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Section I
International Affairs and European
Integration

Beyond Economic and Political Borders-Identities in American Homelands

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Abstract

Recent years have seen a growing interest in geography as an ideologically loaded discourse about the world and its inhabitants. The purpose of the present paper is to investigate the complex relationship between borders (seen as barriers, bridges, symbols) and the concept of homelands from a cultural perspective, as well as their impact on the larger American homeland.

Astute attention has been paid lately to three fundamental concepts 'language', 'culture' and 'identity'. Language is a potent and visible marker of identity, helping the construction of spaces in which a sense of belonging can develop. For individuals as well as for communities, language is a communicative vehicle and it is granted a symbolic value. People stamp the environment with their cultural impress, they give names to geographical locations around them, or attach symbolic significance to them- the area in turn shapes them and their language. From here feelings of attachment and belonging start developing.

Key words: dialogue; homelands; borders; language; identity.

J.E.L. classification: F54

1. Introduction

Recent years have seen a growing interest in geography as an ideologically loaded discourse about the world and its inhabitants. The purpose of the present paper is to investigate the complex relationship between borders (seen as barriers, bridges, symbols) and the concept of homelands from a cultural and geographical perspective as defined by R. Nostrand and L. Estaville in 2001, as well as their dialogue in the larger American homeland.

The starting point of our discussion is the idea that homelands can be defined as specific places to which ethnic or self-consciously different peoples have bonded emotionally—with the aid of their control of place through time. The development of this concept is based on five general components: a people, place, bonding with place, control of place, and time. Bonding with place, the key element, is strongest among ethnic groups whose folk cultures have been in decline (Nostrand, *et al* (ed.). 2001, pp.10-13).

2. The Development of "Homeland" as a Concept

Homelands develop as special kinds of cultural regions, but their development goes beyond the delimitation of the multiple traits of a single cultural group. A group's relation to place, which is the key element in the concept of a homeland, is not central to the concept of a cultural region. Bonding is a process rooted in the human-environment, or man-land, tradition of geography, and because of these features the homeland concept, a special culture area, has a greater impact on cultural ecology than on cultural regions.

In these special culture areas, a group's relation to place is the main component, as homelands should not be considered homogeneous or monolithic areal entities. This happens because a group's relation to place differs in intensity within the region delimited as the homeland. In Nostrand's Highland-Hispano Homeland, Hispanos manifest the strongest attachment to their local patria chica, literally the small fatherland, meaning the village and its surrounding land, and regionally the degree to which Hispanos have a sense of place decreases with declining Hispano percentages from the homeland's core to its periphery. In Jett's Navajo homeland, identity exists at several levels: for the Navajo country as a whole, for community bands and chapters, and for extended families and clans within communities (Nostrand, *et al* (ed.), 2001, pp. 156-158).

In both homelands, the smaller the level, the stronger the identity- the existence of these gradations proves that homelands are not uniform regions, and should not be understood and analyzed accordingly. In a nation of immigrants, with high level of cultural pluralism—two attributes differentiate the United States from many of the world's other nation-states—the existence of these homelands has shaped an American feeling of belonging to a place. The thinking of traditional peoples about place, has

“strengthened national solidarity and has enhanced those feelings of loyalty that underlie that higher level of identity—nationalism. Homelands, then, account for those human values that are rooted in place:

- . a love for one's birthplace and home;
- . an emotional attachment to the land of one's people;
- . a sense of belonging to a special area;
- . a loyalty that is defined by geographical parameters;
- . a strength that comes from territoriality;
- . a feeling of wholeness and restoration when returning to one's homeland” (Nostrand, *et al* (ed.), 2001, p. 15).

And so if free land to some degree shaped the American character, and if dry land to an even greater degree shaped the character of people in the American West, then homelands to some degree shaped the American sense of place. The analysis of these homelands helps to explain the American cultural mosaic. America is a land of many peoples and many complex homelands.

Physical and abstract borders and borderlands limit and define homelands and human territories. Borders provide an infinite variety of facets, they can be changeable, sometimes negotiable and some other times contradictory. They become a powerful ideological symbol for one's identity, a continual source of dialogue. They can also prove to be economic opportunities for border region inhabitants in their legal or illegal activities- “discursive construction of a boundary as an administrative apparatus for demarcating territory, over which states have control and by which their respective integrities are defined, may not involve local people on the ground. However, the notoriety and fascination of borders derive from measures introduced by the state that coexists with local cultures and practices and impact the day-to-day life of individuals” (Anzaldúa, 1999, p.56).

In this complex multicultural context dialogue represents a potent and visible marker of identity, helping the construction of spaces in which a sense of belonging can develop. For individuals as well as for communities, language is a communicative vehicle and it is granted a symbolic value, it is an important part of a homeland definition. People stamp the environment with their cultural imprint, they give names to geographical locations around them, or attach symbolic significance to them- the area in turn shapes them and their language. There is a continual internal (between members of the community) and external dialogue. By giving names, telling stories to their children, people initiate a dialogue with and among themselves, with the universe and with the people around. As we shall see, in some cases this dialogue is a continuous thread, following (but not being seriously altered by the mainstream culture), in some other cases, unfortunately, this dialogue is fragmented and ultimately lost.

The first case, takes into consideration the Hispanos adjustment to their environment- while bonding with place, they stamped the surrounding physical space with their culture. Examples of adjustment and the Hispanos distinctive imprint on the structures are various and multiple. For example, in terms of building structure, hornos, dome-shaped outdoor adobe ovens, are associated with wheat culture. They can be seen in Spain and in New Mexico and Argentina—the relatively cold opposite ends of Spain's New World Empire, where people grew wheat.

The impress of religion is also distinctive and important in this culture. Every homeland village has its Roman Catholic church, centrally positioned with steeple and cross dominating the skyline. In Chimayo the Santuario de Chimayo, which dates from 1816, annually draws thousands of pilgrims who seek to be cured by ingesting the *tierrabendita* or healing mud. Along rural roads and in the countryside are a variety of religious shrines. Also dotting the homeland are scores of religious place names. Many, like San Miguel and San Jose, commemorate village patron saints, while others, like Santa Fe (Holy Faith) and Santa Cruz (Holy Cross), are simply religious terms (Arreola, 2012, p.65). Except for the *moradas* and the Santuario de Chimayo- in a religious sense- what differentiates the homeland from other sections of the borderlands is the impressive quantity of all these manifestations.

Ordinary Hispanos know intimately every bump on the landscape and every turn in the road in their own *patria chica*, meaning their native village and its adjacent area. And like Spaniards in Spain, ordinary Hispanos have an intense love for their community of birth. Pride in their natal place is fierce and loyalty to it is unshakable, as in Spain. "To be Spanish American," wrote Margaret Mead in 1955, in her study of New Mexico, "is to be of a village." In New Mexico, the village of birth as much as the family name identifies an individual (Mead, 1955, p. 62).

A second case under discussion is represented by the *émigrés* from west-central France who crossed the North Atlantic to become Acadians living on the far eastern margins of seventeenth century Nouvelle France. During their tragic journey, known as *le grand dérangement*, many Acadians became Cajuns in the eighteenth century and created a new homeland, Nouvelle Acadie, in South Louisiana. In both places, Acadia and South Louisiana, these French-speaking people created homelands through time by impressing their culture traits onto the landscape and by modifying their ways of living to accommodate foreign physical environments and interaction with other peoples. In both places, these Francophones bonded to one another and to their lands, homelands that they not only came to control but to love, protect, and—ultimately—to lose. In both places a similar cause, invasions of Anglos led to the loss of these Gallic-derived homelands.

In order to adjust to the new environment, generously offered by the South Louisiana, the Acadians, now turning into Cajuns had to readapt their practices and way of living, and not only. The changes operated by Cajuns in order to adapt to the new environmental conditions comprised agricultural practices, types of crops cultivated, new dishes and types of clothes and the adjustment of building structures. The language remained unaltered- but in this continuous dialogue with resident populations and newcomers, it suffered alterations (small ones at the beginning, but in time they became significant): in this continual dialogue *filé gumbo* replaced *soupe de la Toussaint*. French Creole (non-Cajun French born in Louisiana), Indian, and African cooking methods, particularly the red sauces introduced by West African slaves, were adopted by the Cajun cuisine accompanied by their corresponding names (Estaville, 1993, p. 31).

In the seventeenth and eighteenth centuries, geographical relocation into alien physical environments caused the French settlers to make striking cultural adaptations and borrow ways of living from Indians, French Creoles, Spaniards, and African slaves to survive in Acadia and South Louisiana. In the nineteenth and twentieth centuries, although the Cajun homeland would become geographically stable, invasions of Anglo-Saxon Americans by the thousands and new, exciting technologies would profoundly change Cajun life, culture and language. In this case the dialogue with the exterior altered the language. In fact, the most significant change in Cajun culture in the nineteenth century was the tremendous erosion of its language. The loss of French political influence in the inhabited area dramatically altered the essence of the Cajun culture- its language.

The dialogue between ethnic and mainstream culture was temporarily lost in this special case. Today, the more than half million people of Cajun ancestry comprise about 12 percent of Louisiana's population. In time Cajuns have become mainstream urban Americans. Yet recently, because of the efforts of the Council for the Development of French in Louisiana (CODOFIL) to revive the French language and because of a favorable national interest, a pride in their Cajun heritage has seized their South Louisiana homeland. The French festivals reflect this Cajun culture revival—from the simple *boucherie* to the ostentatious Mardi Gras- that seem to have become more effervescent, filled with the *esprit* of *laissez les bonsrouler* (let the good times roll).

3. Conclusion

It seems that today America wants to know more about the Cajun homeland- and a form of dialogue about the reminiscences of a culture is initiated. The Cajun renaissance centered in Lafayette, still faces the most difficult test- the test of time.

For all the populations in the American homeland, the "trajectory" of the future is anchored in the past, this mediates the dialogue about the future in the present. The homeland is not simply where indigenes feel most at home, it is the place they alone should control, to be masters of their own land and we can further add, in the spirit of the present study, of their own language and of the dialogues they initiate.

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The Exception of Non-performance and its Role in Debt Assignments

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Abstract

Debt assignments have the effect of assigning a new creditor in the legal position of the creditor assignor, i.e. the right to claim, with all its accessories and warranties, in the same legal conditions, enforceable against all exceptions of the assignor, even the personal ones. Thus, the assignee is entitled to invoke the exception of breach of contract/non-performance, where the ratio of obligations originally derived from a mutually binding contract and the contractual partner refuses to fulfill the performance that was required. Invocation of exceptio non adimpleti contractus does not result in termination of the legal relationship of obligations, but only to its suspension as a means to compel the debtor to fulfill the obligation assumed.

Key words: assignment of a debt/debt assignment, exception of non-performance, assignee, assignor, assigned debtor.

J.E.L. classification: K

1. Introduction

Art.1566 paragraph 1 of the New Romanian Civil Code defines the assignment of a debt as "the agreement through which the lender assignor transfers a claim to a third party transferee". It is beneficial the systematized regulation of this legal institution in Chapter I of Title VI of the New Civil Code on transmission and transformation of civil obligations, unlike the Civil Code of 1865 which included the assignment of a debt in the area of the sale and purchase contract, in art.1391-1398 and art. 1402-1404, according to its French model and the German law (art.1689-1701, French Civil Code; art. 398 BGB).

In the literature, the assignment of a debt was defined as the contract whereby, for good and valuable consideration or free of charge, the creditor transmits his right to claim to another person.(Pop, 2006, p.223; Reghini, 2007, p.153; Vasilescu, 2012, p.33; Stătescu *et al*, 2008, p.363; Malaurie *et al*, 2010, p.795; Adam, 2004, pp.491-509; Motica *et al*, 2005, pp.209-218). Enlarging on this definition, it was shown that the assignment of a debt is a contract that involves, from a subjective perspective, the following legal subjects: the assignor transmitting the claim, the transferee who acquires the claim and the assigned debtor, i.e. the debtor who is obliged to perform the service which is the subject of the assignment, but a third party to the debt assignment agreement, from the perspective of the principles of binding force and the relativity of the effects of the agreement (Pop *et al*, 2012, pp.636-637). Thus, the assignment of a debt has the effect of assigning a new creditor in the legal position of the creditor assignor, i.e. the right to claim, with all its accessories and warranties, in the same legal conditions enforceable against all exceptions of the assignor, even the personal ones as we will explain below.

2. The role of the exception of non-performance in debt assignments

The claim of the assignment shall be regarded as a property right over a debt, i.e. a subjective property right, pursuant to which the holder can request the designated passive subject to give, do or not to do something. Thus, the claim ceded does not need to have as its object a sum of money;

on the other hand, the rights of claim with non-property character (those resulting from intuitu personae contracts) cannot be object of the assignment, except for the case of the consent of the assigned debtor, according to art.1573 paragraph 2 of the New Romanian Civil Code (Reghini, 2007, p.160).

The legal doctrine emphasized the functions performed by debt assignments (Pop *et al*, 2012, p.639) as follows:

- translational function, i.e. to transmit a claim by contract from person to person;
- payment instrument function because through a debt assignment a debt of the debtor to the creditor (the transferor to the transferee) can be paid off, as regulated by art.1493 of the New Civil Code, which provides for the debt assignment instead of performance of the obligation as a special way of making payment, being regulated by art.1492 of the New Civil Code. In legal literature it was stated that the assignment of debts is intended to produce a limitation effect (Maurie *et al*, 2010, p.796);

- credit instrument function is that, through the assignment of a claim with standstill period of execution of the claim ceded, a mobilization of the claim is made before the execution of the debt corresponding to the claim;

- function of guarantee/security of debt assignment, which in French law is called fiduciary assignment, consisting of immobilizing the claim in the assignee's property till the execution of a particular obligation of the assignor towards him (Maurie *et al*, 2010, p.797). In legal literature it was mentioned that due to this mechanism, "a single payment will extinguish two obligations: the obligation of the assignor and the obligation of the assigned debtor" (Pop, 2006, p.225). In Romanian law, this function is expressly regulated by Title VI of Law no.99/1999 and the related collateral hypothesis of the guarantee governed by art.2387 et seq. in the New Romanian Civil Code on mortgage security.

The difference between translative and fiduciary assignment lies in the legal cause of the assignment, so that the intention of the assignment's parties should be analysed: transfer of debt from the assignor/transferor to the assignee/transferee or only the provision of security through the conclusion of the transfer of debt (Vasilescu, 2012, p.34).

Art.1573 paragraph 1 of the New Civil Code stipulates the principle of mutual consent in the debt assignment, so that the assignor's and assignee's consent is sufficient for the transfer of claim; for the validity of the assignment, the assigned debtor's consent is not required because he is a third party in relation to claim transmission.

If the conditions of validity of the operation by which the assignment of debts is fulfilled, this agreement takes full effect on the transferor and transferee, without any other formality, based on the principle of binding force of the agreement. However, in legal literature it was shown that for effectiveness (efficiency) of debt assignment, it is necessary that this operation to be invoked against the assigned debtor. The time of enforcement against the assigned debtor is essential because since that moment he will be required to pay directly to the transferee (Pop *et al*, 2012, p.641).

On the other hand, advertising the debt assignment is necessary because it also interests third parties, namely: the assigned debtor, the creditors of the transferor and any subsequent assignees. Thus, the assigned debtor is subject to the legal relationship of obligations in its original condition and it is imperative for him to be notified of the occurrence of debt assignment in order to make the payment to the transferee and not to the transferor. Transferor's creditors are interested in a possible assignment of debt because the assigned right of claim is taken out of the debtor's assets and, therefore, from the general collateral, which means that these creditors cannot pursue the property value to make full use of their rights. Also, prospective assignees should not be at risk of acquiring an already assigned claim, particularly when the assignment of that claim was made for good and valuable consideration or by sale-purchase or exchange (Pop, 2006, p.228; Reghini, 2007, pp.154-155).

According to art.1578-1581 of the New Civil Code, the enforceability of debt assignment is done either through its communication, or by accepting the assignment by the assigned debtor, which replaced the debt assignment notification and acceptance as regulated by art.1393 of the Civil Code of 1865 without essential differences between the two regulations. Legal literature has defined communication as notification made in writing, indicating the ceded claim and identifying

the assignee as well as the invitation that the debt to be paid to him and not to the transferor (Vasilescu, 2012, p.36). This document conveyed to the assigned debtor must be accompanied by the written proof of the assignment for it to have effect. This communication can be filed together with the application for summons of the debtor for payment, but in this case, the assigned debtor owes no trial costs if he pays up to the first hearing. Art.1581 of the New Civil Code provides that the same formality of communication is necessary for the assignment to be enforceable against the fidejussor. This communication of the debt assignment can be done either by the transferor or by the transferee.

The same enforceable effect is produced by acceptance of the assignment by the assigned debtor, through a document done by a certain date, according to art.1578, paragraph 1, letter of the New Civil Code, unlike the previous regulation (art.1393 paragraph 2 of the Civil Code of 1865) that required the acceptance of the assignment by the assigned debtor to be made through an authentic/authorized document.

According to art.1579 of the New Civil Code, when there is an assignment of a universality of present or future claims, the enforceability of the debt assignment against third parties is achieved only by inclusion of the assignment in the electronic archive, especially since this enrollment (if there are successive assignees of the same claim) has the effect of creating a priority order among assignees, according art.1583 paragraph 2 of the New Romanian Civil Code. This registration can take the effect of enforceability in all cases of transfer of debt to third parties, but it is not sufficient to achieve enforceability against the assigned debtor, which requires acceptance or notification (Pop *et al*, 2012, pp.642-643, Reghini, 2007, pp.158-159)

Another embodiment of the enforceability of the debt assignment is its registering in the land book, according to art.902 paragraph 1 of the New Civil Code which states the necessity of registering the debt assignment in the land book, in relation to future rents.

After presenting the forms of enforceability of debt assignments, we will analyze the effects of debt assignment in order to identify the role played by the exception of non-performance of debt assignments.

The main effect of the assignment is the right of the transferor transferred to the transferee. Also, the contract including the assignment of debt can be a complex act; it produces the effects of the legal transaction done through its sale, exchange, loan, donation, etc. The effects of debt assignment must be analyzed, as follows: between the parties (between the assignor and assignee) in relation to third parties and between parties (in the case of successive assignments of the same claim or multiple assignments of the same claim).

As can be seen, the assignment of debt has the effect of assigning a new creditor in the legal position of the creditor assignor, i.e. the right to claim, with all its accessories and warranties, in the same legal conditions, enforceable against all exceptions of the assignor, even the personal ones.

Thus, the debt assignment gives the assignee/transferee the position of a creditor, becoming, as noted above, a part occurred in the original contract concluded between the assignor and the assigned debtor. As a result, the transferee can exercise all the actions which belonged to the transferor, including the action for annulment, when his interest is to revert to the previous ratio of obligations. In this situation, the assignee is entitled, even more so, to invoke the exception of breach of contract/non-performance, if the ratio of obligations originally derived from a mutually binding contract and the contractual partner refuses to fulfill the performance that was required. It is obvious that the invocation of *exceptio non adimpleti contractus* does not result in termination of the legal relationship of obligations, but only in its suspension as a means to compel the debtor to fulfill the obligation assumed.

3. Conclusion

If the claim of the assignment results from a mutually binding contract and the creditor transferor fails to fulfill his obligation, the assigned debtor may invoke the exception of breach of contract/non-performance against the assignor prior to acceptance or communication of the assignment because it is not binding yet.

The assignee acquires the receivable/debt as found in the transferor's property, so that the debtor can enforce to the assignee the same exceptions and defenses which could be used by the

original creditor. Under art.1582, paragraph 1 of the New Civil Code, these exemptions aim at invalidity, termination or diminished value claim and entitle the debtor to refuse, in whole or in part, the payment to the transferee, such as: exception of invalidity of the document from which the debt arose, exception of the time limit right to act prior to the assignment, exception of legal compensation, etc. Similarly, can be invoked: exception of guarantee owed to the transferor, when it was evicted from the right to whom it was sent in exchange of the obligations which the debtor assumed corollarily against the assignor; exception of payments made to the transferor before the publication of the assignment; *exception of res judicata* and all possible exceptions regarding the reduction in value of the assigned debt.

Similarly, the assigned debtor can invoke against the assignee, the exception of non-performance if the transferor has not executed the service stipulated in the mutually binding contract, in the way established in the initial legal relationship under the principle *nemo plus juris ad alium transferre potest quam ipse habet*.

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The Effects of Debt Assignments

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Abstract

The assignment of debt takes effect between the contracting parties (assignor and assignee), without any formalities, but also between parties and in relation to third parties. Thus, the right to claim is transmitted from the transferor's property to the transferee's together with all accessories to that debt, and the rights related to warranty. Instead, the effects of the debt assignment in relation to third parties must be judged according to how the assignment became enforceable against the assigned debtor, which is different from the one done to other third parties.

Key words: debt assignment, assignee, assignor, assigned debtor, third parties

J.E.L. classification: K

1. Introduction

The debt assignment is a contract whereby, for good and valuable consideration or free of charge, the creditor transmits his right to claim to another person (Pop, 2006, p.223; Reghini, 2007, p.153; Vasilescu, 2012, p.33; Stătescu *et al*, 2008, p.363; Malaurie *et al*, 2010, p.795; Adam, 2004, pp.491-509; Motica *et al*, 2005, pp.209-218; Dogaru *et al*, 2009, p.486). In legal literature, it was shown that the parties to the debt assignment are, as follows: the lender *assignor/transferor* transmitting the claim, *the assignee/transferee* who acquires the claim and *the assigned debtor*, that is the debtor obliged to perform the object of the debt assignment, but who is a third party to the debt assignment contract, based on the principles of binding force and relativity of the effects of the contract (Pop *et al*, 2012, pp.636-637). Thus, a new creditor acquires the legal position of the creditor transferor, i.e. the right to claim, with its accessories and warranties under the same legal conditions.

2. The effects of debt assignments must be analyzed as mentioned, both between the contracting parties and in relation to third parties.

Between the contracting parties the effects of the debt assignment are the transmission of the claim with its accessories and the warranty obligation of the transferor. This shall take effect from the time of conclusion of the assignment, according to the principle of binding force of the contract and it is not subject to disclosure requirements of the debt assignment through which the effects of the assignment are produced only in relation to third parties.

The debt transfer consists of the transmission of the right to claim *ut singuli*, from the transferor's assets/property to the transferee's, in the way it existed before, i.e. with:

- a) all the rights that the transferor has in relation to the ceded claim;
- b) guarantee rights (fidejussion, pledge, mortgage, privilege) and
- c) all accessories, according to art.1568 of the New Romanian Civil Code. (Pop *et al*, 2012, pp.644).

According to the principle of mutual consent, this translative effect occurs at the time of the agreement of the parties, unless the assignment is done via a solemn contract. As a result of the translative effect, the debt agreement creates a specific obligation on the transferor: transmission, which is an obligation to fulfill. This obligation is related to the execution of the contract and it is

performed, according to art.1574 of the New Civil Code, by delivering the title ascertaining the claim, that is the authentic or under private signature document registering the contract that generated the ceded claim.

If the transferor does not fulfill this contractual obligation, which puts the assignee in the position of not being able to assert his rights and the assignment was made through a mutually binding contract, the transferee has the right to refuse to perform his own services (payment of the claim price), citing *exceptio non adimpleti contractus*, or to rescind the debt assignment (Reghini, 2007, p.171; Pop, 2006, p.239).

Taking into account this effect of transmission of the claim and its accessories, the debt assignment is a way to transfer the obligations that ensures the claim legal continuity because the claim that the transferor had will be left intact in the property of the assignee as the acquirer with a particular title. What changes when there is a debt assignment is only the holder of the transferred debt, i.e. the creditor. Therefore, it is appreciated that, when the assigned debt arose from a contract, the transferee becomes the „party occurred”, this position explaining the specific effects of the assignment (Reghini, 2007, pp.171-172; Vasilescu, 2008, pp.132-136).

The transferee is the new lender that will be able to request the execution of the acquired debt at face value, no matter how much he paid for it, as he will enjoy all the guarantees initially attached to the claim, that he will be able to use, if necessary (Vasilescu, 2012, p.37).

Then, the claim is transmitted to the transferee with all the ways that possibly affect it, such as: term, condition, solidarity, indivisibility, etc.

At the same time, the transmission of the claim as found in the transferor's property has as a consequence right the transmission of all actions resulting from that claim as well as the exceptions that the debtor can invoke, including the nullity action and prescription (Reghini, 2007, pp.172-173). This hypothesis has created much debate in legal doctrine and case law has provided no clear solution. Thus, most doctrinarians admit that the transferee has the right to exercise some of the actions of the transferor, such as payment and actions that protect the rights of the creditor: the guarantee action, the Paulian action and oblique action because they are transferred to the transferee together with the debt.

Also following the acquisition by the transferee of the position as party occurred, the legal doctrine admits that the enforcement order obtained by the transferor prior to the transfer is valid and will be transmitted to the transferee, its prescription being effective and ready to be fulfilled, as if the assignment had not intervened (Reghini, 2007, p.173; Pop, 2006, p.239).

Consequently, applying the principle *nemo plus juris ad alium transferre potest quam ipse habet*, after the transfer, the transferee may not claim more rights than the transferor had, nor can the assigned debtor have a more difficult or more favorable situation than that which he had had prior to the assignment.

The warranty/security obligation of the transferor to the transferee occurs when the debt assignment is made for good and valuable consideration. According to art.1585 paragraph 2 of the New Romanian Civil Code, the transferor is responsible for his current and valid existence of the claim and its accessories, but without being responsible for the ceded debtor's creditworthiness.

Thus, the transferor must insure the assignee for the existence of the claim, as determined in the assignment, referring to circumstances, such as: annulling the claim in whole or in part, through payment, compensation, etc; prescribing the action referring to the claim ceded; a discrepancy between the nominal value of the debt and the one stated in the debt assignment contract. Then, the transferor must guarantee for the validity of the claim, i.e. any grounds for invalidity or revocation of the contract from which the ceded debt arose. In legal literature, it has been shown that the transferor needs to insure the assignee about the fact that the debtor cannot invoke successfully any exception to annihilate, in whole or in part, the right of the transferee (Reghini, 2007, p.174; Pop, 2006, pp.239-240; Malaurie *et al*, 2010, p.807).

The effects of the debt assignment to third parties and between third parties: between the debt assignment parties (assignor and assignee) the assignment produces primary effects, without any formalities, according to the principle of binding force of the contract. As noted above, all other persons, except for the transferor, the transferee and their universal successors or persons with universal title, are part of the third parties, including the assigned debtor, the creditors of the assignor and other assignees of the same claim in the case of a successive assignment.

But in a debt assignment, these third parties are not absolute parties, that is complete strangers in this legal operation, but they are specific or interested parties, i.e. those persons who, without being parties or universal successors or persons with the universal title of the parties, bear some consequences of the debt assignment (Reghini, 2007, p.178; Deleanu, 2002, pp.135-144; Vasilescu, 2012, p.38).

In legal literature, it has been shown that in order to analyze the effects of the debt assignment against specific third parties, consideration should be given to the manner in which the transfer is made enforceable against the assigned debtor, which is different from that in which it is made for other parties (Pop *et al*, 2012, p.647; Malaurie *et al*, 2010, pp.800-801).

a) The effects of prior notification or acceptance:

According to art.1578 of the New Civil Code the debt assignment can become enforceable against the assigned debtor only upon acceptance or communication/notification of the assignment to him. Up to the moment of notification or acceptance through a document having a certain date, the assignment of claims is inapplicable to the assigned debtor, so that the payment made to the transferor is valid and discharging or it can preclude any other way of annulling the debt (prescription, compensation, debt relief/cancellation). On the other hand, even if the publication by notice has been performed, but it was transmitted to the ceded debtor by the transferee, the debtor is entitled to suspend payment until he is presented the documentary evidence of the transfer, according to art.1578 of the New civil Code.

b) The effects after giving notice or acceptance are set by art.1582 of the New Civil Code; from this moment on, the assigned debtor becomes the exclusive debtor in relation to the transferee, and cannot pay the transferor. Therefore, any payment made after this time to the transferor has a discharging effect and cannot be invoked to paralyze the payment request made by the transferee. In this case, the payment is not valid and the assigned debtor may request its return.

Since the transferee has acquired this claim as found in the transferor's property, the debtor may oppose the transferee the same exceptions and defenses which he could oppose to the original creditor, in accordance with art.1582 paragraph 1 of the New Civil Code, i.e. exceptions concerning invalidity, annulment or diminished value claim, and the assigned debtor is entitled to refuse, in whole or in part, its payment to the transferee, such as: the exception for revocation of the act from which the transferred debt arose, exception of prescribing the right of action prior to the transfer, exception of legal compensation, etc. (Reghini, 2007, p.179). Similarly, he can invoke: exception of the guarantee owed to the transferor, where was evicted the transferred right in exchange of the obligations which the debtor assumed corollarily against the assignor; exception of payments made to the transferor before the publication of the assignment; exception of *res judicata* and all the possible exceptions regarding the reduction in value of the debt assigned (Pop, 2006, p.245).

Another effect of the transfer after notice or acceptance is that the assigned debtor may oppose the transferee, in good faith, the payment made to an apparent creditor under the provisions of art.1582 paragraph 2 of the New Civil Code. It can be the situation of the transferor who does not communicate to the assigned debtor that there was an assignment of debt and goes on introducing himself as creditor, in which case the transferee has the right of recourse against him. It can also be about another apparent creditor holding the claim title or another means through which he may persuade the assigned debtor that he is the real holder of the claim so that the payment can be made in his favor. The only condition is that the assigned debtor to be in good faith, that is he did not know who the true holder of the claim was (Pop *et al*, 2012, p.648).

c) The effects of the assignment of debt also concern the relations between successive assignees, when the same claim is submitted by the same assignor to different persons through successive contracts (Reghini, 2007, p.181).

The conflict resolution between successive assignees will be achieved according to the time of performing the advertising action, based on the rule *prior tempore, potior jure*, regardless of the time when the debt assignment contract was signed, as follows:

- if several assignments of the same claim have been made, the claim will be acquired by the transferee who made the first notification of the assignment to the assigned debtor or the one who was the first to obtain the acceptance of the assignment as a written document with a certain date from the assigned debtor, according to art.1583 paragraph 1 of the New Civil Code, the other

assignees being evicted. Thus, for the assigned debtor, there will always be only one creditor, to whom he must behave as if he were the sole assignee; to this transferee he must make the payment and he is entitled to oppose the defenses and exceptions he had against the transferor (Vasilescu, 2012, p.39);

- according to art.1583 paragraph 2 of the New Civil Code, "in the relations between successive assignees of the same claim it is preferred the one who registered first the assignment in the archive (Arhiva Electronică de Garanții Reale Mobiliare), regardless of the date of assignment or notification to the debtor." This legal provision indicates that, in the relations between successive assignees, registering the assignment in the electronic archive is a way of advertising which exceeds notification or acceptance so that, if there is a contest between the two forms of advertising, the entry in the electronic archive will prevail the other one (Pop *et al*, 2012, p.649);

- Pending the notification or acceptance of the assignment by the debtor the previous creditors of the transferor are considered third parties in their relation to the assignment occurred between their debtor (the transferor) and the assignee. Thus, the assignment is not enforceable, so they can pursue the transferor's claim against the debtor ceded as part of their overall collateral. On the contrary, after advertising the assignment, the debt right went out of transferor's property and their general collateral. Thus, the assignment of the claim becomes enforceable; they can ask for its revocation only through Paulian action if their interests were bilked.

3. Conclusion

The assignment of debt gives the assignee the position of a creditor, becoming, as noted above, a part occurred in the contract which was initially concluded between the assignor and the assigned debtor. As a result, the transferee can exercise all the actions which belonged to the transferor, including the action for annulment, when he has the interest to revert to the situation previous to the ratio of obligations.

According to legal regulations, the debt assignment can be enforced against the assigned debtor only upon acceptance or notification of the assignment. Up to the time of notification or acceptance through a written document with a certain date, the assignment of claims is inapplicable to the assigned debtor so that the payment made by the transferor is valid and discharged or it may preclude any other way of annulling the debt (prescription, compensation, debt relief/cancellation). On the other hand, even if the publication by notice has been performed, but it was communicated to the assigned debtor by the assignee, the debtor is entitled to suspend payment until he is presented the documentary evidence of the transfer, according to art.1578 of the New Civil Code.

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Global Economic Crisis and Government Intervention

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Abstract

The new economic context which brings into discussion the state's role in the economy is the result of several factors, all contributing to the emergence and spread of the crisis. What does history have to say about the political and economic after-effects of financial crises? There are clear similarities between the 1929-1935 and 2007-2009 crises in terms of initial conditions and geographical origin. In each one of the cases, the financial pain at the root of the crisis was followed by a deep recession in the real economy, but the most devastating impact of the global crisis was the human suffering. So, the society changed its vision of business legitimacy, calling for structural changes in the system, including increasing government influence in economy. In this sense, structural policies are the best option for long-term recovery after the event of a crisis.

Key words: crisis, interventionism, structural policy

J.E.L. classification: E12, H12, P16

1. Introduction

Philosophically, the very existence of the individual in society becomes a consumer need, as a result of basic needs, which positions him legitimately in this circuit: needs - consumer (spending) - production (profit). In other words, the coexistence of many individuals generates needs, which in turn generates demand for products or services, and so, diverse consumer needs determine the profits to be possible. In fact, profit emerges due to the human need and the state is absolutely necessary to intervene for income redistribution and for providing services to individual, as part of society (Răsăuțeanu, 2016, pp.6).

The philosophical concept developed by Hobbes shows the permanent preservation efforts made by the individual through the accumulation of power over others. The natural state is the war of all against all. Living in such a world tends to be bad, brutal and short. The impulse to accumulate this power comes from its natural weakness: consciousness. This predisposition represents for the representatives of political realism the policy goal in the definitions of Max Weber and Nietzsche: politics being an obvious expression of the struggle for power. Promoters of realism consider that the sum of human faults and qualities are transferred to the State, which, like the individual, is trying to provide security by gaining power over other states.

But if the economy evolves naturally to the concentration of wealth in a few hands, if allowed to run its natural course, the economy could create, and then, deepen the gap between high income of the few and low income of the many? Is the population splitting naturally into strong and weak? According to economist Paul Krugman, what happens in the US from 1980 onwards reveals those few in numbers who were strong and retained or even extended their richness as well as those many in number who were weak and gradually lost even the wealth they'd own before. It seems then that freedom of population turns to natural liberty of those who actually possess - large holders of capital (freedom that reinforces and extends), and to a situation where there is no freedom, first economic and then political and social one, belonging to the many. This demonstrates that the nature of the economy, uncontrolled by state, favors those people who have power.

What is happening now in the world is the clearest evidence that the economy can't adjust itself. The new economic context which brings into discussion the role of the state in the economy is the result of several factors, all contributing to the emergence and spread of the crisis. The overly abundant liquidity and savings created enough resources available for investment, especially in sophisticated financial instruments, hardly understood by investors because of their complexity; thus leading to an inefficient management of resources. In addition, the growing investments in newer and more cost-effective production technologies, alongside the entry on the markets of cheaper products from newly industrialized countries, have caused an overproduction in most of the markets.

The objective of present research is to demonstrate that, in order to avoid the harmful effects caused by the free operation of markets, state intervention is necessary by appropriate regulations, which prevent excesses, abuses and damages, incurred by all individuals.

2. Crisis of 1929-1935 and the measures implemented at government level

There are clear similarities between the 1929-1935 and 2007-2009 crises in terms of initial conditions and geographical origin. They all occurred after a sustained boom, characterized by money supply and credit expansion, rising asset prices and high-running investor confidence and overoptimistic risk-taking, culminating in an overproduction. All were triggered in first instance by events in the US, although the underlying causes and imbalances were more complex and more global, and all extent internationally to deeply affect the global economy (E.U., 2009, p. 6). And in each of the cases, the financial pain at the root of the crisis was followed by a deep recession in the real economy.

The main reason for the economic downturn in the US in 1929 was that the authorities have allowed the development of a prolonged crisis in the US banking and financial system by not adopting sufficient expansionist measures needed to counter the phenomenon of overproduction. In addition, the Federal Reserve's actions were simply contradictory: in 1928 and 1929 set higher interest rates in an attempt to reduce market speculation, affecting demand, which has deepened the economic decline. The crisis in the US financial system has spread to the real economy, contributing to the decline in production and employment and to deflation. US crisis eventually spread globally due to the way the gold exchange standard functions (1926-1931): national monetary systems were pyramidal structures: the American pyramid based on gold, the British pyramid based on the dollar and other European currencies based on the sterling. By the summer of 1931, the European economy experienced lower prices and a lack of demand and unemployment. Because of this, a substantial negative impact on the banking system followed, particularly in Austria and Germany.

The most devastating impact of the Great Depression was unprecedentedly the human suffering. For a short amount time, global productivity and living standards have suddenly collapsed. Up to a quarter of the workforce in industrialized countries was unable to find work in the early 1930s. Across the capitalist countries, crisis has reduced industrial production by 44% and the number of unemployed exceeded 30 million. The crisis has also affected agriculture, commerce, banking, credit and financial. Although economic conditions have started to improve towards the middle of 1930, total recovery has done not only at the end of the decade.

In the US since 1933, under the initiative of President F.D. Roosevelt, a reform program, which was named "New Deal", was put into practice. This program aimed to alleviate the consequences of the economic crisis and strengthen elements of state capitalism, using elements of planning, balancing and coordination of the capitalist economy, and it entrusted the capitalist state with economic functions.

For the new president Roosevelt, this dire situation of the working class which got left without jobs became a top priority for his economic program New Deal. This happened because the working class was able to organize uncontrollable riots which could lead to the downfall of the American economic system.

There are three lines in the New Deal:

I. The reorganization and revival of the fundamental sectors of activity:

- Banks - Banking Act allows tighter control of financial organizations and establishes a clear distinction between banks for deposits for short-term loans and merchant banks for long-term loans, no banks being allowed to have direct participation in enterprises. An insurance system is set up to guarantee the deposits of account holders. In June 1934 it created a system of surveillance of stock exchange transactions that will limit the ability to speculate on credit.

- Industry - NIRA (National Industrial Recovery Act) actually wants to govern cooperation between the State and enterprises to focus the objectives of the fight against the crisis. The program involved a Federal Relief Act, while the Civil Works Administration oversaw vast public investment. Civilian Conservation Corps hired 2.5 million youth to build roads, dams, and plant trees on public land. To stem the disastrous fall in prices and profits which began in 1929, there were proposed codes of fair competition to businesses from the same industry, to harmonize production conditions. These codes of competition lead to a kind of corporate cartelization of American industry, being a relative American tradition abandonment of antitrust vigilance. Adherence to codes has even become a criterion for the civics to combat the crisis, the state reserving the only support of signatories, whose products are actually reported to the public by drawing a blue eagle and the words 'We do our part'. In consideration of those economic advantages, NIRA has had important social clauses. Democratic Administration proposed employers a framework on which they can join: the prohibition of child working week of 40 hours for offices and 35 hours in industry, and a basic wage of \$12 to \$15 per week for other areas. In addition, the text called into question individualism in economic and social matters, NIRA guaranteeing workers the freedom to organize and to choose their own representatives, action that enhanced the development of trade unions; in 1937, the strikers will use large-scale occupation of factories.

- Agriculture - AAA (Agricultural Adjustment Act) is the centerpiece of a device that combines two types of actions envisaged by agricultural policy developed by Henry Wallace to return a decent standard of living to the farmers, the main victims of the crisis, thanks to the higher prices of agricultural products. It was intended to reduce debt by implementing a credit system adapted to the possibilities for reimbursement of farmers. For a brief amount of time, the administration superseded neediest borrowers, after which it provides loans with low interest rates (4.5% per year) and long repayment terms. In parallel, it encourages the decrease in production to create a relative shortage of agricultural produce favorable growth rates; allowances are granted for the destruction of existing stocks, then premiums for farmers who undertake to reduce their production. Commodity Credit Corporation becomes the central management body of support for agricultural prices.

- Electricity - Tennessee Valley Act and by Public Utilities Holding Company Act
- Transport - Rail Road Emergency Act and Wheeler Lea Transportation Act.

II. A policy aimed at bringing the United States into a favorable position in the world market:

- Abandoning the gold standard (April 19th 1933) and gradually devaluing the dollar against gold - Gold Reserve Act. It is a voluntary policy of dirigisme money that did not come to respond to speculative movements against the dollar, this targeted the inflation needed to create an economic recovery, reducing debt burdens and promoting the export of American products.

- Reciprocal Trade Agreements Act.

III. Searching for a new social compromise on which the main social forces can agree without an upheaval of capitalism, Roosevelt declaring during the campaign of 1936: 'My administration is the one that saved the system of private profit and free enterprise'. What was sought this time was the imposing of a set of reforms to the most reactionary forces and to the most selfish interests.

Many of the programs, such as Social Security, the Securities and Exchange Commission (SEC) and the Federal Deposit Insurance Corporation (FDIC) are ongoing even today.

3. The global crisis of 2007 and the solutions applied at European level

The main source of today's crisis is the declining vitality of the advanced economies since 1973, and, mainly, since 2000. Economic performance in the U.S., Western Europe, and Japan, constantly decreased with each business cycle in terms of every standard macroeconomic indicator -- GDP, investment, real wage. More so, the business cycle, from 2001 through 2007, was the

weakest one of the postwar period, in spite of having the greatest government economic stimulus in the U.S. peacetime history.

Since the end of the 1960s the main cause of this state it is a deep, lasting, decrease of the rate of return on capital investment. The failure rate of profit to recur is all the more remarkable, considering the huge drop-off in the extension of real wage over the period. The most important reason of the decline in the rate of profit has been the persistent tendency of over-capacitating world manufacturing industries. The reason for this is that new industrial power entered the global market (Newly Industrializing Countries), especially, China. These countries produced the same goods that were already being produced by the developed countries, only cheaper. The effect was that in all industries, there was too much supply compared to demand. As a result, it forced down prices decrease profits. Corporations tried to keep their position on the market by investing in new technologies, action which also led to overcapacity. Due to the decreasing rate of return, corporations were getting smaller and smaller outcome from their investments so they had to lower the investments for equipment and employment. Meanwhile, in order to restore profitability, they decreased employees' compensations, at the same scale as governments' reduction on the amount of social expenditures. But the result of all these cutbacks in spending has been a long-term matter of aggregate demand. The decrease in demand has been the immediate root of all economy's long-term weakness.

The Federal Reserve, by keeping interest rates low, determined an easy way to borrow and to encourage investment in financial assets. As asset prices climbed, corporations and households experienced huge increases in their wealth, at least on paper. They were therefore able to borrow on a large scale, increase their investment and consumption (Brenner, 2009, pp.1-2).

Subprime credit crisis erupted in August 2007 and has its origins in a financial system that generated paper assets whose value depends on the price of housing. They were granted loans to applicants with poor credit history, which normally wouldn't have met the criteria needed for a standard mortgage. Unfortunately, the drop-off in property prices recorded in the US has prevented many owners to fulfill their financial commitments and, as a result, there was a significant increase in the number of foreclosures in the subprime mortgage market. Under these circumstances, a number of major companies active in the market were either closed or went bankrupt. For 13 months, the world viewed it as a small financial crisis, one that will only affect G7 countries that faulted some elements of monetary and legislation policies (especially the US and Britain). Then the crisis has had metastasized and became worldwide in September 2008. The defining moment came when the US Treasury has accepted the bankruptcy of Lehman Brothers. It was a shock to the global financial community, which did not expect that any major financial player will be left in the lurch by national governments.

The solutions adopted at European level for getting out of the financial crisis

	Crisis Control	EU Coordination Frameworks
Structural policy	<ul style="list-style-type: none"> ● sectoral aid ● unemployment compensation 	Single Market, Competition Policy, Lisbon Strategy
Financial policy	<ul style="list-style-type: none"> ● liquidity provision ● capital injections ● credit guarantees ● asset relief 	EU supervisory Committees, Single Market, Competition Policy
Monetary policy	<ul style="list-style-type: none"> ● conventional and unconventional expansions ● interest rate reduction 	Single Monetary policy; European System of Central Banks
Fiscal policy	<ul style="list-style-type: none"> ● expansions and automatic stabilizers 	Stability and Growth Pact European Investment Bank

Source: E.U., 2009, p. 58

There have been taken "unconventional" measures of financial policy, at the European level, towards increasing the liquidity of banks, dropping in interest rates and granting facilities to financial institutions from central banks and from governments. In this regard, in October 2008 The

European Central Bank (ECB) lowered several times refinancing interest rate (to 1% in July 2009). In 2008, European Commission adopts European Economy Recovery Plan (EERP) (through which Romania has received in March 2009 approval of 5 billion euros of aid for energy projects, broadband Internet and rural development measures). In 2009, Commission adopts decision on increasing competence of supervision of EU financial markets. In May 2009 the ECOFIN Council approved € 50 billion - lending ceiling for euro area Member States in financial difficulty.

4. The effects of the global crisis on political system

Nationwide, newly emerging political parties rise in elections, and street demonstrations and strikes multiplied. Indeed, studies conducted worldwide have shown that after the crisis of '30 extremism in politics intensified, and, after financial crises, fractionalization and polarization phenomena occurred in parliaments (Mian *et al*, 2012, p. 4 and Bloom *et al*, 2011, p. 12).

A new study conducted in 2015 (Funke *et al*, 2015) in 20 countries with democracy, in the period 1870-2014, it reached some interesting conclusions on the effects of financial crises on the political class. Governance becomes more difficult (majority share is reduced) being accompanied by increasing fragmentation of parliaments and political parties. The resulting policy uncertainty may contribute to the much-debated slow economic recoveries from financial crises.

The great economic crisis requires quick reactions from the political class. These great economic crises require quick reaction from the political class. They cause a state of uncertainty and panic among the population (be they entrepreneurs, pensioners or employees) and require implementation of structural policies. Until the economic crisis in 2007, there was a general consensus on the need for structural reforms in many countries to improve economic performance and to meet the challenges arising from new technologies, aging and globalization process.

An economic crisis can promote structural reform, where institutions or existing regulations are recognized as being at least partly responsible for the deterioration of economic conditions. For example, countries with tighter regulation of the labor market and more generous rules on early retirement age may need urgent reforms of pension systems and labor market. Crises may require urgent reform, if there is sufficient consensus that structural reforms can facilitate the recovery and increased production.

It must be taken into account that the manifestation of the crisis could impede reforms. Individuals and socioeconomic groups are less eager to lose the benefits, unless they are offered compensation. In addition, costly reform packages are more difficult to finance during the crisis. So, while reforms aimed at improving the functioning of the labor market may be necessary, especially during periods where there is high unemployment, economic crises may prevent making these reform measures, given that increases flexibility may be seen as requiring adjustment costs from workers who already suffer from unfavorable economic conditions.

To succeed in reforms, governments must use their political capital to stop the resistance which comes either from the government or from the opposition parties or unions. Political parties usually have political preferences that differ, because of how each of them is trying to appeal to their voters. Thus, conservative governments adopt policies to increase efficiency and to reduce the role of the public sector in the economy, by liberalizing financial markets and the property market through privatization. On the other hand, leftist governments promote equality and redistribution of income, opting to expand social spending. Contrary to political beliefs, there is an argument that explains why some governments have been successful in advancing reforms that were actually in contrast to their belief / political constitution and sometimes even with their electoral program. If voters are not able to check whether a reform is imposed for purely ideological or economic necessity, they would like to believe that reform is driven by economic motivations.

When an economic crisis erupts, political parties may have different views on the respective intensity of the crisis, its causes and possible remedies. In addition, political parties pursue those economic policies that are supported by most voters or undecided voters (or who can change their political choice). The mandate of the government and the time until the next elections may affect the reform process. If approaching elections, the government will limit the application of those measures which bring high costs on short-term and adopt reform policies that are accompanied by higher short-term benefits.

5. Conclusions

The crisis has demonstrated that the market is not efficient in controlling unethical practices driven by greed, mechanisms misunderstanding or by herd behavior. The society changed its vision of business legitimacy, calling for structural changes in the system, including an increase of government influence in business.

Structural policies are the best way for long-term recovery from the economic crisis aftermath. They should include a review of social protection systems with an emphasis on preventing unemployment and promoting employees later exit from the labor market. Here we must remember the policies that aim to support economic growth and competitiveness - which would result in a greater resistance to the crisis.

Regarding another category – stimulating macroeconomic policies of the fiscal field and monetary field - the objectives of stability in the medium term must not be undermined due to the danger of inflation. The expected trend – demand lowering - with its negative side effects on investment and employment - must be reversed through a significant budgetary stimulus package and tax. Theoretical and empirical research indicates that growth can be supported when public expenditure is oriented towards investment. The impact on growth is largely driven by public investment in human capital (through education and health spending), technical progress (research and development spending) and public infrastructure. Some researchers have concluded that lowering the tax burden on labor by shifting it to a wider tax base, such as VAT, could foster employment and economic growth. From the simulation models based on euro area it is estimated that on the long-term the tax shift of 1% of GDP from labor tax to the consumption tax will increase real GDP by about 0.2% and employment by about 0.25%. The effects depend largely on institutional and structural factors such as the indexation of transfer payments and the response of wages.

The whole world affected by the current crisis will tend towards overall progress of society capable of ensuring human emancipation. A new order will be established worldwide: the orientation of the entire economic life and economics science towards the human and his needs.

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Modern Management and Its Importance in Achieving Success in Business. Concrete Examples

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Abstract

Big business successes are the result of strong entrepreneurial personalities.

In the context of competitive economy, tough selection, ruthless but unequivocally, they have managed to rise above a truly remarkable tables competitors. Without exception, these businesses and their promoters have merit not only to be glimpsed an opportunity - favorable opportunities, but that sampling of unusual managerial qualities in its capitalization.

The present paper highlights some examples of successes faithfully recognized worldwide business

Key words: business, economic progress, globalization, specific markets, market competitors

J.E.L. classification: M20, M21, M13

1. Introduction

Only a few decades ago, the idea of electronic computer was nothing more than a glimmer in the minds of mathematicians, after auditioning, but considered eccentric. Today in the 3rd millennium antechamber, human civilization beneficiary of exceptional progress, revolutionary in economic and social life, looking obviously entitled, new and fascinating horizons. A whole industry of computer generated Titans not only producers, but also a spectacular competition, both on land commercial, and that of inventiveness as the main means of commercial success (Anghel, LD, Petrescu, EC 2009).

Each individual has or wants to have an occupation of his 'business' of its own, ie an enterprise own to bring some benefits in this sense, we can say that any individual is a "businessman" actual or potential ie an entrepreneur or potential, and as such he has to solve specific problems "business world", in this case the question is: What should seal "businessman" before its problems? in other words, how to proceed "businessman" in front of his problems?

Each of these methods and techniques can be described unambiguously. The methods and techniques which I have mentioned, are valid not only for trade and commerce, but also for any type of organization where activities can and must be improved effectiveness; so not only for organizations that have "benefit" the main objective. Organizations that "benefit" as the main target, such as hospitals, canteens, social security, etc., use the "usefulness" as the criterion for determining effectiveness.

2. Concrete examples of successful business identified worldwide

Only a few decades ago, the idea of electronic computer was nothing more than a glimmer in the minds of mathematicians, after auditioning, but considered eccentric.

Today in the 3rd millennium antechamber, human civilization beneficiary of exceptional progress, revolutionary in economic and social life, looking obviously entitled, new and fascinating horizons.

A whole industry of computer generated Titans not only producers, but also a spectacular competition, both on land commercial, and that of inventiveness as the main means of commercial

success. This industry computers, with the highest growth rate compared to other economic sectors, has led IBM - International Business Machine, nicknamed Big Blue (big blue) in close competition, among others, with Apple Computer and prolific Japanese producers (Stewart, R. 2013).

Competition tough and extremely powerful in this industry are at the highest levels in the design and realization of graphic means for office. The contemporary period with the term denotes a wide range of computer products, each with a certain perspective for the future. The software component (computer programs) recorded a much higher growth rate than the computer industry in general and in particular hardware. Currently, funds and other resources increasingly higher are allocated to software, more than in any other industry.

Increasingly numerous and powerful companies and concerted computers, office machines and telecommunications equipment in one single cohesive unit.

One large and prosperous economic structures, AT & T has blended into a harmonious system regular and cellular phones, fax machines, word processors, equipment verbal mail and many other means indispensable business today. And procedures, as well as offices, are deeply transformed by portable means allowing performers to lead the conference call in the comfortable coaches Amtrak (railway company American) or TGV (high speed train), jurists and lawyers to submit documents at the office aircrafts or officials to send correspondence in limousines. The country considered to be most successful in history, in which they were born almost all entrepreneurial successes peak, it seems that the most successful returns automotive industry (Stewart, R. 2013).

America, through his acquaintances automobile manufacturers, has created not only a new civilization of continuous movement, dynamism overflowing, but has also changed, with a new way of life, the earth. In recent years, these producers have evolved, and the surprising failing to respond to major challenges from outside and as a result, sales continued to rise, although they have not completely out of the impasse.

The eight leading automotive manufacturers in the United States, only three are Americans and hold more than two-thirds of sales in the domestic market. Each, in relatively recent period, tried to take a distinctive niche in the car market tumultuous, characterized by constant threats through multiple technological innovations and by changes in prices (Stewart, R. 2013). Chrysler tries to compensate traditional status of "the Third" by maintaining market leadership and interchangeable coupe, as well as large-scale sale of trucks. General Motors, whose sales have been some stagnation in recent years, taking the lead in technological innovation, with new performance models, while Ford is focusing its full potential resources on the design of new models, technological engineering innovation and identifying with style Higher life (Stewart, R. 2013). US car sales activities together prominent figures even higher famous Lee Iacocca, debuted as the seller. Chrysler Corporation, in the last years of the decade of the eighth and early ninth, was facing bankruptcy due to the decline in sales, failure to meet increased costs and production capacity. In this situation, Lee Iacocca take over a company who stumble, get a loan guaranteed by the US Congress and change in a few years and force Chrysler's image. The company has therefore fulfill the role of convincing, firstly, its staff, managers and workers that can compete with US companies and foreign government, which approved guaranteeing a loan on his creditworthiness and, not least, the public that provides the right product at the right time and price.

With the development of nylon in 1938, the firm founded by Eleuthere Irene Du Pont de Nemours announces new era of synthetic fibers and materials science have changed and continue to change the way of life in a profound way. New materials and enormous successes efforts rewarded by intense periods of time on applied research aimed at solving or preventing problems from quantitative limits of natural resources.

The largest organization in the chemical industry American Du Pont, is also the company that ranges over time in the world ranking of companies about the size of funds allocated for research and development: Du Pont remains the pioneer in researching - sustainable development in a number of diverse and important areas such as agriculture and industry chemicals, biomedical products, coal, fiber, consumer products, polymers, petroleum (exploration, extraction, refining, marketing, transportation). To secure continued success in the competition increasingly closer to the contemporary period, Du Pont decided to approach, to harmonize and interconnect activities and research and development personnel and marketing. In this way, Du Pont, contemporary period

to customers seeking products increasingly sophisticated, aware of the request cycle time reduction, R & D and production.

If all chemical companies are faced with this problem, Du Pont trying to create materials and products that meet customer needs and requirements rather than seek to attract customers in making the best. Hoechst Celanese Corporation, American Hoechst merger structure and Celanese Corporation, the leading manufacturer of fibers, films and many other chemical and synthetic materials, due to the business success of research and development with a strong practical.

Through these activities, the corporation managed to obtain artificial fibers that look like natural ones, but are more resistant to fire and grease stains or superior to natural fibers enormous enforcement throughout the industry.

Corporate philosophy called "High Chim" consists of synergistic blend of chemistry and other sciences with the objective of improving quality of life, preserving the environment, shaping the future of the human species, to obtain a huge profit. Hoechst Celanese Corporation so that makes a range of products such as optical fiber izoterică discs recorded with high storage capacity, basic organic substances, polyester filament, acetate, drugs and liquid crystal polymers metal substitutes. Monsanto, the main producer of industrial chemicals, agriculture and consumer goods, has the research and development strategy emphasizing the role in getting new products and extending the use of current products in the 6 areas of business that is engaged (Stewart, R. 2013).

Dow Chemical Company, known for polycarbonate plastics used for compact discs and automobile components, is revisiting its strategy against the background of our technological environment tumultuous years in two areas belonging future: plastics and chemicals vanguard processed. Fillip of the company is to exploit both giant and its main market, the industry and the individual consumer with products becoming more sophisticated, high class, to maintain the leading position in the chemical high-tech. Computer industries, car or chemical role of creativity, inventiveness and technical and technological ingenuity is determinant in the design and manufacture of new products and materials (Stewart, R. 2013).

The computer, as the car, is a product of great structural-compositional complexity, in terms of the quantitative and, in particular, of the qualitative, due to technical and technological inventiveness. A new material, or new chemical nonexistent in nature, which is actually the biggest and at the same time, complete chemical laboratory, can only be the result of an altogether extraordinary inventiveness.

The categories of products such as computers, cars or materials or chemicals genialii entrepreneurs have established and set in motion strong economic structures crowning is ultimately successful.

However, other ingenious entrepreneurs have established and set in motion strong economic structures for making products simple, trivial, or a known low degree of novelty, rejoicing, finally, also deserved success. Coca-Cola is the company that dominates the world ranking of the best known trade mark, the center of the highest yields and the most complex distribution system in the world for a simple product and quality, but became familiar everywhere, a refreshing drink, otherwise excellent. And Pepsi-Cola, the great rival who holds the top position in three markets in the United States (refreshments, snacks and fast food restaurants), and a total of 16,000 units, is the largest restaurant system in the world.

Soft drinks Pepsi-Cola, Mirinda and Seven Up is the most sold product in supermarkets and Pepsi is the most sought after brand of the brands present in all walks of supermarkets (Enea C., Tănăsioiu G., 2008).

Mc Donald's, a colossus managerial created and animated the entrepreneur genius Ray Kroc, conquered not only America, but the entire humanity with a hamburger in fact nothing more than a patty produced banal but delicious that we prepare in different variants, all the housewives in the world.

Frank Hickingbotham not issued or disposed of an original idea in October 1981 to open a shop frozen yogurt in his hometown of Little Rock in Arkansas, stands yogurt is popular in America several years earlier, in reply to a lower demand for "easier" than ice cream.

But, like Ray Kroc, who invented any burger or fast food restaurant, the genius of Hickingbotham is not to generate a new concept of food, but the conversion, plan management and marketing of good ideas in a highly profitable business. The structure created TCBY Enterprises

Inc. becomes the first to apply the system of entrusting the franchise (in English franchising - pa) and sales techniques used by Mc Donald's, because, as he says himself Hickingbotham just was time for a national network frozen yogurt.

Anthony Rossi, true fundamental management principle that the control is the most important attribute of the business manager, Tropicana Juice founded the company that extracts of citrus juice by cutting-edge technologies developed by the founder himself.

For Joseph Seagram & Sons Inc. company, the main product are spirits, namely high-quality whiskey, although shortly expands into the fields refrigerators wine and soft drinks by buying Tropicana lines leading them in juice fruit. In the United States, the liquor industry, like cigarettes industry, is permanently in a certain defensive spirits being less required as a result of strong currents in the media extensively implemented for health and fitness.

Seagram has adopted a policy suited to the situation, the idea of a moderate consumption of alcohol, but also to promote wines and spirits as ancillary to a good life as evidence of tastes chosen, focusing on the concepts of quality and tradition in consumption its products.

Philip Morris, known cigarette brands, is much more than the manufacturer peak of America, holding companies General Foods, Kraft, Miller Brewing and Oscar Mayer and featuring the same time, financial services and real estate by Philip Morris Credit Corporation and Mission Viego Realty Group (Stewart, R. 2013). If, for reasons well known to the US market for cigarettes falls steadily from year to year, instead of tobacco revenue and profit increase due to a combination of cost reduction policies, pricing and sharp increase in export sales. With a single product and a few other recurring mostly in terms of the end user and technology achievement, is well established in the global market The Goodyear Tire & Rubber Company (Stewart, R. 2013).

Goodyear has as main activity a range of activities integrated the design, development, manufacture, distribution and sale of automotive rubber tires entire face of the earth. The world's largest manufacturer of tires, Goodyear manufactures and sells also a wide range of products for the transport industry as well as for various industrial and individual consumer markets. In this range includes various grades of rubber, plastic and chemical products made in dozens of units throughout the US and in dozens in the wider world. Complementary, Goodyear provides an important variety of other products and services, is committed by its auxiliary structures in various transports crude oil and commercial activities. And after Goodyear felt that its products are too limited use in strong dependence on the automobile industry and the markets show a growing demand, including the typology of requests, promoted a double strategy to improve the production and diversification profile of activity. Specifically, the high technological level of the manufacturing process and has invested heavily in research and development in order to achieve high quality products at low cost, to compete effectively in the market.

Several related products intended for such use and therefore beaches final consumers with huge success, Procter & Gamble is distinguished as a leader not only in the hygiene industry, but also the whole business firms in America and the world. Giant Procter & Gamble, manufacturer of diapers, toothpaste, soaps and detergents, is detached from the rest of the enormous scale of the activities of competitors and sustained effort in terms of advertising.

In a struggle to promote products made, Procter & Gamble allocated huge funds in an ingenious publicity made mainly television spots about known types of soap, toothpaste, detergents and diapers. Because demand for soap and detergents generally does not exceed the rate of population growth, Procter & Gamble has put an emphasis on a marketing strategy and sales offensive as ingredients of success (Enea C., Tănăsioiu G., 2008).

Thus obtained, besides a remarkable increase in the demand and sales liquid detergents, new and more effective products with such new delivery systems such as detergents in soluble packets, which played a crucial role in increasing demand and sales.

Founded in 1837 in Cincinnati, Ohio, a firm of candles and soap, it has become as a colossus of business with at least one product for 95 of the 100 residents of the United States and a degree of market penetration simply peerless. Today, Procter & Gamble products are sold in over 125 countries worldwide and the company is considered a leader in American advertising, the main supporter of basic research and product development. Also, Procter & Gamble is considered the founder of modern management system product, from research, continuing with the manufacture, promotion and publicity and then ending with the delivery and display. List of products offered by

Procter & Gamble, many of them appreciated the Romanian market include soaps Zest and Ivory, laundry detergent Tide, shampoo Head & Shoulders, dishwashing detergent Cascade, said Crisco, mixtures of cake Duncan Hines, coffee Folger's toothpastes Crest and Blend.

The grandiose goals which it proposes, Procter & Gamble has a personnel policy that promotes and appreciates risk taking, innovation, integrity and creativity. In manual recruitment, Procter & Gamble provides that needs employees with strong motivation, eminent reputation, new initiatives overflowing, outstanding written and oral communication skills, highly intelligent and creative acumen acute.

Another company in the field of hygiene, well-known company Gillette, founded in 1901, designs, manufactures and distributes a wide range of products, most notably apparatus and razors, cosmetics and toiletries, writing instruments and office electric shaving machine and other appliances. Gillette attributed great successes in selling his famous shaving products, the constant technological innovation and effective marketing concept and especially for promotion. Writing Instruments as office conducted by Gillette recorded a leadership position in the global market, with the main highlights for brands Waterman, Paper Mate Flair, Braun is also a manufacturer of electric shavers and small appliances, However, Germany, with a line of sanitary napkins and other oral hygiene particularly strong, so the European market and the US.

Box took pictures created by George Eastman in 1888 remains an exceptional invention, an amount equivalent to the transparent film of Kodak made the following year. Over just 11 years will begin 20th century, substantial beneficiary of this invention, and today is unimaginable, if not impossible, contemporary civilization would look like without their application.

Today, Kodak has simply blossomed into a giant international structure by exploiting intelligent image processing technology devised by Eastman. Kodak Copier to film emulsions and lithium batteries, most operations of the company keeps at least one photo with business thriving. Kodak became the leader of excellent relations with employees since the time of Eastman when he stunned the business world by paying annual dividend absolutely all employees. This "legacy" led the company to a sound personnel policy, promotion from within and a generous benefits package for employees who prove fidelity and attachment (Enea C., Tănăsioiu G., 2008).

Another company with relatively akin profile, Xerox Corporation is a multinational colossus systems multiplier office documents, so familiar that its trade mark name entered in everyday language verb meaning "photocopy". Xerox Corporation secured by an exemplary staff training activities conceived design, production, sales and maintenance service for the entire range of machines and systems for document processing.

A large and diversified manufacturing company active in the United States and nearly 50 countries is 3M, organized into four sectors based on the principles of technology and market (Enea C., Tănăsioiu G., 2008).

Electronics sector and manufactures a wide variety of products, from pressure sensitive adhesive tapes, abrasives and specialty chemicals to electronic connectors. Supported by innovative technology, an efficient manufacturing and a powerful servers to customers, all in the service of a substantial increase, 3M cover a range of industrial markets worldwide, such as aerospace, packaging, paper, construction and assembly and so on

The second sector, information technologies and image focuses on audiovisual media and graphics for trade, magnetic means and imaging systems and provides design and production of films and sheets lithograph, radiographic film, projection systems overhead systems digital processing and others.

The next sector, life sciences, performed a series of products such as: pressure sensitive adhesives, nonwovens, glasses, biomaterials and medical and dental more. And the fourth sector of 3M, consumer products, manufactures and distributes whole earth for business firms or individual consumers transparent adhesive Scotch Magic Tape extremely known and packages of paper-flyers for various records "Post- it ". Fulcrum of growth 3M is the emphasis given priority through new product development and new technologies, such microform and continuous improvement of known technologies, with examples the nonwoven material. Another view is presented by Alfred Roach, business founder TII Industry Inc., for the production of overvoltage protection devices, which states that there are many other ideas to follow. Many his age would have given up work to enjoy the flavor successes, but Al Roach, though her hair completely white, firmly rejects the idea

of retreat, invoking one by Pablo Picasso, who asked in later years why May paints and not give "something soft" because it already has a fabulous opera, he responded with an Olympian calm that there are so many white sails to be painted. Night after night, David Mintz trying all manner of vessels and high speed mixers to find a solution for the frozen dessert recipe without milk obtained from a fermented solution, mingled with soybean (tofu). Tofutti frozen dessert is new, great tasting, no cholesterol, no butter and only a third of the calories of an equivalent amount of ice cream.

Completely faithful to his own motto "believe, to conceive and rendered" ridiculed by relatives, friends and acquaintances that have a fixed idea, Roy Carver has blindly followed the conviction was seen suddenly one day a great personality, a pioneer brilliant. As further confirmation, Lindon B. Johnson, the US president, the company will give Roy Carver "Presidential Award of Excellence" E " for exports. But ignoring both heat and colleagues continue to eulogize magnificent Kriebel commercial potential of his latest invention: an anaerobic adhesive, net of different adhesives on the market, able to cure in the absence of air.

Marion Isbell, founder of the branch network of hotels and restaurants Ramada Inns, notes, since childhood, he can not read and memorize as well as school colleagues. Age 16 moved to Chicago, imagines making and high expectations will prove unfounded that, there had to be smarter than his new colleagues. This establishes as the guiding motto of life, followed with total fidelity to try to be always ahead of his side in terms of work (Enea C., Tănăsioiu G., 2008).

3. Concluzions:

And success in business generally and successful in business, not only implies satisfaction through products and services, certain requirements of the market, yet provide learners glory and material advantages and financial both the creator and those around him, and by members of the organization and society, certain fundamentals of economic and social progress.

The business world is currently experiencing an unprecedented level of competition. A growing number of new companies have to face market penetration - usually saturated and stagnant market - competing undertakings, indigenous and foreign. Many fail to respond to this confrontation, the lack of systematic strategies, especially (Covey, RS 2007).

Despite market segmentation and adaptation to customer needs, we face an ever growing number of enterprises that tries to satisfy the same needs. In general, the products offered are of the same quality. In other words, too many businesses offer similar products. Today, to be successful, a company must be concerned with getting more than its competitors, who, as customers, should be identified and analyzed.

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Business Structures Considered "Success" in Business Contemporary

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Abstract

The origin is lost in the mists of time business. They had a sinuous evolution, with periods of glory and decay. Because such a development is the way they were perceived over time. In the contemporary period, businesses have taken on an unprecedented scale. Progress in technology and communications reduce distances and time.

The consequence of globalization of markets, while maintaining local specificity. Even small companies involved in international business. Internationalization is not just a privilege of large corporations. In this paper, we present some important milestones of entrepreneurial structures that stood out in the world so "strong" business.

Key words: entrepreneurs, business, economic progress, globalization, specific markets

J.E.L. classification: M20, M21, M13

1. Introduction

Content business concept is defined by experts in the field through specialized works and dictionaries widely recognized even by countries with great tradition in research.

Regrettably dictionaries appeared in our country give a completely false notion of business sense. Thus, defining business as "financial transaction, commercial or industrial usually based on speculation or speculation" (Dictionary of the Romanian Language - Academy Press, 1975) or "commercial transaction or financial which often involve speculate" (Dictionary of General of the Romanian language - Scientific and Encyclopedic Publishing House, 1987).

Also, bibliography with some national repute have created a poor image on the content of the activities involved in the business, totally negative image accentuated the significance of which, especially in the early 90s, more people meant by the term "entrepreneur." a brief review of dictionaries and specialized works published in the West creates a completely different sense of the notion of "business". For example, dictionaries "Le Maxidico" define the business as a "commercial or financial transaction" or "a set of commercial, industrial, financial" and dictionaries "Larousse" defines business as "...everything is subject to one's occupation and the interest (entrepreneur): commercial, industrial, financial literacy" (Petit Larousse – Librairie Larousse, 1988) or in addition to previous meaning as "...one thing financial consequences" (Larousse Illustre - Librairie Larousse, 1934, p.18). In the UK, one of the most reputable dictionaries (Concise Oxford Dictionary - Oxford University Press, 1985) defines business as "... thing to do to earn money", U.S. (Godin, C. Coney - Business Rules of Thumb, Warner Books, 1987, p. 3) business is assessed as "... a financial transaction with finality" so a sense very close to the dictionaries "Larousse". Henry Fraise, a renowned specialist in the field of business defined as: "... consisting in studying operations, contracting and implementation for a body - client of a specific product does not exist, so far, to some form or context" (<http://www.henrifraise.com/>). It can be concluded that the business is an entrepreneur any initiative embodied in a contractual relationship and having financial and economic stated purpose, for a specific purpose.

What is very important in the context of the market economy is that, after the completion of a business, there must be a "winner" and "loser", both sides must be beneficiaries of mutually beneficial terms. According to the literature, the stages in running a business can be summarized as follows (M. Popescu Nistor, 2003):

- Prospecting, or "detection" of a business, client and needs that he has;
- The study, consisting of "consultation" client to prepare its offer capable of responding to requests;
- Negotiating and "adjusting" the wishes and interests of involved parties in order to reach an agreement ("Promise") acceptable to them;
- Realization, which means that, following the order made by the customer, supplier of goods and/or services to employ and use all available means to achieve the results set out in the contract.
- Purpose (result) and its subsequent reception and the times when it resolves any deficiencies and / or both sides are preparing for new business contracts.

2. Successful business opportunities

Many sources of business ideas arise at the micro level. Previous activity has potential entrepreneurs and other issues microenvironment are viable sources for business ideas. Here are some of them (B. Bacanu, 1999):

a. The experience of previous employment. Most business ideas come from experience previously acquired businesses. Research shows that high technology, 85% of new firms are similar products of the companies they worked entrepreneurs. Previous experience is considered a true "blocstarter" it represents the starting point for the business entrepreneur. Previous experience is the most common source of ideas for new business because the entrepreneur was formed in that area, became competent enough to compete with other firms. Competition made him more aware of the shortcomings of its product or service. He already knows suppliers, customers and business mode. Previous experience may constitute not only an environment that encourages the establishment of a business, but do it possible through funding new companies, in other instances, the company above is not interested in new product entrepreneur or does not know its intentions, which remains work until the new business can be launched.

An extreme situation is one in which, through redundancy, entrepreneur uses past experience to go into business on their own (M. Cowling, 2008).

b. Hobbies and vocations. Turning a passion into a business is an alternative worthy of consideration in this case certainly passionate entrepreneur will do something that he knows very well. It also considers, however, that business does not always successful. They are limited to products that can be easily financed and carried out by a single person. Most of these products are made painstakingly, for the purpose of inventor staff, who thinks later that others will have the same preferences as he could start such a business (T.M, Ciumara 2010). This self-centered thinking but can lead to failure. It is therefore appropriate that entrepreneur to study the market first. Once identified the opportunity, it is imperative that it be properly assessed.

The need to evaluate it requires at least two reasons. First, objective evaluation reduces the likelihood of entry into the business decision to rely on intuition. Of course, successful entrepreneurs often have an intuition to assessing future opportunities, but this feature is not characteristic of all entrepreneurs. Sometimes entrepreneurs can have a creationist view of the potential product (service) offered, which narrows their horizon. Thus, they can see only objective, and not obstacles to its realization. Second, investors are usually very rigorous when investing in the business and will not consider businesses that have prepared the necessary documentation to assess the likelihood of success of the business. Among hundreds of businesses, investors choose to invest a few. With extensive experience in business valuation, they have a "feel" extremely successful business. Through evaluation, the entrepreneur must confirm the positive expectations of investors and refute any doubts you might have them (M. Bourne, Franco-Santos M., et., 2008).

Because business opportunities to become viable, they must meet certain criteria. They can be sometimes very personal, such as strict placement in a predetermined geographic area or a specific product realization. The reality is usually not so simple and should take into account certain general evaluation criteria. Among the most important are: the life of opportunity, market size, protection from competitors, the investment required, the degree of risk. Every opportunity has a lifetime of specific, which depends on the nature of that business. By this criterion evaluates the time the business is profitable (C, Enea, G Tănăsioiu, 2008). The amount of time that an investment has a maximum potential for success is called "window of opportunity". This window opens and closes

depending on market conditions and the business itself. The life cycle of products and services includes four stages: introduction, growth, maturity and decline. In the introductory phase, the window is wide open, since the competition is lacking or is very slow. As you cycle through the products and services of existence, competition increases, changing customer requirements and profit declines, so the window of opportunity is no longer so wide open (B DeWitt.,R Meyer, 1998). Optimally, it must pass through the window, as long as it is still open. And it is quite difficult to determine when this window will close. Careful analysis of the duration of the opportunity and profit in its various phases estimate may provide a potential opportunity. An essential criterion in evaluating opportunities is the market size. This is important for two reasons. First, the product market must be large enough to be attractive. Second, market size may influence the level of investment required for its operation. It is usually preferred a market as possible. However, it is sometimes preferable to a smaller market, since large markets attract competitors, and the investments required can be quite large. By focusing on a specialized niche market, a new firm can eliminate the costs occasioned by extensive distribution of products and sales organization. Niche markets can be served excellent new firms with limited resources. A special role is played by the distribution-intensive products on the market. A product will be successful if he has a high volume of sales conducted by a circle of loyal consumers.

For a business idea become a viable opportunity, it must be protected from competition. The safest way is to protect ideas through patents, trademarks or trade. Often, however, it is very difficult to provide protection against competitors in the lifetime of the product. Electronic products, for example, have great difficulty in recovering research and development expenses due to the rapidity with which appear on the market products of competitors. Often, only a few months after the launch of a product, competitors introduce similar products on the market. An opportunity is viable if direct investment required is not too high. In most cases, an opportunity not bring substantial rewards entrepreneur expensive initially. Funding successive reduce participation to a level not achieved rewards effort and risk. An opportunity costly, though desirable, can become so prohibitive that the entrepreneur does not have enough capital. In this way, many valuable business ideas will not become successful business as an entrepreneur does not have the necessary capital even partially. Most investors still want to be involved as entrepreneurs and financially enough, that they simply can not afford. Although any business involves some risk, it should not be too high. The risk of a business depends Je required capital level, while, the novelty of the product range of manufacturing, product use alternatives, the degree of imitation thereof. If the entrepreneur has one business, the extent of the risk will be reduced. On the other hand, financing several projects that operators will assume a moderate risk (Scarlat C., 2001).

A business will be more successful, the more original. Originality can vary greatly, from a simple adaptation to an entirely new idea. An original deal differs from other less original the degree of innovation required in the initial phase. This distinction is based on the need to introduce a new technological process to achieve product or service and serving the needs of new market segments. Originality is determined by the time the idea remains unique. This can be achieved most often through product differentiation. Price is not an issue when the product provides benefits superior to those of competing products, obtained by differentiation. An opportunity must provide an acceptable return to justify entrepreneurial risk taking. Of course, the term "acceptable" is a concept relative and depends on the amount of capital invested, the time required for recovery investment level of risk and alternatives (Freedman R, 2001). The opportunities that require a substantial capital, a longer payback and risk High not be considered, although it could bring significant revenues while.

Also, a win is acceptable only if it takes into account the opportunity cost, which varies from person to person. What may be considered attractive and viable for one person may be totally unrealistic to another, due to the availability of other more attractive alternatives.

3. Conclusion

Step transformation of an idea into an opportunity can be the crucial element in understanding the development of future business. Therefore, the entrepreneur must avoid the following mistakes can be made during the evaluation opportunities: subjectivity, shallow market research, technical

requirements appropriate misunderstanding or worse, financial estimates optimistic or ignoring legal aspects (B. Herzberg, A. Wright, 2011). The process of evaluating a business opportunity comprises two phases: assessment of informal and formal assessment. Informal evaluation aims a general idea on the business idea, to see if it is worth to be given further attention. Formal assessment requires a more detailed analysis of the business idea, which determin its potential for development and its chances of success. Informal assessment is a quick selection of business opportunities for determining the degree to which they deserve to be given further attention. It involves checking opportunities in the following ways (M., Popescu-Nistor 2003):

a. *Consent spontaneously*. If the business opportunity is presented to 10 friends and they are excited about it then they deserve to be given further attention. In this respect, it will always ask 20 other strangers. If and they are thrilled, to be questioned further if decidedly buy the product if they buy any product or not one would buy. If people will buy respondents say should be asked and how much would be willing to pay for this product (C, Enea, G Tănăsioiu, 2008).

Of course, the services cost issue is so delicate. However, in this case to consider the cost of labor, cost of equipment, cost of materials and advertising expenses.

b. *Test similarity*. This test should be conducted especially for products aimed at a younger market segment. When the market is relatively small, it can not assimilate two similar products. But if the market is larger, you might like this product similarly be accepted. On the other hand, even if the product claims to be new and completely different from those offered in the market, have carefully researched the market size of existing products in the market.

c. *Test advisor banker*. An effective way is assessing whether its assessment by the bankers. And the idea should be presented not as a reason to ask for a loan, but rather as part of market research. Bankers often have more experience and a keen sense of what is required in the market. They will openly discuss the idea with entrepreneurial potential without being constrained by the imminent decision making. If the banker does not encourage business idea, it should be reviewed. And at least, the entrepreneur will not go away with badge "Rejected", applied to the business plan.

d. *Pre-testing the prototype*. Development of a prototype can be very expensive, but in any case it will not be as expensive as failure, if the product will be made in large quantities and will not be required by the market. Therefore, it is advisable to develop a prototype that would be sold, if possible, through appropriate local retail store, at a price which it is hoped will be sold when it will start mass production. This price will be much lower than the cost prototype to determine if you really want customers to spend money on a product sold at a price that makes sense (C, Enea, G Tănăsioiu, 2008).

If after informal evaluation concluded that the business opportunity is viable, it is necessary to carry out a formal assessment or feasibility analysis called feasibility study.

The feasibility study differs from the business plan, which is more detailed and therefore requires more time for its preparation. whereas for developing a business plan takes approximately 200-300 hours of work and few such plans are funded, it is possible that entrepreneur to waste time and money unnecessarily. Therefore, it is recommended first development of a feasibility study, which can be completed in about 40 hours, and only if its outcome is favorable to draw up the business plan (C, Enea, G Tănăsioiu, 2008).

A feasibility study must start with a clear indication of business envisaged product / service that will sell to major customers, the possible uses of the product and why customers will buy your product / service. For the study to be convincing, it is necessary to submit views and three to five consumers for this purpose should be discussed with potential consumers of the product / service, market, about the offer. Listening carefully considerations both positive and negative comments is a necessity entrepreneurs must discard the idea of listening only positive considerations.

Actually, even if the evaluation process was concluded that it can start business, it is necessary still a final review. Every business has its own specific risks and problems. They must be carefully considered from an early stage and if the last revision is considered that the risks are too high, the entrepreneur may not be involved in the business. Among the most significant risks and major problems are a very small market, which can not survive, although the product is unique; inability to produce at competitive prices, as competitors cut prices to eliminate the "intruder" unable to enter another product besides the existing one can record a downward trend in sales, lack of production control, if the product is only a component of a complex product made by another

company; impossibility of achieving a rapid increase in the first two years, which may reduce the effectiveness of the product. If such risks and problems are much higher compared to the rewards you will get is much wiser the entrepreneur to think about a new business idea.

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Brief Analysis on the Share of Romania Related to International Trade in Services During 2001 – 2010

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Abstract

This analysis is intended to present, in short, a painting, in a decade, on the share of services in Romania, during from the pre-accession of the country, to the European Union, in the immediate post-accession period. Integration into the European single market has imposed a strategic reorientation of Romania, with fundamental consequences, including, increasing of the share of services being one of them. One of the criteria for evaluating the effectiveness of any country is represented by the percentage of services from around economy and opportunities for growth with the development of multiple hoists on the real economy, but also and the evolution of Romanian society. In the results of my study, I show that after a decade with increases and decreases, due to the economic crisis, the share of Romania's services is on an upward path.

Key word: services, share, increase, decrease, costs

JEL Code M16

1 Introduction

The central aim of my study is to quickly understand, once again, that in Romania, in the tertiary sector should be hurried pace, for to obtain greater achievements, because there are possibilities and opportunities.

Studying literature, I concluded that it is a great truth, in the classical theories, which state that „the tertiary sector is characterized by the smallest responsiveness to technical progress and lowest rates of productivity. After the period between the 1970s and 1980s, this assertion began to no longer be true, for a number of increasingly large of service fields, where the technical progress has spread, especially, through informatics, electronics and the modern technology of telecommunications” (Ioncică, 2003, p. 24.) and all this require a rapid activation of Romanian services sector.

In fact, "it can be noted the entering of services functions in almost all sectors of the economy and their horizontal integration" (Olteanu, 2003, p. 176.), thereby, there is no doubt, that the topic is not relevant.

I believe that studied literature was a reliable source with which I realized this study .

2 Research methodology

The research methodology consists of systemic and comparative analyzing of the researched subject, depending on the purposes and objectives. This research is based on different databases, uses different methods in order to provide a theoretical and practical explanation.

In the paper were used mathematical and statistical methods, such as: classification, synthesis, comparative analysis of results, and graphical representation of events.

The research of economic phenomena can have scientific resonance, if we use mathematical and statistical tools, and it is always accompanied by a healthy analytical deductive logic.

I have wished that qualitative nature of the work to be given by the scientific observations. However, favorite character is the quantitative research. This is given by centralizing research articles written in the field followed by us.

Based on the results we made tables, on which we built graphics, commonly used as a quantitative research methods, their main advantage being that are easy to interpret and understand.

For the research we used combined techniques of documentation, from studying literature in the field, to analyzing the international articles written in the field.

3 Diachronic and synchronic analysis of the size of the services sector

Diachronic and synchronic analysis of the size of the services sector, highlights the strong trend of economic "tertiarization" of the developed countries, such as the correlation, between the level of development of services and level of development of the national economies. Thus, in developed countries, the share of services in employment, exceeds 60 and even 70%, there are still, some differences, even in these countries, due to the peculiarities of economic growth, differences in traditions and customs. (<http://documents.tips/documents/economia-serviciilor-teste.html>)

Corresponding to the process of deepening and specialization of the services, characterized by the appearance and other distinct areas, overall, have been developed a number of techniques methods and concepts, both goods and services.

Thus, in tourism, the concept of global product includes new elements: tourism resources (elements of (attractiveness) and general and specific infrastructure. The latter appears in the overall product of transports. In both areas, the decision-making system is more complex, requiring close cooperation and correlation, at the same time, elements of macroeconomics with microeconomics.

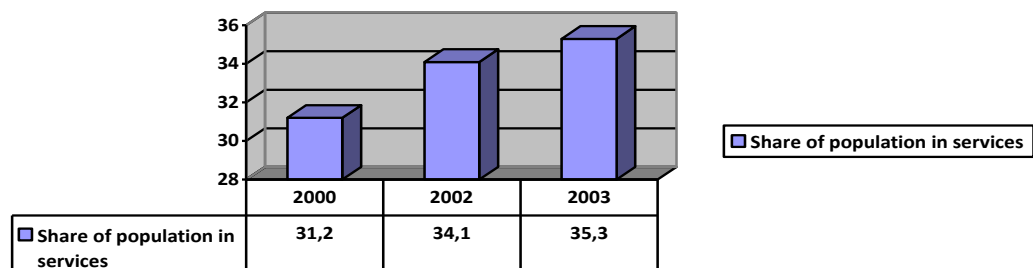
"In the education field, the pupil and the student, appear both as customer and as product subject to processing, product decision adoption (specific in content: specialization, plans and curricula, textbooks, teachers, duration of studies) is particularly complex, without taking in question, the processing time" (Olteanu, 2003, p. 29.).

Unlike the other services, "in the banking field, the product is separately customized, the firm coming at the meeting with the client, on one hand, with banking products and services, but also with a delivery system, described in conducted activities" (Ionescu and al, 2006, p. 78.) at the site of contact.

4 At the macroeconomic level

"At the present stage, in the medium developed countries, the share of the tertiary sector, in the employment of population, it is also at an average level, 50-60%, while in countries with low development, this indicator takes related lower values (at 30-40%). It is further, the case of Romania, with a share of the employment of population, in services, from only 31.2% in 2000, to 34.1% in 2002 and 35.3% in 2003". (Ghibuțiu, 2007, p. 12.).

Figure no. 1. Romania's share of population services



Source - Adapted by author

The employment rate of the working age population, 15-64 years, increased in the third quarter of 2006, by 1.2%, compared to April-June of the same year, at 60.9% and compared to the third

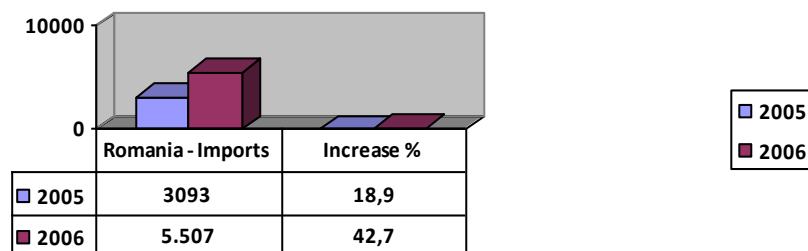
quarter of 2005, the advance was three percentage points" [www.bloombize.ro/article], according to the National Institute of Statistics.

Judging by the statistics of the Romanian National Bank, aiming the balance of payments, international trade in services of Romania has maintained a strong upward course, in 2006, registering a sustainable pace and pointing at the same time, some evolutions likely to confirm crystallization of the favorable structural changes.

5 Volume and dynamics of services trade of Romania

In turn, imports of services, significantly increased, totaling 5.507 million euros, corresponding to an increase by 23.8%, compared to 2005, when they recorded a record dynamic of 42.7%.

Figure no. 2. Romania – Import of services 2005 - 2007



Source - Adapted by author

In 2005-2007 period, "Romania's international trades in services, have tended to frontload, notably growth of trade in material goods. Thus, in 2004, for example, the dynamics of exports and imports of services was lower than the increase in flows corresponding material goods (especially for exports), in 2005 growth of exports and imports of services was more than two times higher, than the exports / imports of material goods.

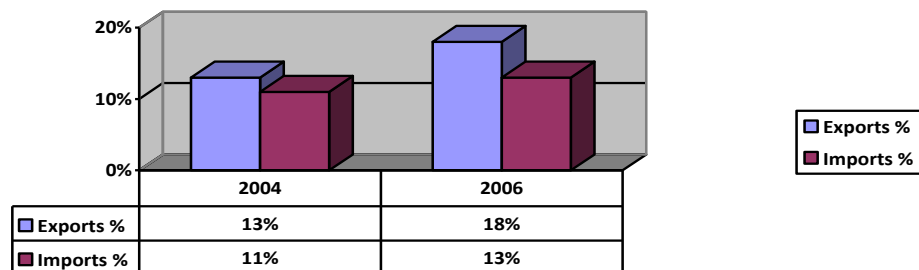
This trend has continued in 2006 and 2007, the growth pace of services exports, being more than two times higher than export of material goods; In contrast, growth in imports of services was noticeably slowed, compared to previous years, being close to that of imports of goods, but significantly lower than the growth of exports of services, which has contributed to equilibrium of the services balance" (www.bloombize.ro/article).

In the context of favorable development, since 2006, engaging of service activities, in total trade of our country, continued to increase.

Thus, relative to the overall market in goods and services, services accounted for almost 18% of exports and 13% for imports (compared with respective shares of 13% and 11% in 2004).

The participation of services in Romania's total trade flows but still remains below the world average and the EU (19% and 22% respectively).

Figure no. 3. Volume of trade in services

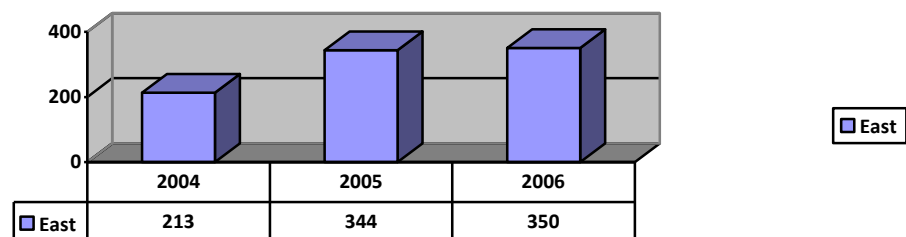


Source - Adapted by author

6 The role of the services in balance of payments of Romania

Unlike 2005, "the dynamic development of the country's international flows of services, was accompanied in 2006, by a significant improvement in the equilibrium of services balance, in the sense that it was a surplus of six million euros. If, in 2005, the deficit of the balance of services experienced an increase (to 344 million euros, from 213 million euros in 2004), the surplus in 2006 and early 2007, has made a positive contribution - albeit very modest – at the current accounts balance. This is a remarkable aspect, especially that the trade deficit in the sphere of material goods, reached a new record level in 2006, with serious implications for the current account" (www.bloombize.ro/article)

Figure no. 4. Improving balance of payments deficit in services



Source - Adapted by author

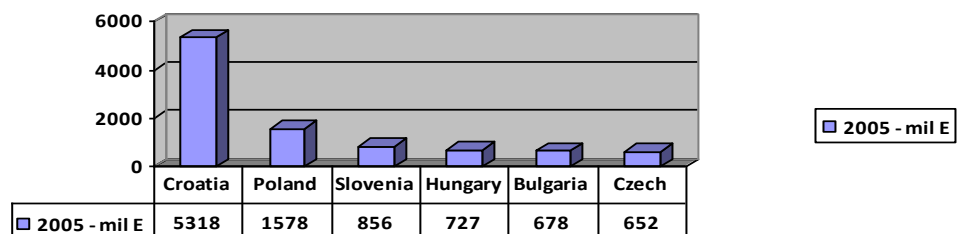
The positive balance, in 2006, has become even more remarkable, if we take into account that, since 1990, the services balance recorded, systematically and progressively, negative balances and was set implicitly in an aggravating factor of current account imbalance, with the substantial deficits trade balance. This trend was interrupted in the years 2002-2003, when the services balance recorded modest surpluses.

Taking into consideration the favorable development of the services balance, in 2006, in terms of a sustained expansion of international trade in services in Romania, but also structural changes more visible within these exchanges, we can appreciate that is looming the prospect of a reversal of the negative trends, manifested by the services balance, after 1990, trends that have not characterized and other new EU member states.

On the contrary, in these countries, the services balance was positive throughout the period, after 1990, some countries, even, recording sizeable surpluses.

Thus, for example, "in 2005, Croatia has a surplus of 5.318 million euro, Poland to 1.578 million euro, Slovenia 856 million, Hungary 729 million euros, Bulgaria 678 million euro and the Czech Republic 652 million" (BNR., 2007, passim).

Figure no. 5. Countries that have achieved balance surpluses in services - 2005



Source - Adapted by author

7 Romania's place in world trade in services

Although "within a decade and a half (1980-1995), the average annual growth of trade in services of Romania has surpassed, sensitive, dynamics of exports and imports of services in

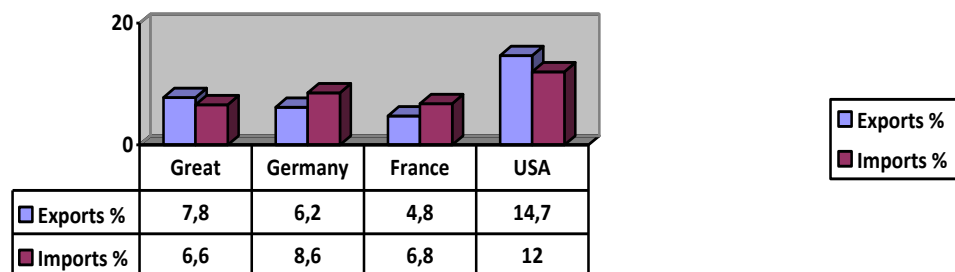
European and global plane - a trend that has increased in recent years, the capacity of the country to generate international flows of services, is still, relatively limited.

With a share of only 0.2%, in value volume of global exports / imports of services, in 2005, Romania continues to hold a marginal position in the international trade in services (as well as in global trade with goods, where it has a similar share). It should be noted, however, that Romania's share, in global trade in services, was increased, from 0.1%, to 0.2%, during 1990-2006" (Ghibuțiu, 2007, p. 14.).

By becoming a member state with full rights, of the EU, Romania has entered by default, in the club of the largest service providers and in the world. EU-25 as a whole, is the largest exporter and importer of services in the world, controlling 46% of exports and 44% of world imports, which in 2005, totaled 2,415 billion USD, respectively 2,345 billion USD.

But taken individually also, some of the old member states, have considerable weight, in global trade in services, such as Great Britain - 7.8% for exports and 6.6% of imports; Germany - 6.2% and 8.6%; France - 4.8% and 6.8%. These countries occupy the top places in the hierarchy of major globally exporters (importers), being surpassed only by USA, which have the leadership position, in the global market of services, with a share of 14.7% and 12%, in 2005.

Figure no. 6. EU in world trade in services



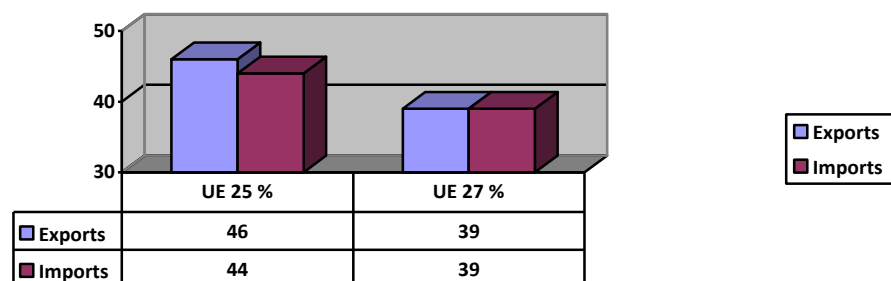
Source - Adapted by author

Subsequently, the share of EU-27, in world trade in services, is superior to that held in global trade with material goods (the latter being about 39% both, for exports and imports).

And while the balance of trade in goods sphere, is characterized by chronic deficits (in 2005, the deficit is estimated at 134 billion USD), the services balance recorded consistently, surpluses of USD 83 billion in 2005).

"The gap, between Romania and the old EU member states, is huge, of course, in terms of participation in international trade in services. But in terms of the size of these exchanges, our country was placed and due, to new EU member states" (Ghibuțiu, 2007, p. 14.).

Figure no. 7 The gap, between Romania and EU



Source - Adapted by author

Thus, Poland has exported more than three times more services in 2005 than Romania and exports of services in the same year, Hungary, Czech Republic and Croatia, was over two times higher than Romania.

8 Conclusions

As shown in statistics, located in the Country Report, Romania, in 2016, improving of the trade balance is due to a sharp drop in goods trade balance deficit and a surplus of the services balance increased.

Goods trade deficit, gradually declined from an average of 10% of GDP, in 2001-2008, to 6% in 2009-2014. This has reached a record level, even before of crisis and began to improve, again since. In the same period, the services balance grew to a quasi-balance, from a surplus of nearly 5% of GDP. Therefore, improving the services account is an important factor that contributed to the current account, rebalanced later, with reference to the period 2013 to 2015.

(http://ec.europa.eu/europe2020/pdf/csr2016/cr2016_romania_ro.pdf)

Regarding to the balance of goods and services, unit labor costs in the tradable sector increased in 2014, but at a slower pace than in non-tradable goods and services sector.

In 2009, the cost of tradable goods sector, fell below the cost of non-tradable goods and services sector, remaining thereafter largely stable. Following international pressure, unit labor costs in the tradable sector tend to be lower than those of non-tradable goods and services sector.

However, incurring of unit labor costs excessively high in non-tradable goods sector and services, could threaten the competitiveness of Romania.

Between 2009 and 2014 years, the productivity of the tradable goods sector, but and the sector non-tradable goods and services increased with 6%, while compensation per employee increased over the same period by 2% and by 3%.

After the stagnation recorded after crisis, labor productivity began to improve from 2012. Labour productivity has grown considerably in the period before the economic crisis (2005-2008), to halt then, between 2009 and 2012 because of the economic recession and low economic growth, including in services associated with reducing the number of employees nation wide.

Since 2012, labor productivity has improved in the context of robust economic growth, but the pace is slower than before the crisis.

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EU-China Trade Partnership: Strategic Importance of Central and Eastern European Members

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Abstract

Four decades have passed since the European Union and People's Republic of China have established bilateral trade relationships. The EU-China relations context has changed dramatically in recent years. China's interest in Europe is expanding to new areas, both geographically (Central and Eastern Europe and Southern Europe) and in terms of content (e.g. the increase of Chinese investment in Europe). This paper aims to analyze trade flows between China and the EU member states in Central and Eastern Europe in the framework of the EU-China trade partnership and how these countries can be considered a strategic partner in EU-China trade relations.

Key words: EU-China trade partnership, partner, CEE- China trade

J.E.L classification: F10; F14

1.Introduction

Both China and the EU are important centres of power in international trade, being „essential to ensure peace and to the world development and should work together to address challenges such as: climate change, terrorism, nuclear proliferation and piracy, setting an example of international cooperation" (Hailong, 2013 p.2).

The two powers have undergone dramatic changes over the last 25 years: with 507.89 million people, a single currency and the highest GDP in the world, the EU has become an important actor on the international stage and China with 1.357 billion citizens has undergone dramatic reforms and enjoyed a spectacular economic growth, resulting in the increased importance of this actor in the world. China and the EU "make up a third of global GDP, leaving a huge potential for cooperation" (Hailong, 2013, p.2).

In terms of trade, the EU and China enjoy one of the most representative trade relationships in the world: the EU is the largest trading partner of China, while China is the EU's second partner after the United States. If we consider the EU-China trade on partner countries, we can see that most of the trade flows are focused on mutual relations with Germany, UK, the Netherlands, France, Italy, Spain, Sweden in other words the EU-15. However, it is important to notice that another group of countries began to pay increased attention to their relationships with China, namely those in Central and Eastern Europe. For example, if Poland ranked 12th in the 2004 EU-China trade, in 2015 it ranked 8th, while the Czech Republic ranked 15th in 2004 and 10th place in 2015. In this context, in the following section we intend to analyze the CEE-China trade relations.

2. CEE -China relations - a retrospective view

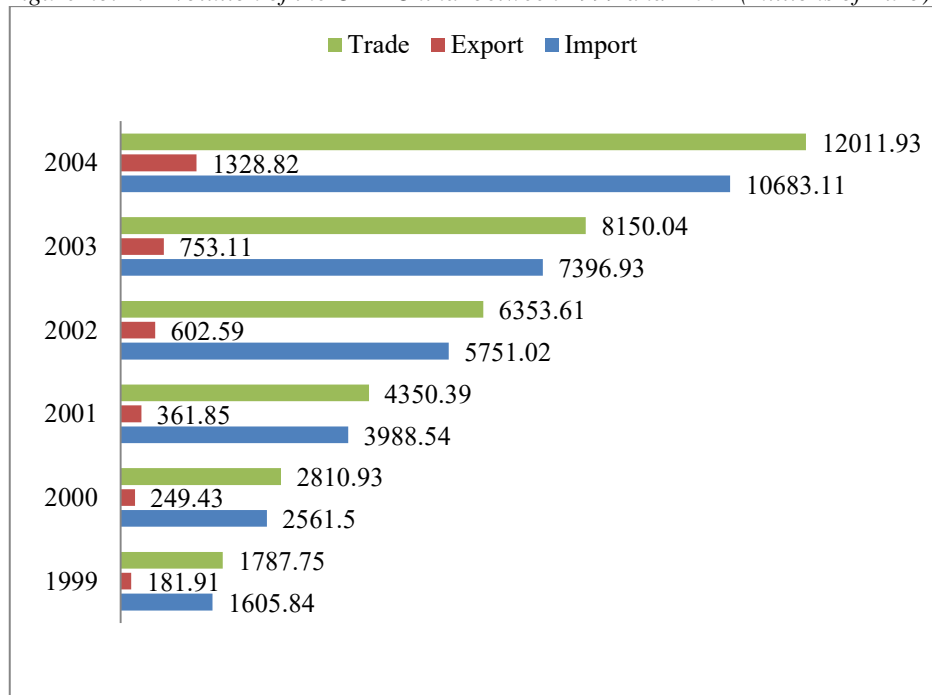
Relations between China and Central and Eastern European countries were established in the early days of the Cold War. Therefore, China has established diplomatic relations with most of the CEE countries in '49 (e.g. diplomatic relations with Romania were established on October 5, 1949, with Hungary on October 6, 1949 and with Bulgaria on October 4, 1949 etc.). Despite the fact that the relations between China and CEE countries were dependent on China's relationship with the Soviet Union, these countries have developed a multi-dimensional relationship in the political and economic field and the academia. Along with the rupture of relations between China and the Soviet Union in the '60s, relations between CEE and China have deteriorated. These relations had been resumed gradually following the tampering of political relations between China and the USSR, improving in the '80s. Nevertheless, the lack of common interests in the development of relations has led to their estrangement.

Since 1989, CEE countries have focused on developing ties with Western Europe, allowing them to subsequently join the EU and the North Atlantic Treaty Organisation (NATO). In addition, in the period 1999-2004, trade relationships between China and CEE countries were affected by issues relating to human rights, by the Taiwan issue, the Tibet issue. In the following period, 2004 to 2007, ten CEE countries joined the EU.

After EU accession, these countries have shown considerable interest in developing their relations with China. In this sense, we can see that People's Republic of China has special relations with some countries in Central and Eastern Europe such as Hungary, Bulgaria, Romania, Poland etc. "These countries have good relations with China, because they do not pursue sensitive issues such as human rights, Tibet or Taiwan, approaching them more pragmatically since 2008" (Simurina, 2014, p .8).

In terms of trade, we can see from the figure below that trade flows before 2000 were insignificant, practically nonexistent. Starting this year, the trade flows recorded an upward trend; in 2000-2004 the trade turnover increased by an average of over 45% in both directions. Comparing the value of the EU-China trade during the same period, we can see that it has grown on average by only 16%.

Figure no. 1. Evolution of the CEE-China between 1999 and 2004 (millions of Euro)



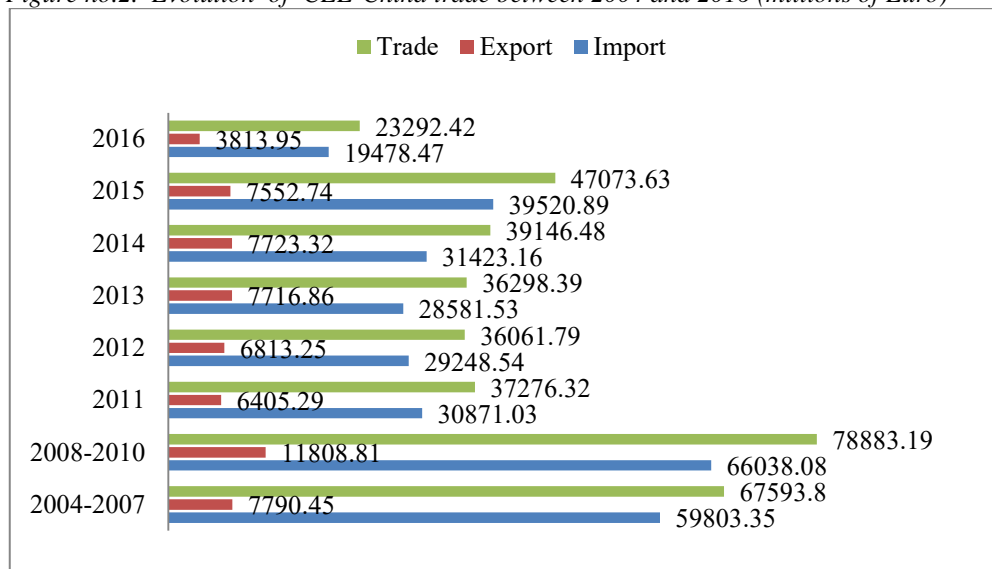
Source: made by authors based on data from Eurostat

Relations between China and the countries of Central and Eastern Europe (CEE) have developed rapidly in recent years due to "the opening of the new platform 16 + 1 in 2012, to the development of the 12 Measures strategy, to the establishment of annual meetings at high level and to specialized forums for a significant increase in investment and trade" (Turcsányi 2014, p.1). High level meetings that took place in Budapest (2011), Warsaw (2012) and Bucharest (2013) "opened new prospects for cooperation between China and the countries of Central and Eastern Europe" (Pencea et al, 2015, p.45).

Following EU accession, the economic and political system of the countries of Central and Eastern Europe has improved and the development gap between West and East was reduced and relations between the two have since improved. This relationship is now governed by the EU-China Strategic and Trade Partnership and develops in line with the interests of both China and the EU Member States, in this new framework.

Regarding trade flows between China and CEE, they continued their upward trend after the accession of CEE countries to the EU, reaching a peak in 2015 of 47.073.63 million Euro, of which CEE export was of 7.552,74 million Euro, and the imports of 39.520,89 million Euro. This ascending trend is due particularly to the increased imports. In 2015, CEE-China trade accounted for 9.04% of the total EU-China trade.

Figure no.2. Evolution of CEE-China trade between 2004 and 2016 (millions of Euro)



Source: made by authors based on data from Eurostat

Note: 2016 - first six months

One can see from the figure above a decrease in the trade flows between CEE and China, in 2012, with a value of 36.061,79 million Euro, of which CEE exports was of 6.813,25 million Euro and CEE import was of 29.248,54 million. "The reduction of bilateral trade as compared to 2011 came amid the uncertainty of the world economy in recession, of the sovereign debts of eurozone countries, of the sluggish recovery of US economy, of the reduction in value of imports, and in the context of slowdown of the growth pace of the Chinese economy" (Ministerul Afacerilor Externe). This trend was consistent with that recorded at the EU-28 level, between 2012 and 2013.

After analyzing the statistical data, it appears that the CEE region is a net importer, generating a high trade deficit, which is present in all CEE countries. This high and quasi-continuous trade deficit is a common feature of CEE-China and EU-China trade relations. In this context, we ask ourselves which is the strategic importance of CEE countries in EU-China trade relations.

3. CEE countries - strategic partners of China in trade relations with EU

EU enlargement in 2004 and 2007 brought a significant change both for the old EU member states as well as for China, which perceived the EU as a global actor of great strategic importance

which continues to play a key role in the global economy. In addition, EU enlargement has prompted China to show considerable interest in EU member countries, and not only, from Central and Eastern Europe. Moreover, China believes the EU countries from CEE are the *gateway* to all of Europe. Also, countries in this region are perceived by China as a "future partner due to their economic and political potential" (Jaroch, 2016). According to Hungarian ambassador Cecilia Szilas, "the EU-China strategic and commercial partnership provides a favourable framework and an impetus for the cooperation of CEE –China countries, and the Strategic Agenda in 2020 for cooperation between the EU and China marks the exact borders of the CEE countries in order to develop relations with China into a harmonious and efficient manner" (Shen, 2014).

China's interest for the countries of Central and Eastern Europe became visible near the accession of the ten countries from CEE to the EU. This assertion is supported by the fact that in October 2003, China has developed its first policy document on the relations with EU – the China's Policy Paper on the EU - which highlights the objectives of the Chinese policy towards the EU, the areas of cooperation and related measures for five years. Also, the paper identified the EU "as a major world force that will play an increasingly important role in both regional and international issues" (Embassy of the People's Republic of China in Romania, 2004). China's main reasons to show visible interest in CEE countries are related to the economic dimension of foreign policy in relations with the EU, namely: increasing and diversifying mutual trade and cooperation on investment (Chinese investments can help reduce both the EU-China trade imbalance and that of CEE-China). In addition, China "wants to create a positive image of its brands, which are going to be associated with high quality products and services" (Szczudlik-Tatar, 2011, p.2436) by introducing them on the CEE countries market at accessible prices; this will be beneficial for expanding the brands in Western Europe. A concrete example of such a situation is Huawei.

Relations between China and CEE countries have a strong influence on the relations between China and the EU. Dariusz Kalan said that "China is trying to establish a stable political relationship with CEE countries" (Jaroch, 2016), to develop boarder trade and political relations with the EU. "Other experts suggest that China's motivation in developing political cooperation with CEE countries is driven by the incentive to increase Beijing's influence over the decision-making process of the European Union" (Jaroch, 2016). In this regard, we must bear in mind that the interests of CEE countries in mutual relations with China differ from one country to another, depending on the attitude adopted towards the European Union. In this context, Fox J. and Godement F. divided EU countries into four clusters, based on two criteria: how to manage China's impact on the European economy and the way in which China engages from a political point of view, in the EU. So, we have assertive industrialists, ideological traders, European followers and mercantilists (Fox et al, 2009, p.3). If we consider the CEE countries, they can be grouped as follows: "assertive industrialists - the Czech Republic, Poland - which focus on a stronger European integrated approach, mercantilists - Bulgaria, Slovakia, Slovenia, Romania and Hungary – they believe that good political relations with China will lead to commercial benefits and that the economic issues should dominate the relationship with China, European followers - Estonia, Latvia and Lithuania – they support the EU policy towards China and consider that this is not a key priority for the EU" (Fox et al, 2009, pp 5-7).

Important to note is that the development and strengthening of the relations between CEE countries and China have sparked the envy of the old EU member countries, accusing China of trying to divide the EU. In order to remove any doubt among EU member countries, during the 2013 meeting between China and CEE countries, Chinese Foreign Minister Yank Jiechi stressed that the "relations with CEE countries are practical and that they do not want to form an alliance with them" (Zuokui 2013, p.2). To support this statement, the EU Member States participating in the 16 + 1 platform stated that "mutual relations with China are conducted in accordance with EU legislation and the Strategic and Trade Partnership EU-China" (Jaroch, 2016). Moreover, Chinese Premier Li Keqiang - in a phone conversation with Angela Merkel - stated that "the cooperation relations between China and CEE countries is in compliance with EU standards and EU legal framework and that these relationships are a part of China-EU relations, which will facilitate the balanced development and EU integration" (Zhao, 2014).

Systematizing the facts stated above, we can conclude that, on the one hand, the commercial partnership EU-China provides a favourable environment for the development and strengthening of

CEE-China cooperation relations, and on the other hand, CEE-China cooperation relations could lead to the strengthening of EU-China commercial partnership and to the solving of the problems faced by the EU in relations with China.

4. Conclusions

The European Union and China are the central pillars both in international trade and when it comes to addressing the problems faced by the third millennium. In addition, the EU and China enjoy a harmonious cooperation relationship for over four decades, which developed at a fast pace, covering various fields. The most important area of cooperation is trade.

After analyzing the statistical data, we have seen that the EU-China trade relations are oriented towards the trade relations with EU-15 member countries. Nevertheless, it was noted that, since 2008, the CEE countries have paid great attention to their trade relations with China, registering in 2015 a trade value of 47.073.63 million Euro and in the first six months of 2016 a value of 23.292.92 million Euro. Currently, CEE countries and China enjoy harmonious cooperation relations which have developed at a fast pace.

Thus, from the foregoing, we can conclude that the cooperation relations between CEE countries and China play an active role in developing and strengthening EU-China trade partnership and in the implementation of the Strategic Agenda 2020 of cooperation between the EU and China. This should provide a boost to EU to support CEE countries in cooperation relations with China. In addition, EU countries should adopt a common regional approach in its trade relations with China and not compete for Chinese FDI.

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Shadow Banking – Developments in Times of Financial Crisis

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Abstract

“Shadow Banking” phenomenon discussed in this paper aims at revealing trends in the financial industry, providing a view upon the shift of classic banking activities towards a process of activities fragmentation via non-bank financial entities that resort to bridging differentials in maturities of various financial products, to liquidity transformation and lending, without having access to lender of the last resort’s liquidity (central banks) or insurance safety net of asset sources (Deposit Insurance and Guarantee).

The paper considers the following entities and activities, without limitation to or completeness of viewpoints: finance companies, asset backed financial instruments, structured investments, financing vehicles, money market funds, asset managers, credit hedge funds and venture capital, providing characteristics of shadow banking and their economic functions relative to the classic banking system, as they pose a systemic risk due to asymmetric information and gaps created in matching liquidity tenures with duration, by using synthetic leverage finance.

Key words: asset management, financial intermediation, investment funds, market liquidity, shadow banking

J.E.L. classification: G23

“There is strong shadow where there is much light.”

Johann Wolfgang von Goethe,
“Götz von Berlichingen”

1. Introduction – Defining “Shadow Banking”

Although these entities and activities are not new for the financial markets, their activities and development intensified after the financial crisis onset of 2008.

In a session of questions and answers that took place on July 2, 2014 at International Monetary Fund headquarters, the Managing Director Ms Christine Lagarde asked the President of Federal Reserve Banks of United States of America how to address risks from non-banks, which include hedge funds, private equity and derivatives. Ms. Yellen replied: *“You’re pointing to something that is an enormous challenge.”* (Yellen, 2014, p.1)

The Financial Stability Board (FSB) is the forerunner authority in monitoring the “shadow banking” phenomenon. It defines the term as “credit intermediation that involves entities and activities (fully or partly) outside the regular banking system” (FSB, 2011, p3). Some authorities prefer the term “market based financing”, as not all such operations are of non-bank origination.

The term of “shadow banking” has been introduced by Paul McCulley from PIMCO in 2007 when he referred to special purpose vehicles set up by banks to sell packages of loans as new bond issues, reflecting off-balance sheet riskier operations. The bond investment fund PIMCO was in a taking position for such asset classes.

“I coined the term “shadow banking system” in August 2007 at the Fed’s annual symposium in Jackson Hole. Unlike conventional regulated banks, unregulated shadow banks fund themselves with uninsured short-term funding, which may or may not be backstopped by liquidity lines from

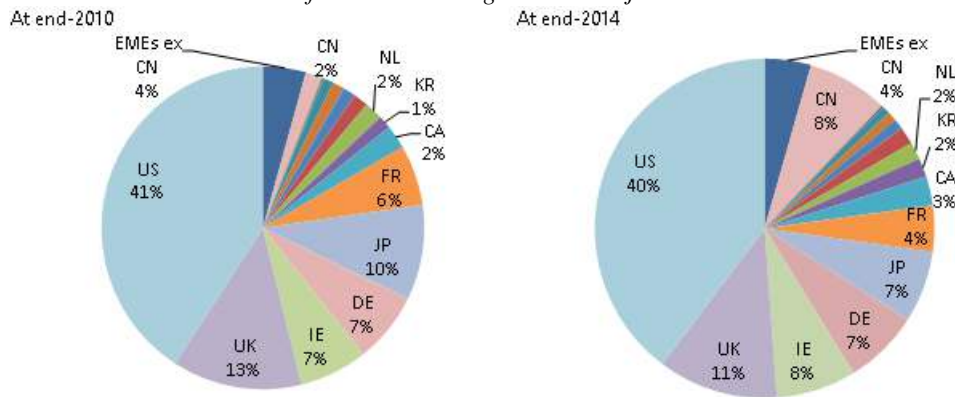
real banks. Since they fly below the radar of traditional bank regulation, these levered-up intermediaries operate in the shadows without backstopping from the Federal Reserve's discount lending window or access to FDIC deposit insurance." (McCulley, 2009, p.1)

FSB approaches shadow banking from two perspectives: entities and activities.

The entities perform the activities out of the regulated banking system: taking funds similar to bank deposits (investment funds: MMF, Exchange Traded Funds, Special Investment Vehicles, Special Purpose Vehicles, Finance Companies, Insurance Companies, FinTech companies (Dietz & Vinayak & Lee, 2016, p.3), Non-Bank Financial Institutions), executing liquidity transformation by maturity change, undertaking credit risk and using financial leverage.

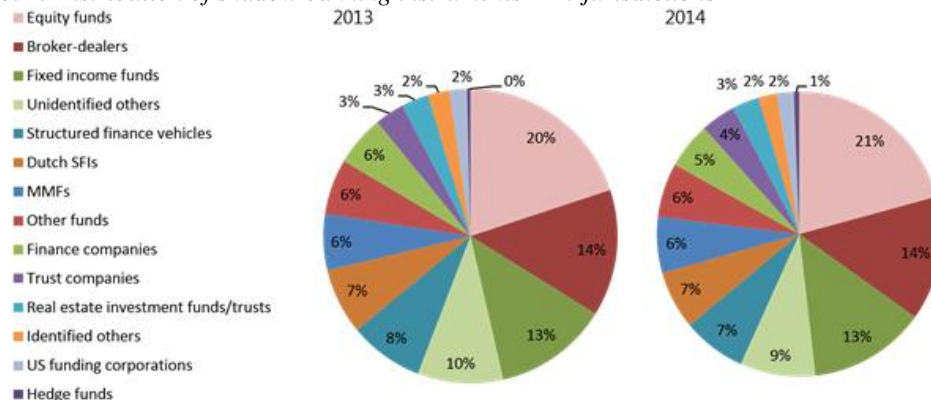
Activities cover a wide spectrum countries and of structured finance and derivative operations and instruments: securitization (asset backed financial instruments), lending against securities, collateralization and collateral management (including re-use of collateral by multiple rank pledging), REPO operations and so on. The activities can be on-balance sheet funding of depository institutions (for investment funds), debt issued by government or guaranteed by governmental entities, off-balance sheet activities of depository institutions, asset management activities e.g. bank affiliated funds (hedge, MMF) and securities lending activities of custodian banks.

Figure no. 1. Distribution share of shadow banking assets – 26 jurisdictions



Source: (FSB, 2015, 11)

Figure no. 2. Distribution of shadow banking instruments – 26 jurisdictions



Source: (FSB, 2015, 41)

Relevant literature on the subject approaches the market based financial intermediation (Corrigan, 2000), the role of banks (Gertler & Boyd, 1993), the types of shadow banks, flows and assets (Pozsar, 2008) and the functions of security brokers and activities for regulation enhancement (Adrian & Shin, 2009).

The Financial Stability Board estimates that "Global assets of financial entities classified as shadow banking under the economic functions approach in 26 jurisdictions continued their upward trend, increasing \$1.1 trillion in 2014 and reaching \$36 trillion [...] aggregate global shadow

banking assets in these jurisdictions have increased on average by \$1.3 trillion each year since 2011" while "the growth in shadow banking assets globally in 2014 occurred against the backdrop of a slight decline in global banking system assets. After increasing significantly in 2011 and 2012, global banking system assets in 26 jurisdictions remained roughly stable in 2013 and decreased slightly in 2014, reaching \$135 trillion." (FSB, 2015, p.9).

Table no. 1 Assets of financial intermediaries – 26 jurisdictions

Type of entities	Size in 2014 (trillion USD)	Growth rate 2014 (YoY %)	Average growth rate 2011-2014 (%)
Banks	135	6.4	5.6
Other financial institutions (OFI)	68	9	6.3
Shadow Banking	36	10.1	6.3

Source: (FSB, 2015, p.9)

Table no. 2 Financial institutions – 26 jurisdictions

Year	Financial Institutions		Banks		Insurance Companies	Pension Funds	Public Financial Institutions	Other Financial Intermediaries (OFIs)	Money Market Funds	Finance Companies	Structured Finance Vehicles	Hedge Funds	Other Investment Funds	Brokers Dealers	Real Estate Investment Trusts and Funds	Trust Companies	Others (identified)	Others (unidentified)	Financial Auxiliaries	
	Central Banks	Banks	Banks' assets to OFIs	Banks' liabilities to OFIs																
2014	316.1	23.3	142.2	6.4	7.0	28.0	29.2	12.8	79.8	4.6	3.1	5.4	0.5	31.8	9.4	1.9	2.7	0.7	19.7	0.9

Source: (FSB, 2015, source data in excel)

At a growth rate of 10% in 2014 and weighting almost 27% of total banking assets, as estimated by FSB in the mentioned report, "shadow banking" is posing a significant stake for the global financial system and for regulators.

2. The economic context for the past 8 years

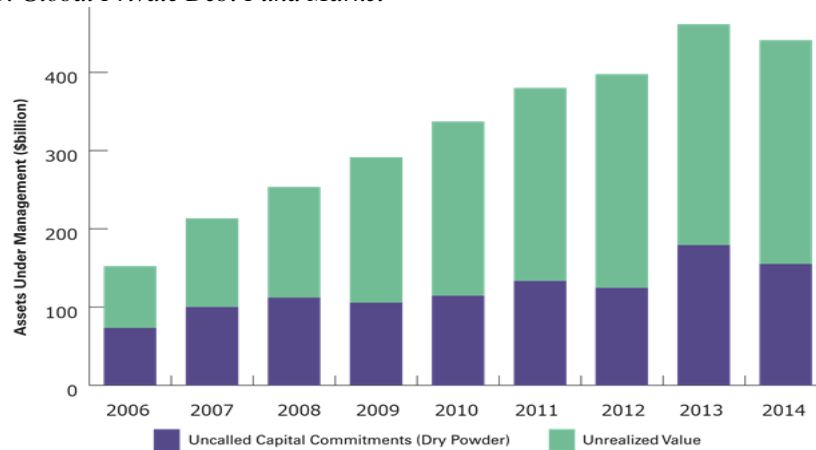
A combination of factors contributed to the expansion of so-called "shadow banking". The losses suffered by the classic banks in the aftermath of 2008 and reflected in their distressed balance sheets, adding pressure to fix the need for liquidity and capitalization, rather than focusing on servicing the market demand for lending (heavier regulations and penalties), the low interest rates environment and the cost of assuming investments risks that drove investors to use cash and credit lines rolling instead of classic intermediation (banks attract deposits and provide lending combined with reserves creation).

Also, low interest rates supported by the lenders of the last resort (central banks) do not necessarily mean access to easy funding and recapitalization. It has been an alternative to borrowing money where classic banking is poorly represented or too expensive for providing desired financial capital. Companies that are in need of cash have the alternative of getting access to money by issuing corporate bonds at low yields and securing cheap capital directly.

More asset managers turn attention to shadow banking activities. This can be spotted in the numbers provided by the financial services holding Brown Brothers Harriman and source data provider Prequin. For instance, Prequin (www.prequin.com, 2016) provides data for the following activities: private equity, hedge funds, real estate, infrastructure, private debt, venture capital, secondary instruments and markets, natural resources, enhanced funds, with a wide range of detailed analyses performed by their research center. Brown Brothers Harriman (www.bbh.com, 2016) provide specialized services and consultancy upon private banking, investment management, advisory services and research (expertise for all kinds of funds, collateral management and cross-border transfers, hedging and risks management).

In two surveys, published by Brown Brothers Harriman and Prequin, the assets of shadow banking industry in asset management financing (Brown Brothers Harriman, 2015, p.5) via private debt (Brown Brothers Harriman, 2015, p.2-5) more than tripled over the past 8 years. This fast expansion of the private debt market with the direct involvement of investment funds raised the signal for needing enhanced regulation, even if not all asset management activity is considered "shadow banking" (asset management activity is regulated, as presented in this paper).

Figure no. 3. Global Private Debt Fund Market



Source: (Prequin, 2015, 2)

What sets apart shadow banking from classic banking is its lack of access to public sources of liquidity (directly from a central bank or indirectly as a guarantee from a deposits insurance entity). When in 2008 and afterwards, there has been a lack of liquidity at banks' level, the liquidity provided by central banks and other governmental bodies bridged to shadow banking, via the balance sheets of banks and counter-parties. The facilities of quick and easy access to cash effectively tackled down credit intermediation by shadow banks and exposure of banks to the shadow banks.

The run on the shadow banking system ceased only after liquidity facilities and public sector guarantees replaced private sector guarantees. Shadow banking creates financing by relying on the private sector guarantees (corporate bonds with transferrable coupons, insurances, asset backed securities, collateralization by multiple hypothecation, etc). When private sector guarantees lack trust in redemption and credibility, it becomes a problem of securitization for the whole shadow banking system, as it started with poor assessment of asset price correlations and fair market value appraisals at all levels: credit ratings agencies, risk managers, investors and regulators.

The process of transformation of products and maturities to mitigate risks up to the point of opacity involves separating the stages of classic credit intermediation process:

- Origination of loan by finance companies via commercial papers and medium term notes (e.g. factoring and forfeiting)
- Warehousing by issuing asset backed commercial papers
- Pooling asset classes based on common characteristics such as risk level, maturity, financial flow pattern, etc via syndication.
- Clustering asset backed securities via trading books funded by repurchasing agreements and swap operations
- Issuing collateralized debt obligations based on asset backed securities to create eligible instruments for reinvestment via syndicate desks
- Distributing by special investment vehicles to financial markets the debt instruments collateralized with asset backed securities, via hedge funds for instance
- Transmitting the wholesale funding to other entities such as ETFs and MMFs, pension funds and insurance funds.

This long process is applicable to low quality long term mortgage portfolios, while for high quality and short term assets, the process is shorter. As one can see, each shadow bank involved in this mechanism appears only once in the chain, but they all are linked among themselves and to the originating bank in the regulated banking system. This explains the contagion risk, the systemic importance and the dysfunctional ties arising from fundamental liquidity.

3. Risks and Benefits

In two interviews for "Financial Times" in 2015, the Hermes Fund asset manager David Pitt

Watson debated that fund managers bridged the gap in the quest for capital under price-to-value market constraints, stepping up to financing the real economy (Watson, 2015, p.1), while David Blake mentioned that the cost of financing in the banking sector is high due to risk pricing and low collateral market value (Blake, 2015, p.1), but the question is whether they have the expertise in assessing and undertaking risks directly by transformation of liquid investments employing financial engineering techniques that require utmost trust between borrowers and lenders (Coombes, 2004, p.1).

In the years following 2008, the discrepancies in approach to an improved financial environment and the regulatory mismatches for banks and non-bank financial entities, partial supervision, the lack of transparency and asymmetrical information in assessment of complex risks related to structured complex financial products allowed the expansion of "shadow banking". These permitted to bypass regulations, however had also a positive effect: it created additional lending capabilities and provided investors with alternatives to bank deposits.

The main risk identified by FSB is that shadow banking can carry a systemic risk for financial industry and banking sector alike. The initiatives taken by FSB are on the following five coordinates:

- Basel Committee on Banking Supervision (BCBS) will address the regulations environment concerning cooperation among banks and shadow banks
- International Organization of Securities Commissions (IOSCO) will address the regulations environment concerning the mitigation of systemic risks of Money-Market Funds (MMF)
- IOSCO + BCBS assess the requirements for securitization
- A subgroup of FSB will look at regulation concerning other shadow banking entities
- A subgroup of FSB will look at securities lending and REPO mechanisms (REPO, or repurchasing agreements are operations by which a financial institution can obtain cash by selling government issued debt instruments to a lender and having the obligation to buy them back at a future price set at the date of sell, for the agreed period of time. Usually, commercial banks manage daily liquidity by REPO with the central bank for a day. This is not considered shadow banking as banks are acting in a specifically regulated environment. [note of author]).

Shadow banks have evident benefits for the economy, as they fill in four main roles:

- They provide more solutions for return on investment and selection of investment instruments for capital providers, compared to bank deposits
- They are efficient in resource allocation to maximize return per invested unit, leading to specialization
- They substitute dysfunctional banking markets, especially for lending at lower costs, generating economies of scale
- They disperse risk and bring diversification of portfolios outside the banking system

There is no clear borderline between classic banking and shadow banking, while the interlinked financial markets and the free flow of capital disseminate risks all over the financial world via mobility of investment instruments.

The risks are the following:

- The MMF that invest only in fixed income instruments (term deposits, bonds, etc.) and are susceptible of attracting investors that traditionally would have preferred the safety of bank deposits, are equally exposed to a panic from investors to withdraw cash immediately from the fund. There is a hidden mismatch between tenors of investment instruments and cash.
- Shadow banks use leverage to create traction in the portfolio, having the pressure for higher than market's benchmark to generate increased returns on investments. Margin transactions provide the leverage power and brings the augmented risks.
- Bypassing the rules and regulations, impacting reflection of assets and operations in the balance sheets. Shadow banks create chains of break-up parts of products, flows, processes and entities by packaging and re-packaging and distributing the risks throughout the financial world. It is a fragmentation process escaping regulations of

- conventional banking and opaque in assessing adequate risks.
- Erratic failures can pose a systemic risk due to contagion and spill-over effects.

4. EU and Shadow Banking

Besides the national authorities competent to regulate the financial markets in each country, at EU level the competence resides with the following entities that coordinate among themselves and with the international bodies, like FSB:

- The European Central Bank (ECB)
- The European Banking Authority (EBA)
- The European Securities and Markets Authority (ESMA)
- The European Insurance and Occupational Pension Authority (EIOPA)
- The European Systemic Risk Board (ESRB)

The main regulations are:

- Capital Requirements Directive (CRD IV) that apply to banking and insurance fields and forces shadow banks (usually entities created by insurance companies and banks as SPVs) to align the activities to correspondent regulated institution. The directive required originators and sponsors of securitized assets to retain a large portion of underwritten risks and reinforced the accounting practice of reflecting liquidity lines and credit exposure to securitization vehicles. It also introduced explicit liquidity requirements for SPVs, products and activities linked to reputational risk of banks. The International Financial Reporting Standards (IFRS 17) issues new standards on consolidation of balance sheet and participations in shadow banking entities and asset backed securities.
- Markets In Financial Instruments Directive (MiFID) does not impose capital requirements but classifies investors in three categories: retail, institutional and eligible counter-parties, and defines the risk classes, imposing bank-like prudential regulation on shadow banking activities. It separates for banks the banking financial activities and investment activities.
- Alternative Investment Fund Managers Directive (AIFMD) addresses shadow banking issues for the entities falling in the category of "alternative investment funds". Asset managers monitor liquidity risks and use a liquidity management system.
- Undertakings for Collective Investment in Transferable Securities (UCITS) is applicable to investment funds EU-wide.
- Solvency Directive (SOLVENCY II) is applicable to all insurance companies conducting activities in EU, as it explicitly covers credit risks in capitalization and requires full consolidated balance sheet for entities and exposures at group level, similar to CRD IV for banks.
- European Securities Financing Transactions Regulation (SFT) allows market participants to access secured funding, i.e. to use their assets to finance themselves. This involves the temporary exchange of assets as a guarantee for a funding transaction.

5. Conclusion

Shadow banks, well represented by investment funds behaved as a buffer for the real economy, when banks lending to private sector crashed. The distribution of risks and diversification of exposures became larger and wider. Maturity change and liquidity transformation, resorting to leveraged financing and lack of access to direct refinancing from a central bank or a guarantee from a governmental insurance company are just the main aspects of shadow banking. The open-end funds provide the idea of stable liquidity but there is an assumption that markets are perfectly functional. When irrational fear grips investors, it leads to the risk of adverse liquidity spiral.

The redeemable equity of investment funds triggers leveraged risks via derivatives, repo and securities lending. Vulnerabilities reside with financial institutions of systemic importance. The investments are concentrated in assets managed by a few large funds and there is a preference of

investors to take on more risk in looking for higher returns. Any investment is governed by a simple rule of thumb: there is a trade-off among three elements – risk taken, liquidity assumed and expected return. The reinvestments distribute risks at financial industry level widespread.

Shadow Banking is about redefining the economic paradigm for entities and activities, by repositioning the role of asset managers and traditional banks.

Notes

1. The purpose of this article is to analyze public data and information. All this information is available from public sources in a complete form and according to specified methodology and can be accessed and seen in the sources indicated for reference. Therefore, it is not in the scope of the article to reproduce tables and charts, but to use the relevant data to address causes, effects, time, locations, impacts, costs, responsibilities, actions, benefits.
2. This article focuses on a very specific subject ("shadow banking") and takes into account a financial and legal perspective. Being a broad topic, it needs future observation, analysis and in-depth survey on all coordinates. It remains open for further development.

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Quality of Life in Europe

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Abstract

Human behavior is based on certain causes related to the satisfaction of the unlimited needs that we have. Nothing enters into the human consciousness if it is not driven by a particular interest.

Many times we wondered why people want a certain comfort in exchange for sacrifices on long term: we want houses, cars, holidays, quality services. All our life we work and give up many to things (maybe) more important than achieving material benefits. It's about quality of life. In this paper we analyzed the quality of life in Europe addressing several factors, such as subjective well-being, living standards and material constraints, work-life balance, family life and social life, health and education.

Key words: satisfaction, happiness, well-being, balance

J.E.L. classification: I30, I31

1. Introduction

Quality of life is a multidisciplinary term, multi-sided, located both in everyday use of population and a scientific concept. Although it is used in everyday life, there is not a unanimous definition of specialists.

The World Health Organization (1998) provides the following definition: "quality of life is given by individuals' perceptions on their social situations in the context of cultural value systems in which they live and, depending on their needs, standards and aspirations. More specifically, the quality of life means physical, mental and social welfare, and the ability to perform common tasks in daily life" (*The world health report, 1998*)

The quality of human existence, which implies quality of life, include demographic potential (natural movement of population, population structure), population health (mortality, causes of death, specific pathologies, infant mortality, longevity average population), risk factors evaluation (factors that determine the quality of human existence, the evaluation factors related to the country average, assessing the quality of human existence), geological risk (landslides), social infrastructure (level of development of social infrastructure, infrastructure types, providing doctors and medical personnel, the caloric value of the diet, the level of housing sanitation), income and consumption, bioclimate and unfavorable natural phenomena, social stresses (*Mărginean, 2010, p.233*).

The quality of human life is inextricably linked to the individual's subjective perception of their lives (*Sirbu, Potâng, Tulbure, 2012, p.120*). This subjective perception largely depends on the overall feeling of wellbeing at the moment. Subjective wellbeing theory assumes that the assessment of life is continuous. results being projected onto a symmetrical scale: from a very good life to a very bad life.

2. Subjective Well-being

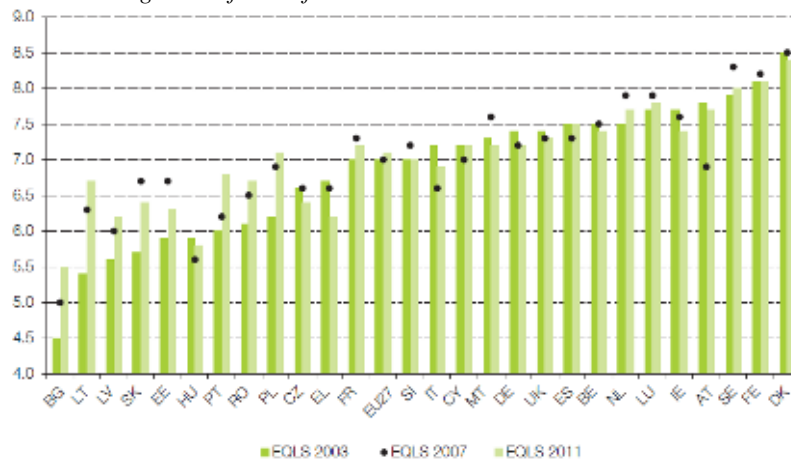
To achieve a complete picture of the quality of life of a population are taken into account a number of compenenta as subjective wellbeing, public and social services, education, family life, health, material conditions or the environment in which a person lives (Mărginean, 1991, p.126).

Subjective well-being reflects the perceptions of people on the quality of their own lives. Subjective well-being can be measurable by cognitive indicators such as *overall satisfaction with life* and satisfaction with different areas of life (such as health, standard of living or family) and by measuring the *positive and negative feelings* or status spirit (Bălașa, 2002, p.154).

Happiness and satisfaction are two distinct concepts that underlie a person's subjective well-being. Thus, happiness reflects personal disposal, meaning everyday states and feelings of people (Diener, Lucas, 1999, p.279).

To measure life satisfaction, was asked the following question: "*Taking all things into account, how satisfied would you say you are with the life you have?*". Each individual rated life satisfaction giving notes on a scale of 1-10 points, where 1 represents "very dissatisfied" and 10 representing "very satisfied". In recent studies conducted at EU level for the years 2003 and 2007, Europeans had a fairly positive assessment, values average hovering around the level of 7.0 points. In 2011, satisfaction levels increased slightly, reaching 7.1 points.

Figure no. 1. Changes on life satisfaction



Source: Third European Quality of Life Survey – Quality of life in Europe (www.eurofound.europa.eu)

The general trend is stable, with a gradual convergence to life satisfaction between countries.

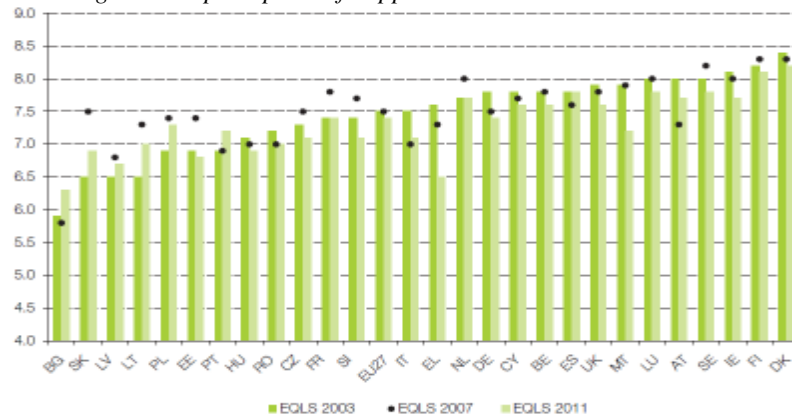
In many countries, life satisfaction increased in 2003-2007 and then declined between 2007 to 2011. However, there are countries that have followed the opposite pattern, namely, decreased in the first period analyzed, but increased in the following period (Austria, Cyprus, Hungary, Italy and Spain) and countries where life satisfaction has increased steadily during the years analyzed (Bulgaria, Latvia, Lithuania, Poland and Portugal).

The lowest scores across time were met in Bulgaria, but every four years, the overall rating for satisfaction towards life increased by half a point, from 4.5 in 2003 to 5.5 in 2011. Only two countries registered decrease during 2003-2011, Ireland and especially Greece.

Romania has experienced growth in the reference years, so in 2003 the average value obtained was 6.1. In 2007, life satisfaction increased by 0.4 percentage points, and in 2011, Romanians had a positive assessment, the indicator reached 6.7 points.

In terms of happiness, in the latest studies have put the following question: "*Taking all things into account, on a scale from 1 to 10, how happy would you say you are?*". Figure 2 illustrates the evolution of happiness in each country.

Figure no. 2. Changes in the perception of happiness



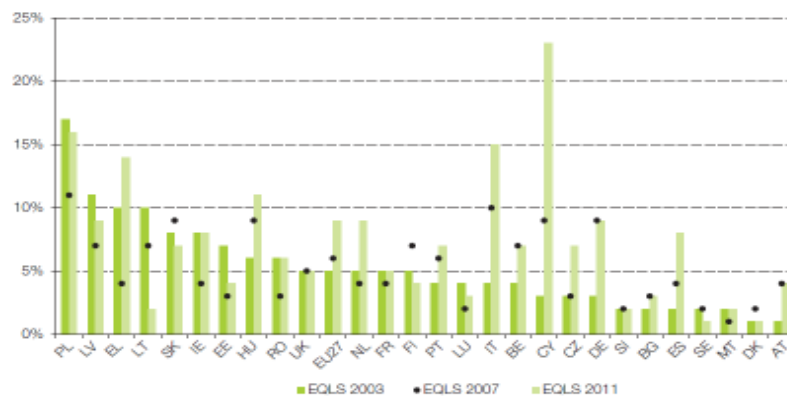
Source: Third European Quality of Life Survey – Quality of life in Europe (www.eurofound.europa.eu)

Studies conducted in 2003 and 2007, revealed that Europeans have positively assessed, an average value of 7.5 was recorded. In 2011, happiness has registered a slight decrease to 7.4. The general trend after 2007 is a gradual convergence of happiness between countries. The evolution of happiness is similar to the model of life satisfaction; but in happiness case, in a number of countries, the pattern was characterized by higher levels of happiness in 2007, a level that has dropped further.

3. The Standard of Living and Material Constraints

The European Union is a region rich on average, with a high standard of living for its citizens. However, there are still many households that have difficulties with all expenditure and has relatively low standards of living. Many Europeans are facing a series of financial difficulties, some of them even failure to pay bills. To study this, people were asked if they pay the rent or household rate on time and if they success or fail to pay their utility bills (such as electricity, water and gas). This led to the creation of three groups: financial distress (both on rent or rates for home and utility), groups with difficulties (either rent / rates for home or utility payments) and those who do not have difficulty paying bills.

Figure no. 3. The number of households with financial difficulties on rent / rates for housing and / or utility payments



Source: Third European Quality of Life Survey – Quality of life in Europe (www.eurofound.europa.eu)

In 2011, 9% of European households had arrears in rent / rates for home and arrears at utility at some point during the year. In 2003 and 2007, 5% and 6% of European households were in this situation. In other words, the proportion of households facing serious financial constraints is growing.

There has been obvious differences between member states of the European Union. Thus, in 2011 the percentage of households that had arrears in rent / rates for housing and utility arrears ranged from 23% in Cyprus to 1% in Denmark and Sweden.

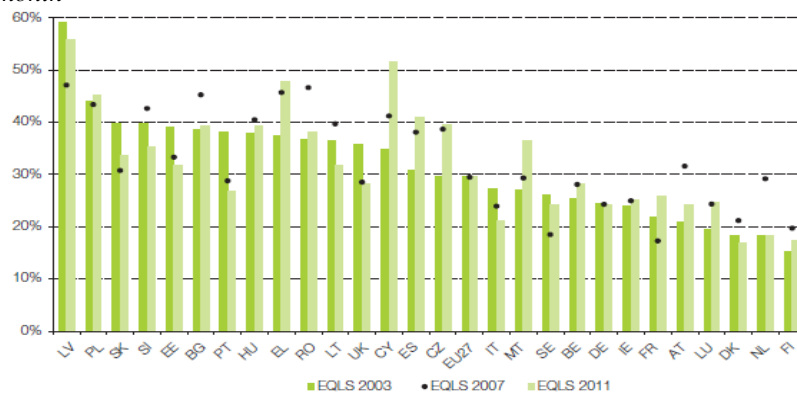
4. Work - Personal Life Balance

The balance between rewards and work requirements and family life are an important influence on subjective well-being. The balance between work and personal life of an individual reflects a number of issues that he highlights, namely, income, health and family life.

One factor influencing work-personal life balance is working time. In general, there is a downward trend in average hours worked per week in the EU27, leading to convergence between the EU-12 and EU-15. Between 2003 and 2011, the average number of hours worked per week decreased by 1.3 hours. Life satisfaction increased, regardless of the length of working time. For people who work 20 hours or less per week, changes were small, while those who work more than 20 hours per week were substantial increases in life satisfaction. During the analyzed period, the highest level of satisfaction with life was recorded in the group working 21-34 hours. Work - personal life balance can be measured using various indicators such as non-interference in domestic affairs because of exacerbated fatigue caused by workplace; difficulties in fulfilling family responsibilities; difficulty concentrating at work.

Further, were analyzed the European averages for difficulty fulfilling family responsibilities at least several times a month in 2003, 2007 and 2011. The proportion of employees who reported having difficulties in fulfilling family responsibilities is quite stable around 30% value. However, there are differences between member states of UE.

Figure no. 4. The evolution of employees who have difficulties in fulfilling family responsibilities at least several times a month



Source: Third European Quality of Life Survey – Quality of life in Europe (www.eurofound.europa.eu)

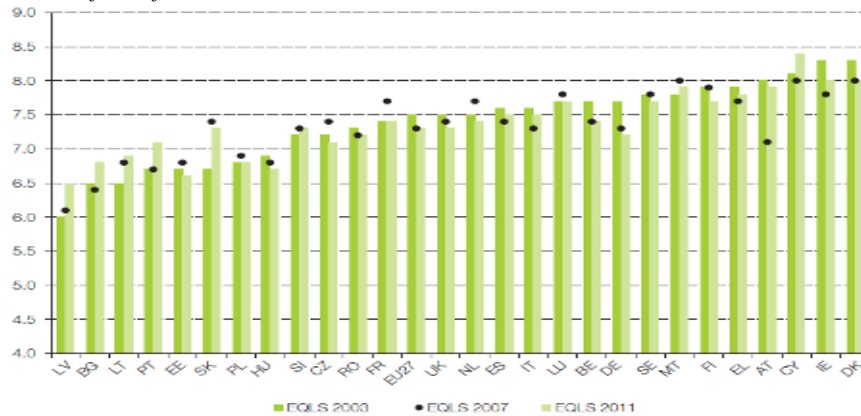
Cyprus and Greece stand out because of the relative level of difficulty in fulfilling family responsibilities in 2011 and the significant growth of this indicator in 2003 (17% in Cyprus and 10% in Greece). Also, it has increased the level of difficulty in the Czech Republic, Malta and Spain. Respondents in Central and Eastern Europe (Romania is included in this cluster) experienced consistently high levels of difficulty in fulfilling family responsibilities, Latvia in particular. Member states with the lowest percentage reporting difficulty in fulfilling family obligations in 2011 were mainly in the Nordic and continental clusters.

5. Other Public Services

Access to high-quality services such as health care, medical assistance on long term, education, public transport, childcare and state pension system is important in ensuring quality of life in Europe (Zamfir, 1984, p.111).

Health. In 2011, the overall index of satisfaction with health in the EU-27 was 7.3, registering the same level as in 2007, and a lower level than in 2003 (7.5) Compared to 2003, the degree of satisfaction with health was higher in 15 countries, stable in 4 countries, and lowest in 8 countries.

Figure no. 5. The level of satisfaction towards health

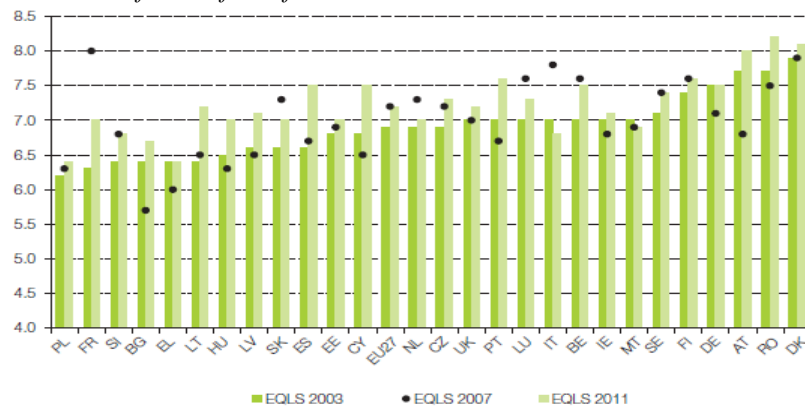


Source: Third European Quality of Life Survey – Quality of life in Europe (www.eurofound.europa.eu)

The largest increases in satisfaction with health between 2003 and 2011 were obvious in Slovakia, Latvia, Portugal and Bulgaria (+0.6, +0.5, +0.4 and +0.4), and the highest decreases in Germany, Belgium, Ireland and Denmark (-0.5, -0.3, -0.3, and -0.3).

Education contributes to the improvement of professional and personal skills, and improve subjective well-being. Education increase access to paid employment and economic resources that contribute to the increase of sense of control over life.

Figure no. 6. The evolution of level of satisfaction on education



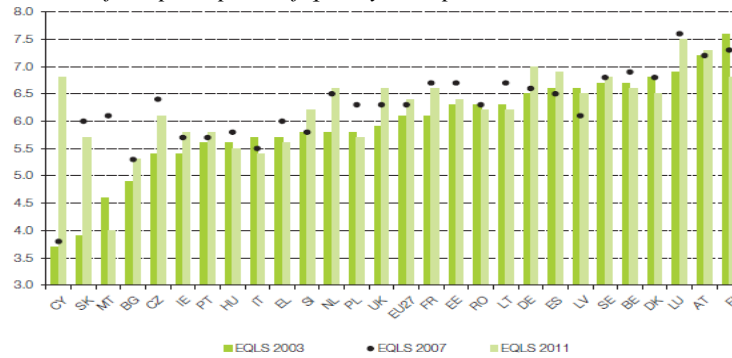
Source: Third European Quality of Life Survey – Quality of life in Europe (www.eurofound.europa.eu)

Satisfaction on education increased between 2003 and 2007 from 6.9 to 7.2 and remained stable between 2007 and 2011, although there are some substantial differences between countries. Compared with 2003, 2011 respondents showed a lower degree or equal satisfaction with education only in three countries, namely Italy (-0.2), Malta (-0.1) and Germany (0). The highest levels of satisfaction with education were found in Lithuania, Spain, France and Portugal (+ 0.8, 0.8, 0.7 and 0.7). Countries with populations most satisfied with the level of education in 2011 were Romania, Denmark and Austria (8.2, 8.1 and 8.0) and the least satisfied were Poland, Greece and Bulgaria (6.4, 6.4 and 6.7).

Public transport improves quality of life - especially for vulnerable groups - providing efficient transport services that focus on safety. It is also a vital component of a healthy economy. Public transport is beneficial not only to population that uses it, it is beneficial to the whole society.

Compared to 2003, in 2011 there were more countries with a higher level of perceived quality public transport system (16) than countries with lesser degrees (11).

Figure no. 7. The evolution of the perception of quality transport network



Source: Third European Quality of Life Survey – Quality of life in Europe (www.eurofound.europa.eu)

The highest increases of perception of quality transport system were visible among the people of Cyprus, Slovakia and the Netherlands (3.1, 1.8 and 0.8), the largest decrease were in Finland, Malta and Denmark (-0.8, -0.6 and -0.4). In 2011, Luxembourg, Austria and Germany had the highest values (7.5, 7.3 and 7.0), unlike Malta, Bulgaria and Italy (4.0, 5.3 and 5.4) where were reached the lowest values.

6. Conclusions

Analysis of existing data on some of the factors that characterize the quality of life, allowed us to formulate some conclusions, presented in the following. The analysis of subjective well-being during 2003, 2007 and 2011, concentrated on the two main indicators, life satisfaction and happiness. The overall trend in both cases, life satisfaction and happiness is stable with a gradual convergence between countries. Many member states with a low level of satisfaction with life and happiness in 2003 are in the recovery phase, while some member states with the greatest satisfaction in 2007 show a decreased level of life satisfaction.

The balance between rewards and demands of work and family life has an important influence on subjective well-being. Studies investigated the balance between professional and personal life, by analyzing the difficulties in fulfilling family responsibilities because of the time spent at work - this indicator was stable in the period under review affecting approximately 30% of employees.

Average satisfaction on health has decreased, but this decrease occurred between 2003 and 2007. Health satisfaction was 7.3 in 2011 and 2007, compared with 7.5 in 2003. The countries of Central and Eastern Europe are an exception to this trend, satisfaction on health has increased here. However, with an average of 6.8, the level is still well below in comparison with other countries.

Regarding transport, in the EU27, overall, there has been an increasing trend in terms of perception of quality of public transport system for the years 2003, 2007 and 2011.

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A New Way for Europe through the Damage Control

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Abstract

The construction of a European social economic model becomes impetuous necessary because in the recent years the middle class of society was eroded significantly. Now more than ever, the authorities need to develop a viable strategy to contain structural and functional elements of a European social economic model. Based on the four models we have foreshadowed in our research the socio-economic policy mix that can build a strong and sustainable economy, which meet the requirements of the European social model.

Information extracted from the article is useful because it indicates the direction to be taken into account to optimize the "welfare state" of the other European social models. In this regard it should be considered efficient labor market, develop social protection only for deprived people and nominal wage growth, and hence the real one. Only this way can lead to a social welfare state sustainable in all the evolution stages.

Keywords: European social models, economic crisis, austerity.

J.E.L. classification: F20

1. Introduction

The European economy faces many problems in the management of micro and macroeconomic aggregates. Over time arose in Europe more European social economic models that have attempted to explain the efficient functioning of an economic mechanism. Most times, many of these models have failed, but it seems there is still one approaching social welfare model desired by all economic agents operating throughout Europe. This paper strives to outline the link between the social and financial performance, strengthening in the same time the role of the social tools in the damage control mechanism.

The study of the economic performance of social welfare models from Europe is imperative because its results offer a real support in our endeavor to describe a truly viable model. Analysis explains the influence of the labor productivity and the employment rate on the economic performance of social welfare models in Europe. In other words, this scientific approach examines economic performance dependent variable in terms of two independent quantitative variables employment rate and labor productivity. In this respect, the Europe 2020 strategic framework provides the main tools of action in the socio-economic harmonization, being still limited by the mainstream dependences in the current demographical evolutions.

2. The social growth limits in the Europe 2020 strategy

The main goal of Europe 2020 strategy is to deliver sustainable growth, significantly contributing to the global social cohesion. It responds to the social pressures, proposing targets for improving the working market conditions and fighting with the unemployment rate and the poverty. Due to the demographic ageing problems and the globalization challenges such as migration, structural weaknesses of the EU member states strategies were emphasized. Europe 2020 was created in order to add value to the national strategies, forcing a cooperation plan that was sufficiently powerful to engage different economies, but limited enough to ensure the global

path for social and economic prosperity.

The mentioned strategy sustains interrelated objectives, considering that the educational progress has direct effects on the labor market indicators and indirect effects on the quality of life. There are three key-priorities of this initiative under the smart growth umbrella: (1) innovation; (2) education, training and lifelong learning; and (3) digital society. Even if the sustainable growth puts more emphasis on the competitiveness issues, the energy goals and the climate change, little attention is paid to the human capital sustainability.

But the most inclusive growth premises require "modernising, strengthening our employment education and training policies and social protection systems by increasing labour participation and reducing structural unemployment, as well as raising corporate social responsibility among the business community" (The European Commission, 2010, p. 18). This challenge rise attention to the labor potential that facilitates the social equality by acquiring new skills to improve the lifecycle. On the other hand, in the current circumstances, the employment rate has a major impact on the fight against discrimination, ensuring the fundamental needs for the deprived people.

Starting from the aforementioned priorities, Pasimeni grouped three subindexes to compose the Europe 2020 Index: Smart Growth Index, the Sustainable Growth Index and the Inclusive Growth Index (2013, pp. 613–635). In this perspective, the single market objective can be achieved only using an efficient combination between the public responsibility and the private one, in social, economic and environmental terms. Moreover, the main instruments in the globalization framework remains the people, due to their mobility on the international labor market, supported by the common priorities on human rights.

Kedaitis and Kedaitiene pay a special attention to "the soft qualitative factors of economic growth, especially to managerial and administrative capacities, to networking and society involvement, which as recent economic crisis show, are very important for overcoming the negative consequences" (2014, p. 708). Even if investing in people must be considered costly, the current evolution of the global economy confirms that reinforcing the human capital position in the international policies offers long-term solutions for recovering the global stability.

3. The labor circumstances of the European social models

The countries analyzed in this article are as follow: for the Scandinavian model (Sweden, Denmark, Norway), for the Anglo-Saxon model (UK), for the Continental model (France, Germany, Belgium, Holland, Austria and Switzerland) and for the Mediterranean one (Spain, Italy, Portugal, Greece). Grouping these countries in accordance with dominated social welfare models leads to a more structured view of the benefits and disadvantages of every model, creating a basis for an optimized welfare state. This priority is highly integrated in the social perspective, being considered that the labor market circumstances, the social protection policies and their impact on the financial mechanism must be taken into account in order to generate a social economic model adjusted to the current economy.

In order to perform the analysis were chosen two independent variables, namely the employment rate and the labor productivity, and a dependent variable: gross domestic product per capita. The dependent variable is actually one that ranks models based on performance. In this way, it was created a link between social and financial performance of the analyzed countries, as it is suggested in the Table 1.

One of the most obvious remark is that countries with a high GDP/capita have also high employment rates and labor productivity. It is the case of Norway, with 99.636 euro/capita and an employment rate of 75.8%. There is also the case of Switzerland, with GDP/capita totalizing 83.295 euro/capita, 120.1% for labor productivity and an employment rate of 79.4%. As regards the methods used in the analysis descriptive statistics and correlation meet. The first step in the analysis was to identify outlier and calculating the degree of correlation of the dependent variable with independent variables. At the opposite side, there are countries from the Mediterranean model, such as Greece or Portugal. For the mentioned countries, medium rates of employment are also reflected in the labor productivity and GDP/capita. Thus, Greece has the minimum GDP/capita (15.200 euro/capita) and less than half of the labor productivity reached in Norway. With 74% of the labor productivity and 51.3% of the employment rate, Greece is the poorest country in terms of

human resources efficiency.

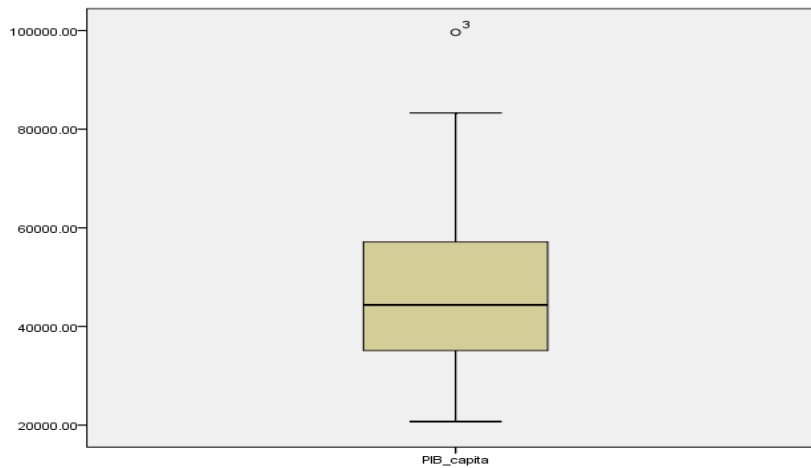
Table no. 1. The economic performance of countries in the social welfare models from Europe

Number criterion	The membership	Country	The employment rate in 2014 [%]	Labor productivity in 2014 [%]	Gross domestic product per capita in 2014 [euro/capita]
1.	Scandinavian model	Sweden	73.8%	116.1%	57.134
		Denmark	72.6%	128.6%	57.637
		Norway	75.8%	185.5%	99.636
2.	The Anglo-Saxon model	UK	70.9%	98.2%	41.054
3.	The continental model	France	63.9%	129%	40.908
		Germany	72.8%	126.1%	43.932
		Belgium	61.8%	134.7%	44.828
		Netherlands	75.1%	128.7%	49.128
		Austria	72.5%	115.1%	48.348
		Switzerland	79.4%	120.1%	83.295
4.	The Mediterranean model	Spain	56.2%	108%	28.993
		Italy	57.6%	102.5%	35.132
		Portugal	61.8%	65.3%	20.733
		Greece	51.3%	74%	15.200

Source: Eurostat

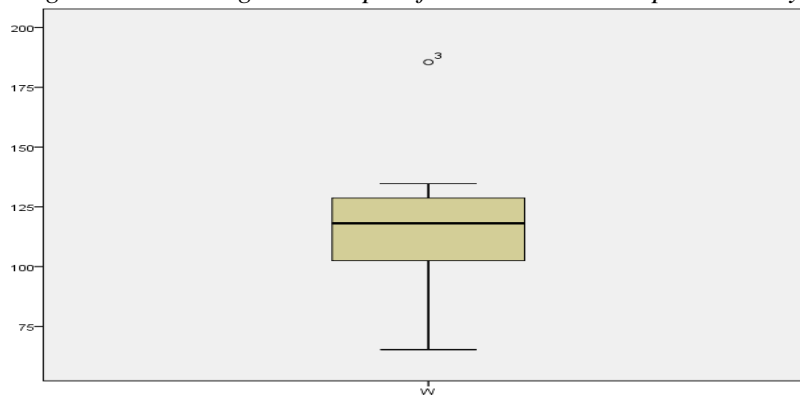
After analyzing the existence outlier variable gross domestic product per capita (Figure 1) is observed that there is an outlier that comes out of print, namely GDP per capita of Norway. If labor productivity variable is identical to the gross domestic product per capita, namely labor productivity (Figure 2) is well above the average variable Norway. Regarding the variable occupancy rate is observed that there are values out of print. From these results we can emphasize that Norway, a country belonging to the Scandinavian model, performs well above the average European social models.

Figure no. 1. Diagram box plot for variable gross domestic product per capita



Source: SPSS

Figure no. 2. Diagram box plot for variable labor productivity



Source: SPSS

The analysis of the correlation between GDP per capita and labor productivity show that has been achieved Pearson correlation coefficient equal to 0.813, suggesting that between variables there is a direct, strong correlation, because the coefficient is almost equal to 1 (value of a perfect correlation). Testing the significance of the correlation coefficient by using the t-test is performed. The value of Sig. appropriate, equal to 0.000, highlights that yielded a correlation coefficient of 0.000 significant at a threshold, means that 100% between the two variables there is a significant correlation.

Table no. 2. The Pearson Correlation

Correlations				
		Gross domestic product per capita	Labor productivity	The employment rate
Gross domestic product per capita	Pearson Correlation	1	.813**	.771**
	Sig. (2-tailed)		.000	.001
	Sum of Squares and Cross-products	6135647155.429	6579559.514	1874776.48
	Covariance	471972858.110	506119.963	144213.576
	N	14	14	14
Labor productivity	Pearson Correlation	.813**	1	.566*
	Sig. (2-tailed)	.000		.035

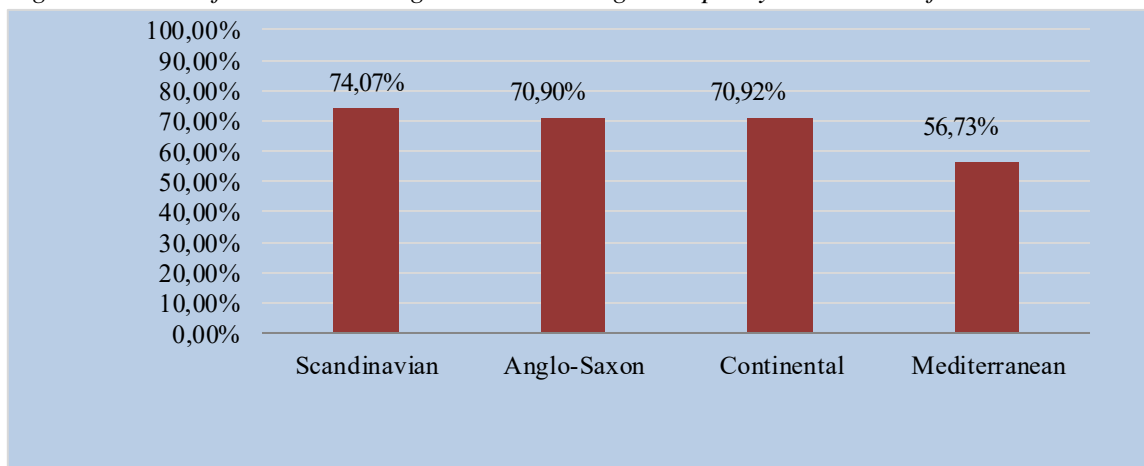
Correlations				
		Gross domestic product per capita	Labor productivity	The employment rate
	Sum of Squares and Cross-products	6579559.514	10681.752	1815.328
	Covariance	506119.963	821.673	139.641
	N	14	14	14
The employment rate	Pearson Correlation	.771**	.566*	1
	Sig. (2-tailed)	.001	.035	
	Sum of Squares and Cross-products	1874776.486	1815.328	964.672
	Covariance	144213.576	139.641	74.206
	N	14	14	14

Source: author calculations

The relationship between GDP per capita and the employment rate, included in the Table 2, gave the Pearson correlation coefficient equal to 0.771, suggesting that there is a direct correlation between variables, strong Sig value appropriate equal to 0.001, highlighted that yielded a correlation coefficient of 0.000 significant at a threshold, means that 99.99% between the two variables there is a significant correlation.

Following the results, it can be said that the employment rate and labor productivity explains the economic performance of European social models based on GDP per capita. These results confirm the main assumption of the paper, that emphasize the link between the social indicators and the financial ones.

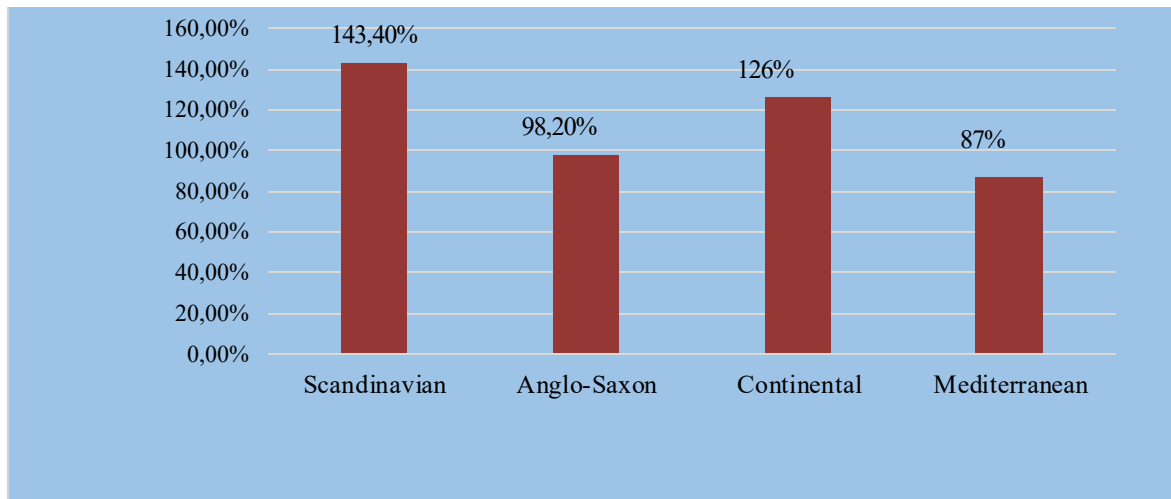
Figure no. 3. Performance ranking based on average occupancy rate in 2014 for each model



Source: author calculation

Thus, we see that most of the sample, 8 states of the total 14 countries analyzed, records a GDP value below average. At the other extreme, were recorded values higher than the average of 14 countries, namely Sweden, Denmark, Norway, the Netherlands and Switzerland. It is obvious that the Scandinavian model has the highest performance in terms of GDP per capita, as it is reflected in the Figure no. 3, followed by the Anglo-Saxon model. According to the same figure, the Mediterranean model is at the bottom of the ranking, with a total performance of 56,73%.

Figure no. 4. Hierarchy of performance based on average labor productivity for each model, 2014



Source: author calculation

An analysis of the average values of the variables labor productivity and the employment rate highlights the hierarchy of European social models based on performance, according to the Figure 4. Thus, the first place is occupied by the Scandinavian model which is leading to both chapters, the employment rate and the labor productivity. At the opposite extreme is the Mediterranean model record lows for both variables.

4. Conclusions

The study provides an overview on how the European social models can be ranked. Throughout the analysis we have seen that the Scandinavian model is far more efficient than other models. Social policies could be a positive and effective response to the failures of the market economy. But such measures could prove harmful if social policies are not distributing aid targeted. States that belong to underperform models should draw inspiration from the policies adopted by the Scandinavian countries. It has been proven over time that investment in education is the pillar for economic growth on the long term. It is true that the effects of such a policy is emerging after decades of the measures, but the results will be as expected. The European context prove the structural weaknesses of the global realm, suggesting in the same time the main actions to design a sustainable and smart economy. Thus, the Europe 2020 strategy meet the requirements of both financial and social performance, being a common agenda that involve different needs of the Member States through the human capital.

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How the Ten Largest Corporations of the World Evolved in the Period 2014-2015

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Abstract

The last decades have witnessed the emergence and development of the transnational phase of capitalism followed by the making of a transnational capitalist class. As key actors in today's global economy, more and more corporations, especially multinational and transnational, are in touch with one another than ever before in many sectors at a global scale. These corporations have become giant business organizations and wealthy and very powerful structures all over the world. The aim of our paper is to present the evolution of the world's ten largest corporations by their revenues and profits in the period 2014-2015. Our research is based on a literature review.

Key words: corporation, revenue, profit

J.E.L. Classification: F23

1. Introduction

The last decades have witnessed the emergence and development of the transnational phase of capitalism (Portes, 2000; Carroll and Carson, 2003) followed by the making of a transnational capitalist class (Sklair, 2002; Robinson, 2004; Staples, 2008; Carroll et al., 2010). As key actors in today's global economy (Helpman, 1984; Archibugi, Howells and Michie, 1999; van Tulder, van den Berghe and Muller, 2001; Perrow, 2002; Picciotto, 2011) and main drivers of globalization (Kozul-Wright and Rowthorn, 1998; Beck, 2000; Rugman and Verbeke, 2004), more and more corporations, especially multinational and transnational, are in touch with one another than ever before in many sectors, such as pharmaceuticals, chemicals, cosmetics or energy (Enriquez, 1998), at a global scale (Aliber and Click, 1999). “By acquiring earth-spanning technologies, by developing products that can be produced anywhere and sold everywhere, by spreading credit around the world, and by connecting global channels of communication that can penetrate any village or neighborhood” (Barnet and Cavanagh, 1995, p. 14) these corporations have become giant organizations (Hannah, 1998; Cassis, 2004) and wealthy and very powerful structures (Chandler, 1984; Korten, 1999; Sklair, 1999; Gilpin, 2000; Branson, 2002; Cantwell and Iammarino, 2003; Chandler and Mazlish, 2006; Kasser et al., 2007; Acharya, 2013) that increasingly reshape businesses across the Earth and rule the world (Quigley, 2004; Korten, 2015). They exist because “certain economic conditions and proprietary advantages make it advisable and possible for them to profitably undertake production of a good or service in a

foreign location” (Guillén and Garcia-Canal, 2009, p. 25) and remain dominant institutions in most economies around the world (Stevenson, 1979; Mizruchi, 2004).

The aim of our paper is to present the evolution of the world’s ten largest corporations by their revenues and profits in the period 2014-2015. Our research is based on a literature review. The next part of the paper is dealing with the evolution of these major corporations in 2014 and 2015. The final section of our paper comprises the conclusions.

2. The evolution of the world’s largest corporations in the period 2014-2015

The last years witnessed the supremacy of the multinational and transnational corporations in the business world. In 2014, Wal-Mart dominated the top of the largest corporations with total revenues of \$485,651 millions (Table no. 1). The world’s ten largest corporations by their revenues belonged to different spheres of activity as follows:

- five corporations were from the petroleum refining industry (Royal Dutch Shell, Exxon Mobil, BP, Sinopec Group, China National Petroleum);
- two corporations were from the auto industry (Volkswagen, Toyota Motor);
- one corporation was from the retailing sector (Wal-Mart Stores);
- one corporation was from the extractive industry (Glencore);
- one corporation was from the distribution of electricity (State Grid).

From a geographical point of view these corporations were from:

- the People’s Republic of China (State Grid, Sinopec Group, China National Petroleum);
- the United States of America (Wal-Mart, Exxon Mobil);
- Japan (Toyota Motor);
- United Kingdom (British Petroleum);
- Netherlands (Royal Dutch Shell);
- Germany (Volkswagen);
- Switzerland (Glencore).

Table no. 1. The world’s ten largest corporations by their revenues in 2014

No.	Corporation	Revenue (\$ millions)
1.	Wal-Mart	485,651
2.	Sinopec Group	446,811
3.	Royal Dutch Shell	431,344
4.	China National Petroleum	428,620
5.	Exxon Mobil	382,597
6.	British Petroleum (BP)	358,678
7.	State Grid	339,426
8.	Volkswagen	268,566
9.	Toyota Motor	247,702
10.	Glencore	221,073

Source: (Fortune, 2015, p. F-1)

In 2015, Wal-Mart remained the biggest corporation in the world with total revenues of \$482,130 millions (Table no. 2). The world’s ten largest corporations by their revenues belonged to different spheres of activity as follows:

- five corporations were from the petroleum refining industry (Royal Dutch Shell, Exxon Mobil, BP, Sinopec Group, China National Petroleum);
- two corporations were from the auto industry (Volkswagen, Toyota Motor);
- one corporation was from the retailing sector (Wal-Mart Stores);
- one corporation was from the information technology and communications industry (Apple);
- one corporation was from the distribution of electricity (State Grid).

From a geographical point of view these corporations were from:

- the United States of America (Wal-Mart, Exxon Mobil, Apple);
- the People's Republic of China (State Grid, Sinopec Group, China National Petroleum);
- Japan (Toyota Motor);
- United Kingdom (BP);
- Netherlands (Royal Dutch Shell);
- Germany (Volkswagen).

Table no. 2. The world's ten largest corporations by their revenues in 2015

No.	Corporation	Revenue (\$ millions)
1.	Wal-Mart	482,130
2.	State Grid	329,601
3.	China National Petroleum	299,270
4.	Sinopec Group	294,344
5.	Royal Dutch Shell	272,156
6.	Exxon Mobil	246,204
7.	Volkswagen	236,599
8.	Toyota Motor	236,591
9.	Apple	233,715
10.	BP	225,982

Source: (Fortune, 2016, p. F-1)

The ranking by revenue of the world's ten largest corporations comprised practically the same corporations in the period 2014-2015. It was only one exception: Glencore was replaced by Apple.

In 2014, Industrial & Commercial Bank of China dominated the top of the largest corporations with total profits of \$44,763 millions (Table no. 3). The world's ten largest corporations by their profits belonged to various spheres of activity as follows:

- six corporations were from the banking and financial sector (Industrial & Commercial Bank of China, China Construction Bank, Agricultural Bank of China, Bank of China, Wells Fargo, JP Morgan Chase & Co.);
- three corporations were from the information technology and communications industry (Apple, Samsung Electronics, Microsoft);
- one corporation was from the petroleum refining industry (Exxon Mobil).

From a geographical point of view these corporations were from:

- the United States of America (Apple, Exxon Mobil, Wells Fargo, Microsoft, JP Morgan Chase & Co.);
- the People's Republic of China (Industrial & Commercial Bank of China, China Construction Bank, Agricultural Bank of China, Bank of China);
- South Korea (Samsung Electronics).

Table no. 3. The world's ten largest corporations by their profits in 2014

No.	Corporation	Profit (\$ millions)
1.	Industrial & Commercial Bank of China	44,763
2.	Apple	39,510
3.	China Construction Bank	36,976
4.	Exxon Mobil	32,520
5.	Agricultural Bank of China	29,126
6.	Bank of China	27,525
7.	Wells Fargo	23,057
8.	Microsoft	22,074
9.	Samsung Electronics	21,922

10.	JP Morgan Chase & Co.	21,762
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Source: (Fortune, 2015, p. F-13)

In 2015, Apple became the most profitable corporation in the world with total profits of \$53,394 millions (Table no. 4). The world's ten largest corporations by their profits belonged to the following spheres of activity:

- seven corporations were from the banking and financial sector (Industrial & Commercial Bank of China, China Construction Bank, Agricultural Bank of China, Bank of China, Wells Fargo, JP Morgan Chase & Co., Berkshire Hathaway);
- one corporation was from the information technology and communications industry (Apple);
- one corporation was from the auto industry (Toyota Motor);
- one corporation was from biotechnology (Gilead Sciences).

From a geographical point of view these corporations were from:

- the United States of America (Apple, Berkshire Hathaway, Wells Fargo, JP Morgan Chase & Co., Gilead Sciences);
- the People's Republic of China (Industrial & Commercial Bank of China, China Construction Bank, Agricultural Bank of China, Bank of China);
- Japan (Toyota Motor).

Table no. 4. The world's ten largest corporations by their profits in 2015

No.	Corporation	Profit (\$ millions)
1.	Apple	53,394
2.	Industrial & Commercial Bank of China	44,098
3.	China Construction Bank	36,303
4.	Agricultural Bank of China	28,734
5.	Bank of China	27,185
6.	JP Morgan Chase & Co.	24,442
7.	Berkshire Hathaway	24,083
8.	Wells Fargo	22,894
9.	Toyota Motor	19,264
10.	Gilead Sciences	18,108

Source: (Fortune, 2016, p.F-13)

In the period 2014-2015 only 70% of the ten largest corporations by their profits were the same.

3. Conclusions

In the last years the largest multinational and transnational corporations have increasingly played a key role in the business world at a global level. The world's ten largest corporations have obtained significant revenues and profits in the period 2014-2015.

Our paper proves that these corporations belonged to several main spheres of activity such as petroleum refining industry, retailing or banking and financial sector. It also shows that most of the world's ten largest corporations are owned by the United States of America and the People's Republic of China.

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Section II
Regional Development, Integration and
Globalization

Tax Havens - The "Black Hole" of the International Finance

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Abstract

Tax evasion is a high interest topic, frequently approached both now and in the past because it is a very common phenomenon in all countries (either developed or emerging) and is particularly important. Tax evasion determines the occurrence of a set of creative accounting practices used in the context of what is considered to be right and what goes beyond the ethical limits.

The article presents, in general, tax evasion both theoretically and practically, examines the various ways in which evasion is interpreted by the laws and regulations adopted in the fiscal field, the ways that lead businessmen to perform and fraudulently register operations. Also, we aim at characterising the states that help the economic operators and the individuals, by means of tax havens and implicitly offshore companies, in order to avoid the payment of certain taxes that are higher than in the home country.

Key words: tax haven, tax system, foreign capital

J.E.L classification: F38, F40

1. The background of the researched topic

The reason for choosing this widely debated issue derives from the desire to fathom the topic of tax havens, since it is very important, both for the EU and for all the Community countries, as well as internationally because fraud and tax evasion represent that phenomenon by means of which one or more taxpayers evade paying tax liabilities and the duties and taxes, or any other amounts owed to the state budget.

In the past twenty years, the ever growing liberalization of markets, products (goods and services) and productive factors, especially of the capital, has emphasized, both in the EU as well as internationally, the divergences between tax treatments and tax rates embraced by various countries in terms of income on their territory. From the various forms of tax planning both international, implemented in order to minimize the tax burden, as well as social, highly important being the use of tax structures residing in the countries with a privileged tax system, also called tax havens.

Often, the countries that implement a privileged tax system are also equipped with more simplified norms concerning the rights of the trading and banking entities. In general, tax havens are often corporate and banking havens and, in some cases, even penal havens in the sense that to the corporate and banking tax simplification it is added a penal system that does not include, for example, the tax evasion offense, false accounting, corruption and recycling.

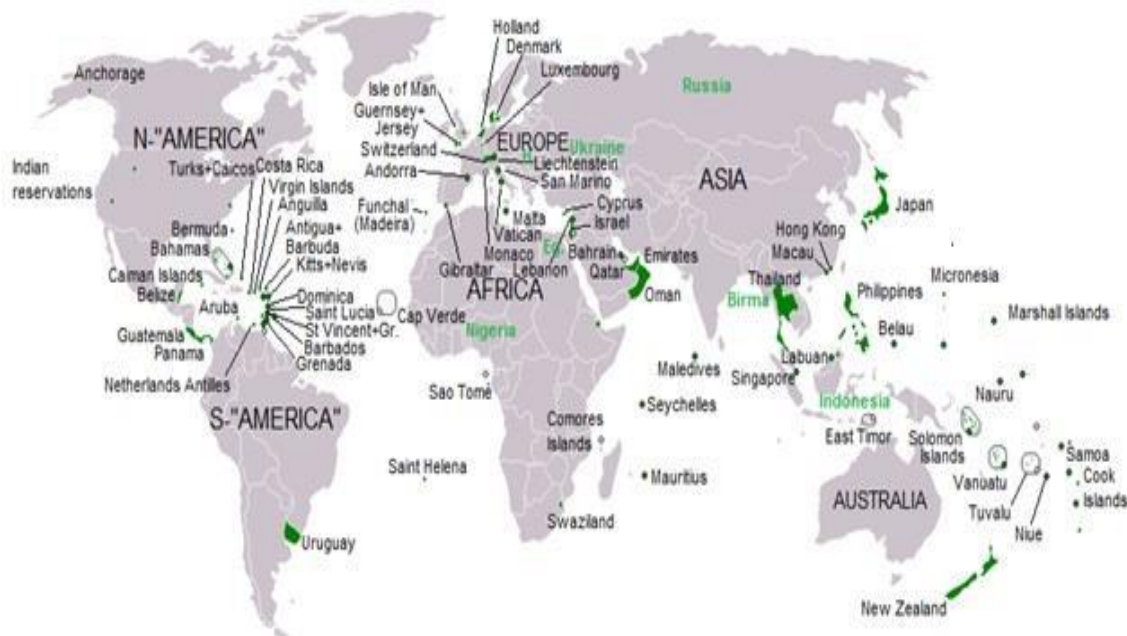
The fight against evasive practices that imply the transfer of the tax base to the countries with privileged tax regimes through ad hoc operations, without any valid economic reasons and aiming solely the obtaining of tax benefits, represents a priority for countries with high taxation. (Alonso *et al.* 2008, p.211)

The moment that stressed the development of the concept, but also of the phenomenon of tax havens occurred immediately after the Second World War, when the number of subsidiaries of

parent companies developed. Therefore, we can state that the former colonies, which have gained independence after the war, used a favourable tax legislation so as to be able to provide the funds necessary for development and functioning, because the phenomenon of liberty, although politically positive, showed drawbacks in the financial plan. As a result, the colonies have lost the financial aid from the metropolis and were forced to find other sources of income. Due to these economic conditions, the colonies were interested in creating a favourable environment for attracting foreign capital in the form of tax facilities, this leading to the emergence of tax havens mainly in these areas. (Buzan, 2012, p.19)

A tax haven is a country whose regulations concerning the tax base, the banking and/or financial sector allow the attraction of capital due to the extremely favourable conditions. Usually, in the tax havens, a very low or even absent tax regime is practiced, this making very convenient the establishing in these states of a company's headquarters (for example: an offshore company) or extremely rigid rules concerning bank secrecy, this allowing to carry out hidden transactions.

Figure no.1. The geographical location of tax havens



Source: (www.ziare.com, accessed on 16.05.2016)

Actually, the success of tax havens can be explained, both for individuals as well as for companies, through the need for a safety valve in an ever growing oppressive world. Tax havens are countries that have some odd characteristics, the most important being that is applied a minimum tax or none at all (zero tax) on foreign capital and on the foreign income of their own citizens and/or companies.

2. The comparative analysis of tax evasion between EU and Romania

It is well known the fact that tax evasion is nowadays a growing phenomenon, a continuous concern for the tax authorities, both in Romania and the European Union. Over the years, measures, laws and regulations have been taken against the evasion phenomenon, in order to reduce its high level of spread.

In order to accomplish an analysis that can determine whether all the laws in question had or not any effect on the taxpayers, whether they complied with the provisions and with the tax rates imposed by the state, both in the EU and in Romania, we will use the data concerning tax and budget revenues, as follows:

Table no. 1. Tax revenues and budget revenues

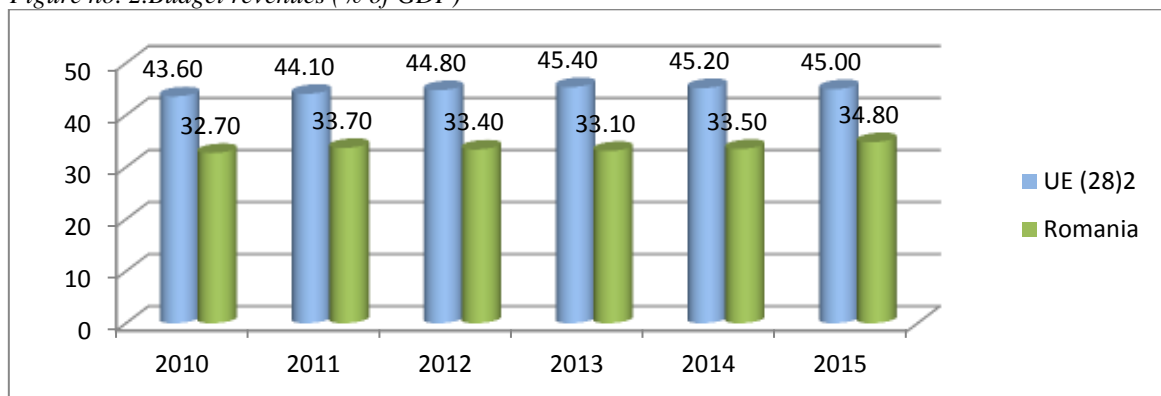
(% of GDP, ESA 2010)

No.	Year	European Union (28)		Romania	
		budget revenues	tax revenues	budget revenues	tax revenues
1.	2010	43,6	38,5	32,7	26,9
2.	2011	44,1	38,9	33,7	28,1
3.	2012	44,8	39,6	33,4	27,9
4.	2013	45,4	39,9	33,1	27,4
5.	2014	45,2	40,0	33,5	27,7
6.	2015	45,0	40,4	34,8	27,9

Source: EUROSTAT, 2015 (the contributions to social security are included in the tax revenues)

Analysing figure no. 2 and figure no.3, it can be easily observed a variable dynamic, with increases and reductions of budget revenues' level, but without significant changes. Since 2010, the EU recorded a revenues' increase in the general budget until 2013 and afterwards, these experienced a 0.04% decrease, until 2015.

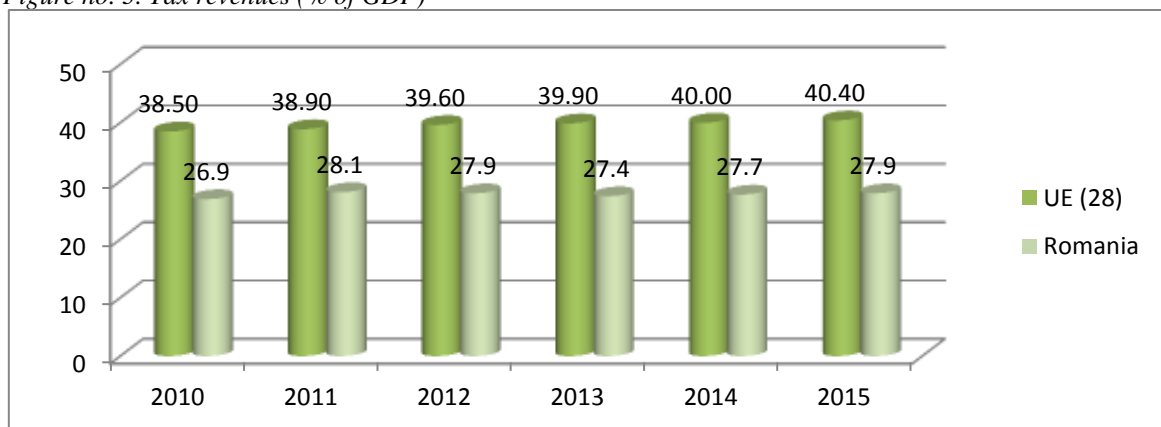
Figure no. 2. Budget revenues (% of GDP)



Source:(EUROSTAT, 2015)

It can also be observed a constant level of 45%. In opposition, tax revenues are growing continuously, but slowly, without significant changes, going from 38.5% in 2010 to 40.4% in 2015. Therefore, these recorded a 1.9% increase of the GDP value.

Figure no. 3. Tax revenues (% of GDP)

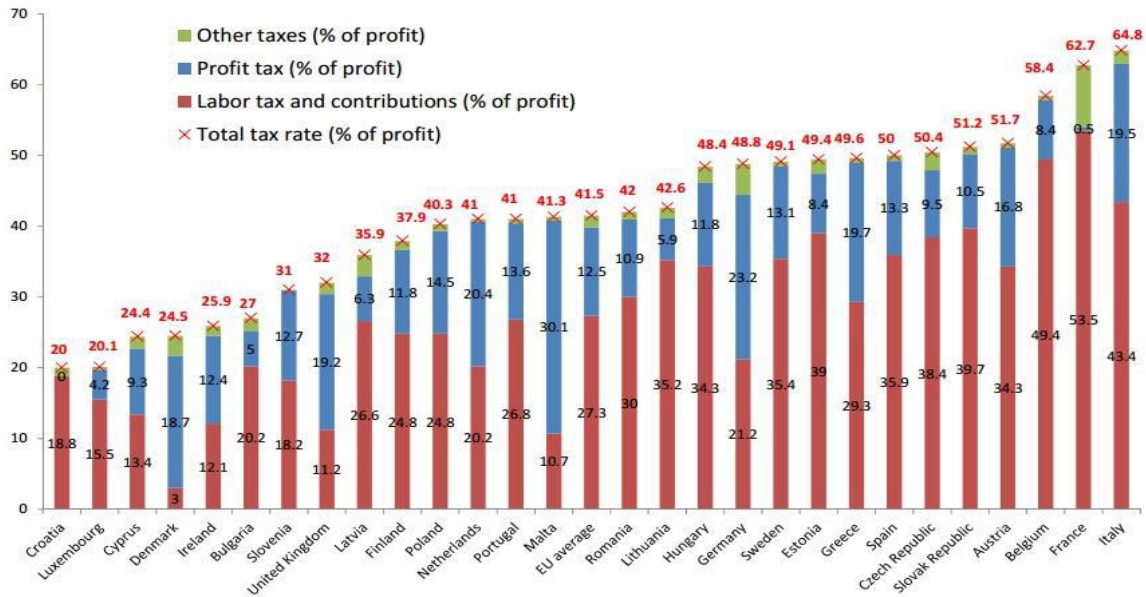


Source:(EUROSTAT, 2015)

As for Romania, it can be observed that budget revenues experience both a growth and a decrease in the analysed period. A significant increase of the level of these revenues in the GDP

can be noticed during 2014 - 2015, when the budget revenues were up 1.3%. However, the tax revenues experience a decrease of 0.7% from 2011 to 2013 and afterwards their levels start increasing.

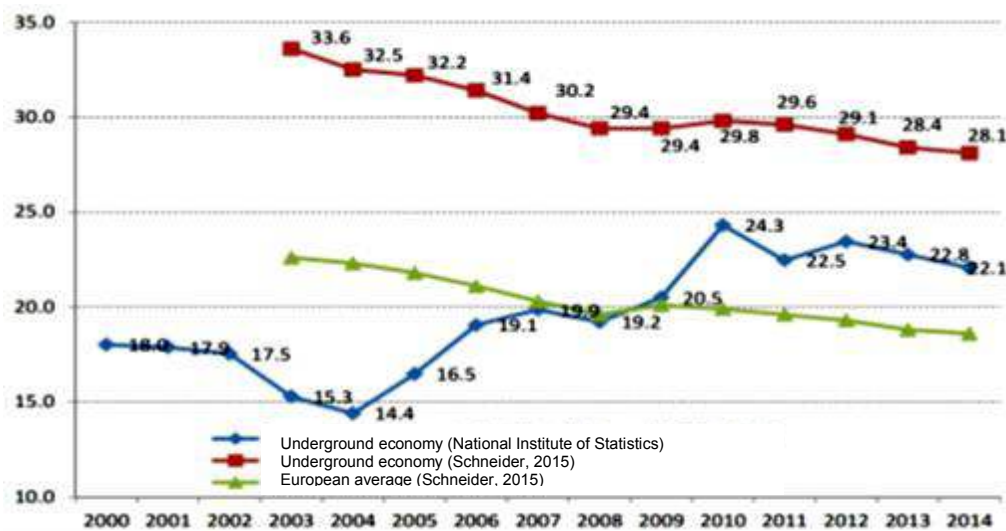
Figure no.4. The total tax contribution paid by companies to the state budget for 2014 – 2015



Source:(Fiscal Council, Annual Report,2015, 17)

It has been stated that if Romania had managed to collect taxes in a ratio of 100%, and if taxpayers didn't turn to various means to escape Tax Authorities, it would have a level of budgetary revenues in the GDP which would exceed the EU average because Romania is practicing a higher legal level of taxes than the EU average. A significant change in terms of managing taxes and duties in order to increase the efficiency of their collection, is compulsory. This change would also lead to a diminution of the tax burden on the dutiable subjects and thus for them tax evasion will not represent a path to follow anymore.

Figure no. 5. The share of underground economy in Romania and the EU (% of the GDP)



Source:(Fiscal Council, Annual Report, 2015, 35)

According to the Fiscal Council, the percentage of the underground economy in the GDP of Romania exceeds by far the EU average (Figure no. 4), this showing once again the inefficiency of

the legislative system but also the weakness of the tax collecting system. The average of the underground economy, namely the economy that operates legally but does not declare all revenues, reached, in 2014, 28.1% of the GDP, a 0.3% drop compared to 2013, this indicating a positive situation. Also, the average of EU 28 registered much lower values than the Romanian average, this being caused by the fact that the EU practices a lower level of taxes, but it also has effective laws and regulations that prevent taxpayers from seeking means of evasion.

Table no. 2. The underground economy of the European countries

Country	GDP (€ bn.)	Underground economy (€ bn.)	Share in GDP %
Bulgaria	41.2	12.8	31.2
Romania	139.3	39.5	28.4
Croatia	44.8	12.7	28.4
Lithuania	34.7	9.7	28
Estonia	18	4.9	27.6
Latvia	23.5	6	25.5
Cyprus	17.5	4.4	25.2
Malta	7	1.7	24.3
Poland	400.1	95.2	23.8
Greece	182.9	43.1	23.6
Slovenia	35.2	8.1	23.1
Hungary	102.7	22.7	22.1
Italy	1576	332.6	21.1
Spain	1051	195.6	18.6
Belgium	385.2	63.1	16.4
Czech Republic	154.3	23.9	15.5
Slovakia	73.9	11	15
Sweden	422.6	58.7	13.9
Norway	416.2	56.6	13.6
Denmark	249.7	32.4	13
Finland	198.7	25.8	13
Germany	2697	350	13
Ireland	167.4	20.4	12.2
France	2061	204	9.9
UK	1950	189.1	9.7
Netherlands	606.9	55.2	9.1
Luxembourg	45.6	3.6	8
Austria	319	23.9	7.5
Switzerland	507.4	36	7.1

Source: processing after A.T. Kearney, (A.T. Kearney's Global Business Policy Council (GBPC))

The willing acceptance to contribute of the taxable subject will increase only if this will be satisfied with the quality of the public services and will be treated fairly by the tax authorities.

The fight against tax evasion is getting more pronounced both nationally as well as globally. For this purpose, different specialized organizations have been designated to pursue this phenomenon and to operate in a manner as effective as possible, forces have been joined and financial and legislative decisions have been made in this regard. However, the legislation has shown to be in a very strict accordance with the dynamic evolution of the tax realities.

3. Conclusions

In the development of the proposed topic, it can be noticed that the tax evasion phenomenon is linked to numerous monetary factors such as rate, penalties and the probability of being subjected to controls by the authorities, and non-monetary factors, including the numerous social, ethical and moral norms.

Currently, by approaching the causes, it has been discovered that these influence in a significant manner the taxpayer's behaviour, and, implicitly, the evasion. By identifying the causes, we can

conclude that in order to deal with and combat the evasion problem it is necessary to act on it. It is essential to develop and implement contrasting actions that are thoughtful and decided at a group level. Some causes can and should be eliminated. These include: high tax rates, excessive regulations, and taxpayer's dissatisfaction concerning the offered public services, the knowledge that many subjects evade taxes and therefore evasion is widely seen as a common behaviour, therefore it can be considered normal. Thus, contrast actions are needed, these reducing the evasive behaviour. But, at the same time, it is essential to increase the taxpayers' possibility to spontaneously meet the social norm, and this can even be achieved by eliminating the causes listed above.

It is well known that the international monetary flows do not necessarily indicate the physical movement of the capital from one country to another, such mobility being achieved even through the accomplishment of financial transactions or direct investments of a multinational company. The capital movements are included, in this context, in the so-called tax haven, namely the states whose legal regime allows considerable limitations of taxes on the revenues generated by physical or juridical persons. These states, that have adopted a privileged tax system, have very simplified regulations concerning trading and banking entities. Under these circumstances, a decisive role rests on the offshore companies.

Throughout time, scandals such as the currently known #PanamaPaper existed previously worldwide, some very well-known examples being the disclosures made by Edward Snowden or the disclosures made by WikiLeaks on the Internet conversations or on the wiretaps of millions of Americans and not only.

The Panama Papers scandal of the year 2016 exceeds by far the scandal triggered by Snowden in 2013, especially in terms of the dimension of the data and information revealed to the public. If in 2013, Edward Snowden published about 1.7 million documents, in the #Panama Papers scandal we talk about a data and information leak of over 11.5 million records. That is, a 2.6GB archive, was e-mailed from an anonymous person to the newsroom of a German newspaper entitled *Süddeutsche Zeitung*. The amount of data published is huge when compared with the 1.7 GB of files made available to the WikiLeaks publication in 2010 by an American soldier.

Certainly, tax evasion represents a big problem for states all around the world and is now a complex economic and social phenomenon, that has been proven to be impossible to eradicate, with multiple effects on the macro or micro-economic level, starting from the diminution of the budgetary collection to the impairment of the income of each individual and even of the health of a company as a whole.

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Particularities Regarding the Evolution and Role of Foreign Direct Investments in Romania's Economy

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Abstract

Criticized by some, praised by others foreign direct investments are a financial flow with a major impact on the economies of many countries. In an increasingly globalized world, the process through which multinationals open production and distribution branches over the entire surface of the globe is something as natural as possible.

After the fall of communism in Europe, Romania has been a favorite destination for many foreign investors, fact which requires a careful analysis on the dynamics and structure of foreign direct investment flows attracted by Romania. I have also tried to highlight the nature of the link between the flow of foreign direct investment attracted by Romania and the variations recorded in the economic development of our country.

Given all the positive and negative aspects presented, foreign direct investments are a reality for Romania, and future policies promoted in the area should stimulate the entry foreign capital firms whose work will generate a high level of content of knowledge and technology directly impacting the improvement of the economic efficiency at national level.

Key words: foreign direct investments, flow, stock, economic growth, correlation

J.E.L. classification: F21, F23

1. General aspects regarding foreign direct investments

It is obvious that the vast majority of the people of a country want to benefit in the future from a standard of living higher than that of the present. To achieve this objective, the main direction in which this action must be taken is to ensure sustainable economic growth, a fact supported by the political class in the country. Economic development, accompanied by a fair distribution of its effects, ultimately lead to improve the living conditions of the population.

To ensure GDP growth, the necessary capital flows should be ensured. For the construction of production units, a state can access certain external loans, which through judicious management, ensure economic development and constitute a source of additional budget revenues, the profits made by these companies are returned to the state as shareholder. Another solution is the foreign investment that can be attracted by a country. Attracted foreign investment by the domestic capital market represents an extremely volatile source of capital, it is extremely difficult for a country to build factories with money entering and leaving the country with extraordinary speed. In this context, attracting foreign direct investment is advisable. Besides the fact that it will not generate foreign debt, through the control exercised by the foreign investor over the economic unity, foreign direct investment generates profits without effort from the host country. We must not forget that on one hand besides the financial inflow, the foreign investor transfers important knowledge management skills, marketing skills, etc., to the host country and on the other hand in many cases it invests in building productive halls, mounting equipment etc., elements that make the investment hard to abandon. Essentially in a foreign direct investment, the investor is more involved and more responsible than the investor who speculates on the capital market in another country. We must also take into consideration that the jobs created by FDI provide higher wages than local wages in comparable industries and there is a transfer of technology.

In the speciality literature, the attractiveness of a particular host country to a foreign investor is usually determined by three elements:

- national policies on FDI materialized especially in treatment of domestic companies with foreign capital;
- facilities targeting the investment incentive system for investors, system which is predictable and transparent;
- the economic factors characterizing the host country, which generally refer to the market size and its evolution trends, natural resources and manpower available for existing infrastructure and opportunities arising from the ability to purchase or merge with businesses local. (Popa S. 2012, p 91-92)

In other words, multinational companies - which are the structures that provide the bulk of foreign direct investment flows - invest in countries that provide higher profit rates than those registered in their own country. Usually those profits are transferred to the investor's home country, generating a series of discussions and controversies in the host country around the moral issues arising from this.

2. The evolutionary trends of foreign investment flows at a global scale

The aftermath of the Second World War was characterized by the pursuit of many national liberation movements initiated by existing colonies at that time. The result was the formation of numerous independent states that politically were no longer controlled by the metropolis, but where economically strong dependence was still existing.

The desire of the young states, mainly under-developed countries developing countries, to develop by themselves led to the adoption of laws that limited the access of foreign capital in general, and especially that from the metropolis. This led to a relatively slow economic development of the newly independent states.

Since the 80s developed countries have passed a series of regulations favorable to foreign investors, and the approach was followed in developing countries. In the last 24 years of the total of 2,634 adopted regulations relating to foreign investments globally, 85% were favorable to foreign investors. We can say that most of the world countries show a favorable attitude towards foreign investors.

There are also hostile situations in this area transposed into national legislation which led to nationalizations, Venezuela and Brazil representing examples. Noting that to such an attitude some multinational companies also contributed, whose behavior was characterized by predominantly operating in their own interests, exploiting the natural resources in the host country, sometimes with a disastrous impact on the environment.

As a result of the favorable regulatory framework promoted by most countries after 1980, the annual values of foreign direct investment experienced a continuous growth trend between 1980-2000. The next three years were characterized by a strong decrease in the flow of foreign direct investment, in 2003 it represented approximately 40% of the corresponding value of 2000. In 2004-2007 foreign direct investment grew strongly reaching a maximum of \$ 1.8717 trillion. 2008 and 2009 saw significant falls of foreign direct investment flows globally that dropped sharply amid the global financial crisis and increased with some fluctuations in the coming period, reaching in 1762, billion dollars in 2015, value close to the level reached in 2007. (<http://unctad.org/en/Pages/statistics.aspx>)

Worth noting that in the period 2011-2014 the cumulative flows of foreign direct investment annually in developing countries and transition countries have surpassed the flow in developed destination countries, a trend that we can consider as correct, given on one hand the need for the development of poorer countries, and on the other hand, the lack of capital of such countries.

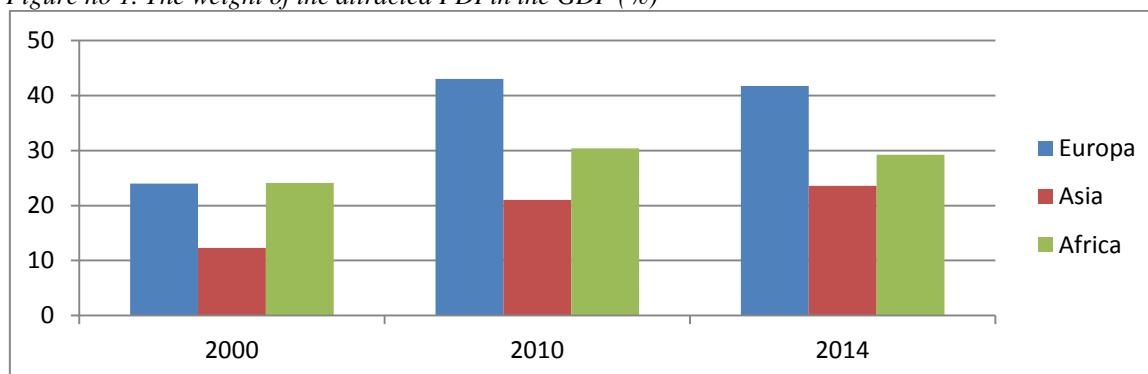
Table no 1. The evolution of FDI flows at a global level and per country categories

	1980				2015			
	Inflow (\$ bn)	%	Outflow (\$ bn)	%	Inflow (\$ bn)	%	Outflow (\$ bn)	Inflow (\$ bn)
World	701,1	100	558,9	100	24983,2	100	25044,9	100
Developed countries	406,6	57,9	488,2	87,3	16007,3	64,0	19440,8	77,6
Developing countries	294,5	42,1	70,7	12,7	8374,4	33,5	5296,3	21,1
Transition countries	0	0	0	0	601,3	2,5	307,7	1,3

Source: <http://unctad.org/en/Pages/statistics.aspx> and
http://unctad.org/en/PublicationsLibrary/wir2016_en.pdf

Regarding the evolution of the foreign direct investment stock, it's been a substantial increase in the between 1980-2015. In terms of the share of different categories of countries in the total stock of FDI worldwide, there has been a decrease in the share of developing and transition countries in what concerns investments attracted and an increase of the share of this category of countries in investments made abroad. It is good that we are witnessing a growing role of developing and transition countries in investments made abroad, but we must remember that few countries from this category have shown a major investment potential abroad and investments are overall of a regional character.

Figure no 1. The weight of the attracted FDI in the GDP (%)



Source: <http://unctad.org/en/Pages/statistics.aspx> and
http://unctad.org/en/PublicationsLibrary/wir2016_en.pdf

The degree of dependence of the economy of a country or an area can be determined by the share of the stock of investment in the GDP. As highlighted in Figure No. 1, this indicator has increased in all three analysed continents. The largest share of the foreign direct investment stock to GDP is owned by Europe, an region with an appreciable level of development. This high percentage is due to a good economic performance recorded by many developed European countries showing interest for foreign investors, but also by pressing capital needs from the former socialist countries of Central and South-eastern Europe. The extraordinarily growth in GDP in Asia coupled with the domestic capital available led to a relatively low share of FDI in the GDP for this continent. Relatively low in terms of records and the recalled indicator is Africa, where there is an acute lack of adequate financial resources.

3. The impact of foreign direct investments on the Romanian economy

Due to the promoted government policy and legislation during communist Romania, the country was not, in general, considered as an attractive country for foreign investors.

After the events of 1989, the legal framework of our country has changed fundamentally, Romania turned into a major opportunity for investors through the facilities and incentives for them but also through the generous offer resulting from the privatization process of the Romanian companies with state capital.

In the first half of the ninth decade of the last century, although foreign investors were positively discriminated against domestic investors, at least due to the exemption from corporation tax, average annual foreign direct investment in Romania were modest.

The change in decision makers, following the elections in 1996 led to the lands property investment legislation and increased the opportunities for foreign investors to participate in the privatization process. However political instability and frequent legislative amendments have made the average annual inflows of foreign direct investment values somewhat higher than previously, but still modest when compared with the opportunities and the need for capital of Romania.

Joining NATO and the clear prospects of joining the European Union resulted in an exponential increase in the flow of foreign direct investment attracted by Romania since 2003. This trend was maintained until 2008. It should be noted that during this period acquisitions were privatized by foreign investors in particularly attractive economic units such as those in the extraction, processing and distribution of oil, the natural gas distribution sector, the electricity distribution etc.

The spread of the global financial crisis since 2009, resulted in a considerable reduction in foreign direct investment flows to Romania, our country being heavily dependent on foreign markets and therefore vulnerable to disturbances recorded in the world economy. The value of the average annual FDI flows entered in Romania in the period 2009-2014 is only \$ 3.3 billion, a value that is only 24.6% of the level achieved in 2008 according to UNCTAD.

Unfortunately, in recent years there is a tendency to cap these flows, the range 3-3.5 billion is far below the values recorded before the crisis. What is worrying is that this evolution took place in a context in which the values of FDI flows attracted worldwide and by most former socialist countries, which are now members of the EU, showed recovery trends with the annual value surpassing, in some cases even exceeding the one before the crisis. (<http://unctad.org/en/Pages/statistics.aspx>)

The stock of foreign direct investment attracted by Romania represented \$ 60.7 billion at the end of 2014, the main areas that attracted funding source are: industry (48.7%), financial intermediation and insurance (13.0%), trade (11.7%) etc.

The countries that have invested the most in Romania, are in the following order: the Netherlands (23.6% of all incoming FDI stock), Austria (16.1%), Germany (12.4%), Cyprus (7.1%) and France (6.8%). The presence of Austria, Germany and France in the top five foreign investors in Romania is not surprising, their presence is easily felt in our economy through numerous acquisitions made in the privatization process. Unusual is the presence as leader of Holland, which may be motivated by the transnational companies opening branches in there, these branches later becoming investors in Romania. This phenomenon is caused by tax arrangements, and political stability that characterizes the Netherlands. Also in the category of novelty we can consider Cyprus, however this can be justified by its status of tax haven. Cypriot firms have been established and used by foreign investors from various countries, including Romania. Through these companies anonymous investors have made foreign investments in Romania, mainly through the privatization process.

Romanian companies with foreign direct investment are the key participants in Romania's foreign trade. The share of exports of goods made by these companies in the total Romanian exports of goods in 2014 was 70.9% and 64.7% in the imports of goods. Export and import services shares stood at 51.0% and 51.2%. (<http://unctad.org/en/Pages/statistics.aspx>)

This raises the questions about the economic and social impact on sustainable development which foreign direct investments produce on the host country.

In terms of the impact on GDP growth, some authors believe that FDI positively influences the evolution of the gross domestic product, while other authors bring arguments to the contrary. It seems that the truth is somewhere in the middle, usually FDI generates in the host countries' economies both beneficial and less beneficial effects. There are countries like Singapore, Brazil, Thailand and to some extent China where foreign direct investment has played an important role in their economic development, and countries (Japan is an example) whose development was supported primarily by domestic capital.

Coming back to Romania, the country's gross domestic product increased between 1989-2014 from 42.6 billion euros to 150.3 billion euros, the multiplication being 3.5 times. Over the same period the stock of foreign direct investment attracted by Romania increased from virtually 0 to \$

60.7 billion. The evolution of the two indicators can lead us to the conclusion that foreign direct investments have contributed significantly to GDP growth of Romania.

To highlight the extent to which there is a direct link between the change in FDI inflows and changes in Romania's gross domestic product we use the correlation coefficient calculation.

For ease of calculations and tabular representation we denote by x the inflows of foreign investment in Romania and with y Romania's gross domestic product.

Table no 2. The variation of FDI inflows and GDP in Romania

	X	Y	X Y	X ²	Y ²
2005	6,1	99,6	607,56	37,21	9920,16
2006	10,8	123,5	1333,8	116,64	15252,25
2007	9,7	171,5	1663,55	94,09	29412,25
2008	13,4	208,1	2788,54	179,56	43305,61
2009	4,6	167,4	770,04	21,16	28022,76
2010	3	167,9	503,7	9	28190,41
2011	2,3	185,3	426,19	5,29	34336,09
2012	3,1	172	533,2	9,61	29584
2013	3,6	192	691,2	12,96	36864
2014	3,2	200,1	640,32	10,24	40040,01
Total	59,8	1687,4	9958,1	495,76	294927,5

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

$$r = \frac{n \sum xy - \sum x \sum y}{\sqrt{n \sum x^2 - (\sum x)^2} \cdot \sqrt{n \sum y^2 - (\sum y)^2}} = \frac{10 \cdot 9958,1 - 59,8 \cdot 1687,4}{\sqrt{10 \cdot 495,76 - (59,8)^2} \cdot \sqrt{10 \cdot 294927,5 - (1687,4)^2}} = \frac{99581 - 100906,52}{\sqrt{(4957,6 - 3576,04) \cdot (2949275 - 2847318,76)}} = \frac{-1325,52}{37,16 \cdot 319,30} = \frac{-1325,52}{11865,40} = -0,111$$

The reduced negative value of the correlation coefficient implies that between the inflows of foreign direct investment and the development of the gross domestic product in Romania there is a reverse link of low intensity.

To highlight the proportion of the total variation of Romania's GDP is determined by the foreign direct investment flow variation we have calculated the coefficient of determination (k = r²)

$$k = (-0,111)^2 = 0,012$$

The conclusion is that only 1.2% of GDP variation in Romania is caused by variations in the flow of foreign direct investment attracted by Romania, meaning that 98.2% of gross domestic product variations are generated by the influence of other factors such as domestic investment, labor productivity etc.

It should be emphasized that in 2014 the share of foreign direct investment stock in the GDP was 36,6%, much higher than the existing worldwide value 32,1%. These figures highlight the fact that on one hand Romania's economy recorded a higher level of globalization than the world average, and on the other hand, the number of unit value of foreign direct investment attracted for obtaining a value unit gross domestic product is higher in Romania compared to the world average. That conclusion leads to the idea that the impact of FDI on increasing the efficiency of the Romanian economy is relatively minor.

Greenfield investments represent 54% of the stock of direct investment attracted by Romania at the end of 2014. Apparently 54% is a good level comparable with the situation worldwide. Every year there is a significant number of mergers and acquisitions between the largest companies which causes a considerable weight of mergers and acquisitions in the global flows of foreign direct

investment. Greenfield investments ensure a greater (comparable to other forms of investment) technology transfer and number of jobs in the host country. The remaining 46% of the stock of foreign direct investment attracted by Romania is represented by mergers and acquisitions resulting mainly from foreign investors in the Romanian privatisation.

Some considerations related to the concrete way in which in the last 25 years, foreign capital entered Romania, and the effects that it has generated on our economy will be presented in the following paragraphs.

In the early years of the transition period from planned economy to market economy, **the Romanian banking system** registered a series of bankruptcies, with a particular impact on the national economy. Several private banks were bankrupted among which we can mention: Dacia Felix, Columna Bank, Bankcoop, Banca Religiilor, Credit Bank etc. Bad loans have rocked to a greater or lesser extent the state banks. Banca Agricola and Bancorex were significantly affected and for their salvation the Romanian state had to allocate large amounts of money, given the relatively small size of the state budget revenues. These cataclysms in the Romanian banking system were possible amid the existence of elusive regulations and insufficient controls from the institutions. Regardless, the extremely high proportion of bad loans in the total loans cannot be justified. Multibillion dollar losses incurred by the Romanian state and directly or indirectly by our population had a major negative impact on the national economy only due to the desire to create Romanian capitalists.

The prices at which the Romanian state sold most banks in Romania can be considered derisory in comparison to the value of their assets or the value at which the Romanian Commercial Bank was privatized.

To avoid the collapse of the banking system, Romania acted for the privatization of state owned banks, this being the express recommendation of the IMF. The action proved to be beneficial, the banking system perturbations decreasing substantially over the period that followed.

Currently the banking market in Romania is about 90% controlled by banks with foreign capital, and it has proven to be extremely profitable. In 2008, amid high profit margins, Romanian banks with majority foreign capital registered a rate of return on equity of 29.4%, a level which is two times higher than the average of EU member countries. (<http://www.ziare.com/economie/stiri-economice/bancile-romanesti-cele-mai-profitabile-din-ue-875498>) The value of this indicator during the crisis considerably reduced, in recent years Romania recorded again enviable values. The rate of return on equity was 7.6% in September 2015 in Romania and 6.4% in the EU, reaching 13.2% in Romania in late 2015. (<http://www.ziare.com/bnr/banci/pe-hartie-bancile-din-romania-sunt-de-doua-ori-mai-profitabile-ca-media-ue-explicatiile-bnr-141195>)

Another sensitive area in any economy is represented by the national **energy market**. Romania has privatized most of the electricity distribution business, the main beneficiaries being foreign companies such as ENEL, CEZ and E.ON. The proceeds from these transactions to the Romanian state, from foreign investors, can be said to be modest but acceptable due to the investments that were being made by the mentioned companies. By performing only slight investments the principal actors in the transport and distribution of electricity made possible record energy losses in the network equivalent to 1.88 billion euros for the period 2010-2014, this was supported in most cases by consumers through the unjustified, in many cases, increase of the distribution tariffs easily approved by the Autoritatea Națională de Reglementare în domeniul Energiei (ANRE). Between 2010-2014 energy tariffs increased by 33.3% for households and 21.7% for other consumer categories, this increase was caused by higher charges related to the transportation and distribution of electricity. To all this it is added the dubious transactions with green certificates, the including in the depreciated value assets which were not directly used in upgrading the distribution network etc. The mentioned actions call into question the work of some of the electricity transmission and distribution companies in Romania. Moreover, the annual profit rate recorded by most of the main actors in this area ranged between 15% and 25% in the mentioned time interval. (<http://www.comisarul.ro/articol/cutremurul-vine-de-la-curtea-of-accounts-thieves-in-743687.html>)

Majority foreign-owned firms operating in Romania in the distribution of electricity achieved profit rates significantly higher than the average across the group to which they belong.

In 2004 the process of privatization of the two Romanian **gas distribution** companies was started. As a result of the privatization of gas distribution, a few millions of Romanian consumers are provided for by two companies with majority foreign capital (French and German respectively).

The Petrom privatization occurred in 2004. Although Petrom was the only producer of oil and second largest gas producer in Romania, before being privatized the company incurred losses of 240 million euros, generated by a bad administration, oversized staff (over 50,000 employees) and associated companies on the supply chains and distribution of Petrom. Despite these shortcomings, the economic potential of Petrom was enviable. The Romanian state received the amount of 669 million euros for the disposal of 33,34% Petrom shares. In the same time, OMV was able to participate with 830.6 million euros in the capital increase of Petrom, reaching 51.01% of the shares. Many analysts have concluded on several occasions that the amount with which Petrom was privatized was far below the market value at the time, as confirmed by the substantial profits made by Petrom in the aftermath of privatization. Romania also undertook not to amend the fees charged for each ton of oil extracted Petrom, for a period of 10 years, this given the fact that oil is a non-renewable, depleting resource. The royalty received by the Romanian state was established in 2004 while the price of a barrel of oil was around the value of \$ 40. Meanwhile oil prices experienced substantial growth reaching values in excess of \$ 150/barrel, whilst the fee charged by the Romanian remaining stable since 2004. We must note that the fee charged by the Romanian state is much lower than that charged by other European countries and is even lower than the fee charged by some African countries, where exploitation conditions are riskier than in our country.

The Dacia Pitesti privatization can be considered as a remarkable success, not necessarily due to the \$ 50 million sale price but especially due to the economic impact that it has generated. The investment made by Renault in Dacia Pitesti have turned this company into the largest Romanian exporter. Dacia Pitești provides employment to 17,000 Romanians. In the absence of the French investor, Dacia Pitesti could have had the same fate as Rocar. Romania being unable to cover the necessary buses, tractors or combines. Export being out of the question.

4. Conclusions

A country's economic development cannot be achieved without investment, whether foreign or domestic. Avoiding overheating the economy is done by reducing investments and eliciting crisis is done through increasing the investment volume. We can therefore state that investment is the determining factor in the economic development of a country.

The volume of foreign direct investment attracted by Romania is relatively high by reference to its gross domestic product, which shows an increased globalization of our economy. On the other hand we must stress the important role played by domestic investment in the development of the Romanian economy.

Many of the foreign direct investments attracted by Romania have resulted in the acquisition by transnational companies of local companies with majority state ownership in oil extraction, gas and electricity distribution, banking etc. In reality the Romanian state has privatized firms that held a monopoly in a certain area, the profitability potential being high. In general, a monopoly is not advisable. In the speciality literature it is accredited the idea that private companies holding a monopoly is a more dangerous situation than when the monopoly is held by local companies with majority state ownership. The abusive behaviour and sometimes at the limit of the law which certain investors had in Romania is an argument to support this idea.

Of particular interest for Romania are greenfield foreign direct investments, where the transfer of technology ensures an increasing the number of jobs.

Based on the experience of the last 25 years, it is necessary for Romania to establish and implement a coherent policy in the investment field for the benefit of the national interest, policy meant to ensure sustainable the development of our country.

Lastly, state institutions that ensure the regulation and control in areas of great importance (banking, energy, mining, etc.), need to demonstrate through the undertaken measures the proper behaviour towards both the Romanian State and economic operators.

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Foreign Debt: Causes and Measures Taken

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Abstract

In an increasingly globalized world, any crisis, including the ones caused by the foreign debt default of a country, may have a negative impact which can be contagious both at regional and at global level.

Taking into account all the risks to which international creditors were subjected over time, the stock of foreign debt worldwide has experienced a significant increase in the current millennium, actually demonstrating that international lending is profitable.

The causes of default, the measures taken by the concerned countries to get out of this situation and the specific examples were the elements which I have tried to capture in this paper. Last but not least, I have performed an analysis of the evolution of the foreign debt stock and the repayment capacity of small and medium-income countries, respectively the most vulnerable countries in terms of debt repayment.

Key words: debt, debt service, insolvency, odious debts, in debtness level

J.E.L. classification: H63, H69

1. The default of a country - general comments

In general, the foreign debt default of a state lies in its inability to pay the amounts owed to foreign creditors. This does not necessarily mean a depletion of its own foreign reserves and it does not mean that the state can no longer pay its monetary obligations towards the public sector employees or retired employees.

History records some examples of countries that have gone into foreign debt default due to their own will, and not because of a lack of financial resources to pay foreign creditors. Through their foreign debt default, these countries have used this opportunity to restructure their economies, thus creating a new development base for their nations.

We must also distinguish between a lack of liquidity and insolvency situation and a situation in which a country can be found in a particular moment of its existence. In the first case the country in question does not have, for a relatively short period of time, the financial resources necessary for its payment obligations towards foreign creditors in the context in which it has an acceptable capacity for the annual payment of foreign debt. The second situation involves the country not currently or in the future having the means for paying debts to international lenders or simply being unwilling to make such payments.

International experience in the field shows that a country in foreign debt default can act in one of three ways:

- request financial assistance from international financial institutions such as the International Monetary Fund, credits earned this way, if properly used (primarily for productive investments or infrastructure) can provide the time a country needs for an economic recovery;
- print a large amount of currency, which on one hand leads to a reduced domestic debt pressure, and on the other hand by reducing the national currency's value against the major foreign currencies, cheaper domestic products on foreign markets are possible and

exports are stimulated. Thus the necessary foreign currency liquidity is obtained for the foreign debt service payment;

- effectively block the payments to external creditors; this is an extreme initiative and it has been used relatively rarely over time. (Florescu R. 31. mai.2011, Evenimetul zilei)

This last solution is not recommended, although in many cases it was inevitable. Being a solution with an extraordinary character its produced effects are also unusual in nature. More than 100 years ago France, England and Germany have used military force to make countries like Venezuela, Mexico, Egypt pay the owed amounts. It is obvious that such actions cannot be taken in the third millennium on debtor countries, examples from the past 15 years offered by Argentina or Greece are enlightening in this respect.

The main problem that occurs when a state no longer honour payments to foreign creditors are the losses that the latter suffer. Perhaps from a legal point of view creditors may find solutions in various courts to recover the sums subjected to dispute, but from a practical point of view their efforts are extremely difficult, even impossible in some cases. Seizure and sale of assets held abroad by the debtor country, including aircraft and ships temporarily held in other countries, are a solution for international creditors to recover the amounts due, solution which often turns out to be not to be sufficient. However the reputational damage to the image of the debtor country is significant, on the short term and especially on the medium and long term. Thus debtor countries will no longer have access to foreign loans for a long time, and when lending will resume, foreign loan funding will be made with higher costs than those existing on the market at the time. Moreover a foreign debt default contagion can appear in the other neighbouring countries placed in the same geographical area or which have similar economic and social characteristics.

It is suggested in the specialty literature that the situation in which a country enters a foreign debt default is similar to the one of companies, this being explained by the chance that should also be given to countries and not just firms to obtain the additional time needed for national economic recovery. This would require the existence of courts for the countries seeking the prescription or restructuring of foreign debt and their creditors. It is however difficult to manage such a procedure. In addition to external creditors, the debtor country has a number of obligations to its citizens, which generates a series of discussions on the priority of payments. Most country-specific activities cannot be stopped once the country becomes insolvent, thus a country cannot be effectively declared bankrupt.

In the same time, I believe that several international level rules should be set in order to eliminate bias and discrimination in the reduction and limitation of foreign debts contracted by different countries. We take into consideration the negotiating capacities of debtor countries, the lobby undertaken by powerful states towards the debt relief of countries where economic interests are held as well as the diminished time period in which the debtor's economy is blocked.

2.The causes which have determined the foreign debt default of some countries

The reasons that led to the inability or unwillingness of countries to honour their debts to foreign public or private creditors, are numerous, the most important being summarized in the following paragraphs.

The external debt itself, seen as both an absolute amount and as a percentage of GDP can in certain circumstances pose an unbearable burden on the economy of a country.

There were countries who were advised and even encouraged by foreign lenders to access foreign loans which were oversized in relation to their economic and social needs at the time. The changing world economic conjuncture as well as the mistakes made in their own development strategies have led to the impossibility of debtor countries (in many cases less economically developed countries) to pay their external debt service. Lending conditions set in contracts asymmetrically distributed risks between borrowers and lenders. Most of the risks were taken by borrowers, thus leading creditors to moral hazard, meaning that they didn't pay the due attention to analysing the conditions that must be met by the borrowing country to receive requested funding

Increasing amounts awarded by international lenders essentially meant an increase in the profits that they were going to receive.

A high external indebtedness level increases the risk of a country to default its foreign debt payments. The level, calculated as a percentage of the external debt to GDP, at which the risk of insolvency is imminent is relative. If we take as a reference the level of indebtedness of 60%, a figure circulated in EU regulations, we find that in the period 1970-2008 more than half of all foreign insolvency situations were in countries with an external indebtedness level below 60% and less than half of the total occurred in countries with an external indebtedness level below 60%. For the same period 16% of the total foreign insolvencies were registered in countries with an external indebtedness level of over 100% and 20% for countries with an external indebtedness level less than 40%. The figures relate to situations of insolvency recorded among emerging countries. (Reinhart C, Rogoff K. 2012, p.71)

For the so-called *odious debts* accessed by previous governments (usually dictatorships) when the political power changes, there are some justifications when they are not paid. Ethiopia's case is enlightening in this respect. Part of the proceeds of foreign loans were used in the 80's to purchase weapons used to neutralize political opponents, including through physical suppression. The paradox is that after the fall of the Ethiopian dictatorship the new governing politicians (who had to pay the external debt) were part of the political class which was actually subjected to the shooting weapons, weapons purchased with money from foreign creditors. I believe that the non-payment of such debt is justified, the creditors must be careful in terms of both financing dictatorial governments and in terms of how those governments use foreign loans.

Under the banner of odious debts not very well grounded external loans can also be included, loans that do not ensure sustainable development of the debtor countries. Many governments' accessed external loans for the funding of populist projects bearing in mind that the repayment of these sums will be made by the following government, putting the latter in a difficult financial situation.

It is estimated that in order to be included in the category of odious debt a credit must be given in the following circumstances:

- the government's initiative to access credit is not in accordance with the consent of their citizens;
- the sums of money from the granted foreign credit are not used effectively to meet the economic and social interests of the country;
- although they were aware of these two conditions international lenders have given the credit. (<https://cersipamantromanesc.wordpress.com/2016/04/01/teoria-datoriilor-odioase-situatia-actuala-din-statele-lovite-de-criza-si-amenintate-de-un-faliment-total/>)

Alongside the concept of odious debt the illegitimate debt concept has appeared, which generally nuances the same issues.

Even if foreign creditors have agreed in several cases to a reduction of foreign debts arising from loans poorly granted to regimes which proved to be dictatorial, both international financial institutions and private lenders avoid using the terms of odious debt and illegitimate debt for understandable reasons.

Apparently the *domestic debt* of a State should not have implications on foreign debt default. States have a number of tools, which can be used in order to reduce domestic debt, inducing a strong inflationary phenomenon in this sense. International experience demonstrates that emerging countries have gone into default to foreign creditors when they have recorded an average a debt approximately 200% higher than the GDP, coupled with an average external debt approximately 150% higher than the GDP. We can say that a large domestic debt, coupled with a significant foreign debt increases the probability of a country to enter into foreign debt default.

The effects of *banking crises* are numerous. The slowdown of the global GDP growth or the so-called negative growth, the worsening credit conditions in general and especially for poor countries, the loss of confidence in international financial markets etc., are just a few of these effects. At the same time the globalization of the world economy over the last 20-30 years has triggered a contagion phenomenon of crises. The economic contraction in some countries leads to reduced production and private consumption with direct consequences such as decreased imports from partner countries. The reduced exports on the background of banking crises represents a reduction in currency resources for some countries, increasing the risk of entering foreign debt default.

The depreciation of the *national currency* against major currencies determines a proportional increase of the foreign debt denominated in its own currency. The liberalization of capital markets by emerging countries, achieved in some cases due to the recommendations of international financial institutions, led to a high volatility in the concerned markets. At the first signs of crisis in emerging countries, speculators withdraw their capital, generating an extremely high pressure on the currency. Host countries are forced to use the monetary resources they hold in order to support the national currency. Massive capital inflows in emerging countries were accompanied in many cases by equally massive outflows on a short period of time, resulting in many cases in the entering of the concerned countries in foreign debt default.

Used by some countries as a solution for solving domestic debt problems, *inflation* at above certain levels can lead a country to enter foreign debt default. Experience shows that the risk of going into foreign debt default is major for countries with inflation rates of over 20% for several years. Average inflation rates recorded in the cases where countries have gone into foreign debt default, was in the year preceding of 33%, increasing in the coming years to levels by three digits. The figures refer to the cases of external debt default recorded between 1800-2008. [Reinhard C, Rogoff K. 2012, p.147; 217).

3. Concrete actions taken by countries in foreign debt default

The information released especially in the last 20-30 years by the public media have induced the feeling that foreign debt default is a phenomenon specific to developing countries or countries in transition. It should be noted that in the beginning of its manifestation, the phenomenon of foreign debt default was met in many advanced countries in that age. England, France and especially Spain are significant examples in this respect. Generally excessive military expenditures and major maintenance expenses for royal courts were the causes of the entry into foreign debt default by the countries mentioned above. Including the last century advanced countries like Germany, Austria or Japan went into external debt default mainly due to military conflicts.

Indeed, in the period from 1970 until today we can state that the cases of external debt default are characteristic to the least economically advanced countries.

With few exceptions, countries that have gone into default attempted the restructuring of the foreign debt in order for short-term payment obligations to external creditors to be reduced. This has been accompanied by a bailout rule, meant to bring stabilization and economic recovery to the country. The credit necessary for that purpose, was negotiated and granted by international financial institutions and was accompanied by a series of measures that the concerned country had to apply. The universal recipe imposed the IMF several years ago to countries that have requested financial assistance consisted of measures that led to the budget revenues growth, along with decreased spending. It was not taken into account the extent to which financial investments would have boosted the mitigation of the crisis. By applying to a greater or lesser extent the provisions of the Washington Consensus they were able to obtain liquidity on the short term, reason for joy for private international lenders. Meanwhile, in most cases the potential for economic development of countries that have solicited financial assistance was reduced, with direct negative consequences on the living standards of the population.

The exception to the rule in their behaviour in foreign debt default may be heightened through the examples of Argentina and Iceland.

Most Latin American countries have benefited in the early 70s of generously sized loan terms, *Argentina* receiving significant funding from foreign creditors. This romantic period ended around 1980 with the rise in interest rates charged by American lenders. The harsh reality befell in Latin American countries but also on other countries who incurred large foreign loans impairing their economic development.

After the foreign debt restructuring, the Argentinian economy has experienced a period of growth based mostly on stimulating consumption. The sums of money obtained from privatizations carried out, including in areas of interest such as utilities and the substantial foreign loans contracted were the main sources for financing consumption. Argentina was until the end of the last century the obedient child of the IMF, which enabled the country to obtain massive external borrowing. In reality Argentina entered a spiral of increasing external debt, foreign loans were

contracted sequentially to pay the old. Basically, in a relatively short period of time, Argentina's external debt doubled.

Massive withdrawals of money from Argentinian banks caused chaos in the country's economy, the incumbent president being forced to abandon his mandate in December 2001 following street demonstrations. The peso which was previously set at parity with the US dollar was allowed to float freely saw a strong devaluation, with negative consequences on the development of national wealth and business.

Although it acknowledged its debts, Argentina refused a new agreement with the IMF and thus entered foreign debt default. It gave priority to meet the medium and long term needs of the Argentinian citizens at the expense of foreign creditors. There was a 75% decrease in the value of Argentinian bonds held by foreign creditors. The years that followed were characterized by positive effects on the Argentine economy, the unemployment rate was substantially diminished, and the annual GDP grew at around 7%. However, from 2003 to the present day Argentina's access to international financial markets has been severely restricted.

The huge debts incurred by its own banks were the main problem that *Iceland* faced in 2008. The debt of Icelandic banks that year was approximately 5 times higher than the country's GDP. Taking major risks, unlike the US and to some extent the EU, Iceland did not use the taxpayers' money to rescue banks and they were left to fail. Loans and deposits taken by the population were taken over by the new state banks. Those responsible for the banking system disaster were brought to court.

The Icelandic citizens' will expressed in the 2010 referendum resulted in the prohibition of the payment of money borrowed by Icelandic banks from foreign creditors. The referendum also decided that Iceland will not be able to access credit without the consent of its population. Iceland's failure to pay its international lenders has led the country to enter an apocalyptic time. Furthermore, the subsequent development of key economic indicators placed Iceland above several countries that have received substantial financial assistance from international financial institutions.

4. Trends in the evolution of foreign debt and the repayment capacity of states

Resorting to international credits is a current practice, found in the last hundred years, with an obvious tendency to intensify in the periods of major disruptions in the global economy.

There is an interesting study by the World Bank based on statistical reports of 120 small and medium-income countries regarding the evolution of external debt stock and flow. We can see a more significant increase in the foreign debt stock subject to the studied countries in the period that followed the global financial crisis, fact which demonstrates the increasing financing needs of states to overcome the crisis. In 2013 and 2014 the external debt stock growth was tempered. We need to emphasize the significant increase in the 2000-2014 period of the stock of foreign debt from \$ 1,343,300,000,000 to \$ 5,391,500,000,000.

Regarding the structure of the foreign debt stock we can conclude that there has been a significant decline in the share of long-term debt in the total foreign debt stock from 83.8% in 2000 to 69.9% in 2014. This trend shows a significant increase in the short-term needs for funding of the studied states.

Table 1. The evolution of the external debt stock and repayment capacity, all low - and middle - income countries (US\$ billion)

	2000	2009	2014
All low - and middle-income countries			
• External debt stocks	1743	3174	5391
• Long-term external debt	1461	2346	3770
• External debt stocks to exports (%)	122,5	79,2	79,1
• Debt service to exports (%)	20,0	10,1	8,9
• Reserves to external debt stocks (%)	30,4	131,2	113,5
East Asia and Pacific			
• External debt stocks	497	938	1816

<ul style="list-style-type: none"> • Long-term external debt • External debt stocks to exports (%) • Debt service to exports (%) • Reserves to external debt stocks (%) 	418	565	871
	78,2	46,6	48,4
	11,4	4,9	3,8
	55,4	296,1	239,6
Europe and Central Asia			
<ul style="list-style-type: none"> • External debt stocks • Long-term external debt • External debt stocks to exports (%) • Debt service to exports (%) • Reserves to external debt stocks (%) 	203	777	1024
	148	600	790
	156,2	179,8	152,6
	26,6	33,2	22,8
	17,2	28,0	23,6
Latin America and the Caribbean			
<ul style="list-style-type: none"> • External debt stocks • Long-term external debt • External debt stocks to exports (%) • Debt service to exports (%) • Reserves to external debt stocks (%) 	524	677	1346
	453	576	1148
	155,5	110,9	137,2
	39,2	17,1	15,6
	18,6	64,2	53,5
Middle East and North Africa			
<ul style="list-style-type: none"> • External debt stocks • Long-term external debt • External debt stocks to exports (%) • Debt service to exports (%) • Reserves to external debt stocks (%) 	143	160	187
	116	119	141
	120,5	51,0	55,4
	14,2	5,8	5,5
	30,6	174,6	145,6
South Asia			
<ul style="list-style-type: none"> • External debt stocks • Long-term external debt • External debt stocks to exports (%) • Debt service to exports (%) • Reserves to external debt stocks (%) 	162	364	613
	153	292	495
	183,0	110,5	104,2
	17,2	6,9	17,5
	26,7	81,9	58,5
Sub-Saharan Africa			
<ul style="list-style-type: none"> • External debt stocks • Long-term external debt • External debt stocks to exports (%) • Debt service to exports (%) • Reserves to external debt stocks (%) 	212	255	402
	172	193	323
	185,5	82,8	87,0
	11,8	5,0	7,3
	16,1	60,5	42,8

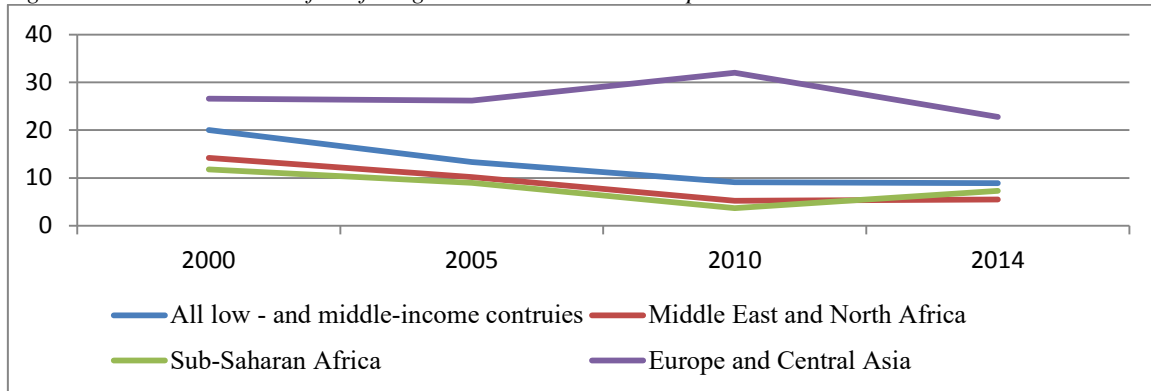
Source: *International debt statistics* -

<https://openknowledge.worldbank.org/bitstream/handle/10986/23328/9781464806810.pdf?sequence=1&isAllowed=y>

The strong increase of the external debt stock accumulated by small and medium-income countries may induce the idea of the increasing likelihood of foreign debt default situations. We have in mind the fact that countries in the mentioned category have relatively limited possibilities of foreign loans repayment.

Concern about increasing the number of countries that could end in a position of foreign debt default is mitigated by the favourable evolution of the foreign debt stock's share in total exports and the share of foreign debt service in total exports. These indicators have showed a downward trend, the share of the foreign debt service in total exports dropping spectacularly from 20% in 2000 to 8.9% in 2014. In the same period the foreign reserves of states have significantly increased, which was caused on one hand by clauses inserted in the financial support agreements concluded between applicant countries and the IMF, and on the other hand by the preventive measures that some states have taken as a result of lessons learned from previous crises, e.g. Asian countries. The development of indicators shows that the situation of the studied countries which did not have loan repayment capacity has improved.

Figure no 1. The evolution of the foreign debt service in total exports - %



Source: International debt statistics -
<https://openknowledge.worldbank.org/bitstream/handle/10986/23328/9781464806810.pdf?sequence=1&isAllowed=y>

From the geographical area evolution point of view we see that lower and middle income countries from the Middle East, North Africa and sub-Saharan Africa countries registered the lowest increases in the stock of foreign debt, in relation to countries from other geographical areas. Simultaneously there has been a remarkable improvement in the ability to pay foreign loans. On the opposite side of the spectrum lie the small and medium-income countries of Europe and Central Asia.

5. Conclusions

Loans, including sovereign ones, are necessary to meet the present and future needs of entities, including those of nations. By taking a loan we can consider from a particular point of view that we bring the future in the present. The condition that emerges is that the loaned sums of money be properly used. On how countries have spent the proceeds of foreign loans there are numerous examples where decision makers have used these sources of funding for electoral purposes or to satisfy the populist demands. There were cases in which eventually the sums obtained from foreign credits ended up in the accounts of political leaders. Accessing credit was also due to the hypothesis that repayment will be made by future governments. The gain was twofold, on the one hand, the governments that have accessed foreign loans spent money to meet important momentarily needs of voters thus gaining their goodwill and on the other hand the future governments who were due to pay the loans were seen to lack the money needed for development, thus creating discontent.

The entry into foreign debt default represented a state in which rich countries entered, but mostly in which countries with a low level of development entered. The causes that determine the entry into foreign debt default are many and tend to recur cyclically. It would be beneficial for the different nations if their political leadership would proceed to learn from their own experience and that of other countries.

International institutions, primarily the IMF should alter their attitudes regarding the conditions under which financial assistance grants are awarded to countries in difficulty toward supporting the economic and social development on a medium and long term.

We must not forget that in recent years the financial situation of most countries has improved, thereby reducing the possibility of entering in foreign debt default. We have reached this positive situation by increasing exports and the national foreign exchange reserve, but also through debt restructuring, including debt prescription in the case of the poorest countries in the world.

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China – the Country Who Beat the Capitalism

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Abstract

A great power is a rich and influential state. Among the major powers of the world, China is "an unusual pattern of power." This country stunned the world because, currently, the only communist country that has a functioning market economy. China's rapid industrialization and impressive for its extraordinary assertion that exporting country led to the characterization of China as "another Japan" or even "a super-Japan" My paper will analyze a China's macroeconomic global investors that countries will be present, the companies and relationships in which the US and Romania.

Key words: competitiveness, global governance, economic growth

J.E.L. classification: F02, F15, F36

1. Introduction

The world is becoming multipolar in circumstances increase the role of states in growing BRIC (Brasil, Russia, India and China), especially China and further transmission of economic power in the Atlantic Basin (United States and the developed EU) in the Asia-Pacific area (new center of gravity of the world economy mainly represented by APEC - Cooperation Initiative economic Asia-Pacific, which belong to most of the major world economies: the US, China, Japan, Russia) and in Asia, the center of gravity also, traveled from Japan to China and India.

My research objectives emphasize that differences in mentality, organization, policy and lifestyle of Chinese people and those in Europe and the US explain how did China, a country with over 1.3 billion people, most haunted poverty, the subject to a socialist regime, to reach the greatest force the world trade

The research results reveals that the rise of a new power poles will change the global dominance of the largest OECD economies and will lead to a change in global governance and competitiveness Internationale. The trend toward a multipolar world structure is proven by some changes with worldwide impact. The paper ends with some conclusions and personal views.

2. The China's economy booming

China ranks first among 22 emerging Asian countries (Bari I., 2012, p.98), for the probability of registering a stable and rapid economic growth over the next five years are over one billion (S Neguț., 2015, p. 125), the work hard, little money, and are taught not to live in debt from banks. Now, the Chinese products have studded world.

China became the largest exporter in the world, surpassing Germany. In the first half, the value of Chinese exports amounted to 521.7 billion dollars, slightly above the 521.6 billion dollars, the value of German exports, according to World Trade Organisation.

The differences of mentality, organization, policy and lifestyle of Chinese people and those in Europe and the US explain how he did China, a country with 1.3 billion people, mostly haunted by poverty, subjected to a regime socialist to reach the greatest force the world trade

A very high rate of saving Chinese, the opposite situation to that in the US, where high expenses are fueled by credit, is one of the main imbalances that led to the global financial crisis.

However, not all Chinese youth have inherited their parents' mentality to save 30% of revenues. They spend more, but their favorite environment is the Internet. Internet sales increased by almost 92% in the first quarter compared to the same period in 2015 to 8.26 billion dollars.

In China, the largest companies are state-controlled. The cheap labor has placed this country in an alternative position for the multinationals seeking to produce cheaper.

The World Investment Report 2016 shows that, while global FDI fell by 13.5% in 2016, China has attracted investment by 30% higher. The asian giant has staked 111% higher amounts for purchases abroad.

The China's advantages in the context of wage increases, pushing some investors to relocate their factories are qualified labor force, a land size, infrastructure, supply chains and consumer market development. There are some examples of moving jobs in developed countries. A coach Company, which produces luxurious suitcases, recently announced that the US will transfer some jobs in China, and other companies have made similar decisions. Some investors seeking very low production costs, could move jobs in less developed regions of China, and those who leave the country moves towards Indonesia, Vietnam, India or Bangladesh. For those, hoping that jobs in factories with better salaries will return to Europe and the US, there is a list of reasons to have doubts. They are qualified labor force in China, the country's size, infrastructure, supply chains and consumer market development. Much of the leading factories in China in manufacturing worked their whole life. In southern China, there is "an army" of qualified and experienced, learned of 20-30 years in the industry. Few regions in the world can offer such a level of expertise in every area of manufacturing. The country size is also an advantage. The wages in some factories in China have already reached levels comparable to Eastern Europe - EU countries like Romania and Bulgaria, but none of these countries has the manpower required for construction of factories that employ hundreds, thousands and even tens of thousands of people unlike southern China. In addition, even in 2020, China will be more than 20% of the working population of the globe.

The China's infrastructure - ports, railroads, and airports - especially in the south, is as good as anywhere in the world. China offers to investors and well-developed supply chains, developed in the industrial production 20-30 years (Brăileanu T., 2013, p. 211). Even if businesses foreign investors often have an important role, as witnessed certain components German, Japanese, or Korean in an iPhone, for example, a replication supply chains in China seems unlikely anywhere in the world. Finally, the consumption growth is another reason to keep capacities in Asian state. Southern China was traditionally relied on to deliver the goods to ports around the world. The authorities are now building a railway network to help transport to areas such as the north and center of the country and Chinese factories will thus be closer to the consumers

In early January, the authorities in the city of Shenzhen, in southern China, where wages have always been the highest in the country, announced raising the minimum wage by 16% in February to 1,500 yuan (about 180 euro). In Beijing, the capital, the minimum wage increased by 8.6% to 1,260 yuan (about 150 euro). For comparison, in Romania the minimum wage is about 160 euros.

After not only opened the doors to foreign investment, but they also awarded and multiple facilities beyond the attractiveness cheap and diligence of local labor, China has turned the page lately. A Chinese-style do: slowly, generally without brutality, but the firm and, as is easily seen, according to a long-term strategy. (Institutul de Economie Mondială, 2015, p. 111)

In a second phase, complained that their by their home countries, to support China's initiatives or even not to the core. Google's departure from China - the reason for censorship by the authorities access to some programs that transnational companies - occasioned highlighting new phase in which they came, in fact, China's relations with foreign investors.

In the new phase, to be accepted in China, a foreign investors are required not only "fidelity" towards China, and considering the economic conditions harsher than before.

Already in 2009, in all sectors, the foreign investors are no longer exempt for three years from payment of taxes on income and receive no pay only 50% of these tax another two years. In special areas, the level of fees has increased from 15% to 25% annually. Official and unofficial, a domestically-owned firms began to be advantaged tax or other instruments. The authorities are very scrupulous in collecting taxes from multinational going to tax evasion but with local firms.

Moreover, the latter receive low interest loans from state-controlled banks, especially if they act in certain sectors of interest or, in general, if purchasing green equipment. The Chinese companies are allowed, foreign not allowed to sell carbon emission certificates abroad.

The public projects are excluded segments open to general economic (and therefore foreign) government procurement, but the public projects represent half of total government procurement.

The contracts involving state secrets or trade secrets are reserved for Chinese companies and duly authorized legal authorities to exclude companies with foreign shareholding, even if the companies were established in China and carries out all operations in the country.

Under a new law, a dismissal of an employee became very difficult and expensive and there are enough regulations that might be considered discrimination between local and foreign firms; and the attitude of the authorities - even if not officially supported - is encouraging wage protest movements in foreign companies, which is also a change from so far. (Brăileanu T., 2013, p. 101)

This has contributed - along with the temporal effects of the invasion of foreign investment in abundant supply line jobs - the quadrupling of wages in the manufacturing sector in China in the past decade.

China has become selective and demanding (Bari I. 2012, p. 252), no longer looking for any foreign investor and try, by changing the conditions of access and operation to ensure that the country chooses as much as possible of the fact it offers a host of foreign investments. The selectivity sector is laid, now on view.

All high tech sectors are generally viewfinder and as such maintains facilities for foreign investment and the rest go on second. China's five-year plan showing directions. And it must be taken seriously, because in China the things are taken seriously.

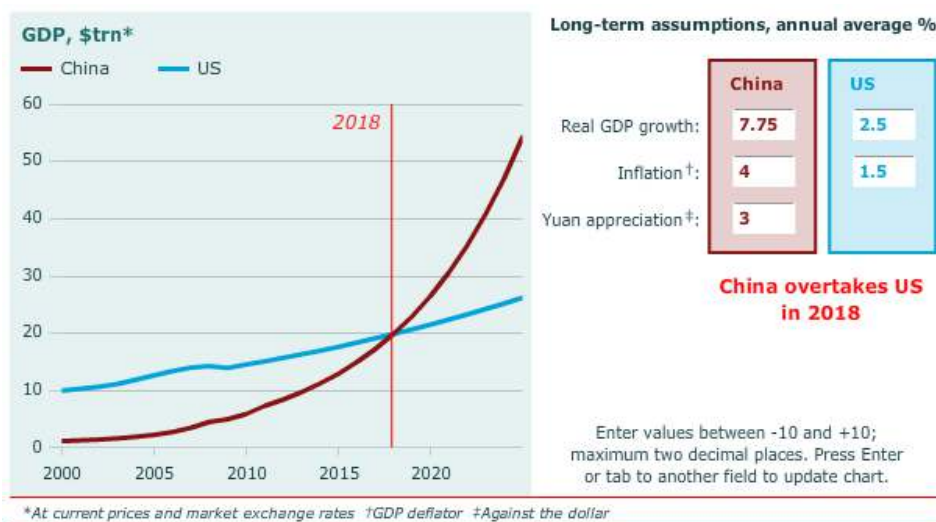
China ranks first among 22 emerging Asian countries (Bari I. 2012, p. 144) on the probability of recording fast and stable economic growth in the next five years.

In the past 30 years, the Chinese economy has advanced on average by 10% per year by modernizing state-owned companies and attract foreign investment. Among economies with a Gross Domestic Product of over 1,000 billion dollars, India had last year's second pace of economic growth after China, with an advance of 8.2% in the fourth quarter. The Organisation for Economic Cooperation and Development expects, for this year, a growth of 2.6% in the US, 2% in the euro area and fell by 0.9% in Japan. (Brăileanu T., 2013, p. 103)

3. China will overtake the US by 2020

The below chart can illustrate how they will evolve largest economies of the world, namely China and the United States. We can also see from the chart that will be the moment when China's economy will surpass the US in terms of absolute GDP.

Figure no. 1 China vs US GDP

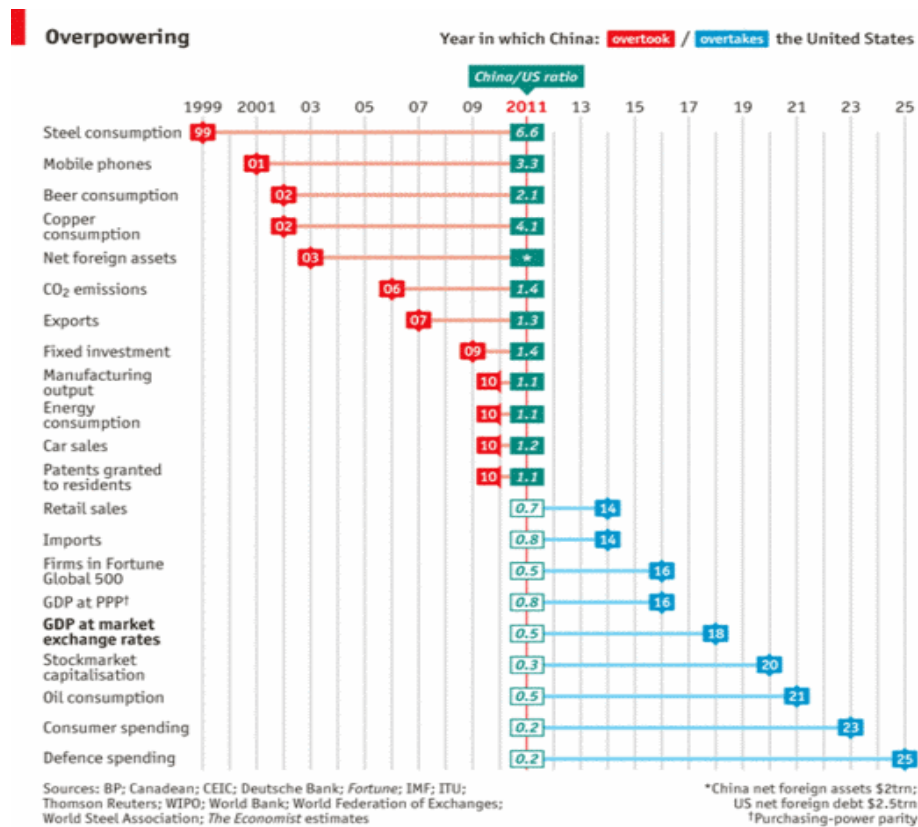


Source: www.xe.com

Thus, on have an average annual increase in GDP of 7.75% for China and 2.5 for the United States and an inflation rate of 4% in China and 1.5% in America in 2018 will be the the largest economy in the world will be Asian state. A number of analysts have pointed out that China's economy has already overtaken the United States in more than half of a series of indicators such as industrial production, but also some criteria related to consumption (Neguț S., 2015, p. 101)

Also, in the below chart, we can see that when China will overtake America economically on each floor separately. For example, in 2016, will become the largest importer in the world and will be the largest retail sales.

Figure no. 2 The years in China exceeds US in various fields



Source: www.xe.com

China reduced its economic growth target set for this year to 7.5%, announced last month Chinese Premier Wen Jiabao, as Beijing authorities trying to rebalance the second largest economy in the world. If China really will record an increase of 7.5% would be the lowest rate observed since 1990. In comparison, in 2015, China's GDP grew 9.2%, after an advance 10.4% in 2014, China has seen three decades of rapid economic growth, mainly thanks to exports, but slowing global economy and rising wages within China raise questions about the continuation of this trend. Recently, the World Bank president said China's economic strategy is unsustainable and urged officials in Beijing to adopt several reforms for a free market economy. (Institutul de Economie Mondială, 2015, p. 234)

4. China and her economic influence in BRICS

China wants to seize the trampoline offered by the group BRICS countries to increase their economic influence in the world. On the occasion of the summit of leaders from New Delhi the countries that form the so-called BRICS group (Brazil, Russia, India, China, South Africa), China Development Bank will propose to its partners in yuan loans. Is a first, because, until now, the institution has provided loans exclusively in dollars.

Is further evidence of Beijing's determination to internationalize its currency (Neguț S., 2015, p. 101). China wants to determine BRICS countries to use the yuan (or renminbi) in their transactions trade, as it does, in fact, on an experimental basis, with other Asian countries, Japan and Singapore.

According to Morgan Stanley estimates, these transactions currently represent 13% of Chinese trade in Asia. A British bank HSBC According to experts, this figure can climb to 50% from 2015.

The yuan's internationalization strategy is an extension of China's trade policy, which relies increasingly on emerging markets. If 51% of company bosses installed in China declares himself "optimistic" in increasing their turnover this year when it comes to development, 76% of them prefer the East Asia and South Asia indicates 75% East. Only 40% choose Western Europe, according to a latest study on the subject conducted by Pricewaterhouse Coopers (PwC).

In terms of expansion of industrial capacity, the majority of businessmen installed in China called Russia (87%), Brazil (83%) and India (73%). In their eyes, the BRICS, which will provide 37% of world growth in 2016, they wind astern. (Institutul de Economie Mondială, 2015, p. 245)

5. Conclusions

One of the most important changes is the multiplication of economic power and transition to a polycentric system - the rise of new centers of power. Also, there is increasing competition between centers of power to regional or global domination, plus setting up new groups of powers marked influence on the dynamics of the economy and world politics (BRIC).

The end of the work can be concluded that this country, China, is in an uptrend; my opinion is that, in future, will overtake the US in economic; this statement may seem more realistic in light of all the information presented in the paper, suggesting, on the one hand, what and great analysts and professors predict that the country will surpass the US in the future, the world leader in economic and on the other hand, the rule in the near future the Chinese Yuan's, which is also in an uptrend, becoming stronger and taking momentum against the Euro and against the Japanese Yen.

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Competitiveness of the Main Countries by the World

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Abstract

The competitiveness means productivity, understood as an added value, based on a unit of production factor used. It is dynamic, and plays a buzz of activity enhancers companies that are obliged to give up the inertia and stimulate innovation.

The economic prosperity of a country or region is seen today differently than it was a while ago. My paper will analyze the economic growth and standard of living of the population who means prosperity and comparisons with other countries were less significant.

Key words: competitiveness, globalization, economic prosperity

J.E.L. classification: F02, F15, F36

1. Introduction

The globalization has facilitated access to information on the situation of other countries and modified manner to assess prosperity. International comparisons have become, therefore, more important and frequently used and benchmarkingul - the comparison with the leader - there is a strategy widely used only in business but also at the macroeconomic level, to highlight the differences and determine their causes.

The concept of competitiveness expresses the ability of companies / industries / national economies to meet the interests and expectations of customers / citizens, with a success rate higher than that registered competitors.

The research results reveals that the concept of competitiveness has become a leit motive macroeconomic level, especially in the context of globalization / globalization. Basically, in terms of macroeconomic competitiveness it is an important element determining the scope of welfare states in the world economy. Lastly, competitiveness is an expression of the development potential of an economy, and hence the welfare of the population.

2. The competitiveness of the main countries by the world

The national Competivity (TPE Global Competitiveness Report, 2014-2015, p. 365) is a very important concept to be monitored, mainly in small economies, the whose development who is dependent on net external demand and foreign direct investment flows. An appropriate domestic economy, with a degree of descpidere approximately 60% (2014), whose development is dependent mechanism exports / investment with impact on private consumption.

A first comparison criterion may be represented by gross domestic product, which measures the final annual overall production of a country is, therefore, widely used in international comparisons, to capture the productive capacity of an economy.

Table no. 1 The GDP and GDP / capita in the major economic regions

	PIB (mld. USD)	PIB/loc (USD)
Total world	70.806,59	-
UE 28	14.518,5	29800
Euro Zone (13 state)	10.070,9	31.910,26
SUA	13.675,129	45.175,59

Japonia	4.346	34.011
The newly industrialized countries of Asia	2.402,05	n.a.
China	11.206,8	8.485,7
India	4.555,3	4.031,3

Source: The International Monetary Fund estimates for 2016

The EU situation in terms of GDP has changed lately, the Union managed to get a slight advantage over the US in this regard. GDP / capita is, however, a much more accurate reflection of the performance of an economy, whereas consider its potential, in terms of number of inhabitants. From this point of view, the US advance is considerable, and its leadership is unquestionable.

Recently, the World Economic Forum Global Competitiveness published its annual report (2014-2015). The report presents the index competitiveness countries of the world. This is a reference worldwide report being considered by major international companies in their investment plans, especially in the context of globalization which causes a significant acceleration of competition between the economies of the world.

Completing this report is very important, given that clearly expresses the strengths and weaknesses of an economy. Furthermore, the report is a benchmark for the authorities responsible for macroeconomic policies. In order to increase competitiveness of national economy, the authorities can take appropriate measures to mitigate the weaknesses of the economy.

The competitiveness indicator is calculated based on a set of over 100 sub-indicators, grouped into three pillars: basic (including mention of institutions, the state of infrastructure, macroeconomic environment and situation of health systems and primary education), efficiency (among which state university education system functioning product markets, labor market, financial system development stage, progress technological) and innovation (degree of innovation in the economy).

According to the WEF report, the domestic economy has lost 3 places in global competitiveness rankings (YoY), hovering at present. in position 67, with a score of 4.16 p. (on a scale of 1 g. to 7 p.). The first 5 positions worldwide are held by Switzerland (5.63 p.), Sweden (5.56 p.), Singapore (5.48 p.), United States (5.43 p.) And Germany (5.39 p.).

Regarding Romania's economy, it ranks 77 on the pillar with 4.36 p .. In terms of the second pillar, the economy ranks 54 with 4.18 p. Worst stay in terms of Pillar III (innovation), occupying position 91 with 3.24 p ..

Within the Member States of the European Union, the domestic economy is ranked 24, with 4,16 p., Outpacing the economies of Latvia (4.14 p.), Bulgaria (4.13 p.) And Greece (3.99 p.). According to the report World Economic Forum, the main weaknesses of the domestic economy are precarious state of the public health system, government instability, crime, problems faced by domestic labor (ethics precarious, degree inadequate schooling, rigidity) inflation, corruption, fiscal instability, governmental bureaucracy and lack of infrastructure.

The yearbook 2015 World Competitiveness ranking is led by the trio Singapore, Kong Pong and the US, which was overthrown in position 1.

The yearbook 2015 World Competitiveness is one of the most prestigious world rankings analyzing the competitiveness of countries worldwide. The study, compiled every year since 1989 by the International Institute for World Development (IMD) in Lausanne (Switzerland) took into account 58 economies around the world.

IMD analyzes and classifies the manner in which economies create and sustain competitive performance of their companies, enabling analysis and evaluation of advances and challenges competitiveness industrialized nations worldwide. Yearbook World Competitiveness ranking first was conducted in 1989, and now after so many years, is made after 331 evaluation criteria and 52 partner institutions that provide data about the economies studied.

The final results are divided into four main categories (TPE Global Competitiveness Report, 2014-2015, p. 190), which constitute the decisive elements of competitiveness, according to the Swiss: economic performance, government efficiency, business efficiency and infrastructure.

"The rapid integration in the global economy led to sustained growth in Eastern Europe in recent years, but has made the region more vulnerable to contagion in the economic crisis that now has dramatic consequences in some countries" the report said WFE.

If, Latvia, WFE estimated economic decline 12% and 10% Lithuania and Hungary to Romania are expected to decline 4.7% in 2016. The country is the best this year, according to WFE is Poland, with economic decline of only 0.7%.

The Europe's most competitive economy Switzerland (4th in the world ranking), just like last year. Spain is ranked 36 (up from 39 the place last year) and Romania is ranked 54, just like in 2015.

Romania is the most uncompetitive economy in the European Union, no other EU country had not stood being so low in the rankings. Bulgaria is ranked 53 (dropping the 38th, held last year), and after our country are only Argentina (55th), Croatia (56), Ukraine (57) and Venezuela (58).

The standings looks like this: 1. Singapore (Competitiveness Index) - 3rd in 2015; 2. Pong Kong (99 357) - 2nd place 2015; 3. USA (99 091) - No. 1 in 2015; 4. Switzerland (96 126) - 4th in 2015; 5. Australia (92 172) - 7th in 2015; 6. Sweden (90 893) - 6th in 2015; 7. Canada (90 459) - 8th 2015; 8. Taiwan (90 441) - No. 23 in 2015; 9. Norway (89.987) Loc 11 in 2015; 10. Malaysia (87 228) 18 2015.

The top ten ranking positions are occupied by countries such as Switzerland, Sweden, Singapore, United States, Germany, Japan, Finland, the Netherlands, Denmark and Canada.

Switzerland, with the most competitive economy in the world, surpassed the United States in terms of the economy, ranking the first among 133 countries, while the collapse of the banking system has left the US economy vulnerable to WFE. The states that had the most to lose from the crisis are the US, UK and Iceland, the report, given that relied heavily on financial services. Other countries, such as Brazil, India and CPIN benefited from an increase in economic competitiveness despite the crisis. But Russia was relegated among WFE, peaking at number 63, given that reached No. 51. The report shows that the decreased confidence in Swiss banks, although they are still a good place on top - instead of 44. Banks US is now ranked 108 in the world and have been relegated almost to the banks in Tanzania. The UK had peaked at 126.

WFE their criteria on a number of factors CPEi, showing the prosperity of each country, such as economic growth or the number of Internet users. The study also includes surveys of business people in the efficiency of government or labor market flexibility. Switzerland, the first country top, has a stable economy, although it has had to bail out the largest bank his own, and still have a business culture sophisticated, effective public services, excellent infrastructure and markets functional (Eurostat – “*Trade in a 28-membre European Union*”, no. 4/2015)

Viewed from an analytical perspective, the 2015 results attest again, as happened in 2014, leadership trio Hong Kong, Singapore and the US in terms of competitiveness. In 2015 compared to 2014 there were significant changes in terms of their position on the basis of scores obtained by a large majority of countries and regions, as follows: in the difficult times faced by the global economy, competitiveness reflects how the countries cope with situations they face situations prevailing problems, confusion and noise.

Hong Kong and Singapore managed to overtake the US, demonstrating a high elasticity. The trio already mentioned is followed by Switzerland (4th) and Australia (5th). In the first third of the ranking, a positive mutations most significant were recorded by Taiwan, which climbed 15 positions, moving so in the second third of the league in first Malaysia that climbs eight places and Israel which climbs seven places ierarpia global competitiveness . Regarding negative mutations, Denmark lost in 2015 than in 2014, eight positions, and Finland lost 10 positions in 2015 than in 2014, managed to maintain in the first third of the ranking.

Japan (TPE Global Competitiveness Report, 2014-2015, p. 282) reach the first third of the league in 2014 in the second third of 2015, losing 10 seats, while Poland reached in the middle group standings, climbing 12 positions 2015 than 2014. also, the rise in Indonesia with 7 seats in 2015 than in 2014, which it passes, so in the second third of the league. New Zealand lost 5 positions, Britain lost one place, while Korea and France climbed 4 places in 2015 than 2014.

According to the World Competitiveness Yearbook, "global competitiveness is an area of economic theory which analyzes the facts and policies that shape the ability of a nation to create and maintain an environment conducive to supporting the achievement of more value for its

companies and for the prosperity of its people." On in short, competitiveness means and how nations manage their entire economic environment competencies to achieve prosperity. So when we talk about competitiveness, we aim not only growth or economic performance, but we are considering a number of other factors, such as environment, quality of life, tehnologia, knowledge, scientific research etc.

Taiwan recorded the biggest increase, rising spectacularly 23rd place in 15th place in 2014, while Slovenia has the biggest decrease, losing 20 positions from 2014 and peaking at number 52.

Much of the country dropped significantly in 2015 compared to 2014: Slovakia lost 16 positions and reached # 49, and it falls Bulgaria 15 positions, peaking at number 53. The top drops below Lithuania, which lost 12 positions, ranking 43 2015 Japan and Finland losing 10 seats. Found solutions to increase competitiveness, countries such as Hungary, which ranked 45 in 2014 reached number 42 in 2015, Italy, which climbed 10 positions to 40th place Poland, which we mentioned already, get 12 seats, which climbs seven places Israel, Austria increase by two places (The european communities report- "*Trade Policy Review*", October 1st 2015)

3. Conclusions

In conclusion, the global competitiveness is given by a combination of different criteria, subsumed to four global factors:

- Economic performance - macro-economic assessment of the domestic economy;
- business efficiency - whether businesses realize their performance in a profitable and responsible manner;
- Governmental efficiency - the extent to which government policies favor competitiveness;
- Infrastructure - the extent to which basic resources, technological, scientific and human resources meet the requirements of business promotion.

Avoid confusion that may arise through assimilation methodology competitiveness and hence the results with other concepts in the field comparisons of the level of economic development of countries. Thus, a country with a high level of development is not necessarily a leader in the sense of competitiveness, as another with a lower level, not places inevitable low-lying if satisfies the high competitiveness (Chile in relation to Italy).

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Advantages and Disadvantages Romania's Transition to the Euro

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Abstract

Fluctuations in the euro are known to everyone, but what many do not know is that the euro is the currency they use more than 337.5 million people worldwide. No less than 19 euro area countries using the Euro as payment every day, helping to become the second most important international currency after the dollar.

The Official statistics released by the European Union, however, show that the euro is stronger than the dollar in terms numeral in circulation and the cash held in 1999, even January 1, the day that became actually official currency for 11 Member States.

Official statistics released by the European Union, however, show that the euro is stronger than the dollar in terms numeral in circulation and the cash held in 1999, even January 1, the day that became actually official currency for 11 Member States.

Key words: advantages, disadvantages, transition, euro

J.E.L. classification: A, A1, A10

1. Introduction

The primary objective of this analysis is to see concretely the advantages and disadvantages of accession to the euro area

"EURO is the best candidate for the role of the single currency, and can not be replaced with any other currency, whatever the short-term temptation" - says Jacques Delors

The euro is currently part of the daily lives of citizens in 17 Member States of the European Union (EU). In the long term, and other Member States will join the euro area. The single currency has a number of indisputable advantages: reducing the costs of financial transactions, facilitating travel, increasing the role of Europe in international affairs etc.

Now participating countries or the euro member states are: Austria, Belgium, Cyprus, Estonia, France, Germany, Greece, Ireland, Italy, Latvia, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia and Spain

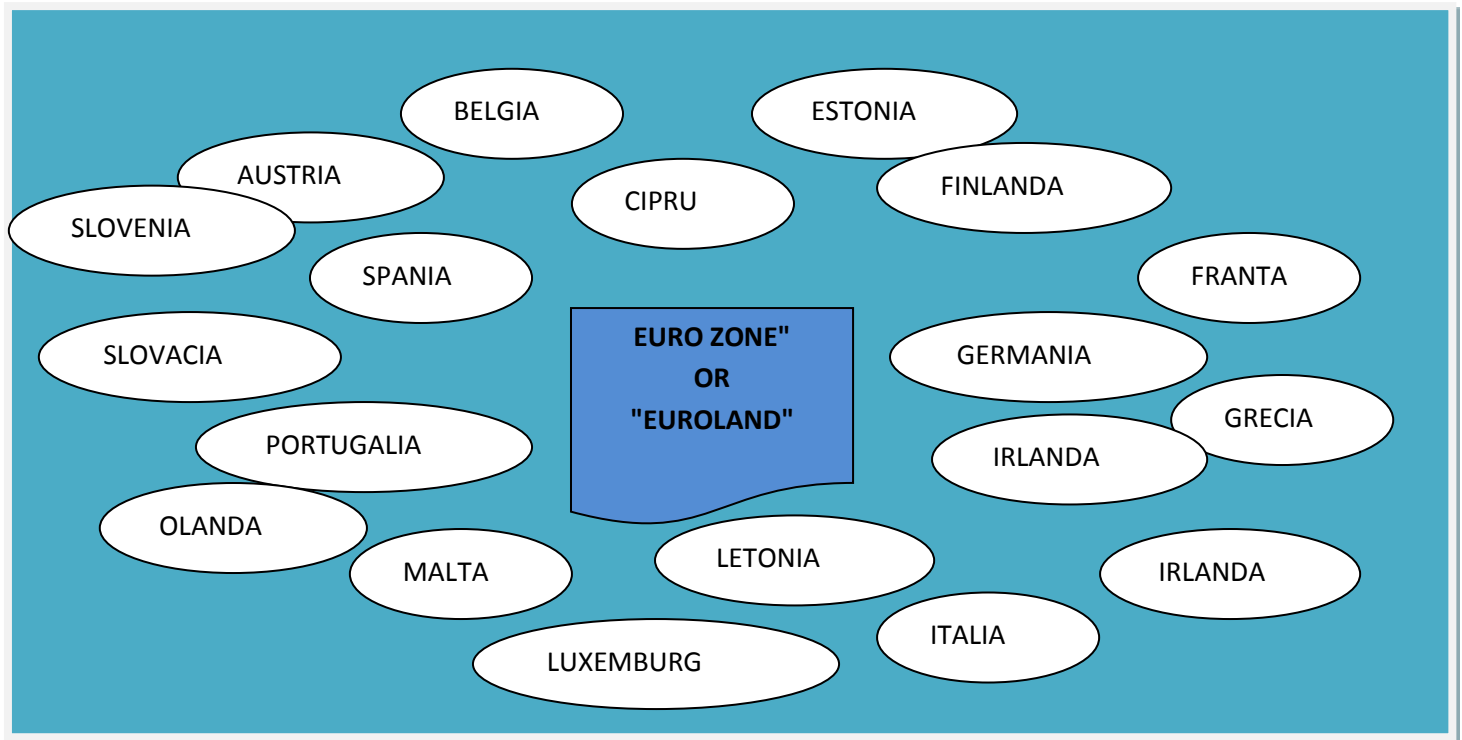
These countries are very frequently called "Euro zone" or "Euroland".

But there are some exceptions such as Andorra, Monaco, San Marino and Vatican that use the euro, although they are not an official member euro nor members of the EU (They used before their own currencies has simply been replaced by the euro.) of these, Monaco, San Marino and Vatican have created their own coins with their own state symbols on the reverse. Andorra uses French and Spanish coins, since they used the French franc and the Spanish peseta as its currency. These countries use the euro due to agreements with EU Member States (Italy if principality of San Marino and the Vatican City and France if Monaco), approved by the Council of the European Union.

Montenegro and Kosovo, which were used as currency German mark, have also adopted the euro, although, unlike the above three states, have not entered into any explicit legal understanding

with the EU enabling them to this.

Fig 1. Eurozone or Euroland and countries



2. What is for Romania joining the euro area (www.contributors.ro)

First and first of all we have to see what we must do to be admitted to the euro zone:

1. To enter the euro zone, Romania must meet nominal convergence criteria of the Maastricht Treaty. This treaty does not provide for a strict calendar for adopting the euro, leaving it to the discretion of each country, in consultation with the European Commission and European Central Bank. But the fact is that the European Commission will not grant any permanent derogation regarding the euro changeover, as happened in the case of Great Britain and Denmark. In other words, after we joined the European Union, want it or not, we need to do and the next step. To enter the euro zone. At least that say current provisions
2. After these criteria have been met, two years before entering the euro zone actual, Romania will have to attend the so-called ERM II (European Exchange Rate Mechanism) , during which the lion will not fluctuate only within a certain margin. In other words, participation in this mechanism assumes that Romania must demonstrate that it is able to maintain macroeconomic stability achieved previously without using the exchange rate as an instrument of macroeconomic adjustment. That's because, after being admitted, Romania will have to give up the RON and therefore has to demonstrate that it can do without him.
3. The point sensitivity of entry into the euro area is however real convergence. Because it looks really living standards of the Romans, from that of the euro area, beyond some numbers on paper, which may or not mean anything concrete. Therefore the aforementioned treaty stipulates that only countries that prove achievement of sustainable convergence can participate in the final stage of Economic and Monetary Union.

3. What might be the advantages of joining the euro area? (www.contributors.ro – article Aura Lungu, Bucharest)

The Romanians will benefit mainly due to macroeconomic stability and international positions thanks to a best. The benefits will result from price stability, access to a wider and financial market transparency, or removing production fluctuations which could be due to different economic

policies. For some countries (noting is the case of Greece) price stability and all the benefits of reaching this goal were enough motivation for participation in the euro. Price stability leads to reduced interest rates, and this shows another advantage for both the government and consumers or companies. (Bursa, 2015)

In addition, the Romanians will benefit from the elimination of transaction costs associated with the exchange, reducing administrative costs, reducing capital costs and eliminating the risk caused by uncertainty about the future evolution of exchange rates. Winning the general public in eliminating costs exchanging one currency with another currency is obvious. (Socol, A.G., Măntescu, D. 2011)

4. What would we lose or disadvantages of joining the eurozone? (www.contributors.ro – article Aura Lungu -ASE Bucharest)

All the advantages described above can come true only under certain conditions. Theory, but recent experience shows that countries participating in monetary union can have definite advantages, but only when their economic structures are similar. Otherwise there is a risk that some of them insufficiently prepared, be adversely affected. So the first thing to be aware of is that euro adoption should be desired, but at the right time!

What is the right time for Romania? Romanian economy lost when entering independent monetary policy in the euro area and thus the exchange rate. As long as the Romanian economy will not develop other tools to take over the functions of instruments lost (stabilizers automatic tax efficient, business cycles synchronized with the euro area labor market flexibility, high degree of financial integration) we consider that the Romanian economy it is unprepared and the timing is inappropriate. The crisis has demonstrated that flexibility is key economy in puzzel adopting the euro.

A key point in the ERM II mechanism will be setting the exchange rate conversion between a lion and the euro, with significant impact on the future evolution of the Romanian economy. For joining the eurozone at too high a rate of exchange would adversely impact economic growth, while exchange rates for the currency would have depreciated against the euro could generate inflation.

5. What is the current situation before the Romania's accession to the eurozone?

For Romania's accession to the eurozone is no doubt a complex challenge, both in terms of economic size, but also political and social issues. It is extremely important how we prepare European monetary integration process, given that a successful performance of Romania after joining the euro is dependent on the sustainable economic convergence of the eurozone core group

The Romania has the capacity to meet in the near future nominal criteria required by the Eurozone. But must reduce disparities in the real economy. Studies demonstrate that Romania has very limited capacity adjustment of the national economy, which shows a predisposition Romanian economy to be affected by asymmetric shocks. In other words, chances Romanians to feel the disadvantages rather than advantages of euro adoption: inflation, unemployment, balance of payments imbalances with risks, etc. All specialized studies show that Romania still has no alternative instruments macroeconomic stabilization.

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According to two reports published at the same time - Convergence Report of the European Commission and the convergence report of the European Central Bank -which examines the state of preparedness for accession to the euro and draw roughly the same conclusions: **Romania fully meets three criteria Maastricht such as price stability, public finances and the long-term**

interests, and the fourth only partially, but in terms of the legislation is not in line with EU rules.

Romania still has to fulfill the exchange rate criterion and other criteria that are not among the conditions of the Maastricht Treaty, but is pursued by the European Commission and certain legal compatibility.

So the inflation criteria (annual average inflation must not exceed by more than one and a half percent three lowest inflation in the euro area), the criterion of fiscal (government debt which must not exceed 60% of PIB and the budget deficit to be limited to 3% of PIB) and the criterion of interest (interest on 10-year government bonds should not exceed by more than two percent interest in the top three countries with the lowest inflation) are satisfied.

Tab no.1. How does the European Commission evolution of the main budget

ECONOMY DEVELOPMENT AND FORECASTS (% OF PIB)								
	2010	2011	2012	2013	2014	2015	2016	2017
General government balance	-6,9	-5,4	-3,7	-2,1	-0,9	-0,7	-2,8	-3,4
Budgetary revenues	32,7	33,7	33,4	33,1	33,5	34,8	31,8	31,5
income tax	26,9	28,0	28,0	27,5	27,7	28,2	26,6	25,8
budgetary expenditure	39,6	39,1	37,1	35,2	34,4	35,6	34,6	34,9
Interest expense	1,5	1,6	1,8	1,7	1,7	1,6	1,7	1,6
Gross debt	29,9	34,2	37,4	38,0	39,8	38,4	38,7	40,1

Susa: (Comisia Europeana - http://ec.europa.eu/index_ro.htm)

The last criterion of the Treaty of Maastricht - exchange rate stability - is not fulfilled. This criterion provides that the lion should not vary by more than 15% up or down against the euro. He met practically only to be taken into account Romania should participate in the exchange rate mechanism (ERM II), which does not happen, a sign that Romania has not yet established clear target of joining the euro . But any of the seven countries analyzed in the report (Romania, Bulgaria, Poland, Hungary, Croatia and Sweden) does not meet this criterion. (Pană, M.C. 2012).

The exchange rate of RON against the euro fluctuated relatively limited between 2014 and 2016 compared with other currencies in the region that operate a regime of managed floating exchange rate, which shows that balance was preserved amid financial assistance coming from the EU and IMF, and the measures taken by the central bank.

That which is important is that the Romanian national currency RON is stable and variation in the last 12 months by the European Commission is considered to be zero. This means practically lion was not appreciated nor depreciated against the euro

The current financial crisis has only served to remind us of the risk it represents savings development models based on the accumulation of debt and other obligations, implicitly assumed beyond the limits of sustainability.

Evaluation European Commission and the European Central Bank on the conditions accepting Romania in the euro area is not limited to the fulfillment of the convergence criteria laid down in the Treaty on the Functioning of the EU. Estimates of the sustainability and durability in the future stability of the Romanian economy.

From this point of view, it is important for Romania to show that, once received in the euro area will not create a risk to price stability in the area as a result of convergence over time in the prices in Romania with the euro area.

In conclusion, the degree of real convergence is not the determining factor in the decision to changeover to Romania but convergence criteria (nominal) and objective analysis of the advantages and disadvantages of such a decision. And this analysis should not be in any way influenced by the views of stakeholders that Romania would maintain for as long as possible outside the euro area (as desired and delaying entry into the European Union).

6. Conclusion

The recent financial and economic crisis has highlighted the fact that the euro project has great

advantages but also major imperfections generating imbalances monetary, financial and economic benefits and supports the emergence and development of major divergent trends

The Economic and Monetary Union is best understood as a component of the wider process of European political integration which began at the beginning of the decade -VI century. To date, the legacy of conflict in Europe play an important role in European integration.

While the euro is primarily a project rooted in European history, ambitious economic goals, such as achieving economic growth and rising living standards in Europe have played a role, even if it was a secondary

As an important conclusion before verdicts, make statements, or to decide the fate of a nation is essential and necessary, however, to make a very serious type technical analysis cost - benefit. And what is most important is that before taking a step, we need to know even what we can expect in the near future

Are we ready to join the euro?

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Globalizing the Romanian Economy: A Financial View

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Abstract

The modern economy is facing various extensions of financial dependencies, in a period of global structural dynamism. This paper provides a complete overview of the Romanian integration in the new global economy, which is still in its infancy. The analysis will start with the Romanian physiognomy in this context. Building on the hypothesis of the existence of a discontinuity point in the Romanian economy globalization, the research will outline a comprehensive image of the Romanian integration in the European Union structure, strengthening the imperatives of a new transition. The quantitative approach is based on the major indicators to understand the openness of the Romanian economy, identifying the current trends of the Central and Eastern Europe countries. The results suggest the different evolution in the transition phenomenon to the market economy, due to the fact that these countries have experienced the institutional, social and political reconstruction from different positions.

Key words: Romania, globalization, finance

J.E.L. classification: F6, O1

1. Introduction

Although there have been various definitions for the globalization phenomenon, this term remains poorly understood because of structural deficiencies in the conceptual interpretation. However, globalization is a complex issue involving an increase in the global cooperation, a close interconnection in the economic flows and their multiplication, a growing movement of the capital and the labor force, the fluidity of information and also a global community, with common interests and goals. According to some scholars, „growing FDI flows are a significant factor of globalization process, being one of the driving forces of globalization, and its main consequence at the same time” (Pekarskiene and Susniene, 2015, p. 205). Considering the approach developed by Welfens, the FDI flow can be viewed as „a reflection of international interdependence in terms of ownership participation” (Welfens, 1989, p. 273) and the Romanian FDI analyse can clearly indicate the globalization dynamics in the Romanian light, supported by comparisons of the international trade features.

Strating from the assumption that „globalization is first and foremost an economic and financial process” (Matsuura, 2000, p. 400), the paper will explore the FDI flows in order to emphasize the globalization downturn in financial terms. The foreign direct investment flows lead to the growing economy, through their productivity outcomes and the impact on the potential efficiency, being considered that „FDI is at the forefront of globalization” (Pereira et. al, 2012, p. 49). In the last years, there was a huge change in the economic requirements, due to the transition from the mercantile system to the economy based on a significant competitive process. If in the '60s the most countries had adopted protectionist measures with an obvious limitation character, this situation has radically changed after the awareness of all the benefits of the technology transfer and the interdependencies between states. In this way, the developed countries have started the process of opening their economies. Following their performances, the developing countries have adopted the same trend, which also stimulate the former socialist countries in opening their economies.

Globalization has the potential to bring high benefits for both developed and developing

countries only if there are considered fair rules that promote a balanced development, governed by international institutions that use appropriate tools in order to manage the global issues. On the other hand, there are various supporters of the idea that the states' sovereignty is eroded by some international organizations like the International Monetary Fund, the World Bank Group, the World Trade Organization, UNCTAD or other similar global institutions. The individual negotiation power disappears in favor of those conducted by the non-governmental organizations, involving a transfer of authority in order to act in the global context. It can not be denied the key role of these institutions in solving the globalization issues, even if there was, in many cases, a clear lack of transparency and efficiency.

The globalization is „the process through which goods and services, capital, people, information and ideas flow across borders and lead to greater integration of economies and societies” (Agénor, 2004, pp. 21-22) and its transition highlights the asymmetries between the rich and the poor nations. Overcoming these differences requires a dual identity, at individual level and in global terms, in order to restore the balance between the North and the South, periphery and center. The globalization may increase poverty as a result of market distortions and the possible discontinuities between the national development level, suggesting the long-run effects of the global change on the financial agenda.

2. Methodology

This paper aims to analyze the Romanian degree of globalization, considering the political and the economic changes in an historical view. The quantitative research was based on a complete case study and the comparative analysis of the countries that have faced the collapse of the communist regimes in Central and Eastern Europe and those that belong to the European Union. In order to shape the Romanian image on the global market and to investigate its progress in the globalization process, it was used significant data provided by the UNCTAD's statistical system and the World Bank database. The structure of this paper develops an initial model of transition in relation to the time framework, suggesting the key role of financial indicators in stimulating the globalization efficiency. The transition problems will be examined taking into account the restructuring process conditions, the international trade impact, the growth rates in terms of GDP or FDI flows and the balance of trade particularities.

3. The Romanian metamorphosis within the global context

The globalization is a multipolar process, extending on every aspect of human life by large connections between nations. The mutual dependencies create new dimensions in international trade dynamism. The globalization has meant for Romania the collapse of the communism system in a new national order. The main goals were achieving a functional economy and beginning the liberalization process, which would lead to the regional integration and, later, to the global one. Even if all the centrally-planned economies from the Central and Eastern Europe have some common characteristics, they have evolved differently in the transition process. The lack of effectiveness at all levels and the major support for underperforming industries create the basis for a long-term recovering process, in an attempt to transfer the market functions between the state and the private sector.

In Romania, the risk of a new crash in the command economy trap significantly reduced the investors' willingness to finance concrete objectives, increasing the gap between our country and the Western Europe developed economies. After the fall of communism in 1989, Romania was integrated in several international organizations that create the basis for a full opening to the external environment, in the context of the increasing regionalization. On the other hand, the integration of the Czech Republic, Poland and Hungary in the European Union in 2004 has forced these countries to align with a the EU legal framework, offering them a major advantage in terms of stability. In the current context of the Romania's integration in the EU structure, the international economic relations of our country have diversified, renouncing to the protectionism measures and amplifying its position in the global economic system.

The access of our country to the EU statut was difficult, but once the integration was done, the Romanian foreign trade structure has profoundly changed, with the majority influence of the EU trade relations. Relative to the international trade with goods, the data provided by the National Institute of Statistics Romania confirms that the international trade with goods of Romania with the European Union prevailed. For example, the value of Intra-EU trade for goods in 2015 was 40240,8 mil. euro (expeditions) and 48584,9 mil. euro (entries). These figures can be best translated into percentage values, showing a significantly share of 73,7% from the total exports and 77,2% from the total imports.

As it can be seen in the Table 1, the sold of the trade balance of Romania (merchandise) was in a continuous deficit between 2005-2015, although there was also a permanent enhancement of the international trade of our country, from 68,206 billion dollars in 2005 to 130,453 billion dollars in 2015. Considering the global financial crisis that has also affected our country, there has been a significant reduction in the foreign trade starting with 2009, when the total value of the international trade for merchandise was around 94891 million dollars. Based on the data from the Table 1, it can be shown a more significant decrease in the value of imports than of the exports, resulting a reduction of the trade deficit from 34518 million dollars in 2008 to 9281 million dollars in 2015. The last year included in the analysis indicate an upturn for both the exports and the imports, but also a similar trend of reduction in the trade deficit terms.

Table no.1. Merchandise - the Romanian trade between 2005-2015, US dollars at current prices in mil.

	2005	2007	2008	2009	2010	2015
Exports	27688	40488	49535	40567	49579	60586
Imports	40518	70314	84053	54324	62109	69867
The sold of the trade balance	-12830	-29826	-34518	-13757	-12530	-9281
Total trade - merchandise	68206	110802	133588	94891	111688	130453

Source: UNCTAD data, author calculations

Moreover, it must be mentioned that during the transition period, Romania was facing a double deficit: the budget deficit and the current account deficit. The last one was mainly caused by the continuous disproportion of the trade indicators, conducting to a trade balance disequilibrium. The regular intervention policy in the evolution of the exchange rate mechanism in order to reduce the short-term trade deficit was another measure that failed to resolve the underlying problems which faced the Romanian economy. Another negative point was the critical contradiction in Romania's potential, exploited especially in a quantitative manner and less in quality.

4. Romania in the new global economic architecture

A controversial item in the globalization discussion is the regionalization process, which sometimes is seen as a preliminary stage of globalization, while in other views the two processes have contradictory tendencies. Starting from the assumption that the relationship between regionalization and globalization is complementary because they reinforce each other in order to intensify the world economic evolution, the new regionalism demonstrates the market supremacy in the expansion of trade flows, eroding in the same time the complete liberalization of global economies. Thus, the globalization involves first the liberalization on partial segments, process which is named regionalization. This section will focus on the position of Romania at the regional level through a close cooperation with both the former socialist countries and the European Union, formulating the Romanian model of integration in the global structures.

Considering the FDI flows in the Central and Eastern Europe, there was a clear dependence with the set of rules specific to the market economy, that encouraged the investors. Thus, the FDI flows coming from the developed countries were directed mainly to the countries which were politically more stable, as Hungary, Poland and Czech Republic. A comparative analysis of the countries from the Central and Eastern Europe emphasize the Romanian active position in the FDI dynamism, due to the multiple advantages, like: the dimension of the internal market, the labour market characteristics and the geographical position that offers various possibilities. In 2015,

Romania ranked the third place in the region by FDI flows, with an inward of 3389 million dollars and a share of 8,86% of the total FDI flows of Central and Eastern Europe region, after the Russian Federation and Poland. In the same time, the UNCTAD data suggests that Romania is a poor FDI issuer, being surpassed in the ranking by other five countries from the mentioned region. The main FDI issuer in this area is the Russian Federation with 77,44% of the region' capital exports in the FDI form (2015), due to the large number of Russian multinationals and its significant authority in the region.

Tabel no. 2. The FDI overview in the Central and Eastern Europe - 2015

Country	GDP (mil. dollars)	Population (thousands)	GDP per capita (dollars per capita)	FDI stock - inward (mil. dollars)	FDI stock (inward) per capita (dollars per capita)	FDI stock (inward) – percentage of GDP (%)
<i>Albania</i>	11776	2897	4065	4826	1666	41.0
<i>Belarus</i>	53396	9496	5623	17972	1893	33.7
<i>Bosnia and Herzegovina</i>	15763	3810	4137	6726	1765	42.7
<i>Bulgaria</i>	48745	7150	6817	42106	5889	86.4
<i>Czech Republic</i>	181089	10543	17176	113057	10723	62.4
<i>Croatia</i>	48448	4240	11426	26375	6221	54.4
<i>Estonia</i>	22267	1313	16959	18914	14405	84.9
<i>Latvia</i>	26916	1971	13656	14549	7382	54.1
<i>Lithuania</i>	40701	2878	14142	14440	5017	35.5
<i>TFYR of Macedonia</i>	9782	2078	4707	4572	2200	46.7
<i>Republic of Moldova</i>	6466	4069	1589	3539	870	54.7
<i>Poland</i>	468663	38612	12138	213071	5518	45.5
<i>Romania</i>	171639	19511	8797	69112	3542	40.3
<i>Russian Federation</i>	1296265	143457	9036	258402	1801	19.9
<i>Serbia</i>	42688	8851	4823	32371	3657	75.8
<i>Montenegro</i>	4017	626	6417	4344	6939	108.1
<i>Slovakia</i>	86536	5426	15948	48163	8876	55.7
<i>Slovenia</i>	42342	2068	20475	11847	5729	28.0
<i>Ukraine</i>	96000	44824	2142	61817	1379	64.4
<i>Hungary</i>	118516	9855	12026	92132	9349	77.7
Total	2792015	323675	8626	1058335	3270	37.9

Source: UNCTAD data, author calculations

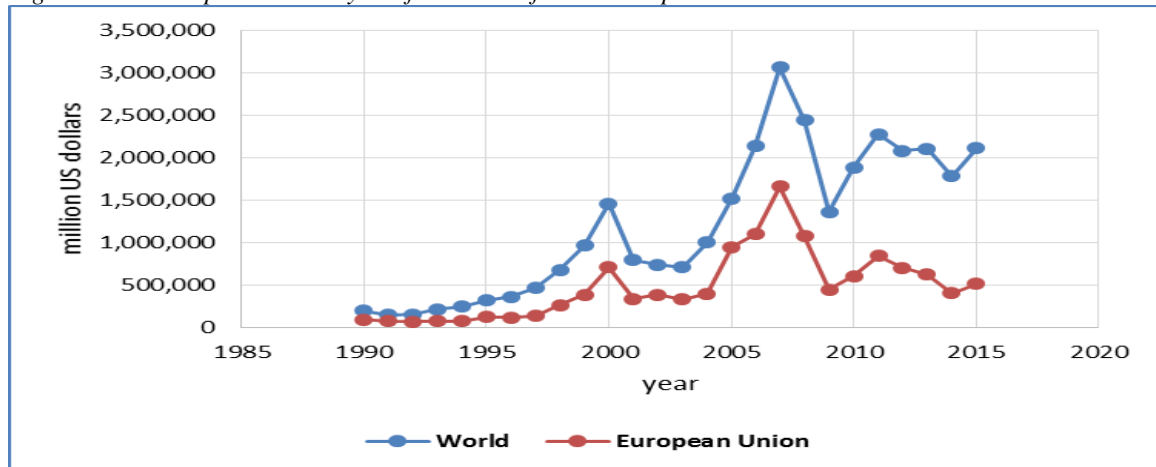
The FDI stock (inward) per capita in Romania is far below than the values of some developed countries as France (11.580 dollars per capita). According to the Tabel 2, there are only two countries in the Central and Eastern Europe with more than 10.000 dollars per capita for the FDI stock (inward), values measured in current prices. Thus, except the Czech Republic and Estonia, which exceed these values, it can be observed various discrepancies in the region, from 870 dollars per capita in Republic of Moldova to 14.405 dollars per capita in Estonia. In Romania, the total value of the FDI stock – inward per capita was 3542 dollars per capita, ranking the 13th place from the total of 20 analyzed countries. On the other hand, the FDI stock (inward) as percentage of GDP indicates the integration level of the economies from the sample. In Romania this share is 40.3%, indicating a significant contribution of the foreign direct investments in the GDP composition.

This situation also indicate a strong dependence of the national economy to the investment flows and a quite integrated economy, in a visible contrast with the overall evolution of the region, resulting in 37.9% FDI stock (inward) of GDP. Taking into account the estimated UNCTAD data, it can be observed a clear trend in the FDI inward. Thus, Romania has followed the general direction of the former socialist countries, receiving more modest FDI stock that countries which have good results in the transition process, like: the Czech Republic, Poland or Hungary. On the

other hand, Romania has a weaker potential than countries like the Russian Federation, but surpassing other countries which are still in an unstable economic context: Albania, Croatia, Republic of Moldova or Ukraine.

The Romania's adhesion to the European Union in 2007 was the result of an oscillating process, due to the poor management of the EU policies without a real support in the legislation field of our post-revolutionary society. Our inclusion in the EU's institutional system translated in a high opportunity for the Romanian structure to outline a long term strategy in accordance with the EU direction. The intensity of these radical changes highlights both the major gap with the other countries from the region and the optimistic prospects for our country in the globalization sphere.

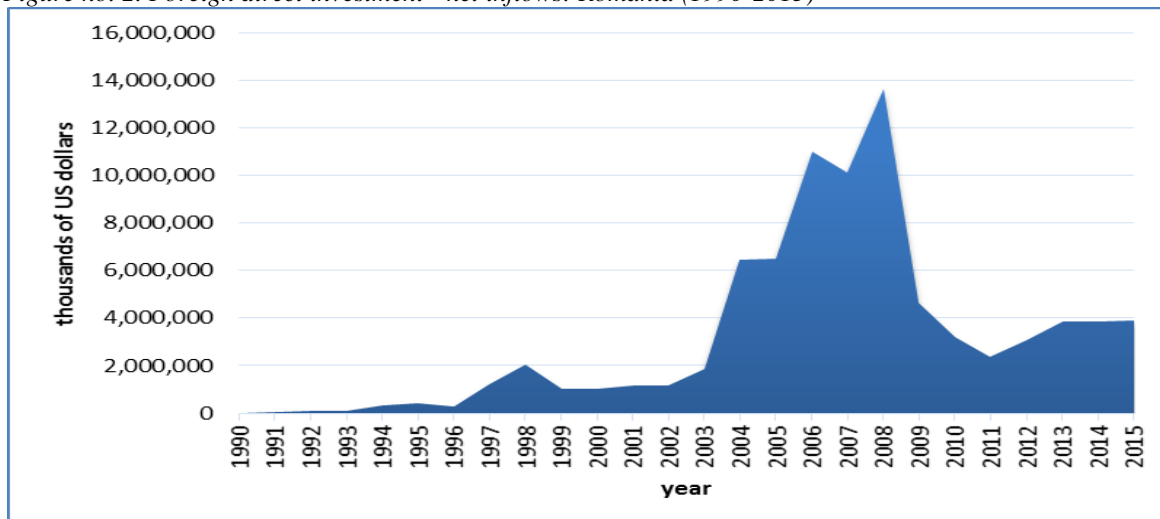
Figure no. 1. Comparative analysis of FDI net inflows in the period 1990-2015



Source: The World Bank data, author calculations

As shown in Figure 1, the EU zone has a similar trend with the World FDI net inflows in the period 1990-2015. Comparing this situation with the Romanian FDI evolution presented in the Figure 2, it can be noticed that in the same period our country has faced more frequent variations. In opposition with the analyzed areas, Romania has experienced a slight increase in the FDI net inflows until 2003, when it started a more spectacular growth, reaching the highest point in 2008. The European Union and the world economy experienced a fast raise in FDI net inflows until 2000, followed by a maximum point reached in 2007. While for these two analyzed areas the decline point was in 2008, Romania has suffered the global crisis regression only in 2009, but the collapse was much deeper. The result was a redefinition of the position of Romania at the global level, by trying to adapt the national business environment to the foreign investors from the developed Western Europe.

Figure no. 2. Foreign direct investment - net inflows: Romania (1990-2015)



Source: The World Bank data, author calculations

Although the necessity to recover the positive trend of the FDI net inflows, the Romanian Government has often treated the investors as enemies, maintaining a high level of taxes on the national market and limiting the Romania's openness to innovation. The outcomes of this analysis strengthen the Romanian adaptability and flexibility in its way to find a unique European identity in the globalization context. Thus, the Romania's integration in the European Union was based on an assumed decision to not ignore the current globalizing trends and to align to the European context to which it belongs.

5. Conclusions

Starting from the assumption that there is a discontinuity point in the Romanian economy globalization due to its historic position in the Central and Eastern Europe, it was noticed a distinct model of transition in the context of structural changes in the global system. The main arguments of this paper lead to the idea that globalization is driven by an oligopolistic structure formed between regional powers, that falsify the original phenomenon. The results of this paper highlight the Romania's economic performance in its effort to create the links in the geopolitical and cultural space, but also its strong dependence on the EU regional market. The transfer from the bilateral agreements at the regional level to the global ones was difficult due to the fact that the political forces have selectively introduced the globalization elements in the national economies.

The foreign direct investment study of Romania confirms the main trend in the development process, considering that the openness of the Romania's economy to the global dynamics was mainly in quantity and less in quality. Its trade relations also demonstrate a greater focus on the EU regional market than to the global market. At the moment, the small volume of FDI flows emphasize the huge potential of our country that is currently underexploited. On the other hand, the investment environment in Central and Eastern Europe has significantly improved in the recent years, Romania being the country with the best prospects, in the new transition context.

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The Role of Logistics in the Implementation of the Intermodal Transport Strategy in Romania. Strategies for the Road Infrastructure in Dobrogea Region

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Abstract

Constanta County road transport infrastructure development has lagged far behind the previous planning. In Tulcea County the situation is the same, there was nothing done previously established strategies. The two counties have great potential for economic development, have mineral resources, material, human and unique natural areas in Romania. Lack of road transport infrastructure, adequate current situation and especially European requirements, makes the two counties is not at the level of economic opportunities. Elements of integrated logistics and multimodal transport are developed in Constanta County and in its infancy in Tulcea. This paper analyzed a number of issues related to infrastructure development in Dobrogea and influence on the development of multimodal transport and logistics.

Key words: logistics, transport, highway, strategies.

JEL classification: E61, R11.

1. Introduction

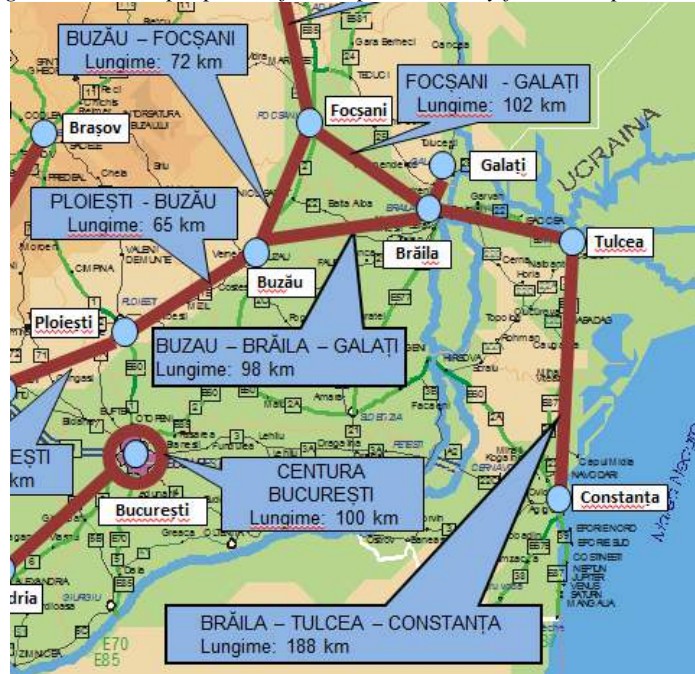
The current working document to which the Ministry of Transport, which are changed too quickly to become true programming documents, do not contain the correct infrastructure development in Dobrogea region. Not based on analysis and evidence about why they have developed infrastructure in these counties. In the last document prepared by the Ministry of Transport, called "General Transport Master Plan of Romania. Final Draft Revised Master Plan Report on short, medium and long term ", in Chapter IV, is presented the main aspects related to road transport (MT, 2015). In another document called "Road infrastructure projects", in the Chapter V "Road Infrastructure Priorities 2015" in paragraph a) it is passed that "tendering procedures have been launched feasibility studies" and the sub-section 6 is passed "express road Constanta-Tulcea-Braila (including bridge at Braila)", appearing with details on page 31, (MT, 2016). In the same document "Annex 10.5 - Table summarizing values for road projects Trans Region", in paragraph 27 is the last project "Constanta-Mangalia-Vama Veche" and on page 55 are listed the details of this project. In "Appendix 10.9 - Table summarizing values bypasses projects", point 14 is passed bypass the city of Mangalia. In conclusion, there are no other provisions, only "procedures". This in practical terms does not mean very much for the Dobrogea region, for its normal development. These procedures, even if this year will start, there is no guarantee that it will be completed in a reasonable time in order to start auctions for awarding works.

2. Working variants of the Transport Ministry

A). The express road Constanta-Tulcea-Smârdan. I believe that the decision to perform an express road between Constanta-Tulcea and Smârdan, length of approx. 188 km, is wrong. Danube Bridge must be built between Smârdan and Braila, in the place where the river has the smallest

width, Figure no 1. In the program document "General Transport Master Plan of Romania, Final Draft Report revised Master Plan on short, medium and long", elaborated in July 2015, in Annex I, in the table titled "Appendix 10.3. Summary table values express roads projects", which we present in table no. 1, core values are entered express road in Constanta-Tulcea-Smârdan. From the same Annex it pulled estimated prices for construction of highways, express roads, which are presented in Table no. 2, (MT Appendix 1, 2015).

Figure no.1. The proposal of Transport Ministry for the Express road.



Source: Transport Ministry, 2016.

Table no. 1. Table summarizing the express road in Dobrogea.

No	Name of Project	Road section	Project Code	The length of the road (km)	Unit cost (mil. Euro/km)	Estimated value (mil. Euro/km)
28	Constanța-Babadag-Tulcea-	Ovidiu-Tulcea	RDX028	112.5	5.04	566.88
29		Cataloi-Dunăre Smârdan left bank.	RDX029	73.2	5.76	421.28
30	Isaccea-Măcin-Brăila	Dunăre- Brăila Bridge.	RDX030	2.0	76.86	153.72
Subtotal project cost: Constanța-Tulcea-Brăila				187.7	6.08	1.141.88

Source: Transport Ministry, 2015.

Table no. 2. Estimated prices for the construction of highways and express roads.

No	TYPE OF ROAD	GEOGRAPHICAL AREA	PRICE/km
1.	Highway with 4 lanes.	Lowlands	5.98 mil. Euro
		Hilly	8.70 mil. Euro
		Hill	13.06 mil. Euro
		Mountain	13.06 / 21.76 mil. Euro
2.	The express road with 4 lanes.	Lowlands easy	3.92 mil. Euro
		Lowlands	4.79 mil. Euro
		Hilly	6.96 mil. Euro
		Hill	10.44 mil. Euro
		Mountain	10.44 / 17.41 mil. Euro

Source: (Transport Ministry, 2015).

Following the costs for other areas of the country and comparing the values listed in the Table no. 1 I noticed the following:

-Price for the 4 lane express road, between localities Ovidiu and Tulcea is 5.04 mil. Euro/km and a highway in the lowlands is 5.98 mil. Euro/km. The difference is 0.94 mil. Euro/km.

-Price for the express road for the same lowland area (estimated in the documents of Ministry Transport is 4.79 mil. Euro/km), compared to the townships Ovidiu and Tulcea with 5.98 mil. Euro/km. It follows a difference of 1.19 mil. Euro/km.

-Price for the 4 lane express road, between localities Cataloi (which is 11 km from the city of Tulcea) and Smârdan is 5.76 mil. Euro/km. It follows a difference of 0.28 mil. Euro/km, compared to a highway in the lowlands and a difference of 0.97 mil. Euro/km. In Table no. 3 furthermore, the differences in mean values less than the estimated documents of Transport Ministry.

Table no. 3. Differences in costs between Dobrogea project and similar estimates.

No	The road and distance	Unit cost of road sector (mil.Euro/km)	Unit cost (mil.Euro/km)			Differences in + or - (mil.Euro/km) ¹	
			Terrain	Highway	Express road	Highway	Express road
1.	Ovidiu-Tulcea (Cataloi) = 112,5 km.	5.04	Lowlands easy	-	3.92	-	+ 1.12
			Lowlands	5.98	4.79	+ 0.94	- 0.25
			Hilly	8.70	6.96	+ 3.66	- 1.92
2.	Cataloi-Smârdan = 73,2 km.	5.76	Lowlands easy	-	3.92	-	+ 1.84
			Lowlands	5.98	4.79	+ 0.22	+ 0.97
			Hilly	8.70	6.96	+ 2.94	+ 1.20

Source: (author study), (MT Appendix 1, 2015).

¹ The sign (+) means that it is more expensive, and the sign (-) means it is less expensive than estimated in the documents.

As shown in the Table no. 3, below are a series of price differences between "standard" values expected throughout the country and considered for Dobrogea region. Following the physical map, Figure no 2, but taking into account that new buildings are provided, notice the following issues:

-By the end of A-4 motorway, near Ovidiu until the locality Piatra, the land is flat type, with a crossing point over the channel "Poarta Alba-Midia Năvodari". This means that it is planned to construct a new bridge over the canal, the current bridge will be used. So express road will have a portion that will enter in the European road E-87.

-From the locality Piatra until the next localities Cogeaalac and Tariverde, the land is hilly type. In addition, the area of these settlements on lands adjacent is a large area that is wind power. This may require a series of restrictions on the distance between the express road and wind power in operation.

-Next, until near the town Babadag, land type is hilly with some flat portions. Near Babadag is "Babadag Forest Nature Reserve". This natural reserve is to be avoided and the only way is in the east of it, besides Visterna village.

-From the Visterna village up to Cataloi, the land is flat type. But the area is wet, flooded, are nearby Babadag lake.

-Near the village Cataloi is the "Delta Danube" Tulcea international airport, which will be linked to this express road.

-From Cataloi until the locality Jijia, the terrain is hilly and the Jijia until Smârdan land is marshy lowlands.

Given the estimated costs, I think that is projected as done wrong because the land that is under construction express road, from Ovidiu to Smârdan is mostly hilly, which will raise more initial costs. In the final analysis, I consider that a project is done superficial that does not correspond to reality on the ground. A line drawn in Figure no. 1 and the real possibility to achieve such an infrastructure project, it is easy to see the differences.

B). The express road between Constanta, Mangalia and Vama Veche. In the Appendix 10.5, is the summary table with the values for the road project Trans Regio, between Constanta and Mangalia. The main values are distance of 49 km, the unit cost of 0.75 mil. Euro/km, road type bands/2x2 drives direction, the total cost of 36.75 mil. Euro, (MT Appendix 1, 2015). Sectoring road is Constanta-Mangalia-Limanu and Limanu-Vama Veche, and Limanu-Vama Veche cost segment is 8 km x 0.75 mil. Euro/km, the cost of all is 6 mil. Euro.

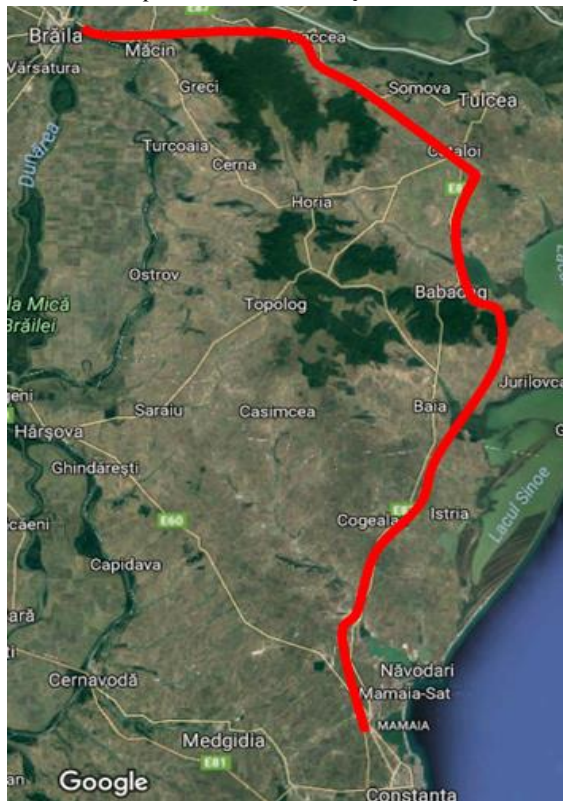
Table no. 4. Differences in costs between express road project "Constanta-Mangalia", Mangalia variant and highway.

No	The road and distance	Unit cost of road sector (mil.Euro/km)	Unit cost (mil.Euro/km)			Differences in + or - (mil.Euro/km) ¹	
			Terrain	Highway	Express road	Highway	Express road
1.	Constanța-Mangalia = 49 km.	0.75	Lowlands easy	-	3.92	-	+ 1.12
			Lowlands	5.98	4.79	+ 0.94	- 0.25
2.	Bypass town of Mangalia = 8 km.	2.40	Lowlands easy	-	3.92	-	+ 1.84
			Lowlands	5.98	4.79	+ 0.22	+ 0.97
3.	Limanu-Vama Veche = 8 km.	0.75	Lowlands easy	-	3.92	-	+ 1.12
			Lowlands	5.98	4.79	+ 0.94	- 0.25

Source: (author study), (MT Appendix 1, 2015).

c). **Bypass the city of Mangalia.** In the Appendix 10.9, is the summary table value of Bypass project for the city of Mangalia. The main values are: a distance of 8 km, the average cost/km is 2.4 mil. Euro/km, road type band/2x2 drives direction, the total cost of 19.2 mil. Euro, Figure no 4, (MT Appendix 1, 2015).

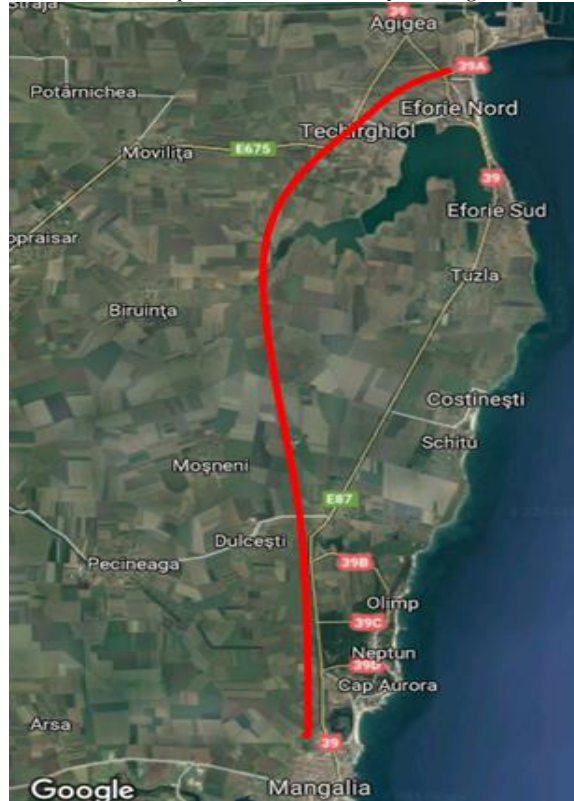
Figure no.2. Physical map of the area planned for express road Constanța-Brăila.



Source: (google.map, 2016).

Inscription: The road traced by the author. —

Figure no.3. Physical map of the area planned for express road Constanța-Mangalia.



From the study of documents and information contained in the Annex 10.11, which containing the list of prioritized projects for highways, are listed 11 projects, totaling 1219.80 km with a total value estimated at 13253.65 mil. Euro, there is no reference to the Dobrogea region, (MT Appendix 1, 2015). In the same document in the Annex 10.12, arrives prioritized list of projects to express roads. In the Chapter 17 is passed Constanta-Tulcea-Braila express road and the bridge over the Danube river, (MT Appendix 1, 2015). In the Appendix 10.13 is the last list of prioritized projects

for roads Trans Regio. In the item 5 is passed Constanta-Vama Veche road, with a length of 49 km and a total cost of 36.70 mil. Euro, (MT Appendix 1, 2015). In the Appendix 10.15 is the list of projects prioritized by-passes, at the position 7 is the last version of Mangalia Bypass, with a length of 8 km and the total estimated cost of 19.20 mil. Euro, (MT Appendix 1, 2015). Another aspect is the situation at the Fetesti toll station, which is considered a "critical project". This station belongs to Ialomita county, but it is very important for the Dobrogea region.

3. Proposals for investment in road infrastructure in the Dobrogea region

In terms of strategic, economic and social, industry, trade and tourism, Dobrogea region depends on the highways. Large or small businesses today depend by the speed. This should be considered in the first place. Then transport safety on public roads. Of all the statistics presented in Romania, the safest are motorways.

Figure no. 4. Bypass town of Mangalia.

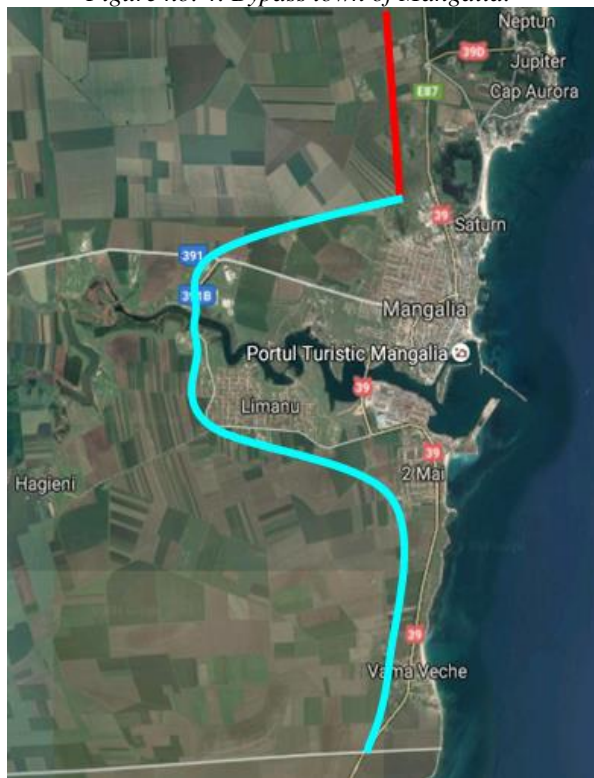
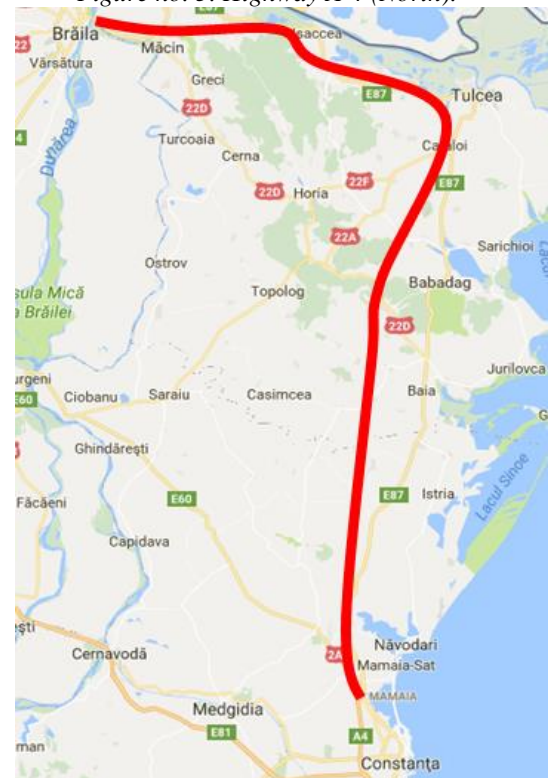


Figure no. 5. Highway A-4 (North).



Source: (author study), (google.map, 2016).

In terms of tourism, the seaside area and the Danube Delta are very attractive for the tourists from our country and from abroad. This leads to high congestion and traffic problems during the summer season, several key points: Constanta, Mamaia, Năvodari, Agigea, Eforie Nord, Mangalia 2 Mai, Vama Veche, in Constanta County. Tulcea, Babadag, Macin, Smârdan and I.C. Brătianu in Tulcea County. Also toll station from Fetești. In terms of commercial shipments, the large number of containers transported from the port of Constanta to the hinterland and into the Central European countries, but also in the opposite direction of Constanta, leading to congestion of main roads: Highway A-2 (E-81, Bucharest-Constanta), National road 2A (E-80, Hirsova-Constanta), National road 22 C (Cernavoda-Constanta), National road 22 (E-87, Constanta-Tulcea-Smârdan), National road 39 (E-87, Constanta-Mangalia-Vama Veche).

The best solution in terms of speed, safety, for eliminate congestion, boost tourism to the Danube Delta and the southern coastline, I think that is the construction of highways in the region as follows:

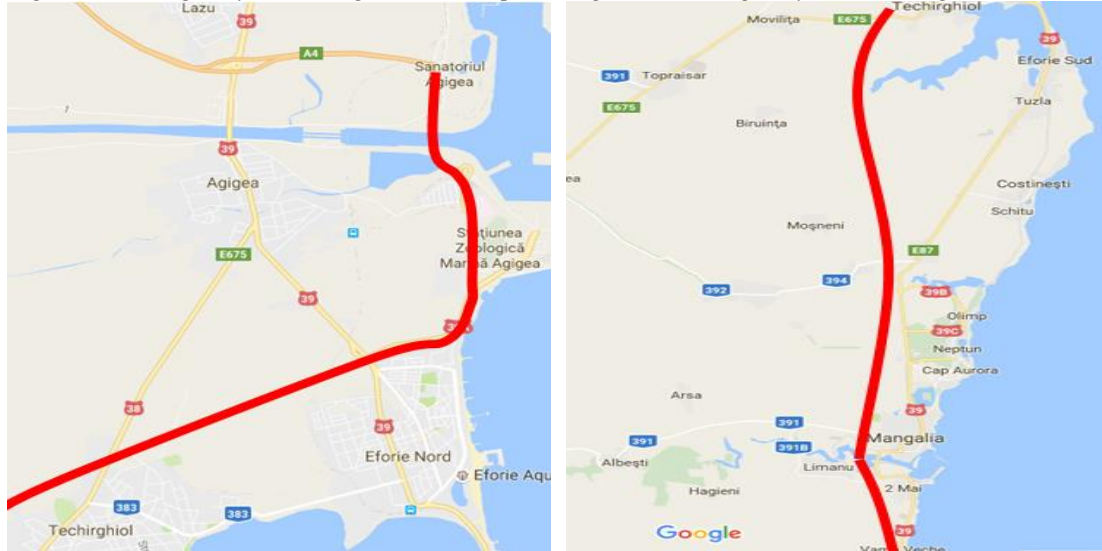
-Instead of expressway "Constanta-Tulcea-Smârdan", a highway to the north, which build on highway A-4, which is constructed as a variant of Constanta bypass, Figure no 5.

-Instead expressway "Constanta-Mangalia", variant detour Mangalia and expressway to Vama Veche, continuing the highway A-4, to be built further from the terminal point in the Constanta

harbor, across the new bridge again on besides Eforie Nord town, Figure no 6, continue to Mangalia and Vama Veche, up to the border point, Figure no 7. The main problems that must be solved to complete highway to A-4 in Dobrogea, in addition to variants of the express roads and by-passes are as follows:

- Construction of a new bridge over the Poarta Alba-Midia Canal.
 - Construction of a new bridge in Limanu, in the western area of the village, instead of the current old bridge.
 - Connections with the other national roads, which will involve new bridge construction.
- Issues relating to jurisdiction and land prices are same for both types of the roads.

Figure no. 6. Highway A-4, trough Constanta port. Figure no. 7. Highway A-4, Techirghiol-Vama Veche.



Source: (author study), (google.map, 2016).

4. Conclusions

Cost analysis, in particular price differentials for the two types of road, motorway and express road were presented in the previous tables. The price differences are minor, if the estimated values calculated at the Transport Ministry, based on a scientific foundation. In addition, if there are no additional costs after tendering for the award of the construction, the builders if the selection was right and they meet the real requirements for this type of work required. In terms of economic and social construction of A-4 motorway between Vama Veche, Mangalia, Constanta, Tulcea and Braila with the bridge, will give a great impetus to economic development, tourism, eliminate downtime delays owe. Streamlining traffic to Constanta, Mangalia and Tulcea will make tourism to develop, become attractive for tourists from the central and northern Europe.

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Analysis of Budgetary Decommitment Risk for the Programming Period 2007-2013

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Abstract

The first programming period implemented by Romania generated a lot of challenges for the administration system but also for the stakeholders. The novelties of the situation and a number of internal and external variables have affected how the programs were implemented and the results of each program. The objectives of the paper are analysing the dynamic and the absorption characteristics and last but not least identifying the quantitative risk of the financial decommitment for 2007-2013 programming period. The relevance of this paper is linked to the need of evaluating the decommitment risk and of avoidance the mistakes made in the first programming period in order to increase the absorption rate in the second programming period. The management and performance of the absorption rate carefully described in the paper are also relevant for the stakeholders of European funds.

Key words: *decommitment, eu funds, absorbtion,*

J.E.L. classification: F36

1.Introduction

In 2015, as full Member State, Romania completed the first programming period 2007-2013. The principles that led to the harmonization of the European Commission's interests with the interests of Romania generated a number of challenges for the Romanian institutional system. These challenges were coupled with a number of issues of economic and geopolitical nature, namely the 2010 financial crisis and the tensions in Eastern Europe, generated mainly by the expansion of NATO and Russia, which affected the cohesion policy and thus, the absorption rate in Europe. Until recently, the EU cohesion policy and the budget allocations for various objectives to support it treated as a secondary issue the impact of structural and cohesion funds. The major significance of the latter became obvious when the post-crisis budgetary restrictions were implemented, as the concerns for efficient public spending tended to become operational in the programming period 2014-2020 (Barca, 2009, p.87). Bureaucracy, spending principles and the specific targets were the main variables that generated problems in most Member States. Among the weaknesses admitted by most Member States regarding the programming period 2007-2013 it is worth mentioning the long implementation period of the European programs, and the lack of flexibility in the resource expenses, particularly those resources linked to the cohesion policy. These elements were the main reasons mentioned by Member States in order to obtain procedural concessions towards the end of the programming period. A European Commission report on the implementation of Structural and Cohesion Funds (European Commission, 2013), based on national reports, shows that in general, they have contributed to a lesser extent than expected to economic growth and job creation. Despite the accelerated pace of implementation seen in recent years of the programming period the results were not very significant (due to the effects of the crisis) especially in Member States in southern part of the EU, where macroeconomic imbalance and delays in economic recovery persisted (also on account of austerity programs), (Zaman et al, 2014, p.31).

In Romania, the institutional reform of the administrative apparatus, the management and systemic errors affected directly the absorption rate dynamics throughout the entire programming period, affecting both the impact of the European funds and the objectives assumed under the operational programs. Romania had to set up a framework to manage the EU funds under the European laws and rules, to make sure that funds are spent correctly and help reduce the inequalities between EU regions. The organization of the European resources was based on operational programs, each one targeting specific sets of needs for a particular field. In recent years it was found that the pressure exerted in order to increase the absorption rate of structural and cohesion funds became, for some countries (including Romania), a condition for granting EU financial assistance, and a criterion of sizing the allocated funds. All this was done to the detriment of effective use of these funds (Katsarova 2013, p.5).

2. Research methodology

The research methodology involves an analysis of the expenditure statements submitted to the European Commission (EC), the amounts reimbursed by the EC and the projections of settlement developed by the Romanian Government for each operational program which is part of the programming period 2007-2013. Two indicators were used, namely the current absorption level (amounts submitted for settlement to the EC), and the actual level of absorption (amounts reimbursed by the EC based on the statements of expenditure submitted).

3. The absorption status

The 2007-2013 programming period was a difficult period because there were a number of financial corrections, suspensions of specific operational programs, as well as financial and administrative shortcomings. The main obstacles encountered in starting the implementation of operational programs and subsequently in the actual implementation of the projects were diverse in nature, since the difficulties in preparing project portfolio and launching calls for proposals, and delays in project evaluation and selection, difficulties in starting the implementation of projects to the beneficiaries, in particular major projects, legislative barriers, especially budgetary ones, but not only, and institutional issues (Government of Romania, 2013, p.71). Obviously, the consequences of the aforementioned situations were felt towards the end of the programming period, when the risk of budgetary decommitment has become obvious and could be quantified. To identify the risk of budgetary decommitment it is important to analyze the absorption situation at the moment. This image is depicted in the table below:

Table no.1 Absorption status, 30 September 2016

Operational Program	Allocation 2007-2013	Current absorption - euro	Effective absorption - euro
SOPIEC (Sectoral Operational Programme Increase of Economic Competitiveness)	2.536.646.054	2.377.677.852	2.179.933.761
OPTA (Operational Programme Technical Assistance)	170.237.790	193.092.021	146.404.499
SOPE (Sectoral Operational Programme Environment)	4.412.470.138	3.477.489.101	3.302.536.830
ROP (Regional Operational Programme)	3.966.021.762	3.372.862.138	3.372.867.345
SOPHRD (Sectoral Operational Programme Human Resources Development)	3.476.144.996	2.347.894.037	2.243.811.890
SOPT	4.288.134.778	3.314.972.970	3.007.751.462

(Transport Sectoral Operational Programme)			
OPACD (Operational Programme Administrative Capacity Development)	208.002.622	205.211.213	170.562.150
Total	19.057.658.140	15.289.199.332	14.423.867.937

Source: Ministry of European Funds/ Absorption stage OP 2007 – 2013, December 2015/data processed by author

The absorption status on 30 September 2016, as it is mentioned in the table no 1, stands at 80.23% - the current level (amounts declared to the European Commission for settlement) and at 75.69% - effective level of absorption (amounts disbursed by the European Commission). Between the current level and the actual level of absorption there is a difference of 4.54%, in absolute value of 865,331,395.00 euro, an amount that may be considered lost by Romania. Given that the effective implementation of the programs was finished, the likelihood of recuperating the aforementioned amount is zero. The sources of this loss are the budget corrections applied at program level or the statement of expenditure, as well as various ineligible costs that occurred during the implementation process. The OPs situation regarding the difference between the current level and the effective absorption make SOPE (1.109.933.308 euro), SOPHRD (1.232.333.106) and SOPT (1.280.383.316) the programs with the most significant differences. These differences show that the aforementioned operational programs recorded the highest level of ineligible expenditure during implementation. On the opposite side are the programs OPACD and OPTA that record a high absorption level, but we must keep in mind that these programs received the lowest allocations and their also have a low level of difficulty. Low number of actors involved in the implementation process, the small number of rules and a low diversity of funded operations, have ensured the consistent absorption. A different behaviour regarding differences between the current level of absorption and the actual level is seen in SOPIEC. Although the current absorption rate stands at 93.73%, the difference from the effective absorption rate is 7.8 percentage points. Budget corrections and the high level of ineligible costs affected in a direct manner the settlement with the EC. SOPIEC is a program that has faced both financial corrections and suspensions during the implementation period and this affected directly the uptake for this operational program.

4.The decommitment risk for 2007-2013

In July 2016, the Ministry of European Funds approved in a memorandum the projections of expenditure under the programming period 2007-2013. The statements sent to the EC were based on these spending projections. The projections covered the years 2016 and 2017 (Romanian Government, 2016, p.2). In this regard, we identified the risk of decommitment at the end of 2007-2013 by adding the projections advanced by the Government on the extent of absorption. Romania's projections are modest and at the same time, far too small to cover the deficit of unspent resources or at risk of decommitment. These are mainly focused on 2016, and the exact situation is depicted in Table 2, shown below:

Table no.2: Risk of decommitment at the end of the programming period

Operational Program	Current absorption euro - 30.09.2016	Effective absorption - 30.09.2016	Risk of decommitment at the end of the current programming period	Real risk of decommitment at the end of the programming period
SOPIEC	2.377.677.852	2.179.933.761	20.629.507,69	218.373.598,69
OPTA	193.092.021	146.404.499	-	16.477.611,51
SOPE	3.477.489.101	3.302.536.830	709.695.780,74	884.648.051,74
ROP	3.372.862.138	3.372.867.345	363.668.814,19	363.663.607,19
SOPHRD	2.347.894.037	2.243.811.890	909.583.808,98	1.013.665.955,98
SOPT	3.314.972.970	3.007.751.462	807.034.652,81	1.114.256.160,81
OPACD	205.211.213	170.562.150	-	32.390.915,92

Total	15.289.199.332	14.423.867.93 7	2.810.612.564,40	3.643.475.901,83
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Source: Ministry of European Funds/ Memorandum on estimates for 2016 and 2017/data processed by author

The actual risk of decommitment was maintained at the value of 3.643.475.901,83 euro, as shown in Table 2, representing 19.12% of the total amount allocated. The current risk of decommitment stands at the value of 2.810.612.564,40 euro, representing 14.75% of the total amount allocated. The difference between the current and the actual risk declined sharply compared to 4.37% on 30 September 2016. The analysis of the operational programs does not bring major changes compared to 30 September 2016. SOP ENVIRONMENT (884,648,051.74 euro risk of actual decommitment), SOP TRANSPORT (1.114.256.160,81 euro - risk of actual decommitment) and SOP HRD (1.013.665.955,98 euro - risk of actual decommitment) are operational programs showing the greater risk of decommitment at the level of the 2007-2013 programming period. It should be mentioned that all 4 categories of operational programs are aimed at complex projects. The complexity derives from the number of entities involved in the realization of project documentation, the implementation timeframe of the project, the number of beneficiaries, the number of documents deriving from the implementation, and the level of difficulty of the procurement documentation that is part of the project. ROP is the only operational program that kept on track the gap between the current risk and the actual risk of absorption. In the case of other operational programs such as SOP ENVIRONMENT (174.952.271,00 euro), SOP TRANSPORT (307.221.508,00 euro), SOP HRD (104.082.147,00 euro) the differences are considerable, meaning that the implementation errors have generated significant ineligible costs and Romania will lose these amounts. The analysis of discrepancies between the two types of risks is extremely important because it highlights the flaws of the management system. The larger the difference between the two types of absorption levels the bigger are the flaws related to the management system in the implementation process. This was the case of SOPIEC, which generated substantial expenses but these expenses were not made according to the European procedures and regulations. Therefore, the EC applied financial corrections or ruled the ineligibility of certain expenses submitted for reimbursement by Romania. SOP HRD is another program that was in a similar situation during the implementation period. Another important indicator for the absorption rate and by default, the risks of decommitment concerns the payments made to the beneficiary by Romania. The importance of this indicator derives from the fact that there were situations in which Romania has made payments to beneficiaries who were subsequently not included in the expenditure statements which were forwarded to the EC. Basically, the program was credited in a first phase by the beneficiary and later by the Member State. The need of lending is tied to the management errors made during the implementation of the program. This situation has several reasons, deriving in particular from the complexity of the program. Table 3 illustrates this situation very clearly.

Table 3. Payments to beneficiaries / spending projections

Operational Program	Current absorption - 30 September 2016	Projection 2016, euro	Projection 2017, euro	Value of payments to beneficiaries 31 December 2015, euro
SOPIEC	2.377.677.852	101.796.095,53	36.542.598,78	2.179.267.274
OPTA	193.092.021	7.355.679,49	-	124.985.233
SOPE	3.477.489.101	194.056.080,91	31.229.175,34	3.125.148.384
ROP	3.372.862.138	187.355.670,50	42.135.139,32	2.921.708.410
SOPHRD	2.347.894.037	99.185.947,33	119.481.202,69	3.012.548.303
SOPT	3.314.972.970	128.094.355,59	38.032.799,60	2.622.283.293
OPACD	205.211.213	4.421.807,63	627.748,44	176.708.501
TOTAL	15.289.199.332	722.265.636,99	268.048.664,18	14.162.649.397

Source: Ministry of European Funds/data processed by author

One of the programs in this situation is SOP HRD. On 31 December 2015 it recorded payments to beneficiaries amounting to 3,012,548,303 euro, representing 86.66% of the total allocation. However, the actual risk of decommitment, risk that takes into account all projections considered by the government, stands at 29.16% of the total allocation. The difference shows the expenses that

were not included in the expenditure statements and practically fuelled the losses of Romania within the SOPHRD. Regarding the remaining operational programs, it is easy to see the logical flow for settlement of the amounts for each operational program.

Projections for 2016 and 2017 placed the operational programs with the greatest risk of budgetary decommitment on top spots in terms of absolute values, as follows: SOPHRD (218 667 150 euro), SOPE (225 285 256 euro), SOPT (166.127 .155 euro). Conversely, the programs with the lowest risk of decommitment risk, targeting projections of lower intensity, are PODCA (5,049,556.00 euro), and POAT (7,355,679 euro).

5.Dynamics of the value of expenditure statements

2016 is the year when all projects related to the 2007-2013 programming period were concluded, and the submission of expenditure statements to the EC was next in line. The complexity of different operational programs generated a different dynamic from one program to another. This was also influenced by the complexity of the application related to expenditure submitted to the EC. Table 4 gives us an insight into the current absorption rate. It is important to analyze this indicator because it can provide an insight into the way in which each operational program was implemented. If the share of expenditure subject to settlement is larger in 2016 then this is a clear proof of the fact that the programs were more focused on the last part of the programming period, during which the current absorption actually took place. Focusing the uptake on the final part of the programming period attracts a number of risks that are difficult to manage, inducing effects in the absorption rate. These consequences cover at least the following issues: lack of cash flow, slow processing of reimbursement applications, weak project monitoring capacity and focus on absorption rather than achieving the targets. In fact, most OPs were in this situation. Mainly, the management system that integrates public institutions in Romania encountered major difficulties in adapting to the demands of the European Commission. In the mid-term of the programming period emerged a public institution whose role was to coordinate the system of European Funds, called the Ministry of European Funds. Another major impediment in delivering a generous absorption rate was the legal system. The harmonization of the national legislation with the European regulations, particularly regarding auditing, control and fraud lasted for about 3 years, and has considerably affected the absorption level. Looking at all these issues, the concentration of absorption was a natural reaction, as it is clearly shown in the table below:

Table 4. Dynamics of expenditure statements submitted to the EC in 2015/2016

Program	Allocation 2007-2013 - euro	Expenditure statements sent to the EC on 14 December 2015, euro	Expenditure statements sent to the EC on 30 September 2016, euro
SOPIEC	2.536.646.054	1.632.998.361	2.377.677.852
OPTA	170.237.790	123.801.091	193.092.021
SOPE	4.412.470.138	2.555.947.260	3.477.489.101
ROP	3.966.021.762	2.534.841.696	3.372.862.138
SOPHRD	3.476.144.996	1.712.351.257	2.347.894.037
SOPT	4.288.134.778	2.620.878.885	3.314.972.970
OPACD	208.002.622	185.548.761	205.211.213
Total	19.057.658.140	11.366.367.311	15.289.199.332

Source: Ministry of European Funds/ Absorption stage for OP 2007 – 2013/data processed by author

The growth rates of the amounts submitted for settlement to the EC are over 15% for most operational programs, the only exception being the OPACD. Analysis of operational programs provides premises for such a situation. Thus, POSCCE submitted for settlement expenses totalling 29.36% of the total allocation, in absolute value of 744 679 491 euro, POAT in percentage value of 40.70%, absolute value amounting to 69.290 930 euro, OPR in percentage value of 21,13%, absolute value 838.020.442 euro and SOPM in percentage value of 20.88% and absolute value amounting to 921.541.841 euro. The probability of errors in the process of spending and the

drafting of expenditure statements is very high since the absorption concentration is focused towards the last part of the implementation period.

The figures in Table 4 show that most operational programs focused the absorption towards the end of the programming period. From December 2015 to September 2016 the absorption increased by 20.58%. This situation was influenced also by the concessions made by the EC in relation to certain Member States, including Romania, regarding the possibility to increase the level of absorption. Phased projects and the retrospective projects stand for only two procedural elements that affected positively the level of absorption. Phased projects represent projects that were contracted during 2007-2013 and should have been finalized by the end of 2015 but due to various reasons they have not been finalized. The concessions made by the EC enabled the transfer of the project budget from the programming period 2007-2013 to the programming period 2014-2020. In this respect, the eligibility of expenditure is maintained. Typically, the phased projects were large infrastructure projects which are integrated in SOP TRANSPORT or SOP ENVIRONMENT.

Regarding retrospective projects, this type of projects have targeted in particular the SOP HRD and they concern the transfer of programs (programs that meet the requirements of the European regulations) funded from public resources to European funds. Basically, expenditure already made by Romania was settled by the EC which recognized the eligibility of expenditure. These two procedural elements have considerably affected the absorption rate. However, this justifies the high absorption level in 2016.

6. Conclusion

Romania's performance is modest considering the absorption rate of the first programming period since it became full EU Member State. Slow responses provided by the Romanian management institutions, antagonist content of the national legislation and European regulations, administrative reorganization of public institutions with responsibilities in the management of European funds – all these variables affected the smooth implementation of the operational programs. The natural consequences of the situation mentioned above concern the focus of absorption on the last years of the programming period, nonlinear nature of the settlement process and nonlinear need of cash, all with immediate impact on the rate of absorption, and hence, the risk of budgetary decommitment. Substantial differences between the current level and the effective level of absorption are practical steps to justify the errors in implementation of operational programs. Differences between the two indicators are quite high for certain operational programs. Operational programs that recorded serious difficulties show significant difference in the current level of absorption and the effective absorption. The risk of decommitment thus integrates both the differences between the amount allocated and spent, plus the value resulted from differences between the current level and the actual level of settlements made by the EC.

Projections of costs covered by the Government, although substantial, are not likely to cover the deficit of the unspent resources. The risk of decommitment is imminent, being generated on one hand by financial corrections applied, the ineligibility of certain expenses, and on the other hand by not spending the resources allocated within the operational programs.

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Economy and Climate Change The Paris Conference - December 2015

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Abstract

The Paris Agreement on climate change issues was adopted at the COP.21 of December 12, 2015. Representatives from 195 countries have agreed to undertake concrete measures in order to contain the rise of global atmospheric temperatures until the end of the century, to less than 2 degrees Celsius in comparison to preindustrial era values.

As a way to boost its enactment, the agreement provides that developed countries undertake a yearly 100 billion dollars financing in Eco-friendly technologies directed to developing countries.

This paper, other than being a brief listing of Summits dealing with climate change issues also describes the evolution of the CO₂ atmosphere percentage as well as the consumption of carbon based fuels - the reason for the highly increasing raise in the concentration of the most nominated greenhouse effect gas that causes the rise of temperature on our planet.

Key words: economy, climate change, coal, oil, methane gas.

J.E.L. classification: A-20, E-21, F-64, L-61, O-13.

1. Introduction

Economic development and environment

The unhindered development recorded since the world entered the "industrial era" more than 200 years ago, started with the "unlimited" perception of our planet's dimensions, its capacity to provide "endless" nonrenewable mineral resources, unlimited well-being conditions for an ever increasing population, the capacity to endlessly absorb all pollutants generated by domestic, agricultural and stock raising activities as well as those resulting from industrial processes, of unpredictable magnitude when compared to the date humankind entered the industrial era.

The quantity of pollutants dispersed in the atmosphere, water and ground increased to an alarming manner and has gone beyond the self-clearance capacity of natural factors. We have already reached our planet's limit of bearable! Thus, it was disappointingly noticed that our planet's possibilities, thought of as never-ending, are actually limited. Our planet's billions of years' old natural balance may be seriously damaged if not irreversibly disrupted, putting life on Earth at risk. The damages inflicted on the human race by a faulty management of progress, victim of market and profit dictated interests, have begun to be noticed during the second part of the 20th century. Please follow the steps outlined below when submitting your final draft. These guidelines include complete descriptions of the fonts, spacing, and related information for producing your proceedings manuscripts.

The Paris Conference of December 2015

With the United Nations and the President of France as coordinators, the World Conference on climate change issues was held in Paris between November 30 and December 12, 2015. Its aim was to adopt an International Treaty on anti-pollution rules, measures and laws.

After intense negotiations and some compromises, the representatives of the 195 countries have

adopted the agreement that will keep under control the increase of global temperature throughout this entire century. Still, the agreement may only become effective after the 55 countries responsible for more than 55% of global emissions will have their instruments of ratification deposited.

For instance, if we refer to the Kyoto Protocol, this was adopted on December 11, 1997 but became effective 8 years later, in 2005, and the USA has not ratified it yet. (Financial Newspaper, 2015)

The main provision of the Paris Agreement is the commitment of the attending states to limit global warming to less than 2 °C until 2100 in comparison to preindustrial era values and thus avoid serious consequences of climate change.

According to the Paris Agreement each country will set forth its own aims and methods to reduce emissions and these will be presented once every 5 years and identified as Nationally Determined Contributions - NDCs. Until 2100, the population of the planet will grow from 7,4 billion to 11 billion people and fossil fuel has to be eliminated.

As a way to boost its application, the agreement provides that developed countries undertake a yearly 100 billion dollars financing in eco-friendly technologies directed to developing countries. This support will be implemented until 2020 and as of 2025 a new (increased) financial limit will be established.

Also, the UN insists it will reinforce the International Mechanism of Warsaw consisting of support in case of loss and damages (economic), mechanism that was adopted in 2013 to efficiently manage the effects of climate change among the most vulnerable states.

2. History of the "COP" summits on climate change

1987 - The Montreal Protocol

The depletion of the ozone layer as a result of intensely pollutant industrial activity has led to the enactment of the Montreal Protocol. The most developed states have established a strict schedule aimed at limiting and even eliminating the chlorofluorocarbon (CFC) compounds from industrial activities after scientists have proven these substances are responsible for the so-called "ozone hole" effect allowing the harmful ultraviolet rays of the sun to reach the surface of the Earth.

1992 - UNFCCC

At the United Nations Conference on Environmental and Development issues of 1992 in Rio de Janeiro, 154 countries have agreed to ratify a Global Treaty on climate change: UNFCCC - United Nations Framework Convention on Climate Change. Today, every country in the world has adhered to this treaty.

The main objective of UNFCCC was to set forth and enacted a series of measures aimed at preventing the interference with the Eco-system and the climate of the planet of harmful anthropogenic emissions, of greenhouse gas emissions as well as of toxic gases generated by pollutant industrial activity.

1995 - Berlin: The First "Conference of Parties" (COP-1)

The "Berlin Mandate" was adopted during this conference. The members of the UNFCCC have retained the commitments already in place as "inadequate" if the objectives to diminish global pollution were to be reached. Consequently, the decision to organize a yearly "COP Summit" was made and thus the evolution of each country from the perspective of anti-pollution measures was to be supervised and analyzed.

The "Berlin Mandate" has developed a negotiation process with the most developed nations in order to achieve from these objectives as strict as possible based on the principle that major industrial powers also have the major obligations in reducing the level of industrial pollution.

1997 - The Kyoto Protocol

As a result of the Rio Conference, the nations of the world decide in Kyoto, for the first time in the history of modern society, to lay the foundation of a global legal system to limit pollution and greenhouse effect pollution. The Kyoto Protocol has generated the taxation of pollution according to CO₂ emissions.

2002 - The Johannesburg Conference

The high level Conference in Johannesburg, South Africa, should have represented an impulse to the approach and resolution process of the issues agreed upon in Rio concerning sustainable development but this time as well expectations were higher than achievements.

2009 - COP Copenhagen

The Conference in Copenhagen, Denmark, was the first COP to which states have reached a long-term agreement on the limitation of global warming to less than 2 °C until 2100 in comparison to preindustrial era values.

Developed countries have agreed upon a financial support directed to developing countries of 100 billion dollars yearly until 2020.

2013 - COP, Warsaw

The INDC (Intended Nationally Determined Contributions) mechanism was installed on occasion of the 19th Conference of Parties (COP-19) held in the capital city of Poland. It consisted of *national voluntary platforms* by means of which each country lists the plans through which it is able contribute to the global plan of pollution and of greenhouse effect emissions reduction in order to restrain the increase of global temperature. In Warsaw, all states, including the less developed ones, have undertaken to abide by the pollution reduction process.

In Paris, on December 2015, for the first time in the history of modern society, the national policies of each country were transparently exposed to the public worldwide. This truly represented a clearer measure of nations' availability to contribute to the reduction of global pollution.

3. The "COP.21" SUMMIT: PARIS - 2015

The attendants of the 195 countries see the Paris Summit as the most important global Conference (until now) dealing with climate change.

The rise of temperature above the 2 degrees Celsius limit may lead, considering scientists' warnings, to severe climate changes: drought, floods and catastrophic storms, rise of the sea and ocean levels (with dramatic consequences for marine communities) and even the collapse of biodiversity on Earth.

According to known data the global average atmospheric temperature has increased by approximately 0,8 degrees Celsius in comparison to the year 1880. The atmosphere CO₂ concentration has gone beyond the 400 ppm in March 2015, its value being only 280 ppm at the end of the 19th century, therefore a growth of more than 40% in less than 150 years.

Obviously, throughout this entire time, mankind has known an unprecedented development in every sector and became unrecognizable. The population of the planet has increased from 1,5 billion to almost 7,5 billion people, industrial production is 43 times bigger and consumption of fossil fuel has increased 24 times. (Financial Newspaper, 2016)

The economic growth of every country is an essential challenge. Every single individual on this planet has the right to lead a decent and good life.

"Probably the most difficult task we have to solve is change the pattern of economic global growth. We have to immediately accept that wasting resources leads mankind towards catastrophe. It is a first in the history of mankind." - Christiana Figueres, UNFCCC executive secretary (United Nations Conference on Environment and Durable Development).

Summing up, the COP. 21 Paris Summit of 2015 gathers all countries of the world willing to adopt strict measures aimed at pollution restraint, measures that will first influence the mega-industry of fossil fuel (coal, oil and methane gas) and hope that will provide the development of green and renewable energies.

Position of certain states and groups of states

Developed countries intend to continue their economic expansion while developing ones naturally, want to develop their economy and hence increase their living standards.

The states that own consistent oil, coal and methane gas resources do not want to waive the business pattern that guarantees their prosperity while small and poor countries ask developed ones to take the responsibility of decent equity for everybody.

The European Union

Throughout the negotiations on climate change, the European Union undertook to reduce greenhouse effect gases by 20% until 2020 in comparison to the ones in 1990 and by 80-90% until 2050. The energy production sector, consumer of huge quantities of fossil fuel, will have to sustain the most significant efforts as they generate 80% of the greenhouse gases. (Verstraeten, 2016, p. 8)

Europe is already a traditional "climate leader" – most of the member states having introduced objectives related to renewable energies or replacement schemes for energy production employed carbon. The European Union officially declares through the voice of the main European powers in the G-7 that it is prepared for the new measures adopted in Paris and brings forward ambitious proposals to reduce pollution.

Still, given the difficulties faced by the Union, the voice of Europe does not seem to be as strong as before and some states such as Poland, the Czech Republic and Hungary have stated that these proposals are against their national interest. These and other European countries still base their economic growth on fossil resources, among them Romania. (Pop, 2016, p. 73)

Encouraging technical and technological progress

Light, heating, transport, industrial production, etc., are all based on energy. The energy sector is a strategic one given that today's society cannot exist without energy consumption.

In order to evolve towards an economy with minimum CO₂ emissions, the energy sector will need to promote, as it was called in Paris a "new technological revolution". It will mainly increase the role of electric power in reducing pollution, especially in the area of urban transport: cars, buses and trucks. (Paşa, 2016, p.15)

Consequently, we need to innovate and Europe's mission will be to reduce the discrepancies between the new Eco-friendly technologies research-development activity and their market induction.

Throughout its development process, Europe takes up increasingly much energy while, for its production, imports the major part of necessary methane gas. There are ongoing projects for the development of the green energy and the wind power sectors, mainly on the Atlantic shores of Europe as well the increase of solar energy production in the area of the North African desert and the direction of electric power towards Southern Europe. (Pop, 2015, p. 92)

But Europe is not alone in this race. United States, China, Japan and S. Korea employ massive human resources to support innovation in the energy sector, threatening Europe's leading position.

To our continent, these investments in ecological technologies, avoiding CO₂ emissions, will have a significant advantage: the decrease of fossil fuel imports, mainly oil and methane gas for which the European Union makes important financial efforts.

The role of great economical and industrial powers

To achieve the goals of the Paris Agreement, the most significant efforts need to be made by the main energy consumers, namely the most developed countries of the world. Table 1 depicts the evolution of energy consumption during the past 55 years among the first 10 industrialized countries.

Table no. 1 The most significant energy consumers - (TWh**)

	Country / year	1960	1970	1980	1990	2000	2010	2015
1.	China	14,1	16,2	17,3	27,0	39,8	95,6	121,1
2.	USA	45,3	67,5	78,1	84,5	98,8	99,8	96,9
3.	Russia	25*	29*	34*	33*	26,2	29,7	31,2
4.	India	2,3	3,4	4,1	7,9	13,3	22,7	20,1
5.	Japan	11,4	13,1	15,2	18,8	22,3	21,8	20,1
6.	Canada	8,0	9,1	9,8	11,0	13,5	13,2	13,4
7.	Germany	12,2	13,9	14,9	15,0	14,3	14,0	13,6
8.	Brasil	2,3	3,4	4,0	5,8	8,5	11,3	13,4
9.	South Korea	1,2	1,5	1,8	3,9	7,8	10,8	12,2
10	France	6,7	7,3	8,4	9,2	10,9	11,1	10,8

Source: (Monthly Energy Review & Energy Information Administration EIA, March 2016)

* URSS... until 1991 ** 1 TWh = 10⁹ KWh = 0,23 Mega-tons-petroleum

It is essential to notice the speedy growth of China during the last 30 years, whose industry dominates global economy, China itself being identified as "the world factory". A relevant example may be the steel production of China that has reached 500 million tons per year, outgrowing the cumulated production of the USA, Japan, Germany, France, Great Britain and Russia, developed countries that were among the greatest steel producers, the metal that is the foundation of industrial development.

All these countries need to be ready to adopt strict measures in order to contain pollution, measures that will have a main impact on the mega-industry of fossil fuel (coal, oil and methane gas) and will have to provide the development of green and renewable energies.

Table 2 provides the evolution and the structure of global energy production. One can notice the large share of coal in the early 20th century and the gradual replacement with petroleum, that reaches a maximum of 55% in 1980. The methane gas has a relatively constant share for the past 50 years and the nuclear energy, after a sharp rise in the '80 - '90 remained at 12-13% in the overall energy balance.

It is important to note that nowadays the world's energy consumption has increased 10 times compared to the mid-twentieth century, showing an extraordinary development of the global economy over the past 60-65 years. The biggest jump in the world's energy production and consumption was recorded in the period between 1980 and 1990.

Regarding the green energy, it grows steadily, currently representing approx. 2.5 billion tons equivalent of lignite per year, worldwide. Although it still accounts only 3% (excluding hydropower) in the total of global energy production, by the allocation of more significant financial resources in supporting the technological innovation in the green energy sector, it will have an increasing share in the next period, eliminating the carbon dioxide pollution, the main accused of the greenhouse effect, which causes the global warming.

Table no. 2 The evolution and the structure of the global energy production

Year	Coal %	Petroleum %	CH ₄ %	Nuclear energy %	Hydroenergy %	TOTAL green energy (%)	TOTAL equivalent lignite x 10 ⁹ to/year
1920	86	9	2	-	3	3	1.46
1930	75	17	5	-	3	3	1.68
1940	69	21	6	-	4	4	1.90
1950	52	32	10	-	6	6	2.52
1960	36	41	16	0.13	7	7	3.50
1970	22	52	18	1.2	6	7	6.02
1980	15	55	17	6	6	7	9.53
1990	13	52	16	11	6	8	15.07
2000	12	51	16	13	7	8	18.00
2005	12	49	17	13	7	9	20.12
2010	13	47	17	13	7	10	22.04
2015	14	46	17	12	8	11	23.67

Source: (Monthly Energy Review & Energy Information Administration EIA, March 2016)

* Green energy: rivers' energy, waves' energy, wind power, photovoltaic energy etc.

4. Substitute for conclusion

The European Union has ratified the Paris Agreement

The last stage, in whose absence the Paris Agreement on climate change could not become effective, unfolded until October 4, 2016 when the European Parliament approved its ratification in the presence of the European Commission President, Jean Claude Juncker, of the UN Secretary General, Ban Ki-moon and of the COP 21 President, Segolene Royal. This is how the political process through which the European Union has ratified this Agreement of utmost importance for future of our planet has ended.

Until October 4, 2016, over 60 countries, generating almost 52% of global emissions, have ratified the Paris Agreement. This may become effective 30 days after its ratification by at least 55 countries generating at least 55% of global emissions. Therefore, along with the acceptance and the deposit of the ratifying instruments by the European Union, the limit of 55% of global emissions was exceeded, fact that allowed the Agreement to become effective.

The Paris Agreement is the first document of its kind with universal value in the sector of climate change enforcing legal obligations for all parties involved in the achievement of the long-term global objective, namely the restraint of temperature growth to less than 2 °C in comparison to preindustrial era values, according to the capacities and the responsibilities of each state. At the same time, it requires the countries to make efforts in order to limit the growth of the average global temperature to only 1,5 °C in comparison to preindustrial era values, this being a more difficult task but with major beneficial effects.

In the negotiations on climate change, the European Union has committed to reduce emissions of greenhouse gases by 20% until 2020, compared to those of 1990 and by 80-90% until 2050. The energy production sector, the consumer of huge amounts of fossil fuels will have to make the greatest efforts in this respect, because it generates 80% of greenhouse gases. Neglecting the effects of climate change may become catastrophic to the entire planet, the vigorous promotion of green technology, of green energy.

Of course, we are all impatient to see the good effects of the ratification and the compliance of the Paris Agreement on climate change, considering both the low participation / rallying of the world states at the previous international "agreements" on environmental issues, and especially the serious, accelerated degradation of the natural environment in more and more areas on all continents of the world.

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EXPLANATORY EDITORIAL NOTE

Following the notification received at the editorial email address from Mrs Sule Okuroglu Ozun informing us that the article "Migrant Identities and Diasporic Spaces", whose authors are Alina Popescu and Eleonora Băcă, published in *Ovidius University Annals. Economic Sciences Series*, vol. XVI, Issue 2/2016, pp. 129-132, plagiarizes her article "Temporal Dimensions of Identity: The Case of South Asian Diaspora Living in Britain" published in *University of Bucharest Review*, Vol. XI, no. 1, 2009, pp. 131-137, Editorial Board of *Ovidius University Annals. The Economic Sciences Series* proceeded in November 2017 to withdraw the article from the indicated issue of the journal, notified the author of this change and explicitly apologized for the inconvenience caused.

Afterwards, based on Decision no. 13/12.07.2018 of the National Council of Ethics for Scientific Research, Technological Development and Innovation (CNECSDTI), approving the Final Report no. 13/12.07.2018 on the resolution of the notification submitted by Mrs Sule Okuroglu Ozun and registered at CNECSDTI under no. 98/7.11.2017, the authors Alina Popescu and Băcă Eleonora are found guilty of plagiarism and sanctioned for serious misconduct in research by applying the following sanctions:

- prohibition, for a period of 3 years from the date of approval of the above-mentioned CNECSDTI Report, of the access to public funding for development and research, under article 324, letter h) of Law no. 1/2011 and article 14, paragraph (1), letter h) of Law no. 206/2004;
- suspension, for a period of 5 years from the date of approval of the same CNECSDTI Report, of the right to enroll in a competition for a higher position or a management, guidance and control function or as a member of a competition commission, under the conditions of article 14, paragraph (1), letter i) of Law no. 206/2004.

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A New Perspective of the Welfare State in the European Context

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Abstract

The economic environment is facing various challenges in an internationalized context, creating the premises for new structural reforms in the global management. Knowing the deficiencies of the past experiences, the main challenge is to create a unique model of development that should sustain both the social welfare and the economic progress. This paper is based on the assumption that a standard social model can only provide fragmentary results and can lead to a dysfunctional economic relationships.

The main outcomes of this paper sustain the idea of improving the major indicators of the welfare state only after a proper adjustment of the social economic models to the national context. Starting from a structured comparative analysis of the major economic social models, the paper will outline the evidence that a complete model for the welfare state is a composite structure, involving both budgetary and social indicators.

Key words: welfare state, social economic models, Europe

J.E.L. classification: F20

1. Introduction

The current evolution of the European states is facing various challenges, from high rates of unemployment, demographic problems and environmental issues to low rates of economic growth. The European Social Model framework strengthen a continuous debate in the academic perceptions, being considered that it "almost defies definitions" (Canoy and Smith, 2006, p. 314). Valuable approaches have amplified the interaction between the traditional role of the state and the universal values which are put in common in a globalized context. A strong emphasis is also placed to the labor market and the economic performance, being dominated by the indicators related to the social security system. Starting from the assumption that the employment rate is a key factor for the economic growth, generating the main resources in order to reduce poverty, it will be considered the correlation with the total working hours for the analysed countries.

Table no. 1. The European Models

EQUITY	EFFICIENCY		
		Low	High
	High	Continental	Nordics
Low	Mediterraneans	Anglo-Saxons	

Source: (Sapir, 2005, p. 11)

Relying on the working environment, Atkinson sustain his model based on a complex comparison between US and Europe, considering that „the inflexibilities in Europe’s labour market, it is argued, cause higher unemployment, and hence higher benefit costs and a smaller tax base” (2008, p. 6). The paper will support these considerations through a comparative analyse at the European level, outlining in the same time the most performant countries from the main European social models included in the Table 1: the Continental model, the Mediterranean model, the Nordic model and the Anglo-Saxon model (Sapir, 2005, p. 11). Considering this model which

cover both the efficiency and equity values, it can be noticed that the Nordic model is the social system that includes high rates of equity and efficiency, while the countries from the Mediterranean model is characterized by low levels both in equity and efficiency terms.

The actual theoretical welfare state framework reveals that „welfare is improved through economic progress” (Holcombe, 2009, p. 211), leading to a new pattern in the welfare state conceptualization that is significantly influenced by the labor market. Following the same link between the welfare state, the economic performance and the labor market features, the paper will analyse the European countries flexibility to the demographical and financial challenges.

2. Methodological considerations

In order to analyse the relationship established between the economic progress and the labor market indicators, it will be identified the most powerful countries in terms of progress from each European Social model. In accordance with the research conducted by Sapir (2005), the main sample of the paper is divided into the four European models identified in the previous section, considering 14 representative countries for each model: the Continental model (France, Germany, Belgium, Netherlands, Austria and Switzerland), the Mediterranean model (Spain, Italy, Portugal and Greece), the Nordic model (Sweden, Denmark and Norway) and the Anglo-Saxon model (United Kingdom). The sample of countries was extracted in accordance with the economic and social performance, being used significant data provided by the Eurostat database. These four models have different types of welfare strategies with significant results in terms of macro and micro economic indicators. For example, high rates of employment are associated with high rates of labour productivity and with low working time. The extension of the analysis to the economic progress indicators sustain the idea of a correlation between the economic and social progress through the social welfare regimes, but also the adjustment differences in the four European Social models approach.

3. New patterns in the welfare state: the labor market perspective

Today there is a concern that reforms could lead to loss of the variety of acquired benefits. Comparatively few realise that, even without financial and economic challenges, social institutions need to be modernised. Many social systems have failed to respond to new social demands and risks arising from major changes in social, economic and cultural parameters since the inception of the systems.

Table no. 2. The analyzed sample by labor productivity and employment rate, 2014

Number	Country	Employment rate	Labor productivity
1.	Sweden	73.8%	116.1%
2.	Denmark	72.6%	128.6%
3.	Norway	75.8%	185.5%
4.	United Kingdom	70.9%	98.2%
5.	France	63.9%	129%
6.	Germany	72.8%	126.1%
7.	Belgium	61.8%	134.7%
8.	Netherlands	75.1%	128.7%
9.	Austria	72.5%	115.1%
10.	Switzerland	79.4%	120.1%
11.	Spain	56.2%	108%
12.	Italy	57.6%	102.5%
13.	Portugal	61.8%	65.3%
14.	Greece	51.3%	74%

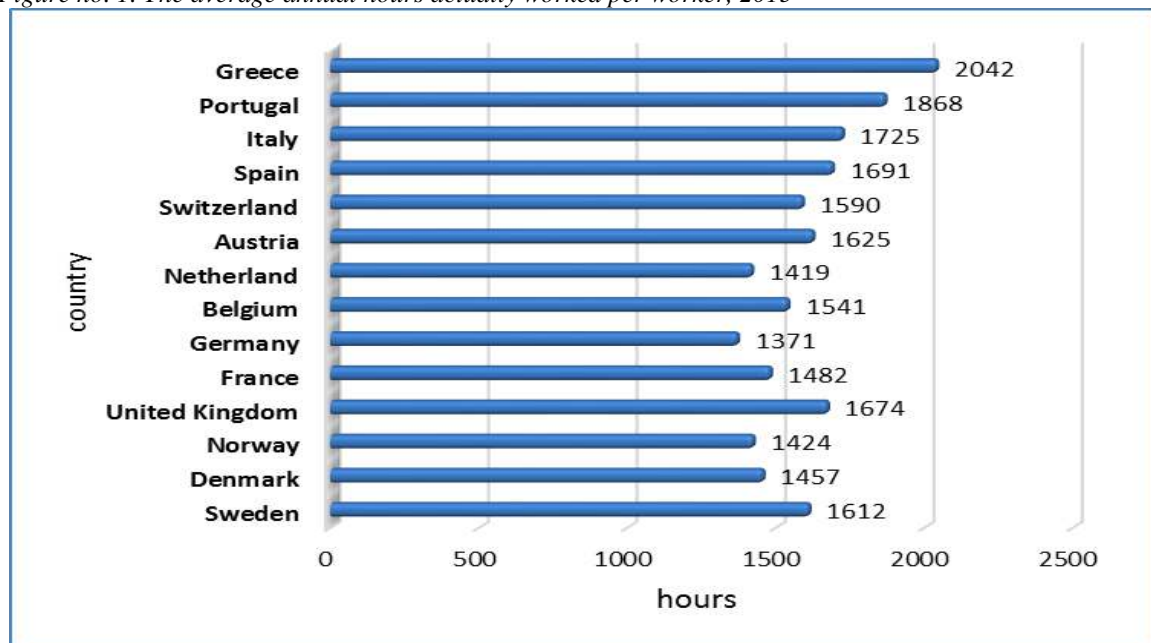
Source: Eurostat, <http://ec.europa.eu/eurostat>

According to the Table 2, an analysis of the average values of the variables labor productivity and employment rate highlights the hierarchy of European social models based on social performance. Thus, the first place is occupied by the Scandinavian model which leads to both chapters, with high employment rate and working force efficiency measured by the labor productivity. At the opposite extreme is the Mediterranean model that record low values for both variables. The employment situation highlights one of the most critical points in the European and national agenda, due to the impact of the human capital for the economic progress. Combining the educational process with the labor market variable, it results a significant advantage for the educated work force in their insertion in the economic sectors.

Moreover, taking into account the related models for the employment rate, the Continental model and the Nordic model are the most efficient, with two countries each in the top four states with higher employment rate. On the other hand, the Mediterranean model has the lowest scores in terms of employment. But the high employment performance of the Switzerland (the Continental model) and Norway (the Nordic model) has different structural basis. While in Switzerland, the activation policies include a good organisation of social assistance and disability insurance, involving key actors in a decentralised set-up, for Norway are important the retirement policies, encouraging senior employment and reducing the sickness absence. It can be summarized that the positive outcomes are dependent of the national context because even if the economic policies focus on the employment priorities, there are different efficient ways to reach the goals.

According to the Table 2, Norway occupies the first place in terms of labor productivity, suggesting a correlation between the analyzed variables. Surprisingly, the models of Belgium and France are in contrast with such a finding, proving that even if these countries report average employment rates, this situation is not translated in the labor productivity indicators. For Belgium, for exemple, the labor productivity is linked to the total number of hours worked by worker per year. Considering this hypothesis, it can be mentioned that according to the data form the Figure 1 provided by OECD, Belgium has 1541 average hours of worked by workers in 2015.

Figure no. 1. The average annual hours actually worked per worker, 2015



Source: OECD, <https://stats.oecd.org/Index.aspx?DataSetCode=ANHRS>

A contrasting situation is also observed in the Greece case, when even if the there are 2042 hours/year worked per worker, the country has also the poorest results in terms of labor productivity and employment rate. These circumstances can be related to the economic situation of Greece in the recent years, which is facing deep structural changes due to the financial downturns. Considering the GDP per capita in 2015 according to the UNCTAD database system, it was noticed

that the Scandinavian model is the most performant, followed by the Continental model, while the countries form the Mediterranean model are at the bottom of the ranking. According to this criterion, Norway is in the top of the ranking with 77894 US Dollars at current prices per capita, followed by Denmark with 51766 US Dollars per capita and Sweden, with 49419 US Dollars per capita.

On the other hand, the roles of women and men have changed, in both their private and their public lives (two-wage earner families, family breakdowns, single mothers, higher cost of children). It is necessary to adapt the existing social institutions by considering the actual risks people face today and those that they will face in the future. The most striking example concerns the lack of consideration given to changes in family functions and structures. As a result, most of the European social systems inherited from the postwar era failed to account for the home and care work as women were becoming full participants in the labour market. Hence fertility rates are below the renewal level in most Member States as parents cannot afford and/or cope with having children and a labour participation of women at the edge of the labour market.

The modern welfare state institutions were designed to deal with the challenges of growing industrial economies, facing various risks that have also changed. The transformation of production modes in the structural evolution to a post-industrial society yields faster obsolescence of skills, discontinuity in professional careers, labour market demands for women's participation, part-time work and short-term contracts. Greater competition creates a need for more mobility and flexibility of workers and firms. Technological advances imply improved productivity, instant communication, the rise of the service economy, development of a knowledge society, new demands on democratic systems. On the other hand, demographic evolutions lead to ageing and a multicultural composition of societies.

4. Conclusions

This paper has emphasized the deficiencies in the welfare state approach, due to the fact that a unique European Social Model can not deny the real national problems that nations are facing. The main assumption of this paper has suggested a clear correlation between economic and social performance, the labor market providing a new way of understanding the welfare state through the working force. Results have outlined the efficiency of the Scandinavian and the Continental model, strengthening in the same time the differences in relation with the national context. Thus, the analyzed countries have adopted various measures to obtain the economic progress, even if the labor indicators were common points in their strategic policies.

The analysis highlights the composite structure of welfare state, being influenced by two major pillars: the financial constraints and the social demands. In line of these results is also the confirmed hypothesis that as a successful new model must be obtained only after a mixture of features from models specified in the present analysis: the Continental model, the Nordic model, the Mediterranean model and the Anglo-saxon model. But a successful new model should articulate more on the national characteristics, integrating practices from every social model, in order to obtain an optimal welfare state.

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Asymmetric Influences of the EU Macro- Regional Development Policies on the EU Eastern Neighbourhood Policies

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Abstract

Macro-regionalization means to develop solutions in the course of ongoing cooperation. Based on the three NO's regarding new EU budgets, EU institutions, and EU regulations, the macro-regional strategies are characterized by a flexible set-up, bottom-up elements and a sector centered governance in priority Areas. The cooperation is based on non-binding documents setting out joint strategic goals. Macro-regional cooperation brought a new mind-set into regional cooperation moving alongside other arenas of cooperation and combining political, operational and administrative elements.

Key words: macro- regional development, Eastern neighbourhood, policies, strategies

J.E.L. classification: K

Introduction

The main objective of this article is to demonstrate that EU macro-regional development policies have highly influenced the EU Eastern Neighbourhood policies implementation process. In addition, this is reflected in the latest EU Global Strategy recently launched by the European External Action Service. Thus the main conclusion drives to the integrative dynamics of all EU policies. The asymmetrical influences are also generating new concepts as cross-cutting initiatives and programmes. In particular, another relevant point for the research objective is that more coherence between all internal and external policies is highly projected into the future.

Several authors and most EU implementation reports of the EU policies used for this research underline that EU policies (both internal and external) are building into the same conclusion on more coherence and flexibility along their implementation process. Taking into consideration the broader spectre, the European Eastern Policies, in particular the European Neighbourhood Policy becomes more and more influenced by the macro-strategies which surround the EU neighbours.

1. What is macro-regionalization?

Macro-regionalization means to develop solutions in the course of ongoing cooperation. Based on the three NO's regarding new EU budgets, EU institutions, and EU regulations, the macro-regional strategies are characterized by a flexible set-up, bottom-up elements and a sector centered governance in priority Areas. The cooperation is based on non-binding documents setting out joint strategic goals. Macro-regional cooperation brought a new mind-set into regional cooperation moving alongside other arenas of cooperation and combining political, operational and administrative elements.

Against this background of an EU wide macro-regional dynamic and the initiation of discussions on EU Cohesion Policies post-2014, the future role of EU macro-regional strategies is under discussion more than ever (Sielker, 2016). After five years of implementation, it is time to take stock of the current achievements and question the role of macro-regional strategies shall take over the coming years. This process is closely related to the question which role macro-regional

strategies can take over in the wider EU framework and how they can be better linked to Cohesion Policies and other territorial cooperation formats and EU Eastern neighbourhood policies. Nevertheless, the strength of the macro-regional cooperation so far was to allow a sui-generis development of this concept.

First attempt to evaluate the asymmetric influences of the EU macro-regional policies on the EU Eastern neighbourhood policies needs to take into consideration the internal EU evaluation of the macro-regional governance by the European Commission (COM 2013) and in the same time the implementation reports of several EU Eastern neighbourhood policies, including the recent European Neighbourhood Policy review.

2. Measuring the Macro Regional Strategies success is a challenge sui generis

The overall goals of the macro-regional strategies are usually concretised in the first year of implementation by the Priority Areas and are revised in most of cases after the first year. Only by having a look on objectives, the challenge of monitoring the success of the macro-regional strategies is obvious. In particular, the targets do not argue on the same level of concretization. Some targets can easily be watched, others might still be operationalized with regard to quantifiable outcome. Second, in many cases a concrete schedule or deadline has not been defined but depends on political dynamics and opportunities. Third, there is no "input" defined but depends on targets – following the three "no's", the quality and quantity of resources is left open. Very obviously, a simple input-output-analysis cannot be sufficient with regard to measuring the macro-regional strategies success. Instead, a more open and flexible approach had to be developed that respects the still fuzzy and complex character of the macro-regional strategies implementation process.

"At the same time, macro-regional strategies are a new form of territorial cooperation not linked to any specific kind of funding structure. By their nature, it is difficult to evaluate their outcomes the same way cohesion funds or cooperation funds are evaluated. Evaluating macro regional strategies might have some parallels to European cooperation programmes. But again, the differences are considerable: cooperation programmes have a much more fixed time frame; they have a predefined budget; the institutional procedure is much more experienced. Due to open, soft and dynamic character of macro-regional strategies, the analytical lens needs to be chosen careful." (Ganzle S. and Kern K., 2016)

The monitoring must not be restricted to outcomes, even if the contemporary literature debate on evaluation is now far beyond the input logic that was concentrating on absorption rates. Instead, up-to-date evaluation conducts sophisticated analyses that differentiate needs, objectives, results and outputs (cp. DG REGIO 2011, Gaffey 2013). However, applying this system to macro-regional strategies would mean that these are as consistent as the programming documents of funding programmes which is not (yet) the case. Instead, any monitoring also has to consider input. In particular, at the background of the three No's at EU level, the domestic and European funds that are linked with macro-regional strategies activities are an important argument. Assessing which share of cohesion funds are sectoral spending directly refers and contributes to macro-regional strategies objectives of major importance. Moreover, the simple fact how active regional, national and stakeholder representatives are in the framework of macro-regional strategies' dynamics, is very important. The more mature macro-regional strategies become and the more closely they are interlinked with European funds, they are considered to become object to classical evaluation schemes. However, macro-regional strategies specifically intend to align different funding resources.

We always have to keep in mind when measuring macro-regional strategies that the focus on activities goes beyond the financials resources but considers political and institutional dynamics: even more than classical formats of territorial cooperation, the success of macro-regional strategies depends on political commitment over time. So before, we can acknowledge the asymmetrical influences we have to better understand the added value of the macro-regional cooperation.

3. The strategic dimension is the added value

Strategies are more than projects: macro-regions build on concrete projects that translate the strategic aims and are hence one important element of the macro-regional strategies implementation. At the same time, macro-regional strategies are neither funding programmes nor projects themselves, nor they intent to replace any of them. On the contrary, in order to achieve its strategic targets implementations activities they need to link the political with the projects. The key is to further develop the strategic goals and closely interact with all political levels and actors.

Macro-regional strategies are a about *cross-sectorial coordination*: macro-regional strategies formulate objectives that focus on different policy fields (transport, environment, innovation, research, culture, education). These objectives suggest a strong sectoral implementation as the key to achieve the macro-regional goal. However, the coordination of these sectoral issues with regard to the overall aim is as well important; the macro-regional strategies objectives have to be embedded in existing policy frameworks, on the EU but as well on the national levels.

Implementing macro-regional strategies activities is a multi-level challenge. Currently, the focus lies much on the strategic orientation of European politics, including the mobilization of funding for their implementation, which means on the EU level in particular the Cohesion Policy funding. At the same time, the interface with regional and national politics is less prominent. Enhancing the multi-level of a macro-regional strategy remains a challenge. In order to fully use the macro-regional potential, the links with the national and international policies could be strengthened, in particular by linking planning documents and domestic funding programmes systematically to macro-regional objectives. This however is a politically challenging multi-level task due to the national different priorities.

Strategic approaches towards policymakers provide an added value to the macro-regional policies by allowing cooperation between different levels, different policies, different stakeholders and balancing implementation activities under the guidance of long term objectives.

Macro regional strategies are explicitly perceived as "laboratories of a new place-based approach to Cohesion policies" (EP 2015), i.e. they are meant to tackle specific goals in the region and thereby concretise the EU's overall goals. The focus on place-based strategies is very much interlinked with the drive towards smart specialisations-both approaches certainly aim to turn territorial diversity into strengths in support to the EU 2020 strategies and other pan-European strategies.

Macro-regional strategies are described as place based as the core of macro-regional cooperation is to address the functional challenge of the region. It is true that this approach is unique in the context of European territorial cooperation and European strategies in general. However, implementing a place based approach needs to go further. A place-based approach in the context of territorial cooperation necessarily has two sides of a coin: the institutional and the territorial side.

The institutional setting of a macro-regional strategy is open to bottom-up and territorial anchored activities. A place-based approach necessarily is stakeholder-based. The successful roll-out of regional policies relies to a great extent on the relationship with stakeholders (Sielker 2016). In the case of macro-regional regional strategies, without the impetus of own funds, they reveal a strong dependence on relatively strong stakeholders. There is no such thing as "objective regional priorities". Hence, the macro-regionalisation tends to strengthen those stakeholders to whom the results are favourable to. Therefore, macro- regional strategies need to better acknowledge their stakeholder-driven approach. This could in return enhance the stakeholder involvement. Decentralised decision-making is certainly an efficient way towards using the potential of endogenous potentials. It is important to involve directly stakeholders from scales of the multi-level governance system as they often know best the endogenous potential and they can help to secure efficient implementation activities.

4. What is the state of play of the of the European Neighbourhood Policy roll out, which was recently revived in 2015?

On Eastern Policies it foresees more tailor made initiatives in order to focus cooperation on common interests and partner countries 'needs. Also, the security dimension under the European

Neighbourhood Policy offers new opportunities for cooperation, but will need to be handled with some care, in particular in case of regional conflicts and sensitivities.

But, the same influence as in the case of macro-strategies regarding the financial instruments used for their implementation: less is more and more flexibility.

So the same influence of stakeholders as in the case of the macro-regional strategies is obvious. The Eastern policies become more bottom-up and more focused on ownership if each partner country to implement their priorities. Regional and multilateral cooperation are more focused on sectorial cooperation and less on high political objectives. In all review documents there is the same cross-fertilization of ideas: *we need to become more flexible and all the EU Eastern policies need to become more tailor made on the each partner country's needs. In the same time a new concept was introduced recently though the new EU Global Strategy: responsibility and resilience.*

"Responsibility goes hand in hand with revamping our external partnerships. In the pursuit of our goals, we will reach out to states, regional bodies and international organisations. We will work with core partners, like-minded countries and regional groupings. We will deepen our partnerships with civil society and the private sector as key players in a networked world." (EEAS, EU Global Strategy 2016)

State and societal resilience remains an EU's strategic priority in the Eastern Neighbourhood. "The EU will pursue a multifaceted approach to resilience in its surrounding regions. While repressive states are inherently fragile in the long term, there

are many ways to build inclusive, prosperous and secure societies. We will therefore pursue tailor-made policies to support inclusive and accountable governance, critical for the fight against terrorism, corruption and organised crime, and for the protection of human rights. Repression suffocates outlets for discontent and marginalises communities." (EEAS, EU Global Strategy 2016)

The main aim of the Eastern policies is focused on having tangible results especially on the reform process in the EU eastern neighbourhood countries. After the fourth Eastern Partnership Summit in Riga on 21-22 May 2015, the Heads of States and Government adopted the Summit Declaration. Thus, Riga was an important summit as it reconfirmed the EU's attachment to the Eastern Partnership policy against the background of a changed geopolitical landscape in the region.

Again, there was a broad recognition of the need for a more tailored, differentiated approach to the Eastern Partnership, while many participants at the same time stressed the importance of the common, inclusive Eastern Partnership framework. In Riga, the EU reiterated that the Eastern Partnership remains its priority. The EU and its Member States reaffirmed their common interest of continuing this policy based on developing strengthened relations with each of the sovereign, independent partners. Many participants expressed strong support for Ukraine and its sovereignty and territorial integrity, while some stressed at the same time importance of maintaining dialogue with Russia. Many participants also stressed the information challenge.

On balance, the Riga Summit was an important milestone in the development of the Eastern Partnership. However, there are going to be significant challenges ahead, notably, how to allow partners to have differentiated bilateral relations while maintaining a common framework based on shared values, and also how to maintain a minimum commonality when dealing with conflicts in the face of Russian pressure. Some participants underlined also the need to reflect on these issues in the context of the European Neighbourhood Policy review.

Taking into consideration the broader spectre, the European Eastern Policies, in particular the European Neighbourhood Policy becomes more and more influenced by the macro-strategies which surround the EU neighbours.

The main proposals made in 2015, when the European Neighbourhood Policy was reviewed included more focus on stabilisation of the neighbourhood (state and societal resilience as described in the EU Global Strategy), a differentiated (tailor made) approach to partner countries, and enhanced ownership of the policy by all stakeholders (Member States, partner countries, civil society). So, now the roll-out of the reviewed policy takes place. For the EU associated partners, the aim is to update existing Association Agendas, taking into account new proposals of the review. With other Eastern partners, the intention is to start discussions on partnership priorities, allowing us to focus on a limited number of policy areas of joint interest.

Again, become more flexible and tailor made, the EU policies tend to become more and more reliable on all stakeholders and the asymmetric influences the Macro-regional strategies become relevant: EU MS will always care more about their internal affairs first and foremost and only afterwards on the situation with the outside neighbours.

In parallel, no new financial allocation are given to these policies so during the implementation process, the partner countries need to rely on the existing financial instruments. All the instruments become of course more flexible, but of course each stakeholder can further influence the financial allocation. Again, first the macro-regions priorities are relevant and afterwards the neighbours. But, there are also success stories where macro-regional strategies are linked with the Eastern Policies. So this paradigm becomes a win-win situation.

5. Conclusion - the integrative dynamics

In the end we observe that all EU strategies and policies become more and more located at the transnational level where they have triggered a remarkable political dynamic. They have developed as a new level of European integration, involving EU member states and regions, third countries and EU institutions. This is a contrast to the development in the past decades, when European integration has mostly been debated on the pan-European level with regards to:

- the division of labour between the domestic, the multilateral and the supranational level (multi-level governance)
- with regards to third countries and new member states

Now the tendency is to become more responsible but using less resource or the existing ones. Less is the "new more" and flexibility is needed in all polices either macro-regional or Eastern neighbourhood policies. The asymmetrical influences are also generating a new concept as cross-cutting initiatives and programmes. In the end this means that we need more coherence between all internal and externa EU policies. "The external cannot be separated from the internal. In fact, internal policies often deal only with the consequences of external dynamics. We will manage interdependence, with all the opportunities, challenges and fears it brings about, by engaging in and with the wider world." (EEAS, EU Global Strategy 2016)

It is not by accident that macro-regional strategies are entitled **strategies** and the EU Eastern neighbourhood policies are mostly **policies**: the overall political objective is to increase cooperation in order to develop towards a more competitive and sustainable region within Europe and beyond. Further regional development in the neighbourhood is influenced by a multiplicity of overlapping layers of cooperation and its content is based on cross-sectoral approach. With its guiding documents, both internal and external policies provide a strategic stimulus to an overall, common goal. The added-value of these documents is the potential to coordinate all policies and a wide range of implementation activities that contribute to the achievement of the overall goal. In general, a strategic orientation must be concrete enough to be worked towards and open enough to allow political progress. Formulating visions and scenarios can be a helpful tool in triggering the debate and further develop the strategic orientation. This could be seen as the main focus of the recent EU Global Strategy.

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Tourism-Environment Impact Relationship on the Romanian Black Sea Coast

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Abstract

Tourism-environment relationship is very important, protection and preservation of the environment representing the primordial way for tourism development. Thus, planning and management for tourism growth is becoming essential in the context of sustainable development. Coastal areas are normally associated with mass tourism, large scale construction and infrastructure, intensive land development and extensive urbanization ,especially in case of resorts. The present paper aims to identify the key features which may intervene in the tourist development on the Romanian Black Sea Coast perceived as limits, constraints and bottlenecks on the basis of which tourism management decisions have to be taken. In this respect, the study will take into consideration the concept of tourism carrying capacity, meaning the maximum acceptable level of tourist development in an area and intend to stress out the main steps to implement this instrument to be used in the analysis of tourist potential but also as a policy tool in a strategy of tourist development for the Romanian Black Sea coast.

Key words: tourism, environment, sustainable, development, impact.

J.E.L. classification: L83,O13,O44,Q01,Q55

1. Introduction

Tourism is one of the largest industries of the world and also one of the most important factors of global economic development. In the meantime, tourism industry is a space and resources consumer, participating implicitly to degradation and pollution of the environment and tourism potential. Among the many activities that can contribute to environmental destruction are included also tourism activities, when are developed irrational and uncontrolled in territory. The relationship between tourism and environment is a complex and two-sided one : on the one hand , the natural environment through its components , provides basic resources for the tourism sector , on the other hand tourism has an impact both positive and negative on the ecological environment , by transforming its components. Natural resources varied and complex, but mostly unspoiled and free from destructive activities, increase attraction and generate diversified activities, responding thus to varied motivations of tourism. Protection and preservation of the environment and tourism potential is emerging as a distinct activity, with specific problems which require the collaboration of specialists from various fields. It is obviously clear that the policies improving environmental sustainability are crucial factors , representing how a country can ensure that will continue to be an attractive destination in the future. One of the principles of sustainable tourism is that tourism development must comply with the characteristics of the venue /environmental, social, economic, cultural.(Nistoreanu,2008)

Consequently, the environmental impact of tourism in coastal areas shows specific issues also. Romanian Black Sea coast has a complex composition from the point of view of natural resources,

which increase the value of tourism and therewith generating an increasing need for focus on a well-observed development of tourism according to standards that guarantee the preservation of ecological balance and avoid the overuse of resources, pollution and other negative environmental effects. The main anthropogenic pressures identified in the Romanian coastal zone are related to increased development of socio-economic activities in the countryside of the coastal zone, of which tourism plays an important role.

2. Impact factors

Environmental quality is affected generally by two groups of essential factors: objective factors, resulting in the manifestation of adverse natural phenomena and subjective factors caused by human activities. Tourism-environment relationship is of great importance, protection and conservation of environment representing the primordial condition for tourism deployment and development. Tourism-environment relationship is of great importance, protection and conservation representing the primordial condition for deployment and development of tourism. This connection is complex and manifested in both directions. The natural environment through its components are basic resources of tourism, and on the other hand tourism activity has influence both positive and negative on the ecological environment, modifying its components. (Mazilu, 2007)

The relationships established between the two elements, namely the environment as factor and tourism as an activity, there are positive and negative influences. (Căpitan, 2015) The complexity of this relationship can be summarized as follows:

-Environmental impact of tourism determine: resource consumption; loss of cultivable surfaces;

land degradation; large amounts of household waste; decreasing purchasing power of the natives;

local architectural characteristics change and depends on the diversity impact. (Croitoru, 2007)

Negative effects of tourism activities is manifested mainly through improper use of environment in recreational and leisure purposes, coupled with a brutal intervention of man on the landscape and natural resources. And that happens especially in areas of great attraction, located in populated areas, or in close proximity to large urban agglomerations.

On the Romanian Black Sea coastal areas are frequently encountered the following situations with negative environmental impacts: uncontrolled travel circulation; lack of precise demarcations for resting places and camping in tourist areas or along routes; the harmful effect of automobile tourism felt through increased traffic in the resorts; misconception to exploit natural resources, especially natural cure factors affecting the tourism potential; improperly intensive visits to historical, architectural and art monuments; improper achieve of touristic investment objectives or un systematized development of tourist villages, especially resorts.

On the other hand it must be recognized that tourism can make their own contribution, significant not only to stop the degradation of the natural environment caused by activities undertaken, but also in the direction of protecting and preserving the environment by adopting specific regulations and effective.

- **Environmental influences on tourism**- natural tourism potential being given by the attractiveness of physical and geographical elements, such as: the relief like support of tourism activities; climate, microclimates, water and biosphere as tourism resources, existing protected areas. These influences could be perceived positive or negative depending on temporal dimension and destination nature. All these influences are encountered in the tourism activities on the Romanian Black Sea coastal areas.

Other aspects that can be considered and that may influence the socio-economic sphere are: an increasing awareness on the environment and its elements; more financial support for the environment; changes in the lifestyle of the locals; increasing the labor employment in the region; additional revenue from recreational activities; infrastructure development.

3. Tourism carrying capacity

Defined as the maximum acceptable level of tourist development in an area, the tourism carrying capacity (TCC) issues concern the number of tourists, visitor flows and spatial patterns of concentration/dispersion vis-à-vis the protection of nature and the functioning of ecosystems but also the quality of experience of visitors. (Coccosis et al, 2002)

Speaking about the carrying capacity, three components are taken into consideration: physical-ecological, sociodemographic and political-economic, which acquire different weight or importance in different destinations. These differences depend on particularities of the place, the type of tourism and the tourism-environment interface and are interrelated to some extent.

Coastal areas are among the most popular world tourist destinations and are normally associated with mass tourism, large scale construction and infrastructure, intensive land development and extensive urbanisation. Setting capacity limits for sustaining tourism activity in a place involves a vision about local development and decisions about managing tourism. Carrying capacity issues for the coastal areas usually refers to: tourist density, the use of beaches and tourist infrastructure, congestion of facilities, sea pollution, etc.

Coastal areas present a complexity of tourism potential with natural ingredients (beaches, sea, bio-climate, cliff mountainous landscapes, plateau or offshore islands, sometimes natural treatment factors (see Romania and others) but also created by humans (historical cultural relics, port facilities, rural settlements and urban tourist equipment). According to a study of National Institute of Research Development in Tourism, tourist resorts of the Romanian coast of the Black Sea are generally sized according to area of beaches, but for some resorts should be taken into consideration the existence of natural therapeutic factors that may also attract a large number of tourists (Eforie Nord, Mangalia, Saturn). The Romanian Black Sea Coast, through its position at the crossroads sea-land, configuration and dimensions of the beach (usually narrow and limited in size) is a fragile environment, both because of the dynamics of marine processes, leading to constant changes and sometimes deep (see beach Mamaia and cliff from Saturn) and pressure from tourists. All these are key elements in finding appropriate models for planning and organization of space on the coast. (INCDT, 2015)

Glavan, V. identify the following categories in terms of optimum tourism carrying capacity:

- *ecological*: which refers to how tourism affects the ecosystem and its restoration cost;
- *physical*: targeting the tourism development at which the facilities of the territory are saturated or begin to show damaged;
- *social - perceive*: which refers to the system of linkages between the saturation's level of locals and tourists reactions;
- *economic*: that express the location ability to absorb the tourist functions without negative consequences on the environment;
- *psychological*: expressing the level of comfort that tourists perceive at the destination area;
- *the exchange capacity*: representing a level of exploitation of a tourist destination, up to that maximum satisfaction is offered to tourists without having consequences on tourism resources or environment. (Glavan, 2003)

In spite of much literature, there is limited evidence of the TCC's application in practice. Implementation of TCC needs to be considered as a process within a planning process for tourism development. Overall measuring Tourism Carrying Capacity does not have to lead to a single number, like the number of visitors, the advice of specialists being to provide an upper and a lower limit of TCC, taking into consideration all the components involved, as previously explained. In this respect, we will take into consideration the concept and intend to stress out the main steps to implement this instrument to be used in the analysis of tourist potential but also as a policy tool in a strategy of tourist development for the Romanian Black Sea coast.

Using as a model a study that took into account coastal areas in Europe, we consider that the planning process of implementing TCC should include the following steps:

- Analysis of the system /identification of issues for the 3 components: Physical-Ecological ; Socio-Demographic and Political –Economic;
- Analysis of tourism development: Type and level of tourism development, flows, activities, tourist product, existing restrictions, etc.;

- Assessment- using the SWOT analyze/Identification of bottlenecks and constraints/Definition of Critical factors;
 - Formulation of goals and objectives/definition of priorities/Definition of indicators, thresholds and desired levels;
 - Elaboration of alternative courses of action (options)/ Impact Assessment of the various options;
 - Selection of preferable option/Definition of TCC on the basis of key Critical factors;
 - Strategy Formulation/TCC Policy Measures;
 - Implementation, Monitoring and Evaluation/TCC Indicators . (Coccosis et al,2002)
- Following to be customized to the specific issues on each of the three components and in terms of indicators ,this proposal can become the basis for a useful working tool for stakeholders and also to implement strategies targeting the management of tourism/ environment relationship in the Black Sea coastal area.

4. Conclusions

Opportunities for sustainable tourism development and preservation of its competitiveness, is largely influenced by the quality of the environment, to preserve and attractive natural and cultural heritage and other values, goods and resources. Coastal areas are considered as the most valuable parts of many countries' territories, either with respect to their natural and environmental qualities or with regard to the their potential for national socio-economic development. The Black Sea has always had a great geopolitical importance for the riparian states, and Romania has the advantage of benefiting from a bidding geostrategic position in the Black Sea, tourism being an activity that can have a really big impact on sustainable development in this area. In spite of efforts tourism development is still of seasonal character. Seasonal overconcentration leads to increased pressure to environmental and cultural resources. Deterioration of limited water resources and urbanization along the coast are some of the major impacts of tourism development, but not the only. Marine spatial planning (MSP) is considered a key governance approach in delivering a sustainable maritime economy based on a healthy and productive marine and inland environment. Tourism carrying capacity (TCC) needs to be regarded as a management tool in this planning process, in order to maintain a balance between the tourism and the maritime and inland environment at the Romanian Black Sea Coast.

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Maritime Spatial Planning – Opportunities and Limits

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Abstract

MSP is a relatively recent instrument to implement an efficient and integrated management of coastal areas and maritime space in order to reduce, as far as possible, the existing or potential conflicts between the economic development and environmental preservation activities. MSP provides to both public authorities and other economic agents a methodology that allows the coordination, in an efficient and sustainable manner, of all activities to optimize the use of natural resources.

Implementing the European Directive no. 2014/89/EU represents for Romania as well, as a EU member country, a commandment.

Therefore, Romania is required to conceive and implement a set of measures and tools that allow the identification of correct answers to the key issues arising from the necessity of preserving this vital balance between the economic development and environmental damage.

Romania is in the process of drafting and approving the legislation needed to support the implementation of the European Directive. To this end it has been initiated and implemented an EU-funded project called "Cross-Border Maritime Spatial Plan for the Black Sea - Romania, Bulgaria" (MARSPLAN-BS) which establishes the scientific and methodological basis of MSP in the Black Sea area.

Key words:

J.E.L. classification: Maritime spatial planning, MARSPLAN, limits, opportunities

1. Introduction

Human activities in coastal and marine areas are in permanent development, which leads to different ways of using resources as a result of various economic, political or social decisions. Under these conditions, we have noticed a growing competition for the use of maritime space.

Particularly promoted by the European Union, maritime spatial planning (MSP) is one of the major tools for the integration of different and sometimes divergent demands on the use of maritime space and resources.

We ask ourselves which are the opportunities offered by MSP? Is it just a rational cost-benefit analysis designed to resolve the conflicts between the environment and its use? Or are we dealing with a more complex tool? Should we identify the limitations in using this tool? This article attempts to address these questions, clear up the place and role of MSP, and the importance and its framework. We develop a new conceptual model (MSP) and we question the challenges that the strategic planning of marine areas, in general, and MSP, in particular, need to confront with.

2. What does MSP represent?

Although it is a relatively new concept in the EU, MSP has started in 1975 by addressing the

complex management of preserving the Great Barrier Reef Marine Conservation Park.

In the last few years, however, this tool has been brought to the fore, highlighted by an explosion of academic articles on this issue. Thus, we have found various definitions of the concept in the literature. Among them, we mention/ it is worth mentioning:

- 1) Maritime spatial planning is about planning when and where human activities take place at sea – to ensure that they are as efficient and sustainable as possible. It involves stakeholders in a transparent way in the planning of maritime activities (European Commission, 2014).
- 2) Marine spatial planning, maritime spatial planning, coastal and marine spatial planning, integrated ocean management, and systematic conservation and marine use planning all denote similar decision-making approaches that use scientific and geospatial information to address conflicts and organize human activities in the ocean, while maintaining ecosystem health, function, and services (Coleman et al., 2011, 3).
- 3) MSP “is a comprehensive, ecosystem-based process through which compatible human uses are objectively and transparently allocated, both spatially and temporally, to appropriate ocean areas to sustain critical ecological, economic, and cultural services for future generations”. As an adaptive process, MSP requires the participation and input of stakeholders throughout a plan’s development, implementation, monitoring, and evaluation (Eastern Research Group Inc., 2010, 6).

Synthetically, MSP can be defined as a process that aims the rational organization of the maritime space so as to obtain a more efficient interaction of its various uses. MSP aims to balance the competitive demands on development in terms of protecting the environment. In practical terms, the implementation of MSP's should help "reduce the loss of ecosystem services, help address or avoid conflict and created Economies of scale and Efficiencies for enforcement and management" (Ehler and Douvère, 2009, 18)

MSP is a planning process that aims to provide some answers to the following questions: where are we? Where do we want to be? How do we get there? What have we achieved/ accomplished?

Ehler and Douvère (2009) in "Step by Step Guide to MSP", defines the next 10 steps as necessary in the implementation of marine spatial planning:

- “1. Identify need and establish authority for planning in the marine environment
2. Obtain financial support for the marine planning process
3. Organize the process through pre-planning
4. Organize stakeholder participation
5. Define and analyze existing conditions
6. Define and analyze future conditions
7. Prepare and approve the spatial management plan
8. Implement and enforce the spatial management plan
9. Monitor and evaluate plan performance
10. Adapt the marine spatial management process” (Ehler and Douvère, 2009, 18)

Reading these 10 steps allows a rapid initiation into this instrument called MSP. What should be distinctly stated is that this process is not linear. It is an iterative process. Considering the need to involve in the process the economic actors, stakeholders, public and private institutions, the formulation / reformulation of the results obtained previously and even the objectives that will be achieved depends on their answers. It should also be noted that not all situations in which MSP has been implemented have followed all these steps. Analyzing how they actually performed the maritime spatial planning in various areas of the globe we have found that not everywhere all these steps have been followed, in this precise order. Each case study shows its particularity and in many areas some major / minor changes were found compared to the classic approach to MSP, depending on the specific circumstances of analyzed area.

MSP is a necessary tool to improve the way in which decisions are made, providing a framework to arbitrate between different human activities and maritime space in order to minimize their negative impact on the environment. Among the important objectives of MSP is balancing field interests to sustainably use the marine resources and to optimize the marine and coastal space use. The ability of an ecosystem to sustain human activities is not negotiable. Therefore, it must take into account this capacity, or MSP aims precisely to determine this capacity and to plan its

efficient use in terms of protecting the marine and terrestrial environment.

Moreover, considering that the oceans and seas in general transcend national borders, MSP requires Member States when making decisions in their own interest, to take into account the effects of these decisions on other regions or even countries. Therefore, MSP involves a cross-border, regional approach. MSP has a cross-border dimension, as the great oceans and seas are interrelated, and the actions in an area affect many other adjacent areas. In addition, this cross-border approach is imposed by the challenges brought by globalization and climate change. All these require a multi-field, multidimensional and cross-border approach.

Being necessary to analyze the various aspects both vertically and horizontally, MSP provides the necessary and appropriate framework in order to ensure an integrated, cross-field governance. In this way, MSP helps increase the coherence of national and international policies.

MSP is not a static approach, is a process that involves a large number of iterations. This adaptability enables to maintain the strength and potential of this integrated tool. Under these conditions, the current practice showed that maritime spatial planning should be taken regularly after 5-7 years from its development.

3. How does MSP function/ work?

As we stated earlier, MSP is put into practice in different ways, depending on the particular area analyzed. So, there were different analyses in the literature, presentations of case studies, which already allow the advancing of lessons learned. Although there are these significant differences on the implementation of MSP in various areas, at a first reading of some of these case studies (The Baltic Sea, The North Sea, The European (North East) Atlantic Ocean, the East Mediterranean, the Western Mediterranean sea, The Black Sea) we could detach a few common traits needed in the successful implementation of MSP:

- by successfully implementing MSP, we intended to define a planning way of maritime space similar to that of the terrestrial space;
- the plans are multidisciplinary and integrative, addressing both coastal and marine resources, as well as their multiple uses;
- in all situations we started from a scientific analysis of the ecosystem in terms of ecological, economic and social / cultural environment,;
- all the plans involved stakeholders in different drafting stages: development, implementation, monitoring etc.;
- all the plans contain explicit spatial objectives;
- in all situations we started from the existing legislation trying to incorporate both national and international legislation (conventions, treaties, etc.);
- the plans are complex issues and treat both sea and land / coastal area problems;
- the plans are in collaboration with regions, neighbouring countries that jointly use a particular marine space;
- one of the important objectives of MSP was either adopting the current legislation in order to solve the problems raised by maritime spatial planning, or to develop a new legislation suitable for the new challenges.

4. What opportunities does MSP offer?

MSP is a participatory approach involving important economic / political actors right from the initial stages. In these conditions, the implementation of MSP requires transparency. The documents produced in the process must be accessible to both the authorities and the general public, and therefore it must be written in a more accessible manner. MSP implementation will improve predictability and increase acceptance. Under these conditions, the offered strategy must satisfy both public expectations and those of decision makers. Decisions should be communicated in a clear and transparent manner and properly justified.

MSP provides the framework for a broad dialogue involving all interested stakeholders. From public to NGOs, local, regional and national authorities, anyone connected with the interests area is considered a good source of information and can help increase the process quality. We should think

that the implementation of MSP will affect entire generations living and operating in that space and, therefore, participation of stakeholders is a success factor for the whole approach.

MSP involves coordination with neighbouring states, simplifying the decisions on the regulation and licensing of certain activities. It is obvious that at present, in most areas, the activities carried out in the sea are coordinated by different actors, authorities on different levels. After the implementation of MSP we aim to identify an administrative official/ executive to coordinate all services and sectors that deal with maritime and coastal space. For this purpose it is necessary to coordinate with the neighbouring countries and to ensure a similar level of governance to help simplify decisions.

Cross-border cooperation is another opportunity offered by MSP. Cross-border cooperation will create the opportunity for common standards applied to the use of maritime space, which will ensure the success of the fundamental approach, namely preserving the environment.

MSP will provide a solid knowledge and data base used both nationally and internationally, being a powerful scientific tool.

MSP requires coherence between terrestrial and marine planning - being related to ICZM (integrated coastal zone management). The integration of the maritime space with the terrestrial space is one of the most important challenges that MSPs must answer to.

Implementing MSP will lead to a more efficient functioning, by reducing the costs of licensing activities, the costs related to the regulatory and administrative processes. By providing a supervisor of all sectors related to the use of maritime space, it is intended to create a one-stop shop-type body to facilitate business development in the area.

These are some of the most important opportunities offered by MSP. At the same time we have found important limitations, not necessarily determined by the implementation of this process, but by the resistance to this process of many of the actors involved.

5. Limitations in implementing MSP

Both in specialized literature and in MARSPLAN implementation, the project dedicated to the preparation phase of MSP in Romania, we have identified a number of limitations and difficulties in the implementation process. First, the implementation of MSP is seen as another bureaucratic barrier against the initiatives of economic agents. It requires more transparency and effective communication to show that is the opposite.

Secondly, the legislative differences, sometimes quite huge between the states, are extremely difficult to harmonize. Reaching a consensus is difficult and takes time and some external pressure.

Thirdly, the implementation of MSP involves costs that are often hard funded by authorities / states concerned. For this reason many of the measures are closed or abandoned altogether.

Fourth, the different interests of the development sectors are also difficult to reconcile. Although this is the cornerstone of this approach, it also represents the milestone for its successful completion. Involvement in the process from the very beginning of the stakeholders is key to success in this regard. Flexibility, communication and transparency are essential for the implementation of MSP.

6. Conclusions

The continuous and dynamic development of economic activities in connection with the seas and oceans, requires an increase of the competition between field interests - shipping, tourism, offshore energy, fisheries and aquaculture etc. - protecting and preserving the environment. The effects of climate change, globalization, represent new challenges for preserving the current ecosystems. MSP can play an important role in solving these conflicts, in promoting a sustainable and efficient development.

MSP is an interactive tool that can provide a predictable and transparent economic growth, in terms of reducing the operating costs for investors, especially for those operating in more than one country. MSP provides a solution for a quality management of seas and oceans, bringing investment and development in parallel with a healthier ecosystem.

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Section III
Economic and Social Studies

Not to Indict and non Arraignment Solutions, Adopted by the Prosecutor

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Abstract

In this paper are shown not to indict solutions adopted by the prosecutor as set out in the New Code of Criminal Procedure, which amended substantially old regulation.

We intend to analyze the dismissal and thhe withdrawal of the criminal proceedings as decisions adopted by the prosecutor according to art. 315-316 and 318 of the New Code of Criminal Procedure.

According to the New Criminal Procedure Code, the termination of the criminal prosecution represents the moment when all the investigating actions are fulfilled and the file is to be forwarded to the Prosecutor.

By using the expression "termination of the criminal prosecution" we understand that it is the decision of the bodies in charge with it regarding the fulfillment of all procedures necessary for the case solution, in order to forward the file to the Prosecutor.

Key words: prosecutor, degree, dismissal, withdrawal of the criminal proceedings.

Classification J.E.L.: K4

1. Chapter 1 - The not to indict and non arraignment decisions according to the New Criminal Procedure Code

According to provisions of Chapter IV on criminal prosecution procedure and Section 3 of the New Criminal Procedure Code, the not to indict and non arraignment decisions adopted by the prosecutor on the request of the criminal prosecuting body or ex officio are as follows:

- a) dismissal, when there is no criminal action or, depending on the situation, termination of the criminal proceedings, given the fact that the case is among those provided by art.16 paragraph 1 of the New Criminal Procedure Code;
- b) withdrawal of the criminal proceedings as the defendant criminal prosecution bears no public interest.

Therefore we can see that the New Criminal Procedure Code simplifies the system of the no to indict decisions that can be pronounced at the end of the criminal prosecution.

In terms of the existence of a legal obstacle to start the criminal action, the prosecutor shall decide, by order, the dismissal, which represents a legal impossibility to start the criminal prosecution, caused either by the irregular character of the accusation, or by the incidence of an obstacle to start it.

The New Criminal Procedure Code has introduced the principle of subsidiarity of the opportunity, clearly set by art. 7 paragraph 2, regarding the cases where the prosecutor can elect to withdraw the criminal proceedings if, according to the case facts, there is no public interest in achieving its objective.

2. Chapter 2 – Dismissal of the criminal proceedings

During the criminal procedure, the prosecutor reviews the evidence of the criminal prosecution step in order to establish whether they justify or not the arraignment of the defendant.

The New Criminal Procedure Code stipulates that the criminal prosecution consists of three

clear phases: crime investigation, defendant investigation and the case solution provided by the prosecutor.

This solution provided by the prosecutor represents not only the arraignment, which is one way to solve the case in the stage of criminal prosecution and the main way to carry out the objective of the criminal prosecution. (Dongoroz, 2003, 150)

Besides arraignment, there are solutions for not to indict measures and the agreement to plead guilty.

Arraignment can be decided by the prosecutor provided, after reviewing the evidence, there is a crime and its materiality, and provided it has been committed by the defendant who is legally bound.

So, the prosecutor decides the arraignment only if he considers carried out certain conditions, in a cumulative way, such as the findings regarding the observance of the legal provisions, a guarantee in finding the truth, whether the criminal prosecution is complete, and whether the existing evidence are sufficient, edifying, pertinent and legally administrated.

The indictment represents the final action of the criminal prosecution where the Court is informed on the criminal acts which are object of the trial and on the persons who are to be held criminally responsible for them.(Antoniou, 2011, 231)

We already mentioned that this stage also contains the not to indict solution, adopted if the legal provisions for arraignment are not observed, case where the prosecutor shall decide by order, dismissal of the case or withdrawal of the criminal proceedings.

So, if the prosecutor realizes there is a legal obstacle to start the criminal prosecution procedure, he shall order the dismissal.

In terms of obstacles to the beginning of the criminal prosecution, these are either circumstances with clear status, such as, amnesty or prescription, or others, temporary, such as the lack of the previous complaint, the lack of the authorization or information of the competent body. So, the absence of the criminal action object leads to the material and legal impossibility to carry out the objective of the criminal action, of the criminal liability in fact. No matter the obstacle, it leads to the same solution – dismissal.

Dismissal is always decided by order no matter the procedure stage of the case.

Case dismissal is adopted any time we have one of the cases provided by art 16 of the New Criminal Procedure Code and we don't have a suspect or a defendant in the case.

The absence of the suspect can mean that either the culprit is not known or the situation is not the result of a human being. (Neagu and Damaschin, 2015, 70)

If the culprit is not identified, dismissal cannot be adopted until the end of the term the criminal liability prescription.

Dismissal is regulated in detail by the provisions of art 315 of the Criminal Procedure Code.

Dismissal, as not to indict solution, replaces, in the New Criminal Procedure Code, solutions for removal of criminal prosecution, for cessation of the criminal prosecution or dismissal provided by the old law, representing an exclusive prerogative of the prosecutor and can be adopted either by order and by indictment, when arraignment is adopted for some of the acts of the criminal prosecution, while dismissal is adopted for others. (Alexandru, 2015, 33-34)

The dismissal order contains the prosecutor's mentions regarding the returning the restitution property or the decision to inform the Preliminary Chamber Judge on the proposition for total or partial elimination of a written document.

On the other hand, when found necessary, the prosecutor shall have the right to inform the Court on the proposal to rule the forced hospitalization measure according to special provisions on mental health matter.

In case of a dismissal proposition drawn up by criminal investigating bodies, and if the prosecutor acquiesces to the arguments of the written document, he shall not elaborate another argumentative act for the dismissal order.

According to art 316 paragraph 1 of the Criminal Procedure Code, the dismissal order is communicated to the informer, meaning the victim, the denouncer or the findings competent bodies, and also to the suspect, the culprit or other interested persons.

3. Chapter 3 - The withdrawal of the criminal proceedings

As we already saw, the New Criminal Procedure Code introduced the principle of opportunity, based on which the prosecutor can abandon the exercise of the criminal action, unless there is public interest in fulfilling its objective.

This new criminal procedure institution called abandon of the criminal prosecution replaces the provisions of the old Criminal Procedure Code which, through art. 10, emphasized the lack of the social danger level of the criminal action, meaning the replacement of the criminal liability.

The New Criminal Procedure Code offers detailed provisions at art 318 on regulation of the abandon of the criminal prosecution institution.

The waiver of the criminal prosecution is a not to indict solution, an exclusive prerogative of the prosecutor and can be adopted either by order and by indictment, provided certain conditions are fulfilled such as: the criminal prosecution has started, it envisages a crime punished by fine or prison time for maximum 7 years, the prosecutor finds that the act bears no public interest, given the way and means, the purpose and the person of suspect or culprit.

The abandon of the criminal prosecution is a solution for solving the case when the criminal prosecution has not begun, and also when during it, the prosecutor establishes that it bears no public interest, being similar to the dismissal in a way that it can be adopted not to begin the criminal prosecution.

The abandon of the criminal prosecution "in rem" is adopted when the crime author is not known, both before and after beginning the criminal prosecution.

The existent conditions for establishing whether there is or not a public interest, are a clear subjective element at the disposal of the prosecutor, both "in rem", and especially "in personam". (Udroiu, 2014, 70)

According to art 318 of the New Criminal Procedure Code, the main condition is that the solution is applied for the crimes punished by fines or by maximum 7 years prison time and there is not public interest in pursuing the matter. The law maker took into account the maximum for the prison time provided for the crime committed in consumed way, without taking into account the causes for punishment reducing or increasing. We understand from this provision that the withdrawal can be adopted by complying with two conditions at the same time, a positive and a negative one.

In terms of positive condition, we can see that the law maker doesn't make the difference between crimes according to their guilt forms; this way, we can have withdrawal of the criminal proceedings for crimes committed by fault, intentionally or *praeter intention*.

Therefore, given the maximum limits of the punishment established by the Criminal Code for some crimes, we can say that the application area of this solution, in the criminal prosecution stage, is rather large.

The public interest represents the essence of the negative condition that must be fulfilled in order to have withdrawal of the criminal proceedings. To establish the lack of the public interest we have to consider two different categories, depending on the way to carry out the criminal prosecution. (Bratulea, 2014, 71)

The law maker decides that the public interest depends on the content of the criminal act and on the clear circumstances of committing the crime, the way and means, the purpose, the resulted consequences or the possible ones, the efforts of the prosecuting bodies in carrying out the criminal procedure, by reference to the criminal act gravity and the time passed since then, the victim procedure attitude, the existence of a clear disproportion between the trial costs and the gravity of the resulted consequences or that could have been produced by committing that crime.

Nevertheless, the withdrawal of the criminal proceedings shall never be adopted in cases where the victim ended up dead.

In case of identified crime perpetrator, the assessment of the public interest takes into account also the person of the suspect or culprit, his behavior before committing the crime, the suspect or the culprit's attitude after having committed the crime and the efforts deployed to eliminate or reduce the criminal act consequences.

The lawmaker provided with the possibility that the prosecutor impose the defendant or culprit fulfillment of some obligations, secondary to the solution for withdrawal of the criminal

proceedings. These obligations can or cannot be decided by the prosecutor if the other conditions are complied with requested by the procedure of the withdrawal of the criminal proceedings. Therefore, these obligations are hypothetical, their application being left to the prosecutor's choice. (Tătar, 2014, 173)

After discussing with the suspect or defendant, the prosecutor can order that he observe one or several of the following obligations, such as elimination of the criminal act consequences or repair of the produced damage or finding a way to bring remedy for the prejudice.

The prosecutor can force the suspect or defendant to publically ask for pardon from the victim, to do unpaid work for community services between 30 -60 days, except for the cases where the health of the person doesn't allow him/her to do such work.

In practice, the expression "after discussing with the suspect" has been interpreted in different ways, meaning that on one hand it was thought as an agreement condition of the suspect or the defendant for complying with the obligations, and on the other hand, it was seen as a simple informing action of the suspect or defendant.

When the suspect/defendant refuses to do the unpaid work for community service by claiming health problems, these should be confirmed by a specialist MD .

The prosecutor's decision might take into account one or several obligations set by law.

The law maker foresaw the necessity to have a 9 month term for fulfillment of the prosecutor's decisions put into his decision.

Thus, if we have a refusal from part of the ex suspect/defendant in complying with the prosecutor's decision, the term ends up and the order is revoked together with the provisions of art 335 paragraph 3 of the New Criminal Procedure Code.

According to these regulations, when the prosecutor finds out that the suspect/defendant didn't fulfill with mala fide his obligations, he revokes the order and decides to begin the criminal prosecution again.

The suspect/defendant has the duty to prove the compliance with the set obligations or the present the motivation for the absence of such compliance.

The order stipulating the withdrawal of the criminal proceedings is thoroughly reviewed by the Chief Prosecutor of the Prosecutor's Office or, where appropriately, by the General Prosecutor of the Prosecutor's Office upon the Court of Appeal; when the order was issued by this one, the review is done by his hierarchic superior.

When the order is adopted by a Prosecutor from the Prosecutor's Office upon the High Court of Cassation and Justice, the order is reviewed by the Chief Prosecutor of the Department.

The order regarding the withdrawal of the criminal proceedings shall be communicated to the informing person, to the parties, and also to other interested persons and is forwarded for confirmation to the Judge of Preliminary Chamber of the Court considered competent try the case in first instance, according to law. It is a 10 day confirmation term.

The Judge of Preliminary Chamber sets the solution term and at the same time decides the summons procedure for the informing person, the parties, the suspect, the victim and other interested persons.

The Judge of Preliminary Chamber sets, by means of a well grounded decision, the legality and the substance of the solution called withdrawal criminal proceedings.

Absence of the summoned persons doesn't prevent the solution of the confirmation request.

The Judge of Preliminary Chamber, by his conclusions, admits or rejects the confirmation request after verifying the legality and thoroughness of the solution of withdrawing the criminal proceedings based on the case material and the criminal prosecution file and on the new documents presented and drawn up by prosecutor.

If the Judge of the Preliminary Chamber rejects the confirmation request, eliminates the solution of withdrawing the criminal proceedings and sends the case to the prosecutor to begin or complete the criminal procedure or to start the criminal procedure or complete it.

Also, in case of rejection of the confirmation request, the Judge of the Preliminary Chamber can eliminate the solution of withdrawing the criminal proceedings and order the dismissal.

The conclusion which rules one of these solutions is final. If the request for confirmation of the solution of withdrawing the criminal proceedings is rejected by the Judge of Preliminary Chamber, a new such solution cannot be ordered, no matter the reason brought forward. (Governmental

Emergency Order, 2016)

4. Conclusions

The New Criminal Procedure Code has brought significant changes regarding to the not to indict solutions

We found it necessary to show that the dismissal of the case is a solution ordered by the prosecutor, when he ascertains the existence of a legal obstacle to start the criminal action, as set out in art. 16 of the New Code of Criminal Procedure.

As a consequence of the subsidiary principle of opportunity, the withdrawal of the criminal proceedings is a new institution under the New Code of Criminal Procedure, under which, in cases regarding minors, the prosecutor can waive the exercise of criminal action, aiming to avoid the conduct of criminal trials there is no public interest.

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Complaints against Measures and Acts of Criminal Prosecution

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Abstract

The ending of the criminal prosecution, according to the regulations of the New Code of Criminal Procedure, signifies the completion of prosecutorial phase of the trial.

This is a step in which, criminal investigating bodies, after analyzing the evidence, submit the matter to the prosecutor for it to rule by law.

This paper aims to highlight situations where some participants of the criminal proceedings may challenge the measures and acts of prosecution. The paper also aims to examine complaints against measures and decisions of the prosecution acts, as found in the new Code of Criminal Procedure.

The complaints against measures and acts of prosecution represent a judicial instrument and also the way an interested person starts a reviewing action concerning the legality and the grounds of some criminal prosecution acts and measures.

Key words: complaint, criminal prosecution acts, injury

J.E.L. Classification: K4

1. Chapter 1 - Judicial functions covered by the new Code of Criminal Procedure

During the entire criminal procedure some essential procedure functions can be pointed out; all of them are useful to achieving the final goal of this social activity.

According to the legal provisions in force nowadays, there are some functions carried out during the procedure stages, made up of an entire assembly of papers and measures, fulfilling a limited objective compared to the general objective of the criminal trial. Each stage represents a solution for different matters with unclear, debatable aspects, which need clarifying mention and an immediate solution, on which depends the transfer to the next stage.

We have to say that the judicial functions exercised during the criminal proceeding are stipulated by art. 3 of the Criminal Procedure Code, being as follows:

- a) criminal prosecution;
- b) decision on the fundamental rights and liberties of the person during the stage of criminal procedure;
- c) review of the legality of the arraignment or non arraignment;
- d) act of judging.

Criminal prosecution is a complex stage of the criminal procedure, consisting of typical actions carried out by competent bodies, called criminal activities undertaken in order to gather the evidence necessary for the defendant indictment.

During three stage of the criminal procedure, several procedure incidents can appear.

2. Chapter 2 - The complaint against measures and acts of criminal prosecution.

The Romanian lawmaker foresaw the possibility so that any person unsatisfied with the acts and measures decided during the criminal prosecution make a complaint against them, so that the legality can be observed, in case legal interests were damaged.

The institution of the complaint against measures and acts of criminal prosecution was also

provided with by the old Criminal procedure Code, and the Law no 281/2003 established the legal frame necessary to challenge the solutions of non arraignment, a possibility also preserved in the current Criminal Procedure Code.

In order to avoid delaying the case solution and in order to maintain efficiency, the law stipulates the fulfillment of the challenged measure or act, and after solving the complaint, decide whether the act or measure can have the foreseen effects. According to art 336 paragraph 3 of the Criminal Procedure Code, the filing of such complaint doesn't eliminate the fulfillment of the measure or act object of the complaint.

The complaint against the measures and acts of criminal prosecution, take the shape of a complaint as a way to inform the criminal prosecuting bodies. So, when the suspect or the defendant files the complaint against the arrest measure and finds that this measure was ordered while breaching, at the same time, the legal provisions or over passed the period for which it was decided, authorities acknowledge the crime of unjustified repression, and the complaint can be informing document for the prosecutor regarding this crime.

This way, one can criticize measures and acts of criminal prosecution decided and applied by the criminal prosecution body, and also measures and acts of criminal prosecution ordered by the prosecutor and put into practice by him or by the criminal prosecution body. (Neagu and Damaschin, 2015, 110)

The exercise of the judge control is carried out through the Judge of the Preliminary Chamber, who analyses the complaints against the prosecutor's non arraignment and not to indict solutions, representing the complaint type which implies the control function.

We see that during the procedure stage of complaints against measures, acts and solutions for non arraignment, there are two distinctive types of judicial functions.

The first one is the criminal prosecution, carried out by the prosecutor in cases of complaints against adopted measures or actions undertaken by the criminal prosecuting bodies, and also against measures adopted or acts carried out by the hierarchically inferior prosecutor. (Neagu and Damaschin, 2015, 111)

The second judicial function is to verify the non arraignment solution, exerted by the Judge of Preliminary Chamber in cases of complaints filed against the solutions for finishing the criminal prosecution or not to indict.

For an efficient solving, the criminal investigation body, after receiving the complaint, within 48 hours, is bound to forward it to the prosecutor together with his notes, whenever they are considered necessary.

According to art 339 of the New Criminal Procedure Code there are two categories of measures and acts adopted by the prosecutor against whom the interested persons can file a complaint.

Thus, art 339 paragraph 1 stipulates that the complaint against adopted measures or acts carried out by the prosecutor or realized due to his decisions, are solved, as the case may be, by the Chief Prosecutor of the Prosecutor's Office, by the General Prosecutor of the Prosecutor's Office upon the Court of Appeal, by the Prosecutor Head of Department of the Prosecutor's Office upon the High Court of Cassation and Justice. Therefore, we can see one possibility to fight against the adopted measure, and on the other hand, the possibility to challenge the actions performed by the criminal prosecuting bodies based on the prosecutor's orders.

According to these regulations, this type of complaints are to be solved by the hierarchically superior prosecutor any time the measures or acts of criminal prosecution have been carried out based on their orders.

The lawmaker provided in art. 339 paragraph 4 Criminal Procedure Code, with a 20 day term for filing the complaints against dismissal solutions, starting with the date of order communication.

3. Chapter 3 - How to deal with complaints against measures and decisions prosecutor

Settling procedure for this type of complaints is the same as the one used for complaints against acts of criminal research.

Thus, according to art 339 paragraph 5 Criminal Procedure Code, orders that contain the solution for complaints filed against solutions, acts or measures shall not be challenged by complaint filed upon the hierarchically superior prosecutor and are communicated to the person

who filed the complaint or other interested persons.

The law maker also decided that such type of complaint can be filed by the persons who take part as main procedure subjects or parties in the criminal trial, and also by any person whose legitimate interests were damaged by an act or a procedure measure.

Law no 281/2003 creates the legal frame necessary to insure the access to justice for people discontent with the result of the non arraignment. Also, the amendment of the criminal procedure code was made by using this law and the jurisprudence of the Constitutional Court, allowing those interested to complaint against the decisions of the criminal investigating bodies before the Courts by referring to art 21 of the Romanian Constitution, to other internal laws on judging procedure and to the European Convention of Fundamental Rights and Liberties, on free access to justice (Supreme Court of Justice, 2001, 280-282)

The object of the complaint, pursuant to art 340 of the Criminal Procedure Code, focuses on the prosecutor's orders for finishing the criminal prosecution and for non arraignment, and also on the not to indict decision if it is in the indictment.

The Governmental Emergency Decision no 18/18th May 2016 regulates what was set by art 340 paragraph 1 of the Criminal Procedure Code, that the person whose complaint against the dismissal solution, decided by order or by indictment, was rejected pursuant to art 339, can file complaint within 20 days since the communication, to the Judge of Preliminary Chamber of the competent Court of First Instance. In case the file was not solved within the legal term, the right to file a complaint can be exerted anytime, after the 20 day term but no later than 20 days since the communication of the solving manner.

The complaint must contain the name and surname, the personal number, the capacity and the address of the petitioner, whereas for a legal entity – the name, the head office address, the participation of its legal representative, date of the challenged order or indictment, file number, name of the Prosecutor's Office and the reason of the complaint.

The provisions of art 289 paragraph 3-5 Criminal Procedure Code, are applied accordingly, meaning that the complaint can be filed personally or by mandatory, where this shall have a special power of attorney annexed to the file. The complaint can be sent also by mail, complying with the shape term and the legal provisions on electronic signature if it bears one.

The challenging procedure for decisions on absence of criminal prosecution or non arraignment consists of two steps; the first one is the complaint filing upon the hierarchically superior prosecutor, while the second one is the beginning of the verifying procedure undertaken by the competent Judge of the Preliminary Chamber.

After the complaint registration upon the competent Court, it is sent the same day to the Judge of the Preliminary Chamber for review of the competency, this way, in case of a mistake, the complaint is sent to competent authority.

Pursuant to art 341 paragraph 2 Criminal Procedure Code, the Judge of the Preliminary Chamber decides upon the solving term and upon the summons of the respondent/s and at the same time, informs the prosecutor, noting that written mentions about the admissibility or solidity of the complaint can be filed.

If the criminal action has already begun, the respondent/s can lodge requests and invoke exceptions concerning the legality the evidence usage or the criminal prosecution process.

After the communication of the Judge of the Preliminary Chamber, the prosecutor sends him back the case file within 3 day time.

If the complaint has been filed upon the prosecutor, he shall send it together with the case file, to the competent Court.

The complaint is solved in the Council Chamber in the presence of the prosecutor, by reasoned conclusions, ruled in the Council Chamber.

The complaint shall be given a solution even if the summoned persons or the prosecutor are not present.

When solving a complaint, the Judge of Preliminary Chamber reviews the challenged solution taking into account the papers of the criminal prosecution file and any other new ones.

In cases where the beginning of the criminal action has not been ordered yet, the Judge of the Preliminary Chamber can rule the rejection of the complaint, for reasons related to delay, inadmissibility or lack of reasons. Also, he can accept the complaint and eliminate the challenged

solution by sending the case to the prosecutor to start or complete the criminal prosecution or to start the criminal action and complete the criminal prosecution.

The law also stipulates the case where the Judge of Preliminary Chamber accepts the complaint and changes the ground of the challenged dismissal solution, if by doing this the complaining person doesn't confront with a harder situation.

In cases where the criminal action has begun, the Judge of Preliminary Chamber can find solution to the complaint by adopting an unfavorable solution, rejecting it as late or inadmissible or can review the lawfulness of the evidence and of the criminal prosecution, eliminating the illegal evidence, or can penalize by declaring the acts null and void.

This analyze of the criminal prosecution lawfulness is necessary for the case where the solution rejects the complaint as groundless but also for the admission of the complaint.

According to the new regulations, after the Judge of Preliminary Chamber sends the informing note, the hierarchically superior prosecutor admits the complaint and orders the elimination of the challenged solution, the complaint shall be rejected for lacking the object.

In terms of the judicial costs, the State shall be responsible for them.

The decision drawn up by the Judge of Preliminary Chamber on the admissibility or rejection of the complaint, remain final.

If the complaint is accepted, the Judge of Preliminary Chamber eliminates the challenged solution and orders the judgment of the facts of persons for which the criminal action has been started during the criminal prosecution. When there is enough evidence, the file is forwarded.

Within 3 day time after the conclusions communication, the prosecutor and the respondents can file a reasoned appeal on the solving way of exceptions concerning the lawfulness of evidence and of the criminal prosecution; otherwise the appeal is not admitted.

The appeal is filed by the judge who solved the complaint and it is sent to the hierarchically superior Judge of Preliminary Chamber for a competent solution. If the Court receiving the complaint is the High Court of Cassation and Justice, the judging panel shall find a result in the Council Chamber in the presence of the summoned respondent and the prosecutor. The reasoned conclusions ruled in this Chamber can order the rejection of the appeal as late, inadmissible or groundless and can maintain the decision for beginning of the trial.

The Judge of the hierarchically superior preliminary Chamber can accept the appeal, eliminate the conclusions and analyze once more the complaint if the exceptions on the lawfulness of evidence or criminal prosecution are wrongly solved by the hierarchically inferior Judge of the Preliminary Chamber.

4. Conclusions

The complaint about acts of criminal investigation takes the form of a complaint as a way to notify the prosecuting authorities and involves solving it by the superior prosecutor.

Through the meaning of complaint against not to indict and non arraignment solutions, we conclude that they are measures of control by the superior prosecutor, but also of control by the judge of preliminary chamber, which has the role to verify the reasons given by the complainant to rights and interests of the parties to a fair trial and the public interest.

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Main Results in Romanian Antitrust Domain, Period 2010-2014

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Abstract

The paper "Main results in Romanian antitrust domain, Period 2010-2014" presents the most important activities rolled by the Competition Council in our country regarding the analysis of market concentration, sectorial and study analysis or analyzing any possible break of the law. Starting from the main undergoing activities, the mission of Competition Authorities for the next years will be to apply efficient measures to maintain an adequate competition environment, taking into account an efficient and dynamic economy, grounded on recognizing and respecting the values and principles of competition, as a progress factor, durable development and well-being.

Key words: competition, investigation, sectorial analysis, anti-competition practice.

J.E.L. classification: D40, D41

1. Introduction

Competition policy represents, at microeconomic scale, one of the most important instruments that the State has at its disposal to influence the dynamics of the market, for the purpose of increasing their effectiveness and to maintain a balance between the interests of consumers and those of the economic operators.

One of the tools by which the competition authority may get and can generate sustainable benefits for consumers is intervention in making and reforming laws and regulations from a competition view point.

Pro-competition reforms are aiming at the identification of measures that restrict competition and highlight alternatives that lead to the achievement of the social and economic general objectives, producing at the same time, less harmful effects on competition. Such approaches have as results increases in productivity, better employment and promoting investments.

In 2011, the Competition Law has been enhanced, both from the perspective of law enforcement tools, as well as in respect of certain procedural aspects.

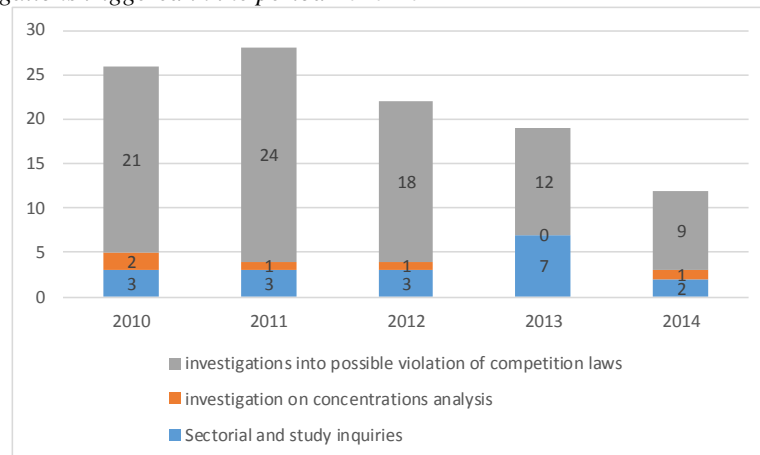
2. Main results in antitrust domain

In the period 2010-2014, the competition Council has triggered a series of investigations on the analysis of concentrations, sectorial analysis and study or possible violation of competition laws, as follows:

- In the year 2010 have been triggered 3 sectorial and study inquiries, 2 investigations on concentrations analysis and 21 investigations into possible violation of competition laws;
- In the year 2011 have been triggered 3 sectorial and study inquiries, 1 investigation on concentrations analysis and 24 investigations into possible violation of competition laws;
- In the year 2012 have been triggered 3 sectorial and study inquiries, 1 investigation on concentrations analysis and 18 investigations into possible violation of competition laws;

- In the year 2013 have been triggered 7 sectorial and study inquiries and 7 investigations into possible violation of competition laws;
- In the year 2014 have been triggered 2 sectorial and study inquiries, 1 investigation on concentrations analysis and 9 investigations into possible violation of competition laws;

Figure 1. Investigations triggered in the period 2010-2014



Source: Competition Council- annual report 2014, page 8 available at http://www.consiliulconcurentei.ro/uploads/docs/items/id10061/raport_anual_2014.pdf

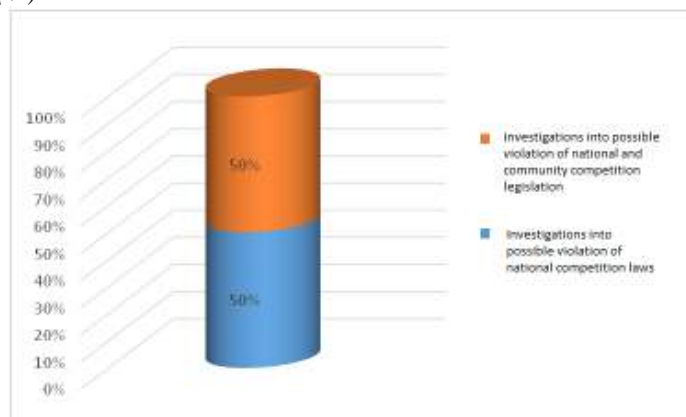
From figure 1 we can observe the following:

- The number of opened investigations increased in 2011 by 1.08 times vs 2010;
- The number of opened investigations decreased in 2012 by 0.78 times vs 2011 and by 0.85 vs 2010;
- The number of opened investigations decreased in 2013 by 0.86 times vs 2012, by 0.67 vs 2011 and by 0.73 vs 2010; The number of opened investigations decreased in 2014 by 0.63 times vs 2013, by 0.55 vs 2012, by 0.43 vs 2011 and by 0.46 vs 2010.

Regarding the 24 investigation of possible infringements of competition triggered in 2011, we note that approximately 60% were initiated by self-referral. The involved economic sectors are important both economically and in terms of the direct effects of possible anti-competitive practices at consumer level. The main sector concerned was that of energy/gas (30% of the total number of initiated investigations). (http://www.consiliulconcurentei.ro/uploads/docs/items/id10061/raport_anual_2014.pdf)

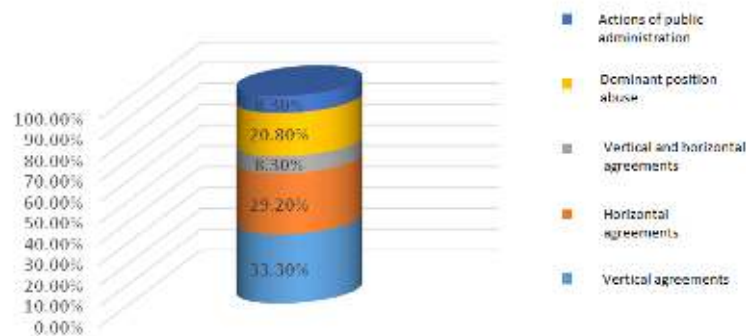
Next, we will present the structure of those investigations, by incident competition legislation and by investigated practice.

Figure 2. Investigation Structure regarding the possible infringement of competition legislation in 2011, by incident legislation (%)



Source: Competition Council- annual report 2011, page 13, available at: http://www.consiliulconcurentei.ro/uploads/docs/items/id7432/cc_raport_anual_2011_ro.pdf

Figure 3. Investigation Structure regarding the possible infringement of competition legislation in 2011, by investigated practice (%)



Source: Competition Council- annual report 2011, page 14, available at:
http://www.consiliulconcurentei.ro/uploads/docs/items/id7432/cc_raport_anual_2011_ro.pdf

In the annual report of the Council for 2011 is noted that 71% of investigations relating to possible anti-competitive horizontal arrangements aimed at faking the public auction procedures. (http://www.consiliulconcurentei.ro/uploads/docs/items/id7432/URccraport_anual_2011_ro.pdf)

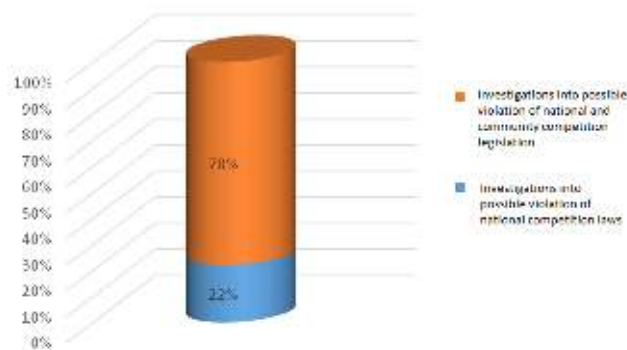
The three sectorial investigations triggered in 2011 are related to:

- banking payment services;
- a very used consuming product, i.e. beer;
- distribution through virtual stores for electrical appliances and clothing;

Of the 12 investigations on possible infringements of competition triggered in 2012, approximately 72% were triggered by self-referral as a result of tests carried out by the competition authority. Most of the investigations have targeted road construction sector (28%), followed by that of the transport of persons (11%). (http://www.consiliulconcurentei.ro/uploads/docs/items/id10061/raport_anual_2014.pdf)

In the figures 4 and 5 is represented the structure of those investigations, by incident competition legislation and by investigated practice (year 2012).

Figure 4. Investigation Structure regarding the possible infringement of competition legislation in 2012, by incident legislation (%)

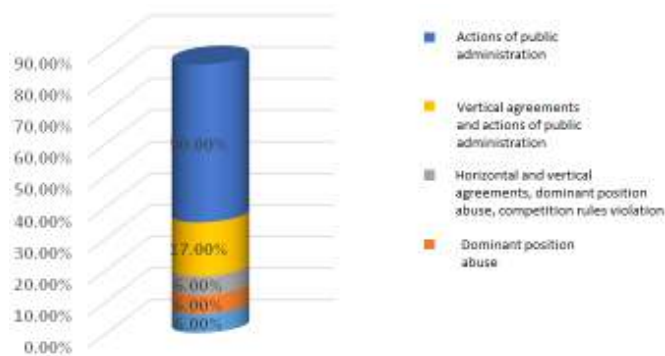


Source: Competition Council- annual report 2012, page 14, available at:
http://www.consiliulconcurentei.ro/uploads/docs/items/id8323/raport_anual_2012.pdf

The three sectorial investigations triggered in 2012 are related to:

- the market of movie distribution to cinema's in Romania;
- the sector of natural gases in Romania;
- The national sanitation services market;

Figure 5. Investigation Structure regarding the possible infringement of competition legislation in 2012, by investigated practice (%)



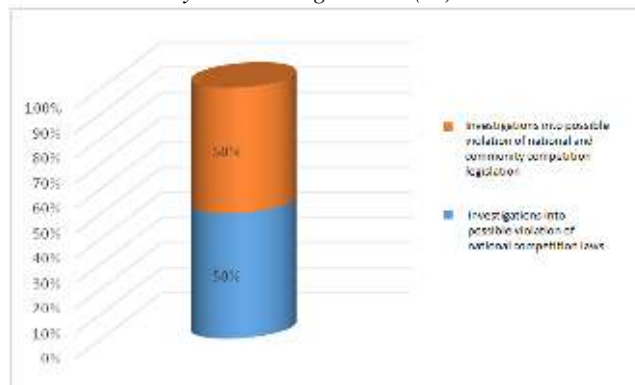
Source: Competition Council- annual report 2012, page 14, available at: http://www.consiliulconcurrentei.ro/uploads/docs/items/id8323/raport_anual_2012.pdf

In 2013, the Competition Council triggered 19 investigations, out of which 12 regarding possible competition legislation break and 7 regarding specific economic sectors. (sectorial investigation).

Of the 12 investigations on possible infringements of competition triggered in 2013, approximately 67% were triggered by self-referral as a result of tests carried out by the competition authority. Most of the investigations have targeted road construction sector, followed by that of milk production and cinematography (each 16%). (http://www.consiliulconcurrentei.ro/uploads/docs/items/id10061/raport_anual_2014.pdf)

In the figures 6 and 7 is represented the structure of those investigations, by incident competition legislation and by investigated practice (year 2013).

Figure 6. Investigation Structure regarding the possible infringement of competition legislation in 2013, by incident legislation (%)



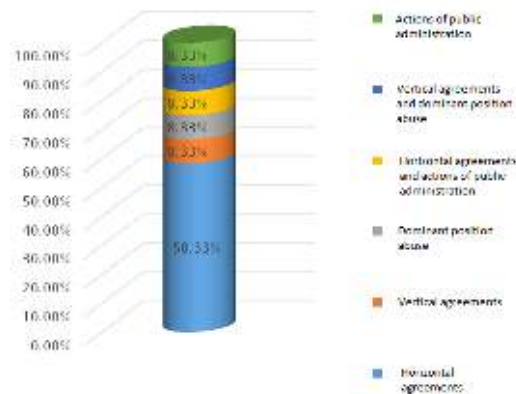
Source: Competition Council- annual report 2013, page 17, available at: http://www.consiliulconcurrentei.ro/uploads/docs/items/id9160/raport_anual_ro_2013.pdf

The 6 sectorial investigations triggered in 2013 are related to:

- Services provided by insolvent practitioners;
- Pharma products;
- Electronic communications and access to specific infrastructure;
- Wood market;
- Medical assistance;
- Auto insurance.

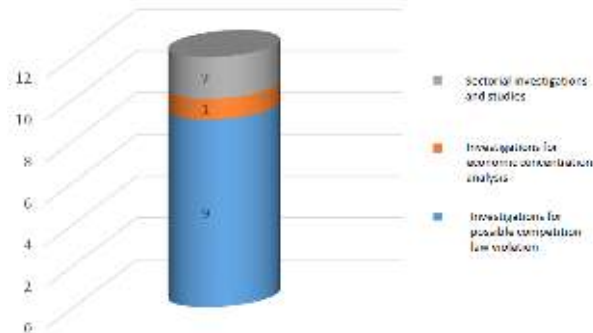
In 2013, the Competition Council triggered 12 investigations, out of which 9 regarding possible competition legislation break, 1 regarding engagement failures and 2 sectorial investigations.

Figure 7. Investigation Structure regarding the possible infringement of competition legislation in 2013, by investigated practice (%)



Source: Competition Council- annual report 2013, page 17, available at: http://www.consiliulconcurentei.ro/uploads/docs/items/id9160/raport_anual_ro_2013.pdf

Figure 8. Investigation Structure regarding the possible infringement of competition legislation in 2014, by investigation (%)



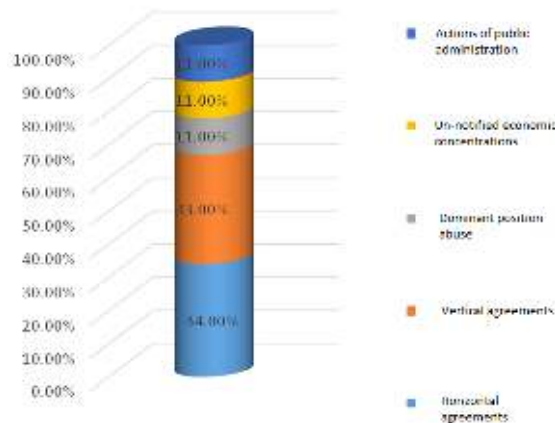
Source: Competition Council- annual report 2014, page 10, available at: http://www.consiliulconcurentei.ro/uploads/docs/items/id10061/raport_anual_2014.pdf

From the perspective of investigations related to possible infringements of competition legislation, the main sectors targeted by the initiated procedures in 2014 by the Competition Council have been the media sector, the sector of aliments and the one of electrical energy. The investigations are referring to:

- A possible cartel on the market for sale of the rights to broadcast football matches from the 1st Football League;
- a possible abuse of dominant position on the market for the transmission of audiovisual services, TV and radio;
- economic concentration implemented without a decision of the competition Council on the market of marketing communication services through the media;
- a possible anticompetitive vertical market arrangement on the communication services through the media;
- a possible anticompetitive vertical market arrangement on the food commercialization market; possible anti-competitive actions of the public administration on the production and sale of electricity market;
- a possible cartel on the market of infrastructure work for natural gas transportation and related activities, of their maintenance, assigned through public auctions;
- a possible cartel on the financial audit market;
- 2 cases of possible vertical anticompetitive arrangements on the batteries market (production, distribution and commerce).

The biggest part of investigations on the possible infringements of competition legislation triggered in 2014 are targeting horizontal and vertical anti-competition arrangements.

Figure 9. Investigation Structure regarding the possible infringement of competition legislation in 2014, by investigated practice (%)



Source: Competition Council- annual report 2014, page 11, available at: http://www.consiliulconcurentei.ro/uploads/docs/items/id10061/raport_anual_2014.pdf

3. Conclusions

According to the Competition Law no.21/1996, republished and modified through the Government Emergency Ordinance no. 75/2010, the Competition Council got new instruments through which it can solution competition cases. Therefore, the competition authority has the possibility to accept arrangements from companies or associations - both physical and juridical – Romanians or other nationality, involved in competition cases, having the possibility to eliminate the worries related to affecting competition on the market, in the case when the Competition Council don't apply financial fees/penalties (O.U.G. 75/2010 art.2 alin. (1)).

Also, it has been introduced e possibility to reduce the quantum of penalties with 10%-25%, when the companies expressly recognize their anti-competition infringements that are under investigation. They quit the advance certification of Competition Council non-intervention, as well to the individual's exception system from anti-competition arrangements provided by the Competition Law: in the absence of a decision from the competition authorities, the companies should auto-evaluate themselves the agreements compliance that are part of the applicable legal provisions.

The mission of competition authorities for the next years is to apply efficient measures for maintaining an adequate competition environment, taking into account an efficient and dynamic economy, grounded on recognizing and respecting the values and principles of competition, as a progress factor, durable development and well-being. Taking all these principles into account, the Competition Council base their actions on independence, responsibility professionalism, efficiency and integrity.

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Practical Approach of the PEST Analysis from the Perspective of the Territorial Intelligence

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Abstract

Considering that steam power was the trigger of the First Industrial Revolution in the 18th century and that the discovering new sources of energy, alongside with developing the technologies required to use these new type of fuels in the end of the 19th century was considered the Second Industrial Revolution, then the proliferation of the Information Technology and Communications on one hand, and the development of knowledge workers on the other hand are the main drivers of the Third Industrial Revolution, also known as the Knowledge revolution.

Digging deeper in the Knowledge Economy, we propose as the subject of this paper and as a part of our research, a theoretical approach in assessing and analyzing a region from the perspective of both territorial intelligence and smart developing.

Key words: PEST analysis, territorial intelligence, sustainable development

J.E.L. classification: O18, R11, R13

1. Introduction

The Territorial Intelligence has evolved as a particular from the Economic Intelligence, aiming to apply the last's laws and characteristics in order to develop a region or a territory from a sustainable point of view. The new and young branch has evolved, developing its own particularities and principles, by adapting to the necessities of a territory.

However, the main question remains: which are the main factors that define an intelligent territory? Once the answer is established, we can move even further to creating the methodology and procedures in order to adapt the existing regions.

As the Territorial Intelligence evolved from a microeconomic perspective to macroeconomic one, we consider that the some microeconomic specific tools can be as well adapted to the requirements of a macroeconomic field. Thus, the present paper aims to present the advantages of using a conventional management tool – the PEST analysis in order to identify the main characteristics of a region, from the Territorial Intelligence point of view.

2. Main characteristics of the territorial intelligence

Intelligence can be defined as the ability to understand, to identify what is essential, and to solve new problems or situations based on previous experiences.

From a practical point of view, Waltz (Waltz, 2003, 1) defines intelligence as using the specific knowledge in reaching ones targets, the fundamentals of one's decisions and actions.

If the economic intelligence refers to the usage of information in order to create goods and services, thus achieving the targets, how can the territorial intelligence be defined? We consider that the most appropriate definition is the one promoted by (Pascaru, 2007, 2), who considers that territorial intelligence is the result of both the usage of the resources of a territory and the knowledge and competences transfer between the local stakeholders.

According to specialists in the field (Pascaru et al, 2010, 10), the base of the Territorial Intelligence consists out of three ethical principles:

- Participation of all actors in development, starting with the citizens;
According to Pascaru, participation is based on communication; therefore the information is placed in an interactive context. This requires the availability of information, the ability of stakeholders to access the information content and, therefore, and information technologies.
- Global approach of situations characterized by an adequate balance between economic, social and environmental variables;

As the French specialist Girardot emphasized, cited by Pascaru, sustainable development tends towards harmonization of economic, environmental, social and cultural targets. Compared to the centralist logic, which can be considered as dividing the activities on each sector, sustainable development is based on an integrated approach to territorial scale. The territorial intelligence involves many sectors of knowledge and action (demography, geography, environment, economy, communications, health approach, heritage and institutions) and involves, necessarily, the law, history and culture.

- Partnership of all the actors involved.

Territorial intelligence is characterized by the need to develop methods and tools to facilitate the work of stakeholders in network partnerships, sharing information and cooperation.

Next to these, the same specialists mention three other methodological principles:

- Addressing the territory as a space of action;
The territory can be defined as a geographical and interaction between a human community. Hence territorial intelligence involves three complementary levels of analysis:

1) The role of territorial stakeholders, their representations and power relations within the institutional frameworks, in which they operate, as well as projects they initiate;

2) Socio-economic dynamics resulting from individual or collective decisions: demographic behaviors, the mobility of goods and people, the activities dynamics;

3) Spatial structures and trends, which are solid representations of the stakeholders' actions and socio-economic dynamics.

In terms of territory, it is important to identify the relevant action territory, considering both the administrative territories and the multiple levels government analysis.

- Generalization of project management and culture of evaluation;

Participation in the collective achievement of a territorial diagnosis and achieving territorial intelligence system creates a learning process that continues with participatory evaluation of the actions, thus proving on best practices and identification of errors to avoid.

- The accessibility of the information society technologies and of the information transmitted
Computer networks are the territorial intelligence infrastructure. The informatics and telecommunications tools are indispensable for organizing the knowledge exchanges and the collective work of many different stakeholders, which work from different places from each other and are not synchronized in time.

3. Particularities of the PEST Analysis in the light of the territorial characteristics

What is PEST analysis? As shown in (Makos, 2013) PEST is acronym for Political, Economic, Social and Technological. This type of analysis is used to standardize these four external factors above in relation to your organization situation. PEST analysis helps you to determine how these factors will affect the organizations performance and activities in the long-term. It's also used in collaboration with other analytical management tools like Porter's Five Forces and SWOT analysis to give a clear understanding of situation and related internal and external factors.

The PEST analysis can be defined as an part of an analysis conducted on external factors that

influence the activity of an organization, grouped based on their nature: political, economic, social and technological. The goal of the analysis is to provide an overview over the main environmental drivers that should be taken into consideration when defining the global strategy. (Wikipedia) (Muniandy, 2015)

According to (HO, 2014) Pest analysis examines four categories of external environmental factors, namely:

- Political factors (P): these cover various forms of government interventions and political lobbying in an economy.
- Economic factors (E): these mainly cover the macroeconomic conditions of the external environment, but can include seasonal/ weather considerations.
- Social factors (S): these cover social, cultural and demographic factors of the external environment.
- Technological factors (T): they include technology-related activities, technological infrastructures, technology incentives, and technological changes that affect the external environment.

Variants that build on the PEST framework include PESTLE (including Legal and Environmental factors), SLEPT, STEEPLE/STEEPLED (including Demographical factors), DESTEP, SPELIT and STEER (including Regulatory factors).

Examples bellow is adopted by (Makos, 2013):

- POLITICAL: New state tax for accounting; New employment laws for employee handbook maintenance; Political instability in foreign partner country
- ECONOMIC: Internal economic growth; Changes in interest rates.
- SOCIAL: Shift educational requirements and changing career attitudes; Population grow rate.
- TECHNICAL: Automated processes in the industry; Rate of innovation; Changes in technology.

Another example of PEST analysis is presented in Table no.1 adapted from (J.H.M., 2016) and (Jurevicius, 2013).

Table no. 1 Examples of PEST analysis factors

POLITICAL	ECONOMIC	SOCIAL	TECHNICAL
Environmental regulations and protection	Economic Growth	Income distribution	Government Research spending
Tax polices	Interest rates & monetary policies	Demographics, population growth rates, Age distribution	Industry focus on technological effort
Internal trade regulations and restrictions	Government Spending	Labour/ social mobility	New inventions and development
Contract enforcement law / Consumer protection	Unemployment policy	Life style changes	Rate of technology transfer
Employment laws	Taxation	Work/career & leisure attitudes, Entrepreneurial skills	Life cycle and speed of technological obsolescence
Government Organization/attitude	Exchange Rates	Education	Energy use and costs
Competition regulation	Inflation rates	Fashion, hypes	Information technology
Political Stability	Stage of business cycle	Health consciousness & welfare, feelings on safety	Internet
Safety regulations	Consumer Confidence	Living conditions	mobile technology
Bureaucracy	Labor costs	Attitudes toward imported	Basic infrastructure level

		goods and services	
Corruption level	Weather	Attitudes toward product quality and customer service	Legislation regarding technology
Anti-trust law	Climate change	Minorities	Technology incentives

Source: (J.H.M., 2016/ Jurevicius, 2013)

As the PEST analysis is used to identify the main external drivers of an organization and, based on their characteristics, the organization should be able to adapt its strategy in order to be able to grow and to reach its targets.

Taking in consideration this assessment, we strongly believe that the PEST analysis can be used as a tool in identifying the main characteristics of a region or territory, based on the 6 Principles of Territorial Intelligence, as they are presented by Pascaru and Girardot (Girardot, 2008, 6). Furthermore, we consider that using this kind of analysis; one should be able to take the necessary actions, based on the region's strengths and flaws, in order to develop the region in question as a pole sustainable development

The hypothesis of this theory is that the external factors included in the PEST analysis and linked with the Principles of Territorial Intelligence. Thus, expanding the analysis to a region and analyzing each factor should provide us a clear image on the status of the territory from the perspective of the Territorial intelligence principles.

Moving further, most of the PEST factors can be linked with the principles, as follows:

- The existence of *Political Stability* and *Information technology* alongside low levels of the *Corruption level* respectively will create the premises of openness and proper communication from the local territorial administration with both the citizens and the main stakeholders, thus promoting the first principle.
- The existence of the legal related factors (such as *Employment laws* or *Contract enforcement law*), financial related factors (Tax polices), environmental (*Weather and Climate Change*) and demographic factors (*Minorities, Demographics, population growth rates, Age distribution or Living conditions*) brings a global approach on the analysis, taking into consideration all the existing variables of a region.
- The partnership of the existing stakeholders can be defined by Anti-trust law, Attitudes toward imported goods and services or the Technology incentives.
- The *Government Organization/attitude, Bureaucracy, Attitudes toward imported goods and services or Labour/ social mobility* are, in our opinion, factors that define the territory as a space of action;
- The project management and culture of evaluation take into consideration factors such as the *Stage of business cycle, Competition regulation or Consumer Confidence*.
- Last, but not least, the accessibility of the information society technologies is consolidated based on the *Rate of technology transfer, Information technology or Internet and mobile technology*.

We are presenting an example PEST analysis approach in United Kingdom as shown in (Bush, 2016)

Political factors: UK is a constitutional monarchy that's run under the influence of a parliamentary system. The United Kingdom is said to be a fair, stable country with plenty of opportunities for those operating within, and the country as whole. Below is presented a few factors of the positive and negative factors:

Positive: Relatively "fair" country, with public having a large influence on their internal workings; Proactive government; politically stable; split into national and local administrations.
Negative: Some well-hidden corruption; uncertainty or not to stay in the UE, or leave (BREXIT).

Economic factors: The United Kingdom has a good and strong position relative to other countries. The GDP is high, economy is diverse, and also has a few issues.

Positive: 5th high product GDP (Gross Domestic Product) in the world, second in the Europe only to Germany; Large population allowing for even small markets to be profitable; Diversified economy with both large public and private sectors; Free market; Increasing Foreign Direct Investment.

Negative: Slow recovery from the 2008/2009 economic recession; Lots of money spend on providing free public services financial aid, even for migrants.

Social factors: This factors are very important factor in any PEST analysis.

Positive: Many free public services (e.g National Health Services); densely populated with 54.1 million inhabitants; Open to migration leading to cosmopolitan environment with around 1 in every 8 residents born abroad. High standard of living.

Negative: High and increasing dependency ratio; some social unrest with regard migration and ethnic groups; ever-increasing further educational costs.

Technical Factors: United Kingdom as a More Economically Developed Country, does have good access to technology. Below is presented some of most important technological factors affecting the United Kingdom.

Positive: Quality innovation skill; expertise in science and IT; effective laws with regard to intellectually property; plenty of internal competition to stimulate growth.

Negative: slow technological development in comparison to the United States.

4. Conclusions

One of the main attributes of the PEST analysis is that it analyses the major external factors that influence the activity and determines the main characteristics of the strategy of an enterprise, regardless of its size. Moving on, we consider that the analysis can be extrapolated and adapted to the needs and requirements of a region.

The main argument in this hypothesis is that, by definition, the PEST analysis focuses on the external factors of an organization. Moving to a bigger size (such as the one of a region), the main drivers analyzed in the PEST matrix can be, indeed, considered as internal factors of the region, but, at the same time, they influence each and every stakeholder from the region. Thus, the PEST analysis is a rigorous tool in identifying the main drivers of a region.

Furthermore, the political, economic, social and technological factors used in the analysis are characteristics of the 6 principles of the territorial intelligence. This means that the existence or absence of these factors can be interpreted as the situation of the territory and the requirements missing in order to be considered a pole of sustainable development.

Last, but not least, given its flexibility, the PEST analysis can be adapted in order to include more domains, such as legal, environment, demography or regulatory.

Because of this, we strongly believe that is an adequate tool in assessing a territory from the territorial intelligence perspective.

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The Population' Income, Expenses and Savings as Descriptive Aspects of the Standard of Living

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Abstract

At the level of any society, the income, expenses and savings have been playing and continue to play an important role from both macroeconomic perspective (as a key element in the development of a company) and microeconomic perspective (from the point of view of the household, as a mean of describing the standards of living of the population). Linked together, they represent key elements that play an important role in the entire national economy.

By the means of a short quantitative research, this article aims to present how the total of revenues, the registered expenditure and the amount of savings on a household level create a descriptive picture of the standards of living. At a household level, the existing incomes represent the main source of both expenses and savings. Thus, a strong correlation between these elements is created, which defines the importance that each one shows.

Key words: income, expenses, savings, standard of living

J.E.L. classification: R21, O15

1. Introduction

The standard of living of a population describes the degree of satisfaction of the life necessities and the volume of goods and services that the population can afford, based on the existing income. Equally, the degree of savings and the size of expenses may be issues on which we can outline the standard of living of a population. In a developed economy it may be encountered a high level of savings, due to the higher income that the population register. Thus, the British economist John Maynard Keynes said that "the growth of income will cause a decrease in the consumption marginal propensity and, in the same time, an increase in the saving marginal propensity".

The concept of saving and, implicitly, economy, expresses the difference between the amount of the existing income and the amount of the available consumption expenses. Saving is an essential factor of development of a country. According to (Ignat et al, 2002, p.337) saving is a virtue and excessive consumption is a flaw. American economist Paul Samuelson said that "in affliction times, old virtues could represent modern sins."

A strict determination of how saving decision is formed and of the intensity of the influence the saving determinants is imposed. At an administrative level, the priority is to develop public policies favorable to stimulate saving behavior. These policies should aim at increasing the employment rate, thus decreasing unemployment, given the fact that the prerequisites for a higher saving rates arise when the amount of disposable income is higher than the amount available to the basic expenses. The savings process specific to the Romanian population is determined primarily by the economic context and the income level. One of the biggest present problems of this is to identify the reason why people are not saving more. The Government's policy needs to contribute to the increasing of the population savings process by relaxing the taxation system of the interest income. The monetary policy is also responsible for increase the degree of savings by adopting a more attractive way of perceiving the interest.

2. Analysis of revenues, expenses and savings

The level, the structure and the dynamics of expenses are the main axes in characterizing the living standards of a country. The expenses made for purchasing goods and services are called consumption expenses. Ensuring a decent standard of living, presumes a standard life compatible with human dignity, which is measured by the goods and services that the population own and use. (Varjan, 2004, p.1) The living standard in Romania is characterized differently, especially according to all existing incomes on a family level in relation to the size of each family and in close correlation with consumption expenses structured on food items, non-food items and services.

Because of the fact the highest percentage of expenses is intended for food, clothing, housing (thus for satisfying the physiological needs), the population allocates a relatively small amount of money for other types of expenses. This situation is explained by the fact that for most people, the income is comprised out of wages, which most often is allocated for basic expenses, which leads to the impossibility of emergence of the saving phenomenon.

The size of a household income is a key element in determining both the living standards of the population and the level of expenses and savings. Disposable personal income of a household is the indicator that measures the income of the population available to be used in order to meet different needs. (Anghelache et al, 2007, p.121).

This paper captures a brief analysis of the income structure, expenses structure, and, also, an analysis of the phenomenon of saving existing in a household. The results underlying analysis were obtained by interviewing a sample of 500 people, and the answers were obtained through the CAWI (Computer-assisted web interviewing) collection methodology, which is also known as online interviewing. It is a data collecting technique, characterized by the speed of data collection. Getting the answers implies that each respondent receives an invitation containing a unique link, and completes the questionnaire which opens as a web page. Ensuring sample representativeness is achieved by allocating a percentage of each demographic variable, so that, once that percentage is reached, the questionnaire cannot be filled by new respondents. It is called quota sampling method, and the condition of obtaining a good sample is maintaining the designated rates (the percentage determined for each variable). (Andrei, 2001, p.83).

The structure of the sample is composed out of respondents aged between 18 and 64. The demographic variables based upon was formed sample were chosen in order to reflect the population structure in Romania and are as follows: the sex of respondents (50% women and 50% men), out of which 60% live in urban areas, while 40% live in rural areas. In terms of distribution by age group, 12% of respondents are aged between 18 and 24, 23% are young people aged between 25 and 34, 25% are aged between 35 and 44, 20% are aged between 45 and 54, while 21% are aged over 55. Besides the demographic variables described above, the sample was representative chosen in terms of the existing development regions in Romania, and also depending on the education level of the population.

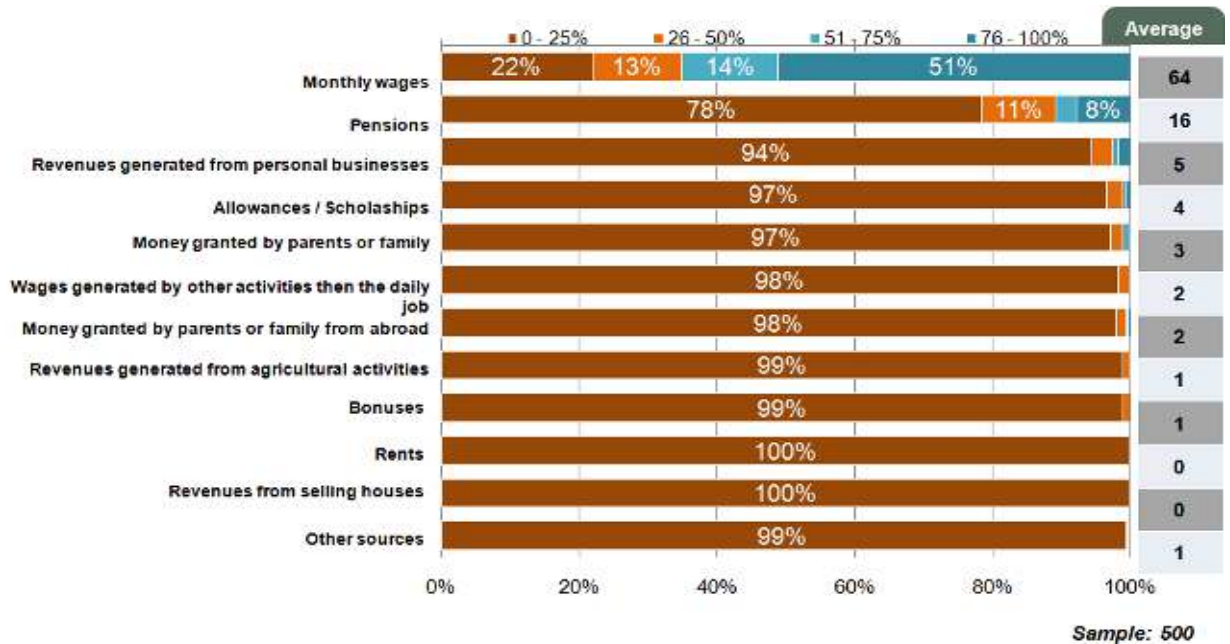
Thus, in terms of completed education level, the selected sample follows a national representative structure, as follows: 48% of individuals have graduated 8 classes, 10 classes and / or vocational school, 28% are high school and / or post-secondary school graduate, while 24% have a bachelor's degree / master /PhD certificate. When referring to the geographical region of the respondents, 9% are from the West region, 10% from the South-West region, 14% from the South region, 13% from the South-East region, 13% from the North West region, 17% from the North-East region, 12% from the Central region and 12% from Bucharest-Ilfov region.

After analyzing the results of the questionnaire it was revealed that the source that generates major monthly income is:

- Basic activities salary for 64% of the respondents,
- 16% of respondents have the main income from pension,
- Income from own business for 5% of respondents,
- Allowances / unemployment benefits / scholarships for 4% of respondents,
- The amount of money received as aid from parents / relatives in Romania for 3% of respondents,
- Salaries of additional activities outside work / jobs part time for 2% of respondents,
- Amounts received from relatives / acquaintances from abroad for 2% of respondents,

- Income from the provision of agricultural activities or lease for 1% of respondents,
- Bonuses (monthly or half-yearly / quarterly) for 1% of respondents,
- Other sources for 1% of respondents;

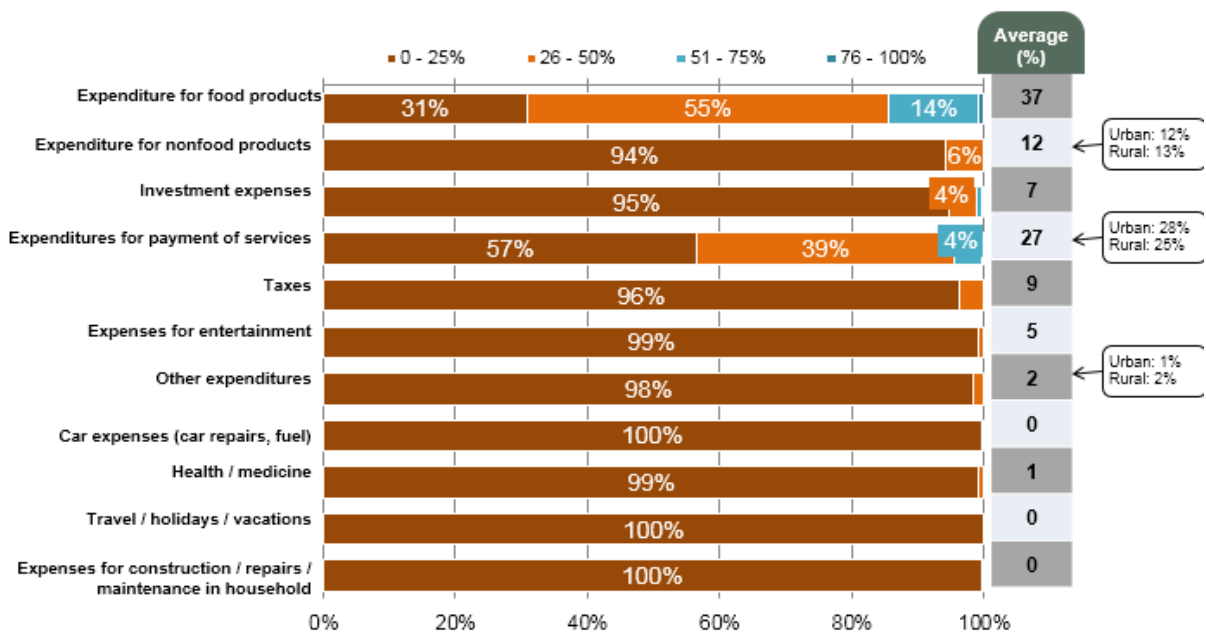
Figure no. 1. Sources of income



Source: Made by author

The results show that for recording higher revenues (which would allow the increase of both costs and savings), the population needs to attract additional sources of income (either through additional activities outside working hours, either through amounts received from relatives from both within Romania and abroad).

Figure no. 2. Expenses existing in the household

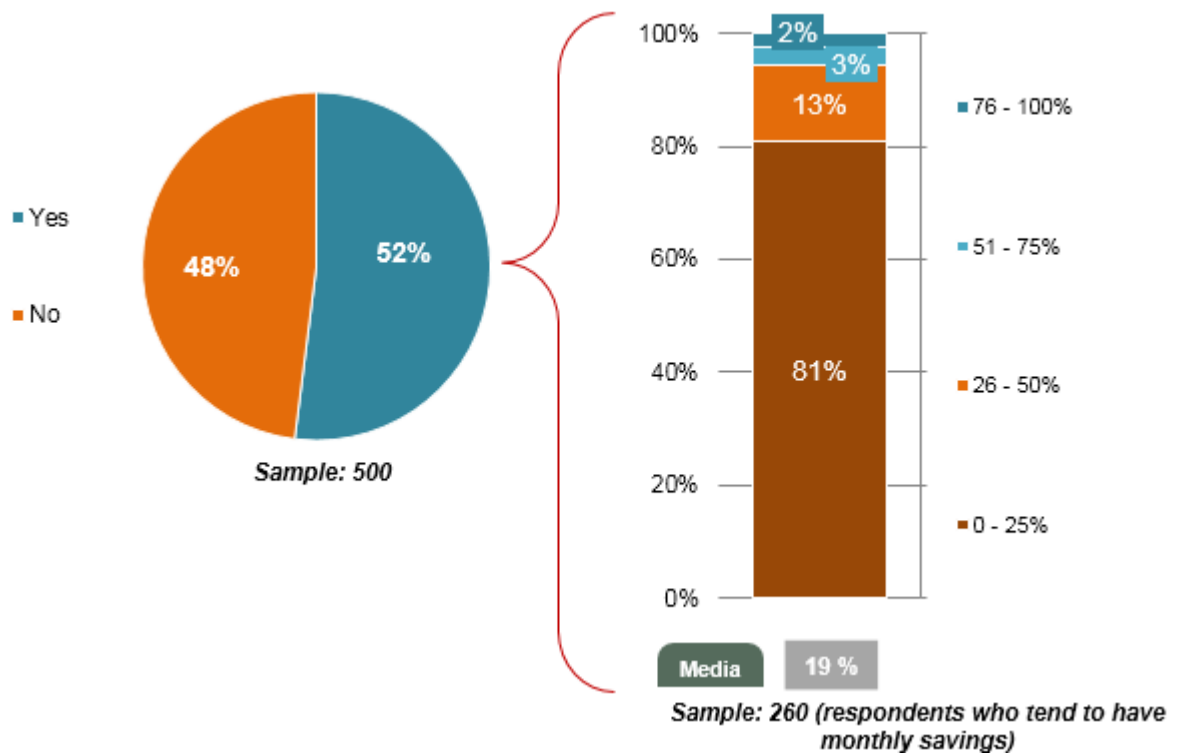


Source: Made by author

After analyzing the chart on existing expenses at a household level, it can be seen that the highest expenses are the food related ones (about 37%), followed by services expenses (27%). Other significant expenses are intended for nonfood products (12%), taxes (9%) and investment (7%). It is also noted that a very small percentage is allocated for entertainment expenses (5%), and an even lower percentage (1%) for health expenses. Most of the times, the expenses made for health examination or maintaining, as well as entertainment expenses (for culture, holidays or leisure activities) are the most important for outlining the standards of living. Given that the existing revenues reach the level of satisfying the basic needs, specifically the essential expenses (food, non-food products, and services expenses), the saving phenomenon hardly arises.

In order to perform an analysis of the saving phenomenon, the questionnaire based on which the responses were obtained, includes a section of questions which aims to identify the behavior of respondents in terms of saving. Thus, about 52% of respondents save a certain amount of money monthly, while 48 % do not save. Wanting to identify the percentage for monthly savings after all expenses are made, respondents were able to estimate this percentage by themselves. The results show that 81% of the respondent save up to 25% of total income, 13% of respondents save between 26-50% of total income, 3% save between 51-75% of total income, while 2% of respondents allocate savings between 75-100% of total income.

Figure no. 3. Monthly savings

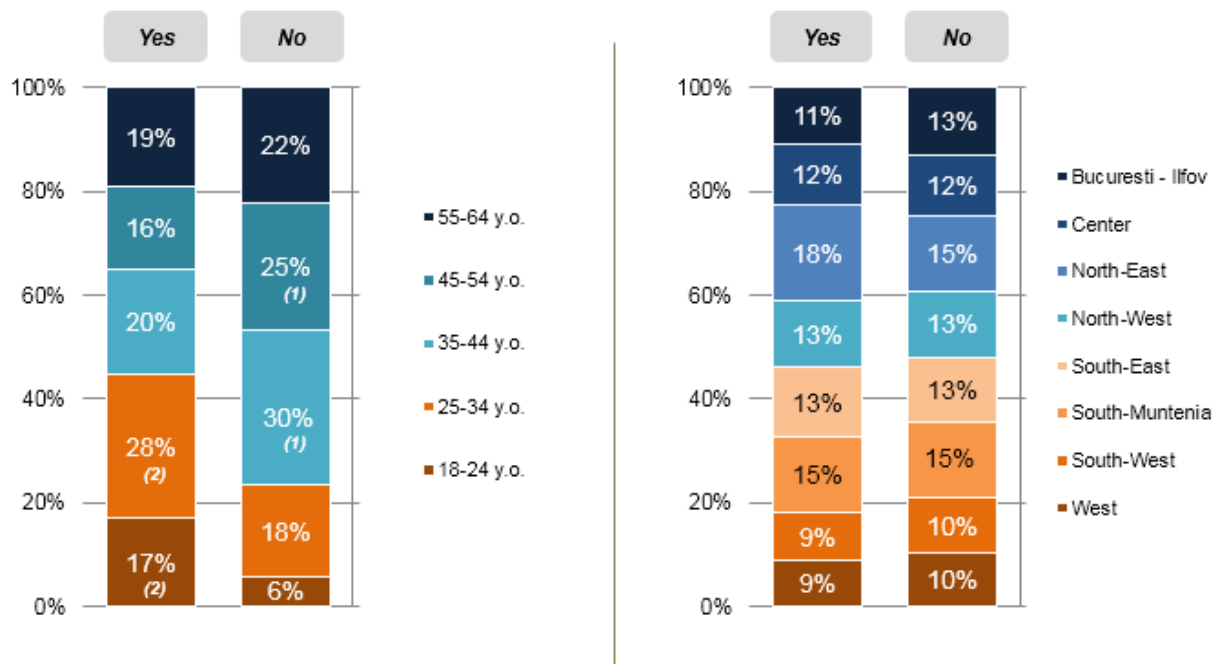


Source: Made by author

The savings that the population realize throughout the life, are aiming to create an additional revenue that might need to finance their consumption during the retirement period. (Popescu et al, 2008, p.500) The income is the main determinant of savings. The way both individuals and households save that can differ depending on the social structure from which the members of that household come. Depending on some specific characteristics, the individuals create their own saving behavior. Usually, the reasons underlying the saving process variables correlate with the population demographics (age, origin, education). Among them, the most important is the age. It is often assumed that young people have a greater propensity to save. Analyzing the respondents' answers it was found that, among respondents that use to save, there are people of all ages. The

people aged 25 to 34 register a saving behavior more pronounced. This can be explained by the fact that, usually at this age, most young people are focused on obtaining a stable financial situation and on ensuring a high standard of living in the following years. Thus the need for saving is felt, as a result of existing high income, which is related to the wish of having a high standard of living. From a region level, the saving phenomenon register higher values in the North-East and South-Muntenia regions and, in the same time, lower values in West and South-West regions. But comparing these percentages with the percentage of interviewed people in each region, the results are relatively identical. The final conclusion that can be drawn based on these findings is that, at a regional level, the saving process is similar, thus making it possible to eliminate the hypothesis that in some regions of the country, the savings are higher than in other.

Figure no. 4. Savings distribution by age and region



Sample: 500

Source: Made by author

3. Conclusion

Registering a high standard of living is closely related to the incomes, the expenses and consequently the savings. In the light of the importance reflected upon the fluctuation of both the expenses and savings, the income can be viewed both as a determinant factor and as an explanatory of the level of development of the entire society.

In a developed economy, a high level of income allows the existence of a higher volume of consumer expenses and, thus, a higher percentage of the designated amounts for savings. In Romania, there are many households that are unable to allocate money for other expenses than the basic ones. In these conditions, people are unable to save, being always oriented to ensure a standard of living that basic expenses occupy one of the primary concerns. This is felt mainly in rural areas, where income level is relatively low, the number of employed persons is also low, all this leading to a unfavorable description of the standards of living, given the fact that the rural population represents up to 40% of total population of Romania. In these circumstances, the expenses also register low values (because much of the population gathers food from their own resources).

Addressing policies designed to promote the importance of saving concept is required. Also, the awareness of this issue from an early age by introducing the system of education, financial education disciplines is of great importance. Thus, is promoted the importance of managing expenses and inclination towards saving. Last, but not least, the economic development in rural areas by increasing the number of employees can be a major way of action in order to increase the wellbeing throughout the whole economy.

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Aspects of Poverty and Social Exclusion in the Romania's Development Regions

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Abstract

In Romania, poverty has a specific territorial distribution, almost half the population lives in rural areas, there are large gaps between the urban poor and undeveloped urban/developed, while a majority of the population is hampered in terms both of revenue and of infrastructure and basic services. This paper is analyzed the rates of poverty and the main risks of poverty and social exclusion in the eight Romania's development regions: North-West Region, Central Region, North-East Region, South-East Region, South-Muntenia Region, Bucharest-Ilfov Region, South-West Oltenia Region and West Region in the period 2007-2015, based on data offered by INSSE.

Key words: poverty, social exclusion, development regions

J.E.L. classification: I32, I38

1. Introduction

To contribute to the Europe 2020 strategy at European Union level [1] to reduce the number of people who are at risk of poverty or social exclusion with 20 million by 2020, the Government has set a national goal to reduce the number of people affected by poverty and excluded from socially with people 580.000 by the year 2020, compared to the year 2008 [2].

The main problems identified in the field of social inclusion and poverty reduction are [3]: large share of people with low income, insufficient a decent living, compared to the average of other Member States of the European Union, including poor persons placed in employment; major discrepancies between the residents of rural areas in relation to those of urban areas in terms of access to social services, employment, health, education and good living conditions; the existence of certain social categories, which due to factors related to ethnicity, health status, age, social environment or family of origin, the difficulties of social integration.

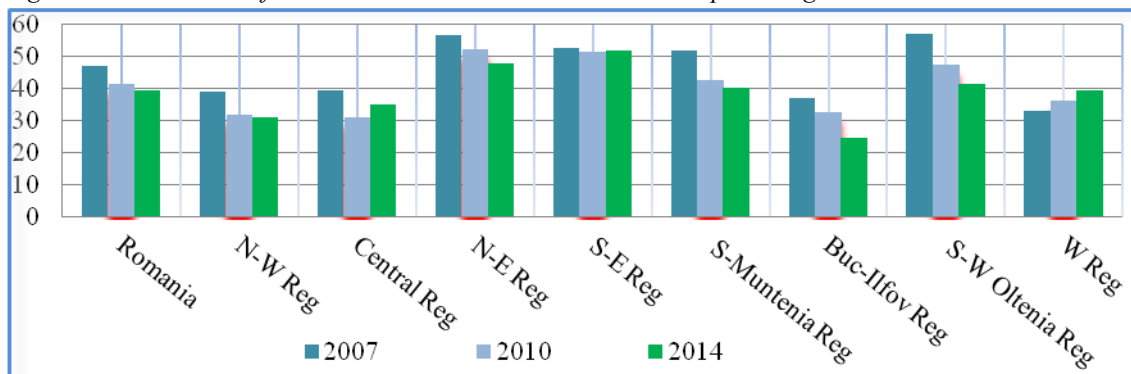
2. The rate of people at risk of poverty or social exclusion (AROPE) in the Romania's development regions

The rate of people at risk of poverty or social exclusion (AROPE) refers to the share of the population who is either at risk of poverty, or severely materially deprived or living in a household with low work intensity [5]. AROPE is a composite indicator adopted at European Union level in the context of Europe 2020 Programme, to promote social inclusion and poverty reduction, representing the share of the total population of persons in risk of social exclusion or poverty. Persons covered by the indicator are those in AROPE at least one of the following situations: the lower income threshold for poverty available; I'm in a state of severe material deprivation; live in a household with very low labour intensity [6].

Although in recent years there has been a decrease in the rate with AROPE with 9,70% from 47% in 2007 to 37,3% in 2015 (Figure 1), Romania is ranked no. 2 in the EU 27 in terms of the rate

of risk of poverty and social exclusion. An above-average level of poverty and social exclusion can be seen in the South-East Region (51,8%), North-Eastern Region (47,9%) and South-West Oltenia Region (41,5%).

Figure 1 The evolution of the rate AROPE in the Romania's development regions



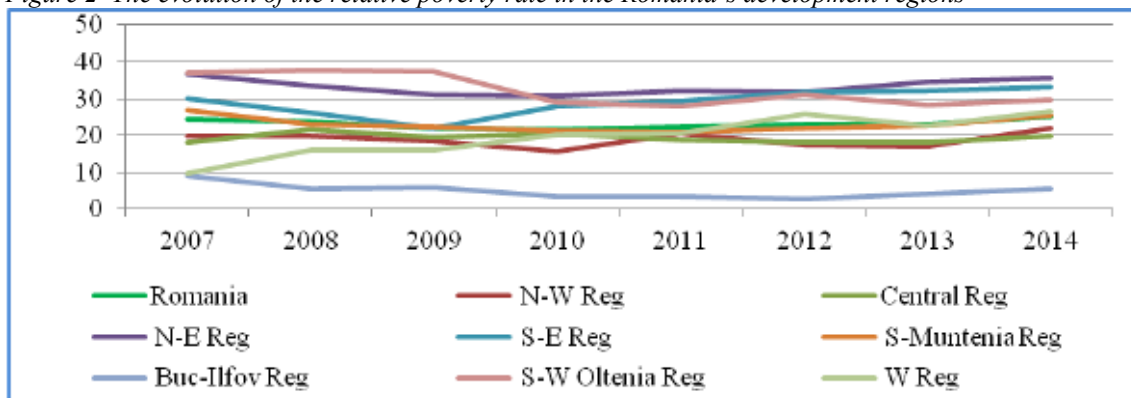
Source: Our processing after data provided by INSSE

3. The relative poverty rate in the Romania's development regions

The relative poverty rate represents the share of poor people in the total population. It is considered poor, individuals in households who have a disposable income per equivalent adult-lower than the poverty threshold level (Table 1) [7].

In Romania, poverty is deep space, located at both regional and intra-regional [5]. In 2015, the incidence of relative poverty (Figure 2) is higher than the national average (25,4%) in the North-East Region (35,6%), in in South-East Region (33,3%), in the region of South-West Oltenia (29,7%), in the West Region (26,7%) and in South-Muntenia Region (25,5%).

Figure 2 The evolution of the relative poverty rate in the Romania's development regions



Source: Our processing after data provided by INSSE

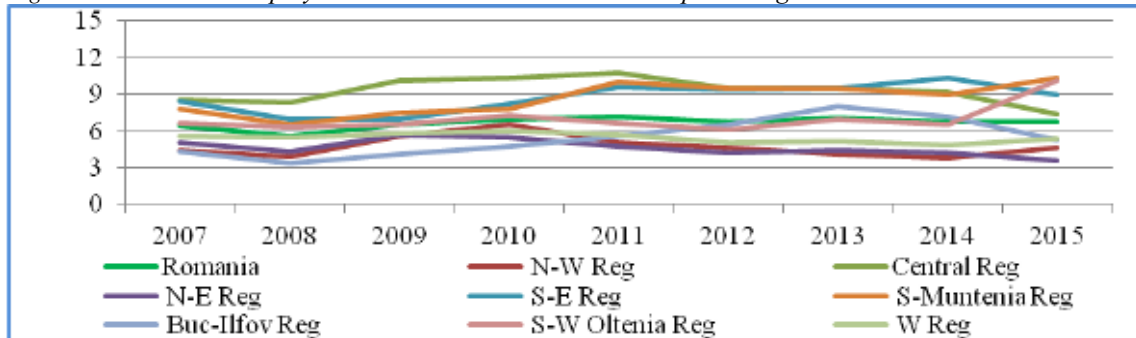
Table 1 The relative poverty threshold

Year	2007	2008	2009	2010	2011	2012	2013	2014
Lei / person	3.393	3.906	4.800	5.180	5.284	5.212	5.393	5.713

4. The main causes and poverty risks in the Romania's development regions

One of the main causes of poverty is determined by lack of employment (Figure 3), the rate of unemployment being above average in South-Muntenia Region (10.3%), South-West Oltenia Region (10.1%), South East Region (9%) and Central Region (7.4%).

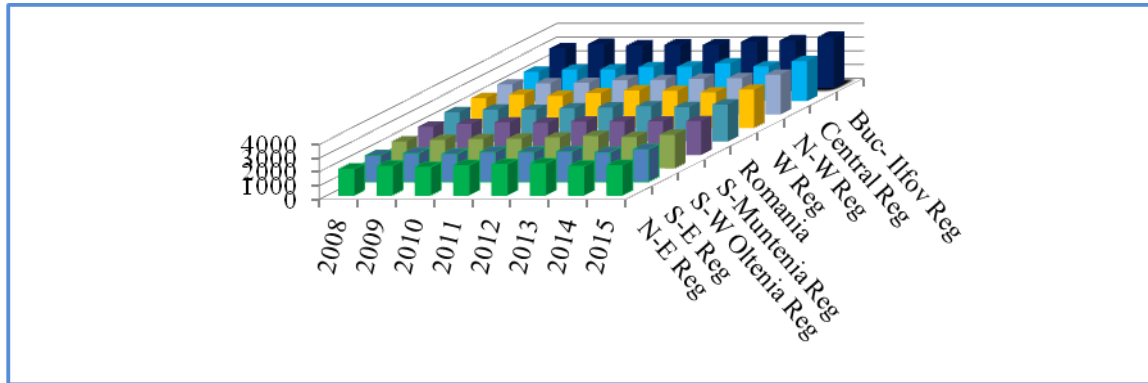
Figure 3 Trends in unemployment rate in the Romania's development regions



Source: Our processing after data provided by INSSE

In some cases, poverty can intervene in the case of employees when revenue does not cover basic needs. In Figure 4, it can be observed that, in 2015, the lowest total average monthly income per household are in the North-East Region (2176,76 lei), South-East Region (2373,2 lei), South-West Oltenia Region (2448,02) South-Muntenia Region (2466,29 lei).

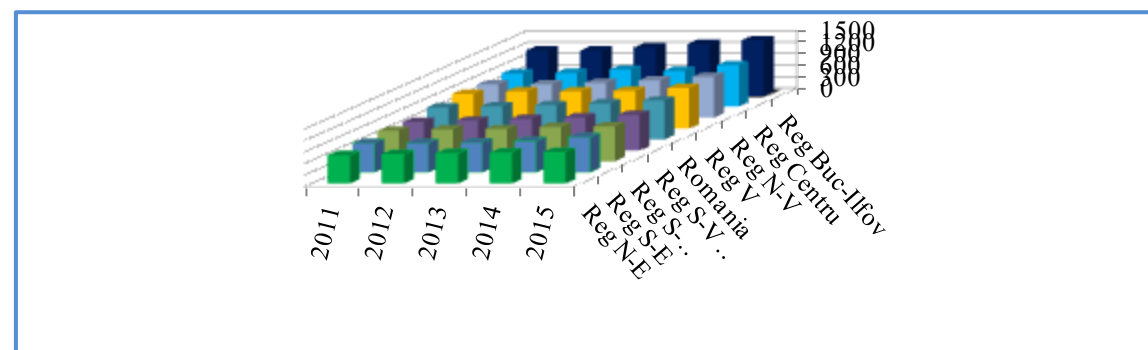
Figure 4 Trends in total average monthly income per household in the Romania's development regions, between 2008-2015



Source: Our processing after data provided by INSSE

Also the lowest total average monthly income per person (Figure 5) are recorded in the year 2015 in the North-East Region (812,61 lei), South-East Region (911,15 lei), South-Muntenia Region (911,3 lei) and South-West Oltenia Region (928,88 lei).

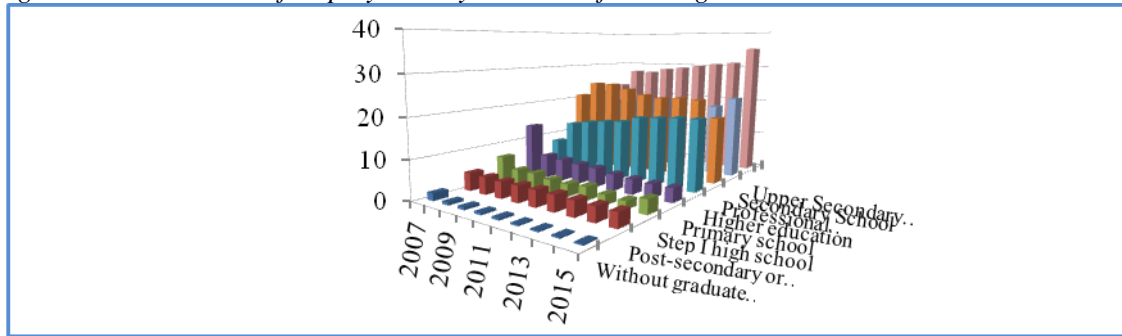
Figure 5 The evolution of average monthly total revenue per person in the Romania's development regions, between 2011-2015



Source: Our processing after data provided by INSSE

For active categories, the risk of poverty is closely linked to educational level (Figure 6), population with a low level of education (secondary school, primary school, without graduate school) being 25,27% in 2015, lower 11,66% compared with 2007.

Figure 6 The evolution of employment by the level of training between 2007-2015



Source: Our processing after data provided by INSSE

Most of the people at risk of poverty and social exclusion to live in rural areas and in small towns. Poverty is associated with lack of modernisation and with a predominantly agricultural economy. Also, in the context of infrastructure and services in under developed areas, urban areas include poverty, communities with limited access to the labour market, services and utilities.

An increased risk of poverty and social exclusion of vulnerable groups and records: children, unemployed and people with very low income, elderly, Roma population, people with disabilities, those suffering from addictions, victims of domestic violence, victims of trafficking in human beings and persons deprived of liberty or released.

From 2007 to 2012, poverty among children has been consistently higher than the overall national rate of poverty (about 10%) (Table 2). While the overall poverty rate decreased (2,3%) in these years, the poverty rate among children has increased by 5,10%.

Table 2 The relative poverty rate (%), by age group, between 2007-2015

Age \ Years	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total people	24,6	23,6	22,1	21,6	22,3	22,9	23	25,1	25,4
0-17	33	33,3	31,9	32,1	33	33,3	34,7	39,3	38,1
18-64	20,7	19,8	19,4	19,5	20,9	21,9	21,7	23,4	23,3
65 years and over	29,4	26,5	21,4	17,6	14,8	14,4	14,5	15,7	19,3

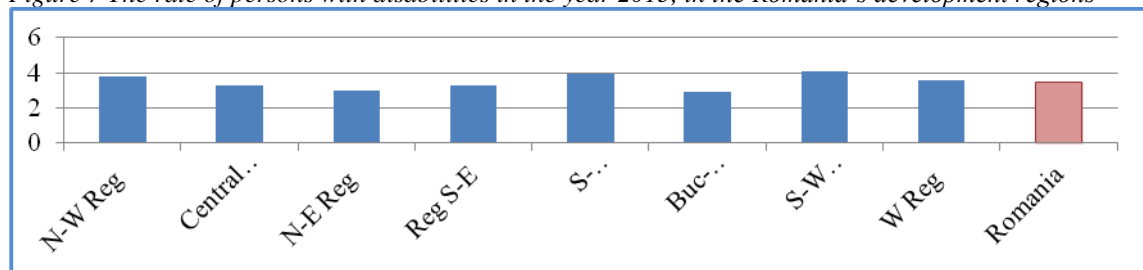
Source: INSSE

The older people have experienced a significant reduction in poverty in the period 2007-2015. In 2007, people are equal to or older than 65 years have registered the second largest rate of poverty after children (29,4%). Due to the increase of the level of pensions, contributory and social poverty rate among the elderly has fallen below the level of any other age groups (19,3%).

Roma pose a much higher risk of poverty, regardless of age, education or the environment of residence. Analysis of data from the family budget survey reported that Roma are exposed to a higher risk of poverty ten times higher than other ethnic groups, 33% of them were living in absolute poverty on the basis of the national poverty threshold in 2013 [9].

On 31 December 2015, the rate of persons with disabilities at the Romanian population was 3,44% [4], differentiated by region (Figure 7):

Figure 7 The rate of persons with disabilities in the year 2015, in the Romania's development regions

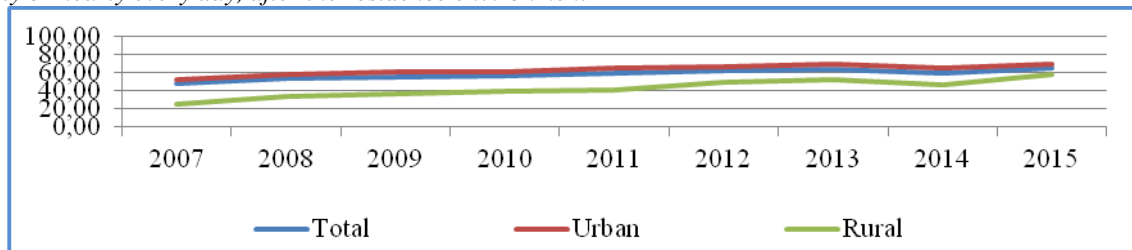


Source: Our processing after data provided by INSSE

The highest rates are recorded in South-West Oltenia Region (4,05%), Sud-Muntenia Region (3,91%) and the North-West rEgion (3,80%).

For Romania's transition to an economy based on knowledge are essential computer skills. There is a clear gap in relation to the computer skills between generations and education levels correlate positively with age, education level and environment of residence [9].

Figure 8 The evolution of the structure of persons between 16-74 year olds having used the computer daily or nearly every day, after the residence environment



Source: Our processing after data provided by INSSE

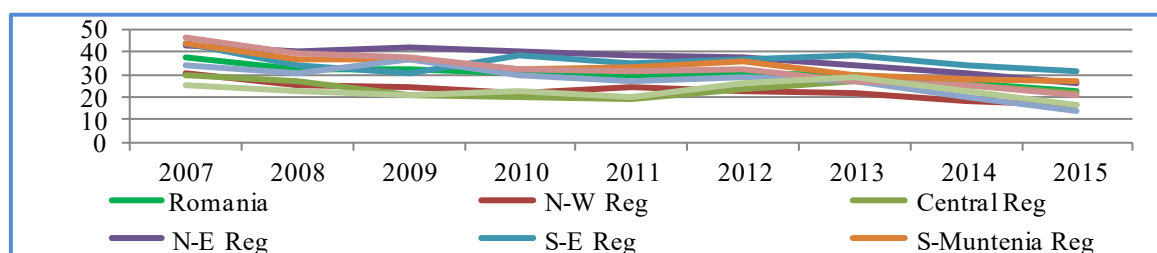
Structure of persons between 16-74 year olds having used the computer daily or almost everyday (Figure 8) increased by 16,6% in urban areas, from 52,9% in 2007 to 69.5% in 2015, while in rural areas increased by 31,9% from 26,1% in 2007 to 58% in 2015.

For most of the health indicators, Romania presents substantial disparities compared with the average of the European Union and record the performance of the lowest or almost worst. The main barrier is the cost too high for health services. Community care services and the health of vulnerable groups mediation are unevenly and insufficiently territorially spread out [9].

People in rural areas, people with a lower level of education, as well as children face higher risks of severe material deprivation. Romania is characterised by large differences associated with the levels of urbanization: while urban areas 24,8% of people are affected by material deprivation, 36,9% is in the rural areas.

Between 2007-2015, the incidence of severe deprivations of multiple materials (Figure 9) decreased from 38% to 22,7%. Although declining in recent years, the value of this indicator is maintained above average in South-East Region (32%), South-Muntenia Region (26,8%) and North-East Region (26,7%).

Figure 9 The evolution of the rate of severe material deprivation, in the Romania's development regions, between 2007-2015



Source: Our processing after data provided by INSSE

The social economy is underdeveloped, but with potential to generate jobs and to implement social inclusion measures. The main factors underlying the poor development of the social economy sector are [8]: the experimental nature of social economy activities developed with the support of EU funds, reduced emphasis on direct intervention and rigidity of approach interventions intended for disadvantaged groups.

In order to reduce poverty and promote social inclusion, in the period 2015-2017 are implemented a series of policies and interventions [3]:

- ✓ increasing employment among poor and vulnerable population by enlargement of activation programmes in the labour market;

- ✓ increase income support for the poor population and introducing incentives for proactive work programmes;
- ✓ developing integrated social services at the community level;
- ✓ improving instruments for identifying disadvantaged schools to ensure that all children enjoy equal opportunities;
- ✓ strengthening social services child protection;
- ✓ developing a tool to identify poor villages and marginalized rural communities;
- ✓ investments in improving the current IT system to build an electronic system of social assistance;
- ✓ developing a modern payment system;
- ✓ strengthening coordination mechanisms and the development of a monitoring and evaluation system to ensure the achievement of the objectives of the Strategy of social inclusion and poverty reduction.

In conclusion, an above-average level of poverty and social exclusion can be seen in the South-Eastern Region, North Eastern Region and South-West Oltenia Region. The main causes of poverty are determined by: the lack of a place of employment or in the case of employees when revenue does not cover basic needs, level of education, membership of certain vulnerable groups (children, young people and children from institutional system for the protection of the child, the unemployed and people with very low income, elderly, roma, people with disabilities); poverty being associated with lack of modernisation and a predominantly agricultural economy. For combating poverty and social exclusion should be developed and multi-dimensional implemente interventions for increasing social inclusion (education, employment, housing, social and medical assistance and actions directed towards combating discrimination) targeting the needs identified at Community level and the development of a pro-active, participation and accountability in the population, through partnerships, and by involving citizens in initiatives in the field.

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Strategies for Preventing the Stress of Employees Working in the Primary Health Care System

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Abstract

The paper presents a comprehensive study on assessing family physicians' activity in terms of occupational medicine. The research was organized and conducted in 30 primary health care institutions. It evaluated the amount of work of 221 family physicians over a week period, out of which about 97.4% are women with an average age of 43 and who have been working in this profession for 8.5 years. Its aim was to identify the factors that induce occupational stress to family physicians. The applied value of the research consists in providing information about the causes of stress in the activity of family physicians, making them aware of the consequences of occupational stress, and providing measures for coping with it. By rating the frequency of occupational risk factors, we have obtained the occupational diagram of the family physician. We have also proposed ways to prevent occupational stress.

Key words: family physician, medical activities, stress at work, typical working day

J.E.L. classification: I15

1. Introduction

The World Health Organization's policy for the next 20 years aims to ensure the necessary conditions for all the people to achieve and maintain the highest possible level of health throughout their life. The Health-for-All Policy in the 21st Century of the European Department of the World Health Organization contains as major elements: primary health care integrated at family level and community-oriented, along with a Flexible Hospital System (Lazia, 2010).

The sources of occupational stress that can make predictions about dissatisfaction in the workplace and health are the intrinsic factors of labor, role ambiguity, role conflict, the structure and climate inadequate to the organization and issues associated to work-family interface (World Health Organization, n.d.).

In literature, stress in the workplace is defined as the harmful physical and emotional response that occurs when professional demands exceed the resources available to human beings. In the long term this leads to the worker's health deterioration, occupational diseases and accidents at work (Dunkel-Schetter, et al., 1987, pp. 71-80).

There are: *eustress* (caused by enjoyable activities, creative and successful, being advantageous to the individual) and *distress* (caused by unpleasant activities, humiliating and unsuccessful, disadvantageous for that person) (Dunkel-Schetter, et al., 1987, pp. 71-80).

In everyday practice, the effect of stress at work is characterized by the Burn out Syndrome (meaning: exhausted, depressed), Mobbing (a form of psychological terror at work) and Stalking (complex behavior characterized by a series of attitudes abusive towards a person, often of the opposite sex that produces anxiety and fear, so that the normal course of life is compromised) (Carlson & Kacmar, 2000, pp. 1031-1054).

Occupational stress is the second in the hierarchy of occupational health problems in the EU countries after osteomuscular diseases (Carlson & Kacmar, 2000, pp. 1031-1054; Dunkel-Schetter, et al., 1987, pp. 71-80). Work accidents are caused in 60-80% of cases by stress (Cooper & Cartwright, 2001, pp. 269-280; Weiss & Brief, 2001, pp. 527-545; Zapf, et al., 2001, pp. 527-545). Stress at work affects women twice than men (Dunkel-Schetter, et al., 1987, pp. 71-80; Eddleston, et al., 2006, pp. 437-445; Martocchio & O'Leary, 1989, pp. 495-501). Occupational stress leads to the major causes of death: cardiovascular diseases, cancer, lung disease, accidents, cirrhosis and suicide (Carlson & Kacmar, 2000, pp. 1031-1054; Marino & White, 1985, pp. 782-784).

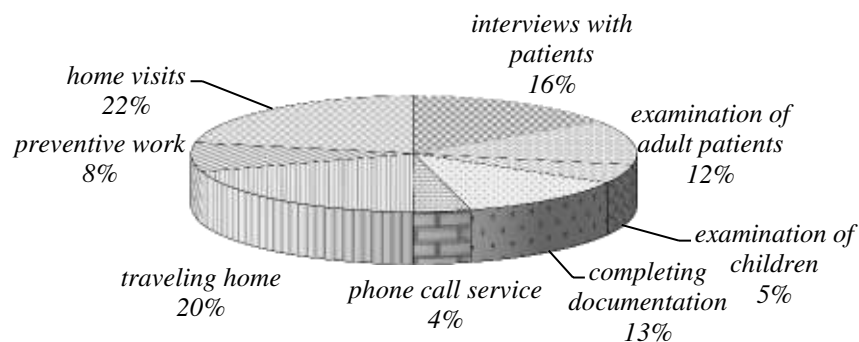
Most employers and employees consider stress common in the workplace. By the early twentieth century, doctors were considered some of the most balanced, calm, reasonable people. Today, however, the practice of medicine has become one of the most stressful occupations. Low morale, allegations related to ill health are the first signs of stress in the workplace (Crocker & Park, 2004, pp. 392-414; Eţco & Buta, 2014; Popescu Neveanu, 2008; Weiss & Brief, 2001, pp. 527-545; Zapf, et al., 2001, pp. 527-545).

Until now, in Moldova there was no complex research in the field of occupational stress in the primary care system. The lack of arguments on the existence of stress factors at work involves insufficient awareness of the consequences of occupational stress.

2. Results

Our research has shown that the family physician's activity is characterized by a complex range of activities: collecting anamnesis (conversations with patients) examining patients (children and adults), service phone calls, completing documentation, prophylactic work, visiting patients at home (including travel/commuting) (Figure 1).

Figure 1 Family physicians' activities and their share in working hours per day, %



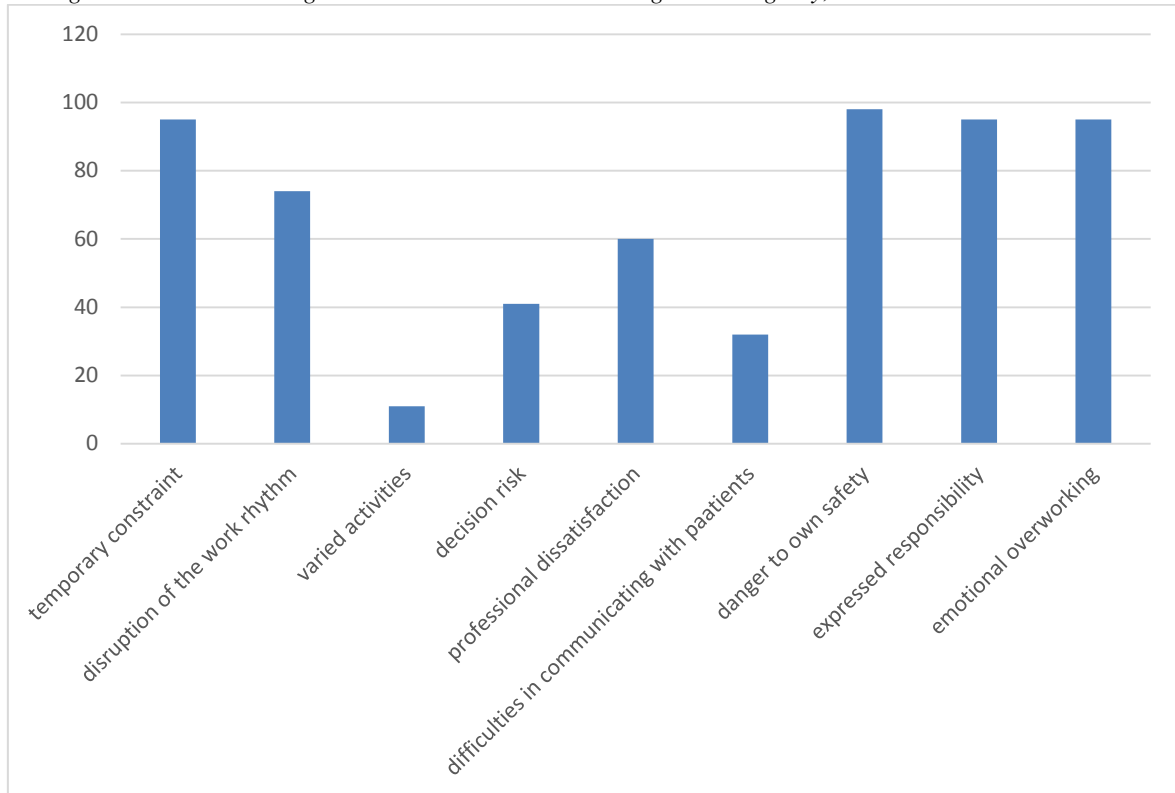
Source: (Eţco & Buta, 2014)

During the working day, the family physician permanently undergoes stress factors, such as: the time constraint, danger to their own health, special responsibility, emotional overload, which, in

Figure 2, are expressed in the value of labor day duration, or 100%. The other stress factors occupy a smaller share of the working day. The factor having the lowest lasting influence is the varied nature of activities.

Thus, family physicians are influenced by the unfavorable action of the process and of the working conditions to which they respond through tensed physiological functions and decreased working capacity.

Figure 2 Factors causing stress and their duration during a working day, %



Source: elaborated by the authors

Major stress is present in 23.0% of family physicians aged 41-50 years. The Burnout Syndrome, unfavorable functional changes of the cardiovascular system are manifested practically in all subjects of the study; the Mobbing syndrome is perceived in about 50.0 % people and the Stalking Syndrome is in about 2.0 % of the total investigated persons.

3. Discussions

Some medical institutions have as their main problem the overwork of their employees, others - the inflexible timetable. The design of stress prevention programs is influenced by the size and complexity of the organization, the available resources and, in particular, the type of problems faced by the medical establishment.

In all the cases investigated the process of the stress prevention programs involves three distinct phases: *problem identification, intervention and evaluation of the problem*. For these processes to have any chance of success, medical institutions must be adequately prepared (Crocker & Park, 2004, pp. 392-414; Marino & White, 1985, pp. 782-784; Tsai & Huang, 2002, pp. 1001-1008; Zapf, et al., 2001, pp. 527-545).

A minimum level of training for the stress prevention program will include the following activities: awareness related to workplace stress (causes, costs, control); ensuring a qualitative management and support for the program; employees' involvement in all phases of the program; establishing the technical capacity for managing the program (specialized courses for members of the organization or the use of tutorials); reducing the number of changes imposed on each individual or each team; providing the possibility for employees to express themselves to someone – boss, colleagues, and qualified counselors, and providing social and sports facilities; providing material facilities (Popescu Neveanu, 2008; Weiss & Brief, 2001, pp. 527-545; Zapf, et al., 2001, pp. 527-545).

The joint work of employees or employees and managers within the same "group for problem solving" can be a useful approach for developing stress prevention programs. Research proves that participatory efforts were successful on issues concerning ergonomics (in the working place) due to

their awareness (Crocker & Park, 2004, pp. 392-414; Popescu Neveanu, 2008; Weiss & Brief, 2001, pp. 527-545; Zapf, et al., 2001, pp. 527-545).

Every manager wants his/her employees to be in good health and satisfied with their work, stress-free and to produce maximum efficiency in their working place. It is curious enough, however, that very few of them give due importance to the workplace atmosphere.

In order to improve the quality of life for employees and to achieve high performance in the primary health care system, we propose the practical implementation of strategies meant to cope with stress at work:

- *Strategies concerning vigilance* – direct attention to the source of stress to control and prevent the effects of stress. Determining employees to perform activities of behavioral substitution which could remove emotional tension: sports, relaxing games, etc. (Crocker & Park, 2004, pp. 392-414; Marino & White, 1985, pp. 782-784; Schonfeld, et al., 1995, pp. 544-550; Tsai & Huang, 2002, pp. 1001-1008).

- *Changing the subjective significance of the event* - exaggerating the positive aspects and implications of the situation, under-evaluating negative elements, positive reappraisal that gives only short-term beneficial results when there is no momentary solution (Crocker & Park, 2004, pp. 392-414; Marino & White, 1985, pp. 782-784; Schonfeld, et al., 1995, pp. 544-550; Tsai & Huang, 2002, pp. 1001-1008).

- *Changing the direct individual-event relationship* by running behavioral active efforts for confronting the situation, for resolving it through confrontation and concrete action plans (Crocker & Park, 2004, pp. 392-414; Marino & White, 1985, pp. 782-784; Schonfeld, et al., 1995, pp. 544-550; Tsai & Huang, 2002, pp. 1001-1008).

- *Granting leave when employees need it* – it is extremely important in combating stress (Crocker & Park, 2004, pp. 392-414; Marino & White, 1985, pp. 782-784; Schonfeld, et al., 1995, pp. 544-550; Tsai & Huang, 2002, pp. 1001-1008). People who are too caught up in work and do not have time to take a leave fall ill more frequently. The employer shall take into account the capabilities and resources of employees compared to the work performed.

- *The design of jobs* – it is necessary to promote understanding, stimulation and opportunities for employees to use their skills.

- *The clear determination of the roles and responsibilities* lies in enabling employees to participate in decision-making and actions that affect their dignity.

- *Better communication* contributes to reducing uncertainty about employees' career development and promotion of opportunities for employees to socially interact.

- *Stress management*. The stress management programs will train employees about the nature and causes of stress. These programs can rapidly reduce stress symptoms such as anxiety and sleep disorders, having the advantage of being inexpensive and easy to implement (Crocker & Park, 2004, pp. 392-414; Marino & White, 1985, pp. 782-784; Popescu Neveanu, 2008; Weiss & Brief, 2001, pp. 527-545).

4. Conclusions

1. Family physician's job is characterized by a complexity of activities as part of his/her professional routine.

2. The identification and removal of the excessive physical and psychological pressure of family doctor's working day is a managerial priority in stress prevention in the workplace.

3. Major stress is present in 23.0% of family physicians aged 41-50 years. The Burnout Syndrome, unfavorable functional changes of the cardiovascular system are manifested practically in all subjects of the study; The Mobbing Syndrome was noticed in about 50.0 % people and the Stalking Syndrome in about 2.0 % of the total investigated persons.

4. Stress prevention in the workplace must be constantly addressed in the context of organizational and medical management changes.

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The Challenges of Technical Translation: Case Study

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Abstract

The aim of this paper is to provide an analysis of the textile industry vocabulary, in order to highlight the variety of the terms used to describe the respective field and to emphasize the difficulties that hinder the translation of a specialized text. Firstly, this paper briefly tackles several general elements related to the translation process, such as the definition of translation, the difference between general and specialized translation, translation methods and techniques. The second part of our study is focused on the difficulties triggered by the specialized translation from the field of textile manufacture and industry. For the purpose of our analysis, we tackled the issues raised by the application of several direct translation techniques, such as, borrowing, calque, and literal translation, described in the first part of the study.

Key words: specialized terminology, textile industry vocabulary, direct translation techniques, English-Romanian translation, meaning

J.E.L. classification: K00

1. Introduction

As English has become an increasingly global language, also known as *lingua franca*, more and more people are getting multilingual, with translation or code-switching as a major communicative activity. The concept of *translation* covers several meanings. Thus, it can make reference to the subject field (i.e. translation studies), to the product (i.e. the translated text) or to the translation process. Within the translation process, the translator represents the receiver of the message transmitted by the source text and s/he is also the transmitter of that message in the target text, by means of verbal communication components (Baker, 2001).

As far as Vermeer (2012) is concerned, he understands the process of translation as the application, i.e. the transfer of the knowledge and meaning of the text from the source language and of its context into the text from the target language. In other words, as far as the accuracy of the message is concerned, the translator is greatly responsible when translation is to be put into practice. Practically, we may argue that the translator is seen as the mediator, as an interface between the source text and the target text, in terms of culture and context delivery. In this respect, we take for granted the assumption delivered in the research paper of Daniel Gouadec, *Translation as a Profession* (2007: 5), according to whom translation must meet a number of requirements, both as regards the message from the target text and the ways, the methods used in order to convey it. Therefore, it must comply, besides the text beneficiary's aims and objectives, with the usage, standards and conventions applicable, namely: grammar, spelling, terminology, phraseology. While largely relying on this statement, we would add the fact that the cultural transfer of the core message from the source language to the target language must be achieved in terms of acceptance within the context.

2. General translation versus specialized translation

From the point of view of specialization, translation may be subcategorized as general translation and specialized translation. The former involves non-specific terminology, non-metalinguistic vocabulary and knowledge. The latter implies specialty knowledge in specific fields (such as law, finance, medicine, IT, science) and specialized terminology (Gouadec, 2007:28); moreover, these translations address a restricted group of readers, due to the specific terminology they entail. In order to cope with specialized texts, the translator should gain a profound understanding of the source text, as a first stage in the translation process (Austermühl, 2010:7).

For instance, this paper tackles several translation issues raised by several specialized texts focused on the presentation of how blue jeans and the Denim fabric are made, and the regulations regarding particularly the textile industry in the USA. The terminology implied by this text is, to a certain extent, specialized, but comprehensible to any word-user. Thus, the main aim of this text is that of providing the people operating in the textile industry with essential legal information, thus regulating or updating the performance in this branch of industry. At the same time, one should notice that the information although planned and produced by field specialists, may target readers who do not fall into the category of specialists.

3. Translation Difficulties

Specialized translation implies fields that make obvious the distinction between specialized translators and any other word-users. In this way, specialized translations meet accuracy and appropriateness only when translators with strong specialized knowledge are involved in the respective translation process. From this perspective, translation is different from other non-translational language uses in terms of its complexity degree (Nida, 1964). Moreover, another important issue that should be taken into consideration (as, in many cases, it hinders the translation process) is related to the cultural content of translation. In this respect, Mona Baker (2001:3) states that the primary purpose of translation process is to ease communication, to convey messages and meanings beyond cultural barriers, the translator acting as a mediator, as an interface between the languages involved in this process (i.e. the source and the target ones).

In order to reveal several difficulties encountered in the translation of a specialized text in the field of textile industry, and to create a broader picture of the terms used in this area, we chose to tackle several texts on the manufacture of blue jeans, addressed both to the large public and to specialists, extracted from the following sources: Tellason, "Denim Production Timeline: How Our Raw Denim Jeans Are Made" (2015), available at <http://www.tellason.com/the-journal/denim-production-timeline/>; Jack and Jones, "How We Make Our Jeans" (2015), available at <http://www.jackjonesblog.com/en/how-we-make-our-jeans-the-denim/>; and *How Products Are Made*, Volume 1, "Blue Jeans" (2016), available at <http://www.madehow.com/Volume-1/Blue-Jeans.html>. In order to understand these specialized texts, we also used several online dictionaries, such as *English Oxford Living Dictionaries*, *Cambridge Free English Dictionary and Thesaurus*, *Longman Dictionary of Contemporary English*, *Merriam-Webster's Learner's Dictionary*, *Dicționarul Explicativ al Limbii Române - DEX (The Explanatory Dictionary of the Romanian Language)* and *Thesaurus.com*.

In our case, the difficulties encountered during the translation process were triggered by the fact that the texts contain many specialized words specific to the textile field (in order to explain how blue-jeans are made, the authors used a specialized terminology related to the fabric of cotton, the yarn processing and terms describing the technological process of raw materials). The specialized terms from the field of textile industry, encountered in our texts, include: "bolt" ("cupon/ bucată de stofă"), "buttonhole" ("butonieră"), "carding" ("dărăcire"), "card" ("darac"), "coated with" ("căptușit cu"), "disentangle" ("a descâlci, a desface"), "embroider" ("a broda"), "fiber" ("fibră"), "hemmed" ("tăvit"), "interweave" ("întreșere"), "lint" ("fibră", "fir", "fir subțire", "scamă"), "loom" ("gherghel", "război de țesut"), "plait" ("cută dublă plată"), "preshrunk" ("preuscat"), "rivet" ("nit", "cui de nituit", "nituire", "a întări"), "rove" ("fir răsucit", "a răsuci"), "seam" ("cusătură", "tăv", "tighel"), "sanforized" ("șanforizat"), "serge" ("serj"), "shuttle" ("suveică"), "sizing" ("apretare", "încleiere", "scrobire"), "slash" ("șliț", "tăietură"), "snap" ("agrafă"),

“încuetoare de brătară”), “spinning” (“filare/răsucire”), “tag” (“agățătoare pentru haine”), “thread” (“ață”, “filet”, “fir”), “twill” (“țesătură diagonală”), “waistband” (“betelie”), “warp” (“urzeală”), “weft” (“bătătură”, “țesătură”), “yarn” (“fir textil”, “fir tors”), “zipper” (“fermoar”).

Furthermore, during the translation process, we used several direct translation techniques (i.e. the direct transfer of meaning from the source language text into the target language text, without applying any complex methods or without performing any transformations), such as, borrowing, calque and literal translation. As far as borrowing is concerned, in Vinay and Darbelnet’s (1995) opinion, this translation method is extremely simple and it aims at introducing several elements of the source language culture into the translated text. In its turn, calque is a direct translation technique that can be applied when the translator has to borrow a phrase or a word from the source language, using the so-called “root-for-root translation” (Vinay and Darbelnet, 1995).

For example, in our case, we employed the borrowing method in the translation of the term “Western”. Originally, the term referred to something connected to or typical of the regions from the western parts of the world or to something lying toward or situated in the west. Originally, the Romanian meaning of this term is “occidental, apusean”. Nevertheless, taking into account its use in the context, as far as its Romanian translation is concerned, we decided to keep the term in English because it changed its original meaning, referring to a type of fashion (we can speak about western fashion when we think of blue jeans): “The new medium of television also adopted Western themes as mainstays of programming.”/ “Noul mijloc de televiziune a adoptat de asemenea teme Western ca realizare a unui program principal” (*How Products Are Made*, Volume 1, “Blue Jeans”, 2016).

The same happened with the term “cowboy”, which, in the text, lost its original meaning (“văcar”), making reference to a dressing style: “Movie star cowboys remained enormously popular from the 1930s through the 1960s.”/ “Cowboys, staruri de cinema, au avut un succes enorm din anii 1930 și până în anii 1960” (*How Products Are Made*, Volume 1, “Blue Jeans”, 2016).

Another example of calque is represented by the words “blue-jeans” (“blugi”). Traditionally, in Romanian blue-jeans are called “blugi”, but we can also call them *jeans* or *Levis*, although it is known that Levis is the name of the brand. The word “jeans” entered officially in the Romanian language, being synonymous with “blugi”. See the definition provided by *DEX (Dicționarul Explicativ al Limbii Române)*: “Jeans = s, m, pl., pantaloni strâmți, confecționați dintr-un material special foarte rezistent (purtați de tineri) – Din engleză blue-jeans”.

For the purpose of accuracy, we also employed the method of literal translation (also known as word for word translation of the source text into the target language). In Vinay and Darbelnet’s perspective (1995), this translation technique is especially used when dealing with languages that belong to the same family and culture. As far as our text is concerned, instances of literal translation are: “Denim cloth itself has an unusual history.”/ “Materialul Denim însuși are o istorie neobișnuită.”

In the example above, for every word from the source text we found an equivalent in the target text. It is also noteworthy that, as far as the word “denim” is concerned, we also used the borrowing technique. Denim is synonym with blue-jeans, but also it is the name of the specific material out of which the blue-jeans are made.

Another obstacle encountered in this type of English-Romanian specialized translation is that some words, either in English or in Romanian, are polysemantic or have more than one meaning in the other language. Thus, it will be confusing for the translator to decide which equivalent is the most appropriate in the respective context. Such instances are *vintage*, *dirty* and *frog*. Let us consider the following contexts: “Many different denim fabric treatments have been introduced, including prewashed, stone-washed, sandblasted, and vintage/dirty.”/ “Au fost introduse multe prelucrări diferite de țesătură denim, incluzând prespălarea, spălatul cu piatră, șablatul și vintage/vopsirea”.

Both “vintage” and “dirty” are polysemantic words. According to *Merriam Webster’s Learner’s Dictionary* (available at <http://www.merriam-webster.com/dictionary>) and to *Cambridge Free English Dictionary and Thesaurus* (available at <http://dictionary.cambridge.org/>), “vintage” has the following meanings: “a season’s yield of grapes or wine from a vineyard; a collection of contemporaneous and similar persons or things; the act or time of harvesting grapes or making

wine; a period of origin or manufacture; length of existence". It is also synonymous with "best", "choice", "classic", "classical", "excellent", "mature", "old", "prime", "rare", "ripe", "select", "selected" and "venerable" (see *Thesaurus.com*). In its turn, "dirty" is defined by the online *English Oxford Living Dictionaries* as follows: "covered or marked with an unclean substance; dishonest; concerned with sex in an obscene way; (of weather) unpleasant; (of color) not bright or pure, dull. Some of its synonyms are "contaminated", "cruddy", "defiled", "dishabille", "dusty", "filthy", "greasy", "messy", "muddy", "nasty", "off-color", "polluted", "slimy", "sloppy", "spotted", "stained", "untidy" (see *Thesaurus.com*), "old, but high quality" (*Longman Dictionary of Contemporary English*, at <http://www.ldoceonline.com/dictionary/vintage>). In this case, in order to translate the word "dirty", we chose the Romanian equivalent "vopsire", as the source text focuses on denim fabric treatments. As far as the word "vintage" is concerned, we considered that none of the above-mentioned meanings is appropriate because, in our context, "vintage" refers to a denim fabric treatment that makes the material look old; however, at the same time, the material maintains its high quality level. Therefore, in our opinion, in this context, the best solution would be to use the borrowing method and to translate this word by "vintage" and, eventually, to add a translator's note explaining the meaning and the processes involved by this denim fabric treatment.

As far as the word "frog" is concerned, according to the online *English Oxford Living Dictionaries*, it may either refer to "a tailless amphibian", to "a thing used to hold or to fasten something in particular" (such as "an ornamental coat fastener or braid consisting of a spindle-shaped button and a loop through which it passes") or to "an elastic horny pad growing in the sole of a horse's hoof". Our context guided us towards the second meaning (i.e. "nasture"): "frog design"/ "model nasture".

Other polysemantic words encountered in our text are: ball (meaning *minge, bilă, balon, chiftea, ghem, sferă*); fabric (*cadru, carcasa, produs, material, pânză, stofă, țesătură*); gather (*încrețitură, pliseu, adunare, acumulare*), gin (*laț, ștreang, macara, tripod, mașină sau stație de egrenat bumbac*); loop (*buclă, balamală, belciug, cataramă*), mule (*catâr, șablon, tractor*), piping (*burlan, conductă, tubulatură, șnur, țipător*); top (*vârf, capac, creștet, culme, bordură elastică (la șosete), manșetă*). In each case, the context and the field (i.e. textile industry) helped us to decide upon the appropriate Romanian translation.

Another translation strategy (this time an indirect one) that we made use of is equivalence. This technique implies the description of "the same situation by using completely different stylistic or structural methods for producing an equivalent text" (Vinay and Darbelnet, 1995: 38). In this respect, we can consider the following context: "Last fall, our designers challenged themselves to think outside the box."/ "Toamna trecută, creatorii noștri s-au provocat pe ei înșiși să gândească neconvențional". In this case, although the English expression "to think outside the box" has the Romanian equivalent "a nu vedea precum calcul înainte", we decided that the latter is too informal and that it is not appropriate for our context. We also used equivalence in the following context: "Some jeans are prewashed and/or stone-washed."/ "Unii blugi sunt prespălați și/sau spălați cu pietriș". In this case, "stone-washed" is the name of the procedure used to keep the texture of blue jeans; its Romanian equivalence is "spălați cu pietriș".

In our Romanian translation, in order to accurately render the information from the source text, we also used another indirect translation technique, i.e. transposition, which involves "replacing one word class with another without modifying the meaning of the message" (Vinay and Darbelnet, 1995: 36). Such an example is represented by the context: "We used the same materials and techniques, but found new ways to apply them to drive our objective."/ "Noi folosim aceleași materiale și tehnici, dar găsim noi metode să le aplicăm la determinarea obiectivelor noastre". In this case, the verb "to drive" (from the source text) is replaced in the Romanian target text by the noun "determinarea", in order to render an adequate meaning and style. Another context where transposition was employed is the following: "Sandblasting is one of a number of techniques used to create rich finishes on jeans."/ "Curățirea prin jet de nisip este una dintr-un număr de tehnici folosite să creeze finisări elegante pe blugi". The English word "sandblasting" can be translated into Romanian either by the specialized term "șablare" or by the more understandable expression "curățirea prin jet de nisip". In this case, taking into account that the text is also addressed to lay people, and not only to specialists, we chose the former translation, which is more explicit. The following context also needed transposition: "Zipper replaced button flies in 1920."/ "Fermoarul a

înlocuit nasturele în linie dreaptă în anul 1920.” In this context, the English phrase “button flies” refers to the way in which buttons are placed. Transposition was also used for the Romanian translation of the English phrase “dry goods” (meaning “clothes” or “clothing”), i.e. “imbrăcămintă”.

4. Conclusion

The analysis of textile industry vocabulary based on the structural classification of the Blue Jeans’ manufacturing revealed the fact that the textile vocabulary is complex, with many words which include a polysemantic meaning. Therefore, translators should employ different translation techniques, such as calque, borrowing, transposition, equivalence and reformulation, with a view to carry out an accurate translation from the source language into the target language. Transposition helped us to replace one word class with another without performing any modification as far as the meaning of the message is concerned. In both languages, i.e. English and Romanian, the two messages are semantically the same. Equivalence and reformulation describe the relationship which exists between the two languages involved in the translation process, i.e. the source and the target ones. It goes without saying that the target text should be equivalent to the source one, especially in terms of meaning, which is the most common basis for equivalence.

Translation, whether general or specialized, is regarded as an activity based on knowledge. Thus, a good translation depends in a large measure on translator’s skills and knowledge in the respective specialized field. Moreover, as already mentioned, we should also take into account the fact that culture and, more specifically, cultural knowledge also plays an important role in the translation process, as there may be cultural concepts, typical of a certain (source) culture, that do not exist in the target language and culture; in this case, direct translation techniques, such as borrowing and calque, are recommended. Therefore, from this perspective, we may state that translation is conceived primarily as a process of intercultural communication, whose end product is a text capable of functioning appropriately in specific situations and contexts of use. Moreover, due to the never-ending progress in the technological field, during the transfer of meaning from the source language to the target language, in order to formulate equivalence, new original terms are often born, translation being thus viewed as an act of invention.

The intellectual stimulation provided by what translators learn about their world and about themselves through the process of translation can give them a great deal of pleasure, and they can gain considerable satisfaction in knowing that they are making a significant contribution to the advancement of knowledge and understanding between different cultures.

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Determinants of Financing Decisions in Innovative Firms: A Review on Theoretical Backgrounds and Empirical Evidence

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Abstract

We review some of the main aspects highlighted in the literature on financing innovation. The theoretical background related to the distinctive features of innovative firms impacting their financing decisions and the empirical evidence is reviewed. The growing literature on the financing of innovation shows that the theoretical and empirical work are not always constant across the various samples and situations faced by firms as a result of generating new findings. We highlight the interaction between financing choices for innovation and changing internal and external condition firms operate

Key words: capital market, cost of capital, firm, innovation, R&D.

J.E.L. classification: G2, O15, O31, O32.

1. Introduction

It is widely accepted that research and development (R&D) activities and innovation are difficult to finance on the capital markets. The support of this idea, in the form of various theoretical and empirical models, has begun with the classical studies such as Nelson (1959) and Arrow (1962). The main argument stands for the fact that (knowledge resulted from funding inventive activities) involves non-rivalry: its use by a firm does not prevent another firm to use it. To the extent that knowledge cannot be kept secret, firms cannot fully benefit from their investments and become reluctant in investing, generating underinvestment in R&D in the economy. The empirical support for the Arrow's argument regarding positive externalities generated from R&D are found mainly in the studies that attest that the social return from R&D is higher than the private return (Griliches, 1992; Hall, 1996 etc.).

Another argument related to underinvestment phenomenon in R&D and innovation that was subsequently addressed by researchers refers to the potential wedge existing between the private rate of return and the cost capital when the innovator (investor) and the financier are different persons. This paper focuses on the second type of market failure that characterise R&D activities; even the problems associated with incomplete receipts of income from R&D could be mitigated by protecting intellectual property rights, by subsidizing or providing tax incentives, difficulty of obtaining financial resources on the financial market or from other entrepreneurs can persist as a result of their cost. In other words, it is assumed that there is always a significant wedge between the entrepreneurs' required rate of return by investing their own funds and the external investors' required rate of return. Apart from the situation in which an inventor already has the needed funds, it is considered that certain innovations would not be able to be developed because of the higher costs of external financing, even when their rate of return exceeds the threshold rate of return or the funds would be available at a "normal" interest rate.

Starting from this assumption, many theoretical and empirical developments have been tried to identify the cost of R&D investments, testing the existence of such market failure (Hall and Lerner, 2010). In this respect, financing sources used by firms are analysed in the literature, depending on firms' size and sector, in order to be identified the financing wedge. The literature on financing innovation, even if it is less represented than other approaches, is constantly expanding, creating new records, and some are even inconsistent with the starting hypothesis, generating a real puzzle

to be solved.

In this paper, we review the main aspects regarding the role that financial markets play in impacting firms' innovation. In section 2, theoretical contributions regarding why financing R&D projects might be distinct from financing other types of projects and the modalities in which they can impact innovation are reviewed. Section 3 focuses on the empirical work of financing innovation in young and mature firms.

2. Theoretical backgrounds regarding financing innovation

In a frictionless world, where all positive NPV projects are financed, one should not expect the sources of finance to impact innovation expenses conducted by firms. At least three features of the R&D process, however, introduce important frictions, which can lead to financing constraints in firms aiming to undertake R&D, as well as impact how the sources of capital have a bearing on the outcome of the innovation process.

Investing in projects that aim at developing new products or processes involves making expenditures. Their size and composition determine distinctive features which can impact financing of innovation. Viewed as an investment activity, innovation has distinctive characteristics from other investments in real assets.

First, a significant amount of funds (greater than 50%) is allocated to staff (scientists and engineers) salaries, and toward their efforts to increase knowledge and other intangible assets that are important source of future profits for companies. To the extent that knowledge is rather "tacit" than codified, they are embedded in human capital that may be lost when firm's specialists leave the organization. These facts have implications on R&D expenditures, and are of interest in explaining the tendency of firms in keeping them over time in order to avoid losses associated with human capital (Hall, 2009). Also, innovative firms have often less collateralised assets while increasing their intangible assets incorporated in human capital, determining that debt financing to be less appropriate particularly when R&D expenses are in significant percentage of total funds needed.

Second, R&D investments are expected to obtain higher revenues characterised by significant uncertainty or high standard deviation. Uncertainty leads to an "option value" of projects (Dixit and Pyndyck, 1994). From a financier's perspective, this makes it significantly harder to evaluate potential innovative projects that may require funding particularly since often the only way to learn about the potential of a particular approach is to invest in it. This raises significant possibilities of financing constraints arising in the funding of innovation. In addition, the payback period of projects and the firm's financial structure may impact on how projects are financed.

Generally, start-up firms confront themselves with highest uncertainty, making the application of traditional methods of project evaluation to be the most difficult. Also, investments are carried out in the long run during which new information that reduces uncertainty can be available, requiring an analysis over the entire lifetime of the projects. This may result in significant problems associated financial constraint.

Finally, although often times neither the innovator nor the financier knows the true potential of the project, the innovator may still know more about the project than the financier. It is often impossible to accurately measure inputs into the innovation process, and one cannot write complete, state-contingent contracts when one does not even know what the output might be. These conditions allow for agency costs to arise in the financing of innovation that can be significantly greater than those present in standard settings between financiers and entrepreneurs.

These particular attributes of R&D have an important bearing on how the financial sector impacts innovation that is undertaken by firms.

3. Financing innovation in firms

One implication of Modigliani-Miller theorems (MM 1958, 1963) is that firms that choose an optimal level of investment expenditure should be indifferent to how they are financed and bear the same cost for the last monetary unit of capital invested whether investing in real assets or conduct research and development investment. The latest monetary unit spent on each type of investment should generate the same rate of return (after adjusting for undiversified risk). Much of the

literature discusses the MM theorems, and one can admit that they can be used as starting points for various analyses.

The challenging issues of the MM theorems arising from the financial practice refers essentially to: uncertainty associated with the existence of incomplete markets, which make suitable R&D investment decision through real options; cost of capital can vary depending on sources of funding, due to the influence of fiscal or non-fiscal factors; cost of capital can be dependent on the type of investments in tangible or intangible assets. They may influence R&D expenditure conducted by firms by impacting the wedge between the cost of funds internally generated by firms and the cost of funds on the financial markets due to: information asymmetry between entrepreneurs (inventors) and investors (capital providers); moral hazard problems existing at the inventor/entrepreneur level arising from the separation of ownership and management; the incidence of taxation.

3.1 Informational asymmetry and its impact on financing innovation

In the context of financing R&D, information asymmetry issues raised in the literature stems from the fact that the inventor has detailed information regarding the nature and likelihood of project success than potential investors. The use of resources on the financial market, in addition to funds internally generated, is conditioned by the dissemination of information designed to demonstrate the effectiveness of projects and the possibility of supporting the capital costs, but also by the capital providers' ability to interpret such information. When the firm considers that it is in its best interest not to disclose certain information to capital providers, associating that with jeopardising the chances of success by exploiting them by the competitors, the financing costs can increase significantly, leading to deterring innovation.

This problem implies that if at least one piece of information that characterises a particular project is not disclosed to financier, the latter cannot appreciate the profitability. As the result, the market of financing R&D can impose higher costs of funds incorporating risk premiums. Risk premiums may be higher for long-term projects and investments in real assets as well, when capital providers have difficulty in dissociating "good" and "bad" projects (Leland and Pyle, 1977). In the Leland and Pyle (1977) model, firms with growth opportunities can "separate" themselves from less attractive investment by using of R&D expenditures to signal their quality.

When the size of R&D expenditure is observable (used as signal), the risk premium can be reduced. At the other extreme version of the model, the market for R&D projects can disappear completely if problems associated with information asymmetry are significant. Countless records resulting from informal sources suggest that potential innovators consider the description above to be appropriate. Therefore, funding innovative companies from private equities is seen as a solution to the problem of "disappearance markets."

Empirical support of these phenomena exists, especially in the form of studying events, by measuring the market response to the announcements of firms to sell new shares or bonds. Both Alam and Walton (1995) and Zantout (1997) identify overly high rates of return obtained by buying shares issued by R&D intensive firms. The motivation may be that attracting new funding resources is considered "good news" when a company encounters problems of asymmetric information as a result of its R&D strategy. Similarly, it is shown (Szewczyk et al., 1996) that investment opportunities can explain obtaining abnormal yields from R&D activities and that the yields concerned are higher when the company is highly leveraged, implying a higher required rate of return for debt finance at equilibrium.

Reducing asymmetric information by providing detailed information to financiers is of limited effectiveness. Firms are reluctant to reveal innovative ideas into the market space, and the fact that that significant costs associated with disclosure of information to potential competitors can register reduces signal quality generated about investment projects (Bhattacharya and Ritter, 1983).

3.2 Moral hazard problems

Moral hazard problems in R&D investing arise from separation of ownership and management. This leads to a principal-agent problem when the goals of the two conflict, which can result in investment strategies that are not share value maximizing. Two possible scenarios may co-exist:

one is the usual tendency of managers to spend on activities that benefit them (growing the firm beyond efficient scale, nicer offices etc.) and the second is a reluctance of risk averse managers to invest in uncertain R&D projects (a detailed review on moral hazard problems can be found in Hall and Lerner, 2010).

Although the studies to date indicate clearly that the existence of managerial incentives in the long run can encourage R&D activities, and the concentration of ownership not necessarily discourage them, the intensity of these effects is not yet fully known nor if particularities in company governance can influence (eliminate) the agent cost so as to reduce the wedge between cost of capital and rate of return on R&D activities.

3.3 Capital structure and R&D

In principle, firms can use internally generated financial resources or external funds from bank loans or obtained from various individuals by issuing shares, opting for a financial structure that corresponds to the lesser cost of capital. One way of reflecting the financial resources used by firms is to examine the financial structure as a result of financial decisions.

Most studies, especially early ones, highlight that the increase in R&D spending is accompanied by loans reduction in the financial structure of firms. For example, Blass and Yoshie (2001) find that R&D intensive firms listed on stock exchanges in the US were less indebted (using mainly equity), while firms located in Israel opted more for bank loans and used government financial resources. The first ones proved to be more profitable and with faster growth, suggesting that choosing the place of shares listing and the decision to issue new shares depend on R&D expected rate of return. In other words, capital providers require a rate of return for the risk assumed.

Although bank loans can reduce firms' agent costs, this mechanism can be less useful for R&D intensive firms. These firms generate intangible assets that are mostly embedded in highly specialised human capital in certain activities, and this fact is often used in explaining a financing structure focused on less debt than is found in other firms. In turn, banks and other lenders usually prefer guarantees consisting of physical assets and usually avoid crediting of projects with significant proportions of research expenditure involving higher sunk costs than investments in real assets. Assets that have alternative values of use as high as the current ones are more appropriate for the governance structures associated with loans. Empirical support of these ideas results from Alderson and Betker (1996), which identifies that the size of liquidation costs and R&D expenses are correlated. The implication is that sunk costs associated with R&D expenditures can be registered, and can be higher than costs associated to other types of investments.

Also, debt service requires, in principle, stability of cash flows, and that makes financing by loans to be difficult. This fact and the existence of sunk costs can determine the difficulty of innovative firms to access loans and, at the same time, to not prefer them in financing of research programs, given the difficulty of loan repayment or increasing the cost of capital.

A part of the latest literature shows that, on the contrary, loans can be viewed as a valid option in mature innovative firm's financing that conduct significant R&D expenditures. Moreover, financing resources availability or cost of loans variability proved to have an impact on the rate and typology of innovations developed by firms. In the same framework, it is identified that agent costs of equity markets can have negative impact on innovation.

Looking first at bank financing, Mann (2014) shows that it is not only common for innovating firms, but that furthermore, patents are often used as collateral in such instances. He notes that 16% of the aggregate stock of patents at the US Patent and Trademark Office (USPTO) has been pledged as collateral at some point, and that companies with patent-backed debt have performed over 40% of USPTO patenting since 2003. He documents that the amount of credit is economically large and seems to directly finance research. He also documents that lenders are frequently banks, but may also be venture debt or other non-bank lenders. Similarly Hochberg, Serrano and Ziedonis (2014) find that patents are used as collateral for venture debt, and Chava, Chong and Nanda (2012) find that firms with significant patent activity and higher-quality patents receive cheaper bank loans than peers.

Robb and Robinson (2014) show that external bank finance is an important source of start-up capital, even for high-potential start-ups that might be engaged in innovation and who don't have

any collateral (tangible or intangible) to pledge. Consistent with this, Cornaggia et al. (2013) find that innovation by small private firms, who depend more on bank finance for capital than publicly-traded firms, increased following the inter-state deregulations, while innovation fell among publicly-traded firms. Cornaggia et al. (2013) argue that this latter effect is driven by an increased negotiating ability of innovative targets, which are less likely to be acquired and instead continue on as standalone firms due to the greater ability to access external finance. These papers suggest that an important and still insufficiently explored area concerns the way in which banks can lend and monitor the funding of innovative firms. This is not only an important area of investigation, but it has profound implications for the development of the literature, suggesting that the link should be very different from one firm to another.

Small businesses are more likely to setting up a financial structure with a smaller proportion of loans. Creditor's option to provide funds at a cost that determines that a part of credit applications to not be resolved can be achieved, in principle, regardless of firm's size. Rationalization of bank loans (by not providing the entire amount requested, even when the borrower is willing to bear the interest rate) is a phenomenon found mainly in SMEs, taking place when, among related applications, some enterprises get loans, while others are rejected or, when there are identifiable groups of firms that cannot get loans regardless of their cost (Stiglitz and Weiss, 1981). The SME sector is generally most affected by credit rationing, orienting towards the use informal financial resources in completing internally generated funds, in order to avoid (formal) loans from banks, contracted at an interest rate higher than the average rate on the financial market, and eventually higher than that supported by large enterprises.

Various empirical studies show also that only a small proportion of fast-growing innovative firms use external financing from equity, which is looked to outline predominantly a deliberative decision and not a result of lack of access to other funds (OECD, 2010). That could mean that entrepreneurs pursue including minimizing external control and ownership dilution by using predominantly internal financial resources. In this framework, the financial structure adopted can reflect not only the existence of financial market imperfections, but also entrepreneurs' preferences.

4. Conclusion

The literature on financing decisions of innovative firms is filled with new themes. First, bank financing has appeared to be of relevance to innovative firms in some studies, but is likely to be more appropriate for large and mature firms, where investments are less risky for banks as a result of cash flow generated from existing activities and collateral held in real or intangible assets. Secondly, while equity investors are more willing to finance risky investments, capital market can impose significant agent costs on managers, with possible implications on the rate and type of innovation. Finally, the costs and benefits at the level of listed firms versus non-listed companies are heterogeneous, and understanding the mechanisms of compensation can be a promising field for future research. For example, Ferreira et al. (2014) argues that listed firms can be better positioned to benefit from the commercialization of new goods than to have liquidity through the capital market and, on the other hand, unlisted firms may be better placed by the novelty of manufactured goods.

In economies which continue to be characterised by bank-based financial systems, with only shallow public and private equity markets questions of whether access to bank credit can help firms to innovate in the absence of a meaningful supply of risk capital remain. Also, we think that more data is needed at the firms-level related to the type of projects they develop. Many firms develop more than just R&D involving the adoption of existing products and processes that are new to a particular firm or market, but not to the wider world. Such imitative innovation is arguably less risky and more in line with the risk appetites of most banks. This is particularly true of banks that have funded specific technologies in the past in partnership with other borrowers. In this case, banks may even act as conduits, facilitating the spread of technology across their borrower base. Lastly, even without financing innovative projects directly or explicitly, banks can still stimulate firm-level innovation. When banks provide firms with straightforward working capital or short-term loans, this can free up internal resources, which firms can then use to finance innovation.

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Discourse Analysis of the Multi-Voiced Tourist Guide. Discursive Particularities of Guided Tours

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Abstract

This paper aims to analyze the discursive peculiarities specific to the oral discourse of a tour guide. Our objective is to highlight the specificity and originality of oral discourse used by the tour guide, and for this, we use a pragmatic analysis, because this type of discourse is strongly influenced by a speech communication situation. The essay is based on an oral corpus consisting of recordings made in authentic conditions during a guided tour to Meteora monasteries .

Key words: discourse; analysis; tourist guide; deixis; communication.

J.E.L. classification: Z39

1. Introduction

A basic concept in pragmatics is that of enunciation, which highlights specific aspects of speech and communication. In tourism discourse enunciation is central, being also used for the persuasive potential that it has. Tourism discourse is not a simple text activity but a declarative activity that aims to surprise, provoke and, firstly, to convince by using linguistic material.

In this paper, our goal is to demonstrate that tourist discourse is a declarative act made up of actors, a space-time framework and speech acts .For this we will adopt two linguistic trends:

1. Enunciation in which we will study the linguistic marks that allow to define the situation of enunciation of the tourism discourse, i.e. indexes pointing to locutor and alocutor and spatio temporal Deixis. N. Croitoru (2005) states that Deixis were worth as "individualization operators" (Croitoru, Nelea, 2005, p.103), thus ensuring the presence of the human subject in language as provisional center.

2. Pragmatics, defined as "the study of language in acts" (Kerbrat-Orecchioni, 2005, p.1.), in which we will analyze illocutionary acts to show that saying (DIRE) is doing (FAIRE) in travel discourse. (Austin, Jean L., 2003) The protagonists of a communication situation are two in number, the transmitter as the manufacturer of the message and the receiver who decodes the message. We can not use the language without using the Deixis and other marks that are defined in relation to the time of enunciation (Benveniste, 2000 [1966], p.251).

2. The use of deixis in tour guide's professional speech

Deixis (or deictic component) locates the contents of the enunciation by reference to the discourse instances (transmitter/receiver).

Pronoun "you" involves the speaker of the tourist discourse. The form of the personal pronoun of the second person singular "you" can not be found in English. Still, we should mention that there is a difference in the case of the personal pronoun of politeness. In English, there is a minimal number of forms: "you" is a pronoun of politeness or, rather, a polite form of the pronoun, mentioned in a formal report with the recipient. Person deixis is not limited to personal pronouns

only. Possessive adjectives are used to interpellate the recipient. Besides personal pronouns and nouns, interrogation is often invoked in the interpellation of the recipient. We also urge the use of exclamatory phrases to express affection.

"OK, so I want to talk with you about the programme- We will travel southbound, before we arrive in the small town of Kalambaka, at the foot of the cliffs. Meteora is a geological miracle which must be actually seen to be believed! We shall visit two of the fabulous monasteries perched high upon the steep rocks. Each monastery possesses a vast richness of frescoes, icons and intricate carvings. Then we will drive back to Kalambaka to relax and have an optional lunch. Later in the afternoon, we will begin return to Thessaloniki, where we will arrive in the evening. As you will see, the two closest towns to Meteora are Kalambaka and Kastraki and these are where most people stay. The name Kalambaka comes from the Turkish word Kalembak which means beautiful fortress. And look! What a perfect place to remember! The Cathedral of the Dormition of the Virgin, a three-aisled basilica built in the time of Justinian and rebuilt in 1309 by Andronicus Paleologus is worth the visit. The town itself was destroyed by the Germans in World War Two and in our days it is pretty modern with apartment buildings and a downtown that looks like a small city."

Another personal pronominal deictic element is „he”, „she” or „it”. Third person pronoun forms send to personal or non-personal addressees. Deictic elements of the third person pronouns can be decoded only if the communication situation is known. Third person pronouns evoke a person or an individualized object.

"The village of Kastraki in the shade of the rocks of Meteora is a popular destination for the rock climbers. They can walk out the door of their hotel and be climbing in a few minutes. It's a great place to take walks to and from. Because of the popularity of Meteora, this little town can get pretty busy in the summer."

Place or space deixis concerns the specification of locations relative to anchorage points in the speech event. The importance of locational specifications in general can be determined from the fact that there seems to be two basic ways of referring to objects – by describing them on the one hand and by locating them on the other. Along with the demonstrative pronominal adverbs (there, here, so, then, onwards) and adverbs of place (in front, back, right, left), the transmitter will use demonstrative adjectives and pronouns to draw the attention to objects arranged in space. In opposition with these, one may notice the parts of speech that indicate the space which is far from the transmitter.

"Nearby is the Theopetra, a cave inhabited from Palaeolithic times."

Space deixis here/there are not the only elements which outline the idea of close/far from the place where the receiver is in the moment of speech utterance . This proximity or distance can be expressed with the help of the demonstrative pronouns. The proximity of a person or of an object can be marked by the following demonstrative pronouns : this and these, while distance can be expressed through the forms : that and those.

"To get to this monastery you walk up 140 steps cut into the rock, past the church of Saint John the Baptist with its wall paintings from 1682. We will be there in twenty minutes."

Time or temporal deixis concerns itself with the various times involved in and referred to in an utterance. This includes time adverbs like now, then, today, tomorrow, yesterday etc. Deictic temporal elements are responsible, in both languages , for the indication of the moment or period of the action designated according to an imaginary axis divided into three sections : past, present and future. Among linguistic elements participating in setting spatial and temporal framework of events, adverbs of place and time are included. This framework is marked primarily by using deictic elements : today , at this moment , here , there, etc.

"After that we'll go to Monastery of Agios Nikolaos Anapafsas which is about 30 kilometres from here. Then we will drive back to Kalambaki to relax and have an optional lunch. Then we will drive back to Kalambaka to relax and have an optional lunch. Later in the afternoon, we will begin return to Thessaloniki, where we will arrive in the evening."

3. Speech acts used by tour guide in his discourse

Discourse is a form of action: every utterance is an act of language that seeks to change a situation (to allow, say, suggest, ask). Speech acts fall within specific genres of discourse that aim to cause a change on the addressees. Guide discourse refers to forms of action marked by acts of language such as: invite, suggest, advise to do something, to dissuade them from making (Maingueneau, 2005), acts intended to modify or act on visitor behavior. For this, the professional in question must be based on speech acts characteristic of his work. These acts of language are but only the image of the guide's choices, that is he must select from an existing range those acts corresponding to the preset communicative intentions and use them in the various linguistic situations.

Boyer & Viallon state that: "we are at the same time and in varying degrees, both transmitters and receivers» (Boyer, M. & Viallon, Ph., 1994, pg.87.). The alternating roles in tourist communication is inevitable, so communicative competence and the referential one of tour guide and tourists are key elements in discourse development, knowing that each participant in communication fulfills these tasks alternatively, starting from the knowledge they have about the visited places. Given this, the travel guide will succeed in communication if he/she knows how to adapt their skills and will respect the beliefs and representations of the public or (tourists) on cultural referent. (Dufiet, Jean-Paul 2015). During a sightseeing tourists face natives' realities of the visited country, among these natives, being the tour guide too. Tourist attitude will lay the foundations for the proximity or remoteness of these natives and the result of this contact will strengthen or delete both sides' representations (tourists' preconceptions and expectations). Native population's attempt to provide tourists a better look about their country consists of the speech used by the guide in front of the tourists in all stages of the settled schedule.

In the GV, guide's discourse mediates the link between tourists and cultural referent (tourist destination). According to Gellereau, VG is a "linguistic mediation" (Gellereau, Michèle, 2005, pp.30-31), a communication professional activity. Through his/her discourse, the tour guide establishes a link of meaning between tourists and cultural referent. It is precisely the existence of the reviewer that explains the presence of tourists and the fact that guide discourse is not free but an oriented one in accordance with the discursive properties as they are described by Maingueneau. (Maingueneau, D., 2005). GV is a communication situation with a basic structure, namely: an expert guide, tourists and a common element both for the guide and the tourists – the visit objective (cultural referent). (Dufiet, Jean-Paul, 2012). Therefore, the guide is expected to have a professional discourse. Like other social production, GV is a communication situation with a defined schema (opening, transition / mediation and conclusion) in which each party has particular discursive features and functions.

a. GV opening

Sequences illustrating speech acts are: greeting; guide's self introduction; welcoming greetings; itinerary description; presentation of the place of departure; thanks and congratulations for their participation in GV.

This introductory part is the moment when the guide takes the floor, when everything starts with salutation with the usual politeness formulas like 'good morning' and the introduction ones "My name is .." This opening serves to create a climate of trust and relaxation. . ". I am pleased to welcome you to" In fact, in the opening, the guide facing the tourists symbolizes a "mutual acclimatization" (id.). This part, in terms of structure, contains the start and end markers such as: now, today, here, finally, after) and can be more important than the end as long as it determines the smooth-running of GV.

"Good morning ladies and gentlemen! My name is George Terezakis and I will be your guide for today. I am here to make your trip as pleasant as possible and give you some information about some of the rich cultural and natural heritage of my country, namely The Meteora monasteries."

b. Transition / mediation

This stage is the most important one for GV and relies on the tour guide's knowledge and skills (communicative and professional). Speech acts present at this stage are: presentation of the place of departure; describing an existing place in the past; describing a past situation (in the past); the story of an event that took place; the story of a recent event; explanation of a name; explanation of a historical situation; details of the itinerary; providing information on questions and comments made by tourists .

"OK, so before we start the trip I want to talk with you about the programme- We will travel southbound, before we arrive in the small town of Kalambaka, at the foot of the cliffs. Meteora is a geological miracle which must be actually seen to be believed! We shall visit two of the fabulous monasteries perched high upon the steep rocks. Each monastery possesses a vast richness of frescoes, icons and intricate carvings. First we're going to visit Agia Triada or Holy Trinity which was founded by the monk Dometius in the 15th century and was the monastery used for the James Bond film *For Your Eyes Only*. It is decorated with wall paintings from the 18th century by the brothers Antonios and Nikolaos. To get to this monastery you walk up 140 steps cut into the rock, past the church of Saint John the Baptis with its wall paintings from 1682. We will be there in twenty minutes. Then we'll visit Varlaam Monastery which was founded in 1517. It houses an important collection of relics, intricately carved wooden crosses, icons. After that we'll go to Monastery of Agios Nikolaos Anapafsas which is about 30 kilometres from here. We will have lunch in Kalambaki. Then we will drive back to Kalambaki to relax and have an optional lunch. After lunch we'll go to a farm-raised trout and grill house which is rather rare to see. You can take a small bus to Kastraki which is a popular destination for the rock climbers. We can go shopping at the shops here if you like to do so. If you don't, we can come back to Kalambaki earlier. Later in the afternoon, we will begin return to Thessaloniki, where we will arrive in the evening."

c. GV conclusion

This part is characterized by a supple composition, with an open content, while structurally it comprises start and end markers like the opening. Now it is the time of thanks and compliments with an emphasis on the separation between guide and tourists. In this case speech acts are: providing indications; ending a description; recap route; announcing the termination of the visit; thanks and goodbye taking.

"The trip is expected to take one day, so we'll be back here by evening. Please stay with me, until I tell you to wander around yourselves. I hope that you have an enjoyable trip, and please feel free to ask me any questions. I will do my best to answer them. Thank you for your attention. That's all of the program for today."

4. Conclusions

GV is a situation of communication involving some degree of prior planning, but each time the discourse is unique and presents a series of improvisations that can not be neglected, being tied to the context of updating this kind of professional discourse.

Even if tourists participate in building the relationship with the guide, we have to emphasize that each guide uses different strategies to strengthen the peaceful nature of the meeting to elicit empathy and turn the experience into a source of joy. The choice of deictic forms shows us how the tour guide uses personal pronouns, adverbs and adverbial phrases to mark both his/her and tourists' involvement in discourse. He needs to develop a professional discourse that adapts to the proper context of a GV.

During a guided visit (GV), tourists decode speech acts of the tour guide (who describes, explains, gives advice, proposes, etc) that are received in turn by tourists and are selected based on additional conditions (auditory and visual). In a word, the referential and communicative competence of the guide and tourists constitute key factors of speech, the transmitter - tour guide for elaboration of the discourse and the receiver-tourists to interpret them knowing that these tasks are performed in alternation.

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Romanian Media Industry – A Look Back at Responses to Crises and Disruptive Changes

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Abstract

The media industry is generally a cyclical industry and reacts the fastest to an economic downturn: when everything goes well the industry flourishes, while when things turn bad the industry loses jobs very fast. During the recent economic and financial crisis the Romanian media industry was severely hit but somehow managed to survive by embracing new technologies.

The so-called new media is already present in Romania, while the penetration of new technologies on the local market has still room for progress since the country is at the bottom of all related rankings in the European Union.

The current paper looks to present the evolution of the Romanian press in the years post-crisis and makes the correlation with the advances in technology made by the telecommunications sector, showing that the media market has adapted very well to disruptive changes and could attract in this evolution the whole Romanian society.

Key words: media industry, new technologies, disruptive changes

J.E.L. classification: L82

1. Introduction

The Romanian media industry has been dramatically affected by the recent economic recession: many jobs have been cut off in the press and in advertising (between 2009 and 2012), while some newspapers gave up on their printed editions. Bankruptcy was the ultimate option for many businesses in this industry. Maybe the most resounding case was that of "Realitatea TV", the first Romanian news channel, which was close to dissolution but found a new owner as well as a new management team in order to continue its activity. Therefore can we say that the media is the industry that reacts the fastest to important changes in the economy and in the business landscape?

Hamel (2007, p.15) stated that the 21st century external environment is changing more rapidly than ever before: industries disappear more rapidly (like the newspapers industry), organizational leaders change spots more frequently and the erosion of competitive advantage is at higher levels.

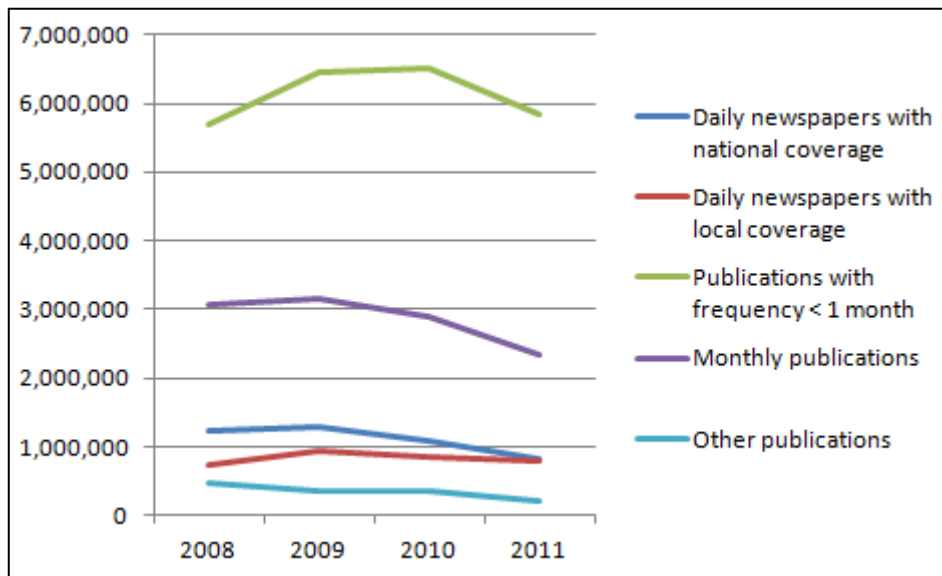
While in some Romanian economic sectors the presence of the authorities is still an important factor, local private actors and other groups from foreign countries have managed to build solid businesses in advertising, television, radio, and publishing. Pre-crisis everyone was selling very well on the market, helped by the expansion of cable operators and press distributors in peripheral parts of Romania (like small towns and even villages). But as soon as the figures of the crisis were evident, most of the media groups decided to stop their activities in smaller regions of Romania and keep only their core staff in order to cope with the massive decreases in revenues (from 2009 and 2010). As an example, Media Pro – a leading media group in Romania – had fired 10 percent of its employees outside Bucharest and has concentrated its activities on the online division.

2. Press looked at decreasing figures and turned digital

The daily newspapers with national coverage have registered decreasing circulation figures as soon as the effects of the crisis struck the market. According to the Romanian Audit Bureau of

Circulations (BRAT), the overall circulation was down 14 percent in 2010, and a further decrease of 25 percent was experienced in 2011. All the daily newspapers with national coverage have registered lower sales in 2011 with respect to 2010 (minus 24 percent on average), including tabloids (the main driver of growth in the last years before the crisis).

Figure no. 1. Press circulation data in Romania



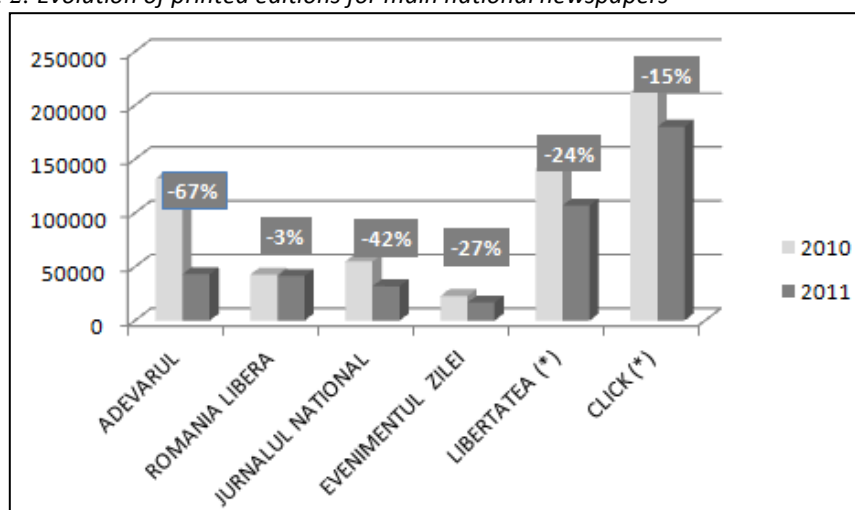
Source: (Romanian Audit Bureau of Circulations – BRAT, 2011)

Because of the increasing difficulty to sell printed editions, several publications have moved exclusively online; “Gândul”, one of the newest and most influential newspapers in Romania, was also the first one to stop printing its editions on paper and post its articles only on the Internet. Downes et al (2014, p.130) highlight the fact that, in United States, newspapers have reached advertising revenues at the level of 1950 and continue to lose readers in their written form.

If we take into consideration that the circulation figures are the main factor in setting the advertising rates for the written press, and that, in Romania, more than 70 percent of the industry's revenues come from advertising, we can understand why the overall evolution has been negative throughout the crisis, with immediate social consequences.

The written press has tried to attract readers by adapting to new technologies (the sport newspapers, for example, have released their first 3D editions on the Romanian market and have offered special glasses along with their publications), but the effects were minimal for the performance of the printed editions.

Figure no. 2. Evolution of printed editions for main national newspapers



Source: (Romanian Audit Bureau of Circulations – BRAT, 2011)

On the magazines' market, the crisis also produced effects in the concentration of the actors. The difficulties experienced on this segment have facilitated the acquisition of Edipresse A.S. by Ringier AG, one of the largest media corporations in Switzerland. This meant that only two major actors remained active on this market at the time (2011): Ringier-Edipresse and Sanoma Hearst.

Intact group is another major media group that has suffered from the economic crisis: approximately 20 percent of the employees have left its television channels in 2009, while the decision for the most important newspaper ("Jurnalul Național") has been to cut wages and keep a limited number of professionals. Other publications (like "Săptămâna Financiară" - a newspaper focused on financial and economic aspects) have also stopped their printed editions.

This switch from paper to digital was somehow accelerated by the poor performance of the advertising industry. Procter & Gamble, the world's biggest advertiser, dominated the Romanian communication industry in 2011 (in terms of budgets invested in advertising); this group was on the first place of the rankings for the previous three years as well, followed by the mobile telecommunications companies. However, in terms of relative performance, the figures were not good at all.

Table no. 1. Top 10 companies investing in communication (EUR - rate card budgets)

	Advertiser	2011	Evolution from 2010
1	PROCTER & GAMBLE	251,417,310.70	-30,25%
2	ORANGE (MOBIL ROM)	190,090,978.60	-8,90%
3	VODAFONE (MOBIFON)	160,259,136.00	-12,72%
4	COSMOTE (now TELEKOM)	148,097,534.60	-18,09%
5	UNILEVER	127,722,434.10	-17,66%
6	BEIERSDORF ROMANIA	118,010,247.00	-18,96%
7	L'OREAL ROMANIA	110,341,999.40	-17,30%
8	HEINEKEN ROMANIA	102,323,734.0	-16,11%
9	FERRERO	99,597,304.0	-15,17%
10	KRAFT FOODS ROMANIA	99,290,942.0	-14,50%
	Others	3,202,587,781.30	-11,34%

Source: (GfK Romania/AlfaCont, 2011)

3. A very active online press

With the power of Internet and social media, consumers gain faster access to products and services, as well as faster access to information on such offerings and news in general; all of this brings out new perspectives in most industries.

Powered by a flourishing online community, the online press was very active during the recent recession (as new and cheaper ways of communicating with the clients were needed): in the "Top 10" rankings of the most accessed Internet sites in 2011 we find some online editions of national newspapers (like "Adevărul", "Gândul", and "Click"), as well as television news sites (for example, "Știrile ProTV" and "Realitatea").

Table no. 1. Most accessed Romanian websites in the second half of 2011

Rank	Internet site	Category	Organization	Monthly traffic
1	www.sport.ro	Sports	Pro TV	14 935 056,67
2	www.gsp.ro	Sports	Convergent Media	12 617 569,17
3	www.cancan.ro	Tabloids	Cancan Media	10 949 243,83
4	www.prosport.ro	Sports	Mediafax Group	11 716 330,50
5	www.libertatea.ro	Tabloids	Ringier Romania	10 390 111,17
6	www.stirileprotv.ro	News	Pro TV	8 741 356,17
7	www.trilulilu.ro	Web services	Trilulilu	7 095 691,67
8	www.realitatea.net	News	Q2M	7 683 903,00
9	www.adevarul.ro	Newspapers	Adevarul Holding	7 092 459,00
10	www.gandul.info	Newspapers	Mediafax Group	6 517 570,83

Source: (Internet Audience and Traffic Measurement – SATI, 2011)

The recent increase in mobile web usage looks promising for the Romanian market; while the numbers are still low this segment has also helped the media companies to maintain a close contact with an important segment of their clients. The most accessed mobile websites in 2011 belonged to the following categories: newspapers, TV news, and sports.

Table no. 2. Most accessed Romanian mobile websites in 2011

Rank	Internet site	Category	Organization	Monthly traffic
1	www.sport.ro	Sports	Pro TV	14 935 056,67
2	www.gsp.ro	Sports	Convergent Media	12 617 569,17
3	www.cancan.ro	Tabloids	Cancan Media	10 949 243,83
4	www.prosport.ro	Sports	Mediafax Group	11 716 330,50
5	www.libertatea.ro	Tabloids	Ringier Romania	10 390 111,17
6	www.stirileprotv.ro	News	Pro TV	8 741 356,17
7	www.trilulilu.ro	Web services	Trilulilu	7 095 691,67
8	www.realitatea.net	News	Q2M	7 683 903,00
9	www.adevarul.ro	Newspapers	Adevarul Holding	7 092 459,00
10	www.gandul.info	Newspapers	Mediafax Group	6 517 570,83

Source: (Internet Audience and Traffic Measurement – SATI, 2011)

4. The switch to digital powered by telecommunications

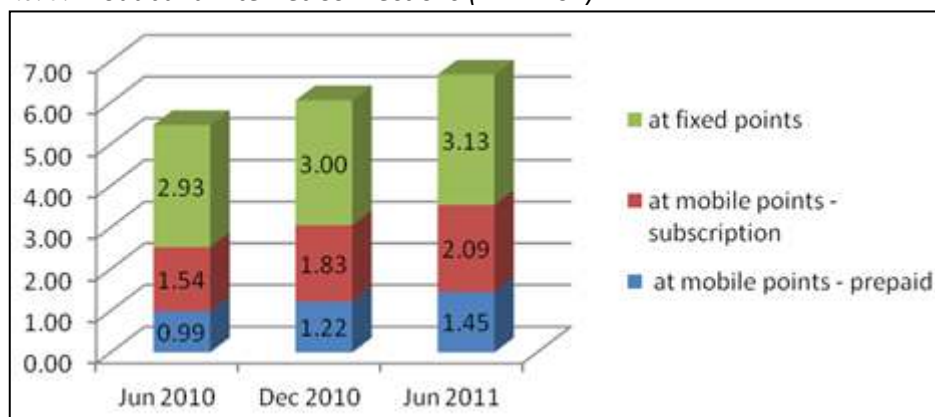
In the telecomm industry, the fierce competition has brought companies on the run for clients – which meant lower prices and unlimited access to voice and internet services. This in turn can translate into highly-stressed networks, so there are questions about the sustainability of the current offers. For example, Cosmote (currently Telekom), the first actor in the mobile communications sector to have promoted unlimited offers in order to attract clients, had important problems due to the failure of its networks; and in the Internet connections sector, the technical incidents are becoming more frequent.

The majority of the revenues in the telecomm industry come from mobile communications (57 percent), followed closely by cable. The average duration of a phone call in Romania was of 3 minutes using the fixed networks and of 2 minutes and 23 seconds using the mobile networks (data published by ANCOM – the National Authority for Administration and Regulation in Communications – in 2011).

The total number of broadband internet connections at fixed points has reached 3.13 million in the first half of 2011 (90 percent of them represented by households); taking into consideration the total population, the penetration rate has reached 14.6 percent, well under the EU average of 26.6 percent.

One positive aspect of the Romanian Internet services is the transfer speed: 98 percent of broadband connections have at least 2 Mbps, while 62 percent pass the 10 Mbps mark.

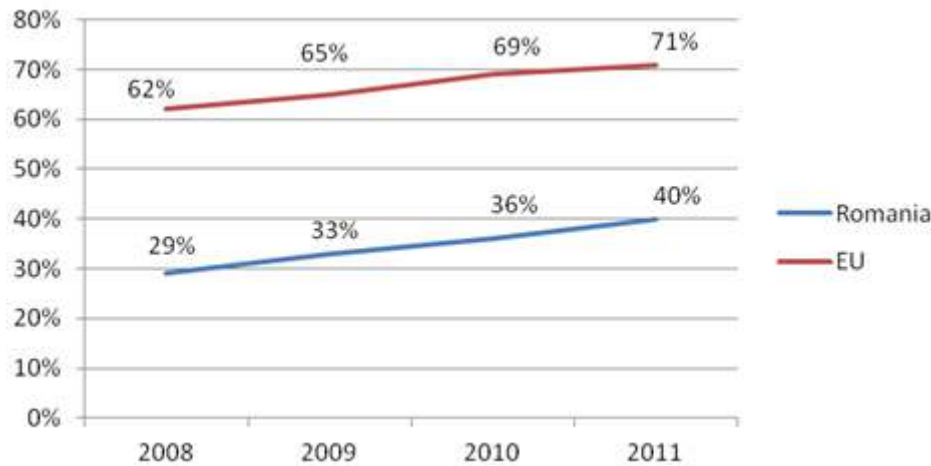
Figure no. 3. Broadband Internet Connections (in million)



Source: (ANCOM, 2011)

The level of Internet usage has increased a lot during the last decade, from 3.6 percent in 2000 to 40 percent of the population in 2011. Despite this exponential growth, Romania is well behind the EU average of 71 percent. Furthermore, only 21 percent of Romanians access the Internet at least once a day (compared to the EU average of 53 percent), according to Eurostat statistics.

Figure no. 4. Individuals using the Internet



Source: (Eurostat, 2012)

If we interpret the statistics of the same organization (Eurostat), Romania is the last country in the European Union at the percentage of households with broadband connections (only 31 percent in 2011, compared to the European average of 68 percent). The same statistics (rank 26 in the EU) are seen in the corporate segment, where only 46 percent of the businesses have broadband connections (compared to the European average of 81 percent).

5. Conclusions

In conclusion, the media industry is very opened to changes and innovations. New media is indeed bombarding us, Hendricks (2010, p.4). It is a part of our everyday life more than traditional media has ever succeeded. We might call it digital technology, or computer-aided communication, but no matter the name we give it we know that it is part of our lives. And most importantly, that is replacing traditional media. Romanian society has embraced new media quite fast and the potential of progress is huge considering that the penetration of modern technology is low compared to the other European Union countries. But new media is also about the people and the changes we see in them: in several countries social media has contributed to the distribution of messages used in electoral campaigns and managed to create unreachable advantages. If Romanian media reacted to change and crisis by redefining its basics, could the Romanian society do the same?

A complete study of the Romanian media industry is beyond the scope of this paper and could be realized in the future, but what it was judged as important here was to show that media is already in a profound change, leading the wave of transformation and attracting other sectors down the digital path.

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Competition Policy and its Implementation in Romania

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Abstract

This paper aims to highlight the importance of competition policy for the operation of a free market economy at optimal parameters. Compliance with its provisions by Romanian companies is supervised nationally by the Competition Council, authority whose activity during the period 2012-2015 is analyzed in the frame of the present paper.

Key words: competition policy, anti-competitive practices, infringement, investigations, Competition Council

J.E.L. classification: K21, L40

1. Introduction

In an era of globalization, characterized by a reduction or disappearance of barriers to free movement of goods, services, capital and people, governments still have an obligation to act to ensure the safety and welfare of consumers, on the one hand, and the existence of a predictable and friendly competitive environment for companies, on the other hand.

Nowadays, competition is regarded as a factor of prime importance, whereby companies are forced to become effective and to provide a wider range of products and services at lower prices, thus facilitating consumer welfare and optimal allocation of resources in the society.

2. Why a competition policy is necessary ?

The main reason for the existence of competition policy is determined that the market can not, naturally, to operate normally, requiring thus outside intervention to ensure its smooth progress. Market and competition play a fundamental role in ensuring consumer welfare, in achieving optimal resource distributions and providing strong incentives on improving the efficiency and quality and technical level of production. The principle of an open market economy does not imply a passive attitude towards the functioning of markets, but on the contrary, requires maintaining a constant vigilance to allow market mechanisms to work properly. (Muşetescu, 2006, p. 8)

But, despite market imperfections, there are reasons that companies in certain sectors want to cooperate or associate, or that a certain company wishes to obtain a dominant position on a certain market segment. The desire of gaining or maintaining high profits, a productive stability on the market, the independence of coordination in certain actions or of making decisions, the benefits resulting from a singular position, here are some reasons that may lead companies to fixing prices, sharing markets or other forms of anti-competitive practices.

Competition policy points the dominant behavior economic agents could have after the promotion of various unfair practices, as the conclusion of restrictive agreements which aim the price fixing or the division of markets, the abusive exploitation of the power held on the market by big companies or the effectuation of acquisitions or mergers that may lead to the monopoly of a specific market. The final goal of competition policy is that of promoting free, unbiased competition as a modality of establishing markets which are responsive to consumers' signals, of assuring the optimal allotment of the resources in the economy and of offering a powerful motivation regarding the increase of efficiency and of the technical and qualitative level of

production. (Gheorghiu, 2012, p. 81)

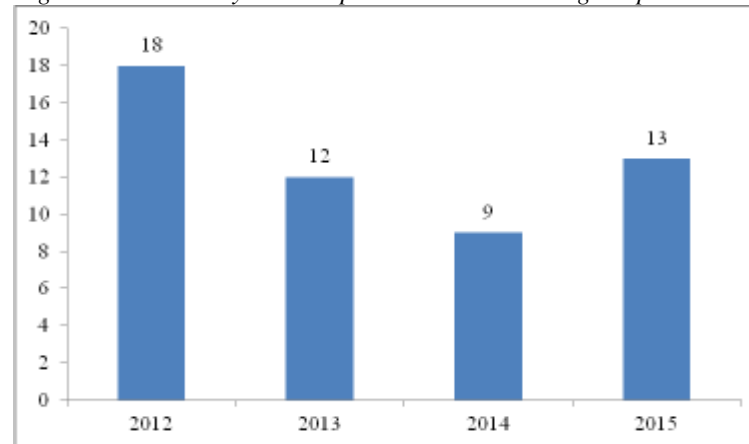
On these lines, remains memorable the comparison used by Michel Didier with the road police that watches the implementation of the regulations so that no driver constitutes an encumbrance or a danger to the other participants in road traffic. In the same manner following economic crimes allows the producers and buyers to co-exist on the same market without attacking each other for the economic survival of some or other, these attacks being baneful to all the consumers in the end. (Didier, 1998, p. 73)

3. Effects of the implementation of competition policy in Romania

The objective of the Romanian competition authority – the Competition Council - is to protect and foster competition on the Romanian market in order to develop a normal competitive environment, and, ultimately, to ensure the best possible promotion of consumer interests. Romanian competition authority's role is to ensure the normal and fair functioning of the markets through the effective implementation of the competition rules designed for optimum satisfaction of the consumers.

Most of the investigations initiated by the Competition Council regarding possible violations of competition law in the period 2012-2015 aimed the most harmful anti-competitive practices - cartels: 58% in 2012, 50% in 2013, 34% in 2014, and 39% in 2015.

Figure no. 1. Investigations initiated by the Competition Council during the period 2012-2015



Source: Competition Council, 2016, p. 8

Of the 18 investigations of possible infringement of competition law initiated in 2012, most of them have targeted the road construction sector, followed by people transportation. In 2013 most investigations have focused on road construction sector, milk processing and cinema.

If the main sectors targeted by the proceedings initiated by the Competition Council in 2014 were the media, the sale of foods and electricity sector, in 2015 the target markets were in the services sectors, as: notary services, services provided by private security agencies; insurance services; maternity hospital services; taxi transport services; electricity meters and electricity metering services.

As in the case of investigations initiated by the Competition Council, of all investigations on the possible infringement of competition laws completed in the period 2012-2015 (see Figure no. 2), cartels were the most important, with the exception of the year 2015 when only 14% of inquiries were about a cartel, such as: the cartel on fuels marketing; the cartel on electricity production and selling; the on postal services; or the cartel for the supply of dairy products.

Figure no. 2 Investigations completed by the Competition Council during the period 2012-2015

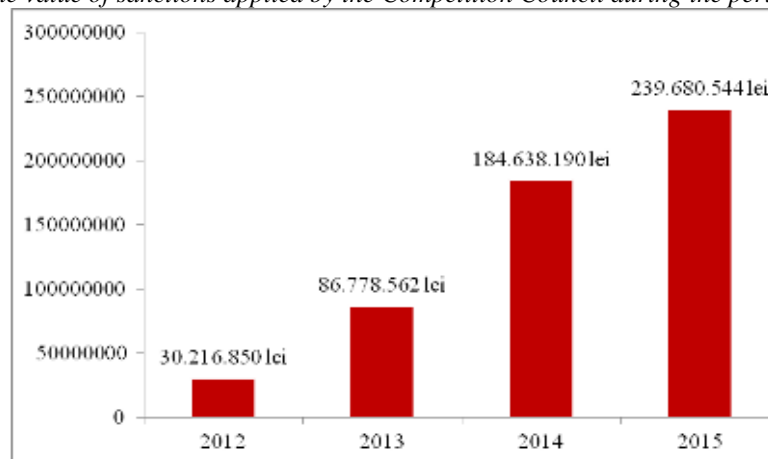


Source: Competition Council, 2016, p. 10

Average length of investigations on possible infringement of competition law is strongly influenced by their structure depending on the practice under investigation. Using the database containing information regarding the investigations completed by the Competition Council between 2010 and 2015, the average duration of investigations concerning cartels is 2.8 years for an investigation.

In 2015 there were better results compared to previous years (see Figure no. 3). The fines imposed in 2015 were about 54 million euro (value calculated at the average National Bank of Romania exchange rate in 2015), up to 30% compared to 2014 when the Competition Council sanctioned 53 entities with the total amount of 41,542,138 euro (more than 2 times higher than in 2013 and 6 times higher than in 2012), highlighting a tightening of policy to sanction anti-competitive acts.

Figure no. 3 The value of sanctions applied by the Competition Council during the period 2012-2015



Source: Competition Council, 2016, p. 11

Correct justification of Competition Council decisions was confirmed by the Romanian High Court of Cassation and Justice. Final judgments on competition cases were 100% in favor of the Romanian competition authority, even if in some cases, fines were reduced by the court. Also, in cases where effective competition could be restored on the market quickly and effectively, the competition authority used the instrument of acceptance of the undertakings. Compliance with the commitments is closely monitored and their violation entails punishing, as happened for the first time in 2014, with prepaid phone cards and marketing rights to broadcast football events.

4. Conclusions

Increasing occurrence of abuse and anti-competitive practices in the struggle for economic power, for market dominance, has made the issue of compliance and defense of real competition subject to legal regulations and procedures for tracking and sanctioning repression of abuse of the rules of fair competition.

The lack of an articulated and coherent policy, or worse - the existence of a non-functional one, creates the premise for unfair competition, thus generating inefficiency in production and in allocation of production factors.

At the national level, the Competition Council – the Romanian authority supervising the implementation of competition policy - carried out extensive work in recent years to detect and sanction anti-competitive practices. According to its latest report, for the work carried out in 2015, were penalized 3.8 times more companies than the previous year and the total amount of fines exceeded the amount of 239.6 million lei (53.9 million of euro). The level of these penalties has made thus a considerable increase to the overall level of sanctions imposed in previous years (1.3 times higher than in 2014, 2.76 times higher than in 2013 and 7.93 times higher than in 2012).

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Tourist Services in Romania

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Abstract

Tourism services represents an important component of the services sector, as in many countries tourism is a major contributor to economic growth, create jobs and meet the needs of tourists. All the services that make a tourist arrangement have a major role in meeting the needs of tourists. These services are transport services, accommodation services, catering services, leisure services and other services depending on the motivation of tourists.

The evolution of these services are under the impact of internal factors but also internationally, such as economic and political climate, social stability, natural factors, psychological factors.

Consequently, the number of tourists who consume tourism services may increase or decrease, depending on these factors.

Key words: services, tourism, accommodation services

J.E.L. classification: L80, L83.

1. Introduction

Services are essential activities for an economy as it reflects the level of development of economy. Due to the important contribution to the economic development, the services are established in a separate sector that is called tertiary sector or services sector.

The service sector includes all activities that produce goods with non-material form. This includes the telecommunications services, medical services, education services, cultural services, IT services, transport services, consulting services, defense services, the social care, banking and insurance, and so on.

Along with these services, tourism plays an important role in the services sector.

2. Touristic services - essential component of the service sector

Tourism is a series of services, such as organizing the voyage, transportation, food and recreation (Minciu 2001, p.215). Thus, tourism should provide the conditions for improving work capacity and ensuring appropriate ways of spending leisure time enjoyable and instructive (Neagu, 2000, p.189).

These services are closely related:

- human resources;
- natural resources;
- resources created by humans;
- material and technical base of tourism;
- general infrastructure of a country.

"Touristic services are services executed by one or more employees of a company, for tourist or group of tourists" (Stanciulescu et al, 2002 p.162). Tourist services have certain characteristics, such as:

- intangibility;
- inseparability;
- heterogeneity;

- perishability.

Touristic services are based on tourist services and complementary services (Snak et al, 2001 p.277). In the basic services, accommodation services have a key role, along with transportation services, meal services and leisure.

Accommodation has emerged as the focal point for the hosting of guests and visitors through the ages: a guest pays a fee in return for a specified service and grade of accommodation, and associated services such as food and beverages (Page, 2009, p.253).

Touristic services in Romania had a different development caused by the transition from socialist to market economy. Thus, after 1990, because he was majority state ownership and accommodation units were state property, hotel services were adversely affected, in terms of quality. This has led to a shortage of tourists, especially foreign tourists.

The touristic services in Romania had a different development caused by the transition from socialist economy to market economy.

Thus, after 1990 because it was majority state ownership and accommodation units were state property, hotel services were negatively affected in terms of quality. This has led to a shortage of tourists, especially foreign tourists.

With the privatization of tourism enterprises and increasing investment in tourism was held and increasing the number of tourists who benefited from tourism services.

Accommodation services can be reflected by the number of tourists accommodated in the establishments of the tourists' reception with functions of tourists' accommodation, by type of establishments (Table no. 1).

According to the data in this table, we see an increasing trend in the number of tourists who were staying in establishments of the tourists' reception with functions of tourist accommodation, with 36.19% in 2014 compared to 2006. Note the two periods:

- 2006-2010, the number of tourists dropped by over 143 000;
- during 2010-2014, the number of tourists increased by 2.3 million.

Decrease in the number of tourists who were accommodated in the period 2006-2010 is due to the economic crisis that affected Romania and who had a negative influence and on the sector of tourist services, including the services of accommodation. Overcoming the economic crisis has led to an increase in the number of tourists from the year 2011.

The same trend is observed by type of accommodation, except number of tourists staying in campgrounds (a decline from 85778-30763) and tourists accommodated on ships (a decline of 94.3%). These decreases are due to reducing the number of beds offered in these accommodations.

If it is considered the number of tourists accommodated depending on the types of accommodations, it is observed that majority share is held by hotels (76% in 2006 and around 75% in 2014). Also we see a doubling of the number of tourists accommodated in tourist boarding houses and hostels but agro-tourism, which signifies an expansion of these structures tourist accommodation.

Table no. 1 Tourists accommodated in the establishments of tourists' reception with functions of tourists' accommodation, by type of establishments, in Romania

	2006	2009	2010	2011	2012	2013	2014
Number of tourists							
TOTAL	6216028	6141135	6072757	7031606	7686489	7943153	8465909
Hotels	4729371	4547718	4594146	5368225	5779858	5917889	6326198
Motels	255370	202700	204513	221139	230835	242522	231740
Tourist inns	5502	914	638	611	823	643	1336
Hostels	90066	107828	104364	126877	153759	147848	189243
Tourist villas	231311	233177	212848	212154	240961	242187	231312
Bungalows	18860	26204	14410	15412	16780	16393	18062
Tourist chalets	71167	86961	73992	80479	86322	94888	94049
Holiday villages	3415	1968	1757	2071	3547	5810	3348
Camping sites	85778	84789	84100	73558	62516	42879	30763
School and pre-school camps	118095	84655	65741	65995	51539	48117	59523
Tourist halting places	15388	10399	8952	11118	12113	12897	14482

Tourist boarding houses	363664	412162	406632	479590	586119	653464	704129
Agro-tourist boarding houses	217020	325686	289923	360696	447113	501746	549302
Houselet-type units	3728	6918	1981	4976	6927	9580	12013
Ship accommodation places	7293	9056	8760	8705	7277	6200	409

Sources: realized by author, based on data provided by National Institute of Statistics (Romanian Tourism in Figures, 2007, p.35; 2010, p.42; 2013, p.38; 2015, p.36).

A clearer picture of the tourism service is provided by the data in Table 2. Thus, it is observed that net use index of accommodation capacities decreased from 33.6% in 2006 to 26.1% in 2014 . the same trends of decrease is recorded in each accommodation, except agro-tourist pensions, which have a constant trend.

Factors behind the low levels of net use index of accommodation structures are presented below:

- the high seasonality of tourist activity;
- practicing tourism weekend;
- high tariffs on accommodation;
- low quality of tourism services;
- lack of attractive service packages;
- competition.

To increase the number of tourists benefiting from the services of accommodation required certain measures, such as:

- reducing seasonality, by granting certain facilities;
- charging of tariffs linked to the quality of services;
- increase the quality of services offered;
- development of new forms of tourism;
- modernization of tourist structures;
- development of transport infrastructure (road construction);
- achievement of effective promotions;
- cooperation with travel agencies recognized on tourist market;
- providing complex tourist services.

Table no. 2 Net use indices of the tourist accommodation capacity in use, by type of establishments of tourists' reception with functions of tourists' accommodation in Romania

	2006	2009	2010	2011	2012	2013	2014
	%						
TOTAL	33,6	28,4	25,2	26,3	25,9	25,1	26,1
Hotels	41,0	33,5	29,9	31,6	32,1	31,6	32,9
Motels	22,4	18,7	18,7	16,8	14,7	14,1	14,0
Tourist inns	19,6	12,5	25,1	10,8	10,6	10,8	10,7
Hostels	19,5	20,7	17,6	19,0	17,7	16,3	17,6
Tourist villas	25,2	23,0	19,9	20,8	19,6	19,9	20,2
Bungalows	22,5	26,0	15,0	15,8	17,8	12,7	12,1
Tourist chalets	10,2	10,8	9,2	9,8	11,1	12,0	12,5
Holiday villages	18,6	9,2	7,5	10,7	15,5	23,6	10,5
Camping sites	15,4	20,7	19,6	15,3	12,4	10,8	8,7
School and pre-school camps	17,0	21,9	17,6	15,0	12,3	12,6	14,6
Tourist halting places	20,9	16,3	11,3	9,6	10,6	16,1	14,3
Tourist boarding houses	19,6	16,6	14,6	15,5	14,8	14,6	15,4
Agro-tourist boarding houses	14,4	14,2	12,4	13,8	13,2	12,6	13,2
Houselet-type units	15,1	21,5	6,2	16,8	18,3	14,4	19,2

Ship accommodation places	56,5	68,0	73,3	88,7	65,4	58,7	11,3
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Sources: realized by author, based on data provided by National Institute of Statistics (Romanian Tourism in Figures, 2007, p.69; 2010, p.76; 2011, p.76; 2012, p.58; 2013, p.55; 2014, p.53; 2015, p.53).

3. Conclusion

Tourism services play an important role in the service market. Within these, hotel services are essential, as is a basic service for tourist and therefore it is a decisive factor in choices that the tourist makes.

In Romania, although it notes the increasing number of tourists benefiting from the services of accommodation, existing accommodation capacities are not fully exploited, resulting a low index of use.

Inappropriate use of accommodation generates, as immediate consequences, low revenues and therefore a small number of jobs.

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The Play of Familiarity and Predictability in English Business Idioms

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Abstract

This study looks at the use of idioms by Romanian business students learning English as a second language. An experiment has been conducted, in which 119 students of economic sciences were given the task to match 20 idioms to contexts in which they may be used (short sentences from which the idiom had been removed). The students were explained beforehand that each idiom matches one sentence, that all sentences are taken from business contexts and that none of the idioms is used literally. They were also asked to rate the degree of their familiarity with the idiom (1 – Familiar, 2 – Less familiar, 3 – Unfamiliar). The purpose of the study was to restrict the students from reverting to the literal meaning of the idioms and from decomposing them, in order to determine the play of familiarity and predictability in identifying the meaning of idioms.

Keywords: idiom, predictability, familiarity, business, ESL

J.E.L. classification: A22

1. Introduction

The aim of the study is to analyse the familiarity of Romanian business students with some common English idioms in the field of economic studies and to cross-reference it with the predictability of the idiom, while limiting the impact of the literality and compositionality of the idiom. An experiment has been conducted, in which 119 students of economic sciences (52 1st year accounting students, 35 1st year finances and banks students, 14 1st year management students, 11 3rd year marketing students and 7 3rd year international business students) were given the task to match 20 idioms to contexts in which they may be used (short sentences from which the idiom had been removed).

The students were explained beforehand that each idiom matches one sentence, that all sentences are taken from business contexts and that none of the idioms is used literally. They were also asked to rate the degree of their familiarity with the idiom (1 – Familiar, 2 – Less familiar, 3 – Unfamiliar) and the time they took in deciding upon a match (1- Less than 30 seconds, 2 – Less than 1 minute, 3 – More than 1 minute). The students were given 50 minutes to complete the task. The study restricted the students from reverting to the literal meaning of the idioms and from decomposing them, in order to determine the play of familiarity and predictability in identifying the meaning of idioms.

2. Materials and methods

The research method used was the matching of 20 idioms which had been removed from sentences, to the respective sentences. Students were explained beforehand that the literal meaning is never used. Only a quarter of the idioms can be decomposed to understand the figurative meaning.

The students' answers were then cross-referenced with their rating on familiarity, resulting how

many of the students picking the right answers were familiar with the idiom, and how many were not (they predicted the meaning of the idiom). Another interesting aspect is that of idioms known to the students, but which were matched with the wrong context, in which case we analyse the false friends.

Students were given the possibility not to make all the matches in case they could not establish a connection between a certain idiom and a context, in order to avoid mechanical matches which are not based on a logical process form the part of the student.

Similar research has been conducted by Wendy A. Schweigert (1986), Robert Timothy Reagan (1987), Gregory Schraw et al. (1988), Stephen J. Popiel and Ken McRae (1988), Alison Ai Ching Lim et al. (2009), Zahra Fotovatnia and Mehdi Goudarzi (2014) etc.

3. Four characteristics of idioms: familiarity literality, compositionality and predictability

Idioms have been defined as “common figurative expressions used in colloquial speech [...] characterized by a figurative or idiomatic meaning that cannot be derived from the meanings of the individual words in the phrase” (Schweigert, 1986, pp. 33, see also Reagan, 1987, pp. 417). However, several idiom-processing models have been advanced, some of them admitting to the compositionality of idioms, i.e. the possibility to draw the meaning by considering the constituting lexemes of the idiom. For instance, the Idiomatic Processing Model (proposed by Gibbs, 1980 and Schweigert and Moates, 1988) states that the figurative meaning is activated first, while the Idiom Decomposition Hypothesis (of Gibbs and Nayak, 1989) admits that in the case of some idioms the meaning can be drawn by analyzing its constituent words (Ai Ching Lim, et al., 2009, p. 1779). Similarly, Bobrow and Bell’s (1973) Idiom List Hypothesis proposes that idioms are stored separately from the rest of the lexicon, while Cronk et al., 1993 and Swinney and Cutler, 1979 propose the Lexical Representation Hypothesis supporting the opposite, that idioms are stored and retrieved like all the other words (Ai Ching Lim, et al., 2009, p. 1779).

There are several idiom characteristics to take into account, such as familiarity (how well known the idiom is), literality (idioms may have both literal and figurative meanings), compositionality (the possibility of decomposing the idiom in order to understand the figurative meaning) and predictability. This study dwells on familiarity and predictability, trying to establish the degree in which Romanian business students are able to either activate or to predict the figurative meaning of idioms.

4. Familiarity versus predictability

The quantitative analysis of the student’s answers resulted in Table no. 1, which shows for each idiom the number of students who made matches, the number of correct matches and further the number of students with correct matches who declared being familiar, less familiar or unfamiliar with the idiom. The last column represents correct matches which were not rated in terms of familiarity.

Table no. 1 Cross-reference of the familiarity and predictability of idioms

Idiom	No. of answers	No. of correct answers	Of which:			
			1 – Familiar	2 – Less Familiar	3 – Unfamiliar	4 – Unspecified
1. for love or money	105	62	17	14	18	10
2. close the books	100	37	4	20	11	2
3. sweetheart deal	100	35	8	13	6	8
4. buy off	101	33	8	9	12	4
5. elephant in the room	98	33	13	7	8	5
6. highway robbery	99	31	10	8	7	6
7. work out	105	28	11	7	7	3
8. white-collar	93	27	7	7	10	3
9. banker's hours	105	26	4	8	12	2
10. in the red	102	26	3	7	10	6
11. face value	96	26	4	13	6	3
12. take a nosedive	99	23	4	2	11	6

Idiom	No. of answers	No. of correct answers	Of which:			
			1 – Familiar	2 – Less Familiar	3 – Unfamiliar	4 – Unspecified
13. cut corners	96	22	5	2	10	3
14. keeping books	102	20	4	3	8	5
15. break even	109	17	3	9	3	2
16. take public	93	17	2	5	7	3
17. cooking the books	106	13	2	4	4	3
18. pay-off	96	12	4	2	2	4
19. throw money at	100	12	5	2	3	2
20. write off	111	11	3	5	2	1

The table clearly shows that for the idioms at numbers 1-4 and 8-17, more students who made correct matches rated the idioms as unfamiliar, whereas a significant number of students rated the idioms as less familiar. This is irrespective of the compositionality properties of idioms. Therefore, idioms at numbers 1-4 and 8-17 were more predictable than familiar.

5. False friends

Table number 2 shows the most common associations between an idiom and a context for which it is not appropriate.

Table no. 2 Frequent associations

Context of the idiom	Frequent association 1		Frequent association 2	
	Idiom	No.	Idiom	No.
work out	break even	14	for love or money	6
for love or money	banker's hours	14	white-collar	9
write off	work out	21	pay-off	11
banker's hours	elephant in the room	10	face value	9
break even	write off	14	take a nosedive	15
keeping books	buy off	9	take public	8
cooking the books	cut corners	15	in the red / close the books	8
highway robbery	cooking the books	13	elephant in the room	14
in the red	cooking the books	15	banker's hours	11
face value	work out	20	pay-off	9
pay-off	keeping books	8	write off	24
throw money at	break even	11	close the books	11
take a nosedive	break even	10	throw money at	7
white-collar	face value	11	pay-off	15
buy off	write off	10	break even	9
close the books	in the red	15	cooking the books / break even / highway robbery	8
take public	break even	10	throw money at	18
cut corners	take a nosedive	9	close the books	7
elephant in the room	cooking the books	7	highway robbery	8
sweetheart deal	pay-off	18	face value	10

Such associations may be based on the unpredictability of the idioms and on the fact that although the students have heard the idioms in use before, they are not yet familiar with their meanings. Therefore, the wrong associations come in when the idiom is neither familiar, nor predictable.

5. Conclusion

The experiment dwells on the fact that two of the characteristics of idioms (compositionality, literality) were limited or removed altogether, the students having to rely on familiarity and predictability and on the given contexts. The context is also limited and the students did not have the possibility to check that they have the right understanding of the context. Therefore, when all three elements converged (the two active characteristics and the right understanding of the context), the students made a correct match. When two of the three elements converged, the students made either a correct or an incorrect match (i.e. if the context is understood correctly, only one of the two characteristics of idioms is necessary in order to make a correct match). Although some students did make right matches based on only one of the three elements, there were students who declared that certain idioms are familiar to them and still made incorrect matches (i.e. they misunderstood the context).

Given the above, we can draw the conclusion that a sentence or a context share the same type of characteristics as idioms (literalit, compositionality, familiarity and predictability). By ripping an idiom from the context or the context from the idiom, there is a double negotiation – the students had to negotiate between the figurative and the literal meaning of both the context and the idiom, in function of each other.

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Making Promises Good: The Anti-Money Laundering Regime as a Multi-Purpose Tool for Governance

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Abstract

The creation of this international anti-money laundering regulatory regime is, contrary to its neglect by the literature, important in two ways. First, it provides us with a second example - alongside the Basle Accord – with which we can examine how political barriers to regulatory cooperation and coordination might be overcome; without overstating the success of the anti-money laundering regime the paper argues that a lot of the political circumstances that enabled cooperation and coordination to develop in this case can be applied in facing other economic crime forms. The FATF case may help us to identify important political conditions that can foster collective regulatory initiatives in the international financial area and especially in South Eastern Europe. Additionally the anti-money laundering regime may be useful more directly in pursuing some other regulatory and security goals of particular interest for the Balkan region. Specifically, the kinds of international cooperation and coordination that have been introduced to combat money laundering may help to strengthen international regulatory initiatives aimed at curbing corruption, tax evasion and capital flight and fighting the threat deriving from international organised crime and global terrorism.

Key words: money-laundering, regime, regulation, corruption, governance

J.E.L. classification: D73, E43, F53, G28, G30, H83, K34, K42

1. The imperative of cooperation

There is a wide spread belief among academics that cooperation and coordination are difficult in the financial regulatory sector, and that for two main reasons: First, they argue that international regulatory initiatives may serve global economic welfare, but are often scuttled as states see them in a more political light as serving one country's national interests over others. Second, even if each state shares the same goal, cooperation and coordination may still fail because of collective action problems. For example, all states may see new international regulatory standards as desirable, but some may be tempted not to follow them as a way of attracting more financial capital and business to their less-regulated financial markets. Their attitude undermines the effectiveness of regime as a whole. Indeed, more generally, many argue that the heightened mobility of financial capital has unleashed powerful competitive deregulation pressures that inhibit not just collective re-regulatory initiatives at international level but even unilateral ones in each country's own markets. Any re-regulatory initiative is likely to be opposed – particularly by the domestic financial sector – on the grounds that it will render the national financial system uncompetitive. As important as these kind of arguments may seem –especially highlighting the political difficulties of international regulatory cooperation and coordination in the financial sector, they by no means can challenge the importance of a paradigm where international regulatory cooperation and coordination have developed substantially: the international or rather global fight against money laundering. Over the last two decades, states around the world have begun to construct an elaborate "global prohibition regime" that seeks to curtail money laundering (Nadelmann, 1990).

Despite this approach of internationalization of the issue of money laundering it is often

regarded - and even worse handled - as a separate, "stand alone" entity. This is evidenced also by the fact that some member countries have developed financial sector reform strategies and anti-corruption strategies that have failed to address the FATF recommendations according to which "... *country policy makers should be aware that ... money laundering is the flip side of corruption and other criminal activity. Corruption is one of the predicate offences for money laundering. Cutting off the means to use the proceeds of crime is a major deterrent ... It is therefore of paramount importance that AML/CFT [Countering the Finance of Terrorism] programs are integrated not only within national development plans but also within financial sector reform and anti-corruption programs (ESAAMLG 2005-2008).*" A crucial concern motivating the recent interest in a corruption-money laundering nexus is the implementation failures experienced in combating each financial crime separately. As the enactment today by 198 countries and jurisdictions of FATF AML-laws and regulatory frameworks has had a limited impact on the combating money laundering, the widespread acceptance of global anticorruption standards has failed to reduce the level of international corruption, referring primarily to the medium and large-scale corruption often featuring high public officials and senior political figures and involving largest amounts of money thus able to pose a threat to economic development, political stability and the functioning of representative democracy.

Corruption and money laundering are linked. Similar to other serious crimes, corruption offences, such as bribery and theft of public funds, are generally committed for the purpose of obtaining private gain. Money laundering is the process of concealing illicit gains that were generated from criminal activity. By successfully laundering the proceeds of a corruption offence, the illicit gains may be enjoyed without fear of being confiscated (FATF, 2012). According to the UN there are important links between money laundering and corruption urging for coordination and the appropriate measures (Levi/Reuter, 2011). Additionally, the joint UN Office for Drugs and Crime (UNDC) and World Bank *Stolen Assets Recovery (StAR) Initiative* and the World Bank Anti-Money Laundering (AML) measures can substantially contribute to the fight against corruption noting that "*Corruption and Money Laundering are a related and self-reinforcing phenomenon*" (UN, 2007). Evidently the launch of the StAR initiative in September 2007 was the first expression of the importance awarded to the issue.

2. The Global Anti-Money Laundering Regime

The regulatory regime in issue is primarily understood as a response to the financial crime of "*money laundering*" -*the process of falsely legitimizing a criminal's income and assets*- and is intended by the launderers to disguise the money derived from their criminal activities that they intent to save, invest and use for the commitment of further criminal activities. It mainly facilitates criminal groups' expansion, corroding financial institutions and financial support of terrorist organizations. In this aspect we need to examine crime as a business process requiring funding, technical skills, distribution mechanisms, and money laundering facilities; the larger the criminal business, the more likely all these elements will be required. Though not all of the criminals can be labeled "*organized criminals*" there obviously are functioning such groups and networks (Levi, 1998) thus avoiding the sometimes over-homogenized imagery of organized crime, focusing on the international and regional implications of money laundering.

It is widely recognized that economic globalization has encouraged the growth of a wide variety of illicit international economic transactions. Hardly surprising is the fact that money laundering activities -that is the activities, which hide the origins and ownership of money earned through criminal means- should be prominent aspect of this phenomenon. Criminals have taken particular advantage of the dramatic globalization of the financial sector activities, enhanced by technological developments and financial liberalization and in particular of the proliferation of offshore secrecy havens as places to hide the earnings of their illegal origins.

Money laundering is a diverse and complex process. It involves three independent steps that may coincide: *placement*, as bulk cash proceeds are physically placed; *layering*, as the proceeds of criminal activity are separated from their origins by layers of complex financial transactions; and *integration*, when an apparently legitimate explanation and cover are provided for illicit proceeds which by this stage have been transformed into legitimate assets. Crime and in particular drug

smuggling generates an enormous amount of income that attracts organized criminals and affords them great power. The response of the international community to the dramatic growth of money laundering activity, which is estimated to as much as US\$ 1,6 trillion per year (Lewis, 2016), began to form in the late 1980s as a set of initiatives in a variety of intergovernmental organizations including the United Nations (the 1988 "Vienna Convention" Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances), the Bank of International Settlements (the 1988 recommendations to the banks), International Organization of Securities Commissions (IOSCO), the European Union (four money laundering directives), the Council of Europe (the 1990 "Strasbourg Convention" on Money Laundering), the Organization of American States, the Commonwealth, Interpol, as well as many bilateral legal assistance treaties. Unquestionably the Financial Action Task Force (FATF), a free-standing body of 37 members initially set by the G-7 in 1989, has the leading role in addressing money laundering issues. FATF issued from 1990 to 2004 its 40+9 Recommendations revising them in 2012, which provide a basic framework relevant to all parties involved in the effort to prevent money laundering, from national governments through to financial institutions, marking an attempt to *privatize* a large part of Anti-Money Laundering enforcement.

2.1 Key Futures of the Regime

By its nature the international anti-money laundering regime seeks to bolster the ability of each government to crack down on money laundering activity within its borders instead of imposing controls on capital flow at the borders. This is being achieved in two ways. First it actively *promotes international harmonization of domestic law and practices* designed to combat money laundering and second it *encourages extensive international information sharing and legal cooperation* between governments. Anti-laundering laws accomplish their goals in part by creating an audit trail throughout the world as banks, financial institutions, and non-financial institutions are required to "know their customer," which means that they must obtain written identification from the customer and verify and record such information. A related aspect of the "know your customer" principle is the currency transaction report, which obliges covered persons to transmit customer information to the competent authorities. Another principle is the duty of covered persons to identify and report "suspicious transactions." Covered persons commit a crime themselves by failing to perform them. Even so, the private sector has complained of the burden of distinguishing legitimate from suspicious international dealings. Another anti-laundering principle requires governments to trace, freeze, seize, confiscate, and ultimately forfeit illicit assets from crime (compare Katsios, 1998) within a *National Anti-Money Laundering Strategy*. Contrary to the views advocating the need of an unconditional competitive deregulation of the international financial system, the implementation of the Money Laundering Regime poses, after the Basle Accord (compare Kapstein, 1998), a formidable example of how an international re-regulating activity has overcome skepticism and competitive concerns setting common standards, which were accepted by governments and financial institutions, by giving adequate "*reputational incentives*". Indeed financial Institutions and governments are keen to adopt new regulations in order to maintain (or acquire) reputation within the financial markets (Helleiner, 2000). As the Anti-Money laundering Regime has been characterized of extending its geographical coverage beyond the FATF member-countries FATF has successfully "encouraged" many non-member states to adopt the forty-nine recommendations, endorsing them to "problematic" regions such as Eastern Europe, the Russian Federation, South-Eastern Asia and various mini-states in the Indian and Pacific Ocean. Interestingly enough FATF has further to its monitoring also a controlling function for the non-cooperative non-member countries regarding and assessing through Mutual Evaluations (peer reviews) on their compliance with its recommendations, threatening them otherwise with "*counter measures*" in the sense of a "*black-list*" and enforcing a financial "*quarantine*".

3. Regional Implications

3.1 The Economic Nexus between Organized Crime and Terrorism

In the case of the fight against money laundering, the decisive action of the US played a mayor role. This action affecting global finance architecture has been legitimized by characterizing the war on drugs as a "*national security issue*"; since the terrorist attacks of September 11th the issue has been linked with the "*homeland security issue*" adopting a strategic option of "*finance warfare*". This lead international community to accept the significance of the money laundering issue for the debate about the internal *asymmetric threats* deriving from terrorism and organized crime. Indeed the vulnerability of the financial system to criminals and terrorists operating in international networks consists a clear and imminent threat to homeland security of almost every nation.

Although organized crime and terrorism do not necessarily have a symbiotic relationship, the conditions that promote one phenomenon very often promote the other. Because both criminal and terrorist activity thrive in unstable political conditions, associations between the two have appeared most often in "developing regions" like the SE Europe, rather than Western Europe or North America. The overlapping and cooperation of the activities of organized crime and terrorist groups has steadily increased in the years following the end of the Cold War, due a) to the *expansion of criminal activities* in the transition countries and b) to the *need of terrorists to find alternative sources of financial support* after the decrease of their "state sponsorship".

Association of the two types of groups has been occurring in three broad patterns: (a) The first pattern represents the primary form of contact between them and is *alliances for mutual benefit*, in which terrorists enter agreements with transnational criminals solely to gain funding, without engaging directly in commercial activities or compromising their ideologically based mission; (b) the second pattern is *direct involvement of terror groups in organized crime*, removing the "middleman" but maintaining the ideological premise of their strategy and (c) although mostly difficult to be distinguished from the second, the third pattern is the *replacement of ideology by profit* as the main motive for operations. Most of the terrorist groups operating in the region follow most closely the second pattern. They have been willing to engage directly in the scale of various commodities, including arms, narcotics, and people, as well as the laundering of their profits, to support ideological goals. Albeit, a natural progression seems to occur from the first category toward the third, due to the sheer complexity of most lines of transnational exchange of legal commodities. Contemporaneous transnational criminal organizations have proven the value of flexibility, mobility and pragmatism and contacts with such an atmosphere has caused ideological terrorists often to think as "*businessmen*". These third-level organizations tend to *sustain instability for the sole purpose of profit seeking*, something often observed during the last decades in the Western Balkans. Finally both interrelated networks -organized crime and terrorism- ultimately benefit from the large underground economy and the corrupted public sector in the countries of the Balkan peninsula.

3.2 Money Laundering as an Internal Security Issue in SE Europe

Southeastern Europe represents for Europe a significant geo-strategic and geopolitical region whose stability and security directly affects Europe's political and security infrastructure. Conflicts and instability are still prevalent in the Balkans and, as a consequence, security cooperation in Europe is struggling to cope with risks of a non-military nature. It is widely accepted that as a region, the Balkans at the dawn of the 21st century remains still weak and unable to deal efficiently with the new internal security threats. It is rather important for the efficiency of the Money Laundering Regime in Europe to have a generic picture of the Balkans and the hard security challenges prevalent there. Economics have become also in SE Europe one of the main security issues and money laundering provides the first real opportunity for the enforcement of cooperative "security" measures which will influence the future developments in the region. Even though *Internal Security Policy* is has not been always one of the primary concerns of the governments of the SE European countries, it is directly related to their National Defence Doctrines, to the extent that it aims to eliminate the risk of subversion of the National Defence from within or of its erosion by trends and changes of a social, economic, demographic and ecological nature, the impact and side-effects of which are manifested in the future. The improvement of the terms of National Security is achieved through the establishment of National Unity by means of measures aiming to

protect the social web and the demographic cohesion, as well as with the improvement of the state's financial status (Romm, 1993). The importance that economy, in particular, plays in the proper and effective defence policy of a nation is justified also historically. As *Lord Inskip* put it back in 1937: "*Seen in its true perspective, the maintenance of our economic stability would more accurately be described as an essential element in our defensive strength: one which can properly be regarded as a fourth arm in defence (...) without which purely military effort would be of no avail*". (The Minister For Co-Ordination of Defence, 1937).

3.3 The Economic Dimension of Security

In this context, Greek mythology offers a suitable paradigm for the confrontation of the asymmetrical enemy strategy in the internal national front: when fighting with *Antaios*, Hercules disregarded that his opponent's mother was Earth; each time he would fell on the ground, he would recover his power. Finally, Hercules defeated his opponent by holding him in the air and cutting him off from the source of his power. It is through this prism that internal threats -such as organized crime, terrorism and corruption- must be cut off the source of their power.

The economic and social dimension of national internal security includes, by nature, the maximum possible degree of the "*uncertainty*" factor, the confrontation of which is only possible through a mechanism ensuring maximum possibility of initiative and adaptability of the defence mechanisms to this type of asymmetrical hostile strategies. The so-called "*asymmetrical*" threats aim to achieve either escalating or multiplying results in a country's internal front. In other words, asymmetry must be seen as a strategy and it must be understood that its constituent operations or attacks aim to implement this very strategy. It is for this purpose that asymmetry must be perceived not as a series of individual actions, but as a strategy that is purposefully implemented to achieve specific targets.

As a consequence, the response to this strategy must also be strategic and implemented particularly in the framework of a regional SE European Financial Intelligence Network (SEFINET). Overall, the concept of a SEFINET as an Anti-Money Laundering, Terrorism and Corruption platform has, primarily, a financial content and objective and, secondarily, a function as centralised instrument for the collection, analysis, evaluation and management of information and evidence on money laundering, terrorism, corruption and the organised economic crime, in relation with all associated Balkan countries.

4. Concluding Remarks

The fight against money laundering has assumed an urgent impetus at both national and international levels as a result of the scale that money laundering has begun to assume, especially with respect to the stability of the financial sector and the soundness of our democratic systems. The international community is trying to ensure through the Financial Intelligence Units (FIU's) compliance with international standards through a three-prong strategy that includes: a) assessment of all countries against the international standards, b) provision of capacity-building assistance for key-countries in need, c) insurance of appropriate consequences for countries, territories and institutions that fail to take reasonable steps to implement standards to prevent money laundering and terrorist financing.

By identifying and interdicting criminal and terrorist assets the *Anti-Money Laundering Regime* is can gradually link up responses to money laundering, terrorism financing and corruption, realizing at last a true potential. Taking into account that the presence of one type of financial crime reinforces the other, strengthening of Anti-Money Laundering (AML) and Counterring Terrorist Financing (CFT) systems can contribute in taming corruption and Anti-Corruption (AC) mechanisms can assist in combating Money Laundering. Although the modest results of the AML/CFT systems have also to do with corruption in administration, financial system and judiciary, the real challenge for the badly needed effectiveness and efficiency lies in the potential of the AML/CFT systems (e.g. Know Your Customer, Suspicious Transaction Reports, confiscation, intelligence gathering and sharing) to combat corruption by using financial intelligence. The effective implementation of the FATF Recommendations can help combat corruption by

safeguarding the integrity of the public sector, protecting designated private sector institutions from abuse, increasing transparency of the financial system and finally by facilitating the detection, investigation and prosecution of money laundering and corruption, and the recovery of stolen assets. Such a development presupposes the dismantling of bureaucratic hazards between the FIUs and the agencies combating corruption. Though AML/CFT and AC efforts are mutually reinforcing, they are not always brought together effectively especially regarding effective implementation of measures like beneficial ownership information as part of their AML/CFT customer due diligence processes. These facts have been acknowledged by the Financial Action Task Force (FATF) and the G20 Anti-Corruption Working Group (ACWG), which have been working together FATF.

Combating money laundering, terrorism financing and corruption requires first and foremost the crafting of appropriate laws and the creation of national, regional and global capacity and the coordination thereof. All the above presuppose the need for political commitment at all levels of the countries' of the region. The global Anti-Money Laundering Regime and the proposed SEFINET presents a realistic prospect for the SE European nations to succeed in creating a long-term functioning "regional alliance" on the grounds of soft-law against threats beyond national or religious identity. Greece and Romania, have the obligation to play a leading role in this effort by identifying and anticipating the real threats in the region.

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'Taking the Bull by the Horns' with English Business Idioms

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Abstract

This study looks at the recognition of written idioms by Romanian business students learning English as a second language. An experiment has been conducted, in which 114 students of economic sciences were given definitions of idioms, with the task of finding the idiom that best fits the definition. They were also asked to rate the degree of familiarity with the idiom (1 – Familiar, 2 – Less familiar, 3 – Unfamiliar).

The analysis of the students' matches reveals that less than half of the students involved in the study were able to make a clear connection between the idiom and the proposed definition. Upon further evaluation, we are confident in our assessment that students in the field of business are in need of a more detailed course presentation on idioms and colloquial language commonly found in a corporate office building.

Keywords: idiom, business, ESL, ambiguity, literal interpretation

J.E.L. classification: A22

1. Introduction

The aim of the study is to analyse the familiarity of Romanian business students with some common English idiomatic expressions in the field of economic studies. As studies have shown, "[t]he contact between business people and their interrelationships generally leads to some kind of linguistic inter-influencing [...] While being closely related to general language, the language of economics is also a sublanguage used both by specialists [...] and by law people. The importance of economics is obvious it determines much of our everyday life since we all are involved in an economic context by being employers, employees, customers / clients, suppliers etc." (Buzarna-Tihenea (Galbeaza) & Nadrag, 2013, p. 134).

Our assumption was that Romanian students have a tendency to focus more on the literal meaning of words, rather than taking into consideration the possibility of a metaphorical or figurative aspect. This study may contribute to the development of the curricula of business English courses in order to include the more in-depth study of relevant idioms.

2. Materials and methods

The research method used was the application of a mixed matching series of 21 definitions of English business idioms. Half of the idioms can be decomposed to understand the figurative meaning, while half cannot. Moreover, half of the idioms have a Romanian equivalent very close to the structure of the English idiom, while half do not.

114 students of economic sciences (finance and banks – 35 1st year students, accounting – 52 1st year students, international business – 7 3rd year students, management – 9 1st year students and marketing – 11 3rd year students) were presented with definitions for 21 idioms, with the task of finding the idiom that best fits the definition. They were also asked to rate the degree of familiarity

with the idiom (1 – Familiar, 2 – Less familiar, 3 – Unfamiliar). The students' answers were then cross-referenced with the types of the idioms in terms of familiarity and compositionality, in order to identify any false friends which could appear based on their literal translation and interpretation in conjunction with Romanian idioms. Students were given the possibility not to make all the matches in case they could not establish a connection between a certain idiom and a definition, in order to avoid mechanical matches which are not based on a logical process from the part of the student.

Similar research has been conducted by Wendy A. Schweigert (1986), Robert Timothy Reagan (1987), Gregory Schraw et al. (1988), Stephen J. Popiel and Ken McRae (1988), Elison Ai Ching Lim et al. (2009), Zahra Fotovatnia and Mehdi Goudarzi (2014) etc.

3. What are idioms?

Idioms have been defined as “common figurative expressions used in colloquial speech [...] characterized by a figurative or idiomatic meaning that cannot be derived from the meanings of the individual words in the phrase” (Schweigert, 1986, pp. 33, see also Reagan, 1987, pp. 417). However, several idiom-processing models have been advanced, some of them admitting to the compositionality of idioms, i.e. the possibility to draw the meaning by considering the constituting lexemes of the idiom. For instance, the Idiomatic Processing Model (proposed by Gibbs, 1980 and Schweigert and Moates, 1988) states that the figurative meaning is activated first, while the Idiom Decomposition Hypothesis (of Gibbs and Nayak, 1989) admits that in the case of some idioms the meaning can be drawn by analyzing its constituent words (Ai Ching Lim, et al., 2009, p. 1779). Similarly, Bobrow and Bell's (1973) Idiom List Hypothesis proposes that idioms are stored separately from the rest of the lexicon, while Cronk et al., 1993 and Swinney and Cutler, 1979 propose the Lexical Representation Hypothesis supporting the opposite, that idioms are stored and retrieved like all the other words (Ai Ching Lim, et al., 2009, p. 1779).

There are several idiom characteristics to take into account, such as familiarity (how well known the idiom is), literality (idioms may have both literal and figurative meanings), compositionality (the possibility of decomposing the idiom in order to understand the figurative meaning) and predictability. This study dwells on the final two, trying to establish the degree in which Romanian business students studying English are able to draw the meaning of an idiom based on the analysis of its constituent words and on its predictability in terms of its similarity to Romanian idioms.

4. Results and discussions

The first idiom the students were faced with was ‘writing on the wall’, which refers to the evidence and clues that something (usually negative) is going to happen. Out of 87 students to give a response to this item, only 14 managed to correctly identify the meaning of the idiom. Quite a large number of students, namely 11 students, identified the idiom as a means of expressing excessive rules, procedures, and regulations that make it difficult to accomplish something. We might attribute this interpretation of the idiom to a more literal translation of sorts and therefore see it represent the actual writing on the wall (or blackboard) of a project or writing of any sort. Given that most Romanian students used to having rules and regulations present on the walls of a classroom, the association of this idiom with the chosen definition of these students is understandable.

The second given idiom, ‘upper hand’, makes reference to a situation in which someone has an advantage over someone else. This item received a number of 20 correct answers out of 103. A number of 10 students considered the idiom as referring to a situation in which someone has no money. This particular choice might be explained by an association with the raising of the hands when someone gives up or surrenders after a defeat. An addition number of 7 students considered this idiom to be representative of a small amount of money, perhaps following the thinking of the 10 previously mentioned students.

The third idiom under discussion was ‘uphill battle’, usually associated with the idea of something that is difficult to achieve because of obstacles and difficulties. This particular item

scored only 30 correct answers out of a total of 95 given answers. A number of 9 students considered this idiom to represent excessive rules, procedures, and regulations that make it difficult to accomplish something. The response is quite similar in meaning and easy to justify if we take into consideration the legislative background of the students and their contact with regulations and procedures which will make their future work even harder. A number of 6 students understood the idiom as representative of the evidence and clues that something (usually negative) is going to happen. This could be explained by a literal interpretation of the idiom in seeing the battle as something negative and given that it is uphill one can see it from a clear distance.

The fourth idiom the students were presented with was 'under the table', which represents something done secretly (and usually illegally). This item received a number of 37 correct answers out of 90. A number of 5 students identified the idiom to represent learning the basics of something. This might be explained by a literal translation of the idiom and an interpretation in which people need to learn all that is beneath the table before they can rise and sit at the table.

The fifth idiom given was 'up in the air', which stands for something which is undecided. This item received a number of 29 correct answers out of 89. 7 students believed the idiom to represent the evidence and clues that something (usually negative) is going to happen. This might be explained by an association with a similar Romanian idiom similar to 'there is something fishy in the air'. Another 6 students considered the idiom to mean being alert and aware of things. This also might be explained by a literal translation of the idiom, and the representation of the human body in an upward position of alertness and given the high position of awareness.

The sixth idiom from the list was 'to twist someone's arm', which means to persuade or convince someone to do something that he or she does not want to do. For this particular item, 45 out of 95 students were able to correctly identify the idiom. A number of 7 students identified the idiom as representing something done secretly (and usually illegally). And this might be explained if we are to translate the idiom and take it literally, namely getting someone to do something by using force, which is illegal. Another 6 students matched the idiom to the idea of having an advantage over someone else, which might have been confused with the similar idiom of 'having the upper hand'.

The seventh given idiom on the list was 'on the ball', which means to be alert and aware of things. The item received 21 correct answers out of the 83 given answers. A number of 11 students understood the idiom as meaning to be in control of a situation and aware of changes, which can be explained if we take into consideration the popular saying of 'keep your eyes on the ball', similar to a Romanian saying meaning to pay attention to changes and be in control of a situation. Another 7 students identified the idiom as meaning to start something (a project, for example), which might be explained if we take into consideration the idea of starting something new, of beginning a game which involves a ball.

The eighth idiom given was 'smooth or clear sailing', representing a situation where success is achieved without difficulties. This idiom received 19 correct matches out of 93. A number of 9 students identified the idiom as a really obvious or really easy to make decision. The choice is one easy to make if we are to translate the idiom into Romanian, as smooth and clear indicate something easy and sailing can be associated to a decision or a path to be taken. Another 7 students identified the idiom with something which occurs if a law is unclear or omits information, which might be explained by a literal translation and rather wishful thinking on the part of the students.

The ninth given idiom was 'no brainer', which refers to a really obvious or really easy to make decision. The idiom received 24 correct answers out of 84 given answers. A number of 5 students matched this particular idiom with the idea of something which is undecided, which might be explained by a literal translation and the idea of not having a brain and therefore not being able to decide on a certain matter.

The tenth idiom on the list was 'loophole', expressing a situation which occurs if a law is unclear or omits information. This item received 24 correct answers out of the 81 answers given. A number of 7 students identified the idiom as meaning modern and technologically advanced (admitting they hadn't heard the expression before), while 6 others considered it to represent a situation in which someone has no money. The second definition might be explained by the presence of the 'hole' inside the word, acting as a false friend to the students and tricking them into thinking it might mean a lack of wealth.

The eleventh idiom given was 'learn the ropes', which refers to learning the basics of something. Out of 94 answers given, 40 students were able to correctly identify the idiom. A number of 11 students identified the idiom as representing something which occurs if a law is unclear or omits information. If we are to take under consideration the Romanian background, we understand students are familiar with the expression of 'pulling the ropes' and altering or manipulating the law in order to achieve a desired effect. Another 7 students understood the idiom as representing something which is undecided, which we might attribute to the students' instinct of translating their idioms into Romanian and identifying this particular idiom with a Romanian expression similar to 'people pulling the strings', which might be interpreted as things are undecided or not certain.

The twelfth idiom on the list was 'to get the ball rolling', which means to start something (a project, for example). A number of 33 out of 86 students managed to correctly identify the idiom. A number of 6 students understood this idiom to mean learning the basics of something, which might make sense if we are to translate it into Romanian, as it implies to begin or to initiate something, therefore prompting the students to think of the basics. The same number of students believed the idiom means to be in control of a situation and aware of changes.

The thirteenth idiom the students encountered was 'on top of something', which refers to being in control of a situation and aware of changes. From the 91 students to give an answer to this item, only 31 managed to give the correct one. A staggering number of 22 students believed this idiom is representative for a situation in which someone has an advantage over someone else. We might attribute this to the language barrier and the 'false friends' of students of a foreign language, as a Romanian translation of the idiom can mislead students to think that this particular idiom means to be above someone else and on top of the ranking order, therefore to have an advantage over someone else. Another number of 9 students believed this idiom refers to a situation where success is achieved without difficulties, which can be easily explained if we are to translate it into Romanian, with the sense of being in control of the situation and, therefore, achieving success without difficulty.

The fourteenth idiom in the list was 'to put the cart before the horse', meaning doing or thinking about things in the wrong order. While 92 students answered this item, only 39 managed to give the correct answer. An additional number of 6 students identified the idiom as meaning a really obvious or really easy to make decision, most likely because of a poor literal translation or understanding of the idiom, considering the order of importance, placing the cart first and only then the horse.

The fifteenth given idiom was 'red tape', which refers to excessive rules, procedures, and regulations that make it difficult to accomplish something. A number of 21 students gave the correct answer out of a total of 84 given answers. A number of 11 students believed the idiom means something that is difficult to achieve because of obstacles and difficulties. The two definitions are not actually that far apart if we come to their simple translation in Romanian a reason why some of the students might in fact have been confused and missed the correct answer.

The sixteenth idiom given was 'state of the art', used in connection with something which is modern and technologically advanced. A number of 84 students gave an answer to this item but only 30 of them managed to correctly associate the definition to the idiom. A number of 8 students considered the idiom to be representative of a situation where success is achieved without difficulties.

The seventeenth idiom given was 'to take the bull by the horns', which means to directly confront a difficult situation. From the 97 given answers only 44 students gave the correct answer. A number of 6 students considered this particular idiom to be representative of something done secretly (and usually illegally), an additional 6 believed it to mean to be alert and aware of things, while another 6 considered it was representative for doing or thinking about things in the wrong order.

The eighteenth idiom on the list was 'to throw in the towel', which means to quit. This item received a number of 95 answers out of which only 31 were correct. A number of 8 students considered this idiom means to be alert and aware of things, while a number of 7 students associated it with being modern and technologically advanced and to earning the family living.

The nineteenth idiom on the list was 'to bring home the bacon' meaning earning the family's

living. This particular idiom seems to be the most popular and well-known so far, with a number of 55 correct answers out of 99 given answers. A number of 9 students considered the idiom is representative for a situation where success is achieved without difficulties. This might be explained if we are to translate the idiom literally.

The second to last idiom of the list was 'chicken feed', which refers to a small amount of money. Out of the 89 given answers only 39 students managed to choose the correct definition. A number of 6 students considered this idiom to mean a really obvious or really easy to make decision, maybe associating the word chicken with something rather common or not that complex.

The last idiom of the questionnaire was 'down and out', referring to having no money. While 93 students made an association with this definition, only 23 students managed to correctly identify the appropriate definition. A rather large number of students, namely 23, believed the idiom to mean to quit. If we are to take the literal translation, it is quite obvious why the students chose this particular definition, as we might see it as a representation of failing at something and then exiting the scene therefore being understood as quitting.

5. Conclusion

The analysis of the students' matches reveals that less than half of the students involved in the study were able to make a clear connection between the idiom and the proposed definition. Upon further evaluation, we are confident in our assessment that students in the field of business are in need of a more detailed course presentation on idioms and colloquial language, commonly found in a corporate office building. When asking the students where they learnt the idioms from, in the case of those idioms which they marked as Familiar, among the most prominent answers were from school, the internet, movies, TV series, TV shows and games. Thus, the increase of Internet access and use, which consequently brought with it a series of TV shows with a business theme, as well as business articles which include colloquial language and idiomatic expressions, largely complement the learning process of business students.

However, despite the fact that, due to globalization, "economic, social, technological and political activities are becoming increasingly international" (Nadrag, et al., 2013, p. 111), there is an obvious deficit in knowledge, which represents an opportunity to introduce new and relevant vocabulary, useful in future interactions with foreign companies. It is our assessment that students are unfamiliar with a great majority of idiomatic expressions, having a clear tendency to translate the expressions verbatim and ignore the possibility of a hidden meaning. Our analysis has shown that the strengths of the students rest in their previous contact with the idioms and their sense of familiarity to some of them which are more common. Given that they are familiar with some of the given idioms, we may consider here the opportunity to introduce more idiomatic expressions in a future course.

Nevertheless, there are some students who seem to be ignorant of the very nature of idioms and therefore find it difficult to understand them or even attribute them any credit. The biggest threats we might encounter in our future endeavour is the reluctance of students to attribute more than the literal meaning to these expressions.

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Modern Paradigm in Macroeconomic Monetary Theories

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Abstract

In this paper we tried to present an objective perspective over modern monetary theories and their impact on economic activity. In the end, our research stressed some specific actions that influence the macroeconomic equilibrium.

Neoclassical and New Keynesian trends supported modern macroeconomic stabilization policies.

New Keynesian paradigm assumed that, in general, agents have rational expectations. This controversial subject points out that although the expectations can be wrong on average they are actually correct.

Neoclassical economists will have a different approach towards the theory of expectations, saying that decisions were based on the expectations that people have and not on what really happen.

We appreciated that in order to achieve macroeconomic stability a mix between monetary and fiscal policies is needed, fixed rules should be applied in interdependence with discretionary government measures and acting upon incomes is the best way to fight against inflation.

Key words: neoclassical, New Keynesian, rational expectations

J.E.L. classification: E13, E12, D84

1. Introduction

Monetarists have been seriously criticized by neoclassical and Keynesian followers. Rational expectations theory developed by supporters of the New Classical School stated that, in general, traders take into consideration not only the past events, but the future events, too. If Keynesian followers campaigned for boosting the demand, neoclassical supporters focused on macroeconomic stabilization policies.

The essence of macroeconomic activity, according to neoclassical approach is based on two ground rules: prices and salaries are flexible and in general, people are using all the available information before acting or making a decision.

Knowing how important the impact that monetary theories have over macroeconomic stability is, we appreciate that our research theme is relevant to be analyzed. In addition to this, the research highlights how these economists updated their predecessors' ideas in terms of economic development.

We analyzed works of some of the most known representatives of the new paradigm: Robert Lucas Jr. (Chicago), Thomas Sargent (Stanford) and Neil Wallace (Minnesota).

Our research is focused on two main objectives. First of all, to present an overall perspective over Neoclassical and New Keynesian paradigm and to see how these two modern monetary theories influence the economic activity and second of all, to highlight in the end the core measures from these theories that support macroeconomic stability.

2. Neoclassical vs. New Keynesian perspectives: points of view

The two trends therefore supported modern macroeconomic stabilization policies. If the neoclassical approach shifts from macroeconomic to micro level, New Keynesians will address the

same subject, but in reverse order.

Similar to New Classical adepts, New Keynesian paradigm assumed that, in general, agents have rational expectations. This controversial subject points out that although the expectations can be wrong – meaning that you cannot predict 100% the future – on average they are actually correct.

Best known for being designed by Robert Lucas Jr., the expectations theory was firstly introduced in 1961, by John F. Muth and is the foundation of every model where persons and organizations have to make different types of choices under the umbrella of uncertainty. This theory believes that every person or firm take into account all the information needed in order to achieve optimal predictions (Muth, 1961, pp. 315 – 335).

Robert Lucas Jr. wrote about it in *Expectations and the Neutrality of Money* (1972) and in *Econometric Policy Evaluation: A Critique* (1976).

Neoclassical economists went beyond the monetarists ideas. They will have a different approach towards the theory of expectations, saying that decisions were based on the expectations that people have and not on what really happens. They will also agree with the idea of flexible prices which are established by the supply and demand ratio. Regarding the salary adjustment, neoclassical economics doesn't see no difference between wage and price adjustment. In contrast to their thinking, this gap was slightly larger in Keynesianism and smaller in monetarism. If monetarist supporters took decisions aiming monetary policy especially, neoclassical economists were the promoters of fiscal policy.

Based on the people's anticipatory behavior, neoclassical thinkers weren't encouraging an early "announcement" of macroeconomic policy decisions because, in this way, people could model their behavior by anticipating the effects of these decisions, creating the chance that these policies could not fix the problem for which they were adopted.

National Bank of Romania, as most of the central banks throughout the world use in their forecasts neoclassical and New Keynesians ideas.

Nobel Prize winner for Economics in 1995, Robert Lucas Jr., explains – using the model of Paul Samuelson (Samuelson, 1958, pp. 467 – 482) – that we can talk only about a long term neutrality of money (Lucas, 1972, p. 103). So, we can conclude that on the short term, money is not neutral.

Debates regarding money neutrality – meaning no change in variables such as output, real wages and real interest rates when there is a currency fluctuation – were subject of research for the past three centuries. David Hume wrote about money neutrality in his paper *Of Money* (Hume, 1752).

Samuelson's model included two generations: young producing persons and old consuming people that don't produce anything to offer young people something in return. The solution would be to give them money, which they will use when they grow old to pay the new generation of young people who will produce the goods. But will the new youth accept this money? After all, when they grow old they will be in the exact situation. There's how this model does not use the money for consumption or production.

Lucas concludes that the most effective monetary policy approach will include some tax regulations apart from the establishment of a constant growth rate of money supply. It is once again observed the necessity to combine the two policies to achieve economic stability.

The economic activity may be altered only if fluctuations in the money supply are not anticipated or known, otherwise, are ineffective. The solution would be the adoption of a strong and restrictive monetary policy. Currency has therefore no active function in the economic life.

Big contributor to what rational expectations theory means for macroeconomics, Thomas Sargent – who also received Nobel Prize award in Economic Sciences in 2011 – together with Neil Wallace – economist from University of Minnesota – discussed about expectations in a strong dependency with monetary and fiscal policies. They claimed that a good fiscal policy is compulsory when a good monetary policy already exists (Sargent *et al*, 1981, p. 1). Moreover, by studying four countries with hyperinflation in 1920 (Austria, Germany, Hungary and Poland), Sargent showed how a government can use inflation in order to finance their deficits (Sargent, 1983, pp. 41 – 97). All these countries had to reduce the budgetary deficits, so that the expectations of people were affected. The measures were successful, so that inflation was eliminated.

Using an ad hoc macroeconomic model where people have rational expectations about prices, Sargent and Wallace analyzed alternative monetary policies (Sargent *et al*, 1975, p. 241).

Rational expectations theory has limitations too. The most important of them concerned a problem of credibility in supported models. The theory is based on the idea that the market is in a permanent balance, which is contrary to reality, knowing the difficulty of prices and wages to adapt to market changes.

Big supporters of bank loans, New Keynesians, consider them as being more important for overall demand than bank deposits. Developing their theory under the key word uncertainty, they considered that unemployment and inflation are macroeconomic phenomena, not related to microeconomic theory, so they have therefore developed their own theory.

Followers of Keynes can be categorized as monetarists, since the origins of their ideas can be seen in Friedman's paradigms. De Long stated that the reverse is also true (De Long, 2000, pp. 83 – 94). For having a critic attitude towards laissez-faire, which didn't ensure macroeconomic stability, and also by claiming a limitation of state action in the economy, they can be called as Keynesians.

Their theory stressed that on short term, prices are being influenced to a very limited extent by demand changes. Therefore, in order to fight inflation, the solution was not reducing global demand, but the differences between incomes. Under inflation, the monetary authorities should interfere by reducing the interest rate, so that the unemployment will be also diminished as a consequence.

New Keynesians tried to answer Keynesian uncertainty and distrust in terms of establishing monetary decisions. For the representatives of this trend, prices have on short term a minimum influence over the prices, which are set by companies. In other words, to combat inflation by reducing demand is not a winning solution. What should be the best solution? According to New Keynesians the escape solution is found in the income policy, so by acting upon inequities in income distribution. And they will do so through cyclical monetary policy.

In this regard, during inflation, the central bank will not raise interest rates, in order to reduce unemployment and therefore inequities in income distribution. If New Keynesians admitted the presence of incomplete and imperfect information – see Bruce Greenwald and Joseph Stiglitz (1987) – neoclassical followers were not considering them when they wanted to demonstrate the changes in economic activity. New Keynesian has four fundamental features according to Bruce Greenwald and Joseph Stiglitz in *Keynesian, New Keynesian and New Classical Economics* (Greenwald *et al*, 1987, pp. 19 – 24):

- „*Efficiency wages*” models: that shows the interdependence between salaries paid by a company and all other salaries in the market. These models try to solve the issue of wage rigidities from the labor market, of interest rate from the capital market and of prices from goods and services market, highlighting how big their impact is on economic activity. Because of this interdependence, any incomplete information has consequences for all markets. The effect of propagation of this information is very high;
- *Credit limiting*: determines traders to take risks to get money, which could reduce earnings that have been expected by the capital owners;
- *Capital market imperfections*: refers to incorrect information that traders have and because of which investments are negatively impacted. This negative impact on investments leads traders to seek for bank loans, being in this way forced to take risks;
- *A new vision of the role of monetary policy*: banks can be determined to lend money through specific actions of the monetary authorities.

3. Conclusions

After analyzing the core characteristics of these two paradigms, we can highlight the main measures that in our opinion are key contributor to macroeconomic stability.

By rejecting Keynesian dirigisme for not achieving long term prosperity and stability, rational expectations theory followers agreed that decisions are taken individually.

In order to achieve macroeconomic equilibrium, we believe that a mix between monetary and fiscal policies is necessary. In the same time, we appreciate that fixed rules should be applied in a permanent interdependence with discretionary government measures. In our opinion, contrary to rational expectations adepts, these measures does not create confusion, if their solely aim is to have

an impact over macroeconomic activity. Otherwise, the discretionary treatment can indeed shape the overall behavior in an unwanted way.

We also emphasize that a concrete measure from the New Keynesian perspective for fighting against inflation is looking at the incomes distribution, and not on reducing demand. Therefore, we agree that a specific action in the incomes policy is diminishing the gap between the salaries paid by firms and the market level.

Neoclassical economists went beyond the monetarist's ideas and had a different approach towards the theory of expectations, saying that decisions were based on the expectations that people have and not on what really happens.

Of course that the actions listed above are not the only measures that have an important impact over macroeconomic equilibrium so, the list can be updated anytime. What is relevant is that both Neoclassical and New Keynesian theories offer plenty of ideas that influence the macroeconomic development.

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Higher Education and the Labour Market

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Abstract

The purpose of the present paper is to highlight the importance of qualification for the economy and especially to analyse the impact of increasing the general level of education on the employment rate. Therefore, after a short presentation of the situation of tertiary education at EU level, we put in correlation two indicators: the employment rates for tertiary education and the number of students in tertiary education. The results show us that between them it is a negative correlation, but the relationship is not strong enough.

Key words: higher education, graduates, employment rate

J.E.L. classification: I23, J21

1. Introduction

At EU level, the problem of unemployment is often a subject which heats the spirits and which is, especially in the last period, characterized by increasing unemployment among young people. In this context we propose to discover if increasing the general level of education can contribute to combating the phenomena.

In 1991 Mincer found that a major benefit of education is the lower risk of unemployment, especially for graduates of higher educational in the US. In his study he concluded that the entry probabilities on the labour market are likely to be higher for the more educated persons because they have fewer difficulties in finding jobs. In conclusion, a high level of education can reduce unemployment. (Mincer, 1991. p.24)

After twenty years, a study on the American economy, found evidence of a mixed relationship between the incidence of unemployment and education. On the one hand, there is no evidence of a causal relationship between schooling and loss jobs for the secondary schooling level, but on the other hand the study found evidence that higher education at the post-secondary level reduces the incidence of unemployment. (Craig Riddell and Song, 2011, p.1)

Many studies examine the impact of higher education degree on the rate of unemployment in Europe. In 2010, Nunez and Livanos studied the effect of an academic degree on the unemployment rate for EU15 and the results indicated that the higher education impact reduced more the likelihood of short-term than long-term unemployment. (Nunez, 2010, p. 480)

Soon after the economic crisis, for the Baltic countries, there were better employment opportunities for university graduates in the context of a high levels of emigration (Snieska et al, 2015, p.215).

All these researches could help the decisions process in the higher education systems, using the efficiency criterion.

2. Some remarks about higher education and unemployment at UE level

Higher education at EU level and its role in the new society based on knowledge are often discussed in the context of present economic and social life. The higher education is the main provider of highly skilled human capital and a lack of highly qualified human capital can stop economic growth and socio-economic development.

A lot of economic and social factors determine the access to higher education. These are the costs of education, the level of economic development, the availability of resources for education and others.

Europa 2020 Strategy emphasizes the importance of higher education and it proposes punctual benchmarks for 2020 in education, including that at least 40% of people aged 30-34 have to graduate some form of higher education.

The Trow's methodology presents three types of higher education: elite education, when just some high school graduates have access to the university, mass education, when the enrolment in higher education exceeds 15% and finally the universal access if over 50% of the high school graduated is enrolled in higher education. The goal for each of these three types differs. For example elite higher education prepares students for broad elite roles in private management, government and the learned professions. The second group, composed by the mass higher education, prepares elites and supplementary- a category of graduates that includes the leading strata of the organizations, private and public. The last group is typical for advanced industrial societies and the aim is not to create elites, but it is headed for maximize the adaptability of the population in a society characterized by rapid changes. (Trow, 1973, p.7)

Table 1 Students in tertiary education - as % of 20-24 years old in the population, 2013-2014

GEO/TIME	2013	2014
Luxembourg	9,2	9,5
Malta	19,8	20,8
Cyprus	21,1	22,8
United Kingdom	22,4	24,2
Germany	26,5	28,4
Sweden	27,1	26,7
Romania	28,4	28,3
Austria	29,8	29,3
Portugal	30,4	31,0
Hungary	30,7	28,4
France	31,9	32,4
Slovakia	32,2	31,8
Italy	32,7	32,0
Ireland	33,2	36,9
Estonia	34,3	33,1
Bulgaria	35,6	36,1
Netherlands	35,6	36,7
Latvia	35,9	36,0
Finland	35,9	35,1
Greece	36,0	38,0
Spain	36,0	37,7
Denmark	36,6	37,7
Czech Republic	37,2	37,3
Croatia	37,8	38,8
Belgium	38,3	36,1
Poland	43,9	41,8
Lithuania	44,2	41,4
Slovenia	47,8	47,3

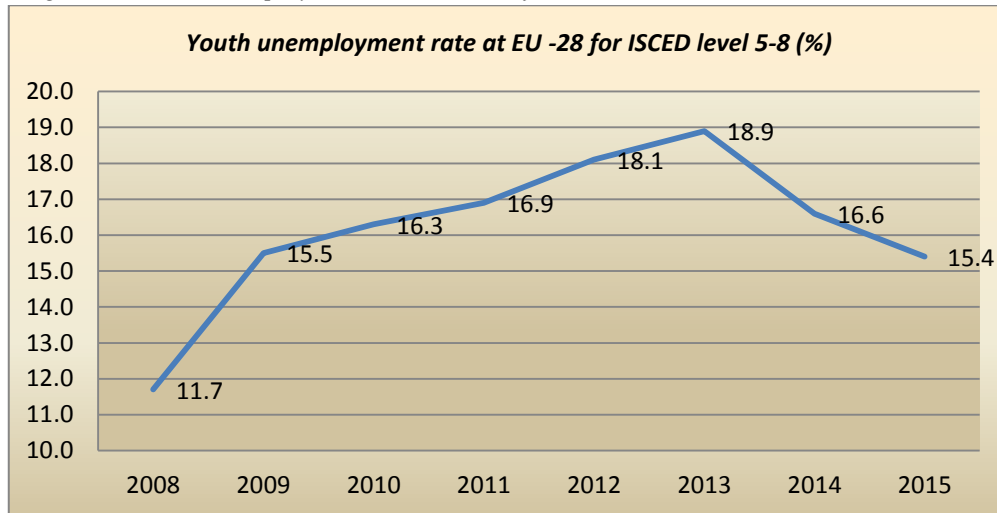
Source: Eurostat

For the EU countries the situation of students in tertiary education, ISCED levels 5-8, is presented in the table 1. As we see at EU level just for one country, Luxemburg, the per cent is under 15 and for the rest of 27 of countries the per cent is between 15 and 50. There are some countries, like Poland, Lithuania and Slovenia where the value is over 40 per cent and no further

than 50 per cent. Can we claim that only these countries are characterized by rapid changes in social and technological areas? The probable answer is that this assumption is not true. But, we can conclude that in Europe we have mass higher education and that the European higher education is moving towards a universal access.

Youth unemployment rates at EU level are much higher than unemployment rates for all ages. Furthermore, these have risen for a long period after 2008 due to the effects of the crisis on the labour market. For persons with ISCED level 5-8, since 2008, the youth unemployment rate has taken an upward trend peaking at 18.9 % in 2013, before receding to 16.6 % in 2014 and 15.4% in 2015, at EU-28, as we see in Figure 1.

Figure 1 – Youth unemployment rate at EU-28 for ISCED level 5-8 (%)



Source: Eurostat

At the same time, youth unemployment rate for EU countries is much higher than the general unemployment rate, more than double in some countries. The values reflect limited possibilities for the youngs in finding jobs.

3. The correlation between students enrolments and youth employment rate

By analysing data for the last 10 years, at EU level, we found that the unemployment rate for higher education graduates, ISCED level 5-8, is much lower than the unemployment rates for secondary education graduates. This affirmation is valid both for youth unemployment and also for unemployment of all ages.

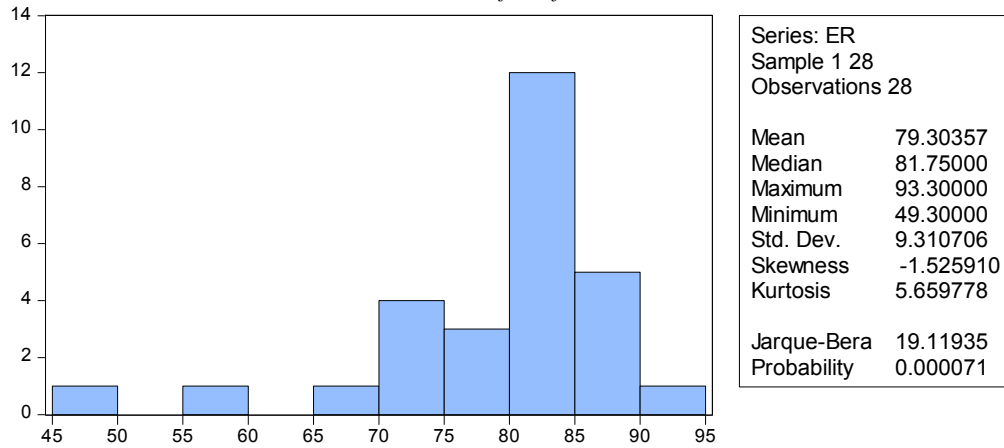
In this context, it is true that a high level of education can increase the young employment rate and not just for the young people? In order to be able to offer an answer to this question we want to analyse the role of higher education in increasing youth employment rate.

Therefore, we put in correlation the employment rates for tertiary education (level 5-8) (%) in 2015, for EU-28 (abbreviated ER), with the number of students in tertiary education (level 5-8) - as % of 20-24 years old in the population in the year 2014 (abbreviated STE14). We chose age 25-29 for employment rates in the year 2015 considering the idea that a remarkable part of the new entrants in the labor market are even higher education graduates.

Using EViews 7.1., we analyzed the individual series.

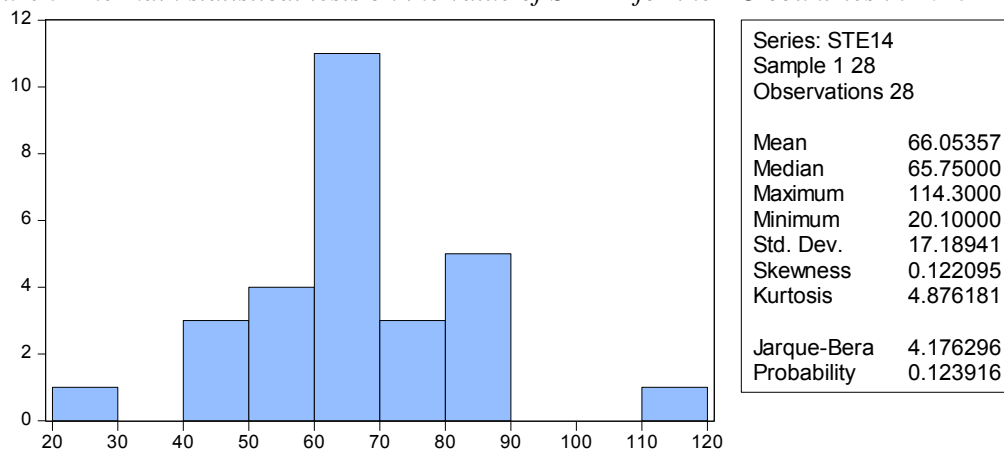
We can observe that the average value of the ER is 79.30%, with a variation between the minimum value of 49.30% (for Italy) and the maximum value of 93.3% (for Malta). The values of the statistical tests show that the distribution is not perfectly symmetrical, because the value of skewness is not zero. Also, we notice that in the data series, the values ranging between the average and the maximum value of the series are far more numerous than those in the second half of the variation interval.

Figure 2- The main statistical tests on the values of ER for the EU countries in 2015



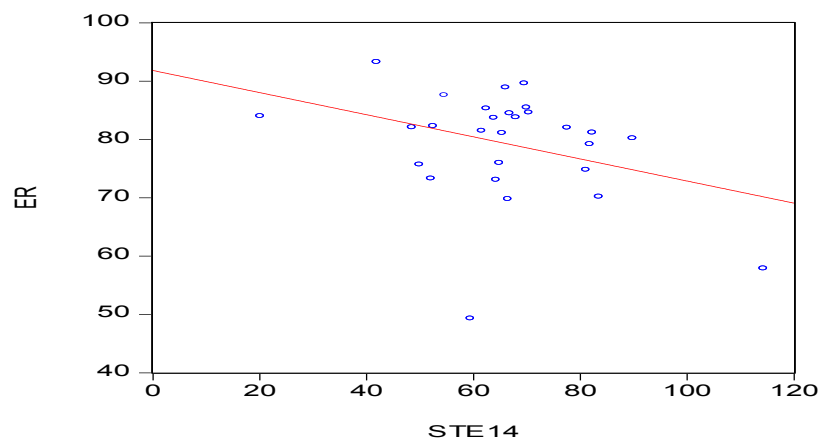
We made a similar analysis for the STE14. In conclusion, we have established that the values of STE14 are between 20.10% for Luxemburg and 114.30% for Greece. Also, we noticed that the average value of this indicator is 66.05% and the distribution is not symmetrical, the values ranging around the mean being predominant.

Figure 3 The main statistical tests on the value of STE14 for the EU countries in 2015



Starting from data analysis and the correlogram between ER and STE14 (Figure 4), we have used simple factorial regression to study the relation between the two indicators. Also, we have decided to test in the current study the significance level for the parameters of the following function: $ER = f(STE14) + \varepsilon$

Figure 4 – Correlation ER -STE14



Pairwise correlations for variables

	ER	STE14
ER	1.000	-0.3498
STE14	-0.3498	1.000

The results in the table above show us that there is an inverse relation between the analysed variables, but that the intensity of this relation is weak.

After processing we provided the following results:

$$ER = 91.82 - 0.1895 * STE14$$

The estimators of the regression equation parameters are significantly different from zero, and the results are guaranteed for a probability of 90%, on the *t* test. The slope coefficient is < 0 , meaning that there exists an inverse relation between the two variables.

4. Conclusions

Generally, in economy, the employment rate must increase when the general level of education increases.

In our case, the dependence between employment rates for tertiary education (level 5-8) and students in tertiary education (level 5-8) - as % of 20-24 years old in the population indicate a negative correlation. A possible explanation could be the fact that the European economies are looking for less qualified persons to the detriment of higher education graduates. Another possible explanation could be that qualifications for the higher education are not required by the market.

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Combating Tourism-related Corruption: Effective Countermeasures Derived from Analysing Tourists' Perceptions and Experiences

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Abstract

Corruption in the context of tourism adheres to the mainstream tradition of (anti-)corruption-related research; mainly focusing to the macro-level impact of corruption in economic development. A number of studies utilize secondary data and / or indices to explore causality / correlation with an array of tourism performance indicators. This paper aims at complementing the existing research by exploring the corruption phenomenon from the perspective of the individual tourist (micro-level). Content (qualitative) analysis of 204 holiday reviews posted on tripadvisor.com were selected and coded. The meta-data analysis of the reviews and the preliminary thematic analysis suggest that tourism-related corruption can be effectively and pragmatically combated with targeted, pragmatic measures at a local-level, without significant dependence on overreaching legislative, structural (and even cultural) changes. This work supports the notion that relatively small and short-term organizational changes at a local level can enable larger-term, significant positive anti-corruption effects at the macro-level.

Key words: tourism, corruption, reviews, perceptions, content analysis

J.E.L. classification: L83, D73

Introduction: Corruption & tourism

Tourism can be perceived as a loose network of internationally-spread and inter-dependent SMEs (abbr. Small-Medium Enterprises). The holiday value chain, albeit concentrated at the intermediary level (i.e. tour operators and travel agencies), is highly fragmented at the supplier level (e.g. incoming agencies, hotels, transportation companies). Such structural aspects could partially explain the corruption prevalence in tourism. Some authors assert that corruption is not only endemic to the tourism sector (Din, Habibullah, Baharom, & Saari, 2016; Harris, 2012), but also potentially irrelevant, or even economically beneficial, from a developmental point of view (Uberti, 2016; Fisman & Svensson, 2007).

The diffusion of information and communication technologies acts as a catalyst to the fragmentation of the holiday industry (i.e. reduction of transaction costs), enabling the entry of even more and even smaller service suppliers. Single-person companies offering: accommodation (e.g. <http://www.airbnb.com>), transportation services (e.g. <http://uber.com>) and even guided-tours, directly to the end-customers through online portals, are eroding the vertical chains of mainstream travel corporations such as TUI and Thomas Cook. In this context, characterised by a geometric increase of non-standardised, customised and decentralised business-to-customer transactions and interaction, implementing and controlling legality is becoming increasingly challenging.

For developing and / or post-communist economies, betting and depending on tourism development for their economic progress, corruption represents a significant source of concern since it implies: loss of tax income, destination reputation loss and ultimately guest-dissatisfaction. A number of studies (e.g. Zhike Lv & Ting Xu, 2016; Saha & Yap, 2015; Poprawe, 2015; Yap & Saha, 2013; Das & Dirienzo, 2010; Blackburn, Bose, Haque, 2006) have researched and confirmed

the relationship between corruption measures (e.g. CPI¹; ICRG²) and tourism performance / development indicators (such as: tourism income, tourism-related expenditure). Corruption is regarded as a predominantly national / cultural / systemic phenomenon, which is to be countered by improved legislation and policing in the medium-term and attitude-shifts in the longer-term. Corruption is to be dealt with holistically across the entirety of a political, economic and social system, part of which would inevitably cover the tourism sector.

Tourism corruption phenomenon: From macro-measurement to micro-understanding

Despite the validity and reasoning behind this proposed approach, the complexity and time-dimension it implies highlights a paradox. Corruption hinders the very socio-economic development required to systemically counter it. The paper aims at proposing a pragmatic approach to reducing the impacts of corruption in the tourism domain, as to contribute socio-economic development whilst enabling a more wide-encompassing, systemic recovery. Stating it simply, dealing with corruption in tourism, could presumably generate wealth and economic progress (esp. for developing economies), discouraging corruption and providing resources / incentives to combat it in a wider context.

Assuming that such a systemic approach is indeed pragmatic and manageable at a political, organisational and cultural level, it would still presumably require significant effort and time before the positive results can 'trickle-down' to the day-to-day operational reality of the tourism-sector. Especially for nations focusing and placing their hopes for a tourism-led medium-term economic development (and / or economic transition), adopting such a top-down approach is self-defeating.

Tourism reflects a highly information-intensive and emotional product/service. Reputation, image and ultimately the subjective perceptions of potential consumers are persisting as they are decisive. In such a context, focusing on combating corruption at a holistic-level, enabling tourism-led economic development as a 'by-product', is analogous to treating a patient that is already cured. Corruption can be seen as symptomatic to economic development obstacles and the corresponding systemic/structural deficiencies. The absence ('treatment') of corruption as an economic prosperity-enabler would partially also dilute the imperative and role of tourism-development in this context. If tourism-development is to be adopted as a policy for restructuring and / or igniting economic development in post-industrial and / or transitional economies, anti-corruption efforts ought to be targeted at this specific domain as a priority (Howard, 2009). In order to do this, a deeper understanding of the corruption phenomenon, its context-specific dynamics and outcomes, is required. It follows that the starting point is an understanding of the impact corruption has on those who fuel and finance tourism; namely the tourists themselves! Papageorgiou (2008) highlights the importance of understanding the 'personal' (individual level), as complementary to a better understanding of the industry's 'machinations' (i.e. dynamics).

Online review content analysis: Exploring tourists' perceptions and reactions to corruption encountered during their holidays

In order to gain a deeper understanding of the associations / perceptions of tourists related to corruption, trip-advisor reviews (<http://www.tripadvisor.com>) were filtered using the keyword 'Corruption'. The search produced 1.157 hits. In terms of data relevance, the actual review population is presumably smaller, as 'corruption' was often used to describe 'alteration' of names and food-dishes, both of which have nothing to do with the research topic at hand.

The data selection and coding process took place between the 31st of October and the 11th of November 2016. The data was coded with NVivo 10 (qualitative data analysis software) and selectively exported to SPSS 17 for statistical analysis. A total of 205 reviews were qualitatively coded and categorised as seen in table no:1 below:

Table no:1 Online review classification schema and counts

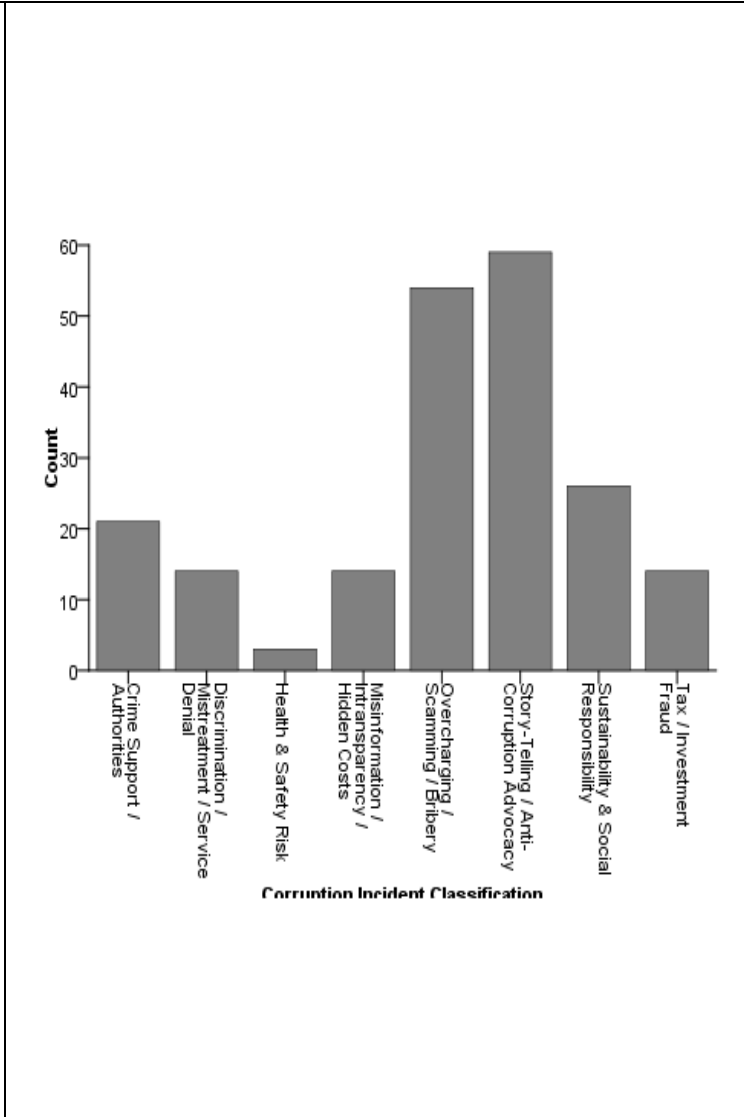
¹ Abbr. Corruption Perception Index - <http://www.transparency.org/research/cpi/overview>

² Abbr. International Country Risk Guide - <http://www.prsgroup.com/about-us/our-two-methodologies/icrg>

Review rating (RR):													
<ul style="list-style-type: none"> This refers to the Trip Advisor ratings (Scale 1-5 with 1 = Poor and 5 = Excellent) 	<table border="1"> <caption>Review Rating (RR) Data</caption> <thead> <tr> <th>Reviewer Rating</th> <th>Count</th> </tr> </thead> <tbody> <tr> <td>1,00</td> <td>85</td> </tr> <tr> <td>2,00</td> <td>25</td> </tr> <tr> <td>3,00</td> <td>20</td> </tr> <tr> <td>4,00</td> <td>40</td> </tr> <tr> <td>5,00</td> <td>40</td> </tr> </tbody> </table>	Reviewer Rating	Count	1,00	85	2,00	25	3,00	20	4,00	40	5,00	40
Reviewer Rating	Count												
1,00	85												
2,00	25												
3,00	20												
4,00	40												
5,00	40												
Review impact (RI):													
<p>Measured by the number of users clicking on the 'helpful' button under the review. This measure underestimates the impact, since it can be safely assumed that no every reader of a particular review is willing to classify it as helpful. The scale here is as follows:</p> <ul style="list-style-type: none"> 1 (Minimal impact): No user classified the review as helpful 2 (Low impact): 1-3 users classified the review as helpful 3 (Medium impact): 4-6 users classified the review as helpful 4 (High impact): 7-10 users classified the review as helpful 5 (Very high impact): Over 10 users classified the review as helpful 	<table border="1"> <caption>Review Impact (RI) Data</caption> <thead> <tr> <th>Review Impact (# of 'Helpful' Clicks)</th> <th>Count</th> </tr> </thead> <tbody> <tr> <td>None</td> <td>85</td> </tr> <tr> <td>Between 1-3</td> <td>75</td> </tr> <tr> <td>Between 4-6</td> <td>25</td> </tr> <tr> <td>Between 7-10</td> <td>15</td> </tr> <tr> <td>Over 10</td> <td>10</td> </tr> </tbody> </table>	Review Impact (# of 'Helpful' Clicks)	Count	None	85	Between 1-3	75	Between 4-6	25	Between 7-10	15	Over 10	10
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None	85												
Between 1-3	75												
Between 4-6	25												
Between 7-10	15												
Over 10	10												
Tourism component type / Destination aspect (TCT):													
<ul style="list-style-type: none"> Amenities (i.e. accommodation, catering), Attractions (i.e. heritage sites, Sightseeing), Activities (i.e. events, entertainment, shopping), Accessibility & Auxiliary Services (i.e. transportation / travel infrastructure, tourist info), Availability of Information & Atmosphere (i.e. overall impression and reputation of the destination) 	<table border="1"> <caption>Tourism component type / Destination aspect (TCT) Data</caption> <thead> <tr> <th>Holiday / Destination Component</th> <th>Count</th> </tr> </thead> <tbody> <tr> <td>Accessibility Infrastructure & Auxiliary Services</td> <td>35</td> </tr> <tr> <td>Activities</td> <td>20</td> </tr> <tr> <td>Amenities</td> <td>90</td> </tr> <tr> <td>Attractions</td> <td>55</td> </tr> <tr> <td>Availability of Information & Atmosphere</td> <td>15</td> </tr> </tbody> </table>	Holiday / Destination Component	Count	Accessibility Infrastructure & Auxiliary Services	35	Activities	20	Amenities	90	Attractions	55	Availability of Information & Atmosphere	15
Holiday / Destination Component	Count												
Accessibility Infrastructure & Auxiliary Services	35												
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Availability of Information & Atmosphere	15												
Corruption incident classification (CIC):													

Subsequent to the initial coding phase (first 40 reviews) a total of 8 categories were created:

- Overcharging / Scamming / Bribery: Financial fraud aiming at tourists
- Discrimination / Mistreatment / Service Denial: Preferential mistreatment of tourists in terms of service levels and pricing
- Misinformation / Intransparency / Hidden Costs: Incidents involving tourists being confronted with expectation failure and unforeseen costs
- Tax Evasion / Fund Misappropriation: Incidents of suspicious transaction practices (as perceived by tourists)
- Sustainability / Social Responsibility: Situations where tourists associate sustainability and social responsibility failures with stakeholder corruption
- Health & Safety Regulations: Incidents where low health and safety standards are attributed to corruption of control authorities
- Crime Support / Authorities: Incidents where tourists were crime-victims, seeking support from authorities (private and public)
- Story-Telling / Anti-Corruption Advocacy: Incidents of corruption story-telling, re-collection and proposal of potential measures



The hypotheses tested on the basis of the quantified qualitative data collected were the following:

- H1: There is a relationship between review-rating (RR) and review-impact (RI): The Pearson correlation test, testing the relationship between review ratings and review impacts, resulted to a value of: -0.136 which was significant at the 0.05 level. This result supports the H1 hypothesis, suggesting an inverse relationship between the two variables. Simply stated, the lower the review rating (RR), the higher the review-impact (RI) and vice versa. One can infer that low-rating reviews containing corruption incidents tend to have a higher impact on the online readers.
- H2: There is a relationship between corruption-incident-classification (CIC) and review-rating (RR): The main question here is whether particular types of corruption incidents are related to less- or more- favourable ratings. An ANOVA test was conducted, indicating a significant RR difference between the CIC groups ($\alpha = 0.031 < 0,05$). Looking at table no:2, one can observe that corruption instances directly affecting tourists (esp. overcharging / scamming / bribery and crime support / authorities) tend to be related to less favourable reviews.
- H3: There is a significant review-impact (RI) difference between corruption-incident-classifications (CIC): There is a relationship between corruption-incident-classification (CIC) and review-impact (RI): The main question here is whether particular types of

corruption incidents are related to reviews been perceived as more- or less helpful. The ANOVA test here revealed no significant RR difference between the CIC groups ($\alpha = 0.359 > 0,05$). The stated hypothesis is therefore not supported, suggesting that the corruption incident type does not appear to make a difference on whether users regard the review as helpful or not.

Discussion, implications and further research

The quantitative analysis and hypothesis testing of the collected (review meta-) data above suggests that corruption does affect tourists' satisfaction with their holidays (H1) and differing corruption-related incidents do indeed make a difference (H2); yet not necessarily for prospective tourists (H3). A more differentiated picture can be obtained by examining the data in a more granular level.

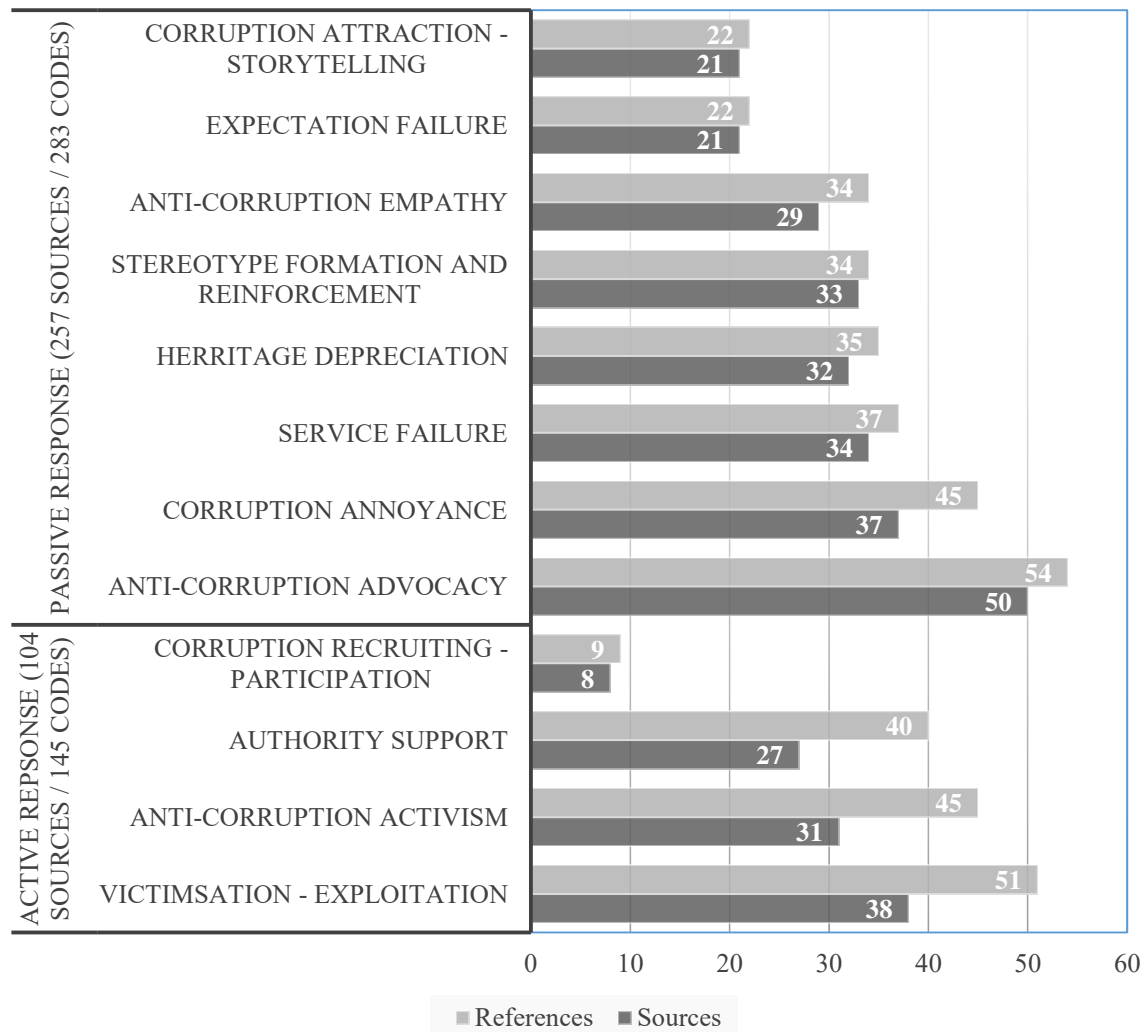
Table no:2 Corruption Incident Classification - Reviewer Rating Crosstabulation

Count	Reviewer Rating					Total
	1,00	2,00	3,00	4,00	5,00	
Crime Support / Authorities	10	2	2	5	2	21
Discrimination / Mistreatment / Service Denial	9	1	0	2	2	14
Health & Safety Risk	3	0	0	0	0	3
Misinformation / Intransparency / Hidden Costs	8	4	0	0	2	14
Overcharging / Scamming / Bribery	25	8	9	9	3	54
Story-Telling / Anti-Corruption Advocacy	19	1	4	13	22	59
Sustainability & Social Responsibility	4	3	3	7	9	26
Tax / Investment Fraud	5	3	2	4	0	14
Total	83	22	20	40	40	205

Tourists are generally tolerant of a generalised, visible level corruption when on holiday (see 'Total' row at table no:2, where review rating frequencies are fairly well spread across the 1 to 5 scale). This can be interpreted as: a tourists' acceptance and expectation that there are structural and cultural differences in terms of corruption in different countries, coupled with their readiness to adapt behaviour and expectation during holidays (see also Brunt, Mawby & Hambly, 2000). The 'breaking point' of this acceptance is reached when tourists perceive that they have been directly victimised (i.e. overcharging / scamming / bribery) and the authorities have either failed to support them or are perpetrators themselves. Presumably, these particular types of corruption incident, are more likely to generate an active response from tourists. The subsequent coding and preliminary thematic analysis (see Figure no:1) supports this interpretation of meta-data analysis.

Figure no:1 Axial coding summary

Preliminary Thematic Analysis Results



Following an incident of victimisation - exploitation (e.g. intimidation, fraud), tourists may actively respond by involving authorities (e.g. police, security officials). This presents an opportunity to deal with the incident locally and prevent alternative courses of reaction such as: anti-corruption activism (i.e. warning to others, social media defamation and further communication-related escalation) or even own-participation / involvement in corrupt – and even illegal / criminal counter-practices (e.g. not paying, providing false data). At a quantitative level, the reference / source ratio (see figure no:1 - i.e. average number of related open codes within each source) offers an intuitive measure of the perceived importance tourists attribute of such incidents³. Active responses produced a total of 145 codes, contained in 104 sources, resulting to an average of 1.39 codes per review. On the other side of the active-passive response continuum, service failures (actual and expected), annoyances and heritage concerns tend to invoke passive responses such as: expressing empathy to corruption victims, advocating against corruption, storytelling and reinforcing national / cultural stereotypes. The codes (issues) and references (i.e. reviews) here were more frequent and the reference (283) / source (257) ratio equals an average of 1.1 codes per review – less than active-response category.

From a practical relevance perspective, the results here pose the question of prioritisation and pragmatism of effective tourism-related anti-corruption measures. Preventing and countering the

³ The more often a particular code or theme (i.e. guest comment) is repeated within a reference (i.e. review), the stronger - presumably – the need of the tourist to emphasise this particular issue.

victimisation / exploitation of tourists, as well as establishing supporting official structures could potentially discourage tourists to result to anti-corruption activism and corruption-participation. In turn, this could in the long-term diffuse the impact of the less-manageable passive responses such as: anti-corruption advocacy, story-telling and national / cultural stereotype formation and reinforcement. In simple-terms, targeted local support of tourist-victims and maintenance of reliable, trustworthy official points of contact (e.g. tourist police, tourist-legal support helpline) could significantly contain and reduce the negative actual and reputational effects of corruption for the tourism-sector, without necessitating wide-scoped and time-consuming systemic changes.

Finally, it is worth mentioning that the analysis outlined in this paper incorporates open and axial coding, mainly pointing at key directions for more in-depth research and analysis of the qualitative data collected. Further steps to be undertaken entail selective coding and theoretical model-building, based on the category-set (i.e. axial codes) developed, as well as further detailing and testing of the resulting tentative model. In other words, this paper ought to be perceived as a first step, a milestone, defining the scope for a more in-depth analysis of the data collected; potentially enriched with additional qualitative data collected in by semi-structured interviews.

Conclusion

At this point it is important to highlight the fact that secondary data is inherently subject to measurement error (e.g. the CPI Index refers to corruption-related perceptions; not necessarily actual corruption). It is arguable that perceptions are not just formed through direct experience, but also from word-of-mouth communication, filtered through one's own stereotypes and potentially reinforcing them. The proposition here, based upon the above-mentioned analysis, can be summarised as follows:

Corruption is a phenomenon to be dealt with locally (e.g. holiday resort / destination, tourism-sector) and specifically (i.e. concrete structures / targeted measures); if it is to be contained and managed at a wider scope (e.g. national-level, economy as a whole).

For countries, basing their economic development on the tourism-sector, installing specialised anti-corruption support structures locally, may well be more effective (and realistic) than attempting to combat / eliminate corruption at a national, cross-sector level.

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Innovative Approach for the Agriculture Development. Case Study of South-East Europe

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Abstract

Romania might receive in future years an important role in ensuring food security of the European Union and of other countries in the region, under the conditions of solving internal problems related to productivity and competitiveness in agriculture. An important role in this context has the innovative method of agricultural development, which promotes a system in which the actors involved interact to generate and use knowledge related to agriculture, in the processes of socio-economic relevance, and in an appropriate institutional framework. A current form of innovation system applied also by agriculture is the networking activity between the actors involved, transposed in emerging clusters (during different projects or occurring spontaneously) and mature clusters. Romanian entrepreneurs followed the good practices met in the field, also in agriculture - especially those from South East Europe, of economic clustering. The paper focused on the most representative results collected during author's projects.

Key words: innovative system, economic cluster, sustainable agriculture

J.E.L. classification: R11

Introduction

Nowadays the agriculture is becoming more important, taking into account the needs of global food security, and also those determinate by the climate and social changes.

The actual concerns of the specialists, from the perspective of ensuring a sustainable agriculture, are focusing on the increased food demand from new emerging countries in Asia and South America, on non-food uses given to agricultural production through the production of biofuels and on the impact of climate changes related to agricultural production and to food supply.

Even in EU countries where the feeding is no longer a problem to the states, the food security has become a concern within communities with high degree of vulnerability. And this due to higher agricultural prices and their volatility, fragmentation of markets and, not least, due to deterioration of living standards of the population and increasing incidence of poverty under the impact of the recent economic crisis.

In this context, it is worth mentioning that Romania is an important agricultural producer that:

- has significant agricultural resources for the crop production (fertile arable land) and animal production (forage crops, pastures, meadows)
- recorded substantial increases in domestic production of poultry, sheep and goat
- and in the adjacent area, that of food and beverage industry, ranks second only to Poland, knowing the significant investments in the last decade.

Thus, Romania might receive in future years an important role in ensuring food security of the European Union and of other countries in the region, under the conditions of solving internal problems related to productivity and competitiveness in agriculture.

A new paradigm for sustainable agriculture

The premises of a sustainable agriculture are according to the literature:

- Financing research activities

- Offering services and grants for ensuring an increase in production with effects regarding:
 - Economic growth and
 - Social development (normal standards for rural communities)
- Quality of environment – knowledge in management field.

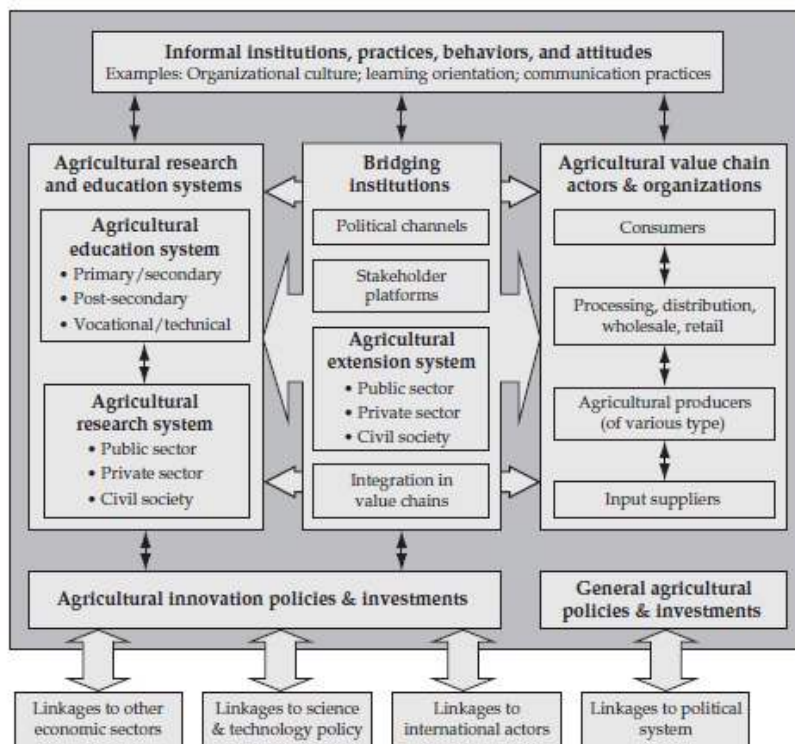
Significant technological advances in agriculture (Levidow, Birch, Papaioannou, 2012) nanotechnology, genetically modified organisms), but also in biology and genetics are essential to reducing poverty, fostering development, and stimulating economic growth.

An important role in this context has the innovative method of agricultural development (, which promotes a system in which the actors involved interact to generate and use knowledge related to agriculture, in the processes of socio-economic relevance, and in appropriate institutional framework.

Researchers' concerns for a new paradigm of development of agriculture dates back to 1990 when it was promoted the creation of an appropriate framework for the application of agricultural innovation systems (AIS) at national level.

Studies undertaken, especially by the World Bank advocates the benefits of organizing activity as innovative farming systems, according to the World Bank representing: “a network of organizations, enterprises, and individuals focused on bringing new products, new processes, and new forms of organization into economic use, together with the institutions and policies that affect their behavior and performance. The innovation systems concept embraces not only the science suppliers but the totality and interaction of actors involved in innovation. It extends beyond the creation of knowledge to encompass the factors affecting demand for and use of knowledge in novel and useful ways” (World Bank 2006, vi–vii).

Figure no. 1. A conceptual Diagram of a National Agriculture Innovation System



Source: Adaptated from Arnold and Bell, 2001

A national innovative system of agriculture creates the framework for investments and interventions in agricultural policy, managing to train actors and organizations in the private and public sector and civil society.

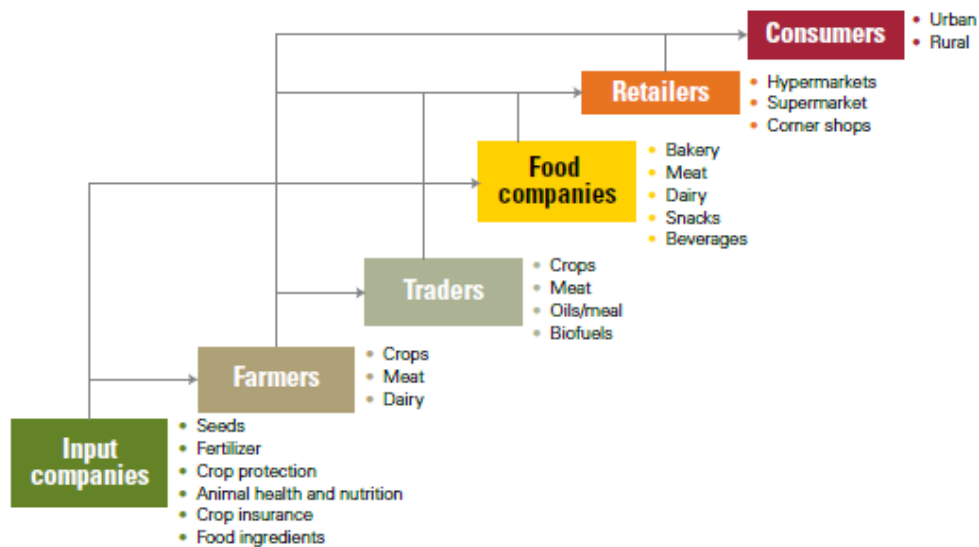
An innovative system achievement is particularly advantageous for agriculture (Spielman D.J., Birner R.,2008) , because it relies on identifying constraints and solutions to remove them in order to obtain a competitive agriculture. Such a scheme / system gives stakeholders an important role at

regional and local levels, who work in agriculture, but also in adjacent areas, to complete the value chain.

In this regard, in full correlation with the evolution of innovative farming system, stands in recent years the need to support agricultural entrepreneurship through various programs / projects for fostering the innovation projects, solving the technological problems, access to specific equipment and training of the collaborators.

Given, the natural evolution of cross-sectoral cooperation in conditions of fierce competition, we are witnessing the formation of sophisticated value chains – in case of agricultural products (see the figure below).

Fig.2. The agriculture and food value chain



Source: The agriculture and food value chain: Entering a new era of cooperation, KPMG International, 2013

In terms of value chain diversification of agricultural and food products, there is a need to redefine the concepts and analytical tools used to identify ways in which policies and investments can influence the reducing of poverty the improving of living standards in rural areas.

Compared with the classical approach - in which the emphasis is on education, research, provision of knowledge and new technology to the farmer - the innovative agriculture consider the farmer as part of a complex network of actors engaged in the innovation process, along formal and informal institutions and environmental policies that influence these processes.

Thus, innovative system for agriculture represents a move away from the interpretation of linear innovation as a sequence of research, development and dissemination, to an interpretation that recognizes innovation as a complex of individuals and organizations in close cooperation - and contributing to application of existing or new information and knowledge.

A current form of innovation system applied also by agriculture is the networking activity between the actors involved, which reflects in emerging clusters (during projects or occurring spontaneously) and mature clusters.

R & D & I Cross-sectoral Networks

The trend of cooperation between actors in related fields was successfully met in the past decade not only in Western Europe but also in South - Eastern Europe. Action framework of these initiatives were the Territorial Cooperation Programme South-Eastern Europe 2007 – 2013 followed by the Danube Interreg Programme 2014-2020.

In the framework of these Programs there were established some sustainable networks in high tech but also in agriculture field. Further on there will be mentioned the representative projects for

an innovative agriculture during some European programs (in which the author had the opportunity to coordinate the Romanian team) considered objectively good practices in the field: Adriatic Danubian Clustering (ADC) and Smarter Cluster Policies for South East Europe (ClusterPoliSEE).

Among the mentioned projects, the "Adriatic Danubian Clustering ADC" introduced during of a pioneering action, the concept of *transnational cluster*, which represented an absolute novelty in economic literature and practice.

Based on a quantitative analysis using specific statistic tools, but also a qualitative analysis conducted in representative groups of the stakeholders in the industries concerned, there was identified the clustering potential in the strategic sectors of the Adriatic - Danubian Region, but mentioning in the following words, only the agro-food sector. According to the ADC project, the agro-food sector consists in the activities listed below and illustrated in the corresponding map:

- Agro-food Sector: processing, preservation and packaging of agri-food products and related technologies;

Fig.3. Adriatic Danubian Clustering –ADC Project

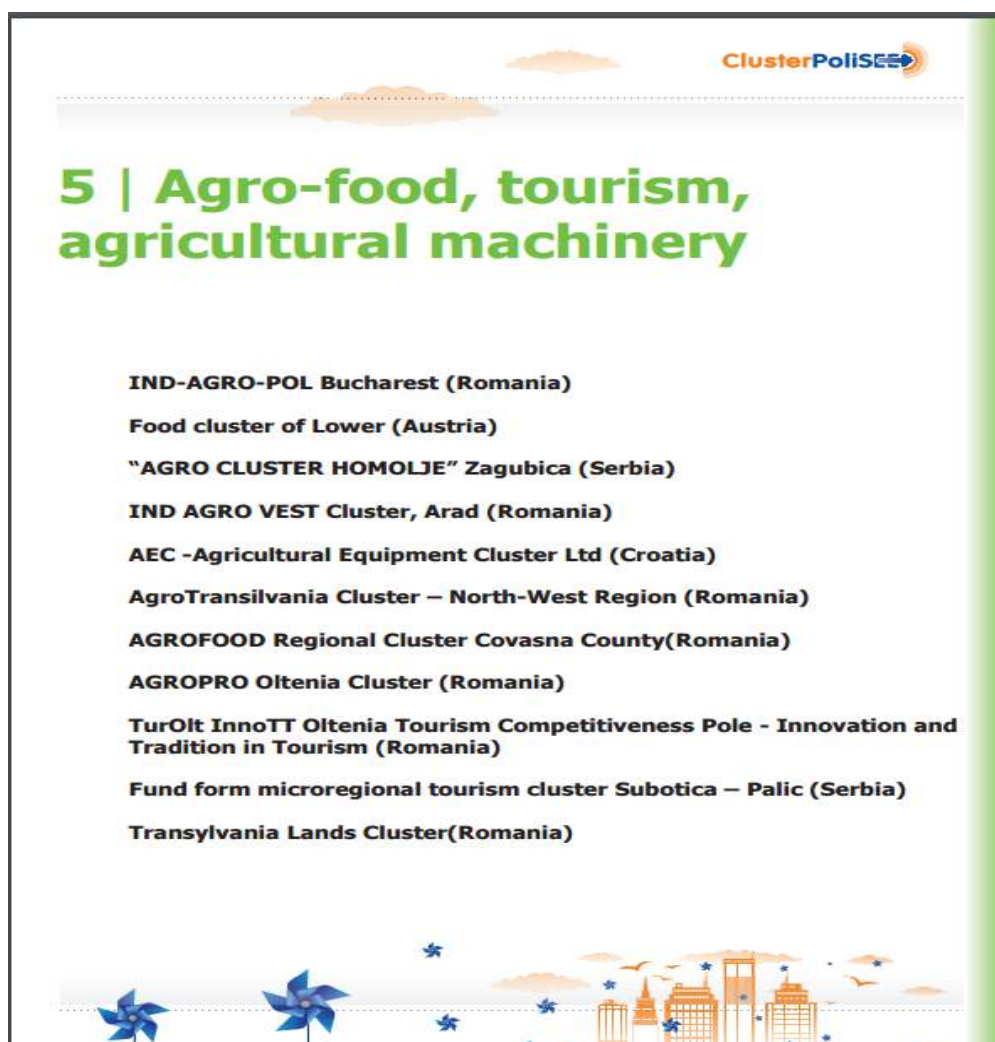


Source: Adriatic Danubian Clustering –ADC Project; IPE & Territorial Cooperation – South East Europe Programme 2007 -2013

As a natural follow-up of ADC Project, the ClusterPoliSEE Project was stated by the European Commission a flagship project for the Danube Strategy, due its valuable outcomes and promotion of a meta clusters network in South East Europe.

In the framework of one of its pilot actions, there were established some clusters networks in areas complementary to those created in ADC design but also in new areas. In this article we focused on networks in agriculture and related fields, consisting of innovative clusters representative for Southeast Europe (see Fig. Below).

Fig.4. ClusterPoliSEE Project: Agricultural – networks in South East Europe



Source: ClusterPoliSEE Project; IPE & Territorial Cooperation – South East Europe Programme 2007 -2013

The created networks are an engine of local and regional development, especially that agriculture starts from pressing local needs, which encourage the formation of bottom-up clusters, thus having the perspective of sustainable clusters.

From the perspective of innovation system in agriculture, is worth mentioning (Coșnită, D., Guth. M., 2010) the connections created between public research agencies, private industry (related to agriculture) and farmers - all players being involved in the innovative process of specific technologies, but also of political reform or poverty reduction in rural areas.

Romanian entrepreneurs followed these trends in South - Eastern Europe (Păuna, 2013), of economic clustering - clustering in general and in agriculture - in particular. Thus, we present below the list of Romanian clusters (labeled by European Secretariat for Cluster Analysis – ESCA) from agriculture, which contributes to the improvement of the local development but also to create preconditions for implementing innovative systems in agriculture: Agro Transylvania Cluster Cluj (Silver Label), Ind Agro Pol Bucuresti (Silver Label), Agro food Regional Cluster Covasna (Bronze Label), Agropro Oltenia Cluster (Bronze Label), Cluster International agro-food (Bronze Label), Ind Agro Vest Arad (Bronze Label), Agro-food Tara Barsei Brasov, Aliment Transilvania Cluster Alba Iulia, Agro Cluster Tinutul Neamtului Piatra Neamt, Bio Danubius Cluster Tulcea, Gusturi Transilvane Cluster Cluj.

Conclusions

According to the economic literature and to the projects results, already described, we can talk about a new phase of collaboration in agricultural field, that means - specific collaborations within and across sectors: input industries, farmers, traders, food companies, retailers. The new ideas come true due to collective activities in the framework of companies, even if invention or innovative ideas may be an individual activity.

As active member in the projects previously mentioned the author of this paper can confirm the huge impact of interfirm collaborations on boosting the innovative milieus in South-East European Region as well in industry as in agriculture.

The cluster mapping exercise begun during ADC Project and continued in ClusterPoliSEE Project argues that there is a strong relationship between "Innovative Milieux" and sustainable development of agriculture. The quantitative and qualitative analysis conducted in representative groups of the stakeholders from South-East European countries in the strategic sector of agrofood highlighted the mechanism and its specificity for creating an innovative system.

The processed questionnaires sent to representative stakeholders from the mentioned projects have revealed the conclusion that their companies intend to increase their collaborative efforts with private and public companies / organizations from adjacent sectors and also up or down the value chain.

Collaboration can take many forms. One of the pilot actions, coordinated by the author of this paper, in the framework of ClusterPoliSEE Project illustrated some collaboration strategies for addressing the increased volatility and complexity of the agribusiness value chain, applied to all its stages. The foresight exercise made by this occasion proved some of the collaboration advantages: greater visibility along the supply value chain; greater security of involved partners; possibilities of costs reducing; promotion of new skills, resources and innovation.

Taking into consideration the future challenges related to population growth, climate changes, economic, political and societal transformations the agribusiness has the chance to remain a major and attractive economic sector which has to be sustained continuously by an innovative approach.

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Millennials, Peer-to-Peer Accommodation and the Hotel Industry

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Abstract

Today’s world market is a buyer’s market and the new customers, the millennials, are thought to be distinctively different than others. Technologically comfortable, the most educated generation ever, multitaskers, and strongly influenced by friends and peers, millennials have a different buying behaviour and other expectations from service providers. Thus, companies from the hospitality industry and policymakers face a number of challenges in trying to meet their (future) demands. At the same time, the “sharing economy” has led to the rise of the peer-to-peer accommodation sector and to a new business model (Airbnb).

The aim of this paper is to present these challenges for the hotel industry, because there has not been significant research concerning the trends and changes this new generation / new business model will bring to the hospitality industry. Finally, it suggests how hoteliers could adapt to these new expectations and proposes several questions for future research.

Key words: generation Y, millennials, peer-to-peer accommodation, Airbnb, secondary data

J.E.L. classification: L83

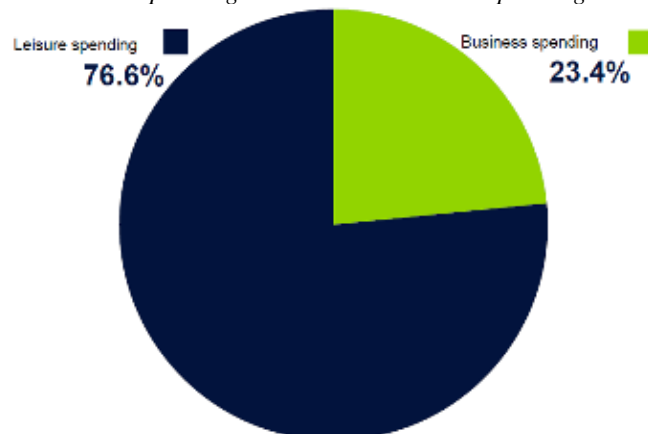
1. Introduction

Tourism is an important sector worldwide. In fact, **in 2015**, the **direct contribution of travel and tourism to the world GDP** was USD 2,229.8 billion (3.0% of total GDP), while its **total contribution** rose to 9.8% (USD 7.2 trillion), providing 1 in 11 jobs on the planet (WTTC, 2016a). As regards the money spent by foreign visitors to a country, USD 1,308.9 billion were spent globally last year.

Leisure travel spending (inbound and domestic) generated 76.6% of direct travel and tourism GDP (USD 3,621.9 billion) compared with 23.4% for **business travel spending** (USD 1,106.9 billion) (fig. 1).

Figure no. 1. Worldwide travel and tourism’s contribution to GDP:

Leisure travel spending versus business travel spending in 2015



Source: (World Travel & Tourism Council – WTTC, 2016a, p. 6)

Furthermore, *domestic travel spending* generated 72.3% of direct travel and tourism GDP compared with 27.7% for *foreign visitor spending* (WTTC, 2016a).

Thus, it is obvious that tourism plays an important role in generating earnings, creating jobs and contributing to tax revenues. But, given the recent safety and security concerns, the rise of peer-to-peer accommodation sector (Airbnb, couch surfing, home exchanges) as well as the characteristics of the new generations (especially millennials), one might ask him-/herself about the future perspectives of this sector.

2. Tourism and the new generation

Tourism is characterized by multigenerational visitors as well as a multigenerational workforce. This is relevant because it is thought that generational cohorts share common values, attitudes and behaviours. Although the analysis of cohort effects is not new, it is thought that generation Y is distinctively different than the previous ones.

Generation Y or *millennials* are young people born roughly between 1980 and the mid-2000s. They are now reaching adulthood, which means that, on one hand, they enter the workforce and, on the other hand, they represent the new visitors/ travellers.

According to Euromonitor International (2015, p.19), *millennials are savvy shoppers*. "They have grown up on free services, games and social networking, are buying fewer cars and homes, and are using their comfort with technology to locate best prices and learn about trends".

Benckendorff Pierre, Moscardo Gianna and Pendergast Donna (2010, p.5) characterize millennials as "a hero generation, with a focus on brands, friends, fun and digital culture; confident, relaxed, conservative and the most educated generation ever. For them safety is very important, they value teams and collaboration, are multitaskers, strongly influenced by friends and peers".

As regards *their behaviour as visitors/travellers*, a study by the World Youth Student and Educational Travel Confederation (in Benckendorff, Moscardo, Pendergast, 2010, p.11), conducted on 8500 millennial travellers, revealed that "they are travelling more often, book more over the internet and usually spend more on travel, are avid of information and experiences as well as willing to explore more destinations". These findings are confirmed also by G Brief (2016), according to which millennials travel 4.7 times per year for business and 4.2 times per year for leisure, which is more often than other generations.

At the same time, they *want to gain value from their travel*, either by saving money or by learning something new. Thus, millennials check on average 10 sources before travel purchases and might choose instead of hotel rooms cheaper accommodations such as those offered by *World Wide Opportunities on Organic Farms* (lodging with labour exchange) or the stay for free couch surfing (G Brief, 2016; Lee, 2013).

However, the most recent study conducted by Kressmann Jeremy and the Skift Team (2016) informs that *millennials prioritise travel and experiences over other purchases*, spending more on travel than on other items. As for the already know fact that they *rely on social media and user-generated content* when making a (travel) decision, conforming to this study this behaviour is driven by "the human connections and personal storytelling that social media helps facilitate" (Kressmann, Skift, 2016). This might explain millennials option for a *travel agent*.

Why are all these details important and why should one try to understand millennials' needs as accurate as possible? Because this age group represents a huge opportunity for the industry, with a worldwide millennial travel spending of US\$ 200-300 billion annually (Kressmann, Skift, 2016).

In this context, the companies in this field might succeed in attracting millennial travellers if they *facilitate relationship building, help them connect with locals and tell their stories in social media*, respectively by offering *flexible loyalty programs with instant gratification* (Adventure Travel News, 2014). Also, companies should make sure they *provide accurate, easily accessible information on their mobile-optimized websites* (otherwise millennials will search for it on Google or TripAdvisor, content which is not under their control), *real-time information / photos* and *monitor their social media presence* (Lee, 2013).

3. The rise of peer-to-peer accommodation sector

The travel industry includes hotels, motels and other types of accommodation; restaurants and other food services; transportation services and facilities; amusements, attractions, and other leisure facilities; gift shops and a large number of other enterprises (Theobald, 2005, p.7).

Of these, the **new accommodation concepts** include **hostels, Airbnb, couch surfing¹** and **home exchanges**. Besides their low cost, Airbnb, couch surfing and home exchanges allow travellers to "feel at home", to have an authentic travel experience. Although there are a lot of such accommodation websites (casaparticularcuba.org, couchsurfing.com, homeexchange.com, homestay.com, lovehomeswap.com and others), lately Airbnb caught a lot of attention.

Airbnb is an accommodations-booking platform, a peer-to-peer marketplace where people can list, find and rent unique accommodations around the world. It has 2 million listings worldwide (in more than 34,000 cities and 191 countries). The listings vary widely, ranging from a living room to castles and lighthouses, but typically involve a private room or an entire apartment or house (airbnb.com).

Founded in August 2008, Airbnb has experienced a rapid growth over the years (fig. 2). By now, more than 60 million people used this service (airbnb.com).

Figure no. 2. Airbnb's evolution between 2008 and 2012, worldwide



Source: (own graph based on data from Guttentag, 2015, p.1198)

However, Airbnb's future growth is threatened by **legal issues**: many cities prohibit short-term renting without special permits, which makes Airbnb accommodation illegal; also guests can generally avoid paying the taxes that are typically charged in the traditional accommodation sector (for more details see Guttentag, 2015 as this subject is beyond the aim of this paper).

In terms of **user demographics**, the available information is limited. Still, according to Airbnb (in Guttentag, 2015, p.1193), "**40% of its guests are American, while the majority of the rest are Europeans. On average they are 35 years old**".

As for **trust**, respectively people's concerns about hosting a stranger or sleeping in a stranger's home, Airbnb allows hosts and guests to post public reviews about one another. Moreover, each user has a profile (which can be linked with the Facebook or LinkedIn account) and is able to communicate directly with a host or a guest.

With respect to Airbnb's evolution, some assumed that it was driven by the fact that millennials are open-minded and embrace the "sharing economy". However, as reported by Skift's (2015) "*Travel Habits of Millennials*" study, Airbnb was the least-used of all accommodations options by American millennials (3.7%). Of these, male, older, suburban millennials preferred the Airbnb-type accommodations.

Airbnb declined Skift's statement that not many millennials stay at Airbnb (Skift, 2016). Thus, in terms of the drivers which influence the choice of this type of accommodation, **the opportunity to immerse in the local culture / to live like a local** seems to be a strong motivator, given millennials' interest in experiences and their willingness to explore the destination.

¹ Couch surfing means staying the night at the home of another person (friend or stranger), for free, sleeping in whatever spare space is available (floor, couch).

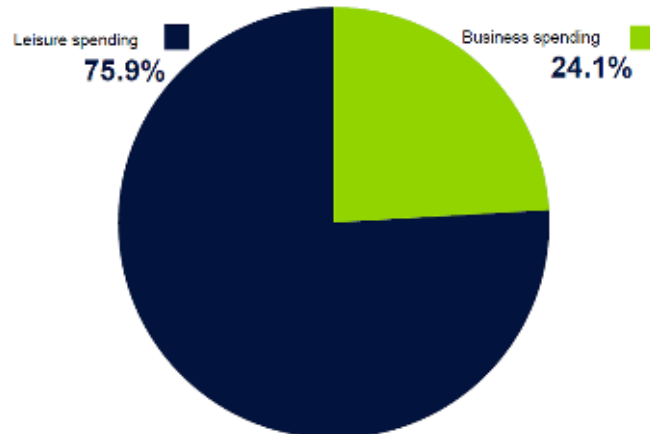
4. Romania, millennials and Airbnb – short overview

Last year, in Romania the **direct contribution of travel and tourism to GDP** was *RON 9.3 billion (1.3% of total GDP)*, while its **total contribution** was *RON 35.6 billion (5.1% of GDP)* (WTTC, 2016b). Both of them are expected to rise in the following years. As regards *the money spent by foreign visitors*, *RON 8.4 billion* were spent in 2015.

Leisure travel spending (inbound and domestic) generated **75.9%** of direct travel and tourism GDP (RON 16.3 billion) compared with **24.1%** for **business travel spending** (RON 5.2 billion) (fig. 3).

Figure no. 3. Travel and tourism's contribution to GDP in Romania:

Leisure travel spending versus business travel spending in 2015



Source: (World Travel & Tourism Council – WTTC, 2016b, p. 6)

Furthermore, **domestic travel spending** generated **60.8%** of direct travel and tourism GDP compared with **39.2%** for **foreign visitor spending** (WTTC, 2016b).

As regards **millennials**, there were **5.35 million** people aged between 16 and 36 years old (out of 19.87 million inhabitants) in 2015 (INSE, 2016a). This means approximately a quarter of the total population (27%).

In terms of **Airbnb's listings**, there are **300+** listings in Romania (airbnb.com), compared with 6,821 accommodation units (INSE, 2016b). Sadly, there is a **lack of data** about how many people used this platform, about its evolution in Romania, and so on. The only available numbers are those published by a Romanian newspaper, according to which approximately 27,000 people worldwide used Airbnb to accommodate in a Romanian-based apartment or villa last year (Nita, 2015). However, given Airbnb's rapid growth worldwide it is worth studying its evolution in Romania, as well as its economic impact, which calls for future research.

5. Discussion and conclusions

The sharing economy is growing, representing convenience, innovation, and community. As for the magnitude of its economic impacts, Zervas Georgios, Proserpio Davide and Byers John (2016) are among the first to provide empirical evidence that the sharing economy is significantly changing consumption patterns.

Thus, one might be concerned about Airbnb's impact on the hotel industry. *Is this peer-to-peer marketplace an alternative for those who usually book accommodation in hotels? What type of travellers are attracted to Airbnb? Is it appropriate just for leisure or even business travellers might use it?*

These are all questions without an answer right now because of the **lack of data**. Still, it seems that Airbnb and hotels are targeting different segments. Apparently **Airbnb** is **a good option for younger travellers** (which could use their comfort with technology in order to find the best offers; also the host-guest messaging requires usually more time and effort in order to book Airbnb accommodation compared with booking a hotel room) **or for those who are looking for cheap accommodation** (since most listings have kitchens and washing machines, the guests might save

money if they cook their own food or if they wash their clothes instead of using a laundry service). This opinion is shared also by Guttentag (2015, p.1205), who considers that “*Airbnb only appeals to a niche market, it operates in parallel with the traditional accommodation sector, and its size will never be great enough to impact traditional accommodation providers. [...] It suits young, technologically comfortable, adventurous, and budget-conscious tourists*”. Yet, Guttentag thinks that ***Airbnb might affect hostels and bed & breakfast accommodation***, as their markets may overlap considerably.

To sum up, ***future research*** is needed in order to find answers to ***questions*** such as: *Which attributes (price, location, amenities, pictures of the apartment, reviews) influence the choice for a particular Airbnb accommodation? How does Airbnb impact destinations’ tourism economies? What is the level of awareness and concern with Airbnb within the hotel industry?*

As for ***millennials*** and the challenges hoteliers are facing in order to meet their needs, it is important to keep in mind that millennials ***are unafraid of trying new products and utilizing new ways of booking***. Along these lines, Starwood’s Aloft brand and Marriott’s MOXY hotels seem to have understood this generation’s needs and behaviour, which might increase their profitability. To conclude, ***hotels should provide low prices, free Wi-Fi, a lobby which enables socialization and smart technology***.

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Dentist-Patient Relationship

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Abstract

What was highlighted were the impact of communication through the internet and its utilization in improving the physician-patient relationship, the results of the realized research in the field being divided, because of the consideration that using internet-based communication has positive aspects by raising the level of trust, but also negative aspects by impacting interpersonal, nonverbal communication.

Several aspects related to the psycho-dynamic model of the physician-patient have been highlighted, which are represented by problematics given by the real relation, treatment alliance and transfer.

In the dentist-patient relationship confidence comes from the assurance that personal information (belonging to the patient) will remain confidential; this is in the interest of the patient and the patient's autonomy is recognized. There were presented several behavioral types which can lead to a physician-patient relationship, based on trust.

Key words: communication, trust, confidentiality

J.E.L. classification: I120

1. Introduction

The medic-patient relationship represents the base of a medical service in which medics, medical personnel, medical institutions and the patient are involved, being the central object of medical practice.

The doctor-patient relationship in general and the dentist-patient relationship in particular is based on a sustained, open and reliable dialogue, as well as on an exchange of information and knowledge. (Roter, 2000)

The evolution of society requires physicians and patients alike to adapt to the new requirements, mustn't influence negatively the medic-patient relationship.

This paper present particular aspects of the medic-patient relationship, extracted from specialty literature about the impact of communication and the technological development of communication in regards to the medic-patient relationship and the short analysis from a from a psycho-dynamic p.o.v. of the medic-patient relationship. These aspects which make the focal point of the studies are important in accurately determining the physician-patient relationship and reconsidering the problematic raised by this relationship.

This paper is aiming to realize the following objectives: to highlight the impact of internet-based communication on the medic-patient relationship; presenting the positive utilization of the patient's access to information via the internet; highlighting the aspects of the psycho-dynamic model of the medic-patient relationship; the presentation of certain types of behavior which can lead to the constitution of a medic-patient relationship based on trust.

2. The impact of communication and the technical development of communication in the medic-patient relationship

Communication and communication technology provide information channels for both patients and dentists. Examples of this type include: websites, e-mail communication, computerized management systems, electronic records containing material about oral health, digital images. (Schleyer, et al., 2003)

The quick access to information, and also the beliefs or confidence in the value of such information sent via the internet affect the doctor-patient relationship tremendously. Some dentists are concerned about patients presenting information found through the Internet, while other dentists embrace the role of the internet providing health information and links to their preferred sources of information on health, through their own websites.

Featuring a high level of access to information, patients are more involved; thus, they actively participate in their health care. The access to information about a whole-range of treatment options is useful because it allows the patient to work with the dentist to decide on treatment. (Reents, 1999)

Communication via e-mail can be an important way to build a positive doctor-patient relationship. Communication, personal knowledge and confidence can be influenced in a positive way by using internet-based applications. (Anderson, Rainey and Eysenbach, 2003)

Despite the growing popularity and the use of Internet-based applications on a large scale, some doctors and researchers believe that communicating by e-mail may not have a positive impact on the doctor-patient relationship. Moreover, they believe that this type of communication affects interpersonal nonverbal communication which is essential in establishing a therapeutic relationship based on trust. (Baur, 2000) Other clinicians believe the opposite and see electronic communication as a positive trend that improves the doctor-patient relationship. (Sandz, 1999)

Another growing use of the Internet in building the dentist-patient relationship is the Website of the dental office. Typically, these websites provide general information about the dentist, the medical staff, dental practice, dental health information and links to other websites relevant in terms of health.

When a website includes relevant information about the dentist and how the therapeutic practice is performed, a patient can determine whether his/her own values and preferences match those of the dentist. This initial "communication" can lay the foundation for the doctor-patient relationship by providing a sense of trust and common values. (Reents, 1999)

Providing patients with direct access via the Internet to their own archives related to dental health can improve the patient-dentist relationship. This reduces the asymmetry between power and knowledge, allowing the patients to feel themselves under more control, leading them to more confidence; this increases the level of trust in the dentist-patient relationship.

Studies have shown that when the patient is given access to his/her archive, s/he finds it easier to talk to their doctor (Elbourne, et al., 1987), (Ross and Lin, 2003), thus, "useful discussions" being facilitated. (Stevens, Stagg and Mackay, 1977)

Informatics in the dental field represents the application of computer technology and information science for improving dental practice, research, education and management. As such, it is based on a range of disciplines, including cognitive sciences, psychology, decision science, human engineering factors and mathematics. (Schleyer, et al., 2003)

3. Psycho-dynamic aspects of the medic-patient relationship

From a psycho-dynamic perspective, dental health is the effort of two persons, namely the dentist's work with the patient and the patient's ability to accept the treatment proposed and offered by a dentist.

The dentist-patient relationship requires the health professional to remain flexible, to be able, if necessary, to make adjustments regarding treatment plans and thus maximizing the equal status while minimizing the potential disruptions in this relationship.

There are three aspects of the psycho-dynamic model to be highlighted. These are as follows:

1. Real relationship;
2. Alliance in treatment;

3. Transfer. (Greenson, 1989)

The real relationship is an equal and unique relationship between two adults, an authentic and realistic interaction in which the uniqueness of the dentist is complemented by the uniqueness of the patient. The interaction between dentist and patient has, therefore, a distinction that belongs only to that particular patient who interacts with that particular dentist.

In the adult-adult relationship of equality, the dentist will be chosen by the patient for his/her clinical skills and attributes. The real relationship, in this respect, will remain unaffected by anxiety or concerns the patient may have about the dental treatment.

Alliance in treatment is an equality relationship between two adults, and not just an evolution of the real relationship, being affected by patient's anxiety and worries regarding the acceptance of dental treatment.

For the first time, in the doctor-patient relationship, the patient's concerns and anxiety about the dental treatment seem to merge with the dentist's skills to manage the patient and with the clinical skills of the dentist.

Studies suggest that there are certain barriers that prevent compliance with these principles. These barriers are: dental phobia, dental treatment costs, etc.; they can distort the relationship between dentist and patient.

The intensity of anxiety, for example, may make it impossible for the patient to depend on the ability of the dentist, so the patient is unable to accept or use the treatment provided by the dentist.

The transfer evolves over time; it is not an interaction between adults, but it represents the past, being a repetition of previous major emotional relationships that are unjustifiably imposed by the patient to the dentist. This is very important especially in the management of patients who are anxious about dental treatment since for them their previous dental experiences are lived once more as taking place "here and now". (Freeman, 1999)

In literature, Szasz and Hollender describe the relationship between dentist and patient as a relationship in which the dentist acts as a caring parent, and the patient as a child to be taken care of. (Szasz and Hollender, 1956)

The patient's participation reflects the actual relationship and the alliance in treatment. The patient participates due to the care taken by the dentist. The fact that the patient was able to use the care provided by the dentist through participation illustrates that the alliance in treatment is operative.

Observations of the dental treatments revealed that the patient is passive and the dentist is active. This is natural. In order for the dental treatment to be possible, the patient's passivity and the dentist's activity are needed.

Another model that can be used to characterize the physician-patient relationship from a psychodynamic perspective is the mutual participation model. This is explained by the fact that two adults work together for common goals in dental health. Through this model can be described the negotiation of the objectives for maintaining dental health, thus suggesting that preventive dental care requires the effort of two adults (dentist and patient).

Through this expression of mutual participation, the dentist, by recognizing the capacity of transfer and the patient's desire to be cared of is acting to strengthen the alliances in treatment. This can be done by encouraging the patient to be active and to use the exchange of information, helping him to participate and allowing him to take the responsibility, therefore, to be more responsible regarding their dental health. In order to help the patient, in this regard, the dentist must be both active (provider of information, advice) and passive (listen to the patient) and capable of carrying out adjustments to maintain the alliance in treatment.

Dental assistance recognizes the role in a dynamic framework of the real relationship, alliance in treatment and transfer. (Freeman, 1999)

4. Behavioral types which lead to constituting a medic-patient relationship based on trust

Some researchers have investigated what constitutes the personality of a typical dentist and his/her structural value; one of the models found is the way the dentist tends to show a preference for concrete more than theory, granting advantage to practice and objectives. In other words, the dentist places a greater emphasis on the practice of his profession. (Chambers, 2001)

In the dentist-patient relationship, confidence comes from the assurance that personal information (belonging to the patient) will remain confidential; this is in the interest of the patient and the patient's autonomy is recognized. (Epstein, 2003) Patients who experience a high degree of confidence in the dentist's integrity present a much higher probability in assuming a more passive role in deciding on a treatment plan, while the lack of confidence of other patients compels them to want a more active role in making decisions about the treatment plan. (Chapple, et al., 2003)

To instill a greater degree of trust in the patient and improve the patient-dentist relationship dynamics there are many elements that must be taken into account. For a consultation based on mutual trust and communication, both sides need to understand and accept each other's needs and requirements for equal roles in the whole process.

To ensure a successful relationship with the patient and continuity in the treatment process, the dentist should focus on building a strong sense of trust that pervades all aspects of the dentist-patient interaction. (Jacquot, 2005)

5. Conclusions:

1. The patient's access to information regarding health issues via the internet is further involving the patient, making him very active.
2. Utilizing the various sites can act as a cornerstone for the medic-patient relationship.
3. Dental informatics is used in order to improve dental practice, research and the patient's education.
4. From a psycho-dynamic p.o.v., the medic-patient relationship (the real relation) is not affected by the patient's anxiety because it's an equal and unique relationship between two adults – the patient choosing the medic for his abilities and clinical attributes.
5. The understanding and reciprocal acceptance of mutual needs are necessary in order to constitute a consultation based on trust and mutual trust.

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The Influence of Leadership in Organizations

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Abstract

If we consider the role that power has in social life we see it as an attribute which cannot exist outside of organized human activity . As a fundamental social phenomenon, power organizes and regulates social life, sets the goals of human activity and the means to achieve the strategy to act accordingly. Thus, it improves and enhance human energy through organized social actions. Power imposes social order, which in turn generates power: it is the expression of the direct relationship between the two elements. The aim of this study is to identify the types of behavior that a leader can have and to identify and analyze the types of leaders . For research work, has been used an questionnaire with 15 items which was administered to a group of 60 people, in various management positions, employed at different state institutions . Results showed that Analysis of problems facing the organization , giving the necessary respect to each person in the organization contribute to the success of all tasks .

Keywords: power, influence, organization, leadership, management

J.E.L. classification: A14, D01, D22

1. Introduction

Power in its most general meaning *is the means by which society regulates and adjusts itself and ensure its normal operation*. Power is what moves the entire social “gear” along it is historical progress, it is the driving force by which the social development, based on a certain order, is achieved.

2.Features of power as a Social phenomenon

Power in its most general sense, i.e. *social power*, is the means by which society adjusts itself and provides an overall conduct of all human activities on the line of historical progress. Broadly speaking, social power, manifested by our nonpolitical decisions, in certain human communities, does not affect the essential, global condition of society although it expresses the social act of leadership, resulting in allegiance, subordination, acceptance or refusal, which can often create tensions. Decision of social power implies only marginally some specific areas of social or community reality. The exercise of power is based on the knowledge of reality, on a particular system of values, on support from the citizens who accept it, on rewards for its supporters, on legitimacy, and the use of coercion.

Power as a social relation. Social power is invariably the existence of specific social relation (usually *subordination*, from leaders to those who are lead, but also cooperation to achieve common goals) among people or groups of people, characteristic of any community, regardless of its size (family, tribe, people, nation), both nationally and internationally. Among members of any large social groups, organized and layered in a complex way, there exist different types of relationships, based on different interests (power , solidarity, cooperation, conflict, etc.), of which power is the most important.

It is necessary, first, to point out that there is an obvious link between any type of social organization and certain forms of power; the *exercise of power is the central dynamic in the process of social organization*. (Măgurean, V. 1997, pp. 62). At the same time, it should be noted that power does not characterize all types of social relationships. A significant example is that of groups linked by common concerns, formed spontaneously, and without strict rules, arisen to meet spiritual needs, or of any other type, centrally organized and managed, which do not exercise external constraints over their members, outside their will.

Therefore, in "*Studies of political sociology*" Virgil Măgureanu (1997) shows that power, as social relationship is present in permanent human groups, be them large or small, based on hierarchies and distinct long-term interests, with specific ways of organization, registered in rituals or laws, where any form of activity is not the result of spontaneous or occasional beliefs, but rather directed by individuals or groups, and executed by other people and groups, even if the latter do not always want this, being tempted to resist (Măgurean, V. 1997, pp. 62).

In its general meaning, power is a form of social relation, whose mechanisms are similar in different institutions, such as the state, the economic organization, the political party, trade union, church or family. Organization and management of social life. Power is a matter of importance in the organization, management and regulation of social life. It sets goals to any human activity, means to achieve these goals, as well as strategies according to which one should act, and also ensure human energy improvement through organized social actions. In this way, power is the one that sets the social order, which, in its turn generates the power phenomenon.

Essentiality and permanence. These features show that power is an *essential and permanent* element, of high importance, with a long-lasting character, in what social relations are concerned, which ensure the normal functioning of society.

Globality. Power has, among other things, the quality of a comprehensive and integrated factor that directs and integrates all other management and organizational social activities. *Synthesizing social values.* The values promoted by power represent the sum of other social values manifested at the social level, which reflect the interests of social majority based on general reasons, without leaving apart those related to historical, moral or cultural tradition.

Organization is the main way by which people satisfy their needs and achieve their goals in society, it is the main structure through which society achieves its economic function for production and distribution of goods. In terms of *terminology* or comprehension the term "organization" is associated to that of "institution". The term "institution" has two meanings, one with higher degree of abstraction and the other one located on the same level of generality with "organization". The first meaning is that of social institution, meaning those, relatively stable, structures of statuses and roles meant to satisfy certain needs of people in society and the fulfillment of social functions, such as pluralism, democracy, family, marriage, etc. The latter meaning, and most used, is that of a public institution aiming those non-productive organizations, based on the restrictions provided by the state or community; they pursue administrative or educational purposes for people. Viewed through the general systems theory any organization can be considered as an open, adaptive social system, with various degrees of permeability to environmental influences, a dynamic system whose evolution and viability are determined by the changes that occur within the system, in its relations with the environment, a complex, a probabilistic and relatively stable component representing a sum of articulated links, subjected to disturbing factors, but at the same time able to maintain operation within limits that define the manner of behavior. As a self-regulating system, the organization acts in accordance with a set of rules and values that self-regulate, based on several factors. These include: human elements interacting mutually; transformative action; the fact that the organization has the freedom to choose the means and ways of action, as well as how to formulate future goals, thus proving flexibility; people's variable activity which is closely related to motivation and persuasion, satisfaction and moral status, to complex behavior, communication and information systems, and models adopted through the decision and performance process. Some authors argue that (Filip, F.G, Dragomirescu H., 2001, pp.237-254) regardless of computer science technologies, more or less sophisticated, which organizations, as complex human social systems, use - have always been determined by knowledge, at least at the level of individual behavior of their members; they realize, to a certain extent what the relationship between goals, means and results, as well as those

between the organization and its ambience are. Not a single organization operates outside all these. Any organization acts in certain specific circumstances offered by the surrounding environment, its activity being influenced by forces and factors that make up the respective environment.

Conformity. When talking about conformism psycho- sociologists make reference to people's tendency to change their perceptions, opinions and behaviour so as not contravene the rules and patterns of the group. Thinking about this definition, do you consider yourself a conformist or nonconformist person? Have you ever felt the urge to imitate others? At first glance, you are tempted to deny any tendency of conformism, asserting your individuality. Any individual's personality is important in terms of conformism because of traits that favor a certain predisposition towards conformism, while other traits characterize a non -conformist profile. People who lack self confidence, or people who have suffered repeated failures have a more pronounced tendency towards conformism; an explanation would be that they have a greater need for social recognition and security .

Experimental social psychology laid more emphasis on conformity of movement, named like this as it means moving (change) that occurs in an individual's behavior from their position towards the source of influence. The first experimental studies have shown that the presence of other individuals influence the way of reaction and thinking of the people they come in contact with; these studies were conducted by psychologist M. Sherif, in 1936. 20 years later (1951), Solomon Asch demonstrated that supporting those judgements which are in disagreement with reality leads people to abandon their own judgment and adhere to collective thinking. Such an influence of a majority is seen and felt only when this is really evident. In reality it is a gap between people's public behavior and private, or unexpressed behavior (Boncu, Ş., 2002, pp. 134).

This gap has been the subject of research that highlighted the existence of different levels of social influence. (Leon Festinger Davidson, M.J.; Bruke, R. 1994) is the one who revealed the conditions that differentiate public conformity from private conformity. In his opinion, the attraction that an individual shows towards a certain group is the same with the extent to which he is influenced by the group. The more attracted the individual is to the group, the more significant the change in his attitudes will be. This effect is conditioned by the desire of a person to maintain a good relationship with the group members. If we understand that people often become weak under pressure conditions we understand, as a first step, what social influence is. A second step is to identify situational and personal factors which make people comply. People tend to swim down the stream when social pressure is increased, and they do not really know how to behave. What gives rise to these feelings of pressure and uncertainty are the following factors: group size, awareness of the rules, the presence of an ally, and personal characteristics of each individual (Marica, S., 2008. Pp. 111-112). Conformity is the predisposition of people to change their views and behavior, so that they are in compliance with the requirements of the group, or authority. Non-conformism is the lack of conformity. Acceptance and promotion of rules and values of a group, by its members, increase the unity and efficiency of the group in achieving goals. On the other hand, it is possible that the exclusion of individuals who share different opinions from other majority or leader may not be beneficial, even for the group itself. Thus creativity, or those elements that can provide solutions in official situations of a group do not appear any longer. Sometimes the values promoted by non-conformists may be correct, some other times they may not be (Bass, B. M., Avolio, B. J., Jung, D. I., & Berson, Y. (2003).

3. Research instruments and participants in the study

The aim of this study is to identify the types of behavior that a leader can have and to identify and analyze the types of leaders .

For the study, a questionnaire with 15 items was devised, with closed options (never , almost never, sometimes, often , almost always), which was administered to a group of 60 people, in various management positions, employed at different state institutions .

4.Data analysis and processing

Analysis and processing of the results was performed individually on each item, taking into account the frequencies of responses .

I encourage my team to participate in making decisions and try to take into account their ideas and suggestions. Facilitating leaders earn people's dedication in achieving the goals of the group, team, or organization, involving them in decisions that affect their daily activity. 50 % of people surveyed believe that, in a team, they often take into account (e) all of the opinions and suggestions of those involved. Nothing is more important than achieving a goal or a task. Managing people in an organization (i.e. leadership) contributes to their influencing so that they meet the goals of the organization to which they belong. For this reason, the leaders participating in the study considered (86%) that to achieve a goal or accomplish a task are very important goals within the organization. In any organization, leading people means necessarily following the leader; people tend to follow those leaders who offer them the opportunity to meet their own needs, aspirations and desires.I like to help people on new tasks and procedures.

To get people to follow you as a leader involves motivation, leadership style, getting close to people and communicate with them. Analyzing responses to this question, there is a link with the previous question, in the sense that, to achieve the fulfillment of an aim it is important to help people with their new tasks and procedures (selected variants were, meaning frequently, and almost always. When watching a complex activity in progress, make sure every detail is taken into account. Moreover, the coordination of complex activities requires an extensive supervision, every detail being important (f) almost always); this is the response of 74% of respondents. A comprehensive surveillance and coordination favors the leader, since he can carry out more complicated tasks simultaneously (e) frequently- 38 % , (f) almost always 38%). I supervise a complex activity in progress I make sure that every detail is taken into account.Coordination of a complex activity requires a keen supervision , each detail being important (f. Almost always); this was the answer of 74% of the respondents. A complex supervision and a good coordination favours the leader, thus being able to carry out successfully more complicated tasks at the same time (e. frequently, 38%, f. almost always, 38%). I like to read articles, books and publications on training, leadership and psychology and try to put into practice what I read.Documentation in the speciality literature is required for accumulation of information necessary for the proper conduct of professional activities, 58% of respondents frequently do documentation work (e- frequently) in books about training , leadership, including psychology. I love to explain the ins and outs of complex projects or tasks to the employees.Although most interviewed leaders stated that they help employees with new tasks and projects , there is a reluctance on their part regarding certain details of projects or more complex tasks .Nothing is more important than having a performant team .Most respondents (50 %) believe that the formation of a competent team is a guaranteed success.

5.Conclusions

Interpreting the results of this we have found that here there are leaders who, in most cases, accept the solutions proposed by the sometimes leaving the team to make decisions. Effective leaders motivate others to come up with ideas; these are collaborative leaders, and they tend to bring their own ideas but at the same time make use of the team's contribution. They are interested in achieving the main objective, and in maintaining good relationships with the members of the team; these are the authoritarian (controlling) leaders. There are some benefits to the authoritarian style, but in a continually changing environment that requires adaptation and support of the people this style may send them away of the intended objective.

Directions to improve the understanding of complex situations are the reality and the adoption of best style of leadership. 30 % of respondents answered that they are flexible persons, they use, in most cases, the solutions proposed by the, many times leaving the team decide, they can easily motivate others in coming up with ideas; we must not forget that there are situations when the team needs to have more authoritarian, collaborative leaders, especially when they are directly involved in making a decision or when they have the best technical expertise of all team members.

10 % of respondents answered that they are authoritarian; the benefits of this style exist, but in a continually changing environment that requires adaptation and support of the people; this style can lead them away from the intended aim.

Sometimes they think that the whole responsibility fall on their shoulders. In some cases the other two leadership styles: collaborative or facilitative can bring them closer to through the people they lead. An example can be that in which leaders need ideas and solutions from the experts of the team or the people who know better the sales in territory.

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The Social Impact of Economic Downturn Quantitative Media Analysis on Theft Offenses Committed by Women

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Abstract

When it comes to side effects, in each country a recession period is usually followed by economic and social decline. Depending on the area in which it manifests, this decline gets a unique specificity and it affects the most the vulnerable members of the society. A scanty economy would negatively stimulate the poor members of the society just as much as "bad" society would affect the level of a state's economy. These influences are interdependent and they are creating a vicious circle.

The state of crisis is generating exceptional circumstances in which members of society, with certain idiosyncrasies, gets uncharacteristic traits. That is why such a category includes representatives of the female gender, who's public image is exceptionally associated to the offender's quality.

In order to grasp the peculiarities of this specific category, a media analysis of the phenomenon, was considered useful.

Key words: social impact, economic downturn, theft, media analysis, women.

J.E.L.: J10

1. Introduction

Generally speaking a media analysis should cover topics of interest and describe how these are captured and reported by the media and afterwards presented to the public (Berelson, 1988).

Especially when it comes to the press it is very important what kind of messages are submitted and what kind of messages are being neglected, because depending on how the specific topics are addressed, the risk that appears is to create a distorted perception. In this context the question that arises is how many of these messages are erroneous? And when it comes to women's antisocial behavior, how is that phenomenon viewed by the public, through the "lens" of the press? Are there contexts, such as a poor economy, in which, attenuate circumstances are granted to this kind of behavior? The present study aims to answer these questions and to bring a touch of objectivity to the matter, by quantitatively analyzing media's publicistic output (Wimmer, Dominick, 2010).

Following the specific steps of a media analysis by using as a searching term a phase resulting from joining the words "theft" and "women", in order to cover the field of analysis, we targeted the electronic editions of four national newspapers: Adevărul, Evenimentul Zilei, Jurnalul Național, România Liberă. These journals were selected by referring to the Audit Runs Section (Kent, 1994), on the website of the Romanian Audit Bureau Transmedia (BRAT) using the following criteria:

- the level of the publication – were chosen papers that address general topics,
- for the coverage of topics and dissemination publication - national newspapers were selected,
- the periodicity criterion - took into account that, given the topics of interest, the daily newspapers provide the necessary volume and a sufficient semantic corpus.
- other criterion was the newspaper circulation figures (Table no.1)

Table no. 1 Circulation audit for the Newspapers included in the analysis

Publication	Category	Periodicity	Aria	Circulation	Total broadcast
<u>Evenimentul Zilei</u>	General	Daily	National	17.961	12.059
<u>Adevărul</u>	General	Daily	National	14.692	9.076
<u>Romania Liberă</u>	General	Daily	National	14.228	11.346
<u>Jurnalul Național</u>	General	Daily	National	9.605	4.205

Source: www.brat.ro/audit-tiraje/cifre-de-difuzare

2. Quantitative analysis of the selected newspapers

After choosing the newspapers, a specific search was un-winded using the phase "woman theft". This action generated many results, but some of the items were useless and were removed because even though by their title were corresponding to the investigated areas, article's content was not relevant for the research objective, that kind of "error" being possible because the searching terms are common and frequently used by journalists in press articles.

Although the current periodic reference for a press analysis is 6 months, given that the media is not very generous with articles about this social category of women, in order to have the accuracy in interpretations and to obtain significant results, the reference period envisaged for data collection was extended to four years between the period of January 2012 to July 2015. There were also situations in which the searching terms generated reference results previous to the period, which caused their removal from the semantic corpus.

The selected items were processed online in txt documents through the website <http://document.online-convert.com/> in order to be processed.

After documents transformation, each item titles have been extracted and transferred in a separated document and data unrelated to the articles were also eliminated.

In the next phase, the text of each article was copied and transcribed to the site <https://wordcounter.net/> for that the words contained by each one to be numerated.

Another operation aiming quantitative analysis was the labeling of the items (articles) (Neuman, 2011). Each one received a title containing: the gender of the person who wrote that article (M-masculine, F- feminine, N - unknown author), the number of words contained by the article, the section of the newspaper where that article appears and the title under which was published.

Subsequently all the articles were sorted considering the year of publication, the newspaper section where they appear, the searching terms used for selection (accompanied by the results generated by the search) and the publication they were selected from.

For the present study the years of appearance, taken into account for targeted journals, were 2012, 2013, 2014, 2015.

The searching term initially generated a significant number of articles, the total number emphasized by the search was 382 items (figures are presented in the table below), but based on whether the press articles were related or not to the search terms, only the significant articles were selected to be part of the semantic body. That required a rigorous selection having as criteria the importance and representativeness of those items for the main objective of the research and it involved the elimination of more than half of the initial batch of articles. Even after that operation was performed, a significant number of items still remained available in order to carry out media analysis.

Table no. 2 The total number of results generated by searching terms

The number of results generated by searching terms	Evenimentul Zilei	Adevărul	România Liberă	Jurnalul Național	Total
Women theft	-	264	118	-	382

Source: own research

3. Representative items

As it can be seen in the Table. no. 3, after the selection, only **125** articles were correspondent to the searching terms, provided only by two of the journals taken to study, the other two not providing any. It seems that publication such as Evenimentul Zilei and Jurnalul Național, didn't pay attention in the 2012-2015 period to those kind of subjects, most probably not incurring interest for the specifics and the format of the publication. That is why, considering these issues, in the subsequent stages these journals will be eliminated and only the newspapers Adevărul and România Liberă will be kept as source of analysis.

Table no. 3 The number of items representative for searching terms

The number of items representative for searching terms	Evenimentul Zilei	Adevărul	România Liberă	Jurnalul Național	Total
Women theft	-	122	-	3	125

Source: own research

Considering the research recommendations regarding the volume of the semantic body (between 100 and 200 items for each search term), although in some of the years took in account for the present study, we may notice an absence of the subject in the media landscape, correlated with certain time periods, that will be further highlighted, 125 is a sufficient amount of items to formulate pertinent conclusions about the image provided by the media about women thief.

4. Occurrence frequency and comparative analysis of the articles in newspapers

A comparative analysis, by years, was made in order to see the differences in addressing the subject. It followed to observe the occurrence frequency of articles about women thief, related to the year of apparition and the number of the newspaper in the selected journals.

Table no. 4 Comparative analysis - occurrence frequency / year / number of articles in newspapers

Occurrence frequency / Newspaper				
Searching terms	Reference year	Adevărul	Jurnalul Național	Total
Women theft	2012	62	1	63
	2013	27	1	28
	2014	23	1	24
	2015	10	1	11

Source: own research

Even at an empirically level it can be easily noted, that the only newspaper really interested in presenting the phenomenon is Adevărul, Jurnalul Național having only 3 press articles published regarding this subject, in a four years period. What is interesting about this paper is the fact that the number of words used in articles increased from 143 in 2012, to exceeding 600 words in the following years, which means that although the volume was little, the interest in the subject was high.

5. Gender of the persons who wrote the article

Regarding the way that data to be analyzed were systematize, returning to debate issues about the gender of the author, it can be observed that from the total of 125 articles selected after the searching process, the gender distribution looks as presented in the table below.

Table no. 5 Gender of the authors

Number of articles in the press according to gender of the author												
Searching terms	Evenimentul Zilei			Adevărul			România Liberă			Jurnalul Național		
	M	F	N	M	F	N	M	F	N	M	F	N
Women theft				44	48	30				2		1

Source: own research

There are articles written by males, articles written by females and articles by an unknown authors considered as neutral (N) and a summary analysis on the origins of articles, relevant for the searching terms, in the publications included by the study, reveals that the proportion of articles written by males and published during the four years in Adevărul, is 44 articles, to 48 written by females and 30 unsigned (neutral) and Jurnalul Național 5 / F, 5 / F and 6 / N. As it can be seen Adevărul has an almost equal number of articles written by men and women. The articles without specified author, although numerous are not relevant in this quantitative analysis.

6. Number of words used in all the articles

Another criterion used to systematize the data was the number of words used to describe the subject referring to searching terms in the articles (Bryman, 2001). In four years the number of words used, in the written media in order to describe the antisocial behavior of women consisting in theft offences was 25.320 words. The articles published in Adevărul contained between 61 and 667 words, only 13 had under 100 words, the most of them (67 articles) had between 100 and 200 words per written article, 28 articles between 200 and 300 words, 8 between 300 and 400, 3 between 400 and 500 words, 2 between 500 and 600 words and only one with over 600 words.

Table no. 6 Number of words used in all the articles

Number of used words					
Searching terms	Occurrence frequency / Newspaper				
	Evenimentul Zilei	Adevărul	România Liberă	Jurnalul Național	Total
Women theft		23996		1324	25320

Source: own research

. The most majority of the articles (the ones which are containing between 100 and 200 words) are news, short articles where the ideas are briefly communicated as short informative message, without being developed or interpreted (Krippendorff, 1980).

7. The section of the paper

Of very high importance, for the relevance of the research, is the section of the newspaper where the articles using this amount of words were published. As we can see below Adevărul have published the highest number of articles in the Local section, covering the subject by gaining information from all areas of the country and by that ensuring accuracy and objectivity to the perception of the public about the subject.

Table no. 9 The section of the papers in wich the articles are published - Adevărul

Adevărul								
Newspaper section / Number of articles								
Searching terms	Locale	News eveniment	News București	News social	News sport	Internațional	Life Style	Moldova social
Women theft	110	7	3	1		1		

Source: own research

As for Jurnalul Național the sections are few and insignificant. (Table. no. 8)

Table no. 8 The section of the papers in wich the articles are published – Jurnalul Național

Jurnalul Național			
Newspaper section / Number of articles			
Știri			Politică
Searching terms	Observator	Externe	Reportaje
Women theft	2	1	

Source: own research

8. Conclusions

It seems, that over the period considered for the present study, media coverage and interest on the subject of women committing theft offenses seemed to lower, since from one year to another the number of articles had diminished from 62 in year 2012, to less than half in 2013 and 2014 and only 10 articles in 2015.

The reason may be the decreasing of this type of crime committed by women as a result of overcoming economic decline or the disappearance of the sensational appearance of such news by the emergence of the familiarization effect and therefore the increasing tolerance towards this kind of social events. These findings may be subject to further research requiring extensive analysis on the appearance, disappearance, causes and effects of this phenomenon.

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Essentialities of Energy Market Liberalisation in Romania

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Abstract

The paper „Essentialities of Energy Market Liberalization in Romania” presents the main aspects concerning the energy market liberalization and the electricity consumption recorded at national level. The electricity consumption has a great importance in analyzing the production and retail energy market, as this is showing the demand-offer equilibrium for the entire electro-energy system.

Market liberalization became mandatory in Romania, with the adhesion to European Union. Energy price liberalization in our country was a difficult process. Leaders of EU imposed on Government a pricing liberalization calendar with the mention that not respecting it, the country is obliged to pay substantial penalties.

Key words: energy sector, electrical energy, market liberalization, regulated segment

J.E.L. classification: D40, D49, L80

1. Introduction

This paper presents the main aspects of the liberalisation of the energy market from Romania and electricity consumption recorded nationally. Electricity consumption has a particular importance for the analysis of market production and marketing of electricity because it shows balance request-offer for all power system. It also reflects the demand for electricity registered nationwide.

The specifics of electricity supply services is derived from the very characteristics that can be summarized by: complexity, diversity, movement. Cognitive approach difficulties are caused by a number of causes: intangibility product electricity cannot be divided into components, with consequences for the process of determining the functions; the complexity of the organizational and institutional structure, of the underlying infrastructure for generating electricity; the complexity of the costs allocation method between different components of the power system; the complexity of the "package" that is included in the product; permanent changes taking place in the creation process of the service; multiple interrelations between energy supply service and the national economy sectors; the lack of transparency in the setting of electricity tariffs; diversified impacts on the environment. (Bădileanu, 2001, p. 75)

Negative effects of regulating energy prices remain a major concern. They lead to distortions of competition and reduce liquidity on the wholesale markets. In the long run, regulated prices provides misleading signals regarding prices for investors and thus have a negative impact on the development of new infrastructure. By setting a price level that does not allow new operators enter the market supply of energy at affordable prices to cover the cost, price regulation creates an obstacle to enter on the market for alternative suppliers in this way threatening security of supply directly. For the French market, for example, electricity stock exchange proved unable to fix a benchmark price for the market considering the regulation of energy prices. (Dumitrescu, 2010, p.128)

In our country, the electricity sales transactions are either wholesale or retail.

Thus, we can identify two main market components: wholesale electricity market is the market in which electricity is purchased for resale, and the transactions are carried out mainly between the manufacturer and licensed suppliers/shippers, shippers or between different licensees, under certain circumstances, between producers/suppliers and great industrial consumer. In accordance with the provisions of the commercial code of the Wholesale Electricity Market, transactions conducted on the market for wholesale electricity for the sale purchase: transport services, technological services, electric power system, system services, distribution services; retail electricity market is the one in which electricity is purchased for the purpose of consumption, and the transactions are carried out between suppliers and consumers of electricity.

2. Energy market liberalization

Market liberalization became mandatory in Romania, with the adhesion to European Union. Energy price liberalization in our country was a difficult process. Leaders of EU imposed on Government a pricing liberalization calendar with the mention that not respecting it, the country is obliged to pay substantial penalties. At European level, liberalization of energy was set up in July 2009 through the adoption of the third legislative package concerning the internal electricity and natural gas markets, which had to be completed in 2011. Romania was not compliant with European deadlines, new energy law being adopted with delay by the Chamber Parliament's decision-making and promulgated by the President of Romania in the first half of July 2012. Liberalization of energy in Romania and its operation in the competitive regime based on a few principles which transpose European market consolidation of electricity, such as: implementing the principle „activities dissociation”; regulated tariffs elimination; final consumer’s protection; competition environment development through measures that will ensure a secured resource access; sustainability and competitiveness of the energy.

Out of the three European models for implementing the principle of "decoupling", Romania opted for the alternative of an independent system operator, governing the separation of generation, supply, transmission and distribution of electricity. Price liberalization schedule was approved at the end of June 2012 through a Government memorandum, which provides removing regulated tariffs for industrial consumers starting in September 2013, when 15% of the amount of energy aimed at such consumers was acquired by them from the competitive market, full liberalization occurs in 5 successive quarterly stages.

In terms of tariffs covered for residential consumers, starting with July 2013 has been regulated the acquisition from the competitive market 10% of the required amount of energy consumption, thus the 50% threshold to be attained in July 2015 and 100% by the end of 2017. Considering the step by step increases on the competitive energy market share, the regulation authority in energy will be able to intervene and suspend its operations, only in exceptional cases, in crisis situations or in the case in which the safety of persons/installations or system integrity is under threat.

Final consumer’s protection was consolidated through regulating supplemental rights that are ensuring the quality, safety and correct price for the offered services. The new energy law states the consumers right to buy energy from a supplier, to change the supplier after max. 3 weeks from the procedure initiation, the right to close contracts with more suppliers in the same time (right stated for large industrial clients), etc. In addition, the disputes arising from contract execution will be settled by the competent authority, consumers having also the right to benefit from arbitration for settling out-of-court settlements that may arise during the contractual period.

Concerning the European concept „energy poverty”, under the new law, vulnerable consumers, defined as "those household customers who, for reasons of age, health or low-income is in risk of social exclusion", enjoy access to facilities to ensure "universal service" in respect of the supply of electricity and the guarantee of their disconnection from ban network, including in crisis situations. Energy law includes a number of provisions which are to be filled on the basis of secondary legislation. The most important of these are: ensuring access to the networks of transport and distribution of electrical energy in a non-discriminatory and transparent manner, refusal should be highly argued; possibility of producers and suppliers of electricity to power their own places of consumption or eligible customers through "direct line" in the absence of appropriate access to the electrical network in the public interest; tougher sanctioning the offences that are violating the

loyal competition principles on the energy market (the highest level of fees being 1.000.000 lei, or 10% of the turnover of the offender).

Energy law has been challenged by experts in the field of energy from non-governmental sector who say that the continuation of settlement prices does not benefit consumers, but to preferred firms and large producers. Unlike the Bill which stated that the supply of energy in regulated conditions will be realized for industrial clients until 31 of December 2013, and for the household one's, until 31 of December 2015, the liberalization calendar maintains the regulated prices for households at least until 31 of December 2017, which means 2 more years than the initial agreement. With accepted or contested aspects, the market liberalization became a reality in Romania. The market became volatile and the prices are following better the equilibrium between demand and offer.

Today's life is hard to imagine without electricity or gas. Energy price, the source of energy situation, and in general, the state of energy market (producers and distributors) are concerning us directly and are themes on the governor's tables. Two subjects are central in Romania right now: the energy market liberalization (electricity and gas) and energy source diversity. The conflicts between parties are mostly related to the calendar and the implementation methods, and not to different strategy options/positions. The performance of all governments, according to experts, is weak, and in the case of energy market, the European Commission launched against Romania more infringement procedures (2 procedures have been started for not liberalizing the markets of gas and electricity and 2 for obstacles raised against energy commerce abroad, based on the directives from the Second Package of Liberalization from 2003).

(http://media.hotnews.ro/media_server1/document-2011-09-7-10059377-0-analiza-efor.pdf)

Liberalization of energy market in Romania is mandatory and once we adhered to EU, the prices should align to the European one's. The liberalization calendar can't be changed, and not respecting it will drive to penalties that should be paid by the government. (<http://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:211:0094:0136:RO:PDF>)

European directives are considering social protection of vulnerable households, but this category should be clearly defined and established by the national legislation of each Member State and should not be done by regulating prices for an extended period. In this respect, Romania claimed impossibility to households withstanding price increase and obtained during the Tăriceanu Government (2007) a 2-year derogation from the European Commission, but no later than 1 January 2009 obligations have not been met. Boc's Government continued delaying the issue citing the reason why social protection.

In April 2011, the European Commission has officially asked by certain Member States, including Romania, to align its national law relating to regulated prices for final consumers. On 29 September 2011, the European Commission initiated a new infringement procedure (the first on this subject being in 2009) for not adopting the European directives in the national legislation and not respecting the directives content. (<http://economie.hotnews.ro/stiri-energie-8375032-otilia-nutu-expert-sar-discuta-online-joi-ora-15-00-despre-reforma-energie-ceruta-impactul-asupra-romaniei.htm>)

Even so, the Romanian authorities have managed to delay the imposition of a liberalization graph and transpose of juridical obligations until the activation of the final stages of the first infringement process.

3. Electrical energy consumption at national level

The electricity consumption has a great importance in analyzing the production and retail energy market, as this is showing the demand-offer equilibrium for the entire electro-energy system. It also reflects the demand for electricity registered nationwide.

Energy consumption is subject to fluctuations depending on the time of day and season. Thus, during the day, the demand for electricity has tended to be higher on weekdays and Saturdays, and during the night, on Sundays and other public holidays, registering also a seasonal variation. To ensure the stability of the network, we need an accurate estimation for electricity demand. This implies in turn, another estimation for it's demand characteristics: size, evolution over time, the models of requests.

In table 1 are presented the energy consumption in the period 2011-2013 and the forecast for the period 2014-2020.

Table 1. Evolution scenarios for the net internal electrical energy consumption in Romania

	M.U.	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
		Actuals			Forecast						
Reference Scenario											
Net internal consumption of electrical energy	Twh	54,9	54,4	52,3	51,8	51,8	52,1	52,6	53,2	54,0	54,9
Yearly growth pace	%	2,9	-0,9	-3,9	-1,0	0,1	0,5	1,0	1,1	1,5	1,7
Un-favorable Scenario											
Net internal consumption of electrical energy	Twh	54,9	54,4	52,3	51,0	50,2	49,7	49,5	49,5	49,7	50,1
Yearly growth pace	%	2,9	-0,9	-3,9	-2,5	-1,5	-1,0	-0,5	0,0	0,5	0,8
Favorable Scenario											
Net internal consumption of electrical energy	Twh	54,9	54,4	53,3	52,4	52,9	53,6	54,4	55,5	56,9	58,4
Yearly growth pace	%	2,9	-0,9	-3,9	0,1	1,1	1,3	1,5	2,0	2,5	2,6

Source: Report concerning preliminary results on sectorial investigation on the Electrical Energy market in Romania, p. 45, available at:

http://www.consiliulconcurrentei.ro/uploads/docs/items/id10016/raport_investigatie_utila_energie_electrica_07012014-forma_neconfidentiala-pub.pdf

Looking at table 1, we can see 3 forecast scenarios until 2020. From the data presented before, it is clear that in the period 2011-2014, at national level, the electrical energy consumption is dropping continuously, and for the next period is considered that the downtrend will stabilize, or, contrary, will deepen. Considering the above data, it's appreciated that until 2020, the electrical energy consumption at national level will not register a significant increase.

Table 2. Electrical energy volume transactioned on the retail market, the total production and retail market size of electrical energy in Romania, including the import and export from 2009-2013

Indicator	2009		2010		2011		2012		2013	
	Gwh	%	Gwh	%	Gwh	%	Gwh	%	Gwh	%
Production	56693	100,0	59139	100,0	60385	100,0	56714	100,0	55777	100,0
Import	676	1,9	943	1,59	1036	1,72	1402	2,47	450	0,81
Export	3154	5,56	3854	6,52	2942	4,87	1149	2,03	2466	4,42
Internal Consumption	41583	73,35	43440	73,45	45814	75,87	45884	80,90	43771	78,47
Electrical energy volume on the retail market	80803	142,35	95212	161,0	105910,5	175,4	100248	176,76	76914	137,90

Source: Report concerning preliminary results on sectorial investigation on the Electrical Energy market in Romania, p. 48, available at:

http://www.consiliulconcurrentei.ro/uploads/docs/items/id10016/raport_investigatie_utila_energie_electrica_07012014-forma_neconfidentiala-pub.pdf

Looking at the data from table 2, it's clear that the electrical energy volume transacted annually on the retail market is higher by approx. 140-175% compared to the production. Also, in the period 2009-2013, the quantity of imported electrical energy registered a low value compared with the quantity of exported energy.

Table 3. Evolution of consumers number supplied in competition regime and regulated regime in the period 2009-2013

Supplied consumers	2009	2010	2011	2012	2013
Regulated regime	8833375	8914618	8944092	8991838	8991881
Non-household	583432	591756	563030	554734	501190
Household	8249943	8322862	8381062	8437104	8490691
Competition regime	4887	8323	12675	13467	19214
%competition non-household	0,83	1,39	2,20	2,37	3,69

Source: Report concerning preliminary results on sectorial investigation on the Electrical Energy market in Romania, p. 62, available at:

http://www.consiliulconcurentei.ro/uploads/docs/items/id10016/raport_investigatie_utila_energie_electrica_07012014-forma_neconfidentiala-pub.pdf

Despite the fact that the degree of liberalization on the electrical energy market registered multiple fluctuations in the period 2007-2013, the number of household consumers in competition regime has increased constantly, reaching in the analyzed period an increase of almost 300%. However, the value registered for the non-household consumers supplied in competition regime, ponderated with the total of non-household consumers has been very low, reaching the level of 3.69%.

Table 4. Electrical energy consumption evolution for final clients, by their type and supply regime

Supplied Consumers	2009		2010		2011		2012		2013	
	Gwh	%	Gwh	%	Gwh	%	Gwh	%	Gwh	%
Regulated regime	23046	55	21365	49	20289	44	20779	45	18966	43
Non-household	12057	29	10119	23	8699	19	8792	19	7296	17
Household	10990	26	11246	26	11590	25	11987	26	11670	27
Competition regime	18536	45	22075	51	25525	56	25105	55	24805	57
Non-household	18536	45	22075	51	25525	56	25105	55	24805	57
Household	0	0	0	0	0	0	0	0	0	0
Final Total Consumption	41583	100	43440	100	45814	100	45884	100	43771	100

Source: Report concerning preliminary results on sectorial investigation on the Electrical Energy market in Romania, p. 62, available at:

http://www.consiliulconcurentei.ro/uploads/docs/items/id10016/raport_investigatie_utila_energie_electrica_07012014-forma_neconfidentiala-pub.pdf

From the data presented in table 4 we can see that, in the period 2009-2013, the competition market segment increased continuously, corresponding with a lower regulated segment. The volume of electrical energy registered by the non-household consumers had a similar evolution. The consumption of households has been executed in regulated regime, and in the analyzed period has not registered significant variations from a volume share perspective.

For the electrical energy market evolution, considering the openness to a competition and functional market, a relevant indicator is the supplier change rate.

Table 5 is showing the fact that the supplier change rate value, calculated by considering the supplied energy quantity, registered significant increases in 2013, comparing with 2012.

Table 5. Electrical energy consumption trends

Nr. crt.	Consumer type	Supplier change rate (%) in 2012, by:		Supplier change rate (%) in 2013, by:	
		Number of consumer places	Supplied energy	Number of consumer places	Supplied energy
1.	Non-household consumers with low consumption + Households	0,013	0,409	0,057	1,215
2.	Non-household consumers with high consumption	7,241	8,986	6,687	9,993
3.	Non-household consumers with very high consumption	7,346	14,302	15,687	17,305
4.	TOTAL	0,033	7,649	0,075	8,990

Source: Report concerning preliminary results on sectorial investigation on the Electrical Energy market in Romania, p. 64, available at:

http://www.consiliulconcurentei.ro/uploads/docs/items/id10016/raport_investigatie_utila_energie_electrica_07012014-forma_neconfidentiala-pub.pdf

4. Conclusion

Energy market liberalization, unlike the other sectors, has been a much more complicated and sensible chapter from a political perspective for Romania. Romania does not depend too much on energy imports, like other European countries- the complete electrical energy demand may be covered from internal production. This fact gave the possibility to the past governments to maintain low energy tariffs, triggering a lack of consideration in transform the market to a competition, fully liberalized one.

Until the end of 2017, the transition to a 100% competition market will continue. The tariffs for final clients will increase, and the political pressure for maintaining lower tariffs for electrical energy may become significant. The current experience is showing that numerous clients will slowly adapt to the changing environment. The number of complaints sent to consumer protection authorities is high, but is mainly focused on the lack of transparency for electrical bills. Exists the risk that, in the situation in which the transaction is not adequately managed, the number of complaints will rise sharply, and the trust in the competition market will be undermined. This will increase also the political pressures to maintain regulated tariffs.

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Section IV
Marketing – Management

The High Performance Work Practices and Labour Productivity in Romanian Companies

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Abstract

Human resources management practices represent an intensely debated field. One particular issue concerns the influence that some of these practices generate over the performance level of a company. Specialists have identified the concept of high performance work practices and discussed the relation existing with the labour productivity level registered by the companies.

An image of this relation in the case of the Romanian companies is presented based on the data offered by the European Company Survey and other specialized studies concerning the human resources management practiced in local companies.

This paper intends to analyse the specific results of an empirical study on the companies located in Constanta County. The specific issues considered are the impact of recruitment policies, training programs, and reward system on the employees' productivity.

Further research could narrow the field of analysis by considering the data for a specific economic sector in order to obtain results that are more accurate.

Keywords: human resources, work practices, high performance, labour productivity

J.E.L. classification: M12, M54

1. Introduction

Human resources management practices have been intensely debated in the specialized literature. Some researchers have discovered that the specialized practices have a major impact on the organization's level of performance.

One concept was brought into the discussion, the one regarding the HPWP (High Performance Work Practices). Such practices positively affect the turnover rate according to Guthrie (2001) and Huselid (1995). A positive impact on the labour productivity was indicated by Huselid (1995), but also over the company's level of productivity (Guthrie, 2001).

The human resources through their skills, involvement, and level of performance determine overall evolution and performance of a company.

People are considered as a source of competitive advantage for the company even if specialists that issued favourable arguments or contrary ones have argued this idea.

This paper intends to investigate the correlation between the use of such specific practices and the level of labour productivity in the case of Romanian companies. The analysis is based on the results provided by the European Companies Survey, the third edition held in 2013 and other specialized studies concerning human resources management practiced in the Romanian companies.

The labour productivity levels are reflected by the figures provided by the EUROSTAT statistics for our country.

2. The concept of High Performance Work Practices

The definition of High Performance Work Practices (HPWP) concept was not an easy task and generated many debates in the specialized literature.

The different approaches on this issue have converged on the idea that such practices are related to the human resources management practices used by a company.

Such practices were considered as a group of separate but interconnected human resource practices that together enable a company to recruit, select, develop, motivate, and retain employees (Way, 2002).

Organizations using HPWP make significant investments in their human resources so that employees are well trained, skilled, and empowered to conduct their jobs (Becker and Huselid, 1998).

Concerning this concept, some authors pointed out that are few important elements that should be clearly identified such as level of performance, work practices, systemic effect (Boxall and Macky, 2009).

The systemic effect was indicated by many researchers that argued that some groups of human resources practices generate improved performances at the company level.

The level of performance was approached on economic criteria. In this case, the specific practices proved to be successful if benefits generated exceeded the costs involved (Godard, 2004).

Some researchers have approached the HPWP issues in relation to both company's and worker's results (Applebaum et.al, 2000).

Identifying those work practices that led to higher levels of performance proved to be a difficult task. The researchers concerned with this subject have identified some issues. For example, some practices could be seen as a source of high performance in one institutional context, meanwhile in other contexts may not generate the same level of performance (Boxall and Purcell, 2008).

The specialized literature approached another issue that concerns the so-called best practices. Such practices would not generate a comparative level of performance within different companies. In each specific case, different means and different paths in order to achieve a higher level of performance could be identified (Orlitzky and Frenkel, 2005).

Several human resources management practices are considered to be positively linked to the company's level of performance. Such practices are related to the recruitment process, career management, training, working time arrangements or variable pay schemes.

One indicator of these performances is represented by the labour productivity. Practices related to training programs, pay schemes related to performance, working in autonomous teams proved to have a positive influence on the levels of productivity (Jungblut and Storrie, 2011).

The next section of this paper approaches the relationship between human resources management practices and the labour productivity level in case of Romanian companies.

3. The high performance work practices and the labour productivity in Romanian companies

In order to develop an analysis on this subject, in this section there will be used the data supplied by several studies concerning human resources management practices in case of the Romanian companies. The focus will be set on those practices related to the high performance levels that were previously mentioned.

First, the results of Romanian Human Resources Outlook (2011) pointed out that the recruitment policies of the studied companies have mainly focused on the internal source. Such a situation reveals a trend towards a more stable workforce that could ensure an enhanced level of productivity.

The same study reflected the importance granted to the training activities. The studied organizations reported the use of both on the job (73% of cases) and outside the job (56% of participants) training formulas. The figures indicate the presence of training programs that could lead to the development of employees' skills and superior level of individual performance.

The payment related to the performance achieved by the employees proved to be a practice reported by only 39% of the analysed companies. This indicates a lower influence of such practice on the level of productivity.

Furthermore, the results provided by the Romanian Human Resources Outlook (2013) revealed an increased focus on the performance management activities. The studied companies have reported an increasing budget for such activities (41% of the cases) compared to the previous year. It also could be noticed that the budget allocation for learning and development activities had increased (75% of the companies).

This situation indicates a focus on those practices that could lead to an improved level of productivity and organizational performance.

The results of the 3rd European Company Survey that took place in 2013 pointed out that among those practices that had a positive influence on the organizational performance were recruitment policies, training programs, variable pay schemes (ECS, 2013).

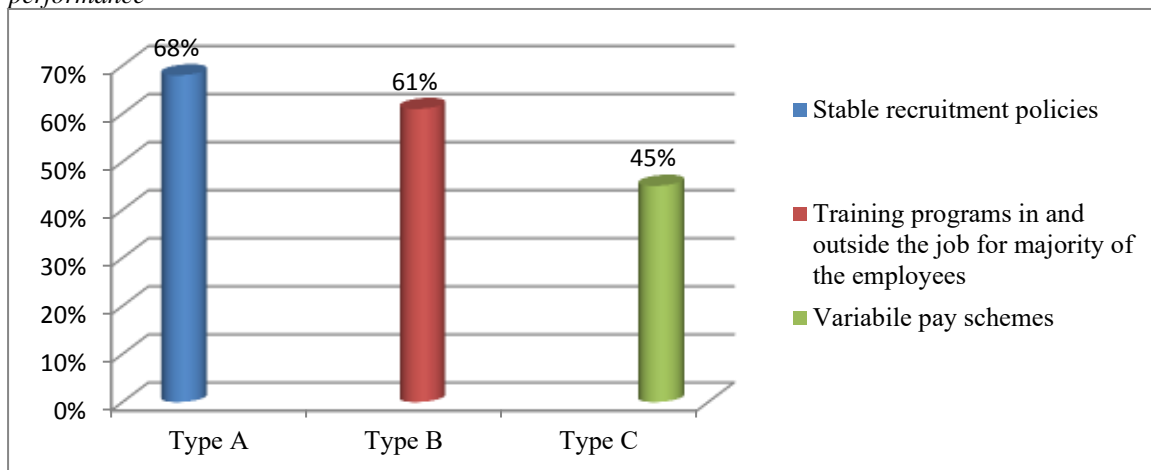
These results are synthesized in the figure below that point out the major category registered by the domestic companies for each of the specific practices mentioned above.

the first category (type A) indicates that the major part of the studied companies (68%) has stable recruitment and selection policies, encountering lower problems of finding and retaining the right skilled employees. It can be assumed that those companies have a stable workforce that could generate a positive impact on the labour productivity levels.

The second category (type B) includes those companies (61% of the studied enterprises) that offer both on the job and outside the job training programs for the majority of their employees. This situation indicates a possible positive impact on the productivity of their employees.

The third category (type C) point out that 45% of the analysed companies uses none or limited variable pay schemes related to the individual performance. This suggests that such practices have a limited impact upon the worker's productivity level.

Figure no. 1 Types of Romanian companies using human resources management practices related to high performance



Source: (ECS, 2013)

Another specialized study (Ensign Management Consulting study, 3rd Edition, 2014) has revealed that some practices oriented toward high performance are still underdeveloped. For example, the use of variable pay schemes is limited, meaning that many companies are not interested in a correlation between rewards granted and the results of the performance appraisal.

The study mentioned above (Romanian Human Resources Outlook, 2013) pointed out that the studied companies used various indicators in order to measure the performance level of human resources management activities.

The turnover rate was pointed out by the 75% of the participating companies as the most used indicator. This situation reflects a preoccupation for a stable workforce with possible positive impact on its productivity level.

Another significant result should be mentioned. In the case of 45% of the participants, there was used the indicator that measured productivity per employee. By monitoring such an indicator the companies proved their concern towards the human resources practices related to high performance.

The data presented led to the conclusion that in Romanian companies the use of the human

resources management practices oriented towards high performance represents an evolving process. There is plenty of space for further development, especially in the case of payment related to performance. Such developments will generate a superior level of productivity in the next period of time.

4. The Research Methodology

In this section, there are presented the results of an empirical study aimed at inventorying human resources managers' opinions on several issues regarding the human resources management practices associated with high performance. The relationship between such practices and labour productivity was investigated. This represents a part of a broader research conducted in order to investigate the issues related to human resources management practiced in today's companies.

A questionnaire was used as the research tool and its sections focused on general data on the company, on strategies employed in the field of human resources, and on various specific practices deployed within the company.

The research took place between October and November 2015, in Constanta County. A number of 75 questionnaires have been distributed. From that number 62 were returned filled in and made the object of analysis using SPSS (Statistical Data Analysis, version 21).

The questions from the questionnaire that were concentrated on the correlation between human resources practices and employees' productivity referred to recruitment and selection procedures and their importance on the personnel's performance, the importance of employees' turnover, the impact of training programs on labour productivity, and the connection between rewards and productivity.

Four research hypotheses were formulated:

H₁: There is a statistically significant association between company size and the influence of recruitment practices on personnel's productivity.

H₂: There is a statistically significant association between company size and the importance granted to personnel's turnover.

H₃: The influence of training programs on employees' productivity is significantly associated with company size.

H₄: The link between reward and productivity is significantly associated with company size.

The analysed sample from the size perspective (number of employees) was structured as follows: 37% of the companies had between 10 and 49 employees, half of them (50%) had between 50 and 249 employees, while only 12.9% were large companies with more than 250 employees.

5. The results and hypotheses testing

Regarding the perception of the influence of recruitment and selection practices over employees' productivity, 50% of the respondents agreed that such a situation occurred, while only 3.2% of responses indicated disagreement.

The personnel turnover was perceived as an important issue in 25.8% of the analysed cases and as a matter of medium importance by 32.3% of the respondents.

These results indicate a preoccupation for ensuring a stable workforce, a situation that generates a positive impact on labour productivity levels.

The positive influence of training programs on the employees' productivity was mentioned by 93.5% of the studied companies. These results are consistent with the ones reflected by the studies mentioned above.

The existence of a correlation between the rewards granted by the companies and the productivity levels represents a situation agreed by 53.2% of the responding companies.

In order to test the formulated hypotheses, Chi-square tests were performed. For the first hypothesis (H₁: There is a statistically significant association between company size and the influence of recruitment practices on personnel's productivity), the test results $X^2(6) = 7.5$, $p = 0.277$ indicate that there is no statistically relevant association between the considered variables.

The second hypothesis (H₂: There is a statistically significant association between company size

and the importance granted to personnel's turnover) was tested in the same manner. The results of the Chi-square test $X^2(6) = 27.723$, $p = 0.000$ indicated that two variables are significantly associated.

The test results for the third hypothesis (H3: The influence of training programs on employees' productivity is significantly associated with company size) are $X^2(2) = 3.947$, $p = 0.139$. This situation indicates that the two variables are not statistically associated in a relevant manner.

For the last hypothesis (H4: The link between reward and productivity is significantly associated with company size) the results are $X^2(6) = 6.647$, $p = 0.355$. In this case, there is no statistically significant association between the two considered variables.

6. Conclusions

The high performance working practices issue was debated on a large scale in the specialized literature. Different researchers proved that they exercise a major influence on the organizational level of performance.

The use of such practices provides a company a superior level of performance and enhanced possibilities for development. There was an intense debate regarding these specific practices. Different specialized studies have identified several practices that can positively alter the organizational level of performance.

This paper intended to discuss those practices related to labour productivity. A positive influence on this performance indicator in the case of the Romanian companies was signalled by different specialised studies for several practices such as recruitment policies, training programs, and variable pay schemes.

An analysis regarding the above-mentioned practices was conducted using the results of an empirical study that focused on the local companies situated in Constanta county.

The results of the tested hypotheses revealed that the influence of the recruitment policies on the employees' productivity is not significantly associated with the size of the studied companies. At the same time, the importance granted to the issue of personnel turnover proved to be related in a significant manner to the size of the company.

Even if the studied companies award an increased attention to their recruitment policies in order to ensure a stable workforce with a positive impact on the labour productivity, there is no relevant evidence that such practices differ significantly based on the company size (number of employees).

The study indicates a positive influence of the training programs on personnel's productivity. These results are consistent with the ones of the studies previously mentioned. It should be mentioned that there is no significant correlation between this variable and the size of the studied companies.

Over 50% of the studied companies have agreed that their reward system is correlated to the performance level. At the same time, the results for the tested hypothesis proved that there is no statistically significant association with the size of the responding organizations.

We can conclude that in the case of the studied companies the use of the human resources management practices oriented towards high performance represents an evolving process. The respondents acknowledged the positive influence of such practices on the productivity level.

The results of the empirical study did not prove a significant correlation between these practices related to high productivity levels and company size (number of employees).

A possible theme for further research would be to analyse the relation between such specific practices and labour productivity in different sized companies or in a specific economic sector, over a period of time.

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Analysis of the Retail Market in Brasov

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Abstract

This paper aims to analyze the retail market in Brasov in terms of development and expansion of retail networks. Thus, the expansion of chain stores creates a number of advantages for consumers because the big retailer relies on various sales strategies in order to attract or retain customers. This analysis shows that, to apply competitive prices and accessible to consumers, to offer products in a wide range and because of numerous customer loyalty campaigns, major retailers put pressure on small local producers who fail to meet the requirements of major retailers or facing conditions imposed by them (entrance fee shelf, very low prices, approvals and certifications). Also small traders working in traditional forms fail to keep pace with the varied assortment of products at low prices and with the continuous modernization of hypermarkets.

Key words: retail market, chain stores.

J.E.L. classification: D30, M21

1. Introduction

It has found that if people go into stores only when they need something, and if buy only what they need, the economy would collapse. It may seem like a bold statement but rather expresses a partial reality, especially when applied to the retail industry as a whole. (Underhill,2006, p. 235). Shopping are considered a major source of relaxation, but recent studies suggest that the pressure of a busy lifestyle and technological advances turn them into hard work.

Of particular importance is technical development, the automation, continuous training of personnel, expansion of services offered to consumers, increased use market research to obtain information on customer satisfaction, all leading to the achievement of a modern trade. The client wants to have confidence in the company's ability to provide the required quality and to maintain this quality (Neacsu N.A., 2015, p.105).

In Romania, the national trade has registered increases colossal by 100% in the last 10 years, which has contributed extensively and simultaneously to the development of market economy by reducing unemployment and contributing to the GDP, but was also one of the sectors activities carried biggest investments internally, but also the largest foreign direct investment by the entry of large retail chains. Brasov is now the third shopping center in the country after Bucharest and Ilfov, with 74 cash & carry stores, hypermarkets, supermarkets and discounters, opened in the last 19 years. But because it is a tourist area and hotels and guest houses buy from these sources, modern retail as a whole has reached a market share of 60% in Romania and in the coming years is expected to increase even 80%, given the growing consumer appetite of Romanians. In Brasov, modern retail has a share even more pronounced, the number of neighborhood stores being gradually increasing from year to year.

The main objectives behind organizing this work are: an analysis of developments on the retail market in Romania and a review of trade development in Brasov between 2010-2015.

These analyzes are useful to all companies working in Romania or who want to invest in this area, and for traders in Brasov, for better information on market developments in this city.

2. Evolutions of the retail market in Romania

Trade development depends largely on the growth of living standards and increase quality of life and the upward trends on the modernization business. GDP is reflected in the evolution of living standards in our country, therefore evolution is reflected in the retail market in Romania.

Table no. 1 GDP evolution in Romania during 2010 - 2015

Years	GDP (millions Lei)	The absolute change in GDP (millions Lei)	The relative change in GDP (%)
2010	533881,1	0	0
2011	565097,2	31216,1	5,85%
2012	595367,3	30270,1	5,36%
2013	637456	42088,7	7,07%
2014	667577,4	30121,4	4,73%
2015	712832,3	45254,9	6,78%

Source INSSE –National Statistics-2016

Analyzing to table no.1 it can be seen that in the period 2010-2015, GDP in Romania increased, positive situation. In 2014 we see recorded peak value of 712 832 300 000 lei. Development and expansion of big retailers had both positive effects and negative on the other participants in commercial activities in Romania. But overall Romanian retail market recorded the highest growth markets compared to other European countries during 2000-2010, about 123%, and the trend was growing between 2010-2015, as can be seen, with an average annual growth of 8%.

Table no. 2 The evolution of the retail market in Romania in 2010-2014

Years	The evolution of the retail market (millions Lei)	The absolute change of market retail (millions Lei)	The relative change of market retail (%)
2010	114962	0	0
2011	131244	16282	14,16%
2012	142631	11387	8,68%
2013	144609	1978	1,39%
2014	156073	11464	7,93%

Source INSSE –National Statistics-2016

From table no.2 we can see that the indicator calculated to Romania, was found growing in 2010-2014, but with changing values. Initially, the retail market grew by 14.16 percent, but this value decreased to 1.39 percent, but as you can see this trend seems to return to baseline values, the change relative to 2014 being 7.93 percent.

The continuing evolution of retailing in Romania is closely linked to the development of modern commerce, the increasing purchasing power of the population and changing consumption behavior of the population. In this context, the traditional trade recorded major losses in market share at the expense of modern trade, supported by the expansion of chain stores that have extensive commercial areas and improved sales techniques.

Modern retail is a core pillar of growth of consumption in Romania, reaching a record market share of 60% in the first quarter of 2016, which meant a new beginning for the players in the FMCG (Fast Moving Consumer Goods), with increasing purchasing power of Romanians due to lower VAT on food and non-alcoholic drinks and wage increases. The benefit is that this extra

money in consumers' pockets are now returning in consumption, and 2016 is showing signs of continued growth.

The hypermarkets have recorded the highest growth rate in all channels, they won more than one percentage point to 29% market share, due to the increased value of the shopping basket. Which means that, regardless of the shopping cart, more households will procure goods in such forms of trade reaching up to 17% market share. Discounters show a different growth trajectory, managing to grow and purchase frequency.

The latest analysis regarding household consumption monitoring show an increase in value of the shopping cart in the modern commerce. The first three months of 2015 consumer trends are observed after the first reduction of the Tax on Value Added. In June 2015 we see an increase in the purchase of consumer goods by 0.4%, in the context of food deflation of 6%, which translates into a 3.5% increase in volume purchases for the home. So result that Romanians is oriented to buy branded products and product categories more expensive.

Purchasing power in Romania is among the lowest in Europe, and regions of the country where the purchasing power recorded a small leap as against the rest of the country are Bucharest, Cluj and Timis. (http://www.magazinulprogresiv.ro/uploads/media/STIRI/Piata_de_Retail_FMCG_din_Romania.pdf)

Table no. 3. Changes in purchasing power of Romania during 2010-2014

Years	Purchasing power in Romania (Lei)	Absolute change in purchasing power in Romania(Lei)	Relative change in purchasing power in Romania(Lei)
2010	11700	0	0
2011	12200	500	4,27%
2012	14300	2100	17,21%
2013	14400	100	0,70%
2014	15100	700	4,86%

Source INSSE –National Statistics-2016

Analyzing Table no.3 it can be seen that during 2010-2014, purchasing power in Romania is growing, this increase is beneficial to the country in 2014 recorded a value of 15100 RON. While this indicator is on an upward trend, it is noted that it is still below the European average.

In 2015, Romanian consumers have enjoyed stable prices. This is a rare situation for industry, retail and consumers. In February 2016, the European Commission has forecast a price increase in 2016 by 0.5% due to a less expansive policy of the central bank and economic recovery. But inflation expectations are mitigated by low prices for raw materials. In several European countries held a rather deflation last year.

Over the past year, profitability increased in the EU by nearly 3% to just under € 4,200 per m². This is good news for retail that took gains for two consecutive years after a long period of decline. Online dynamic has slowed more mature markets and classic retail in stores and they began to adapt gradually to new conditions. The unprofitable stores were closed as part of digitization. The highest rates of profitability come usually from Northern Europe, Switzerland and Luxembourg and lowest from eastern and southern Europe - however, countries in the region gaining continuously.

3. Developments in the retail market in Brasov

Brasov is one of the first cities in the province in terms of modern retail stores with 46 networks commercially. The best representative is the French company Carrefour, which has 14 stores, from hypermarkets to convenience stores, followed by those from Mega Image, with ten stores. Profi network owns seven stores in Brasov, while Lidl and Billa each have four stores. Brasov has two

Metro Cash & Carry, one Auchan and one store Penny Market and XXL Mega Discount, plus Selgros and Kaufland.

After Bucharest, Brasov and Constanta are cities that have attracted the most foreign investments in retail. The two urban centers are not in the top 3 in terms of population, but are the most important tourist pole after Bucharest.

The reason that retailers are attracted to these cities are purchasing power above the national average and increased appetite for shopping, and more than that in urban areas consumers have disposable income and education than average so prefer to go shopping in stores modern trade. In the countryside, on the other hand, consumers still choose convenience store, or markets.

Before entering on a market, a retailer takes into account a number of factors that influence the development prospects of the area: purchasing power, which should be growing and size the zone served. An larger market area can provide a possible higher profit.

Brasov is now the third shopping center in the country after Bucharest and Ilfov, with 74 cash & carry stores, hypermarkets, supermarkets and discounters, opened in 19 years. But this is not because the people in this area enjoy high salaries but is closely related to the fact that Brasov is a tourist area that has hotels and hostels which are supplied from these sources. Given the growing appetite for shopping but also the convenience of people, modern retail as a whole achieved a market share of 60% in Romania and in the coming years is expected to increase to 80%. In Brasov, modern retail has a more pronounced rate by increasing the number of hypermarkets and supermarkets in recent years, while the number of convenience stores is declining from year to year.

In Brasov modern retail has made its entry in 1997, while Metro opened their first shop in Ghimbav town. The first international chains that have entered the market in Brasov they had large capacity - cash & carry and hypermarkets, as they had need of a critical mass of customers to justify investments and costs to become profitable

Selgros opened its first store in Romania in 2001, in Brasov and here is the headquarters of the chain stores. The location of the hypermarket was a strategic choice because it was meant to serve both Brasov place and Prahova Valley, an area popular among tourists, so an area with hotels and guesthouses under construction, all of which should be followed to become their customers. Incidentally, the store in Brasov is the most important network, with the highest sales and becoming the model for virtually all other Cash & Carry stores in the country. (<http://fwdbv.ro/radiografie-retailul-modern-la-brasov/>)

In the same period, the British company Tesco opened office market research to identify areas where they could locate their stores. Following the results obtained according to research conducted perhaps unsatisfactory, they decided that opening a store in Romania is not compatible with their demands. But the sale of Brasov has become increasingly developed due to the emergence of large retailers in this market.

At that time small neighborhood stores not have realized what effect it could have on their hypermarkets, especially long-term effects. These small shops were based on proximity to clients who needed them for small purchases. Consumers were oriented Cash & carry stores and small traders have shopped in these stores for resale, but with a small profit.

After several years of silence in 2004 in Brasov market appeared first Carrefour store and the second Metro, both strategically located at the exit towards Bucharest. In 2006 it opened a hypermarket Real (a division of METRO), and in 2007 was opened hypermarket Kaufland. Interestingly though it came among the last, became the main retailer Kaufland Romania, reaching revenue of over one billion euros last year. Moreover, the Kaufland is the only company with large sales areas who chose to open a shop in Fagaras, 70 km from Brasov.

In 2013, Auchan has acquired more Real stores in Romania and Eastern Europe. Auchan opened, then, in 2015, the largest hypermarket in Transylvania, with the inauguration Coresi Shopping Resort.

The only brand of hypermarkets, which is not present in Brasov is Cora, although so wished by purchasing platform Hidromecanica Brasov to Civic Center where he had intended to build a mall. Financial problems led the company Cora to sell the land to AFI Europe Romania.

Brasov, one can say that became a field competitive for retailers, because there are currently 74 stores in the city, of which 20 are owned by Carrefour, which entered the Braşov with all formats

held - hypermarkets, supermarkets, Market Express convenience stores and format Contact shop proximity to the countryside. In the county there are 13 stores Profi 11 Mega Image 9 Lidl, Penny Market 8 6 Billa 2 Metro, Kaufland 2, Auchan 2 and one Selgros store. Notably, however, that soon will go under the umbrella Billa stores of Carrefour, which will result in an increased share of the French presence.

Also, one of the strategies adopted in supermarkets is to make visitors stay longer in the store by the fact that the products are moved regularly elsewhere in the store, because over time people tend to get used to the place of certain products shelf and ignore products that do not care at the time. By changing products, customers are required to visit the store to make all necessary purchases and make shopping even more.

Loss of concentration makes people to spend more time inside hypermarkets and therefore to make more impulse purchases. (Lindstrom,2011, p.170). Interrupting the people during the shopping also makes them less sensitive to price, because when they turn to look at products have a false sense that they have already been checked (Liu 2008, p.640)

4. Conclusions

Current market developments consumer goods raises serious and complex issues in front of all retail companies. Retail businesses in Romania are facing increasingly strong competition and has to settle some outstanding issues regarding integration into market mechanisms. Furthermore, because it operates in a direct relationship with market demand, retailers must know and pursue permanent market requirements, a phenomenon that requires multiple analysis and market research.

These current realities (and possible developments) characterizing the retail sector were what triggered the initiation of this paper. We believe that two very important conclusions have emerged a result of accomplishing this work. The first is related to the strong decrease in the number of small entrepreneurs nationwide and at Brasov. Modest financial resources, managerial and administrative incapacitate lack bargaining power against suppliers may be several reasons for small retail companies are out of business. At the opposite pole are large retailers who have invested heavily in our country and in Brasov in recent years.

Some researchers say that in five years trade will look completely different because the main orientation of modern trade players, from entry, was to urban areas, and in recent years have turned to rural and easy. Traditional trade villages in rural areas is generally represented the family business, the owners are known by most consumers, they have formed a loyal clientele and interpersonal relationships between customers and owners. Therefore, entering international trade networks is difficult because people are accustomed to communicate with the seller and create a connection with it. Shopping in such stores are paying village "on duty" until you have enough money to pay the debt. All these are related to the relationship between retailer and its customers, who can hardly be stifled by the big stores. (Lindstrom, 2011, p.169)

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The Assessment of Restaurants' Authenticity from the Perspective of Young Population

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Abstract

This article presents an analysis of the elements that assess the authenticity of a restaurant. The analysis was realized from the young population perspective. This segment of population has been chosen following the idea that in Romania, like in all developed countries, representatives of this age group will use the restaurants services at a much greater extent than older generations. In this respect, it was conducted a quantitative marketing research based on a sample of 228 students from the Faculty of Economic Sciences and Business Administration, from the Transilvania University of Braşov. The results have enabled a hierarchy of factors that are considered relevant for evaluating the authenticity of a restaurant and, also, to identify the profile of an ideal restaurant.

Key words: authenticity, restaurants, young population.

J.E.L. classification: M31, Z32.

1. Introduction

Globalization has favored consumption uniformity. In this context, well renowned brands proliferated and this trend has influenced the profile market in a decisive way. In the tourism industry, when the analysis is restricted to restaurants' activity, the general conclusion is that the phenomenon McDonalds' has changed consumers' behavior to a significant extent. Based on the McDonalds' model of consumption, the fast food restaurants have become a constant in customer choices, especially among the young population.

Standardization or McDonaldization (Ritzer, 1998, cited in Erkuş-Öztürk *et al*, 2016, p.477) stands for mass consumption, absence of class- and life-style distinction, economies of scale, standardization, efficiency, predictability of quality, low prices, the transformation of authentic tourism places into standardized 'non-places', and disenchantment of consumption. In this framework, the development of authentic or even innovative restaurants represents an interesting demarche.

2. Literature review

When customers dine out at a restaurant, they evaluate what they experience. Prior studies suggested that the perceived quality of a product or service is a critical factor determining future behaviors, especially loyalty related behaviors (Chiou *et al*, 2002; Gonzalez *et al*, 2007). Accordingly, a higher perception of the quality of product and service attributes and satisfaction with the dining experience induce more favorable behavioral intentions (Ha *et al*, 2013, p.155). From a restaurant operator's perspective, it is important to determine why customers seek variety in

their restaurant choices in order to better understand customers in choice situations and develop effective management strategies.

Ha *et al* (2013, p.156) stated that variety seeking in consumption situations are focused primarily on variety seeking behavior in product or brand choice situations and unlike product or brand choices, customer variety seeking in service environments, such as restaurants, is affected by personal relationships between customers and employees, unique restaurant attributes including employee services, foods, and environmental dining factors. In this respect, innovation in restaurant operations has gained significant importance.

Innovation represents, in a broad definition, (1) the introduction of a new good or of a new quality of a good, (2) the introduction of a new method of production, (3) the opening of a new market, (4) the conquest of a new source of supply, and (5) the carrying out of a new organization of an industry through, for instance, mergers and take-overs or the breaking up of a monopoly position (Schumpeter, 1934, Erkuş-Öztürk *et al*, 2016, p.478). Innovations in the restaurant industry has been focused primarily on culinary innovations (Ottenbacher *et al*, 2009), but innovations in services and ambiance are also very important to restaurants because they are major constituent parts of dining out (Rahman, 2010, pp. 330-331). As Erkuş- Öztürk *et al*. (2016, pp.487-488) argued (1) higher-quality restaurants are significantly more innovative than lower-quality restaurants. (2) restaurants that are visited by a mix of locals and tourists are more innovative than restaurants either visited by locals or tourists, and (3) the fact that they are, to a large extent, visited by locals reduces the uncertainty that is always associated with innovations.

Over the last few decades, increasing awareness of cultural diversity and quest for authentic experiences are resulted in a rapidly growing demand for authentic and unique experiences (Okumus *et al*, 2007). Discovering this emerging trend, marketers have begun using authenticity as a brand-positioning and a product appeal strategy (Sedmak *et al*, 2008; Robinson *et al*, 2012) and hospitality and tourism marketers have been incorporating the concept of "authenticity" into their marketing strategies for years (Sedmak *et al*, 2008).

MacCannell (1971, 1973 cited in Mkono, 2012, p.388) portrayed tourists as hungering for an authentic experience to compensate for what had become mundane existence in their home environments. During holidays tourists pay important attention to cultural objects, which highlights a concern for the authenticity of the "Other", apart from their search for the authentic "Self" (Mkono, 2012, p.392). Generally, the authenticity has been categorized into three dimensions: objective, constructive, and postmodern (Lu *et al*, 2015, p. 37). Authenticity is not equally important for all tourists and destinations. Each destination must decide which tourist segment to encourage and adopt the degree of authenticity to match target group expectations (Walton 2000, cited in Sedmak *et al*, 2008, p.1010). At the same time, Sedmark *et al* (2008, p.1024) found out that customers' educational level has a positive effect on attitude towards authenticity.

Consumers' authenticity perception has significantly positive relationships with consumers' brand awareness, brand image and perceived quality of that restaurant and, therefore, it is vital for restaurant managers and operators to invest a significant amount of time and effort in monitoring and improving every aspect of their service delivery process to ensure an authentic dining experience for their consumers (Lu *et al*, 2015, p. 43).

3. The research methodology

The aim of the present quantitative marketing research is to identify the attitudes, opinions and behaviors of the young generation from Brasov regarding the dining-out experience in an authentic restaurant.

The research method chosen was the survey based on questionnaires, and the sample included 228 students from the Faculty of Economic Sciences and Business Administration of Braşov. The objectives of the research were the following:

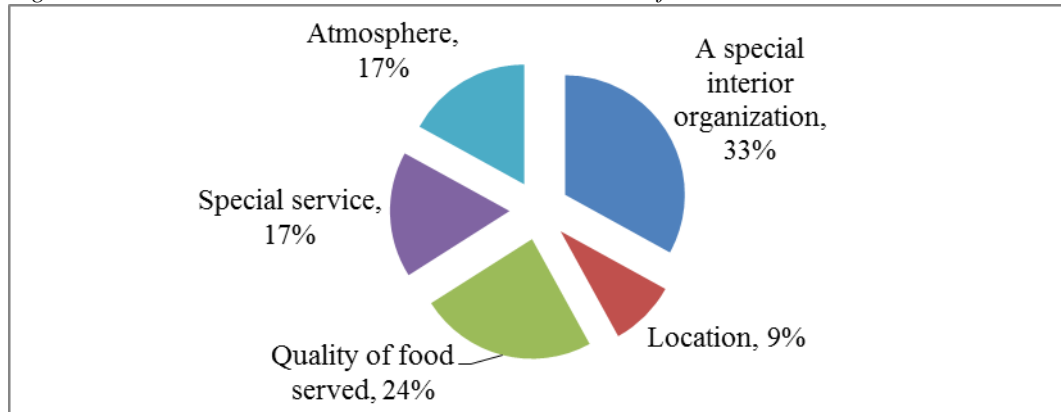
- Identification of elements which highlight the authentic character of a restaurant;
- Ranking the elements considered relevant for the assessment of a restaurant's authenticity ;
- The description of the ideal restaurant.

4. Results and Discussions

It was first analyzed the frequency of dining out behavior for the respondents. Out of 228 interviewed persons, 40% eat at the restaurant at least once in two weeks, 30% at least once in a month, 19% dine out at a restaurant 2-3 times a week, and the lowest percentage, 11% was recorded for the respondents who have mentioned to eat at the restaurant only when they are away from home.

At the question that shows if authenticity at the restaurant level is valued, the percentage of affirmative answers was 93%. Further, there were underlined which are the elements that, in respondents' opinion, substantiate the authentic character of a restaurant (figure no.1).

Figure no. 1. Which elements show the authentic character of a restaurant



Source: Research conducted by the authors

Being a multiple choice question, the total number of answers obtained was 434 distributed among the five factors mentioned. The interior organization of the restaurant is considered the factor that influences in the highest degree the authentic character of a restaurant (33%), followed by the quality of food (24%), the exceptional customer service and atmosphere had the same percentage in respondents' assessments, namely 17% and the factor that can contribute in the lowest degree at defining the restaurant's authenticity is location, which obtained 9% of the given answers.

Further, the respondents have underlined which is, from the previous list of factors, the element considered by them defining for the assessment of the restaurant's authenticity. In table no.1 is shown the ranking.

Table no. 1. The ranking of factors considered relevant for the assessment of a restaurant's authenticity

Factor	Rank	Priority assessment rate
Quality of food served	1	41%
Special interior organization	2	21%
Atmosphere	3	16%
Location	4	14%
Special service	5	8%

Source: Research conducted by the authors

This analysis shows a completely different valuation of the factors that define the authenticity of a restaurant. Therefore, when they have chosen one factor from the list, the most important factor and with a substantial percentage of answers, namely 41%, was the quality of food. Indeed, this point outlines once more, the idea that the most important element and the main reason for the consumption of the food services is associated to the quality of food offered. The second factor as importance is the special interior organization, with 21% of the assessments, and on the third place is atmosphere (16%), location is no longer the factor with the lowest number of assessments, in ranking is considered the fourth as importance, with 14% of choices, and the last factor assessed is special service, which has 8% of the analyzed answers. The ranking is relevant for the restaurant

managers, because it shows the most important elements taken into account by the customer in assessing these units.

Also, the respondents were asked if they appreciate the frequent change of the menu list in a restaurant, the percentage of affirmative answers being 91%, and the reasons brought to give arguments for this choice are numerous. Of these, the most commonly stated were: curiosity, the desire to try several choices of dishes made with the same raw materials, the desire to know the new trends in culinary arts, in case of loyal customers the need to diversify the offer, etc. Finally, the respondents have described the ideal restaurant, this being a free question included in the questionnaire. The issues mentioned in identifying this feature, namely "ideal", were among the most diverse, standing out the pleasant atmosphere, quality and fresh cuisine, diversified menus, special services and location, intimacy. There were also stated the elements that underline the aspects which cannot be easily found in most of restaurants, such as: kind and friendly staff, reasonable waiting time, warm served dishes, a balanced ratio quality- price or fair prices.

5. Conclusions

The need for authenticity in a restaurant is a current issue due to McDonaldization, which was accompanied by many negative aspects, such as standardization, lack of innovation, menus' reduced quality, etc. In order to balance this phenomenon, restaurant managers, in their attempt to attract important segments of customers, among which the most important is the young population, are in the position to achieve management and image changes, and to emphasize their major differences as against the fast-food restaurants. Among the existing trends the need to improve authenticity and innovation becomes a prerequisite to success. Small businesses, and most of the restaurants fall into this category, must understand that innovation is the tool that can help them to survive on the market and can offer the advantage in a highly competitive environment (Epuran, 2015, p.61).

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Theoretical Approaches on Successful Email Marketing Campaigns

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Abstract

Nowadays, the consumer has extremely varied product options. E-mail marketing could be a tool to complement traditional marketing activities by increasing customer engagement, and which does not involve high costs.

While there have been many predictions for years that email marketing will be replaced with something else, it remained one of the most useful ways to reach current and potential customers.

This paper aims to bring some clarifications on what could bring success to email marketing campaigns. Responses are related to how sent emails can draw the attention of people (ie how they can be observed), given that, users' inboxes are invaded by messages of all kinds, how to measure the results of a campaign and which are the best practices through which we can get higher returns from email marketing campaigns.

Key words: e-mail marketing, successful campaigns, opt-in, metrics

J.E.L. classification: M31, M39

1. Introduction

Outbound email marketing is the way to promote any business online by sending emails to current or potential customers (Chaffey et al., 2009). In many countries, companies must obtain permission from consumers before sending an email, otherwise they will be categorized as spam (Morimoto&Chang, 2006).

Email marketing is one of the most accessible and most effective forms of promotion today (Chaffey D., 2016), with immediate effect, both in sales, on the short term and in branding development, on the long term.

For any company, maintaining a close relationship with customers is necessary, and it's exactly what an email marketing campaign does. Any online business "lives" due to the database, announcing their customers about new offers, promotions or liquidated inventories.

Regardless of the message, email marketing used with permission in order to build relationships with clients is an efficient and powerful tool (Reed J., 2012) that can be successfully included in the online marketing mix. Email marketing brings a huge contribution to any company, with minimal promotional costs and very easy to use.

As it is the case with other marketing activities, e-mail marketing requires establishing clear objectives (Stokes R., 2008) such as strengthening the relationship between customers and company; encouraging the business; revenue growth; highlighting the strengths against the competitors; increase online sales; branding; attracting new customers; presenting promotional offers to existing or potential customers; promotion of new products; customer information on certain changes. Regardless the objectives, at first it has to be created the database of people who have already expressed interest in the company's products.

2. The implications of email marketing campaigns

Setting goals is extremely important in email marketing and marketers need to consider the click to open rate from call-to-action in the email. The mere open rate of the e-mail does not

guarantee that the user comes to the business website. Often distortions occur between the time the user sees the email in the inbox (the sender address and subject line of email) and when he actually reaches the newsletter and he bounces or deletes it. This distortion is, in most cases, due to the difference the user finds between the theme of the subject line and the content of the email. In other words, the content of the email can be very good but if the user had other expectations (there is a mismatch between the two: the subject line and the content of the email or the subject line was too vague), this leads to a negative attitude towards the content and therefore to taking the necessary measures. Therefore, then setting goals, marketers must prove empathetic to the needs of the target audience and create campaigns with relevant content to users and to business alike.

Of course, when it comes to methods and tools used in marketing, there is always room for improvement. We refer below to some practices that can improve email marketing campaigns.

3. Creating databases

It is absolutely necessary to be based on permission (opt-in, the explicit option to receive emails from the marketer in question is in some countries even a legal requirement), otherwise, customers become dissatisfied and the unsolicited emails end up being classified as spam (Chadwick FE, Doherty N., 2012). Permission-based marketing (Godin, S. 1999) provides a personalized and direct addressing to potential clients.

Godin believes that by practicing permission-based marketing, consumers are paying more attention to marketing messages, fact which is useful not only to them but also to the marketers, like a perfect symbiosis. It matters much more the quality and sincerity of the relationship between marketers and target audiences, who are still people with their own emotions and feelings, with secrets belonging to them exclusively. Respect for the freedom and privacy of others requires reciprocity.

According to Godin, permission-based marketing has three main features: anticipating (consumers expect to hear about brand), individuality (marketing messages directly addressed and customized to each target client) and relevance (the client receives information that interests him, that are relevant to himself).

4. Segmenting used email lists

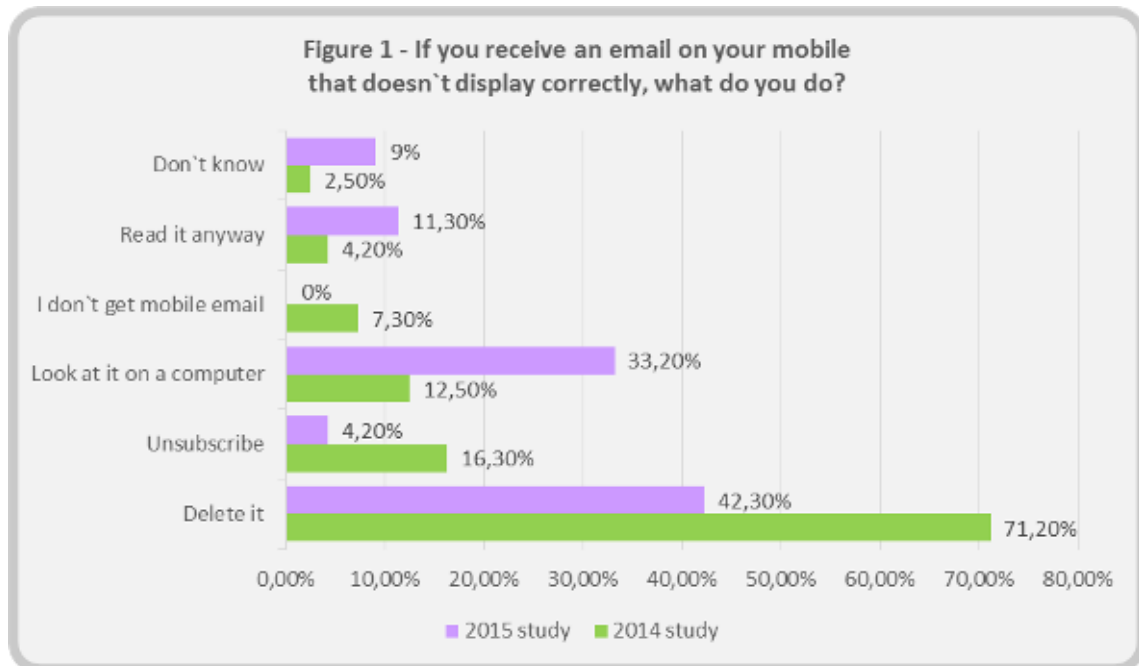
The use of segmented subscriber lists is the soundest approach in order to have successful email marketing campaigns. (Thomas L., 2011).

Each of email subscribers behave differently, have different interests and expectations and react differently. It is therefore important to know to whom the emails are sent so that messages are relevant to segments of subscribers to whom they are addressed. This will increase the click to open rate and will also reduce the rate of unsubscribes.

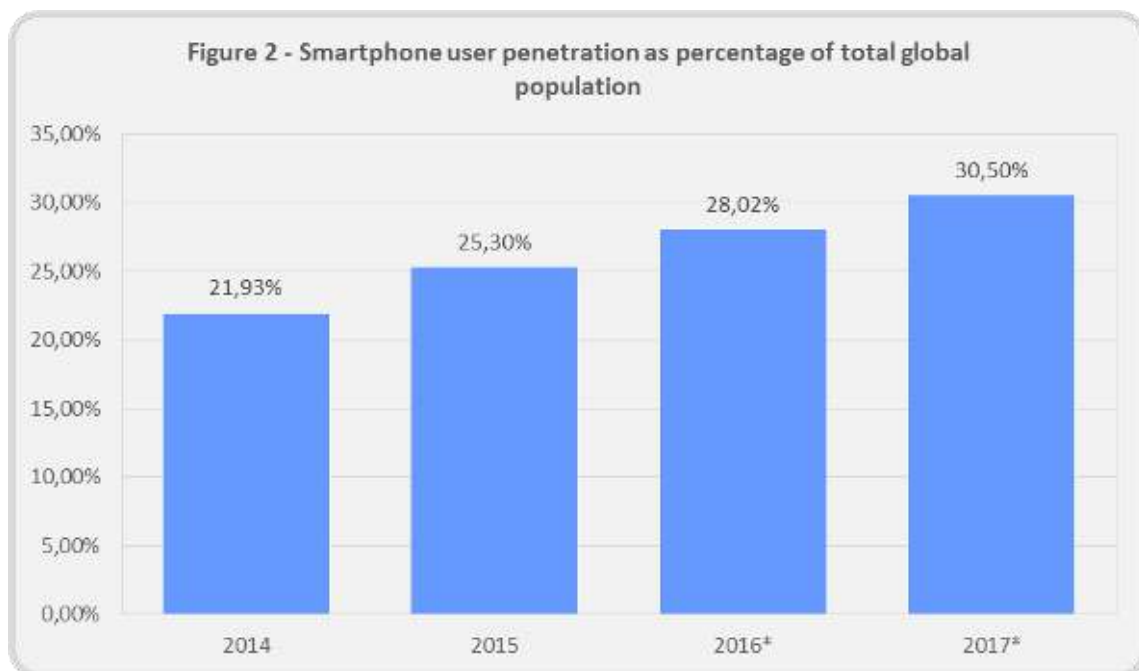
5. The creation of responsive emails

Emails compatible with any mobile device will have the effect of reducing the rate of deletion of email before even being read. According to the study Consumer Views of Email Marketing (BlueHornet, 2015), 42.3% of respondents assessed they would delete and 4.2% would unsubscribe from an email received on a mobile device if it does not look good on display. The same survey conducted in 2014 (BlueHornet, 2014) showed that 71% of respondents answered they would delete emails whose content is not responsive, and 16.3% would unsubscribe (see Figure 1). Optimizing content for mobile means adapting it for different types of devices so it can be most easily viewed and interacted with.

Most services of email marketing allow you to view content on different devices, which can be considered one of the causes that led to more attention from marketers and also alleviate, in 2015, the negative reaction of respondents to the situation of receiving incompatible email with mobile devices, that while the penetration rate of smartphones has increased in recent years by more than 6% globally (see Figure 2).



Source: Analysis based on data from Bluehornet – digital River Company survey 2014 and 2015 – Consumer View of Email Marketing



Source: © Statista 2016

6. Use clear and concise subject lines

As regards to the subject line, it is desirable to say and not to sell exactly what the email contains. Then, through content, marketers create curiosity and cause users to follow the call to action to reach the site and the landing page where they can get more information. Therefore, it is preferable a subject line relevant to the email content than the one that could bring a higher open rate, but where users will give up easily even before reading the content.

Marketers who are conversion-oriented understand that for a higher click to open rates, they should focus on the relevant content of email and the correspondence with the subject line, and not on the open rate. The subject lines must be sufficiently exciting to get users to open emails, whether they present an irresistible offer like "50% discount for product X" or inform consumers

about a special event. For a high open rate, it is recommended a maximum of 50 characters or approximately 10 words.

7. Customizing the email and using clear call-to-actions (CTA)

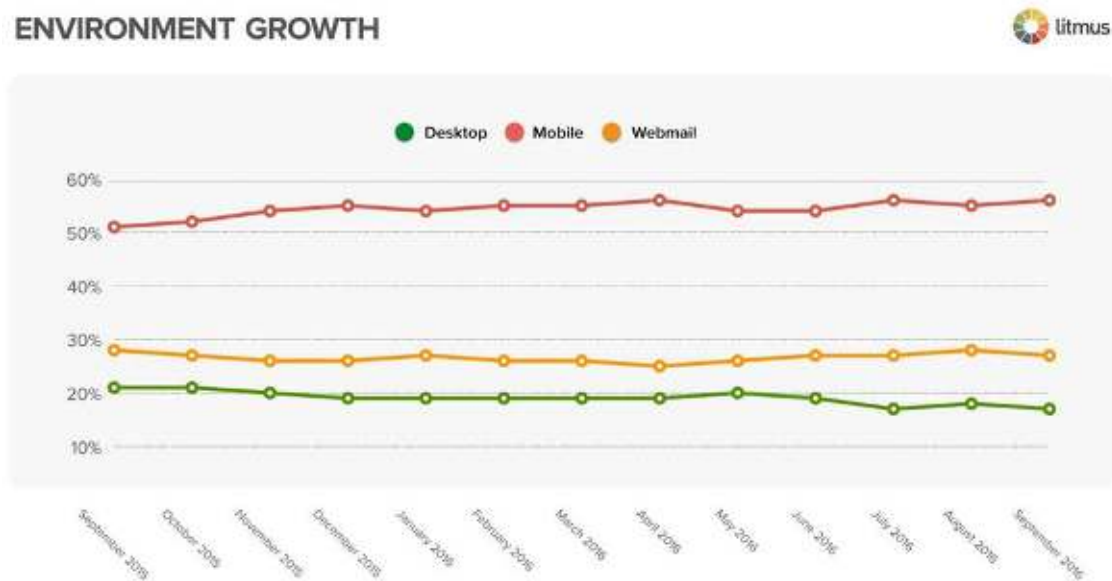
Customizing encourages the recipients to open emails and interact with their content. The more information about the handset is used to customize the emails and subject lines, the greater the effects of a campaign.

When conducting an email marketing campaign, it is absolutely necessary to make it clear what is expected of people to do in the next 4-5 seconds: to buy something, to learn more information, to sign in etc.

8. Providing concise content

For the campaigns, which have more content to deliver to subscribers, it is recommended that for each section, after formulating the main idea to provide links to the page where you can find the complete content. This will avoid the subscribers to scroll through all content to reach the next topic, fact that would be even more difficult to achieve on the mobile phone, the rate of withdrawal being, in this case, very high. This is as much important as the mobile phone is the primary device for accessing emails (see figure 3).

Figure 3 – Mobile for email market share



Source: litmus.com

9. Testing and measuring email campaigns

Measuring conversions, visited pages or immediate renunciation in marketing campaigns is extremely important because it represents the feedback from subscribers and their analysis enables further optimization. Thus, if the email service does not automatically generate these indicators, it is desirable to add tracking codes for each link in the email to follow what the subscriber does after clicking on the link.

In improving campaigns, A/B testing on subject lines, content or time reference provides valuable information that contributes enormously to the success of the campaign.

10. Email marketing metrics

Email marketing metrics are important because it is a way through which you can easily find out if emails perform well and what could be done to improve them.

Open Rate – refers to the number of consumers who open the email. Although it is used by many marketers to measure the success of an email campaign, however, it is not recommended because of the subjectivity and the possibility of manipulation of this indicator (Georgieva M., 2012). For this reason, it is much better to consider click-through rate to measure the success of the email campaign.

Click-through Rate – it is calculated as a percentage of the audience who clicked on one or more links included in an email message (Kolowich L., 2016). It is the basic indicator for many marketers because it provides information directly related to the number of persons in the email list that interacted with the contents of the email and were interested to learn more about the brand and the offers submitted.

Conversion Rate – the percentage of those in the audience who received the email, clicked on a link in the email and who responded to a call-to-action such as buying a product or filling out a form. It is the indicator which ends the measurement of the effectiveness of an email marketing campaign, but which also depends on external factors such as the quality of the landing page on which the audience arrives as a result of accessing a call-to-action in the email.

Bounce Rate – the percentage of the number of emails that could not be shipped to the recipients' inbox. Of these, most are due to the existence of email addresses which are invalid or not existing. They must quickly be removed from email lists to not lose credibility and to not damage the reputation.

Delivery Rate – the percentage of the number of sent emails which arrived in the recipients' inbox. It is linked to the previous indicator, representing the difference from the bounce rate and it is considered a good rate when its value is at least 95%.

Forwarding Rate – the percentage of recipients of an email that shared or recommended to a friend the email content by distributing it through a social network. This indicator shows the extent to which the recipient considered the email content relevant and valuable, and it's also a way to generate new contacts in the address list.

ROI – refers to the return of investment of the email campaigns.

Unsubscribe rate – it is not relevant enough because generally subscribers who were bored to receive emails from a particular brand, do not go through the unsubscribe process, but simply ignore the email in the inbox or delete it immediately. So, it's much more efficient measuring click rates and conversion rates.

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All paragraphs should be indented at 0.5 cm from the left margin of the column. Please do not place any additional blank lines between paragraphs.

11. Conclusions

Email marketing is a powerful way to bring businesses real results and measurable ROI.

Conducted properly, email marketing campaigns can be some of the most profitable channels with high conversion rates. This means they must be communicated only to those who have given their consent to receive messages from the concerned marketer.

Many businesses engaged in such campaigns do measure correctly the effectiveness of sending an email. Moreover, they are not even thinking about segmenting the customers' database. Segmentation is the process by which the database is divided into several lists of email addresses, depending on various criteria, such as customers' past purchases, demographics, preferences, type of offer you want, etc.

Email marketing has a higher efficiency than other methods due to considerations such as: low costs, high conversion rate, better measurability, segmentation and personalized addressing.

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New Employees' Integration and Orientation Management in Hotel Companies

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Abstract

The significance and relevance of this topic are rendered by the complexity amplification of actions performed by hotels in the context of developing and diversifying human resource management instruments used for the administration of economic, social and institutional variables. All type of evolution determines the reorganization of the human resource strategic role within organizations, people being seen as the organization's main competitive advantage over rivals. The research in this work falls under this reasoning and is a contributing factor to consolidating information related to the integration and career guidance management of the human resources working in the tourism industry. The studies carried out emphasize the best practices in regard to the welcoming and integrating of newcomers. They also apprehend the most efficient optimization and competitive development solutions of the hospitality trade.

Key words: integration of employees, human resources, management

J.E.L. classification: M12

1. Introduction

Organizations' modern management implies a systemic conception regarding all resources management, firstly human resource management - as it capitalizes on all the other resources within the company. In this regard, the company's management activity is primarily a social process, allowing for the relationships the manager establishes with his subordinates. Due to the personnel expenses entailed, some human resource management activities, such as the personnel employment and remuneration, retention and development stand as activities attracting the most considerable investments in the human resource branch. (Byars, L.L. and Rue, L.W., 2010, p.15).

Human resources represent the image of a society inside the tourism industry, which requires a certain prestige, a standard able to define the society's organizational policy and culture. The role of the employees' integration process is herein revealed as a factor that establishes the quality of the newcomer's activity, performance and implicitly the organization's performance. Integration is the activity dealt with by human resource management, which ensures the assimilation of the newcomer in the social and professional environment and their adjustment to the culture of the group they are part of (Manolescu *et al*, 2004, p.211).

Research shows that improvement of the hotel employee integration process may augment the employee retention rates. In the first place, professional integration takes into account familiarization with the new work place and that is why the new employee must receive all the information he needs. In the second place, the integration must ease the new employee's adjustment to the work team and in the third place, its purpose should be creating an atmosphere of safety, confidentiality and sense of belonging for the newcomer to cultivate the confidence he needs to follow through with the tasks related to his position (Cohen, E., 2011, p.9).

Integration may be seen as completed when the new employee has reached his highest capacity of performing the tasks related to said position. The integration program efficiency may be assessed by checking the integration feedback, developed through various procedures: anonymous questionnaires filled in by the new employees; periodic interviews with them; group discussions

with the new employees. The Human Resource Department is entirely responsible for the integration process management (Căprărescu,G., and Stancu,G., 2013, p.57).

The novelty of this work is given by the original holistic approach of the interaction between the human resource management, especially the newcomers' integration and guidance, and the hotel management-related activities. It was brought to life by the elaboration of the guide to best practice for the front desk personnel, which could assist the professional counseling programs development for the new employees within the reception department.

The general objective of the study was the diagnosis - analysis of the hotel activity between 2013 and 2015 used to highlight the essential problems of career management in the hotel industry. It stressed the identification of present and forthcoming exigencies in addressing the integration activities within the company in order to emphasize the opportunities that might be exploited in the human resource management sector.

2. Research methodology

Research into the newcomers' integration and guidance activities were conducted in Dali Hotel in Constanta, which has been providing lodging services on the three star hotels market for fifteen years.

The necessity to research the integration and guidance activities as important parts of the career management materialized in the research issue summarized by applying the following hypothesis:

- human resource policy elaborated by the hotel management is faulty when it comes to the improvement of new employees' integration;
- staff's dissatisfactions, in particular those of the front desk personnel regarding the methods used by the hotel's management to ensure career guidance, may generate conflicts, which may affect the work relationship integrity and organizational climate.

The objective of this work was focused on highlighting and analyzing general issues revolving around career management in the hospitality industry, the stress being placed on identifying current and future exigencies in tackling the human resource activities optimization. All these research viewpoints aimed human resource performance underpinning within Dali Hotel Constanta and, based on these grounds - global performance improvement in hotels.

The main objectives of this research were the following:

- **O1:** investigating the tourist welcoming procedures in view of identifying the qualities necessary for the personnel in the hotel's reception department;
- **O2:** putting forward recommendations on optimizing professional guidance for the new employees within the reception department.

For the presentation of the current status of knowing and using research methodology, bibliography documenting was fathomed through the study of the representative works in the specialty literature discussing the human resource management, work relationships and hotel management in the hospitality services industry. This step was aligned with knowledge updating, corresponding to a documentary-type research and carrying out a temporal analysis.

To ensure adequate scientific grounds for this work, the following methods and research instruments were used:

- direct observation of activities;
- simultaneous panels from the general manager and heads of the main hotel departments;
- study of the personnel registries in office research.

To process data yielded from the analysis carried out and their graphic representation, statistic methods and Microsoft Excel program were used.

The data sources and information required for the developed analysis were provided by the staff registries in the Human Resource, Technical and Development, Financial and Accounting Departments within Dali Hotel Constanta for the period comprised between 2013 and 2015, classified according to a content corresponding to necessities. For the registries unclassified according to such content, the information required for the analysis was obtained subsequent to personnel details processing. Other instruments for data collection also used were direct and indirect observation, working day image capturing. During the meetings organized, the heads of

departments and the hotel manager validated the recommendations offered as suggestions for the activity improvement in the field where a critical issue was noticed.

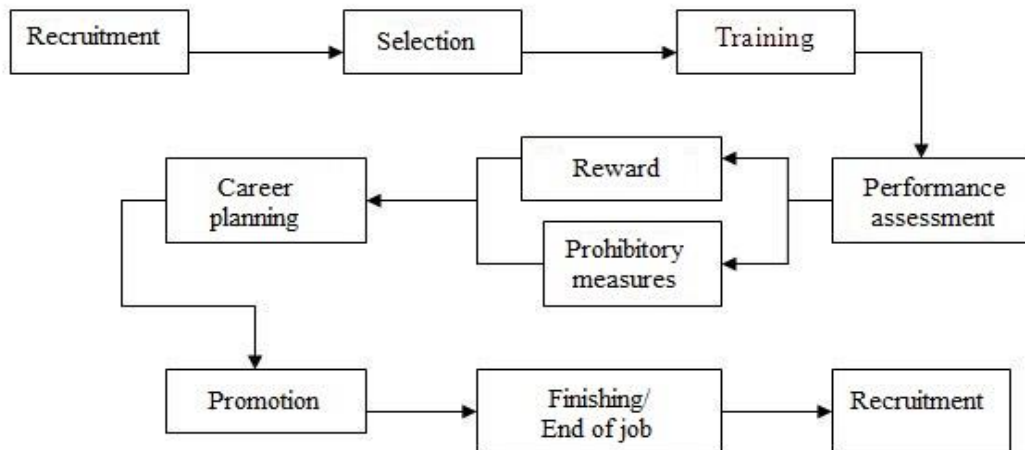
3. Analysis of professional guidance programs for the new employees within the reception department

The main role in tourist services rendering is played by human resources and their quality. Hotel's labor operations are intensive and excluding certain situations, it is impossible to replace human factor with other production factors, reason for which the employee's service quality owns a determining role in the company's general competition in the hospitality industry. From the guest's arrival, a tight interaction between customers and the workforce servicing in the Reception, Restaurant, Bar and Upper Floor Service Departments is expected.

Dali Hotel's personnel must rise to a certain quality level, as the hotel clientele expects to be provided the same services at the same quality standard in all situations and existing conditions. Here emerges the need for its employees' integration, guidance and training, process that I will further present. The new employee's integration in the Reception Department of Dali Hotel Constanta is divided in two phases: preparation and evaluation, the head receptionist being the one responsible for the employee's professional integration.

The essential phases of the employment cycle are identified and illustrated in Figure 1, starting from Recruitment and unfolding the steps taken while hiring human resources in the reception department in Dali Hotel Constanta.

Figure 1 Employment cycle in Dali Hotel Constanta



Source: author

Previous to the training, the employee is provided with the "receptionist's guidelines", which includes FIDELIO, CLOCK procedures (hotel management computer programs), which need to be known for a smooth and efficient development of the Front Desk operations. The components of the guidelines bring the attention onto the reservation, check-in and check-outs, currency exchange and pay-desk processes. Receptionist's guidelines present the theoretical part of the technical training, while for the behavioral part, the employee must study, apply and abide by Dali Hotel Constanta Standards. Subsequent to studying the theoretical data, the new employee participates in a training workshop concerning the correct and efficient computer use, the use of FIDELIO and CLOCK programs and the attitude towards the customer (employee's appearance). Following training, the new employee shall be tested by the Head Receptionist.

Within Dali Hotel Constanta, there were no cases where the new employee failed to pass the test. However, the newcomers are supervised by the Head Receptionist and the more experienced co-workers until the former no longer finds any difficulties in executing tasks and solving problems. Ever since the newcomer's first work day, his co-workers must help him smoothly integrate into the team, as Standards of Dali Hotel impose particular respect towards its clients, work colleagues and the team spirit must always be present.

4. Guide to best practices regarding new employees' integration

Many works in human resource management field recommend an equal treatment of new employees, even if they are new graduates or people who already have a certain organizational experience. This applies even though the new environment implies unique challenges both categories must face the best way they can, with the help of those who manage the new employees' orientation and organizational integration. Up to a point, this approach is precise and useful as it pressures us to treat everybody with the same undivided attention, raising focus on the prejudice of those who had the occasion to gain previous experience. Right from the new employee's arrival, the manager must treat him as to make him feel part of the team and organization and also make him feel important for achieving its objectives. This situation might be accomplished only when the newcomer is presented with his future responsibilities and clear objectives, as previously underlined by a group of authors. (Micu, C. and Stănculescu, G., 2012, p.159). Thus, the new employee will shortly feel the need to make himself useful and prove his knowledge.

A warm and kind welcoming will remove the disbelief and unease feeling that might emerge from a cold and indifferent reception. The welcoming denotes the first impression the staff inspires to newcomers; it has a much stronger impact than we could ever imagine. A pleasant welcoming may represent a special stage in the new employee's integration process; thus, team members take part in the success of the integration, therewith establishing primary sources to collect basic information, as a renowned specialist declared (Alexander, J., 2013, p.21). During the first encounter and with the first handshake, subliminal messages such as domination, submission or equality are being unconsciously conveyed. Dominance and control take-over message is rendered by a handshake with the palm facing downwards, while the palm facing upwards gives away submission and trust. Moreover, by observing a person's gestures, one can understand if the individual is fiery, with dominating tendencies and who would not accept competition or if the respective individual lacks self-confidence, is easily disturbed, truly dynamic or frail.

In the wake of the information about the front desk staff in Hotel Dali Constanta that we collected and assessed, we proposed a guide to best practice able to be reflected in the employee's behavior towards customers and not only, exemplified in the Table 1.

Table no. 1 Guide to best practice for the Reception department within Dali Hotel Constanta

Employee's behavior towards customers	<ul style="list-style-type: none"> - When greeting a guest, they must use his or her surname and also every time they have the occasion; - Upon departure, the guest must receive thanks, a warm greeting and a smile; - The guests must never be interrupted as they are the reason why the employee is servicing there; - The employee's manner of expressing himself is salient. He must use proper vocabulary; - The employee must anticipate the guest's wishes; - The employee must make the difference between his and the customer's necessities; - The employee must forsake the conversation he is partaking to giving priority to his guest, also when entering elevators, doors, restaurant doors, etc.; - The employee must not point; whenever possible, the guest must be taken to the desired place. - Professionalism over the phone is vital for forming a great first impression. If the position requires the employee to communicate with the customer over the phone, the former needs to get involved and supply quality services. - All calls must be answered before three telephone rings. - The employee must avoid exaggerated familiarity towards the client; - The employee must notice the guests' nonverbal behavior. Are they relaxed? Are their arms crossed? Does they seem in a rush/ tired? - If the hotel wishes to send certain offers or greeting cards, then the front desk officer will ask the guest if he would like to receive one and the address where it could be sent to; - When an employee receives a complaint – he or she becomes its "recipient" and shall proceed at once to solve it and ensure that the customer is satisfied.
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<p>Employee's behavior towards co-workers</p>	<ul style="list-style-type: none"> - Each employee must welcome his or her co-workers with a smile... be friendly; - Each employee must revere his or her co-workers' personal effects; - Listen to your co-workers' opinions and advice, they may be utterly helpful when newly employed; - Each employee must recognize the significance of every other position within the company; - Encourage team work and leave your personal problems at home;
<p>Employee's behavior towards the work place</p>	<ul style="list-style-type: none"> - The employee must remember that their job requires a proper attitude. - The employee must possess as much information as possible regarding the hotel services, restaurant and pool opening and closing times, the distance to the local attractions, etc. - The employee must save water and electricity; - The employee must show respect for the hotel property and installations and properly maintain them; - Each employee is a seller; the employee shall always recommend the hotel's food and beverage followed by the other outdoor facilities; - It falls under each employee's responsibility to maintain the cleanliness within the hotel, in front and behind it; - A clean, ironed uniform, proper shoes and name tag are crucial and may create a great first impression about both the employee and the hotel;
<p>Employee's behavior towards superiors</p>	<ul style="list-style-type: none"> - Every time an employee needs help or has to solve a more delicate problem, he or she must not hesitate to ask his superiors for their assistance; - The manager must be immediately informed about an incident or event that might develop into a potential accident.

Source: author

All details comprised in the guide to best practice are highly important for an optimal efficiency at the work place, in relation to all departments and individuals employees make contact with. But beyond all rules in the tourism industry, it is vital to have respect for all people you encounter (customers, managers and outside people), the work you have, yourself and as a result, the customers will thank you in the same way, appreciating you, as employee, and the tourist accommodation as well.

Work performance levels are determined not only by the personnel's ability but also by the power of motivating them. Attention must also be paid to the nature of motivation and satisfaction through work if it means the staff fulfilling their tasks at their highest capacity. A special place in the efficient human resource management should be occupied by the process of new employees' integration within the organization, as premise for achieving the organization's objectives and performance increase.

5. Conclusions

It is well-known that within the lodging services field, a hotel's success depends to a great extent on the employees' activity quality and for this reason, orientation toward their interests is an essential goal of the personnel policy within Hotel Dali Constanta. The conclusion drawn from studying hotel human resource management reveals that, what the hotel is offering (a sure job, professional achievements acknowledgment, satisfaction of working in a famous hotel) has something to do with the employees' motivation and satisfaction for their activity. Thus, in addition to the professional training granted to different positions of the lower hierarchical levels within the hotel, a professional development activity is organized for the management team. This development targets experience augmentation and theoretical and practical knowledge enrichment that the management needs. To that effect, a more profound study on human resource and their management is impelling.

The results yielded by the analysis related to the new hotel employees' integration and orientation led to the idea that within the immediate future, employees' performances management will progressively develop, while the rewarding mechanisms according to performances will be strategically significant.

In conclusion, primordial direction of future research will go towards major issues the hotel confronts in relation to human resource management activities, issues that must be solved as soon as possible to avoid their aggravation.

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The Influence of Emag Image Brand Among Resita's Online Consumers

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Abstract

The need for a strong brand in the online environment should be among the first steps to take into consideration while you want to grow a business. For a brand, one of the most important missions, especially in the online strategies is to define an identity, a "voice", that is easily recognizable. This identity must be the basis that you are using on all social networks and on all the strategies.

Key words: consumer, online, brand, behaviour, Internet.

J.E.L. classification: M31.

1. Introduction

Traditional consumer kept throughout time a contoured lifestyle preferring certain brands and keeping the same choices. If we talk about digital consumer, has an inclination to the latest technology, being willing to try the latest news on the market.

About digital consumer we can say that is not steadfast and that is why companies turn to different effective methods, one of this being personalization of the product. In the contemporary era the Internet is becoming more accessible by population, the number of those seeking such services is growing. Electronic commerce is becoming more dynamic and it is growing faster, in this way companies adapt to consumer demands by adopting the new sales system. Modern consumers are using the Internet more and more and aim to reduce costs by purchasing certain products from the online environment.

2. Method and results

This paper aims to study how the brand image Emag influence the online consumer while buying online.

This study is realized on the population level from Resita, whose main objectives are:

- Identify how to engage consumers from Resita in the online market;
- Identify how online buyers benefit are influenced by the image of a brand in the purchase decision;
- Identify how many online consumers are buying from online market;

The representativeness of the sample is given by the sampling method used and the sample size determine the accuracy of the results obtained from research.

In this study we used the survey method with the population of Resita. For this I developed a questionnaire with ten questions for studying online consumer behavior in relation to brand image, which is seven closed questions, with 2-8 choices and 3 questions of identification. The identification questions are related to age, sex and occupation of the subjects that constitute the analysis criteria of results.

Sampling method chosen is the trading method (weights). This method involves the establishment of a reduced model of the population studied, by its known characteristics, being necessary statistical information about the population studied represented in this case by the age and sex of subjects.

The survey that was required for development of this paper was conducted during the period March 2016 - May 2016 by two investigators in the main areas of concentration of the population in the city (squares, parks, etc.). The survey is non-exhaustive, the minimum sample size was calculated using the formula:

$$R = \frac{n}{N} * 100 = \frac{t^2 * p * q}{e^2}$$

Where:

- R - sampling rate
- N - researched population size
- n - sample size
- t - the coefficient of confidence
- p - frequency of the phenomena
- e – tolerated margin error

Due to lack of data reporting the population of Resita , administering the questionnaire has not opted to create a pattern of questioning of persons by occupational criteria.

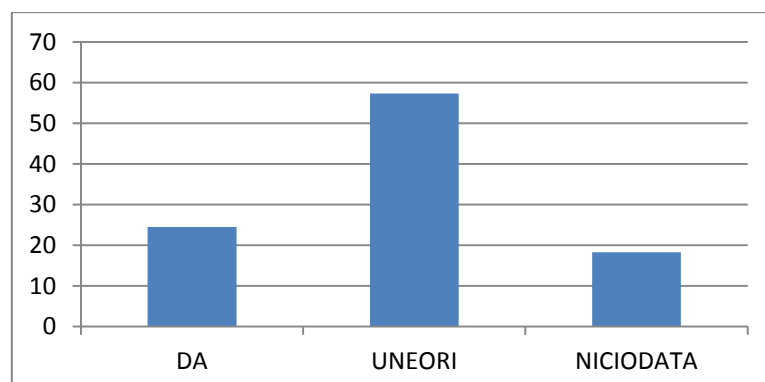
For processing and analysis of data from the survey were used tables and calculations percentage, monitoring the total number of responses for each variant answer and settling their frequency, their share in the total sample, by sex, by age groups and by occupations.

In the following, it will be presented, analyzed and interpreted the answers provided by 366 subjects of the survey questions 1-7 of the questionnaire, presented in Annex 1. Questions 8-10 refer to the criteria for analysis of results (age, gender, not being necessary individual analysis of the study conducted).

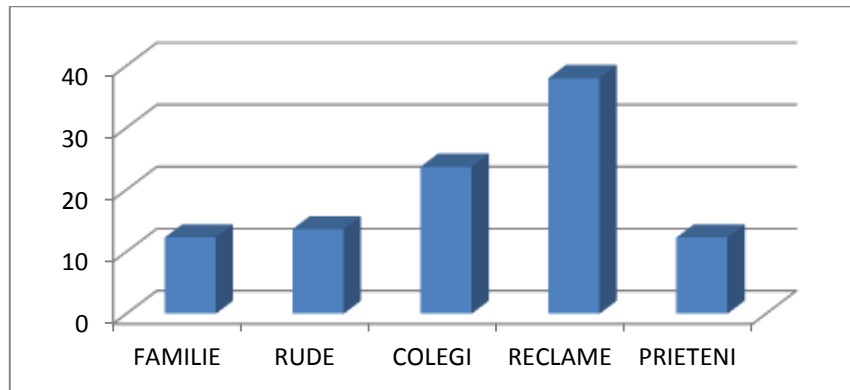
Further, I realized interpretation of research results:

1. Have you made purchases online on eMAG.ro?

24.42% of the subjects were buying online from eMAG. 57.32% of the total sample respondents are sometimes buying online, while 18.26% of respondents have never shop online. During the campaign discounts Black Friday 2016 people at eMAG recorded sales of 301 million RON , which is 100 million RON more than last year. The increase in sales is 50% more compared to Black Friday from 2015, and in RON we are talking about 51 million RON in addition to what was expected in the online store.

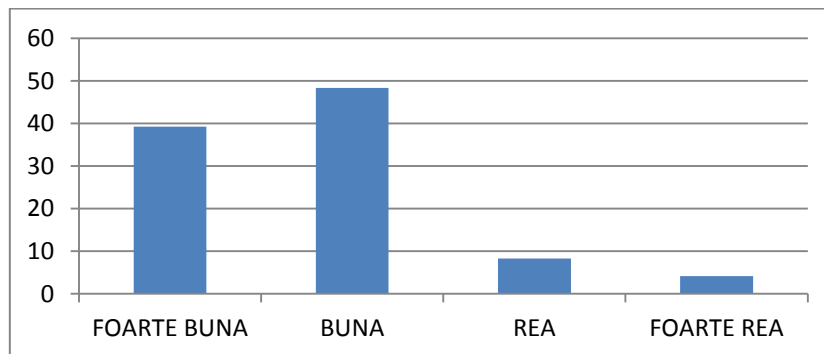


2. For online purchases on eMAG.ro you were advised by: On entire sample most subjects, 38.02% were influenced by advertisements in order to do online shopping on eMAG. Subjects using online shopping networks on the advice of colleagues are on percentage of 23.72%. Only 13.66 of the respondents are influenced by relatives in order to make acquisitions, and the last are those influenced by family and friends, in percentage of 12.30%.



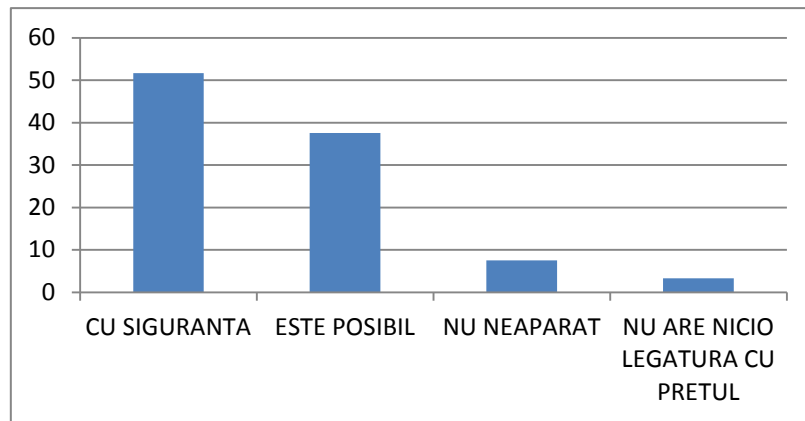
3. How do you appreciate the offer of products on eMAG.ro.?

Based on total sample most of the subjects 48.31% appreciate the offer of the products on eMAG.ro, followed by 39.23% of the subjects surveyed who are thinking that the offer is very good. In last place with a rate of 4.15% are those who believe that the offers from eEMAG is a very bad one. 8.31% of those surveyed consider the offer eMAG as bad.



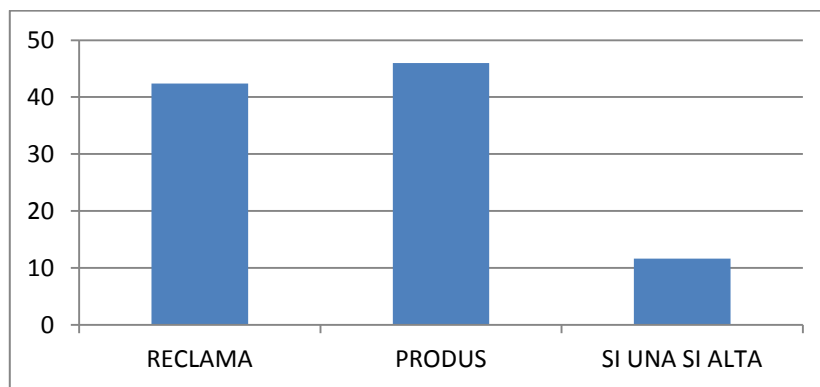
4. Do you consider that the price of products on eMAG is more accessible?

Based on total sample most of the subjects, 51.64% felt the benefits of online commerce product prices considering that the eMag prices are lower. 37.52% of respondents considered it likely that prices from eMAG are more affordable. Only 3.33% of respondents pointed out that online purchases have nothing to do with the price availability. 7.51% of customers surveyed made online shopping not necessarily to benefit of an affordable price.



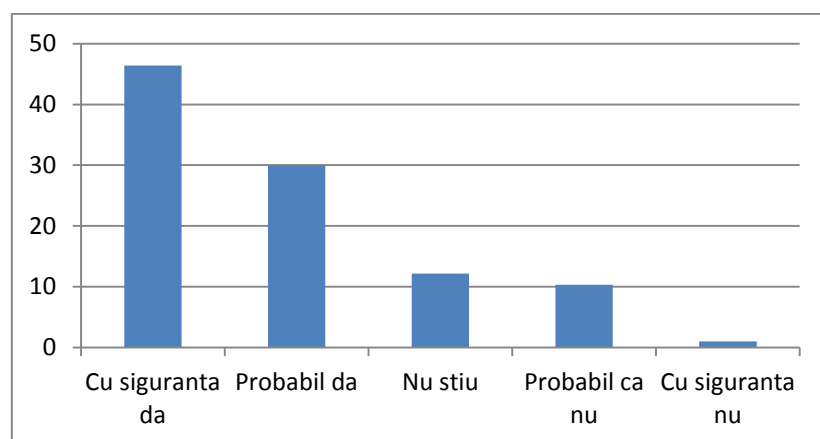
5. Purchasing products online from eMag is based on: advertising, product or product plus advertising.

On total sample most of the subjects, 46% are making online shoppings for the product, while 42.36% of subjects are buying online from eMAG.ro because of the advertising. Only 11.64% of respondents believe that both product and advertising led to the online purchase.



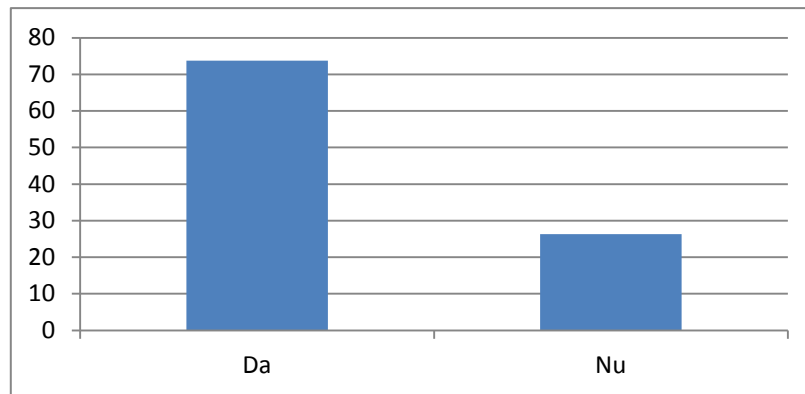
6. Does the balance between quality and price has any importance in the purchase decision?

On most subjects total sample, 46.41% felt that quality-price is important when deciding to purchase. At the opposite end with a rate of 1.03% are those who believe that the price does not matter in the purchase decision. 12.17% of the subjects did not know whether the price was important when making the buying decision.



7. Compared to regular stores, the existing brands from eMag are more varied.

On the entire sample most of the subjects, 73.72% said that eMAG offer is more varied than the traditional stores. In contrast, 26.28% of respondents believe that eMAG offer is not as varied as the usual shops.



3. Conclusions

The rapid development of online retailing has inspired a fast growing research interest in studying the online pricing behaviors (Ancarani and Shankar, 2004).

Early studies in the literature mainly focused on comparing price levels and price dispersions between offline and online competitors (Brynjolfsson and Smith, 2000), and among online retailers (Tang and Xing, 2001; Clemons et al., 2002). As online markets become mature and more data on e-tailing become available, empirical studies have shifted from analyzing cross-sectional data to longitudinally investigating market dynamics in price levels and price dispersions (Yang et al., 2010).

While conducting this research, some guidelines should be highlighted. Out of the 366 people surveyed, most of them are making just sometimes online purchases on eMAG.ro. Most of the people giving this answer were men. When deciding to purchase the majority of respondents were influenced by advertising in order to make shopping on eMAG.ro. The largest share of those who are advised by relatives are those between 50-59 years. On total sample most of the people appreciate eMag offers.

When buying from Emag, almost half of the people from Resita are taking into account the price/quality ratio. What it is paid for a product decisively influence the purchasing decision of buying.

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Drills and Training on board Ship in Maritime Transport

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Abstract

In maritime transport, drills are methods of practicing how a team or individuals should behave in case of an emergency on board ship (fire, explosion, pirates' attacks, ship sinking, ship grounding, capsizing etc.). Most commonly acknowledged in the shipping domain, drills are synonyms to training exercises. Drills are extremely important for the safety of ship, crew and passengers and are mandatory to be performed in any sea voyage. In this paper is made an overview on regulatory framework and strategic role of efficient maritime drills and training.

Key words: safety, security, safety management manual, SOLAS, STCW

J.E.L. classification: J24, J28, L91, O15

1. Introduction

Traditionally, the purpose of training and development has been to ensure that seafarers can accomplish their jobs efficiently. Current trends emphasize the importance of training and intellectual capital, a critical factor for competitive advantage. When strategically applied, continuous learning fosters knowledge and skills acquisition to help the maritime companies achieve their goals. The role of Human resources and training department is to establish and implement a high-level roadmap for strategic training and development. The starting point is an in-depth understanding of the IMO regulations, business environment, knowledge of the organization's goal and insight regarding training and development options (Surugiu *et al.*, 2010).

Since 1989, in the operation of the bulk power supply system, a similar domain full of risks, many of them different than the risks met by sea, but with a similar approach in planning and establishing managerial procedures, (Ackerman *et al.*, 1989) presented reports in disaster planning.

(Mao *et al.*, 2014) proposed a set of appraisal procedure and index system to assess the holistic drilling effectiveness of shipborne Command and Control system. Their work present the basic principles and rules to be followed in the assessment process, the hierarchy structure of evaluation, criteria and computing method of each index and the calculation method of index. Their research was applied to warship training procedures.

(De Miguel and Diez, 2015) established a conceptual design model that informs the development of socio-technical systems to support community involvement in emergency drills.

2. Regulatory framework for performing drills and training

The International Conference of the Safety of Life at Sea (SOLAS) Convention in its successive forms is generally regarded as the most important of all international treaties concerning the safety of merchant ships. It requires that signatory flag states (comprising in March 2016 a number of 162 contracting states representing approximately 99% world merchant fleet) ensure that ships comply with minimum safety standards in construction, equipment and operation.

The Convention was established, adopted and several times amended by the International Maritime Organisation (IMO). The first version was adopted in 1914, in response to the Titanic disaster. In 1960, at the fourth version of SOLAS were taken institutional measures for ensuring maritime training conditions in respect for safety navigation. was stated that "Contracting Governments should take all practicable steps (...) to ensure that the education and training of the masters, officers and seamen in the use of aids to navigation, of life-saving appliances and of authorized devices designed for the prevention, detection and extinction of fires or for prevention or alleviating casualties at sea is sufficiently comprehensive, and also (...) education and training is kept up to date and in step with modern technological developments" (SOLAS, 1960, Recommendation 39).

The 1974 version of International Convention for the Safety of Life at Sea (SOLAS,1974) required specific mandatory drills to be performed by a vessel in order to enhance the safety and security of the voyage.

Since 1985, the institutional perspective on training became holistic and included all the interested entities. At the seventh session of the Joint IMO/ ILO Committee on Training was adopted a *Document for guidance – An international maritime training guide*, acknowledging that, to comply with SOLAS recommendations, "adequate facilities should be provided for the training (...). There should be exchanges of information on modern methods and technological advances between all concerned in the shipping industry. In the establishment and review of training schemes, shipowners' and seafarers' organizations should be fully consulted. The satisfactory completion of appropriate training courses should be among the qualifications required for the grant of appropriate certificates" (IMO/ILO, 1985, p.1, art. 2).

Current drills regulation, in force since 1 January 2015, as described in SOLAS latest amendments, are presented in Table 1 below.

Table no 1. SOLAS onboard drill requirements (with MSC 92 amendments to regulation III/19, entered into force on 1 January 2015)

SOLAS Chapter.	Chapter Title	Regulation no. (paragraphs)	Regulation title	Regulation description
II-1	Construction –structure, stability, installations	24 (2.1; 2.2)	Marking, periodical operation and inspection of watertight doors, etc., in passenger ships	<ul style="list-style-type: none"> • weekly drills for the operating of watertight doors • drills held before leaving port in ships in which the voyage exceeds one week
II-2	Construction – fire protection, detection, extinction	15 (2.2, 3.1)	Instructions, on-board training and drills	<ul style="list-style-type: none"> • On-board training in the use of the ship's fire-extinguishing systems • Fire drills
III	Life-saving appliances and arrangements	19 (2.2; 22.3; 3.2; 3.3; 4.1; 4.3)	Emergency training and drills	<ul style="list-style-type: none"> • Musters of newly embarked passengers prior to or immediately upon departure on a voyage for more than 24 h, • Passenger safety briefing whenever new passengers embark • Every crew member shall participate in at least one abandon ship drill and one fire drill every month. • The drills of the crew shall take place within 24 h of the ship leaving a port if more than 25% of the crew have not participated in abandon ship and fire drills on board that particular ship in the previous month. • each lifeboat launched during an abandon ship

				<p>drill <i>at least once every three months</i></p> <ul style="list-style-type: none"> • lifeboats be lowered <i>at least once every three months and launched at least annually.</i> • rescue boats launched <i>each month</i> with their assigned crew aboard and maneuvered in the water. • crew members with enclosed-space entry or rescue responsibilities to participate in an enclosed-space entry and rescue drill <i>at least once every two months</i> • ship's life-saving appliances on-board training <i>as soon as possible but not later than two weeks after a crew member joins the ship.</i> • training in the use of davit-launched liferafts shall take place at intervals of <i>not more than four months</i>
		26 (3.3)	Additional requirements for ro-ro passenger ships	<ul style="list-style-type: none"> • At least two crews of each fast rescue boat shall be trained and drilled regularly
		30 (1;2)	Drills	<ul style="list-style-type: none"> • On passenger ships, an abandon ship drill and fire drill shall take place <i>weekly</i>. The entire crew need not be involved in every drill, but each crew member must participate in an abandon ship drill and a fire drill <i>each month</i> as required in regulation 19.3.2. Passengers shall be strongly encouraged to attend these drills.
V	Safety of navigation	26 (1; 3.2; 4;5)		<ul style="list-style-type: none"> • Within 12 hours before departure, the ship's steering gear shall be checked and tested by the ship's crew. • Emergency steering drills shall take place <i>at least once every three months</i> in order to practice emergency steering procedures. These drills shall include direct control within the steering gear compartment, the communications procedure with the navigation bridge and, where applicable, the operation of alternative power supplies.

Source: (SOLAS, 2015)

3. Strategic role of maritime training and drills

In maritime transport, professional competence is acquired after passing competency courses, simulation training on shore, drills and training exercises on board ship. Enhancement is provided by using advanced simulation training, leadership and teambuilding programs, customized training based on the needs of the team. A constant analysis of productivity is needed to keep up to date results. A training system kept into consideration by a competitive shipping is not only limited to shipboard training. Shore based training implies external courses like STCW (International Convention on *Standards of Training, Certification and Watchkeeping* for Seafarers, 1978) mandatory courses, competence and soft skills enhancement courses. Also, in house shore based courses are related to company's system and policies, safety, productivity and loss control. The objectives of structured shipboard training are acquiring theoretical knowledge, familiarization and drills, mentoring and next rank training (Surugiu *et al.*, 2010, p.61).

Good quality training is a prerequisite for ensuring a vessel maintains a high standard of operation. Training in all its forms adds to the value and safety culture on a vessel. From the legally imposed training certificates of competence to the cadet programs of practice at the board of the ship, it is essential to understand the strategic importance of operating a vessel to the highest levels.

For crew members aspiring to higher ranks, statutory training is carried out as they seek for

promotion, but a good ship operator will have their own in-house training program that will help reinforce the company's culture and safety ((Surugiu *et al.*, 2010, p.62).

A well-trained seafarer is the most valuable asset an owner has on board. Companies must meet the requirements for which they are directly responsible. Having well-trained seafarers is essential to any maritime company who wishes to demonstrate that responsibility, while at the same time be seen by the community as having quality and competitive operation (Barsan *et al.*, 2011, p.91).

The best way to verify crew's readiness, response reactions and under stress actions is to provide drill scenarios as similar to real life situations as possible. A valuable and skills developing drill should involve every crew member, who must understand the reasons for the actions taken and be aware of the hazards connected with them (Szcześniak, J.A., 2013, p.95).

Drills are procedurally explained in the Safety Management System records. A drill or training on board ship has to be prepared and planned carefully in advance. Planning includes the following chronological actions, presented in Table 2:

Table no. 2. Time-Table for planning drills or training

DAYS TO DRILL	DATE	EVENT	CHECK
D -18	(calendar	Review the Guidelines	
D -18	dates to be	Confirm budget availability for items and/or services to be employed during the drill	
D -18	inserted)	Identify the drill control team	
D -17		Obtain management endorsement if it is required	
D -16		Liaison with the ship designated person	
D -10		Refine or adjust the Master Events List if necessary	
D -1		Brief the participants	
D day		Conduct the drill	
D day		Perform the debrief and record the lessons learnt	
D +		Record the conduct of the drill	
D +		Prepare the written report on the drill	
D +		Report the conduct of the drill to management	

Source: (APEC Manual of Maritime Security Drills and Exercises for Port Facilities, Appendix 1)

Lessons learned after drills and training procedures are useful notions of large interest for enhancing crew capabilities and team responsibilities. After conducting drills, the major lesson learnt is the benefit of undergoing that training exercise, as the information and know-how of crew members becomes solidified. And this will help crew strategically improve their work performance.

4. Conclusions

In maritime transport, performance, safety and competitiveness can be achieved at the early stage of training personnel. A well-trained crew means minimized risks of transport and enhanced safety of service. Therefore, drills and trainings on board ships (or on shore) are essential part of seafarers' working process. A drill is an exercise supervised and conducted by competent authority, preparing crew for possible emergency situations like fire, severe weather conditions, flooding, collision, grounding, injuries abandon ship, person overboard, terrorism or bomb threat etc. Performing drills and training on board ship brings several advantages and benefits, like minimizing responding time in case of real emergency situations, improving the way of taking decisions under pressure and familiarizing crew with the ship's equipments and procedures. Best practices acquired after drills and training procedures are useful solutions for enhancing crew performance.

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The Strategy of Integration for the Navigation Specialization Students on Maritime Market

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Abstract

The current situation of young graduates of specialization Sailing, to engage aboard commercial ships is difficult. Romanian students in this specialization, which must carry out internship craft, not easy to find places to practice on board merchant vessels. Equally difficult is the situation of young officers who seek jobs in the shipping companies. In this paper is an analysis of the situation of the two categories of young people who are disadvantaged. For they have used a number of strategies to integrate them into the sea.

Key words: *cadet, deck officer, integration, shipping.*

JEL classification: I2, M5

1. Introduction

As I anticipate in the paper work published in 2006 "New Management for Maritime Companies" came hard times of crisis and for seafarers, not only for the shipping companies, (Iordanoaia, 2006). I also predicted a number of difficulties regarding the "How could an addicted video-game student turn into a marine officer", (Iordanoaia, 2009). At present the graduates of Navigation specialization who practice their craft carried aboard of the commercial ships is particularly difficult. This situation has several causes, which occurred more time. Among the most significant negative influence on the embarkation situation of the deck cadets include:

A).The serious economic crisis of 2008-2012. It has affected the shipping industry worldwide. The fall in demand has reduced the number of vessels required for transport. Hence resulted in a large number of unemployed among sailors and officers.

b).Removing programs for cadets. The shipping companies have canceled programs for cadets on board of the ships. In other situations have reduced the number of cadets, citizens of Europe, and brought on board of the ships cadets from Southeast Asian countries, who accepted much smaller boarding daytime.

c).A low level of preparedness of students. This situation has many causes, is complex and they cannot change in a short period of time. Among the negative aspects affecting the level of preparedness of students, during the Faculty studies can enumerate, (Iordanoaia, 2009):

-They come from schools that are unrelated to the marina, because the marine high schools were closed in Romania. During high school did not teach specialized subjects of the ships, not any specific notions of the ships in the time of high school. These could ease their ease learning the concepts of specialized disciplines during Faculty time.

-Admission to the Faculty of Navigation is done only on the basis of high school graduation and obtaining Baccalaureate Diploma. Entrance exam held only for government-funded places, a test type "grid" in mathematics. The placements financed from the state budget are a small number that do not cover the demand for these places, and in each academic year is a great competition for these places, (CMU, 2016).

-The Education Law was amended and now allows unauthorized absence from courses, seminars and laboratories, universities leaving the possibility to provide its regulations, this situation, (NEL, 2011). Maritime University leadership to enable students through the "Rules for students' professional activity", to attend courses, seminars and laboratories only 80% of the hours set out in the curriculum, (CMU, 2014). But students have more absences from classes and seminars than the rules allow, something better

are the laboratories where to participate, to fulfill its duties to carry out projects, otherwise not receive the exam.

-Specialty practice was reduced to 15 days, over a period of three weeks. It takes place at the end of the first academic year at the nautical base. At the nautical base, they do practice on board of the boats and yachts and learn the basics of seamanship. In the second year students attend at the IMO courses for getting sailor and helmsman certificate of capacity. After completion of the second academic year, can embark to commercial ships for internships. In the fourth year, in the first academic semester, they were the official practice period. I.e. in a period between 1.10-28.02, approx. 5 months, can be embarked aboard for internships. In total by the end of four years of undergraduate studies, students should perform and practice 12 months embarked.

-Students are not accustomed to working in teams, even if the hours of navigation simulator which requires teamwork, and students are obliged to constitute teams watch. These are similar to the work on board of the ship, on the navigation deck.

-Program of the courses and for study is light, does not involve any special problems. The schedule of classes take place from Monday to Friday, usually from 08.00 until 16.30, with a timetable divided into two weeks, then repeats the entire semester. Some courses are scheduled after 16.00 till 20.00. In general, time after 16.00 till 20.00, is used to organize IMO courses, (IMO, 2010). Because some courses during the week takes place in the halls of the Nautical Base, is wasting time moving students from headquarters or from home, up there. University solved this situation, organizing transport students with a coach, a schedule that allows students to be on time to class. The analysis follows the following schedule shown in Table. 1.

Table no. 1. Schedule of students from Navigation specialization

YEAR OF STUDY	SEMESTER	THE NUMBER OF SESSIONS PER WEEK	COURSES, SEMINARS AND LABORATORIES	
			TOTAL NUMBER OF MEETINGS IN 7 WEEKS	TOTAL NUMBER OF MEETINGS PER SEMESTER
I	I	I=11	11x7=77	168
		II=13	13x7=91	
	II	I=16	16x7=112	203
		II=13	13x7=91	
II	I	I=12	12x7=84	203
		II=17	17x7=119	
	II	I=16	16x7=112	210
		II=14	14x7=98	
III	I	I=17	17x7=119	224
		II=15	15x7=105	
	II	I=17	17x7=119	210
		II=13	13x7=91	
IV	I	I = -	-	-
		II = -	-	
	II	I=17	17x7=119	203
		II=12	12x7=84	

Source: (author study), (CMU, 2015).

In the fourth year, in the time of the first semester, the students have allocated the time for embarked practice. For know the students time for the individual study, I used the following formula (1):

$$T_S = (T_T - T_C - T_P - T_L - T_D) : 5, \text{ where:} \quad (1)$$

- T_S = time of study/day (in minutes),

- T_T = total time of the academic year, from Monday to Friday, from 08.00-20.00 hours, which is calculated by the formula:

$$T_T = 28 \text{ weeks} \times 5 \text{ days/week} \times 12 \text{ hours/day} \times 60 \text{ minutes} = 100,800 \text{ minutes}, \quad (2)$$

- T_C = total time of sessions a week (courses, seminars and laboratories),

- T_P = time for breaks between courses,

- T_L = free time for lunch,

- T_D = travel time from home (students hostel),

-5 = number of days of courses in a week.

Performing calculations of time for the students are spent on courses, seminars and laboratories, I obtained a series of values that are listed in the Table no. 2.

I have considered the following values:

- A course meeting, seminar or laboratory has 90 minutes.
- Pause between meetings is 15 minutes, considering a break for each session.
- Moving to faculty is 30 minutes/day (round trip).
- Free time for lunch is 30 minutes/day.

Table no. 2. Situation of the time study allocated for the students from Navigation specialization (minutes).

TOTAL TIME/ YEAR OF STUDY	TIME SPENT FOR COURSES, SEMINARS AND LABORATORIES			TIME FOR BREAKS, TRAVEL AND LEISURE			REMAINING TIME FOR STUDY/DAY
	SEMESTER I	SEMESTER II	TOTAL OF YEAR	SEMESTER I	SEMESTER II	TOTAL OF YEAR	
I 100,800	15.120	18.270	33.390	168x15 168X30 168X30	203x15 203x30 203x30	27,825	39,585 : 140 = 282
II 100,800	18.270	18.900	37.170	203x15 203x30 203x30	210x15 210x30 210x30	30,975	32,655 : 140 = 233
III 100,800	20.160	18.900	39.060	224x15 224x30 224x60	210x15 210x30 210x30	32,550	29,190 : 140 = 208
IV 50,400	-	18.270	18.270	-	203x15 203x30 203x30	15,225	16,905 : 70 = 241

Source: (author study).

The free time for individual study is derived from the total annual (2 semesters, 28 weeks, from Monday to Friday, from 08.00-20.00, which is 100,800 minutes of it were low total time allocated courses, the total pause, the total time for lunch, the total time for transport was and split to a number of 140 days of the academic year. the Table no. 2, show the following:

-Students in the first year were available, on average approx. 4 hours and 42 minutes/day for individual study.

-Students in the second year were available, on average approx. 3 hours and 53 minutes/day for individual study.

-Students in the third year they have available, on average approx. 3 hours and 28 minutes/day for individual study.

-IV year students have available, on average approx. 4 hours and 1 minute/day for individual study.

From these calculations results a particular situation! Students today have very little time to study during the day, all subjects that are taught. From previous studies, comparing the situations recorded before 1990, that now students have less time to study individually, have a larger number of subjects allocated to the program of education and many opportunities for leisure, as are clubs, bars, shopping site, partying with friends and colleagues, computer games, communication chatting, watching social networks (Facebook, Instagram, etc.). All this leads to the reduction of real time allocated to individual study.

D).The situation of poor exam results. During the examination sessions students have only 2-3 days allocated for training between exams. It makes the students learn just for the exam, save a huge amount of information, but they forget the long-term 90% of what they have learned, (Tabachiu et.al, 1997). Analyzing results from teaching, the marks situation and the large number of repeaters promote a situation arises that you consider "critical", the level of preparedness of students. Here are a series of issues related to the possibility of having very poor results, to engage in the shipping companies. I.e. those who average under note 7, are less likely to be accepted in some companies of maritime navigation.

e).Poor motivation for career. Some experts believed that off before 1990, they came to the merchant navy, who were adventurous, who wanted to see the world, to visit foreign countries, to escape a stressful situation somewhat socialist society and an authoritarian, undemocratic. After 1990 there was a new motivation, training in the context of capitalist society and market economy in Romania, which is to win big money in service at sea. The two features have spent a long time on the basis of motivation for careers by commercial officer. Currently there is a poor motivation of those who wish to go to sea. From surveys conducted among students from the first year up to the fourth year, revealed a series of issues related to motivation for proceed on sea, presented in Table no. 3.

Most answers were grouped the criterion 1, and the fewest criterion 5. The analysis of responses there is a fairly low motivation based on little information about what awaits them aboard ships. When asked "why they want to go to sea?", answers are equally relevant. I.e. they have very few answers to give reasons for the decision to come to Navigation Faculty, proceed to sea. In conclusion I can say that the level of motivation, of the students of Navigation specialization is reduced.

Table no. 3. Motivational issues for choice the maritime career and boarding officer on ships.

No	FROM WHOM THEY LEARNED ABOUT MARITIME UNIVERSITY	WHY THEY WILL BECOME OFFICERS AND/OR SAIL	WHAT THEY KNOW ABOUT LIFE AND ACTIVITY ON SEA
1.	-From one friend.	-Because they want to make a university perspective.	-They do not know much.
2.	-From a relative.	-They want to go to sea a few years and then working to dry.	-They know it's a hard life, but beautiful.
3.	-From the CMU web site.	-They want to earn big money.	-They know it's hard at first, but then it will be easier.
4.	-From an acquaintance.	-They want to see the world, to visit ports.	-
5.	-In the High School.	-They want to make a career at sea.	-

Source: (author study).

2. The current situation of cadets and graduates officer embarkation

During 01.10.2015-31.03.2016, the project "Internships for students' integration into the labor market", no. of financing agreement POSDRU/161/2.1/G/138049, financed by the "Sectoral Operational Programme for Human Resources Development 2007-2013", implemented by the Institute for Human Resources Development in the South East region, based on a cooperation protocol signed with the Maritime University, was formed a local partnership to promote the exchange of experiences and best practices related to "transition from school to work for students of Constanta Maritime University".

Objects of the Protocol were:

-Providing free and each, under the law, the data and information required by each party to the other, necessary for achieving their objectives.

-Organizing theoretical and practical training of students at the training center established by the project beneficiary during the program agreed.

-The organization of visits and information from several partner companies to inform students on the conditions relating to receipt of shipping companies, employment and boarding the ships.

Results conducting activities within the Protocol, between Constanta Maritime University and the Institute for Human Resources Development, are:

-In the period of 7-18.12.2015 were visited for information and documentation from a total of 10 companies with crewing activity and services agency, in Constanta ("Maersk", "CMA-CGM", "Dohle Manning Agency", "XT Ship Management", "Barklav", "Rickmers Group", "Sagau Shipping & Services", "Bright Maritime Services", "Cardinal Shipping Services" and "Lion Shipping & Chartering"). These companies send a large number of cadets for practice on board, around 360-390 cadets/year, this number that represents approx. 70% of the annual number average of the Romanian cadets marched higher. Situation of the cadets and graduates of the Navigation specialization, who went to sea in 2015 is relatively low, approx. 556 persons (RNA, 2015).

-These visits have scored a total of 31 fourth-year students from the Faculty of Navigation and Naval Transport, which is in practice during its semester.

-During these visits, representatives of companies made presentations of the shipping companies they represent, informed on the work with cadets and graduates, selection and employment procedures.

-They were presented a number of aspects of shipboard activities, by cadets and young officer's graduates, situations they have faced, ship-owners expectations related to the activity of cadets and young officers later.

Following the presentations revealed a series of issues related to students and graduates from CMU, Table no. 4.

The main conclusions emerging from the discussions and visits at the crewing companies have the following aspects:

- A low level of theoretical knowledge at the cadets and graduates.
- Some cadets there is no proper attitude on board, indiscipline and lack of involvement in activities, lack of own initiatives.
- Stability in the maritime companies reduced their hosts for internships craft.

Table no. 4. Situations reported by the shipping companies' representatives

No	SITUATIONS SPENT AT THE CREWING COMPANIES	SITUATIONS ON BOARD OF THE MARITIME SHIPS
1.	-It records a large number of students at the premises of companies, but the degree of rejection is high at the specialized tests and English.	-A number of cadets not withstand and they ask for landing ships before the end of the contracts. This situation leads to job losses for the Romanian cadets, for practice in these companies, and the owners will bring cadets from other countries, particularly from the Philippines and India.
2.	-Students who pass these tests are called for interviews. -Interviews shall be conducted live on Skype with representatives of shipping companies, from corporate headquarters abroad. This leads to a high degree of rejection. -Some companies are conducted interviews at headquarters in Constanta, there are led by the Romanian officers who have higher degree of tolerance and permissiveness.	-Some cadets do not have the right attitude on board, not wanting to prepare, will not participate in all activities and enter into direct conflict with chiefs (Master, Captain, deck officers). This conflict leads to the rejection Romanian cadets from foreign shipping companies.
3.	-Cadets have difficulty expressing themselves freely in English, do not have evolved a specialized dictionary.	-Romanian cadets have difficulty in adapting to the life and activities on board. Adapts hard, are not used to communicate with the crew members, are reluctant to befriend strangers, especially with sailors from Asia (Philippines, Vietnam, China).
4.	-Another situation is that after obtaining the IMO Certificate for the officer on deck, do not return to the companies where they performed embarked practice. -This leads to some deductions of ship-owners, in the future they will not take more Romanian cadets for the embarked practice.	-A particularly serious, said the company is related to the fact that a student was tested anti-doping when arrival at the ship and after a positive result, he was sent home.

Source: (author study).

3. Perspectives and strategies for incorporation the cadets on sea market

The situation embarkation students for internships mandatory on board of the ships, came to the attention of several maritime institutions in Romania. Free Union of Seafarers from Romania launched a debate "Project to help the cadets for the mandatory internships". This document was released because management Free Union of Seafarers consider that "sea crew and students of the maritime universities and colleges is the main source of financing of the Romanian Naval Authority, Romanian Maritime Training Center "Ceronav", Constanta Maritime University, the Naval Academy "Mircea cel Batran", the Crewing Agencies, Free Union of Seafarers" and starting from that "fewer younger students can fulfill their internship in order to promote the position of officer, all entities above should aim as a priority, aid to this segment", (FUS, 2016). Syndicate leadership also considers that "bear in mind that the European Union leadership urged European ship-owners to register their at least 40% of transport capacity in Europe, which continue to receive European funding in various forms". European Union demand management also focuses on "increasing European seafarers, especially officers. In this context, the Romanian officers have an opportunity to handle the job on European ships, in terms of education and high quality training".

FUS leadership held a series of discussions internationally with its partners to dialogue, and from these discussions revealed that "there is the possibility definite takeover of Romanian cadets in terms of burden sharing and possible financing expenses derived from it". Following debates and governmental sector, the proposal must support changes to reach the final shape to come into this program. Free Union of Seafarers is only an initiator of discussions at sectoral maritime community who care equally about cadet's practice on board of the ships.

4. Conclusions

Following the analysis performed yielded a number of conclusions:

A).For the Maritime University. The current situation requires the following solutions:

-Reduce the number of meetings (lectures, seminars and laboratories), by amending and adapting curricula. Too many sessions /week, leading to reduced time-study students. Reduced time study is not completed with free time from the weekend, when rule-school students have concerns. Emphasis should be placed on organizing individual study sessions in specially equipped rooms for individual study.

-Focusing on education per student to help him to learn, be career oriented, to give up many of its activities which are not important for its preparation, which reduce individual time trial.

-Increasing the quality of Maritime higher education, given the fact that students come to Faculty with a reduced baggage expertise.

-Organizing a larger number of students meeting with representatives of the shipping companies in order for them to present real situations from ships and to help them navigate and choice the career.

-Organizing meetings psychological counseling and guidance with the help of psychologists, to specialists in human resources domain.

-The organization of visits to ships which arriving in the port of Constanta. These visits can be organized with the help of representatives of the shipping companies.

-Continuation of the scholarship program for students "Erasmus ++" to stimulate students leaving practice voyages aboard ships.

b).For the shipping companies. Shipping companies and maritime companies for recruiting seafarers should consider the following issues:

-To introduce special programs for Romanian cadets. This situation is manageable, but if these companies do not take action, the crisis of highly qualified seafarers, as Masters and chief engineers, will lead to big problems in the near future. If will not invest in the students practice and not promotion of young officers, will not have where to choose prospective Masters and chief engineers.

-It must seek solutions to keeping cadets after graduation and them obtain the certificate of marine deck officer, to return to the company and work there for a long time.

-Must take measures to reduce the number of stress factors on ships. This can be done by re-organization of the board, the redistribution of tasks, to create the best working and living conditions on board.

If these aspects will be taken into account by managers from the maritime field, it will solve the problem of the current situation of the Romanian cadets.

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The Managerial Culture. A Literature Review

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Abstract

This article aims to analyze the evolution of the managerial culture concept in order to assess the importance of manager and of his / her personality during the processes of decision making and implementing in an organization. In order to achieve this goal, an ethic approach is employed and a qualitative research is developed. Thus, the articles published on Proquest that included in the tile, abstract or key words one of the next phrases: "culture", "organizational culture" or "managerial culture", are analyzed. The results prove that the managerial culture represents a subject of interest for both academics and practitioners since it comprises a set of elements which are absolutely indispensable in the process of establishing the corporate strategies. These findings have both theoretical and practical implications; on the one hand, it synthesis how the concept evolved and, on the other hand, it brings forward its importance in organizational environment.

Key words: culture, organizational culture, managerial culture, values.

J.E.L. classification: D21, L29, M12, M14.

1. Introduction

The notion of "culture" represents, as per its definition in the Romanian Explanatory Dictionary, all the material and spiritual values that the mankind has created and also all the institutions needed to communicate such values. Tylor (1871) uses the term "culture" to describe a complex human characteristic that includes knowledge, belief, art, moral, law, custom and any other capabilities and habits acquired by a member of society. In short, it reflects how the things around here are done. Linton (1955) goes further and describes culture as a learned behavior which is shared and promoted by the members of a certain community. Kroeber and Kluckhohn (1952) also supports the behaviour approach but it transcends from an individual to a group level by presenting culture as a shared behavior within a group of people who have common purpose and values of life. Therefore, culture is an ensemble of knowledge that has been accumulated in various fields, allowing intellectual development. Following the same reasoning, the concept of "organizational culture" represents the sum of activities and behavioral patterns that are specific to an organization.

The studies regarding organizational culture have their roots in anthropology and date back to the early of the 20th century. The first record of the "organizational culture" concept is credited to Theodore Szelnic (1957) who argued that this is needed in order to identify the practices that would lead to organizational development. Further on, the concept goes through a continuous enriching process, as the experts in the field became aware of the fact that any organization has an organizational culture, with a decisive role in firm's activity.

In the late 1970's, the concept of "corporate culture" started to be used in USA in order to emphasize the need for the enterprises to mobilize their ensemble of personnel and make them adhere to the unique identity of the organization (Vachette, 1984). This approach was also adopted by Peters and Waterman (1982) and Deal and Kennedy (1982). The formers define the organizational culture as a set of values that are shared by the members of the organization, which

is induced by symbolic means.

Furthermore, terms like "national culture", "organizational culture", and "managerial culture" are frequently used. If the distinction between the first two concepts is somehow easy to do, not the same can be claimed about the last two. Despite the fact that there is plenty of research about "organizational culture" and "managerial culture", the distinction between these two is not clear and several times they are used as interchangeable (Gupta, 2012; Prabhu, 2005). Therefore, this article aims to analyze the specialized literature and to highlight the main differences between organizational and managerial culture.

The reminder of this article is structured as follows. Section 2 emphasizes the research methodology that facilitated the achievement of the research goal while Section 3 brings forward the main results. The article closes by drawing several conclusions, and highlighting the research limits and several further research directions.

2. Methodology

The purpose of this article is to analyze the literature published during 1950-2016 on the managerial and organizational culture, in order to show the main defining elements of the managerial culture concept, as it appeared and further evolved and its impact in the process of decision making and implementing in an organization.

Therefore, an etic approach is employed which has its roots in the behaviourist psychology and the anthropological approaches and it supports the analysis of a phenomenon from the outside. Unlike the emic approach, this provides several "descriptions and analyses expressed in terms of the conceptual schemes and categories regarded as meaningful and appropriate by the community of scientific observers" (Lett, 1990, p.130). Furthermore, Mott-Stenerson (2008, p.432) claims that "the etic approach is exemplified through a review of literature for thematic frameworks" while Fram (2013, p.7) states "the theoretical framework is a process at the abstract level using relative theories and definitive concepts as comparisons to gain understandings in order to describe, explain, or predict social phenomena, which occurs when the etic perspective is maintained". Nevertheless, the use of an etic approach is suitable for the analyzed problem since pre-existing theories, hypotheses and approaches are used as constructs in order to determine if they apply to specific settings (Lett, 1990; Morris, Leung, Ames & Lickel, 1999). Therefore, we develop a multiple-stage research strategy.

A documentary study is developed. This focused on the articles published on Proquest that included in the title, abstract or key words one of the next phrases: "culture", "organizational culture" or "managerial culture", are analyzed. The research is qualitative and it is dominated by an inductive approach. The inductive character is reflected by the fact that the focus is on analyzing previously researched phenomena from a different perspective.

3. From organizational culture to managerial culture: A valuable journey

In the last centuries, the concept of "culture" was analyzed either from a sociological perspective or from an anthropological one (Cameron, 2008; Kroeber and Kluckhohn, 1952). The first one describes culture as a characteristic of an organization, an attribute that may be owned, developed and changed (Leon et al., 2015). The second one emphasizes that culture is the organization and not just a part of it; therefore, it cannot be separated or owned and its development occurs once the organization develops (Leon et al., 2015). Both perspectives are correct although terms like "national culture", "organizational culture", and "managerial culture" are frequently used and are getting us closer to the sociological approach. If the distinction between the first two concepts is somehow easy to do, not the same can be claimed about the last two. Despite the fact that there is plenty of research about "organizational culture" and "managerial culture", the distinction between these two is not clear and several times they are used as interchangeable (Gupta, 2012; Prabhu, 2005).

Organizational culture usually defines a set of traditions, values, procedures, concepts and attitudes that create the organizational framework (McLean and Marshal, 1993), and it has a

powerful impact on the organizational effectiveness (Cameron and Freeman, 1991), the success of mergers and acquisitions (Cameron and Mora, 2003) and the quality of life in organizations (Quinn and Spreitzer, 1991). To a large extent, organizational culture may determine whether the organization succeeds or fails (Dyer, 1984) due to the fact that it affects employee productivity, job satisfaction and commitment (Ouchi, 1981) and it constrains organizational strategy and policy (Schwarz and Davis, 1981). It is therefore the key variable in organizational analysis when it comes to managing change effectively.

Several studies use the concepts of organizational culture and managerial culture as interchangeable although there are various differences between them. First of all, it is usually assumed that the organizational culture aims to integrate the employees within the companies, while the managerial culture focuses on providing vision and the sense of belonging to a certain social category (Nicolescu and Verboncu, 2001). So, the organizational culture defines the environment, the context while its "heart" and functioning are ensured by the managerial culture; the identity of an organization is maintained as long as the beliefs and its fundamental values are declared, shared and put into practice by its managers.

Secondly, the organizational culture concentrates keeping and transmitting the values, beliefs and traditions while the managerial culture tries to conserve them, to ensure their long-term existence, to foster the learning process and the harmonization of organizational values. As suggested by Nicolescu and Verboncu (2001), the managerial culture accumulates a set of values, beliefs, attitudes highlighted through a synergy effect and it succeeds in amplifying their potential within the organization.

Nevertheless, the organizational culture ensures a balance among the organizational values and employees' values while the managerial culture acts as a filter, trying to retain only those elements (values, beliefs, rules, procedures) that may add value to the firm (Nicolescu and Verboncu, 2001). Besides, the latter performs the cultural control when it comes to company's evolution and development.

Furthermore, as part of the organizational culture, the managerial culture, has benefited from a lot of interest from the experts in the field. However, there are two different lines of research encountered: the first one concentrates on the personal knowledge of managers while the second one adopts a general approach and treats the managerial culture as a collective behaviour. The scholars from the first line of research (Kahn and Katz, 1966) state that the managerial culture comprises aspects referring to both: (i) the general knowledge that a manager acquires and possesses, and (ii) the specifics knowledge regarding the field in which the manager activates (psychology, sociology, intellectual capabilities, skills, abilities), as well as operational aspects regarding the implementation of such knowledge in a certain field. Thus, Kahn and Katz (1978) stated that a good manager must have very good capabilities in terms of communication. They need them in order to communicate the information in a correct manner, persuade, to involve the employees in their activities as much as possible, and to motivate them.

The researchers from the second line of research (Al-Kindi and Bailie, 2015; Jucan and Jucan, 2010; Nicolescu and Verboncu, 2001) argue that manager's personal values, beliefs, and personal capability of adapting to the socio-economic conditions define the managerial culture and have a strong impact on the management style he/she adopts, influencing company's activity. More exactly, Nicolescu and Verboncu (2001, p.59) defines the managerial culture as "the system of values, the beliefs, aspirations, expectations and behaviors of managers, reflected into the management styles practiced within the organization, sensitively influencing the content of every company's organizational culture and performances". Thus, the managerial culture synthesizes to the amount of values, skills, behaviors possessed by firm's managers and affects not only the management style but also the process of decision making and company's success.

Last but not least, when the concept of managerial culture is taken into consideration, the approach varies from an individual to a group level but it almost always describes the knowledge (values, beliefs, ideas, experiences, know-how etc.) possessed by managers and it emphasizes its impact on the organizational processes and firm's competitiveness.

4. Conclusions

The specificity of the managerial culture resides in the fact that it is based on certain values and comprises a set of elements which are absolutely indispensable in the process of establishing the corporate strategies. The mission, the vision, the behavioral model adopted by the manager and also the traditions, the symbols and the operational processes that the manager has in each organization represent determining factors when defining, taking and implementing the corporate strategies.

Starting our study with the early 1950's, when the need for a closer investigation on the concept of managerial culture was for the first time realized, and arriving nowadays, we realize that the notion of manager is more and more replaced by the one of leader, the latter being a concept trying to cumulate all the values, beliefs, knowledge – general and technical, the behaviors possessed by a person who is in charge with the destiny of an organization, along with all its assets, with the hope for its development and achieving the highest standards of professionalism, efficiency and business ethics.

This study has implication on both theoretical and practical level. From a theoretical perspective, (i) it brings forward the time evolution of the managerial culture concept; (ii) it makes a clear demarcation between organizational culture and managerial culture, and (iii) it reflects the main points of view from which the concept of managerial concept was approached. Regarding the practical implications of this study, it must be mentioned that this helps managers understand the impact that their values and beliefs may have in the process of decision making.

However, the research is limited by the fact that it is only presenting a theoretical perspective on the issue and the gap between theory and practice is well known. Besides, the research findings are limited by the number of keywords searched in international databases. What it was found in the literature is just a fraction from what is written but still is capable of reflecting the ambiguity of the concept of managerial culture.

Starting from these findings, a future research should be developed in order to provide an answer to the following questions:

1. What are the main characteristics of the managerial culture from the Romanian companies?
2. How does the managerial culture influence the strategies development and implementation?

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Social Media Impact on Human Resources Management Strategies

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Abstract

The aim of this paper is to do a research of human resource management in Romania for the IT sector, and focus the attention to a couple of things like culture, trainings and the impact resulted on social media that this companies and their employees are producing.

The use of social media has a huge impact on the quality of the work and also is contributing to strengthen the relationships between employees. It can be a good resource in attracting new talents and also promoting the company. This research used mined data from LinkedIn and other social media and publicly available websites in order to statistically test hypotheses using the Pearson chi-square method and successfully finding 6 strong correlations between data analyzed for Romanian software development companies.

Key words: Human resources management, Social media, IT Industry, Data mining, software

J.E.L. classification: J 24, M 53, O 15.

1. Introduction

There is no secret that social media is part of our lives and considering the growing rate of mobile devices, the general public is becoming more and more verbose through this communication channels. Currently there are more than 2.5 billion social media users worldwide and studies show that there will be 3 billions by 2020 (Bellini, 2016), this growth will be mainly composed of adults as Greenwood (2015, p.4) illustrates that more than 2 thirds of Americans with the age over 30 are using social media. With this is so called maturation of the social media, we can see that it has implications beyond marketing and social studies in areas like human resources management, B2B innovation (Jussila 2015), business intelligence, governments (Nascimento, et al, 2016, p.1) and others. In fact social media can be used as a research instrument no matter the area the researcher is interested in, the diverse content produced by the interaction of the users of this networks can be used as quantitative and quantitative data on the research topic. On the other hand there is a huge increase in the usage of social media regarding product development or business process as consumers constantly provide feedbacks and suggestions regarding products or services provided by companies (Nascimento, et al, 2016, pp4-5). On this premises the most innovating companies have developed crowdsourcing campaigns that through social media are exploiting new ideas and carry out market tests. For example Danone developed a campaign using social media that allowed customers to interact with the brand in order to develop two new products Snack Pot and Activia Pouring Yoghurt that were successfully launched in the market (Arnaboldi, et al, 2016, pp4-5) .

LinkedIn has established itself as the world's largest professional network, becoming the first choice for companies when it comes to recruiting or other human resource activities and practices, also professionals are continuously maintaining their profiles updated, that act more like a curriculum vitae in the web 2.0 era. In this paper we will analyze both the behavior of employees and also the interactions they have with the companies they are working at, in order to verify if there is any statistical correlations and try to answer the following research questions: Is there any

correlations of trainings done by employees on firms turnover; correlations between gender and company profits and turnover and also relations to profitability and previous employer experience.

2. Current Literature review

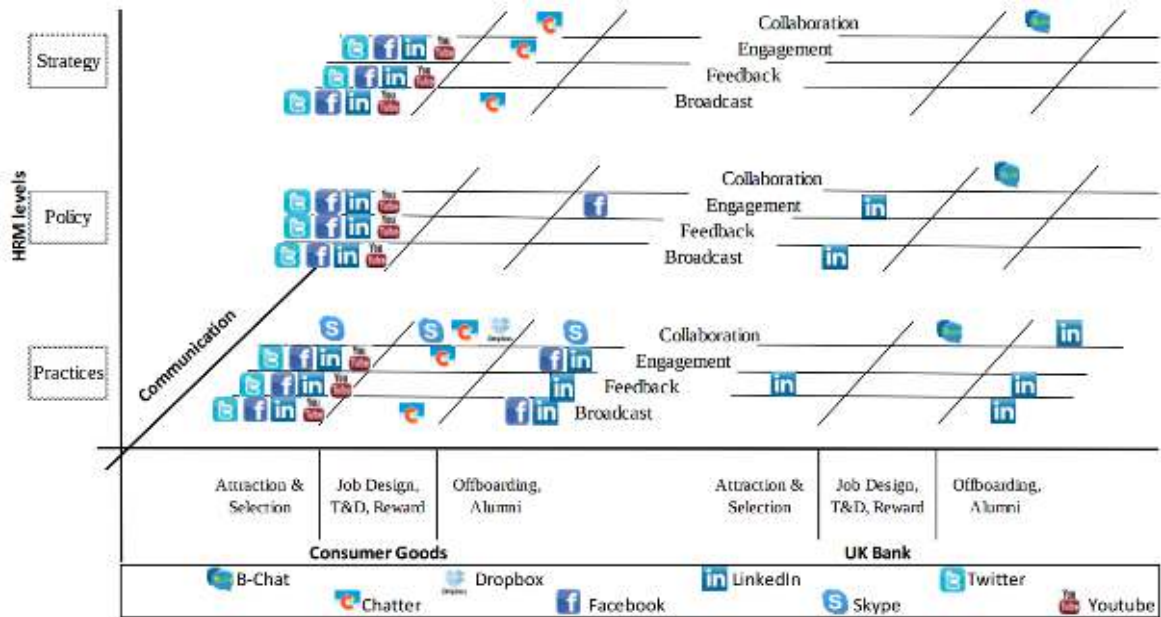
Even if most of the research regarding social media is related to marketing, there are couple of recent papers on the impact it has on human resources management, Silva and Brandão ([2015, pp.72-76](#)) conducted a research in order to discover professional patterns with data mined from LinkedIn in order to help educational institutions interested in planning academic activities and upgrading curricula for development of people and their skills and experience required by organizations in Brazil.

Most of the academic papers stress the importance of social media in recruitment process and the strategic planning of the human resources department alongside with the instruments available in social networking websites like Facebook and LinkedIn([Haghshenas, et al, pp.46-49](#)). Wolf and Sims ([2014, pp.2-6](#)) focus their effort in understanding the implications of social media on all levels of human resources management that is seen as a Communication system for job Design, Training and Development, Reward - Engagement and Collaboration. They also list the SMN utilization in different human resources activities for companies in the banking and consumer good industries for 3 different HRM levels: practices, policies, strategy, presented in the figure no. 1.

As mentioned before most academic papers regarding social media are in regards to marketing, but there is a sensitive issue about social media governance and policies that also affects the human resources as well and is quite well documented by Mazey ([2016, pp.85-106](#)) whom conducted a qualitative content analysis on 25 social media policies of top 500 Fortune companies in 2015. The findings of this paper illustrated that there is a continuous concern over what employees are posting on social media websites that might interact with the company's values and brand, on the other hand if promoting the company to present the best manner possible.

In Clearswift ([2009, pp.3-9](#)) are pointed out some serious threats in using social media in organizations like congesting the network with unwanted multimedia content or even sharing publicly private information that is intended only for internal use, moreover employees can use social media to organize riots and sabotage the management. Even so the usage of internal social networks inside companies is widely spread, Hauptmann and Steger ([2012, pp.26-43](#)) conducted a comparative analyses in two companies in order to see the usage of social media and concluded that they actually recommend that management should take an active role in the usage of social media on a daily basis and taking the initiative to create environments for a better communication and community building and also putting in place rules of conduct in this environments.

Figure no. 1. Social Media Utilization: Case Studies Comparison



Source: Wolf, Sims 2014

3. Collection of data

The first step when it comes to using social media for HRM purposes is LinkedIn and more specifically the newly added feature *recruiter tool* for talent solution. First launched in 2008 with limited features today's gives access to an network of more than 400 million members, on top of that offers a versatile advance search tool that allows user to identify possible candidates by an array of options like: previous experience, education, skills, location and many others.

In order to access this information developers can make a request to access an application programmable interface that enables to create innovative professional applications, after the approval process and agreeing the terms of conditions users can do a limited daily requests to LinkedIn using the provided access credentials. For the purpose of this research there was the need for information about employees and their employers' companies financial data. In order to obtain this financial information a data mining procedure was used in order to obtain the turnover, profit, VAT identification number information publically available on listafirme.ro and mfinante.gov.ro. The next challenge was matching together this information, usually on LinkedIn the information available is only for marketing purposes and often the company name is simplified or they show only an internal product or brand that they are promoting, for this reason there were correlated only 1200 employees with their company data out of 1900. For the mining process there is available an increasing number of software options as third party modules and libraries for any programming language, for this research the scripts used to collect and sort the data was developed in python with the help of selenium, BeautifulSoup, mechanize, urllib and the data has been stored in csv files. Based on the names of the employees an algorithm was developed to match the known gender based on list of names publicly available for males and females. During this mining process a list of 1200 employees has been collected with the following data available: name, gender, company, company vat id, turnover and profit for 2015, if the company is profitable, they type of firm; small if the turnover is below one million Ron, big company if the turnover if above one million Ron, title, LinkedIn profile url, number of connections on LinkedIn, months of previous experience, years of previous experience, number of previous firms the employee worked for, bool variables if the user has trainings or certificates, graduation year and the university where he graduated.

4. Data Analysis and Results

The software package used for analyzing the data for this research is IBM SPSS version 20 and have run 28 Pearson's chi-square tests for independence being able to find significance correlation

being and successfully finding strong evidence of correlation on 4 tests with a significance level 0.005 and two tests with a significance level of 0.01. Pearson's chi-squared test (χ^2) is a statistical analysis test used for the examination of frequencies of two nominal-scaled variables in a cross-tabulation table in order to determine whether the variables have a statistically significant relationship (Burns, et al, 2014, pp.358-359). The Chi-squared computed value is equal to:

$$\chi^2 = \sum_{i=1}^n \frac{(Observed_i - Expected_i)^2}{Expected_i}$$

Where

$Observed_i$ = observed frequency in cell i

$Expected_i$ = expected frequency in cell i

n = number of cells

All the tests presented below are based on a sample of 1200 employees in software development companies located in Romania.

Based on the information mined from the social media websites and the local government companies with a significance level of 0.01 there is evidence of a correlation between the profitability of a firm and the previous number of years of experience of their employees: Pearson chi-square value 88.69, with 43 degrees of freedom, for this test 63% of cells had expected count less than 5, so we need to take into consideration the likelihood ratio as well of 0.01.

Another test with a low significance level of 0.069 is the association found between the type of firm and the graduation year of its employees, the data taken into consideration is if the firm has a turnover less or more than one million RON and the year of graduation listed on social media; chi-square value 44 and 33 degrees of freedom. 210 employees out of 258 that have trainings work in big companies, there is significant evidence of a relationship between the turnover and the number of trained personnel a company has with a significance level of 0.016.

With a significance level of 0.002 we can accept the alternative hypothesis that there is an association between profitability of a firm and the number of previous jobs an employee had most employees more than 20% in profitable firms are at the third job.

Based on the gender of the employees in the IT companies there is a strong significance association with profitability of the firm and also with type of firm, 99.4 % of females working in profitable firms, both tests presented above have a significance level below 0.005.

5. Conclusions

The disruptive impact of the internet technologies with the engagement of users on social media platforms creates enormous amount of research material for human resource managers to interpret and take action on. In today's business environment more specifically in the IT industry it's always about speed to identify and apply strategies, as illustrated in the research section companies with bigger turnover allocate more resources on trainings and the recruiting having an easy to identify patterns. In the IT business there is a continuous demand for highly trained personnel that is the core asset of a software development company and more important how qualified the employs are as shown in the research regarding the level of trained people in the firm. With the ever increase pace of change in our society employees are forced to continuously acquire new knowledge and skills (Casco, 2010, pp.322) via trainings or changing the company is working for. In the company culture the gender diversity also plays a huge role, understanding this aspect and putting it into practice can be challenging considering this is more a technical domain, in the sample analyzed out of 1200 employees only 348 have been females.

One of the limitations of this research can be that some of the employees did not fill the information on their profiles, this does not mean that they do not have the experience or the training, another point that need to be mention is that LinkedIn search algorithms presents the information relevant to the person is doing the search and this can affect seriously the tests.

In this research we can see that there is a huge correlation between gender diversity and the profitability of a company and also the lever of experience, skills and training level of employees with turnover.

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Few Aspects Regarding the Promotional Tools Used in the Marketing Activity of Publishing Houses

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Abstract

As they operate in an increasingly turbulent environment, modern organizations have to organize their activity in such a way that they meet the needs of their target audience as well, as quicker and as appropriate as possible, that they meet the consumers' demand and that they achieve a profitable and positively perceived existence. Alongside other categories of goods and services suppliers, publishing houses are organizations that operate in an intensely competitive market. Through their specifics, publishing houses target specific categories of audience, not only institutions and enterprises (such as: public and private libraries, educational institutions, other types of cultural institutions etc.), but also individuals. Consequently, publishing houses have to design, target and promote their offer so that they meet the demand for this specific type of cultural consumption in an appropriate manner. The purpose of this paper is to present the main techniques and tools used by publishing houses to implement communicational marketing activities.

Key words: publishing houses, marketing, communication, tools

J.E.L. classification: M31

1. Introduction

As they operate in a specific domain, publishing houses must adapt their activity based on the external environment trends: the lifestyle changes of young people, the increasing interest in career development, the increasing influence of new technologies in the everyday life of people, the emergence of new leisure and entertainment activities etc. Both young people and adults spend increasingly less time reading. Thus, the researches conducted in November 2015 by the specialists of the National Institute for Cultural Research and Training (Institutul National pentru Cercetare si Formare Culturala) on a data sample of 1067 people of ages over 14 show – between other important aspects, that: only 15% of the respondents read books on a daily basis, 3% read more than three hours a day, 21% read once or twice a year, 38% have never read a book, and 25% have not bought any book in the past year; however, 88% of the respondents said they watch television daily, and 65% watch television shows at least one hour a day. At the national data sample level, 38% buy books personally, from shops and only 7% on the Internet; the most important acquisition criterion is represented by the interest in the subject of the publication (59%), followed by the author's reputation (28%), having heard about the book (28%) and its price (23%). The reputation of the publishing house matters to only 6% of the respondents. Of the people who read daily, 31% live in the urban area, and 17% are women (Oană, 2015, pp. 60-109). Under these conditions, it is obvious that publishing houses must make special efforts to educate the public and to increase the interest of different categories of target audience in reading, on one hand, and to meet the people's demand of reading, on the other. Thus, they must create attractive offers for each category of readers, must adjust their prices in accordance with the financial possibilities of the readers, must select the appropriate channels to distribute their products and must use the most adequate methods

to increase the interest in reading, to communicate with the audience and to promote not only their own image, but also their offer.

2. Few Aspects Regarding the Marketing Activity of Publishing Houses in Romania

Based on the opinions expressed in the professional literature (Florescu, Malcomete and Pop, 2003, p.399; Moldoveanu and Ioan-Franc, 1997), it can be said that the publishing houses are suppliers of cultural products that offer cultural creations to audience, through specific distribution supports, such as books, magazines etc. Alongside these traditional means, nowadays publishing houses use other distribution supports, such as disks or CDs, and the technological development will create possibilities to use new distribution supports in the future.

Considering certain points of view, private organizations may operate in the socio-cultural area (education, health, culture); because of various reasons (mainly the lack of resources), they perform activities that serve a general specific interest and therefore they undergo a periodical administrative review. For this reason, they can be included among public services (Cetina, 2009, p. 228-229). Although most publishing houses are private economical organizations, with their own specific goals, there can also be publishing houses that are organized and operate under the aegis of public authorities.

Between other laws and settlements, Law rule 186/2003 (Legea 186/2003 in Romanian) regarding the support and promotion of written culture is one of the most important legal regulations concerning the publishing activity in Romania (A.E.R., 2015).

According to Article 1, paragraph 2, written culture refers to the area that includes books, magazines and other publications, with a literary-artistic, technical-scientific character, published on every kind of support. In addition to this, according to Article 4, in order to publish the publications mentioned in Article 1, the local and central public authorities, as well as the public institutions, can offer partial or full financial support, standalone or in partnerships. The law states the entities that can offer non-refundable funds to publishing houses in order to publish the publications mentioned in Article 1, and, moreover, in Article 15, it is stated that financial support can also be offered by professional organizations of publishers, distributors, creation unions to promote the production made under publishing houses.

The market of suppliers of cultural creations on written or virtual support has a wide coverage, even though, as shown by the results of the research previously mentioned within this paper, the audience's interest in reading is increasingly reduced, and the demand for this type of cultural consumption has diminished, the main competitors being the television and social media. However, publishing houses make continuous efforts to meet the needs of those who still want or still need to read, with higher profitability.

There are few statistical data regarding the books market size. Considering certain opinions, in 2013, 2014, the books market valued approximately 60 million euros (Chivu, 2016, Gamulescu, 2016, Ungureanu, 2014).

The main product offered by the publishing houses is the written book, with various thematic contents, such as: literature specialized in certain areas (belletristic, children literature, fiction etc.), school books, dictionaries, art, history, travelling, informatics, memoirs, essays, practical guides etc.), but the range of products can be much broader and can include magazines, e-books, CDs and DVDs, other distribution supports.

The editorial product is the result of a number of specific and complex processes (the acquisition of manuscripts, drafting and editing, page layout and graphics, typography etc.). It is offered at a price that should reward the efforts made to obtain, distribute and promote the product. When the main objective of the editorial activity is the profit, the price can be set so that under the market concrete conditions (demand, competition), it can cover the costs and earn profit. The prices can be differentiated based on the book's release date, author's reputation, paper quality and typographical reproduction, the collection type etc. However, if the publication has a social mission, message, the price is set so that the product is accessible to its target audience (and in most cases, as mentioned previously, public or private sources can also offer financial support).

An important aspect is the distribution of the editorial products. The distribution of books, mainly, but of the other editorial supports as well, can be direct, through the orders received by

publishing house, or indirect, through short or long channels. Even though many publishing houses have opened their own distribution networks, including online distribution platforms, distribution is considered a sensible aspect in publishing activities, because many bookshops have disappeared. Although various offline and online distribution networks are currently operating in the market (Compania de Librarii Bucuresti, Carturesti, librerie.net, piatadecarte.net etc.), book sale is an activity viewed as unprofitable by most entrepreneurs. However, there are digital publishing houses that provide publishing services and have distribution channels for digital books (Editura digitala, Editura virtuala etc.).

3. Marketing Communication Techniques and Tools Used in Publishing Houses' Activity in Romania

In order to achieve its goals and to perform efficiently, each publishing house must carefully set its marketing policies, in accordance with its own global policy.

Based on the market demands, publishing houses must plan a product policy that meets not only the social demand for written culture, but also the personal needs of the targeted readers. They must also develop a price policy in accordance with the characteristics of the products that are offered and with the financial possibilities of the different targeted groups. The publishing houses must also distribute these products so that they arrive in the most appropriate condition to the final reader, must inform the audience and must promote their offers using the most appropriate marketing communication techniques.

As the editorial product must satisfy a complex demand, generated by the social need for culture and the personal need of readers, there are certain situations and for well-stated purposes when the publishing houses' activity is supported by legal regulations, such as the Law rule 186 from 2003 (as previously shown in this paper). Thus, in order to promote the publications stated in the Article 1 from the Law rule, *Societatea Romana de Radiodifuziune (Romanian Broadcasting Company)*, as well as *Societatea Romana de Televiziune (Romanian Television Company)*, can offer at least 1% of the advertising space, with a 75% price reduction compared to the commercial advertising prices (Law rule 186/2003, art. 20(2), A.E.R., 2015).

So, in certain cases, the publishing houses may benefit from this support when they promote certain editorial products created and distributed for well-stated, social-educational purposes; however, besides this support, the publishing houses must promote their offer consistently and systematically, they must build, maintain and spread a positive image in the eyes of their target audience.

Realized through specific techniques, the activity of promotional and continuous marketing communication carried by the publishing houses allows them to start and maintain an open dialogue with the market, to send and receive messages, to convince the audience to purchase the editorial products, to build a positive image etc., thus contributing to achieving the marketing goals set. In this regard, during the process of developing and implementing the marketing strategy, the publishing houses can use techniques and tools through which they can achieve the goals set with more efficiency.

According to the marketing specialists' opinion (Armstrong and Kotler, 2015, p. 372-373), the major tools which assemble the promotional mix are: advertising, sales promotion, sales forces, public relations, and direct and digital marketing. To achieve their marketing communication goals, publishing houses can successfully use these promotional tools.

Thus, advertising is one of the most recommended methods of promotional communication with the target audience. Whether it is about using mass-media as an advertising support or about printed advertisements, direct advertising or other categories of supports, advertising is mainly used to inform readers about new editorial products or to promote certain events linked to the editorial activity (book fairs, book lectures, conferences etc.). The advertisements can be placed not only in the large interest press (national and regional daily newspapers, magazines aimed at a wider audience, with a wide variety of topics etc.), but also in the press specialized in broader cultural areas or literary area. The most popular tool for promoting the offer is the catalog; on one hand, it is used to inform the audience about the book offer, and on the other hand, if the recipients of the advertising endeavor are in fact the business partners, it is used to communicate the offer and in the

negotiation process. For publishing houses, sales promotion represents a way to promote their offer to both the readers and the business market. Some of the tools used are price reductions and special offers used on various occasions (especially during book fairs), events and seasons (winter holidays, beginning of school year, summer, by the seaside etc.), loyalty rewards or other types of rewards offered during certain events or unrelated to these, during integrated marketing communication campaigns, related to other promotional techniques (advertising, direct marketing, public relations, marketing events etc.). They may be granted exclusively by the publishing houses, but also in partnership with other entities and institutions in order to increase their visibility and to gain a positive image (printed press corporations and online press, radio stations and traditional and online television etc.). Especially during fairs, for the efforts made in promoting written culture, the rewards can be given not only to the audience, but also to the exhibitors, journalists, business partners and collaborators, educational institutes etc. (for instance, the raffle, rewards and prizes at the Gaudeamus International Fair) and can significantly contribute to an increase in sales. Marketing events represent by far one of the most popular promotion techniques used by publishing houses, aimed at both the readers and the business partners from the cultural area; these events include, among others, national and international book fairs and exhibitions (such as Frankfurt, Paris, Goteborg, Londra, Beijing, Cracovia etc.). Some of the most appreciated book fairs include: Gaudeamus (organized by *Radio Romania*, with projects on various topics: *Carte Scolara*, *Carte de Invatatura*), *Caravana Gaudeamus* etc.), Kilipirim (Book fair with discount), Bookfest (a book show with the international participation of various "Guests of Honor", organized by the Association of Romanian Publishers (Asociatia Editorilor din Romania)). Between the participants at these events are included: publishing houses of books, newspaper and magazines with literary sections and constant issue, sales agents and suppliers of editorial products, libraries, bookstores, literary agents, journalists, wide audience, thus offering the possibility to display the offer and to sale to the public, to negotiate and to conclude contracts with business partners. Through public relations, publishing houses communicate with different categories of public, with mass-media representatives, with decision makers from the cultural, social, educational areas, and they can promote their image in a specific way. They can organize special events or can be a part of them under various forms. A great impact on the cultural life is exerted by the workshops and conferences with the participation of guests such as: successful writers, awarded authors, literary critics, and actors with parts in plays published at those publishing houses (or even the playwrights themselves). The representatives of the publishing houses can discuss with journalists from specialized press or can send press releases. The publishing houses or theirs professional organizations can initiate events and can offer a totally or partially financial support for various events, such as, for example, the National Book Design Contest "*Cele mai frumoase carti*", the International Festival of Literature and Translation (FILIT-Iasi), "*Noaptea cartilor deschise*" (*The Night of Opened Books*) on *Humanitas Cismigiu Bookshop*, or other events (such as, for example, the human chain organized in Bucharest by the initiative of Litera Publishing House with the occasion of *World Book Day* and *Night of Opened Books*), the Campaign "*Te asteptam la librerie*" (initiated by the Herald Publishing House) etc. Big publishing houses such as: Humanitas, Nemira, Polirom, RAO etc., organize or patronize meetings with writers, reading nights (which can take place at various cultural institutions, clubs, educational institutions etc.) and also support social-humanitarian campaigns, under different forms.

Direct marketing is a communication mean through which publishing houses not only promote the offer, but also receive direct feedback from the public. Flyers and catalogs that offer the possibility of direct feedback from readers can be distributed by mail or can be offered through distribution networks or at specialized fairs; catalogs are also an important tool used in negotiations and for contracts. Nowadays, the Internet represents one of the main ways of sending promotional messages. Social networks, blogs, sites of publishing houses or of cultural publications etc., play a key role in promoting and commercializing the offer of the publishing houses. Mobile phones, Smart TVs, online magazines etc. are supports that allow not only the promotion of one's own offer, but also cross advertising. The development in technology will continue to lead to the emergence of new promotion tools and means, accessible to the new generations of users, raised in an era in which the communication takes place at an overwhelming pace and is limitless.

4. Conclusions

The promotion of editorial products is made through various marketing communication techniques and tools: advertisement (through mass-media, printings, external advertising etc.), sales promotion (special offers, price reductions for both individuals and institutions and enterprises etc.), marketing events (participating at fairs with special displays, where audio-visual demonstrations or meetings between writers and readers can take place), direct marketing (Internet sites, social media, messages sent over mobile phones networks etc.), through sales forces (aiming at a better incentive or motivation of sales agents and supplying firms), through public relations (press conferences, interviews, philanthropic events etc.) etc. Used properly, these techniques contribute (based on the chosen marketing and communication strategy) to the achievement of the communicational and marketing goals, in a strong relation with the goals of the publishing houses' general policy. These techniques can generate even more success: if they are used in integrated marketing communication campaigns, their effect is multiplied through mutual support.

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Conflict Management

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Abstract

The conflict may have a dysfunctional character, with serious repercussions on the results and the organizational climate including the professional satisfaction, but viewed from the perspective of strategies that contribute to better knowledge of the needs of employees and the factor that favors evolution, organizational development, it becomes functionally with positive impact on the Organization's staff and results.

The objective of this paper is to highlight the root causes of conflict in organizations and to present the optimal methods to solve them.

Conflicting statuses can be caused by dissatisfaction with the way the Division of duties, perceptions and misinterpretations, the absence of open and honest communication, interpersonal relations.

It is advisable to tackle conflicts as part of organizational life. It is necessary to be aware that an employee brings with itself at different work values, and strategies of the individual working under these conditions conflict opportunities are numerous.

Key words: conflict, organization, management.

J.E.L. classification: J52

1. Introduction

In classical works devoted to driving it stresses the importance of work organization harmonious. According to the authors of these works, what conflicts arose within the organizations counted some negative phenomena. One of the main purposes of Weber's bureaucracy and of the school's administrative leadership theory was to eliminate the factors and conditions which time limit the emergence of conflicts. Current management theorists admit that the total lack of conflicts in organization is not only impossible but also undesirable and even dangerous.

The conflict has existed and will always exist between people, either separately or in groups of one sort or another. Wherever there are people, there are ideas, values, conjecture, styles and standards that may come into conflict with each other, which means that whatever may be causing a conflict: targets, goals, aspirations, expectations, habits, prejudices and unconfirmed, the competition, the sensitivity and especially aggression, the most important of conflictual presumption.

Chapter 1.causes of conflicts

Managerial practice, over time, has developed "two visions conflict" (Stoner, Freeman, 1989):

- Classical vision, through the Prism which conflict is only seen as a destructive agent, which prevents obtaining optimal performance and is caused by managerial errors in the design and management of the Organization, therefore any conflict should be avoided.
- modern vision that examines the conflict as part of the process of interaction between an organization's members, departments and put in charge of solving conflict situation Manager, so as to contribute to obtaining optimum performance in your organization. Thus, management will focus on identifying the exact level of conflict affecting performance, i.e.

getting time that stimulation of conflict may have beneficial effects on the Organization (the so-called "optimal level).

We can be identified three causes of conflict (Deep, and Sussman, 1996,120):.

Table no. 1 Causes of conflict perpetuations

Ctr. No.	Causes of conflict perpetuations
1	We live in a world of increasingly complex and diverse; different people want different things and there are very few things that please everyone. It is well known fact that human being is afraid of different situations, as well as new ones.
2	To work with people, to manage the human resources may not be a permanent source of conflict. Incompatibilities, vanity, ego and self-centeredness may not be conflicting situations than presumed.
3	We live and work in a world that imposes limits on our resources. Organizational conflicts are due to organizational restrictions and equally invariably, limited resources.

Source: (Deep, and Sussman, 1996, 120)

The dynamics of organizations, as well as the dynamics of groups, I suppose in addition to consensus and dialogue and conflict because, (Hall, 1996),highlights organizational conflict is a „process inherent in ". Conflict is an important part of organizational life and motivations for human resources conflict are endless.

This scientific approach aimed to highlight some of the reasons for the initiation of labor conflicts in working groups(Rentrop&Stranton, 1999, 15-16):

- Existence of a dualism in relationships with other people: people need to get involved in something, but to stand apart; to conform, but the riots; to be part of something important and yet be individuals besides the collectivity; This dualism generate attitudinal interpersonal conflicts, interpersonal and group
- The enormous responsibility of management that you need to "push" the organization from chaos toward performance; "the entire leadership (organizational objectives and values) by the strength of the parties is fundamental. Individual interests prevail in an organization in front of general interests. The human resources of the Organization will be coordinated in their activity by the personal interests. Management role is to minimize the rift between the interests of the individual and the organization. When he fails to do so, organizational conflict is inherent.

Chapter 2.Methods of solving conflicts

No matter how many people may agree with the objectives set out, they will have different opinions on how to achieve them, even more so with how people have different opinions by the very fundamental feature of human being: individuality; If we add to this the fact that people have different value systems or have different beliefs, standards of behavior, manners, priorities, personalities and levels of sense of humor, interpersonal conflicts, explanations and easy group are tax-deductible.

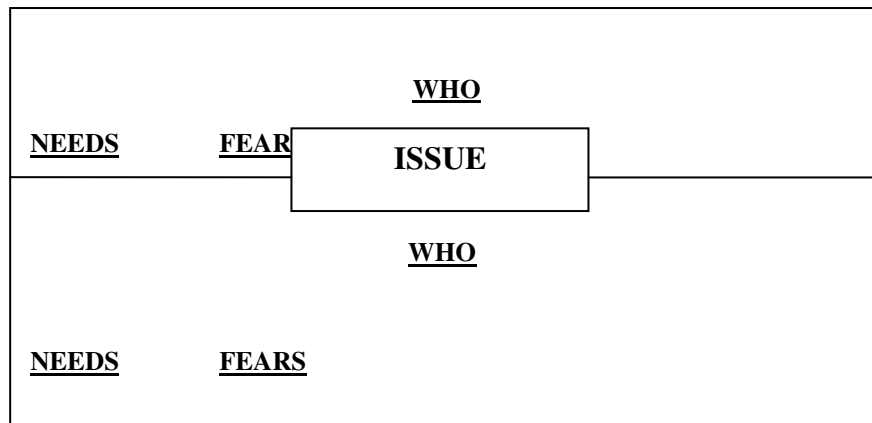
Given the inevitability of conflicts shows that management is one of the most important activities, and conflict management is considered by many specialists as being as important as the other functions of human resources management.

The first step in resolving the conflict is his awareness. In this sense we can call the method-map conflict(Cornelius, Faire,1989)Thus we will be able to create an image as closer to reality over the facts and the way in which people interact involved in conflicts. The first step is the formulation of the problem.

Follows the identification of parties involved in the conflict. A person involved in the conflict because it has different needs, needs that require to be satisfied or have some fears. The answer that you formulate each for solving the problem is directly influenced by these needs (ex: a rewarding work, recognition, understanding, etc.).

For example, the question "what do you want Manager?" a possible answer may be: "breaks with identical durations for all employees", behind this requirement is hiding a real need "A fair amount of work for all employees." Using maps help as the conflicting parties to realize some aspects that typically underlie the conflict, but we are in the process of solving the escapes/his settlement.

Figure no. 1. Map of conflict

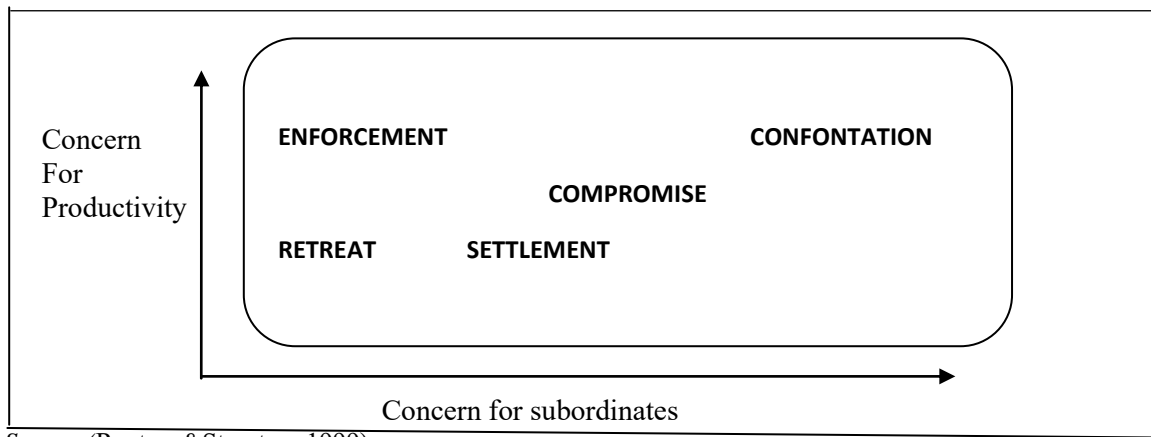


Source: (Cornelius, Faire, 1989)

After a careful analysis of the causes of conflicts, the level at which the consequences of the short and long term, as well as the impact on the organizational climate and the results your organization choose one method that seems suitable for conflict resolution from the list below:

- Cooperation is necessary due to the dependence that exists between different members of an organization. The technique is designated to reduce the wrong perceptions, to stimulate communication and develop feelings of trust between members of the organization.
- The withdrawal shows a low concern for both results and relationships with subordinates. Avoids conflict managers assuming that ignoring it will disappear by itself. Such conflict to the latent breaks out with much greater intensity, especially if the situation that generated the conflict is particularly important for the organization. However, recourse to this method is recommended as a solution of the moment where emotional intensity reached highs and calling another method is compromised.
- The settling is the Manager attempts to satisfy all the parties involved in the conflict. This method may generate in the future obstacles for obtaining high performances, especially in the case of organizations with mediocre results.
- Forcing is used, in particular where the manager wants, at any cost, getting results without having consideration toward the expectations, needs and feelings of others. In the short term, can reduce the conflict, but the effects are not of the favorable long-term. Practice has confirmed that in a climate of constrain, productivity will decrease.
- The compromise involves mutual concessions, both parties having obtained some of the requirements. The adoption of this method is done especially when the parties have equal powers and are firmly determined to achieve their goals in exclusive mode. However, most commonly, is a superficial solution for reconciliation of all parties that involves culling and beliefs sometimes rationality.
- The confrontation is an approach to conflict resolution that takes into account both the need for results, as well as relationships with subordinates. This is probably the most optimal way of solving the conflict permanently and is used where it supports the legitimate differences between the parties, the key to resolving the conflict being honest recognition of differences.

Figure no. 2. Methods of solving conflicts



Source: (Rentrop&Stranton, 1999)

Another technique for resolving the conflict is negotiation. This technique is applied for at least two reasons:

- to create something that no party can be done individually by its own means;
- To settle the dispute between the parties. The strategies used in the negotiation process are similar styles of dealing with conflicts, as described above, and include: collaboration (integrative negotiation), competition (distributive negotiation) and accommodating (helpful negotiation) with the interests of the opposing party. Essentially, this method is based on principles such as: disputant positions; don't confuse people with the problem under discussion; focus on the interests, not going over positions; search for mutually beneficial solutions; insist on the use of objective criteria. If we refer to a special category of conflicts, the work, we can conclude that the negotiation is concluded with the signing of some agreements, contracts or agreements that provide certain social and economic guarantees to the Parthians. These negotiations, in terms of collective bargaining, are legal.

In practice, however, for conflict resolution, but also keeping relations call frequently to the use third party mediator. The method is particularly effective when the two warring parties are no longer arranged at an honest confrontation, being caught between pressure from the Organization and mutual distrust. A third person with the role of mediator, will try to provoke an encounter face to face, encouraging open communication. In this way it reduces emotivism and creates equal opportunity for both parties to express feelings. The mediator provides the chance of reconciliation of opposing parties and then creating facilities for communication.

Whichever method is used, in interpersonal relations must we follow a few rules: everyone needs wording and trying to meet them; supporting both of the other values and personal values; is it necessary to dissociate ourselves from the issue; to be fair, to seek creative and ingenious solutions; and it's very important to get away from the attitude of "them and us".

Conclusions

Conflict management, is one of the most important activities, and conflict management is considered by many specialists as being as important as the other functions of human resources management.

It is advisable to tackle conflicts as part of organizational life. It is necessary to be aware that an employee brings with itself at different work values, beliefs, goals and strategies of the individual working under these conditions conflict opportunities are numerous. Although the conflict as the phenomenon itself has a negative connotation, positive valuation of a certain degree favor strengthening relations between conflicting employees, innovation, organizational development and change.

My opinion is that in any type of organization, you have supported a culture of discovery, understanding and conflict resolution without having to be a State of denial of the presence of

conflicts, we must discover the conflict phase and to propose the most appropriate technique for the settlement.

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Policies and Strategies Quality Courier Services Market Case Study DHL

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Abstract

In this paper we presented some of the policies and strategies quality courier services implemented at DHL. We focused on this company because it is the only one that has achieved Superbrand status in category " Transport and Courier ". This company is an economic model to be followed, both in terms of the values it perpetuates the market and developed a business model. Company policy in quality, is to offer its customers high quality services in the field of courier services at a competitive price, under achieving a good profit for the company and a good salary for employees

Key words: courier services; transportation, fast delivery; courier services market.

J.E.L. classification: M31

1. Introduction

It is obvious that the main problem facing large enterprises today is to discover the most effective ways to launch viable businesses and particularly their maintenance, placing a great emphasis on the quality of services and products. Firms operating in a dynamic and changing environment, thus the need for a permanent adaptation to the requirements of consumer activities. Effective transportation is certainly an aspect of quality of life, maximizing business results leading to numerous and ongoing trends and developments. Courier service is the safest and quickest way to send documents and parcels worldwide. Speed, security and convenience are just some of the advantages that courier companies promoting them through national and international services offered. Due to the development and market diversification, the success of an organization, both economically and financially and socially is conditioned by the quality of the services it provides. (Gattorna, 1999, 364-365).

2. Description of courier company DHL

DHL offers integrated services and customized solutions tailored to customers' requirements for transport of documents, goods and information.

DHL comprises four divisions operating in its own name. They have centralized internal services that support the entire Group, including financial operations, IT and procurement. This consolidation helps to increase business agility, improve quality of service mechanism linked to economies of scale and cost benefits.

Founded in San Francisco more than 40 years ago by three entrepreneurs - Adrian Dalsey, Larry Hillblom and Robert Lynn - DHL has continued to expand at an accelerated pace. Today, DHL is the world leader on the international express delivery services (www.dhl.com).

At first, in 1969, DHL took its first steps, carrying documents by plane from San Francisco to Honolulu. Over the years, DHL network has grown increasingly more towards new clients from every corner of the world. At the same time the market was developed and became more complex,

so DHL was adapted to the changing demands of its customers.

Today, DHL's international network covers over 220 countries and territories worldwide.

DHL also offers unique expertise in express, air and sea, international transport, contract logistics solutions and international transport services correspondence.

Since 1969 until now, their commitment remains as strong. Their success was always based on delivering excellent customer service. The continuing desire of continuous improvement, DHL has become a brand acknowledged for personal commitment, proactive solutions and local strength. Underlying its success is its employees dedicated to customer requirements, providing them customized solutions (www.dhl.com).

To cover the most diverse requirements at the highest level, the highest quality, DHL is organized into four specialized divisions:

- DHL Express Division
- Division DHL Global Forwarding & DHL Freight
- DHL Supply Chain Division
- Division DHL Mail.

Now, courier services market in Romania is divided into two segments, namely national and international courier services. In the international courier, it is provided by the largest multinational operators - DHL, TNT, UPS and FedEx.

Nationally, the main competitors are and Cargus FAN Courier (DHL took over in 2007), followed by Sprint Courier, AloCurier, Pegasus (taken in 2008 by the international brand DPD Geo Post) and the Romanian Post (www.curierat.ro).

Basic service is offered by DHL express delivery of documents / parcels, resulted in services for export, import and internal services. To this is added peripheral services that facilitate access to basic services or to potentiate value:

- Transport by road, sea, rail and air transport;
- Warehousing and Distribution;
- Supply Chain Solutions - consulting, production, storage, transport and delivery;
- international postal solutions.

Express delivery can also provide ancillary services (insurance, packing, shipping, special - eg. On Saturday, transport dangerous goods, proof of delivery, areas serving special - eg. Places with access difficult or rural, options for payment and invoicing).

3. Case Study: Analysis of policy and strategy of quality applied by DHL

In this part of the article achieves a empirical research on policies and strategies as applied by DHL, which have led to a better positioning of the company and an increase in the consumer confidence in this company.

DHL is the only company that has achieved Superbrand status in category " Transport and Courier ". The assessment criteria considered in the selection process were reliable, quality and market differentiation applied in all programs taking place in the world. Following the selection made by the Board of Superbrands in the first stage of the program, 578 brands qualified were included in market research, conducted by Superbrands Romania supported by IPSOS, a representative sample of 1,500 Romanian consumers, as urban.

Concern permanent partners and customers to ensure quality service is certified by the implementation of a quality management system in accordance with international standard ISO 9001.

Company policy in quality, is to offer its customers high quality services in the field of courier services at a competitive price, under achieving a good profit for the company and a good salary for employees.

Company management is committed to understand and meet all customer requirements in line with expectations, with legal regulations in force and applicable professional standards.

Each member of the organization assumes responsibility for the work they perform for quality services which contributed to the achievement and is committed to orient all his activity in order to meet customer requirements.(Costea 2009, 144-146)

Data from performance measurement are used to continually improve the quality management

system, the company's activity and to promote preventive action.

In 2012 DHL has made a significant investment in fleet renewal with 100 large commercial vehicles with internal shelves (Volkswagen Crafter) operating throughout the country, which doubled transport capacity in Romania offering higher efficiency supplies. Also, DHL began last year operation of aircraft cargo us at Arad and Cluj to serve the area west of the country that offers load capacity marry and have allowed the extension of coverage for services that deliver the same day for customers in this region . Shipments to customers in the north-east of the country are now exported the same day due to a partnership of DHL with a commercial line for the route Iași – Bucharest (www.dhl.ro).

DHL apply continuous quality improvement strategy evidenced by periodically changing both the fleet and the airline has to have new means of consuming more efficient and cleaner for the environment. The company also applies innovation strategy, implementing the company a special department in charge of innovation in logistics innovation having two directions, these being: controlling costs and R & D trends emerging in logistics.

Within the ISO 14001 standard, DHL has developed a quality strategy called 'GoGreen' (www.infocert.ro/iso). DHL was the first logistics company that has set the objective of specific carbon efficiency.

To achieve this objective of reducing carbon emissions by up to 30% in 2020, for every letter and parcel sent, every container shipped and every metro square of space used, DHL has implemented the program of protection of climate and environment called GoGreen.

Through this program, the company has successfully developed numerous best practice, of which the most beneficial to the environment is practice the 3Rs - Reduce, Reuse and Recycling of materials used in packaging and transport.

GoGreen means taking responsibility for the environment and for our world. Is a program that aims to significantly improve the company's carbon footprint. Under the program GoGreen, DHL is committed to lowering the environmental impact through measurable initiatives very precise. It also offers a service that provides compensation GoGreen CO2 emissions of supplies at home. Compensation is achieved by means of projects selected by offsetting carbon fund financed by the company. Now, apply ISO 50001 and ISO 26000 standards (www.infocert.ro/iso).

DHL Freight improves its carbon footprint in areas such as building infrastructure, network design, fleet management and employee involvement. Try as much as possible, to equip buildings with installations of heating, reduce travel which did not get to use more efficient vehicles with low carbon, to use rail and intermodal and encourage staff DHL to use more means of transport or bicycles, vehicles that do not harm the environment.

ISO 14001 helps the GoGreen initiative by establishing environmental objectives. ISO 14001 also helps the company to devise to carry out and control their processes to comply with regulations and other requirements related to these objectives.

In the table below we can observe the top 10 companies in Romania who have been noted on the local courier market in 2015.

Table no. 1. The courier companies situation in Romania in 2015

Nr. crt.	Numele firmei	County	Town	Number of employees	Turnover	Net Profit
1.	Compania Nationala Posta Romana	Bucharest	Bucharest Sect 2	24.814	1.078.670.898	<u>33.014.58</u> 6
2.	FAN Courier Express SRL	Bucharest	Bucharest Sect 2	1.723	399.323.192	74.090.19 1
3.	Urgent Cargus S.A	Ilfov	Magurele	1.205	311.920.096	10.676.15 1
4.	DHL International Romania SRL	Bucharest	Bucharest Sect 1	422	244.042.905	5.653.831
5.	TNT Romania SRL	Bucharest	Bucharest Sect 1	320	193.893.936	9.325.025

6.	UPS Romania SRL	Bucharest	Bucharest Sect 5	0	158.965.096	1.686.217
7.	NEMO Prod Com Impex SRL	Bucharest	Bucuresti Sect 2	325	109.812.815	11.068.399
8.	Dynamic Parcel Distribution SA	Ilfov	Bufta	271	94.827.397	728.872
9.	GLS General Logistics Systems Romania SRL	Sibiu	Sibiu	82	55.899.977	9.355.383
10.	Total Post Mail Services SRL	Ilfov	Cretesti	1.114	37.123.438	<u>-1.572.144</u>

Source: <http://www.risco.ro/suport/practici-in-afaceri/2015-top-5-servicii-de-curierat-din-romania-838>

In Romania, DHL International dropped one place from 2014, reaching fourth place after the Romanian Post and Courier FAN Urgent Cargus. 2015 achieved a turnover of 244 million, 16 million more than the year 2014. Deci, company profits increased by 14% compared to 2014. International express delivery market in Romania will continue to grow in 2016 despite the challenges of the Chinese market. It is estimated that the new year will not only mark the 25 anniversary of DHL in Romania, but also a year of growth - expect a double digit percentage growth compared to 2015.

Courier services have taken a big boom in the last decades due to lower transportation costs and eliminating legal barriers, customs and logistics market that existed in the past, but as the shopping 'classics' are replaced with those made online. Breaking the monopoly of state aid coupled with the explosion in demand for courier services has made all the top companies in the sector (except the Romanian Post) record profit.

4. Discussions

As a global player in the logistics market, Deutsche Post DHL makes all necessary efforts to prepare its customers for both business and changes that the future holds. To this end they released a study DELPHI globally called "Delivering Tomorrow - Customer Needs in 2020/2050 and Beyond" This study aims to forecast new innovative trends in consumption and demand corporate in the next 11 years and more (Deekeling Arndt Advisors - "Delivering Tomorrow - Customer Needs in 2020 and Beyond the global Delphi study", 2009). The term "sudiu Delphi" is derived from the most important oracle of ancient Greece, the Oracle of Delphi, where the priestess called Pythia predicted the future. For the modern version to make predictions related social science methods are used: Delphi process (or Delphi study) is a social-scientific method that combines carefully selected expert knowledge in a structured and systematic process. In several rounds, the experts evaluated a number of assumptions about their likelihood of occurrence and development within the expected time. After each round, participants are encouraged to review or confirm their earlier answers in response to the summary of the group. During this process, the range of estimates will decrease and the group will converge towards a very precise and consistent response, allowing a significant and reliable prognosis of what the future holds. At the same time, the view held by a person or a group, which may be counter offer, is prevented.

To summarize, Delphi process is unique in that it allows access and combine information and knowledge that were previously "hidden" in the minds of many experts, to generate an accurate forecast of future trends. Most quantitative methods used for forecasting have an error range between 10% - 15% and traditional methods of forecasting have an error of about 20% and a study Delphi for example, one made in 1977 to forecast sales of a product in the next 2 years had an error of only 3% - 4% of actual sales, thus proving that Delphi is the best method to forecast market trends.

Surely an indicator of global economic growth is rising oil prices. Long term is expected to continue to grow. In 2020 it is assumed that the price will be at least double compared to 2008, ie around \$ 300 per barrel.

DHL supports its customers first, listening to their opinions and needs, and then counseling

them. Her main clients creating the opportunity to attend a conference outside experts from different sectors where it will discuss future trends, challenges and solutions throughout the year. The goal is to advise and provide services to support the objectives of their customers and help them meet future challenges. DHL interaction with clients helps them to understand major trends in the market which are important for them to go forward. DHL believes its customers as the most valuable part of the company. DHL teams while working with its customers in real time to ensure efficient supply chains are also very attentive to how their clients are preparing for future periods and what the future holds.

According to a study commissioned by DHL through an online survey of 6,435 adults in France, Germany, Italy, Poland, Sweden and the UK, it was concluded that on average a customer spends over 2 hours and 33 minutes week, having to do with customer service. The same study shows that 62% of respondents would seek another provider if not satisfied with the relationship with clients, and 66% said they dislike answering service answer (www.dpdhl.com).

In Britain and France have noticed that prefer 43% of respondents to talk face to face with representatives from the department of customer service compared to the rest of Europe who prefer to communicate by telephone with representatives of the company (in 43%). At European level it has been observed that the preferred method of communication with customer representatives. Department of men compared to women is the face to face (34% vs. 32%).

According to the survey 17% of customers did not have the problem solved within one day and had to wait up to a week even as their problem to be solved, and 12% had the problem solved at all (www.dhl.rcom).

DHL este de aproape 25 de ani pe piața din România are 422 de angajați, operează cu trei aeronave, are o flota de peste 200 de vehicule și ofera acoperire de 100% la nivel național în aproape 50 de locații situate în marile orașe din țară.

5. Conclusions

Because both market regarded as an economic notion and as society as a whole, is in a rapidly changing, companies must also adapt to meet new challenges theoretical and practical. Following the success of an organization, both economically and financially and socially, it is conditioned by how managers organization addresses issues related to the initiation and conduct communications with its customers, in general, and quality that customers expect from its products and services company, the approach of a promotional nature and new so-called 'strategies green' emerged clearly after the change of behavior of its customers and the personal values of thereof.

Certification of quality management, self-evaluation, innovation and continuous improvement of flow forming service / product are considered the foundation of all successful organizations. (Juran, 2000, pp. 52-54). Given that the market itself is very dynamic, companies that are not trying to adapt continuously and to improve and innovate they are very close to failure..

DHL is an economic model to be followed both in terms of the values that perpetuate the market and that has developed a business model. A company who continuously innovates the whole market can be innovative. (Olaru, 1999, pp. 110-112).

A stable company is observed primarily by its plans both short and long term, this company DHL stands with the studies Delphi both a short-term vision and a long-term vision, plans that are regularly revised to be more precise. The company's plans for the future is found and strategy dedicated to developing segment of small and medium companies, which are of increasingly higher industry where DHL operates, but also for the entire economy, representing growth engine for the coming years and creating strategic partnerships between companies in order to streamline costs and cover an area as large territorial.

2015 was undoubtedly a successful year for DHL Express Romania marked growth, with significant investments aimed to make improvements (such as the new terminal operational in the International Airport of Timisoara opened or expanded operational headquarters in Cluj). The increase came mainly from import volume shipments of type compared to previous years, especially in Asia Pacific.

We believe that monitoring the evolution of this company courier is very important for companies that operate on this market because company has developed policies and strategies that

have placed it among the top four players in Romania. DHL has continuously developed new ways of serving customers offering the best quality, adapted to the changing requirements of customers.

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Entrepreneurial Coordinator Management of Individual Career Planning of the Organizations in Romania

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Abstract

As a topical theme, career management is a permanent component of society, being closely related to factors of everyday existence. This is because most of the population is interested and responsible for their own living, development and wellbeing of his life and his family, opportunities, and about shortcomings which are influencing entire mechanism career management. In the present research, we aim to offer a clear and pragmatic vision on the process of development and career management as a prevailing factor of modern entrepreneurship, both at individual and social level. In the context of current reality, the career management is the most important dimension of working with direct and immediate consequences in all areas of social development.

Keyword: entrepreneurship, planning, career, management

J.E.L. classification: M1

1. Introduction

The starting point is the literature in the field of human resources management and joining our own research approaches, this research paper proposes a holistic vision of professional career as a progress factor of modern entrepreneurship. The request was made on the following subjects: development of human potential in terms of entrepreneurship, career management fundamentals, flexibility, mobility and career counseling.

Career management is approached in the context of three variables: space (organization, unconcerned of its domain or dimension), the employees (all of them, because the definition of career doesn't apply only for the ones in leadership positions), time (covering the entire professional life-time).

The career concept (DEX, 2002) aims for the diachronic longitudinal aspect of the manifestations of different professions, of occupying various positions by a person during his life-time. The definition of career contains multiple meanings. Daily language uses a certain meaning, while the scientific language uses a different meaning. The approaching of the career from the point of view of each person is different from the organization's point of view.

The premise of the present paper-work is centered on the fact that career and career management are indissoluble bounded and they need to be analyzed according to the progress recorded the human resources management's science of which is a part of, as a defining element and developing entrepreneurship.

As a proof of the fact that the sense and the essence of the career concept evolved in time, stands the Greenhaus's definition which says that the term represents "the model of work related experiences" (J. Greenhaus, 1987) experiences that are taking part and fulfill the life of a person.

Practically, a definition like this one contains not only the shared goals, such as positions, jobs, but also the subjective visions concerning work, attitude, value or career expectations. This view that substitutes the plan which defines the concept of career is shared by Schein (1990), author which is emphasizing the importance of considering it both through the rise and evolution of a person in an organization / occupation but also by the intrinsic perception of the person reported to his professional life.

This raises the obvious distinction between two aspects of career composed by internal factors - individual (interests, values, aspirations) and external factors (level of education, family, society, organizational policy) whose role is representative in career development.

Career - is an evolutionary succession of business and professional position that a person can reach, like attitudes, knowledge and associated skills which are developed over time (J. Jansen, 2007) So it's about occupations and positions that a person has during the active period of life, including the pre-vocational functions (such as those of students who are preparing for working life) and post-vocational (pensioners can role of substitute teachers, collaborators, etc.).

Career - professional activities and positions occupied by a person in an organization determines the attitudes, knowledge and skills developed it over time.

Career - is the dynamic frame in which a person perceives life in a whole different meaning and interprets personal qualities, actions and things that happened (A. Manolescu, Marinas C., I. Marin, 2004). This definition covers different roles and identifies roles that the individual is involved in (student, employee, community member, parent, etc.), how they act in the family, school or society and stages that it may occur in life (marriage, retirement, etc.), all "considered as an indivisible whole"(Jigău M., 2001).

Professional career - is an advancement, professional development of an individual throughout his life. In the same profession, a person's careers can sign specializations, professional development or career advancement.

The professional development of a person should not be analyzed taking into account only employee status, but also the context of life and overall development of that person can be considered entrepreneurship.

The debates between experts regarding the definition of career are long and not over yet. Johns defines career as "an evolutionary sequence of activities and professional positions a person can reach such as attitudes, knowledge and skills associated develops over time" (A. Manolescu, Marinas C., I. Marin, 2004). In the same context, career becomes a "series of lifelong roles related experience" (A. Manolescu, Marinas C., I. Marin, 2004). In defining entrepreneurial career, the programs with a well-defined structure are crucial and they aim for developing at the workplace for all individuals working within the organization. Individual development of each member of the organization is an essential element of investigation and identification of the entrepreneurial career concept. The potential growth of an individual within an organization depends on the amplitude prospects of entrepreneurship development organization. It is much easier to associate entrepreneurial career in the context of personal growth in terms of an individual's career development when the economy is strong, and the organization is moving on an upward trend. If defining individual career mostly referred to the framework in which an individual perceives and carries out its life in, defining entrepreneurial career refers to all programs about activities development of all members of the organization and its own resources. To these programs are added training activities, seminars and external courses. Thus, conceptual perspective on entrepreneurial careers is both objective and subjective, specifically intra-being, because an institution that has no employees to gravitate on the individual orbit careers remains just a concept.

The interdependence of individual career and entrepreneurial career is manifested by the existence of the contract between the individual and the organization and the relationship between the individual and psychological organization. There are interactions between what the individual wants and values, his skills and needs of the organization does not mean that there is an overlap of the two identical concepts. Motives, needs, values and attitudes are common elements of each part during the course of individual and entrepreneurial careers.

So, the entrepreneurial career is a process of continuous development in the relationship between the organization and individual which is interactive and interdependent, in which are made purchases in both sides, there are critical moments in individual lives and in the organization as

well, they appear activities and situations that cumulate experience, competence, creating new meanings and making projections for the future.

In conclusion, the theory of the entrepreneurial career definition is the prerogative convergence of several disciplines and academic studies, however, gives an insight regarding the individual and the organization. If psychologists say and study that people make career, sociologists believe that people are valued by career, while economic studies sustain that, in fact, career is an interface of the two concepts.

2. Research Methodology

Within entrepreneurial management, a major coordinated is that employees will need an improvement or an acquisition of a behavior, but also new, special skills, more than an accumulation of knowledge or technical skills. They will need management skills, but also coordination and control parameters to operate in a common organizational environment less precise and volcanic. For adding information which may allow the manifestations of entrepreneurial management in an organization, the management has various quantitative methods (objective) and qualitative (subjective) to assess employees skills and potential. Following these evaluations, to which individual needs and expectations are assigned to, the organization can communicate employees the opportunities of replacements by offering them support and advice in order to achieve jointly goals. Strategic planning of entrepreneurial career is a process assiduously and continuously, involving the planning of human resources in the organization, according to the development goals of the organization, the expectations and forecasting of the development of these objectives closely connected with business policy of the organization on the medium and long term.

Considering all these aspects, we tried to develop a research based on a case study, in which we consider as complying with the general requirements for validity of the method. Thus, in the present study, we focused our attention on a group of people who applied for training in various specializations at a training center for a definite period of time (2010-2015, as a general period, with effect on shorter periods, in situations where there were no records of the data center).

The research manner was retrospective, the data records from the historical evolution of the training center were used for quantitative and qualitative analysis in order to highlight some general trends in the development of individual career guidance. On the other hand, we looked and identified general trends in relation to career development for different periods of time, and the existence of possible gender differences (women - men) in terms of career guidance. The selection type of the "sample case" was based on information ("information-oriented sampling") and less on random sampling, based on better knowledge of the history of this case.

This is one of the general possibilities of sampling / selection of the subject in the case studies, confirming the realism and the validity of the study conducted in this research. In this context, we consider that the case study that was the base of our research is valid, based on realism, the significant and interesting data that drove us to a pretty clear picture regarding the development trends of individual career for the group. It is obvious that basing our research on a case study, we cannot issue general conclusions, to be applied in other situations. At most, we believe that there are similarities between similar cases between dates in the history of recordings of similar centers in other counties.

In our study, we used as statistical sampling method, random selection, whereby any possible combination of elements in the community has the same probability of entering the sample (I. Mărgineanu, 1999). Robson (C. Robson, 2002) considered that the case study can be defined as "a research strategy well established, focused on a specific case (which is interpreted in detail, presenting detailed references about individuals, groups, organizations concerned), taking into a contextual account all its particularities. It requires the use of several complementary methods of data collection, analysis, processing and storing relevant information, both quantitative and qualitative."

The work was structured aiming to achieve the following theoretical and practical strategies:

IC: (Central Hypothesis). Data analysis allows to identify a general trend of evolution of employees by demanding courses at the training center.

IL 1. (Work Hypothesis): For most courses offered by the training center applications development know a sinusoidal trend.

IL 2. (Work Hypothesis): There are gender differences in relation to participation in various training courses offered by the center.

IL 3. (Work Hypothesis): No statistically significant differences between women and men participating in training courses in relation to the type of factors involved in managing their own careers.

3. Analyze

In order to analyze policy documents which refer to the development and evaluation of vocational skills after learning passing training programs in various fields, in order to identify training system to assess these skills, we studied the normative documents regulating the activity National Authority for Qualifications and publications and reports carried out under projects funded by the European Union, whose beneficiary was the National Qualifications Authority.

All beneficiaries of training and, respectively, graduates are presented in Table 1. You can observe the breakdown on specializations and categories of gender and age (<25 years). On the specializations, the situation is presented in the tables below:

Table no.1. Total beneficiaries of the training from the investigated center

Nr	Name of the course	Number of students	Graduated	From which		PersonP whichabandoned	Persons under 25 years old	
				Women	Men		Women	Men
1	Beekeeper	635	595	165	472	40	46	75
2	Baker	108	105	82	26	3	14	8
3	Cook	337	273	220	116	64	35	51
4	PVC and al confectioner	57	49	1	56	8	0	13
5	Beautician	87	77	87	0	10	31	0
6	Carpenter	103	93	1	102	10	0	8
7	Electrician	375	321	11	364	54	3	119
8	Electromechanic	168	156	29	139	12	1	39
9	Haadressermanichiuri stchirpodist	1007	828	952	55	179	519	38
10	Trainer	284	276	171	113	8	17	3
11	H. R. inspector	97	90	82	15	7	18	3
12	B.C. installer	53	41	0	53	12	0	7
13	T.S.G. installer	330	291	5	325	39	0	58
14	Trade worker	598	547	457	141	51	97	34
15	Masseur	484	447	348	142	37	72	36
16	Earthwork machinist	29	24	0	29	5	0	8
17	Walls and ceiling assembler	28	20	0	28	8	0	8
18	Inlay plywood assembler	98	85	2	96	13	0	16
19	P.C. operator	21	20	13	8	1	2	1
20	Polymer operator	161	161	120	41	0	1	7
21	Oil trader	173	170	24	149	3	0	12
22	Waiter	352	299	183	169	53	80	131
23	Knitwear confectioner	213	212	213	0	1	39	0
Total		5798	5180	3166	2639	618	975	675

Source: own interpretation of the data

According to the analysis of numerical data presented above, the development of applications for enrollment in offered courses experiences a sinusoidal trend, with variations according to the demands of the labor market (or, possibly, depending on other factors, of socio-economic nature) - which confirms the working hypothesis 1. Therefore, men constitute the majority of students in courses of Beekeeper, Al and PVC confectioner, Carpenter - Carpenter - installer, Electrician, Electromechanical Engineer (BC and T.S.G.) machinist embankments, walls fitter - ceilings, mosaic, oil operator. Women represent the majority trainees to courses: Baker, Cook, beautician,

Hairdresser - Hairdresser - Manicurist, H.R. Inspector, Trade worker, Masseur, polymer Operator, knitwear confectioner. The courses "balanced" in terms of participants (in relation to men - women) are Trainer, Waiter. These results confirm the working hypothesis 2, and that there are gender differences in relation to participation in various courses offered by the training center.

In order to confirm the latest hypotheses, we selected areas of activity that are offered training center who were enrolled to investigate the most participants, namely: 1. Hairdresser, hairdresser, manicurist; 2. beekeeper; 3. Worker in commerce. Under this approach, there was selected a number of 45 subjects with ages between 18-40 years old (average age 26.3 years and an equal standard deviation SD = 10.5). The number of women was 28 and the number of men - 17, which is a lot balanced in terms of gender participants. All results were achieved after the battery samples were processed using a specialized program SPSS. No difficulties were encountered in harvesting data, all 45 investigated subjects gave valid answers.

In the descriptive statistics, were aimed for synthetic expression of the variables. There were taken in discussion the statistical values that describe the distribution and the shape of the distribution of different variables studied to ascertain the degree of normality of distributions.

Cronbach alpha coefficient of validity of General Career Management Questionnaire (CMGC) with 99 items has the value of 0.93, which demonstrates that the instrument has a very good level of precision measurement conditions in the batch of 45 subjects.

Cronbach alpha coefficient - General Career Management Questionnaire (CMGC)
Reliability Statistics

Cronbach's Alpha	N of Items
.937	99

Descriptive statistical indicators for "personal satisfaction, motivation and sense of purpose career" Scale - General Career Management Questionnaire (CMGC). Subjects who participated in the research obtained for "personal satisfaction, motivation and sense of purpose career" Scale an average of 4.83 value that lies in a lower average level of satisfaction and motivation in relation to their own careers. Standard deviation scores is 1.25.

As it can be seen in the table with Shapiro-Wilk and Kolmogorov –Smirnov, test results are statistically insignificant and therefore the variable is normally distributed which will allow processing parameters.

Descriptive statistics for "personal satisfaction, motivation and sense of purpose in career" scale

Descriptive statistics for "personal satisfaction, motivation and sense of purpose in career" scale				
Persona satisfaction, motivation and sense of purpose in career	Average		4.83	Std. Error
	95% Confidence interval	Lower Bound	1.54	
		Upper Bound	8.12	
	Standard deviation		1.25	
	Minimum		0	
	Maximum		9	
	Skewness		.027	.164
	Kurtosis		-.254	.326

Teste Shapiro-Wilk and Kolmogorov –Smirnov

Normality test

Personal satisfaction, motivation and sense of purpose in career	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
	.043	45	.200*	.995	45	.733

*. This is a lower bound of the true significance.

a. Lilliefors Significance Correction

Regarding to work hypothesis 3, we can say that there are no statistically significant differences between women and men participating in training courses in relation to the type of factors involved in managing their own careers.

4. Conclusion

Continuous training can be a way of developing entrepreneurial management through continuous improvement of employee service. As long as they develop professional skills, the

organization wins. Professional policy training relates in particularly to the overall strategy of the organization, the objectives and goals which are proposed, culture and values created by them and wishes to respect them and especially the policy regarding human resources.

The contractor must be a person with a strong influence of employees because it is a pattern of thought and action. It has a catalyst role rather than an instructor one. Employees must acquire specific knowledge and develop skills in training on procedures, methods and evaluation. Any deficiencies or lack of knowledge relative to job requirements and organizational changes lead to demands for further education.

The current competitive environment requires the transformation of human capital in the organization's intellectual capital, so the manual is aimed primarily for the entrepreneurial management of the organization. It requires that the management from the highest level until the one close to the line to understand their role, to accept and have the knowledge and skills necessary to involve them in the process. Shares and short-term solutions, consulting services, training programs remain without long-term effects if the managers of all levels have no competence in human resources and abilities of developing human resources.

Entrepreneurial management must understand the role of human resource management in the current context of the organization, it needs to be informed about the involvement and efforts needed to implement human resource development strategies and needs to trust in the effects of human resource practices on organizational performance. It is necessary to have a positive attitude towards the development of subordinate employees, policy makers need to realize that human resource development of their own organization leads to improved individual performance, group and business prosperity. In addition, a fair assessment of performance will motivate employees and policy makers need to be convinced that only a motivated employee gives maximum yield, while one demotivated, either will be capped or looking for another job. HR strategy is an integral part of the organization's strategy and its fulfillment is a precondition for a successful strategy organization-wide. Realizing all these elements, the makers will support the implementation of HR strategy and will provide resources, an appropriate framework of continuous training, and in a word said - will support human resources manager in his work, because now they have a common language and enterprise performance management.

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Quantitative Investigation on the Influence of Social Customer Relationship Management on the Profitability of Companies

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Abstract

The epistemological positioning of scientific approach involves the diversity of the viewpoints of academics and specialists, exclusiveness not being considered. This paper aims to reflect own contributions to the development of management theory and management practice in Romania. First of all, the proposed scientific approach is a positivist approach, because it envisages the interposition of own reflections, an observation of what is happening in the market, an authentic presentation as it is.

The main objective of this scientific research is to highlight the importance of social media as a mean of business development by creating new opportunities through promotion and a better brand visibility in the market.

Quantitative investigation of this paper was conducted based on assessment questionnaire, addressed to the employees of some Romanian companies.

Keywords: customer relationship management, companies, economic performance

J.E.L. classification: M1

1. Introduction

The data obtained through the questionnaire allowed the evaluation of the respondents perceptions about the three elements analyzed: management position to the implementation of a CRM system, the transition of CRM to SCRM and the usage of the new SM technologies in applying a CRM system, and the implementation of a SCRM system using social platforms (Verde A., 2012).

The results made it possible to outline the essential aspects of the three variables investigated in large, small and medium enterprises in Romanian economy, and to identify possible causes of the manifestation of certain situations (Wells Emma K., 2011).

2. Profile of respondents

The questionnaire was designed so as to provide information concerning the subjects investigated, as well as employing thereof. Therefore, as the first part of the questionnaire aimed the data completion on the employee's age, gender, legal status of employing company, enterprise

capital type, activity sector, we present below a summary of such information, outlining the profile of respondents.

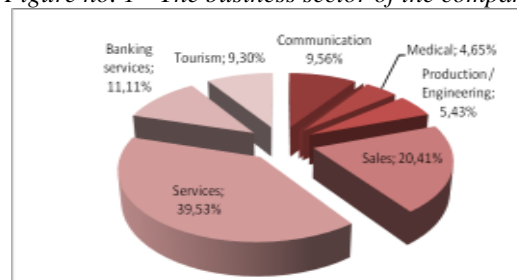
Analyzing the sample of respondents in terms of gender, most of them - 65.37% - are women, while males were represented in proportion of 34.63%.

Most of the subjects participating in research are dealing within the organization functions at the operational level - 48.84%. This is a positive situation because, by analyzing the responses of employees at this level, the research captures specific phenomena to customer relationships even among employees forming work teams and which are directly affected by the company's policies and practices on those relations. Also, the employees of the medium and executive management level provide valuable information on how they perceive the customer relationships. It is needed, in the research, a thorough analysis of the dynamics of the respondents answers according to the level of management that is.

Structuring the sample in terms of the type of company the respondents operates, it can be observed the fact that most of them are employees in small and medium companies - 61.76%, a significant percentage still representing the large local companies or multinationals.

Figure no. 1 shows the share of the companies based on the surveyed sectors. The largest share, after considering this criterion, lies to services, in the proportion of 39.53%. The next sector is sales, with 20.41%. There were investigated organizations in banking, manufacturing / engineering, medical, communication, tourism, etc.

Figure no. 1 - The business sector of the company



Source: Personal interpretation of the data

In conclusion, the average respondent of this study is female, aged about 30 years and fits the lower category of management.

Also, following the results on the companies included in the study, we can achieve also the company profile represented in the category of respondents: on average, the company investigated is organized as SME, it has local capital and it fits the "Services" field of activity.

3. Quantitative results on the perception SM

An important aspect influencing the ability of companies to perform is the perceptions of their employees on implementing the necessary strategies. In this study, the use of new SM technologies in applying a CRM system was evaluated through 14 questions that measured employee perceptions of the companies participating in this study on the use of new SM platforms and of technology in general, in order to implement a CRM system in a company.

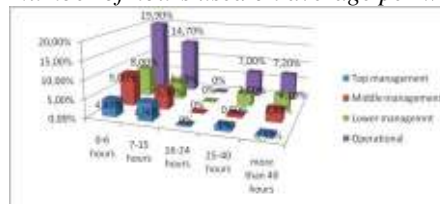
The results reflect the following:

- 60% of respondents mentioned the fact that the company has not implemented at all rules or policies regarding the use of MS.
- keeping the links with customers resents the main reason for which the company uses SM tools (about 31% of respondents).
- only about a half of the companies appreciate that SM platforms are very important to professional activity (51% of respondents).
- SM instruments are somewhat unimportant to obtain performance in professional activity.
- the respondents are average satisfied with the results of the activities of SM professionally, the satisfied ones about these results represent only about 39% of the responding companies.

- just a small part of businesses in Romania (approx. 38%) are adopting well-established rules on the use of SM.
- the use at a very low level of the SM platforms is caused by the employees trend to use these platforms for personal purposes.
- if the respondents would use SM platforms in an organized framework, governed by rules and policies imposed by the company in this respect, the results obtained by companies would be considerably improved.

This potential that SM has for developing of Romanian companies is shaped by Fig. no. 2, which notes that there is a percentage of 15.2%, represented by all categories of employees which actually use various online applications for more than 40 hours per week, while the opposite regarding the use of online applications stands the employees of top management.

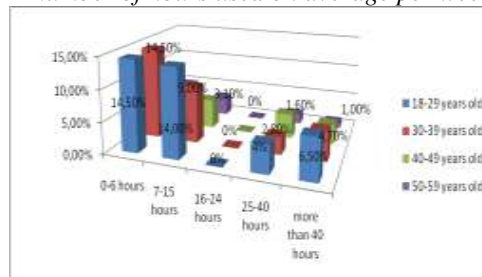
Figure no. 2 - Number of hours used on average per week on SM sites



Source: Personal interpretation of the data

In terms of age categories, as expected, young people aged between 18 and 29 years have currently the largest online presence, SM activity decreasing, as shown in Fig. no 3. which correlates the questions 25 and 3, with age.

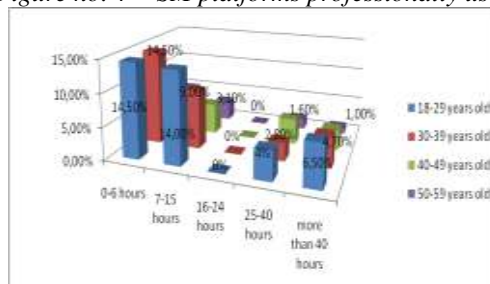
Figure no.3 - Number of hours used on average per week on SM sites



Source: Personal interpretation of the data

However, there is a SM platform used by the respondents, just in proportion of 10.85%, it's true, but they are using it just for professional reasons, otherwise the only one used only professionally, and this is LinkedIn, the most used platform worldwide in terms of business.

Figure no. 4 - SM platforms professionally used

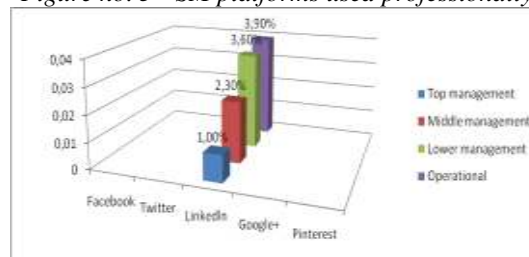


Source: Personal interpretation of the data

From the point of view of the employees, users of these online business platforms, the most numerous users stands in operational departments (3.90%), followed by those in lower management departments (3.60%), then the middle management (2.30%), the least numerous LinkedIn users standing in the top management (1%). Percentages are calculated from the

mentioned total of 10.85% of LinkedIn users. These categories are highlighted by Fig. no.5 .

Figure no. 5 - SM platforms used professionally



Source: Personal interpretation of the data

But totally lacking both rules and policies on the use of SM, and the knowledge on the regulation on posting information in the virtual environment in many Romanian companies, we can say that they are missing the premises of the accomplishment of transition to a SCRM system, which by definition represents a philosophy and a business strategy, supported by technology and online systems, designed to improve communication in business. This lack has an explanation, namely the very small importance the company's management grant to SM platforms, as a way to increase performance. The degree of importance that SM receives, depending on the category of employees is clear from Fig. no.5.

It can be seen very clear in this graph that as the employees category decreases from management to operational, increase the importance they attach to SM.

4. Quantitative results on the perception of SCRM

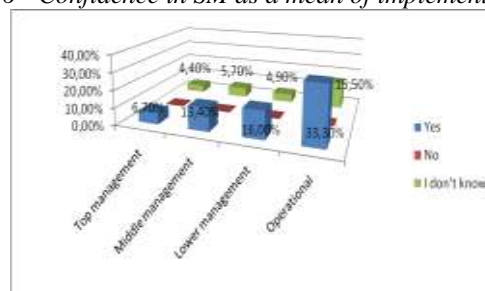
To analyze in what extent the companies are using SM platforms in communication with customers, we used in the questionnaire a number of 6 questions, relating to the most used six SM platforms in the world: Facebook, Twitter, LinkedIn, Forsquare, Google plus and Pinterest.

The results of analysis of the replies received confirms again the weak opening of Romanian companies for using new media technologies in order to increase the performance:

- 21% of respondents consider that SM is less effective than other methods of CRM relating to communication of companies with customers in marketing sector (Research Questions 28), while only 9% of those surveyed felt the SM tools more effective than other methods of CRM in the same field.
- Only 2.84% of respondents believe that, in order to increase the sales, communication with customers using SM is much more effective.
- There are companies that never keep in touch with collaborators (partners, customers, suppliers) via social networks.
- 20.41% of the respondents generally thought that CRM can improve to a great extent using SM, while 17.31% have a contrary opinion, namely that the Facebook can improve CRM process in a very small extent.

But to note is that the confidence in SM decreases with the level of management. Fig. no. 6 highlights this negative aspect, employees in top management trusting approximately five times lower the SM instruments, than those from the operational departments.

Figure no. 6 - Confidence in SM as a mean of implementation a CRM



Source: Personal interpretation of the data

5. Conclusions

We can say that the media is one of the main trainers of public opinion, if not the main, controlling the public sphere. It is careful to convey information, but also to control and steer the public opinion. Thus, SM can form media crisis quickly enough to lower the public favorability for certain companies or politicians.

Thus, by using the specific SM instruments, such as boxes for comments, forums, online surveys, providing ratings, etc., companies can obtain crucial information for evaluating consumer satisfaction, information that would be more difficult to obtain traditionally. They can be observed and collected through SM platforms such as Facebook, Twitter, LinkedIn, Forsquare, etc. (which are among the most used by companies) and used to assess customer satisfaction.

At a time when millions of people benefit from an Internet connection, it would be incomprehensible for companies to ignore such an opportunity to build lasting relationships and increase brand loyalty.

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Training Future Entrepreneurs Using European Funds. A Descriptive Research on Start-Up Romania Programs

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Abstract

This paper focuses on the mutual relationship among the concepts of entrepreneurship, training personnel and business start-up and development. From our point of view, Romania shall encourage as much as possible entrepreneurship so as to create SMEs, the most flexible and numerous in number in the Romanian total number of companies. Hence, the main objective of this paper is to highlight the importance of accessing European funds in increasing the number of Romanians properly trained so as to become successful entrepreneurs and to manage successful businesses. At the same time, another main objective is to present the need of entrepreneurship training and support in business start-up and development by using the descriptive method of research.

Key words: entrepreneurship, European funds, Romania, business start-up and development

J.E.L. classification: L26, M13, M53

1. Introduction

The entrepreneur is the one assuming the creation of companies, taking advantage of gaps in the market, using the results of research (actually R&D are its as competitive advantage) and having action capacity (Gamez Gutierrez and Garzon Baquero, 2016, p.20). But in using European funds to create and develop businesses, it is difficult to identify who the real entrepreneurs, beneficiaries from funding will be. Hence, this paper aims at determining the Romanian population groups which should be targeted for becoming entrepreneurs, in the respect of starting and developing a new independent business by using European funds. Our major motivation in researching this topic is that small and middle-sized companies (SMEs) offer Romanians a good opportunity of personal development and financial freedom whereas working for themselves means increased motivation, much seriousness and doing what they like or are prepared for.

Thus, this paper is divided into 3 parts: the first one presents the current situation with regard to entrepreneurship with the help of a descriptive piece of research, the second part discusses the challenges offered to Romanian entrepreneurs and the third offers a model to be used by companies who want to access European funds in order to train people in the field of entrepreneurship and to support them in starting up and developing their own. In the end, the conclusions and recommendations of this paper are presented.

2. Romanian entrepreneurship in statistical data

Currently, the Romanian number of companies has reached approximately 650,000 legal persons of which almost 200,000 have zero turnover, according to the Romanian Trade Register Office (RTRO). Thus, after having studied the evolution of Romanian companies starting with 1990 to the end of the 2015, we underline that: a. approximately 18 billion operations, company

registrations and modifications have been recorded with RTRO; b. 2.66 million companies have been registered, this meaning a yearly average of 106,400 companies/year. The Romanian areas first ranked with regard to the number of companies registered are Bucharest (17.00%), Cluj-Napoca (4.37%) and Timiș (3.44%); c. 1.17 million companies have disappeared as a result of the financial crisis, the most represented area being Bucharest with 205,089 legal persons which ceased activity; d. only 2,705 Romanian trading companies have majoritarian state capital, 8,669 companies have mix capital (state and private capital) whereas the rest of the companies are entirely private, being the main contributor to the Romanian budget and economy.

If we are to compare Romania to the other European countries, our country, in 2015, ranked the last of EU28 for the number of SMEs/1,000 inhabitants, having 21.3 SMEs/1,000 inhabitants, according to the data offered by Eurostat. The European average is of 42.7 SMEs/1,000 inhabitants, the firstly ranked being the Czech Republic with 95.9 SMEs/1,000 inhabitants, Portugal with 73.5 SMEs/1,000 inhabitants and Malta with 73 SMEs/1,000 inhabitants. This rate has not even been positively influenced by the absorption of European funds for economic competitiveness in the period 2007-2013, even if the Romanian government took measures to eliminate the obligation for SMEs to ensure their own contribution in the projects (Zaman and Cristea, 2011, p. 76)

Table no. 1. Romanian evolution in numbers of legal persons

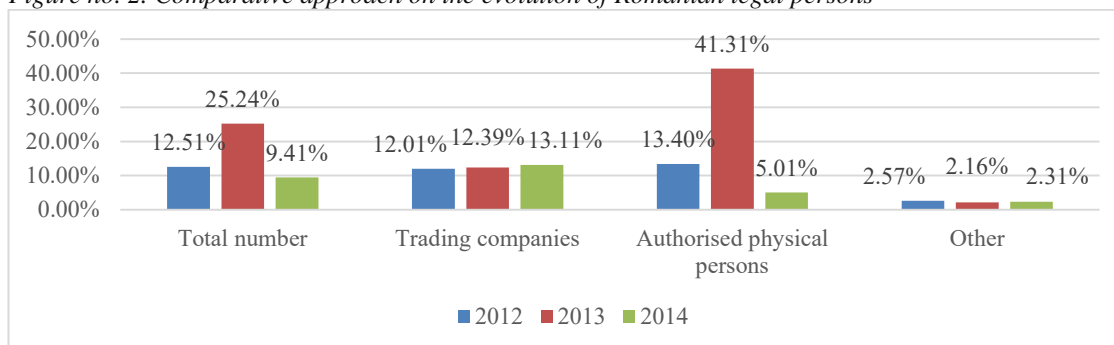
Type of companies	2012	2013	2014
Trading companies	467,512	472,722	475,482
- of which, newly created	56,169	58,570	62,336
Authorized physical persons	322,142	384,809	391,346
- of which, newly created	43,173	158,951	19,616
Other	4,860	4,671	4,436
- of which, newly created	125	101	99
TOTAL	794,514	862,202	871,264
- of which, with 0 employees	386,635	118,416	474,905
- of which, with 1-4 employees	288,359	624,256	281,768
- of which, with 5-9 employees	60,787	61,485	57,310
- of which, with over 10 employees	58,733	58,045	57,281

Source: www.insse.ro

According to the insolvency rate reported by the number of active companies in the Central and Eastern Europe, Romania ranked the second with 6.44%, after Serbia with 7.61%. Our country generated 40% of the total insolvencies opened in 2013 in Central and Eastern Europe, according to a survey conducted by Coface. Hence, we herein present in Table 1 the evolution in the number of companies in Romania for the period 2012-2014. We observe that this indicator increased by 9.66% in the reference interval, there existing relevant differences with regard to types of companies and number of employees.

There are in Romania two major categories of companies, trading companies (54.57% in the total number of companies, of which 13.11% are new) and authorized physical persons (44.92% in the total number, of which 5.01% are new). The evolution of newly created companies is ascendant, but slow, as presented in Figure 2. We remark that the number of other legal forms is slowly decreasing, whereas the number of authorized physical persons tripled in 2013. Of them, 13.15% have more than 5 employees, so the number of entrepreneurs is statistically increasing.

Figure no. 2. Comparative approach on the evolution of Romanian legal persons



Source: www.insse.ro

In this respect, we may underline that entrepreneurship still creates a confusing image within Romanians, entrepreneurial education being mostly weak, being made by teachers which no experience as entrepreneurs and due to the poor ratio between research, knowledge, industry and education (Vilcov and Dimitrescu, 2014, p. 175). Moreover mass-media creates a negative image to local entrepreneurship by broadcasting a lot of negative cases subjected to economic fraud. But, as Romanians want to escape poverty, the number of people interested in starting their own business is getting higher. Moreover, research showed that the most important motivation is avoiding unemployment (Branacu, Munteanu and Gligor, 2012, p. 227).

3. Start-Up as a New Romanian Entrepreneur or as a New Romanian Business?

In Romania, the government has managed to stimulate entrepreneurs, mostly the young ones. The programme funding micro-enterprises start-up and development was launched in 2011 and has offered non-reimbursable funding of maximum Euro 10,000 to people who want to start their new business. Apart from non-reimbursement funding with different percentages, there are also other benefits offered, such as guarantees given by the National Fund for Loan Guarantees for SMEs for those companies which contracted credits in order to develop business plans previously accepted by the Ministry of Economy. Such guarantees cover maximum 80% of the credit value demanded within the limit of Euro 80,000, payment exemption of social insurance owed by employers for the wages given to maximum 4 employees hired for an undetermined period of time as well as payment exemption of taxes with company registrations with Romanian Trade Registers for micro-enterprises as well as of publishing fees with the Official Journal of Romania.

Furthermore, the Romanian Government approved in April 2014 an Emergency Order which eliminated the age condition, offering the benefits to all the people interested, not only to people under 35 years old, but such benefits were given for the first company created. As a result, our Government decided to transform this order into a law, no. 97 of 2014, highlighting the importance of entrepreneurship programs in our country.

Hence, in 2015, the first Romania Start-Up Plus entrepreneurship programmes started within the Sectoral Operational Programme for Human Resources Development (OPHRD), which are to be continued by the Human Capital Operational Programme (HCOP) for the 2014-2020 period. This is one solid motivation of ours to study Romanian entrepreneurship so as to further research their implementation in time. In the present, such funding addresses all the Romanian citizens whether residing our country or not, but who are interested in starting their own business. The definite conditions are that such persons should not be the major shareholders in other existing companies whereas their residence should be in the urban areas. All the beneficiaries have to participate in entrepreneurship training and in business plans competitions, the winning businesses start-up and development receiving maximum Euro 40,000 as funding and an 18-month support for evolving it.

4. Targeted Population for Romania Start-up Programme

From our point of view, the most important issue in using European HCOP funds to increase entrepreneurship in Romania is shaping the target population. We consider that the recommendations given in the Applicant's Guidelines seem a little confusing. We herein after present a proposal of the population to be included in the target-group by using as a descriptive research on the Central Development Region of Romania (CDR). This region consists of six Romanian countries: Alba, Braşov, Covasna, Harghita, Mureş and Sibiu. According to the data collected by the Romanian National Institute of Statistics and to the specific stipulations of Romania Start-up PLUS, the targeted population who may benefit from funding for starting up and developing a business is represented by physical persons who:

- reside in the urban area of the CDR (the area where to implement the project)
- intend to start up a business with non-agricultural activity
- intend to improve their entrepreneurship skills by participating to adult vocational training in this field
- may be grouped in separate categories according to their status on the labour market so as to benefit from financial funding in the project.

But, before proposing the division of the target-population into categories, we shall present the labour resources in the CDR and consisting counties. These resources are defined as people who are physically and intellectually capable of performing work useful in one of the fields of the national economy and consist of the population properly aged to work who are able to work and people below and over the work age who still work, presented in Table 1. In the CDR, there are 11.86% of Romania's total labour resources of 12,481.1 thousand people whereas within the analysed region, Braşov represents 24.08%, Mureş 23.95% and Sibiu 17.14%. We highlight that there is a great disparity among counties, these 3 counties representing 65.17% in the CDR labour resources.

Moreover, the civil active population in the CDR represents 12.27% of total Romanian civil active population and 72.76% of the employment resources of this region, a higher value than that registered for the whole Romania (of 70.32%). We observe that the counties with the highest rates of civil active population in employment resources are Alba, Sibiu and Braşov which totalise 57.17% of CDR total active population. Civil active population consists of the civil employed population and the registered unemployed, also presented in Table 3.

For CDR, the civil employed population is of 1,026.6 thousand people, meaning 12.31% of total Romanian civil employed population. More precisely, it represents 69.4% in total employment resources and 95.33% of total civil active population, value little higher than that registered for the whole Romania (of 95.03%). Hence, the unemployed number in the CDR is of 11.50% of total unemployment in Romania, Mureş county representing the highest percentage of 22.51% in the region. But the major concerns shall be in Alba, Covasna and Harghita counties, where the registered unemployed reach high values in the total employment resources: 4.52% for Alba and 3.87% for Covasna and Harghita each.

Table no. 3. Employment resources in Romania and CDR, in 2015, thousand people

Analysed Area	Employment Resources	Civil active Population	Civil employed population	Labour Resources Employment Rate	Registered unemployed
RO	12,481.1	8,776.8	8,340.6	66.8%	436.4
CDR	1,480.0	1,076.9	1,026.6	69.4%	50.2
Alba	205.8	168.6	159.2	77.4%	9.3
Braşov	356.4	253.3	243.6	68.4%	9.7
Covasna	129.3	88.3	83.2	64.3%	5.0
Harghita	193.7	136.0	128.5	66.3%	7.5
Mureş	341.1	236.9	225.5	66.1%	11.3
Sibiu	253.7	193.8	186.6	73.6%	7.1

Source: www.insse.ro

Furthermore, based on the data previously analysed, the groups of population formed according to their status on the labour market who may benefit from European funding for starting up and developing a business are:

a. *civil employed population*: people of 16 years and over who undertook an economic activity producing goods or services for at least 1 week so as to have income as wages, payment in truck or other benefits. This group consists of four categories of population: the employed, owners, self-employed and unpaid family workers (presented at national level in Table 4). According to the data collected, the employed represent 30.51% of Romania's total population (of 19,870,647 people) whereas owners 0.48%, self-employed 7.85% and unpaid family workers 4.11%.

Table no. 4. Civil active employed population in Romania, 2015

Group ages	Employed population			
	Employees	Owners	Self-employed	Unpaid family workers
15-24 years	300,523	1,167	69,072	165,303
25-34 years	1,626,344	15,123	243,204	175,765
35-49 years	2,871,402	54,645	583,758	220,117
50-64 years	1,251,887	24,100	461,187	171,203
65+ years	12,087	967	203,338	84,192
TOTAL	6,062,244	96,002	1,560,559	816,580

Source: www.insse.ro

In total, there are 8,535,385 people, of which there are some categories difficult to statistically estimate as numbers so as to benefit from Romania Start-up, such as owners having more than 49% shares in a company (who may be excluded from funding). Another two categories difficult to statistically estimate are the number of students who have a job (who may be included in the target-population) and the number of students who have their own business with more than 49% shares in the company (who shall be excluded as well).

b. unemployed active population: the registered unemployed (presented in Table 3 at the level of CDR and the constitutive countries). We highlight that the unemployed represent 3.39% of total CDR employment resources, the highest number of the unemployed in total employment resources being in the county of Alba (4.51%). Moreover, there is also a category of people who are unemployed, but they are not registered with the Unemployment Bureau, whose number is also unknown.

Table no. 5. Romanian inactive population, according to gender, in 2015

Gender	Age groups					TOTAL
	16-24 years	25-34 years	35-49 years	50-64 years	65+ years	
TOTAL	1,318,305	507,717	710,473	1,823,368	3,087,925	7,447,788
- males	615,861	124,272	160,941	672,581	1,220,875	2,794,530
- females	702,444	383,444	549,533	1,15,786	976,879	3,763,086

Source: www.insse.ro

c. unemployed inactive population: presented in Table 6 below, consists of students with all educational levels but with legal work age (we underline that data regarding the number of students with a job or owning a business is unknown, them being assimilated to the employed or to students, not forming a distinctive category), the retired (another difficult issue is to estimate the number of retired people who are still employed or owning a company – sometimes, there are people belonging to both categories), housekeepers and people supported by other people/national government or who live from other revenues than wages or social insurance (data on this categories seem to be unavailable, too). According to the data provided by NRIS, the inactive civil population aged over 16 years represents 37.48% of total population.

Table no. 6. Romanian inactive unemployed population, according to their education and training, in 2015

Gender	Age groups					TOTAL
	16-24 years	25-34 years	35-49 years	50-64 years	65+ years	
TOTAL	571,942	248,040	319,136	677,308	614,369	2,430,795
- university graduates	29,729	51,876	32,420	106,822	178,294	399,141
- specialty postsecondary or technical graduates	3,985	9,579	6,658	78,667	106,771	205,660
- high school graduates	538,228	186,585	280,058	491,819	329,304	1,825,994

Source: www.insse.ro

Moreover, it is necessarily to take into account as target population for Start-up programmes people discouraged in finding a job. They are part of inactive unemployed population, so we consider them vulnerable on the labour market. This group of population (presented in Table 7 below) consists of inactive people available to work in the following two weeks after being interviewed who declared that in the last four weeks had passively been searching for a job or they had not searched for a job because of the following reasons: they considered there were no available jobs or they would not find a job because of their age, they did not know where to search or they had previously searched for a job and they could not find one or they did not feel professionally properly trained.

Table no. 7. Romanian people discouraged in finding job, in 2015

Gender	Age groups					TOTAL
	15-24 years	25-34 years	35-49 years	50-64 years	65+ years	
TOTAL	38,061	50,801	70,086	28,143	67	187,158
- males	23,237	27,130	30,107	16,818	0	97,291
- females	14,824	23,671	39,978	11,326	67	89,866

Source: www.insse.ro

To conclude, people who want to start a business may belong to different categories of population, the major constraint identified being the legal minimum labour age of 16 (with parents' consent) or 18 years old. We consider that entrepreneurship in Romania should address everybody.

Romania start-up programmes should specify more clearly who they offer benefits to: a new entrepreneur (meaning a person who has never had a business) or a new business (started by any physical person whether it has another business or not). If such distinction is not properly made, companies who access European funds will start presenting funding and addressing people who in the end will prove unsuitable for the entrepreneurship funding. The two main consequences of such actions shall be higher costs generated with unsuitable candidates and an image crisis for European funding.

In addition, the key to success factors in accessing European funds (lessons learnt from the 2007-2012 period) seemed to be according to research in the field (Zai and Inceu, 2015, p. 1584) the compliance with the provisions of the guide for applicants, the clearly definition of needs or project ideas within the project and the compliance with the national and European laws in force whereas the major constraints were the excessive bureaucracy, poorly skilled human resources and the lack of financial resources. From our point of view, the Start Up Plus programme lacks in defining the target population but exceeds in training people so as to succeed in running their own business.

4. Conclusions

In general, Romanians present a positive attitude towards entrepreneurship and availability of doing business. Thus, a high number of Romanians declare that they do want to start a business, but most of them would choose entrepreneurship as a second occupation, for additional income.

As SMEs are supported with European funds so as to start-up and develop, we consider that people who want to start a new business shall benefit from proper training in entrepreneurship and support based on good practices. Accordingly, the entrepreneurs of new SMEs shall become conscious that doing proper business means using considerable knowledge, so the better they learn from their trainers and mentors, the higher their rate of success is. But it means that Romania must increase knowledge transfer, and there comes the motivation both for future entrepreneurs and mentors. By being optimistic, avoiding uncertainty and being experienced in taking risks, people will have financial independence in a business of their own and thus, they shall run it successfully. Therefore, the absorption of funds during 2014-2020 will show if Romania has managed to clearly identify needs and priorities of strategic guidelines addressing thematic objectives (Lucian, 2014, p. 555).

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The Role and Importance of the Manager in the Management Process

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Abstract

A leader is the person who goes first, which has the authority to lead, who is number one in a particular area by excellence or who has the responsibility to do everything possible to get tasks safely to completion in a company. The manager's role is essential in human activity particularly in the contemporary economic environment, especially when the organization acts in the international economic environment, particularly running through competitive economic activity in the global market.

Key words: management process, management role, leadership

J.E.L. classification: M1, M14

1. Introduction

All businesses are looking for excellence: this means recognition, position in the market, quality certification. To attain this level, a company requires a manager, a true leader. Why companies need this? Why is no longer sufficient to put a manager in charge who can order employees and be guided by the classical methods of management? Very simple: people do not want the business world to be dominated by an agitated, boundary chaos. Thus, uncontrollable elements such as hazard appear more often. Therefore, regardless of the apparent stability of the market, companies must have always at least a backup plan. The beginning of the 21st century work doesn't have to be hard, just better, but different, intelligent and ingenious.

Thus, in order to achieve excellence, there are four strategies that the leader must apply (Antonakis, J., Ashkanasy, N. M. & Dasborough, M. T., (2009):

- the vision, which involves a more broad, overall, long-term and often from different perspectives. This can be seen by critics as a waste of time, because the leader is no longer centered on current problems but is "dreamer"; in reality, trying to capture as many situational variants is beneficial because it leads to quick action at the time of the event. Furthermore, it develops a certain kind of thinking that allows the generation of situations and solutions in a short time. A generation and analysis of possible situations can only be constructive;
- reality which involves reacting to facts and not illusions. Managers have to make a clear demarcation between vision and illusion. Push vision and concrete elements, with high probability, while the illusion is harmful, because it involves a distortion of reality. The current market leader who has delusions will generate huge disasters;
- ethics, which involves attention to the problems of the people. This type of involvement must be regarded with caution: there are times when leaders are in the desire to be sensitive to people's problems, either because they are inclined natively, either because they have

been trained in this sense for a very long time. The consequence: a reduction in yield of the company individually, and then sometimes the domination by the employees. Thus, managers must set limits on the application of ethics in order to achieve excellence;

- risk-taking involves courage, initiative and supported continuity. Courage means to get up from a less favorable situation, to analyze things calmly and to start at the end with confidence. It can, an addition to the remaining three elements: a leader needs the courage, vision of reality and of the application of ethics.

Figure no. 1. The business process management



Source: Personal interpretation of the data

Because of the open and flexible nature of their work, managers must carry out a wide variety of tasks in a limited time. The researches undertaken on the way in which managers spend their time confirms that their activities are characterized by fragmentation, brevity and variety. This is due to the following reasons: in general, managers are concerned about dealing with people. However, human behavior is often unpredictable. People's reactions and requirements are subject to ever-changing circumstances in which they live, the pressures to which they must respond and their individual needs and desires; managers are often acting in turmoil and ambiguity. They do not know clearly what is expected from them when new situations arise. That's why they tend to react against situations, dealing with immediate problems instead of trying to anticipate them; managers are not always in a position to control the events that affect their work; employees should expect the managers to be precise and resolve situations as they arise (Cherniss, C., 2010).

Managers' actions will depend on their level of function, the organization (culture, structure, type, size) and the general work environment (to what extent is shaken, predictable, quiet, steadfast, etc.). Individual managers will adapt these circumstances in different ways and will operate with more or less success, in accordance with the manner in which what behavior is expected from them and their own personal characteristics.

Figure no. 2. Management functions



Source: Personal interpretation of the data

A manager who can be considered a true leader has to apply the following directions in the company in order to gain a competitive advantage on the market (Manzoor, Q., 2011).

- Influencing others: Motivating others to achieve desired results through routing, guidance and delegation when it is necessary; to recognize the importance of creating professional relationships; to develop knowledge networks; establish linkages with key actors; empowerment of others by delegating authority and responsibility, as well as empowering communities; getting the cooperation and involvement of others.
- Respect for others and diversity management: understanding and supporting the organization's mission of public deference to each individual; to recognize and promote the importance of diversity; to foster an atmosphere that supports individuals and their different perspectives, honor, dignity, compassion and creativity at work.
- Concern for others: to recognize the needs and abilities of others, especially subordinates; ensuring a fair and equitable treatment; providing professional development opportunities; to recognize and reward performance; to assist and help others in the private and professional situations.
- Effective communication: knowing to express facts and ideas succinctly and logically; to be an active listener and reliable; to encourage open exchange of ideas; to communicate face to face whenever possible; writing clear and concise; effective public speaking; to distinguish between the official and personal communication and to act accordingly.
- Theory of leadership: the studying and understanding the various theories and styles of leadership; collaboration with employees to develop the knowledge and skills of leadership; adaptation approaches concerning the leadership to resolve the situation, including the crisis.
- Guidance: to assist employees in their development through sharing of experience and knowledge; providing feedback about the leadership qualities of others and their professional development; helping others to identify their professional goals, strengths and areas of improvement.
- The development and the implementation of the vision: to establish a vision for the unit, division or department in which they work, according to the manager's vision, mission, values and strategy of the organization, as well as to act in the direction of the established objectives; to establish and communicate clearly the objectives; to act and provide support and methods to achieve the objectives.
- Client-the central element: customer focus demands requires permanent reactions and suggestions and encourage others to do the same thing; ensuring that the internal and external needs of clients are met.
- Decision making and problem solving: learning to identify and analyze problems in normal and extreme conditions; taking into account and risk assessment and alternatives; use facts, data from the system, contributions of others and a healthy judgment to draw conclusions; to know how to be an effective leader in times of crisis, focusing on key information and decision points; be firmly if the situation so requires; to involve others in decisions which affect the company's future; evaluate the impact of their own decisions.
- Conflict management: to encourage open communication about controversial topics; promote cooperation in order to resolve disputes; addressing conflict constructively to relieve its impact upon oneself, others and the organization.

2. The role of emotional intelligence in the management process

Applied in the management field, this form of intelligence refers to a set of abilities, emotional and social competence which may influence our way of being, namely the way in which we perceive others and express ourselves, how we develop and maintain social relationships, the way we react in relation to the challenges and use the information to our own experiences so as to adapt and to give a sense of the events to which we are exposed (Ljungholm, D. P., 2014)..

There are a number of emotional intelligence elements that contribute to facilitate the process of emotional intelligence in management. Among these are:

- *Understanding stressful daily factors.* It may happen that a group of employees, including within the corporation, to experience fear or anxiety, for various reasons. Therefore, a manager needs to understand the factors that may contribute to such experiences to help the team and manage them. This ability appears to some authors, as emotional resonance and seems to make the difference between ordinary managers and real coordinators. They are the ones who will be able to avoid the chaos so that productive results are ensured without major interruptions of the activity.
- *Empathy:* understanding what employees feel, especially in connection with their professional aspirations; the ability to identify the team member's perspective; a well-developed sense of humor should be used at times that may lead to potentially unpleasant situations but also to establish positive relations; the ability to be positioned in place of the team members, in particular in the context of the assignment of certain tasks which are more demanding than the ordinary ones; willingness to listen to the stories of the team members so that the manager will be able to understand their impact on efficiency in the workplace; and last but not least, avoid establishing relationships based on transactions. All these will not only increase productivity and satisfaction to be part of the team but will also provide consistency and interpersonal relations (Rooney, D., Paulsen, N., Callan, V.J., Brabant, M., & Gallois, C., 2010).

Figure no. 3. Relationship Management Competencies (emotional intelligence)



Source: Personal interpretation of the data

Because emotional intelligence means sensitivity and empathy towards other people's emotions, it creates the ability to get the lightest performance by harnessing emotional communication. It becomes an advantage in terms of a modern workplace, which is characterized by open communication, teamwork, mutual respect between employees and their bosses. Managers who possess emotional intelligence can understand better and can motivate people with whom they work. Moreover, experience shows that in a modern business environment, managers who are authoritarian cannot succeed in the long term, as opposed to those who use a democratic management style.

As a rule, endowed with qualities of managers, leaders should have a high emotional intelligence. It's good to know that the leadership is not inherently and tied to a position of authority. Leadership hires the best resource of a manager and assumed both the highest standards of integrity, and outstanding communication skills. An individual who is in agreement with their own emotions is much more able to understand and empathize with others' emotions and attitudes. That's why emotional sphere is particularly valuable in management; it is essential for managers who want to be perceived leaders and have to remember that actions speak more loudly than words (Robbins S. P, Judge A. Timothy, Sanghi Seema, 2006).

Leaders who dedicate their time and have the necessary willingness to listen to their employees use emotional intelligence as a management strategy, even if they don't realize they are doing it. As

a result, most employees interact far better with those managers "accessible", which take into account and individual problems (Rukhmani, K., Ramesh, M., & Jayakrishnan, J., 2010).

Figure no. 4. The process of emotional intelligence (management perspective)



Source: Personal interpretation of the data

Emotional intelligence will continue to play an important role in tomorrow's business world. In an economy characterized by less work, the competition for the best workers will become more fierce. Valuable employees who will not feel treated fair in a company will look for another job more convenient for them. It will become increasingly harder to keep good workers. The best way to maintain the most qualified employees is to include emotional intelligence in personal and organizational management philosophy. Emotional intelligence helps managers to perceive employees first under human dimension with their personal lives, with emotions and feelings and, secondly as workers (Yang, L., Sun, G., & Eppler, M., 2009).

3. Conclusion

The main role of the manager is to optimize the available resources of the organization and to maximize the results of the company. He will need to be in a permanent balance towards economic actors on the market, a balance that would give the necessary independence to take the best decisions for the organization.

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Considerations Concerning the Redesign of the Management System at the Level of the Organization – Quality Perspective

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Abstract

The success of an organization is achieved by its ability to meet the needs and expectations of its customers and other stakeholders in the long term and in a balanced way. Lasting success can be achieved through effective management of the organization, through environmental awareness within the organization, through learning and applying appropriate improvements, innovations, or both.

Keywords: *management style, organizational management, organizational change*

J.E.L. classification: M1, M14

1. Introduction

The manager's role is to manage unorganized system and to allow addressing and solving problems during the current activities, in order to allow continuous improvement of results (reduction of expenditures and costs, increasing productivity, reducing the time of delivery, increasing flexibility in meeting customer requirements, etc.-all these improvements having the effect of increasing competitiveness). A manager has to manage the continuous improvement of internal processes in an organization. The manager must possess the necessary skills and to be able to meet the requirements of the occupation: attention, skill, honesty, team spirit, power analysis and decision, adaptability to new situations, resistance to stress factors and fundamental skills: teamwork, continuous personal development.

2. Quality management system

From a quality point of view taking into account managerial systems and changes, ISO 8402 defines quality as "the ensemble of characteristics of an entity, which gives it the ability to meet the needs expressed or implied". According to this definition (Abdullah, M. M., Uli, J., & Tari, J. J. , 2009):

- quality is not expressed through a single feature, but by a combination of characteristics;
- quality is not alone, it exists only in relation to customer needs;
- quality is a continuous variable and not discrete;
- quality must be satisfied not only with the expressed needs, but also the default.

Quality management represents a set of activities aimed at the achievement of goals through optimal use of resources. This ensemble comprises planning, organizing, coordinating, monitoring and quality assurance. Quality management in all management processes within the company proposes a series of "strategic objectives": economic, social, technical, commercial, which is achieved through "operational objectives". The latter would be: obtaining products and services of appropriate quality requirements, the quantity applied for, the time agreed and that must be available at place or desired market, however, in conditions of minimum costs (Doring, H., Downe, J. and Martin, S.J., 2013).

Figure no. 1. Quality management system (processes)



Source: Personal interpretation of the data

To operate successfully in the competitive market environment, the organization needs to be coordinated and controlled systematically and transparently. For this purpose, the companies can implemented a QMS system for the continuous improvement of performance and customer satisfaction, and other interested parties. Management activity includes organization and quality management. The eight quality management principles are (Hvid, U. and Andersen, S.C., 2013):

- customer orientation of the organization depends on its customers, companies should meet, understand and exceed customer expectations.
- leadership, leaders establish unity of goals and vision of the organization. They must create the conditions for the involvement of staff in achieving the objectives of the organization.
- staff-staff Involvement is the essence of the organization and the manager abilities to be use employees for the benefit of the organization.
- approach based process, the desired result can be obtained when the activities and related resources are run as a process.
- management system, like approach to identifying, understanding and driving linkable processes as a system, bringing the effectiveness and efficiency of the organization in achieving the objectives.
- continual improvement.
- approach based on facts in making decisions, decisions are based on data analysis and information.
- mutually beneficial relations with suppliers.

In order to apply the principle of leadership a person should be proactive and to lead by example; understand and respond to changes in the external environment; to take into account the needs of all stakeholders (clients, owners, staff, suppliers, communities, society as a whole); to establish a vision for the future of the organization; to establish common values and ethics organization models; to build and to eliminate fear; to provide the necessary resources and personnel with the freedom to act with responsibility and liability; to inspire, to encourage staff to recognize contributions; to promote open and

honest communication; to educate, to build and guide staff; to establish daring goals and targets and finally to implement strategies for these goals and targets (Le Moigne, R., 2013).

3. Quality Perspective

Identifying and understanding the leadership related processes as a system contributes to the effectiveness and efficiency of the organization in achieving its objectives. The benefits of understanding can be (Shahin, A., & Debestani, R., 2011):

- integration and alignment processes will allow a better achievement of the desired objectives;
- ability of concentration on key processes;
- providing confidence to interested parties on the existence, effectiveness and consistency of the organization.

The application of the principle of the precautionary approach as a system of management can lead to:

- the structuring of a system whereby the organization's goals to be achieved effectively and efficiency;
- understanding the interdependencies between the processes in the organization;
- structured approach to harmonization and integration processes;
- achievement of a better understanding of the roles and responsibilities needed to achieve common objectives and to reduce disruption;
- understanding the organization's capability and setting priorities for action in accordance with the material constraints;
- define specific activities within the system;
- the pursuit of continual improvement of the system through measurement and evaluation.

Figure no. 2. Quality process (management perspective)



Source: Personal interpretation of the data

The continuous improvement of the organization's overall performance should be a permanent objective of the organization (Sousa, S., & Aspinwall, E., 2010). The main benefits for the organization should be:

- performance advantage by improving the capability of the organization;
- subordinating the activities of improvement from all levels of the company to the strategy of the organization;
- ability to react quickly and flexibly to opportunities.
- application of the principle of continuous improvement may result in employing a consistent approach across the organization to continuous improvement in performance.

The adoption of a quality management system should be a strategic decision of the management at the highest level of an organization. Design and implementation of a quality management system for an organization are influenced by the goals of the products/services the company provides, the existing processes, as well as the size and structure of the organization.

Systems exist everywhere and affects every aspect of our lives. Looking from a management perspective, the recovery of an initial investment can be accomplished in a timely manner and delivered on-time if the service providers want to understand their role in the supply chain (products and services), so they can meet their customers ' needs. The fulfillment of these tasks becomes possible as business (organization/company) uses a quality management system to determine the needs of each parties involved (owners, employees, customers, suppliers, authorities), to transform these necessities in the internal requirements, to provide the necessary resources, to meet the requirements and to review the performances; and this cycle will have to be repeated continuously to ensure permanent improvement of activities. This theory seems simple in its essence, but as we know all those involved in the management of a business, the complexity of the real world is in fact much more difficult. Many problems that companies/organizations encounter nowadays come from thinking and systemic anti-action. To prevent such a trap, it is important that each manager to define the organization/company as a system whose necessity is to fulfill the requirements of: owners (employers, legal owners) continue to improve and ensure the entire system (Van Dooren, W., Bouckaert, G. and Halligan, J., 2010).

A management system consists of four main elements:

- policy and management objectives, with the role of the guide-management
- responsibilities, defined so that everyone involved knows what are the needs and demands of the company
- defining processes, which establishes connections to people with organizational goals
- distributing and analyzing data (documents and recordings), so as to ensure the improvement of organizational performance

Each organization/company is unique, having its own identity and organization, so although each organization has a management system based on the four main elements, cannot have two similar management systems. Every organization/ company must develop its own quality management system, so that it can be used continuously and improved. A management system which is properly designed and developed as tool at the disposal of the organization, is used to communicate and the interdependence of individuals, and processes in order to enable decision making under a correct analysis, making possible for the company to increase profits.

Figure no. 3. Managerial systems



Source: Personal interpretation of the data

Looking from a performance management perspective for the redesign at the level of the organization, the performance management represents the amount of strategic interventions that influence the long-term

work of the organization, resulting in improved economic results, a set of actions designed specifically to improve the results the employees, departments and of entire company. As part of this management system, assessment of performance represents a periodic retrospective analysis of the results obtained as a result of the performance of the proposed strategies. Besides evaluation, performance management includes (in a simplistic schema): defining the roles of each department/individual, fixing performance indices (what exactly defines performance); performance standards (which is the optimal level indicating performance); communication of roles and standards, indices and, last but not least, providing an environment for success (X. Zu, L. D. Fredendall, and T. J. Douglas., 2008)

Figure no. 4. The performance management system



Source: Personal interpretation of the data

4. Conclusion

A quality and performance management systems represents the security business optimization in terms of sustainability in the environment in which the company operates. In general, a quality and performance management must not be viewed as a luxury, but as a key capability, a central piece at the organizational level, generating competitive advantage.

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Dental Practice Management

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Abstract

Dental care, as part of the specialized outpatient care, is essential in ensuring the overall health of the population.

Private dental practices in Romania require personnel specialized in dental management. Success in dentistry depends, on the one hand, on the management of clinical aspects, and equally on the efficient management of the dental practice.

Patient satisfaction is influenced by factors related to the communication between the physician and the patient, technical competence and by the environment provided by dental practice.

The realization of the paper followed a review of specialty literature, through which the main aspects of dental office management have been analyzed, rendering the management solutions available to all of those interested from an economic, deontological point of view, as well as methods of managing human resources in order to obtain the best feedback possible from patients.

Keywords: management, marketing, feedback

J.E.L. classification: M1

1. Introduction

The profession of dentist aims to ensure public health and the individual's health through activities of prevention, diagnosis and treatment of diseases and anomalies of the mouth, teeth and jaws and of adjacent tissues, carried out in compliance with the Dentist's Code of Ethics (Colegiul Medicilor Dentisti din Romania, 2013). Dental health care, as a part of specialized outpatient care, plays an essential role in ensuring the overall health of the population (Gobjila and Galbur, 2013). The dental services market experienced a spectacular development, having a positive impact on service quality and in the implementation of state of the art technologies in the private sector in this field (Gobjila and Galbur, 2013).

Very few medics have thorough management knowledge, which sooner or later leads to a chaotic activity in the office. This paper offers solutions represented by creating and documenting step-by-step management and marketing systems. This way, the medic can delegate all of the non-medical activities.

2. Exercising the dentist profession

In accordance with Government Ordinance no. 124/1998, republished, on the organization and operation of medical practices, the medical practice is the means of exercising the medical profession, being an organization with or without legal status, providing public, state-owned or private preventive, curative, recovery and emergency services (Colegiul Medicilor Dentisti din Romania, 2013).

The profession of dentist as a liberal profession may be exercised within the medical practice in one of the following forms:

- Individual medical practice – where the dentist exercises his/her profession, being able to have as employees or collaborators doctors or any other categories of personnel (Colegiul Medicilor Dentisti din Romania, 2013).
- Grouped medical practices – several individual offices, which have created joint economic facilities but retain their individuality in relations with third parties (Colegiul Medicilor Dentisti din Romania, 2013).
- Associated medical practices – Several medical practices which associated with each other for the purpose of carrying the activity jointly and providing patients with access to comprehensive medical services. Doctors who are part of associated practices retain their individual rights and responsibilities (Colegiul Medicilor Dentisti din Romania, 2013).
- Medical civil company – consisting of two or more associated doctors, which may have as employees or collaborators doctors or any other category of staff (Colegiul Medicilor Dentisti din Romania, 2013).

In Romania, approximately 11,000 dental practices are registered.

Private dental practices in Romania require personnel specialized in dental management to ensure a smooth running of the clinic not only in terms of the quality of dental treatment. It is important for the doctor to focus on achieving an efficient medical act, while the administrative burdens cannot be ignored.

3. Results and discussions

Success in dentistry depends, on the one hand, on the management of clinical aspects, but equally on the efficient administration of the dental practice. The two categories of issues must be equally managed equivalent, because dentists tend to focus on only one category, ignoring the other.

The Romanian Society for Dental Ergonomics (RSDE) conducted the study “Current practices in ergonomics, prevention and management in dentistry”, which is part of the project “Ergonomics, Prevention and Performant Management in Dental Medicine by adopting European Standards”. According to the study, dentists turn to specialists for drafting legal documents. The survey results indicate that 79% of respondents felt that the management of the practice increases its efficiency and 63% that it ensures a continuous development of the business (Mediafax, 2011).

The past years have brought to attention a constant concern of marketing companies in terms of identifying and defining the objectives necessary for the transformation of a dental practice into a profitable business, these being *efficiency* and *productivity*. The activity of a dental practice must be coordinated in all its aspects, from the most basic, such as doctor-patient communication, to the most complex, related to marketing strategies and human resources development.

As with any other business, efficient cost and profit management is essential in assuring success. For dentists, understanding the ways of managing these factors is very important in developing a practice centered on the patient’s needs.

The business strategy must include:

- identifying personal goals and measuring opportunities;
- understanding and applying trends in the industry currently impacting the dental practice;
- identifying methods to reduce costs;
- recognizing the benefits of technology;
- setting fees;
- identifying and evaluating performance indicators;
- assessing costs;
- assessing patient feedback.

Modern dental management is based on the following principles:

- the offered mouth and dental services offered are oriented towards the ‘clients’ (Carasu, 2013);
- the offered health services must be flexible and adaptable to the mouth and dental health needs of the population (Carasu, 2013);
- the development of professional skills and of the management capacities;

- the empowerment of the team members of the dental practice;
- fostering creativity in problem solving (Carasu, 2013);
- reducing bureaucracy;
- implementing new solutions and innovations in order to increase the quality of the provided services.

Because health care costs are rising, medical practices face the challenge of providing a good quality service, but at a low cost (Bai, et al., 2014). From this point of view, dentistry has an outstanding position. It differs from other health specialties because the dental services market is mainly represented by the private sector (González-Robledo, et al., 2012).

Dental care is different in terms of funding and service provision. On the one hand, this is due to the low number of dental diseases, but also to the high frequency with which they occur. On the other hand, patients have usually experienced the same dental procedures several times and, therefore, are able to assess the quality of the service. There is also a greater variety of different treatments available for curing certain diseases than in other conditions, and there also are feasible extensive methods of prevention. Finally, with the exception of dental fractures and toothache, dental care is rarely 'emergency' care, which can give the patient a scheduling of the treatment on a wider timespan (Sintonen and Linnosmaa, 2000). Most dental clinics should think about their own performance in order to remain competitive, efficiency and quality playing essential roles in this respect (Yamalík, 2007).

In an era of responsibility, the profession of dentist must allow for greater accountability with regard to health services of uncertain quality (Yamalík, 2007). The reasons put forward the most in the context of choosing a dental practice are the high quality service, the care for the welfare of the patient and the low cost of the treatment (Mahrous and Hifnawy, 2012). Although, thanks to the Internet, resources have become unlimited, there is controversy on bringing in a significant number of new patients, materialized in the number of new appointments. In this respect, dental practices may use certain marketing strategies, such as special discounts or free examinations. The dentist needs a constant marketing system in order to attract new patients.

Due to the development of social networks, more and more dentists misunderstand the notion of marketing. The number of 'likes' and of visitors to a web page are necessary and useful, but they do not particularly bring profit. The aim of dental marketing is to achieve as many well paid manoeuvres as possible.

Feedback on patient satisfaction following the provision of dental care is essential to the continuous improvement of the provision of specialized services. However, the desires and expectations of patients can be influenced by what the health service provider considers to be suitable for them. Patient satisfaction is influenced by factors related to the communication between the physician and the patient, the interaction between the patient and the team members of the dental practice, the technical competence and the environment offered by dental practice (Mahrous and Hifnawy, 2012).

Efficiency consists in the extent to which the ratio between results and efforts is optimized by creating maximum yields with minimum costs. To gain maximum efficiency in terms of cost, it is necessary to select the combination of factors of production which provide the desired service at the lowest cost (cost effectiveness) (Harris and Sun, 2012). Many researchers have investigated the reasons for inefficiency in the provision of health services. From the study of the scientific literature, it results that aspects of inefficiency come from three main sources: (1) hospitals and other healthcare organizations (Harris and Sun, 2012); (2) clinical procedures; and (3) administration, or from any combination of these three sources.

There are several studies on efficiency in the dental sector (Harris & Sun, 2012), all considering the system as a whole. Previous studies on the topic have an economic approach and focus mainly on the comparability between the effectiveness of different types of dental services (Harris and Sun, 2012). There is great variability in assessing the effectiveness of a clinic, which is measured by the number of individuals treated. Other factors to be taken into account could be differences in the value of human resources; the equipment of the clinic; the number and characteristics of patients seeking treatment; the relative complications of treatment, the duration of treatment; and personnel practices (Cameron, 2002).

The ability to manage failed appointments was recognized as a factor that could compromise the effectiveness of the dental practice. Dental care providers must constantly adapt to the needs and demands of a changing society. To improve efficiency, all available options should be implemented, such as flexible hours, affordable fees, qualified personnel. Barriers in seeking dental health care include cost and fear. Rankin and Harris reported that patients dislike a dentist who starts treatment without any prior description (Rankin and Harris, 1985). Patients are looking for a dentist who listens, who has a friendly attitude and who explain his/her point of view and the treatment procedures. This is consistent with research findings indicating that the most important factor influencing patient satisfaction is the quality of the doctor-patient relationship. Marketing specialists recommend a positive attitude, which is considered to be trusting. Patients trust positive people, and trust is very important in order to both provide the best treatment, and to persuade patients to accept the proposed treatment plan. The physician should not be nervous or agitated and in no case should he/she be focused on other aspects to the detriment of the patient's welfare.

The interior design of the practice should not be ignored in any of its aspects: choice of colours, waiting room design, the functionality of the space or the technology used. In other words, aesthetic demands and expectations relating to the patient's smile re compared to how the design of the working space defines the image and working style of a specific doctor.

The doctor is undoubtedly the key element of the practice, but in the absence of an exceptional team, there is a possibility of failure. Thus, the dentist becomes manager not only in terms of the economic aspects, but also in terms of human relationships. Each team member must be perceived by the manager on the basis of the accumulated knowledge, but also on the basis of the experience gained, so they can be motivated to provide the best quality services to patients (Carasu, 2013).

Management decisions are usually made by the doctor to his/her benefit; decision-making processes based on ethical principles always consider the best interests of the patient, as well as the patient's values and preferences. Management processes and decisions that do not include the patient's point of view may be unethical. However, there are several principles which protect against ethical risks:

- the ethical and professional dentistry aspects shall always take precedence over economic ones;
- the dentist should not unduly influence patients or limit the information necessary for patients to make informed choices;
- the standard of care should be the same for all patients, regardless of the means of payment;
- the patient's needs and interests supersede any business relationship or refund process (American College of Dentists, 2012).

4. Conclusions

The essential activities of organization management represented by the dental office, as far as the leading efficiency is concerned, are represented by the knowledge of the area of activity (diagnosis), the perception of progressive tendencies (prognosis and prospective construction), formulating and adopting the settlement decision of the entire organization, organizing the implementation of the decision through planning and ensuring cooperation within the organization, motivating the personnel in order to obtain maximum efficiency and control, through which the which results will be assessed, compared with costs, according to a new activity planning.

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The Importance of Communication in Quality Management

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Abstract

From a managerial perspective, communication is regarded as a process of understanding among people by means of information exchange. According to the principle “quality starts with the manager”, his role becomes crucial, one of the main traits of the manager’s behaviour being the ability to communicate effectively. Important in any aspect of quality management, communication plays an essential role in developing business projects. As a component of public relations, although less spectacular than marketing communication, quality management communication is an exciting activity, extremely useful in projects management. This paper aims to demonstrate the economic role and the benefits of using communication as a tool of quality management programs for improving the quality of organizational activity.

Key words: communication, quality, management, projects.

J.E.L. classification: D83,L15,L23,M20

1. Introduction

Total Quality Management (TQM) is a management approach that originated in the 1950s and has steadily become more popular since the early 1980s. Culture requires quality in all aspects of the company’s operations, with processes being done right the first time and defects and waste eradicated from operations.(Padhi,2016) Total quality management can be summarized as a management system for a customer-focused organization that involves all employees in continual improvement. It uses strategy, data and effective communications to integrate the quality discipline into the culture and activities of the organization. There is a strong relationship between good communication and successful quality implementation. A major thrust of TQM is continual process improvement, because continuous improvement drives an organization to be both analytical and creative in finding ways to become more competitive and more effective at meeting stakeholder expectations.(Choudhary et al,2013)

Important in any aspect of quality management, communication plays an essential role in developing business projects. Starting from foundation to roof of the TQM house, everything is bound by strong mortar of communication. It acts as a vital link between all elements of TQM. Communication means a mutual understanding of ideas between the sender and the receiver. The success of TQM demands communication with and among all the organization members, suppliers and customers.(Choudhary et al,2013) Often communication is undervalued and underestimated, and perceived as difficult. It is something that people are inexperienced in, which makes them feel uncomfortable. And, if you want people to do something, it helps a lot if you let them know what you expect from them. Communication is vital for improvement programs. It influences and supports behaviour change, and what should be done to sustain improvements, and make them last. Also it keeps the stakeholders involved, and links the improvements to the goals that they want to reach. (Linders,2011)

It should be emphasized that projects quality management provides methods, tools and applied techniques to define the overall quality objectives, the quality objectives in each stage of the project as well as standards and quality control regulations along with a compilation of the general quality control plan. Communication processes in projects ensure the generation, gathering, dissemination, storage and ultimate disposal of information necessary for the project.

2. Communication in quality management projects

Quality management is an area where work is done under more pressure than in any other sector. Communication within quality management is not similar to classical communication, because of the specificity of this sector. For successful QMS (Quality Management System) implementation projects, the existence of an effective communication between stakeholders is a vital element.

Communication is essential for achieving the objectives of an organization successfully, including those related to quality. Internal communication should ensure the understanding of the objectives of the quality management system (QMS) and help individuals and groups to direct their efforts towards accomplishing them. (Pop, 2006)

The strategy of internal communication is not a process whose success is achieved in a single phase. The strategy of internal communication can be reduced, most succinctly, to four actions: informing, motivating, controlling and rewarding. The management's task is to ensure an effective and non-discriminatory communication acquiring knowledge of procedures and quality standards implied by QMS. Information not only contributes to a better understanding, but also to the improvement of motivation for engaging in labour.

With disciplined adherence to a system of regular and focused communication, it can be avoided the misunderstandings and delays that so frequently lead to project failure and ensure that all project staff and stakeholders are secure in their knowledge of what has to be done, and who is doing it. A Project Quality Plan relies on information about quality expectations provided by the Customer. The Quality Log is a record of quality checks performed by project staff. Both documents are necessary for effective management of product quality. (Buehring, 2009)

In order to keep the relevant people informed, it is extremely important to have regular and complete access to all information about the project, customer needs, objectives, plan, constraints, changes/risks and progress. Communication quality is repeatedly listed among the top success factors to consider when implementing a quality system. Analysis shows its role is more complex. It helps some aspect of success but has no influence on others. (Aubert et al, 2013)

Different aspects of communication quality impact different dimensions of project success. Some dimensions of project success did not seem influenced by communication quality and anyway, the form might be as important as the content of communication.

From the practical point of view, for managers, the findings highlight that communication is not a silver bullet when conducting Quality Management System (QMS) projects. Managers should also be aware that the form of the communication efforts will likely have as much impact as the content of the communication process. The results especially emphasized the importance of openness in communication.

Communication is one of the essential components of an organization's performance quality management system. Companies that provide leadership training encourage supervisors to maintain communication lines with employees who report to them. This fosters the necessary two-way dialogue that must occur during performance appraisals and improves the ability of employees to meet the company's expectations concerning quality rules. (Johnson, 2016) Quality communication is important in companies with workplace diversity. An improvement in employee morale can result from effective communication. Although money is a concern for many workers, it is not their only concern.

3. Effective communication in QMS

At the core of TQM is effective communication. For an organization to achieve its objectives and employees to maintain their appetite for work is needed not only a good, but also effective communication in order to achieve their goals. Effective communication is important for businesses looking to expand beyond its domestic borders ; it causes productivity to increase, errors to decrease and operations to run smoothly. Employees appreciate good communication coming from management. Effective communication in the workplace helps employees and managers form efficient teams and reduces unnecessary competition within departments and helps employees work together.(Barnard,2010)

Successful quality management focuses on effective communication in the project environment as a top priority. General managerial communication skills are directly related to project management communication, but without identifying with it. Communication in a QMS project provides critical links between various categories of participants (all employees in fact), ties that contribute substantially to the project's success. According to the principle "quality starts with the manager", the success of the project team depends on how well the project manager is able to structure and use the communication process. The project manager should be a communication strategist and mentor.

In quality management, human resources have an important place and communication serves as a cohesion factor if it follows a well-established plan. The main processes of communication management are:

- communication planning that ensures the identification of information and the requirements of communication between the involved parties (stakeholders);
- distribution of information;
- performance reporting: status, stage of completion of works, forecasting outcomes, etc.;
- administrative establishment: generate, collect and disseminate information necessary for the completion of a phase, report, etc.

In quality communication, the communication process gets its inputs when the management defines the needs and targets for it. The process includes the delivery of the communication product, the reception of the message, and its processing in the minds of the target audience.

Communication methods practiced within the organization play a clear role; the main ways of communication used in quality management are:

- Verbal communication: public address and other broadcasting systems and recordings;
- Written communication: notices, bulletins, information sheets, reports, e-mail and recommendations;
- Visual communication: posters, films, video, internet/intranet, exhibitions, demonstrations, displays and other promotional features. (Padhi,2016)

In quality management, communication about targets and means, for example, is internal to the organization. It is very closely linked to the organization's values and business objectives. The two interlinked forms of management expertise, i.e. quality management and communication management, aim at enhancing the business performance of the organization. In practice, it is often difficult - and even unnecessary - to distinguish between quality communication and normal business communication.(Anttila,2016)

In nowadays digital age, an Open Communication Culture (OCC) becomes an inevitable fact of doing business and is extremely important in quality assurance practice. Consistent with the quality culture and values of the organization, its leadership provides open access to information in which employees, customers, shareholders and the general public having a legitimate interest.(Foe,2013) In quality communication are also encountered some practical problems , such as :

- the responsibility of quality or communication is left to experts only;
- the obscurity and ambiguity of the concepts, most central terms in ISO 9000 standards are unclear to even many experts, mainly when translations in various languages are used;
- management does not always consider quality communication a business priority;
- communication opportunities have not been fully used.

These problems can be best dealt with by integrating the quality approach into corporate business strategies and letting quality and communication experts jointly realize the quality communication practices.(Anttila,2001)

Quality assurance is largely based on external communication. Certificates are in this case a means of achieving this. ISO TC 176, the committee responsible for ISO 9000 standards, has also expressed its concern about how quality system certificates are overused in marketing communication. The economic reality has proved that, in any circumstance, effective communication promotes improvement.

4. Conclusions

Communication is one of the most important and impacting business skills. Communication plays a significant role in connection with quality issues. Communication is an important means of realizing quality. At the same time, the actual quality of communication becomes an interesting issue. In the realizing an organization's quality approach, communication has a major part both in the quality management, in which management means are used to achieve business excellence, and quality assurance, which aims at creating and reinforcing the customer's confidence in the company's ability to supply products meeting the agreed upon requirements. Communication is crucial to achieving the successful objectives of a organization, including them and those related quality. Internal communication should ensure the understanding of the objectives of the quality management system (QMS) and help individuals and groups to direct their efforts towards bringing to achievement. With global business transactions continually increasing, the need for effective communication to meet global demands is also increasing. Therefore, communication in the field of quality management and quality assurance is a key strategy in the quality of an organization contributing to organizational culture directed towards performance.

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Managerial Ship Procedures in Case of Oil Pollution in Maritime Transport

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Abstract

Sea oil spills produce unfortunate environmental damage with huge impact on sea life, human health and economic prejudices for interconnected communities and industries. As prevention is better than to cure, specific managerial procedures in case of oil pollution are prepared, implemented and communicated by shipping companies. Ship oil pollution emergency plan (SOPEP) is a prevention plan carried on board by almost all commercial ships, which technically synthesize the managerial procedures in case of oil pollution. This paper present an overview on pollution emergency plans (SOPEP), emphasizing useful guidelines for establishing an efficient SOPEP.

Key words: SOPEP, IMO, safety, planning

J.E.L. classification: R41, M11, L91, J28

1. Introduction

Oil pollution incidents means an occurrence or series of occurrences having the same origin, which results or may result in a discharge of oil and which poses or may pose a threat to the marine environment, or to the coastline or related interests of one or more states, and which requires emergency action or other immediate response (UN,1995,p.80).

According to (UN, 1995, p.81) all ships of more than 400 gross tons (Oil tankers of more than 150 gross tons) have to carry on board Shipboard oil pollution emergency plan and while in port, the plan can be inspected by authorized officers of the national authority.

The background for managerial ship procedures in case of oil pollution in maritime transport is represented by the regulations of the International Maritime Organisation (IMO) and the United Nations (UN). Particularly, international instruments dealing with maritime safety and marine pollution prevention are the International Convention for the Safety of Life at Sea, 1974 and the International Convention for the Prevention of Pollution from Ships (MARPOL), 1973 as modified by the Protocol of 1978. Regulation 26 of Annex I and regulation 16 of Annex II of MARPOL 73/78 require ships to carry a shipboard oil pollution emergency plan.

In November 1990 the International Convention on Oil Pollution Preparedness was held at London. Each party at the convention agreed to require that ships entitled to fly its flag, as well as operators of offshore units have on board a shipboard oil pollution emergency plan as required by and in accordance with the provisions adopted by the IMO for this purpose (UN, 1995, p.81).

On 13 March 2000 IMO adopted the MEPC.85(44) Resolution of the Marine Environment Protection Committee presenting Guidelines for the Development of Shipboard Marine Pollution Emergency Plans for Oil and/or Noxious Liquid Substances (IMO, 2000), as starting point for the preparation of the Plans for specific ship.

2. Objectives and sections of the Shipboard oil pollution emergency plan

Plan's primary purpose is to set in motion the needed actions to quickly stop or minimize oil pollution. An effective plan ensures that "necessary actions are taken in a structured, logical, safe and timely manner" (IMO, 2000, p.2).

The primary objectives of the Plan are to:

- prevent oil pollution;
- stop or minimize oil outflow when a damage to the ship or its requirements occurs;
- stop or minimize oil outflow when a operational spill occurs in excess of the quantity or instantaneous rate permitted under the MARPOL Convention.

SOPEP contains sections and appendices with the following operational elements:

- The *action plan* with duty of each crew member at the time of spill, including emergency muster and actions.
- *General information* about the ship and the owner of the ship, as in Table 1 model:

Table no. 1 Ship's identification details

Shipping company-Register-Number	<i>Internal registration number</i>
Name of Ship	<i>Vessel name</i>
Distinctive Number or Letters (Call Sign)	<i>The vessel's current radio call sign</i>
IMO-Number	<i>The vessel's 7-digit Lloyd's registration number or IMO number (leave off "IMO" prefix). If the vessel has no Lloyd's/IMO number, enter N/A</i>
Type of Ship	<i>BULK (bulk cargo), CONT (container ship), LPG/LNG (liquefied petroleum or natural gas), PASS (passenger), REEF (reefer), LARGE YACHT. If MISC or OTHER give a brief description in the blank.</i>
Port of Registry	<i>Port name</i>
Gross Tonnage	<i>The vessel's registered tonnage</i>
Flag	<i>The nation of registry</i>

Source: (DNV GL SOPEP Sample Plan, p.6)

- *Steps and procedure* to contain the discharge of oil into the sea using SOPEP equipments, in case of: operational spills; spills resulting from casualties; priority actions; mitigating activities; transfer of bunker/lightening; damage stability and hull stress calculation; general responsibilities of the master and designated officers or crew members;
- On board *Reporting* procedure and requirement in case of oil spill is described, including: when to report actual or probable discharge, information required, who to contact, including ship interest contacts (owners, ship managers, charterer, insurance, P&I club etc.);
- *Authorities* (port state control, oil clean up team) *to contact* and *reporting requirements* in case of oil spill are listed in SOPEP: coastal state contacts, port contacts and ship interest contacts. Oil Spill Response Organization (OSRO) Contract – Contract or document evidencing an agreement between the Plan holder and the OSRO(s) for the types spill response coverage needed in the Geographic Regions where the ship may operate. Vessel Emergency Services / Salvage Contract – Contract or document evidencing an agreement with a vessel emergency services provider or other means for rendering all services to save the vessel and cargo from any marine peril that could reasonably be expected to cause a discharge of oil into the marine waters, and including actions necessary to control or stabilize the vessel or cargo.

- *General arrangement of ship* is also listed in SOPEP, which includes location of all the oil tanks with size, capacity, content, types of oil for each tank etc.
- SOPEP includes *technical drawing* of various fuel lines, along with other oil lines on board vessel with positioning of vents, save all trays etc. Vessel diagrams indicating the general arrangement and location of each fuel and lube oil storage tank and other features pertinent to an emergency response. The size, storage capacity, and type of oil carried must be specified for each tank. Diagrams must be in a scale that is clearly legible for review. A plan will not be approved without an adequate diagram. A single diagram may be submitted for sister ships.
- The location of the *SOPEP locker* and contents of the locker with a *list of inventory* (MI News Network, 2016).
- Each plan shall identify a *Spill Management Team*. If the plan holder contracts for this service, documentation that the Spill Management Team acknowledges this capacity shall be included in the plan.
- Each plan shall identify a *Qualified Individual*, and any alternates, for the purpose of *implementing the plan*. If the plan holder contracts for this service, documentation that the Qualified Individual or company, and any identified alternates, acknowledge this capacity shall be included in the plan.
- Each plan shall provide the name, physical address and mail address, telephone number, email addresses, and facsimile number of an *agent* for service of process designated to receive legal documents on behalf of the plan holder. If the plan holder contracts for this service, documentation that the agent for service of process acknowledges this capacity shall be included in the plan. (California Department of Fish and Wildlife, 2016)

Each SOPEP must be considered in regard to ship's variable: type and size of the ship, cargo, and cargo's properties. An effective plan that complies with MARPOL Convention must be prepared taking into consideration ship's particularities.

3. Steps of action in case of oil discharge

In order to stop or minimize the discharge of oil and consequent effects, based on the IMO guidelines (IMO, 2000), there are two types of steps of action that shipboard personnel should follow in case of oil pollution emergency: reporting and action to control discharge, described below (DNV GL, 2016).

The first step after a probable or actual discharge of oil is the *assessment* of the nature of incident. All the crew members are alerted, and the spill source is identified and monitored. Measures for personnel protection are taken. Further, it is made a spill assessment, vapour monitoring and if needed, *evacuation*.

When the ship is involved in an incident which results in the discharge or probable discharge of oil, the Master is obliged under the terms of MARPOL 73/ 78 to *report* details of the incident, without delay, to the nearest Coastal State by means of the fastest telecommunication channels available. Coastal States have to be informed, without delay, of any incident giving rise to oil pollution, or threat of oil pollution, of the marine environment, as well as of assistance and salvage measures, so that appropriate action may be taken.

Ship personnel will most probably be in the best position to take quick action to mitigate or control the discharge of oil from their ship. Therefore, SOPEP provides the Master with clear guidance on how to accomplish this mitigation for a variety of situations. It is the Master's responsibility to initiate a response in the event of a discharge of oil or substantial threat of discharge of oil – actual or probable – into the waters. In no case action should be taken that in any way could jeopardize the safety of personnel either onboard or ashore.

Top priority shall in all cases of casualty be put on the safety of the persons onboard and to take actions to prevent escalation of the incident. Immediate consideration should be given to protective measures against fire, explosions and personnel exposure to toxic vapour (DNV GL, 2016).

The two types of actions (reporting and action to control discharge) are presented in Figure 1 below.

Figure 1. Actions taken on board ship in case of oil spill incident

REPORTING By Master and/ or designated crew member	ACTION TO CONTROL DISCHARGE Measures to minimize the escape of oil and threat to the marine environment	
<p>When to report All probable and actual spills</p> <p>How to report</p> <ul style="list-style-type: none"> - By quickest means to coastal radio station - Designated ship movement reporting station or - Rescue Co-ordination Centre (at sea) - By quickest available means to local authorities <p>Who to report</p> <ul style="list-style-type: none"> - Nearest Coastal State Harbour and terminal operators (in port) - Shipowner's manager; P & I insurer - Head Charterer; Cargo owner - Refer to contact lists <p>What to report</p> <ul style="list-style-type: none"> - Initial report (Res. A.851(20)) - Follow-up reports - Characteristics of oil spilled - Cargo/ ballast/ bunker dispositions - Weather and sea conditions - Slick movement - Assistance required for <ul style="list-style-type: none"> • Salvage • Lightening capacity • Mechanical equipment • External strike team • Chemical dispersant/ degreasant 	<p>NAVIGATION MEASURES</p> <ul style="list-style-type: none"> - Alter course/ position and/ or speed - Change of list and/ or trim - Anchoring - Setting aground -Initiate towage - Assess safe haven requirements - Weather/ tide/ swell forecasting - Slick monitoring - Record of events and communications taken 	<p>SEAMANSHIP MEASURES</p> <ul style="list-style-type: none"> - Safety assessment and precaution - Advice on priority countermeasures/ preventive measures - Damage stability and stress consideration - Ballasting/ deballasting - Internal cargo transfer operations - Emergency ship-to-ship transfers of cargo and/ or bunker - Set up shipboard response for: <ul style="list-style-type: none"> • Leak sealing • Fire fighting • Handling of shipboard response equipment (if available) • Etc.
	<p>STEPS TO INITIATE EXTERNAL RESPONSE</p> <ul style="list-style-type: none"> - Refer to Coastal State Contact List for local assistance - Refer to ship interest contact list - External clean-up resources required - Continued monitoring of activities 	

Source: (IMO, 2000, p.21)

The SOPEP is furnished by owners, possibly by assistance of a consultant or shipyard representative. Only a few company-specific instructions could be sufficient for a dry cargo ship.

For oil tankers procedures in regard for loading/ discharging of cargo have to be added to the contents as necessary. Is also needed a clear list of crew members who are in charge in the event of an oil spill to bring the accident under control, limit outflows, organize onboard clean-up procedures and determine the additional manpower needed. Arrangements shall be made that in case of sudden unavailability of superior ranks other available ranks are prepared to take over. The list of duties of the team members has to be tailored to the actual crew onboard.

Additional information material may be attached to the individual Plan at the owners/ operators discretion and documented in the form that the Master/ company/ operator considers most effective: diagrams and additional ship's plans (e.g. midship section plan, lines plan/ tables of offsets, tank tables, load line assignment, light ship characteristics, etc.); availability of response equipment (onboard spill equipment) and its location; guidance for the keeping of appropriate records of the pollution incident (e.g. for liability, compensation and reimbursement issues); reference material (e.g. industry guidelines issued by various industry organization like ICS, OCIMF, SIGTTO, INTERTANKO, etc); procedures for Plan testing; record-keeping procedures or procedures for Plan review. All this information may be appended to the Plan if appropriate for the individual ship.

The instructions included in the Plan have to be in line with the Safety Management Manual instructions (Lubetech, 2014)

4. Conclusion

Shipboard Oil Pollution Emergency Plan (SOPEP) is a good example of technical and conceptual preventing planning applied to navigation, precisely in case of oil incidents events happened on board ship.

The Plan includes a set of information from the owners communicated to the Master and ship's crew.

The Plan contains information related two different types of action: adequate reporting and action to control discharge and has to be tailored to the particularities of the ship and crew.

Ship oil pollution plan contains an action plan with instructions for the oil pollution prevention team with a list of duties the crewmembers have to fulfill in case of an oil spill; an emergency plan; general information about the ship; procedures to discharge the oil into the sea in accordance to MARPOL regulations; drawings of fuel/oil lines and location of SOPEP boxes.

The information included in the Plan advise the Master how to react in case of an oil spill to prevent or mitigate the negative impact on the safety of crew, ship and environment.

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Causality Macroeconomic Crisis-Management

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Abstract

Inventory of potential events that could degenerate into crises is very important what constitutes "crisis management", "crisis management" or what Bernard Dagenais called "management challenges." It is interesting concept used by Dagenais, as he says:

"Management challenges" has a meaning very close to what experts consider that today involves crisis management ,..

Identification of strategies to provide solutions to the monetary and financial intolerance of slow economic progress in recent years, is a challenge for analysts and experts in the field of crisis management..

Identification of strategies to provide solutions to the monetary and financial intolerance of slow economic progress in recent years, is a challenge for analysts and experts in the field of crisis management. In such cases, it is obvious the management to identify those options with realistic character to resist the fierce opposition of society manifested by severe steps toward restructuring and reforming the system.

Key words: management, macroeconomic, agriculture, evaluation, efficiency

JEL classification:E61

1. Introduction

"Virtually every crisis contains the seeds both success and failure roots"(Dagenais).

Management has become a concern imposed by the current economic situation, milled uncertainties and ambiguities that have the force of planetary contagion. Identification of strategies to provide solutions to the monetary and financial intolerance of slow economic progress in recent years, is a challenge for analysts and experts in the field of crisis management. Management has become a concern imposed by the current economic situation, milled uncertainties and ambiguities that have the force of planetary contagion.

Conceptualizing crisis has been a concern for experts domain, for example Michel Regester and Jude Larkin, which defined crisis being "an event that brings the company in the position of subject of general attention, potentially unfavorable from the domestic communication and international and other groups such as customers, shareholders, employees and their families, politicians, unions and pressure groups environmentalists, who for one reason or another, have a legitimate interest in terms of the organization's activities. No longer a the problem will occur if a major crisis; the problem is when, how and what kind will it be "currently we are faced with socio-economic environment where there is uncertainty generated by the joint action of disturbing factors in the impact of monetary policies , commercial, financial and social, resulting imbalances macroeconomic.

2. Situation of irrigation systems nationwide

Agriculture in Romania represents a value of 5% of GDP and engages 30% of the active population employed. Romania has an agricultural area of 14.8 million hectares, of which only ten million are occupied by arable land. After an assessment made in November 2008, approximately 6.8 million hectares of agricultural not worked. The value of agricultural production in Romania was 64.4 billion in

2010. Crop production was worth 43.4 billion lei (67.5%), the animal of 20.4 billion lei (31.6%) and agricultural services amounted to 557.2 million lei (0.9%). In 2009, the total value of agricultural production was 59.9 billion lei (decrease), and 66.9 billion in 2008 (40% increase). In 2013, agriculture has made 18.5 billion euros economy, which is the best result of istorie.În 2009, Romania exported food products worth EUR 2.1 billion and imported goods worth EUR 3.4 billion. In 2010, Romania had an external deficit of 700 million in imports and exports of agricultural products. In 2011, Romania exported food products worth 2.9 billion euros and imported 3.7 billion annually euro. Annual consumption of fruit and vegetables per capita in Romania is about 70-80 kilograms while the European average reaches 90-100 of kilograme. Agricultura is the most vulnerable sector of the Romanian economy, nearly 30% of the population working in this domeniu. Una of the major issues in Romanian agriculture is tax evasion, estimated at 2.5 billion per year in 2011.

The irrigation-in May 2009, is running irrigation for 563 000 hectares of farmland, of which 553.000 hectares (or 99%) of organizations are contracted water users irigații. La Chapter irrigation Romania has a shortfall of 2.6 million hectares Neudau. On paper, the irrigated area is about 300,000 hectares, but only 100,000 are factually hectare. Alte sources indicate an area of 560,000 hectares irigate. Before 1989, Romania had an extensive irrigation network in an area of 3.2 million hectares which was almost completely destroyed, installations being stolen or left unattended. Most functional irrigation systems in 1989 were scrapped and others were also not been built. According to some estimates are needed around 14 billion euros to set up an irrigation system at the level of 1989, whereas restoration system on one hectare of land costs around 7,000 euros.

3. The causes of Starting the crisis and agricultural irrigation systems

Agriculture is a branch of traditional Romanian economy which has the means of production land fund (all land situated between the borders of a country, including those under water) agriculture, which provides food humanitarian goods, raw materials for industries and for export. after 1990 Romanian agriculture is facing these difficulties: - strong fragmentation of agricultural land restitution as a result of 1991 (Law 18); - lack of funds for investment - dismantling irrigation systems (3 mil. ha in 1989, 1.1 million. ha 2002)

The low level of average production plant and animal, in conjunction with agricultural exports was due to fundamental shortcomings in the supply of the population with food products. The agriculture evolution in Romania after 1989, influenced the development of agriculture before becoming causes 1989, created the premises appearance economic crisis of agriculture. Mutations quantitative and qualitative agricultural structures were not followed as would have been natural for getting results in production activity such as agriculture changes. From this point of view agriculture is still in crisis, unable to fully ensure the quantities of agricultural products household consumption. Assessing the current situation of agriculture enable decisions to be able to discern the real tactical and strategic opportunity to ensure agriculture to fulfill its basic functions, directing the development of the Romanian agriculture so that correspond and requirements arising from possible and desired entry of our country into the European Union . The current situation of agriculture in terms shall be interpreted and deficiencies in the application of the land law (Law 18/1991) in particular and other laws. By degradation occurred not only in former cooperative sector but also in the public sector. State ownership in agriculture, the principles reorganized companies, although he benefited from a technical and economic endowment superior new forms of association or corporate holdings of private sector through Harvests failed to contribute significantly to meeting the demand for food products. Lack of interest of workers in the sector, especially credit and financing system has shown negative influence on these business units. Romanian agriculture during 1990-2000-effects that they have had their wrong decisions in the period 1990-2000 on agriculture are multiple, given that agriculture occupies about 20% of GDP. Such losses incurred by the Romanian agriculture in the last 10 years as causes: -Destruction of agricultural production cooperatives heritage (CAP-3776 units) - 90 billion lei; -Atomization of agricultural property: 40 million parcels, 5 million owners - an annual loss of about 7000 billion, self-consumption due to falling 80-100% - inadequate facilities with equipment, to cultivate the whole agricultural area and delay in work - led to annual losses of 4,800 million lei; -Deficit tractor (tractor there is a 56 ha) - losses 6750 bn / year; - Incorrect application of the law 18/1990 and law in perfections-have led to about a million legal processes (taxes 2,000 bn lei.) - Not using irrigation system, considerable damage to installations 2

million Ha. (Using 113 thousand ha - 4.2% of the area for irrigations) not applying herbicides and pesticides - 3 billion loss. Dollars annually; -Abandoning the use of modern technologies, works of soil erosion - loss of 5250 billion. lei annually ; -Low fertilizers (1989 to 2.7 mil. tonnes to 200-300 thousand tons in recent years) - 17,500 billion loss. lei; -Deforestation in horticulture and viticulture 76 thousand ha - export losses 30 mil. USD / year; -Slaughter of animals (approximately 40% compared to 1989) - was reached on the import of meat and maize surplus.

4. Management of crisis in the agriculture and irrigation systems

Inventory of potential events that could degenerate into crises is very important what constitutes "crisis management", or what Bernard Dagenais called "management challenges." (Dagenais, 2002, 32). Dagenais interesting concept is used because, he says: "Every year, company or organization sets its priorities, establishes objectives, adopt policies, faces some challenges, leading battles, suffering seizures and mistakes [...]. It is not about to divulge, but to manage these elements. "(Dagenais, 2002, 32)." Management challenges "has a meaning very close to what experts consider that today involves crisis management .." Virtually every crisis contains both the seeds of success and failure roots. Finding, nurturing and harnessing the potential success is the essence of crisis management.(Larkin and Regester, 2003). Crisis:According to Valeriu Tones and Ion Chiciudean there are two kinds of effects of crisis: those relating to component and material related to the symbolic(Chiciudean and Tones, 2002). If the material losses are concerned things are clear in terms of symbolic or existential component, as it is called, the two authors are of the opinion that the effects of crises within the organization are: (Chiciudean and Tones, 2002)

The first effect "is the threat to the whole industry, domain or sector of activity that has to do with the crisis."

The second effect "of a major crisis is changing the mission of strategic (general purpose of the organization) due to the perception of an organization bipolar (good / bad) by public opinion."

The third effect occurs at the individual level. "Crises disrupt subjective world of the individual, how they perceive the world and himself, sense of self, power and identity, internal balance. [...] A crisis not only affects the physical structure of an organization, but also its symbolic system, organizational culture: symbols, traditions, beliefs, myths, values. "(Chiciudean and Tones, 2002)

Crisis management consists of three sequential targets namely:

First, the ideal is to prevent crises when possible.

Second, if a crisis arises, however, it is to change the negative effects it might have on the company or product.

The third is to provide a platform for the company's future.

The outcome of a crisis always has to do with the readiness of the organization and how fair is the leadership to the task tasks and goals of the organization. Before I move on to detail the steps related to crisis management, as well reviewing some mistakes in crisis management. These James E. Lukaszewski's vision are(Lukaszewski, 2000, 390):1.Hesitation - leading to a public perception of confusion, insensibility, incompetence, or lack of preparation.2.Confusion - leading to the perception of dishonesty and insensibility.3. Revenge-which increases tension and intensifies their emotions instead of reducing them.4. Distortion or equivocation-that creates the biggest problem, because nothing can substitute for the truth.5. Dogmatizing-that create vulnerability in that it appeals to an autocratic approach without actually manage current problem. 6.The confrontation-which supplements the visibility through maintenance problem, providing a platform and new reasons to the opposite side to respond. According to Kurt P. Stocker (Stocker, 1997, 191), planning is the key crisis management - Monitors all know what happens to you or your industry in which you operate and what to do.7. The dispute - that guarantees greater visibility and can eliminate more reasonable solutions.(Lukaszewski, 2000, 390).Elements of a strategy for crisis management can be summarized by the following five steps and a known specialist in this field, Kathleen Fearn-Banks: prevention, preparedness, detection limit, recovery and learning.

The causal relationship and decision-management system, crisis, macroeconomics is determined by the following steps:

- Prevention of crisis
- Preparation for crisis
- Response to the crisis

➤ Post Crisis Period

The effects of crisis are:

1. The first effect "is the threat of whole industries, domain or sector of activity that has to do with crisis."

2. The second effect "of a major crisis is changing the mission of strategic (general purpose alorganizației) due to the perception of an organization bipolar (good / bad) by public opinion ."

3. The third effect occurs at the individual level. "Crises disrupt subjective world of the individual, how they perceive the world and himself, sense of self, power and identity, internal balance. [...] A crisis not only affects the physical structure of an organization but and its symbolic system, organizational culture: symbols, traditions, beliefs, myths, values. "(Chiciudean and Tones, 2002).At this point, you must ask, "why we need a plan for crisis management?" Here are some possible answers in a random order: • for any institution / organization is not exempt from crises; • because "sit idly by" until the crisis is over is a solution but with which at most can succeed endangering the very existence of the organization; • as many examples have shown that a crisis can come out with the image untainted or even a better reputation than before the untoward events; • because if a crisis precipitated events unfold so as not effective time to prepare a plan.

Agriculture is a branch of traditional Romanian economy which has the means of production land fund (all land situated between the borders of a country, including those under water) agriculture, which provides food humanitarian goods, raw materials for industries and products for export.Crisis management and decision making in agriculture and the irrigation systems in the current round,involves the organization of the competent authorities as reprezentante the rule of law, the activities crisis prevention in agriculture, respectively with concrete action steps as prevention, preparedness, detection limit, recovery and learning.Thus, in the prevention phase or preparatory stage, crisis management in agriculture and the irrigation systems involves the factors with specific responsibilities in the public institutions and statutory authorities, conduct an inventory of action has the potential events that could degenerate into crize.Virtually every crisis contains the seeds both success and failure roots.Finding, nurturing and valuing the potential success is the essence of crisis management in the agricultural and irrigation systems in Romania.At the same time crisis the result of the implementation of recovery programs and restructuring and rural development of agriculture and irrigation systems through efficient use of water resources so as to be carezultat targets, the implementation by political factors and general economic factor, overall macroeconomic strategies regarding the agriculture and irrigation systems.Crisis management should pursue three objectives sequential crisis management, namely:-First, the ideal according to which try to prevent crises when this is posibil;-Second, if still identified some causes of the emergence of the crisis in agriculture and irrigation systems, to amend the negative effects that they may have on those causes the branch of agriculture and irrigation system with direct effects asupra agriculturii; -Third, according to which should be as the actions of macroeconomic policymakers to be offered a viable platform for the future of agriculture sector at the national and individual. At the same time crisis management in the agriculture and irrigation systems presupposes analysis of the result of the implementation of recovery programs and restructuring and rural development of agriculture and irrigation systems through efficient use of water resources so as to be targets, as a result of the implementation of political and economic factor overall macroeconomic strategies regarding the agriculture and irrigation systems.

Consequently, integrating a crisis plan in plans, missions and goals of the macroeconomic system is imperative. In contradiction to current thinking, most organizations are not prepared for a crisis.They often failed to prepare a plan or it (the plan), sitting somewhere on one of the shelves is expired and incomplete.

Thus, in Romania, the government program aims mainly in agriculture, halting the decline, gradual recovery and creating conditions for revival of agriculture in line with the potential for relaunching natural, economic and human Romania, in order to ensure food security of the population and creating funds for economic exchanges internaționale. It is envisaged:- Accelerating land reform; -Increased quantitative and qualitative crop and animal production and promotion of organic farming systems; Support offered for manufacturers to improve technical equipment, especially tractors, agricultural machinery, machinery equipment, machinery, chemical fertilizers, pesticides and oil products; -Develop a competitive market, to ensure real and stable adequate income to farmers; -Promoting a rural development program; -Ensure a favorable environment for attracting foreign capital to sustain the

investment and development of agricultural production in Romania. SAPARD program are mentioned and other funded programs external. It wants to create competitive structures with the EU in a position to implement agrarian programs, and supported by the public budget, such as: SAPARD, PHARE, SPP. Romania's governing program for 2014-2020, and at the same time reflects a set of principles underlying the European governance: -caution macroeconomic and and fiscal responsibility budgetary, respect everyone's right to decent work, well paid.:- Romania's governing program for the period 2014-2020-involved the conduct of socio-economic analysis of rural development following the global macroeconomic levels:-analysis of the socio-economic rural development in Romania; -Increase the competitiveness of all types of agriculture and enhancing farm viability; -Manage sustainable natural resources and climate action; -Economy rural quality of life, professional Formation; local & Development and LEADER. The basic tool of macroeconomic crisis management for the implementation of these strategies and global objectives, the project „ is the project technical and economic conjuncture with internal financing,,especially with European funding grant,, This p.v mention the following projects:

1) Project on the Development of Services to Agriculture.It was approved in January 2000 and is to be completed in December 2004. It is coordinated by the Ministry of Agriculture, Food and Padirilor and funds totaling EUR 17.4 million US dollars, of which 11 are funded by the World Bank and 6.4 Romanian Government.

2) Rural Development Project (RDP) -It is coordinated by the Ministry of Agriculture and was approved in December 2000. The costs will amount to USD 150 million, of which 100 million is a loan from the World Bank and 50 million will be incurred Government.

3) Projects reducing Agricultural Pollution-is a project worth US \$ 8.4 million funded by the Government and US \$ 2.9 million Global Environment Protection Programme (GEF) with a refundable credit of 5 US \$ 5 million.

4) Rehabilitation Project-Irrigation System is coordinated by the Ministry of Agriculture and is estimated at \$ 100 million, of which USD 75 million is a loan from the World Bank.

5) Forestry Sector Development Project, is a project worth US \$ 24,340,000 which will be concluded by a loan from the World Bank and through funding from the Government (to be established in what proportion).

5. Conclusions

As shown above, the macroeconomic crisis of agriculture and related sector of irrigation systems is a situation that can occur in any organization, in any key moment. The keyword of the crisis in the agriculture sector sector and irrigation systems it is inevitable and it is therefore not important to know the conditions by which we can evade such events, but rather what we can do to get out of them as well. Impact on which agreed the vast majority of specialists is that a such situation is a turning point for any sistem.He can become a moment of success or failure for each individual or organization that he is a "victim".An organization can suffer both physically and symbolically a slump.This worked because the subject crisis draws public attention to the organization and can may cause a negative image about her.The situation is extremely dangerous given that the first who suffers is the reputation and through it, the whole organization. Carrying out any branches of the national economy , especially the agricultural sector, obviously depends on its relationship with the public or consumers of its products and that it is not advisable to lose confidence in her and she coordinates the authorized institutions.

Therefore, something must be done to remedy the situation as soon as the crisis has been detected.The reform of agricultural policies both in Romania is a process that will not only depend on the internal situation and the evolution of the Common Agricultural Policy, but also the evolution the international situation, balance of forces between the two main competitors: the United States and European Union. Subsistence agriculture produce inflation caused by supply-demand imbalances and slumping commodities to feed the population, decay of internal market and increased import dependence.

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Section V
Finance – Accounting

Cash Holdings and Firm Value: A Study of Listed Firms in Romania

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Abstract

High level of cash holding can be appealing for investors as firms have enough cash to finance investments and also to pay dividends. On the other hand, keeping large amount of cash, firms are signaling that they are not able to invest and to develop their businesses. As a consequence, firm value will decrease. The aim of the paper is to test whether cash holdings increase firm value on a sample of Romanian listed firms over the period 2001-2011. Employing a fixed effects model, we found that cash holdings influence negatively firm value after controlling for other firm-specific variables. Our results are useful for managers and also for existing and potential investors in decision making process.

Key words: cash holdings, firm value, Romania, listed firms
J.E.L. classification: G30, G31.

1. Introduction

Most of the extant literature on corporate finance focuses on long-term financial decisions and their effects on firm value. However, short term financial decisions are receiving increasing attention in the light of the recent financial crisis due to recent growth of cash holdings by US firms (Bates *et al.*, 2009; Sánchez and Yurdagul, 2013). Cash holdings decision is interesting to study as it represents a double-edged sword.

We focused on the case of Romanian listed firms because they reported significant amount of cash in their balance sheets. According to our panel data over the period 2001-2011, on average, cash and marketable securities represented around 8.7% of the sum of all assets for listed Romania firms. At the same time, for the Romanian firms, access to external financing has been often considered a serious problem. The high cost of debt over the period analyzed and the underdevelopment of local capital market one of the most determinants of financial constraints in Romania. It can be expected that the level of cash holdings will have a significant effect on the firm value. The aim of the paper is to study the effects of cash policies on firm value in this highly restrictive financial market.

The rest of the paper is organized as follows. Section 2 briefly describes the most important empirical studies on the effect of cash holdings on firm value. Section 3 presents data and methodology used in the analysis. Section 4 discusses the empirical results, while the last section concludes.

2. Empirical studies on the effect of cash holdings on firm value

Keynes (1936) highlights that there are three important motives for cash holdings: (1) the transactional motive (a firm needs cash to cover current transactions); (2) the precautionary motive (cash holdings provide security for unforeseen future events); (3) the speculative motive (a firm needs cash to fructify unforeseen investment opportunities) (Mun and Jang, 2015). According to static trade-off theory, firms with higher cash holdings have lower transaction cost (when raising money), are able to fulfill their financial obligation without liquidating assets and also can finance

investments even when other financial sources are not available. On the other hand, the main disadvantages of cash holdings are the opportunity cost and agency problems between managers and shareholders (Martínez-Sola et al., 2013).

A growing literature tests empirically the relation between cash holdings and firm value. Several papers studied the effects of cash holdings on firm value using samples of firm from developed countries (Ozkan and Ozkan, 2004; Luo and Hachiya, 2005; Faulkender and Wang, 2006; Bigelli and Sanchez-Vidal, 2012; Naoki, 2012; Martínez-Sola et al, 2013) or large sample of firms located in developing or in developed economies (Dittmar et al, 2003; Pinkowitz et al., 2006). Only a few papers assessed the impact of cash holdings on firm value using sample of firms located in developing countries (Isshaq et al., 2009; Saaed et al, 2014).

Most of the previous studies found a positive relation between cash holdings and firm value. To the best of the author's knowledge, there is no paper to study the effect of cash holdings on firm value in the case of Romanian firms. We contribute to the extant literature by proving new insights on the effects of cash holdings on firm value on a sample of firms located in emerging countries over a period that covers the latest financial crisis.

3. Data and methodology

The present study employs a panel data set of 63 Romanian firms publicly traded at Bucharest Stock Exchange (BSE). We use two data sources in our analysis. Firstly, stock prices needed to compute Tobin Q has been retrieved from the BSE website. Secondly, financial data for each firm has been hand collected from the year-end annual accounts of firms. Our sample covers the period 2001-2011 in which listed firms used the Romanian Accounting Standards. Consistent with other studies, we exclude from the sample financial firms and also observations with missing values for the key variables. As a result of these two selection criteria, we end up with an unbalanced panel of 507 observations on 63 listed non-financial firms over the period 2001-2011.

As dependent variable (Firm_V) we use Tobin Q defined as the ratio between market value and replacement value of its assets (Lewellen and Badrinath, 1997). Tobin's Q is used in the model as a logarithm in order to minimize the influence of outliers.

Our independent variable of interest (Cash holdings – CASH_HOL) is computed as the value of cash and marketable securities over total assets. Following the extant literature (Martínez-Sola et al., 2013; Loncan and Cadeira, 2014), we employ as control variables that could have an impact on firm value the following variables: firm size (total assets or turnover), leverage (LEV_TD_TA), investment/growth opportunities (INVE_OPPORT), and the dividend policy (DIV_PAY). Table 1 presents an overview of the dependent and independent variables employed in the models.

Table no. 1. Variables description

Variable	Abbreviation	Description
Firm value	FIRM_VAL	Natural logarithm of market value of firm over replacement value of its assets
Cash holdings	CASH_HOL	Cash and marketable securities over total assets
Firm size (1)	TOT_ASSETS	Natural logarithm of total assets
Firm size (2)	SALES	Natural logarithm of total assets
Leverage	LEV_TD_TA	Total liabilities/Total assets
Investment/growth opportunities	INVE_OPPORT	Capital expenditures over total sales
Dividend payments	DIV_PAY	1 if the firm paid a dividend in year t and 0 otherwise.

Source: Research results

To test the relation between cash holdings and firm value, we consider the following model:

$$FIRM_VAL_{i,t} = \beta_0 + \beta_1 * CASH_HOL_{i,t} + \beta_2 * FIRM\ SIZE_{i,t} + \beta_3 * LEV_TD_TA_{i,t} + \beta_4 * INVE_OPPORT_{i,t} + \beta_5 * DIV_PAY_{i,t} + u_i + \epsilon_{i,t}$$

where: $FIRM_VAL_{i,t}$ denotes the firm value for firm i in year t ($i=1,\dots,N$; $t=1,\dots, T$); $CASH_HOL_{i,t}$, our independent variables of interest, measures the ratio of cash and marketable securities to total assets for firm i in year t ; $FIRM\ SIZE_{i,t}$ (computed using total assets or sale), $LEV_TD_TA_{i,t}$, $INVE_OPPORT_{i,t}$, and $DIV_PAY_{i,t}$ represent control variables for firm i at time t ; $\beta_0, \beta_1, \dots, \beta_5$ are parameters to be estimated; u_i are firm-specific fixed effects; $\epsilon_{i,t}$ is an idiosyncratic disturbance term.

4. Empirical results

The main descriptive statistics for all variables employed in the study are presented in table 2. For our sample of firms, the mean value of cash holding to total assets is 0,087 (or 8.7%), with significant differences between companies as highlighted by minimum and maximum values. The mean value is relatively low if we compare it with the values reported in other studies - Opler *et al.* (1999) reported a mean value of 17% for their sample of US listed firms; Bigelli and Sanchez-Vidal (2012) found an average cash holdings to total assets ratio of 10% for Italian publicly traded firms; Ozkan and Ozkan (2004) reported a mean value of 9.9% for UK listed firms. However, other studies found lower values for this ratio compared to our value (e.g., Dittmar *et al.* (2003) reported a value of 5.3% for Pakistani firms or Martínez-Sola *et al.* (2013) found a mean cash to total assets of 7.9% for a panel of US industrial firms).

Table no. 2. Descriptive statistics

	Mean	S. D.	Minimum	Maximum	Obs.
LOG (FIRM_VAL)	-0.3537	0.849836	-4.824893	2.230198	507
CASH_HOL	0.087455	0.105432	0	0.517679	507
LOG(TOT_ASSETS)	11.83303	1.499221	9.157123	17.33655	507
LOG(SALES)	11.48199	1.541421	7.068249	16.63395	507
LEV_TD_TA	0.356771	0.279529	0	1.774894	507
INVE_OPPORT	0.032217	0.054071	-0.044077	0.479556	507
DIV_PAY	0.337278	0.473248	0	1	507

Source: Research results

Table 3 presents the Pearson correlations between variables. Contrary to our expectations and to results obtained in other studies we found a negative correlation coefficient between cash holdings and firm value. We also found a negative correlation between firm size and cash holdings, which imply that larger firms are likely to hold smaller cash reserves. This relation is in line with the finding of D-Mello *et al.* (2008) and Bigelli and Sanchez-Vidal (2012) and can be explain by the fact that large firms have greater access to financial markets and often in better conditions as smaller firms. As expected, our results show a high correlation between the alternative proxies for firm size, namely sales and total assets. The Pearson correlations between explanatory variables are fairly small, suggesting that the likelihood of a multicollinearity problem in the econometric analysis is low.

Table no. 3. Correlation matrix of variables

	LOG(FIRM_VAL)	CASH_HOL	LOG(TOT_ASSETS)	LOG(SALES)	LEV_TD_TA	INVE_OPPORT	DIV_PAY
LOG(FIRM_VAL)	1						
CASH_HOL	-0.138	1					
LOG(TOT_ASSETS)	0.205	-0.148	1				

LOG(SALES)	0.268	-0.087	0.888	1			
LEV_TD_TA	0.406	-0.336	0.128	0.220	1		
INVE_OPPORT	0.023	-0.102	0.225	0.025	-0.040	1	
DIV_PAY	0.048	0.253	0.039	0.116	-0.223	-0.005	1

Source: Research results

In order to choose the appropriate econometric model, we ran several tests: Lagrange Multiplier Test (Breusch-Pagan) for unbalanced panels and Hausman Test (null hypothesis of a random effect model). The results obtained for these tests reveal that the fixed effect models should be used (see table no. 4).

Table no. 4. Results for Hausman test

Correlated Random Effects - Hausman Test			
Equation: EQ01 (FIRM_VAL dependent variable, Total assets proxy for firm size)			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	37.994231	5	0.0000
Equation: EQ02 (FIRM_VAL dependent variable, Sales proxy for firm size)			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	50.993482	5	0.0000

Source: Research results

Table 5 presents the results of the fixed effects models. Contrary to our expectations, we found a negative relationship between cash holdings and firm value. The results remain unchanged when sales is used as proxy for firm size (second model). As a supplementary robustness tests, we run our models over the period 2001-2007 to exclude the effects of financial crisis on firm value. Our results for the pre-crisis period confirm the previous findings – cash holdings have negative effects on firm value. External investors in the Romanian firms value negatively the cash holdings.

Table no. 5. Impact of cash holdings on firm value (2001-2011)

Variables	Model 1	Model 2
C	-4.249019 (0.721836)	-5.347204 (0.643938)
CASH_HOL	-1.537469*** (0.371673)	-1.354875*** (0.362120)
LOG (TOT_ASSETS)	0.304620*** (0.060733)	-
LOG (SALES)	-	0.412153*** (0.056093)
LEV_TD_TA	1.251469*** (0.153430)	1.115798*** (0.150917)
INVE_OPPORT	-1.854006*** (0.673252)	-1.056895* (0.631690)
DIV_PAY	0.114015 (0.085392)	0.046333 (0.081748)
R-squared	0.552748	0.578905
Adjusted R-squared	0.484489	0.514638
Total panel (unbalanced) observations	507	507
Standard error in parentheses *** p<0.01, ** p<0.05, * p<0.1		

Source: Research results

We also test for the existence of a non-linear relation between cash holdings and firm value by adding in the models cash square (CASH_HOL2). We found a positive sign for CASH_HOL2, but the result is not statistically significant in both models.

The controlling variables for firm size (TOT_ASSETS and SALES), leverage (LEV_TD_TA) and investment opportunities (INVE_OPPORT) were statistically significant in the fixed effects models. The control for dividend policy (DIV_PAY) was not statistically significant in both models.

Contrary to our expectations, our results show a positive relation between firm size and firm value. Similar to other studies (Masulis (1983); Martínez-Sola *et al.* (2013)), we found a positive effect of leverage on firm value. We also found that growth opportunities have significant negative effect on firm value.

5. Conclusions

An increasing number of listed firms located in emerging economies reported in the last two decades significant amounts of cash in their balance sheets. Cash level management is becoming increasing important for Romanian firms coping with weak financial conditions and increased economic uncertainty. However, we know little about the effects of cash holdings on the firm value.

This paper uses a Romanian firm-level panel data-set over the period 2001–2011 to investigate the relation between cash holdings and firm value. Our models tests for the transactional and precautionary motives for holding cash. Employing a fixed-effects model, we found that external investors valued negatively cash holdings over the period 2001-2011. This result suggests that managers can create value for their shareholders by reducing cash holdings to an optimal level.

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Considerations on the Impact of the Global Financial Crisis on Economies from Eastern Europe

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Abstract

The paper investigates the causes and consequences of the 2007-2008 global financial crisis on five Eastern European countries, namely the Czech Republic, Hungary, Poland, Romania and Russia, with the purpose of identifying the common points and the differences between these economies in terms of crisis impact, with an accent on their capital markets. Our findings indicate that although the countries under scrutiny have displayed somehow different paths of economic development before the crisis, they were affected, to a higher or smaller extent, by the financial crisis. Also, the crisis was felt in these countries, at least in terms of impact on capital markets, with different lags: in some of these countries the crisis hit at beginning of 2008, while in others signs of the crisis were visible only towards the end of 2008.

Key words: Eastern Europe, crisis, stock market, volatility

J.E.L. classification: F00, G01, G15

1. Introduction

The emerging economic and financial globalization in recent years has been much more rapid than our understanding of all ingredients associated with this phenomenon of globalization. Today, all individual markets are more and more interconnected and integrated, and this is the reason why the term "global market" is becoming more relevant day by day. This reasoning is also valid for capital markets worldwide. The integration of financial markets has become a major subject for contemporary economists that consider that the phenomenon of globalization and integration is best illustrated in these markets. The subprime crisis that emerged in 2007 in the United States of America rapidly burst into the worst global financial crisis after the Great Depression, affecting countries worldwide. This paper investigates the causes and consequences of the crisis on five Eastern European countries, namely the Czech Republic, Hungary, Poland, Romania and Russia, with the purpose of identifying the common points and the differences between these economies in terms of crisis impact, with an accent on their capital markets.

2. An overview of crisis in Eastern European countries

Eastern European countries that are members of the European Union (EEC) – namely the Czech Republic, Hungary, Poland, and Romania - have pursued a distinctive model of development since the beginning of their transition. Their approach has been based on political and economic integration with the EU, including institutional development, trade integration, financial integration and labor mobility. The low level of physical capital, the prospect of eventual EU integration and the related improvement in the business climate, the generally highly educated labor force and low level of wages, and finally, the low level of domestic credit offering the potential for substantial credit expansion were the main supply-side factors for capital flows into these countries. Capital inflows have indeed exploited and also fuelled the economic growth potential of these countries

and consequently Eastern European countries have reached high levels of integration.

This development model has led to a remarkable increase in total factor productivity (TFP). Total factor productivity growth in these countries during 1995-2005 was faster than in any other region of the world although it slowed during 2005-08. While the development model of these countries had many common features, when considering various indicators different groups within the region can be identified. In Poland and the Czech Republic the average current account deficit has remained reasonably low in the run-up to the crisis despite the existence of a strong negative relationship between GDP growth and current-account imbalances before the crisis. In contrast, the current account deficit in Romania and Hungary was very high (Darvas, 2010).

There are many other factors that differentiate between countries in the region (Becker et al., 2010, and Darvas, 2010). Specifically, external indebtedness in Romania rose much faster than in Poland or the Czech Republic owing to the accumulation of large current account deficits; capital inflows into real estate and financial services were dominant in Romania, while investment in manufacturing was much more significant in the Czech Republic, Hungary, Poland; gains in export market share was more pronounced in Poland, the Czech Republic, Hungary than in other countries; inflation was higher in Romania and Hungary than in the remaining two countries; real interest rates were lower in countries with higher inflation rates; credit growth was much faster and the composition of credit was highly biased in favor of foreign currency loans in Romania and Hungary than in the other two countries; housing price booms emerged in Romania, while housing price increases were modest in the other three countries; the real exchange rate appreciation rose strongly in Romania, and less in the other three countries. Similarly, nominal interest rate convergence and higher inflation pushed down real interest rates in all Eastern European countries, but again with large variation across the countries. Low and even negative real interest rates in Romania likely contributed to the unsustainable credit and housing booms in this country, in addition to supply side factors related to foreign bank ownership and the improved legal environment due to EU admission (Darvas 2010).

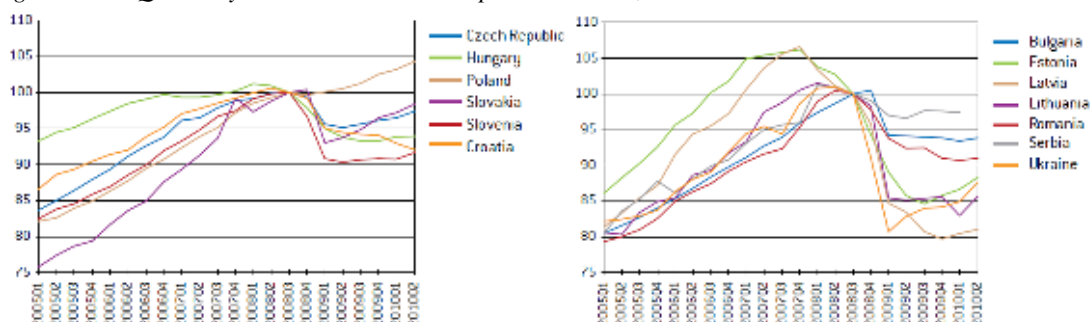
As a consequence of these developments, and in particular of high external indebtedness and large current account deficit, Romania entered the crisis more vulnerable than many other emerging countries, including the largest economies in the region, Poland and the Czech Republic. Hungary was also vulnerable due to low confidence in its economic policies, high external debt, large foreign currency loans, and slow economic growth since the mid 2000s. Exchange rate policy had also a crucial importance. Fiscal policy was less of a cause, even though most countries followed pro-cyclical policies before the crisis. In many countries, expenditure was growing very rapidly driven by demand-boom fueled revenue surge (Darvas, 2010). Domestic financial regulation and supervision may have not been cautious enough before the crisis, but there is anyway little room for domestic regulatory measures in a financially integrated environment (Becker et al., 2010). The sometime reckless lending practices of banks certainly had played a role.

Until the third quarter of 2008 - the collapse of Lehman Brothers, no Eastern European country was hit by the crisis (see Figure 1), but the disruption of financial markets after the collapse of Lehman Brothers, the rapid collapse in global trade and the bearish market sentiment, sent most of the world's economies into a slide. This region was particularly hit: in fact it was the hardest hit (along with former Soviet countries). The economic outlook was revised downward many times and GDP fell substantially in several Eastern European countries. The depth of the output fall and the shape of the subsequent recovery in the Eastern European countries were remarkable. Poland has avoided a recession, but in other countries in the region the speed of recovery was either modest or had not yet started by the first quarter of 2010.

Eastern European countries have been generally badly affected by the global financial crisis and economic downturn in 2008. The impact on growth has varied but weak demand for commodities and exports, as well as the drying-up of international liquidity had its repercussions. As elsewhere in the world, businesses and consumers faced challenging times. The scale of the financial crisis of 2008 and the subsequent recession are clearly evident from the data presented in Table 1. This shows dramatic falls in GDP in Hungary and Romania, significantly above the EU average of 4.2 percent, although Poland and the Czech Republic saw slight increases in their GDP. At the same time, in all four CEE countries government deficit was higher compared to the EU average, and unemployment rose to higher levels compared to EU in Hungary and Poland and remained at

values below the EU average, but still high, in Romania and Czech Republic.

Figure no. 1. Quarterly GDP in Eastern European countries, 2005-2010



Source: Becker et al., 2010

The crisis hit the Central and Eastern European countries in the EU through two channels. A massive contraction of lending was triggered in financial institutions exposed by toxic debts, which, with the crash of property prices in some host countries, reduced the willingness of financial markets to finance sovereign debt (Mitra et al., 2009). The subsequent recession reduced demand for exports in Western Europe, having a negative impact on production and employment in small economies like the Czech and Slovak Republics, and Estonia and Hungary where exports accounted for 70 and 80 percent of GDP in 2008. To a lesser extent, this was also the case for the larger economies of Poland and Romania.

One of the impacts of integration with the EU and global economy was the domination of the banking systems of CEE by mainly Western European or US banks and finance companies. Capital inflows were larger in this part of Europe and fell more severely during the crisis. Therefore risk was transferred from Western European parent banks to affiliates in countries of CEE. The growth of credit was driven by households borrowing excessively trying to boost their living standards, and fuelled by the ability to borrow in foreign currency with a lower interest rate and longer payback period than local finance. The period from 2003 to 2006 was a period of historically high global liquidity. Lending to ordinary people in these economies in foreign currencies was analogous to lending to poor people in the US—the so-called subprime market—where banks built up profits by lending to people irrespective of whether they could repay their debts.

Table no. 1: Selected economic indicators, 2009/2010

Country	Real GDP growth percentage (2009)	Government deficit as percentage of GDP (2009)	Unemployment (Q1, 2010)
Hungary	-6.3	-4.0	10.4
Czech Republic	-4.1	-5.9	7.4
Poland	+1.7	-7.1	9.6
Romania	-7.1	-8.3	7.4
EU 27 average	-4.2	-3.9	8.9

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

In general the integration of these economies with the European and global economies has shaped the nature of their vulnerability, but in the same way that the crisis has unfolded in different ways in economies of Western and Southern Europe, its scale and nature have been different in the former Communist countries of the EU.

Previously we have considered the case of the countries belonging to the European Union, excluding Russia. The economic and financial crisis that raged across the globe in 2008–09 hit the Russian economy hard too. Hailed as an economic miracle until 2008, the country saw its GDP tumble by 8 percent in 2009 and the stock market plunge by 80 percent from May to October 2008. A sharp decline in the price of oil and other commodities as well as capital outflows put the economy in a tailspin. Since the global crisis hit, some of Russia's largest companies have gone bankrupt, Russia has spent \$200 billion of its foreign currency reserves to stabilize the ruble, and

unemployment has surged (Aslund et al., 2010).

Regarding Russia's economy, Gaddy and Ickes (2010) grouped in three main categories the main elements leading to the Russian financial crisis. First, the crisis has reminded the world of how deeply dependent Russia is on oil and gas. Looking at the period before the crisis, during the crisis, and now in the rebound, the picture is unambiguous. Very few important developments, positive or negative, cannot be traced back to fluctuations in the volume of wealth—the rents—that accrue to Russia from these resources. Second, Russia is addicted to the resource rents. The concept of addiction means more than dependence alone: addiction refers to a specific condition in which there is an imperative to allocate rents to the backward production structure that Russia inherited from the Soviet Union. Addiction's most significant feature is that it is self-reinforcing, which means that it continually deepens and reproduces backwardness and inefficiency in the Russian economy. Third, Russia, like all resource-abundant economies, has a specific system of management of its resource rents. Because of the overwhelming importance of the rents in Russia, the rent management system is the key to the entire political economy. Fundamental changes in the political economy of Russia are necessarily changes to the rent management system.

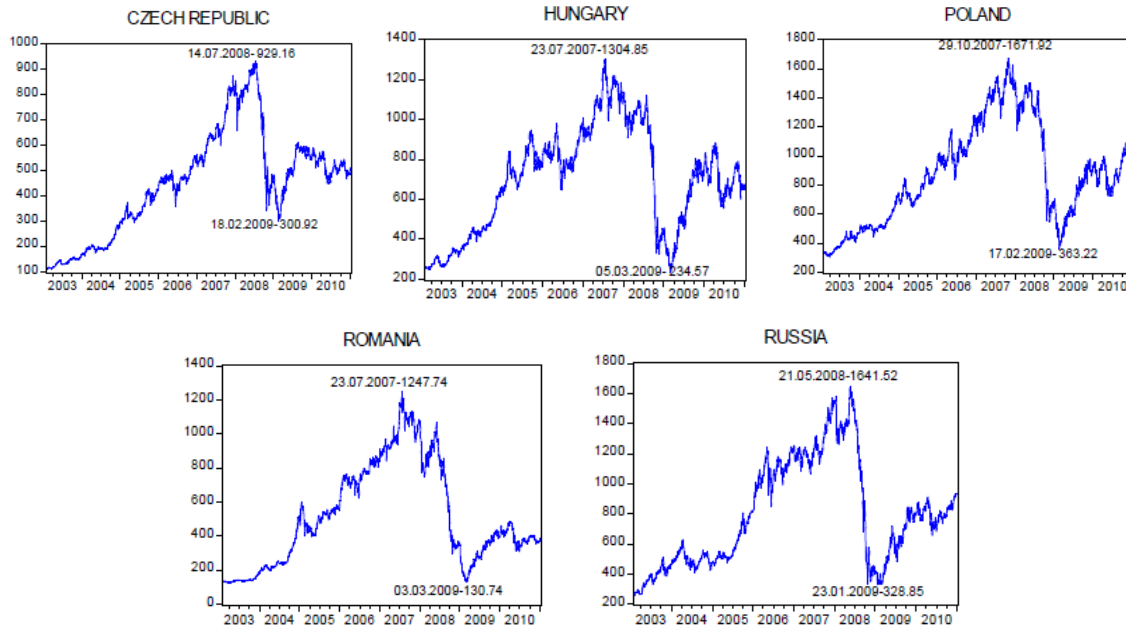
3. Financial crisis impact on capital markets

When we consider the crisis impact on financial markets in the region, the simplest and quickest way to observe it is to take a look at stock market indices and returns before and after the crisis. Figure 2 presents the evolution of indices for the five countries analyzed in our study, from 2003 to 2010. We also take a look at a major sign of crisis in capital markets: an increase in volatility.

All the indices values were provided by Morgan Stanley Capital International, except for Romania, where the Bucharest Stock Exchange BET index was used. The indices are denominated in US dollars and cover the January 31st 2003- January 3rd 2011, counting 2067 observations for each country. A visual description of the data is synthesized in Figure 2.

The five selected East-European countries' capital market indexes have been appreciating on a merely constant trend until the crisis. Hungary and Romania attained a maximum price for 2003-2011 first, in July 2007, being followed by Poland in October 2007, Russia in May 2008, and by the Czech Republic in July 2008. These countries were affected by the global financial crisis, which raised concerns about the sustainability and desirability of their unique pre-crisis growth model, primarily based on deep financial and trade integration (excluding Russia). But a closer look at these countries suggests that there is considerable heterogeneity within the region: in some of the countries pre-crisis growth was characterized by the buildup of a strong tradable sector, but in other countries investments were biased toward non-tradable sectors, and in particular, toward the real estate sector, and growth was accompanied by growing internal and external imbalances.

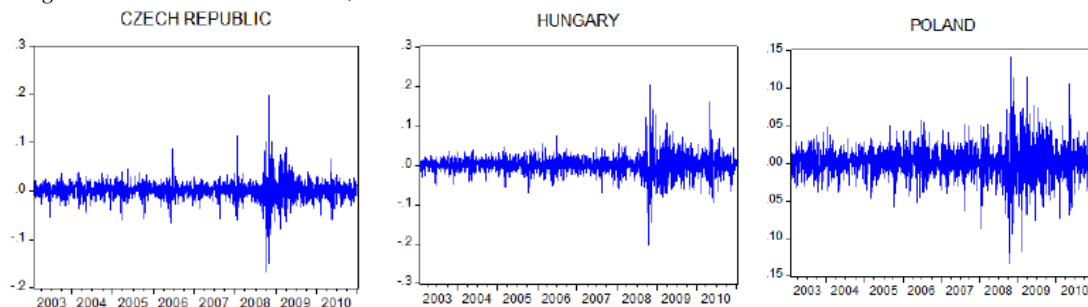
Figure no. 2: Stock market indices in Eastern Europe, 2003-2010

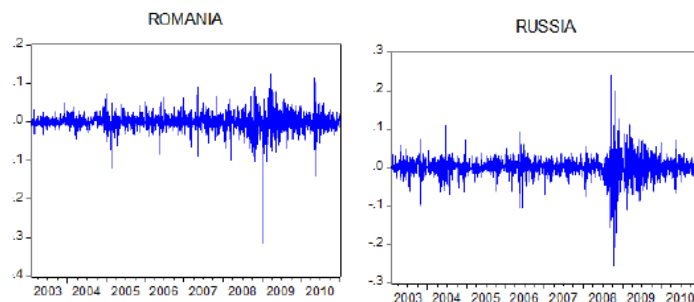


All countries have been affected by the crisis in the same period – 2nd and 3rd trimester of 2008 - a year distance from the emerging of the subprime crisis in the USA. Russia is the first country to hit bottom rock, in January 2009, its stock market index reaching almost the value of the beginning of 2003, depreciating by approximately 500%. Next are Poland and the Czech Republic, in February 2009. An important thing to be kept in mind is that within the five countries selected, the Czech Republic was the least affected by the crisis, as pointed by the graph. It is the only country that has seen its capital price index to depreciate only by 300%. Hungary and Romania attained their minimum in which is considered the stock index in March 2009, the prices reaching a value smaller than the ones in the beginning of 2003.

Figure 3 illustrates the logarithmic returns of the stock market indexes for Romania, Hungary, Poland, the Czech Republic and Russia. As expected, returns during the crisis have been accompanied by an increase of volatility starting with the end of 2008 until the end of 2010 - beginning of 2011 when they adjusted to fit the pre-crisis trend. The graphs emphasize the fact that the Czech Republic was the least affected by the crisis and was the first to start recovering from the global financial crisis.

Figure 3: Stock market returns, 2003-2010





4. Conclusions

Our paper investigated the main features of the financial crisis on five Eastern European countries - Czech Republic, Hungary, Poland, Romania and Russia, with the purpose of identifying similarities and differences between them in terms of crisis impact, with a focus on their capital markets. We also observed increases in returns' volatilities as a major sign of crisis in capital markets. Our findings indicate that although these countries have pursued somehow different paths of economic development before the crisis, they were affected almost simultaneously by the financial crisis. Also, the crisis was felt in these countries, at least in terms of impact on capital markets, with different lags: in some of these countries the crisis hit at beginning of 2008, while in others signs of the crisis were visible only towards the end of 2008.

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Macroeconomic Environment and Banking Sector Soundness in CEE Countries

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Abstract

The aim of our paper is to empirically investigate the impact of the changes in macroeconomic environment on the financial soundness of the banking sector (as measured by bank Z-score) in 11 Central and Eastern European countries, over the period 2000-2014. The results of our empirical study indicate that the financial soundness of the banking sector in our sample countries is heavily influenced by unemployment and inflation rates, foreign exchange rate, current account balance, public debt, and financial depth. Overall, our study underlines the crucial importance of ensuring a healthy and sound macroeconomic environment for the financial soundness of banks. Also, our research highlights that, out of all the macroeconomic factors analyzed, the dynamics of bank credit to the private sector is the main risk factor for the soundness of the banking sector in CEE countries, which calls for its rigorous monitoring.

Key words: banks, bank soundness, financial risks, Z-score, macroeconomic variables

J.E.L. classification: G21, E44, C23

1. Introduction

The financial system in CEE countries is mainly focused on banks, so their soundness plays a very important role in ensuring overall financial stability. In the years before the recent international crisis, the CEE countries have experienced a rapid expansion of the banking sector, which was accompanied by the accumulation of considerable macroeconomic imbalances (accelerating credit growth, significantly increase in the share of foreign currency loans, high asset prices, high rates of non-performing loans, significant debt of certain sectors and large external imbalances), exposing countries to significant financial risks that became evident once the crisis emerged (Sorsa *et al.*, 2007; Klingen *et al.*, 2013; Ghita-Mitrescu and Duhnea, 2015).

The expansion of the banking market in the CEE countries was interrupted when the recent international crisis emerged. The extremely negative impact of the crisis on banks and the real economy underlined the importance that the financial soundness of the banking sector has for macroeconomic stability and revived the interest of academics and policy makers to measure the soundness of the banking sector and identify the factors that impact on it.

In this context, our study aims to identify the key macroeconomic factors with impact on the financial soundness of banks, expressed by Z-score, in 11 Central and Eastern European countries (namely Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia), for a period of 15 years (2000-2014).

The overview of the literature reveals the existence of a large number of studies investigating the factors with potential impact on the health and financial soundness of banks, either for a panel of countries or a specific country. Maechler *et al.* (2010) examine the impact of certain financial risks and risks from the macroeconomic environment on bank stability in emerging Europe (10 countries that joined the EU in 2004 and 8 countries in the surrounding region), for the period 1997-2004, and the way the vulnerabilities in the financial system can be mitigated by a strong

regulatory and prudential framework. The results of their study indicate, in particular, that credit quality and financial depth are associated with a greater bank stability, while supervisory and regulatory policies could also improve the stability of financial institutions. Mirzaei *et al.* (2013) examine the factors affecting the profitability and stability of the banking sector in 40 advanced and emerging economies, for the period 1999-2008. Overall, the study results highlight the existence of significant differences between the two groups of countries. From the perspective of the macroeconomic environment, the authors show that it has a significant impact on banking sector stability. The empirical analysis performed by Vallascas and Keasey (2012) shows, for a sample of listed banks in 17 European countries, that some bank features (bank size, share of non-interest income, asset growth) and the macroeconomic environment (GDP growth rate, inflation rate) significantly affect banking stability. The authors also point out that, by setting restrictions on the absolute size of a bank, individual bank stability can be strengthened and the contribution to systemic risk of large banks compared to the domestic economy can be reduced.

Several studies (Schaeck and Čihák, 2008; Uhdea and Heimeshoff, 2009; Beck *et al.*, 2013; Liu *et al.*, 2013; Schaeck and Čihák, 2014) focused on assessing the impact of banking competition and concentration on the soundness and financial stability of banks, using macroeconomic factors as control variables. Thus, Schaeck and Čihák (2008) examine how competition affects the soundness of banks using data for a sample of banks from 12 European countries and the U.S., for the period 1995-2005. The results of their analysis highlight, both for the European and the U.S. banks, a positive effect of competition on bank soundness, transmitted through the efficiency channel. Uhdea and Heimeshoff (2009) examine, for 25 EU Member States, the impact of banking market concentration on banks' financial soundness, measured by Z-score, using as control variables some macroeconomic, bank-specific, and regulatory and institutional factors. The authors found that the increase in banking market concentration has a negative impact on the financial soundness of banks. Liu *et al.* (2013) investigate the impact of bank competition and regional economic conditions on bank stability in 10 European countries for the period 2000-2008. The results of their empirical study show that a moderate level of bank competition can increase bank stability, and regional economic conditions significantly influence the stability of European banks.

2. Model and data

Our study evaluates the effects of selected macroeconomic variables on the financial soundness of the banking sector in 11 Central and Eastern European countries (namely Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia) and a timespan of 15 years, covering both pre- and post-crisis conditions (2000-2014).

In order to describe the relationship between macroeconomic environment and banking sector soundness in our sample countries, we used a multivariate linear regression model, where several macroeconomic indicators were introduced as explanatory variables, according to equation (1).

$$Y_{i,t} = \beta_0 + \beta_k X_{ki,t} + \gamma_n E_n + u_{i,t} \quad (1)$$

Where:

- i refers to the country ($i = \overline{1, 11}$);
- t refers to time ($t = \overline{1, 15}$);
- Y is the dependent variable (a measure of banking sector soundness);
- X_k is a vector of k independent variables, macroeconomic factors with possible impact on banking sector soundness;
- E_n are $N-1$ country dummies (binary variables), where N denotes the number of countries in our sample;
- β_k and γ_n are the coefficients of the explanatory macroeconomic and binary variables, respectively;
- β_0 is the intercept;
- $u_{i,t}$ is the error term.

Given that our sample includes several countries, heterogeneity could be an issue, therefore

country dummies have been included into the model, allowing us to capture the effects of the individual characteristics of a country that do not change over time. Time fixed-effects have also been considered when deciding on the specification of our econometric model. However, all the coefficients of time dummies proved to be insignificant and, therefore, we decided to drop these from the model.

The literature on banking sector soundness suggests several alternative measures of the financial soundness of banks, among which the Z-score, the ratio of non-performing loans to total bank loans, the ratio of bank capital and reserves to total assets, etc. In our analysis, we decided to measure the financial soundness of banking sector using Z-score (see Table no. 1), a synthetic variable that compares the buffer of a country's banking sector (capitalization and returns) with the volatility of those returns, according to equation (2).

$$Z - score = \frac{\mu+k}{\sigma} \quad (2)$$

Where: μ is the average return on bank assets (%); k is equity to total assets (%); σ is the standard deviation of average return on assets (a proxy for return volatility).

Therefore, Z-score reflects the extent to which banks have a cushion (of bank capital) to absorb losses. A large value of Z-score points to a low solvency risk and a high level of financial soundness.

Table no. 1. Variables and their expected effect

Symbol of the variable	Description of the variable	Expected effect*
Dependent variable		
Z-score	Bank Z-score, a measure of the probability of default of a country's banking sector	
Independent variables		
gdp	Real GDP per capita growth rate (annual %)	+/-
unemployment	Unemployment rate (% of active population)	-
inflation	Inflation, consumer prices (annual %)	+/-
exchange	Real effective exchange rate (index, 2005=100)	+/-
current_account	Current account balance (% of GDP)	+
budget	General government budget balance (% of GDP)	-
debt	General government debt (% of GDP)	-
bank_credit	Bank credit to the private sector (% of GDP)	+/-
stock_market	Stock market capitalization (% of GDP)	+/-

*according to relevant empirical studies

Source: (the authors)

According to the literature (Demirgüç-Kunt and Huizinga, 2010; Köhler, 2015), the dynamics of the financial soundness of banks is affected by bank-specific characteristics, the macroeconomic and institutional environment, as well as the banking sector's structure and size. Since our study is only concerned with the macroeconomic environment, we considered as independent variables nine macroeconomic factors that could have an impact on banking sector soundness, namely the real economic growth rate (*gdp*), the unemployment (*unemployment*) and inflation (*inflation*) rates, exchange rate (*exchange*), current account balance (*current_account*), two public finance variables (the government budget balance (*budget*) and public debt (*debt*)), as well as two measures of financial depth, namely the resources provided to the private sector by banks (*bank_credit*) and stock market capitalization (*stock_market*). Table no. 1 provides further details on the independent variables and their expected effect on the financial soundness of the banking sectors in CEE countries.

Data on Z-score are aggregated at the level of banking sector for each country and come from World Bank (Global Financial Development Database). Data on the independent variables come

from the databases of European Commission (Eurostat) and World Bank (World Development Indicators).

Table no. 2. Descriptive statistics of the variables

Variable	Mean	Std. dev.	Min	Max
Z-score	5.32	3.23	-12.61	16.15
gdp	3.72	4.57	-14.6	12.9
unemployment	10.64	4.16	4.30	20.00
inflation	4.52	5.25	-1.42	45.67
exchange	105.35	12.07	76.71	133.61
current_account	-4.51	5.22	-25.54	8.21
budget	-3.25	2.91	-15.00	2.90
debt	35.17	19.81	3.70	86.60
bank_credit	46.20	19.69	6.38	103.53
stock_market	24.99	27.95	0.73	210.38

Source: (authors' calculations)

The descriptive statistics of the variables included into our analysis are presented in Table no. 2. Over the period of our analysis, Z-score registered a mean value of 5.32%, while the minimum and maximum values were -12.61% (Bulgaria, in 2014) and 16.15% (the Slovak Republic, in 2012), respectively. This indicates a large variability in the financial soundness of the banking sectors of CEE countries, due to large differences in banks' profitability (return on bank assets) and capitalization. Also, there can be noticed significant differences between countries with regard to all nine macroeconomic variables.

3. Results and discussions

The results of our estimation on the impact of selected macroeconomic factors on banking sector soundness in our sample of 11 CEE countries are shown in Table no. 3. The coefficients of country dummies have not been reported for the reason of lack of space.

The findings highlight that *real GDP per capita growth rate* (gdp) has a positive impact on the financial soundness of banks, in agreement with our expectations and in line with the results of Uhdea and Heimeshoff (2009), Nguyen *et al.* (2012), Schaeck and Čihák (2014), and Köhler (2015). An increase in the GDP per capita could lead to an increase in borrowers' incomes and, thus, the increase of their solvency, with positive impact on the quality of bank loans and hence on banks' soundness. However, the coefficient of this macroeconomic variable is not statistically significant, in line with the results of Hesse and Čihák (2007), and Mirzaei *et al.* (2013). Thus, it would seem that the real GDP per capita growth rate doesn't have a significant effect on the soundness of the banking sector in our sample countries.

Unemployment rate (unemployment) has a significant negative impact on banks' soundness, in line with expectations and in accordance to the results of Liu *et al.* (2013), and Schaeck and Čihák (2014). A rising unemployment rate could lead to lower incomes and lower ability of borrowers to honor their debts, so that banks could be exposed to a higher insolvency risk.

The impact of *inflation rate* (inflation) depends on whether inflation is anticipated by banks or not. If inflation is anticipated, revenues will grow faster than bank costs and thus the profitability and financial soundness of banks will improve. Our results indicate that inflation is positively and significantly associated with banking sector soundness, in line with our expectations and the findings of Hesse and Čihák (2007), Mirzaei *et al.* (2013), Maechler *et al.* (2010).

With regard to *exchange rate* (exchange), our results highlight a positive and significant association with banking sector soundness, in line with our expectations. An increase in the exchange rate (which expresses an appreciation of national currency) positively affects borrowers who borrowed in foreign currency (Nkusu, 2011), which leads to the decrease of non-performing loans ratio and thus improves the financial soundness of banks.

Current account balance (current_account) is also positively and significantly associated with

banks' soundness. Thus, an improvement in current account balance may increase the financial soundness of banks.

Table no. 3. Results of regression analysis

Dependent variable Z-score	Coefficients	Robust standard errors
gdp	0.0536468	0.0408054
unemployment	-0.1375672	0.0546381**
inflation	0.0654021	0.0141133***
exchange	0.038221	0.0142944***
current_account	0.0817878	0.0274972***
budget	0.1170449	0.0757336
debt	0.0323701	0.0114436***
bank_credit	-0.0300152	0.0088482***
stock_market	-0.0194486	0.00525***
_cons	3.292043	1.617801**
<i>N</i>	146	
<i>R-squared</i>	0.8522	

Notes: OLS estimates; * denotes significance at the 10% level, ** at the 5% level, *** at the 1% level

Source: (authors' calculations)

Bank credit to the private sector (bank_credit) is found to have a negative and highly significant impact on the soundness of banks in CEE countries, in agreement with our expectations and the results of Mirzaei *et al.* (2013). A significant and rapid increase in the value of this variable can signify excessive risk-taking by banks and thus the deterioration of their' financial soundness. *Stock market capitalization* (stock_market) is also negatively and significantly correlated with banking sector soundness. The increase in stock market capitalization could indicate an expansion of financial disintermediation, so that banks could react by reducing interest rate margins, which would lead to the decrease of their profitability and, therefore, their financial soundness.

With regard to *general government budget balance* (budget) and *public debt* (debt), the results of our study point to a positive (and significant in the case of the latter) impact on the financial soundness of banks, which invalidates the findings of other empirical studies. A higher budget balance (meaning a higher budget surplus or, more often, a lower budget deficit), possibly as a result a fiscal consolidation measures, increases macroeconomic stability and thus banking sector soundness. With regard to general government debt, it is acknowledged in the literature that its negative effects on the economy generally occur only after a certain debt threshold is breached. From this point of view, the debt of Central and Eastern European countries, quite low (with the exception of Hungary) by the standards of Western European countries, could allow for a positive impact of public debt (possibly resulting from higher public investment expenditure) on banking sector soundness.

4. Conclusions

In the CEE countries, the financing of the real economy is mainly performed by banks, so their soundness is of major importance for ensuring sustainable economic growth, but also for overall economic and financial stability.

The extremely negative impact of the crisis on banks and the real economy underlined the importance of banking sector soundness for macroeconomic stability and revived the interest of researchers for investigating the determinants banks' financial soundness. In line with this concern, our study examined the effects of the changes in macroeconomic conditions on the financial soundness of banks in 11 countries from Central and Eastern Europe, over the period 2000-2014.

The results of our empirical investigation indicated that the financial soundness of the banking sector in CEE countries is heavily influenced by unemployment and inflation rates, exchange rate, current account balance, public debt, as well as financial depth. Also, our analysis revealed that

economic activity (proxied by real GDP per capita growth rate) positively affects the soundness of banks, but the impact is not significant.

Overall, our study underlined the great importance of ensuring a healthy and sound macroeconomic environment for the financial soundness of banks. Also, our research highlighted that out of all selected macroeconomic factors, the dynamics of bank credit to the private sector is the main risk factor for the soundness of the banking sector in CEE countries and one of the warning signals for the financial frailty of banks, which calls for its rigorous monitoring.

Acknowledgment

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The Impact of Management Control on Sustainability Reports

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Abstract

Nowadays sustainable development is no longer seen only as a way to reduce costs or increase efficiency, but also as a tool for competitiveness and development through product placement, services related to the preferences of the entity's stakeholders. Sustainability reports are designed to justify and present public policy actions of each entity. The holistic approach to the structure and content of sustainability reports lead us to notice their various features. Examining the content of sustainability reports of various national and international entities was based on the theory of corporate governance, agency theory and the theory of positive stakeholders. In order to ensure a full study we have examined various international bodies and position with respect to sustainable development.

Key words: theories of corporate governance, positive agency theory, stakeholder theory, sustainability report

J.E.L. classification: M00, M14

Introduction

Sustainability reports represent the managers' effort for the company's survival, given the tough market conditions. Management accounting should adjust its goals, as the cost is no longer the key element in determining the price. Most often, the price is determined by the market and the company must shape the system of allocation and use of resources so that the cost does not exceed the price and that it ensures the shareholders that the entity will obtain long-term profit and will be environment-friendly.

Under these circumstances, there arises the question: What is the role of sustainability reports? This type of reports has appeared as a result of market reorientation towards the clients' preferences and needs. Stakeholders of the entity are not limited to the various categories of shareholders but also to customers, employees, suppliers, etc., that require continuously complete and transparent information about the economic, social and environmental performances of the entity. According to data provided by the Governance & Accountability Institute, 53-57% of the entities listed on international exchanges included in the report for 2013 information on the environmental, social and governmental impact, compared with 19-20% of the entities for 2011. Sustainability reports strengthen the confidence of investors, employees, customers, suppliers and other stakeholders (Lee, M., 2014).

Sustainability reports are not only a function of external pressure. The entity's internal environment also plays an important role in the quality of sustainability reports. Particularly, the attitude of top management towards the external environment and the nature of relations between top management and stakeholders: the functionality of formal and informal management control systems related to sustainability reports.

Examining the relationship between sustainability reporting and management accounting is to investigate the nature of the actions taken by the entity to ensure value maximization, but also ensure transparency in informing other stakeholders. Searching response to the main research question is the very aim of the research: What is the role of management accounting in ensuring adequate sustainability reports? Analysis of the main theories considered theoretical and conceptual

foundations of sustainability reports is the starting point in our research. The theory testing within the entity was carried out through the examination of corporate governance codes on the website of the European Corporate Governance Institute, in conjunction with the structure of sustainability reports at the national and international levels. Finally, we shall present the findings and limitations of the research.

Stakeholder theory result of corporate governance evolution

Stakeholder theory appeared in the early 80s as a result of the evolution theories in corporate governance and the positive theory of an agency. Managers' behaviour and relationships with shareholders is the key figure in the theories of corporate governance, while the positive agency theory focuses on organizational behaviour in terms of managers' rationality. The theory of stakeholders suggests that managers have ethical obligations towards other stakeholders, not only to shareholders. In other words, entities should offer part of their benefit to shareholders, register various responsibilities and to other interested parties.

In the early 30s of the twentieth century, theories of corporate governance found its sources in the reflections of Berle and Means (1932, cited Charreaux 2000). The theory of corporate governance is based on ideological support of property rights theory, organization theory and agency theory. Subsequently, a number of researchers have recognized that, in joint stock companies, management is performed by the organization's management and shareholders receive dividends without getting involved in managing the entity.

The positive agency theory is the result of an ambitious project of M.C. Jensen and W.H. Meckling (1976, cited Charreaux 2000) from the University of Rochester. The theoretical foundations of this theory are the result of the division of agency theory in two directions: positivist and principal-agent theory (Jensen, 1983). The ideological foundations of the positive agency theory are rooted in the organizational architecture theory, based on the allocation of decision rights within the organization (Fama, Jensen, 1983, cited Charreaux 2000). The theory of organizational architecture (Charreaux, 2000) is also based on two dimensions of positive theory: a) decision management rights, b) decision control rights. Decision management rights have the following functions: of initiative, of approval, of implementation and of supervision. E.F Fama and Jensen C. M. (1983, cited Charreaux 2000) combined the function of initiative and implementation, being merged to create the decision management. While the combination of the approval and the supervision functions aimed the creation of the decision control function. The decisions control rights are referred by the contemporaries as the internal control system and require the performance evaluation system and the motivational system.

While the managers' rationality is the key figure of the positive theory of an agency, **the theory of stakeholders** suggests that managers have ethical obligations for other stakeholders as well. The term "stakeholder" is at the origin of the theory of interested parties, that was introduced in the specialty literature by E. Freeman by publishing the book "Strategic Management: A Stakeholder Approach" (Stanford Research Institute, 1984, cited Mercier ,2001). E. Freeman, in turn, was inspired by the research of Dodd (1932, cited Mercier ,2001) and Barnard (1938, cited Mercier ,2001). Strategic analysis of stakeholders recommended the following instruments: stakeholder map, matrix on the responsibility of stakeholders and interested parties typology. The above mentioned methodology of analysis is possible only by taking into consideration the following five factors (Frooman, 1999; Weiss, 1994; Freeman, 1984):

- identify stakeholder interests: What they want and what relative power they have?
- analyse the opportunities and challenges that can generate for the entity: How each stakeholder can affect the entity and how the entity can affect the stakeholders?
- responsibility analysis (economic, legal, ethical and discretionary), according to the Carroll (1989) typology of the organization to its stakeholders;
- develop a strategic plan to take advantage of opportunities and avoid threats.

The stakeholders' map refers to various stakeholder categories divided in a subjective manner, in accordance with various opinions of researchers. Mitchell et al (1997, cited Bouglet, 2005) suggest that there are 7 categories of stakeholders that have one, two or three attributes: the power to influence the decisions of the entity, the degree of legitimacy in dealing with the entity, the right

to speed up specific stakeholders transactions. Carroll and Buchholtz (2000; Weiss, 1994, Clarkson, 1995; Gibson, 2000; cited Bouglet, 2005) operate with two categories: a) **primary stakeholders**: owners, employees, suppliers and customers (have a contractual and a formal relationship with the entity); b) **secondary stakeholders**: media, consumers, pressure groups, government, competitors, public and other companies (could have a potential influence). Carroll and Näsi (1997, cited Bouglet, 2005) also propose their two categories, but different in content: **internal stakeholders**: owners, managers, employees and **external stakeholders**: competitors, consumers, government, pressure groups, the media, the community and the natural environment. The last two classifications have some similarities with the exception of suppliers and customers that are included in different categories.

The previously examined theories represent the theoretical part of the research, conducted in order to indicate the theoretical roots of sustainability reports. An absolutely indispensable element in the development of sustainability reports is the specific normative basis. In this regard, we examined the position of various international bodies on the content of sustainability reports.

Position of international organizations on sustainability against management control

Corruption is the proof misconduct or reveals a distancing from strategic concerns of the entity management. In this regard, we would like to mention that this process is very old and is specific not only for our country. The USA was one of the countries with a explicit anti-corruption sentence adopting the Law on corruption practices abroad (Foreign Corrupt Practices Act, FCPA) of 1977 which stipulated two-way control of corruption: anti-bribery clauses, accounting and internal control. The accounting notes of the FCPA laws are the result of investigations conducted by the US Securities and Exchange Commission (SEC). Many US companies distorted the accounting data in order to pay bribes both to domestic and foreign officials and political parties.

The management responsibility for maintaining an effective internal control structure was not new. Subsequently to FCPA law, were issued further rules and laws; *Treadway Report* (The National Commission on Fraudster Financial Reporting, 1987), *the COSO model* (Committee of Sponsoring Organizations, 1992), *COBIT standards* (Information Systems Audit and Control Foundation, 1996), aiming to further improve the system of internal control. Sections 404 and 302 of the Sarbanes-Oxley have consolidated the internal control by requiring the submission of financial reporting of internal control, both by the CEO and CFO, and by the listed entities. These factors were one of the elements of sustainable development of the entity.

Today, sustainable development is no longer seen only as a way to reduce costs or increase efficiency, but also as a tool for competitiveness and development by positioning products, services and brands that appeal to stakeholders of the entity. It evolved from the strategic imperatives, focused on economic, environmental and social risks, to the opportunities which must be constantly monitored ensuring long-term success, sustainability strategies and business models.

While working in the reporting of sustainability should be taken into account both economic and social factors, as well as the environmental factors that may affect the performance of the entity. In order to achieve the objectives of sustainability, reporting entities must develop strategies and interdependent objectives. Integrated Framework COSO on Enterprise Risk Management assigns the following structure on strategies and objectives: **strategies, operations, reporting and compliance**. These categories create a powerful context for risks examining.

Strategic risks require entities to consider the problem aspects regarding sustainability, which may have a significant strategic impact. They range from market position and changing consumer preferences, to strategic investments, stakeholder communication and relations with investors. Most often, the management of these risks calls for management to focus on actions that go wrong. In order to change the circumstances, the management entity must consider the actions favourable to the entity all the time. Shareholders' expectations may constitute a factor of pressure on organizations. The rapid technology development and consumer demand determines strategic sustainability initiatives. Consumers care about the social impact on the environment, products or services they are buying and eating, and a number of independent organizations publish this information online. This may provide new opportunities for creating revenue for companies wishing to enter the market by developing new lines of organic products or improving the existing

ones. However, these opportunities can foster a form of strategic risk (Faris, Gilbert, LeBlanc, Ballou, Heitger, 2013, p.3).

A great part of entities associate the supply chains with environmental and safety performance. The burden of *operational risk* is moving towards suppliers and is designed, first, to prevent disruptions in economic activity. Entities are required to provide customers the manufacturing cycle and reveal their plans to improve environmental features of their products and processes. Thus, entities focus on supply chains because it represents a risk area and an opportunity to enhance operational efficiency. In the context of operational risk, sustainability factors often have a disproportionately large impact on corporate reputation and business results. Reputation or brand of an organization can live or die based on what users say about its sustainability performance. (Faris, Gilbert, LeBlanc, Ballou, Heitger, 2013, p. 4).

Under the high pressure of users of transparent information, entities have started *reporting on sustainability*. Sustainability data can be provided through commercial services to institutional investors and individual investors through mass media. The presented data demonstrate that financial analysts listed entities that promote an active policy of sustainable strategies benefiting from favourable positions in stock exchanges. NASDAQ, Brazil, Singapore and other stock exchanges have announced that they encourage listed companies to publish annual sustainability reports that can be combined with the financial statements (Faris, Gilbert, LeBlanc, Ballou, Heitger, 2013, p.6).

Entities face a number of *compliance risks*, which regulate international, national and regional programs. Risk key-areas arise directly or indirectly from regulatory measures are diverse and can include environmental risks, health and safety, human rights and labour law, the anti-bribery etc. Regulators can also help increase compliance risk; for example, in 2009, the Securities Commission (SEC) issued a bulletin by shareholders who asked to include financial risk, when discussing environmental issues and indicators related to sustainable development. In February 2010, the SEC published interpretive guidance guide, which recalls the disclosure requirements of risk caused by climate change (Faris, Gilbert, LeBlanc, Ballou, Heitger, 2013, p. 5).

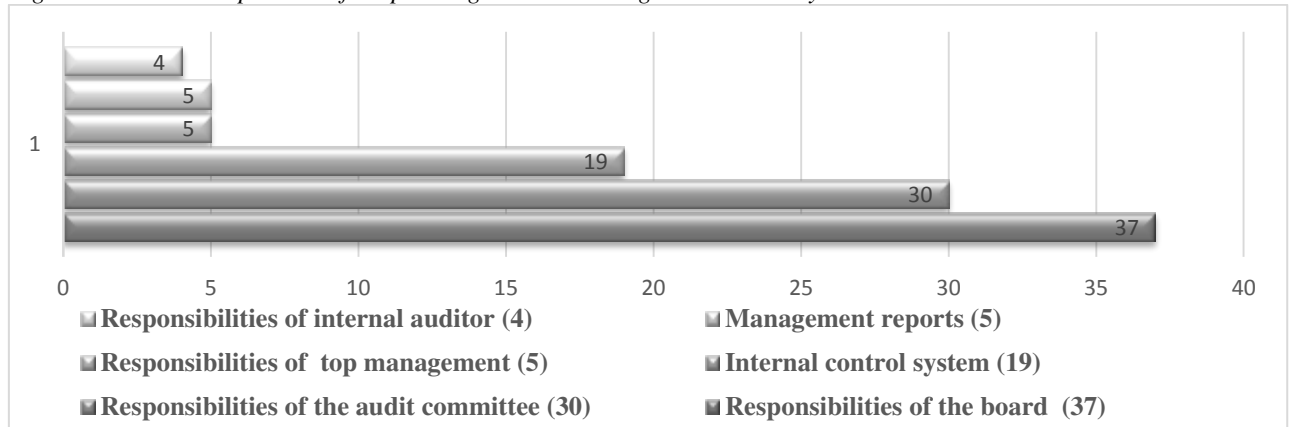
Research methodology

The population that we studied represents the Code of Corporate Governance (Code) taken from the website of the *European Corporate Governance Institute* (http://www.ecgi.org/codes/all_codes.php). Out of the 97 codes, only 79 were selected, symbolizing the fact that they are from a particular country. Codes of various international bodies and Codes that lacked the English version, a total of 18 codes, were excluded from the sampling. Conceptual content analysis is considered the most useful qualitative method used in investigating issues with a large amount of text and allows the study of remote objects, revealing the messages that are difficult to be noted otherwise. Codes examination was meant to know the current situation at international level. Investigation of the international sustainability reports structure was performed through sustainability reports within the Governance & Accountability Institute (<http://database.globalreporting.org/search>) and, at the national level, on the website of the Bucharest Stock Exchange (<http://www.bvb.ro>).

Research results

Having analysed the content of the Corporate Governance Codes in 79 countries we can state that the board (council) is a key element in corporate governance, confirmed by 37%, according to the information selected from the content of the Codes. The board appoints and dismisses top management, provides adequate incentives and sets the tone for the company's global strategies. It should be noted that the full name differs from country to country and fluctuates between Board of Directors and the Supervisory Board.

Figure no.1. The components of corporate governance integrated control system



Source: elaborated by the author, based on (http://www.ecgi.org/codes/all_codes.php)

Data from the figure 1 prove that in most countries the board has the responsibility to **ensure a prudent and effective control environment which enables risk assessment and management**. The share of 30%, given to the audit committee, comes to explain that the responsibility for monitoring the control system of the entity is given to this Committee is appointed by the Board.

Examining various definitions of sustainability reports allows us to say that the greatest part aimed at social assistance and economic elements and that accounting practice focuses on environmental issues. ACCA believes that the definitions attributed to the process of sustainable development at national and international levels must take into account the UN definition of 1987, known as the Brundtland Report. In this sense, sustainability aims at the development current needs without impacting the ability of satisfaction of the needs of future generations.

Position of the Governance & Accountability Institute on sustainability reports is as follows: "Starting with technology and working toward the improvement of every life on the planet allows us to think holistically about addressing global challenges". Thus, this institute during 1999-2016 posted on its web page 3621 sustainability reports, access is free. In order to analyse the state of the reports of Romanian entities, we have extracted a report for 2015 (Table 1).

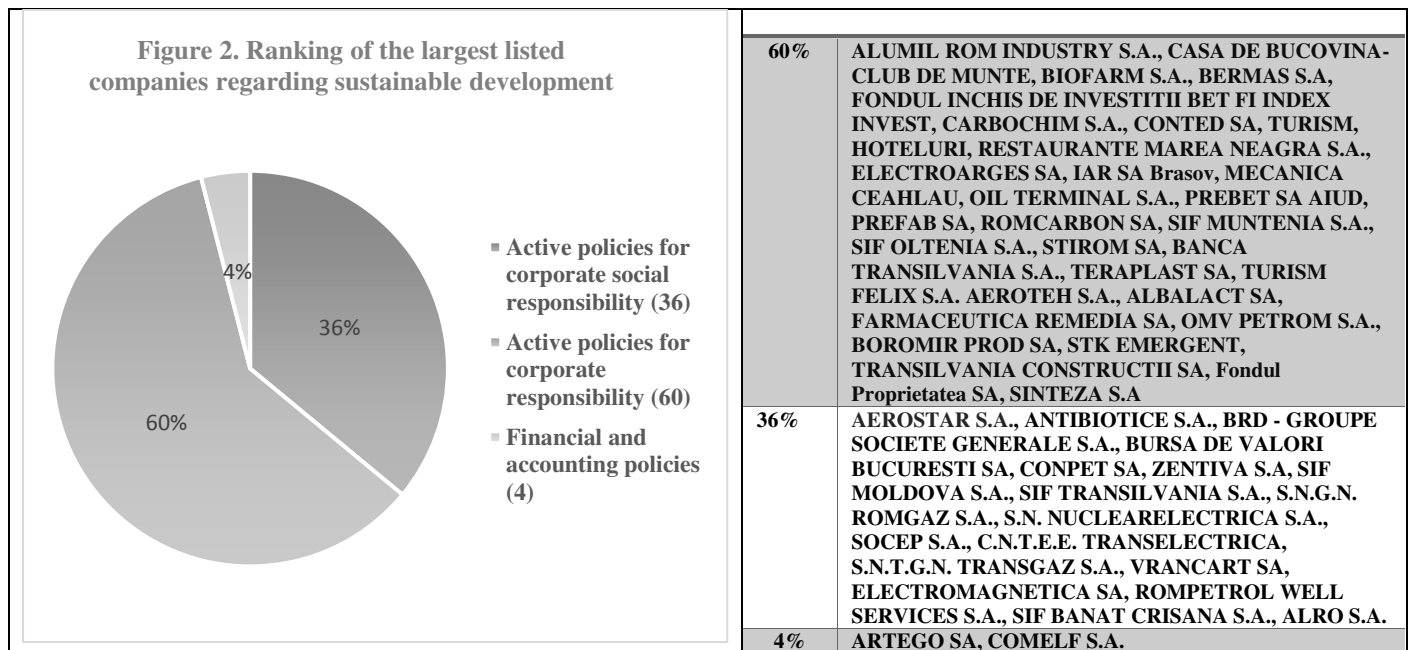
Table. 1. Structure of the sustainability report of ACACIA MINING PLC

<p>Annual Report & Accounts 2015, ACACIA MINING PLC, Great Britain, 172 p. is Tanzania's largest gold miner and one of the largest producers of gold in Africa.</p>	<p>Strategic report:</p> <ol style="list-style-type: none"> 1. A leading asset portfolio in Africa: maximising value through efficient operations 2. Focused on free cash flow as our primary driver of value 3. Creating shared stakeholder benefit: through becoming the partner and employer of choice <ol style="list-style-type: none"> 3.1. Stakeholder engagement 3.2. Key performance indicators 3.3. Risk management
	<p>Performance review</p> <ol style="list-style-type: none"> 3.4. Operating review 4. Growing our footprint through an expanded exploration portfolio 5. Disciplined capital allocation ensuring a strong balance sheet <ol style="list-style-type: none"> 5.1. Financial review 5.2. Our relationships and commitment to stakeholders 5.3. Sustainability review
	<p>Governance</p> <ol style="list-style-type: none"> 5.4. Governance overview 5.5. Board of directors 5.6. Executive leadership team 5.7. Corporate governance report 5.8. Audit committee 5.9. Remuneration report 5.10. Principal risks and uncertainties 5.11. Reserves and resources
	<p>Financial statements</p> <ol style="list-style-type: none"> 5.12. Independent auditors' report 5.13. Consolidated statement of comprehensive income 5.14. Notes to the financial statements

Source: elaborated by the author, based on <http://database.globalreporting.org/search>

Having analysed the sustainability reports published on the website of Governance & Accountability Institute, noteworthy in their components is the holistic approach promoted by this institution. Their structure is different, even the name of the reports is not identical from one entity to another. For example, ACACIA MINING PLC report, although considered as a sustainability report is called Annual Report & Accounts.

We have examined the state of sustainability reports of Romanian entities based on the reports for 2015 found on the website of the Bucharest Stock Exchange. In November 2016, 50 reports belonging to entities from the regulated market were selected. Using content analysis we have identified the main features according to the Annual Report & Accounts of ACACIA MINING PLC, UK (Table 1).



Source: elaborated by the author, based on <http://www.bvb.ro>

The share of entities with active strategies in the field of corporate social responsibility (36%) enables us to state that they are not indifferent to global environmental changes, considering the policies promoted by them. However, the percentage is quite low, which demonstrates that there are reserves in the strategic policies of Romanian companies. Besides financial statements and corporate governance, this segment includes also in their reports information on the environment, sponsoring and other social events, carried out in order to interest and other stakeholders, including shareholders. The largest share (60%) is held by entities with active policies in the field of corporate responsibility, although the issue of transparency of information is no longer current. Entities listed in Romania understand the need to publish their reports. Currently, the biggest problem is attracting their entities' interests to other stakeholders, including employees and the products and / or services must be the result of the stakeholders' preferences.

Conclusion

In conclusion we can say that sustainability reports are designed to ensure business continuity entity by boosting transparency, quality of governance promoted by sustainable actions. These actions should aim at meeting the needs of the present without impacting the ability of satisfaction of the needs of future generations.

Talking about sustainability we think of financial, human and material resources of the entity required to obtain goods or services to be combined in such a way as to ensure survival in the toughest market conditions and are environment-friendly. Stakeholder theory argues that businesses should be concerned with the interests of all parties, when taking strategic decisions. Along with offering part of benefits to shareholders, the entity register various responsibilities and to other interested parties. Thus, shareholders are interested in the economic transactions of the company along with employees, customers, suppliers etc.

The holistic approach to the content and structure of sustainability reports allows us to affirm that performance evaluation, environmental, economic and social risks are not enough. Implementation of ideas, available resources, knowledge, skills, products and other innovative

features are designed to complement the conditions mentioned above, and also to guarantee the survival of the entity under current conditions.

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Outlook on the Cost Reduction Decision, the Component of an Effective Corporate Governance

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Abstract

Cost reduction represents a constant concern in the field of management. This research presents both the results of an empirical study on six cost reductions programs, as well as the results of a complementary survey carried out in several organizations.

The research took into account the used control mechanisms, the potential factors that occur in the mechanisms selection, in cost modelling, as well as the part played by management accounting. Through research it can be demonstrated that organizations use certain mechanisms in order to control cost reduction. Nevertheless, it was noted the existence of a particular preference in favour of an action in the context of cost commitment to the detriment of the traditional approaches of measuring and establishing specific costs. This trend is emphasized in the organizations that have outstanding cultural and technological features. It was also noted that organizations use conflicting models of analysis and transposition of cost behaviour.

Keywords: decision making process, costs, governance

J.E.L. classification: G31, G34

1. Introduction

The globalization of entities operation, the development of new information and communication technologies have created a new environment that lays at the root of the new economy, that has demonstrated its fragility precisely through the most active instrument, by means of which information circulates. The extraordinary growth of the communication facilities favoured trade multiplication, based on production capacities with reduced costs of the workforce. This increase led to delocalisation, especially in Western Europe, thus threatening the industrial, commercial and traditional service models with all its consequences on the political, social and human arena. On a background of market instability and growing competition, the trends' validity, customers' disloyalty, organizations' vulnerability, uncertainty of tomorrow, etc., all impose upon managers to deal with situations of unknown complexity and difficulties established by a constantly changing world. Under the double constraint of competition pressure and demand diversification, companies experience nowadays the need to come to a better knowledge of their costs. Only this would explain the development experienced by management control and its privileged instrument, the analytical accounting ("management accounting" or "managerial accounting", the latter being the Anglo-Saxon term), that can't miss from any company that wants to last.

While financial accounting reflects the company's transactions' interconnection according to specific rules where these operations were recorded, management accounting reflects accurately the entity's internal operations that determine the trends, informing the management and serving the internal control of procedures. (Edmonds *et al.*, 2007, p.4-5). Management accounting records the rational correlations of the tactical and strategic decisions, as well as their consequences. (Chorafas, 2006, p. 187)

In order to face the uncertainty and the complexity of the modern world, a new corporate governance approach appears, that takes into account not only the need to inform and satisfy the requests of the shareholders, but also the entity's ability to positively answer to the new restrictions issued on the market by external agencies, staff and their representatives, public opinion etc. An

entity shall not only be appreciated according to various economic or profitability criteria, but also through its ability to adapt and react, through its ability to meet the aspirations of the people that use them, through the exemplary attitude towards general interest topics (ecology, ethics, persons' inspection, the rejection of any kind of discrimination etc.), in a nutshell, the ability to become a citizen of the world.

Such corporate governance emerged in the Western society, with proven democratic culture, prosperous and rich and that by dynamism and will to impose have created the conditions for globalization. Its aim is to make a profit, to favour creativity, to respond to the challenges of globalization, to focus more on creation, innovation, research, marketing, as well as on production (delocalised to countries with low workforce demand). The technological outburst and the globalization of trade led to the development of a knowledge economy in which societies differ through their agility, innovation and mobilization ability.

This article presents the results of a research study that took into consideration the way in which entities approach the challenge of cost reduction. More precisely, our study focused on three specific issues:

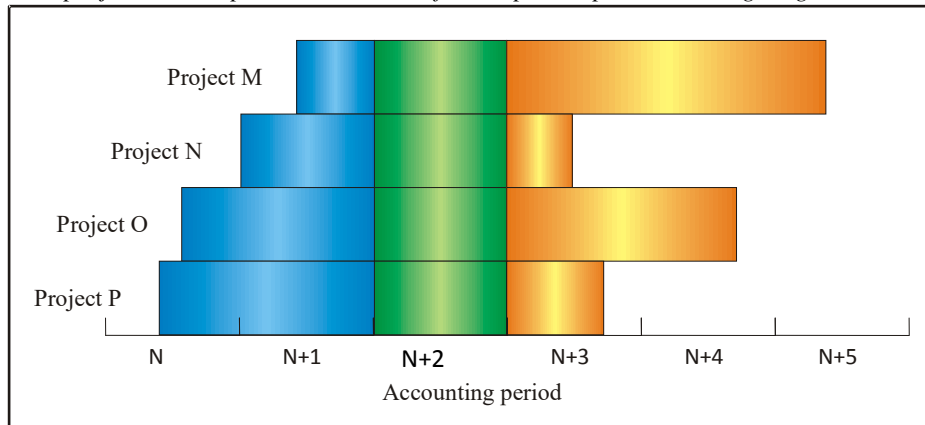
- What are the control mechanisms applied for cost reduction?
- What are the factors that determine the execution of capital budgets used to obtain a cost reduction?
- What is the role of corporate governance?

2. The budgeting of capital expenditures

The decisions concerning the capital investment that are of a strategic nature require managers to take into consideration a wide range of factors that might be difficult to estimate. Some strategic investments are made to avoid the company's disadvantage in terms of competition. For example, when mobile phone companies add characteristics to their services that allow customers to connect to the Internet in order to send and receive messages by the electronic mail, a company that does not offer such a service can suffer a decrease in its market share. The benefit of the investors of capital in this case is not represented by a greater income, but by the prevention of revenues' and profits' decrease. It's difficult to quantify these benefits.

Managers are constantly facing with the challenge of balancing the long term factors and the short term ones. (Swain *et al.*, 2006, p.797). The figure below illustrates two different dimensions of cost analysis: (1) the project size is represented on the horizontal and (2) the accounting period on the vertical. Each project is represented by a distinct rectangle with the horizontal edge determined by time. Each project starts and ends at different moments and are in progress in different time periods, longer than a year. The budgeting of capital expenditures often focuses on the analysis of each project during its deployment by taking into consideration all cash flows or savings resulted from the investments in that project. On its vertical, the rectangle represents the dimension of the determination of profits and planning and of the control established for all the projects.

Figure no.1. The project and temporal dimensions of the capital expenditure budgeting



Source: (author's own elaboration)

The budgeting of capital expenditures' stage: the budgeting of capital expenditure implies making long-term planning decision for the investment in projects. Capital expenditure budgeting represents a tool of decision and control applied over a period of several years. The budgeting of capital expenditures has six stages.

- *The identification stage. The types of projects directed at the capital expenditures necessary for the achievement of the organization's objectives and strategies are determined.* For example, a strategy for product differentiation in order to increase profitability can be promoted through the implementation of projects for the development of new products, for attracting new customers or for entering on new markets. Another solution could be the implementation of a strategy of cost leadership that can be promoted through projects that improve productivity and efficiency. The identification of the types of capital projects in which to invest falls mostly under the responsibility of the operational level manager and should always be guided by the organization's objectives and strategies.
- *The research stage. The analysis of the alternatives regarding the capital investments that would result in the achievement of the organization's objectives.* Multifunctional teams are formed here from all the directions of the value chain that evaluate technologies, equipment and alternative projects. Some alternatives are rejected from the outset, others are evaluated in all their complexity in the next stage, that of collecting information.
- *The stage of collecting information. The costs and benefits expected from the various capital investments are taken into consideration.* These costs and benefits can be quantitative or qualitative. The capital expenditure budgeting focuses on the quantitative financial indicators, but the effects of quantitative and qualitative non-financial factors are also taken into account.
- *The selection stage. The projects that will be implemented are chosen.* The organizations choose projects whose expected benefits exceed the value of the expected costs. The formal quantitative analysis uses decision models based on the expected financial costs and benefits. The managers reassess the conclusions that were reached after the formal analysis, by using their reasoning in order to take into account the non-financial factors.
- *The financing stage. Funds for the project are obtained.* The financing sources include funds generated entirely within the organization (self-financing) or those obtained from the sale of shares and bonds on the capital markets. The financing is the responsibility of the financial function that is monitored by the financial director of the organization.
- *The implementation and control stage.* Projects are started and their evolution is monitored. When a project is implemented, the company assesses whether the capital investments fit within the required deadlines and budget provisions. As the project generates cash flows, the monitoring and control include a post investment audit which implies the comparison between the forecasts made when the project was selected and the actual results.

Corporate governance presents a series of implications on management accounting. (Seal *et al.*, 2006, p.797). According to it, decisions that lead to profit maximization are taken, this being the aim of the company's owners.

3. Internal control management systems

Why should we buy the components necessary for electronic products made by your company, when these can be produced at a lower cost? By producing components within the company significant savings in costs can be achieved. This seems to be the right choice, isn't it? Maybe not always. Sometimes the transfer price, the price that a division of a company perceives for the product that it provides for other divisions hinders the managers' activity of purchasing parts from other divisions in the company of unused production within the division that produces those components.

Which company has a more successful management control system: Ford or Toyota? Michelin or Pirelli? The answer is given both by the way in which each control system achieves its established objectives, those of supporting and improving the decisions for the benefit of the company, as a whole, from a cost efficient perspective and by the way in which the system affects the behaviour of the people that apply it.

An internal control management system is a tool for gathering and using information in order to support and coordinate the planning and control decisions within an organization and to guide the behaviour of the managers and of the employees.

The management control system collects and provides information for the management control at different levels:

- *The organization's general level* - for example, stock market price, net profit, investment profitability, the cash flow from the operations, total number of employees, pollution control and community contributions.
- *The consumer's / market's level* - for example, customer's satisfaction, the time required to meet the consumers' demands for certain products and the cost of competitive products.
- *The means of production level* - for example, the costs of raw materials, workforce costs, absence rate and injury rates in certain divisions or economic functions (such as research and development, production and distribution).
- *The individual activity level* - for example, the time and costs associated with the receipt, storage, assembly and coordination with the goods from a warehouse, their proportions, the malfunctions and number of units processed repeatedly on a production line, the number of sales and the revenue (obtained from sales) per employee, the number of deliveries per employee at the distribution centres.

As reflected by these examples, the internal management control systems collect both financial information (for example: net profit, the costs of raw material and storage costs) as well as non-financial information (for example, the time needed to meet the customers' changes, the absence rate and accidents). A part of the information, such as net income or the number of deliveries per employee, is obtained from within the company. The other part, such as the stock market price or the costs of the competitive products, is obtained from outside the company. Some companies submit financial and non-financial information in a single report called *balanced scorecard*.

4. Conclusions

The stake of this research is to increase the entities' reaction capacity and responsiveness to essential characteristics: time, quality and cost. This implies: the experience, skills and persons' expertise mobilization, the establishment of groups that function due to affinities, the facilitation of a partial vision upon problems and solutions by means of internet forums, the fostering of innovation, the financial resources, the human resources, the labour processes.

The field study confirmed that entities don't use just one control mechanism so as to reduce its costs but rather use simultaneously a combination of mechanisms. However not all the possible mechanisms are used in each of the cases, but varies greatly and the focus is on each mechanism separately. In order for such transformation projects to be accomplished, it is compulsory for the entity to be equipped with suitable mechanisms of corporate governance so as to be successful in several projects at the same time, especially in the area of information systems with a major role in change management;

The greatest difficulty of the approach relates to: *an accurate definition of the role and of the responsibility* among the various entities: central directorates, activities' directorates (business units), geographical directorates, etc., which is very delicate to define, taking into consideration the load of the past, the force of the present and the implications of the future. Very clear definitions will be provided for the defining elements, the attributions and objectives of a board of directors, of a monitoring committee, of a project manager, of a user project manager, of an ethnic project leader etc.; *a relationship of trust between directorates and a collegial working attitude*, the possibility of taking joint decisions, with all the difficulty implied when the interests of the participants diverge. The viable relationships are based on respecting the positions of the others, even if these require battles for the centralization or decentralization. These notions have lost much of their meaning when the modern means of communication are being used.

The developments of management accounting, especially the assessment of the financial performance and the strategic accounting techniques, increase the response capacity of the company towards the shareholders, the employees, the customers, the government and the business environment. The social responsibility of the organization ensures a new organizational behaviour that implies criticism on the budgeting method as a system of performance management.

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Considerations Regarding Students' Social Protection

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Abstract

The paper entitled "Considerations Regarding Students' Social Protection" addresses the main forms of support offered to students and their families, divided in relation to the aim pursued, which may be relate to stimulating students' performance and discipline, material and financial support (social assistance), supplementing family income. For these components there were taken into account: the circumstances in which it acquires to status of beneficiary, evolutionary dimensions in terms of beneficiary numbers, the amounts awarded, the need to ensure the complementarities with the informal side of social protection.

Key words: education, social protection, students, scholarship

J.E.L. classification: H75

1. Introduction

Education represents all measures applied consciously and systematically in order to mold the human being, its intellectual, moral and physical characteristics. The school aims to shape the human capital, so that he/she can face the challenges of the contemporary society.

The subject of social protection of students is heavily regulated, but it has not been the subject of a holistic approach in the specialized literature. It is why the aim of this paper is to outline a spectrum of social protection forms for the students with references to several quantitative dimensions, which can serve as a starting point for future investigations on the size and scope of this phenomenon, as well as the path to follow in order to optimize it.

2. Incentives for performance and discipline

The scholarship represents simultaneously a form of social protection and a way of stimulating students to obtain good results at school and discipline.

The number and amount of scholarships is established by decisions of Local Council and the financing source is the local budget, from the amounts deducted from certain revenues of the state's budget. From structural point of view students who attend to frequency courses at the pre-university state education level can benefit from the following types of scholarships: performance scholarships, merit scholarships, learning scholarship and welfare scholarship.

The criteria according to which the performance scholarship is granted concerns (Order of the Minister of Education, Research, Youth and Sports no. 5576 /2011): getting any of the first three places at the Olympiads in the national level and national school competitions/ cultural – artistic contests, sports-related or technical-scientific, nationally organized by the Ministry of National Education and Scientific Research, the qualification for training organized by this institution for international competitions.

The performance scholarships are granted during the school year that follows year following the year in which those results were obtained. Consulting some of the local Council's Decisions we observed that their size is generally situated between 100 and 200 lei.

Students who achieve very good results in school (minimum 8.50 average) and those who obtained one of the first 3 stages of the county school Olympiads and school competitions or

cultural - artistic, sports-related and technical nature scientific competitions / contests receive a merit scholarship. Their size is located generally between 50 and 100 lei.

The learning scholarship is given to students from families with an average monthly income per family member in the last 3 months at most equal to the minimum wage and who: have overall average over 7.00 and 10 for discipline in the previous semester the scholarship is granted. This scholarship varies between 35 lei and 85 lei.

The grant recipients of social assistance scholarships are children orphaned by both parents, those who are suffering from various diseases, the dispensaries have their evidence, students from rural areas who attend school in another town, students from families that do not provide a monthly net income on average for the last 12 months per family member, more than 50% of the net minimum wage per economy and do not have agricultural land with an area exceeding 20,000 square meters in hills and plains, and 40,000 square meters, in mountainous areas. In terms of value, these scholarships range between 35 lei and 85 lei.

Students attending vocational education shall, on request, benefit from a *professional scholarship* in the amount of 200 lei, during school classes, practical training and during training and certification exam qualifications (Government's Decision no.1062/2012). There are also some restrictions on this social benefit, summarized in the figure below:

Figure no. 1. Causes and periods when the professional scholarships are not granted

Causes in which the professional scholarship is not granted	The period
More than 10 unexcused absences in the previous month.	1 month
- The committed serious disciplinary violations, which leads to reduction of conduct mark under 7 - At least 20 unexcused absences in total hours of study or at least 20% of the total hours in a single discipline study / one section, cumulated per school year.	3 months
At least 40 unexcused absences in total hours of study or at least 30% of the total hours in a single discipline study / one section cumulated per school year.	6 months

Source: Government's Decision no.1062/2012

Statistics regarding the number of beneficiaries have not been realized at a national level.

3. Discounting forms regarding students

Discounting the travel tickets or subscriptions during schooling, without holidays, for the students who cannot be schooled in their localities, is made by schools to pupils who are the beneficiaries based on the subscriptions issued by transport providers.

Until October 2016 the amounts to be claimed based on subscriptions of transportation for students were limited, respectively, not more than 26 lei / subscription / month for the distance of 3 km., and for distances exceeding 3 km, to the limit 50 km, the amount mentioned above is increased by 2 lei per km., without exceeding the monthly subscription. Prior to this period, the legal provisions (OUG 29/2013) had the effect of creating large discrepancies in the rates charged by public transport operators for the same distance (for example from 29 lei to 228 lei for a distance of 10 km).

The current legal framework (Government Emergency Ordinance no. 69/2016) is a desired instrument correction of these factors affecting social equity and causes early school leaving, located at an alarming rate in Romania - (19.1% of the population aged 18-24 years) who ranks third in the Member States of the European Union (<https://www.edu.ro/abonamentele-de-transport-rutier-pentru-elevi-decontate-integral>).

The national program of social protection "High School Money" has as beneficiary pupils attending the courses, high school or vocational education and completion year and who are dependents of families whose gross income per month per family member, conducted in the last three months prior to filing the request, is of maximum 150 lei, or they are found under its supervision or guardianship, if the conditions of income are respected (Government Decision 1488/2004). In determining the gross income per family member there are taken into account all

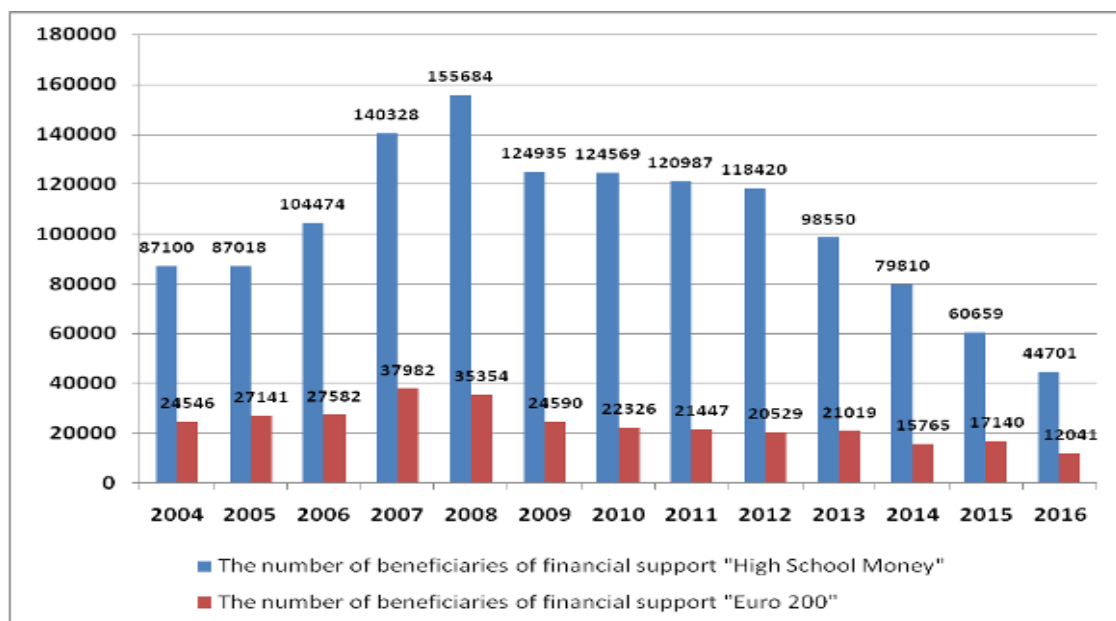
permanent income, except the state allowance, supplementary allowance for families with many children, scholarships and social scholarships and other aid granted to students that have a social character.

The financial support, currently worth 180 lei, is given during school classes, including the period of preparation and having the baccalaureate exam or diploma, and during production practice, keeping in mind the number of days that these activities require.

The criteria which are taken into account for the tie students with the same income are legal status or medical (orphans, the descendants of the heroes of the revolution, students who are found in the evidence of dispensaries, school students suffering from diseases expressly mentioned by the legal framework) or residence with a priority for students from rural areas who attend school in another town. This form of financial support to students can stop in the following situations: the unjustified absence of the student at least 20 hours in different subjects; removing from school for a period of 3-5 days, the candidate achieved 7 in conduct and he is no longer attending the school or he was expelled (Order of the Minister of Education and Research no. 4.747/2001).

Another form of financial aid on social established on social criteria is the *Program Euro 200*. Under the law (Law 269/2004), families with pupils and/or students of public education or private accredited aged up to 26 years from families with gross monthly income not exceeding 150 lei (s.n.) per family member, receives financial support represents the equivalent in lei of 200 euro (calculated at the exchange rate published by the National Bank of Romania for the last day of the preceding month) to purchase a new PC, which they must not alienate at least 3 years.

Figure no. 1. Evolution of the number of beneficiaries of the financial support for students "High School Money" and "Euro 200" in the period 2004-2016



Source: www.edu.ro

Financial aid is performed in the increasing order of the gross monthly income per family member, limited by the amounts allocated for this purpose in the budget of the Ministry of National Education and Scientific Research.

School supplies granted, starting with the school year 2001 - 2002, students from state primary and secondary school, day courses, who live in dependent families whose net monthly income per family member, conducted in July of each year is up to 50% of basic salary minimum wage (Government Emergency Ordinance no. 33/2001).

The indicators according to which are set annually the amounts distributed to school inspectorates and the maximum price of parcels of school supplies are the actual number of beneficiaries from the previous school year and they represent the estimates submitted to the ministry by the school inspectorates.

Currently the maximum value of each package of school supplies is worth 25 lei /package/pupil in primary and 30 lei/package/ student in secondary education (initially this price was 5 lei less than in the present for both categories of packages).

Between 2008-2016 the number of beneficiaries of school supplies and the corresponding amounts allocated are presented in the table below:

Table no. 1. Evolution of the estimated number of beneficiaries of school supplies and the corresponding amounts allocated in the period 2008-2016

School year	Number of beneficiaries	Amount of money allocated
2008 - 2009	767.894	18,078,422
2009 - 2010	769.210	17,970,827
2010 - 2011	727.826	18,181,997
2011 - 2012	712.425	18,000,000
2012- 2013	742.098	20,529,869
2013 - 2014	722.198	18,246,923
2014 - 2015	680.260	16.624.201

Source: <http://www2.edu.ro/index.php/resurse>

For the school year 2016-2017 the estimated total number of beneficiaries is 742 098 and the corresponding allocation amounts 11.83967 million lei.

Students and teachers in public education and in particular compulsory education, accredited / approved, receive *free textbooks*, both for the Romanian language education and for the national minority languages (Law no. 1/2011). Except for 2015-2016 school year when pupils in upper secondary level were granted textbooks limited to the price of 55 lei, this feature targeted only compulsory general education.

The "*Second Chance*" offers adolescents, young adults, coming from varied backgrounds and age range, who have not attended or have not completed primary and secondary education and who have passed at least four years schooling age appropriate to these levels, providing for these individuals the possibility to continue and complete of the compulsory education without having to interrupt any professional or family activities in which they are involved. Beneficiaries for primary education, have the opportunity to go through this level in 2 years. The duration of schooling can increase or decrease for each student, based on proven skills in basic education.

Program "*School after school*" aims at developing and diversifying alternative education services through a series of activities including the provision of informal and non-formal specialized education, the reduction of the factors generating risk, in order to reduce school drop out, improving school performance of children from marginalized families and socially excluded or exposed to such risks.

As financial resources for this program, the various projects submitted by the schools to the inspectorate units mention the parental financial support, volunteering, local authorities' budget, social assistance directorates support etc.

According to a research study (Marin, 2015, p.1), schools from disadvantaged areas, the rural schools and the schools where there are Roma children who have almost zero chance to benefit from after-school services, although the national education reform has taken place a couple years ago. Data show that in 2014, less than 20% of schools benefited from additional educational support programs.

It appears that (and) this aspect is particularly sensitive is not clearly regulated, to meet some goals such as: the prioritization of funding depending on the vulnerability of students and involving state and local community in this endeavour, by carrying out some national campaigns information on program benefits for students, parents, community etc., setting up a database to enable a transparent multi-criteria analysis with beneficial effects on multiple finalities of the education, including from the social and economic point of view.

The program "*Roll and milk*" (Government Emergency Ordinance no. 96/2002) was introduced in the context of the National Plan against poverty and social inclusion which targeted children who were in extreme poverty or from families experiencing cronical unemployment or lack of

employment opportunities, children from large families, being designed so as to support the vulnerable categories of children, but also as a way to promote some minima forms to supply food for children during a school program.

4. Supplementing the family income

State allowance for children is a form of monthly money help granted by the State to families with children. It is a universal right for all children under the age of 18, which is covered from the state budget. The state allowance is determined in relation to the reference social indicator, its size being 0.168 ISR for students up to 18 years old (Government Emergency Ordinance no. 25/2015). The social indicator of reference (ISR) is the unit expressed in lei (from 2011 until now 500 lei) which is reported to the social security benefits, paid from the state's budget, granted both to ensure the protection of persons within the social care system.

The family support allowance is a form of support for low-income families who support children aged up to 18 years old (Law no. 277/2010). The monthly amount of the allowance is determined by the social indicator of reference and varies depending on the type of beneficiary (family with children, single person and dependent children) and the size of net monthly income per family member (up to 0,4 ISR and between 0.4 and 0.74 ISR). For example, in the case of beneficiaries whose monthly net income per family member fall up to 0.40 ISR inclusively, the monthly allowance varies between 0.06 and 0.124 ISR, depending on the number of dependent children (1 - 4 and more).

The placement monthly allowance is granted for each child given to placement. Its amount is of 600 lei (1.2 ISR) and is paid to the person or family representative who took the child into foster care, caregiver or the private accredited representative. The money is paid also to the tutor, for children whose tutelage was instituted (a form of child protection which is temporarily or permanently deprived of parental protection or to protect his interests, cannot be left in their care).

As a form of social protection for students we can also mention the health social insurance; their status is of insured without being required to pay a contribution.

In achieving social protection of students we could not neglect the *co-financed projects* by the Social European Fund and conducted by the Operational Programme for the Development of Human Resources, which although do not have a general character, they have contributed to the improvement of qualitative indicators in education, namely: prevention / decrease of school dropout, scholarships for outstanding results during a year of study, promoting and establishing innovative educational programs to increase interest in education, and preventing juvenile delinquency etc.

In today's society, it is necessary to realize how much can quality schools achieve for the formation of good citizens. Money spent wisely for a better education of students will return a hundredfold for the use of community.

Beyond all forms of material support mentioned above, we believe that school and family needs to activate the formal and informal levers, in the highly complex and responsible vocational and human training of students. „Valuing non-formal education occurs due to the fact that formal education systems are adapting too slowly to the socio-economic and cultural changes of the world in which we live in” (Costea, 2009, p.9). Informal education's main actor is the individual, including student which he teaches. It is a process that involves exploring and broadening experiences; being achieved mainly through conversation as a means of sharing and confrontation of ideas. Informal learning is not always deliberate because purpose of learning is not very clear from the perspective of the subject involved in the work, but stimulates self-evaluation and reflection on every individual's way of learning.

5. Conclusions

In terms of the role that the components of social protection targets we can mention the completing of material resources of students (the state allowance, the „Roll and Milk” program) or the promotion of quality and discipline in the educational activity (scholarships) in order to prevent/reduce school dropout (settlement transportation costs, “Roll and Milk” programs, “Second

chance", "School after School", providing school supplies, various European funding programs, scholarships etc.). Some of these components have a multiple role, for example, granting free the textbooks, scholarships (excepting the social scholarships) as well as the institutions' concern to improve the quality of the educational process, given the period of time necessary to generate the current regulatory framework in the field. Naturally, the regulatory side, must be completed and with a greater degree of practical applicability and the exact coordinates on funding (for example the activities within the program "A Different School").

As future research directions we can mention the following: a comparative approach (structural and dimensional) of the social support forms given to pupils at an European level, the analytical research for every form of support, linking them with other social indicators from the pre-university medium (such as school population, the dropout rate) identifying and supporting the non-material forms of supporting students (organizational climate, non-formal education, informal learning, transmitting experiences of best practices, promotion of positive initiatives, etc.).

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Aspects Regarding Policy and the Financing Mechanism of the Consolidated General Deficitary Budget

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Abstract

The purpose of the paper is the quantification and identification of the mechanism of financing the general government deficit. The theme of this paper is topical because the issue of the budget deficit is a topical issue both within the scientific community and decision makers in the public. The time period for which analyzed consolidated budget deficit is 2009-2015, and arrangements for financing the budget deficit presented in the paper are: financing from tax increases by reducing spending, by issuing monetary and public debt.

The results of analysis of the evolution general government deficit in 2009-2015 shows that the time was reduced from 36400.1 million lei in 2009 to 10361.3 million lei in 2015. The paper does not aim to bring solutions to reduce the budget deficit and aims at exposing the general government deficit in 2009-2015 timeframe and identify opportunities for its financing, so the future can serve other studies focused on the possibilities of influencing the deficit general government.

JEL classification: H6

Key words: revenue, expenditure, deficit budget, financing

1. Introduction

Objective of this paper is to clarify the theoretical concepts on the general government deficit, its funding and analyzing the consolidated budget deficit. The work is topical even if over time there have been multiple concerns for this topic. Due to solving complex problems trying deficit has not yet experienced a solution. Analysis of this trend in general government deficit developed in this work can be developed within the work further by extending the analysis of certain factors such as the use of other categories of government expenditure and revenues that were not cyclically adjusted (government investment, interest payments, government consumption etc.).

Importance of the topic is clear from numerous discussions on the optimum size of the budget deficit, its effects and the factors determining the size of deficits.

Analysis of the consolidated budget deficit was permanently II Project of political programs. Political concern about identifying the most effective ways of reducing the public deficit is due to the fact that in the early 80 most industrialized countries (but not only) were faced with imbalances in the public budget.

In analyzing the budgetary imbalances should be remembered and nominal convergence criteria specified in the Maastricht Treaty in 1992, which require Member States a level of general government deficit of 3% of gross domestic product, a level considered acceptable and is sustainable. Measures on the size of the budget balance and public debt stock was complemented by the Stability and Growth Pact adopted in 1997. The two documents provide special mechanisms of co-ordination of fiscal and budgetary policies involving preparation of stability programs that aim to rebalance the short term, or recording a budget surplus in the long term (Basno C; Dardac N., 1999, p 27).

In Romania, the studies on the determinants of the budget deficit are not numerous. The issue of financing the budget deficit requires much debate among both academics and practitioners in the

environment. Martin Feldstein declared in 1983 that the main long-term effect is to reduce budget deficits in the rate of capital formation. Financing government deficits result in crowding out private financing to entrepreneurs, which will result in reduced investment and therefore and productivity growth, real income and international competitiveness (Hoover, K.D.; Bisignano, J.R., 1983, p. 1).

In the same year, Donald T. Regan, US Treasury Secretary, said that "public opinion is quick to appreciate the phenomenon of crowding will occur in the next 30 days, while he will not occur even in the next three months.

Currents of opinion formulated over time, in literature, on the effects of public deficits and their financing reflects very well the currents of opinion expressed by Donald T. Regan and Feldstein.

Between 1989-1990, Bernheim, and Inman, reveals that the issue of budget deficits and public debt can be analyzed in terms of three schools of thinking. Thus, according to neoclassical paradigm, neoclassical deficits lead to long-term increase in consumption and where the economy operates under conditions of full employment of labor, consumption growth will reduce savings. In order to reconcile the financial markets will be necessary to increase the interest rate, which will have the effect of reducing the rate of capital accumulation in the private sector. In terms of the Keynesian paradigm, most people consume most disposable income and a temporary reduction in the level of tax rate would produce immediate and significant impact on aggregate demand. In the context of the paradigm Ricardian policies of the government deficit will lead to an indifferent attitude of individuals vis-a-vis the alternative chosen by political factors. In view of this paradigm, consumption is a function that depends on the volume of resources across all generations, which is why, when the deficit financing would entail an increase in the tax rate, they would not affect the resources of all generations.

2. Ways to finance the budget deficit

Funding from tax increases

Given the fact that in a market economy, tax revenues represent over 70% of total budget revenues, finance the major part of budget expenditure on account of revenue received in taxes owed by taxpayers is a reality. But increasing tax revenues to cover the budget deficit is a controversial way of financing the budget surplus spending it because consensus is against tax increases. Consumers base their decisions on consumption and investment savings or disposable income, after the payment of tax obligations.

Accepting the budget deficit as a reality, taxation policy by increasing its financing is a decision that should be carefully considered because of the effects involved. Thus, to consider issues such as tax incidence of taxation, excessive tax burden, consequences on consumption, savings, investment, labor productivity and strictly observe, on economic growth.

Budget deficit financing from tax increases are a way that it appeals, but in practical terms is not approved neither taxpayers nor political factors due to social and macroeconomic effects.

Financing budgetary expenditures

This method of financing budget deficits may be an appropriate solution, but in the short term. Practicing a restrictive budgetary policy by reducing government consumption can have positive impact on public financial equilibrium. If a solution in the short term, promoting such long-term policies will be followed with certainty, consequences that will affect economic growth. Studies in this regard shows that the strategy to reduce the deficit on account of a restrictive budgetary policy can be applied to short-term crisis, and therefore recommended that long-term fiscal policy is prudent, and where context allows to apply the selection criteria of rationality in public expenditure programs.

Funding through money issue

In academia, this method of financing the budget deficit is much debated because such a policy leads in most cases to higher inflation. An example enshrined in this regard is that of Germany, which in the years 1921-1923 had to resort to spending money issuance to finance public spending, increasing taxation as it was considered an unpopular measure, public funding was needed to rebuild the economy German World War I, and the first result was not recommended cuts in public

spending and borrowing would not have been possible because the needs of funded borrowing capacity exceeded Germany (Mishkin, F. 1997, p. 660-661).

Financing through debt

Budget deficit financing through public debt is considered a less expansionary way by the fact that it generates increasing the money stock but short-term interest rate increases, and thus reducing investment.

Table no. 1 Evolution of income, expenditure and deficit general government in Romania during 2009-2015
-Million lei –

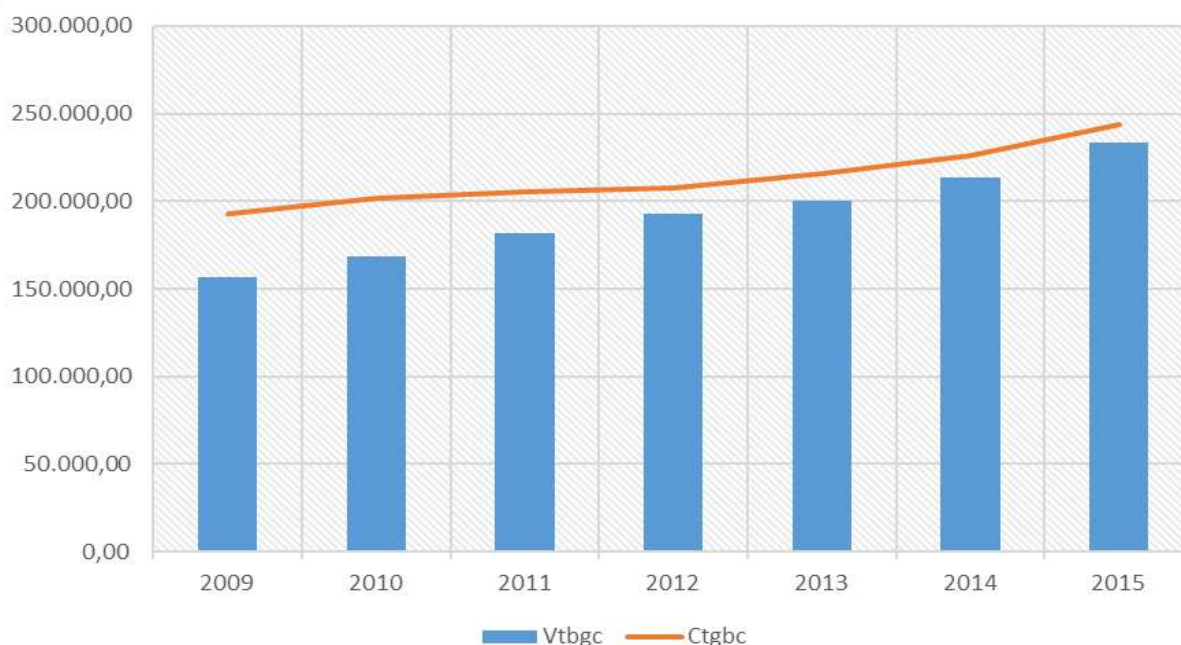
Years	Consolidated budget revenues	Consolidated budget expenditures	The general budget deficit
2009	156,624.9	193.025,4	-36.400,6
2010	168.598,45	201.903,63	-33.305,2
2011	181.566,9	205.403,6	-23.836,7
2012	193.148,2	207.922,1	-14.773,9
2013	200.045,7	215.816,9	-15.771,3
2014	213.833,6	226.326,8	-12.493,2
2015	233.554,3	243.915,5	-10.361,3

Source: *mfinance.ro* (6)

In the analyzed period recorded consolidated budget deficit but the size of the deficit was reduced from 36,400, it lei 10361.3 million lei million. Analyzing the data in Table. no.2 note that the deficit has reduced its share in GDP from 7.20% to 1.47%, in observance of the convergence criteria for accession of Romania to the European Union, respectively meeting the budget deficit limit of 3% of GDP. The 3% of GDP budget deficit corresponds to fiscal sustainability in the medium term, the continuation of the disinflation process and reduce the current account deficit.

Graphic evolution of the revenues, expenditures and general government deficit is as follows:

Chart no. 1 Evolution of income, expenditure and general government deficit in 2009-2015



Source: *www.mfinante.ro* (6)

Reducing the budget deficit both in absolute size (table no. 1) and relative size (table. 2) means for the economy reduced demand for capital loan from the state, the resources available are designed mostly investment. Budget deficits to finance and refinance observed a shift towards foreign borrowing, which involves reducing pressure on interest rates and inflation.

The gradual reduction of the structural deficit involves adapting government expenditure and revenue, which involves both the review and reassessment of volume and structure of compulsory expenditure and improving budgetary allocation uses. "The establishment of budgetary incomes has to be made in accordance with the requirements related to yield, efficacy, equity" (Dobrotă G., 2010, p.21).

Table no. 2 The share of revenue, expenditure and the deficit of GDP general government during 2009-2010
-% GDP –

Years	Consolidated budget revenues	Consolidated budget expenditures	The general budget deficit
2009	30,98	38,18	-7,20
2010	32,96	39,47	-6,51
2011	33,14	37,49	-4,35
2012	33,01	35,53	-2,52
2013	31,98	34,50	-2,52
2014	31,71	33,56	-1,85
2015	33,15	34,62	-1,47

Source: own calculations based on data from www.mfinance.ro

The ways that the general government deficit is kept below 3% of GDP (Moşteanu Tatiana, 2003, p.195) are different among those being detained:

- diversifying sources of financing the budget deficit and reduce the cost of coverage;
- improving tax control and increasing its role in reducing tax evasion and fraud;
- improved collection of budget revenues and more effective procedures for enforcement of non-payers;
- improving the allocation of budgetary resources.

3. Conclusion

The issue has raised many debates budget deficit over time, given the complexity of the issues posed.

Currently, the issue of public deficits is not terminated because of globalization, training European single market, the euro adoption requires policies of public finance that ensures stability and the necessary conditions for the development of states in the context imposed by the Maastricht Treaty and Growth and Stability Pact.

Although Romania has benefited from financial and technical assistance from international organizations still had to learn what the market economy and to create their own systems protected against various failures that would later manifest. One of the main effects on the economy is to increase public budget deficit.

Studying issues budget deficit cannot be achieved only in the context determined by the evolution of economic thought. Political events, social, historical led, over time, forming of opinion for or against the budget deficit as a way of showing imbalances in the economy.

Also studying the issue of the budget deficit and its impact on the economy cannot be analyzed without also consider how to finance the budget deficit. Most studies of literature produced to date, precisely analyze the effects of budgetary imbalances through the modality of financing the deficit. Funding arrangements recorded in the literature are: financing from tax increases, funding by reducing spending, and financing by issuing currency or by contracting debt financing. As each has advantages and disadvantages, we recommend choosing the best ways of financing based on existing economic environment. In Romania, the financing of the budget deficit was represented by state borrowing.

I appreciate that in Romania, to finance the budget deficit, the main instruments on which they were attracted financial resources and the availability Treasury issues addressed in a high proportion banking system. In recent years the issuance of bonds were directed, mainly, to the non-banking sector, population or economic. At the level of territorial administrative authorities, local

administrative authorities' decision were to finance public expenditure programs at the expense of funds raised as a result of the issuance of municipal bonds.

Noting the data presented in the paper that short-term deficit reduction has been achieved. Analysis deficits recorded consolidated budget shows that their level varies depending on several factors such as fiscal policy and budgetary situation of the economic environment, unforeseen events and behaviors unitary system of budgets to be taken into account in determining budget general government.

The results that we have reached analyzing both the relative size and absolute indicators presented in work best describe the Romanian economy, as these indicators have the greatest explanatory power (deficit developments, income and general consolidated budget expenditures, the deficit budget GDP expenditure weights with changes in GDP and budget revenues.)

I believe that the target for the budget deficit in the medium and long seems more prudent degraded. In the long term it seems that the budget deficit target is not safe even for large economies and development. For further developments, I propose to analyze the impact of the deficit on the economic development of Romania.

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The Distributional Effects of Value Added Tax

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Abstract

The article analyzes the incidence of the value added tax on the current money income of the households. For Romania there are evaluated the effects of changing the VAT rates on the regressivity of tax related to the current income, taking into consideration the relation between the expenditures and the incomes of the population, but also the expenditure structure by income deciles.

Key words: tax, income, expenditure, regressive, decile.

J.E.L. classification: H2, H3.

1. Introduction

When applying a uniform rate of VAT on all money expenditures of the households (others than expenditures which represent direct taxes), the VAT is a regressive tax in relation to the current incomes of the population (the percentage of VAT on income decreases when income increases), because the percentage of money expenditures on incomes is decreasing as incomes is increasing.

In practice, not all money expenditures of the households are taxed, such as some production expenditures (e.g. the labour payment for the household's production) and some investment expenditures (e.g. the purchase of shares). They are also some consumption expenditures which are not taxed like the products acquired from not VAT registered companies. In addition, a number of services are VAT exempted (e.g. health services, education services, financial services, insurances).

For certain goods and services it is used reduced VAT rates which can satisfy a lot of economic and social interests. The reduced rates for some goods that are consumed by low-income population (for example, food products) decrease the regressivity of tax related to the current household income. The usage of diminished VAT rates may ensure an efficient redistribution of the society incomes only if the structure of consumption differs significantly on income ranges.

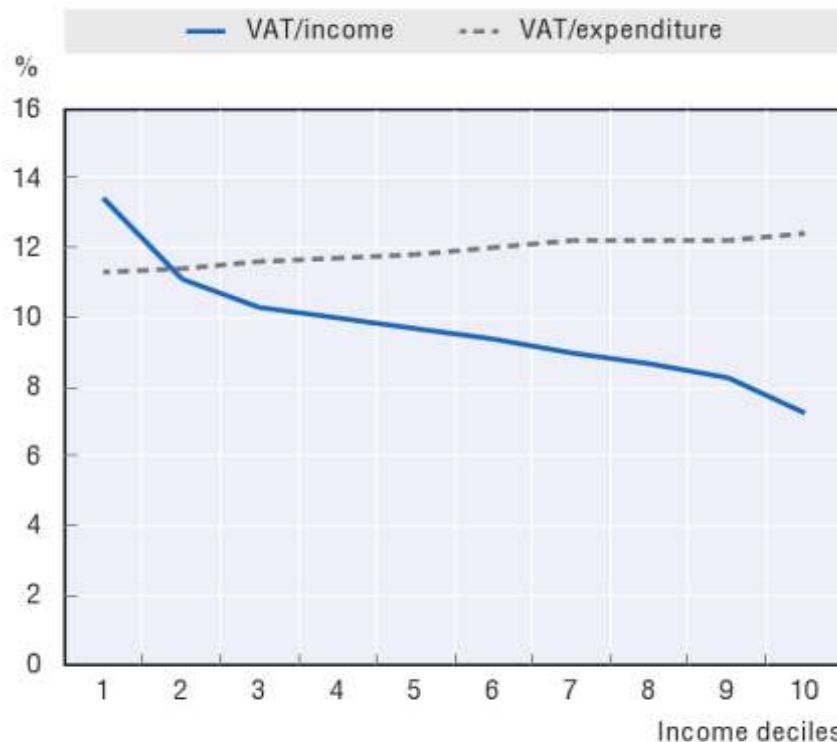
2. Literature review

Many scientific papers have analyzed the regressivity of the value-added tax related to the current incomes of the population and the effects of modifying the VAT rates upon the degree of regressivity of the tax.

OECD (2014) studied the redistributive effect of VAT and excises taxes for 20 member countries. The research was based on micro-simulation models of consumption taxes, created for each country, using data regarding the household expenditures (most data are from 2010). The results revealed that VAT is regressive related to the income, the percentage of VAT on income for the last decile (with the highest income) being about half of the percentage of VAT on income for the first decile (with the lowest income). Instead, VAT is slightly progressive in relation to the expenditures. In all studied countries, it can be observed a regressivity of VAT with respect to income. The degree of VAT regressivity is different from country to country; the highest ratio between the first and the last decile is observed for Ireland (2.77) and the lowest for Czech Republic (1.3). Compared to the expenditures, the tax is proportional or slightly progressive; only

for Estonia and Hungary it can be observed a slightly regressivity; the highest ratio between the last and the first decile is found for the UK (1.25).

Figure no. 1. VAT as a percentage of current incomes and expenditures of households, by income deciles



Source: OECD/Korea Institute of Public Finance (2014), The Distributional Effects of Consumption Taxes in OECD Countries, OECD Tax Policy Studies, No. 22, OECD Publishing.

Other relevant studies on the redistributive effects of consumption taxes were performed by: IFS - Institute for Fiscal Studies (2011, for a sample of 9 EU member states), Leahy et al. (2011, for Ireland), Decoster et. al. (2010, for 5 european countries), Ruiz and Trannoy (2008, for France), Warren (2008, for OECD countries), O'Donoghue et al. (2004, for a sample of 12 EU member states). The results of these studies showed that VAT is regressive related to the current income, but this is proportional or slightly progressive in relation to the current expenditures.

Arsic and Altiparmakov (2013) estimated the annual and lifetime VAT incidence in Serbia; their results indicated that the beliefs regarding the inequitable VAT taxation are overstated.

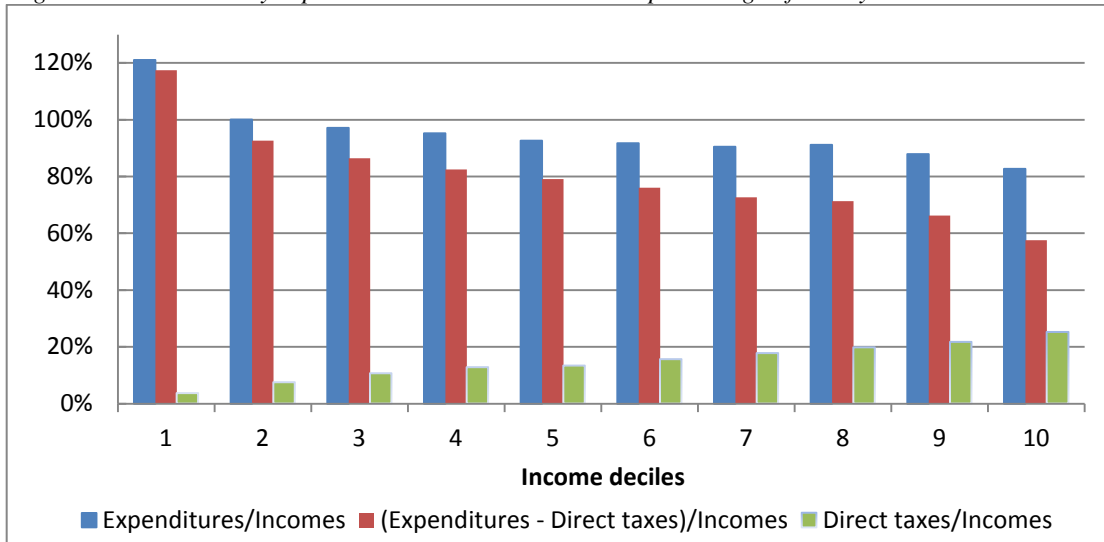
The VAT is considered an antisocial tax, but it is less regressive compared to the lifetime income than compared to current income (Cuceu, 2008).

3. Case study for Romania

This research uses the statistical data from 2014 regarding the monetary incomes and expenditures, grouped by decile, based on the average monthly income per person; the data were provided by the National Institute of Statistics (Romania) and obtained through "Household Budget Survey".

The total monetary expenditures (including direct taxes) as a percentage of the money incomes is decreasing while the income is increasing (121.1% for the first decile and only 82.7% for the last decile); the exceptions are only seventh and eighth decile, the percentage of total money expenditures in the money incomes is higher for the eighth decile than the seventh decile. The direct taxes are progressive in relation to the income (only 3.7% for the first decile and 25.2% for the last decile). The money expenditures (excluding direct taxes) as percent of money incomes decrease significantly when income increases (117.4% for the first decile and only 57.5% for the last decile).

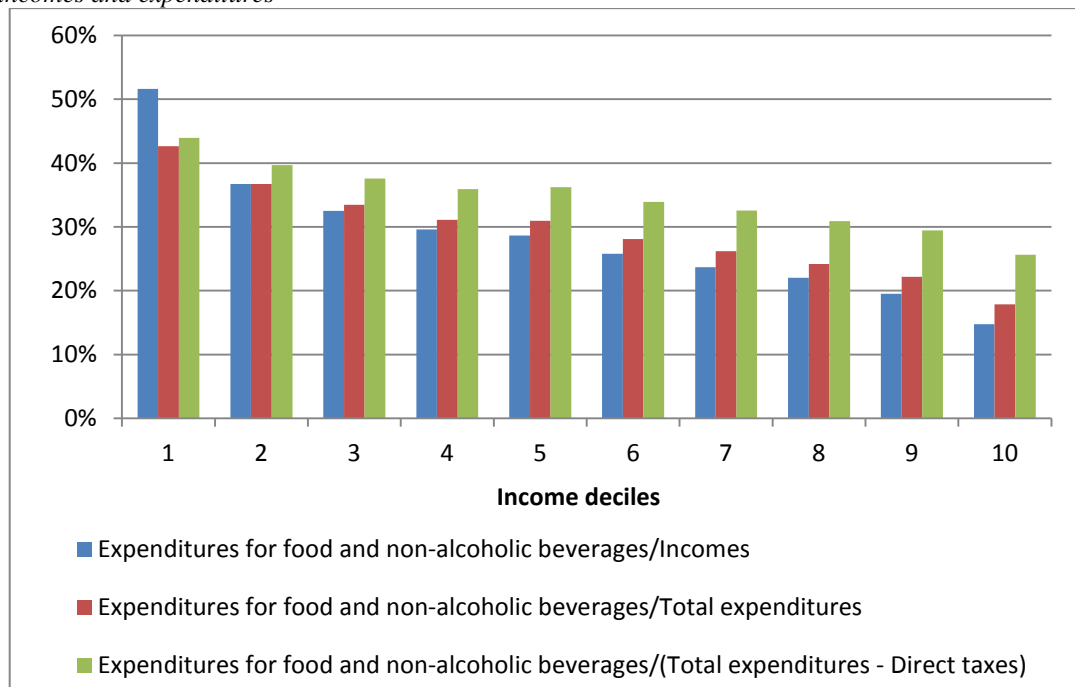
Figure no. 2. The money expenditures and direct taxes as a percentage of money incomes



Source: Based on data from the study *Coordinates of living standard in Romania. Population income and consumption in 2014*.

The structure of monetary expenditures varies significantly among different income households. The percentage of money expenditures for food and non-alcoholic beverages on total money expenditures ranging between 17.8% (for the last decile) and 42.6% (for the first decile). The money expenditures for food and non-alcoholic beverages as a percentage of total money expenditures other than direct taxes ranging between 25.6% (last decile) and 44% (first decile). The households from the last decile (10th decile) allocate only 14.8% of money incomes to purchase food products and non-alcoholic beverages, while the first decile of income allocate 51.6% of money incomes.

Figure no. 3. The money expenditures for food and non-alcoholic beverages as a percentage of money incomes and expenditures



Source: Based on data from the study *Coordinates of living standard in Romania. Population income and consumption in 2014*.

The incidence of VAT on current money income of households was analyzed processing the statistical data from 2014 regarding the monetary incomes and expenditures of the population, grouped by income deciles.

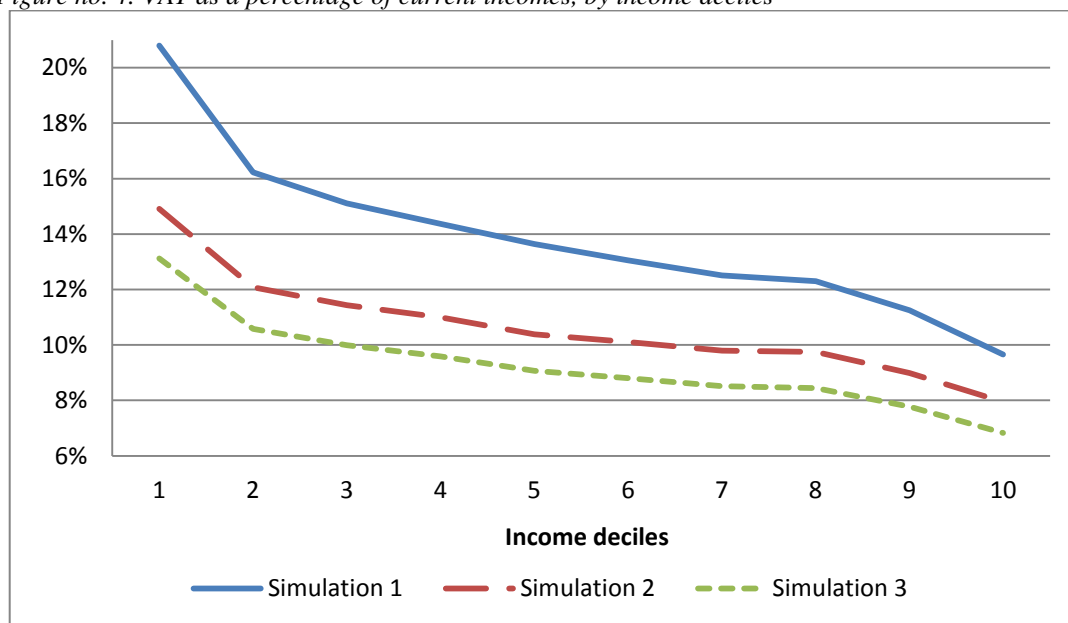
The VAT paid by the households was calculated considering that the amounts of money expenditures (provided by statistics) contained indirect taxes, including VAT. It was assumed that all taxable expenditures are related to purchases of goods and services from VAT registered companies.

The regressivity of VAT in relation to the current income of households was analyzed for the following simulations:

- Simulation 1: a structure of household consumption (by income deciles) and a structure of VAT rates similar to those recorded in Romania in 2014: a standard VAT rate of 24%, with a few exceptions: reduced rate of 9% (for bread and bakery products, medicines, cultural services, books, newspapers and magazines) and exemptions (for rents, health services, public radio and TV subscriptions, gambling, education, insurance);
- Simulation 2: it starts from scenario 1 to introduce the reduced rate of 9% for all food products and non-alcoholic beverages (reducing the rate from 24% to 9%);
- Simulation 3: it starts from simulation 2 to reduce the standard rate from 24% to 20%.

The scenarios 2 and 3 were created under the assumption that the change in VAT rates is fully reflected in the final prices and also that the size and the structure of households expenditures, by income deciles, remain constant.

Figure no. 4. VAT as a percentage of current incomes, by income deciles



Source: author processings.

In the first simulation, the percentage of tax on the households income ranging between 9.7% (for last decile) and 20.8% (for first decile), the VAT being very regressive related to the income (the fiscal pressure is 2.15 times higher for the first decile than the last decile). They are strongly affected low-income households, especially the first decile households for which the expenditures exceed the incomes.

In the second scenario, the VAT ratio to households income is ranging between 7.9% (for the tenth decile) and 14.9% (for first decile), being 1.88 times higher for the first decile than the last decile. Compared to the first simulation, the reduction in absolute terms of tax pressure (difference in percentage points) is more important for the low-income households. The reduction in relative terms of tax pressure is also more important for low-income households; this reduction is approximately 28% for the first decile households and only about 18% for the last decile households. Thus, in simulation 2, compared to the first simulation, it is observed a reduction of tax regressivity in relation to the income.

In the last simulation, the percentage of tax on households income is ranging between 6.8% (for the tenth decile) and 13.1% (for the first decile), being 1.92 times higher for the first decile than the last decile. Compared to scenario 2, the reduction in absolute terms of tax pressure is more important for low-income households. The reduction in relative terms of tax pressure is more important for with high-income households; this reduction is approximately 12% for the first decile households and approximately 14% for the last decile households. Thus, in simulation 3, compared to the simulation 2, it is observed an increase of tax regressivity in relation to income.

4. Conclusions

In Romania, the VAT is very regressive compared to current incomes of households, while the percentage of money expenditures (others than the direct taxes) in money income decreases significantly with increasing of the income.

The introduction of reduced VAT rates for food products and non-alcoholic beverages (predominant in consumption of low-income population) determines a significant reduction of tax regressivity in relation to the income, if the structure of consumption differs significantly among different income households.

The results of simulations performed for Romania are similar to the results obtained in other studies, especially with those of the study made by OECD in 2014 on a sample of 20 countries.

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Risk Modeling Approaches in Terms of Volatility Banking Transactions

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Abstract

The inseparability of risk and banking activity is one demonstrated ever since banking systems, the importance of the topic being present in current life and future equally in the development of banking sector. Banking sector development is done in the context of the constraints of nature and number of existing risks and those that may arise, and serves as limiting the risk of banking activity. We intend to develop approaches to analyse risk through mathematical models by also developing a model for the Romanian capital market 10 active trading picks that will test investor reaction in controlled and uncontrolled conditions of risk aggregated with harmonised factors.

Keywords: risks, models, banks, transactions, financial market

JEL: G17, G21

1. Introduction

The premise of inseparability of risk and banking activity is one demonstrated ever since banking systems, the importance of the topic being important for now and for the future in the development of banking sector.

A category of risks that are difficult to quantify in the activity of credit institutions is the operational risk which is significantly present in the lending or market operations. With the diversification and multiplication of types of banking transactions, under the conditions imposed by new technologies and financial innovations, risks related credit sector experienced an upward trend.

The high probability of events generating operational risk was the main impuls for attaching particular importance to the phenomenon, which was materialized through its inclusion in the capital requirement for credit institutions.

Initially, the Basel Committee defined the operational risk as a generator of total loss. After that, it returned on the definition of operational risk referring to the loss due to flawed processes (inadequate), systems with deficiencies in execution, unexpected external events and persons acting improperly.

Once present, operational risk can lead to insolvency in the shortest time and is characterized by limited possibilities of anticipation. Therefore, a cautious attitude of the banks on the side of credit operational risk is a sine qua non for further lending in good condition.

2. Credit risk - definition and importance

Financial management objective is to maximize the value of a bank, this being determined by profitability and risk level. Given that risk is inherent in the banking and unavoidable, the target of financial management is to manage risk so that various types of risk are kept to acceptable levels and profitability is maintained.

To achieve its objective a bank needs to (Cocriş and Chirleşan, 2007, 9) :

- identify, assess and continuously monitor the exposure to risk which needs good policies, adequate organizational arrangements, efficient processes, experienced analysts and computer information systems that are highly developed;
- have the ability to anticipate change and act so that the activities of a bank can be structured and restructured to gain in case of change, or at least minimize losses;

- have supervisory authorities not to recommend how to run businesses but to maintain prudent supervision of banks, assessing the related risk structure and insisting that an appropriate amount of capital and reserves to be available to guarantee and protect the solvency

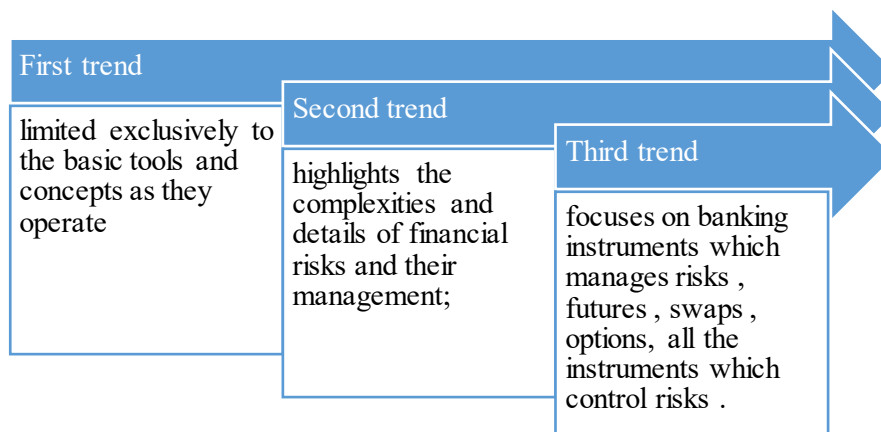
The analysis of economic risk related to the content showed no unique approach to the concept of risk, generally accepted by most economists. Also, currently, there is a strict separation of all types of banking risk. The diversity of the risks that can appear in a bank and a multitude of situations that generate risks, makes it impossible for a classification . Some economists identified different causes that led to the variety of banking risk forms of these, the most prominent being globalization and innovation process.

When defining risk and risk management, most authors focus on classical function of banks, brokerage financial risks within their division; From this point of view the problem is treated especially of unexpected losses in banking assets, losses from market risks, credit or liquidity.

An efficient banking strategy must include programs and bank risk management procedures that minimize the probability of such risks to appear in line with the main objective of banking - minimizing losses - and the most important one - getting a higher profit for shareholders . Bear in mind the cost of implementation and operation aimed at risk management procedures that must not be greater than the potential exposure to risk.

There are 3 bank risk in the relevant guidelines highlighted in the figure below:

Figure 1 - Guidelines in bank risk



Source: Own contribution

Banks can successfully manage all bank risks only if they recognize the strategic role of risk management , if they use the analysis and management to increase efficiency , adopts specific measures to adapt performance to risk and creates mechanisms to report performance based on risk, to ensure that investors understand the impact on the value of risk management on the banking institution. Any decision of bank management takes into account three key factors: money, time and risk. Because the future usually is not determined, the challenge is to evaluate risk related to cash flows within a specific timeframe.

Managers of financial institutions are aware that profit maximization involves a permanent exposure to risk. In this context, risk management is an important component of both bank management and bank strategy (Stoica, 1999,18).

Risk management, like most other terms of relative risk has a number of meanings. Some believes that risk management is the totality of concepts, measures and actions taken (founded and conducted) by management to identify, capture, monitor, analyse and manage the exposures to risk and uncertainty.

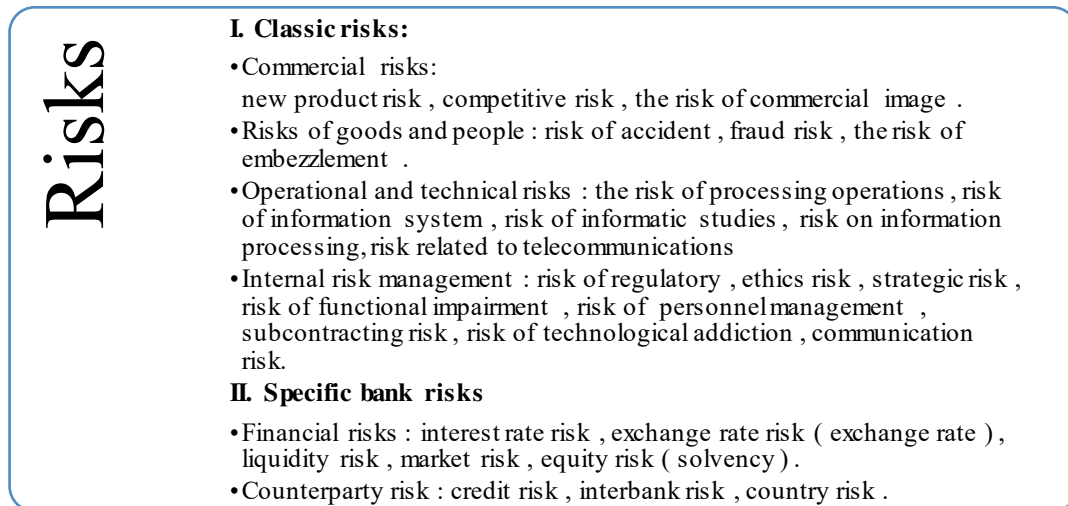
Some specialized sources reviewed and emphasized relevant aspects of the risk management process:

- importance of determining at the highest management level of a company's policies and philosophies in risk management;

- adequate supervision of actions and processes of the company board of directors and top managers;
- the need for a dedicated risk management process which should be based on an assessment, continuous monitoring and control of all enterprise business risks, most important being the credit risk and market risk;

Many risks present common features and their correlated investigation allow comments that can facilitate both the management process understanding and assimilation of processes and techniques. A risk classification does Henri- Pierre Maders (Maders, 1994, 26) comparing classic risks and specific risks of a bank

Figure 2 - Classification of risks



Source: Own contribution, based on Henri-Pierre Maders, op cit, pag 47

3. Models for determining risk

Multi- factor model is especially applicable to public companies . Stock price (P_t) can be estimated based on a large number of foreign risk indices (I_t), indicators which target market risk, credit risk and other factors beside the operational ones (such as rate variation interest rates, changes in prices on the stock exchange and other macroeconomic effect). So, operational risk is measured as the residual term volatility. This model is based on the assumption that operational risk is a residual credit risk , after market risk and risk of lending were already counted according to the formula :

$$P_t = a_t + b_1 I_{1t} + \dots + b_n I_{nt} + \varepsilon_t$$

where ε_t is the residual term , a proxy for operational risk. This model is based on the efficient market hypothesis, concept introduced by Fama in 1970 , which considers that in efficient capital markets, present and past information is reflected in the share price .

So, now, the author wants to present the multi- factor model for the most commonly traded (June 2016) financial companies on the stock exchange BSE.

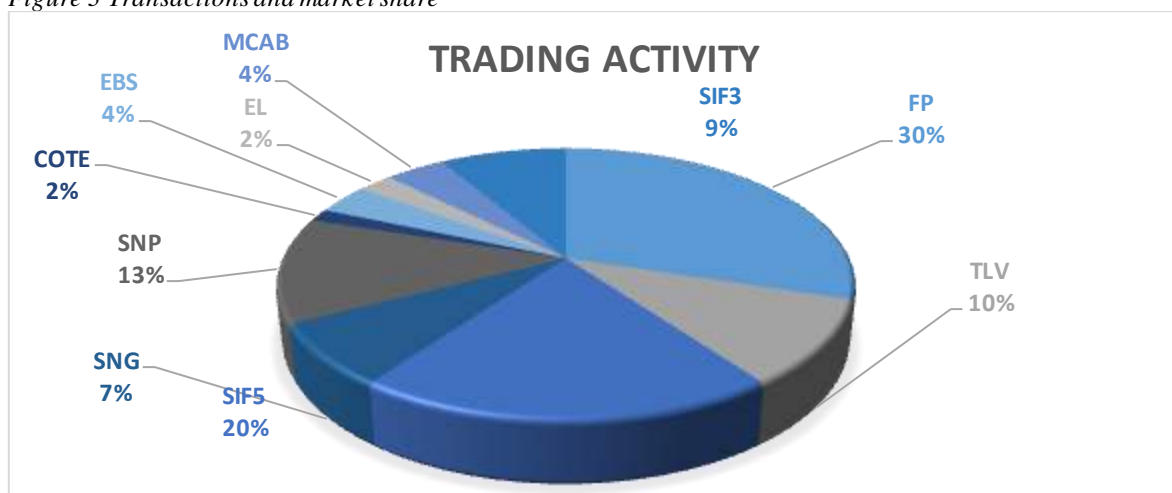
Financial market research indicates the following data (Table 1)

Table 1 - Top traded companies on BSE - June 2016

Symbol / ISIN	Company	Amount	Volum	No. trans.	Price	Var. (%)
FP	FONDUL PROPRIETATEA	12.392.542,65	16.145.118	377	0,7700	1,18
TLV	BANCA TRANSILVANIA S.A.	2.829.148,85	1.341.486	128	2,1100	0,00
SIF5	SIF OLTENIA S.A.	1.645.846,18	1.071.409	253	1,5300	0,00
SNG	S.N.G.N. ROMGAZ S.A.	1.345.319,40	59.786	94	22,5000	0,45
SNP	OMV PETROM S.A.	664.414,76	2.496.913	159	0,2655	0,95
COTE	CONPET SA Ploiesti	255.162,80	3.797	19	67,8000	0,00
EBS	Erste Group Bank AG	149.310,60	1.598	45	93,8000	2,40
EL	SOCIETATEA ENERGETICA ELECTRICA S.A.	78.740,52	6.154	30	12,8000	-0,31
MCAB	ROMCAB SA TG. MURES	78.378,92	9.116	51	8,8000	2,33
SIF3	SIF TRANSILVANIA S.A.	72.643,98	291.502	108	0,2480	-0,80

Source: BSE

Figure 3 Transactions and market share



Source: Table 1

The figure above shows that the most active in the market were FP - PROPERTY FUND (20%) and SIF 5 SIF Oltenia S.A shares. These companies are listed as financial companies and have a high market risk.

Results of implementing multi- factor model to the selected sample are detailed below

Model 1: LAD, utilizând observațiile 1-4

Dependent variable: DIndicator_2

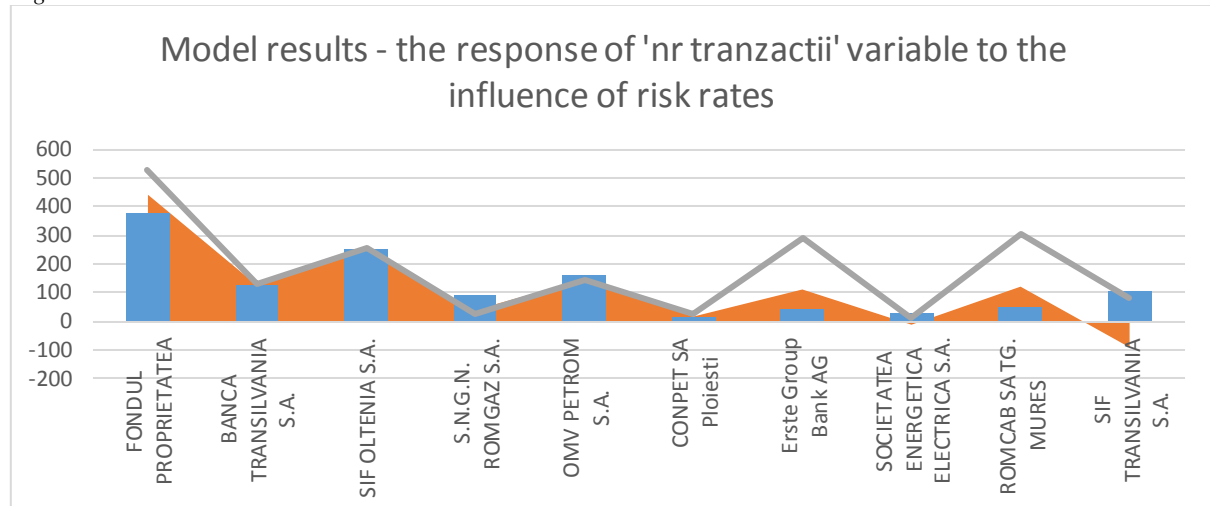
	Coefficient	Std. Error	t-ratio
Erste Group Bank AG	-5,38697e-05	1,54337e-05	-3,4904
ROMCAB SA TG MURES	5,38626e-05	1,55172e-05	3,4712
SIF TRANSILVANIA SA	-4,73442e-06	2,35112e-06	-2,0137
BANCA TRANSILVANIA SA	1,47237e-06	5,3529e-07	2,7506
Median depend. var	0,000000	S.D. dependent var	0,500000
Sum absolute resid	0,000000	Sum squared resid	0,000000

Indicator 95% confidence intervals, $t(0, 0,025) = 17,97$

DIndicator_2	predicție	std.	95% interval	-inf -	inf
Value	0,00000	3,62557e-016	1,13066	-inf -	inf
Volume	1,00000	1,00000	0,473029	-8,50360e+307	- 8,50360e+307
No. trans.	0,00000	-1,01644e-020	0,000174743	-3,14134e+304	- 3,14134e+304
Var. (%)	0,00000	-9,13890e-021	5,56550e-006	-1,00051e+303	- 1,00051e+303

The graphical representation of the model is shown below:

Figure 5 - The risk test



Source: Own calculations

The orange graph represents the response to risk, blue graph are the number of transactions and the gray line is showing the response to risk T2.

So, the model output indicates that the sample has a moderate response to risk in non-aggregated version and a high response to aggregate risk factors, which indicates that the model is homogenic, so representative for the sample selected. So, in conclusion, risk control leads to the increase of safety for the investors and the number increase of transactions in margin.

The contribution of the author consists in synthesizing the volatile information to determine investors predictable action in terms of risk control. These actions have good roles on listed companies, resulting in the stabilization of the methods and reactions on a market affected by external influences and sensitive to risk stimuli due to macroeconomic crisis phenomena like BREXIT.

4. Conclusions

The economic environment in general, and the financial – banking sector are special areas that are constantly in rough competition for the most important actors of the contemporary world. Any financial operation on domestic and international markets has some risks, that's why credit institutions are known to be institutions which manage risk.

Knowing that risk can be identified, assessed, monitored and reduced but never eliminated, to protect themselves, banks must develop a set of general policy (based on the laws and regulations of the Central Bank), specific policies (in relation with the development strategy of the bank) and sectoral policies (limits and exposures by industry sectors, areas and territorial units).

Because banking risks are a source of unexpected expenditure, fair and responsible management of these will act as a shock absorber. At the same time, enhancing the value of bank shares can only be achieved through effective communication with financial markets and the implementation of appropriate bank risk management. All banks and financial institutions must improve their understanding and practice of bank risk management to be able to successfully manage the different ranges of products introduced in the recent years. If the process of bank risk management and overall management system are adequate in terms of prudence, then the bank will have profits. Banks can successfully manage bank risks that recognize the strategic role of risk and if

they implement a solid management system, based on caution, and if these requirements are satisfied, there are gains for both the bank and system integrity.

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Analysis of the Local Budget's Expenditures Structure at Different Types of Administrative Units in Romania

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Abstract

Financial decentralization process affected the expenditure part of the local budgets in Romania by imposing new destinations for own revenues, but also by limiting the decision autonomy because of the equalization system design or the transfer of responsibilities without establishing new sources of revenues. But the effects on the local budgets are not the same for every administrative unit. The article highlights the structure of expenditures of local budgets for different types of administrative unit, for identifying variations in and potential causes of the financial autonomy regarding local expenditures.

Key words: local budgets, expenditures

J.E.L. classification: H61, H72

1. Introduction

The financial decentralization process in Romania imposed the transfer of financing for some of the actions through the local budgets. The local budget system in Romania is constituted by two pillars: the local budgets of the county councils that finance mainly objectives of county importance and the local budgets of the municipalities, towns and communes that are involved in financing the local needs. For each of the two categories of local budgets mentioned, the law establishes specific sources of own revenues, which includes also quotas and amounts from quotas deducted from income tax, revenues that are supplemented by sums deducted from VAT, transfers from state budget and subsidies. The sums obtained from quotas and amounts from quotas deducted from income tax are undermined by the changes of the quotas allotted to the local budgets through decisions of the central authorities and the mechanism of equalization (different for county councils and localities) is subject of discussion (Mosteanu et. al., 2010, p. 83-84).

Devolving some tasks from the central level to the local level of government involved structural changes of the local budgets expenditures and imposed some limits on financing other local needs. The paper highlights the structural evolutions of the local budgets expenditures in the period 2007 - 2013, for different levels of local authorities: counties, municipalities, towns and communes, trying to see if the financial decentralization process affected differently the levels of local governments. It has to be noticed that in the period for analysis, the structure of the financing process of the local governments was governed by the law 273/2006 regarding the local public finance.

2. Literature review

The analysis of the Romanian local budgets evolutions was realized by different authors in different contexts, for different periods and using different methods and indicators.

Most of the papers analyzed the degree of financial autonomy of the local governments as result of the changes on the revenues or expenditures part of the local budgets. Analyzing the local financial self-government in Romania, Dogariu (Dogariu, 2010, p. 105-114) suggested, by using

some specific indicators, that devolving some tasks to the local governments without providing resources as own revenues generated a low level of financing local expenditures by own revenues and, as a result, a significant control of central authorities on the spending decisions of the local governments. Matei and Manole (Matei and Manole, 2014, p. 36-45) also studied the financial decentralization for the period between 1991 and 2012 and argued that "in Romania we are dealing with a partial decentralization". Based on a study case that is using some of the same indicators as Dogariu, Matei and Manole (Matei and Manole, 2012, 137-146) conclude that the financial autonomy differs at different levels of local governments in Romania, at the commune level the financial dependency being extremely high compared with that registered at the municipality level. So, the decisions about public expenditures are more influenced by the central authorities in the case of communes than in the case of municipalities. On the other hand, Mihalache (Mihalache, 2013, p. 129-146) found that there are important differences between the importance of different revenues and expenditures in the local budgets of communes in Romania. By analyzing the degree of autonomy of the Romanian local public expenditures, Andronic (Andronic (Bratulescu), 2016, p. 146-160) found that the local governments in Romania are characterized more by "delegated competencies than decentralized competencies". Also, the Romanians local governments are affected by the transfer of some spending responsibilities not followed by the establishment of new sources of own revenues, which result in providing "public services of low quality" and the erosion of "citizen's trust in local authorities in the process of administrative reform" (Andronic, 2016, p. 158). Ichim (Ichim, 2015, p. 175-181) focus on specific kind of expenditures in Romanian local budgets and analyze the dynamics and structure of the expenditures for services and public development, housing, environment and water, concluding that the importance of these expenses varies between administrative units and the evolution for these expenditures, centralized at the country level, is sinusoidal.

3. Data and methodology

Data used in this article come from the database regarding the execution of local budgets revenues and expenditures offered on the website of Ministry of Regional Development and Public Administration.

To highlight the importance of Romanian local budgets for financing the local and to identify some factors that are affecting the capacity of local authorities to allocate funds for what they decide it is necessary, the article use some indicators (as described below) calculated for the period 2007-2015 for all types of Romanian local administrative units.

The indicators used are:

- the structure of the expenditures of local budgets, following the economic and functional classifications, to identify differences in allocations between different types of administrative units;
- the rigidity of expenditures (as defined by Order no. 2651/2010 of the Ministry of Finance), calculated as the weight of personnel expenditures in the total expenditures. When this indicator is high, the administrative unit have insufficient funds for other destinations;
- the capacity of financing expenditures by the own revenues, indicating the proportion of funds that are less influenced by the central authorities and could be allocated according to the own decisions of the local authorities in the total funds of the local budgets. This indicator is calculated as a ratio between own revenues (as considered by the law – Cf1), but also by excluding quotas and amounts from quotas deducted from income tax(Cf2) and total expenditures of the local budget. Higher is this indicator, the capacity of local authorities to decide on financing and to finance local needs according their own judgement is higher.

4. Results

Although local budgets are constituted to finance in a more adequate way the local needs, we argue that the capacity of doing this is different between different types of administrative units.

There are differences regarding the allocations of funds between levels of public administration, if there are analyzed according with the economic classification. As data in the table no.1 show, the current expenditures are the most important for all the local administrations, but their weight in the

total expenditures are varying significantly between types of administrative units.

Table no. 1 – Local budgets' expenditures, according to economic classification

	Type of expenditure	County councils	Municipalities			Towns	Communes
			Total	Bucharest	Other municipalities		
2007	Current exp.	91.94	80.23	70.95	85.30	76.38	72.08
	Capital exp.	8.06	19.77	29.05	14.70	23.62	27.92
	Fin_op_exp	0.00	0.00	0.00	0.00	0.00	0.00
	Paym_rec	0	0	0	0	0	0
2008	Current exp.	91.47	85.72	81.58	88.03	79.81	73.65
	Capital exp.	8.53	14.28	18.42	11.97	20.19	26.35
	Fin_op_exp	0.00	0.00	0.00	0.00	0.00	0.00
	Paym_rec	0.00	0.00	0.00	0.00	0.00	0.00
2009	Current exp.	92.93	86.96	84.94	88.11	79.40	76.54
	Capital exp.	6.94	12.57	15.19	11.09	19.88	23.50
	Fin_op_exp	0.59	1.20	1.47	1.04	1.04	0.25
	Paym_rec	-0.47	-0.73	-1.60	-0.24	-0.32	-0.30
2010	Current exp.	91.56	85.39	82.01	87.30	76.85	79.81
	Capital exp.	8.08	13.24	16.36	11.48	21.64	19.82
	Fin_op_exp	1.16	1.80	2.03	1.67	2.05	0.61
	Paym_rec	-0.80	-0.44	-0.41	-0.45	-0.54	-0.24
2011	Current exp.	87.44	80.65	76.13	83.12	74.62	74.03
	Capital exp.	11.60	17.60	22.14	15.11	24.40	25.57
	Fin_op_exp	1.50	2.10	2.13	2.08	1.63	0.74
	Paym_rec	-0.53	-0.35	-0.41	-0.31	-0.64	-0.34
2012	Current exp.	90.66	79.62	73.88	82.56	75.96	77.93
	Capital exp.	7.70	17.88	23.38	15.05	22.15	21.22
	Fin_op_exp	2.21	2.85	2.91	2.82	2.13	1.02
	Paym_rec	-0.58	-0.35	-0.17	-0.44	-0.24	-0.18
2013	Current exp.	90.94	83.28	75.43	87.32	80.03	80.55
	Capital exp.	7.26	13.41	21.90	9.05	15.97	17.61
	Fin_op_exp	2.72	3.85	3.41	4.08	4.10	2.06
	Paym_rec	-0.91	-0.55	-0.74	-0.45	-0.09	-0.22
2014	Current exp.	91.65	84.47	78.53	87.31	78.79	74.13
	Capital exp.	7.04	11.67	17.77	8.73	17.56	24.30
	Fin_op_exp	2.01	4.28	4.27	4.28	3.80	1.77
	Paym_rec	-0.70	-0.41	-0.58	-0.33	-0.15	-0.19
2015	Current exp.	92.36	87.64	82.26	90.02	81.06	73.06
	Capital exp.	6.15	9.07	13.38	7.17	17.29	25.72
	Fin_op_exp	2.02	3.72	5.03	3.14	1.80	1.41
	Paym_rec	-0.53	-0.43	-0.67	-0.33	-0.15	-0.19

Source: own calculus, based on data from http://www.dpfb1.mdrap.ro/sit_ven_si_chelt_uat.html

Note: Current exp. means current expenditures, Capital exp. means capital expenditures, Fin_op_exp means financial operation expenditures, Paym_rec means payments made during preceding years and recovered

The most important weight of the current expenditures is registered for county councils (between 87.44% and 92.36% of the total expenditures) and the lowest for the communes (between 72.08% and 80.55% of the total expenditures). Towns and Bucharest are in a position more similar with that of communes, with a stronger part of the expenditures allocated to capital expenditures, and the other municipalities are in an intermediate position.

Some explanations of these evolutions could be found after analyzing the rigidity of local budgets' expenditures (table no. 2) and the capacity of financing (table no. 3).

According to the data in table no. 2, the highest rigidity of expenditures is for towns, followed by communes and other municipalities (where more than a third of total expenditures are for personnel expenditures), and the lowest is for Bucharest and county councils (with weights of no more of 20% starting with 2010). This allows for Bucharest to allocate more resources to other

destinations, but the rest of the administrative units these resources will be smaller.

Table no. 2 – Rigidity of the local budgets' expenditures

Year	County councils	Municipalities			Towns	Communes
		Total	Bucharest	Other municipalities		
2007	22.19	30.41	16.32	38.10	42.91	39.97
2008	26.24	34.67	19.13	43.35	46.61	43.10
2009	24.91	35.89	19.69	45.04	49.34	50.59
2010	18.82	30.97	15.59	39.67	42.92	43.95
2011	13.68	24.85	12.23	31.77	35.56	33.40
2012	15.54	24.39	12.44	30.53	33.83	32.46
2013	16.92	27.84	14.28	34.79	35.11	36.35
2014	18.03	30.66	15.90	37.75	36.29	36.53
2015	14.83	30.54	16.70	36.66	33.62	33.98

Source: own calculus, based on data from http://www.dpfb1.mdrap.ro/sit_ven_si_chelt_uat.html

As regard the capacity of financing expenditures, taking into account all own revenues (including quotas and amounts from quotas deducted from income tax), it has to be noticed that Bucharest have the most advantageous situation, with more than 80% of the total expenditures financed by own revenues. This indicator is smaller for the other municipalities (some more than 50%) and towns (about 50%), but much smaller for county councils (about 30%) and communes (some more than 30%). This indicator highlights that smaller is the community, greater is the degree of dependence from transfers, subventions or revenues from projects.

Table no. 3 –Capacity of financing expenditures

Year	Indicator	County councils	Municipalities			Towns	Communes
			Total	Bucharest	Other municipalities		
2007	Cf1	31.78	68.36	87.62	57.83	49.51	33.18
	Cf2	1.76	24.70	20.58	26.95	27.44	14.99
2008	Cf1	33.98	65.93	84.09	55.79	47.19	31.29
	Cf2	3.44	20.60	16.63	22.82	22.01	11.80
2009	Cf1	33.47	65.13	83.89	54.53	47.45	34.69
	Cf2	2.06	19.17	15.32	21.34	21.02	12.35
2010	Cf1	29.86	68.72	87.50	58.10	51.27	37.07
	Cf2	2.14	22.52	18.27	24.92	24.36	15.07
2011	Cf1	25.60	68.61	88.46	57.73	54.36	35.92
	Cf2	2.44	24.07	19.06	26.82	27.95	15.60
2012	Cf1	26.66	61.88	81.49	51.81	50.56	33.56
	Cf2	2.54	22.26	18.35	24.26	25.29	14.97
2013	Cf1	29.47	63.78	81.26	54.81	51.32	37.85
	Cf2	4.40	23.24	18.58	25.63	26.37	17.48
2014	Cf1	28.03	60.64	80.76	50.98	46.21	34.23
	Cf2	2.51	22.52	19.19	24.12	23.41	15.73
2015	Cf1	27.28	63.02	86.62	52.58	44.72	31.73
	Cf2	2.41	22.15	20.17	23.03	21.71	15.09

Source: own calculus, based on data from http://www.dpfb1.mdrap.ro/sit_ven_si_chelt_uat.html

Note: Cf1 and Cf2 were defined at methodology section of the paper

By comparing the two ways for calculating the capacity of financing expenditures, it could be seen the greater importance of quotas and amounts from quotas deducted from income tax for Bucharest (more than 60% as difference) and also for county councils (where the second way of calculation result in an indicator of no more than 4.40%). Also, it could be seen that the difference between the two indicators is higher for bigger localities, showing that quotas and amounts from quotas deducted from income tax are more important for bigger communities.

Based on data from tables 1 to 3, we consider that for Bucharest the important weight of capital expenditures is more a result of own decision of local authorities, as for towns and communes it is

a situation appearing especially because important part of their revenues come from transfers, subventions or from projects, and important parts of these revenues are allocated for development projects. This interpretation needs to be validated by more detailed research, on community level.

Table no. 4 – Local budgets' expenditures, according to functional classification

Year	Type of expenditures	County councils	Municipalities			Towns	Communes
			Total	Bucharest	Other municipalities		
2007	Gps	9.62	9.11	8.69	9.33	15.81	19.04
	Dpons	0.47	1.59	1.40	1.70	1.58	0.63
	SCe	62.62	45.15	33.31	51.61	56.06	58.09
	Pdew	3.56	12.05	11.14	12.55	15.08	12.27
	Ea	22.72	31.61	45.13	24.23	10.76	9.44
	Osp	1.01	0.49	0.33	0.58	0.70	0.54
2008	Gps	10.43	9.98	8.80	10.63	16.58	20.04
	Dpons	0.46	2.03	1.83	2.14	1.92	0.98
	SCe	64.41	49.43	39.60	54.92	54.36	50.44
	Pdew	3.38	11.30	8.67	12.77	15.48	14.87
	Ea	20.38	26.27	38.78	19.28	11.19	13.01
	Osp	0.94	0.99	2.31	0.26	0.46	0.65
2009	Gps	11.20	10.67	10.42	10.81	16.32	20.69
	Dpons	0.40	2.09	1.99	2.15	2.02	1.21
	SCe	68.03	49.59	41.90	53.94	52.68	51.30
	Pdew	2.66	13.55	12.48	14.16	16.65	16.77
	Ea	16.25	23.69	32.93	18.46	10.05	9.46
	Osp	1.46	0.40	0.28	0.47	2.29	0.56
2010	Gps	9.41	10.60	12.58	9.48	14.68	18.29
	Dpons	0.32	1.79	1.84	1.76	1.65	1.03
	SCe	61.46	47.14	40.18	51.08	50.49	51.95
	Pdew	2.86	15.39	14.95	15.65	17.52	16.47
	Ea	23.47	24.67	30.31	21.47	12.60	11.23
	Osp	2.48	0.41	0.14	0.56	3.06	1.02
2011	Gps	9.14	9.62	10.94	8.90	14.85	16.72
	Dpons	0.37	1.53	1.72	1.43	1.45	0.86
	SCe	55.45	44.44	42.43	45.55	45.78	42.19
	Pdew	7.70	17.48	14.37	19.18	20.64	21.65
	Ea	25.01	25.59	30.18	23.07	14.52	17.53
	Osp	2.33	1.34	0.36	1.87	2.77	1.05
2012	Gps	9.48	9.20	9.89	8.85	15.16	17.60
	Dpons	0.65	1.54	1.69	1.47	1.50	0.89
	SCe	60.99	44.40	43.16	45.04	46.04	40.51
	Pdew	6.93	19.41	17.08	20.61	18.08	18.27
	Ea	20.19	24.73	27.90	23.11	17.62	20.97
	Osp	1.76	0.70	0.27	0.93	1.60	1.75
2013	Gps	8.87	9.88	11.12	9.24	14.59	18.12
	Dpons	1.00	1.75	2.10	1.57	1.48	0.98
	SCe	61.92	46.15	41.50	48.53	47.89	43.27
	Pdew	8.33	17.55	19.16	16.73	18.93	16.05
	Ea	17.5	23.61	26.06	22.35	15.92	19.58
	Osp	2.38	1.06	0.06	1.58	1.19	2.01
2014	Gps	9.10	9.79	11.56	8.95	13.47	17.33
	Dpons	0.34	1.72	2.05	1.57	1.34	0.91
	SCe	63.35	48.41	43.31	50.86	48.15	42.29
	Pdew	7.14	17.11	17.04	17.15	18.31	16.32
	Ea	17.8	22.07	25.99	20.19	17.85	21.34
	Osp	2.26	0.88	0.05	1.28	0.87	1.81

	Gps	8.93	8.39	9.80	7.77	13.34	16.78
	Dpons	0.35	1.93	2.32	1.75	1.39	1.14
	SCe	56.11	50.11	45.77	52.04	46.59	41.71
	Pdew	15.85	16.21	15.38	16.58	17.64	15.89
	Ea	15.98	22.62	26.68	20.83	18.86	22.34
2015	Osp	2.79	0.73	0.05	1.03	2.17	2.15

Source: own calculus, based on data from http://www.dpfbldrap.ro/sit_ven_si_chelt_uat.html

Note: Gps means general public services, Dpons – defence, public order and national safety, SCe – social-cultural expenditures, Pdew – Services, public development, houses, environment and waters, Ea – economic actions, Osp – other expenditures

Analysis of the functional allocation of the local budgets' expenditures reflects that the most important expenditures for local budgets are social-cultural expenditures. But the trend of these expenditures is not the same for all of the communities. As long as for county councils the weight remains relatively the same, for the municipalities these expenditures decreased until 2010 and rose after that, but for towns and communes the tendency is of decreasing. The explanations stand in some facts: in the sense of growth of the expenditures, the most important causes are decentralization of public hospitals in 2010 (most of them to the counties and municipalities) and new responsibilities for financing school units (since 2011), and, in the sense of reduction, the principal causes are the demographic evolutions, that generated the shut-down of schools in rural localities, and the shut-down of some medical units, especially from little towns or big communes, decided by central government as an anti-crisis measure. Expenditures for economic actions are the second destination of expenditures for county councils and municipalities and, in the last years, for towns and communes. But for Bucharest the tendency is clear a decreasing one, as long as for the other localities these expenditures increase and for county councils the evolution is sinuous. For towns and communes, the expenditures for economic actions are very close of the expenditures for general public services and that for public development.

5. Conclusions

Many articles analyze the evolutions of local budgets as a total, but our paper evidence that there are differences between the allocations of funds between different administrative units, differences that appear especially because of the way of financing of the local communities and of the differences in the economic potential of localities. Based on the data analyzed, we argue that the financial decentralization is not significant for some types of administrative units, the funds for investments are rather small and some problems could be found also in the management of personnel. But, as it was highlighted for Bucharest and other municipalities, there are differences between the same type of administrative unit, and in order to identify the causes of these, there are needed more studies to analyze not just financial indicators.

6. References

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Budgetary Deficit and Its Effects on Public Debt

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Abstract

Funding for the various economic or social objectives is performed frequently from borrowed resources. Unfavorable ratio between revenues and expenditures is often the effect of the worsening economic environment and of the adoption of fiscal inadequate measures. The deepening of the budget deficit has been accompanied by the growth in public debt and vice versa, in the context of rising public debt. The paper highlights aspects of the evolution of budget deficit and public debt in Romania, being conducted and a comparison with other European countries. The application of descriptive statistical methods allowed the identification of a link between the budget deficit in times of economic crisis and raising of the taxes or resorting to loans, with reorientation towards the domestic market.

Key words: public deficit, public debt, fiscal policy

J.E.L. classification: H 62, H 63

1. Introduction

The manifestation of economic and financial phenomena and processes is performed at different levels and with different intensities in time and space, but recorded a constant interconditioning, causing often difficulties for the authorities. The need to finance different public utilities, whose growth rate exceeds the resources that can be mobilized from taxes or other sources has become a key issue for authorities. Resorting to loans has become a practice for many countries, the indebtedness represented over 100% of GDP.

Application of measures of fiscal policy - budgetary, inconsistent with reality has determined considerably the increase of the volume of public debt, with adverse effects that may be perceived with large time gaps. Budget deficits gaps have widened and influences on public debt volume were not late to appear. The use of borrowed resources is not a delicate matter as long as they are earmarked for productive and achieve a level of gross domestic product enabling repayment of loans and payment of financing costs. Instead, if there is a use of loans for consumption, the generated effect will be negative. In addition, increasing the volume of public debt will end up reinforcing scarcity, increase the level of taxation, reduced public spending on goods and services and increased expenditure resulting from debt service. Basically, the interdependence between public debt and budget deficit has become a far more constant nowadays, at the level of many countries. Procurement of necessary resource for the state can be achieved on domestic or foreign markets, differentiated process at the level of each state, especially in relation to the degree of development. Thus, the least developed countries focus mainly on foreign markets amid the absence of resources on their markets, while developed countries call priority on domestic resources. As a result, internal and external public debt is the result of joint action of internal and external factors, economic, financial, social and politico-strategic decision adopted by various governments over time. In this paper there are analyzed the aspects regarding the evolution of Romania budget deficit and its implications for public debt volume.

2. Literature review

In general, the economic situation in a given period influence the measures adopted by the

government, who are facing difficulties in providing the necessary resources to finance public needs. In the specialty literature there were identified the government guidelines, in times of economic recession, either to increase taxes or to reduce costs, however, considering that such options have negative effects (Mankiw, 2008, p. 535); (Stiglitz, 2006, p. 128) et all. The debate on the correlation between budget deficit and public debt converge towards a common point: the budget deficit causes an increase in the public debt to be paid in the future. In the case of the cost of financing public debt is greater than the real rate of economic growth, its level becomes unsustainable and impose corrective measures (Tescic and all, 2014, p. 178). In addition, the impact of measures or development of economic environment is visible in the volume and structure of income with a certain gap, which is why it requires the application of a fiscal and budgetary consolidation strategy (Dobrotă, 2016, p. 49), especially since many governments relate to the Stability and Growth Pact, following the budget deficit and public debt within certain limits (Camarero et all, 2013, p. 2).

3. Trends in the evolution of budget deficit in Romania

The largest part of budgetary expenditure is financed mainly due to revenues from duties, taxes and compulsory contributions (over 85%). However, using this instruments exclusively for financial purpose and above all, increase tax rates in times of economic downturn causes negative effects: reduced consumption, saving, investment, restricting the activity of the economic operators and rising the unemployment. An option with better results is widening the tax base or its stimulation (by reducing tax rates, subsidies or tax incentives). The evolution of the budget deficit and components determined in the range 2006-2015 are shown in Table 1.

Table 1 The dynamics of income, expenditure and the budget deficit consolidated in Romania during 2006-2015

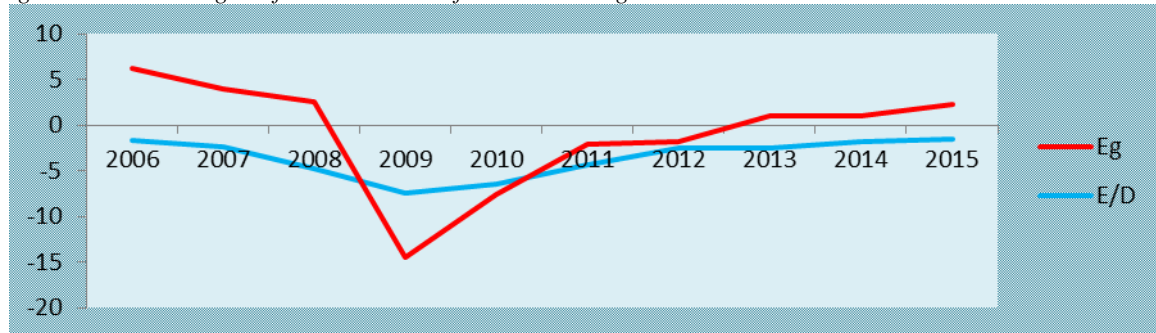
Anii	Public expenditures Mill. lei	% Public expenditures in GDP	Public incomes Mill lei	% public incomes in GDP	Excedent /deficit Mill. lei	Excedent /deficit %GDP	Economic growth
2006	112626,3	33,5	106975,3	31,8	-5651,0	-1,68	7,9
2007	136556,54	34,9	127108,2	32,5	-9448,4	-2,4	6,3
2008	189121,7	36,9	164466,8	32	-24654,9	-4,8	7,3
2009	193679,3	39,4	157243,9	32,0	-36435,5	-7,4	-7,1
2010	201903,6	39,5	168598,5	33,0	-33305,2	-6,51	-1,1
2011	205818,5	37,0	181919,9	32,7	-23898,6	-4,29	2,2
2012	207922,1	35,5	193148,2	33,0	-14773,9	-2,52	0,7
2013	216168,3	33,8	200374,3	31,3	-15794	-2,47	3,5
2014	226326,8	33,6	213833,6	31,7	-12493,2	-1,85	2,9
2015	243915,5	34,6	233554,3	33,1	-10361,3	-1,47	3,7

Source: www. mfinante.ro, Bulletin of the Ministry of Public Finance

The budget deficit has fluctuated from one time to another, 2009 and 2010 are characterized by the highest values in the context of the manifestation of economic and financial crisis. Basically, budgetary developments were folded on modifications supported by economic growth rates. This assertion is supported by the trend of deficit reduction between 2013 - 2015, characterized by higher economic growth rate. Unfortunately, this was supported by consumption, boosted by fiscal loosening.

A suggestive comparison between the rate of real economic growth and budget deficit can be achieved through a graphic representation (figure 1):

Figure no. 1 The budget deficit and the rate of real economic growth in Romania

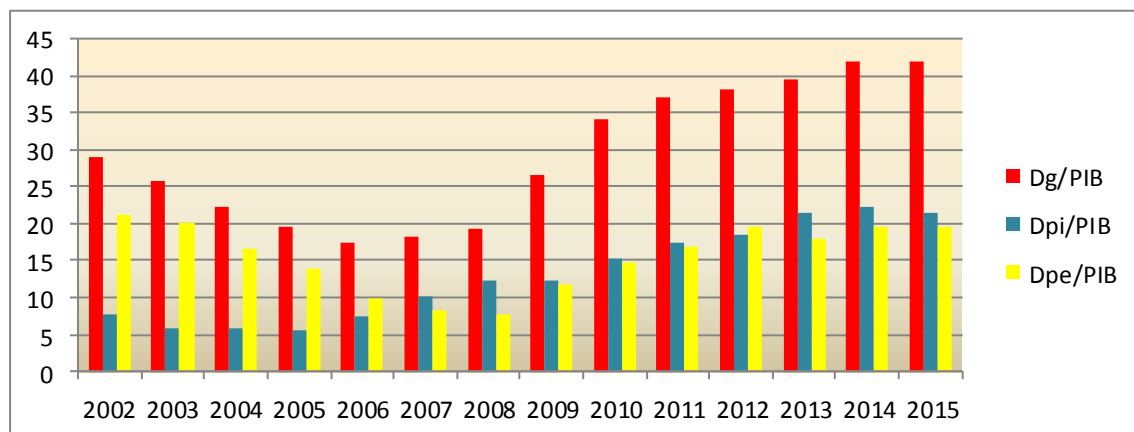


Source: own processing based on data from table 1

It is noted that the budget deficit has deepened in the years that occurred in unfavorable period from economic point of view. The dependence of budget revenues by the economic situation demonstrates the type of fiscal policies applied by various governments, the procyclicality of that being obvious.

It must highlight the evolution of public debt to GDP, which recorded a significant increase after 2008 (from 19.5% in 2008, it reached 38.6% in 2012 and 42% in 2014). Figure 2 is a clear tendency for increase of public debt after 2008, pointing out, however, that in recent years the state has tried to ensure the refinancing of debt on resources mobilized domestically.

Figure no 2 The trend recorded by the ratio of government debt in GDP

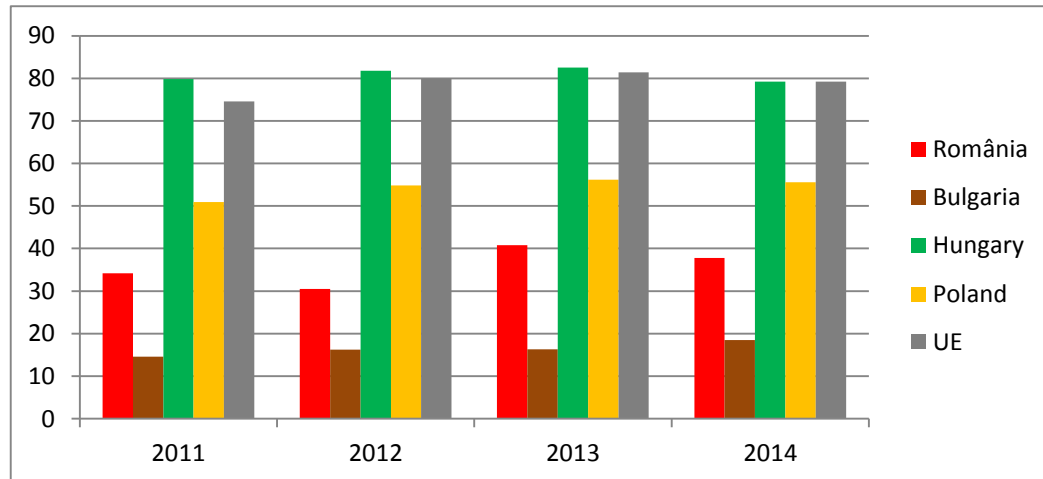


Source: own processing based on data from www.mfinante.ro

International macroeconomic developments were also reflected in Romania, the need for resources needed by the state is growing, in the context that domestic economic environment has been affected by imbalances internationally. As a result, in 2014, there was an increase in public debt by 17.6 billion, mainly due to the need to cover the budget deficit and government debt refinancing. Incidentally, the latter prevails in all public external debt (94.2%) compared to the local public debt (5.8%).

The share of government debt to GDP at the end of 2014 was approximately 42.1%. This percentage is lower compared with the ceiling set by the Maastricht Treaty (60%) and prompted Romania's position on the 4th level of EU countries with the lowest level of debt (the top positions were occupied by Estonia with 10.1%, Bulgaria with 18.5% and Luxembourg with 20.8%). Graphically, Romania's situation in comparison with countries in Central and Eastern Europe is as follows (figure no 3):

Figure no. 3 The comparative situation of the share of public debt to GDP



Source: own processing based on data from www.ec.eurostat.eu

However, a comparison between Romania and other underdeveloped countries allow evidence of undesirable situations: our country recorded faster growth of public debt compared with major economies in Central and Eastern Europe such as Poland, Hungary, Czech Republic and Bulgaria. The increase in public debt can be attributed to the financial crisis, the sharp increase in budget deficits. Financial crisis were felt at the level of budgetary expenditure and revenue at. Thus, budget spending increases general welfare (unemployment increased significantly in many countries) or the assumption of liabilities of banks. Budget revenues have decreased significantly, due to the economic downturn but also the adoption of fiscal measures or inadequate budget.

4. Conclusions

The analysis of presented issues can conclude that Romania fits into the pattern of least developed countries, which is using fiscal policy mainly for setting up financial resources in a large amount, often the measures taken in this respect generating negative effects in the economic plan. Reducing the budget deficit remains one of the main objectives of the authorities, especially through the influence they exert on public debt. It should not be pushed to the extreme, because achieving economic and social objectives are conditioned by the level of resources. Accordingly, applying a mix of economic, social, fiscal and budgetary which subsumes the objective of sustainable growth should remain the main concern of government.

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The Influences of the Exchange Rate on the Performance of Romanian Trade

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Abstract

The unprecedented development of international trade relations has generated the possibility of obtaining a significant part of the GDP of the participating countries in foreign trade. As a result, the issue of competitiveness in international economy has become a major concern to authorities. In the category of factors which are influencing the competitiveness level is registered the volatility of the exchange rate. In this paper there were analyzed the aspects regarding the evolution of Romania's foreign trade and exchange rate, in the context of monetary policy measures. The conclusion is that the development plan of the national economy is determined by the action of a complex of economic, social and political factors, but measures taken by the monetary authorities in relation to the regime of exchange may generate visible effects at this level and thus to the volume of foreign trade relations.

Key words: competitiveness, exchange rate, trade

J.E.L. classification: F 13, F 31

1. Introduction

In general, the performance recorded in the activities is considered an important indicator for sizing the competitiveness of an economy. But what is competitiveness? The numerous debates and controversies on the subject have not resulted in a universally accepted definition. From the literature are distinguished a number of issues that relate more to how you can size the state of competitiveness and the levels of its analysis. Thus, on the macroeconomic plan, there is an orientation to analyze the overall economy in terms of its ability to provide both the necessary resources to meet the needs of the population and a degree of occupancy as high as possible (subject to the requirements of sustainable development) (Cristea et al, 2008) while at microeconomic level there is identified an analysis on the firms and in the competitive process plan. Obviously, the competitiveness is not confined to the internal market analysis, any economy is more or less performing compared to other states. Externally, there is a reference to the effectiveness of external trade operations. Basically, there is considered that the trade balance is an important indicator for analyzing the competitiveness of an economy (dimensioned with the capacity to produce more than it consumes, in the context of rational use of resources and obtaining products of a higher quality, comparable that of existing products on foreign markets). Currency balance ensure is basically influenced by the performance of foreign trade. But it is influenced by other factors, it has a particular significance the exchange rate, its fluctuations on different time exerting a direct influence on the volume of foreign trade operations. Taking into account the previous specifications, the paper aim to realize an analysis of the volume and structure of foreign trade operations in Romania in connection with exchange rate volatility is structured as follows: literature review; trends in the evolution of Romania's foreign trade under the impact of exchange rate fluctuations; conclusions and bibliography.

2. Literature review

The two issues (development of foreign trade and exchange rate volatility in the currency markets) were analyzed frequently, either individually or in conjunction, registering a variety of results. Foreign exchange has experienced faster growth in recent decades, registering significant changes in the traditional hierarchy. Thus, the emerging countries have become important players in foreign markets, to the detriment of developed countries, being estimated a significant percentage of their in the international trade to 70% in 2050 (Dadush and Shaw, 2011, p. 65).

Regarding to the influence of exchange rate on export volumes, we notice different opinions. Thus, on the one hand it is considered that currency depreciation has no effect on foreign trade (Yang and Ji, 2006) or, on the contrary, has a negative influence on exports and imports (Binatli and Sohrabji, 2009). On the other hand, it is considered to be only exercised influences on exports (Bernard and Jens, 2004; Lemmers and Vancauteran, 2009; Gherman et al, 2013, p. 49; Grier and Smallwood, 2007, p. 978) or only on imports (Aydin et. al., 2004). There were also highlighted situations that have demonstrated influence of the exchange rate only on some groups of exported goods being identified a positive correlation to aliments, transport equipment, fuels, capital goods and chemicals.

3. Trends in the development of foreign trade in Romania under the impact of exchange rate fluctuations

In conditions of centralized economy the currency market in Romania was practically nonexistent. In the last years of the communist regime, the policy of liquidation of foreign debt held by the party in power generated negative effects on the entire economy. Thus, drastically limiting imports and exports enabled to pay the external debt, but at the cost of maintaining old facilities, the specific competitive advantage cancellation of an economy with a high degree of technology. The transition to a market economy has forced the cancellation of the policies which were regulating the foreign trade, with direct impact on the trade balance, which has rapidly deteriorated. This situation was caused by the absence of currency markets. Lack thereof and the practice of maintaining a currency at an artificial level (21 lei / dollar, the official exchange rate in 1990) to which there was added the rapid consumption of the exchange reserve of about \$ 1.2 billion (as at the end of 1989) in less than 9 months, had an adverse effect in economically plan. Determination by the authority of a steady exchange of 33-35 lei/dollar, which depreciated to 40-45 lei/dollar towards the end of the year, in the context of, on the unofficial market, the rate reached 80-100 lei / dollar has not had the desired effect. Using a fixed exchange rate as anti-inflationary anchor was a totally inadequate measure. The deficient actions of the authorities, who aimed to stimulate imports (much cheaper) to buy time to revive the economy and reduce inflationary pressures, led to worsening of the external imbalance.

Thus, while exports experienced a significant decrease amid the realization of products with a lower quality level, the imports have continuously increased, due mainly to the intern demand which exceeded the intern supply. This aspect was passed in the trade deficit in coming years amid maintaining a fixed exchange rate of the leu against the dollar.

The period between 1998 and 2005, further market and currency exchange rate liberalization, there was characterized by relative stability amid the application of adjustment policies on trade. But the results were not as expected, and trade deficit widened (Table no. 1). It notes, however, a good evolution at the level of the indicator The openness of the economy (DOE), but, the interpretation should be conducted accordingly to the comparative situation between the growth rythm of the two components (higher for imports).

Tabel no. 1 The evolution of Romania's trade with EU countries during 1998-2005 (milions USD)

Year	Export	Import	Balance	Total trade	DOE
1998	5.356	6.825	-1.470	12.181	52,9
1999	5.573	6.275	-702	11.848	60,1
2000	6.618	7.388	-770	14.007	71
2001	7.720	8.918	-1.198	16.638	64

2002	9.301	10.423	-1.122	19.724	80,9
2003	11.932	14.627	-2.695	26.559	71
2004	15.678	19.013	-3.335	34.691	83,5
2005	18.754	25.167	-6.413	43.921	84

Source: www.bnr.ro

The trade balance recorded the highest deficits in 2007-2008 due to the expansion of imports from European Union and declining exports. In the same period the leu began to depreciate strongly against the euro. In the period 2012-2015, the volume of external trade operations grew, both in the export and import level, as it results in Tables 2.

Table no. 2 The evolution of Romania's exports and imports in the period 2012-2015(mil. euro)

Year	Export			Import		
	Intra UE	Extra UE	Total	Intra UE	Extra UE	Total
2012	31720,5	13349,1	45069,6	40260,5	14443,4	54703,9
2013	34505,4	15057,2	49562,6	41861,2	13403,3	55264,5
2014	37306,5	15153,2	58508,4	44107,1	14401,3	58508,4
2015	40242	14380,6	62967,7	48587,1	14380,6	62967,7

Source: www.insse.ro

Significant increases in external trade operations led to increase in the deficit (after a substantial reduction in 2013), from year to year. Thus, in 2015 there is an increase of 38% compared to the previous year (table no. 3).

Table no. 3 The trade balance in 2012-2015 (mil. EURO)

	2012	2013	2014	2015
Commerce intra UE28	-8540	-7335,8	-6800,6	-8345,1
Commerce extra UE28	-1094,3	1653,9	751,9	-24,3
Total	-9634,3	-5701,9	-6063	-8369,4

Source: www.insse.ro

In conclusion, the volume of foreign trade operations in Romania have developed significantly after switching to a market economy, amid the currency market development.

To identify the influence of the exchange rate of Romania's foreign trade, there can be analyzed its trend between 2002- 2015 (table no. 4).

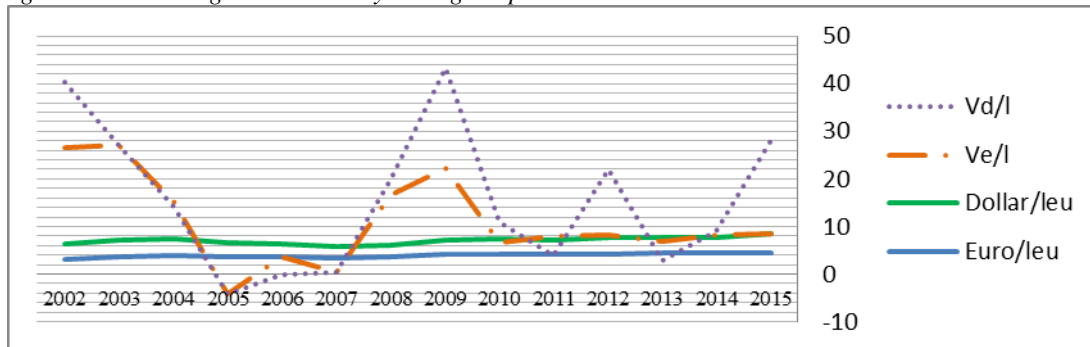
Table no 4 Exchange rate and its volatility during the period 2002-2015

Years	Exchange rate euro/leu	Exchange rate dolar/leu	Volatility of exchange rate euro/leu	Volatility of exchange rate dolar/leu
2002	3,1255	3,3055	20,09	13,74
2003	3,7555	3,300	20,15	-0,17
2004	4,0532	3,2636	7,93	-1,1
2005	3,6234	2,9137	-10,6	-0,11
2006	3,5245	2,8030	-2,73	-3,59
2007	3,3373	2,4383	-5,31	-0,13
2008	3,6827	2,5189	10,35	3,31
2009	4,2373	3,0493	15,06	21,06
2010	4,2099	3,1779	-0,65	4,22
2011	4,2379	3,0486	0,66	-4,07
2012	4,4560	3,4682	5,14	13,76
2013	4,4190	3,3279	-0,83	-4,04
2014	4,4446	3,3492	0,57	0,64
2015	4,4450	4,0057	0,01	19,60

Source: www.bnr.ro, own calculations

From the presented data there may be noted that in the period 2010 -2015 there was a greater volatility for dollar/leu exchange rate versus euro/leu. In the analyzed period exchange rate trend can be followed Figure 1. The exchange rate fluctuations transmit their influence on developments of different macroeconomic indicators. The influence exerted by exchange rate volatility on exports is difficult to quantify because the economic, political and social particularities from different countries do not permit the application of uniform models. However, it is known. that a significant appreciation of the domestic currency discourages exports

Figure no 1 Exchange rate volatility during the period 2002-2015



Source: own processing based on data from Table 4

Exchange rate volatility transmits its influence on imports in case of there is an appreciation of the currency against the euro. In this respect, the situation in Romania is conclusive. The leu's depreciation against the euro in 2012 led to increase exports and reduce imports, the direct consequence being -9.6343 trillion deficit reduction from EURO to -5.7019 trillion EURO. Subsequently, the appreciation in 2013 has stimulated imports in 2014 at a rate higher than exports, a trend that continued in 2015 (even if in the years 2014 to 2015 there was registered a significant depreciation compared with 2013, contracts have contributed to this situation). In conclusion, imports are boosted by the appreciation of the leu (while exports subtracted) but evolution is not immediate but occurs with a gap.

4. Conclusions

Exchange rate fluctuations transmit the influence on registered developments in different macroeconomic indicators. Its impact on the balance of external payments is not only directly on the size, but also indirectly through trade balance components. Thus, numerous studies have shown the influences of exchange rate depreciation or appreciation on exports and imports. The results were extremely diversified, which proves once again that their economic, political and social particularities of different countries do not permit the application of uniform models or respect certain rules and principles imposed. Analyzing the data presented it is observed that transmit foreign exchange policy measures influence on foreign trade, with some gaps. They are not visible to the true level, especially if we take into account the fact that Romania is intended for imports of inputs for export goods, leading to an overall reduction of the effect of exchange rate on exports. Also, we must not forget that on the exchange rate is exerted influence by a number of factors, most important being the external sector, political instability, economic situation, bank capital.

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Aspects Concerning Financial Debts and Assets' Evaluation at Fair Value

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Abstract

In the actual context of the process of globalization and accounting normalization, within which the decisional process must be based on information which fulfill the quality characteristics required by the existing norms referring to a clear image, the notion of fair value is pointed out as a main coordinate.

Assets and financial debts, as well as all the patrimonial elements, are subjected to the process of evaluation, respectively reevaluation. Further evaluation of these elements may be realized at fair value a fact which leads to an improvement of the information which are furnished in financial situations, these becoming more reliable, and they have a smaller difference between accounting value and stock value for the rated entities.

The benefits of using the concept of fair value have made it presently extending upon all balance sheet items.

Key words: fair value, financial debts, evaluation

J.E.L. classification: M40, M41

1. Introduction

Even though not every informational necessity of users may be covered by given references in the published financial standing, there is a series of necessities which is common for every user. These necessities are satisfied by the objective of financial standing, namely the one of delivering information concerning financial position, performance and the evolution of financial position associated with an entity. (Feleagă, Malciu, 2002, p.27)

In order to present actual information, necessary for all categories of users, the entities must appeal to the instrument of evaluation, respectively reevaluation. This thing is due to the fact that there is a series of elements whose action leads to the burst of some distortions. The following factors may be included: open price, the national currency exchange rate, trader's internal managing. (Păvăloaia, Păvăloaia, 2006, p.215)

The economical evaluation, respectively reevaluation is made for determining the market value of an accounting element, thus giving current information. Concerning reevaluation, this means to evaluate again, usually for updating a preexistent value. (Todea, 2004, p.112)

The main concepts used in the evaluation process refer to types and categories of values, having different meanings when used in the evaluation activity. Among these, fair value is remarked, representing the amount for which an asset may be willingly exchanged between two interested parts which are witting, in a transaction in which the price is objectively determined. (Anghel et al., 2010, p.63). Though initially, the concept of fair value was associated only with financial assets, presently it has extended upon all balance sheet items.

Concieved and structured on a complex matter, the paper considers the presentation of some financial accounting elements, as well as a study case which basically reflects the implications of evaluating at fair value the assets and financial liabilities upon accounting recording of these elements.

2. Methodology

Any research which is supposed to be a scientific one should have a purpose. The purpose of this paper is that of presenting theoretical and practical aspects concerning subsequent assets and financial liabilities evaluation to a fair value.

The methodology comprises both theoretical research concerning the concepts and regulation in the domain, and also an empirical research. I proceeded to studying The International Evaluation Standards, papers concerning financial accounting, to analyzing regulations in the domain, thus being an explorative qualitative paper, and also I proceeded to studying practical aspects which are specific to assets and financial liabilities used when establishing their fair value, thus being a descriptive quantitative paper.

3. Fair value – basic concept in evaluation

Internationally, there still are questions about what exactly is the fair value, but also about its advantages and disadvantages.

According to IFRS 13 „Evaluation at fair value”, fair value is the amount for which an asset can be traded or a discounted debt between parts being fully informed, in a transaction in which the price is objectively determined. (IFRS 13, 2008)

IFRS 13 specifies the factors which entities must take into consideration when evaluating fair value. These are: evaluated asset or liability, the market, market party / attendant, price.

Fair value is the price in the main market, and if there is no main market, this represents the price on the most advantageous market. It is the market price with the greatest volume and level of activity such as asset or liability, namely the market in which the value to which the asset is sold is maximized, or the market in which the value paid for transferring the liability is most reduced after being taken into consideration the transaction and transport costs.

Fair value upholders argument the utility of the evaluation system based on fair value by exposing the following advantages: allows getting a reliable financial standing, it offers a bigger accounting objectivity and neutrality, allows a better comparability between fungible assets, especially financial instruments, it allows a “more economical” vision of assets and equities which are drown by the entity, it offers a better informing and comparison concerning the entity’s present and future performances, it reduces the difference between book / accounting value and stock value (for rated entities), it improves the managers’ control on the entity’s patrimony, it offers a active managing coherence for financial risks, it has a “more universal” character as opposed to historical cost. (Deaconu, 2009, p. 104)

The shortcomings that fair value has refer to: it does not always offer reliable information, being hard to be calculated by the entity’s personnel without expert advice, it’s actual determination implies technical and financial problems, it creates difficulties in determining the distributable result, it does not allow reflection of intangible assets value, it offers a short term financial standing of the entity, it influences the way of reporting and analyzing certain elements or operations which are subjects for evaluation at fair value, but it advantages one of the users of accounting information categories, namely the investors. (Deaconu, 2009, p. 106)

Concerning the concept of fair value we can say that it modifies the content of what accounting evaluation means. This change is connected to the term of “recognition”. Firstly, recognition means acknowledgement of the existence of financial standing elements, and secondly, it implies a fair, rational, reliable evaluation of the financial standing elements using established methods and procedures. (Deaconu 2009, p.132)

4. Considerations regarding the fair value of the assets and financial liabilities

Subsequent evaluation of assets and liabilities represents a further measurement of their initial recognition and it tinges according to the regarded asset or liability. It is also a reporting value in financial standings and it represents an area of maximum interest in examining some patterns of evaluation which are different than the mixed model recommended by the General Framework of

IASB – restorable historical cost and maintaining the nominal financial capital. (Guşe, 2011, p.333).

Financial instruments are contracts which simultaneously generate a financial asset for an entity, respectively a financial liability for another entity. Financial asset is any asset which represents cash, a contractual right to receive cash or any other financial assets from another entity, a contractual right to exchange financial instruments with another entity in conditions which are potentially favorable or an instrument of personal capital / equity of an entity. (IAS 32). Financial liability is a contractual obligation to inflow cash or any other financial assets to an entity, or to exchange financial instruments with another entity in conditions which are potentially unfavorable. (IAS 32)

The entity must admit in the balance sheet a financial asset or a liability only when these become a part of the contractual terms of the instrument. The initial registration is made at cost, with the remark that this cost is measured at fair value of given counter performance. (Malciu, 2002, p.176).

Further evaluation of financial assets is mainly made at fair value without any cost deduction which might appear from trading or from any other outflow. There is a series of financial assets which are held until due date / or which are not held for trading / unlisted on an active market, which are subsequently evaluated to initial acknowledgement at redeemed historical cost. (Guşe, 2011, p.353)

Subsequent evaluation of financial liabilities is made at a redeemed cost, with the exception of financial liabilities and derived instruments held for trading, which are evaluated at fair value. (Guşe, 2011, p.353).

Gains and losses from the fair value evaluation of assets and financial liabilities are generally known in profit and lose costs. But there is an exception of this rule: gains and losses generated by an asset which is available for trading may be directly acknowledged in the direct own capital until the moment of trade, when the cumulated amount is transferred to net profit or to the period lost. (Cernuşca, 2004, p.276).

5. Study case concerning subsequent evaluation at fair value of assets and financial

I. Entity S.C. Example S.A. invests 125400 lei in a portfolio of fixed income securities, having a 6% annually interest. After 12 months, the entity collected the first interest of 7524 lei. The securities' / titles' market value increased with 3800 lei. One must remember that the securities / titles haven't suffered any depreciation and no part of the principal has been reattributed.

Further the 3 possible cases referring to reevaluation of these securities will be presented:

Case 1: The titles / securities are retained for trading

In this case, titles subsequent evaluation is made at fair value and any gain resulted from their evaluation will be recorded in the profit and loss account.

1. Recording of interest collecting after one year.

$$6\% \times 125400 = 7524$$

Bank accounts in lei	=	Interest incomes	7524
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2. Recording profit of 3800 lei gotten from market value variation, after reevaluation:

Financial assets	=	Unrealized gains	3800
		(Profit and loss account)	

Case 2: Securities are kept as securities available for trading

In this case, subsequent securities evaluation is made at fair value and any gain resulted from reevaluation will be recorded directly in personal capitals, and at the date of titles' trading, cashing or redundancy in any other method, the gain will be transferred in the profit and loss account.

1. Recording of interest cashing after an year:

$$6\% \times 125400 = 7524$$

Bank accounts in lei	=	Interest incomes	7524
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2. Once with reevaluation, the income of 3800 lei made from the market value variation, will be recorded in personal capitals

Financial assets = Unrealized gains in reevaluation 3800
(personal capitals)

Case 3: The tiles / securities are kept till due date

In this case, the subsequent evaluation of these securities is made at amortized cost, and unrealized incomes as a result of market value variation (fair) are not established.

1. Registration of income cashing after one year:

$$6\% \times 125400 = 7524$$

Bank accounts in lei = Interest income 7524

2. Registration of titles' subsequent evaluation in amortized cost

Titles are evaluated at the amount of 125400 lei because this is the value at which they were initially registered and because there were no principal reimburse.

II. Entity S.C. Example S.A. has contracted a loan of 140000 lei with an income rate of 12% per year, for a four years period.

Case 1: Effective interest rate is equal to nominal interest rate

In this case the loan's fair value is calculated by updating future cash flows associated with effective rate, which is equal to nominal rate namely of 12%

Table no.1 Calculation of loan fair value

Year	Cash flows	Updating factor $1/(1+12\%)^n$	Updated cash flow
1	$12\% \times 140000 = 16800$	0,8929	15001
2	16800	0,7972	13393
3	16800	0,7118	11959
4	$16800 + 140000 = 156800$	0,6355	99647
Total	207100	-	140000

Source: own creation

As a result of this presentation it is clear that the loan's fair value and respectively its historical value are equal (140000). The loan (financial liability) will be established at its fair 140000 value without a necessary registration of unrealized gains or losses.

Case 2: Effective income rate is different than the interest nominal rate

In this case there is a difference between the nominal 12% rate and the effective 15% rate.

Table no.2 Calculation of loan fair value

Year	Cash flow	Updating factor $1/(1+15\%)^n$	Updated cash flow
1	$12\% \times 140000 = 16800$	0,8696	14610
2	16800	0,7562	12705
3	16800	0,6576	11048
4	$16800 + 140000 = 156800$	0,5718	89659
Total	207100	-	128022

Source: own creation

As a result of this presentation it is clear that the loan's fair value (financial liability) of 128022 is different from the nominal one (historical cost) of 140000 lei. Provided the fact that the fair value is lower than the historical cost, the entity must register an unrealized cost associated with financial liability, and its creditor will register a loss associated with an asset.

Calculation of unrealized income as a result of financial liability reevaluation:

$$\text{Historic cost} - \text{fair value} = 140000 - 128022 = 11978 \text{ lei}$$

In order for the debt to be presented at its fair value, the unrealized income will be established in the profit and loss account:

Financial liabilities = Unrealized incomes resulted 11978
from financial liabilities
reevaluation

6. Conclusions

In the process of evaluation of an entity, the assets and financial liabilities represent a distinct interest because for most of the entities, these elements are not part of their normal exploitation activity and as a result of that, they require a special alternative treatment. The alternative accounting treatments referring to subsequent evaluation use a fair value model of evaluation. Although initially the concept of fair value was associated only with financial assets, presently it has enlarged upon all balance sheet items.

As a result of fair value evaluation of balance sheet items, one may obtain more reliable financial statements, a better comparability of these elements, but also an abatement of the difference between accounting value and stock value for the rated entities.

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Peculiarities of Reevaluation Results Treatment Pertained to Grounds According to Their Destination

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Abstract

Regardless the nature of the activity that an entity develops, respectively the multitude of aspects which target developed activity, the aspects referring to economical-financial information are considerable detached. These aspects are the ones which represent the maximum of interest for different categories of users of the information provided by entity.

A real report is only realized in the condition of presenting the patrimonial elements at their actual value given by the evaluation instrument, respectively by the one of reevaluation. The fact that among balance sheet items, tangible assets occupy a significant place must be mentioned and within these, the fields owned by the entity, which can be held and purchased for different purposes, are also subjected to the process of reevaluation.

The purpose of this scientific approach is to both theoretically and practically present what implications of the owning purpose of a field have on the reserved treatment apparent from an accordingly reevaluation.

Key words: evaluation, reevaluation, reserves from reevaluation

J.E.L. classification: M40, M 41

1. Introduction

Realities of modern society prove the fact that entities are forced to offer information to different kinds of users, even though a part of the information referring to some carried out activities may be hidden behind confidentiality. These information are used in taking decisions, mentioning the fact that besides the quantity of given information, the quality is essential.

The accounting theory and culture's degree of development, the orientation of accounting regulations, practice specifics, globally, but especially nationally, influence the whole process of measuring, certifying and publishing the economical-financial information. (Matiş, Pop, 2010, p.692).

Concerning the information which is given to users, accounting has the goal of measuring and translating the activities of an entity. (Lande et al., 2002, p.13). For fulfilling this purpose, accounting appeals to the instrument of evaluation, respectively reevaluation. The process of evaluating patrimony elements occupy an important place in accounting practice and theory, being above all, the premise of enlistment in the accounting registers. (Creţoiu, Bucur, 2007).

The process of evaluating the assets is directly involved in elaborating the information regarding the financial position of an entity, which reflects the relationship between the assts, debts and equity, registered in its balance sheet. Also, by modifying the value of some assets during financial exercise, the process of evaluating the assets also affects the other critical components of financial situations. (Stan, Anghel, 2007, p.355)

Among the assets detained by an entity, an important place is occupied by the fields that one owns and which have different destinations. Fields evaluation must be made only by people having the necessary qualification and experience in this domain.

Conceived and structured on a complex problem, this scientific approach aims the presentation of some accounting elements referring to fields' reevaluation, as well as a study case which practically reflects the implications of the purpose of owning the field upon the treatment of reevaluation reserves.

2. Methodology

The methodology I have used for this scientific approach is based on a theoretical research concerning the concepts and regulations in this domain, and on an empirical research through which I have pointed out some peculiar aspects about the approached subject. I have resorted to studying papers in financial accounting elaborated by theoreticians and specialists in this domain, to studying Evaluation Standards, to analyzing regulations in the domain, thus being a qualitative exploratory research, and I have also researched practical aspects which are specific to fields' accounting treatment and reevaluation reserves, related to the fields as a result of reevaluation according to the purpose for which the field is being purchased or owned, thus being a descriptive quantitative paper.

3. Considerations concerning fields and their reevaluation

The economical evaluation, respectively the reevaluation is made for determining an accounting element's market value, thus offering actual information. Concerning reevaluation, this means to evaluate again, usually updating a preexisting value. (Todea, 2004, p.112).

The evaluation of an asset has as a starting point the balance sheet, because it reflects the volume of economical assets, of own, foreign and attracted resources, the market, the results of the strategies applied by the entity. (Păvăloaia, Păvăloaia, 2006, p.49). The evaluation is governed by diverse principles. One of these principles regards the purpose which is followed through evaluation. Even if this principle is not determined, it cannot be neglected. There is a certain way to proceed when evaluating some partimomial elements which are to be assigned, sold and there is another way to proceed when the evaluation is made for the internal needs of an entity. (Todea, 2009, p.116)

An asset element with a significant weight and with diverse destination is represented by the field owned by the entity. Fields are ground surfaces which have different destinations in the deployed activity. (Todea, 2009, p.64).

In current practice, the assessor may be appealed for evaluating the unimproved field (having agricultural destinations, with or without developing destination), for evaluating a field which is constituted as emplacement (thus having appliance), for evaluating the component of a field in a constituted property or for the situation when the owned field is destined for construction having a sales purpose, changing the classification from immovable to stock. (Stan, Anghel, 2007, p.238).

In the case of the fields which were reevaluated and made the object of partial disposal, when deregistering them, the difference from reevaluation associated with the disposed part is considered redundancy realized from reevaluating reserves, corresponding to the accounting value of the fields which are disposed, deregistered and registered in the account 1175 “Reported result being redundancy realized from reevaluation reserves”. (OMFP 1802/2014, 114).

It is also worth mentioning that fields and buildings are separable assets and are thus separately accounted, even when being together purchased. An increase of the field's value on which there is a building, doesn't affect the determination of the building's depreciable value. The fields are not depreciable, only in the case when they have an economic destination, being thus obtained by acts of sale-buying, including amends in the case of expropriation (OMFP 1802/2014, 192)

In the case when an asset which was initially recognized at the fields is further used for ensemble dwellings construction destined for sale, the value of the fields is distinctively pointed out in stocks, at the register value in accounting. If the field has been reevaluated, simultaneous with the change of the

asset's nature, its corresponding reevaluation reserve is transferred in the account 1175 "the reported result represents the redundancy realized from reevaluating reserves". (OMFP 1802/2014, 274).

Evaluation Standards determines the following as procedures which must be used when evaluating the fields: direct comparison, extraction, allotment, the field's residual value's technique, ground rent capitalization and development and parceling technique. (GME 630). All these six procedures are derived from the three main value approaches: market approach, cost approach and respectively income approach.

Tangible reevaluation, respectively field reevaluation has imposed a close attention concerning the way in which the reevaluation results had been reflected in financial situations, due to the influences on values which are registered in accounting. The treatment of reevaluation results associated with fields, is established through the regulations in this domain, so that indifferently to which entity the field pertains, the accounting policies referring to the treatment of these results is always the same. As a result, information comparability furnished by entities both in time and space, is ensured.

4. Study case evaluation treatment results associates with fields, according to their destination.

Case 1: The field owned by the entity is categorized as tangible asset

Entity S.C. EXAMPLE S.A. owns a field purchased at 427600 lei, categorized as tangible asset. During 5 years when the field is in the entity's property the following operations take place:

1. At the end of the second financial exercise the entity has reevaluated the field, and the fair value was 485300 lei

Accounting value = Purchase cost = 427600 lei

Fair value = 485300 lei

One may observe the fact that fair value (485300 lei) is higher that accounting value (427600 lei), thus it is registered a favorable difference of 57700 lei.

Registering favorable difference:

2111 "Fields"	=	105 "Reevaluation results"	57700
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2. At the end of the third financial exercise, the entity has reevaluated the field, and the established fair value was 415100 lei

Accounting value = 485300 lei

Fair value = 415100 lei

One may observe the fact that fair value (415100 lei) is lower than accounting value (485300 lei), thus an unfavorable difference of 70200 lei is being registered.

Registering revaluation depreciation:

%	=	2111 „Fields"	<u>75200</u>
105 „Reevaluation reserves"			57700
655 „Expenses from reevaluating tangible assets"			17500

3. At the end of the third financial exercise, the entity has reevaluated the field, and the established fair value was 459090 lei

Accounting value = 415100 lei

Fair value = 459090 lei

One may observe that fair value (459090 lei) is higher than accounting value (415100 lei), thus a favorable difference of 43990 lei is being registered.

Registering reevaluation results

2111 „Fields"	=	%	<u>43990</u>
		105 „Reevaluation reserves"	26490
		755 „Incomes from reevaluating tangible assets"	17500

4. During the fifth year, the entity decides to sell the field at a 512000 lei selling price, mentioning that the operation lacks VAT.

The following operations take place:

Selling the field
461 „Diverse debtors” = 7583 „Incomes from assets selling and from other capital operations” 512000

Management discharge
6583 „Costs concerning ceased assets and other capital operations” = 7583 „Incomes from assets selling and from other capital operations” 45909

Starting from the selling price (512000 lei) and the field’s accounting value (459090 lei) results an income from transfer

105 „Reevaluation reserves” = 1175 „Reported result representing redundancy resulted from reevaluation reserves” 26490

Case 2: The field owned by the entity is purchased together with a dwelling

The entity S.S. Example S.A. purchased a cold storage of 157000 lei, with its afferent field worth 38000 lei, VAT 20 %. The normal period of using the storage, according to the fixed asset’s catalogue, is 25 years, and the chosen amortization system is the linear one. At the end of the financial exercise, the field’s fair value is 43100 lei.

The following operations take place:

Purchasing the cold storage and its afferent field
% = 404 „Fixed assets provider” 234000
212 „Constructions” 157000
2111 „Fields” 38000
4426 „Deductible VAT” 39000

Cost registering of annual amortization
6811 „Operating expenses concerning fixed assets’ amortization” = 2812 „Dwelling amortization” 6280

Calculating dwelling’s annual amortization according to linear method : $157000 / 25 = 6280$ lei

Registering the result from field’s reevaluation

Field’s accounting value = 38000 lei

Field’s fair value = 43100 lei

2111 „Fields” = 105 „Reserves from recalculation” 5100

Case 3: The field owned by the entity is used for constructing a building with the purpose of selling it

The entity S.C. EXAMLPE S.A. detains a field evaluated at a fair value of 41600 lei, whose initial value was 39270 lei, and the reevaluation reserve is 2330 lei. The entity wishes to build a hall destined to selling on the surface of the field it detains.

The following operations take place:

Reclasifying the field from fixed assets category, to stock category.
371 „Merchandise” = 2111 „Fields” 41600

Realizing reevaluation reserves
105 „Reevaluation reserves” = 1175 „reported result representing redundancy realized from reevaluation results” 2330

The costs related to hall construction: raw materials 148120, wage expenses 25439, the field 41600 lei.

Registering the hall’s production expenses:

601 „Raw material expenses” = 301 „Raw materials” 148120

641 „Personnel’s wage expenses” = 421 „Personnel – owed wages” 25439

607 „Expenses concerning merchandise”	=	371 „Merchandize”	41600
Registering hall’s work in progress 331 „Production in progress”	=	771 „Incomes afferent to stock products”	215159
Registering hall’s reception 345 „ Finished products”	=	331 „Production in progress”	215159

5. Conclusions

The users of financial situations benefit of an accurate image of an entity only when the entity, through evaluation, updates the value of its patrimonial elements. Pointing out reevaluation reserves must be made on each and every fixed asset and on each and every operation which took place.

The fields must be evaluated with a sufficient regularity, and this reevaluation needs to be done by qualified persons who have an experience in this domain.

Regardless the purpose for which the fields were purchased or detained, the related reevaluation reserves, are transferred in 1175 account “The reported result representing redundancy realized from reevaluation reserve”, when the fields are pointed out.

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Indicators Used in the Dynamic Analysis of Turnover

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Abstract

The dynamic evolution of an indicator is an important aspect to be taken into consideration when analyzing the evolution in a company. Dynamic evolution uses a number of indicators that reveal aspects that the management of a company must introduce in the development strategy or in the rehabilitation process of a company.

The purpose of this article is to analyse the dynamic evolution of the turnover at a company that operates in the field of industry. The finality of this article will result in a number of conclusions concerning the evolution of turnover analysed in the light of absolute modification, indices, growth rates and annual average rate of growth.

The importance of the analysis of its evolution, stemming from the fact that it is in a relationship of perpetual interdependence with the main economic factors that participate in the activity of production and marketing.

Key words: turnover, production, rate of growth, dynamic, annual rate of growth

J.E.L. classification: L1 - Market Structure, Firm Strategy, and Market Performance

1. Introduction

Turnover is the most important indicator on which one analyses the total sales of a company. It is useful in determining the size of the company and it is one of the main determinants of a company's strategy.

The location of turnover in the company's economic performance (performance of the company understood as the company's ability to increase the volume of activity) is enhanced by the connection between the general interests of the managers and the maximization of sales, the sales management option being, generally speaking, the maximization of turnover within limits to be achieved and a reasonable profit. (Bîrsan, 2010, p.47)

By using the dynamic analysis of turnover, the company management can determine strategies starting from issues such as: the company's market position, the chances the company has to develop and the possibilities of penetrating into other markets, the importance of the company in the field of activity, etc.

Given the importance of turnover as an indicator of the volume of activity and results (considering that it sums up the incomes from operations) its evolution should be monitored over several years, overall and on constituents, such highlighting the next trend but also internal or external factors, which put their mark on the evolution of turnover. An examination of turnover during several exercises enables establishing the trend of company's activity: strong or poor growth, stability, slow or rapid regression. (Bîrsan, 2010, p. 48)

2. Dynamic analysis of turnover at S.C. OMV PETROM S.A.

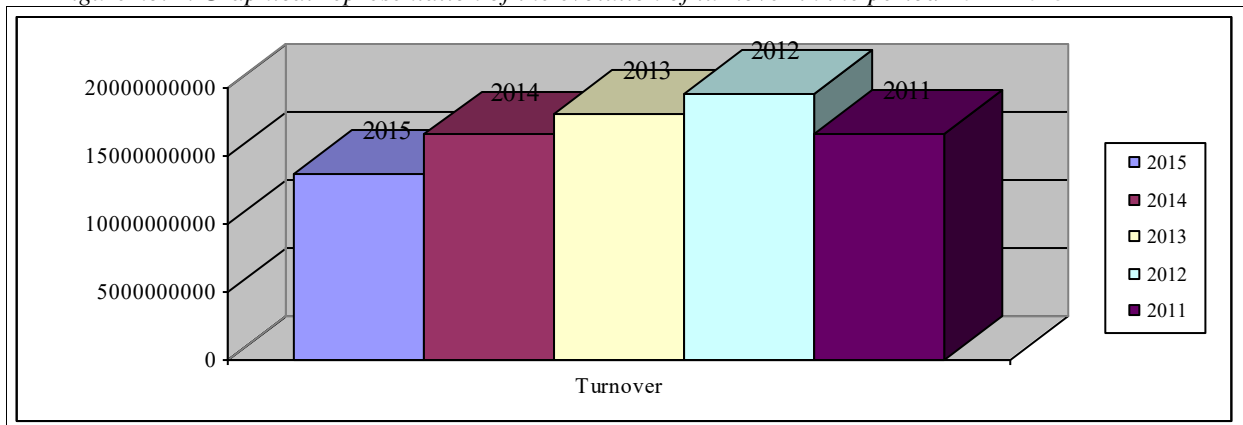
For a global appreciation of the activity of OMV PETROM company, all indicator in question must be analyzed in dynamics. In order to have the required relevance in the study of turnover, we synthesized information on turnover over a period of 5 years, 2011-2015, respectively. The dynamic analysis of turnover at S.C. OMV PETROM S.A. will be achieved on the basis of data published in the table below:

Table no. 1 Evolution of turnover at S.C. PETROM S.A.

Year	Turnover
2011	16.565.465.973
2012	19.510.054.765
2013	18.071.914.496
2014	16.511.641.600
2015	13.687.616.179

Source: <http://www.bvb.ro/FinancialInstruments/Details/FinancialInstrumentsDetails.aspx?s=SNP>
<http://www.mfinante.ro/infocodfiscal.html>

Figure no. 1. Graphical representation of the evolution of turnover in the period 2011-2015



Source: personal processing based on data from table no. 1

Analysis of the evolution in time of the turnover is achieved using the following measurements of absolute indices of dynamics and average rates. (Hristea, 2015, p.40)

The main macroeconomic indicators used in the dynamic analysis of turnover are: absolute deviation with fixed-base and in chain deviation, indices with fixed-base and in chain base, rates of growth with fixed-base and in chain base, the annual average rhythm of growth. (www.mfinante.ro)

The absolute fixed-base deviation and ring -base of turnover (Robu, 2015, p.64) has the following values:

a) absolute fixed-base deviation of turnover will be calculated by the difference between the amount corresponding to the years 2013, 2014, 2015, 2012 and the turnover corresponding to the period, considered to be the basis of comparison, namely 2011:

$$CA_{2015/2011} = CA_{2015} - CA_{2011} = 13.687.616.179 - 16.565.465.973 = -2.877.849.794 \text{ lei} \quad (1)$$

$$CA_{2014/2011} = CA_{2014} - CA_{2011} = 16.511.641.600 - 16.565.465.973 = -53.824.373 \text{ lei} \quad (2)$$

$$CA_{2013/2011} = CA_{2013} - CA_{2011} = 18.071.914.496 - 16.565.465.973 = +1.506.448.523 \text{ lei} \quad (3)$$

$$CA_{2012/2011} = CA_{2012} - CA_{2011} = 19.510.054.765 - 16.565.465.973 = +2.944.588.792 \text{ lei} \quad (4)$$

b) the absolute ring-base deviation shall be determined by the difference between the amount of turnover corresponding to the current period and the amount of the turnover corresponding to the preceding period, namely 2015/2014, 2014/2013, 2013/2012, 2012/2011:

$$CA_{2015/2014} = CA_{2015} - CA_{2014} = 13.687.616.179 - 16.511.641.600 = -2.824.025.421 \text{ lei} \quad (5)$$

$$CA_{2014/2013} = CA_{2014} - CA_{2013} = 16.511.641.600 - 18.071.914.496 = -1.560.272.896 \text{ lei} \quad (6)$$

$$CA_{2013/2012} = CA_{2013} - CA_{2012} = 18.071.914.496 - 19.510.054.765 = -1.438.140.269 \text{ lei} \quad (7)$$

$$CA_{2012/2011} = CA_{2012} - CA_{2011} = 19.510.054.765 - 16.565.465.973 = +2.944.588.792 \text{ lei} \quad (8)$$

Synthetic absolute deviation of turnover at S.C. OMV PETROM S.A. is represented as follows:

Table no. 2 Absolute modification of turnover with fixed-base and in chain base

Year	Absolute modification of turnover with fixed-base	Year	Absolute modification of turnover in chain base
2015/2011	-2.877.849.794	2015/2014	-2.824.025.421
2014/2011	-53.824.373	2014/2013	-1.560.272.896
2013/2011	+1.506.448.523	2013/2012	-1.438.140.269
2012/2011	+2.944.588.792	2012/2011	+2.944.588.792
2011/-	-	2011/-	-

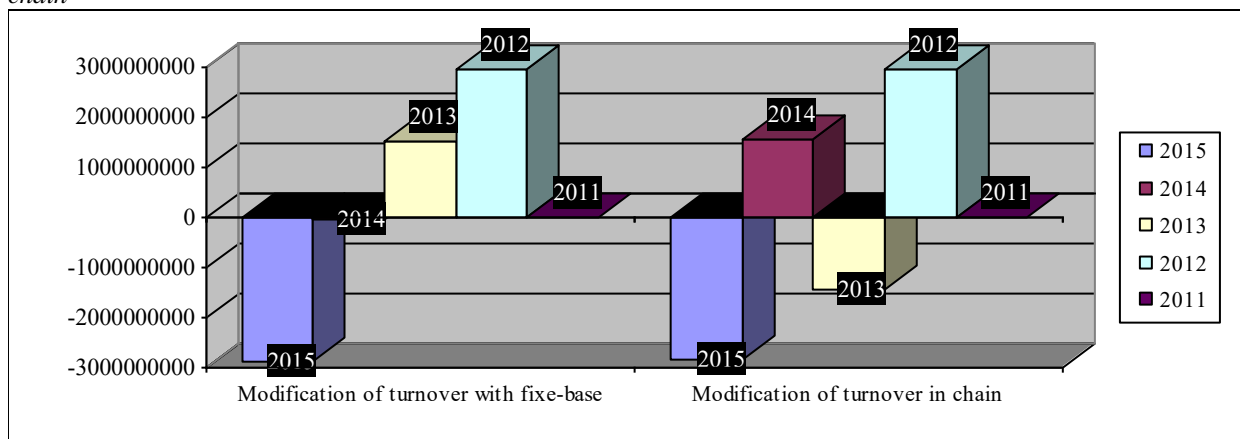
Source: personal processing based on data from table no. 1

The table above shows that in the first case we have examined the level of turnover from periods previous to 2011, taken as the base year, whereas in the second case we have changed the turnover corresponding to two successive periods.

From these calculations we can draw the following conclusions:

- in 2015 the turnover registered a negative deviation both in comparison to 2011 and in comparison to 2014;
- in 2014 the turnover registered a negative decrease with -53.824.373 lei by 2011, and compared to 2013 the turnover decreased approximately three times more, respectively -1.560.272.896 lei;
- in 2013 turnover increased compared to 2011 with + 1,506,448,523 lei and decreased compared to 2012 with -1.438.140.269 lei;
- in 2012 the turnover increased by + 2,944,588,792 lei toward 2011; this year the fixed-base modification coincides with changes in chain.

Figure no.2 Graphical representation of the absolute modification of CA with fixed-base and in chain



Source: personal processing based on data from table no. 2

In this graph we notice how much the turnover at OMV PETROM has increased or decreased each year (2015, 2014, 2013, 2012) in comparison to the year taken as a basis of comparison (2011) and how much it has increased or decreased from one period to another, as follows: 2015 as compared to 2014, 2014 as compared to 2013, 2013 as compared to 2012 and 2012 as compared to 2011.

In order to assess the way in which it has evolved, the turnover indices can be used and they can be expressed as either simple ratios, either as percentage ratios. In the case of commercial society OMV PETROM turnover indices shall enter the following values:

a) indices with fixe base:

$$ICA=CA_{2015}/CA_{2011}=13.687.616.179/16.565.465.973*100=82,62\% \quad (9)$$

$$ICA=CA_{2014}/CA_{2011}=16.511.641.600/16.565.465.973*100=99,67\% \quad (10)$$

$$ICA=CA_{2013}/CA_{2011}=18.071.914.496/16.565.465.973*100=109,09\% \quad (11)$$

$$ICA=CA_{2012}/CA_{2011}=19.510.054.765/16.565.465.973*100=117,77\% \quad (12)$$

The evolution of turnover indices with fixed base at OMV PETROM company shall be assessed as follows:

- $I_{CA_{2015/2011}} < 100$ respectively $82,62 < 100 \Rightarrow$ turnover decreased in 2015 with 17,38% as compared to 2011
- $I_{CA_{2014/2011}} < 100$ respectively $99,67 < 100 \Rightarrow$ cifra de afaceri a scăzut în 2014 față de 2011 cu 0,33% turnover decreased in 2014 towards 2011 with 0,33%
- $I_{CA_{2013/2011}} > 100$ respectively $109,09 > 100 \Rightarrow$ cifra de afaceri a crescut în 2013 față de 2011 cu 9,09% turnover increased in 2013 towards 2011 with 9,09%
- $I_{CA_{2012/2011}} > 100$ respectively $117,77 > 100 \Rightarrow$ cifra de afaceri a crescut în 2012 față de 2011 cu 17,77% turnover increased in 2012 towards 2011 with 17,77%

b) indices in chain:

$$ICA=CA_{2015}/CA_{2014}=13.687.616.179/16.511.641.600*100=82,89\% \quad (13)$$

$$ICA=CA_{2014}/CA_{2013}=16.511.641.600/18.071.914.496*100=91,36\% \quad (14)$$

$$ICA=CA_{2013}/CA_{2012}=18.071.914.496/19.510.054.765*100=92,62\% \quad (15)$$

$$ICA=CA_{2012}/CA_{2011}=19.510.054.765/16.565.465.973*100=117,77\% \quad (16)$$

The evolution of turnover indices with base in chain at OMV PETROM shall be assessed as follows:

- $I_{CA_{2015/2014}} < 100$ respectively $82,89 < 100 \Rightarrow$ turnover decreased with 17,11% in 2015 as compared to 2014
- $I_{CA_{2014/2013}} < 100$ respectively $91,36 < 100 \Rightarrow$ turnover decreased with 8,64% in 2014 as compared to 2013
- $I_{CA_{2013/2012}} < 100$ respectively $92,62 < 100 \Rightarrow$ turnover increased in 2013 with 7,38% as compared to 2012
- $I_{CA_{2012/2011}} > 100$ respectively $117,77 > 100 \Rightarrow$ turnover increased with 17,77% in 2012 as compared to 2011

The evolution of turnover indices at company OMV PETROM shall be assessed as follows:

Table no. 3 Turnover indices with fixe-based and with base in chain

Year	Turnover indice with fixed base	Year	Turnover indice with base in chain
2015/2011	82,62%	2015/2014	82,89%
2014/2011	99,67%	2014/2013	91,36%
2013/2011	109,09%	2013/2012	92,62%
2012/2011	117,77%	2012/2011	117,77%
2011/-	-	2011/-	-

Source: Personal processing based on data from table no. 3

Also, the rates of growth of the turnover have registered the following values:

Table no. 4 Rates of growth rates of turnover with fixed base and base in chain

Year	The growth rate of turnover with fixed base	Year	The growth rate of turnover with base in chain
2015/2011	-17,38%	2015/2014	-17,11%
2014/2011	-0,33%	2014/2013	-8,64%
2013/2011	+9,09%	2013/2012	-7,38%
2012/2011	+17,77%	2012/2011	+17,77%
2011/-	-	2011/-	-

Source: Personal processing based on data from table no. 3 (ICA - 100)

A final indicator used in the dynamic evolution of turnover at S.C. OMV PETROM S.A. is the annual average rhythm of growth. Therefore, OMV PETROM will record the following values:

a) average annual rhythm of growth with fixed base:

$$\bar{R}_{2015/2011} = \left(\sqrt{\frac{CA_{2015}}{CA_{2011}}} - 1 \right) \cdot 100 = \left(\sqrt{\frac{13.687.616.179}{16.565.465.973}} - 1 \right) \cdot 100 = -9,10\% \quad (17)$$

$$\bar{R}_{2014/2011} = \left(\sqrt{\frac{CA_{2014}}{CA_{2011}}} - 1 \right) \cdot 100 = \left(\sqrt{\frac{16.511.641.600}{16.565.465.973}} - 1 \right) \cdot 100 = -0,16\% \quad (18)$$

$$\bar{R}_{2013/2011} = \left(\sqrt{\frac{CA_{2013}}{CA_{2011}}} - 1 \right) \cdot 100 = \left(\sqrt{\frac{18.071.914.496}{16.565.465.973}} - 1 \right) \cdot 100 = +4,44\% \quad (19)$$

$$\bar{R}_{2012/2011} = \left(\sqrt{\frac{CA_{2012}}{CA_{2011}}} - 1 \right) \cdot 100 = \left(\sqrt{\frac{19.510.054.765}{16.565.465.973}} - 1 \right) \cdot 100 = +8,52\% \quad (20)$$

b) average annual rhythm of growth with base in chain:

$$\bar{R}_{2015/2014} = \left(\sqrt{\frac{CA_{2015}}{CA_{2014}}} - 1 \right) \cdot 100 = \left(\sqrt{\frac{13.687.616.179}{16.511.641.600}} - 1 \right) \cdot 100 = -8,95\% \quad (21)$$

$$\bar{R}_{2014/2013} = \left(\sqrt{\frac{CA_{2014}}{CA_{2013}}} - 1 \right) \cdot 100 = \left(\sqrt{\frac{16.511.641.600}{18.071.914.496}} - 1 \right) \cdot 100 = -4,41\% \quad (22)$$

$$\bar{R}_{2013/2012} = \left(\sqrt{\frac{CA_{2013}}{CA_{2012}}} - 1 \right) \cdot 100 = \left(\sqrt{\frac{18.071.914.496}{19.510.054.765}} - 1 \right) \cdot 100 = -0,03\% \quad (23)$$

$$\bar{R}_{2012/2011} = \left(\sqrt{\frac{CA_{2012}}{CA_{2011}}} - 1 \right) \cdot 100 = \left(\sqrt{\frac{19.510.054.765}{16.565.465.973}} - 1 \right) \cdot 100 = +0,08\% \quad (24)$$

In conclusion, summarizing the four pointers I have used in the dynamic analysis of turnover at S.C. OMV PETROM S.A., these should be presented as follows:

Table no. 5 Fixed-base indicators used in the dynamic analysis of turnover

Year	2015/2011	2014/2011	2013/2011	2012/2011	-/2011
Absolute deviation	-2.877.849.794	-53.824.373	+1.506.448.523	+2.944.588.792	-
Indices (I _{CA} -100)	82,62%	99,67%	109,09%	117,77%	-
Rate of growth	-17,38%	-0,33%	+9,09%	+17,77%	
Average annual rhythm growth	-9,10%	-0,16%	+4,44%	+8,52%	

Source: Personal processing based on data calculated above

Based on these data we can notice that:

- in 2015 as compared to 2011 turnover registered an absolute decrease of 2,877,849,794 lei, corresponding to a reduction in the average annual rate of increase -9,10 %;
- in 2014 as compared to 2011 turnover registered an absolute decrease of 53.824.373 lei, corresponding to a reduction in the average annual rate of increase -0,33 %;
- in 2013 as compared to 2011 turnover registered an absolute increase of 1.506.448.523 lei, corresponding to a growth in the average annual rate of increase +9,09 %;
- in 2012 as compared to 2011 turnover registered an absolute increase of 2.944.588.792 lei, corresponding to a growth in the average annual rate of increase +8,52.

Table no. 6 Chain-base indicators used in dynamic analysis of turnover

Year	2015/2014	2014/2013	2013/2012	2012/2011	-/2011
Absolute deviation	-2.824.025.421	-1.560.272.896	-1.438.140.269	+2.944.588.792	-

Indices	82,89%	91,36%	92,62%	117,77%	-
Rate of growth	-17,11%	-8,64%	-7,38%	+17,77%	-
Average annual rhythm growth	-8,95	-4,41	-0,03	+0,08%	-

Source: Personal processing based on data calculated above

Based on these data we can notice that:

- in 2015 as compared to 2014 turnover registered an absolute decrease of 2.824.025.421 lei, corresponding to a reduction in the average annual rate of increase -8,95%;
- in 2014 as compared to 2013 turnover registered an absolute decrease of 1.560.272.896 lei, corresponding to a reduction in the average annual rate of increase -4,41%;
- in 2013 as compared to 2012 turnover registered an absolute decrease of 1.438.140.269 lei, corresponding to a reduction in the average annual rate of increase -0,03%;
- in 2012 as compared to 2011 turnover registered an absolute increase of 2.944.588.792 lei, corresponding to a growth in the average annual rate of increase +0,08%.

3. Conclusions on the dynamic evolution of turnover at S.C. OMV PETROM S.A.

If we leave apart of the inflation rate we may appreciate it is a company that has registered more of a decrease than an increase, though it has a fairly good position on the market in which it operates. Graph no.1 indicates that the culminant year when S.C. OMV PETROM S.A. registered the most significant turnover is 2012, while the following years 2013, 2014, 2015 it has been registering a continuous decrease.

Most revenue of OMV PETROM has been achieved from the sale of petroleum products. In 2015, the net turnover of the company fell as compared to 2014, the main cause being the reduction in income from the sale of petroleum products as a result of the drastic decrease in the price of oil. Thus, the positive impact, deriving from the sales, determined by an improved market request and great sale in electricity has been annulled. (www.bvb.ro)

In 2014, the net turnover of the company fell as compared to 2013 due mainly to lower sales of crude oil and petroleum products, partially offset by the increased sales of natural gas.

In 2013 the net turnover of the company fell as compared 2012 mainly due to smaller volumes of crude oil and petroleum products sold, partially offset by increased sales of electricity.

In 2012, the company's turnover increased as compared to January 2011 mostly due to the favourable evolution of prices.

Current economic dynamism requires that any strategy aiming at the turnover to take into account the influence of inflation because if the value of turnover is not correct with the inflation rate (turnover in comparable prices), the information loses much of its reliability, and the conclusions of the analysis are deformed (inflation has effects on all levels: operational flow, stream funding, heritage structure, etc.).

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Indicators of Financial Analysis Employed in Quantifying the Financial Performance of a Company

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Abstract

The analysis of the performance of a company is the most important issue of concern of the management of a company. In order to analyse the performance we use economic and financial indicators which summarize the level of development and its evolution. These indicators provide us with important items of information about the company's level of performance, but we must keep in mind that they do not indicate the way in which this performance was obtained.

The purpose of this article is to present and provide information on the key synthetic indicators pointing to the results of a company. Based on the information provided by these indicators we can picture an overview of the results registered by the company at the end of a fiscal year. The main financial indicators to which I will refer in this article are: liquidity indicators, indicators of risk and indicators of profitability.

Key words: *current liquidity, acid test, net debt, leverage, profitability*

J.E.L. classification: *O12 -Microeconomic Analysis of Economic Development*

1. Introduction

The value you bring by using indicators in an analysis lies in that the analyst can evaluate past performance, assess the current financial situation of the company and he can obtain useful insights for predicting future results. Due to the large number of indicators, it is useful to think of these in terms of a broader category based on those aspects of performance they are intended to detect. Thus, we have activity indicators, liquidity indicators, solvency indicators, profitability and evaluation indicators. (<http://edufin.asfromania.ro>)

In the literature, liquidity and solvency are treated as different phenomena, which undoubtedly contribute to analyzing the financial position of the enterprise. They are usually studied together, therefore in economic practice there is a tendency to overlay their content, creating sometimes confusion over the economic essence they impose. Liquidity refers to the property of proprietary elements (assets) of transforming in money quickly and with a minimum loss, a criterion for grouping workstations in the financial report. Solvency is the ability of the company to deal with all the debts, meaning to honour due dates. (Hristea Anca Maria, 2015, pag.245)

A analysis of a company's liquidity is one of the most important aspects by means of which they test a firm's ability to cope with short-term obligations. This analysis is based on those liquid assets that can be quickly converted into cash. Liquidity reflects the company's ability to meet short-term obligations by transforming current assets (inventories, receivables, short-term investments) in cash, and a company is liquid when it generates enough cash out of the business, by converting operations in cash in order to meet current payments.

Risk indicators represent that category of indicators that shows what percent is indebted to the company in relation to the entire capital (own and borrowed). In this article I had in mind the rate of indebtedness having as main concern the main net debt, as well the indebtedness.

The profitability indicators are those indicators that express your company's effectiveness in getting profits from the resources at its disposal.

2. Syntethic indicators characterizing the financial performance of a company

Indicators of financial analysis represent performance indicators which reflect an activity and at the same time a form in which you can express a quantity relatively to another, usually in the form of a coefficient.

Liquidity indicators focus on cash flows and are designed to measure a company's ability to meet its short-term obligations. In other words, liquidity measures how quickly a company's assets can be converted to cash. (<http://edufin.asfromania.ro>)

Liquidity is based on two indicators:

-current liquidity (current ratio) which is determined as ratio between current assets and short-term debt (< 1 year).

This ratio expresses the current assets (assets estimated to be converted into cash within one year) in relation to the current debts (liabilities with maturity of less than one year). A higher ratio value indicates a higher level of liquidity, i.e. a greater ability to meet short-term obligations. (<http://edufin.asfromania.ro>)

-immediate liquidity (quick ratio) which is determined as ratio between (current assets-stocks) and short-term debt (< 1 year).

This indicator includes the ratio of current assets most liquids and current debts. A higher ratio value indicates a higher level of liquidity. (<http://edufin.asfromania.ro>)

Risk indicators can be determinate by the following formulas:

-the rate of indebtedness - net debt/equity*100.

Net debt = interest-bearing loans (total) +interest-bearing loans - cash and cash equivalents

-indebtedness (debt-to-equity ratio) - interest-bearing loans (long term)/equity*100.

This indicator measures the ratio of the total debts and equity of the company. The higher the indicator value, the lower the creditworthiness.

Profitability indicators can be determinate by the following formulas:

-net profit margin - net profit of the year/income from sales*100.

This margin indicates the percentage of revenue available to cover operational and other expenses. A high net profit margin indicates a combination of a high price and a lower cost of production.

-profit margin before interest and taxation (EBIT) - EBIT/income from sales*100.

This profit margin measures the percentage of operational business and show the company's ability to generate added value for shareholders.

-economic profitability (Return On Assets - ROA) - net profit of the year / total assets*100.

This indicator measures the efficiency of a company based on its assets. The higher the value of the indicator, the more profit it generated on certain level of assets.

-financial profitability (Return On Equity-ROE) - net profit of the year/equity*100.

This indicator measures the efficiency of a company based on equity. A high value of the indicator means that a small investment of shareholders has been transformed into a big profit. (Buglea Alexandru, 2004)

-rentability on fixed assets - EBIT/fixed assets*100.

The higher the values obtained, the better he company's performance, the higher the profits, and the more attractive the actions. The values obtained are useful for comparisons between companies in the same branch, of the same size, etc.

3.Case study on the analysis of financial indicators at S.C. OMV PETROM S.A.

To calculate the financial rates of S.C. OMV PETROM S.A., we shall use the data in the table below:

Table no. 1 The value of financial indicators – thousands of lei

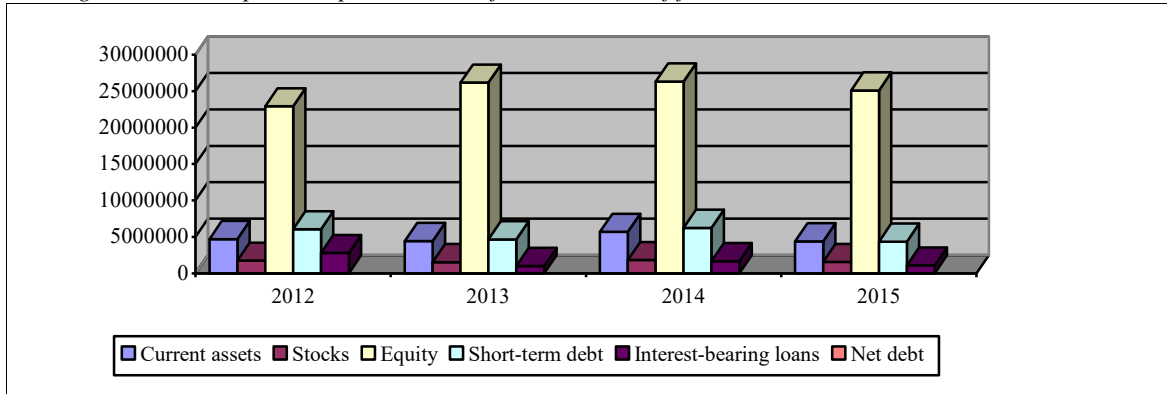
Nr. crt.	Indicators	2012	2013	2014	2015
1.	Current assets	4.692.000	4.434.000	5.680.000	4.394.000
2.	Stocks	1.725.310	1.526.740	1.819.050	1.556.920

3.	Equity	22.911.000	26.165.000	26.316.000	25.091.000
4.	Short-term debt	6.040.000	4.657.000	6.235.000	4.343.000
5.	Interest-bearing loans (total)	3.210.930	1.786.210	2.317.800	1.454.818
6.	Net debt	2.776.720	988.590	1.654.050	1.070.458

Source: <http://www.bvb.ro/FinancialInstruments/Details/FinancialInstrumentsDetails.aspx?s=SNP>

Graphically, the evolution of these indicators is present thus:

Figure no. 1. Graphical representation of the evolution of financial indicators 2012-2015



Source: personal processing based on data from table no. 1

Liquidity indicators is based on two indicators current liquidity and immediate liquidity.

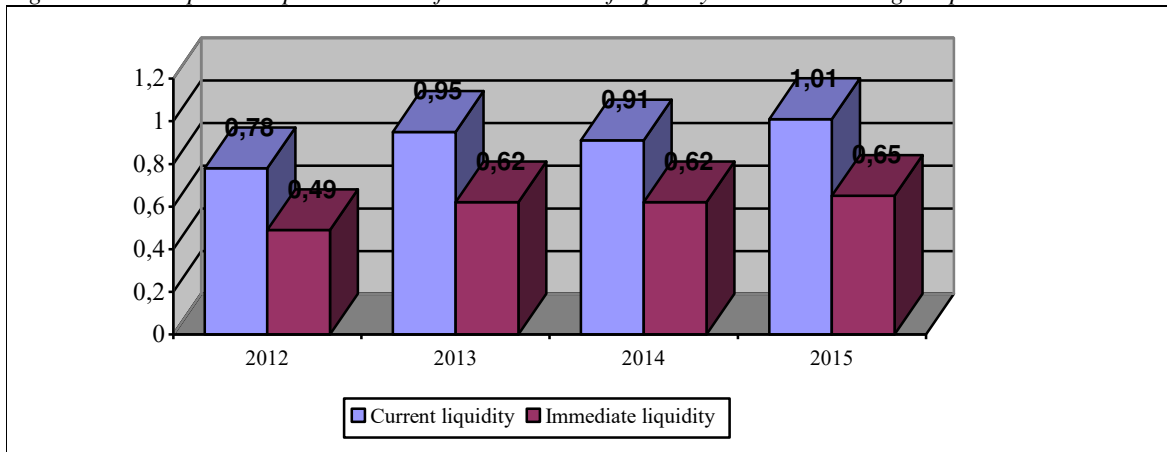
Table no. 2 Liquidity indicators

Indicators	2012	2013	2014	2015
Current liquidity (Current assets/Short-term debt)	0,78	0,95	0,91	1,01
Immediate liquidity (Current assets-Stocks/Short-term debt)	0,49	0,62	0,62	0,65

Source: Source: personal processing based on data from table no.1

Graphically, the evolution of liquidity indicators is present thus:

Figure no. 2 Graphical representation of the evolution of liquidity indicators during the period 2012-2015



Source: personal processing based on results

Risk indicators is based on the rate of indebtedness and degree of indebtedness.

Net debt is calculated as follows:

net debt = Interest-bearing loans (total) + debts relating to financial leasing – cash and cash equivalents

To determine net debt we use the data in the table below:

Table no. 3 Components of net debt – thousands of lei

Nr. crt.	Indicators	2012	2013	2014	2015
1.	Interest-bearing loans (the total)	3.210.930	1.786.210	2.317.800	1.454.818
2.	Debts relating to financial leasing	122.790	285.380	282.250	281.640
3.	Cash and cash equivalents	557.000	1.083.000	946.000	666.000
4.	Net debt (1+2-3)	2.776.720	988.590	1.654.050	1.070.458
5.	Equity	22.911.000	26.165.000	26.316.000	25.091.000

Source: <http://www.bvb.ro/FinancialInstruments/Details/FinancialInstrumentsDetails.aspx?s=SNP>

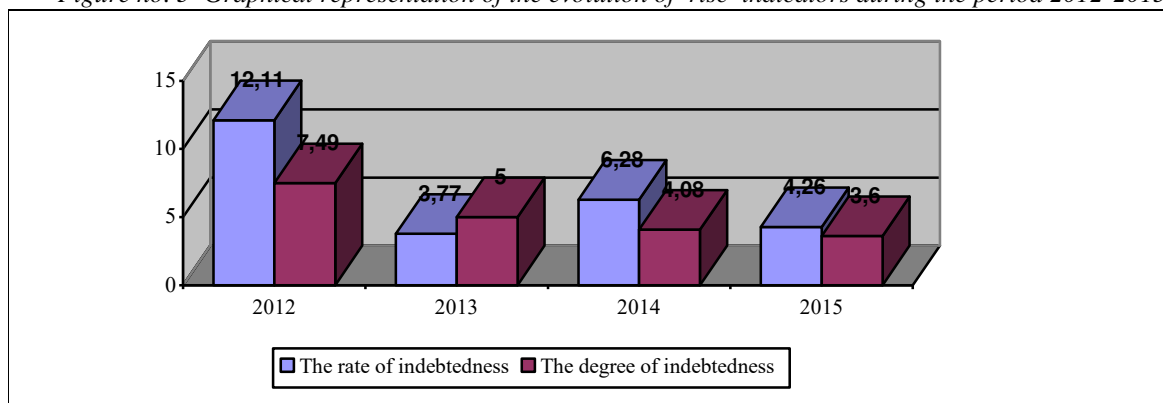
Table no. 4 Risk indicators - %

Indicators	2012	2013	2014	2015
The rate of indebtedness (Net debt/Equity*100)	12,11	3,77	6,28	4,26
Degree of indebtedness (Interest-bearing loans/Equity*100)	7,49	5	4,08	3,60

Source: personal processing based on data from table no. 3

Graphically, the evolution of risk indicators is present thus:

Figure no. 3 Graphical representation of the evolution of risc indicators during the period 2012-2015



Source: own processing based on results

In terms of net debt, OMV PETROM S.A. constantly manages capital so as to ensure that the company will be optimally structured according to the exposure to risk, in order to maximise the gain of shareholders. Capital structure within the OMV PETROM S.A. consists of equity (including capital and reserves, the result carried forward, as shown in the "statement of the change of capital") and of debt. Capital risk management is part of the management of the value within the OMV PETROM S.A. and it is based on the continuous review of indebtedness of the company. (<http://www.bvb.ro>)

The indebtedness of OMV PETROM S.A. is calculated as net debt/equity * 100, and it was 4% at 31 December 2015 (2014: 6%) showing a decreasing exposure to the risk of indebtedness. Net debt is calculated as interest-bearing loans, including debt relating to finance lease, minus cash and cash equivalents. Beside to indicators of liquidity and risk indicators, we must keep in mind and some indicators of profitability: net profit margin.

Capital increase with 151 million resulted in net profits this year, partially counterbalanced by the distribution of dividend for the financial year 2013 (1.745 million lei). The indicator of capital in the total assets was 61% by the end of December 2014, slightly lower than the level registered by the end of December 2013 (67%).

Total debts increased by 32%, at the value of 16,859 million on 31 December 2014, largely due to the increase of provisions for scrapping about 1,383 million and the increase in long-term provisions attached to insurance cheques issued by OMV PETROM S.A. Interest-bearing debts represent, to a large extent, amounts owed to affiliated entities in cash pooling, rising from 343

million at the end of 2013 to 1,055 million on 31 December 2014.

Current debts have increased mainly due to increased debt and related investment (especially in the Black Sea) and the increase in provisions, mainly concerning debts and interest on arrears claimed by the tax authorities in tax revision performed for the years 2009 and 2010 in OMV PETROM S.A. Due to the favorable environment of crude oil prices and strict cost management, net cash generated from operating activities was higher in 2013 as compared to 2012. Cash outflows have been used to maintain the high level of investment, and for repayment of loans and payment of dividends. Accordingly, indebtedness has reached 4.79% by the end of December 2013, as compared to 7.49% by the end of 2012.(<http://www.bvb.ro>)

I shall calculate these indicators on the basis of the data below:

Table no. 5 Components of net debt – thousands of lei

Nr. crt.	Indicators	2012	2013	2014	2015
1.	Net profit of the year	3.851.000	4.839.000	1.837.000	631.000
2.	Income from sales	19.123.000	18.088.000	16.537.000	13.952.000
3.	Profit before interest and tax (EBIT)	5.068.000	5.332.000	3.541.000	595.000
4.	Fixed assets	24.804.649,075	27.079.156,675	29.543.140,566	27.100.856,550
5.	Current assets	4.692.000	4.434.000	5.680.000	4.394.000
6.	Equity	22.911.000	26.165.000	26.316.000	25.091.000

Source: <http://www.bvb.ro/FinancialInstruments/Details/FinancialInstrumentsDetails.aspx?s=SNP>

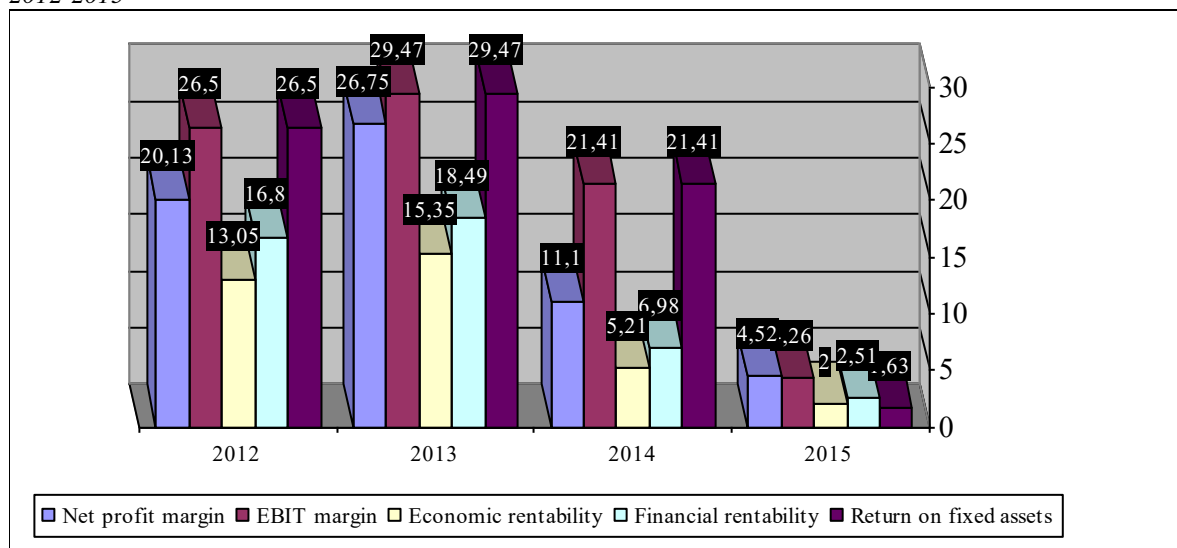
Table no. 6 Profitability indicators - %

Indicators	2012	2013	2014	2015
Net profit margin (Net profit/Income from sales*100)	20,13	26,75	11,10	4,52
EBIT margin (EBIT/Income from sales*100)	26,50	29,47	21,41	4,26
Economic rentability (Net profit/Total assets*100)	13,05	15,35	5,21	2,00
Financial rentability (Net profit/Equity*100)	16,80	18,49	6,98	2,51
Return on fixed assets (EBIT/Fixed assets*100)	26,50	29,47	21,41	1,63

Source: personal processing based on data from table no. 5

Graphically, the evolution of these indicators is present thus:

Figure no.4 Graphical representation of the evolution of profitability indicators during the period 2012-2015



Source: own processing based on results

In the chart above, one can notice that in 2015 in which there have been recorded the lowest values of these indicators, briefly we can say that the company's profitability has fallen drastically this year as compared to the previous years, mainly due to the falling of sales, the increase in expenditure and the negative damage coming from the operational result. In 2014 the profit decreased significantly due to the negative effect of the operational performance and the fall of the financial result.

The year in which there have been registered the best values was 2013, when the company's profitability was influenced by the decrease in operational expenses and its positive effect, as well as the financial improvement of the company.

4. Conclusions

In 2015, OMV PETROM EBIT was a loss of (595) million as compared to a positive outcome of 3,541 million in 2014, mainly due to lower income from sales and higher depreciation adjustments for related production assets from the Upstream segment, determined as a result of the review of estimated results with regard to the price of crude oil, both on the short term and on the long run. Exploration expenses amounting to 577 million, mainly in relation to unsuccessful exploration wells (408 million lei), have also influenced the outcome. The net result was a loss of 631 million in 2015 being negatively impacted by the operational result. (<http://www.bvb.ro>)

In 2014, of OMV PETROM EBIT has reached the value of 3,541 million, lower than last year (2013: 5,332 million) due to the decrease in sales prices in petroleum products as a result of the decrease in international quotations, because depreciation adjustment in the gas and Energy power plant of Brazi, as a result of the introduction of a new tax on construction and additional taxation of sales growth of natural gas. Net profits fell by 62% to the significant amount of 1,837 million, influenced by the negative effect which relates to operational performance and decreasing net financial result. (<http://www.bvb.ro>)

In 2014, of OMV PETROM EBIT has reached the value of 5,332 million, 5% higher than 2012, due to favorable prices of crude oil, the increase of refining margins, the strict management of costs and operational expenses decrease by 8% versus 2012. Net profit increase by 26 percent to 4,839 million, influenced by the positive effect which relates to operational performance and significant improvement in the net financial result. (<http://www.bvb.ro>)

The net turnover of the company has increased by 18% in 2012, as compared to 2011, a total of 19,123 mil lei, especially due to the increased level of prices. Cost of sales increased by 26% as compared to 2011, reaching 12,676 million lei, mainly due to higher expenses with acquisition of third-party products while the refinery was shut down for the planned overhaul in 2012. Cost of sales increased by 26 percent compared to the year 2011, reaching 12,676 million lei, mainly due to higher expenses with acquisition of third-party products while the refinery was shut down for planned overhaul in 2012. (<http://www.bvb.ro>)

OMV PETROM EBIT has reached 5,068 million lei, a total of 408 million lei more than 2011, being the result of favorable oil price environment and stringent measures of cost management. The company's net financial result fell by 2012, totaling (484) mil lei (193) million lei in 2011, mainly due to expenses related to interest and penalties for alleged delays in payment of taxes, following receipt of the preliminary results of fiscal control which relates to the years 2009 and 2010 in PETROM (209 million lei). Net profit increased by 3% in 2012 compared with 2011, mainly due to the positive impact of the operating result. (<http://www.bvb.ro>)

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The Price Stability-Important Lever within the Economy

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Abstract

One of the biggest problems that have confronted the authorities, whether fiscal, monetary, either along the time is represented by the generalised increase in prices (inflation), which is why it is not considered good at the level of an economy, because it is presented as a nominal increase of PIB, namely the erosion of the economy as a whole, not least, to generate macroeconomic imbalances

The inflation creates pressure not only on monetary plan, and the plan as general economic, political and social. This, in addition to generating a sharp decline in savings, discourages investment and favors moving the capital in assets that generate real revenue.

Key words: stability, authorities, problems, economy

J.E.L. classification: E17, E31, E42, E47

1. Introduction

Benefits of price stability in the economy and the costs associated with inflation or deflation, are always closely linked to money and its functions.

So it can be said that in a world without money, respectively in a barter economy, the costs associated with the exchange of goods and services, such as information, search and transportation costs would be very high. Money always increase the efficiency of trade, thereby contributing to the welfare of all citizens.

The money always plays an essential role in modern economies. Certainly, no exaggeration to say that "money makes the world go round" and that modern economies could not function without money (Stavre John – Gabriel, 2014)

It would therefore be useful to define money in general terms. Money can be considered a very special good that fulfills some basic functions. Money should serve mainly as a medium of exchange, store of value and unit of account. For this reason, it is often said that "money is what I do."

The money plays one of the most important roles in the economy, because through them all and to make transactions and exchange market.

2. The importance of price stability

One of the biggest problems faced Authority, either monetary or fiscal, over time is the crețterea in general prices (inflation), which is why it is not considered good for the economy because Growth is presented as nominal PIB or erosion of the whole economy, and not least, generating macroeconomic imbalances. (<http://www.insse.ro>)

The inflation was created pressure not only on monetary plan, and the plan as general economic, political and social. This, in addition to generating a sharp decline in savings, discourages investment and favors moving the capital in assets that generate real revenue.

Lately, and especially in recent years more and more countries have opted for inflation targeting, for macroeconomic policy orientation towards ensuring price stability.

The great influences on the stability of prices in the economy has The inflation and deflation So in principle, **inflation** is defined as a general increase in prices of goods and services on a long time, which leads to lower value of money and thus power their purchase. The opposite of inflation is **deflation** that unlike inflation that occurs when the general price level falls over an extended period.

In the absence of inflation or deflation, we can talk about price stability if, on average, prices neither increase nor decrease but stay stable over time.

Price stability is generally defined by the European Central Bank's Governing Council, as an annual pace of increase in the Harmonised Index of Consumer Prices for the euro area of below 2%.

For an understanding of this phenomenon more obvious can imagine a shopping cart filled with various products, the price of this basket is checked periodically by calculating growth, and in rarer cases decreasing annual prices. If the price increase is less than 2% have, according to the quantitative definition of price stability.

So the objective of the European Central Bank and the Eurosystem is to keep prices stable, that is to maintain inflation rates below but close to 2% over the medium term.

Within the Central Bank is carrying out two types of analyses in order to be able to see what is the level of inflation rate: (Elena Bojeţeanu, Bucharest, 2011)

- the monitoring of a series of factors, such as increased economic and oil prices, factors that could lead to further increases in the short term
- the pursuit of money circulation in the economy because they could cause an increase in prices in the medium and long term

Another thing which makes the European Central Bank is to set interest rates. With the higher interest rate will be lower demand for money which leads to a price stability over time, establishing customer trust and facilitating savings and investments; companies invest more than your economy grows creating default your new jobs.

One very important thing is that you have to distinguish between variations in the prices of any goods or services deemed to be individually and the general level of prices. Frequent changes of individual prices are relatively normal market economies, even when prices are stable as a whole. Modification of the conditions for the application and/or offer different goods or services considered individually, leads inevitably to price variations.

In an tough economy there are millions of individual prices. These prices are subject to continuous, reflecting essentially changing demand and supply of goods and services and thus indicat a relativity individual goods and their respective services. Clearly, it is neither feasible nor desirable for all these prices to be considered, but neither appropriate for only some of them to be analyzed because it may not be representative of the general price level (Elena Bojeţeanu, Ana Simona Manu Razvan Stanca Victor,2011)

3. Consumer price index

In most countries there is, or using a simple approach and judicious in terms of measuring inflation, using the so-called "price index for consumer (CPI) because in fact, the consumer price index, which measures price changes in consumer goods and services is not the only price index in an economy. Another index a similar economic importance is the Producer Price Index. This index measures changes in the selling prices, while operated by producers of goods and services.

When using the consumer price index, considering only purchasing patterns of consumers to identify goods and services that they buy habitually and which can be considered implicitly as to some extent representative of the average consumer in her economy. These include not only the items they purchase everyday buyers (eg bread and fruit), but also durable goods (for example such as cars, computers, washing machines, etc.) and frequent transactions (such as rents). (Costica, I. 2005):

The registration of these items in a "shopping list" and weighting them according to importance in consumer budgets leads to the creation of what is known as "basket" (<https://www.ecb.europa>.)

The consumer basket is the fact that these goods are weighted according to the share they hold in final monetary expenditure of households and in practice, the weights in the basket are reviewed regularly to reflect changes in consumer behavior.

An army of "control price" checks each month the prices of these items in various outlets. Subsequently, the costs of this basket are then compared over time, which allows for a series for the price index. The annual rate of inflation can then be calculated by expressing the change in the costs basket today as a percentage of the costs of the identical basket in the previous year. (<https://www.ecb.europa>)

But still however, changes in the price level, identified by such a basket only reflect the situation of a consumer "average" or representative. But if a person's buying habits differ substantially from the average consumption pattern and thus the consumption basket underlying the index, it is possible that this person may experience a change in the cost of life different from that suggested by the index. Therefore, there will always be people who experience an "inflation rate" highest in terms own basket in t imp others will perceive the contrary, a "lower individual rate of inflation". In other words, the inflation measured by the index is only an approximate measure of the average situation in the economy.

We could illustrate the above with a simple numerical calculation. Suppose that a representative market basket of the yearly expenditure of teenagers is 100 pieces of hamburger, 50 soft drinks, ten drinks with acid and a scooter.

Table No. 1. Measuring inflation - example

	Amount	Price -Year 1	Price -Year 2	Price -Year 3
Hamburger	70	7 lei	8 lei	6 lei
Fizzy drinks	100	5 lei	4 lei	7 lei
Non-acid drinks	50	4 lei	6 lei	5 lei
scooter	1	100 lei	150 lei	200 lei
The cost of the consumer basket		1290 lei	1410	1570
Price index		100	110	122

Source: my interpretation

The total cost of the basket can then be calculated by multiplying the quantities by the respective prices and adding the results. It is easy to see that between the first and second year, the cost of this basket of goods has risen from 1290 RON to 1410 RON, or by 10%. Between the first and the third year was recorded an increase in the cost of 1290 RON to 1570 RON, the equivalent of 20%.

Price index is another way to express this. To compute the price index, the cost of the market basket in any period is divided by the cost of the consumer basket in the base period, and the result is multiplied by 100. In the table above, year 1 is the base period. So, the price index for year 3 is:

$$\text{Price index} = (P_3/P_1) \times 100 = (1570/1290) \times 100 = 121,70 = 122$$

The price index tries to give an overview of the evolution of a large number of prices. But as the example shows, the price index may rise despite some prices actually declining.

However for various reasons, any attempt to express the overall change -a number of prices presents some difficulties.

It may be observed first that, an existing basket becomes, over time, increasingly and less representative and me, as consumers increasingly tend to replace more expensive goods for cheaper ones. So if the weights are not adjusted, index variation may lead to a slight overestimation of

growth "true" price. Second, changes in quality are sometimes difficult to incorporate into the price index.

In the event that quality of a product improves over time and the price also rises, some variation in price is due to the improved quality. Price increases due to quality changes can not be regarded as giving rise to inflation, as it does not reduce the purchasing power of money. Changes in quality are commonplace over long periods. (Stavre John – Gabriel, 2014)

From all discussed it may be noted that price stability supports higher living standards by helping you have the information above explains why inflation and deflation are generally undesirable phenomena.

Indeed, there are substantial disadvantages and costs related to inflation and deflation. Price stability prevents these costs and brings significant benefits to all citizens. There are several ways in which price stability contributes to achieving high levels of economic prosperity, such as a high employment of labor.

So price stability supports higher living standards by helping it has to:
Reducing uncertainty about general price developments and thereby improve the transparency of relative prices

- reducing risk premiums in interest rates associated with inflation included
- avoiding unnecessary hedging operations
- reducing the distortive effects of taxation systems and the social security
- increasing the benefits of holding cash
- prevent the arbitrary distribution of wealth and income
- financial stability

Therefore price stability enables the public to easily identify changes in the prices of goods relative to other goods ("relative prices"), bearing in mind that such changes are not concealed by fluctuations in the general price level.

Otherwise maintaining price stability, central banks contribute to broader economic goals

4. Conclusion

The main objective, natural and otherwise, of a country and especially central banks is to keep prices stable. Price stability is defined as an annual pace of increase in the Harmonised Index of Consumer Prices for the euro area of below 2%.

Any monetary policy regime is based around a nominal anchors, defined as intermediate target to achieve specific objectives.

Each economy is built on its way, with its customs and monetary policy must adjust to these features, otherwise be rendered meaningless.

Benefits of price stability and the costs associated with inflation or deflation, are closely linked to money and its functions

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The CSR Orientation in the Romanian Banking Industry

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Abstract

The banking industry in Romania is currently aware of the CSR involvement consequences and its importance for the national development, as a way to give back the welfare to the community and to legitimate the financial market. This paper establishes the CSR major fields in the Romanian banking system, identifying the key-elements in the sustainable disclosure data. The main idea of this paper focus on the dominant CSR area in this sector, highlighting the People-oriented insight, as a significant measure of the public satisfaction. Building on the assumption that the employees are key actors in the CSR construction, the paper will outline the main features of the employee's volunteering. The research outcomes suggest a correlation between the bank's financial performance, the internationalization process and the CSR multiplication effects for the public perceptions, generating an emotional form of CSR, as a way to strengthen the bank's reputational value.

Key words: Romania, banking system, emotional CSR

J.E.L. classification: G21, M14

1. Introduction

The benchmark definitions of corporate social responsibility encompassing the ethical behavior, the corporate citizenship or corporate accountability are bearing on the multiple dimensions of the concept, involving a high potential of structuring the mainstream CSR policies. In an attempt to connect many common elements of CSR, Carroll has identified a multidimensional pyramid, divided in four categories of CSR: economic, legal, ethical and philanthropic (1979, p. 499). Starting from the premises of the CSR existence, Dahlsrud has assumed the volunteer framework of the CSR theoretical background, referring to four dimensions that mark the CSR evolution: the voluntariness dimension, the stakeholder dimension, the economic dimension, the social dimension and the environmental dimension (2008, p. 4).

Starting from the assumption that the „CSR is an undertaking of the economic world towards the well-being of the society and the environment” (Herman et al., 2012, p. 704), the current literature suggests the main tangible effects in terms of innovation, by improving both the customer satisfaction and the firm reputation. Central to this paper is the argument that the CSR orientation in the Romanian banking sector is People-focused, creating a bridge between the insider stakeholders and the outsider stakeholders through the employees. Each of the identified CSR fields corresponds to an emotional CSR based on the people general perceptions related to the corporate social responsibility activities, part of their specific criteria in the acquisition process.

Providing the stakeholder theory, Freeman (1984) has significantly contributed to the corporate social responsibility development, suggesting a link between different categories of stakeholders and the organisation, due to the stakeholder influence in the decision making process. Following this theory, Clarkson has emphasized the mentioned connection through a well structured definition of stakeholders, which are perceived as the „persons or groups that have, or claim, ownership, rights, or interests in a corporation and its activities, past, present, or future” (1995, p. 106). The current literature attributes a set of features to the identified representative stakeholders, one of the most known groups being the internal and the external stakeholders.

This paper will demonstrate a clear orientation of the banks to the emotional CSR areas, which are mainly focused on people: education, culture and art, society, employee's volunteering, health or sport. A special attention is given to the CSR area focused on the employees, due to the possibility to influence the market from inside the bank. Thus, the responsible initiatives of the employees are integrated in the CSR strategy, as a key part of the CSR outcomes, strengthening in the same time the key position of the human resources for the banking sector. Relating to the employee's position in the Romanian post-communist period, Stoian and Zaharia argue that the employees with work experience in multinational enterprises lead to an exogenous CSR, while those with experience of the socialist system lead to a different type of corporate social responsibility, namely the endogenous CSR (2012, p. 380-401).

The employee's engagement with the values of the banks represents a clear barometer of a long-term stability on the financial market, highlighting the sustainability of the bank's CSR strategy. Additional aspects of the CSR recognition, acceptance and involvement of employees in responsible actions towards the community are registered under the volunteering umbrella. The paper is dedicated to the analysis of the best CSR practices conducted in the Romanian banking environment, describing the CSR programs implemented by the financial institutions, which underline the most consistent advantages of the banks that are prepared to a full integration in the CSR commitment.

2. Methodology

In order to provide a complex case study on the Romanian banking environment, the sample of this paper includes ten banks from the Romanian market with a strong presence at international level, too. The financial institutions analyzed are considered the main drivers of corporate social responsibility process in Romania, suggesting in the same time the current global trend in terms of CSR impact, due to the direct link with the global financial system through the relationship between the parent-bank and its subsidiary. The qualitative research is based on the coordinated data provided by the National Bank of Romania in the Annual Report 2015, the Top 100 SEE - Southeast Europe's Biggest Companies 2016 and the official websites of the banks. Considering the „best-in-class” approach, there were extracted several significant indicators: the total assets and the net profit or loss, the level of internationalization by the global spread, the total number of the national agencies and the involvement in the CSR field. The analysis is structured according to the Elkington CSR framework based on the three main CSR dimensions, Profit - People - Planet (1997). The paper will focus on a comparative analysis of the CSR areas developed by the Romanian banks, creating a division of the most represented actions in the „triple bottom line” context. The synthesis of the CSR dimensions in the Romanian banking sector will suggest the originality of the concept in our country, relying both on the theoretical and the practical background, according to the bank's website analysis.

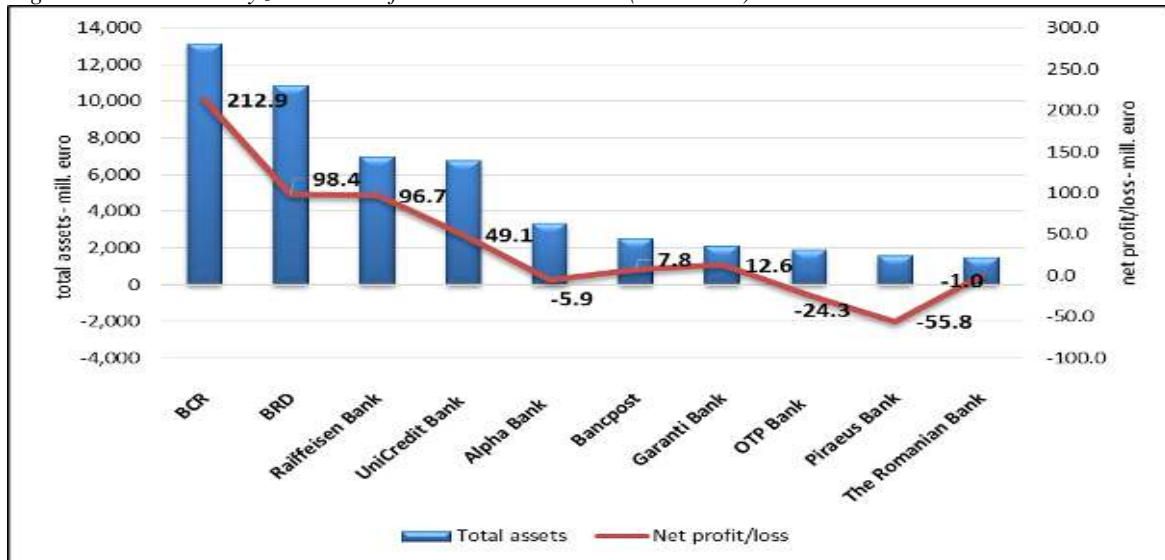
3. The economic perspective of the banking sector in Romania

The selected financial institutions in accordance with the mentioned criteria are: BCR - Banca Comercială Română (The Romanian Commercial Bank), BRD - Groupe Société Générale, Raiffeisen Bank, UniCredit Bank, Alpha Bank, Bancpost, Garanti Bank, OTP Bank, Piraeus Bank and Banca Românească (The Romanian Bank). The sample is composed by ten credit institutions with majority foreign capital which are Romanian legal entities. In order to extend the study for a future research at the international level, it is important to clearly identify the countries of origin for the corresponding groups included in the analysis. In this sense, it can be noticed the dominance of the Greek financial groups: Alpha Bank (Alpha Bank Romania), Eurobank (Bancpost), Piraeus Bank (Piraeus Bank) and National Bank of Greece (The Romanian Bank).

In order to obtain the CSR performance of the banking institutions in Romania, the sample will be evaluated according to the principle of Elkington, with a special emphasis on the three dimensions of CSR. Taking into account the level of internationalization of the banks from the sample, it was noticed the dominant position of the Groupe Société Générale, due to the presence in

66 countries around the world. In Romania, BRD – Groupe Société Générale has over 805 agencies, resulting a large offer of financial programs that creates the basis for the second position in the banking sector ranking. Raiffeisen Bank International AG and UniCredit have also high levels of internationalization, organizing their financial services in the globalized economy through an extensive banking network in the European regional market.

Figure no. 1. The analyzed banks – financial results 2015 (mill. euro)



Source: Top 100 SEE - Southeast Europe's Biggest Companies 2016

According to the data included in the Top 100 SEE - Southeast Europe's Biggest Companies 2016 developed by Business Intelligence for Southeast Europe, four of the analyzed banks reported a loss in 2015: Alpha Bank, OTP Bank, Piraeus Bank and The Romanian Bank. Thus, the Figure 1 strengthens the financial results of the top banks according to the total assets, being noticed the negative trend in terms of profit for the banks from the bottom of the ranking. The current financial evolution of the banks from the sample suggests the dominant position of four banks, which are in the same time the most representative banks on the market and the biggest winners relative to the figures mentioned in their official reports: BCR - The Romanian Commercial Bank, BRD – Groupe Société Générale, Raiffeisen Bank and UniCredit Bank.

Starting from the assumption that the corporate social responsibility principles are mainly established at the headquarter level, being adjusted in accordance with the national culture, the central issue is focused on the variations supported by the CSR strategies in the Romanian financial market. According to the previous mentions, there is a clear correlation between the financial performance of the analyzed banks and their level of internationalization, as the main factor of developing the CSR strategic vision from the parent-bank to its subsidiaries. On the other hand, there is a direct connection between the financial power of a bank and the awareness of the CSR communication through more image-orientated reporting tools, like the official websites and the CSR reports.

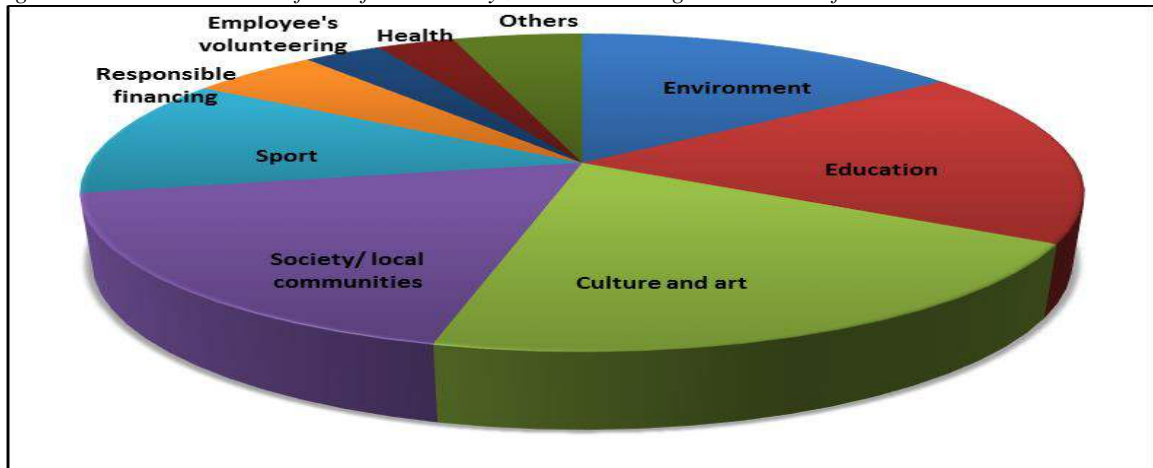
4. Understanding the CSR orientation in Romania: the banking analysis

This section is focused on the CSR areas of interest for the Romanian banking system and the main efforts towards the CSR homogenization, illustrated in the Figure 2. According to this figure, the most CSR actions are directed towards culture and art, followed by the educational CSR projects and the activities focused on the local community. All these fields can be best translated in the bank's option to disclose the CSR data through their websites in accordance with the public needs, in order to generate a positive impact on the customer behavior. The People-oriented CSR actions are closely followed by the environmental concern, which is also a „safe” CSR field in the public perception, outlining a strong corporate citizenship and a real involvement in the resource

management in order to less impact the context of the future generations.

Besides these more philanthropic CSR projects, there are also a few strategic lines in the responsible financing field. Thus, only two banks from the sample create a real link between the financial sector and its sustainable outcomes through the responsible financing concerns: BCR - The Romanian Commercial Bank and BRD – Groupe Société Générale. At this point, it must be mentioned the existing position of these financial institutions in the top banks by financial results, strengthening the main hypothesis of the paper, that there is a correspondence between the CSR involvement and the financial performance.

Figure no. 2. The main CSR fields for the analyzed banks through the sections from the websites



Source: author calculations

Most of the CSR efforts are directed towards cultural activities and supporting arts, which are more oriented to the philanthropic vision and are based primarily on the sponsorship programs. Some of the planned CSR projects are in strong cooperation with the NGOs and promote the partnerships between the financial institutions and the cultural associations from the local environment. The second position in terms of CSR orientation is placed by both the educational activities and society. Thus, a special attention is given to the education, in which a particular place belongs to the financial literacy and the leadership programs. Considering these features, 70% of the analyzed banks are addressing the education topic in their CSR strategies, which is perceived as the best means of achieving the economic progress.

The projects in the educational field acquire various forms: financial education (responsible use of financial resources, educating young people for an independent financial future) and entrepreneurship (incubators), projects that support young people's employability (education for practical skills), projects that facilitate the access to the education (the BRD project „Each child in the kindergarten” for children from Hetea and Araci villages), reduction of illiteracy and supporting young talents (grants for children with very good results at school) and other similar projects.

On the other hand, the community concerns represent a challenge for the Romanian market, due to the importance of the customers' perceptions and their influence on the image of the banks. According to the legitimate power, the community can inspire the CSR actions through their needs, but also has a key role strengthening the values and the organizational culture. The banking sector is also engaged in the environmental protection, such CSR actions being identified for 15% of the total sample. Thus, the environmental responsibility is not neglected by the banking sector, following the overall direction drawn by the European directives for a sustainable development and a clean environment for the future generations. The main reason for including the environmental concerns in the CSR strategies is the impact on the customers' perceptions, this field being considered a more „safe” area, with positive effects on the image.

On the opposite side, looking beyond the philanthropic activities, there is the responsibility towards the customers or the responsibility towards the employees, taking the form of responsible financing, human rights and employee's commitment with the bank. In this regard, the responsibility towards the clients is primarily manifested through the responsible product portfolio.

These products incorporate environmental or social benefits, depending on the actual needs of the customers, such as dedicated financial products for the customers from the disadvantaged groups, but also those for the SMEs or for large corporate clients. In Romania, the banking institutions still ignore such an approach, focusing mainly on the actions that increase awareness among the customers about more sensitive CSR initiatives.

5. The emotional CSR in the Romanian financial system

The corporate social responsibility concept in Romania is People-oriented, creating an emotional structure between the individual and the financial corporation, as a global entity. The banking sector is considered very sensitive to the people's reactions, considering the modern customer sophistication in the acquisition process of the financial services, more founded on trust and a long-time cooperation. This relationship is related to the customer-bank identification, transparent CSR communication to the public, legitimate power of the community and the organizational culture integration in the employee's perception. For this section, it was used the voluntary documents provided by the analyzed banks, in their official form. The content analysis of the CSR reports was completed by the analysis of the websites and other relevant documents, such as: the annual reports, the corporate governance statements and the codes of conduct.

A strong emphasis in the People-oriented CSR is related to the employees, which are considered key agents in the clients' attachment to the organizational values, through a CSR transfer process from the inside to the external stakeholders. Even if the CSR communicated data suggest only a poor focus on the employee's volunteering, being clearly mentioned in the BRD website sections, these practices can be identified in most of the banks from the sample, as it is specified in the CSR reports or in the annual reporting documents. The responsible time sharing of the BRD employees through a multicentric social needs is connected to the NGOs - bank cooperation (Habitat for Humanity and Ovidius RO Foundations, UNICEF or ARC) and the employees initiatives to develop various fundraising tools.

The BCR strategic vision also relates to this perspective, considering the employee as a key ambassador in the community. The annual report 2015 of Piraeus Bank points out that the internal volunteers have significantly contributed to the social causes, supporting the fundraising campaigns and the blood donations. But the employee engagement is best structured in the CSR reports of Raiffeisen Bank and OTP Bank, which are the only banks that have followed the Global Reporting Initiative standards in the CSR disclosure. While Raiffeisen Bank strengthen the employee volunteering framework, the CSR vision of OTP Bank supports on the ethical concerns of the banking environment, with a special emphasis on the responsible behaviour of employees towards the external stakeholders.

Both Raiffeisen Bank and OTP Bank have directed their CSR actions to four major stakeholders: employees, the clients, the community and the environment. The remuneration policy remain one of the main CSR concerns, being motivated by the bank's position to enhance transparency and equality in the working conditions. Basically, the two banks provide the same benefits to the staff, including: medical services, life insurance, particular benefits for special cases, discounts for some health services or accomodation facilities. The training programs are also an essential part of the CSR strategy, being at the top positions in the initiatives conducted by the analyzed banking institutions. Thus, the professional development of the employees is in direct link with the remuneration policy through a well-balanced performance assessment, being a constant concern of the banks.

Even if the community, in a broader view, involves multiple forms of identification with the bank through the clients, the employees, the society, the suppliers or the shareholders, this network of perspectives highlights the opportunity to cumulate the community needs in the CSR field in order to create a basis for a strategic connection between the internal and the external stakeholders. Moreover, a particular attention is given to the employee's engagement with the bank's CSR culture, due to its possibility to influence the public perception through a hidden marketing interface. In this respect, the employees are considered useful resources in building or regaining the image on the market, contributing to the emotional structure of the corporate social responsibility concept through both their internal and the external links on the Romanian financial market.

6. Conclusions

The paper confirms the existing link between the bank's financial performance, the internationalization process and the CSR multiplication effects for the public perceptions, strengthening the legitimacy approach in the corporate social responsibility process. The public reactions towards the CSR projects significantly influence the acquisition decisions, generating an emotional form of CSR, as a key element in the bank's reputational development. It was noticed the emphasis on the People-oriented CSR actions, which are seen as the barometer for the public satisfaction measurement and the way to give back the welfare to the community.

The results of this paper highlight the focus on the „safe” CSR actions, directed towards culture and art, education and community. All these fields suggest the fundamentally concern of the banking sector to generate a positive impact on the customer behavior, outlining a strong corporate citizenship image. Starting from the assumption that the emotional CSR can be best attached to the banking sector, due to its main features that support the sector sensitivity to the people's reactions and the customer sophistication in the decisional-making process, the paper demonstrates some particular characteristics of the analyzed sector.

Thus, even if the employees are the major resource for the banking sector, the actions oriented towards the employees as remuneration policy, benefits or training oportunities are less considered as part of the corporate social responsibility. On the other hand, the employee's volunteering is considered an opportunity to connect the internal and the external stakeholders through the responsible time sharing of the employees for social causes. The cooperation with NGOs and the employee's identification with the bank are also strategic points in the CSR development framework. At the moment, the Romanian banking system demonstrates a greater concern for the employee's engagement with the bank, as a useful tool to build an improved CSR from the inside to the outside.

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Creativity in Managerial Accounting: the Syndrome of Clone-type Production Costs

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Abstract

This study presents the complex and delicate subject of managerial accounting systems, aiming to highlight the motivational complex of developing creative accounting techniques and to identify certain creative accounting techniques at the border between legal and fraud. The field research undertaken was also aimed at identifying and possibly solving the problems related to identifying and presenting a set of creative accounting techniques in the practical context of implemented systems, focusing also on the consequences on the quality of the accounting information. The contributions of the study are highlighted particularly in the practical level, this aspect being obviously due to the types of research conducted. One of the fundamental objectives of the study was to spark the interest in the practical possibilities of protecting against the dangers occurring from a creative managerial accounting system.

Key words: managerial accounting system, creative accounting, clone-type production costs, managerial objectives

J.E.L. classification: M41

1. Introduction

The main mission of managerial accounting was of "searching the absolute truth", in this context "the absolute truth" being defined by obtaining the most precise cost. But managerial accounting has started to evolve. This state of fact has fixed multiple deficiencies, including the concern for determining the unique cost. The most important contribution has been focusing the attention on the potential benefits of adopting decisions based on accounting information. The idea of different costs for different purposes has stimulated the concerns to define the conditioned truth or decision models.

The success of the operation of managerial accounting tools depends, as well as the success of all decisions made in the area of enterprise control, not only on the reliability of the decision itself, but on how it is implemented. Implementing the decisions taken in this context gains a particular importance, in terms of studying the impact on the organization made by those leaders who attempt to impose their vision. The notion of creative accounting is very complex and nuanced. Most researchers consider that it is characterized by two aspects (Malciu, 1999, pp. 16-17):

- use of professional judgement in order to solve problems for which, at the moment, there are no accounting norms;
- financial engineering techniques are applied according to the incidence on the financial situation and performance of the enterprise.

The dual nature is probably emphasized by the most substantial definition, supported by Naser (cited by Feleagă *et al*, 2002, p. 390). Thus, creative accounting is:

- the process by which, given the existence of loopholes in the rules, the accounting figures are manipulated and, taking advantage of the flexibility, there are chosen those practices of measurement and information that enable the transformation of the financial statements from what they should be in what managers want;
- the process by which transactions are structured in such a manner as to allow the production of

the desired accounting result.

The privileged position in this study is the experiment-type research, which involved direct access to research subjects and the case study, involving the analysis and interpretation of certain existing particularities. These are field research, the main advantage being the better perception of the relationships and processes within one organization. The collection and analysis of the information was conducted on a total of 20 Romanian companies in the field of civil and industrial construction. The experiment-type research and the study case were effectively conducted during five financial years, in the period of 2010 and 2015, the subject of the knowledge process actively participating in this process.

The national and international literature does not abound in papers that explicitly address various creative accounting techniques in managerial accounting, but it does warn on the fact that there will always exist motivational factors for such techniques (Macintosh, 1994; Malciu, 1999; Corfmat *et al*, 2000; Feleagă *et al*, 2002; Albu *et al*, 2003; Ionașcu, 2003; Bhimani *et al*, 2010; Atkinson *et al*, 2011; Drury, 2012; Bhimani *et al*, 2015).

2. Motivational factors in creative accounting

In the current Romanian economic context, one may notice a direct link between creative accounting practices, managers' incompetence, the decline of the activity and the imminent crisis period. National emphasis is placed on the use of creative accounting in order to mislead the users of financial statements. Malo and Giot (cited by Malciu, 1999, p. 17) stated that, originally, creative accounting is virtuous, providing the means through which accounting manages can keep pace with the growing development of the markets and the proliferation of financial products. The major problem is caused by the rapid manifestation of the instinctive perversity of businessmen.

Malciu (1999, pp. 18-28) identified the factors of the motivational complex that determined the development of creative accounting tools: the costs arising from the conflict of interest; incompetence of managers; uncertainty and risk; the variety of economic activities; the hot spots of accounting concepts; the attitude of the financial and accounting information users; dematerialization of enterprises; the absence or lack of national accounting norms.

By analyzing the creative accounting techniques or pseudo-techniques in the context of the field research undertaken, there were found the following motivational factors:

- a. costs arising from the conflict of interests; Romanian managers are tempted to impose the use of those techniques that reduce the results, in order to avoid the fiscal pressure on profit tax;
- b. incompetence of managers; when companies do not attain a real performance, a series of creative accounting techniques will be used in order to maintain customers, trade credits offered by suppliers, financial indicators requested by donors; in this situations, this type of behavior suggests psychological implications of not accepting failure and postponement of financial apocalypse;
- c. uncertainty and risk; the conditions of the current economic crisis represent an indisputable factor of widespread use of creative accounting policies, even to the level of fraud; Salustro and Lebrun (cited by Feleagă *et al*, 2002, p. 396) consider that periods of crisis represent tests for enterprises; they affect their treasury and generate risks that accounting tends to translate in an imperfect manner; consequently, managers are tempted to use more or less ingenious processes in order to improve the presentation of the financial position and performance;
- d. the variety of economic activities; the activity domain of the companies that were analyzed is mainly in the area of civil and industrial construction; the construction activity represents a particularly complex and difficult domain, difficult to control, which allows a permanent adjustment of results; the use of creative accounting techniques in this activity domain is sometimes hardly detectable;
- e. the hot spots of the concept of production cost; using the production cost as a basis for evaluating stocks of products and works under execution is always suspicious; most instruments used for determining costs are open to criticism; there is no production cost accurately calculated, as each cost represents an opinion (Ionașcu, 1997, p. 174);
- f. insufficient national accounting rules; the deficiencies in the Romanian accounting normalization and managerial accounting have already been mentioned.

Ionaşcu (2003, p. 164) insists on the distinction between creative accounting and accounting fraud. Adapting the accounting policies to the economic evolution should not be confused with those techniques that more or less bypass accounting rules. The border between creativity and illegality is sometimes difficult to establish. This confusing division is often nurtured by those who promote and use the perverse side of creative accounting.

The creative accounting techniques that were identified are more or less sophisticated, more or less questionable, some of them being placed at the dark border between creativity and illegality. These were found in the managerial accounting systems implemented in the companies analyzed in this research. The identified techniques were given names that suggest their content: the alteration of costs linked to production sold, the simultaneous misleading of users of accounting information; gift costs, manipulation of transfer prices, optimizing the value of the distribution coefficient of indirect production costs, regularization accounts, double records, tick-type costs, the costs of identical projects, invisible costs.

3. Case study regarding clone-type production costs

Ideally speaking, the implementation of identical projects by the same organization should mainly employ the same production efforts and should roughly generate the same revenue. Offer requests, the project of the work, the budget, the execution timeline are identical. In reality, there were found more or less justifiable differences in terms of production costs related to identical cost objects. Among the explanatory factors of the variation of production costs might be mentioned: the various geographical locations where the projects were implemented; different time and environment conditions; use of different materials, equipment and services; logistical conditions; fluctuating acquisition costs, depending on the provider; more or less skilled work force; various professional skills of project managers; the quality of services provided by different subcontractors; different remuneration of the direct productive staff; different consumptions for materials and workmanship; different execution timeframes.

Below it is presented the case of a company belonging to the set of the enterprises that were analyzed, that closed a contract regarding the execution of six identical projects (the improvement of the facilities for several branches belonging to the same commercial bank) in the same period of time, but in different national geographic locations. The execution schedule provided an implementation period from June N to February N+1. The general manager appointed six project managers to control this contract. The estimated total gross profit was of lei 200.000. The source of information regarding the project profitability analysis is the report "achievements in management" (aggregated version) generated by the informatics system for the financial years N and N+1 (tables no. 1 and no. 2).

Table no. 1. Accomplishments for projects in year N, P-type project

Account	Expenditure	Income	Accomplishments
P1 project			
6021	40.081,15	0,00	-40.081,15
628	62.979,33	0,00	-62.979,33
635	128,70	0,00	-128,70
711	0,00	103.189,18	103.189,18
Total P1 project	103.189,18	103.189,18	0,00
P2 project			
6021	32.201,87	0,00	-32.201,87
604	333,83	0,00	-333,83
628	106.000,62	0,00	-106.000,62
635	3,60	0,00	-3,60
711	0,00	138.539,92	138.539,92
Total P2 project	138.539,92	138.539,92	0,00
P3 project			
6021	63.223,64	0,00	-63.223,64
628	81.998,57	0,00	-81.998,57

Account	Expenditure	Income	Accomplishments
635	105,30	0,00	-105,30
6588	155,69	0,00	-155,69
711	0,00	145.483,20	145.483,20
711	0,00	-145.483,20	-145.483,20
704	0,00	192.509,23	192.509,23
758	0,00	185,27	185,27
Total P3 project	145.483,20	192.694,50	47.211,30
P4 project			
6021	56.145,28	0,00	-56.145,28
628	77.066,33	0,00	-77.066,33
635	54,89	0,00	-54,89
711	0,00	133.266,50	133.266,50
Total P4 project	133.266,50	133.266,50	0,00
P5 project			
6021	55.012,70	0,00	-55.012,70
604	1.002,30	0,00	-1.002,30
624	58,83	0,00	-58,83
625	1.885,12	0,00	-1.885,12
628	48.878,59	0,00	-48.878,59
635	100,39	0,00	-100,39
711	0,00	106.937,93	106.937,93
711	0,00	-106.937,93	-106.937,93
704	0,00	149.159,16	149.159,16
Total P5 project	106.937,93	149.159,16	42.221,23
P6 project			
6021	59.158,14	0,00	-59.158,14
624	1.142,00	0,00	-1.142,00
628	61.206,50	0,00	-61.206,50
635	67,50	0,00	-67,50
711	0,00	121.574,14	121.574,14
Total P6 project	121.574,14	121.574,14	0,00
GRAND TOTAL	748.990,87	838.423,40	89.432,53

Source: Author's processing, 2016

All the information presented is real. The reports "achievements of projects" have a strictly accounting utility, with a low level of intelligibility for management.

Table no. 2. Accomplishments for projects in year N+1, P-type project

Account	Expenditure	Income	Accomplishments
P1 project			
6021	791,13	0,00	-791,13
704	0,00	156.626,26	156.626,26
711	0,00	791,13	791,13
711	0,00	-103.980,31	-103.980,31
Total P1 project	791,13	53.437,08	52.645,95
P2 project			
704	0,00	153.583,38	153.583,38
711	0,00	-138.539,92	-138.539,92
Total P2 project	0,00	15.043,46	15.043,46
P3 project			
6021	1.895,66	0,00	-1.895,66
711	0,00	1.895,66	1.895,66
711	0,00	-1.895,66	-1.895,66

Account	Expenditure	Income	Accomplishments
Total P3 project	1.895,66	0,00	-1.895,66
Project P4			
6021	406,00	0,00	-406,00
704	0,00	152.817,97	152.817,97
711	0,00	406,00	406,00
711	0,00	-133.672,50	-133.672,50
Total P4 project	406,00	19.551,47	19.145,47
P6 project			
704	0,00	153.148,93	153.148,93
711	0,00	-121.574,14	-121.574,14
Total P6 project	0,00	31.574,79	31.574,79
GRAND TOTAL	3.092,79	119.606,80	116.514,01

Source: Author's processing, 2016

Considering these, these reports are processed in the situation of return on the projects in question (table no. 3). These types of reports should be solicited at shorter intervals of time and not at the end of the contract, because at that point the information is no longer relevant.

Table no. 3. Situation of return on the P-type projects

SPECIFICATION	P1	P2	P3	P4	P5	P6	TOTAL
INCOME							
Invoiced revenue	156.626,26	153.583,38	192.509,23	152.817,97	149.159,16	153.148,93	957.844,93
Other revenue	0,00	0,00	185,27	0,00	0,00	0,00	185,27
Total revenue	156.626,26	153.583,38	192.694,50	152.817,97	149.159,16	153.148,93	958.030,20
EXPENDITURE							
Consumables	40.872,28	32.201,87	65.119,30	56.551,28	55.012,70	59.158,14	308.915,57
Unstored materials	0,00	333,83	0,00	0,00	1.002,30	0,00	1.336,13
Transport	0,00	0,00	0,00	0,00	58,83	1.142,00	1.200,83
Movements	0,00	0,00	0,00	0,00	1.885,12	0,00	1.885,12
Third-party services	62.979,33	106.000,62	81.998,57	77.066,33	48.878,59	61.206,50	438.129,94
Other taxes	128,70	3,60	105,30	54,89	100,39	67,50	460,38
Other expenditure	0,00	0,00	155,69	0,00	0,00	0,00	155,69
Total expenditure	103.980,31	138.539,92	147.378,86	133.672,50	106.937,93	121.574,14	752.083,66
Gross margin	52.645,95	15.043,46	45.315,64	19.145,47	42.221,23	31.574,79	205.946,54
Average gross margin							34.324,42
Average deviation	18.321,53	-19.280,96	11.991,22	-15.178,95	7.896,81	-2.749,63	0,00

Source: Author's processing, 2016

The gross margins related to the six clone-projects recorded significant deviations from the average margin. The revenues generated are substantially the same, except for P3 project that required some additional work, supported by the beneficiary. Significant fluctuations were recorded in terms of the value of production costs. First of all, the production cost structure is different from project to project, particularly because of the extent to which project managers have turned to their own resources or to subcontractors' services. On average, it can be concluded that it is cheaper to build with personal resources than to outsource certain parts of the project. However, one should not forget that the geographical locations were different, and in some areas the supply process is deficient.

At the risk of being accused of subjectivity, the author considers that an important factor of the margins' variation is represented by the quality of the management of each project. This quality is suggested by the extent to which third parties were solicited to services. Maybe sometimes is more convenient to outsource your needs, no matter how expensive it would be. In addition, the execution times were different. Furthermore, the variation could also be caused by the differences

in terms of supply speed, greater labor time in the situations where there was employed a (more) unqualified work force, logistical difficulties and obviously, the quality of management.

4. Conclusions

Under the influence of a typical Romanian mentality, the conclusion could be that it is impossible for two identical projects to generate the same margin, even if they would be implemented in the same location. The problem is that the estimations and the budgeting process consider the margins to be identical. The pressure imposed by the tax environment creates the temptation of negative creativity by manipulating financial information. From previous data it can be observed that four of the six projects were billed to the beneficiary in the year N+1. In fact, under the guise of artificially prolonged execution terms and late acceptance by the beneficiary of the status of works under various pretexts, there is determined a serious undermining of the principle of independent exercises. Most of the profit is actually transferred to the next financial year. The explanation lies in a mutation of certain managerial objectives, such as short-term fiscal optimization. Clearly, the relevance of financial statements for the two years in question will suffer.

Another aspect that erodes the effectiveness of managerial decisions is given by the almost exclusive focus on the overall objective (total gross margin), in the expense of the budget-accomplished analysis related to every project. This type of analysis could have materialized in the identification of causes and, in consequence, the adoption of the appropriate corrective actions.

The accounting information necessary in the decision making process is not always found in the final decision. Considering the negative side of creativity, after a decision has been made, the managerial accounting system is requested to offer the exculpatory support for the decision already taken. In these circumstances, the initial focus is metamorphosed into a numerical burial of the decision making process. The reasoning is reversed and sometimes occurs even in the case of modern managerial accounting systems, either because of the need for goals that have to bypass reality, or because of a rejection reaction of the new system.

The managerial behavior affects the managerial accounting tools. Managerial decisions can determine the form to be given to the accounting information according to specific objectives. The managerial strategy which, wrongly, is reorienting to short-term, involves mutations in producing the accounting information and misrepresents the financial situations. The manager's perception on the accounting system is generally resumed to the idea that absolutely everything is possible and the consequences can be easily minimized.

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Financial Indicators of Performance Measurement: Reality, Relevance and Distortion

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Abstract

The main criticism brought to managers and to managerial accounting systems was the lack of emphasis on the return of the use of invested capital and the excessive focus on the efficiency of production processes. This fact forced the transition to a new view on the way of establishing the strategic objectives measured by financial indicators. The aim of this paper is to demonstrate, through case studies, the relevance and possibilities of manipulation of a series of indicators used for assessing performance: return on investment, residual profit, economic added value, commercial profitability. The relativity and the criticized appraisal of performance only through the means of profit were thought to be solved by implementing other indicators that would link several ingredients of profitability. The conclusions highlight that the remedy promoted by the new sets of financial indicators imposes a considerable cost, represented by the temptation of information distortion.

Key words: *measures of financial performance, return on investment, residual income, economic value added*

J.E.L. classification: M41

1. Introduction

In most of the decentralized profit centers, also known as strategic units, the general manager has the authority to take the operational decisions related to products range, prices, client relations, production methods. In addition, he/she determines the type of the assets and the extent to which there are used within the unit. For these kinds of units, the financial measure used to evaluate the unit and the managerial performance should be the profit earned per assets used. By connecting unit profit with assets used, the managers of the companies may assess if the profits generate the adequate return on the assets invested in unity.

Usually, as the capital may be differently distributed, the managers must be preoccupied if the return on the capital employed exceeds the cost of the capital. The cost of the capital can be measured by calculating the return that might have been given if otherwise invested. Another reason to calculate the capital return is given by the need of having a control and an analysis during the capital budgeting process. Many companies have elaborated systems to authorize the capital expenditure. Without having a measure for the effective capital return, during the investing budgeting process, it may exist a low incentive for managers to get an accurate estimation of the future cash flows. Measuring the return of the capital employed drives manager's attention to the ways of reducing the level of the working capital, especially in receivables and inventories cases (Kaplan, 1983, pp. 686-705).

2. Return on Investment (ROI): apparently, a better method of analyzing performance

ROI is the most popular method that incorporates investment to measure performance. This indicator, calculated as a ratio between profit and investment, combines in one figure, the major components of profitability (revenues, costs, investments). ROI may be compared to any internal or

external opportunity return of the company. An improvement to any of those items by keeping constant the other one will determine an increase of ROI. There are differences in the way the components of the ratio are defined. For example, some analysts use the ordinary profit, others the net profit of the period, or they can use total assets and others total assets less current liabilities. Also, regarding the asset value, there are pros and cons: the historical cost, the current value, the current cost or the realizable value, the gross or net value. Surveys of company practice report net book value to be the dominant asset measure used by companies in their internal performance evaluations (Drury, 2000, p. 803).

Example 1: The A Company operates three projects. Table no. 1 summarizes data for each of the three projects (X, Y, Z) for 2016. At present, the A Company does not allocate to the three separate projects the total long-term debt of the company.

Table no. 1 Annual financial data for A company for 2016

	X	Y	Z	TOTAL
Revenues	2.400	2.800	6.370	11.570
Variable costs	620	750	1.990	3.360
Fixed costs	1.300	1.450	3.360	6.110
Operating income	480	600	1.020	2.100
Interest cost on long term debt at 5%				450
Income before income taxes				1.650
Income taxes at 10%				165
Net income				1.485
Current assets	800	1.000	1200	3.000
Long-term assets	1.200	3.000	4.800	9.000
Total assets	2.000	4.000	6.000	12.000
Current liabilities	100	300	600	1.000
Long term debt				9.000
Stockholder's equity				2.000

Source: Processed by the author, 2016, based on Horngren et al, 1997, p. 934

Is it proper to compare the performance of the three projects using their operating income? Is project Z the most efficient one? By using the operating income to compare the projects' performance, the investments made in each project will be ignored (by investments being understood the resources or the assets used to generate benefits). The problem is how big are the resources involved to obtain the profit, not the profit by its own. The indicators incorporating the investment concept are return on investment, residual income and economic value added.

The A Company may increase ROI by increasing the revenues, decreasing the costs, or by decreasing the investments.

Consider the ROI of each of the three A Company's projects in table no. 1. X project proves the best utilization of its total assets (Table no. 2).

Table no. 2 Calculation of return on investment for company A in 2016

Project	Operating income	Total assets	ROI
X	480	2.000	24,00%
Y	600	4.000	15,00%
Z	1.020	6.000	17,00%

Source: Processed by the author, 2016

ROI underlines the benefits that managers can get by reducing the investments of current or fixed assets. Some managers are aware of the need to sustain revenues or to control costs and pay less attention to the reduction of the investments. ROI became the reality itself, an objective set by the managers of the corporation for the managers of the different divisions. Once the rewarding of the managers was related to the ability to achieve the objectives, the managers have been strongly stimulated to "adjust" the information (Kaplan & Atkinson, 1998, pp. 345-405).

The decisions that determine the increase of ROI at the unit level may have as consequence an unsatisfactory running activity. As opposite, those actions that decrease ROI may improve the

economic health of the company. These perverse effects may appear even if the performance is measured as ration, such as ROI.

Example 2: Let's take into consideration a subsidiary having assets of m.u. 100.000 (monetary units) and an income before income taxes of m.u. 20.000, so ROI is 20%:

$$(1) \quad \text{ROI} = \frac{\text{Income before income taxes}}{\text{Assets}} = \frac{20.000}{100.000} = 0,20$$

It is assumed that the cost of the capital employed for this subsidiary is 12%. An investing opportunity is available. It would generate an increase of the profit of the year by m.u. 1.500. The cost of the capital employed would be of m.u. 10.000. ROI for this new investment is 15% (1500/10000), value that is much above the cost of capital. Still, if this project would be accepted, the new ROI will be:

$$(2) \quad \text{ROI} = \frac{20.000 + 1.500}{100.000 + 10.000} = \frac{21.500}{11.000} = 0,1955$$

Therefore, it would result in a decrease comparing to the previous ROI (20%). This new ROI motivates the managers of the subsidiary to reject this investment because, even if it goes above the cost of capital (additional profit of m.u 300, after the deduction of the cost of the capital employed of 12%: 1500-12%*10000), this project reduces the value of ROI. If unadjusted, this bug may transform ROI in an inadequate measure at the subsidiary level.

In addition, troubles may appear when the assets are disposed. If the subsidiary has an asset having an estimated cost of m.u 30.000 and generates annual profits of m.u. 4.200 (return ratio is 14%), ROI can be increased by selling the asset, even if its return ratio is superior to the cost of capital. After the disposal, the manager can calculate another ROI:

$$(3) \quad \text{ROI} = \frac{20.000 - 4.200}{100.000 - 30.000} = \frac{15.800}{70.000} = 0,2257$$

A similar problem may appear if there are compared two subsidiaries having different investment structures. The second subsidiary having assets of m.u. 35.000 and a profit of m.u. 8.400 will generate a ROI of 24%. This subsidiary may seem more profitable as its ROI is higher than the first subsidiary's ROI (20%). A deeper analysis will show that the first subsidiary's assets beats with m.u. 65.000 the second subsidiary's assets, generating this way a profits increase of m.u. 11.600 (20.000-8.400). The ROI marginal rate is 17,85% (11.600/65.000) and is superior to the cost of capital (12%).

For this reason, after the cost of capital is deducted, the first subsidiary looks more profitable than the second one. Previous problems are caused by the performance evaluation with ROI. The managers, who wish to maximize this ratio, may increase the profit or reduce the investments. Investments are reduced when managers refuse new profitable opportunities, that go beyond the cost of capital, but that lead to a lower ROI then the current one. Generally, any project or assets having a ROI under the medium division ROI will be disposed or refused, as its acceptance will decrease ROI at the division level.

3. Residual Income (RI): a better method than return on investment?

Residual income can be determined using the following formulas: Residual Income = Income – (Required Rate of Return x Investment). The cost of investment (the result between the required rate of return and the investment) is the return that a company gives up for investing in assets with similar risk.

Example 3: Let's take into consideration the information from table no. 1. The A Company defines residual income for each project as the difference between ordinary profit and a rate of return of 13% on total assets (table no. 3).

Given the 13% required rate of return, the Z project is performing best in terms of residual income.

Table no. 3 Calculation of residual income for company A in 2016

Project	Operating income	Cost of investment	Residual income
X	480	13% \times 2.000=260	220
Y	600	13% \times 4.000=520	80
Z	1.020	13% \times 6.000=780	240

Source: Processed by the author, 2016

Some companies favor the use of residual income as managers concentrate on maximizing an absolute amount rather than a percentage (ROI). Residual income can be maximized as long as a subsidiary obtains a ratio greater than the requested one.

Maximizing ROI can determine subsidiary's managers to reject projects that from the organization's point of view should have been accepted. The targeted ROI for A Company is 13%. The development of X project will increase the ordinary result by m.u. 320 and the assets by m.u. 2.000.

The marginal (development) ROI = 320/2.000=16%, which makes the project seem attractive for the group as a hole. Through this development project, the X project ROI will decrease:

(4) $ROI \text{ before the development} = 480/2.000 = 24\%$

(5) $ROI \text{ after the development} = (480+320)/(2.000+2.000) = 20\%$

The annual bonus of the manager of the project X could decrease if ROI is an essential part to this calculation and if the new project is accepted. As opposite, if the remuneration is related to the residual income, the manager will accept the new project:

(6) $RI \text{ before the development} = 480-(13\% \times 2.000) = 220$

(7) $RI \text{ after the development} = (480+320)-13\% \times (2.000+2.000) = 280$

Example 4: Let's take into consideration the information from the second example (table no. 4).

Table no. 4 The comparative residual income for subsidiaries 1 and 2

	Subsidiary 1	Subsidiary 2
Assets	100.000	35.000
Income	20.000	8.400
Cost of investment (12%)	12.000	4.200
Residual income	8.000	4.200

Source: Processed by the author, 2016

This calculation proves that the first subsidiary is more profitable then the second one because its residual income is higher. The residual income difference of 3.800 is due to the difference between the marginal rate of ROI (17,85 %) and the cost of capital (12%) applied to the marginal investment of m.u. 65.000.

Also, if the first subsidiary takes into account the project offering a rate of return of 15% (10.000 investments, 1.500 income), the residual income will increase. Instead, if the asset amounted at m.u. 30.000 is disposed, the residual income will decrease (table no. 5).

Table no. 5 The comparative analysis of managerial decisions

	Present	Option 1 new investment 10.000	Option 2 selling assets 30.000
Assets	100.000	110.000	70.000
Income	20.000	21.500	15.800
Cost of investment (12%)	12.000	13.200	8.400
Return on investment	20%	19,55%	22,57%
Residual income	8.000	8.300	7.400

Source: Processed by the author, 2016

The reconciliation between the subsidiaries' objectives and the group ones can be accomplished by using RI instead of ROI as a measure of the manager's performance. Managers can take actions that generate short-term increases of ROI or RI, but contradicting the company's long-term objectives.

4. Economic Value Added (EVA): the best performance indicator

Economic value added is a derivation from residual income, being calculated using the following formula:

$$(8) \quad \text{EVA} = \text{ATOI} - \text{WACC} \times (\text{TA} - \text{CL}),$$

considering: ATOI = after tax operating income, WACC = weighted average cost of capital, TA = total assets, CL = current liabilities. The key element of the determination relation is weighted average cost of capital.

Example 5: Let's take into consideration the information from table no 1. The A Company has two long term financing possibilities: a long term loan of m.u. 9.000 at a 5% interest rate, book value and market value being the same; equity capital has a book value of m.u. 2.000 and a market value of m.u. 6.000. Knowing that interest expenses are deductible, the cost of the loan is $5\% \times (1 - 10\%) = 4,5\%$. The cost of the capital is the opportunity cost of the investors of not investing their money in other business having a similar risk. For the A Company, the cost of capital is 20%. WACC calculation uses the market values for both liabilities and owner's equity:

$$(9) \quad \text{WACC} = \frac{(4,5\% \cdot 9.000) + (20\% \cdot 6.000)}{(9.000 + 6.000)} = 10,7\%$$

After tax project, operating income = Project operating income \times (1-10%).

Table no.6 Calculation of economic value added for company A in 2016

Project	After tax operating income	EVA=ATOI-WACC x (TA-CL)	EVA
X	480x90%=432	10,7%(2.000-100)=203	229
Y	600x90%=540	10,7%(4.000-300)=396	144
Z	1.020x90%=918	10,67%(6.000-600)=578	340

Source: Processed by the author, 2016

The Z project has the highest EVA (table no. 6). As residual income, EVA makes managers accountable for the investment cost of the fixed assets and for the working capital. The value is added only when the net ordinary income exceeds the cost of capital. In order to improve EVA, managers have to obtain a higher ordinary income by using the same amount of capital, less capital or by investing it in very efficient projects.

EVA will always increase when the return of the investments exceeds the cost of capital or when investments having a return under the cost of capital are disposed. For these reasons, subsidiary's assessment and the actions that maximize the economical welfare should be reconciliated. A corporation will prefer its divisions to have a high residual income. According to this vision, EVA is offering significant advantages comparing to ROI. EVA is more flexible, because different percentages may be applied to different investments with different risk levels. The cost of capital can be different for the different actions taken by the units. Even assets – as part of the same unit – can be differently risk ranked.

5. Return on Sales (ROS): a component of return on investment

ROI provides a profounder analysis if it is divided in the following elements: asset's efficiency ratio and profitability ratio or return on sales.

Example 6: Let's take into consideration the information from table no. 1. The calculation of ROS for the three projects leads to the following conclusions, presented in table no. 7.

Table no. 7 Calculation of return on sales for company A in 2016

Project	Operating income	Revenues	ROS
X	480	2.400	20,00%
Y	600	2.800	21,43%
Z	1.020	6.370	16,01%

Source: Processed by the author, 2016

The ranking projects obtained if using all the indicators lead to some significant conclusions (table no. 8).

Table no. 8 Ranking of performance metrics for company A in 2016

Project	Operating income	Rank	ROI	Rank	RI	Rank	EVA	Rank	ROS	Rank
X	480	3	24,00%	1	220	2	229	2	20,00%	2
Y	600	2	15,00%	3	80	3	144	3	21,43%	1
Z	1.020	1	17,00%	2	240	1	340	1	16,01%	3

Source: Processed by the author, 2016

The rank obtained when using RI and EVA is different from the one given if ROI and ROS are used. The Z project has a lower ROI. Even if its ordinary income is almost twice the income of the X project, its total assets are three times the assets of the X project. The ROI of the Z project is not as high as the ROI of the X project. The Z project C has a higher RI because it has a greater ordinary income after covering the requested rate of return of 13%. The Y project has the highest ROS, but the smallest ROI. Even if it obtains a high income for m.u. 1 of revenue, it generates small revenues for each m.u. invested.

6. Conclusions

None of the indicators above is superior to other as each indicator assesses different aspects of performance. For example, on the markets where revenues increase is limited, ROS is the most representative indicator for the subsidiary. In order to assess the general performance, ROI or RI is more indicated if the income or the investment is taken into account. RI and EVA show some objective divergences that ROI can generate. Several empirical studies (Shields *et al*, 1991, pp. 61-77; Bailes *et al*, 1991, pp. 131-142) have highlighted the fact that the dimension and cultural differences may result in the use of certain performance metrics. Anglo-American society groups show a significant preference for objectives measured by ROI, ROS, EVA, budget analysis, profits, turnover. Japanese groups entail a completely different approach, favoring the objectives characterized by turnover, production, costs, profits, gross margin, ROS, market share, while the presence of ROI is almost insignificant. Asian entities are, obviously, less individualistic and more long-term oriented. They focus less on immediate gains and choose specific objectives for long-term stability. By contrast, Anglo-American entities generally prefer objectives for a shorter-term, based on profit. The advantages of a modern managerial accounting system should not be confined to numerical information. There are situations where organizational concerns and the description of certain projects should be quantified in non-financial terms also. The decision making process is based on a tandem of financial and non-financial measures, performance also involving qualitative information. Organizational problems tend to have as a remedy, obviously not exclusively, the accounting information generated by a particular managerial accounting tool, chosen based on the circumstances. The organization must not be limited to this particular tool and should not consider this a panacea for its „sufferings”.

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The Difference GAP – The Main Instrument Used in the Management of Banking Assets and Liabilities

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Abstract

The analysis of the difference GAP is the main instrument used to manage bank assets and liabilities, to administer the net interest from income and to protect it against interest rate risk and to manage cash flow in the short term.

The information obtained from the analysis shall be used either to protect the net income from interest compared to the interest rate change by adjusting the sensitive assets / liabilities or to amend by means of the speculative operations the dimension of the difference GAP, while trying to increase the net income from interest. This is done by means of the speculative use of changes in interest rates which implies an interest rate forecast as close as possible to the market.

Key words: interest rate, liabilities, assets, liabilities sensitive to interest rate, risk exposure

J.E.L. classification: E00, G20, G21, G32

1. Introduction

A key feature of the contemporary world is the risk, uncertainty. The economic, monetary, financial and banking environment is constantly subjected to the action of a set of risk factors.

In the countries in transition, the monetary and financial-exchange markets are highly volatile, banks' exposure to risk significantly increases, giving greater attention to risk management.(Mititelu C., Mititelu Șt., 2006)

The interest rate risk is a central variable as they represent the direct costs of borrowing. (Kalirai, H., Scheicher, 2002) The interest rate risk occurs when short-term placements are financed by the Bank of resources on a shorter term, and interest rates increase above the level estimated by the bank, the interest expense corresponding to the deposits of a bank increase more than the income from interest corresponding to assets. If interest rates fall below the level anticipated by the bank, the difference between interest income and interest expense will be higher and the bank value will increase accordingly.

In addition, high real interest rates are in general associated with systemic problems of the banking sector.(Lopcu K., Cilic S.B, 2012)

This article aims to analyze the impact of interest rates progress on the financial results of commercial banks, with interest-bearing balance sheet items predominantly variable, applying the spread interest revaluation model, using estimates regarding the future developments in market interest rates.

2. Constructing the interest GAP model

In the sensitivity analysis on the change of the interest rate we calculated the impact of potential fluctuations of market interest on the interest margin for the following financial years available, depending on the date of changing / resetting of interest rates of balance sheet assets and liabilities as follows: assets and liabilities bearing interest were divided on these bands, depending on the date of restoration / modification of interest: 1 - 6 months, 6 - 12 months, 1 - 3 years, 3-5 years.

The assets and liabilities sensitive to interest rate will be divided according to their residual maturity in the following maturity bands:

- (a) Up to 6 months;
- (b) From 6 to 12 months;
- (c) From 1 to 3 years;
- (d) Between 3 to 5 years.

Starting from these maturity bands and from the typology of bank's assets and liabilities, we will identify how all components of interest rate risk can be included in the model.

The revaluation risk occurs primarily on the net income from interest of the credit institution. The interest gap model reflects the implications of rates change on the assets and liabilities of the bank, only in terms of the changes occurred at the level of the net income from interest.

The risk of the interest curve allows the assumption of changes that may occur in the structure of the interest rate curves. In determining the level of interest rate risk we will consider a parallel modification of the curve ,while subsequently, based on the model we will be able to create simulations regarding the changes that may occur in the structure of the interest curve slope.

The basis risk is taken into account, even if the theoretical shape of the gap model does not allow the inclusion of the effect of this risk component.

There is still a strong correlation between the level of money market interest and the interest rates on customer loans and deposits, and in terms of a rather complex relative portfolio, this fact largely eliminates the distortions that the non-inclusion of basis risk in the model might have on the final result.

Optionality, a source of increasingly important risk interest rate options has its roots embedded in more active passive or balance sheet items.(Moinescu Bogdan, Codîrlașu Adrian, 2009). Optionality cannot be captured by the standard form of the interest gap model. By means of the typology of the bank's assets and liabilities, optionality can intervene in case of an increase of interest rates on loans with fixed interest.

Based on the comments made on customer behaviour of the analyzed bank, it was determined that on average, 4.27% of outstanding loans are repaid before maturity, upon the decrease by one percentage point of the interest rate on the money market.

It must be remembered that this occurs only in the case of interest rate cuts and only has meaning for a positive gap.

Thus, within the model we will introduce as assets sensitive to interest rate, on the maturity band between 3 and 6 months, corresponding percentage of fixed-rate loans considered to be reimbursed in advance.

Table no 1. Bank exposure in terms of net income from interest in case of a change in the interest rate on the market(ΔR assets = ΔR liabilities)

	<i>Thousand lei</i>			
	Up to 6 months	6-12 months	1 - 3 years	3 - 5 years
RON				
Assets	24,537,495	4,629,181	777,921	590,674
Liabilities	24,929,281	3,662,127	8,991	15,479
The GAP from interest	-391,786	967,054	768,930	575,195
Cumulative GAP	-391,786	575,268	1,344,198	1,919,393
□R assets	1.00%	1.00%	1.00%	1.00%
□R liabilities	1.00%	1.00%	1.00%	1.00%
NII_i	-3,918	9,670	7,689	5,752
Cumulative NII_i c	-3,918	5,753	13,442	19,194

Source: own calculations

By knowing the gap on each maturity band, you can easily calculate the bank's exposure in terms of income from interest given the interest rate changes on the market.

$$\Delta NII_i = GAP_i * \Delta r = (SA_i - SL_i) * \Delta r$$

where: ΔNII_i = change of the net income from interest for a maturity band i

Δr = interest rate change affecting the assets and liabilities for maturity i ;
 SA_i – assets sensitive for maturity i ;
 SL_i – liabilities sensitive for maturity i ;

A positive gap indicates that sensitive assets are higher than sensitive liabilities and a negative gap means that sensitive assets are lower than sensitive liabilities.(Manolescu Ghe.,2006)

Also, the positive gap indicates that assets change their interest based on the market interest faster than liabilities.

In Table 2 we summarized the relationship between interest rate changes and the change of the net interest from income for a certain gap between assets and liabilities sensitive to interest rate.

Table no. 2 Relationship between interest rate changes and the change of the net income from interest

GAP	Interest rate	Income from interest		Interest expense	Net income from interest
Positive	Increases	Increases	□	Increases	Increases
Positive	Decreases	Decreases	□	Decreases	Decreases
Negative	Increases	Increases	□	Increases	Decreases
Negative	Decreases	Decreases	□	Decreases	Increases

Source: own calculations

The greater the gap, the higher the bank's exposure to interest rate risk.

When the gap is positive, the link between interest rate changes and the net income from interest is positive: when the interest rates increases, the net income from interest increases and when the interest rate decreases, the net income from interest decreases.

When the gap is negative, the link between interest rate changes and the net interest from income is negative: when the interest rates increases, the net interest from income decreases and when interest rates decreases, the net interest from income increases (the *gap effect*¹).

These correlations are valid if *the interest rate changes by the same size as the liabilities and assets*, but this hypothesis is very unlikely plausible in reality. The interest rates for assets typically have a different evolution as compared to the interest rates in case of liabilities².

Thus, if the interest rate had increased by 1% in case of assets and by 1.1% in case of liabilities, then the change of the net interest from income would have been:

$$\Delta NII_i = SA_i * \Delta r^{assets} - SL_i * \Delta r^{liabilities}$$

where: ΔNII_i = change of the net income from interest for a maturity band i

Δr = interest rate change affecting the assets and liabilities for maturity i ;

SA_i – assets sensitive for maturity i ;

SL_i – liabilities sensitive for maturity i ;

Table no. 3 Bank exposure in terms of net income from interest in case of a change in the interest rate on the market (ΔR assets \neq ΔR liabilities)

	<i>thousand lei</i>			
RON	Up to 6 months	6-12 months	1 - 3 years	3 - 5 years
Assets	24,537,495	4,629,181	777,921	590,674
Liabilities	24,929,281	3,662,127	8,991	15,479
□ R assets	1.00%	1.00%	1.00%	1.00%
□ R liabilities	1.10%	1.10%	1.10%	1.10%
NII_i	-28,847	6,009	7,680	5,737

¹ The relationship between interest rate change and the net income from interest.

² This thing is a manifestation of risk basis – the assets and liabilities have as reference different market interest rates, they usually have the same tendency, but they are not perfectly correlated.

cumulative NII_t	-28,847	-22,838	-15,158	-9,421
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Source: own calculations

From the analysis of data from the application of the interest gap model for operations in lei, according to Table 3 - Bank exposure in terms of net income from interest in case of a change in the interest rate on the market where ΔR assets = ΔR liabilities the following conclusions may be retained:

1. The bank analyzed has a positive interest gap, which means that in future years the impact of changes in interest on the profit is limited and sensitive assets are higher, and change their interest according to market income faster than sensitive liabilities.

When the interest margin between sensitive assets and sensitive liabilities increases and interest rates increase (decrease), the income from interest increases (decreases) more (less) than interest expense (*margin effect*). When the interest margin between sensitive assets and sensitive liabilities increases (decreases), the income from interest increases (decreases) less (more) than interest expense.

2. Regarding the risk associated with optionality, it does not manifest itself in an influential manner. The optionality in this case consists mainly of the risk associated with the repayment before the maturity of loans granted to customers.

3. Regarding the bank's exposure to the risk of interest rate change curve, the situation is presented in Table 4.

Table no. 4 Results summarized for the three standard interest rate developments

	Up to 6 months	6-12 months	1 - 3 years	3 - 5 years
Interest GAP	-391,786	967,054	768,930	575,195
Sharpening				
□R	1.00%	1.50%	1.75%	2.00%
Effect	-3,918	14,506	13,456	11,504
Flattening				
□R	2.00%	1.75%	1.50%	1.00%
Effect	-7,836	16,923	11,534	5,752
Deformation				
□R	1.00%	1.50%	2.00%	1.50%
Effect	-3,918	14,506	15,379	8,628

Source: own calculations

3. Conclusions

From the analysis of the result of the simulations made, we appreciate that the interest rate development risk associated with the *banking book* portfolio is reasonable. Moreover, in the predictable context of a flattening of the interest curve (higher growth for the first bands, and lower in case of more distant bands), the impact on net income from interest will be lower.

In conclusion, the strategy of the analyzed bank regarding the significant risk management aims to ensure the achievement of the budgetary indicators planned in case of controlled risk conditions, able to ensure both the continuity in the development of bank's activity on sound bases and the protection of the interests of shareholders and customers. The institution adopts a risk profile in line with the risk appetite and corresponding strategies and policies on managing significant risks are linked to the overall strategy, equity and bank experience in risk management.

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Ways to Improve the Access to Finance of Romanian SME

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Abstract

The present study intends to highlight the principal aspects concerning SME's financing in Romania by analyzing the European Union context of SME's financing, the research done by World Bank, OECD and NBR specialists regarding the actual framework of SME's financing and the surveys realized by some Romanian market researchers and the National Council of Romanian SMEs. The starting point is a theoretical approach about SME's financing that underline the role and the importance of SME for the economy and the main issues concerning access of SME to finance. The author tries to emphasize some particularities for SME's financing by European Union in order to better approach the framework for Romania. In this respect, the research undertaken on Romania materializes into a SWOT analysis that encapsulate the internal and external constraints of SME's financing and also factors favoring it in order that entrepreneurs and policy makers take better actions to improve the SME access to finance.

Key words: access to finance, type of finance, internal and external constraints, SWOT analysis

J.E.L. classification: D53, E51, G32, L26, L53

1. Introduction

The present study intends to highlight the principal aspects concerning SME's financing in Romania by analyzing the European Union context of SME's financing, the research done by World Bank and OECD specialists regarding the actual framework of SME's financing and the surveys realized by some Romanian market researchers and the National Council of Romanian SME. The starting point is a theoretical approach about SME's financing that underline the role and the importance of SME for the economy and the main issues concerning access of SME to finance. The author tries to emphasize some particularities for SME's financing by European Union in order to better approach the framework for Romania. In this respect, the research undertaken on Romania materializes into a SWOT analysis that encapsulate the internal and external constraints of SME's financing and also factors favoring it in order that entrepreneurs and policy makers take better actions to improve the SME access to finance.

According to EU recommendation 2003/361 an enterprise could be defined as a SME by taking into consideration the staff headcount, the turnover or the balance sheet total: micro-enterprise comprising less than 10 employees and turnover less or equal to 2 millions euro or a balance sheet total less or equal to 2 millions euro; small-enterprise with less than 50 employees and turnover less or equal to 10 millions euro or a balance sheet total less or equal to 10 millions euro; medium-sized enterprises with less than 250 employees and turnover less or equal to 50 mil. euro or a balance sheet total less or equal to 43 mil. euro.

Framing enterprises in this category brings many potential benefits in terms of financing and not only, such as: eligibility for obtaining support under EU business-support programmes and/or national governments financing schemes, reduced fees or requirements for EU administrative compliance, assistance for financing guarantee schemes.

There is no matter of question that the importance of SME for the economy is reflected by their strong influence on economic growth and job creation, on reducing poverty and leveling living standards, on promoting competitiveness and efficiency on a free market, and also on innovation and launching new products and services.

2. General considerations on SME finance

SME business type requires financing, on the one hand, to cover investment needs, i.e. fixed assets, thus involving financial resources in the long term and, on the other hand to ensure a continuous cycle of exploitation that means financial resources in the short term. In the first case, it is about the implementation of the business (start-up) or the maintenance of fixed investment level or the growth of the productive capacity through new investments.

According to the theory of financial equilibrium in corporate finance, financing of fixed assets should be made only on the basis of long-term resources, while financing current assets implies the existence of a working capital, to cover the current assets both through resources on long (partially) and short term.

As with any business, the entrepreneur will need to make the optimal choice debt versus equity ratio in terms of maturity and cost of capital. In this context they must considered different financing options regarding the budget amount, the repayment period, the interest, commissions and other costs involved, the maturity payment, the degree of risk, and the guarantees submitted.

SME are businesses whose dimensional and functional geometry varies depending on certain characteristics which influence the access to finance: company size (micro, small or medium); turnover (up to 2 million euro, 2 to 10 million euro and 10 to 50 million euro); economic sector (industry, trade or services); type of SME (autonomous or subsidiary /branch of an enterprise); length of time active (under two years, two to four years, five to nine years and ten years or more) and ownership structure (family or entrepreneurs, one owner business, business associates, listed company, venture capital or business angels).

There are two basic forms of SME financing: internal and external. On long-term, internal sources of financing are the retained or undistributed profits from the previous years and the new capital injections by the owner.

For SME, the advantages of internal financing or self-financing are represented by: it is a safe, stable and independent way of funding; it ensures freedom of decision and action of the entrepreneur; it gives freedom in choosing investments and capital budgeting; it reduces indebtedness and financial expenses; it helps attract external financing and even access to the capital market (Vintilă, 2006).

On short-term, as an internal own source of financing there is working capital which results from the necessity of permanent renewal of inventories and receivables to ensure continuity of production and sales regularity. In this respect, it is difficult to determine the optimal level of working capital for a company namely due to the influence of several factors: the need to realize a certain level of service or perform a range of products; Payment rules of the branch and the relevant country, as well as the need to synchronize production times with command structure.

There are also the temporarily raised sources from third parties in the period between the creation of debt and the payment maturity that is established on the basis of a favorable difference between the pay gap and the revenues gap. As stable liabilities in this category there are registered the short-term debt of the company by third parties (suppliers, employees, government etc.).

External sources of financing on long term rely on outright loan from banks and some hire purchase and leasing products from other financial institutions. On short-term there are some specialized financial products like factoring.

The access to finance of SME differs also according to the entrepreneur experience (start-up or established business) and to the credit history. It is wellknown that building a start-up it's a difficult task as it is quite unlikely for the entrepreneur to attract external financing, but an easier one for a SME that have already a track record as successful business. Beck et al (2008) highlight the importance of credit history data evolution on SME's financing: 70% of developing country banks and 44% of developed country banks in an World Bank survey stated that the existence of a credit bureau in their country facilitated SME lending.

3. Present issues for European SME's with impact on their financing

Looking at the general evolution of SME's financing in European union, there are a series of surveys taken by the ECB and DG Enterprises and Industry of the European Commission from

2008 under the name of the Survey on the Access to Finance of Enterprises (SAFE). In this regard, for the first time since the first survey was taken, the entrepreneurs perceptions concerning the evolution of the general economic outlook confronted by the EU28 SME was positive in 2015 (Doove, S., Kwaak, T., Span, T., 2015).

Regarding the last years 2014-2015, the majority of EU28 SME revealed an improvement in the availability of finance for any of the types of funding, except for debt securities. Following the development of interest rates, more enterprises recognized a decrease of them than an increase opposite the loan size and maturity that see an increase rather than a decrease. At the same time, there was some increases in the non-interest rate costs of financing and collateral requirements, altering the process of external financing. The principal sources of external financing were revealed to be credit line or overdraft and bank loans as leasing and hire purchase were considered to be the third source in order of relevance.

„In 2015, 30% of EU28 SME applied for credit line, bank overdraft or credit line overdraft. Of these applications, 73% were successful in the sense that these SME obtained at least 75% of the amount applied for. Comparable results were obtained for bank loans and trade credit. Regarding other forms of external financing, 16% of the EU28 applied for these, of which the vast majority obtained at least 75% of what they requested” (Doove, S., Kwaak, T., Span, T., 2015).

In 2015, the use of external sources of SME’s financing in Romania compared with EU28 are presented below:

Table no. 1 Use of sources of financing in EU28 and the main CEE countries (% of total)

Type of finance	EU28	Romania	Bulgaria	Czech Republic	Hungary	Poland
Credit line, bank overdraft, credit overdraft	37%	36%	34%	28%	22%	42%
Bank loans	19%	13%	14%	16%	7%	21%
Leasing or hire-purchase	23%	17%	16%	17%	14%	34%
Trade credit	20%	16%	10%	7%	4%	38%
Grants or subsidies bank loans	8%	< 5%	< 5%	10%	9%	11%
Retained earnings or sale of assets	15%	14%	11%	15%	8%	13%
Other loans	10%	18%	10%	12%	8%	8%
Equity capital	12%	10%	< 5%	< 5%	< 5%	7%
Factoring	6%	5%	< 5%	< 5%	< 5%	7%

Source: (Doove, S., Kwaak, T.,Span, T., 2015)

It can be noted that the share of bank loans among the other external sources are low and there is a great appeal for leasing and trade credit in Poland than in the rest of main CEE countries and EU28. On the other hand equity capital is very little used as source of financing and other loans has a notable weight in Romania and Czech Republic.

Changes in access to finance for SME in EU28 and main CEE countries are shown below:

Table no. 2 Access to finance in EU28 and the main CEE countries (% of total)

	2013	2014	2015
EU28	15,40%	13,00%	10,00%
Bulgaria	15,50%	11,00%	8,00%
Czech Republic	9,70%	7,00%	7,00%
Hungary	17,30%	14,00%	11,00%
Poland	8,50%	10,00%	8,00%
Romania	15,00%	14,00%	11,00%

Source: (Doove, S., Kwaak, T.,Span, T., 2015)

As for the entrepreneurs perception regarding changes in the availability of various types of SME’s financing in EU28 in the period 2009-2015, the surveys revealed that bank loans evolved from 8% in 2009 to 20% in 2015 so the net change was -36% in 2009 and 9% in 2015; trade credit

increase from less than 4% in 2009 to 20% in 2015 and the net change was -21% in 2009 and 11% in 2015; equity evolved form less than 3% to 13% so the net change was -7% in 2009 and 6% in 2015; debt security issued increased from less than 1% in 2009 to 10% in 2015; and bank overdraft, credit line and credit overdraft rised from 11% in 2009 to 19% in 2015 so the net change was -10% in 2009 and 9% in 2015.

There are some constraints that restrict the ability of SME to have access to finance and the author has tried to highlight the most significant of them in the table below:

Table no. 3 Internal and external constraints in SME's financing

Internal constraints	External constraints
<ul style="list-style-type: none"> • the nature as smaller companies of SME • lack of critical economic size • less sophisticated management and control of business • lack the understand how to develop an acceptable business plan for loan application • lack of standardized/comprehensive financial data • poor customer knowledge • lack of collateral or capital • low profitability • SME skills and literacy 	<ul style="list-style-type: none"> • information asymmetries in relation with financial institutions • availability of bank loans • non-competitive real exchange rates • bureaucratic procedures in setting up, operating and growing a business • financial situation of banks and other credit institutions due to the financial crisis • developments of macroeconomic environment both national and international

Source: (The World Bank, 2014) and the author

4. Features of SME financing in Romania

In order to analyze the financial conditionality that influence access to finance for Romanian SME it is important to examine the evolution of main financial indicators of SME in the period 2011-2014 (KeysFin, 2015) as highlighted in the following:

- Taking into account the net income less losses, micro-enterprises registered negative rates of this indicator to -8.7 billion lei in 2011, but the trend was decreasing until 2014 when it reached -3.1 billion lei. On small and medium enterprises, they have recorded a positive net result.

- The economic sector with the largest amount of debt is trade which in 2013 reached a percentage of 23% of total debt (14% in 2014), followed by construction (19% in 2013 and 12% in 2014) and manufacturing (15% in 2013 and 10% in 2014).

- Analyzing the total revenues of the SME sector, it appears that the largest share of revenues was recorded by medium-sized enterprises, accounting for about 37% of total SME revenues. Small businesses account for 35% and 28% micro records in total revenue of SME.

A study by National Council of Small and Medium Private Enterprises in Romania (CNIPMMR, 2015) shows that:

- approximately 82.04% of the investigated SME's finance their economic activities from their own sources;
- 24.58% of SME businesses resort to bank loans to finance their activities;
- 18.33% of SME have resorted to supplier credit, 3.85% used leasing, 1.53% used loans from specialized institutions and 1.82% of the units used the European grants;
- SME consider that access to finance should be achieved through: banking institutions (68.95%), guarantee institutions (17.60%), the Romanian Fund of Counter-guarantee (12.29%) and government policy (5, 96%);
- the main destinations of the financing needs of SME are: working capital (58.33%), investments (35.35%), creating jobs (8.80%) and innovative projects and research (2, 84%);
- SME appreciate the contribution counter-guarantee from resuming lending is focused on: reducing interest rates (52%), decreased bank fees (42.76%), reducing the cost of guarantees (18.98%) and enhancing SME access lending to SME (18.98%).

From the survey on lending to non-financial companies realized by the National Bank of Romania for the period 2014-2015 result that the major difficulties faced by SME in accessing finance from banks are: requirements on the amount or type of collateral, high interest rates and

fees and the contract terms. (NBR, 2014/2015). The sectors most affected by the credit crisis are those that record high leverage indicators, lack of liquidity, declining productivity, operational bottlenecks (doubling the debt collection periods), namely: trade, textile, hospitality, food industry.

The author of the study consider that an important instrument in analyzing the access to finance of Romanian SME is a SWOT analysis on SME's finance in Romania, in order to reveal the positive/negative aspects and the advantages/disadvantages that SME encounter in their attempt to request finance.

Table no. 4 SWOT analysis on the access to finance of SME in Romania

Strengths	Weaknesses
<ul style="list-style-type: none"> • high oriented to customer needs • faster adaptation to market requirements • ability to create new products / services to market demand; • ability for innovation to create products with market demand; • quick to see opportunities • low bureaucracy and flexibility 	<ul style="list-style-type: none"> • lack of the know-how to provide standardized, understandable and credible financial information to potential lenders; • less strategic thinking and planning both operational and financial • inability to present a business plan or a feasibility study in the financial terms a lender needs to process a loan application; • lack of understanding the loan application process, and how to deal with lenders in financial terms; • lack of documenting their debt service to lenders; • lack of understanding their own financial situation and how communicate credibly to lenders • harder to retain qualified staff
Opportunities	Threats
<ul style="list-style-type: none"> • credit conditions remained relatively unchanged, both by size of firms and length of funding for the past year; • by sector, bank lending conditions were stable in most economic sectors, the only exceptions being agriculture and energy; • improving Romanian macroeconomic indicators and the growth of Romanian economy on an annual trend; • government programs for SME's financing and SME's financing guarantee; • improving ways to access and absorption of European funds; • programs to support SME at EU level 	<ul style="list-style-type: none"> • unpredictable macroeconomic environment due to the international financial crisis • changes in regulation in the finance sector influence the behaviour of credit institutes towards SME, as implementation of new capital adequacy rules will change bank approach to SME business and will increase its administrative costs; • Romanian banks believes that credit risk has been growing for micro, albeit at a slower pace than in the previous year; • banks have important cost of evaluating the risk profiles of SME whom they are charged • banks and other financial intermediaries lack the techniques and systems to efficiently assess credit appraisal, credit scoring, credit worthiness and manage the SME repayment risk

Source: (The World Bank, 2014) (BNR, 2014, 2015) and the author

The information obtained in the SWOT analysis will be useful in order to find multiple ways to improve the access to finance of Romanian SME for years to come, as presented in the next subchapter.

5. Ways to improve financing for Romanian SME

The author's proposals resulting from the previous SWOT analysis are considering internal and external ways to improve access to finance for Romanian SME.

Regarding the actions to be taken internally by the SME they could be considered:

- Learn to understand and use a common language lender-borrower based on financial terms for business operations, performance, risk and creditworthiness;
- Take action at operational and financial level to improve the financial indicators regarding liquidity, solvency, debt and profitability;
- Observe the accounting and reporting practices applied both internal and external;

- Ensuring improvement in the financial and economic knowledge;
- Learn to approach a strategic business thinking and planning;
- Keeping up with the latest developments in SME's financing opportunities.

As for external ways to improve SME's financing the author take into consideration four important actors for Romanian financing environment such as: government, National Bank of Romania, commercial banks and European Union institutions.

Romanian government should diversify and amplify the guarantee and counter-guarantee services offered by various governmental institutions in order to decrease interest rates, reduce bank charges, lower the costs and increase guarantees to facilitate SME's access to finance.

National Bank of Romania and banks should improve policies of state-owned banks regarding SME's financing and should provide seed-capital, micro-grants and micro-credits, and also provide venture capital. In this respect, they also take into consideration the elimination of all additional declarative obligations for loan applications; centralization of data about credit products offered by banks on a special portal; establishment and promotion, according to European practice, of the mediator of loans for SME (CNIPMMR, 2015).

European Union through the European Commission should apply specific instruments and procedures for SME's financing corresponding to national particularities of each European country, should improve advertising and information on SME's financing and should supply more funds to put in practice entrepreneurial programmes for enhancing financial knowledge among entrepreneurs.

6. Conclusions

In the suite of SME's financial operations, financing enroll as one of the most important in ensuring an optimal and sustainable activity. At the small business levels it is difficult for entrepreneur to succeed to attract funds according to business needs, at costs and timeframe appropriate to the money flows derived from the activity.

This paper highlighted the associated problems of SME access to finance, highlighting developments from SME financing in European Union and between the main EEC countries and also some Romanian peculiarities. On this analytical basis they were synthesized several proposals for SME internal action, and external, in governmental institutions and banks. In this regard, the proposals made by the author are completing the previous actions for improvement made over the years at micro and macro level.

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Balance Sheet - General Information on Financial Health, Liquidity and Solvency of an Economic Entity

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Abstract

In analyzing the balance sheet several indicators can be calculated with normal empirically pre-determined values so popular that can provide some information on the general state of the entity, thereby drawing of conclusions and directions for action. Purposes of calculating these indicators is to determine: the liquidity of the entity, which measures the ability to honor its obligations at maturity; the solvency of the entity, which measures its ability to repay debt in the medium and long term; the profitability of the entity that measures the entity's ability to gain, to produce profit, to be cost effective.

Some elements of financial soundness, solvency and liquidity are calculated as it follows.

Key words: financial soundness, liquidity, solvency, balance sheet

J.E.L. classification: M41 – Accounting

1. Introduction

The balance sheet is an integral part of the financial statements, and is regarded as a financial statement showing the company through the difference between assets and liabilities, and felt that the balance sheet provides information on the nature and the amounts invested in the entity's economic resources, obligations towards its creditors, and the owners of these resources (Feleață *et al.*, 2007, p.63).

On the other hand, the balance sheet is regarded as an icon of the financial position, reflecting the entity's ability to adapt to environmental changes by using economic resources controlled, funding structure, and using economic -financial indicators of liquidity and chargeability (Paraschivescu *et al.*, 2008, p.708).

The balance sheet is considered to be “the summary accounting document, which presents all the assets, liabilities and equity of the entity at the end of the period”, being considered “the instrument by which the application of the principle of double accounting representation of property items” (Matiș *et al.*, 2010, p.712).

According to other authors, the balance sheet “reinforces and puts into words the information on functional forms of investing the funds in the activity of a holder of heritage, as well as how their training within the framework of relations with the economic and social environment, [...] and highlights the financial result achieved as a result of breeding and consumption of the invested funds” (Georgescu, 1999, p.17).

In addition, the balance sheet is considered an official document for the management of the entity, and being a financial document, it does not give but very little information about the technical side of the business entity, however, reflecting the financial strength, the strategy and the tactics of an economic entity (Spătaru, 2004, p.419).

2. General information on the financial health, liquidity and solvency

a) The rate of the financial soundness analysis (R_{sf})

Information required: equity capital (K_p); turn-over (C_a).

Calculation formula:

$$R_{sf} = \frac{K_p}{C_a} ; \quad R_{sf} \% = \frac{K_p}{C_a} 100$$

Table no. 1 The rate of financial soundness calculation

N r. cr t.	Indicator	Symbol	Positio n in the balance sheet	Financial exercise		Amendments	
				2014	2015	Absolute (Δ)	Relative (I)
1.	Equity capital	K_p	F10, 46	-62.068	103.841	165.909	-
2.	Turn-over	C_a	F20, 01	384.075	2.024.349	1.640.274	5,271
3.	Financial soundness rate	K_p / C_a	-	-	0,0513	-	-

Source (done by the authors)

b) The rate of the capital management analysis (R_{gc})

Information required: financial expenses (C_f); total sales (V_t) or the turn-over (C_a)

Calculation formula:

$$R_{gc} = \frac{C_f}{C_a} ; \quad R_{gc} \% = \frac{C_f}{C_a} 100$$

Table no. 2 The rate of capital management calculation

N r. cr t.	Indicator	Symbol	Positio n in the balance sheet	Financial exercise		Amendments	
				2014	2015	Absolute (Δ)	Relative (I)
1.	Financial expenses	C_f	F30, 279	1.239	5.226	3.987	4,218
2.	Turn-over	C_a	F20, 01	384.075	2.024.349	1.640.274	5,271
3.	Rate of capital management	R_{ge}	-	0,00323	0,00258	-0,0006	-

Source (done by the authors)

c) The ratio link between the liquidity necessary and sales analysis (R_{lv})

Information required: fixed assets (M_f); total sales (C_a).

Calculation formula:

$$R_{lv} = \frac{M_f}{C_a} ; \quad R_{lv} \% = \frac{M_f}{C_a} 100$$

Table no. 3 The ratio link between the liquidity necessary and sales calculation

N r. cr t.	Indicator	Symbol	Positio n in the balance sheet	Financial exercise		Amendments	
				2014	2015	Absolute (Δ)	Relative (I)
1.	Fixed assets	M_f	F10, 02	80.159	95.690	15.531	1,194

2.	Turn-over	C_a	F20, 01	384.075	2.024.349	1.640.274	5,271
3.	Rate link	R_{lv}	-	0,2087	0,0473	-0,1614	-4,415

Source (done by the authors)

d) The ratio of the asset yield analysis (R_{va})

Information required: the turnover (C_a); total assets (A_d).

The calculation formula is as follows:

$$R_{ra} = \frac{C_a}{A_t}; \quad R_{ra} \% = \frac{C_a}{A_t} 100$$

Table no. 4 The ratio of return on assets

N r. cr t.	Indicator	Symbol	Position in the balanc e sheet	Financial exercise		Amendments	
				2014	2015	Absolute (Δ)	Relative (I)
1.	Total assets	A_t	F10, 15	19.288	155.114	135.826	8,042
2.	The turnover	C_a	F20, 01	384.075	2.024.349	1.640.274	5,271
3.	The ratio of return on assets	R_{ra}	-	19,913	13,051	-6,862	0,655

Source (done by the authors)

e) Analysis of stock rotation speed (V_{rs})

Information required: sales volume (C_a); the average stock of finished products (S_t).

The calculation formula:

$$V_{rs} = \frac{C_a}{S_t}; \quad V_{rs} \% = \frac{C_a}{S_t} 100$$

Table no. 5 Stock rotation speed

N r. cr t.	Indicator	Symbol	Position in the balanc e sheet	Financial exercise		Amendments	
				2014	2015	Absolute (Δ)	Relative (I)
1.	Stock	S_t	F10, 05	32.154	73.717	41.563	2,293
2.	The turnover	C_a	F20, 01	384.075	2.024.349	1.640.274	5,271
3.	The speed of rotation of stocks	V_{rs}	-	11,945	27,461	15,516	2,299

Source (done by the authors)

f) Payment capacity analysis (C_{pl})

Information required: available cash (cash and bank accounts) (D_{isp}); liabilities (the amounts to be paid within a period of up to one year) (D_{ts})

The calculation formula:

$$C_{pl} = D_{isp} - D_{ts}; \quad I_{C_{pl}} = \frac{D_{isp}}{D_{ts}}$$

Table no. 6 The entity's payment capacity

Nr. crt.	Indicator	Symbol	Position in the balance sheet	Financial exercise		Amendments	
				2014	2015	Absolute (Δ)	Relative (I)
1.	Available cash	D_{isp}	F10, 08	16.516	313.609	297.093	18,988
2.	Short-term debts	D_{ts}	F10, 13	114.148	343.785	229.637	3,012
3.	Payment capacity	C_{pl}	-	-97.632	-30.176	67.456	0,309

Source (done by the authors)

g) Analysis of economic liquidity ratio (R_{lp})

Information required: current assets (A_c); short-term debts (D_{ts})

The calculation formula:

$$R_{pl} = \frac{A_c}{D_{ts}} ; \quad R_{pl} \% = \frac{A_c}{D_{ts}} \cdot 100$$

Table no. 7 Patrimonial liquidity ratio

Nr. crt.	Indicator	Symbol	Position in the balance sheet	Financial exercise		Amendments	
				2014	2015	Absolute (Δ)	Relative (I)
1.	Current assets	A_c	F10, 09	53.277	401.664	348.387	7,539
2.	Short-term debts	D_{ts}	F10, 13	114.148	343.785	229.637	3,012
3.	Patrimonial liquidity rate	R_{lp}	-	0,467	1,168	0,702	2,503

Source (done by the authors)

h) The acid liquidity ratio analysis (R_{la})

Information required: current assets (A_c); stock (S_t); short-term debts (D_{ts})

The calculation formula:

$$R_{la} = \frac{A_c - S_t}{D_{ts}} ; \quad R_{la} \% = \frac{A_c - S_t}{D_{ts}} \cdot 100$$

Table no. 8 Acid liquidity ratio

Nr. crt.	Indicator	Symbol	Position in the balance sheet	Financial exercise		Amendments	
				2014	2015	Absolute (Δ)	Relative (I)
1.	Current assets	A_c	F10, 09	53.277	401.664	348.387	7,539
2.	Stock	S_t	F10, 05	32.154	73.717	41.563	2,293
3.	Short-term debts	D_{ts}	F10, 13	114.148	343.785	229.637	3,012
4.	Acid liquidity ratio	R_{la}	-	0,1850	0,9539	0,7689	5,1550

Source (done by the authors)

i) Analysis of the entity's solvency ratio (R_s)

Information required: total capital (K_t); total debts (D).

$D = D_{ts} + D_{tl}$ (it sums up the debts in the short term and the long term).

$$R_s = \frac{K_t}{D} ; \quad R_s \% = \frac{K_t}{D} \cdot 100$$

The calculation formula:

Table no. 9 The entity's solvency ratio

Nr. crt.	Indicator	Symbol	Position in the balance sheet	Financial exercise		Amendments	
				2014	2015	Absolute (Δ)	Relative (I)
1.	Short-term debts	D_{ts}	F10, 13	114.148	343.786	229.638	3,012
2.	Long-term debts	D_{tl}	F10, 16	81.356	51.273	-30.083	0,630
3.	Total debts	D	-	195.504	395.059	199.555	2,021
4.	Total capital	K_t	F10, 49	-62.068	103.841	165.909	-1,673
5.	Solvency rate	R_s	-	-0,317	0,263	0,580	-0,828

Source (done by the authors)

j) General liquidity ratio analysis (R_{lg})

Information required: bank + cash+ portfolio (B); total assets (A_t).

The calculation formula:

$$R_{lg} = \frac{B}{A_t}; \quad R_{lg} \% = \frac{B}{A_t} 100$$

Table no. 10 General liquidity ratio

Nr. crt.	Indicator	Symbol	Position in the balance sheet	Financial exercise		Amendments	
				2014	2015	Absolute (Δ)	Relative (I)
1.	Bank + Cash	B	F10, 08	16.516	313.609	297.093	18,988
2.	Total assets	A_t		133.436	498.899	365.463	3,739
3.	General liquidity ratio	R_{lp}	-	0,1238	0,6286	0,5048	5,0786

Source (done by the authors)

3. Conclusions

As a result of calculations, you can draw the following conclusions regarding the analysis of the economic entity:

- *rate of the financial soundness analysis* : it follows an entity's financial soundness rate of 5.13% at the end of the financial year 2015 This rate is more than 10 times lower than the minimum normal limit (norm empirically), 55%. The financial soundness of the entity is in danger. We should note that the empirical values considered normal for this indicator are between 55% and 66%. However, there are exceptional circumstances, in the case of entities providing services or those that have as their main activity is selling fuels;

- *rate of the capital management analysis* : the normal value for this ratio is between 1.2% and 2.5%. In the case of our entity, the ratio follows a negative trajectory, from 0.32% to 0.25%, being far below the normal minimum and showing the existence of unused capital;

- *ratio link between the liquidity necessary and sales analysis*: the normal value of the rate is between 10% and 25%. In the case of the entity examined, the rate has a normal value by the end of 2014 (20,87%), but drops to 4.73% at the end of 2015. However, this value can be considered normal for the entities with their main business in trade-service! It is essential that it should no longer fall, the entity needing fixed assets;

- *ratio of the asset yield analysis*: the normal value of the asset yield rate is greater than 1.4. The entity under review has much higher values, but there is a tendency of normalization, the pointer decreased from 19.913 to 13.051 during the financial year 2015. It should be noted that the indicator was calculated on the basis of assets from which they extract the debts to be paid over a period of up to one year and that, at the end of the year 2015 were of 343,075 lei. If they are taken into account, the value of the asset yield rate is:

$$R_{ra} = \frac{2.024.349}{155.114 + 349.075} = 4,015$$

In conclusion, one can appreciate that the asset yield rate is

very good to the economic entity;

- *analysis of stock rotation speed*: a value of the speed rotation equal to 6 is considered good. The values of the speed rotation of stocks to the entity under review are much higher and growing, which is a beneficial situation for the entity;

- *payment capacity analysis*: any positive value of the payment capacity of the entity is considered to be beneficial. So at the end of the previous financial year and at the end of the current year, the entity was in default, but in a consistent improvement in the situation, inability to pay (so called where the payment capacity is negative) by the end of 2015, representing one third (30,9%) from that at the end of 2014;

- *analysis of economic liquidity ratio* If the economic liquidity ratio is at least a unitary entity ($R_{lp} = 1,00$), then the situation is considered good. In the case of the entity under review, at the end of 2014, the economic liquidity ratio was less than half of the minimum permissible, but the situation has improved, above the 1.00 at the end of 2015. The situation of the entity is good, she is able to pay its debts without having to contract loans for the purpose;

- *acid liquidity rateio analysis*: in order for the situation to be favorable to the entity, it is indicated that $R_{la} \geq 1$. In the case of the entity under review, the rate is closer to the unit at the end of year 2015, but not reaching it. However, we can appreciate that the situation is favorable for the entity because the a stocks held are not difficult to sell;

- *analysis of the entity's solvency ratio*: normally: if $R_s > 60\%$, the entity has a good solvency;; if R_s is between 30% and 60%, the ratio between debt and equity is dangerous; if $R_s < 30\%$ the entity is deemed insolvent. In this case, when $R_s = 26,3\%$, the economic entity under review is in default, at least temporarily. It is necessary to increase the capital of the entity and focus on the short-term debt;

- *general liquidity ratio analysis*: It is an indicator of the overall "health" of an entity, expressing the possibility of financing its activity. Total assets include debt which must be paid in one year. Normally, if this indicator has values above 30%, then it indicates a poor use of capital; while a near 1% too high indicates a strong need for liquidity. Empirical normal values, benefits are between 5 and 25%. In the situation of the entity under review at the end of 2014 it had a rate of 1.23% of overall liquidity, which shows that it needs quick cash at the end of 2015, showing that there are serious unused capital reserves.

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The Economic Risks Arising from the Analysis of the Balance Sheet of an Economic Entity

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Abstract

Any economic entity operates under probability and risk. In a general acceptance, risk means the validity of the result obtained under pressure of the economic environment; in other words, the risk is the potential damage posed to heritage, interests and affect the entity.

In this paper we want to capture, the calculation in terms of the balance sheet analysis of the three risks, which can be measured on the basis of the balance sheet data and indicators, namely: the operational risk, financial risk, and the risk of bankruptcy.

Key words: balance sheet, operating risk, financial risk, the risk of bankruptcy

J.E.L. classification: M41 – Accounting

1. Introduction

Risk is an inherent component that is involved in the conduct of economic activity, at all levels and which is based on a complex of factors. Because of the significant potential impact of these risk factors on the results of the entity and the impossibility of controlling their full by the entity risk analysis represents an important dimension of strategic management of the entity which presumes the following sequence of steps: risk identification, risk assessment, analysis and risk assessment, determining the priority interventions to limit the risk and the risk treatment (Mironiuc, 2006).

The notion of risk is a difficult task, given the diversity of meanings of risk and the risk large typology at the entity level. In connection with the concept of risk, it states that, in common language, there is no distinction between risk and uncertainty, although any risky situation is uncertain, but there may be uncertainty and risk free. However, most authors agree that the financial management of the entity level, the risk particularly represents the variability indicators of the entity's results, profit and profitability. The variability of results relates to the mismatch between expected results and actual results, discrepancies which can occur either positively or negatively, which makes the risk to be understood in a double sense, and the amplitude variation results compared to their estimated values gives us the size of the risk. Considering the definition of risk, especially through the concept of variability, risk measurement involves the use of statistical indicators of dispersion and standard deviation of results (profit, profitability) in relation to their average, and through elasticity coefficients of results (profit) in relation to the level of activity of the entity's turnover (Stancu, 2007, Mironiuc, 2006, Vintilă, 2006, Dragotă *et al.*, 2003).

2. Economic risks arising from the analysis of the balance sheet

Risk-taking is directly linked to the economic profitability; profitability offsets the economic risk.

The economic risk is greater, the greater the possibility of obtaining large loss is.

There are several forms of risk, the most important being the operating risk, financial risk, the risk of bankruptcy, commercial risk, country risk, currency risk and technical risk.

In terms of balance sheet analysis there are three risks that can be measured on the basis of balance sheet data and indicators, namely:

- the operating risk;
- financial risk;
- the risk of bankruptcy.

a) The operating risk (R_e)

The operating risk expresses the entity's inability to adapt in time and to adjust the lowest cost, to changes in the economic environment, reflecting volatile economic environment to the operating conditions.

The operating risk depends on two sets of factors:

- ✓ **general factors:** rising prices of raw materials and consumables, increased wages, reduced sales under the pressure of competition, etc;
- ✓ **cost structure** and their behavior in relation to the workload.

The operating risk is evaluated using **the breakeven**, which measures the flexibility of the entity in relation to the operating conditions.

The breakeven is defined as the turnover covering all the operating expenses.

Noting that turnover, specific to the breakeven with C_{apr} , the operating risk can be estimated based on the following indicators:

The operating risk rate (R_e):

$$R_e = \frac{C_{apr}}{C_a}; \quad R_e \% = \frac{C_{apr}}{C_a} 100$$

The safety margin (M_{se}):

$$M_{se} = \frac{C_a - C_{apr}}{C_a}; \quad M_{se} \% = \frac{C_a - C_{apr}}{C_a} 100$$

Information required:

- ✓ actual turnover (C_a);
- ✓ operating expenses (C_{apr}).

Table no. 1 The operating risk analysis

Nr · cr t.	Indicator	Symbol	Positio n in the balance sheet	Financial exercise		Amendments	
				2014	2015	Absolute (Δ)	Relative (I)
1.	Operating expenses	C_{apr}	F20, 01	446.267	2.317.148	1.870.881	5,192
2.	Turnover	C_a	F30, 262	384.075	2.024.349	1.640.274	5,271
3.	The operating risk rate	R_e	-	1,1619	1,1446	-0,0173	0,985

Source (done by the authors)

Whereas the rate of the operating risk is above par, it means that the real turnover of the entity is not sufficient to cover the breakeven in any of the studied exercises of the financial years.

In other words, the turnover only covers 83.13% of turnover threshold in the exercise of 2014 and only 87.41% in the exercise of 2015.

It should be quickly taken measures in order to reduce the operating costs or increase in turnover through:

- ✓ strict tracking of costs on profit centers;
- ✓ increase the real turnover, by increasing the trade margin.

The analysis is confirmed by calculating the safety margin, as follows:

✓ for the year 2014:

$$M_{se} = \frac{384.075 - 446.267}{384.075} = -0,161 \quad (-16,1\%)$$

- for the year 2015:

$$M_{se} = \frac{2.024.349 - 2.317.148}{2.024.349} = -0,144 \quad (-14,4\%)$$

The safety margin is negative, but it is increasing from one year to the other, so the situation is about to improve.

A deepening of the analysis involves the calculation of **the leverage** (operating leverage) that will show us how many percent the gross/net profit will modify if you change the turnover with a percentage. Noting the leverage with P_e , the calculation formula will be:

$$P_e = \frac{\frac{P_1 - P_0}{P_0}}{\frac{C_{a1} - C_{a0}}{C_{a0}}} = \frac{\frac{\Delta P}{P_0}}{\frac{\Delta C_a}{C_{a0}}};$$

where:

P_1 : profit in 2015;

P_0 : profit in 2014;

C_{a1} : turnover in 2015;

C_{a0} : turnover in 2014.

Information required:

✓ net profit (P_n);

✓ turnover (C_a).

Data and results are summarized in the following table:

Table no. 2 The leverage calculation

N r. cr t.	Indicator	Symbol	Positio n in the balanc e sheet	Financial exercise		The absolute difference (Δ)	Pace (R)
				2014	2015		
0	A	B	C	1	2	3=2-1	4=3/1
1.	The net profit	P_n	F30, 288	-62.268	165.908	228.176	3,664
2.	The net turnover	C_a	F30, 262	384.075	2.024.349	1.640.274	4,271
3.	The leverage (rd1/rd2)	R_e	-	-	-	-	0,858

Source (done by the authors)

b) The financial risk (R_f)

The financial risk is of two types:

- ✓ the risk of indebtedness;
- ✓ the credit risk.

The risk of indebtedness shall be determined on the basis of economic profitability ratio (total capital profitability rate) and the interest rate, calculating the financial profitability rate (R_{rf}), according to the formula:

$$R_{rf} = \frac{K_i(R_e - d)}{K_p} + R_e ;$$

Where:

K_i : the borrowed capital;

R_e : the economic rate of return, $R_e = P_n / K_t$

K_p : the equity;

d : the interest rate.

The economic entity under review does not have borrowed capital (short-term, medium-term and long-term loans), and hence the financial profitability rate will be equal to the rate of economic profitability. Financial risks do not come from banks but from the operating cycle and they are economic (related to the expenditure control).

c) The risk of bankruptcy

To determine the risk of bankruptcy, the metod Canon-Holder will be used, because it is applicable to small and medium-sized entities with a number of employees between 10 and 500 and it is based on the balance between liquidity and chargeability. Basically it will compute a z value, resulting from the relation:

$$z = 0,24R_1 + 0,22R_2 + 0,16R_3 + 0,78R_4 - 0,10R_5$$

where:

$$R_1 = \frac{EBE}{D_t} ; \quad R_2 = \frac{K_{per}}{A_t} ; \quad R_3 = \frac{A_c}{A_t} ; \quad R_4 = \frac{C_{hf}}{C_a} ; \quad R_5 = \frac{C_{hp}}{Q_a} .$$

Information required:

- ✓ gross operating surplus (EBG);
- ✓ the total debt (D_t);
- ✓ personal capital (K_p);
- ✓ total assets (A_t);
- ✓ current assets (excluding inventory) (A_c);
- ✓ financial expenses (C_{hf});
- ✓ turnover (C_a);
- ✓ value added (Q_a).

The gross operating surplus (EBE) is calculated with the relation:

$$EBE = Q_a + S_e - I_t - C_{hp}$$

where:

S_e : operating subsidies;

I_t : tax and taxes;

C_{hp} : personnel expenditure.

Data, calculations and results will be resolved in the following table (value added being already calculated):

Table no. 3 The risk of bankruptcy through the metod Canon - Holder

Nr. crt.	Indicator	Symbol	Position in the balance sheet	Financial exercise	
				2014	2015
1.	Value added	Q_a	calculated value	66.505	681.378
2.	Operating subsidies	S_e	F30, 226	-	-
3.	Tax and taxes	I_t	F20, 07	-	37.721
4.	Personnel expenditure	C_{hp}	F20, 04	121.331	449.134
5.	The gross operating surplus (1+2-3-4)	EBE	-	-54.826	194.523
6.	Total debts	D_t	calculated value	195.504	395.058
7.	Personal capital	K_{per}	F10, 46	-62.068	103.841
8.	Total assets	A_t	F40, 18	19.288	155.114
9.	Current assets (excluding inventory)	A_c	F40, 15	-60.871	57.879
10.	Financial expenses	C_{hf}	F30, 279	1.239	5.226
11.	Turnover	C_a	F20, 01	384.075	2.024.349
12.	R_1 (range 5/ range 6)			-0,2804	0,4924
13.	R_2 range 7/ range 8)			-3,2180	0,6694
14.	R_3 (range 9/ range 8)			-3,1559	0,3731
15.	R_4 (range 10/ range 11)			0,0032	0,0026
16.	R_5 (range 4/ range 1)			1,8244	0,6592
17.	$z = 0,24R_1 + 0,22R_2 + 0,16R_3 + 0,78R_4 - 0,10R_5$			0,261	

Source (done by the authors)

3. Conclusions

As a result of the calculations, we can draw the following conclusions:

- ✓ **the operating risk:** maintaining a constant level of operating expenses, in order not to risk, in the financial year 2016, the entity must reach a turnover of 2,317,148 million lei; if the only way would be an increase in the trade margin, then it must grow on average by 15% (14.4%);
- ✓ **the leverage** (the operating leverage): resulting an operating leverage of 0.858 or 85.8%. In other words, under the current risk conditions, very high, one lion increase in turnover leads up to 86 money increase in the net profit. The situation is not favorable to the entity, because "the higher the operating lever is, the greater the operating risk is. Small failures of production lead to great financial difficulties. The smaller the operating lever is, the faster the entity moves away from the critical point, having a lower risk of exploitation The higher the fixed costs are, the higher the operating lever is and hence higher operating risk is. As the capitalization of the entity is increased, the risk of exploitation also increases";
- ✓ **the financial risk:** the economic entity under review does not have loan capital (short-term, medium and long term loans), and hence the financial profitability rate will be equal to the rate of economic profitability. Financial risks do not come from banks but from cycle of exploitation and they are economic (related to the expenditure control);

- ✓ **the risk of bankruptcy:** bankruptcy risk is assessed based on the Z score, as follows: if $z > 0,16$, the entity's situation is very good, the risk of bankruptcy is below 10%; if $0,1 < z \leq 0,16$ the situation is good, the risk of bankruptcy is between 10% and 30%; if $0,04 < z \leq 0,1$, the entity is in alert, default risk is between 30% and 65%; if $-0,05 < z \leq 0,04$, the entity is in danger, the risk of bankruptcy is between 65% and 90%; if $z < -0,05$, the failure of the entity has a greater probability than 90%. The economic entity under review can be referred to as an atypical situation, even miraculous, the entity passing from an almost certain failure phase ($z = -1,460 < -0,05$).

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Financial Integration and Tax Efficiency –Premises of Antitrust Policy and Economic Growth

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Abstract

The aims of this paper is to highlight the relationship between financial integration, taxation and anti-monopoly policy. We will focus on the arguments that come to strengthen that the effectiveness of anti-monopoly policy depends on effective measures in the area of taxation and hence the effects of taxation. Basically, in our analysis, we built a research that stressed the importance of interplay between the variables involved and the objective of economic growth. Noting that the public income and expenditures (item that showing the importance of administration sector in the economy), depends on effective antitrust policy. For this analysis, we used data between 2008 and 2014 from the Competition Council and Eurostat.

Keywords: Anti-monopoly policy, Financial Integration, Fiscal Policy, Economic growth.

JEL Classifications: L41, G28, H62

1. Introduction

Competition policy is essential to ensure the functioning of free market mechanisms, supporting the existence of a sustainable and healthy competitive environment (Aghion, Ph. and Howitt, P). During the economic and financial crisis, competition policy becomes the main element regarding the tools used to overcome the recession, beside taxation and financial integration (Khemani, R. S. Dutz, M.A., 1992). After the realization and elimination of quotas and customs duties in intra-Community trade, it was a shift in the interest of the Commission, the barriers non-tariff (BNT) (from the technical, fiscal, administrative those involving state intervention by subsidizing domestic industry)-(Williamson, OE, 'The Mechanism of Governance', New York, 1995).

In this paper we highlight that during the economic and financial crisis, the importance of competition policy in overcome the recession was crucial and that the antitrust policy was depending on the measures in the area of taxation and hence the effects of taxation, revealing a strong relationship between public revenue and expenditure (which shows the importance of the sector in the economy of Administration) and the effectiveness of antitrust policy (Bleaney, MF, Gemmell, N. and Kneller, R. 2001). To discuss such policies under syndicalism it means to speculate about the level of functioning of the system, which is patently and inherently unworkable. (Henry C. Simons, 1944). Also, the implications on Anti-monopoly policy, results from the fact that monetary and fiscal controls (aiming at stabilization of the value of money or price level) are a proper and indispensable element in the framework of a free-market society (Waverman, Leonard, William S., 1997). In the context of globalization, to adapt to a range of complex changes in

cultural, institutional and market structures, both state and market actors are attempting to reinvent the state as a quasi-‘enterprise association’ in a wider world context, a process which involves three central paradoxes (Philip G. Cerny, 2014). Only by strengthening the degree of competition by increasing its intensity and powerful manifestation of competitive market pressures increase the competitiveness of companies, leading to the same or a lower market price level. Protecting the competitive framework, practicing lower final prices. This will help to resuscitation of household consumption as a factor for recovery and overcoming the crisis period.

During the economic crisis, companies are tempted to resort to anti-competitive behavior to maintain profits and to survive. Among these practice we can mention abuse of dominance, anticompetitive agreements and understandings. These anticompetitive practices are harmful for both the competitors and the final consumer, so that should not be allowed to expand (Khemani, R.S. și Dutz, M.A, 1995).

In this paper we analyze the implications of fiscal policy and financial integration on Anti-monopoly policy, showing the relationship between analyzed variables and the context in what it would create favorable conditions for economic growth.

2. Data and methodology

The empirical analysis will be performed based on a multiple linear regression between the dependent variable and the independent variables set, and as econometric software we will use the Eviews Statistics program, which will help us to create a clearer image on the correlations between different variables.

The dependent variables used will be represented by the effectiveness of anti-monopoly policy, in the first case, and the government revenue, expenditure and main aggregates, in the second case. The independent variables will be represented by the extent and effect of taxation in the first case, and effectiveness of anti-monopoly policy, in the second case. All the variables are measured by percent of GDP per capita.

The data used for empirical analysis focuses on 2008 - 2014 period with an annual frequency, and only for Romania. These information were obtained from the Eurostat databases and Competition Council databases.

The equation for the two regression are explained by the following formulas :

THE EFFECTIVENESS OF ANTI-MONOPOLY POLICY = C(1)* THE EXTENT AND EFFECT OF TAXATION

THE GOVERNMENT REVENUE = C(2) * THE EFFECTIVENESS OF ANTI-MONOPOLY POLICY

3. Results

According to the indicator R-squared value, the variation in the dependent variable (effectiveness of anti-monopoly policy) is explained in proportion of 89% by the variation of the independent variable (extent and effect of taxation) of simple linear regression model.

Durbin-Watson test has a value of less than 2, which indicates that there isn't a serial correlation of errors, these does not have significant influence on the results of the regression model.

Akaike and Schwarz tests are used to compare two or more models. But in this paper is not the case (lower values are preferred). As it can be seen in the table 1, probability to T-test statistic is less than the benchmark (0.05) for the variable extent and effect of taxation, which means that the coefficient is considered significant statistically. Also, the coefficient associated to this variable positively influences the model, having positives values (0.88).

Table 1. Results of regression estimation of Effectiveness of anti-monopoly policy and Extent and effect of taxation for Romania

Dependent Variable: VAR8 EFFECTIVENESS OF AN				
Method: Least Squares				
Date: 11/12/16 Time: 11:25				
Sample: 1 7				
Included observations: 7				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
VAR7_EXTENT_AND_EFFECT_O	0.884615	0.138979	6.365078	0.0014
C	1.474176	0.348480	4.230307	0.0082
R-squared	0.890144	Mean dependent var		3.685714
Adjusted R-squared	0.868173	S.D. dependent var		0.195180
S.E. of regression	0.070866	Akaike info criterion		-2.221098
Sum squared resid	0.025110	Schwarz criterion		-2.236552
Log likelihood	9.773843	Hannan-Quinn criter.		-2.412110
F-statistic	40.51422	Durbin-Watson stat		1.399175
Prob(F-statistic)	0.001415			

Source : own estimations in Eviews

According to the indicator R-squared value, the variation in the dependent variable (government revenue) is explained in proportion of 79.7% by the variation of the independent variable (effectiveness of anti-monopoly policy) of simple linear regression model.

As it can be seen in the attached table probability to T-test statistic is more than the benchmark (0.05) for the variable effectiveness of anti-monopoly policy, which means that that coefficient is considered insignificant statistically. Also, the coefficient associated to this variable positively influences the model, having positives values (11.18).

Table 2. Results of regression estimation of Government revenue, expenditure and main aggregates and Effectiveness of anti-monopoly policy for Romania

Dependent Variable: VAR_9 GOVERNMENT REVENUE				
Method: Least Squares				
Date: 11/12/16 Time: 13:20				
Sample: 1 7				
Included observations: 7				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
VAR8_EFFECTIVENESS_OF_AN	11.18750	2.521501	4.436841	0.0068
C	-3.762500	9.304696	-0.404366	0.7027

R-squared	0.797452	Mean dependent var	37.47143
Adjusted R-squared	0.756943	S.D. dependent var	2.445209
S.E. of regression	1.205508	Akaike info criterion	3.446636
Sum squared resid	7.266250	Schwarz criterion	3.431182
Log likelihood	-10.06323	Hannan-Quinn criter.	3.255624
F-statistic	19.68556	Durbin-Watson stat	2.950198
Prob(F-statistic)	0.006785		

Source : own estimations in Eviews

4. Conclusions

Empirical analysis was based on achievement regressions between the four indicators, economic growth, European financial integration, fiscal policy and the anticompetitive practices. The results of the regression coefficient shows that the most significant of the variables used is effectiveness of anti-monopoly policy. Empirical analysis also reveals that the extent and effect of taxation, in the first case, and effectiveness of anti-monopoly policy have a positive influence on the regression model

Following the analysis we noticed that there is a significant relationship between the four variables, namely financial integration, measured by government revenue, fiscal policy, expressed by the extent and effect of taxation, economic growth, and anticompetitive practices, expressed by the effectiveness of anti-monopoly policy. So we consider that the effective antitrust policy and revenues and government spending affect economic growth in the context of financial integration. Our analysis will be extended in the future to the EU countries.

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Concrete Aspects Regarding the Imputation of Current Tax Receivables in Insolvency Proceedings

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Abstract

This paper captures the practical aspects in terms of tax treatment of the receivables arising subsequent to the initiation of insolvency proceedings, during the observation period, in judicial reorganization or bankruptcy proceedings. These issues are treated from a fiscal perspective, as new periods. During the observation, reorganization or bankruptcy period, an insolvent company is subject to the Law on insolvency prevention and insolvency proceedings.

On the other hand, the provisions of the Fiscal Procedure Code, as applied by the tax creditor, govern an individual procedure for the recovery of receivables while the Law on insolvency prevention and insolvency proceedings refers to a collective procedure for the recovery of receivables.

Key words: bankruptcy, reorganization proceedings, observation proceedings, tax creditor

J.E.L. classification: G33, K34

1. Introduction

In order to ensure a correct analysis of the issues related to the requests for the priority payment of current receivables, representing taxes submitted by the tax representative, we consider it appropriate to make some legislative observations regarding their content. We will refer to the incident legal basis, alleged by both insolvency practitioners and tax creditors, referring to the notices for the extinguishment of receivables, which they deliver.

We will refer to the definition and meaning of certain terms and phrases, as provided by the Law on insolvency prevention and insolvency proceedings (Law 85/2014), namely:

▪ Current activities are those activities of production, trade or services and financial transactions proposed to be made by the debtor during the observation period and during the reorganization period, in the normal course of its business, such as:

a) continuation of the activities contracted and entering into new contracts under the business scope;

b) managing receipts and payments related thereto;

c) providing the financing of the working capital, within current limits (Law 85/2014, Article 5, paragraph 2).

▪ Tax receivables represent the receivables consisting of taxes, fees, contributions, fines and other budgetary revenues and their accessories. The same nature is retained by the tax receivables that are not fully covered by the value of privileges, mortgages or pledges held for the uncovered debt (Law 85/2014, Article 5, paragraph 14);

▪ The creditor with current receivables or the current creditor is that the creditor holding cert liquid and payable receivables, incurred during insolvency proceedings, and holding the right to be prioritarily paid for its receivable, according to documents wherefrom it arises (Law 85/2014, Article 5, paragraph 21).

According to the meanings of these terms and expressions from the legal basis, it is appropriate to point out some observations, namely:

- the tax receivables are defined too broadly, including any amounts owed to the central/ local budget, including those arising from the debtors' activity;
- any tax authority may require the priority regime of tax receivables, even if they result from business activities or from the liquidation operations of secured assets; such priority would create an obvious disadvantage for secured creditors/wage claims, as applicable.

2. Case study no 1: Insolvency Proceedings, Bankruptcy Period

The debtor company is in bankruptcy procedure. In order to guard the secured assets, a security guard is hired. Monthly, the liquidator paid taxes and employee contributions, which resulted from the tax returns and payments made.

The tax creditor extinguished the obligations prior to the initiation of bankruptcy proceedings, under the incident tax legislation - Law 207/2015 regarding the Fiscal Procedure Code (FPC), Article 165, paragraph 6, letter c, which provides for the following extinguishment order, for the debtors who fall under the insolvency law:

- a) tax obligations arising subsequent to the initiation of insolvency proceedings, in order of seniority;
- c) tax obligations arising prior to the initiation of insolvency proceedings, in order of seniority, until their full settlement, if the taxpayers are bankrupt;

For the obligations dating during the bankruptcy procedure, there is formulated a request for the payment of current receivables, representing taxes and fees, pursuant to Article 102, paragraph 6 of Law no. 85/2014.

The incident legal basis of the insolvency procedure (Law 85/2014, Article 102, paragraph 6) provides that the receivables arising subsequent to the initiation date (during the observation period/ the judicial reorganization/ bankruptcy procedure) will be paid according to the documents they arise from and their registration in the creditors' list is not necessary. This provision shall apply accordingly to the receivables arising subsequent to the initiation of bankruptcy proceedings.

The observations on the Tax Procedure show that the payment of the receivables arising prior to the initiation of the procedure and registered in the receivables table is possible in bankruptcy following the order established by Article 159, paragraph 1 of Law 85/2014 (taxes, postage and other expenses related to the sale of goods, including the expenses necessary for the preservation and management of those goods). The text exclusively regulates the distribution of the funds from the sale of goods and of the rights from the debtor's property, encumbered by causes of preference.

In this procedure, there are covered the obligations dating from bankruptcy procedure and after their coverage, funds can be distributed in order to settle the receivables from the table; in other words, the tax authority shall extinguish the obligations from the bankruptcy procedure under the FPC, article 165, paragraph 6, letter a, and only afterwards it shall be able to settle them according to Article 165, paragraph 6, letter c.

The conclusion is clear, i.e. insolvency proceedings, namely the observation, reorganization or bankruptcy periods are treated, from a fiscal perspective, as new periods.

The insolvency proceedings are analyzed according to two categories, i.e. current obligations, dating from bankruptcy proceedings, and obligations dating prior to the initiation of bankruptcy proceedings.

What happens in the practice of the fiscal body, and rather what happens in the program used by it? For a bankrupt company, the program applies the provisions of article 165, paragraph 6, letter c of the FPC, which contravenes the provisions of the insolvency law, as it extinguishes obligations dating prior to the initiation of the procedure, by current payments, thereby ignoring the provisions of article 165, paragraph 6, letter a of the FPC. Thus, the tax creditor has erroneously extinguished the obligations dating prior to the initiation of bankruptcy proceedings.

3. Case study No. 2: Insolvency Proceedings, Bankruptcy Period in 2008

The debtor company is in bankruptcy proceedings since 2008. Until 31.12.2015, five

distributions had been made, by reports on funds, in the amount of 100,000 RON.

In 2016, the tax creditor filed an application for the priority payment of current receivables, representing taxes and fees, under art. 64, paragraph 6 of Law no. 85/2006 - amounting to 50,000 RON. The receivable resulted from the debtor's activity subsequent to the initiation of the bankruptcy proceedings, i.e. from the period 11.2007-02.2008.

Currently, the remained asset (that is to be capitalized) is lower than the current receivable of the tax creditor.

Analyzing this case, we find the following:

- the level of the current obligations required by tax authorities is lower than the distributions performed in the proceedings;
- the settlement of obligations was performed under art.115 paragraph 3, letter c of the FPC, dating prior to the initiation of bankruptcy proceedings;
- there were distribution reports.

There are discussed:

- The tax body's error regarding the method for extinguishing its receivable; in our opinion the tax authority should make use of the provisions of art. 165, paragraph 6, letter a, of the FPC and, after full coverage, the payments should be allocated to the debts stipulated in table, arising prior to the initiation of the procedure, under art. 165, paragraph 6, letter c of the FPC;
- The lack of any diligence from the tax authority to appeal the 5 distribution reports;
- Currently, the valued asset is lower than the current receivable of the tax creditor; thus, no receivable can be covered at present;
- The prescription of the tax receivable. Namely, the tax receivable was incurred in November 2007 - February 2008 and the prescription period began to run on 01.01.2008 and 01.01.2009, respectively and it was reached on 01.01.2013 and 01.01.2014, respectively.

4. Case Study no 3: Insolvency Proceedings, Reorganization Period

The debtor company is in reorganization proceedings. In the third quarter of the reorganization plan, at the date of the creditors' committee meeting, the tax creditor forwarded the view that the debtor had unpaid current obligations in the amount of 500 RON and obligations resulting from the reorganization plan of 300 RON.

Previously, at the creditors' committee meeting convened for the 2nd quarter of the reorganization plan, the tax creditor's vote was in majority, the financial situation related to this quarter was approved and notified to the other creditors.

By analyzing the tax creditor's vote and the debtor's records, we found that:

- the debtor's current obligations accumulated between the two quarters amount to 100 RON;
- in order to settle the obligations resulted from the reorganization plan, the debtor proved the payment by payment orders (the amount of the payments made correspond to the payment schedule).

We analyzed the reorganization proceedings in terms of:

- The current obligations resulting from the company's activity in the reorganization procedure (subsequent to the confirmation of the reorganization plan);
- The current obligations resulting from the execution of the reorganization plan/ program of payments (obligations dating prior to the initiation of the procedure).

The rule is that the debtor shall cover the current obligations resulting from its activity and, if they are covered, it shall also settle the payments withheld in the program of payments under the reorganization plan. If a financial situation was approved in by creditors' committee, the debtor enters into the next quarter of the plan. According to article 144 of Law 85/2014, the legal administrator shall also present the statement of the expenditure incurred for the progress of work, in order to recover them, which shall be approved by the creditors' committee. The debtor, by the special administrator, or, where applicable, the legal administrator shall submit quarterly to the creditors' committee reports on the financial situation of the debtor's assets. Subsequent to the approval by the creditors' committee, the reports shall be recorded at the court

and the debtor or, where appropriate, the legal administrator shall notify all creditors, for the consultation of reports.

The legal administrator shall also present the statement of the expenditures incurred for the progress of work in order to recover them, which shall be approved by the creditors' committee.

The basis of tax legislation, i.e. FPC, article 165, paragraph 6 regulates the order for the settlement of current obligations and of those from the payments program, as follows:

- a) tax obligations arising subsequent to the initiation of insolvency proceedings, in order of seniority;
- b) amounts due as installments from the payment program of tax obligations, contained in the confirmed legal reorganization plan, and ancillary tax obligations due during the reorganization period, if the plan provided for their calculation and payment.

In conclusion,

- The financial situation for the 2nd quarter of the plan was approved, but the creditor has not filed an appeal, although it is revealed that the vote for the 2nd quarter was not in accordance with the reality because, at that time, the debtor company figured with unpaid current obligations, fact omitted by the tax creditor;

- It is noteworthy that, although the debtor made proof of the payment of the obligations resulting from the reorganization plan, the tax body imputed the correct amounts, covering the current obligations from the reorganization procedure (FPC, article 165, paragraph 6, letter a and the ones resulting from the execution of the reorganization plan, under article 165, paragraph 6, letter b).

According to this case, in reorganization proceedings, the interpretation of the FPC is identical to that of insolvency laws; thus, the tax authority requires the payment of current obligations at the time when the debtor convenes the creditors for the approval of financial statements and only after fulfilling this condition, it approves the financial situation.

5. Case Study no 4: Insolvency Proceedings, Observation Period

The debtor company is in observation proceedings. The appeals from the receivables table were completed and it prepares for the reorganization plan.

In terms of the tax receivables subsequent to the initiation of the insolvency procedure, the debtor has complied with the provisions of article 143 of Law 85/2014, according to its tax records. It receives a request from the tax creditor to pay its current receivables, accounting for taxes and fees, based on legal grounds incident to insolvency proceedings, under article 102, paragraph 6 of Law 85/2006.

It should be noted that article 143 of Law 85/2014 provides for the debtor's obligation of not causing loss incurred by its activity and gives the creditor the right to request the initiation of bankruptcy proceedings if the debtor fails to fulfill its obligation. According to this article, if the debtor does not comply with the plan or if its activity brings losses or accumulates new debts to the creditors in the procedure, any of the creditors or the legal administrator can demand the bankruptcy judge to order the debtor's bankruptcy. The application is examined urgently and preeminently (Law 85/2014, article 102, paragraph 1).

The payment of the receivables arising prior to the initiation of the procedure and registered in the receivables table is possible, either during the reorganization, subsequent to the confirmation of a reorganization plan in accordance with the proposed schedule of payments, or in bankruptcy, observing the order established by Law 85/2014, article 159, paragraph 1 and article 161, paragraph 1 and 5 (paragraph 1 - fees, stamps or any other expenses related to the proceedings under this title, including the expenses necessary for the preservation and administration of the debtor's assets, in order to continue its activity, or paragraph 5 – tax receivables).

During the observation period, the extinguishment of the tax receivables arising prior to the initiation of the procedure is not possible under articles 84 and 87 of Law 85/2014. Exceptionally, for the capitalization of the goods encumbered by obligations, the distribution of the amount obtained shall be made to the creditor in whose guarantee the good had been during the observation period.

Regarding the order of debt extinction, the tax authority shall apply only the provisions of article 165, paragraph 6, letter a.

The problem is that the debtor did not take into account that the current payments, although made, can be found in the unique accounts under distribution (state budget and social insurance budget). The tax body has not made the imputation of the payments in the observation period; therefore it appears with an uncovered receivable (under the Order no. 3637/2015 on the methodology for the distribution of the amounts paid by taxpayers in the unique account and the settlement of the tax obligations recorded by them).

In order to prevent a possible negative vote on the reorganization plan from the tax creditor, a written correspondence is recommended subsequent to any payment made in the proceedings, by which the legal administrator communicates to the tax body the nature of the payment made or possibly an adjustment of the sheet by the payer.

It points out that there are cases when, subsequent to the initiation of the proceedings, the tax authority does not make the imputation of payments automatically. It is therefore necessary that the debtor with the right to administrate/ the legal administrator make a request in this regard.

This case has repercussions if the bankruptcy proceeding is initiated in the observation period, when a statement of receivables shall be formulated.

6. Conclusions

The respective insolvency proceedings, namely from the observation, reorganization or bankruptcy period are treated from a fiscal perspective, as new periods.

When a company enters the insolvency proceedings, the current payments are intended to cover its current debt, observing the order and the legal provisions of previous debts.

The current receivable dating from the insolvency proceedings becomes a prior receivable, which will be introduced in the receivables table.

The law on insolvency proceedings addresses in competition the debtor's insolvency, prohibiting the creditors to individually pursue the receivables that they hold on the debtor's property.

With reference to the competition principle of insolvency proceedings, the imputation of current payments by a certain creditor on the debts incurred prior to the initiation of the procedure and not on the current debt to the same creditor represents void transactions, individual ways of debt recovery.

An insolvent company (observation, reorganization or bankruptcy period) is subject to the provisions of the Law on insolvency proceedings.

The debtor's creditors, regardless of the nature of their receivables, should refer to the special provisions on debt recovery; since the insolvency procedure is a collective one, based on competition, all creditors, including the budgetary ones, participate in it.

On the other hand, the provisions of the Fiscal Procedure Code (FPC), as applied by the tax creditor, regulates an individual procedure of debt recovery and the Law on insolvency proceedings refers to a collective debt recovery procedure.

The Law on insolvency proceedings is mandatory, and, once triggered, the creditors involved in the respective case observe the rules established for the recovery of their receivables and, to the extent that the provisions of the FPC would prevail, the tax creditor would recover the receivables prior to the initiation of the procedure, with priority to other creditors, violating the essence of the insolvency Law.

The FPC provisions on the order of debt extinguishment are identical to the extinguishment order regulated by the Insolvency Law; only the method for the application and interpretation of the law differs.

7. References

Law 85/2014, on insolvency prevention and insolvency proceedings, updated and published in the Official Gazette no. 920 of 11 December 2015

Law 207/2015 regarding the Fiscal Procedure Code published in Official Gazette no. 547 of 23 July 2015

Order no. 3637/2015 regarding the methodology for the distribution of the amounts paid by taxpayers in the unique account and the extinguishment of the tax obligations recorded by them

The Romanian Banking System –Key Dimensions and Visibility of CSR Practices

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Abstract

The concept of corporate social responsibility has received broad attention from both academics and business sector during the past decades. The field has grown and so have the theories and specific terminologies on CSR. Moreover, the approaches on CSR cover several perspectives such as, but not limited to marketing, public relations, stakeholder relation, strategy, or impact on financial performance. The concept has also permeated different economic sectors. Without receiving as much attention as other sectors, the research results on CSR in the banking system revealed interesting findings. In this paper, we aimed at briefly reviewing the evolution of CSR and its application in the banking system, with a particular focus on the case of Romania. Subsequently, we conducted a concise analysis of the evolution of the banking system in Romania, and examined the CSR practices of the first three banks, ranked according to the value of assets and market share.

Keywords: corporate social responsibility, banks, impact, visibility, reporting
J.E.L. classification: M14, M31

1. Introduction

The concept of corporate social responsibility (CSR) has received broad attention from both academics and business sector, following the groundbreaking work of Bowen in the early 1950's. The increased interest in CSR led to a proliferation of theories, approaches, and related terminologies, as well as to its application to different sectors. The notion is still largely under debate however, it is widely embraced today as common business practice. CSR and CSR related issues in the banking and financial sector were less approached than in other sectors, however, there are a few notable contributions, especially following the financial crisis. This paper aimed at briefly introducing the CSR notion and its application to the banking sector, with a particular focus on the case of Romania. Subsequently, the general context of the Romanian banking system was presented and finally, there were examined and discussed the current practices of corporate social responsibility of the first three banks in Romania, ranked according to their market share and value of assets.

2. CSR in the banking sector

Although the CSR concept is still largely under debate, it is generally accepted that it represents the voluntary initiative of companies with regard to environmental or social issues.

In the dedicated literature, Bowen's *Social Responsibilities of the Businessman* (1953) is considered the first important work on the relationship between corporations and society (Carrol, 1979, p.497).

Following Bowen's pioneer work, the subject attracted considerable interest. However, not all

debate concerning social responsibility of companies was favorable. A notable exception is Milton Friedman who argued that the sole role of companies is "to make as much money for their stockholders as possible" (Carrol, 1979, p.497). Indeed, corporate social responsibility seems to have gone through a transformation and evolution process from an irrelevant or even an unpopular to a widely accepted concept (Lee, 2008, p.53).

However, the vast dedicated literature and the considerable interest of the business community did not lead to an articulate and generally adopted definition of the concept. During its existence, the concept has evolved, as well as have the theories and models of CSR. In the early days, especially after the debate initiated by Friedman in the 1960's the dedicated literature tried to accommodate the concept within the traditional activity and objectives of businesses. Some authors considered that social responsibility referred to objectives adjacent to the economic ones, others considered it only related to voluntary acts, while there were also opinions regarding social responsibility as ranging from economic production to voluntary actions (Carrol, 1979, p.498). From a different perspective, social responsibility was perceived as implying the assumption of an obligation, and therefore social responsiveness was thought to be a more suitable alternative (Ackerman and Bauer, 1976, p.6 in Carrol, 1979, p.498). An illustrative and comprehensive definition of corporate social responsibility, which stood up to the test of time, is that proposed by Carrol (1979, pp.449-500). In this view, social responsibility encompasses economic, legal, ethical, and discretionary (later renamed philanthropic) responsibilities.

As the field has grown, so have the theories, approaches, and terminologies; new related concepts have been proposed, such as corporate citizenship or corporate sustainability (Garriga and Melé, 2004, p.51). While the field still lacked a clear and generally accepted definition, studies have addressed the CSR notion also from several different perspectives – marketing, public relations, strategy, stakeholder relation, leadership theory, impact on financial performance etc., and within different economic sectors.

As far as CSR in the banking system is concerned, in our opinion, there are two perspectives to be explored. The first perspective regards the attitude of banks and other financial institutions with respect to CSR. One may easily notice an increased preoccupation and engagement of banks and other financial institutions in CSR practices. Several factors are of particular importance: the intangibility of services, the perceived risk and the impact on customer satisfaction, changes in consumer behavior, the general increased awareness regarding CSR, the social and economic dynamism, competition, as well as the natural consequences of the financial crisis of 2008, which affected consumer confidence and trust in the financial system.

The other perspective refers to studies focusing on CSR and CSR related issues in the banking system, which revealed interesting findings. The results of several empirical studies illustrated a positive relation between social and financial performance in the banking industry (Simpson and Kohers, 2002; Gadioux, 2011). At the same time, social responsibility contributes to customer satisfaction and loyalty (Mulki and Jaramillo, 2011). Undeniably, the severe and prolonged financial crises and its social consequences had an impact on consumer trust in financial institutions. Therefore, several studies on CSR in the banking sector focused on the aftermath of the financial crisis and on the banks' concern with restoring the confidence in financial institutions (Lentner et al., 2015; Jurek, 2015). Special attention was also given to customer perception regarding the CSR performance of banks (Perez et al., 2013), or the impact on customer satisfaction and behavior (Perez and Rodriguez del Bosque, 2014). Yeung (2011) proposed and empirically tested a framework applicable to socially responsible banks addressing several related issues, such as establishing both internal and external management systems oriented toward the benefit of investors and community and protecting the rights of the customers. Other studies examined corporate social responsibility in banks and revealed the focus of CSR practices (Wong and Wong, 2015). Another direction for research concentrated on the determinants and antecedents of banks social responsibility (Ivanisevic Hernaus and Stojanovic, 2015; Djalilov and Holscher, 2016).

In Romania, generally speaking, CSR is a rather new topic, which came into attention after the EU accession in 2007 (Zaharia and Grundey, 2011, p.201; Dumitrascu et al., 2014, p. 620). The research on CSR in the banking system focused on examining the CSR activities conducted by banks in Romania (Joldes et al., 2011; Matei and Voica, 2013), their strategic approach to CSR

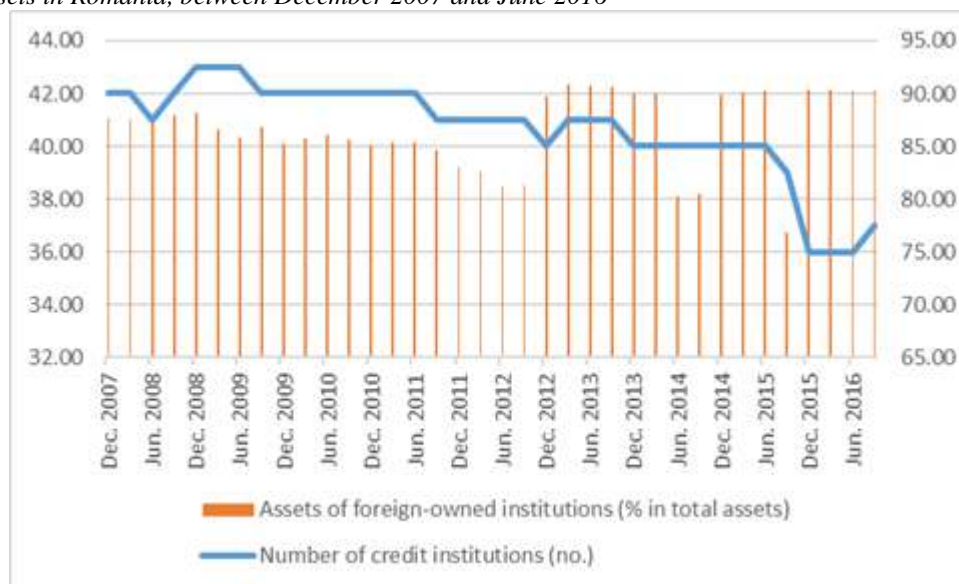
(Gligor-Cimpoieru and Munteanu, 2014), on green banking (Dumitrascu et al., 2014), or on proposing a CSR model for the industry (Mocan et al., 2015).

3. CSR practices in the Romanian banking system. Consistency, reporting, and visibility

The banking system in Romania has been the subject of many changes during recent decades that transformed it from a centralized system, consisting of Romanian institutions with public capital ownership, to a system of private banks with foreign origin capital. At the time of the financial crisis of 2008, the banking system in Romania consisted of 42 credit institutions of which 27 banks with majority foreign private capital, 10 branches of foreign banks, two banks owned by the state and three banks with majority domestic private capital.

The financial crisis has laid the groundwork for a new restructuring of the banking system. The consolidation process has led to a decreasing number of banks in the market, but also to changes in ownership. In 2015, four banks have ceased their activity in Romania, being either purchased by other institutions (Volksbank taken over by Transilvania Bank, RBS retail and corporate portfolios taken over by UniCredit Bank, and Millennium Bank bought by OTP Bank) or leaving the market (Montepio).

Figure 1. *The evolution of the number of credit institutions and share of foreign-owned institutions assets in total assets in Romania, between December 2007 and June 2016*



Source: *Processed based on data released by NBR*

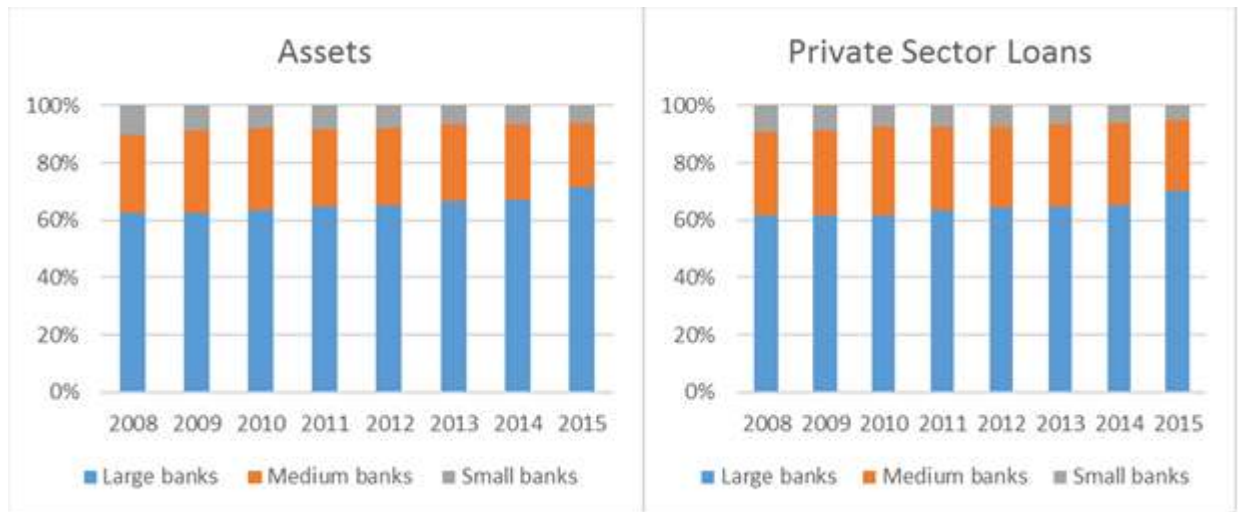
The two major trends in the evolution of the Romanian banking system are, on one hand, the reduction of the number of credit institutions and, on the other hand, the increase in the share of assets held by foreign institutions in total assets. In 2015, 36 banks operated in the Romanian market, foreign institutions holding 90.4% of total assets. Compared to 2008, the number of banks was reduced by six, and the share of foreign-owned banks' assets increased by 2.2%.

From the perspective of the degree of concentration, the Romanian banking system is at a medium level, below the European average. At the end of 2015, the market share of the first five banks, classified according to assets, was 55.3%, below the EU average of 61.02%. The Herfindahl-Hirschmann Index for 2015 reached a value of 812 units, revealing the existence of a low market concentration and hovering below the EU average of 1137 units.

The distribution of assets by groups of banks shows the growth of the proportion of the group of large banks in 2015, which represented 71.4% of total assets, 4.3% more than the previous year. Medium-sized banks held 22.4% of the total system assets, 3.7% less than in 2014, while the share of small banks remained relatively constant around 6% of the total (figure 2).

Large banks have strengthened their position in the private sector loans market, granting in 2015 loans amounting to 152.97 billion Lei, representing 70.3% of total loans, about 7% more than the previous year. Medium-sized banks granted loans worth 52.9 billion Lei, representing 24.3% of the total. Considering these developments, one may conclude that the banking system in Romania is increasing its concentration degree, the group of large banks holding most of the system's assets and the bulk of the credit to the private sector.

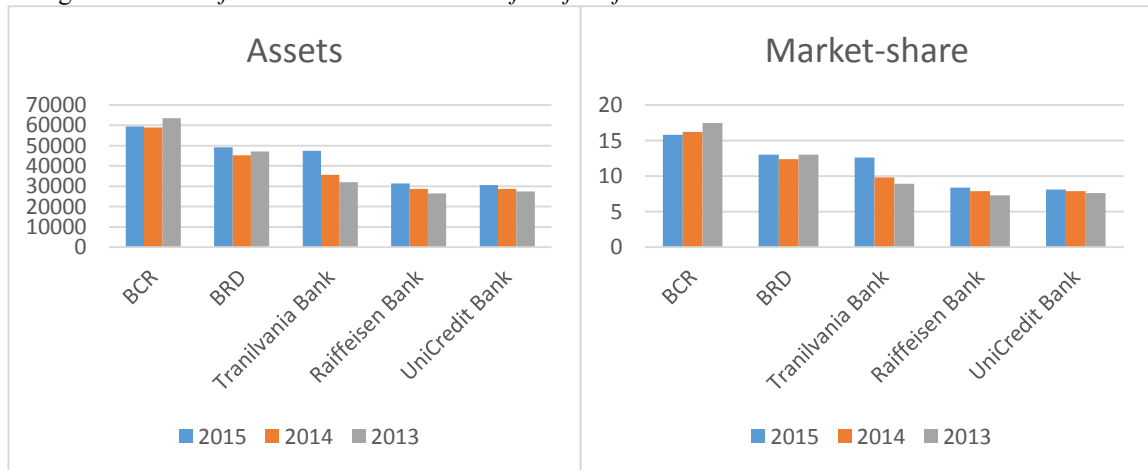
Figure 2. *Distribution of assets and private sector loans*



Source: *Processed based on data released by NBR*

In the past three years, there have been no changes in the top five banks in Romania in terms of assets and market share (Figure 3).

Figure 3. *Value of assets and market share of the first five banks in Romania between 2013 and 2015*



Source: *Processed based on data released by NBR*

In this paper, we aimed at presenting the practices of CSR in the first three banks in Romania, ranked according to the value of assets and market share. Our objective was to catalogue their practices in the field of CSR, between 2015 and 2016, and observe the visibility of these practices.

The first credit institution, in terms of assets value, number of clients, savings and crediting is Banca Comerciala Romana (The Romanian Commercial Bank -BCR) which owned at the end of 2015 net assets worth 59460 billion lei and a market share of 15.8%. Compared to the previous year, BCR assets decreased by 423 billion lei, and its market share by 0.4%.

BCR is currently a member of Erste Group, providing universal banking operations. It was established in 1990 by taking over the commercial operations of the National Bank of Romania. In 2003, BCR was privatized by the sale of the block of shares to EBRD and IFC. Since 2006, the Austrian bank Erste owns 61.8825% of BCR shares, bought from the Romanian Government, EBRD and IFC for 3.75 billion Euro. BCR's shares are listed on the Romanian capital market, the bank also being the first bank in Romania to trade securities in the secondary market.

The second largest bank in Romania is Banca Romana pentru Dezvoltare (The Romanian Bank for Development -BRD) with assets amounting to 49192 billion Lei in 2015 and a market share of 13%. BRD is one of the oldest banks active in the Romanian market. BRD's ancestor Societatea Nationala de Credit Industrial was created in 1923 as a public institution, held by the State, the National Bank of Romania and individuals. After the Second World War nationalization, Societatea Nationala de Credit became Banca de Credit pentru Investitii, and in 1958 was renamed Banca de Credit pentru Investitii. Throughout the communist period, Banca de Investitii held the monopoly in Romania for the medium and long term financing of all industrial sectors.

In 1990, Banca Romana pentru Dezvoltare was established as a commercial bank by taking over the assets and liabilities of Banca de Investitii. From 1998, Societe Generale became the owner of 51% of BRD's shares and in 2004 purchased the residual stock owned by the Romanian State.

Since 2001, BRD-GSG was listed on the Romanian capital market, becoming one of its most traded companies.

The third largest bank in terms of assets is Transilvania Bank (BT). At the end of 2015, it owned a total of 47382 billion lei in net assets, with an increase of 11763 billion lei compared to the previous year. This increase in the value of assets is due to the purchase of Volksbank's operations, which also increased the market-share of BT from 9.8% to 12.6%.

BT is one of the youngest banks in Romania. It was established in 1994, in Cluj-Napoca, by a group of Romanian businessmen, whose goal was to create a local brand. In 1997, BT became the first Romanian bank to be listed on the capital market. At present, the structure of BT's capital includes an 11.46% participation by EBRD, a 38.78% foreign participation, as well as a 49.76% participation from Romanian companies and individuals, making BT the only majority Romanian owned bank among the top three banks operating in Romania.

In order to observe the practices of CSR in the three banks mentioned above, we analyzed secondary data collected from banks websites, annual reports, and corporate social responsibility reports, between 2015 and 2016. The analysis led to several conclusions regarding the nature, the strategic approach to CSR, and the visibility and reporting of the CSR practices.

BCR focuses on education for the development of practical skills, on promoting leaders and role models, and on civic leadership. In the case of BRD-GSG, CSR follows as main directions culture, education, sports, and civil society. BT focuses on entrepreneurship, education, social issues, sports, healthcare, and environment.

All three banks analyzed in this study have initiated or supported numerous CSR projects and activities; however, the communication regarding these projects differs significantly and is generally of slender visibility. Some projects received a broad attention, some are presented in detail, while for others there are presented only general information.

Although the banks affirm their strategic commitment to CSR, the information on their CSR strategies is rather scarce.

The reporting of CSR practices was another focus of our study. The banks do not publish CSR reports regularly, thus compromising any kind of comparative analysis between banks or periods.

4. Conclusions

Banks have become increasingly preoccupied with CSR practices, and this is obvious in the case of Romania, as well. In this paper, we observed the CSR practices and reporting of the first three banks in Romania, ranked according to the value of assets and market share – BCR, BRD-GSG, and Transilvania Bank (BT). Our interest focused on the nature, the strategic approach to CSR, and the visibility and reporting of the CSR practices. Our observations led to the conclusion that the CSR practices of the three banks focus mainly on the people/community dimension. The main difficulty we identified refers to the visibility and reporting of CSR practices. Although the

banks are obviously preoccupied with CSR and develop numerous projects, communication seems to be an issue. The reduced visibility combined with the irregular reporting hinders any type of rigorous analysis of their CSR performance, both at the level of any individual bank, and at the level of the entire system.

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Econometric Modeling of the Effect of Budget Deficit and Public Debt on GDP within Romanian Economy

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Abstract

In recent years, most countries have experienced an economic crisis that was characterized by significantly increasing public debt and budget deficit, these two indicators being the most affected by this crisis. In this regard, questions about the effects of deficits, the influence of public debt on future generations or the existence of sustainable economic growth are justified.

To analyze the influence of the budget deficit and public debt on economic growth, below we have achieved an econometric analysis of the link between these three macroeconomic indicators in Romania's case, one of the countries affected by the economic crisis.

Key words: deficit, debt, GDP

J.E.L. classification: H62, H63, O40

1. Introduction

The purpose of this empirical analysis is to test what theory regarding the impact of the budget deficit on economic growth applies in the case of Romania: Keynesian theory, that support a positive relationship between the budget deficit and economic growth, the neoclassical theory which claims that between budget deficit and economic growth is established a negative relationship or the Ricardian theory which says that between the budget deficit and economic growth there is no significant relationship. Also, by using regression we wanted to determine whether the public debt and economic growth are linked, the nature of the relationship between the two indicators (positive or negative) and also if the bond strength is strong or insignificant (Dincă, 2013, p.17).

In the specialized literature was found an impressive number of researches and analysis that were focused on the impact of public spending or revenue, or that of the budget deficit or public debt on economic growth. Results of the studies are distinct and controversial from one country to another, from one methodology to another, from one period to another (Braşoveanu, Braşoveanu, 2008, p.54).

2. Data and research methodology

Martin and Fardmanesch (1990) proposed the concomitant use in the analysis of the effect of fiscal policy on economic growth of three fiscal variables such as revenues, expenditures and deficit as reducing taxes does not necessarily imply the growth of economic activity, as any spending increase does not ensure the development of the economy (Martin, Fardmanesch, 1990, p. 243).

Public revenues represent some of the components of a budget constraint, so any mitigation of these taxes and fees should be accompanied by an increase of other revenues (non-tax) or a reduction in expenditure or an increase in budget deficit. Similarly, increasing public expenditure

should be associated with increased taxes or non-tax revenues and / or the increase of the budget deficit. In this way, the effect of a change in spending or public revenues can not be analyzed without taking into account appropriate fiscal policies (Enache, 2009, p.508).

Simultaneous use of these three fiscal variables may lead to different results from those obtained previously in specialized literature. The impact of government revenue over GDP is assumed to be negative, when rising incomes aims reducing the budget deficit, but we can embrace the co-existence of a higher rate of economic growth. The positive correlation between productive public expenditure and economic growth can turn into a negative one when referring to the impact on the budget deficit. Budget deficit indicator is considered in the literature to have a negative effect on the economy and the increase of government revenue and reduction of public spending in order to reduce deficits value shows an expansionary effect on GDP.

So, in order to estimate this model we used as a starting point the model of *Martin and Fardmanesch (1990)*, but that we have developed. We added within the category of public expenditure the productive and unproductive expenditure and, and regarding the ways of financing these expenditure in public income category we have included non- distortionary and distortionary public revenues. Also, in the model we included public debt, and besides all the variables of interest mentioned above, we included a control variable, the gross fixed capital formation, as we felt that between that and economic growth there is a significant statistical relationship and by including this variable in the model our purpose was to mitigate the risk to obtain irrelevant data (Martin, Fardmanesch, 1990, p. 244).

In order to obtain a relevant analysis we chose to use quarterly data and the source are publications of the National Institute of Statistics and Eurostat. The database has been optimized with additional data from the NBR basis, International Monetary Fund and the Ministry of Finance.

To determine the effect of fiscal variables on growth, must be estimated multifactorial linear regression coefficients, where GDP variable changes can be interpreted by independent instrumental variables changes.

Econometric analysis is based on the following relationship:

$$\text{PIB} = \alpha + \beta_1 \times \text{VEN_dist} + \beta_2 \times \text{VEN_nondist} + \beta_3 \times \text{CHP_prod} + \beta_4 \times \text{CHP_neprod} + \beta_5 \times \text{DB} + \beta_6 \times \text{DP} + \beta_7 \times \text{FBCF} + \varepsilon, \text{ where:}$$

GDP = gross domestic product, the dependent variable;

α = free period;

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \beta_7$ = coefficients of independent variables;

VEN_dist = distortionary government revenue;

VEN_nondist = non-distortionary government revenue;

CHP_prod = productive expenditures;

CHP_neprod = unproductive expenditures;

DB = deficit;

DP = debt;

GFCF = gross fixed capital formation;

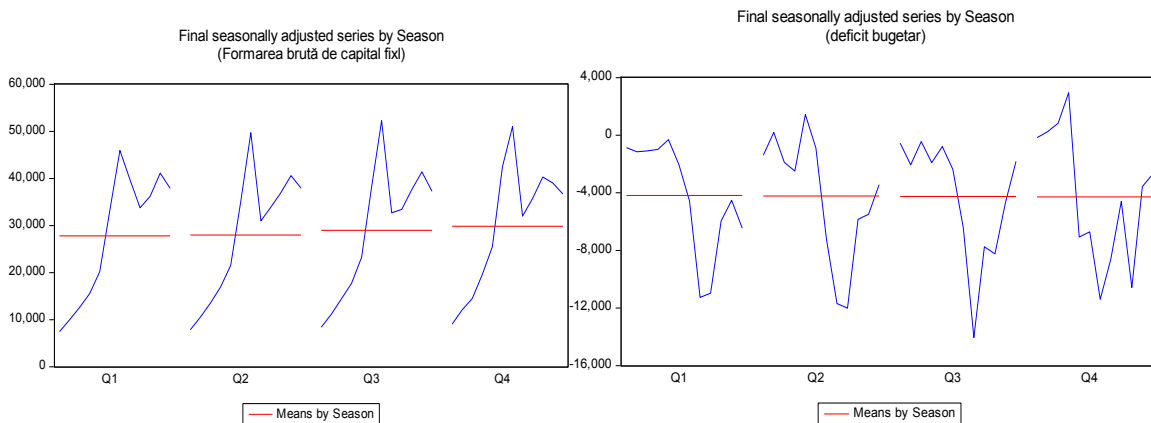
ε = error term of the equation.

The study can be divided as follows: in the first part of the empirical research we presented the descriptive statistics of data series and we tested them of seasonality variables. The second part of the analysis involves testing the actual empirically impact of the abovementioned variables on growth by applying an econometric model which is based on linear regression multifactorial.

3. Results and discussions

To obtain a valid econometric model, the first step is testing the seasonality of variables, because the data used are quarterly. If the variables are affected by seasonality, immediately following step involves applying the tool Tramo / Seats from Eviews 7.1 software to seasonally adjusted series. Thus, after analyzing data sets, we found that, of the four macroeconomic variables, only gross fixed capital formation and the budget deficit shows seasonal. The figures below show the two variables seasonally adjusted.

Figure no. 1. Gross fixed capital formation and budget deficit seasonally adjusted



Source: made by the authors using Eviews 7.1.

An auxiliary stage that allows obtaining additional information on the data sets used in the model is the descriptive statistics. The characteristics of the data sets used in the regression analysis are shown in the table below.

Table no. 1. Descriptive statistics of the budget deficit, public debt and GDP

	Budget deficit	Public debt	GDP
Mean	-5,5770	10,4216	10,2714
Maximum	9,5506	11,9711	10,4364
Minimum	-9,8668	9,1767	9,9925
Std. Dev.	5,5682	0,9396	0,1273
Skewness	1,8751	0,4521	-0,7939
Kurtosis	4,8553	1,5445	2,2946
Jarque-Bera	35,01526	5,8720	6,0383
Probability	0,0000	0,0430	0,0488

Source: made by the authors using Eviews 7.1.

The table provides information about the average and standard deviations of the main variables. Distribution of gross domestic product and public debt is a platykurtic one, while the budget deficit has a leptokurtic distribution.

Next, using seasonally adjusted data, using software Eviews 7.1. we estimated the regression model to determine whether there is a direct or indirect relationship between the budget deficit, public debt and growth, thereby fulfilling the main goal of this empirical analysis. Therefore, the information obtained by applying the least squares are summarized in the table below:

Table no. 2. The regression results on the influence of the budget deficit and public debt on economic growth in Romania

Dependent Variable: PIB				
Method: Least Squares				
Sample: 2002Q1 2013Q4				
Included observations: 48				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	7,683834	0,082983	92,59527	0,0000
Venituri distorsionare	-0,955218	0,215091	-3,888395	0,0193
Venituri non-distorsionare	-0,715218	0,495091	-1,588395	0,0193
Cheltuieli productive	-0,151246	0,728444	-0,317256	0,0070
Cheltuieli neproductive	0,131800	0,525784	0,341245	0,0372
Deficit bugetar	2,236300	0,313154	7,549124	0,0308

Datorie publică	-1,131190	0,805808	-1,369822	0,0270
FBCF	0,129727	0,015804	1,208600	0,0000
R-squared	0,989199	Mean dependent var		10,27143
Adjusted R-squared	0,987309	S.D. dependent var		0,127394
S.E. of regression	0,014352	Akaike info criterion		-5,498879
Sum squared resid	0,008239	Schwarz criterion		-5,187012
Log likelihood	139,9731	Hannan-Quinn criter.		-5,381024
F-statistic	523,3251	Durbin-Watson stat		1,364292
Prob(F-statistic)	0,000000			

Source: made by the authors using Eviews 7.1.

Economists' views about the relationship between budget deficit and economic growth are divided: some are in favor of deficit, considering it beneficial to growth, while others consider it a blessing for the economy just the surplus budget.

The rigid structure of public expenditures did not allowed rapid adjustments designed to treat acute contractions of income and production reflected in public debt and excessive budget deficits.

If strictly correlate rates of growth with dynamic public debt stock from *Reinhart and Rogoff's model (2010)*, we conclude that the level of stress of Romanian debt falling well below 60% of GDP under the Maastricht rules. But if we consider the current performance of the Romanian economy it can be establish a sustainable level of public debt around 40% of GDP, any value above this threshold being transformed into a disturbing factor for economic growth. (Reinhart, Rogoff, 2010, p.70)

Another aspect which has not been allocated sufficient attention to financing budget deficits - this is not a free act. Moreover, the interest on debt contracted, and its timetable are two aspects, since they risk becoming burdensome, possibly contracted debt level is comparable with the level of interest.

In the results from table no. 2., the overall significance of the model is high - coefficient values R and R² adjusted are great - allowing the following interpretation: up to 98% of the variation in GDP can be explained by the evolution of public debt, budget deficit, public revenue and expenditure.

This study revealed that the budget deficit and public debt are channels of influence of fiscal policy on growth, whereas the probability associated with these variables is below the materiality threshold of 5%.

4. Conclusions

The empirical study conducted concluded that between budget deficit and economic growth there is a clear relationship, but the surprising result is the positive value recorded by the coefficient which determines the nature of the relationship between these two indicators so that the budget deficit has a positive impact on economic growth. Therefore, an increase in budget deficit by one percentage point corresponds to an increase of GDP by 2.23 percentage points, so that the result obtained in the research supports the Keynesian hypothesis.

In Romanian economy, especially in the period under review, has persistently exhibited a tendency of higher level of public expenditure than the public revenue raised at the state budget. Our country has promoted a pro-cyclical fiscal policy that was based on unrealistic assessments of income and increased expenditures that have led to macroeconomic imbalances. However, government revenues overestimated, accompanied by expenditure undertaken beyond the available funds were not directed towards productive activities, but were channeled to expenditures on goods and services and personnel expenses. By improving the tax system in Romania and / or increase the share of direct taxes, there can be obtain an increases in government revenues and the correct allocation of this revenue could help alleviate budget deficits.

Although the results indicate a direct and positive relationship between the two macroeconomic variables, we believe it necessary to implement measures to control and keep the deficit within limits as low as possible and achieve a certain level of growth. More efficient and rational use of

resources can solve the budget deficit problem as attracting loans is not a viable long-term solution to finance public expenditure.

Regarding public debt, taking into account the value of estimated coefficients, we conclude that a 1% increase in public debt will reduce annual GDP growth of 1.13% and as channels of influence we can mention public investment, private savings or total factor productivity. The results show that public debt tends to have a negative impact on economic growth in Romania regardless of the method used for measuring economic growth. The results are consistent with other studies on the subject.

Regarding public debt, Romania is apparent in an "comfortable" area because its value is far below the target of 60% of GDP. However, the Romanian economy is vulnerable when talking about indebtedness. The 60% is an acceptable threshold for developed countries, but for a country like Romania the limit should be set at a lower level. In addition, Romania entered the crisis with a debt level reduced, however, from 2008 to the present, its value has increased almost three times. If our country had stepped into crisis with the current level of indebtedness, it would have been necessary even harsher austerity measures, along with an even more restrictive fiscal policy.

According to the theory, in times of crisis is desired to increase public spending in order to revive economic activity, to contribute to increase the employment of labor and reduce unemployment. Thus, taking into account past experience, we believe that economic growth model needs to be rethought and oriented in sectors with investments and high added value.

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The Influence of Available Cash Evaluation in the Issuing of Financial Auditor's Opinion

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Abstract

In the present context of globalization, providing information that reproduces the true image of an entity, represents one of the main objectives aimed for by the economical-financial entities. To achieve this objective entities use the process of evaluation in order to ensure the real value of the patrimonial elements presented within the financial situations and regarding their certification, the audit process is used, having the aim to obtain a reasonable assurance that the economical-financial information used in the different decisional processes do not contain significant denaturation due to fraud and/ or to error.

Key words: auditor's opinion, financial statements, available cash, evaluation.

J.E.L. classification: M41, M42.

1. Introduction

The audit of financial situations and the necessity to offer an assurance regarding the fact that these display real economical-financial information, which are clear and complete, represent in the actual context of globalization, one of the main preoccupations of entities. A preliminary and mandatory phase when elaborating the financial situations which assures the fact that financial accounting information is presented at fair value, is the evaluation of patrimonial elements.

The entities, indifferent of their organizational form, appeal to the evaluation instrument, respectively to the re-evaluation. The evaluation is considered to be a procedure of the accounting method intended to assure the faithful, clear and complete representation of the patrimony, of the financial situation and of the obtained results of the enterprise. In this regard, the operation is considered to be an assessment which quantifies the size of the property or of patrimony elements in their entirety, in natural expression and this size is expressed using standard or monetary value. Regarding reassessment, this means assessing again, as a general rule updating a pre-existing value. (Todea, 2004, p. 3)

In order to obtain a reasonable assurance, regarding the information issued for the users, the entities appeal to the audit of financial statements. The financial audit represents a subject which outside the accountancy sphere of influence implicates juridical information, knowledge regarding the economic and financial analysis, mathematics, computer science and...ethics. The explication of the pluridisciplinary financial audit is given by the fact that it has to verify the conformity of the financial situations with the reality, on one hand, and on the other, to verify the respectability of principles, rules and criteria established for the registration and presentation of accounting information. (Todea, Stanciu, 2009, p. 218)

This scientific approach seeks to present information linked to the influence of an inadequate evaluation on cash reserves regarding an opinion issued by the financial auditor, theoretically and practically.

2. Methodology

The objective of this paper is to present the influence which an improper evaluation on cash

reserves exerts on the opinion issued by the financial auditor.

The methodology used is based on theoretical scientific research regarding the concepts and regulations from within the domain, accompanied, as well, by empirical research. For the accomplishment of this study we researched the Evaluation International Standards, Audit International Standards, the works from the financial accounting domain, the analysis of regulations from the domain, being an exploratory qualitative research as well as the practical aspects of how the auditor formulates his or her opinion according to the errors identified in the financial statements and what is the professional reasoning which it is based upon.

3. Aspects regarding the evaluation of available funds

The evaluation represents the process which determines the value to which financial situation elements are recognized in accounting and presented in the balance sheet, respectively the abridged balance sheet and in the profit and loss account. (OMFP 1802/2014, 47)

Within the patrimony elements, a significant share is held by the available funds. The available funds include the economical values which take the form or function of money. This category includes: cash (in lei and foreign currency) found in the cashier of the entity, money held in the current accounts and bank deposits (in lei and foreign currency), letters of credit other treasury stock etc. With the help of cash reserves operations of receipts and payments are effectuated which may be in cash and through bank statement (without cash). (Matiş, 2010, p. 74)

Monetary items denominated in foreign currency (reserves and other assimilated elements like letters of credit and bank deposits, receivables and payables in foreign currency) must be evaluated and presented in the annual financial situations using the exchange rate published by the National Bank of Romania and valid at the date of financial year closing. The exchange differences, favorable or unfavorable, between the exchange currency market, communicated by the National Bank of Romania, from the date of receivables registration or foreign currency debts, or the rate at which they are registered into accounting and the exchange rate of the financial year closing date, are registered as income or expenses from foreign exchange differences, where appropriate. (OMFP 1802/2014, 94)

Reassessment of available funds has imposed an increased attention regarding the way in which it is carried out, due to the fact that existing differences between the carrying amount and fair value of these elements are in a position to significantly change the content and values presented in the financial statements.

4. Aspects regarding the issuance of the audit opinion

Economic instability has had the consequence of the increasing importance of certification of financial statements, through audit, thus ensuring an increase in the reliability of the information issued to diverse user categories, through the opinion issued by the financial auditor in the audit report.

The aim of the financial audit is achieved by expressing an opinion based on the image of the situation offered by the financial statements, namely the extent to which this is true, in all significant aspects, according to the accounting general accepted principles. (Dănescu, 2007, p.106)

According to the International Audit Regulations, respectively ISA 700, the opinion of the auditor is presented in a standardized format. The terms used for expressing the opinion of the auditor are: "offer a faithful image" or "accurately present in all significant aspects. We deduce from this that the auditor has taken into consideration only the significant elements of the financial statements. The way of expression is not random, since it covers in a necessary and extremely intelligent way the responsibility of the auditor. Based on this, any evidence or information which were not included in the professional reasoning of the auditor can be justified by the argument that they are not part of the significant elements regarding the financial statements. (Horomnea, 2010, p. 234)

In order to issue the audit opinion, the auditor resorts to specific techniques to provide a reasonable degree of assurance. Thus, determining the materiality threshold, taking into account its relationship with the audit risk.

If the practitioner reaches the conclusion that the distortions can be significant, have reached or passed the threshold, in the first phase, reducing the audit risk is taken into consideration through extended verification or requesting from the management to adjust the financial statements. (Domnişoru, 2011, p. 220)

5. Case study regarding the influence of cash reserves evaluation on the opinion issued by the financial auditor.

Audit entity SC ALFA SRL, is responsible for audit engagement carried out on the financial situations of entity SC BETA SRL, whose main activity is the production of chocolate.

Being an older audit customer, the auditor is familiar with the behavior of the accounting department personnel and that of the manager, which do not comply with the deadlines for sending the documents to the auditor.

Following the documentation process of internal control, the financial auditor identified the following situation:

- The cashier of the entity performs the following operations: collects the cash, keeps the cash register, records transactions which affect the account "CASA" in the day book.
- There are situations when the cashier takes the cash home and takes it to the bank for deposit the following day.
- The family relationship between the cashier and the person empowered to manage the available funds in the bank account is of the second degree.
- The person empowered to manage the cash in the bank accounts performs the following operations: signs the payment orders, records entries in the day book, for the account "Available in the bank".
- Due to various divergences which the internal auditor had with the persons in the family relationship, he had no longer effectuated the internal audit procedures regarding the confirmations from the bank balances, inventory of cash and evaluation of the available cash.

Table number 1 Extract from the entity SC BETA SRL balance sheet:

Indicators	2015	2014
Fixed assets	879300	832400
Current assets	312500	429000
Current debts	105700	499000
Long-term debts	978200	612000
Company Funds	98670	134580

Source: personal creation

Table number 2 Extract from the profit and loss account of the entity

Indicators	2015	2014
Turn-over	1572000	1182000
Gross Profit	153400	1200

Source: personal creation

Following the audit procedures, the auditor found that in the bank accounts there is a sum of 48000 euro. For the audited year the average exchange rate was of 4,5 lei/euro, on the 31st of December it decreased to 4,1 lei/euro, but in the first days of the following year, the exchange rate recovered. Due to these variations the management decided not to reassess the existing currency, according to the rate of the 31st of December 2015.

In order to issue an opinion, the financial auditor will go through the following steps:

The deficiencies met by the financial auditor when inventorying the available funds of the audited entity which led to the assessment of an inherent general risk of a high degree.

Following the verifications performed by the financial auditor, the main deficiencies identified when performing the activity of inventorying the entity's bank accounts and hard cash, which led to the assessment of an inherent general risk of a high degree, was the behavior of the personnel from the accountancy department as well as the manager's, who do not comply with the deadlines for handing over the documents to the auditor, thus encountering difficulties in obtaining audit evidence, as well as the pressures on the internal auditor, which had no longer conducted internal audit procedures regarding the bank balances confirmations, inventory and evaluation of the

available cash.

The deficiencies met by the financial auditor when inventorying the available funds of the audited entity which led to the assessment of a high risk level of control.

The main deficiencies of the internal control regarding the available cash and bank accounts, identified by the auditor and which determined the assessment of a high risk level of general control were:

- The auditor has identified a lack of segregation of the cashier's function, due to the fact that he is also the one that collects the cash, keeps the cash register, but also records in the day book the cash register operations.
- It is forbidden for the cashier to take the cash home in order to deposit it at the bank the following day.
- The auditor identified a lack of segregation of the function for the person responsible with the bank due to the fact that he signs the payment orders and records in the day book, for the "Available in the bank" account.
- Due to the fact that between the cashier and the empowered person to manage the bank accounts' available funds, exists a family relationship of the second degree, there is an increased risk of fraud.
- Due to various divergences which the internal auditor had with the persons in the family relationship, he had no longer performed internal audit procedures regarding the bank balances confirmations, inventory of cash and evaluation of the available cash reserve.

In order to verify the available cash and bank accounts, the auditor applied substantive procedures, as:

- He obtained a confirmation from the bank regarding the entity's available funds, afterwards he verified the correspondence with the balances registered in the accountancy.
- Starting from the family relationship between the cashier and the empowered person to manage the bank accounts' available funds, the auditor analyzed the possibility of existence of customized operations linked to the hard cash and bank fund availability. This way, he could have the assurance that all payments were registered into accounting before the closing of the financial statement, he reviewed the significant operations related to the cash book and the bank statements, from the financial year end, as well as analyzed the returns and cancellations from the following period of time.
- The auditor verified the overdrafts to ensure that they are presented within the financial statements.

Assessment of the materiality threshold

Due to the fact that the auditor assessed an inherent risk and of a high degree control, the risk of the accepted undetected is decreased, thus decreasing the risk of audit to an accepted degree.

In the assessment of the global materiality threshold, after applying the proportionate percentages, the auditor calculated the variation (the trend), for each percentage separately.

Following the preliminary evaluation of the audit risk, the auditor evaluated a low degree risk of audit, the professional rationality applied for the determination of the global materiality threshold being: if the audit risk is low, then the auditor will assess a high global materiality threshold, where the variation (trend) is high. Thus, within the table, the auditor identified the materiality threshold, the indicator with the highest variation, namely 15220, equal to 10% of the indicator *Profit before tax*, the value of this percentage being assessed as global materiality threshold, 15340 lei.

Table number 3 Establishing the materiality threshold

Indicators	2015	2014	Trend
Total assets	1191800	1261400	
1,00%	11918	12614	-696
2,00%	23836	25288	-1452
Turnover	1572000	1182000	
1,00%	15720	11820	3900
2,00%	31440	23640	7800
Profit before tax	153400	1200	
5,00%	7670	60	7610
10,00%	15340	120	15220

Global materiality threshold	15340		
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Source: personal adaptation

Written declarations of management

According to ISA 580 "Written declarations", concerning the cash held and available funds in the bank the management has stated the following:

- The management has granted access to the auditor regarding all information deemed relevant for elaborating of financial statements that offers it's faithful image to the user .
- The management has granted the auditor access to the entity's personnel so that he/she may obtain audit evidence deemed necessary.
- The management has granted the auditor access to the internal auditor.
- The management has submitted all operations carried out by the entity.
- The management has submitted the results of the evaluation and of the inventory.
- The management has submitted any suspicion of fraud.
- The management states the fact that the re-evaluation of the cash reserves in the bank accounts of 48000 € at the currency exchange of 31.12.2015 was not accomplished, since the variation of the exchange rate was fortuitous, as it returned to normal prior to the authorizing of the financial statement, although for the audited year, the average exchange rate was 4.5 lei/€, on 31.12.2015 it declined to 4.1 lei/€, and in the first days of the following year it recovered.

The professional reasoning applied to establishing the audit opinion

Over the course of the financial audit activity, the auditor had analysed the extent to which the entity applied proper conduct regarding the operations concerning cash and cash reserves.

Beginning with the observation according to which the entity had decided not to re-evaluate the existing currency, according to the exchange rate of 31 December 2015, the auditor has determined that a proper conduct was implemented, because Order 1802/2014, requires the compulsoriness of evaluating cash reserves at the exchange rate emitted by the National Bank of Romania on the last day of the financial exercise.

The cash reserves held by the entity with the amount of 48000 € is a monetary element whose evaluation at the exchange rate valid on December 31 is obligatory. As a result, the entity must admit the discrepancies in the exchange rate, in the present case an expenditure of 19200 lei (4800 x 4.5 – 4800 x 4.1). It is regarded as a significant amount in light of the materiality threshold, established at 15340 lei.

The auditor informs the audited entity concerning the identified deficiencies, presenting the effects of their decision to not asses the cash reserves in currency at the exchange rate of the final day of the financial exercise on the information offered by the financial statements. The approach that the auditor suggests is recording the dissimilarity in the exchange rate into the accountancy:

19200	665	=	5124	19200
	„Expenses with the differences of the exchange rate”		„Bank accounts in currency”	

Depending on the decision of the entity to perform the suggested alterations or not, the financial auditor will issue a qualified opinion or an unqualified opinion, like it's shown further:

Situation I. Management does not perform the adjustments suggested by the auditor

The impact of improper conduct led to an overvaluation of assets and of profit, contrary to the principle of prudence according to which assets and debts must not be over-/under-evaluated. Also, it had a fiscal impact establishing income tax.

In the event that the entity S.C. BETA S.R.L. does not record adjustments concerning available currency for the audited year so that it faithfully illustrate the situation, the auditor will issue a qualified opinion, since the misrepresentation is a significant one (it exceeds 10% of the profit), but it is quantifiable, it may be isolated and it does not affect the credibility or the integrity of the financial statements of the entity.

The formulation of the opinion as shown below is performed in accordance with that of the ISA Standard 705 "Modifications of the independent auditor's report". (CAFR, 2013, p. 728-729)

Excerpt from the audit report performed on the entity S.C. BETA S.R.L.

The basis for the qualified opinion is that the entity did not re-evaluate the available currency at the closing of the financial year at the exchange rate conveyed by the BNR, considering that it is a

transient variation. This influenced the profit, current assets, but also the income tax, thus in accordance with the requirements of the applicable reporting framework expenses worth 19200 lei from the discrepancies in exchange rates would have been recorded and the profit would have been smaller with that same amount.

The qualified opinion

In the auditor's opinion, excepting the effects of the presented aspect at the basis of the issuing of a qualified opinion, the financial situations faithfully display in all major respects, the financial position of the entity S.C. BETA S.R.L. on the 31st of December 2015, its financial performance and cash flow corresponding to the fiscal year that came to an end on that date, in accordance with the International Financial Reporting Standards.

Situation II. Management performs the adjustments suggested by the auditor

In the event that the audited entity performs the adjustments suggested by the auditor, he/she will issue an unqualified opinion. The formulation of the opinion displayed below is done in conformity with that of the ISA Standard 700 "Forming an opinion and reporting on financial statements". (CAFR, 2013, p.707)

Excerpt from the audit report performed on the entity S.C. BETA S.R.L.

Opinion

In our opinion, the financial statements faithfully portray, regarding all of the significant aspects the financial position of the entity S.C. BETA S.R.L. on 31 December 2015, and its financial performance and its cash flow corresponding to the fiscal year that came to an end on that date, in accordance with the International Financial Reporting Standards.

Other aspects

Without expressing other reservations we draw attention to the fact that the audited entity has made adjustments concerning the evaluation of available funds in currency at the exchange rate determined by the National Bank of Romania at the end of the fiscal year, which is 31.12.2015.

6. Conclusions

In a global market economy, in a perpetual change and harmonization, the offering of assurance on the information presented by the financial statements, represents one of the principal preoccupations of all parts involved in the commercial act.

The offering of an opinion by the financial auditor on the information shown by the financial statements, brings assurance regarding their veracity and a high level of trust to the final user. The evaluation represents one of the preliminary stages of elaborating the financial statements which establishes the fair value of patrimonial elements. Omitting the evaluation of these elements may lead to the significant distortion of the information offered by the financial statements and may have consequences on the decisions taken by the final user on the basis of these statements.

Thus, we may deduce the importance of respecting the general framework of financial reporting in drawing up financial statements, the importance of the auditor's activity progressing with professional skepticism and professionalism to increase the level of trust of the final users regarding the information offered by the financial statements.

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Why do Goals Matter? Sport Events and Capital Market Returns

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Abstract

Expected utility theory and Efficient Market Hypothesis (EMH) seem to be unable to properly explain the returns' evolution in the stock market. The players does not act as rational as the theories assume and the prices seldom follow the EMH rules. The football clubs stock prices represent a good example for this statement since their stockholders have both rationale and emotional reasons for their investment. On the one side, they act as a regular investor who decide been driven by profit but on the other side they are usually fans of those clubs and have an emotional determinant for holding the stocks. The aim of this paper is analyses the relationship between the football matches outcomes and price returns on a time span that range during ten seasons 2006/2007 – 2015/2016), for Borussia Dortmund (Germany), AFC Ajax (Holland), Lazio (Italy) and a nine seasons time span(2007/2008 – 2015/2016) for SL Benfica (Portugal).

Key words: sport, return, emotion, victories

J.E.L. classification: C2, G14, G17

1. Introduction

Despite the economics mainstream that consider and analyse the financial decision based on expected utility maximisation, in reality the decision matrix is much more complex. Our brain is bombed each day with thousands of information and stimulus and very often individuals find very hard to understand, process and decide based on such a huge amount of information. In this context the decision arise as a product of personal circumstances, feelings, emotions and intuition rather than from a rational planning.

Mood was proven to play a very important role in the decision process since it can affect individual decisions though two channels: *cognitive-evaluation* and *risk-tolerance*.

Good mood is considered responsible for an increase in the ability of categorization, creativity in response-generation tasks and efficiency in solving multi-attribute decision problems (Pham, 2007). In the case of problem-solving tasks that require ingenuity, individuals in better mood seem to perform better (Greene and Noice, 1988). On the other hand, positive mood individuals tend to rely on stereotypes and judgmental heuristics and have a higher propensity to optimism and overconfidence biases (Barberis and Thaler, 2003; Hoffrage, 2004). A negative mood seems to produce different effects depending on its cause. Sadness decreases the use of scripts and stereotypes and triggers a more systematic, data-driven form of reasoning since sad moods represent a signal for the individual that a more vigilant form of processing is required (Schwarz, 2002). Anger and disgust lead to heuristic rather than systematic processing (Triedens and Linton, 2001; Lerner and Keltner, 2001). Evidence that mood affects individual's risk taking is overwhelming, even though there is no agreement on the nature of the effect (Forgas, 1995; Isen

et.al., 1998; Andrade and Cohen, 2007). It is important to note that emotional and mood states can have a self-reinforcing effect over risk attitude. Affect could modify the cognitive evaluation of risk: for instance bad mood could lead to a higher perceived risk associated with a line of action. This cognitive evaluation could, in turn, determine a self-reinforcing feedback effect on the initial mood in such a way that even a relatively mild fear could generate a severe panic reaction (Lang, 1995).

Considering these, the present paper assesses the influence exercised by the feelings of euphoria/sadness (associated with a positive or negative outcome of a football match in which the favourite team is engaged) and the stock returns, particularly the stocks that belong to the same club whose team played the game. The connection between the matches outcome and stock returns is supposed to be channelled by mood since a positive result will clearly determine a positive mood that will affect the risk-tolerance and in the final the stock returns.

The paper is structured as follows: the section 2 is dedicated to the literature presentation, in section 3 we present data and methodology, section 4 includes the main results and the section 5 conclude.

2. When sport outcomes make us happy

Winning seems to be extremely important for individual mood. When their team wins the supporters are feeling proud and happy. As the mood is proven to influence risk aversion is easily assumable that if their team wins the supporters will be more prone either to engage in riskier activities (if they follow the assumption of Affect Infusion Model (Forgas, 1995) either to stay aside and try to maintain their good mood (if they follow the assumption of The Mood Maintenance Hypothesis, proposed by Isen et. al,1998).

The AIM model suggests instead that subjects in bad mood have a more pessimistic view of the world, perceive situations as riskier, and have, as a result, a lower propensity toward risk taking. On the other hand, individuals in a positive affective state, who usually have a more optimistic view and perceive a safer environment, should be more prone to risk taking. The key assumption in the AIM model is that the effects of mood tend to be exacerbated in complex situations (HAIS – high affect infusion strategies) that demand substantial cognitive processing, comparing with little generative, constructive processing (LAIS-low affect infusion strategies). In other words, as situations become more complicated and unanticipated, mood becomes more influential in driving evaluations and responses.

The MMH model is based on the idea that, independently of the current mood, the main goal of any individual is to achieve and maintain well-being. In a good mood, the individual will avoid risky situations in order to preserve the good state. In the case of a bad mood situation, the individual will choose riskier alternatives hoping that the possible gains will lift his spirit.

In both cases the stock returns will be affected, in the first case in a positive way and in the second case in a negative way.

Ashton et.al (2003) found a positive relationship between English teams games and London Stock Exchange. Edmans et.al (2007) tested the capital market reactions at losses in football matches in 49 countries. They found a positive negative correlation between losses and return, especially in the case of more important games as the one in the World Cup. The authors have shown that losing an international football game could lead to smaller returns in the next day even with 49 points.

Palomino et.al (2009) analyses the performance of 16 British clubs between 1999 and 2002 and conclude, based on share bets evolution, that losses have a more intense negative effect on returns if the initial bets were mostly orientated towards winning than that towards losses. Expected winning seems to lead to higher increases in stock prices than the unexpected ones.

Bernile and Lyandres (2011) concentrate their analysis on the football matches in the World and European cup. They notice that losses have a more significant impact on investors' mood due to their ante-too optimistic attitude. Similar conclusions have been drawn by Ehrman și Jansen (2012) analysing the games from FIFA World Cup 2010.

3. Data and methodology

Football club performances, the matches results in other words have a very important role in the fans life. When a fan is also a stockholder is easy to notice that his decision will be biased by his emotions and feelings and that he will be incapable of a very rational analyse and decision. Football became a way of life for many of those individuals and as a result, the decision of selling the stocks of their favourite club seems to be a harder choice that for other type of stockholders. The euphoria that occurs when the favourite team scores and wins and the sadness when the opposite happens are very strong feelings that affect de investors' decision.

Since these conclusions are rather intuitive we will employ an econometrical model in order to analyse the relationship between the matches outcomes (win, lose or deuce) and the football club's stock returns. The time span of our analysis range during ten seasons 2006/2007 – 2015/2016), for Borussia Dortmund (Germany), AFC Ajax (Holland), Lazio (Italy) and a nine seasons time span(2007/2008 – 2015/2016) for SL Benfica (Portugal), since the last one was listed on the stock exchange just in 2007 (we have selected clubs which have a large number of supporters and which are listed on the stock exchange).

Based on the historical daily prices we computed the daily returns for all four clubs and we tested the variables for stationarity with Augmented Dickey-Fuller, Dickey-Fuller GLS (ERS) and Phillips-Perron tests in order to avoid erroneous results.

The impact of matches outcome is captured using a dummy variable, MC which takes the value 1 if the ream wins , -1 if the team lose and 0 if it is a deuce or there is no match in that day. Starting from here a simple OLS model could help us understand the nature of the relationship between games outcome and stocks return.

$$R_t = c + \beta_1 * R_{t-1} + \beta_2 * R_{t-2} + \dots \beta_n * R_{t-n} + \lambda * MC_t + \varepsilon_t \quad (1)$$

where:

R_t – return

c – intercept

ε_t – standard error

MC_t - dummy variable used as a proxy for investors behaviour

Since usually the international games have a higher stake than the domestic ones the impact of those results on the capital market return could be also more important. In order to valuate it we are proposing a supplementary model, designed in the same shape, for the international games:

$$R_t = c + \beta_1 * R_{t-1} + \beta_2 * R_{t-2} + \dots \beta_n * R_{t-n} + \lambda * MI_t + \varepsilon_t \quad (2)$$

where:

MI_t - dummy variable used as a proxy for investors behaviour following the international games (CHAMPIONS LEAGUE and EUROPA LEAGUE). Following the same algorithm, MI which takes the value 1 if the ream wins, -1 if the team lose and 0 if it is a deuce or there is no match in that day.

4. Results

The model is tested both for domestic and international games and the main results for the clubs in the sample are presented in the tables bellow:

Table no. 1 Stock returns and victories for Borussia Dortmund

Domestic games		International games	
Variables	Coefficients	Variables	Coefficients
C	-0.0007 (0.0007)	C	-2.2505 (0.0007)

R(-1)	-0.1513*** (0.0279)	R(-1)	-0.1492*** (0.0281)
MC	0.0189*** (0.0025)	MI	0.0152*** (0.0056)
R-squared	0.0350	R-squared	0.0161
Adjusted R-squared	0.0323	Adjusted R-squared	0.0133

Source :author's estimations

*, **, *** significant at 10%, 5%, 1%

() standard error

As one could see from the results displayed in the table, the positive, significant at 1% coefficient of the MC and MI variables show a positive, not very strong but statistically significant relation between the returns offered by the Borussia Dortmund stocks and their wins. Even if apparently the results are somehow unexpected judging the cultural features shared by Germans: order, rationality, long term planning, still, the team is the most loved in Germany, highly supported both in domestic and international games.

The situation seem to dramatically change for the AFC Ajax where the effect of emotions driven by game results seems to be absent. Holland is a highly culturally diversified country with citizens from all over the world but as the rest of other Nordic countries people are here generally more rational then emotional.

Table no. 2. Stock returns and victories for AFC Ajax

Domestic games		International games	
Variables	Coefficients	Variables	Coefficients
C	-0.0027*** (0.0046)	C	-0.0024** (0.0011)
R(-1)	-0.3917*** (0.0587)	R(-1)	-0.3941*** (0.0587)
MC	0.0052 (0.0003)	MI	0.0006 (0.0065)
R-squared	0.0189	R-squared	0.0180
Adjusted R-squared	0.0162	Adjusted R-squared	0.0153

Source :author's estimations

*, **, *** significant at 10%, 5%, 1%

() standard error

As one could easily expect judging from the mail Italian cultural features, here the results of the games has a greater influence on stock returns than the one seen in Germany. Pasion in everything lead the decision very often in Mediterranean countries and sport results are proven to determine an important mood improvement. Plus the Italian preference for football is already well known. In Italy 69% of fans prefer to miss an important event in the family in order to attend to a football game and more than 50% prefer to lose a day of work for that.

Table no. 3. Stock returns and victories for S.S. Lazio

Domestic games		International games	
Variables	Coefficients	Variables	Coefficients
C	0.0005 (0.0008)	C	0.0007 (0.0009)
R(-1)	-0.0598*** (0.0219)	R(-1)	-0.0614*** (0.0221)
MC	0.0207*** (0.0026)	MI	0.0288*** (0.0069)

R-squared	0.0349	R-squared	0.0156
Adjusted R-squared	0.0322	Adjusted R-squared	0.0129

Source :author's estimations

*, **, *** significant at 10%, 5%, 1%
() standard error

Similar results can be seen for the last club where the supporters share the same appetite for football but also the same the same cultural features. Portuguese individuals' decisions are more often driven by passion, by emotion and by personal circumstances than in the Northern countries. SL Benfica has the highest number of fans from all the Portuguese clubs and the highest number of fans abroad (around 14 millions).

Table no. 4. Stock returns and victories for SL Benfica

Domestic games		International games	
Variables	Coefficients	Variables	Coefficients
C	-0.0005 (0.0012)	C	0.0007 (0.0011)
R(-1)	-0.3065*** (0.0224)	R(-1)	-0.3024*** (0.0224)
MC	0.0206*** (0.0038)	MI	0.0250*** (0.0062)
R-squared	0.0847	R-squared	0.0822
Adjusted R-squared	0.0846	Adjusted R-squared	0.0793

Source :author's estimations

*, **, *** significant at 10%, 5%, 1%
() standard error

5. Conclusions

Several researches point out that emotions and feelings could be considered extremely important determinants for the investor's behaviour. Tests' results have shown undoubtedly that especially in the countries in which individuals are characterised to a more extroverted behaviour as Italy and Portugal there is a positive correlation, statistically significant between the games results and the clubs' stocks returns.

We would expect to obtain stronger results for international games but the results does not show a higher impact in the case of more important games. For many individuals in different cultures the footfall is more than a passion, is a way of life and for a dedicated supporter each game no matter if it is played in an important international competition or in the domestic championship is equally important.

The extremely complex decision mechanism seems to be driven in a part also by emotions since the investors, especially in this field feel hard to separate their love for the football club by their investments. In this context, including euphoria, sadness and anger as main feelings that occur due to the football match results, in the decision matrix seems to be a reasonable step.

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The Usefulness of Financial Statements in Making Financial Diagnosis

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Abstract

Our research aims to develop an analysis of the usefulness of financial statements and financial investment in making the diagnosis. Financial analysis is by definition an activity that performance condition is diagnosed entity of the financial year. Financial analysis shall be determined by strengths and weaknesses of financial management based on which will underpin future strategy of the entity to maintain and develop it into a competitive environment.

Results of financial analysis depends on the quality, accuracy, relevance and effectiveness of economic information collected and processed. The primary sources of information for financial analysis are the financial statements, which are considered as raw material in the analysis.

Key words ; investment diagnosis. financial diagnosis, financial statements, balance, financial solvency ratio

J.E.L. classification : G 32, M 41, G 39

Introduction

Financial analysis aims to highlight, on the one hand the processes of obtaining and maintaining financial equilibrium in the short, medium and long on the other phases of accumulation of funds, the profitability of the business entity. The balance sheet summarizes the status of de facto entity at a time in terms of heritage, while income statement summarizes the outcome of economic and financial flows of revenues, costs and expenses over a period of time, quarterly or annually. As part of the financial statements, attention has been focused more on the balance sheet, called statement of financial position. This is because the report is a logical starting point for assessing the financial position of an entity. Balance offers a number of valuable information about a business, particularly when assessed as a period of several years and in relation to other financial statements. (Monea, 2013,p.150) Fundamental analysis of the balance sheet through specific techniques may reveal an economic diagnosis of the financial position. For delimitation slight difficulties facing an economic entity, any review must be based on the calculation and interpretation of economic and financial indicators. Balance sheet analysis will achieve financial balance. For this purpose it is determined share of each item in the balance sheet structure to define indicators characterizing the financial balance based on the balance sheet.

Results of financial analysis depends on the quality, accuracy, relevance and effectiveness of economic information collected and processed. The primary sources of information for financial analysis are the financial statements, which are considered as raw material in the analysis. Analysis indicators were chosen from the research literature domestic and foreign , (Trenca 2006,ch 1), (Pierre 2004, ch1) (Lezeu 2004,ch1), (Chirila and Droj 2010,p348) and (Brealey et. Al 2004,ch1). Analysis and our research has focused on the airline industry in this area strategic challenges relate both to economic performance, maintaining entities markets highly specialized in a report attractive cost and quality products, but at the same time, the entity will have a high efficiency in terms of global issues on exhaustible resources. Therefore, it is necessary to focus on production processes to be continuously improved, upgraded entity to be able to adapt to the highly competitive environment.

Stakeholders domestic industry Romanian aviation should trigger the creation of a so called "pole national aviation industry" that creates opportunity for our country to be integrated into strategic partnerships with large companies and international corporations in the field ensuring in this way and development sustainable development of the country and national economy with positive impact on national GDP.

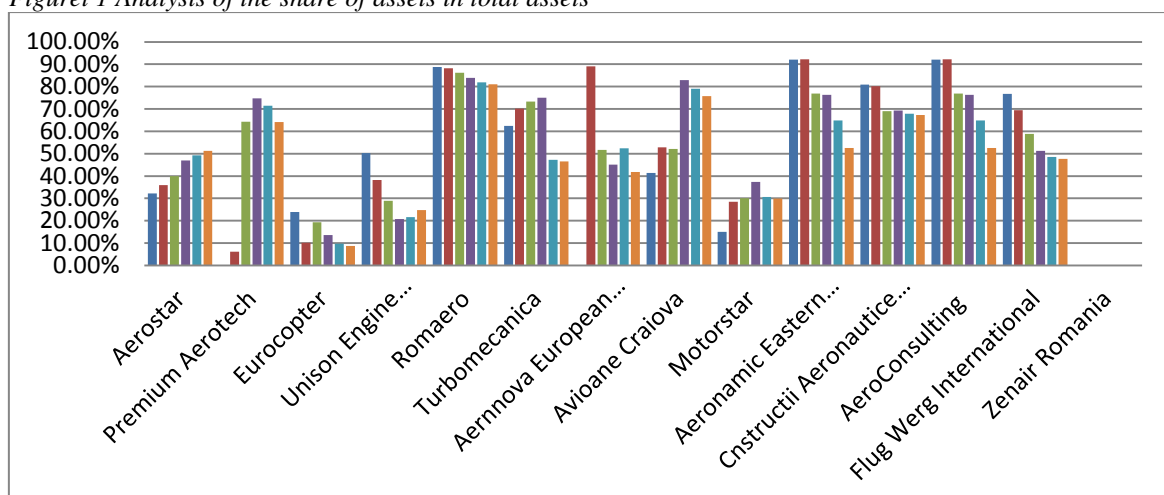
Financial Diagnosis

The financial statements provides valuable information about the financial position and performance of the entity, the success of its operations, policies and management strategies. Derived data are useful for a range of stakeholders, helping in the decision process: shareholders, managers, investors, lenders, regulators as mentioned in previous studies . Financial analysis field was expanded recently by studies of business entity in line with the trends and sector development. However, analyzing all information in the context of a competitive field leaves its mark on case studies related to the set of financial statements. Due to the complexity of the information provided by financial analysis decision-making process, it is considered to be a strategic diagnostic input.

(1) The analysis of balance sheet assets and liabilities

The most important attributes that reveal the usefulness of the information provided by financial statements are considered to be qualitative characteristics of information in financial statements (OMPF 3055/2009, 1802/2014 OMPF). Financial analysis aims to highlight, on the one hand the processes of obtaining and maintaining financial equilibrium in the short, medium and long on the other phases of accumulation of funds, the profitability of the business entity. The balance sheet summarizes the status of de facto entity at a time in terms of heritage, while income statement summarizes the outcome of economic and financial flows of revenues, costs and expenses over a period of time, quarterly or annually. As part of the financial statements, attention has been focused more on the balance sheet, called statement of financial position. This is because the report is a logical starting point for assessing the financial position of an entity. Balance offers a number of valuable information about a business, particularly when assessed as a period of several years and in relation to other financial statements. (Monea,2013). As main indicators monitored was particularly dynamic on the balance sheet: assets, current assets (overall and ranked inventories, receivables and other similar) and accrued expenses. From the following chart notes that the share of assets is highly variable and can not be identified a pattern.

Figure 1 Analysis of the share of assets in total assets



Source: own processing based on the data from www.mfinante.ro

By introducing a new variable, it appears that, at companies with majority domestic capital, with increased turnover, the share of assets decreases around 40%. EADS subsidiaries in Romania exception: Premium Aerotec, and Unison Engine Components Eurocopter. The large share of assets in the entity means reduced flexibility, which is a wrong conclusion. The activity of the

company requires possession of heritage buildings and land used in the production cycle. So management entities prefer to take little flexibility to achieve increased stability. Regarding stocks, highlights a supply policy and good storage. Stocks of raw materials and finished products remain modest limits around 10% of total assets (see Table). But there are some entities which have a significant share of stocks: MOTORSTAR (40% -50%) and Romania Zenair (80-90%).

Zenair Romania is a firm that offers kits for ultralight aircraft, engines and other aircraft parts. This entity holds assets in its property assets, which affects profit or loss.

Table 1 Share of current assets to total assets

	2008	2009	2010	2011	2012	2013
Aerostar	32,449%	24,779%	15,188%	19,975%	20,465%	20,302%
Premium Aerotec		0,00%	6,10%	10,78%	21,09%	17,78%
Eurocopter	10,59%	46,36%	46,77%	22,75%	35,21%	13,76%
Unison Engine Components	11,57%	39,16%	2,43%	3,23%	4,53%	3,77%
Romaero	2,22%	2,12%	1,95%	2,07%	2,54%	2,99%
Turbomecanica	8,71%	5,64%	3,82%	4,61%	3,49%	1,97%
Aernnova European		3,90%	22,24%	51,94%	38,43%	51,96%
Avioane Craiova	12,47%	7,73%	2,20%	0,12%	0,18%	0,65%
Motorstar	28,30%	14,10%	12,58%	13,22%	10,40%	11,59%
Aeronamic Eastern European	6,35%	6,16%	23,06%	23,47%	33,40%	47,20%
Construcții Aeronautice (IAR)	4,31%	5,42%	3,06%	3,17%	3,27%	3,26%
AeroConsulting	6,35%	6,16%	23,06%	23,47%	33,40%	47,20%
Flug Werk International	79,63%	90,58%	95,85%	84,72%	88,72%	99,23%
Zenair Romania	11,24%	12,29%	11,79%	9,93%	10,15%	12,57%

Source: own processing based on data from www.mfinante.ro

Table 1 shows the share of receivables in total assets which is found typically below 30%, which means that there are major deficiencies in their collection. However, Flug Werk Asset International has a share of over 75% each year analyzed what may signal difficulties in their collection or just an aggressive market expansion. Treasury Asset Value Total current assets have a moderate share throughout the period analyzed hovering, usually below 10% of total assets. A special case is given by the company Eurocopter showing a fluctuating situation of treasury accounts (10% -50%). This may be due to less viable investment perspective, the company had to incur opportunity costs of excessive liquidity.

Aeronautical industry segment shows an unusual feature on total capital and debt structure. Three categories can be identified to support this observation:

- a. Companies with a positive total capital and its positive trend .:
- b. Companies showing a positive total capital, but declining: Due to economic factors, listed entities have had to adapt their policy to attract funds, appealing and foreign investors.
- c. Commercial companies that exhibit negative total equity. If not receive financial assistance, these entities will exit the market.

Assessment of their capital companies identify the elements of nature attracted funds to finance business and results. Analysis of the implementation of investment programs and the marketing of semifinished and finished products materialized in total capital assessment. Thus, one can see entities that have stability throughout the period under review as Aerostar, Premium Aerotec, Eurocopter, Unison Engine Componentes, Romaero Turbomecanica, MOTORSTAR, Aeronamic Eastern European and AeroConsulting. In this category we note in full, two types of organizational behavior, categorized by risk aversion: entities that have expanded using its own funds and companies that have turned to foreign funds. But no matter how the situation is viewed funds raised, there is an increasing rate of indebtedness at the sector level, which could hide instabilities marketing process, either from consumers or the entity itself.

(2) Analysis of rates

The methodological approach to determine a common set of indicators based on national requirements for aviation companies required to consider only the common set of indicators that accept both academically and in terms of practical use. Analysis indicators were chosen from the research literature domestic and foreign (, Trenca 2006,p.152), (Pierre(2004 ,ch 2), (Lezeu 2004, ch1), (Chirila and Droj 2010 ,p.350) and (Brealey et. Al ,2004 ,ch 1)). In this study identified twenty indicators were selected only four. The first indicator, the rate of global financial autonomy (RAFG) - Indicates the percentage of the company's assets that is financed from own resources. It can be calculated using the following equation:

$$R_{AFG} = \frac{Capital}{Debt} \times 100$$

Table 2 Rate of global financial autonomy

(%)	2007	2008	2009	2011	2012	2013	2014	2015
Aerostar	226.26	260.39	213.49	417.58	586.60	565.94	318.56	310.98
Eurocopter	141.72	139.01	151.82	50.14	202.47	108.76	112.40	71.23
Unison Engine Components	11.52	184.80	328.31	354.30	581.23	489.98	1096.47	881.80
Romaero	1097.83	1112.89	1154.53	1013.70	796.62	645.24	385.41	328.21
Turbomecanica	321.06	196.54	110.94	122.85	106.71	74.97	40.12	32.32
Avioane Craiova	34.20	0.69	-45.50	73.16	81.03	51.51	-57.06	-63.21
Motorst	19.18	23.37	39.69	31.48	47.17	46.99	59.11	60.04
Constructii Aeronautice	0.10	37.60	48.46	58.24	55.31	59.83	-63.79	-66.31
Aero Consulting	67.35	65.68	88.12	57.78	32.37	35.39	37.10	44.05
Flug Werk International	83.23	1.26	10.96	6.43	4.68	1.28	-3.09	-6.44

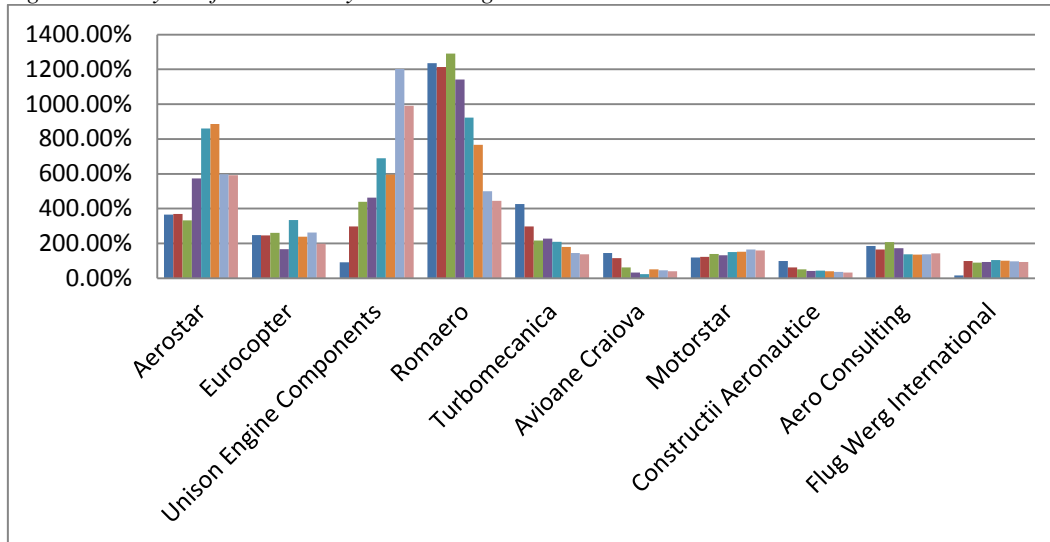
Source: own processing based on data posted on www.mfinante.ro

Aerostar RAFG describes a firm policy of financial autonomy, except stages of crisis and post-crisis, when it increased to almost 400-500% due to debt reduction. Eurocopter SA, a subsidiary of conglomerate Airbus recorded a rate of between 100-150%. The only notable development was recorded in 2008-2009 due to capital flows. Equity value of a company is considered an indicator of its financial health. As recorded negative equity due to losses, companies must either increase the share capital or to initiate bankruptcy proceedings in accordance with Law 31/1990. Between 2012-2013, the following companies namely aviation Airplanes Craiova, Civil Aviation and Flug Werk Internationall have an overall negative financial autonomy (RAFG). These companies have debts outstanding. Loss generates, in turn, lack of liquidity, as a result, to survive, the entity will be delayed or will not make payments to its suppliers and will appeal to loans. Finally, companies exemplified in positions 9-14 of the Table no. 2 also identified entities from the position below market does not present a stable trend, the effect of environmental factors being too strong. Another indicator is chosen for analysis of the solvency ratio. It shows to what extent the total debt covered by the company's total assets and, therefore, reflects the guarantee that they creditors and the company's creditworthiness.

$$R_{SLV} = \frac{Total\ assets}{debt} \times 100$$

As can be seen in Graph 8, the company with the highest solvency rate over the analysis period Romaero SA, a company with a well known history, currently occupying the fourth position in the sector. Slowly, will trade places with Unison Engine Components which recorded an upward trend solvency.

Figure 2 Analysis of the solvency ratio during 2008-2015



Source: own processing based on data posted on www.mfinante.ro

Taking into account economic factors such as developments in market share, related to market dynamics can define three levels. Therefore, we see companies that develop heavy periods (Aerostar, Unison Engine Components, MOTORSTAR), those who are affected to a small extent as such (Eurocopter, Aeroconsulting, Flug Werk International) and, thirdly, entities that have reduced creditworthiness (Romaero Turbomecanica, Civil Aviation).

The next single indicator, return on assets, reflects the difference between the economic result (net profit, known in the literature as EBIT - Earnings Before Interest and Taxes) and the assets used to achieve it (Pierre, 2004, ch 3).

$$ROA = \frac{\text{Net profit}}{\text{Total Assets}}$$

Return on assets is calculated using net income. More than 40% of companies operating in the aviation industry were negative in terms of financial results. As a result, only four entities present a more realistic development index: Aerostar, Eurocopter, Unison Engine Components and MOTORSTAR.

Although Aerostar SA is the market leader in the years 2006-2012 (2013 benchmarking is given by Premium AEROTEC - overlooked because operational period -was founded in 2009), ROA index shows a downward trend. In other words, total assets increased faster than net profit. At the opposite pole lies MOTORSTAR SA, where the return on assets increased to 0.07 from 0.30 eight years.

Unison Engine Components Eurocopter presents positive values of the index, but their only vary between 0.04 and 0.15 to 0.04 and 0.21 for Eurocopter and Unison Engine Components.

Eventually return on equity was valued at sector level. Known in the literature as "return on equity", this indicator shows the efficiency of shareholders on invested capital. Given the number of stakeholders (shareholders or potential investors), using the index, we can say that is one of the most important indicators of profitability. Followed by calculation formula is as follows:

$$ROA = \frac{\text{Profit net}}{\text{Capital}}$$

As shown in the analysis performed on the rate of financial return, it is noted that the results are similar to those of return on assets: four out of ten companies have positive results over the eight years. Aerostar SA a fall in investment earnings relevance in decision making. On the other hand, companies like Eurocopter, Unison Engine Components and MOTORSTAR have managed to improve the relationship between company and customer and therefore increase return on equity.

Conclusions

In conclusion, this case study is performed in dynamic and describes a diagnosis on background financial companies in the industry and therefore concludes that this analysis can reveal representation of financial position, resulting relevance and usefulness studies the Balance Sheet.

Although the techniques and practices regarding financial diagnosis presented in this paper do not express as primary feature completeness, in practice, the dynamic analysis of key balance sheet items, the rates of financial liquidity, solvency and profitability, provide a true and fair view of the financial position economic entity.

Results of financial analysis are especially influenced by the quantity, quality, reliability and efficiency of financial and economic information. (OMPF 3055/2009)

The analysis of financial data is reported in the balance sheet for an economic entity, under a financial diagnosis by determining specific indicators of economic analysis and financial statements

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XBRL – The business Language in the Digital Age

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Abstract

In many areas of activity, the passage to the digital support for documents or, more broadly, for information consisted only in the simple replacement of the old documents from classic paper size in text files. Normally, this allowed a considerable economy of paper, allowed archiving and dissemination of these documents, and to some extent even facilitated the search for data. However a whole host of other benefits of the digitalization of information have remained unexploited. Thus, unlike a specific search where it would be indicated exactly the search criteria must be fully read all the documents available when among them are searched only those documents of interest at a time. This happens because the data contained in these files, although they are "digitized", are not sufficiently "marked" to be able to be handled by the information processing tools, the manual intervention of the human user remaining, under these circumstances, unavoidable.

Key words: XBRL, digital, reporting, technology, language
J.E.L. classification: M15, M41

1. Introduction

The main impediment in the external reporting of financial information is related to the owner format of each document that displays this information. In order that the financial reporting to be intelligible, data needed for describing the reporting elements depend on these documents to understand the international context (Piechocki *et al.*, 2007, pp. 889-900). Publication of financial and accounting information to the interested partners should not be restricted to the mere use of documents describing the situation of the entity.

It manifests with increased intensity the need to analyze the financial statements by tax authorities, credit institutions, auditing companies, investors or other partners directly interested in the financial status of the entity. In the context of the attempt to takeover and automated analysis of financial information by all stakeholders, it was acutely manifested the need for standardization of the transfer of the error-free accounting data in complete safety and in a uniform and intelligible format.

Automated external financial reporting and analysis is accompanied by a series of technical challenges (Andone, 2004, pp. 26-29):

- regional and even international differences relative to the reporting formats of the financial statements;
- geographically disparate systems or subdivisions of the same organizations, mean similar financial data but not necessarily in the same format;
- any new solution adopted for financial reporting involves extra effort with regard to the training of personnel involved in the activity in question;
- financial information involves a permanent monitoring of the correctness of its transfer in an electronic environment;
- the history of the reporting must be kept in solutions such as deposits of data which implies the extraction, processing and the simple upload with each reporting carried out.

A solution that successfully meets all these challenges is the language for business reporting XBRL (eXtensible Business Reporting Language), regarded as the standard for defining and

exchanging information related to the financial performance of the company.

XBRL is an international standard for publishing, sharing and financial analysis of reported data, which simplifies the preparation and publication of financial documents. The basic idea is to collect data once and convert them into multiple formats through automatic processing.

XBRL represents for the global business environment which represented the TCP/IP protocol to the Internet (Debreceeny, *et al*, 2001, pp. 47-74). Probably this acronym, XBRL, will become as well known as HTML or IFRS. We believe that another comparison, found in our research is worth mentioning here: XBRL represented for EDI which represented the Internet to Minitel.

2. XBRL Taxonomy – computer grammar of the accounting regulations

XBRL can be used in any company to define the financial reporting specific to the field of activity of companies in question. It is a powerful and flexible language, designed to meet the requirements of a business and appropriate financial and accounting information.

The taxonomy is a XBRL concept which comprises one or more schemes (in the sense of XML Scheme or "XSD" file) and a set of XML files containing the links between the components. It is represented by dictionaries (vocabularies) the language is using; there are schemes of classification which define the specific labels for individual items of data (such as "net profit").

The XBRL standard creates a link between the information technologies (XML) and accounting standards (GAAP - Generally Accepted Accounting Principles), since a XBRL taxonomy is a translation of the GAAPs in XML documents. The work based on the XML ensures to the financial community a method for preparing based on standards, publication in a variety of formats, correct extraction and automatic exchange of the financial statements of the companies.

XBRL allows the software sellers, developers and users the necessary specifications in order to increase the creation, exchange and comparison of the reporting information, adding extendable semantics. This is possible by applying the concept of taxonomy.

Using XBRL, the application for the economic and financial reporting will be able to handle very easy the document, as each information item at the moment of the creation of the document in question was identified with a label.

The taxonomy is a systematic procedure for the classification of concepts in a hierarchically ordered group, in relation to their natural relationship. For example, each title of a theme of the Folder of the Golden Pages manual is an example of a category from a taxonomy (Andone, *et al*, p. 154).

Taxonomies describe the rules and the format in which information is required. They are created by the collecting authorities and are used by the suppliers of financial information to pass on their own accounting data in accordance with structures of the taxonomy used. Taxonomies make reference to a particular system of classification of the information reported.

The taxonomy has a set of rules that communicate the data to be included in a report, attributes that each information element must comply, or which are the rules to be used for the calculation of certain values. In XML terms, the taxonomy document shows the dictionary of labels used for the classification system of the financial facts, defining the content of the XBRL documents through the use of the standardized techniques XML Schema and XLink. XML Schemas used in taxonomy define the components corresponding to a concept which may be referred to by an XBRL document, and XML connections represent the relations between these concepts or concepts contained in the taxonomies and other sources of information (Stoica, 2004, pp. 27-30).

XBRL Schemas contain the basic elements of the facts. From the point of view of the accuracy of the accounting reporting, the definition of a fact require specifying the type of data associated to it (xbrli:stringItem, xbrli:monetaryItem, xbrli:dateTimeItem), its obligation, whether it is a debit or credit element of reporting and the type of the period for which it is reporting. Many of the XBRL facts are simple, reporting atomic and elementary values (for example: turnover in the situation of reporting of the Profit and Loss Account). XBRL also supports the concept of tuples which shall designate the logical grouping of several XBRL facts to be dealt with together in order to give the consistency of the information.

XBRL links (linkbases) represent the elements of taxonomy that provides information on the relations existing between the concepts of the taxonomy concerned, by putting them in

correspondence with external sources.

Depending on the aim pursued, these links are specialized in various categories (Bonsón, *et al*, pp. 46-60):

- Presentation Linkbase – define how elements should be grouped and sorted when presenting the report. Usually they correspond to certain existing financial document and do not specify formatting criteria.
- Calculation Linkbase – allow the definition of some totalization or simple aggregation, together with the specific rules for their validation for the purpose of providing an uniform mechanism of the accounting information by detailing operation (displaying an XBRL element in detail);
- Label Linkbase – allow XBRL elements to be associated with a particular name in order to allow the reading and understanding of XBRL instances. It is used mostly in exchange of financial information in multiple languages.
- Definition Linkbase – definitions allow specifying the relationships between different elements of the referenced taxonomy (the most common type being the parent-child relationship). For example, a relationship can describe that the occurrence of a certain concept in a XBRL instance to mandate the occurrence of another related concept.
- References Linkbase – specifies the relations between XBRL elements with the specifications drawn up by the authoritative literature governing the reporting. This type of connection allows the authority which defines the taxonomy to establish different rules of reporting, appealing to generally accepted practices for the field of financial accounting or to various standards.

In response to the need for alignment with the accounting standards generally accepted at the international or regional level, but also to ensure compliance with the accounting practices adopted by the companies, the XBRL standard is regularly completed with new taxonomies, which can be regarded as extensions of the language in order to respond to the specific circumstances. Among the most publicized and used taxonomies we remember (Locke, *et al*, 2009, pp. 585-623):

- XBRL-GL (General Ledger) – taxonomy used in particular for modeling the information necessary to achieve domestic financial reporting or at the level of the group;
- XBRL-IFRS for the preparation, design and submission of financial information and context concerned thereof, in compliance with the basic IFRS standards;
- XBRL-COREP (Common Reporting) which comply with the financial reporting in relation with the Basel II rules;
- XBRL-GAAP, reports relating to the financial statements in accordance with GAAP in the U.S.

From taxonomies above, XBRL-GL is enjoying lately an increasing attention in the research area but also among practitioners and developers of financial and accounting computer systems which perceive the opportunity of integrating the XBRL standard as formal support for transferring financial and accounting information not only for regular reporting statements but also for the purpose of analysis or audit. XBRL-GL standardizes the presentation of the internal financial statements present in documents obtained by logging periodic accounting in order to improve communication and transparency of information between different reporting entities (Bergeron, 2003, pp. 102-120).

3. The integration of information systems by XBRL

Although it is often associated with the introduction of the IFRS rules, XBRL is not a new set of accounting regulations. Its use does not require any change in the accounting practices, but XBRL adapts to the existing accounting references and also other references which allow the structuring of the information.

The financial directors continue to control the publication of the figures, and XBRL allows the improvement of communication and facilitates the management, treatment, display and re-use of the information communicated.

The necessity of integrating through XBRL was also due to the fact that PDF, CSV documents, Excel or other format, are difficult to treat and practically no not bring added value to a document submitted on paper, data in tables are often disconnected from the reality, are incomplete or out of date. Without using XML, the links between data displayed on a web page and their sources

(origin, references, notes) are problematic.

We can see that integrating XBRL allows information to live. By using XML technologies (XLink, XPointer, XPath, XQuery) the administration of links between reported data and other information (origin, references, notes), semantics and format are clearly defined. Several representations can be created showing vision and/or different levels of detail. It is possible to hide or display levels of detail and therefore information reaches faster the recipient because flows can be designed as common or "real time".

An XBRL platform architecture correctly provides an infrastructure that enables the organization and storage of XBRL documents in order to make them usable by many applications, local or remote, external or internal. An intermediary XBRL system must be able to convert and run the financial data of the information system and to transmit it after a conversion and/or possible adaptation in XBRL or any other format (TDFC, DADSU, CREICA).

The factor of success of a XBRL solution is to be able to convert, adapt and run the information obtained by the information system. Data with XBRL format must be separated from the information system data, generally stored in tabular structures which must remain unchanged. Many other elements of this puzzle must be put into practice:

- taxonomies should be developed in a collaborative manner to the needs of a sector and a given geographical area;
- evaluators should develop rules of audit to provide certifications for the XBRL documents, as it is already happening in the United States;
- applications of the financial information users must be able to read the data in this format.

Taxonomies define the content of XBRL documents, facts, as well as the attributes characterized (references) and links (calculations, presentations) along different views. The basic conditions are defined in collaboration between the members of the XBRL Consortium and organizations such as AICPA, FASB, IASB, as well as certain regulators such as CEBS in Europe or Banking Commission in France. These taxonomies can be supplemented by sectoral organizations or companies to consider the specific issues such as structures, particular ventilations, profession regulations.

All taxonomies, basic or supplemented, define agreements between partners, between a sender and a recipient of the report, between organizations or within a company. These agreements specify the semantics of the data and rules to be followed for their treatment or presentation.

A XBRL report is not limited to purely financial data. XBRL, originally called XFRML (Extensible Financial Reporting Mark-up Language) was renamed XBRL (Extensible Business Reporting Language) to consider professional reports and information that are not directly financial, such as names, addresses, statistics, risk levels. XBRL GL is a special taxonomy that translates semantics specific to the accounting field. This taxonomy aims at allowing basic accounting data transmission (accounting notes, ledger, journals) between computer systems.

The technology required for the implementation of XBRL is the same as that used for systems integration. Organizations can thus continue to use existing infrastructure such as relational databases, desktop applications such as Office. XBRL is a supple and quite "intrusive" technology allowing preservation of existing investments.

It is therefore necessary to install an infrastructure that combines XBRL report definitions and logistics components to include them. An XBRL document (called instance document) contains reported data, their context, measurement units used, precision and possibly notes associated to them. These data and rules are defined in XBRL specifications. Computers adapted to XBRL can treat these documents, can check rules compliance and can treat, display or store them.

Like all XML technologies, XBRL is ideal for the integration into service-oriented architectures (SOA or Service Oriented Architecture). Service Oriented Architecture (SOA) enables applications interaction of different organizations on different platforms using different operating systems and languages. It allows the definition and use of organizations' internal or external professional services.

XBRL and Web services enable the exchange of reports verified and certified: XBRL provides professional source data verification, Web services enable with XML associated technologies, to ensure the integrity, confidentiality, data origin.

4. Conclusions with regard to the importance of XBRL for financial reporting

XBRL is the fastest means of communication, easy and effective for the financial information. It provides both the content and structure of the financial and accounting data of any kind, and beyond.

Since the creation of primary documents and other documents concerning the operations of collection and processing of financial and accounting information and to legal requirements and other statements of any kind, XBRL has developed a unitary vocabulary, recognized and respected by these entire documents reported on the Internet throughout the information lifecycle.

XBRL has a very vast field of application, adapted to both the private banking or industrial sector and the public sector. It is designed as a standard language that can be used in any company to define domain-specific financial reporting documents of interest. One of the most important examples relate to the financial services industry.

The necessity to use XBRL emanates primarily from regulatory bodies and thus appears as normality the fact that by external reporting companies are familiar with XBRL.

We consider that XBRL should not be stuck only in the external reporting. By its detailed approaching, element by element, XBRL is a powerful tool to rationalize the internal financial processes within a group. It will be the more effective the closer the group is decentralized or has a heterogeneous computing environment. As defined every time in a precise and non-ambiguous manner, XBRL is a choice able to make disparate systems to communicate with each other. As we have seen, XBRL enables validation before transmission which significantly improves the quality of information provided.

At the same time, being a unique referential, independent of applications in which the context of each data is known, XBRL can be a good choice also for consolidation instruments or decisional databases.

Public power can also be, equally, interested in the XBRL in several ways. First, it has the opportunity to use XBRL for its internal needs. Another priority axis would be streamlining the accounting, financial and tax information required to companies. To avoid a multiplicity of forms, it is possible to define a taxonomy targeting information required to companies and their relevance, thus achieving a potential reduction of administrative tasks estimated at 25%. It is obtained by improving the consistency of data transmitted, each information being transmitted only once.

To use XBRL globally, the necessity of software applications emergence arises, to contribute at achieving its benefits in all geographic areas of the world.

The positive impact of XBRL on decision support systems in business is particularly high. Let us imagine just how decision makers in large companies open their personal computers in the morning and can access information automatically extracted from competing companies or the media or the financial press. And because XBRL contains information specific to assist decision it can extract the information and put it in a favourable context. Due to the specific information contained in an XBRL label, it is possible to automatically locate and recover pieces of information from a document or report and to use them in a system for assisting decision.

In the years to come, as other laws will be adopted and other software will be developed, it will become easier to move data from one company to another or from one database to another. This means that decision makers and analysts will have much faster and easier access to information updated in real time, which means faster and better decision making.

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The Information - Connexion Between Financial Accounting and Management Accounting

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Abstract

In the current context of the market economy development and evolution and development of companies' activities it is remarked the proper development of economic and financial information. In this paper we shall present both the qualitative characteristics of the accounting information, from national and international perspective, and their classification according to Statement of Financial Accounting Standards No. 2. The need for information is covered by unpublished reports, statements, which include selective information from the financial statements. In the private sector, managers interested in the entity's performance, turn to financial analysts, who on the basis of economic and financial indicators can give a diagnosis on the health of the entity.

Key words: information, management, quality, relevance

J.E.L. classification: M41

1. Financial and accounting information

Information, *child of contemporary scientific and technical revolution*, can be considered as a very old concept, its understanding depending on the meaning that might be attributed to it: as support of human knowledge, as bits and other units specific to the computer science (Oprea, 1999, pp. 20-21). The concept of accounting information begins to take shape ever since the 17th century. At that time the accounting was not spread widely, and bookkeeping had no rules and no periodicity. Information can be described as "the only inexhaustible resource, a true factor of power, a good influencing directly the degree of prosperity of a nation" (Cucui, 2006).

Information in general and especially the accounting information are facing a major change in the area of influence, given the current economic situation. Developing accurate decisions that reflect reality and help solve problems caused by the financial and economic activity of the company is based on the quantity, but especially on the quality of information provided by the economic information system.

1.1. Role and taxonomy of the financial and accounting information

This information reflects the financial situation of the company, the way human and material resources are used and also the results of economic and financial activity, both for internal and external needs (shareholders, customers, banks, tax bodies, other individuals or legal entities).

The rapid evolution of modern society, evolution that "lets to foresee a *network civilization* meaning that the main asset subject to exchange will be the information" (Tabără *et al.*, 2012, p. 197), requires ongoing improvement of financial and accounting information. This must be set up so as to meet the management requirements for decision making, and also the information needs of company's partners. (Mihalciuc, 2006, pp. 147-148)

Information produced by the financial accounting by content, destination or time of obtaining allow only partially to solve the current management problems of entities. Their insufficiency in relation to the needs of rapid resolution of problems on cost management require the organization of the second circuit of accounting, management accounting, circuit that enjoys freedom of choice

of means and methods of information in accordance with the peculiarities of management and specific requirements for information at all hierarchical levels of company's management (Paraschivescu *et al.*, 2007, p.1).

The accounting information provided by synthetic and analytical accounting accounts serve to the economic and financial analysis as raw materials in the development of diagnostics based on economic and financial reality captured accurately by the accounts in question; ... in analyzing the overall efficiency of a company it is very important the quality and quantity of financial and accounting information existing at a particular moment in the company's economic system, preferably at levels of more analytical.

Therefore, financial and accounting information as a means of representation of the economic reality within a company is the key opening and solving economic problems arising at the entity level, by providing the necessary support to take the right decisions at the right time.

The great diversity of economic information allows to classify them according to various criteria, as follows: by the purpose, in relation to the reflection in time of economic phenomena and processes, by form of presentation, by content, by scope, by the vehicular direction, according to the information standards used for expression and by destination.

1.2. Stages of information processing in accounting

In the economic environment, "the production, circulation and use of information represents a conscious process, conducted by the specific laws of the information process established and amended in accordance with the requirements of the knowledge and management of the activities in question".

In accounting, processing of information can be represented by the phrase "*accounting cycle*". The accounting cycle, or the accounting process (as it is commonly called) consists of a series of procedures for the collection, processing and communication whose purpose is to provide information useful for stakeholders. To get to be exploited, financial and accounting information must go through many stages. These stages must be carefully controlled/monitored because they will have significant impact on the reporting of the company.

The accounting cycle starts with the identification and analysis of the operations of the company and ends up with the accounts closing and the preparation of financial statements.

The stages presented are as follows:

- Identification and analysis of economic and financial operations based on supporting documents.
- Entry of operations in the Chronological Records Journal.
- Systematic posting of the records from the Journal to the Journal Ledger.
- Systematic posting of the records from the Journal to the Journal Ledger at the end of the exercise.
- Preparation of financial statements/financial reports based on the trial balance.
- Closing the accounts in order to end the current period and to prepare the opening of a new accounting period.

2. The quality of the financial and accounting information

The quality of accounting information is evaluated based on its ability to reproduce the reality of the company without relying on perceptions and decisions of the issuer. It even becomes problematic if the accounting cannot build a business reality satisfactory to all. Quality can also be approached from the point of view of users, and must comply with time and cost constraints. Also, the value of information is directly related to how it helps decision makers in achieving the goals of their organization. The notion of quality is inseparable from the conception of the role of accounting information and companies represented.

Over time, the quality of information has been presented in various forms. The characterization of the quality is closely associated with the accounting conceptual frameworks, particularly that of the FASB (Financial Accounting Standard Board), which proposes a definition for the first time.

SFAC no. 2 presents qualitative characteristics of accounting information, features that are designed to help individuals/entities that have funds in decisions to invest resources in a particular company. Thus, four features are required:

- **Relevance** - reflects the quality of information to provide answers in a given situation.
- **Comprehensibility** - is an essential quality of information provided by financial statements and means that they can be easily understood by users. To this end, users must possess reasonable knowledge regarding business and economic activities and also accounting concepts.
- **Comparability** - allows users to compare the information contained in the financial statements of certain companies in order to evaluate their performance, financial position and evolution of the financial situation.
- **Reliability** - is the ability of the accounting information to provide a true, objective, verifiable and complete image on an economic event.

These four quality criteria are still difficult to be perfectly achieved. It is first necessary to determine the relative importance of information, the quality minimum accepted and compromises to be made to achieve a globally acceptable quality level.

The academic environment was, and still is interested in defining the quality of accounting information: on the one hand, as a reaction to the proposed definitions of conceptual frameworks, secondly, because of the role of accounting information in the optimal allocation of financial resources on the market (and the regulation of agency conflicts).

In Romania, the qualitative characteristics of financial information are provided in the MFO no. 1802 of December 29, 2014. Correspondingly, financial information are useful if they are exactly what must represent and if they are relevant. Their usefulness is enhanced by: comparability, verifiability, opportunity and intelligibility.

Relevance and accurate representation are considered to be fundamental characteristics.

Relevance. Relevant financial information (with predictive value, confirmatory or both) are those that have the ability to support users in making decisions. Information have predictive value if they can be used as inputs in the processes carried out by users to predict future outcomes. Information should not constitute a forecast/projection, being used by users in making their own calculations. The confirmatory value of financial information is closely related to the predictive value. As an example, information regarding expenditure this year, can be used as the basis for forecasting expenditure for future years, but also can be analyzed and compared to projections made in previous years. Through careful study of these comparisons, information users can correct and improve their processes used to make forecasts. Another aspect of relevance, specific to a company, is the significance threshold. It is based on the nature, size or both characteristics of the elements that information reported by the company refers to.

Accurate representation consists of full description without significant errors and neutral of the economic phenomena in figures and in words, the process used in generating the information reported being properly chosen and applied.

A description is complete if "includes all information necessary for a user to understand the phenomenon described, including necessary explanations... For some elements, a complete description may require explanations of significant facts concerning the quality and nature of the items, factors and circumstances that would affect their quality and nature, and the process used to determine numerical descriptions".

Verifiability assures users that the information presented reflect accurately the economic phenomena that propose to represent. Verifiability means that different observers informed and independent can reach a consensus on the fact that a certain description is an accurate representation.

There are situations where verifying some forecasting information is not possible until a future period of time or even at all. In this situation, to help users decide whether they want to use or not these information is required the presentation of fundamental assumptions, methods of compilation of information as well as the factors and circumstances supporting the information.

Opportunity is the quality of the information to be available to decision-makers at the time at which it is required, so that they can make decisions in a timely manner. Usually, information lose their utility during time. To reduce this process of "aging" of information and also the effects

induced, conditions should be ensured for shortening the cycle of production-processing-transmission-reception-use of the information.

The opportunity of the accounting information also considers providing an optimum ratio between the timely availability and cost. Providing timely information at the same time offering a true image, involves high costs.

In the event that there is an unjustified delay in the reporting of the information, they may lose relevance, the management being forced to choose between a relative value of reporting at a time and the provision of reliable information.

Intelligibility means that information are easily understood by users with minimal knowledge of accounting. Information may be considered understandable if classified, characterized and presented in a concise and clear manner. However, the exclusion of financial statements of the information on economic events with a high degree of complexity is not possible because it would lead to the situation that these reports may be incomplete.

Insofar as possible, amplifiers qualitative characteristics should be maximized in order to contribute to enhancing the usefulness and quality of accounting information produced and distributed.

3. The quality of the information-decision relationship

Accounting is an essential component of the information system, because it has imposed as such over time. Accounting is the major source of information for the information system and for the companies' managers. Through its data from the financial accounting and internal or management accounting, it covers the information need of the internal managers.

The accounting information system, as information system is one of the important components, perhaps the most important within the group of devices, internal control tools operationalized due to measures aiming a complete, reliable, comprehensive, relevant, useful, timely and non-redundant information system, which meets the decision needs of an institution.

Practice has imposed the existence of modular or integrated accounting systems. In modular systems, information processing is done in several modules. Usually there are two modules: financial accounting and internal accounting.

Financial accounting provides data and *transparent* information on the financial position, performance, changing position.

Internal or management accounting provides *less transparent* data and information on the internal management (goods, services, works), more precisely the cost of production and other information that are not standardized, required nor published, information important in guiding decisions.

Data and information are the main components of the information system, reason for which we will address, tangentially, the definitions of data and information.

Information acquires value when used in decision making process and in guiding decision.

By the decision system of an organization we understand all information flows and decisions adopted and applied within it, properly structured to the system of objectives pursued and configuration of the management hierarchy (Nicolescu *et al*, 2001, p.20).

Decision and the decision-making process lead to the success or failure of an entity's management. Decision is defined by several authors as "the determination to choose for some alternative action of several possible variants associated to the process or phenomenon considered" or "as an option of the manager, selected from several possible, influencing the decisional and operational behaviour of other persons" (Verboncu *et al*, 2005, p. 23).

But the connexion between data, information, decision within the economic activity, be it public or private sector, is assured by the *quality of information* that also prints the quality of decision and decisional processes.

Under current conditions, characterized by a large volume of information and increasing complexity of economic problems, it is necessary to separate the information from decision, the two conditioning mutually in order to achieve effective actions in organizing and managing the economy.

The organic connexion between information and decision lies in the fact that, in order to lead effectively, any decision must be preceded by detailed and immediate study of all occurring phenomena and processes, data and information about them.

The quality of information and therefore of decisions within the flow of information depends largely on the knowledge and skills of the accounting profession in "manipulating" figures, data included in the financial statements to improve the information so that to co-interest managers in using this information.

In reality this communication between accountants (including the entire profession) and managers and thus between information and decision is made with great difficulty, especially in the public sector where the measure of performance, entity position is adjacent to the "abstract" for the managers of the institutions. Sometimes poor training of accountants in the public sector (which continues even after these many years of democracy), and we can say it without a "cover" or sense of degradation, influence negatively this relationship.

4. Conclusion

Accounting information is intended to reflect the financial situation of the company, as it discloses results of the economic and financial activity of the company by internal and external users. Therefore, data must be designed so as to meet both the demands of the management and the information requirements of partners.

On the other hand, we noticed that the information can be considered a *good of market information*, the market being the place where the information demand, came from consumers, meets the information offer, which comes from the producers of information (namely the company).

In the literature we frequently encounter the notion of quality of accounting information. FASB has proposed for the first time a definition of quality, but over time it has been presented in various ways. As regarding the qualitative characteristics of information we encountered different approaches.

Measuring the quality of accounting assumes that the accounting information tends to lose its absolute character, becoming merchandise that can be traded. The economic theory shows that the value of an asset, a commercial service is determined by the utility (satisfaction) delivered to the consumer. This reasoning also applies to the production and communication of accounting information.

Following theoretical research undertaken we have seen that the accounting information is not exclusive for the financial accounting or management accounting, being more an element of connection between these two.

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Financing Research and Development Activities in the Construction Materials Industry. Comparative Study

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Abstract

Financing the research and development activities is an essential issue nowadays. Even if it seems costly, this activity became very important on a market where competitors appear constantly, providing products adjusted both technically and economically. In order to maintain a high level, investments are of utmost importance, including for research and development. Our scientific undertaking presents on a lower scale the evolution of three construction materials manufacturers in the world, as well as their evolution both in the field of financing research and development activities, as well as their position in the world classification established based on the process of financing this activity.

Key words: financing, research and development activity, turnover, number of employees

J.E.L. classification: G32,G39,O32,O39

1. Introduction

Our scientific undertaking aims at presenting the issue of financing research and development activities from internal sources for three construction materials manufacturers worldwide.

The comparative method was used in terms of methodology and for this reason, the data supporting the study are extended over 5 years, more exactly during 2010-2014.

The presented companies budgeted the financing of this activity all the more so because they realized that they cannot face competitors on their business markets without new products, considering also the fact that the amount of competitors is increasingly rising or strengthening on a certain market.

The financing of this activity becomes very important since, besides internal financing sources, more and more programs appear in relation to financing of this activity, such as, for example, Framework Programs and Horizon2020 Program in Europe.

Consequently, the following comparative study included three construction materials manufacturers on three different continents: Lafarge in France (Europe), Valspar in USA (North America) and China National Materials in China (Asia).

2. Comparative study

I used certain economic indicators as the foundation in this scientific undertaking for all three large manufacturers, such as: financing value of the research and development activity, turnover, number of employees and position in the world classification.

The financing value of the research and development activities during 2010-2014 for the three large manufacturers is displayed in the Table no. 1 (European Commission 2011, 2012, 2013, 2014, 2015):

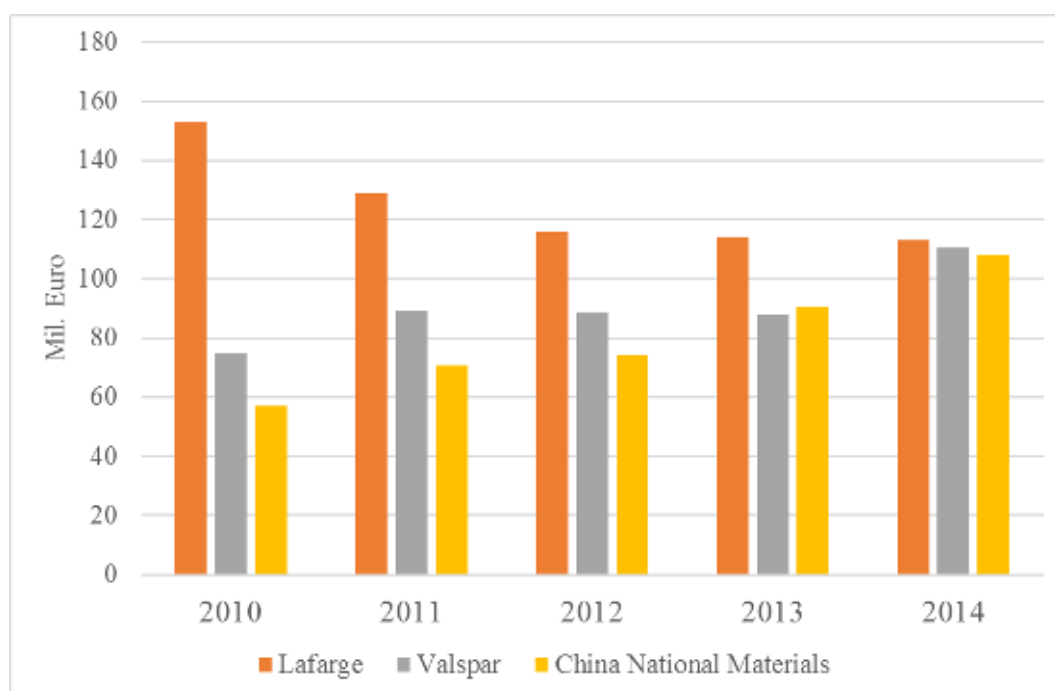
Table no. 1. Financing value of the activity of research and development during 2010-2014

<i>millions EUR</i>						
No.	Manufacturer	2010	2011	2012	2013	2014
1.	Lafarge	153	129	116	114	113
2.	Valspar	74,72	89,2	88,8	88,1	110,5
3.	China National Materials	57,06	70,7	74,2	90,7	107,9

Source (Author's adaptation based on European Commission 2011, 2012, 2013, 2014, 2015)

The data in the Table 1 are found in the Picture no. 1 as a chart:

Picture no. 1. Financing value of the activity of research and development during 2010-2014



Source (Author's adaptation based on European Commission 2011, 2012, 2013, 2014, 2015)

The information provided in Picture no. 1 determines that the French group decreased the amount assigned for research and development activities over the examined period of time that stands as the post-crisis time in Europe, whereas the American company assigned increasingly larger amounts for financing these activities, with a small gap in 2013; the Chinese company followed an ascending curve regarding the assignment of its amounts for these activities. This fact is displayed in the evolution of the turnover amount presented in Picture no. 2.

During the same time, the turnover of the three manufacturers displayed the values included in the Table 2 (European Commission 2011, 2012, 2013, 2014, 2015):

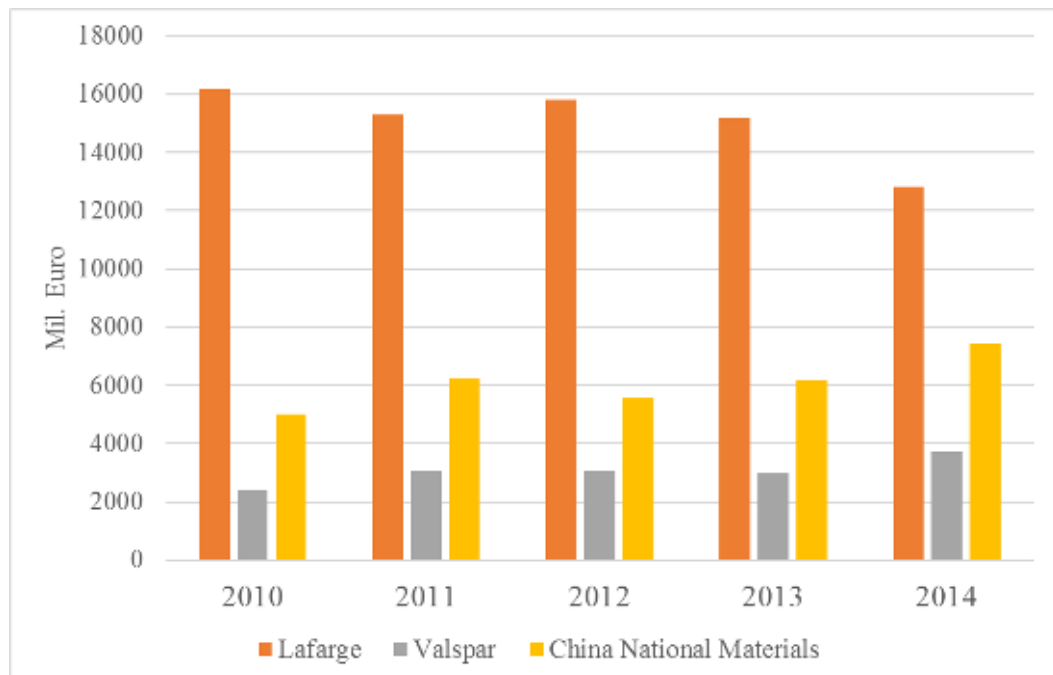
Table no. 2. Value of turnover during 2010-2014

<i>millions EUR</i>						
No.	Manufacturer	2010	2011	2012	2013	2014
1.	Lafarge	16.169	15.284	15.816	15.198	12.843
2.	Valspar	2.405	3.055,1	3.047,5	2.975,7	3.724,9
3.	China National Materials	5.005	6.219,1	5.576	6.188,5	7.441,7

Source (Author's adaptation based on European Commission 2011, 2012, 2013, 2014, 2015)

The data of the Table no. 2 are included in the Picture 2 as a chart:

Picture no. 2. Value of turnover during 2010-2014



Source (Author's adaptation based on European Commission 2011, 2012, 2013, 2014, 2015)

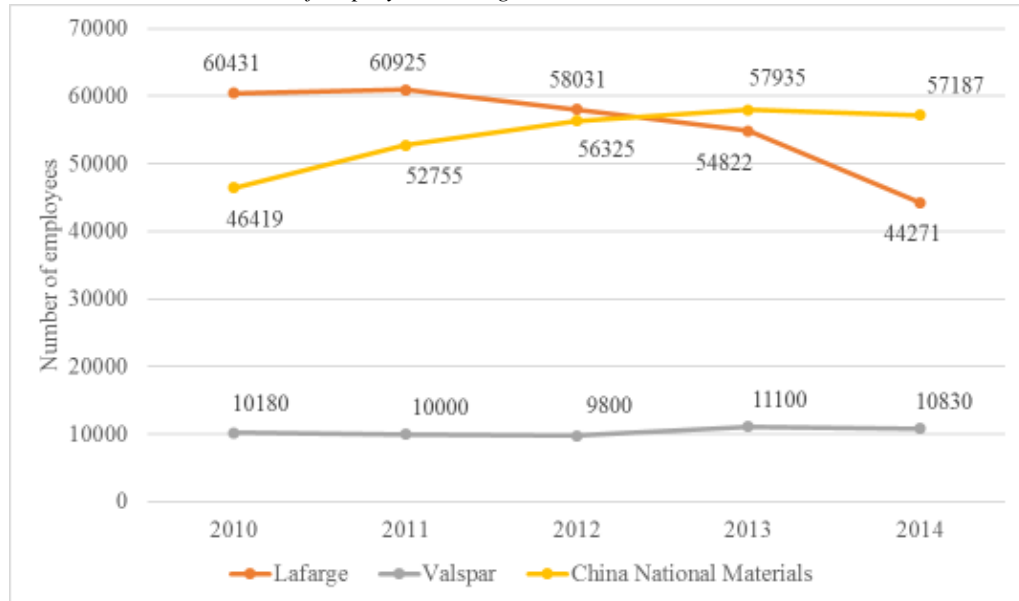
Analyzing the data included in Picture no. 2, we may assert that in Europe, as the continent of origin for Lafarge group, the economic crisis took its toll on its turnover that dropped from €16,169 million in 2010 to €12,843 million in 2014, a decrease by approximately 25.89%. Also, if in 2010 the amount assigned for research and development activities represented 0.95% of its turnover, this rate went as low as 0.88%.

Valspar, the American company, reached a €2,405 million in 2010, and in 2014 it rose to €3,724.9 million, therefore a 54.88% rise, a fact leading to the conclusion that the economic crisis in USA was not as intense as in Europe. The rate of financing research and development activities was 3.11% in 2010, and it dropped to 2.97% in 2014.

One cannot refer to an economic crisis in China, considering that during the time it affected Europe and other continents, China recorded an economic boom, as noted in its turnover rise from €5,005 million in 2010 to €7,441.7 million, therefore an increase of 48.68%, as well as in the assigned amount for research and development activities that grew from 1.14% in 2010 to 1.45% in 2014.

The evolution of the number of employees from the three manufacturers involved in our scientific undertaking is presented in the Picture 3(European Commission 2011, 2012, 2013, 2014, 2015) :

Picture no. 3. The number of employees during 2010-2014

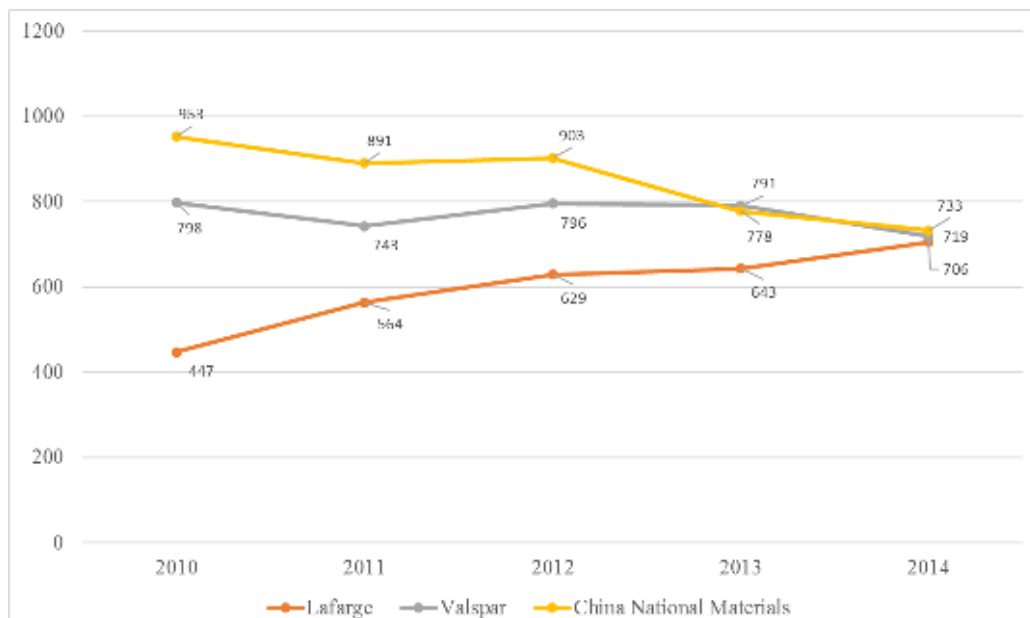


Source (Author's adaptation based on European Commission 2011, 2012, 2013, 2014, 2015)

The data in Picture no. 3 are another confirmation of the economic evolution of the three companies: thus, the European company dropped its employees' number during the economic crisis, the American company had small staff variation, and for the Chinese company we can say that the ascending curve is present on the level of the employees' number.

It is worth noting the position of the three construction materials manufacturers in the world classification of companies that include research and development activities (Picture no. 4) (European Commission 2011, 2012, 2013, 2014, 2015):

Picture no.4. Position in the world classification of companies that include research and development activities



Source (Author's adaptation based on European Commission 2011, 2012, 2013, 2014, 2015)

The analysis of the data in Picture no. 4 proves once more the above-mentioned data, meaning that Lafarge group was downgraded from number 447 to 706, the Americans upgraded from number 798 to 719, whereas the Chinese company had the most spectacular jump from number 953

to 733. Is it a little? Is it a lot? Hard to say, but the not-so-distant future will show us if China reaches number one also in the field of financing research and development activity.

3. Conclusions

In my scientific undertaking, I tried to present the evolution of certain results related to research and development activities within the three selected companies and, implicitly the financing of these activities.

A first conclusion would be that, except for the French Lafarge group, the other two companies, the American and the Chinese one, assigned constantly larger amounts of money to finance research and development activities as sales value increased.

A second conclusion is that, again except for Lafarge group, the sales value of the other two companies rose, which is not a surprise especially as far as China National Materials is concerned, considering the economic boom recorded in China during the past few years.

It is worth mentioning that the data presented in our scientific undertaking confirms two certainties: the first one is provided by Lafarge group displaying an evolution related to the economic crisis hitting Europe at the end of 2008 and through 2009 (turnover drop, decrease of the employees' number and reduction of the amount corresponding to financing research and development activities), and the second one by the Chinese company included on the path of the economic and, implicitly, the real estate boom characterizing China during the past few years. We may assert that the American company was included on a specifically economic path, with ups and downs, but, on the whole, its activity recorded an ascending curve both in terms of turnover, as well as financing research and development activities.

One thing is certain: first the companies intending to remain on the market and secondly the ones aiming at covering a business market as large as possible must assign constantly larger amounts for research and development activities, otherwise they diminish their market share with all its consequences (sales drop, decrease of the employees' number etc.), or they are taken over by other companies in order for the latter to strengthen their position on certain markets.

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The Impact of Economic Sentiments on Foreign Direct Investments

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Abstract

The main purpose of this study is the estimation of the impact of subjective determinants on foreign direct investments. Thus, by applying an econometric model, the volume of foreign direct investments is considered to be a dependent variable and the gross domestic product (GDP), the trade openness and the Economic Sentiment Indicator are considered to be independent variables for Germany, Finland, Italy, Netherlands and Great Britain, during thirty years (1985-2014). The main results indicate the fact that between investors' sentiments and their investment decisions is an inverse relationship only in case of Italy and Great Britain due to the cultural specifications met in these states in which the emotional factors seem to prevail the rational ones.

Key words: foreign direct investments, sentiments, gross domestic product, return
J.E.L. classification: F21, G02, G11

1. Introduction

The financial markets evolved in a more integrated frame, globally, due to liberalization of the controls and market access. This integration, accelerated by the increasing competition between market participants and by the introduction of new financial instruments with a large access on the market and lower transaction costs, attracted many investors from around the world. Also, the expansion of cross-border financial flows was accelerated through the technological innovations in communication and data processing.

The foreign direct investments (FDI) represent a key element in this fast evolution of international economic integration. Foreign direct investments are considered to be an appropriate way to create long-term, stable and direct links between the economies. In a suitable environment, these can be used as an important vehicle for the development of local enterprises, and they can contribute as well at the improvement of competitive position of the beneficiary ("host economy") and also of the investor ("source economy"). Also, the foreign direct investments are encouraging the transfer of technology and the know-how between economies, but they can also represent an opportunity for the host economy to promote its products on a large scale on the international markets. Beside the positive effect on the development of the international trade, the foreign direct investments also offer an important source of capital for the economies implied in the process.

The significant growth in the last decades of the level of foreign direct investments and also the accelerated spread on the international plan reflect on the one hand an increase of the number and volume of the individual transactions and on the other hand a bigger diversity of the enterprises from the industrial sector or of the economy as a whole. The big multinational companies are traditionally dominant players in this kind of cross-board investments. This development also coincided with a growing trend of multinational companies' participation in external trade. Besides that, in the past years it is desired for the small and medium companies to be involved more and more in the process of foreign direct investments.

Based on these considerations, the first part of this paper summarizes and describes the most important studies found in the literature review which addresses on the one hand objective determinants and on the other hand the subjective determinants of foreign direct investments. The paper continues by describing the methodology used to develop the empirical study and the main results obtained. The final part of the paper presents the conclusions and the remarks on the

submitted study.

2. Literature review

There are several theories which are trying to explain the determinants of the foreign direct investments. These theories represent significant steps towards the development of a systematic framework for the emergence of foreign direct investments. Thus the following questions can be answered: What are the factors that attract foreign direct investments? What are the expected benefits of multinational companies when they invest in a foreign country? In order to answer these two questions, an analysis of two different but interconnected levels was required: 1) the identification of classic, objective determinants of foreign direct investments present in research studies performed over time; 2) the formation of a modern vision concerning the subjective determinants of the foreign direct investments using the investment psychology approach while identifying possibilities of measuring the investors' sentiments.

Over the last decade the changes that arose in the global economic and political environments have sparked a new interest in the foreign direct investment field. As a consequence the development activities of multinationals as foreign direct investment have increased at a rate faster than the growth of international transactions. There are many theories that try to explain the determinants of the foreign direct investments. These theories represent important steps towards the development of a systematic framework favorable to the emergence of foreign direct investments.

Regarding the analysis of the impact of the foreign direct investment determinants on their volume change, the literature discusses many controversies resulted from the undertaken studies.

The ODI (1997) specifies that the econometric studies, which compare different countries in terms of FDI, show a significant correlation between the investment flows and the market size, the latter representing a substitute for the gross domestic product level as well as some of its characteristics, such as the average income or the level and growth rate. Some studies have shown that the growth rate of the gross domestic product is a more relevant explanatory variable compared to the gross domestic product indicator. This is due to the fact that in case of very low current size of the national income of a country, its growth may be less relevant to the investment decision and in this case relevance is given to the indicator which reflects the growth potential of the market. Jordaan (2004) notes that investments will go to countries with wider markets, which have larger purchasing power, markets from which investors will be able to obtain a higher return on equity and therefore higher profit as well.

Another determinant of the foreign direct investments debated in the literature is the rate of market opening to free trade measured by the sum of imports and exports reported in the GDP. Thus in his study, Edwards (1990) tested the significance of market openings regarding the attracting of investment flows in developing countries by identifying a significant positive relationship between investment flows and market opening to free trade. A few years later, Chakrabarti (2001) conducted another relevant study which confirmed the positive link between the two variables.

Regarding the cost of human capital and labor productivity, the literature does not show any unanimity regarding the results obtained from studies about the importance of wages in the process of attracting foreign direct investment. Likewise, Beer and Cory (1996) investigated the investments of the American entrepreneurs in eleven of the twelve EU countries concluding that a high level of labor remuneration discourages foreign direct investments. ODI (1997) states that a correlation between investment flows and a relatively higher remuneration degree is supported only in industries that require a higher workforce consumption or in export-oriented investments.

The results of studies are vast when it comes to quantifying the influence of tax incentives on the foreign direct investments. Some studies demonstrate that a high level of taxes induces a considerably negative effect on investment flows while other argue the opposite. Loree and Guisinger (1995) note that the tax policy causes a significant negative influence on the allurements of foreign direct investments. However, Porcano and Price (1996) present an analysis about the importance of fiscal policies and non-fiscal incentives in the context of the investment decisions of the American, British, French, German and Japanese entrepreneurs. The study results indicate that the tax system does not present a significant determinant of the investments.

Another level analyzed in this paper refers to the identification of possibilities for measuring the impact of subjective determinants on foreign direct investments through a series of indicators which measure the investors' sentiments. In the recent past the question was raised whether there is a link between the investors' sentiments, the share prices and the economic activity (Brown and Cliff 2005; Baker and Wurgler 2006, 2007). Thus, in most studies, the results show a link between the indicators that measure the investors' sentiments on the one side and the share prices or the economic activity on the other hand.

Thus, further research of this topic is necessary in order to obtain a concrete vision and perspective on the role of sentiments and their meaning. Although the literature provides research studies that are focused on indicators which express "native sentiments", researchers are beginning to orient their attention towards indicators that measure the so-called "foreign sentiments", with the consideration that these indicators have the ability to influence prices or even local the market performance.

Although to our knowledge there are no studies in the existing literature which analyze the correlation between the investors' sentiments and the foreign direct investments, we do find however many analyses which describe the manner in which sentiments and other psychological variables influence the investment behavior.

In a larger study, Jansen and Nahuis (2003, 2004) investigated European countries between the years of 1986 and 2001. The countries belonging to Central and Eastern Europe were excluded from the analysis. The authors find that the market share prices are influenced by consumer confidence, which shows a positive influence on a short-term analysis period, but a negative influence on a long-term analysis period. This can be explained by price deviations from the fundamental value on short-term, although these deviations are corrected on the long-term. Within just one year, Brown and Cliff (2005) raised the question of the association between the investors' sentiments and the stock market performance, considering not only the daily performance but also the weekly and monthly performance. The regression analysis results indicate that the investors' sentiments are not able to influence the stock market performance on a short-term. However, in the same study, the results are completely different when taking into account a longer period of time. Actually the authors say that the investors' sentiments can exert very well a positive influence on the performance within an interval of two to three years.

In another study of the investors' sentiments, Finter et al. (2010) investigated whether these sentiments had an impact on the performance from the stock market in Germany. In this study they included all issuers of financial assets during 1993-2005. The results of the study highlighted similar conclusions regarding the relationship between variables, namely that the indicator that reflects the investors' sentiments has no predictive power over future performance. These results are consistent with the fact that the investors' sentiments represent a small importance when it comes to a market which includes mainly institutionalized investors.

Beckmann et al. (2011) examined the importance of various indicators that measure sentiments in four Central and Eastern European countries. These countries are: Poland, Hungary, Slovakia and the Czech Republic. On the one hand they analyzed the importance of the investors' trust in these financial markets while on the other hand they concentrated on the relationship between the domestic product and the stock prices on the market. The authors distinguish different dynamics between short-term results and long-term results regarding the investors' sentiments noting their important role in the markets analyzed in this context.

3. Data and methodology

Traditionally scientists have attributed special importance to explaining the change of some economic variables under the impact of certain classic, objective determinants but in recent years the studies have begun to develop their own area of coverage showing interest in explaining the economic variables through behavioral indicators specific to behavioral finance.

Thus, in order to examine the relationship between the foreign direct investments and both objective and subjective investment determinants, I took into consideration the relevant indicators found in the studies performed so far. In order to represent the foreign direct investments I took into consideration an indicator which expresses their volume and in order to represent the

determinants I took into consideration the market size measured by the gross domestic product (GDP), the opening rate of the market to free trade measured by the sum of imports and exports reported in the GDP and, in the end, an European indicator well known in behavioral finance, as the Economic Sentiment indicator (ESI).

The data needed for the case study are taken and calculated by different organizations as follows: the series of data representing the foreign direct investments, the GDP and the indicator of the market opening flow to free trade were taken from the World Bank and those representing the economic sentiment indicator from the European Economy - European Commission. The analysis period for which this testing was performed was thirty years, namely the years 1985 – 2014, for five European countries: Germany, Finland, Italy, Great Britain and Netherlands. The reason I selected these economies is due to the fact that the data set used for testing did not present any gaps among them. The methodology used for the execution of the empirical study consisted of the application of an econometric model in which we considered, on the one hand, an indicator present in the literature, namely the indicator expressing the volume of foreign direct investments rendered by their flow of inputs in an economy (Foreign Direct investment - FDI), and, on the other hand, a number of determinants of the investments, namely the gross domestic product (GDP), the rate of market opening to free trade (Trade openness) and the Economic Sentiment indicator (ESI).

The data used in the model were processed as growth rates of indicators, using the next formula:

$$\text{Indicator value} = \frac{\text{Indicator value} - \text{Indicator value } (t-1)}{\text{Indicator value } (t-1)} \quad (1)$$

A number of stationary tests were applied on the considered variables (Augmented Dickey-Fuller, Dickey-Fuller GLS (ERS) and Phillips-Perron) in order to avoid erroneous results.

The proposed model has the following general form:

$$\text{FDI } t = \beta 1 * \text{GDP } t + \beta 2 * \text{TO } t + \beta 3 * \text{ESI } t + \varepsilon t \quad (2)$$

where:

FDI t – Foreign Direct Investment

GDP t –Gross Domestic Product

TO t– Trade Openness

ESI t –Economic Sentiment Indicator

εt – standard error

4. Results

The following section discusses the results obtained by applying an econometric model to estimate coefficients of the independent and dependent variables used in the regression equation. It also includes references to the coefficients' meaning and their economic interpretation in order to determine the impact of the considered determinants on the volume of foreign direct investments.

The table below shows the results of applying a regression in which I considered the volume of foreign direct investments to be a dependent variable and the GDP together with the rate of market opening to free trade and with the Economic Sentiment Indicator to be independent variables in order to represent the investment behavior considered within Finland, Germany, Italy, Netherlands and Great Britain over the analyzed period.

Table no. 1 Results of the regression analysis

Variables	Coefficients				
	Finland	Germany	Italy	Netherlands	Great Britain
Gross Domestic Product (GDP)	0.3078*** (0.0795)	0.2046*** (0.0496)	0.3383*** (0.0806)	0.2399*** (0.0712)	0.5647*** (0.0924)

Trade Openness (TO)	1.4507*** (0.1867)	1.2640*** (0.1220)	1.3451*** (0.1705)	1.4981*** (0.1960)	1.5743*** (0.2172)
Economic Sentiment Indicator (ESI)	-0.0186 (0.1278)	-0.0191 (0.0768)	-0.2162* (0.1095)	0.0095 (0.1112)	-0.2066* (0.1027)
R-squared	0.7019	0.7797	0.5783	0.7035	0.6070
Adjusted R-squared	0.6790	0.7627	0.5458	0.6806	0.5768

Source: Author's personal estimations

*, **, *** denote significance at 10%, 5%, 1%
() standard deviation

As for the results which refer to the impact of the considered determinants on the foreign direct investments, the influence exerted by the representative indicators of the objective determinants is straightforward, meaning that an increase in the gross domestic product (GDP), which represents the market size, respectively an increase of the market opening to free trade, representing the trade openness, leads to the increase of foreign direct investments in the considered countries. When it comes to subjective determinants, the econometric results differ from one country to another. The Economic Sentiment Indicator (ESI), which represents one of the behavioral indicators specific for the behavioral finance, on the one hand exerts an inverse influence on the foreign direct investments in countries such as Italy and Great Britain, and, on the other hand, it does not present statistical significance in countries such as Finland, Germany and Netherlands. A viable explanation for these differences in the results on the impact of investors' sentiments on the volume of foreign direct investments in the five considered countries refers to cultural differences and cultural specificities found in each one of them.

5. Conclusions

Throughout this work I aimed at achieving an incursion into the literature with the purpose of presenting theoretical issues related to the degree of influence of the change of economic variables, at observing the impact of certain classic, objective determinants and at the explanation of economic variables through behavioral indicators, specific to behavioral finance.

For a better understanding of the results related to the negative impact of the investors' sentiments on investment decisions, it is important to present some explanations from the theory of behavioral finance which refers to the links that can be created between the mood of the investor and his decision to take risks. Thus, in recent decades a theory was proposed and debated. The purpose of this theory was to describe the connection between the mood and the risk taking, namely the Mood Maintenance Hypothesis (MMH) enunciated by Isen, Nygren & Ashby (1988). The Mood Maintenance Hypothesis model is based on the idea that regardless of the current mood, the main purpose of any person is to achieve and maintain his own well-being. More specific, this theory finds explanations for two different situations that individuals may encounter: on the one hand, by having a good mood they will avoid risky situations in order to keep the current state, while on the other hand, individuals with a less good mood will choose riskier alternative investments hoping for the possible gains to improve their disposal.

By correlating these explanations with the obtained results I believe that in countries where this reverse link is highlighted, the emotional factors seem to prevail over the purely rational ones. Furthermore when investors are in a good mood they are unwilling to take risks by making investment decisions with the purpose of keeping that good feeling. This idea is also supported by Parker & Tavassoli (2000) and Kliger & Levy (2002) who demonstrated that individuals with a good mood have a greater aversion to risk.

As for the limits of the empirical study, data availability has presented an obstacle in carrying out a more exhaustive econometric analysis. Keeping in mind the obtained results, this paper can be extended by introducing other significant indicators for improving the considered model and it can also generate new relevant explanations for a better understanding of the influence of objective

and subjective determinants on the foreign direct investments. By extending the empirical study a larger number of countries could be analyzed. These countries could be grouped according to the regions in which they are located resulting in a more comprehensive analysis. Thus, other potential determinants of foreign direct investments could be identified (depending on the region in which the country is located or depending on the activity branch), determinant which could remain unidentified when the analysis is performed on a microeconomic level.

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The Role of the Patrimonial Result Account in Rendering Performance in the Secondary Educational Institutions

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Abstract

Through its tools, in particular through patrimonial result account, accounting gives information about the performance in the secondary educational institutions and beyond.

In the work "Informational valence regarding the role of the patrimonial result account in rendering performance at secondary educational institutions" it is presented an analysis model of the performance in the pre-university education institutions based on the economic-financial indicators. These indicator simply an analysis of the dynamics and structure of revenues, costs, results and enable the knowledge of the resource management in order to cover expenses from the revenue, their evolution and their total balance.

The analysis was based on hypothetical data over a period of two years, and after this period it was determined that the institution has managed to maintain its level of efficiency in resource management.

Key words: patrimonial result account, performance, economic – financial indicators

J.E.L. classification: M49

1. Introduction

The informational-accounting system and the accounting tools are the informational basis of secondary educational institutions thanks to the information provided which allows both highlighting the management of resources but also provides necessary data analysis and secondary educational institutions activity and therefore their performance.

Information provided by accounting instruments primarily by the patrimonial result account which is the database for the analysis that is based on economic – financial indicators of the performance of secondary education.

The aim is to identify the role of patrimonial result account in rendering performance in the secondary education institutions. In order to achieve this aim we used an analysis based on the indicators of the account result elements of the secondary educational institutions for a period of two years.

2. Research Methodology

Research can be defined as an activity able to determine an understanding, an intuition or knowledge obtained through diligent perception and systematic inquiry of a subject / of a theme so as to validate the perception of the researcher (Andone, 2011, p.1); an active systematic process to discover, interpret or revise facts, events, behaviors, or theories, or to make the practical applications by using these acts, laws or theories (Pisoschi, 2006, p.4).

The research methodology can be equated with a structured and current system of rules, principles, methods, tools and know – how (Ristea, 2009, p.33).

The scientific knowledge of the facts, social phenomena and processes is performed by using some clearly defined concepts, by using rigorous research methods and techniques, checking assumptions or pursuing the objective description of social life (Chelcea, 2007, p.48).

It has an important role in all educational institutions including education, and society.

In order to perform effective and efficient research we need to acquire new knowledge in the chosen field research. Thus, we have chosen to present the role of account result in mirroring the performance of the secondary educational institutions and calculating the indicators based on the information provided by it.

The working technique that was used was based on reviewing the specialized literature, studying the law, and the factual documentation for the secondary educational institutions.

The procedures that we used were observation, reasoning, documentation, analysis, synthesis and interpretation.

3. The importance of the patrimonial result account for the secondary educational institutions

Finding the balance sheet result is insufficient for the possibility to assess the current situation and to anticipate the dimensions of future efforts, a fact that requires the integration into the structure of the complex of balance sheet of the patrimonial result account (Cenar, 2007, p. 253). The patrimonial result account reveals the situation of revenue, funding and expenses from the current exercise (Ştefan, 2008, p. 353).

In the result account the revenues are structured according to their nature or their source and expenses are structured according to their nature and destination. In this document we can find the income calculated which do not involve collecting as well as calculating the expenses which do not involve a payment. The patrimonial result expresses the performance of public institutions. It may be surplus or deficit and is determined according to funding sources, depending on the entity's activities: operational, financial and extraordinary.

The equivalence report is established between income, financing and expenses, the balance equation is represented by result, surplus or deficit, obtained by deducting the revenues accrued from the encountered expenses (Cenar, 2007, p.253).

4. The role of account result in reflecting the performance from the pre-university educational institutions

The finality of the pre-university system is forming the human personality through acquiring the scientific knowledge, the national and universal cultural values, forming the intellectual capacity and practical skills by assimilating human, scientific, technical and aesthetical knowledge.

One of finalities of the public institutions accounting, including those of pre-university education, is the formulation of judgements concerning the way to manage the public resources starting from the account of patrimonial result, the budget execution account etc.

These services are considered most important since they are found at the general professional level of the society members. In order to study the performance of secondary educational institutions we must define this concept.

A general approach, the performance shows *the ability progress due to the constant efforts*. The word performance is the bearer of an ideology of progress, effort to always do better (Albu, Albu, 2005, p. 30-34).

Performance is associated with three notions: *economy* (procurement of necessary resources at the lowest cost), *efficiency* (maximizing the achieved results) *effectiveness* (the results that are achieved need to correspond with those that were provisioned). Performance is expressed through the added value attributed to public service called education, but the proportion of an individual contribution to the development of society, in reference to the objectives and standards that were established.

When using the modern accounting term through the performance criterion we understand the real image if it reflects the objective reality through a full and pertinent information on the facts, on the economic processes that can be expressed in a monetary standard. Accounting is the expression of legitimacy, of the facts, the economic phenomena, a true image (Horomnea, Pahone, 2002, no 5/2002) which presumes accuracy and precision informing the user. Thus, the performance of pre-university institutions can be studied by analyzing pre-revenue and expenditure respectively through patrimonial result account. Patrimonial result account allows providing information about

the financial performance of secondary education institutions but also on the formation and of the result found in the balance sheet. Patrimonial result account presents the situation of revenue, funding and expenses from the current exercise (OMFP 1917/2005).

Through this document, the result of the financial exercise is determined as the difference between revenue / funding and expenses, as a result containing both commitments and paid debts as well as patrimonial one that offers the possibility of reflecting non-budgetary outturn (Cenar, 2007, p. 253). The result is an economic patrimonial result expressing financial performance of a public institution or surplus or deficit (OMFP 1917/2005). The released result cumulates the result of budget execution and that of non-budgetary execution (the effect of varying the steady income over expenditure incurred) and contributes to obtain crucial information for forecasting accounts (Cenar, 2007, p. 254). In order to give a practical character to the paper we will present an economic– financial analysis of the income, the expenditure and the outcomes across an secondary education institution based on hypothetical data.

Table no.1: Patrimonial account result elements in a secondary educational institution
-lei-

Elements	Total	Total
	2014	2015
Operational revenues	5567	6647
Operational expenses	5475	6245
The result of the operational activity	92	402
Financial Revenues	555	388
Financial Expenses	238	358
The result of the financial activity	317	30
<i>The result of the current activity</i>	<i>409</i>	<i>432</i>
Extraordinary Revenues	110	0
Extraordinary Expenses	105	0
The result of the extraordinary activity	5	0
The patrimonial result of the exercise	414	432

Source: own projection

a) *The dynamic analysis of the revenues, expenditures and outcomes* requires calculating the following indicators:

- Change / absolute deviation is calculated as the difference between income, expenses or results of current period (2015) and income, expenses or results of the previous period (2014):

- $\Delta R = R_n - R_{n-1}$, where R_n represents the revenue from the current period (year 2015) and R_{n-1} revenue from the previous period (year 2014)

- $\Delta Ex = Ex_n - Ex_{n-1}$, Ex_n - expenses of the current period, Ex_{n-1} - expenses of the previous period

- $\Delta R = R_n - R_{n-1}$, R_n represents the result from the current period and R_{n-1} - result from the previous period.

- The dynamics of revenues, expenses and results is determined by reporting the revenues (R_n), the expenses (Ex_n) and the results (R_n) from the current period to the revenues (R_{n-1}), expenses (Ex_{n-1}) or results (R_{n-1}) of the previous period:

$$- \quad I^R = \frac{R_n}{R_{n-1}} * 100; \quad I^{Ex} = \frac{Ex_n}{Ex_{n-1}} * 100; \quad I^R = \frac{R_n}{R_{n-1}} * 100;$$

- The rhythm of the phenomena /the modification in percent and relativity is calculated by subtracting from the dynamic of the revenues, expenses and results the value of 100:

$$- \quad R^R = I^R - 100; \quad R^{Ex} = I^{Ex} - 100; \quad R^R = I^R - 100$$

The results that were obtained after calculating these indicators have been presented in the following chart:

Table no. 2: Analysis in the dynamic of the patrimonial result account

Elements	Δ	I	R
Operational revenues	1080	119,40	19,40
Financial revenues	100	69,91	-30,09
Extraordinary revenues	- 110	0	-
Operational expenses	770	114,06	14,06
Financial expenses	15120	150,42	50,42
Extraordinary expenses	- 105	0	-
Operational result	310	436,96	336,96
Financial result	- 287	9,47	- 90,53
Current result	23	105,62	5,62
Extraordinary result	-5	0	-
Patrimonial result	18	104,35	4,35

Source: own projection

There is a time evolution of revenue and expenses in the secondary educational institution, as follows:

- Operating income increased from 5567 to 6647 lei at a rate of 19.40% Financial income decreased by 167 lei and a rate of 30.09% and extraordinary income fell 110L.
- Operating expenses increased (14.06%) and financial expenses increased (50.42%). We cannot say the same thing about the extraordinary expenses which decreased by 105 lei.

As a result of the changes in the dynamics of revenues and expense sheld by the entity the result will be changed. The overall result of the patrimonial exercise developed positively increasing by 4.35%.

a) *The analysis of income, expenditure and outcomes* is determined by categories of incomes, expenses and results classified by types of activities (operational, current or extraordinary):

b) It is encountered an evolution in time of the revenues and expenses of the secondary educational institution, as follows:

- The specific weight of revnues (the quantity of an income category in the total revenue):

$$W^i = \frac{I_i}{I_t} * 100$$

- The specific weight of the expenses (the quantity of an expenses category in the total of expenses): $W_i^{ch} = \frac{Ex_i}{Ex_t} * 100$

- The specific weight of the results (calculated by reporting a result to the result of an exercise):

$$W^i = \frac{R_i}{R_t} * 100$$

After calculating the structure indicators the following results were presented below:

Table no. 3: The analysis of the revenues, expenses and results

Elements	2014	2015
Operational revenues	89,32	99,48
Financial revenues	8,91	5,52

Extraordinary revenues	1,77	0
Operational expenses	94,10	94,58
Financial expenses	4,10	5,42
Extraordinary expenses	1,80	0
Operational result	22,22	93,06
Financial result	76,57	6,94
Current result	98,79	100
Extraordinary result	1,21	0

Source: own projection

It can be noted that the largest share comes from the operating income, represented by 89.32% of the revenues earned by the institution in 2014 and 99.48% of the revenues gained in 2015 by the pre-university education institution. The financial income decreased from year to year, so in 2015 they accounted for only 5.52% of the total revenue of the institution. Also in 2015, the institution has not held extraordinary income. Like in the case of revenues, the operating expenses have the largest share when talking about expenses (94.10% in 2014 and 94.58 in 2015). Unlike the financial income which decreased, the financial expenses have slightly increased (1.32%).

From the total of patrimonial result, the operational result accounted for 22.22% held in 2014 and 93.06% in 2015, the financial result represents 76.57% of total earnings in 2014 and only 6.94% in 2015.

c) *The cost indicator - income* is determined by reporting total expenses to the total revenue and indicates the extent to which total revenues cover expenses:

$I_{CV} = \frac{ExTotal}{RevenueTotal}$, where Total Ex represent the total expenses of the public institution in a year and the total revenue represent the revenue obtained by the institution from the current, operational and extraordinary activity.

$$I_{CV2014} = \frac{54784252}{56273138} \quad I_{CV2014} = 0,93 \quad I_{CV2015} = \frac{62490422}{66838036} \quad I_{CV2015} = 0,94$$

The efficiency of resource management pre-university institution has remained about the same, being recorded a favorable ratio between expenses and revenue of 0.93 in 2014 and 0.94 in 2015. The efficiency is relatively low but overall it is valued the usefulness of the activity in the secondary educational institution. From our point of view, the performance obtained by the educational institutions is not reflected only by comparing and analyzing revenue and expenses, it must pursue the degree of entering the labor market, the rate of graduates who go to the university to study and if these studies fit the profile or another area of training. From our research we have not found an institution who keeps an evidence of this kind.

Conclusion

Information on the work conducted by institutions of secondary education, their financial position and their performance are resulted from their financial statements.

Each institution or entity has a purpose: performance in its field. This performance is seen differently by each one depending on the scope of activity and the purpose of the activity. Pragmatically, the performance of secondary education can be studied by analyzing the income concerned through patrimonial result account.

Therefore we presented an analysis model of the performance of secondary educational institutions based on revenues, expenses and results and also their dynamic and their structure.

The analysis and the dynamics consisted in calculating the absolute change / deviation of the dynamics of revenues, expenses and results and the phenomenal rate / relative or percentage change. Following these indicators we could observe an increase in the operating income at a rate

of 19.40% and a decrease in financial income at a rate of 30.09% and the extraordinary income decreased by 110 lei, the operational expenses increased by 14.06% and financial expenses have increased by 50.42%, while extraordinary expenses decreased by 105 lei. As the result, it recorded an overall growth of 4.35%.

Analysis of the structure of revenues, expenses and results involved the calculation of specific weight of the total revenues, costs and results to the result of the exercise. Following up the calculations we can observe that the highest rate is owned by the operational revenues, while the financial revenues decreased from year to year. As the expenses are concerned we can say that the highest rate is held by the operational expenses, while the financial expenses record a slight increase of 1.32%. The large share of revenues and operational expenses led to a high operational result compared to the other categories of results. Also the structural analysis allows the calculation of the cost-revenue indicator which reflects the extent to which the expenses are covered by revenues that were obtained.

After the calculations have been realised, it can be concluded the secondary educational institution recorded a favorable report between the revenue and the expenses, the institution maintained its level of efficiency and resource management from one year to another.

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