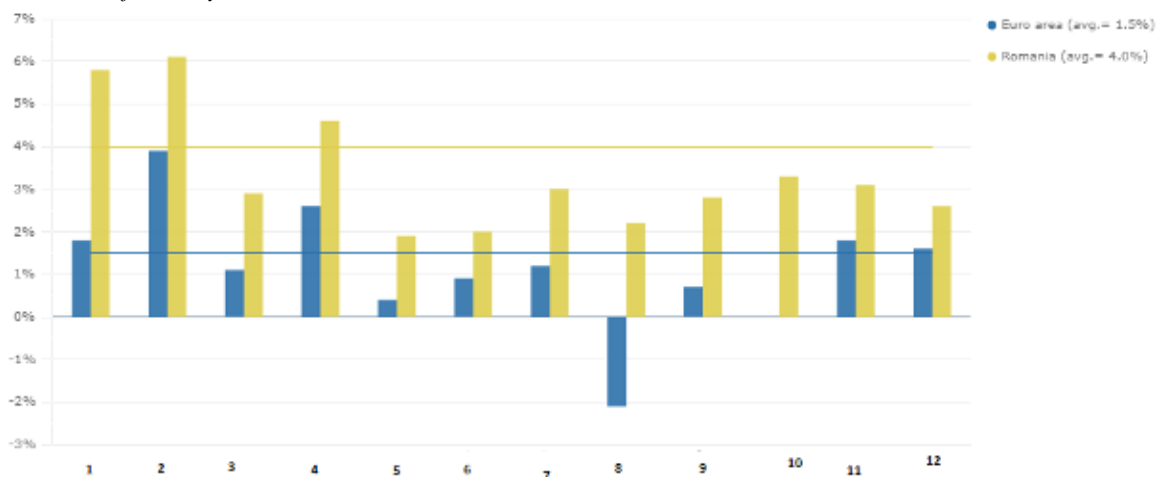


Source: (www.ecb.europa.eu)

The data presented in figure no. 3. illustrate an oscillating evolution of the inflation rate at European level, if in 1996 it represented an average of 2.5 percentage points, in February 2019 it reached a total of about 1.5 percentage points. Data show that the minimum recorded was 0.6% in mid-2009 and 2015, and the peak was at the end of 2008, about 4.1%, then 35 in 2001 and in 2012. The highest decrease was recorded during the global economic crisis - mid 2009.

Analysing the inflation rate in Romania, compared to the European average, it is noticed that during the period 1996-2019, it only recorded values below the European average in the period 2015-2019, values that are below those specific to the European average, the inflation rate in the rest of the period exemplifies values below the European average. But, in 2007 Romania's specific percentages do not exemplify high values compared to those declared in Europe, as in the beginning period when in 1997-1998 the values were over 170%, decreasing extremely in 1999, bringing a total of 28 percentage points, and since Romania became a European member state, the government tried to unify the average inflation rate at the level of the European one, not to record extremely high fluctuations.

Figure no. 4. Evolution of the inflation rate in February 2019 - in the Euro area and in Romania by main areas of activity



1 - food and beverages, 2 - alcohol and cigarettes; 3 - clothing and footwear; 4 - household; 5 - furniture; 6 - Health; 7 - Transport; 8 - Communications; 9 - recreation and culture; 10 - education; 11 - restaurants and hotels; 12 - various

Source: (www.ecb.europa.eu)

From the data presented, it is observed that in most areas of activity, the inflation rate recorded in Romania in February 2019 is above the average recorded in the European area. Thus, for the food and drink sector, the inflation rate was about 5.8 percentage points in Romania, but in the Euro area the average was 1.8%. Thus, analysing the average general inflation rate, this sector is higher by 1.8% compared to the average recorded in Romania (4%) and by 0.3% compared to the European average (1.5%). In the sector of alcohol and cigarettes, the value registered in Romania is 6.1%, and in the Euro area it is about 4 percentage points. In the category of activity - household, the registered values are 2.8% for the Euro area and 4.5% for Romania.

The main areas of activity with inflation values below the general average in Romania and the euro area are exemplified in figure no. 5.

Figure no. 5. The main areas of activity with inflation values below the general

- clothing and footwear in the Euro area (1.1%) and in Romania (2.8%);
- furniture in the Euro area (0.3%) and Romania (1.9%);
- health in the Euro area (0.9%) and in Romania (2%);
- transport sector in the Euro area (1.3%) and Romania (3%);
- communications in the Euro area (-2.1%) and in Romania (2%);
- recreation and culture in the Euro area (0.7%) and in Romania (1.8%);
- for the education sector in the Euro area no information were found, and in Romania (3.2%);
- restaurants and hotels in the Euro area (1.8%) and in Romania (3.1%);
- various in the Euro area (1.6%) and in Romania (2.6%).

Source: (www.ecb.europa.eu)

In 2018 Romania was in the centenary year, celebrating 100 years since the Great Union, during which time the Romanian banking system has recorded many successes but also various failures. All of these have transcended various periods, either better or harder times since the inter-war period, followed by the Great Depression, the Second World War, continuing with the period of centralized economy and ending with the global financial crisis (<https://economie.hotnews.ro>).

Finally, the banking activity in Romania also registered aspects favorable to the economy, because at the end of last year, very good prudential indicators were found, a solid banking system that managed to overcome all the shocks encountered lately, exemplifying solvency rates over the European average, according to the ABE classification. In August 2018, there was a reduction of non-performing loans (5.5%) compared to the values registered in 2014 (20.71%), but the degree of provisioning coverage of these loans was 56.93%, well above the European average, which determined a total of 44.5 percentage points.

Analyzing the ratio between loans and deposits, it is ascertained that their level exceeds the one recorded in the European average of 116.7 percentage points, which indicates a favorable situation for them.

At the same time, profitability indicators in the Romanian banking system are performing much better than in the Euro area as the cost/income ratio has increased, recording positive values, after the negative ones exemplified in 2014, thus in March 2018 the values of the profitability indicators were 14.56 in Romania and 6.1 percentage points in Europe, and the values of the ratio were 56.86% respectively 63.4%.

After the financial crisis, the number of bank offices in Romania decreased by about 4 percent compared to 2008, a fact which was also due to the development of technology, and as such, the Romanian banking systems have adapted over the past decade to the digitization process, simplifying the services offered to clients by introducing increasingly sophisticated technologies.

Over time, banking products and services have diversified, thus Romanian bank lending has shifted from loans in Lei to foreign currency loans and vice versa, and in March 2018, the most loans in Lei were recorded since 1996, exemplifying a total of 16%. Last year, a total of 35 credit institutions were found, 8 less than 2008, the period before the global financial crisis.

One of the aspects which should be improved in the Romanian banking system is the increase in the financial intermediation rate, which at the end of last year was 27%, being below the European average and by 13 percentage points lower compared to 2011, the year when the highest level was recorded.

Another element to be improved is the educational level both among the population, but also among the Romanian entrepreneurs. As such, if citizens knew how to efficiently manage their personal budgets, they would no longer resort to loans in order to raise their standard of living, loans which have negative effects on them and lead to a decline in long-term living standards. And the entrepreneurial financial education in Romania should be implemented from a young age, and credit institutions could increase the supply of banking products and services.

Therefore, the insufficient knowledge accumulated in the financial-banking field determines a sensitivity of the clients, leading to deficiencies in the Romanian banking activities.

In Romania, there is still a category of citizens who are poorly informed about the banking system, and as such, many businesses are not financed by banking products, in 2017 most companies were financed from commercial debts 19.3% of total liabilities and debts to shareholders 10.6 %.

At present, the Romanian government program has led to higher wages, leading to the growth of the banking sector, thus the short-term debt ratio has diminished for current borrowers and increased for future borrowers.

The absorption of European funds and Start-Up Nation Government Programs are offered to Romanian citizens in order to stimulate saving or financing of personal development and education, but they are also followed by certain risks.

In conclusion, all the legislative projects elaborated by the Romanian government aim at capping the interest rates, but also limiting the amounts to be recovered from the divested claims, without omitting the diminution of the character of the enforcement title encountered in the credit agreements, and in some cases the permanent elimination of the latter. In many European countries, as well as Romania, the central bank has the function of implementing monetary policy, with a role of banking and regulatory supervision, otherwise its effectiveness is diminished.

Pressure on the banking system can lead to a decrease in citizens' confidence, so salary increases can have negative consequences, leading to a budget cut, which will lead to a repeat of the 2008 crisis. Eliminating the *First Home* program would lead to many synopses in real estate financing, many construction companies will go bankrupt because the offer will be too high for the existing demand, all of which would lead to a blockade in the real estate market.

In March 2019, the National Bank of Romania maintained its benchmark interest rate at 2.5% and in December 2018 the annual inflation rate fell to a lower level of 3.3 percent from 3.4 percent in November, in the target range of 1.5-3.5 percent. The bank expects inflation to decrease slightly more than expected in the next three quarters, and then to remain slightly below the upper target levels, ending the year at 2.9%. Also, the rates of deposits and credit facilities remained unchanged at 1.5% and 3.5%, respectively.

Political leaders have said that the risks stem from the new set of fiscal and budgetary measures that have been in place since 1 January 2019, as well as from the future fiscal policy and the pace of growth in the Euro area and the global economy.

The interest rate in Romania averaged 5.52% from 2005 to 2019, reaching a maximum of 12.50% in May 2005 and a record level of 1.75% in May 2015 (<https://tradingeconomics.com>).

In order to recreate banking activity in Romania, I chose to briefly structure the evolution of financial stability in recent years, which has been consistently robust. The main favourable aspects were:

- decrease of the risk of overheating of the Romanian economy. In 2017, economic growth was 6.9 percentage points, which declined in 2018 to a total of 4.1%.

- public debt declined by one percentage point in 2018 compared to 2017, reaching a total of 34.1% at the end of 2018, although the foreign currency reserve fell sharply reaching 2.8 percentage points of GDP in 2017. All these aspects align the net public debt to gross public value.

- the solvency and liquidity of the banking sector determined normal values, thus the bad credit rate fell sharply from 6.41% in 2017 to a total of 5.56% in the last months of 2018.

The banking sector in Romania manages to outperform the risk indicators, which refer to solvency, asset quality, profitability and the structure of the balance sheet.

Thus, we will continue to analyze these risks in the period 2015-2018, exemplifying also the European average of 2018, such as:

- The risk-solvency indicators comprise personal level 1 and basic funds, for the first category, the European average was 16%, framed in the good level of prudence, like the values recorded in Romania during the period 2015-2018 when the values determined were 16.72%, 17.55%, 17.95% and 17.83% respectively. The same situation is also exemplified for basic level 1 personal funds, which exemplify good prudence levels at both European level (14.5%) and in Romania, when a value of 17.83 percentage points was identified in 2018;

- Risk indicators - asset quality includes several criteria such as:

- a. The rate of non-performing loans is unfavorable, so the prudence interval is the intermediate example of 3.6 percentage points in the euro area and in Romania at the end of 2018 the interval is on an intermediate level of 5.56%, but in 2015 it is identified at a bad rate of 13.51 percentage points;

b. The coverage ratio of non-performing loans determines favorable levels of prudence in Romania, a value of about 57 percentage points is identified in the analyzed period, but in the euro area a total of 46% is identified, which classifies it at an intermediate level;

c. The rate of loans and advances with restructuring measures exemplifies prudence intervals at an intermediate level in the Euro area and in 2018 in Romania, in the other period a value of over 5 percentage points is determined, concluding an unfavorable aspect.

- Risk - Profitability Indicators analyze ROE and cost/income ratio. Thus, the ROE indicator in Romania is on an accrual level of over 10 percentage points between 2015-2018, but in the euro area the values of 7.2% are ranked on an intermediate level. The cost/income ratio, which requires a good level of 50%, shows that the European average is on an unfavorable interval because it determines a percentage of 63.8%, but in Romania the level of prudence is intermediate throughout the analyzed period, because in 2015 it exemplifies a percentage of 58.46% and 53.71% in 2018.

- Risk Indicators - the balance sheet structure comprises two categories, the first refers to the ratio between loans and deposits offered to natural persons and non-financial corporations, which are identified at a good level in Romania between 2015-2018, more than 73%, resulting in a total of 74.86% in 2018, but the European average is identified at an intermediate level because it was of 116.2%, an unfavorable level would be if it were more than 150%. A similar situation for the second category, more precisely for the ratio of total debts to equity.

Lately, managers of credit institutions in Romania have encountered many risks, the most important among which are:

- diminishing investor confidence in the current Romanian economy is on a high systemic risk;
- non-repayment of credits, especially those in the non-governmental sector;
- the strain on macroeconomic equilibrium is classified as a moderate systemic risk.
- the evolution of the real estate market leads to a low risk.

All of these are classified into 4 systemic risk categories: severe, high, moderate and low. Thus, in 2018 there were no severe systemic risks.

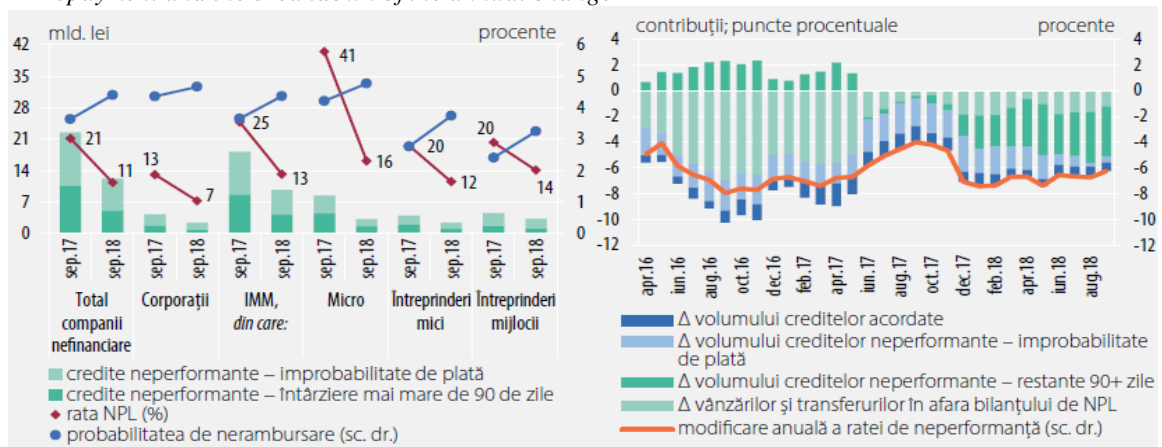
4. The rate of non-performing loans in Romania

In Romania, the rate of non-performing loans has gradually diminished as citizens have become more and more oriented on new loans, although the rate has increased by around 8 percentage points at the end of 2018 compared to the similar period of 2017. New loans contracted by natural persons increased by 12 percentage points in 2018 compared to the previous year, their value amounting to about 25 billion ROL, their destination being in real estate and sometimes in consumption.

Most of the loans were granted in Lei, especially in the first months of 2018, with an emphasis on fixed interest (for consumer loans) and a fixed interest rate of at least 5 years for mortgages. However, increasing the indebtedness of Romanian citizens could lead to negative effects on the financial system and on economic growth. In 2018, the economic and financial situation of the Romanian companies improved significantly, because the positive evolution was exemplified by the economic growth in Romania.

In 2018, the total number of credits granted in Romania increased, due to the implementation of the non-performing loans resolution measures, although in the last months the default rate determined only decreasing values, reaching a percentage of 9.5% compared to 12.2% exemplified at the end of 2017.

Figure no. 6: The rate of non-performing loans granted to companies in Romania, the probability of repayment and the breakdown of the annual change

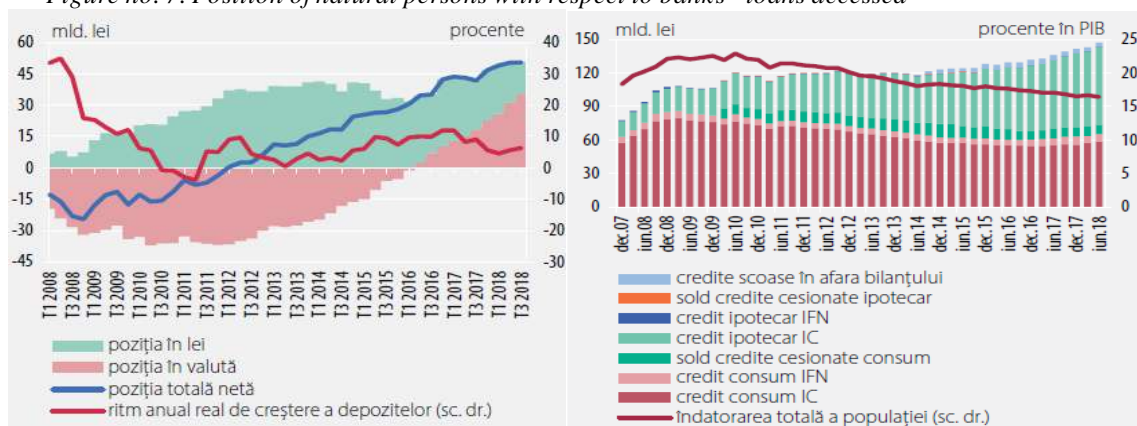


Source: (www.bnr.ro)

From the data presented, the probability of non-payment of loans to non-financial corporations increased by 8% in 2018 compared to 2017, but in each of the other categories of companies there is an increase in the non-reimbursement of credits in the last year, and the lowest growth percentage has been identified in corporations. However, non-performing loans have been very much allocated to SMEs at around 18%, other forms of non-financial companies have been allocated up to 5 percentage points of total loans. The volume of credits granted over the last 3 years is oscillating, however, the annual change in the rate of non-performance between April 2016 and August 2018 shows an insignificant difference. In June 2018, the probability rate specific to credits taken by non-financial corporations was 3.1 percentage points, much lower than in the previous year, and by 2019 it is forecast to reach 4.8 percentage points.

At the end of last year, Romanian citizens strengthened their position as net creditor to the banking sector in Romania, as they managed to record a total of 50.5 billion lei, a rise mainly due to salary increases in the last period 2017-2018, the evolution of the population lending preferences is illustrated in Figure 7. The analysis is carried out over a period of 10 years (2008-2018), and the evolution of the total debt of the population is also identified here.

Figure no. 7. Position of natural persons with respect to banks - loans accessed



Source: BNR

From the data presented, it can be concluded that citizens' preferences for loans in ROL started to increase by about 35%. When analyzing the net position for foreign currency loans, they were exemplified in September 2018 as double compared to September 2017, even though the growth rate of deposits was lower than that of lending. The total debt of Romanian natural persons gradually increased, reaching 147 billion Lei, by 8.3 percentage points more in June 2018. This increase was due to the increase in the demand for mortgage banking, by about 14 percentage points at the end of 2018, in line with the increase in consumption-oriented loans, by around 6

percentage points. Total citizen's indebtedness increased from 2007 to 2010, then declined year by year, until it reached a similar figure at the end of 2018 with the one at the start of the analysis, illustrating a decline of 0.4 percentage points in June 2018 compared to June 2017. Consumer credit IC and IFN had approximately the same evolution as the total debt of Romanian natural persons, but the highest values are recorded during the financial crisis, mortgage credit is more visible in the last 5 years, it exemplifies a total of 25 percentage points, compared to consumer credit which manages to reach just 10 percentage points at the end of 2018.

In conclusion, the dynamics of bank credit was influenced by the decisions of credit institutions and those of debtors who want to repay their debts, or part of them, in advance.

5. Conclusions

Specialists believe that the Romanian banking system is moving towards a favourable line, managers are much better prepared than they were before the financial crisis, they are able to overcome certain unforeseen situations because they are based on certain aspects that simplify their activities:

- foreign exchange reserves increased by about 5 billion Euro at the end of last year, compared to 2008, reaching a total of 32.4 billion Euro.

- Romanian banks are no longer completely dependent on external financing, as the share of external liabilities of the total of liabilities diminished to 9.1% in 2018 and the risk of debt financing decreased to 2.7% in the past 10 years.

- the banking financial system is better consolidated, became much stronger, no longer needs the Romanian state's intervention for recapitalization, managed to rapidly reduce the rate of bad loans in the Euro area, decreased the currency risk.

As a result, the profitability of the banking system is above the European average, as at the end of 2018 a capital return of 15.7% was identified, compared to 7.2% determined in Euro zones. The main reason for this is the reduction of net expenditures, but also due to a robust pace in lending. Thus, interest income in Romania is the main source of operational income for credit institutions, and financial intermediation is assimilated to the ratio between lending and deposit rates (services for citizens).

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Procedure of Contest the Fiscal Administrative Act

Florentin Gabriel Nanu
The University of Bucharest
nanu_florentin@yahoo.com

Abstract

Appealing administrative-tax acts is a taxpayer's right. It is the administrative appeal procedure provided by the Code of Fiscal Procedure against the debt claim, as well as against other tax administrative acts.

The object of the appeal may be the amounts and measures established and registered by the tax authority in the claim title or in the taxed administrative tax act.

This paper is intended to support the taxpayer who considers himself/herself to be in breach of his / her rights by means of the tax administrative act drawn up by the specialized bodies and the knowledge to him of the fiscal procedure which he / she has to go through in order to contest the respective act

Key words: appeal, taxation, title of claim, administration, decision

J.E.L. classification: G20

1. Introduction

In order to apply the law regarding the establishment, modification or extinction of the fiscal rights and obligations, the competent fiscal body issues an administrative - fiscal act.

It is issued only in written form. The tax administrative act must be communicated to the taxpayer to whom it is intended and produces effects from that moment. The tax administrative act is not opposed to the taxpayer and produces no legal effect if there is no evidence of the communication. According to the legislation in force, the fiscal administrative act may be amended, canceled or abolished.

The fiscal body can correct the material errors in the tax administrative act, ex officio or at the request of the taxpayer.

Mistakes in writing, omissions or mistakes in tax administrative acts, except for those that nullify the fiscal administrative act, according to the law, or which concern the substance of the fiscal administrative act, are material errors.

The Code of Tax Procedure states that under certain conditions taxpayers have the right to challenge fiscal administrative acts.

The procedure for settling appeals against tax administrative acts is divided into two cumulative phases: the administrative phase and the judicial phase. In the first phase, the action is called an appeal and is governed by the Code of Fiscal Procedure, and in the second is the action in administrative litigation, being governed by the provisions of Law no. 554/2004.

2. Theoretical background. Possibility of contesting the administrative - fiscal act

Any person who believes that he or she has been harmed by a fiscal administrative act may file an appeal. The power of attorney / power of attorney in original, legalized or duplicate copy shall be presented, as the case may be, if the appeal is formulated by a proxy.

The appeal will be signed by the Special Administrator / Administrator or the liquidator, as appropriate, and will be accompanied by the instrument by which he / she has been appointed, if the plaintiff is in insolvency / reorganization / bankruptcy / liquidation and has been given the right at its own administration. (Staicu, 2014, p.115)

In case the contest does not meet the requirements regarding the original / certified copy of the power of attorney / mandate / power of attorney and the signature, the competent resolution bodies will ask the contestant, by registered letter with acknowledgment of receipt, that within 5 days after communication to meet these requirements. Otherwise, the appeal will be dismissed without further substantiation of the case. Receiving acknowledgments will be attached to the case file.

The competent resolution body can not substitute the complainant for the reasons of fact and law for which he disputed the respective tax administrative act.

3. Solution decision - Form and content

The competent resolution body, following resolution of the appeal, issues a final decision in the administrative appeal system. The competent resolution body can not revert to the decision, except in cases of material error correction, according to the law, and it is mandatory for the fiscal bodies issuing the disputed tax administrative acts.

The decision issued following the resolution of the appeal shall be signed by the Director General of the General Directorate for the Resolution of Appeals within the National Agency for Fiscal Administration, the Director General of the General Directorate for the Administration of Major Taxpayers, the heads of the Regional General Directorates of Public Finances or their substitutes, as the case may be.

In the case of appeals settled by the specialized structure for the settlement of appeals within the regional general directorates of public finances, the decision is signed by the head of the fiscal body, which is the competent fiscal body in solving these complaints.

If the replacement of the Director-General of the General Directorate for the Administration of Large Taxpayers / Head of the Regional Public Finance Regional Director is the person who signed the administrative act at issue, another person from the respective Regional Directorate-General / Directorate General for Administration the big taxpayers who sign the decision to settle, by administrative act, of the person who has the power of appointment in public office.

The decision on the settlement of the appeal shall be drawn up and communicated as follows:

a) a copy shall be communicated to the contestant, respectively to the persons entered in the procedure for settling the appeal, as the case may be, and to the body that drew up the contested act;

b) one copy remains on the appeal file;

c) a copy shall be retained in the decision file.

The tax body which issued the contested act has the obligation to send the original copy of the decision to settle the appeal of the new tax body in whose administration the taxpayer is located, in order to execute it.

If, from the date of the appeal and up to the date of the settlement of the appeal, the competence to administer the challenger has changed.

If the decision to settle the appeal concerns tax receivables, the issuing body of the contested fiscal act has the obligation to send a copy of the decision to the department with analytical records attributable to the payers.

Records of decisions will be conducted with the help of a registry by the bodies which settle the complaints in which they will be registered: the number assigned to the decision to settle, the registration number of the appeal to the competent resolution body, the identity of the contestant, and the solution adopted.

4. Settlement of appeal

In order to clarify the cases, the competent resolution body may request points of view from specialized departments within the Ministry of Public Finance and from the National Agency for Fiscal Administration or from other competent institutions to rule on the respective cases.

If, for the same cause, there are contradictory views or contrary to the point of view expressed by the competent resolution body, the matter may be analyzed by the Central Taxation Commission within the Ministry of Public Finance, according to the law.

Before proceeding to settle the merits of the appeal, the competent resolution body verifies the existence of procedural and, eventually, procedural exceptions.

In the handling of appeals, procedural and substantive exceptions may be the following:

- failure to observe the deadline for filing the appeal,
- the lack of competence of the body which has concluded the contested act,
- lack of signature or stamp on the appeal,
- lack of interest,
- lack of procedural quality,
- reverting the same period and the same type of budgetary obligation, prescription intervention, power of judgment, etc. (Şaguna, 2016, p.97)

Where the competent bodies have two or more contestations formulated by the same natural or legal person against tax debt securities or other tax administrative acts entered into by the same tax authorities or other tax authorities for the same category of tax liability different types, but which, in terms of quantum, influence each other, the files can be merged if this ensures a better administration and capitalization of the evidence in solving the case.

By linking the files, no other resolution competence can be established than that resulting from the challenge of each individual tax administrative act.

If the contestant restricts or increases his claims, the resolution body originally invested will resolve the appeal filed through administrative appeal.

Until the issue of the settlement decision, applications may be submitted to the competent resolution body of the appeal.

If the complaints are so formulated as to have a character other than the administrative appeal, for these matters the request will be forwarded to the bodies issuing the contested tax administrative acts in order to submit it to the competent bodies.

Competent bodies may conduct an on-the-spot investigation to clarify the issues that are the object of the appeal only at the request of the appeal body. The findings of the research will be recorded in an on-the-spot research report, which will be attached to the appeal file.

By solving the challenge, one can not create a worse situation for the contestant in his own way of attack.

The contestant, the interveners or their deputies may submit new evidence in support of the case. In this situation, the fiscal body that issued the taxed administrative tax act or the body that carried out the control activity, as the case may be, will be given the opportunity to pronounce on them.

The competent resolution body will first rule on procedural and substantive exceptions, and when found to be well-founded, no further substantive analysis of the case will be made.

5. Suspension of administrative dispute settlement procedure

At the request of the complainant or ex officio, the competent resolution body may suspend the administrative appeal.

If the decision suspends the settlement of the appeal until the criminal case has been resolved, the competent resolution body shall resume the administrative procedure only after the final and enforceable reason for the suspension has been terminated at the request of the opposing party or the fiscal body.

If the request for resumption of proceedings belongs to the contestant, the resolution bodies will ask the authorized tax office, through an address, to communicate that the reason for termination of the suspension of the settlement of the appeal has remained definitive. (Georoceanu, 2015, p.214)

Upon resumption of the administrative procedure, the competent resolution body may ask the tax authority that has notified the criminal investigation and prosecution bodies the point of view regarding the settlement of the appeal in relation to the solution of the criminal bodies / the court decision

If the complainant has reasoned reasons at his request, only one time, within 30 days from the date of filing the appeal, the competent resolution body may suspend the appeal procedure. Upon approval of the suspension, the competent resolution body will also set the deadline until the procedure is suspended.

The administrative procedure shall be resumed at the request of the opposing party or upon the expiry of the time limit set by the competent resolution body, regardless of whether the reason for the suspension has ceased or not.

6. Solutions to the challenge

By decision, the contestation may be wholly or partially rejected or rejected.

If the appeal is admissible, the total or partial annulment of the contested act shall be decided, as the case may be.

The decision may totally or partially suppress the contested administrative act, in which case a new fiscal administrative act is to be concluded which will strictly consider the considerations of the decision to settle.

Within 30 days from the date of the communication of the decision, the winding-up solution is enforced and the new tax administrative act issued strictly covers the same period and the same object of the appeal for which the dissolution was pronounced.

If the competent resolution body finds that a procedural condition is not met, the appeal will be dismissed without proceeding to substantive examination of the case.

The appeal may be rejected as:

- a) unfounded, where the factual and legal arguments put forward in support of the appeal are not such as to alter those set out in the contested administrative act;
- b) not motivated, if the contestant has no factual and legal arguments in support of the appeal;
- c) be devoid of purpose if the contested amounts and measures have not been determined by the contested administrative tax measure;

By decision, notice may be given to waive the appeal if the claimant requests it to be withdrawn.

By decision, the fiscal administrative act may be partially / totally annulled. The partial / total annulment may be ordered in cases such as: where the same tax obligations have two or more debt securities if the tax inspection bodies, following the dissolution, have exceeded the investment limits.

The decision may totally or partially suppress the contested tax administrative act. Prior to the issuance of the decision with a dissolution decision, the competent resolution body will take the necessary steps, if necessary, to the fiscal body issuing the contested act, namely: to clarify some disputed situations, to complete the point of view regarding the documents filed by the opposing party, on-site research, etc. In the event of a total or partial annulment of the contested act, only the reasons leading to the dissolution shall be set out in the recitals of the decision.

By the new tax administrative act, drafted according to the considerations of the decision for settlement, the taxpayer can not set higher tax obligations than those of the disbanded act, which can be challenged according to the law. Accordingly, the tax loss can not be reduced by a higher amount than the one entered in the abolished act.

The appeal may be rejected as:

- a) not filed in due time, if it has been filed over the term stipulated by the law;
- b) being filed by a person who is not in a position to challenge, if it is formulated by a natural or legal person lacking procedural quality;
- c) being filed by a person with no capacity to exercise, according to the law;
- d) without interest, in the case when the contestant does not prove that he has been injured in his legitimate interest. (Dariescu, 2004, p.217)

7. Communication of the decision and appeal

The decision on the settlement of the appeal shall be communicated to the complainant at the tax domicile on the basis of the signature of receipt of the fiscal administrative act, or by post, by registered letter with acknowledgment of receipt and to the fiscal body issuing the contested administrative act.

Decisions issued in the resolution of appeals may be appealed by the challenger or by the persons entered into the dispute settlement procedure to the competent administrative court.

8. Conclusion

If the taxpayer considers that his rights have been violated by the issuance of an administrative - fiscal act, there is the possibility of formulating a complaint addressed to the issuing body, under the conditions mentioned in this paper. Subsequently, if the decision made in the resolution of the appeal does not remove the damage to the taxpayer's rights, there is the right to appeal the respective decision to the competent administrative court, according to the law.

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Accounting Issues Related to Market Risks of Loan Products

Traian Cristin Nicolae

„Ovidius” University of Constanta, Faculty of Economic Sciences

traian.nicolae.profesor@gmail.com

Abstract

This scientific paper aims at an empirical study of some brief aspects of credit in the current stage of the Romanian economy . A potential reduction in population lending in Romania is believed to have a huge impact on consumption, production, investments and on the state budget. Thus, a 10 % reduction in amounts of credits will have a negative impact on GDP of 4 %. The new draft laws allow the creation of a space of unconfirmed provisions. All these proposals come with losses for the banking industry, including image, and, paradoxically, is happening in the Romania where financial intermediation occupies a low level - more than a quarter - 26.4%. The large differences in the regulatory laws adopted by the Member States contribute to the differences in the flows of the European market .

Key words: bank loans, accounting, trends

J.E.L. classification: M41, G32

1. Introduction

Romania has a number of disadvantages in relation to older EU Member States which breaks down integration efforts and leads to a number of adverse effects such as reducing net wealth and widening the gap between social classes, increasing migration, etc. (www.bnr.ro):

- Negative demographic growth.
- The massive disappearance of the existing industrial base from the 1980s years and consequently the forced cancellation of a huge number of jobs.
- Romania faces a vulnerability in the labor market caused by the demographic problem, given the fact that emigration has reached a worrying level, about more of 20 % of the country's population and 35 % of the active population.

2. Theoretical background for accounting related to marked risks of loans products

A financial asset can be classified at fair value by profit or loss account only if it meets one of the following two conditions (IASB , 2018):

1. It is classified as held for trading: a financial asset is classified as held for trading if it is:
 - acquired or generated primarily for the purpose of sale in the near future;
 - included at the time of initial recognition as part of a portfolio of specific financial instruments that are administrated jointly and for which there is evidence of a recent pattern of short-term profit tracking; and
 - a derivative, except for a derivative that is a financial collateral or derivative instrument designated as part of an effective hedging relationship.
2. At initial recognition is designated by the entity as being measured at fair value through profit or loss. The option to designate at fair value is permitted only if :
 - The proposed instrument to be designated at fair value through profit or loss is a hybrid contract that includes one or more embedded derivatives;
 - The designation significantly eliminates or reduces a measurement or recognition inconsistency (sometimes referred to as "accounting mismatch") that would otherwise result from the valuation of assets or liabilities or the recognition of gains and losses associated with them on

different bases;

- A group of financial assets and / or financial liabilities is managed and its performance is measured on a fair value basis in accordance with a documented risk management or investment strategy of the entity and the information is provided to key management personnel on that basis.

3. Evolution of the banking market risks - empirical aspects of research

The banking system registered a positive development mainly driven by the favorable macroeconomic framework, which led to an acceleration of lending. The forecasted annual growth of non-government credit is 6.4% for the year 2018 according to banking strategies, given that in 2017 the advance of the non-governmental credit was 5.6% . The balance of non-government credit returned to EUR 50 billion, at the beginning of the crisis, despite the fact that in the meantime we witnessed total repayments, principal reimbursements, the sale of non-performing loans, etc. The structure of non-governmental lending by segment is divided as follows: 53% are loans to the individuals and 47% to companies (www.bnr.ro).

The year 2018 brought the change in the structure of credit to the private environment. As a result, at the end of first quarter, the share of RON loans accounted for 63.8% of the total loans - the highest level since 1998. In the context in which in 2017 we witnessed the trend change in the evolution of interest rates, the ROBOR index, the Romanian Association of Banks analyzed the possibility of wider use of fixed interest in the lending activity of individuals. Thus, consumers could be further protected against the risk of interest rate variation by creating mechanisms that would allow broader incentives for fixed-rate loans. There was an increase in new loans with fixed interest, 27% of mortgages and 79% of consumer loans granted between January and March 2018 being fixed interest rates . By comparison, only 6% of the mortgages granted in the similar period of 2017 were fixed interest rates . As a result of the constant efforts of the banking system, the rate of bad loans fell from the alert threshold to the signal threshold. The rate of non-performing loans declined to 5.71% in June 2018 (compared with 8.32% a year ago), the decrease being almost 4 times over 2014. As regards the component failure rate published by The National Bank of Romania for March 2018, summed up a percentage of 11.44% on the companies sector, where the rate of non-performance on the SME area was 12.7%, while the indicator was 5.68% on the individuals (www.bnr.ro). In Romania, the coverage ratio with non-performing loans is high, 57% (www.arbc.ro). Banking lending in Romania has a high potential for growth, especially on the corporate area, with beneficial effects on the economy as a whole, but joint efforts of the banking industry, supported by decision-makers, through the projects they promote

4. Survey of the specific developments in the credit market risks in Romania

In Romania a potential reduction in population lending is estimated to have a significant impact on consumption, production and investment, and with effects on the state budget. Thus, a 10 % reduction in lending will have a negative impact on GDP of 4 % (www.bnr.ro).

The first quarter of 2019 was marked by a significant tightening of lending standards for both housing and land purchase loans and consumer credit to households. On non-financial corporations, banks maintained credit standards steadily as compared to the previous quarter.

In the coming period (T2 2019), credit institutions anticipate a marginal tightening.

lending standards for real estate and moderate lending in consumer credit for the population sector. In the case of non-financial corporations, banks' expectations for the next quarter are a tightening of credit standards.

Initial potential risks to the sector of the legislative framework have been diminished over the course of time. Credit institution strategies include long-term commitments to lend to the real economy.

We can refer to the challenges posed by the recently promoted laws during the pre-election period, the Paying Law and the Law on the conversion of Swiss francs into a historical course, but the Constitutional Court has already expressed its opinion and brought the necessary clarifications (www.cdep.ro).

Analysis of the decision published by the Constitutional Court related to Law no. 77/2016 on payment shows that the institution was considering applying the law on social cases by invoking the principle of imprevision (www.ccr.ro).

Imprudence (those exceptional credit events that led the client to have major difficulties in repaying the loan) will be a rather exceptional situation than a frequent one.

The banking community has stated from the outset that the substantive solution to all these issues is related to communication between the bank and its client and that each bank has tried to find a solution in one form or another in the social cases we are discussing. The problem we have is a problem setting expectations.

The Constitutional Court motivated the decision by which it rejected the law on the conversion of credits into Swiss Francs (CHF), stating that the law violated [the principle of bicameralism, in the sense that it was radically altered by the Chamber of Deputies, the first form imparted by the Senate, objectives of initiators (www.ccr.ro).

Otherwise, a single Chamber, namely the Chamber of Decision Makers, has legislated exclusively, and this contradicts the principle of bicameralism. The payment difficulties encountered by some debtors in Swiss francs (but also in other currencies) were addressed always at banks, offering customized solutions (www.cdep.ro) .

By the end of August 2016, 78% of customer requests were approved and, as such, restructured and / or converted into national currency tens of thousands of CHF loans (www.arbc.ro).

The banking system is in a position to rebuild confidence that has been affected by public debates in recent years.

5. The observation of the risks associated with credits to companies in Romania

Small and medium-sized enterprises account for about 90% of all enterprises globally and cover over 50% of the workforce . These are essential for the development of economies, playing an important role in creating jobs and developing innovative systems.

Credit standards had a steady evolution in the first quarter of 2019, compared with the previous quarter. With respect to Q2 2019, credit institutions expect a moderate tightening of credit standards for companies, irrespective of their size, for both long-term and short-term loans.

Credit terms did not fluctuate significantly in Q1 2019, except for the spread of the average interest rate on credit to ROBOR 1M, which experienced a marginal relaxation (www.insse.ro) .

Credit demand from companies has moderated at a moderate level. Large companies have significantly reduced their demand for funding, both for short-term and long-term loans, while for small and medium-sized companies, demand declined moderately.

Rejected credits, as a share of total requested loans, have fallen marginally, especially for large companies seeking to attract long-term funding.

The risks associated with companies classified by their size have been assessed by moderately growing banks in Q1 2019 in the mid-sized and corporate segment. Increases in credit risk were of significant magnitude in the case of energy and transport companies and moderate in real estate companies.

In Romania, the share of SMEs is 99.7% in the total number of companies compared to an average of 99.81% in the EU, covering 66.4% of the total labor force, similar to the European average (66, 63%), according to Eurostat data for 2016 . Taking into account the crucial role that SMEs play for employment, given that at national level, 2 out of 3 employees work in SMEs, it is essential to ensure access to finance viable, supporting their expansion, invoicing and development projects (www.insse.ro) .

A large part of the Romanian companies are not bankable, as they have negative equity. Credit institutions have the resources to support lending, with solvency and liquidity ratios at high levels, but for the corresponding expansion of lending to the corporate sector it is necessary for them to be bankable. There are a number of vulnerabilities, such as the high indebtedness or the high debt recovery period, which hampers the banks' lending effort. With regard to the average debt recovery period, small and medium-sized businesses are able to recover their claims in 1/3 of the year, making it clear that commercial credit is being used. The top three most pressing problems faced by businesses are still high taxation, the implausibility of the tax environment and competition

(www.insse.ro) .

Studies show that a culture of SMEs is not yet rooted in Romania, with more than half of the companies set up disappearing within 10 years of registration. For companies, loss in case of default (LGD) estimated by banks for non-repayable loans in Q4 / 2017 was 42% up from 40% a year ago (www.arbc.ro). In a general local climate characterized by a high degree of unpredictability, business plans are deferred, re-evaluated, and investment appetite is low.

Demand for loans from non-financial corporations recorded a moderate decline at aggregate level in Q1 2019, contrary to the expectations of credit institutions. Based on the size of the firms, the magnitude of the decline was more pronounced in the case of very large companies, both for long-term and short-term loans. For the next quarter, demand for company financing is expected to have a relatively steady development across the sector, while moderate growth is projected for small and medium-sized companies.

6. The observation of the main destinations of the loans

Most Romanians say they take into account loans from banks or non-bank financial institutions mainly when they want to make improvements in the home (31%), unexpected spending that may affect their financial situation (29%) or medical expenses (18%), when looking to consolidate their debts (23%), but also to invest in children's education (5%) (www.arbc.ro).

On the other hand, 29% of Romanians say they are concerned about the possibility of rising living costs in the coming year and 15% are worried that they might lose their jobs. Also, 21% of them are concerned about the evolution of the economy over the next period .

The increase in the cost of living in the next period is set by 29% of Romanian clients due to the increase in utilities spending, above the European average of 17%, of housing costs, whether rents or bank installments for the purchase of a housing (15%) and food expenditure (12%). By comparison, for respondents in Europe, the main reason for the increase in the cost of living is represented by rents or house purchase (19%) and food expenses (19%) (www.arbc.ro).

At the same time, retirement is a factor that 12% of respondents in Romania consider could affect their standard of living, as opposed to the average of only 6% at European level, and 7% of them consider the possibility that the next period to receive less money from abroad and thus the living standard to be affected (www.arbc.ro).

7. A case study of the accounting records of equity instruments classified as financial assets at fair value through the statement of comprehensive income (FVTPL)

On May 15, 2019, an entity purchases 5,000 shares at the price of 5,000 m.u. (monetary unit) per share. Trading costs represent 0.75% of the value of the purchased shares (Nicolae, 2010).

Under accounting policies adopted by the entity, the target pursued by the entity is to sell long-term shares with the purpose of obtaining the long-term profit from these operations and classifies the shares acquired in the category of the items in the statement of comprehensive income (FVTPL) at the value of the financial assets (Nicolae, 2010). The recording accounts used (as proposed in the IFRS accounting plan) for the exemplification of these accounting records were selected based on the formulated assumptions (Nicolae, 2010).

The acquisition is quoted on a regulated market and the entity has concluded, according to its policies, that the market is active and that it is also the primary trading market, in accordance with IFRS 13 (Nicolae, 2015).

Accounting data

(Making entries by the author)

Registration of the acquisition of shares :

Debit *Long-term financial investments* 25,000,000

Credit *Payments to be made for long-term financial investments* 25,000,000

Record of transaction costs:

Debit *Expenses on fees payable for securities trading on the regulated market* 187,500
Credit *Payments to be made for long-term financial investments* 187,500

Payment of expenses:

Debit *Payments to be made for long-term financial investments* 187,500
Credit *Bank account* 187,500

Payment of debt on purchased shares:

Debit *Payments to be made for long-term financial investments* 25,000,000
Credit *Bank account* 25,000,000

Accounting records as at 31 December 2019

At December 31 2019, the share price dropped to 4,500 m.u. , and the fair value of the stake was 22,500,000 m.u. . The loss caused by keeping titles = 25,000,000 m.u. - 22,500,000 m.u. = 2,500,000 m.u. The registration is:

Debit *Losses related to long-term financial assets and liabilities* 2,500,000
Credit *Long-term financial investments* 2,500,000

Accounting records on May 31, 2020

On May 31, 2020 the share price increased to 6.000 m.u. . As a result, a gain of fair value differences on the share of the shares held will be recorded, amounting to = 5,000 shares x (6.000 m.u - 4,500 m.u.) = 7,500,000 m.u. :

Debit *Long-term financial investments* 7,500,000
Credit *Gains on long-term financial assets and liabilities* 7,500,000

Accounting records on 31 May 2022

On May 31, 2022, the entity signs a share sale contract at a price of 10,500 m.u. . The selling price is equal to the market share quote valid for the date of sale = 5,000 shares x (10.500 m.u - 6,000 m.u.) = 22,500,000 m.u.

Recording of the valuation at fair value:

Debit *Long-term financial investments* 22,500,000
Credit *Gains on long-term financial assets and liabilities* 22,500,000

Registration of sale of shares = 5,000 shares x 10.500 m.u = 52,500,000 m.u. :

Debit *Debtors from transactions on the regulated market* 52,500,000
Credit *Long-term financial investments* 52,500,000

Subsequent collection of due amounts:

Debit *Bank account* 52,500,000
Credit *Debtors from transactions on the regulated market* 52,500,000

This example illustrates the periodic update of long-term financial investments at fair market value by recording the gains or losses generated by the fluctuation in fair value on the current profit and loss for the year.

When implemented in practice, entities may also consider other accounting records alternatives as long as there is a fair presentation of the results in profit or loss and in the statement of financial position.

8. Conclusions

In my opinion, the use hedge accounting for the risks associated with credits is an important tool for bank entities in the Romanian economy. In the actual period, the chances of a sustained increase in the operations thru hedge accounting is a modern alternative for credit entities.

I consider that accounting for hedge operations of credit institutions resulting from the sale or purchase of equities with a fair value recording is a complex chapter in continuous development under the influence of global financial and banking volatility.

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Money Laundering - the Form of Tax Evasion

Oana Opreșan

"Ovidius" University of Constanta, Faculty of Economic Sciences
oana.oprisan@yahoo.com

Cosmin Tileagă

"Lucian Blaga" University of Sibiu, Faculty of Economic Sciences
cosmin_tileaga@yahoo.com

Liliana Nicodim

"Ovidius" University of Constanta, Faculty of Economic Sciences
nicodimlili@yahoo.com

Abstract

Dirty money - a notion how innovative, so unclear. In principle, they are used by criminal organizations, or by other subjects, as a way of earning income and non-payment of taxes. It is difficult to trace the dirty money on the grounds that they take different forms and the destructive force of the dirty money circuit is the act called money laundering.

Money laundering includes methods and procedures that make it possible to obtain money or other assets from the illegal activity and conceal, disguise their origin, or give a seemingly legal aspect to their source. The act in question becomes one of the most widespread types of economic crimes, both nationally and internationally.

Dirty money destroys honest business, corrupt state institutions, is an environment favorable to the development of corruption and organized crime, thus endangering the entire economic system of the state.

Key words: tax evasion, money laundering, public property

J.E.L. classification: H26

1. Introduction

The 20th century was characterized by a multitude of structural changes in the world economy. These changes have been influenced or driven by huge technological advances in the fields of telecommunications and information. Since the end of the 20th century and the beginning of the 21st century, globalization has become a word of the day, making it the most interconnected state at the beginning of the era of trade and information, basically transforming the world into one city.

Money laundering is not a new activity, the tendency to hide the illicit origin of sums and to give them an apparent legality and implicitly honesty and respectability to the owners of these sums, has old origins. It may be recalled in this context that the merchants and moneymen of the Middle Ages who, in order to conceal the interest received for the loans they assigned, in the conditions in which the Catholic Church had forbidden the treasure, appealed to a wide range of financial tricks, which largely correspond to today recycling techniques (Mrejeru, Andreiu, Petre, Safta and Safta, 2000).

Soon, dirty money sources, as well as the possibility of recycling, have expanded, and so important revenue coming mainly from underground economy activities is infiltrated through various methods in the real economy (Bran, 1995). Money laundering has been defined as a process where funds obtained through or generated by criminal activity are transferred or disguised to conceal the link between the offense committed and the funds obtained (Daianu and Vrânceanu, 2002).

Criminals are always looking for new ways of laundering illicitly, deliberately attempting to corrupt bankers or freelancers by corrupting the trust of the population in the financial market, which creates levers for the development of new forms of fraud (Dabu and Borza, 2007). By laundering money, criminals are trying to get rich immediately, illegal, most often defrauding the state.

2. Theoretical background

The French economist Jean-Claude shows in his paper Tax fraud: If there is really talk of fraud, it is the same measure of legal or legitimate fraud, illegal fraud, international evasion, legal evasion, illegal evasion, tax havens or refugees, the abuse of the right to flee to the tax, the freedom to choose the least taxed way or the fiscal underestimation, fraud in the law or the underground economy.

Tax evasion is the avoidance of taxing a larger or smaller portion of taxable material. As a phenomenon, tax evasion is occurring both nationally and internationally. However, it should not be forgotten that a sufficiently comprehensive definition of tax evasion has been given by Law no. 87/1994 on combating tax evasion, a law which is currently repealed by Law no. 241/2005 on the prevention and combating of tax evasion. According to art. 1 of the Law no. 87/1994, tax evasion is the "avoidance by all means, in whole or in part, of the payment of taxes and other amounts due to the state social insurance budget and special extrabudgetary funds by Romanian or foreign natural or legal persons" (Dauphin, 1999).

I believe that, no matter how this phenomenon is defined, tax evasion is, ultimately, a failure by the taxpayer to carry out tax obligations in bad faith. As far as tax evasion offenses are concerned, they include the crimes incriminated as such in the criminal law.

Tax evasion is one of the complex economic and social phenomena of utmost importance that today's states face and whose undesirable consequences seek to limit them as much as eradication is virtually impossible. The state must systematically and efficiently deal with the prevention and limitation of the phenomenon of tax evasion. State through public powers can also incite tax evasion, pursuing mainly two purposes: a "positive" goal argued by the desire to stimulate capital formation and a "negative" goal reflected in supporting groups of interests, often of type mafia, with all the consequences (Dragomir, 2004).

The issue of money laundering has been tackled in an organized manner in the content of the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, which was adopted on 20 December 1988 in Vienna, in the context of raising awareness of the international community to combat drug trafficking (Rühl and Daianu, 1999). The Parties to this Convention, being aware that illicit trafficking is a source of considerable financial gain, enabling transnational criminal organizations to penetrate and corrupt state structures, legitimate commercial and financial activities, and society at all levels, have taken the first steps to prevent drug-recycling actions from the drug trade (Drosu-Şaguna, 2001).

3. Protection measures against money laundering

The most effective solution to international money laundering is first and foremost international cooperation and control systems and unitary regulations within each country. International money laundering is based on the exploitation, through subtle financial operators, of the differences between the financial and banking regulations of countries around the world (Popa and Cucu, 2009).

International money laundering has a significant adverse effect on the world economy by: damaging the efficient operations of national economies, slowing the financial market corruption and reducing public confidence in the international financial system, increasing the risks and stability of the system, which ultimately leads to a reduction in the pace of world economic growth.

To counteract the phenomenon, several measures were taken:

- United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, adopted on 20 December 1988 in Vienna. It stipulates: the confiscation of property acquired as a result of offenses, the extradition of perpetrators of drug trafficking

offenses, mutual legal assistance by the countries concerned, the intensification of forms of cooperation between states;

- The Council of Europe Convention on Laundering, Search, Retention and Confiscation of the Proceeds from Crime, opened for signature on 8 November 1990 in Strasbourg;
- Council Directive of the European Community on the use of the financial system for the purpose of money laundering no. 91/308 / EEC, adopted in Luxembourg on 10 June 1991; this directive is the source of inspiration for anti-money laundering laws which have been adopted by almost all States, whether they are members of the European Community or are in accession procedures;
- The Financial Action Task Force on Money Laundering (FATF) is an intergovernmental body that develops and promotes anti-money laundering policies; it is currently comprised of 26 countries (financially significant countries in Europe, North America and Asia) and 2 international bodies;
- EGMOND Group (the first meeting of the group in 1955 at EGMOND - Aremberg Palace in Brussels, attended by 24 states and 8 international organizations); the group currently has 48 members and its purpose is international cooperation between national anti-money laundering national agencies (money-laundering information exchange between group members on the basis of memorandums of understanding (bilateral or multilateral).

4. Combating fraud and tax evasion, Commission contribution to the European Council meeting

A coordinated approach at EU level can strengthen our collective capacity to combat tax evasion and tax evasion and promote high standards of global tax governance (Nicolae, 2006).

a. Serious action is needed to combat tax fraud and tax evasion: supporting budgetary consolidation efforts and ensuring the correctness of tax systems. Fraud and tax evasion limits the ability of Member States to collect revenue and to implement their economic policy. According to estimates, tens of billions of euros, often amounting to undeclared and unjustified amounts, are still in offshore jurisdictions, reducing national tax revenues. The implementation of decisive actions aimed at minimizing fraud and tax evasion could generate additional billions of euro in public budgets across Europe.

Fraud and tax evasion is also a challenge in terms of fairness and fairness. Fairness is an essential condition for the necessary economic reforms to be socially and politically acceptable. Tax burden should be distributed more uniformly by ensuring that everyone, regardless of whether they are less qualified, multinationals benefiting from the single market or wealthy people in offshore jurisdictions, contributes to public finances by payment of a fair contribution. Fairness and equity also means creating better and fairer taxation systems.

The EU has long been a solid policy for good governance in the tax area. The underlying principles of the EU system are transparency, automatic exchange of information and fair tax competition. The EU can capitalize on the experience gained over several years: the automatic exchange of information is the 2005 EU standard for savings income.

Several important measures have already been taken and Member States should make better use of available tools. It is now a priority for Member States to make the necessary improvements to their national systems and to make full use of the European Toolbox and to implement the agreed measures in a sound and coordinated way.

b. Action at national level. Member States can increase their tax and tax revenues through systematic action designed to reduce the underground economy, combat tax evasion and ensure greater efficiency in tax administrations.

c. Action at EU level . The EU has developed a comprehensive set of tools to improve the capacity of Member States to combat tax fraud and tax evasion. This set includes EU legislation (on improving transparency, information sharing and administrative cooperation), coordinated actions recommended to Member States (eg those targeting aggressive tax planning and tax havens) and country-specific recommendations as part of the European Semester. Through the Fiscalis 2020 program, the EU will also provide financial support for cooperation between national tax authorities.

d. Measures to promote good global tax governance. The EU should also take a leading role in promoting good tax governance and, in particular, the automatic exchange of information on a global scale. The Commission is leading international efforts to combat fraud and tax evasion. Future meetings will provide important opportunities to make progress at international level in the fight against tax evasion, evasion and money laundering. Building on the EU's mechanisms, a strong and coordinated position of the European Union within the OECD can help ensure the transformation of automatic information exchange into the new global standard in the field.

5. The hermetic phase taken by the criminal groups regarding the recycling of funds in Romania

It is characteristic of ethnic and professional groups, since 1990, the most representative groups that acted in this phase are known in a terminology promoted by the media as:

The Arab Mafia has been very quick in the territory of illegal business, developing criminal activities carried out prior to 1990 (clandestine trade, drug trafficking, fake currency placement). In Romania a genuine community of Arab citizens (Syrian, Iraqi, Egyptian, Iranian, etc.) who control drug trafficking, smuggling cigarettes and alcohol, trafficking in luxury stolen cars, prostitution and false currency placement have been established. An appreciable number of them are married to Romanians, they have attended higher education institutions, they know the customs and the reality in Romania. The Arab Mafia is a real economic force, has a strong connection with power structures, is infiltrated into bodies with financial and customs control. The wealth that the Arab mafia holds in Romania is considerable (real estate, businesses, restaurants, commercial spaces, transportation, nightclubs, hotels, land and agricultural farms).

The Gypsy Mafia, represented by groups of people from 3 to 4 gypsy families, led by an authoritative leader, profited on the series of thefts of public and private property, robberies, scams, illegal trafficking in foreign currency and precious metals, automobiles, prostitution and pimping, begging, the sale of children for illegal smuggling by foreign nationals, real estate business, shackling, drug trafficking, the theft and the sale of works of art, blackmail, threats, levying of protection fees, violence in some countries, the capitalization of goods and stolen property in other countries (Germany, France, Austria, Poland).

True mafia clans, these groups have delineated their spheres of domination and business, often resorting to acts of great violence and intimidation even at the law enforcement.

The financial product obtained from the offenses is invested by the leaders of these groups in the purchase or construction of luxury buildings, cars, jewelry, currency, works of art, land, commercial spaces, etc.

The Turkish mafia is represented by extremely rigorous groups, present on the Romanian territory immediately after December 1989. They have initiated and implemented large-scale smuggling operations with food and industrial products (cigarettes, coffee, citrus, cosmetics, fruit), trafficking in precious metals and drugs. Other groups have specialized in recruiting women from Romania to whom they have promised to be employed in bars, casinos, restaurants, etc. but who were actually forced to prostitute in Istanbul, Ankara or Antalia, being then exported to the prostitution market in Cyprus and Greece. Turkish mafia has financial strength in Romania, specializing in money laundering resulting from drug trafficking and smuggling.

Chinese Mafia is a special species in the Romanian business crime scene for the fact that the acting groups have a strong code of conduct marked by the traditions and customs specific to the yellow race. Practically impenetrable, with rules of conduct hard to understand by the Romanians, the Chinese mafia has started discrete, but of great amplitude business, consisting of smuggling goods specific to their country. It is possible to speak with certainty about the existence of a Chinese community in Romania, which has come to light through numerous violent disputes between groups. For non-payment of the protection fee and non-payment of financial obligations, leaders of some groups carrying out illegal activities in Bucharest were liquidated in a typical Chinese manner.

The Ukrainian and Moldavian Mafia acted on the territory of Romania, specializing in Racket actions, trafficking in prostitutes, arms smuggling, explosives and radioactive substances, the theft and the sale of luxury cars, drug trafficking, alcohol smuggling and cigarettes. The leaders of these

groups, who came from former wartime fighters in Afghanistan and former troops from security troops, massively invested in Romania by buying real estate, land and commercial space.

6. Examples from the Romanian or other experience

✚ **Romanian Fleece - margarine, football and bloomers**

Casino Bastion in Timisoara, owned by Paul Cornel Todor and Adrian Mircea Peptan, opened the gaming rooms in a historic monument building: Theresia Bastion. A year ago Timisoara City Hall obtained nearly 10 million euros, of which half were PHARE funds for the rehabilitation of the building. Casino Bastione, who owns the casino license, refused to leave the building, although everything around it turned into a construction site. The edilies were about to lose funding, because they have been delaying the start of the work.

Currently, the City Hall is dealing with Casino Bastion in 17 cases and has proposed to the owners of the casino company to give up the lawsuits and to pay the rent up to date and the penalties. Instead, Casino Bastion would have received the contract extension after the works.

The troc was refused, and at the end of last year when the lease expired, Todor and Peptan moved their gaming halls to a new location within the Milenium 2000 Hotel in Timisoara.

✚ **Bingo Casinos**

Casino Valoro from Continental Hotel in Timisoara and Arad operates on the licenses of Valoro Aridor SRL and Vision Gambling SRL, respectively. The Timisoara casino was canceled in November 2008 following a decision by the Commission to authorize gambling.

Radu Chifa and Petru Rus, the owners of these casinos, started their bingo business in Bistrita, Bingo Metropolis quickly reaching one of the most famous gambling halls. Businesses exploded when the Super Bingo Pro TV show opened at a major post.

In fact, they were the promoters and inventors of the bingo system in Romania. The director of this business was for three years Marius Cristian Iuraşcu, PD member, candidate for the Chamber of Deputies at the last elections.

✚ **Margarine Casino**

Royal Casino is hosted by an ugly block of flats in the center of Craiova. Following the analysis of the most crimes, Stefan Ilinca, who is related to his ally George Ilinca, is called the margarine king and former shareholder of the University Football Club. The study shows that George Ilinca has lost large amounts of gambling and football, all of the shares of the Marshall Company Top Way.

That's why he decided to make his own casino, where he would lose his money. Tudorica Siclitaru, also a shareholder of the Royal Casino, has business with Adrian Mititelu and Dinel Staicu controversial. All the characters who play in the Royal Casino business have or have been linked to the Football Club of Craiova University, being in turn financiers.

Casino Royal is also known for the local underworld who is attending it, but also because he has had problems with the Finance about five years ago. Also, Fiscal inspectors found that tokens at the cash tables were not made on special-purpose documents. They escaped cheaply.

✚ **Gold Casino**

Advanced Gaming has one shareholder and holds two licenses. Operates the Gold Casino from the Opera Plaza Hotel in Cluj and the other in Targu Mures. Their screening is a Nicolae Feraru, operating casinos through the offshore Mirage Entertainment Corp of Panama. Feraru is still patronizing a real estate firm in Cluj, which has negligible profits.

✚ **Turkish branch: from Asia and Africa to South America**

The most important Turkish player on the casino market is Sudi Ozkan. Named the king of casinos in Turkey, Sudki Ozkan started his business with a single game room in Istanbul where he was a manager. He then bought that casino and the hotel that hosted it, calling him Princess.

At present, nobody knows what is the real size of Ozkan's business. It is known that its wealth exceeds one billion dollars, it owns hotels and casinos in over 11 countries, it has its own island in the Caribbean and a private plane. In 1998, after banning gambling in Turkey, where Sudi Ozkan owned the chain of Princess hotels and casinos, the Turkish businessman reorientated his investments in Bulgaria, Romania and the Caribbean. It then expanded into South America, Africa and Asia - Kyrgyzstan.

Ozkan, who aims to add business to Albania and Macedonia, resides in Philipsburg, the capital of Saint Maarten Island, in the Netherlands Antilles. On the island he bought a hotel and opened a casino for which, by contributing to the election campaign of the local president, received the license.

In Romania, South Ozkan is hosting three casinos in the center of Bucharest: Havana Princess Casino, King's Casino and Princess Planet, working on the licenses of Miorița Com, La Perla and Princess Planet Com.

This is also the most important casino group in Bucharest. Besides, Ozkan also owns currency exchange offices, a restaurant and a financial intermediation firm. Miorița Com, which is a shareholder in all Ozkan's other firms, has in the past also had problems with the Tax because it did not pay its taxes to the state. In fact, his antecedents are older.

✚ Ozkan's student

In 1998, the Turkish press raises a serious question mark over the business legitimacy of Ozkan. Then the Turkish businessman was accused of tax evasion and money laundering, and his property in Turkey was seized. Turkish Finance Ministry specialists have discovered that Ozkan has transferred a total of \$ 680 million from Turkey to Switzerland through a daughter's bank account.

The 2,000-page report by financiers reveals that Ozkan has transferred this money from unregistered account profits from 18 casinos. The money arrived in Switzerland to his daughter, Venus and her Italian husband, Palmerino Colamarino, who is spinning in Romania in the same branch with her father-in-law. Fortuna Leisure SRL is licensed for the casino at the Rin Grand Hotel in Bucharest. The rest of the companies handle bets, electronic games and bars.

The latest scandal involving Sudi Ozkan's name was held in May 2015 in Panama, where he opened a casino in the Four Points Hotel. He was accused by the Association for the Administration of Gambling (Asociación de Administradores de Juegos de Azar - Asaja) of being guilty of tax evasion, money laundering and smuggling.

Ozkan defended himself by accusing the Panama Security Council of not making any connection with him and the criminal activities he is accused of, and that he invested in Panama \$ 50 million in real estate.

To be credible, he also waved a document issued by the Turkish authorities, who absolved him of any blame. At the same time, another scandal broke out.

The Guyana press accuses that behind the purchase of Buddy's International Hotel in Georgetown there is actually a money laundering. Ozkan had bought the hotel with the intention of opening a casino when legislation would allow it, but also to engage in oil and mining business. Rose International operates Casino Mirage, located in the center of Bucharest, within the Ambassador Hotel.

The owners are two Turks, Metin Sengul and Tulay Sengul, the last one being brought to Romania long ago to take care of Ozkan's business.

5. Conclusions

From the analysis we can draw the following conclusions:

- The money laundering risk is very high due to the fact that the Internet used in these clubs offers easy and almost universal access, eliminates face-to-face contact and is extremely fast and efficient in removing borders
- The most effective solution to international money laundering is primarily international cooperation and control systems and unitary regulations within each country
- Combating fraud and tax evasion requires action at national, Union and global level
- The European Commission is ready to provide specific support and technical assistance to any Member State that needs it to strengthen its tax system against tax evasion and improve tax collection
- The phenomenon of money laundering has intensified since 1989 due to the unprecedented intensification of financial-banking activities
- The need to combat this crime stems from the fact that money laundering is a phenomenon that leads to a deterioration of the overall economic and financial system due to the generation of inflationary effects, discouragement and the removal of honest investors

- There are many groups formed on ethnic criteria, which form a circuit of crimes
- In Romania, casinos amount to more than 100 million euros a year in documents
- Radu Chifa and Petru Rus, the owners of some remarkable casinos in Timișoara and Arad, were the promoters and inventors of the bingo TV system in Romania.
- The most important Turkish player in the casino market is Sudi Ozkan, who is starting to be a mere manager of a gambling club in Istanbul and later to be one of the richest brides, his wealth exceeding one million dollars
- Dirty money destroys honest business, thus endangering the entire economic system of the state.

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Analysis of VAT Revenues to Romania's State Budget

Oana Opreșan

"Ovidius" University of Constanta, Faculty of Economic Sciences
oana.oprisan@yahoo.com

Cosmin Țileagă

"Lucian Blaga" University of Sibiu, Faculty of Economic Sciences
cosmin_tileaga@yahoo.com

Liliana Nicodim

"Ovidius" University of Constanta, Faculty of Economic Sciences
nicodimlili@yahoo.com

Abstract

In order to carry out its activities, the state needs income that it earns from taxes levied both on individuals and on legal entities. Based on background and form, taxes are divided into direct taxes and indirect taxes.

Indirect taxes are levied on the sale of goods and services, import and export, etc. Among the most important indirect taxes is value-added tax. Value Added Tax is a tax that covers all phases of the economic circuit, ie production, services and distribution up to sales to end consumers, including.

From the point of view of the state budget, the value added tax is an indirect tax that is established on the transactions regarding the transfer of the property of the goods and on the supplies of services. It is a unique fee that is charged fractionally according to the value added at each stage of the economic circuit..

Key words: VAT, indirect taxes, tax revenues, state budget

J.E.L. classification: H2

1. Introduction

In Romania, the VAT was regulated by Order No. 3/1992, being approved by Law No. 130/1992 and implemented as of 1 July 1993. This tax, with an 18% share, was introduced for to replace the tax on the movement of goods during the Vacaroiu government.

In accordance with the regulations in force, taxable transactions that cumulatively meet the following conditions: constituted or are assimilated to a supply of goods or a provision of services rendered with payment, fall within the scope of VAT; the place of delivery of goods or services is considered to be in Romania (Anghelache, 2007); are carried out by taxable persons; results from economic activities regulated by law.

The transactions covered by the tax are: the supply of goods; provision of services; the exchange of goods or services; intra-Community acquisitions of goods; import of goods (Calin and Chirata, 1999).

The value added tax base is composed of:

- the counterparty obtained or to be obtained by the supplier or supplier from the purchaser, the beneficiary or a third party, including subsidies directly related to the price of such transactions, excluding VAT, for the supply of goods and services;
- the purchase price or, as the case may be, the cost price determined for certain situations such as the use of goods purchased or manufactured for purposes unrelated to economic

activity or to be made available to other natural or legal persons for the purpose of free of charge, if the VAT on these goods has been deducted.

The tax base comprises the following (Teodorescu, 2015):

- taxes and fees, unless otherwise provided by law, except for value added tax
- such as: commissions, packing, transport and insurance costs required by the supplier / supplier to the buyer or payee.

It is not included in the tax base:

- rebates, draws, rebates, discounts and other price reductions granted by suppliers directly to customers at the date of tax chargeability;
- the amounts representing damages, established by a final judgment and final and irrevocable judgment, as the case may be, the penalties and any other sums claimed for the total or partial non-performance of the contractual obligations, if they are perceived over the negotiated prices and / or tariffs;
- interest, charged after the date of delivery or delivery, for late payments;
- the value of the packages flowing between the freight and customer suppliers, by exchange without invoicing;
- amounts paid by a taxable person in the name and on behalf of another person and then settled thereon.

The tax base is reduced in the following cases:

- the total or partial cancellation of the contract for the delivery of goods or the provision of services, before they are performed, but for which advance invoices have been issued;
- total or partial rejection of the quantity, quality or price of the delivered goods or services;
- when rebates, draws, rebates and other price cuts are granted after delivery of goods or services;
- when the value of the delivered goods or services can not be recovered as a result of the bankruptcy of the beneficiary or following the implementation of a reorganization plan admitted and confirmed by a court order whereby the claim of the creditor is amended or eliminated.

2. Theoretical background

Maurice Laurè, a French home and craft engineer, after a few inventions in the field he was specialized in, was attracted by the financial sector. As a finance inspector, he thought the world of finance needed something extra. In 1953 he devised a reform of the turnover tax he called the Value Added Tax or VAT. Its objective was to replace the multiple charges levied on the turnover by bringing about one thing to be perceived by the producers in the different stages of production (Cristian, 2013). Each producer being legally authorized to deduct previously taxed value added tax in his own production process.

This conception took place in France at only 35 years old by Maurice. At first, he was not successfully received by those in power, but in 1954, when Edgar Faure arrived at the Finance Minister, he considered it appropriate to propose this tax in the new Finance Act. Passing through the vote and approval of the parliament together with Mr Laniel, the President of the Council, this tax was introduced in the end on 10 April 1954 and was intended for large companies (Greceanu, 2014). After 12 years, the new Finance Minister, Valery Giscard d'Estaing, recommended that VAT also be applied in retail business, which was actually effective on January 6, 1966. In 1968, the generalization of this tax applied in all areas.

This indirect tax was introduced in turn and in the countries of the European Community which had begun to consolidate and to be economically removed from 1950 (Munoz Merchante, 2008). The founding countries are Belgium, France, Germany, Italy, Luxembourg and the Netherlands, but many more countries have joined them all the years to date by reaching 28 member countries (Munoz Merchante, 2008).

In 1986, the Single European Act was signed by the 10 countries that were part of the European Union at that time. This treaty aimed to solve the problems of free circulation of goods in the European Union, giving rise to the "single market".

The single market concept was also added to the "four freedoms" in 1993: the free movement of goods, services, persons and capital; signing that year and the Maastrich Treaty on the European Union.

All these years, until now, the European Union has established some harmonized VAT rules, but may vary from one country to another. In general, value added tax must be paid for all goods and services, even when sold to the final consumer. This fee is charged at each stage of the production process.

The methodological norms related to this tax can be found in the Fiscal Code, where the explanations are very clear both for the Member States of the European Union and for those outside it (Vintila, Calin and Vintilă, 2002).

3. Evolution of VAT rates in Romania and their use

PERIOD	RATES
1st of July 1993 to 31st of December 1994	18% si 0%
1st of January 1995 to 31st of January 1998	18%, 9% si 0%
1st of February 1998 to 31st of December 1999	22%, 11% si 0%
1st of January 2000 to 31st of May 2002	19% si 0%
1st of June 2002 to 31st of December 2003	19%
1st of January 2004 to 31st of December 2009	19% si 9%
1st of January 2010 to 31st of December 2015	24% si 9%
1st of January 2016 to to 31st of December 2016	20%, 9%, 5%
1st of January 2017 - Present	19%, 5%, 9% si 0%



Since the introduction of value added tax in Romania (July 1, 1993) and up to now, the following VAT rates have been recorded in increasing order of their size: 0%; 5%; 9%; 11%; 18%; 19%; 20%; 22% and 24%. In the table at the end of the article, "The synthesis of VAT rate evolution in Romania", the periods for each of these quotas were presented.

The 24% VAT rate applied in Romania between 1 July 2010 and 31 December 2015 was one of the highest standard rates of value added tax in the European Union (EU), after Hungary with 27%, Denmark and Sweden with 25% share. Standard VAT average rates in EU countries are between 18% and 21%.

As in the other countries that apply VAT, VAT rates in Romania were (and will be) changed from time to time. These changes are imposed by the fiscal policy of each country, and for the member countries of the European Union, and by the European Union's fiscal policy in the field of VAT, which seeks to harmonize tax policies in the field of this tax (standard rates, reduced rates, exemptions, facilities, taxable items, etc.) (Oprea and Cigu, 2013).

4. VAT revenues in 2017 as compared to 2016

Consolidated general government revenue amounted to 251.8 billion lei, representing 29.9% of GDP compared to 29.4% of GDP in 2016. Percentage of revenues was 12.5% higher in nominal terms compared to the year 2016.

VAT receipts to the general consolidated budget in the year 2017 registered a level of 53.54 billion lei, respectively 6.4% of GDP, by 1.9 billion lei higher than the receipts from 2016 (51.7 billion lei).

The revenues collected on the main four budgets of the general consolidated budget, namely: state budget, state social security budget, unemployment insurance budget, the budget of the single national health insurance fund, collected by the National Agency for Fiscal Administration represented 100, 3% of the revenue program administered by ANAF.

As regards VAT receipts, they declined by 9.1% compared to the first three months of 2016, amid a reduction in the standard VAT rate from 24% to 20% as of 1 January 2016, which has been reflected in receipts since February 2016. At the same time, starting in February 2017, revenues from the reduction of the standard VAT rate from 20% to 19% are reflected in the proceeds.

However, VAT receipts increased in February 2017 by 2.5% compared to February 2016, and by 8.9% in March 2017 compared to March 2016 and by 17.9% in April 2017 as compared to April 2016.

In October, there is a recovery in the last months of the first-half gap in the level of receipts, so that there is a slight increase compared to the first ten months of 2016, namely by 0.5% and in December by the end of 2017, there is an increase of 3.6%, mainly due to the revenues from the second half of the year, when the standard rate reduction measures have been applied as we have already specified.

We must also keep in mind the fact that in 2017 the number of active taxpayers, VAT payers, grew by 4.49% compared to 2016.

According to A.N.A.F. sources in 2017, the highest receipts in the history of the institution were made. The effort of collecting the budget revenues resulted in the collection of 215.0 billion lei, registering a nominal increase of 7.8% (15.5 billion lei) above the level of revenues in 2016 (199.5 billion lei).

Analyzing the VAT refund request from 2017 in the process of resolution and comparing it with 2016, we come to the following conclusions:

- In the first quarter the number of settlements increased by 2.4% compared to the same period in 2016 and their amount increased by 22.8%;
- During the second quarter the situation changed and the number of settlements decreased by 30.9% compared to the previous year and their amount decreased by 33.6%;
- In the third quarter we have another phenomenon, namely the number of settlements increases by 45.4% compared to the same period in 2016 but their amount decreases by 17.7%;
- In the fourth quarter there is an increase in both the number of settlements and their amount. The number of settlements increases by 84.8% compared to the fourth quarter of 2016 and their amount also increases by 38.5%;
- Lastly, by calculating the totals, we can see that the number of accounts increased in 2017 by 16.70% compared to 2016, but their amount decreased by 4.30% as compared to 2016.

During 2017, an improved split payment mechanism was introduced, which will reduce VAT evasion declared and unpaid at present. This mechanism was regulated by Government Ordinance no. 23/2017. At the same time, in the context of a legislative proposal initiated in the Parliament of Romania, it was requested to increase the VAT exemption ceiling, from the equivalent in national currency of 65,000 euros, calculated at the exchange rate on the date of accession to the European Union, namely 220,000 lei, to the equivalent in the national currency of EUR 88,500, calculated at the exchange rate on the day of accession to the European Union, respectively 300,000 lei, starting on January 1, 2018. The measure was approved by Council Decision no. 2017/1855 of 10 October 2017 authorizing Romania to apply a special measure derogating from Article 287 of the VAT Directive.

5. Conclusions

From the VAT payments made to the state budget in 2017 compared to 2016 we noticed an increase in its collection. According to A.N.A.F. in 2017, the highest receipts in the institution's history were made. The effort of collecting the budget revenues resulted in the collection of 215.0 billion lei, registering a nominal increase of 7.8% (15.5 billion lei) above the level of revenues in 2016 (199.5 billion lei).

With regard to VAT reimbursements, we can not draw a positive conclusion because in 2017 the number of accounts increased by 16.7% compared to 2016, but their amount decreased by 4.3% compared to 2016.

Lastly, after analyzing the VAT revenues collected in the main Councils of the County of Romania, we identified in which part of the country the highest VAT revenues came from the state budget, namely the first place occupied by the county council of Suceava by 184,000,000 lei, the county council Iasi ranked second with 178,000,000 lei and on the third place we find the Bihor county council with 137,000,000 lei.

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Financial Analysis Based on Efficiency Indicators at Microeconomic Level

Ilie Răscolean
Ileana – Sorina Rakos
University of Petroșani
ilierascolean@yahoo.com
nihilsinedeo_68@yahoo.com

Abstract

Through this article, the authors want to highlight by analyzing the financial equilibrium that Romanian economic entities can be successful in a niche market such as the construction sector, with specialization in construction works for residential and non-residential buildings and road infrastructure. To this end, the authors conducted a case study on the example of PRO STRATEGY CONSTRUCTION SRL in Târgoviște, which has full Romanian capital. Highlighting the role of financial analysis, the authors try to appreciate the conditions under which the financial equilibrium is achieved, based on the analysis of the balance sheet structure ratios, the financial balance indicators, the liquidity and the solvency of the entity, a deduction of the entity's degree of autonomy and the adoption of some corrective decisions in the short, medium and long term management. The article concludes with the authors' conclusions and views on the efficiency indicators of the analysed entity, the period 2016 - 2018.

Key words: financial analysis, financial balance, financial equilibrium indicators, ratios method
J.E.L. classification: M21

1. Introduction

At the end of the nineteenth century, as a result of the bankers requesting information to assess and appreciate the guarantees of the companies wishing to apply for a loan, the financial analysis emerged. The information concerned a brief analysis of solvency and the verification of certain financial balances, but with the diversification of economic entities and the growth of the role of financial institutions, the complexity of the financial analysis has increased and diversified.

Financial analysis is the process of evaluating business, projects, budgets, etc. to determine their performance. Typically, the financial analysis is used to assess whether an entity is stable, solvent, liquid or sufficiently profitable to justify a monetary investment. When interested in a particular economic entity, a financial analyst performs an analysis focusing on the income statement, the balance sheet and the cash flow statement.

Thus, financial analysis is the first stage of the fundamental financial management cycle that consists of a set of tools and methods that allow the assessment of the financial status and performance of an economic entity.

In the modern economy, the nature and importance of economic entities are the object of study of many specialized studies. Nowadays, the emphasis is no longer on the sociological significance of economic entities, but on their systemic and socio-economic interpretation of operational techniques. The evolution of the financial analysis aims at adapting the objectives according to the requirements of the different users, depending on the aspects of their field of interest. Managers, current and/or potential shareholders, creditors, employees of the economic entity, tax authorities and financial analysts have an important role to play in the analysis of financial statements. Those users may make decisions about: how to manage the entity, buy or sell securities, grant or deny credit, etc. both inside and outside the entity, the financial analysis leads to an internal or external

financial diagnosis with specific objectives for the users of the economic entity - internal and/or external. Each economic entity faces a series of fundamental problems aimed at establishing and consolidating the place they occupy in the economic space in which they operate, the target to which they are heading, the costs involved and the chances of achieving the objectives set. In this context, economic entities have a permanent concern to relate to market demand, in anticipation of competition movements, self-evaluation of the resources available to each and action towards increasing the efficiency of their use. In addressing the issues of the economic entity an essential role is the financial analysis, as a set of tools and methods that allow the appreciation of the financial situation and the performance of the economic entity. In the financial analysis, the ratios of income and expenditure related to the entity's activity, financing sources and the use of short, medium and long-term financial resources are pursued. The financial balance is analysed in the medium and long term by comparing fixed capital with fixed assets in the short term by comparing current resources with current assets and globally by comparing the working capital with the working capital requirement. The indicators used in the analysis of the financial balance are represented by the working capital, the working capital requirements, the treasury and the net situation, the structural ratios and the rotation ratios. These indicators can be determined on the basis of the financial balance in the patrimonial sense and on the basis of the functional balance in the functional sense.

2. Theoretical background

The basic elements of the conceptual and methodological framework of financial analysis over time have had an impressive evolution, starting with the industrial revolution up to now. Internationally, leading authors like (Charpentier P., Deroy X., Uzan O., Marciniak R., Luong S., Du Sablon G.B., 2002, p.468) have contributed to the gradual enrichment of the financial analysis patrimony.

On the national level, financial analysts such as (Brezeanu P.,2002, p.32; Buglea Alexandru, 2004, p.3, Bușe L., Siminică M., Marcu N.2008, p.22; Niculescu Maria, 2003, p.14; Petrescu S., Mironiuc M. 2002, pp.149-155) occupy a special place and argue that the financial analysis regarded as an instrument of management is in an organic relationship with the functions of the economic entity and with the functions of the management exercised over all the functions of the economic entities.

A special contribution to the understanding of the concept of financial analysis was made by the authors of specialized papers on a national level (Bătrâncea Maria și Larissa-Margareta, 2005, p.15; Păvăloaia Willi, Păvăloaia D., 2009, p.33; Petrescu S., 2004, pp.17-23).

3. Methodology

The starting point of the research is represented by the study of the specialized literature both nationally and internationally. The theoretical research describes and analyses the current state of knowledge regarding the financial analysis based on the efficiency indicators at the microeconomic level, contributing to the formulation of the authors' point of view regarding the economic entities at the end of the study. The theoretical approach is supported by an empirical study of a three-year period (2016-2018).

4. The analysis of the financial position of ProStrategy Construction SRL Targoviste

In order to build up the financial balance of the company over the three years of analysis, it starts from the balance sheet form of the Annual Financial Statements, namely the Balance Sheet and the simplified profit and loss account.

Table no.1. The balance sheet

	2016	2017	2018
ACTIV			
Intangible assets	3222	3461	4695
Tangible assets	291675	291821	481703
Financial assets	0	0	0
Total of fixed assets	294897	295282	486398
Stocks	25492	26033	41565
Claims - customers	26683	32743	41404
House and accounts with banks	47186	81950	43310
Short-term financial investments	0	0	0
Total of current assets	99361	140725	126279
TOTAL ACTIV	394258	436007	612677
PASIV			
Equity	374043	415627	566266
Medium and long term loans	0	0	0
Suppliers with a duration of more than 1 year	0	0	0
Other loans and financial liabilities	1112	928	0
Debts longer than 1 year - total	1112	928	0
Provisions for risks and expenses over 1 year	0	0	0
Fixed capital	375155	416556	566266
Short-term loans	0	0	0
Suppliers with a duration of less than 1 year	9973	11091	22211
Other operating liabilities	9130	8360	24200
Debts less than one year - Total	19103	19451	46411
Provisions for risks and expenses less than 1 year	0	0	0
TOTAL PASIV	394258	436007	612677

Source: authors' processing

Table no.2. The simplified profit and loss account

	u.m.	2016	2017	2018
Net turnover	lei	117342	264894	291333
Expenditure on raw materials and materials	lei	(6875)	(9583)	(4950)
Expenditure on services rendered	lei	(64342)	(87593)	(135441)
Other operating expenses that do not include costs including depreciation expense	lei	(23320)	(105567)	(151030)
Other operating expenses that do not include costs including depreciation expense	lei	4950	16500	9900
Operating result	lei	27755	78651	9812
Interest charges	lei	0	0	0
Interest income	lei	18688	8845	6042
Financial result	lei	18688	8845	6042
The gross result of the exercise	lei	46443	87496	15854
Tax	lei	(3791)	(8775)	3177
Net result of the exercise	lei	42652	78721	12677

Source: authors' processing

The Company does not hold stocks with no movement or slow movement, nor claims with a maturity of more than one year. The company also does not record financial assets.

4.1. Analysis of balance sheet structure ratios

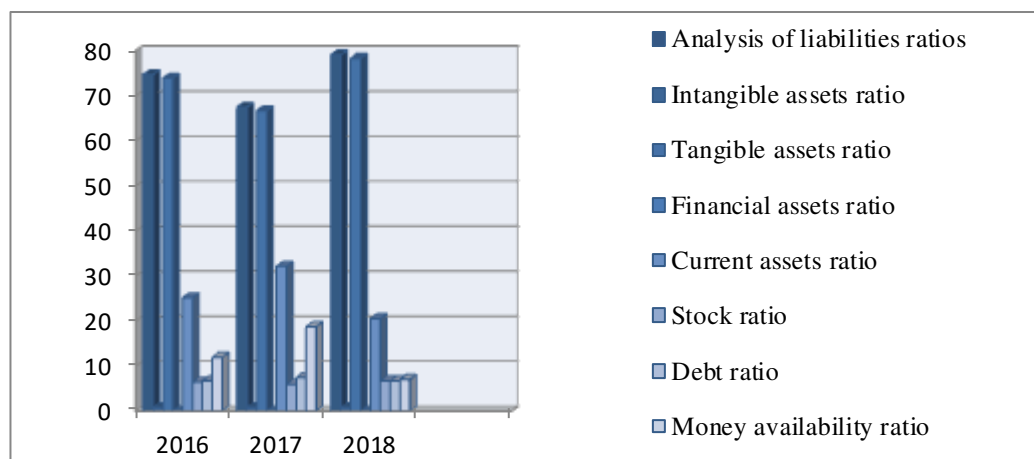
The method of calculation of the asset structure ratios of the analysed entity is presented in table no.3.

Table no.3. Structure ratios of the balance sheet asset

Specification	Symbol	Analysis period		
		2016	2017	2018
Fixed asset ratio	$RAi = Ai/AT*100$	74,80	67,72	79,39
Intangible assets ratio	$Rin = In/AT*100$	0,82	0,79	0,77
Tangible assets ratio	$Ric = Ic/AT*100$	73,98	66,93	78,62
Financial assets ratio	$Rif = If/AT*100$	0	0	0
Current asset ratio	$RAc = Ac/AT*100$	25,20	32,28	20,61
Stock ratio	$Rst = St/AT*100$	6,47	5,97	6,78
Debt ratio	$Rcr = Cr/AT*100$	6,77	7,51	6,76
Money availability ratio	$Rdb = Db/AT*100$	11,96	18,80	7,07

Source: authors' processing

Figure no.1. Asset structure ratios



Source: authors' projection

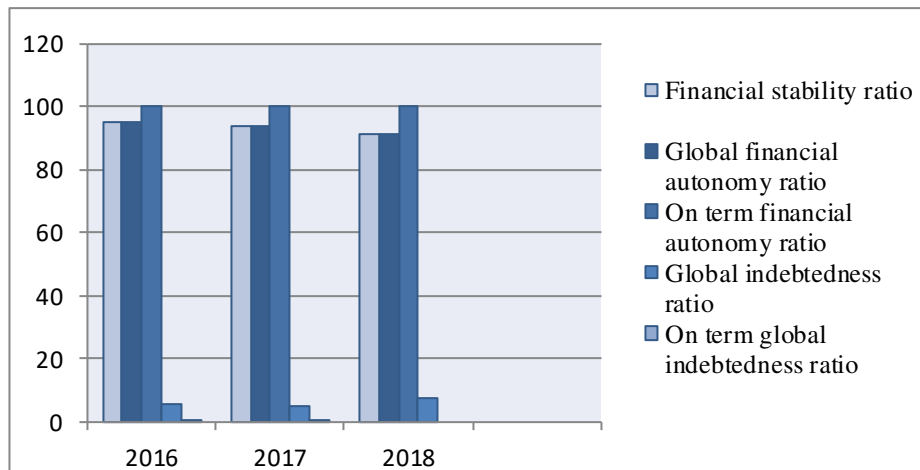
The way of calculating the liability ratios is presented in table no. 4:

Table no. 4. Liability ratios

Specifications	Formula	UM	2016	2017	2018	Security measure
Financial stability ratio	$Rsf = (Cperm / Pt) \times 100$	%	95,15	95,54	92,42	> 66%
	$Rsf = (Dts / Pt) \times 100$	%	4,85	4,46	7,58	< 33%
Global-financial autonomy ratio	$Rafg = (Cpr / Pt) \times 100$	%	94,87	95,33	92,42	> 33%
On term	$Raft(1) = (Cpr / Cperm) \times 100$	%	99,70	99,77	100	> 50%
	$Raft(2) = (Cpr / Dtml) \times 100$	%	33633	44768	-	> 100%
Global indebtedness ratio	$Rig = (Dt / Pt) \times 100$	%	5,13	4,67	7,58	< 66%
On term	$Rit(1) = (Dtml / Cperm) \times 100$	%	0,30	0,22	0	< 50%
	$Rit(2) = (Dtml / Cpr) \times 100$	%	0,29	0,22	0	<100%

Source: authors' processing

Figure no.2. Analysis of liabilities ratios



Source: Authors' projection

4.2. Financial Balance Analysis

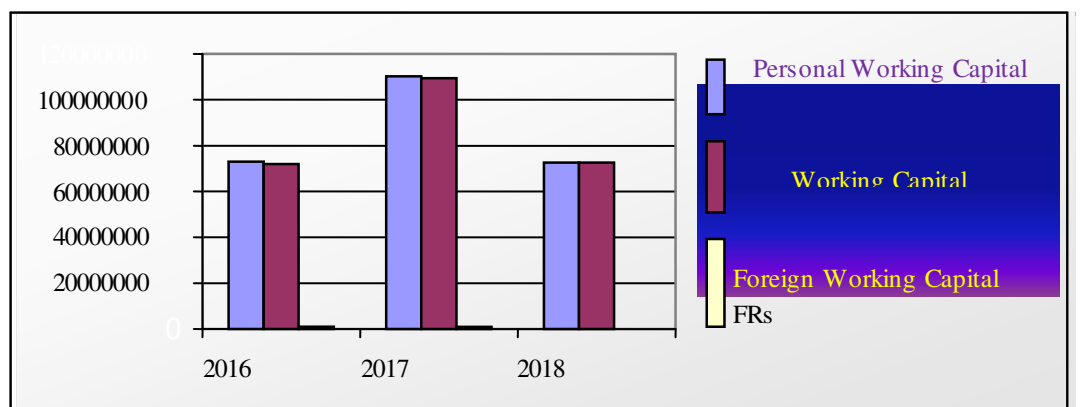
The analysis of the financial balance is based on the following indicators:
Working capital (WC); Necessary working capital (NWC) and Net Treasury (NT).

Table no.5. Net working capital

No.crt.	Specifications	2016	2017	2018
1	Personal capital (Cpr = PrC)	374043	415627	566266
2	Liability > 1 year (Dtml)	1112	928	0
3	Permanent capital (Cperm = 1+2)	375155	416556	566266
4	Net fixed assets (AIN)	294897	295282	486398
5	FR = Cperm - AIN	80258	121274	79868
6	Current assets (Ac)	99361	140725	126279
7	Total short-term debt (Dts)	19103	19451	46411
8	FR = AC - Dts Total	80258	121274	79868
9	Personal FR = Cpr - AIN (=1-4)	79146	120345	79868
10	Foreign FR = FR - Personal FR (= 8-9)	1112	928	0
11	Turnover (CA)	117342	264894	291333
12	FR optim = 1/3 x CA	39114	88298	126544

Source: authors' processing

Figure no. 3. The working capital



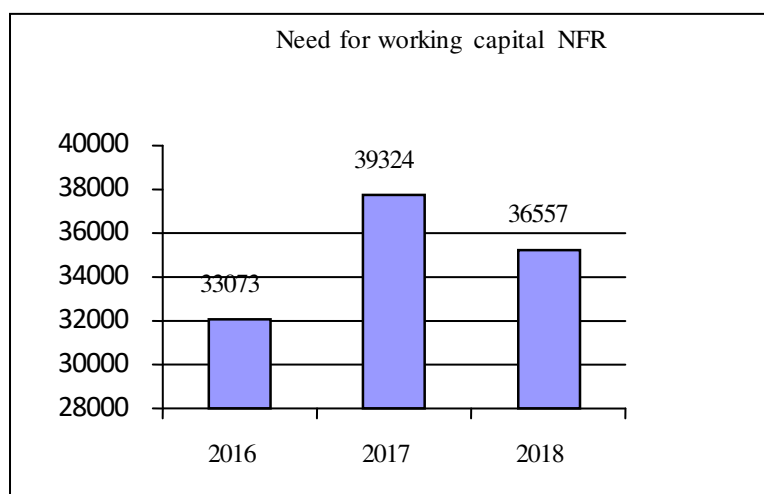
Source: authors' projection

Table no.6. The need for working capital

Nr. crt.	Specifications	2016	2017	2018
1	Current assets need for working capital	99361	140725	126279
2	Short-term financial availability	47186	81950	43310
3	Cyclical Active (1 - 2)	52175	58775	82969
4	Total short-term debt	19103	19451	46411
5	Short-term loans	0	0	0
6	Cyclical liabilities (4-5)	19103	19451	46411
7	Need for working capital NFR (3-6)	33073	39324	36557
8	Turnover (CA)	117342	264894	291333
	NFR optim = 15% * CA	17601	39734	43700

Source: authors' processing

Figure 4. Need for working capital



Source: author's projection

Table no.7. Net Treasury

No.crt.	Specifications	2016	2017	2018
1	FR	80258	121274	79868
2	NFR	33073	39324	36557
3	TN = FR - NFR (= 1-2)	47186	81950	43310
4	Short-term financial availability (Dfts)	47186	81950	43310
5	Short-term credits (Cts)	0	0	0
6	TN = Dts - Cts (= 4-5)	47186	81950	43310

Source: authors' processing

4.3. Analysis of the company's liquidity and solvability

The way of calculating the liquidity ratios is presented in table no. 8.

Table no.8. Liquidity ratios

Nr. crt.	Indicators	Formula	Analysis period		
			2016	2017	2018
1	Stocks	St	225492	26033	41565
2	Claims	Cr	26683	32743	41404
3	Cash availability	Db	47186	81950	43310
4	Current assets	Ac=St+Cr+Db	99361	140725	126279
5	Short-term debts	Dts	19103	19451	46411
6	Current liquidity ratio	Ac/Dts	5,20	7,23	2,72
7	Fast liquidity ratio	(Cr+Db)/Dts	3,87	5,90	1,83
8	Immediate liquidity ratio	Db/Dts	2,47	4,21	0,933

Source: authors' processing

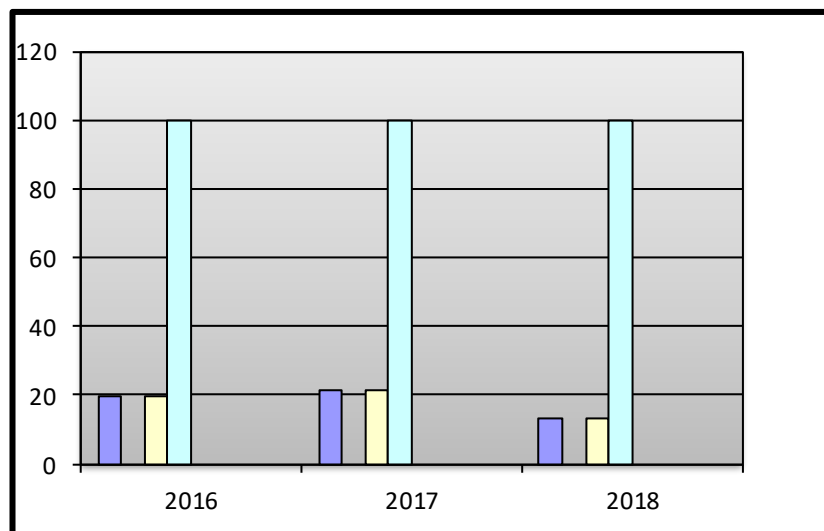
The calculation of the solvency ratios is presented in table no.9.

Table no.9. Solvency ratios

Nr. crt.	Specification	Anaysis period		
		2016	2017	2018
1	Overall solvency ratio $R_{sg} = \frac{AT}{\hat{ITML} + DTS + Db} > 3$	19,50	21,39	13,20
2	Financial solvency ratio $R_{sf} = \frac{AT}{Dat_fin} > 2$	19,50	21,39	13,20
3	Patrimonial solvency $Sp = \frac{CS}{Itml + CS} \times 100 \longrightarrow \in [40\% - 60\%]$	100	100	100

Source: authors' processing

Figure no.5. Solvency ratios



Source: authors' projection

5. Findings

The following key issues are detached from the analysis of the asset and liability structure ratios:

- ✚ the fixed assets ratio fluctuates from one period to the next. Thus, in 2017 there is a decrease of approximately 7% compared to the base period, 2016, and in 2018 the fixed assets ratio is about 5%, as compared to 2016, an increase of approximately 12% compared to the year 2017. These fluctuations are due to the following changes that occurred during the analysis period: the degree of capital investment declined from one year to the next; the evolution of the fixed asset was exceeded by the evolution of the total asset; total asset growth;
- ✚ the current assets ratio fluctuates from one period to the next. We note that current assets declined from one period to the next, decreasing as a share in the total asset. On the whole, the increase in inventories and receivables was annihilated by the drastic reduction in cash availability, causing a reduction in the level of circulating assets and, implicitly, the reduction of the current assets ratio,
- ✚ the balance sheet structure ratios show how funding sources are structured according to their origin and their degree of exigibility. The rate of financial stability shows a decrease in 2018 compared to the other two years of analysis. However, its value ranges from 90%

- to 100%, with financial stability being high.
- ✚ the global financial autonomy ratio is higher than 90%, well above the recommended value of 67% to obtain a possible bank loan, the situation of the entity being beneficial.
 - ✚ the global indebtedness ratio is low, below 10%, the company's dependence on its creditors is low. The maximum level of indebtedness, at a bearable risk, is 66%. The amount of medium and long-term debt is very small, and therefore the rate of term debt by both methods of calculation is very small, below 1%, the company can easily honor its debt;
 - ✚ permanent capital funds part of the current assets after full financing of the net assets, and current assets convertible into cash can allow both full repayment of short-term debt and the release of excess liquidity. The increase in the working capital in 2017 compared to 2016 is considered to be a positive situation as a growing portion of current assets is funded from permanent capital. The share of the working capital in the working capital shows a permanent trend of growth, in 2018 equaling the value of the working capital, thus increasing the amount of the equity participation in the financing of the current assets;
 - ✚ the working capital requirement has positive values and signifies a surplus of temporary needs in relation to temporary resources. The situation can only be considered favorable if it is the consequence of an active investment policy that raises the need to finance the operating cycle; otherwise, positive NFR points to an unfavorable gap between the liquidity of the cyclical assets and the exigibility of operating debts; this situation may be due to: the existence of supernormal, degraded or non-moving material stocks; the existence of stocks of finished products without movement; increasing the value of production in progress; the gap between the collection of debts and payment of debts;
 - ✚ the net treasury values are positive throughout the analysis, with the surplus of financing being in the form of cash deposits in bank accounts and in the home. The economic entity finds itself in a favorable situation characterized by a treasury enrichment and short-term financial autonomy, thus ensuring the availability of placements and the availability of money;
 - ✚ although liquidity ratios are declining, they fail to get closer to the optimal value than in 2018, when they record acceptable values over the previous and the maximum accepted ones. In 2017 there is a high level of the current liquidity ratio of 7.23, which far exceeds the value of 2.00 considered the maximum accepted level, this situation is not considered a very good one but is associated with inadequate management of the current assets. The situation is improving in 2018, the current liquidity ratio becoming 2.72;
 - ✚ in terms of the fast liquidity ratio, in particular, it is higher than the recommended maximum of 1 and may also reflect an inappropriate structure of the circulating asset in terms of a too high proportion of receivables (receivable issues) and availability (passive management in fructification). In this case, the problem of short-term (especially commercial) debt management may be inappropriate. The increased level of immediate liquidity in the early years of analysis may be a sign of passive asset management or, on the contrary, a sign of proper management of cash surpluses capitalized on financial placements;
 - ✚ over the entire analyzed period, the level of the general solvency indicator is above the normal limit (3.00), although compared to previous years it decreased by about 7% in the last year. From this point of view, the firm is safe throughout the analysis period, which means that the company's total assets can cover the company's total debts. The company does not benefit from medium and long-term loans, so we can not talk about patrimonial solvency.

6. Conclusions

The economic destination of the invested capital is given by the asset structure ratios, the degree of liquidity of the invested capital, and the ability of the economic entity to modify its asset structure under the conjunctural factors.

The analyzed economic entity has a high degree of financial stability which gives the possibility of achieving long-term strategies both in the decision-making process and in the exploitation process, as the large share of the stable sources of funding available allows this.

The term financial autonomy ratio is high, indicating that the economic entity has a sound financial structure that is associated with a low degree of risk.

During the period under review, a working capital result is positive, which gives a favorable outlook for the entity in terms of solvency, with a margin of security that may partially or fully protect it from the effects of disruptions in the revenue and payments cycle.

Also, with regard to empirical research, the idea is that the net situation is positive and growing from one year to the next, resulting in an increase in equity, the entity presenting sound financial management.

In terms of financial solvency, the situation is advantageous because the value of the indicator far exceeds the recommended minimum amount, and therefore the total financial debts can be fully operational from the total assets.

Therefore, it can be said that the Romanian economic entities in the field of construction, specializing in construction works for residential and non-residential buildings can be successful not only at microeconomic level but also at macroeconomic level.

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The Effects of the Political Decisions on The Financial Market

Luciana Simion

luciana.simion6@gmail.com

Abstract

The evolution of financial markets, and especially of the Romanian capital market, is influenced by several factors, but this paper highlights one of the most important, namely the political factor.

The effects of political measures, the issuance or changes of laws, the issuance of ordinance and other measures are felt by the entire economy.

To emphasize the connection between the events taking place in the political sector and the evolution of the capital market in Romania, we decided to present the effects of the Emergency Ordinance number 114 issued by the Romanian Government in December 2018, on the evolution of stock indices and the main companies listed at the Bucharest Stock Exchange. In that sense we applied several technical indicators on the indices and stocks charts, highlighting the investor's reactions on feelings of fear or pessimism and emotional excess that led to important declines.

Key words: financial market, Relative Strength Index, political decisions

J.E.L. classifications: G41, P16, Y10

1. Introduction

The paper aims to address the effects of political measures on financial markets, in particular, the Romanian capital market. For this we stopped at one of the most important political measures taken in recent years, namely the Ordinance number 114, which was published in December 2018.

The Ordinance was issued by the Romanian Government at the end of 2018, without prior consultation of the National Bank of Romania or the business environment.

The main measures of the Ordinance regarded the banking sector, public investment, electricity sector, gambling and construction sector. In March 2019, after consulting with the representatives of the banks and the National Bank of Romania, was published Ordinance number 19, which brought changes and clarifications on the measures established by Ordinance 114.

2. Literature review

In December 2018 the Romanian Government issued the Ordinance number 114. The tax on the financial assets of the banks is an important measure introduced by this Ordinance. Initially this tax amount depended and was correlated with the ROBOR interest rate and was set up quarterly. In March 2019 after consulting the representatives of the National Bank of Romania, the Government issued Ordinance 19 and changed the calculation method of the tax, no longer depending of the ROBOR interest rate.

The information regarding the establishment of the tax on banks financial assets, the measures of capping the natural gas price in the energy sector, or the ones regarding telecommunications sector and privately administered pension funds brought in December 2018 some of the biggest declines registered by the Bucharest Stock Exchange since 2008 – 2009, the crisis years.

The influence of the political decisions and of the events taking place in the political sector, on the financial markets it's a subject that has been studied by many analysts. Vancea studied and showed the correlation between political events and volatility of financial market, especially the currency market. In his work Bragues makes a point that for economic evolution, it is important to understand the political context. Griffiths went further stating that political and economical events correlate to financial market and can create business cycles.

3. Data processing and results

The elements used in this study are the charts of the stock indices, BET and BET-NG and also of the main companies from the banking sector BRD and Transilvania Bank. In order to best describe the correlation between them and the effects of the political decisions we applied a technical indicator RSI – Relative Strength Index and also we highlighted the importance of the volumes traded.

The BET Index recorded on December 19th the largest decline, -11,21% of all the indices from Bucharest Stock Exchange, due to the declines registered by the companies from the banking sector.

Figure no.1 BET Index – Bucharest Stock Exchange – 1 year chart

Published on TradingView.com, June 27, 2019 01:53:49 EEST

BET Index - Bucharest Exchange Trading, D O:8594.9000 H:8669.9300 L:8588.2500 C:8649.8000



Created with TradingView

Source: www.interfinbrok.ro - ArenaXT Bucharest Stock Exchange

Thus, BRD Group Societe Generale – BRD and Transilvania Bank – TLV declined on December 19th 2018, by 16,62% and 19,91%, respectively, during the trading session, after the investors heard the news regarding the tax on banks’ assets.

The charts illustrate the impact of political measures on the evolution of stock indices. The stock market capitalization decreased by 14 billion lei, in a single trading session, due to the decreases of the stock indices on high liquidity.

Figure no.2 BRD-Group Societe Generale – 1 year chart

Published on TradingView.com, June 27, 2019 01:32:28 EEST

BRD - BRD-GROUPE SOCIETE GENERALE BUCURESTI - ROBRDBACNOR2, D O:12.4000 H:12.4600 L:12.2800 C:12.4000



Created with TradingView

Source: www.interfinbrok.ro - ArenaXT Bucharest Stock Exchange

The Volume is an important indicator often used in technical analysis to determine how significant a buy or a sell signal is. Kirkpatrick highlighted in his book that „a falling market attracts a rising volume when the rate of decline starts accelerating”. Also he stated that the volume of trading activity is used „as a confirming indicator”.

Investors react on feelings of fear or pessimism and emotional excess leads to important declines called panics. High volatility occurs at periods of stress, fear, uncertainty, emotion.

On BRD-GSG and Transilvania Bank – TLV one year chart one can observe the increasing volume on the strong movement occurred on December 19th. The investors have panicked and massively sold.

Figure no.3 Transilvania Bank – TLV – 1 year chart

Published on TradingView.com, June 27, 2019 01:49:00 EEST

TLV - BANCA TRANSILVANIA CLUJ NAPOCA - ROTLVAACNOR1, D O: 2.3500 H: 2.3700 L: 2.3450 C: 2.3550



Created with TradingView

Source: www.interfinbrok.ro - ArenaXT Bucharest Stock Exchange

An important technical indicator is RSI – Relative Strength Index. RSI’s formula contains the average price rise during up days usually over 14 days, divided by the average price fall during down days. RSI ranges between 0 and 100. Kirkpatrick highlights that a reading of 70 or above indicates a market is moving into overbought area, and a level of 30, or below suggests that the market is moving into oversold zone.

Analysts went even further and noticed the divergences between the price of the stock or the index and RSI. Kirkpatrick showed that „a new low in the share price that it is not confirmed by a new low of the RSI indicates that the downward momentum is slowing down”.

We applied RSI on the chart of the indices and stocks to show the effect that the Ordinance 114 news had. On December 19th under the pressure of investors selling, RSI moved into the oversold area.

The price of stocks, BRD-GSG and TLV, continued to decrease and registered new lows in January 2019, which were not confirmed by new lows in the RSI indicator. In fact, in February 2019, the indices started an uptrend, as a result of news regarding changes of Ordinance 114. In March 2019, after consulting with representatives of the banks and the National Bank of Romania, Ordinance 19 was published and brought changes and clarifications on the measures established by Ordinance 114.

The energy sector index BET-NG registered a significant decrease of 9.93% after the news regarding the measures introduced in this sector after the issuance of Ordinance 114, namely the capping of the natural gas price sold by the producers to the suppliers household customers and heat producers, at 68 lei per MWh.

On BET-NG chart we can observe the same pattern, important losses on December 19th and the days that followed, RSI in oversold area. In January 2019 the index descending trend continues, but the RSI indicator is on an uptrend, making a divergence that suggests the downward momentum is slowing down, followed by an uptrend of the index in the next months.

Figure no.4 BET-NG – 1 year chart

Published on TradingView.com, June 27, 2019 01:55:51 EEST

BET-NG Index - BET Energy and Related Utilities Index, D O:705.6100 H:710.1700 L:705.3500 C:708.4800



Created with TradingView

Source: www.interfinbrok.ro - ArenaXT Bucharest Stock Exchange

The companies in the energy sector recorded some of the biggest decreases in the last years, Romgaz -9%, Transgaz -9,64%, Electric Power Company -10,09%, OMW Petrom -12,97%, Transelectrica -8,77%.

Figure no.5 SNGN Romgaz Medias SNG – 1 year chart

Published on TradingView.com, June 27, 2019 02:12:19 EEST

SNG - S.N.G.N Romgaz Medias - ROSNGACNOR3, D O:31.9000 H:31.9500 L:31.5000 C:31.8000



Created with TradingView

Source: www.interfinbrok.ro - ArenaXT Bucharest Stock Exchange

4. Interpretation of results

The evolution of the capital market reveals the correlation between the political decisions taken by the Romanian Government in December 2018 and the strong declines of the stock indices occurred after news regarding Ordinance 114.

Investors need more security and greater legislative predictability, else they react on feelings of fear or pessimism and emotional excess leading to important declines. But once the political decisions became more clear along with a new Ordinance in March 2019, the stock market returned on an uptrend. The declines in December took RSI indicator in the oversold area, and the return of the trend in 2019 was anticipated by the RSI indicator due to the divergence between the lows registered by the stock indices not confirmed by new lows in the RSI.

5. Conclusions

The strong declines occurred in December 2018 after news regarding Ordinance 114 measures, highlight the fact that the political measures have a major influence on financial markets.

We can observe a fast and strong impact of the capital market, of the BET index, a normal aspect if we take into consideration the fact that the measure taken by the Government is regarding the banking sector directly.

Our study confirms the results of other studies highlighting the fact that political measures have a major influence on financial markets and there is a strong correlation between them.

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The Impact of Corporate Governance on Company's Performance through Non-financial Indicators

Cosmina Adela Stanila

*Doctoral School, West University of Timisoara,
Faculty of Economics and Business Administration*
stanila_adelacosmina@yahoo.com

Abstract

The changes from the past years, both as a result of globalization and corporate failures, have influenced companies to serve the interest of all users, so the interest in non-financial information is growing more and more. The lack of non-financial information in recent corporate reporting is a disadvantage for stakeholders because information such as managerial quality, company reputation, risks and opportunities, the company's social and environmental concerns are not presented in the financial reporting. The purpose of this study is to identify the main non-financial indicators that lead to the improvement of corporate governance by increasing the performance of companies in the context of globalization.

Key words: corporate governance, company performance, stakeholders, non-financial indicators, financial indicators.

J.E.L. classification: G30, M40, M41

1. Introduction

Corporate governance, as a component part of modern management, has become a key tool for achieving performance goals and reducing company risks. In the current era of knowledge, the economic environment is constantly changing, and the information is moving at astonishing speed.

The research has reconfirmed that the proper governance of an entity can only be achieved by knowing and applying corporate governance principles, rules and practices with responsibility. According to corporate governance theories, if they are well known, understood and applied, they can increase the credibility of entities, easier access to capital markets, lower capital costs, efficient use of resources, sustainable business development and, implicitly, a healthy economic environment. In order to achieve the public interest, new challenges and trends, it is essential for management and control systems to reconfigure the objectives in which the achievement of global performance has implications for social responsibility and environmental protection.

In this context, many companies have begun to understand how stakeholders want them to measure, manage and take into account the full range of impacts of their work on society and the environment. Thus, it is considered that the best way to ensure financial success in the future is to expand the overlap between business interests and the interests of society and the environment. Transparency and responsibility, together with a close working relationship with stakeholders, will enhance business, serve the interests of shareholders, and create a better world. This type of report must therefore reflect the growing commitment to work with the workforce, business partners, government agencies and environmental and community stakeholders.

The present study aims to be a theoretical and empirical one on the issue of corporate governance in the context of globalization. The first part includes the review of the specialized literature, bringing to discussion the elements regarding the current state of knowledge related to the principles of governance, as well as the theoretical approaches regarding the evolution over time of this issue. The second part, research methodology, brings to the forefront, with the help of specific methods, a practical study that identifies the main non-financial indicators that lead to

good corporate governance. The third part contains a series of conclusions based on the results of the analyzed data, indicating a general overview of the empirical stage, while bringing to the attention of the reader current, relevant and comparable information on corporate governance from different points of view.

The last part of the paper is represented by conclusions, the latter being revealed by synthesizing the information gathered on the topic under investigation.

2. Literature review

Like any highly paradigmatic concept, in its evolution, corporate governance has had connotations specific to each stage of its development, in which the environment, level of development or specific culture of each country, economy or entity has impressed. An intrinsic component of a modern economy, specialized literature assigns a wide variety of connotations to corporate governance.

Corporate Governance (GC) defines a set of principles, rules and control mechanisms to protect and harmonize the interests of all categories of actors in the economic plan. We remember that the interests that develop within corporations are often contradictory. In a particular approach, corporations are very complex social organization systems, with the status of legal persons, having the legal authority to issue or transfer shares and bonds. According to the Oxford Dictionary, a corporation is a company or group of companies authorized to work together as one entity (Oxford Dictionaries, 2014).

Another approach we encounter at the World Bank defines corporate governance as a combination of voluntary laws, regulations and codes of conduct, to facilitate access to funding sources, low capital costs, better performance, and favourable treatment for all stakeholders. Thus, countries that have collaborative relations with the World Bank have initiated reform projects and regulations for corporate governance (The World Bank Group, 2012).

Diminishing the conflict between the managers of an entity and its shareholders leads to a significant increase in profit (Webb, 2008). Companies with good financial performance, such as an increasing return on Equity or a high Asset Turnover Ratio, can obtain loans at a lower cost reduced (Hu et al., 2011). They get easier funding because they are able to pay their debts on time (Shan & Xu, 2012), (Abor, 2007).

At international level, corporate governance is influenced by globalization, a complex process that manifests itself in all areas of society. The phenomenon of globalization encompasses many aspects of economic, social, cultural and political life. In a general sense, this term describes processes, ideologies, and strategies by which a change in a globe determines global changes affecting other parts of the globe (Horomne, 2015b). Economic downturn, globalization is associated with the free movement of capital, goods and services, and market liberalization, respectively. Due to technical progress, corporate governance codes face new challenges such as internationalization of production, rapid information transfer, technological change, the need to implement international standards to regulate exchange market activity, including the recurrent mobility of human capital. In the context of a globalized market, the main issues faced by corporations relate to the requirement for relevant and timely information, monitoring costs, the management relationship - shareholders and the protection of all stakeholders.

The description and understanding in a more complex manner of the concept of corporate governance was possible through the emergence and development of some theories. Among these, we mention:

The agency theory is based on the existing conflict between the entity's main shareholders, that is, its owners and managers, agencies that run the company's business. There are also some critical views on this theory that the phenomenon is too "sub-contextualized" to compare and explain the diversity of corporate governance arrangements present in different organizational structures (Dedman & Filatotchev, 2008).

Stewardship Theory suggests that managers administer companies with responsibility, acting to obtain the best results, and their interests are not in contradiction with those of shareholders. For this reason, the additional control measures applied to managers are unnecessary and limit their

freedom of deduction. According to management theory, the agents / managers act on the users, while the administrators act for the benefit of all stakeholders (Pirie & McCuddy, 2007).

Resource dependence theory - dependence on some "critical" and important resources influences the actions of organizations and therefore their decisions and actions can be explained in conjunction with each particular situation of addiction (Nienhüser, 2008).

The theory of strategy formulation deals with the implementation of creative strategies, to make competitive advantages on the capital market (Brown, 2007).

Stakeholders Theory promotes the principle of business ethics, arguing that an organization must serve the interests of all stakeholders, on the principle of equality, or on the importance they have within the entity.

The theory of behavioural approach in opposition to regulation, also called human theories, takes into account the human dimension of work; behavioural approach is about understanding human behaviour at work, such as motivation and expectations.

All of these theories help us understand the concept of corporate governance, namely how an organization adopts the decisions necessary to achieve its objectives and equitably distributes rights and responsibilities among all stakeholders.

3. Research methodology

Any scientific approach begins by presenting both the research area and the research object. Thus, with regard to the present paper, the location of the research area can be included in the corporate governance research sphere, in terms of company reporting, namely the identification of the key performance indicators in the annual reports of companies quoted on the capital market.

The choice of the research methods used is closely related to the proposed objectives, so the research methods and tools used throughout the thesis are generally based on a deductive approach, from general to the particular, mainly used at the level of the theoretical / qualitative research. By methodological aspect, the research is mixed, theoretical - applicative, the researched field includes both a qualitative and quantitative approach. The qualitative approach consists of the scientific documentation, in order to deepen the information held so far on the performance concept / performance indicators from the point of view of non-financial reporting, the presentation of the benefits of non-financial indicators for an organization, and the scope of quantitative analysis aims at identifying the most important key performance indicators presented by reputable companies in their annual reports. The selected sample for qualitative research consists of a total of 35 companies listed on different European capital markets.

This research analyzes the extent to which key performance indicators are published in the annual report by the companies surveyed in the quantitative study and presentation of the most important indicators included in their annual reports from 2015-2017.

4. Analysis and Results

Companies, especially listed companies, provide stakeholder information with an overview of business performance, the internet being the key tool in the process of disclosing this information (Asbaugh et al., 1999). In general terms, disclosure of information to stakeholders is strongly influenced by several theories, including the principles of agency theory, which have explained various factors that influence the way in which information is presented, the factors that lead to the dissemination of information result from a symbiosis between the complexity of the business and the needs of the stakeholders. Thus, each of these theories finds its foundation through the relationship established between the company and the stakeholders.

The study card presents the most important non-financial indicators reported between 2015 - 2017 by the companies analyzed, which publish annual reports according to the international reporting framework. Thus, the reports published by these companies were analyzed in order to identify the most important key non-financial performance indicators published through the annual reports, the results being presented in Table 1.

Table no 1 Non-financial performance indicators

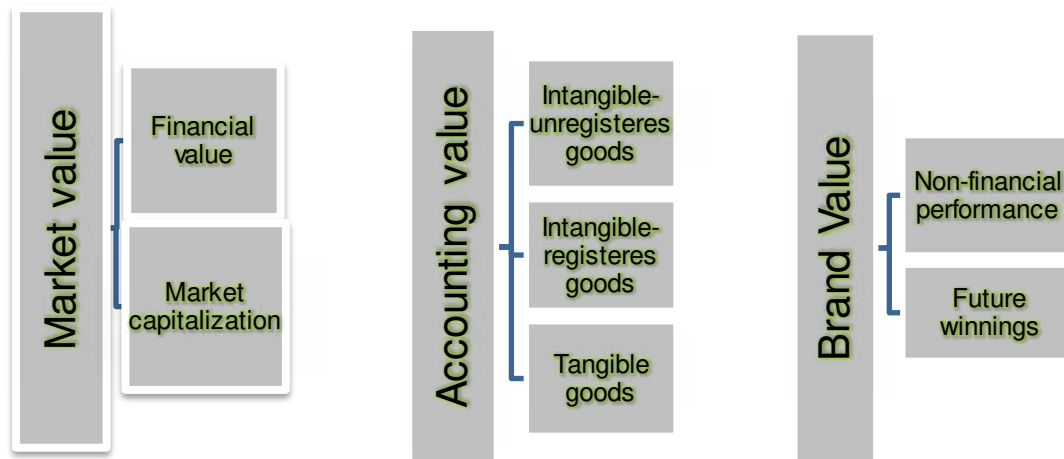
1. Objective non-financial indicators		
<i>Focus on organizational activities</i>	<i>Focus on employees</i>	<i>Focus on clients</i>
<ul style="list-style-type: none"> o Production volume o Productivity of work o Productivity / equipment o Degree of use of the material o The efficiency of the interior organization o The duration of the production cycle o Inventory level o Number of defective products o Number of newly launched products o Efficiency of new product design 	<ul style="list-style-type: none"> o Employee satisfaction o Employee competence level o Employee empowerment o Level of security measures o Level of employee training o Absence degree o Market share 	<ul style="list-style-type: none"> o Time required to meet customer orders o Delivery performance o Time to respond to customer problems o Flexibility of the product o Customer satisfaction o The degree of customer appeal o Client retention degree
2. Subjective non-financial indicators		
<ul style="list-style-type: none"> o Long-term business outlook o Ability to gain new skills / knowledge in an efficient way o The desire to share knowledge in the field of organization o Degree of cooperation with the other departments of the organization o The mood / morale of the employees o Management / leadership style o Loyalty to the company 		

Source: Author's compilation

After analyzing the annual reports, it can be argued that there is a direct correlation between market value, book value and brand value within an organization, in the sense of creating value. Regarding the relationship between investors and the organization, market value is the most obvious focus. Also, the constitutive elements of market value, relationship with brand value and accounting value are also presented. Figure no. 1 below serves to illustrate this. The value of the brand is long-term, considered as an element of market value. While long-term gains will represent a significant proportion, these potential gains will be subject to less controllable influences. These influences can be categorized as non-financial factors such as human capital, customer relationships, partnerships, corporate governance, and so on.

Book value is a reflection of the value of companies' assets. It includes both tangible assets and intangible assets. Accounting recognizes the importance of several classes of intangible assets that are included in the company's balance sheets, which in turn influences investor ratings. However, some classes of intangible assets are not recognized and may influence investors' perception of the degree to which companies can convince investors of their materiality. The communication process can have an impact on market value and implicitly on financial performance.

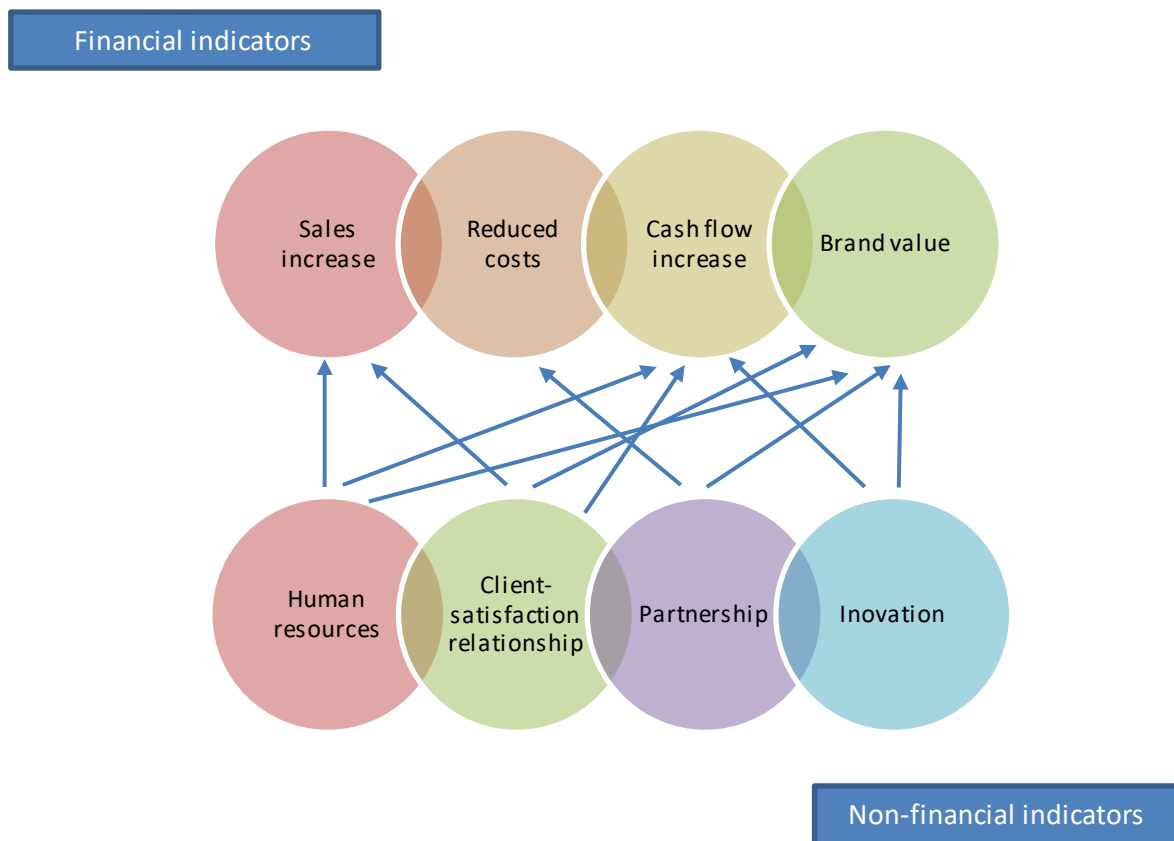
Figure no. 1 Correlation between market value - book value and brand value within a company



Source: Author's compilation

In order to present the impact of corporate governance on the company's financial performance through non-financial indicators, the effect of each non-financial indicator identified as a result of the analysis is described below, as can be seen in the figure below:

Figure no. 2 Impact of non-financial indicators on financial indicators



Source: Author's compilation

The relationship with customers – company’s attention should be given primarily to customers, their needs, and their expectations. This area is important to the organization because customers are the ones who pay for its products and this is its source of income. It is very important for the company to know their expectations and expectations, as well as to translate these requirements

into its products and services that can be marketed. In this respect, the effect of this non-financial indicator is on the volume of sales, cash-flow and implicitly in the value of the company's brand.

Human resources - focusing on employee satisfaction as well as recognizing their value by rewarding them, motivating them, generating their commitment to the organization, and ending up to use their knowledge and skills for the benefit of the organization will have an effect on the figure business, cash flow growth and, implicitly, the company's brand.

Partnership - one aspect of the company's public image is important. Improving the way the general public sees the company can mean increasing turnover and stronger relationships with the community. Potential objectives include keeping a professional image and a positive presence in the media.

Innovation - it is an important factor of social and economic growth, the nature of innovation, its role and its determinants are beginning to enjoy a wider recognition with a long-term effect on the increase in cash flow and implicitly on the company brand.

5. Conclusions

In the current dynamic and very competitive environment the best road for companies to create a successful organisational environment is to try and define the elements which will lead to this road. Their principal purpose would be the determination of performance indicators that will conduct to high results. External environment requires companies to be capable to adapt to a large competition scale, international, and be able to compete in the same time from multiple perspectives, such as price, quality, customer relationships and flexibility. High-performance companies are being described by specialty publications the companies where high productivity, customers satisfaction, exceptional financial results, innovation and leadership skills are seen. Through an overview of the literature, however, it is possible to identify the specific terms of each category: sustainable financial development, long-term orientation, obtaining exceptional results, which refers strictly to the company as an entity and its results. Thus, performance measurement is a fundamental part of any organization, whether it is part of a public or private sector. This paper presents the most important non-financial indicators for measuring performance through an analysis of annual reports published by companies that use corporate governance management tools. In the context of the new performance approach, non-financial indicators such as customer satisfaction, employee fluctuation, or product quality are particularly relevant to determining the value of a company.

Consequently, the major objective of this scientific approach will be to answer "What are the key non-financial indicators that can measure the effects of corporate governance on company performance?" Moreover, empirical research will contribute to the completion of existing literature through the implementation of significant national and international surveys, thus providing a complex and useful tool for analyzing and improving corporate governance models and financial reporting.

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