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Section I

International Affairs

Internet Usage, Financial Inclusion and Economic Growth in Nigeria

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Abstract

This study investigates the relationship between internet usage, financial inclusion and economic growth in Nigeria for the period 1999 to 2016. Using the time series data for the period, the study utilizes Engle Granger Cointegration Test and the Fully Modified Ordinary Least Squares (FMOLS) approach for analysis. The results showed that Internet usage and broad money have positive and significant effect on financial inclusion. Also, Internet usage has positive and significant effect on economic growth in Nigeria. However, the effect of financial inclusion on economic growth is negative, minimal and insignificant. Furthermore, the effect of the interacted coefficient of internet usage and financial inclusion on economic growth is positive, minimal and insignificant. Hence, the positive effect of internet usage on economic growth in Nigeria is not transmitted through the mechanism of financial inclusion. We recommend that government should strengthen and improve on the positive gains of internet usage on the economy. Also, the monetary authority should take measures to encourage the drive for more savings to improve financial inclusion and ensure that investment by government is channeled into more productive areas to improve the economy.

Key words: Internet usage, financial inclusion, economic growth, cointegrating regression, Nigeria.

J.E.L. classification: O30, O40, G20

1. Introduction

The governments all over the world both the developed and developing countries have felt the impact of the massive increase in internet usage especially in the past twenty (20) years (Salahuddin & Gow, 2015). There have been many benefits from the rise in internet usage following the ICT revolution around the world. The benefits are traceable to a broad span of areas covering improvement in technology, expansion in output of businesses, acquisition of skills for online education programmes, improved ease of doing business and access to a variety of online products and services. The entrance to financial products and services of banks constitutes one breakthrough that has been facilitated by internet usage (Lenka & Barik, 2018). From the comfort of home, customers can now log-into their the bank's data based to handle their transactions like opening an account, making money transfers, print bank statement, request for a credit facility and make payment for utility bills among others. Internet usage has enhanced the utilization of banks' facilities on several platforms. For instance, some writers have argued that internet availability has assisted the usage of bankers to recruited more unbanked customers that would have been the case without internet facilities (Alam et al. 2013). Besides, internet facilities have improved the utilization of banking products and services by the existing customers and to improve the lives of the average people and achieve economic advancement and growth in the country.

Based on the benefits of internet usage and in keeping the trend with globalization, several governments around the world have made conscious effort to adopt policies to improve the increased use of internet facilities (Ozili, 2018). Sadly, Nigeria has been a slow starter in internet connectivity and usage. With the largest population in the African continent, Nigeria had only a

couple of internet service providers and a few dial-up e-mail providers with operating slow links by 1998. However, recently, internet connectivity has grown at tremendous speed to catch up with other countries of equal economic status around the world. The 28 million internet users in Nigeria recorded in 2012, and there was an increase to a new of record 98 million users at the end of 2017. Nigeria has currently reached internet penetration of 50.5%, and it compares very favorably with the continent's average of 35.2% for the same period.

Some writers have argued that internet usage has facilitated improvement in financial inclusion in developing countries around the world (Andrianaivo & Kpodar, 2012; Ozili, 2018). Financial inclusion is a feature of financial development and has been characterized to underscore improvement in the efficiency, quality and quantity of intermediary financial services. It can improve the general level of savings, which increases productive investment in local businesses (Babajide, 2015). A development finance organization (EFInA) conducted a survey in Nigeria (2008) and revealed that only 18 million adults were banked and about 53.0% of adults were excluded from financial services (CBN, 2017). To facilitate financial inclusion, the Central Bank of Nigeria working in collaboration with other parties launched the National Financial Inclusion Strategy (NFIS). The NFIS is aimed at reducing the exclusion rate to 20% by 2020 through leveraging on technology with emphasis on internet and mobile banking facilities. The focus is to extend financial products and services to the unbanked customers urgently. Between 2008 and 2016, there was improved access to financial services as 47 million adults are now using bank product and services and about 41.6% of the population is financially excluded (EFInA, 2017). With many more Nigerian adults enjoying improved banking status, more people now (expectedly) have the opportunity to increase productivity and enhanced social welfare status.

More specifically, Andrianaivo (2010) posits that there is a positive correlation between the average real GDP per capita and mobile penetration in Africa. He maintains that the association between financial inclusion and mobile penetration is positive; suggesting that improvement in internet usage could stimulate financial inclusion and economic growth. Therefore, to effectively anchor the relationship between internet usage, financial inclusion and economic growth, we should underscore the relationship between internet usage and financial inclusion in Nigeria and seek to establish whether the combined effects of internet usage and financial inclusion stimulate economic growth. The findings will position us to suggest policies that can further improve the relationship between internet usage, financial inclusion and economic growth.

The remaining part of this study is organised as follows: Section 2 examines the review of related literature and the theoretical framework, methodology and sources of data are outlined in section 3. Section 4 presents the empirical results and discussion. Section 5 completes the study handling the conclusions and policy recommendations.

2. Literature review

2.1. Internet and economic activity: theoretical perspective

The Internet has gradually become the central pivot of the digital economy as it supports a substantial portion of the world's economic and social activities serving as an active catalyst for technology and innovation, enhancing the social wellbeing and economic growth of the nation. The internet is fundamentally designed to be open and global hence making the facility to serve as the hub for technological innovation and economic growth and development. The openness of the internet makes it a veritable tool for access to international cross-border trade. The result is a global value chain such that inputs for production are sourced worldwide, and the process of production shifts from location to location until the final product. The support from the internet enables firms to take advantage of trans-border data flows across nations to monitor the production value-chain across different areas (Salahuddin & Gow, 2016). Also, the internet assists innovation and entrepreneurship by providing the platform to access, share and coordinate knowledge in support of new ventures and professional services. Through cost savings and ease of information availability, the internet can promote productivity and growth of businesses and the economy.

The internet has become an essential organ of inclusive growth and development through the sources of financial inclusion. The measures of financial development among others would include

proxies like access to banking facilities, number of electronic transfers/transactions, average savings, access to credit facilities and number of mobile telephone and internet banking transactions (World Bank). In Nigeria, while historical data is not readily available on internet usage, the most readily available data on financial inclusion is that of average savings. Hence, this study adopts average savings as the proxy for financial inclusion.

The provision of information has become an input to the firms as internet usage allows the seamless generation and sharing of ideas across markets and international borders. The advent of modern theories of endogenous growth has categorized the internet as a strategic input in the development and utilization of innovation in the production process (Lucas 1988; Romer 1990; Aghion and Howitt 1998). The new growth theories acknowledge the growth effect contributions of modern communication technologies which strongly rely on the development and utilization of internet facility. The endogenous growth model, as postulated by Romer (1990) argues that the key drivers of growth revolve around ideas generation and information dissemination. The massive growth and utilization of internet in recent years have strongly impacted on innovation, production and economic growth through the adoption of new technologies, cheaper information dissemination, development of new products and services and the promotion of new business models (Benhabib and Spiegel 2005).

The growth of internet usage facilitates decentralized information processing through the speedy and seamless exchange of on-line-real-time data across multiple locations. Therefore, internet usage strongly supports modern firm-cooperation that is dependent on the spatial flow and transfer of large batches of information on continuously, helping to boost innovation and competition among firms. Internet usage may raise the standard of market transparency through the ease of access to market information and further intensifying the standard of competition (Stiroh, 2008).

The use of search engines like Google coupled with YouTube facilitates the endless supply of knowledge and information for research which benefits organizations and academic institutions. Millions of web pages and libraries can be browsed in an instant to help explain various topics on different subjects to improve the skills and knowledge of the people. It has also become convenient for people to partake in on-line educational courses at both the local and international scale. Many educational programs facilitate on-line examination for students at different levels of learning. Therefore, the internet facilitates improvements in skill, research and convenience for the people.

One other important benefit of internet use is the improvement in employment generation and leisure. Besides, the software and hardware professional and companies which are fully engaged in internet services, a large number of the populace find employment and earn their living through the services of internet marketing and sale of various products and services. With internet connection, a number of people find it convenient to work from home and can set up the virtual office. Working from home can help people save the cost of childcare and transportation while improving efficiency.

The internet may also be used for negative purposes that could be criminal like internet fraud, bullying, pornography, spread of computer viruses and others.

2.2 The internet usage and the economy: empirical evidence

There is empirical evidence highlighting several direct economic impacts of internet usage on the various aspects of the man's economic life in several countries. Many studies have been conducted to relate internet usage to various macroeconomic variables that affect economic growth. For instance some writers found that internet usage positively affected trade services (like Frehund & Weinhold, 2002; Choi, 2010; Lechman & Marszk, 2015). In other studies, there is empirical evidence to suggest that internet usage positively and significantly affect economic growth (Holt & Jamison, 2009; Macdougald, 2011; Farhadi et.al, 2012; Andrianaivo & Kpodar 2012; Amiri & Reif, 2013; Jin & Jin, 2014; Kpodar & Andrianaivo, 2016; Salahuddin & Gow, 2016; Toader et.al, 2018; Changkyu & Myung, 2018). While Yi and Choi (2005) argue that internet usage reduces inflation, Noh & Yoo (2008) contend that inequality in income distribution can erode the positive gains from internet usage on economic growth. Choi (2003) opines that internet usage stimulates the inflow of foreign direct investment into developing countries. In his study on the German

economy, Czernich (2014) concluded that the relationship between broadband internet and unemployment is negative.

Some authors posit that internet usage stimulates financial inclusion and financial deepening (Farkhanda, 2007; Salahuddin & Gow, 2016; Ouma et.al, 2017; Olaniyi & Alenoghena, 2017; Chen et.al, 2018; Lenka & Barik, 2018). The last set of studies contends that financial inclusion or financial development positively and significantly impact on economic growth (Hariharam & Marktanner, 2013; Alenoghena, 2014; Babajide et.al, 2015; Olaniyi & Alenoghena, 2017).

From the discussion on the empirical review, most of the studies argue that while internet usage may affect economic growth directly, it could also impact on economic growth indirectly through other macroeconomic variables like inflation, unemployment, trade services, FDI inflows and income inequality. The existing studies fail to examine the effect of internet usage on the economy through financial inclusion. While this study intends to fill this gap, we also wish to explore the transmission mechanism of the effect of internet usage on economic growth through the mechanism of savings.

Theoretical framework and methodology

3.1. Theoretical framework

Internet usage assists in modern theories of endogenous growth, internet usage facilitate the development of innovation, improve the processes of production and distribution of goods and services and hence, boosts the economic growth and development of a nation (Romer 1986; Lucas 1988; Aghion & Howitt 1998). Internet usage facilitates the crossing of international boundaries to access the latest information on the products of research and development the improvements in particular production techniques. Internet usage intensifies competition through the dissemination of the newest information and ideas and information on specific products and services. Also, the internet may propel economic growth through the application of new technologies in business models, new products and process change.

Several contributors to the endogenous growth theory contend that ideas generation and market information serves as the catalysts for economic growth (Lucas, 1988; Romer, 1990; Aghion & Howitt, 1998). Consequently, the massive and sustained increase in Internet usage may enhance the innovative capacities of the economy through knowledge spillover, development of new products and processes, and business models to promote growth. Moreover, cheaper information dissemination encourages the adoption of new technologies which help stimulate economic growth (Nelson and Phelps, 1966; Benhabib and Spiegel, 2005). This also suggests that information technology can affect economic growth through other channels such as codified knowledge across firms and regions. The usage of the internet further enables the exchange of data across multiple locations and facilitates the decentralization in the processing of information. Furthermore, it assists in the formation of new businesses and the development of models on firm cooperation which would rely on the high level of exchange of high volumes of information in the face of innovation processes and competition. Also, internet usage facilitates transparency in the market and improves efficiency in competition resulting in productivity improvement among IT-using firms (Jorgensen et al., 2008).

3.2. Model specification

Based on the contributions of several scholars to the endogenous growth theory (like Romer 1986; Lucas 1988; Barro, 1998) and in tandem with the growth equation utilized in the studies conducted by Choi & Yi (2009) and Salahuddin & Gow (2016), we construct an econometric model with per capita GDP growth (GDPC) as a function of the number of internet users per 100 people (NET), financial inclusion (FINC), trade openness (TOP) and broad money (BMN). Therefore, the equation used in the study was:

$$GDPC_{it} = \beta_0 + \beta_1 NET + \beta_2 FINC + \beta_3 (NET * FINC) + \beta_4 TO + \beta_5 BM + \mu_{it} \quad (3.0)$$

For the purpose of estimation, there is need to log-linearise the model as in equation (3.0). This is necessary to streamline the scales of the variables to minimize fluctuations in the data.

$$LGDP_{it} = \beta_0 + \beta_1 LNET_{1t} + \beta_2 LFINC_{2t} + \beta_3 (LNET * LFINC)_{3t} + \beta_4 LTOP_{4t} + \beta_5 LBMN_{5t} + \mu_{it} \quad (3.1)$$

Equation (3.1) is designed to estimate the relationship that exists between economic growth (GDPC), internet usage (NET), financial inclusion (FINC) and other related macroeconomic variables in the Nigerian economy for the period under review. It is important to see how changes those explanatory variables influence the magnitude and direction of change in per capita income. In line with apriori expectations, the expected signs of the coefficients are: $\beta_1 > 0$; $\beta_2 > 0$; $\beta_3 > 0$; $\beta_4 > 0$ and $\beta_5 > 0$. The above sign (> 0) implies a positive relationship between (GDPC) and the coefficients of the independent variables.

The study would also examine the effect of internet usage on financial inclusion as shown in the model on equation (3.2) as follows:

$$LFINC_{it} = \beta_0 + \beta_1 LNET_{1t} + \beta_2 LGDPC_{2t} + \beta_3 LTOP_{3t} + \beta_4 LBMN_{4t} + \mu_{it} \quad (3.2)$$

The apriori expected signs of the coefficients are: $\beta_1 > 0$; $\beta_2 > 0$; $\beta_3 > 0$; and $\beta_4 > 0$. The above sign (> 0) implies a positive relationship between (FINC) and the coefficients of the independent variables.

3.3. Analytical framework

An estimator that may deploy a semi-parametric correction to remove the problems which are associated with the long-run correlation between the stochastic regressors and the cointegrating equation was proposed by Phillips and Hansen (1990). The outcome of their proposal is a Fully Modified OLS (FMOLS) estimator which is characteristically unbiased with an attribute of being a fully efficient mixture with normalized asymptotics that allows for standard Wald tests utilizing the standard Chi-square statistical inference.

The cointegrating regression methodology adopts preliminary estimates of the symmetric and one-sided long-run covariance matrices of the residuals. Suppose \hat{u}_{1t} is the residuals obtained after estimating Equation 3.1, then \hat{u}_{2t} can be generated indirectly and declared as $\hat{u}_{2t} = \Delta \hat{\epsilon}_{2t}$ from the regression analysis process.

$$X_t = \hat{\Gamma}_{21}' D_{1t} + \hat{\Gamma}_{22}' D_{2t} + \hat{\epsilon}_{2t}$$

r can be obtained directly from the difference regressions process. Hence, we can obtain

$$\Delta X_t = \hat{\Gamma}_{21}' \Delta D_{1t} + \hat{\Gamma}_{22}' \Delta D_{2t} + \hat{u}_{2t} \quad (3.2)$$

If we declare $\hat{\Omega}$ and $\hat{\Lambda}$ to be the long-run covariance matrices which are estimated utilizing the residuals $\hat{u}_t = (\hat{u}_{1t}, \hat{u}_{2t})'$, then we may define the modified data as:

$$y_t^+ = y_t - \hat{\omega}_{12} \hat{\Omega}_{22}^{-1} \hat{u}_{2t} \quad (3.3)$$

and the estimated bias of the correction term may be declared:

$$\hat{\lambda}_{12}^+ = \hat{\lambda}_{12} - \hat{\omega}_{12} \hat{\Omega}_{22}^{-1} \hat{\Lambda}_{22} \quad (3.4)$$

Hence the FMOLS estimator can be given as:

$$\hat{\theta} = \begin{bmatrix} \hat{\beta} \\ \hat{\gamma}_1 \end{bmatrix} = \left(\sum_{t=2}^T Z_t Z_t' \right)^{-1} \left(\sum_{t=2}^T Z_t y_t^+ - T \begin{bmatrix} \hat{\lambda}_{12}^+ \\ 0 \end{bmatrix} \right) \quad (3.5)$$

where $Z_t = (X_t', D_t)'$ is the key to FMOLS estimation and would comprise the development of the long-run covariance matrix estimators given as $\hat{\Omega}$ and $\hat{\Lambda}$.

As a prelude to declaring the options which are available for estimating $\hat{\Omega}$ and $\hat{\Lambda}$, it will be necessary to properly determine the scalar estimator

$$\hat{\omega}_{1,2} = \hat{\omega}_{11} - \hat{\omega}_{12} \hat{\Omega}_{22}^{-1} \hat{\omega}_{21} \tag{3.6}$$

Equation (3.6) can be declared as the long-run variance of u_{1t} that is estimated conditional on u_{2t} . Furthermore, we may apply the correction of a degree-of-freedom to $\hat{\omega}_{1,2}$. Hence it can be demonstrated that null hypothesis for the Wald statistic $R\hat{\theta} = r$ is

$$W = (R\hat{\theta} - r)'(RV(\hat{\theta})R')^{-1}(R\hat{\theta} - r) \tag{3.7}$$

Equation 3.7 possesses an asymptotic χ^2_g (Chi-Square distribution) where g is defined as the restrictions that may be imposed by R . The restrictions which are imposed on the constant term or any other non-trending variables are not testable using the theory which underlies equation (3.7).

3.4. Estimation technique

The estimation technique for this study adopts a five-step procedure. The first step is the unit root test, which involves the determination of the order of integration, using the ADF - Fisher Chi-square and Phillips-Perron test statistic. The second test is for cointegration, uses the Engle-Granger single-equation cointegration test. The third step is the causality test. The fourth step is the impact relationship between the dependent and the independent variables, which is run over the sample period 1999 - 2016, using the Cointegrating Regression Method.

3.5. Sources of data

The data for this study is extracted from the World Development Indicators (WDI) on the selected variables used for analysis: Per capita income, Individuals using the Internet (% of the population), broad money and trade openness. WDI was an appropriate source because it offers a broad range of information on the variables. The data span is limited to 1999-2016 because of data availability. However, data on average savings was collected from the Central Bank of Nigeria Annual Statistical report for 2017. Data on national average savings is used as the proxy for the financial inclusion variable.

4. Empirical results and analysis

4.1. Unit root test

The unit root test is necessary to establish the stationarity status of the data. The order of integration may affect the longrun cointegration relation among the variables. The summary of the results of the unit tests are presented in Table 4.1. From the ADF test statistics, the results in 4.1 show that LGDPC, LNET, LFINC, LTOP and LBMN were all integrated at order one, that is I (1) or they became stationary at first difference. Comparing the variable levels with their first difference (the ADF unit root test statistic) and various associated probabilities, the conclusion can be drawn that all variables are integrated at order of one I (1). All variables are statistically significant at 1%, 5% and 10% critical values in first difference.

Table 4.1 - ADF Fisher Unit Root Test

Null Hypothesis: Unit root (individual unit root process)				
Series: LGDPC, LNET, LFINC, LTOP, LBMN				
Method			Statistic	Prob.**
ADF - Fisher Chi-square			35.5722	0.0031

ADF - Choi Z-stat			-4.11214	0.0000
Intermediate ADF test results D(UNTITLED)				
Series	Prob.	Order of Integration	Max Lag	Obs
D(LGDPC)	0.0333	I(1)	1	16
D(LNET)	0.0274	I(1)	1	16
D(LFINC)	0.0079	I(1)	1	16
D(LTOP)	0.0005	I(1)	1	16
D(LBMN)	0.0278	I(1)	1	16

Source: Author's Computation

4.2. Single-equation cointegration test

The Engle-Granger tau-statistic (t-statistic) and the normalized auto-correlation coefficient (termed the z-statistic) both reject the null hypothesis of no cointegration at the 5% significance level (shown in Table 4.2).

Table 4.2 - Engle-Granger Cointegration Test

Series: LGDPC LNET LFINC LTOP LBMN						
Included observations: 18						
Dependent	tau-statistic	Prob.*	z-statistic	Prob.*		
LGDPC	-3.236351	0.5395	-13.8279	0.4955		
LNET	-4.050655	0.2451	-16.3557	0.2864		
LFINC	-5.922507	0.0423	-24.1656	0.0312		
LTOP	-2.300762	0.8837	-10.0812	0.8034		
LBMN	-4.444544	0.1533	-18.7106	0.143		
Intermediate Results:						
		LGDPC	LNET	LFINC	LTOP	LBMN
Rho - 1		-0.813408	-0.9621	-1.18621	-0.59301	-1.10063
Rho S.E.		0.251335	0.237518	0.240977	0.257747	0.247635
Residual variance		0.002074	0.096448	0.005082	0.037211	0.004738
Long-run residual variance		0.002074	0.096448	0.005082	0.037211	0.004738
Number of lags		0	0	0	0	0
Number of observations		17	17	17	17	17
Number of stochastic trends**		5	5	5	5	5

Source: Author's Computation

The associated probability values are estimated from the MacKinnon response to the surface simulation results. Given the small sample size of the probabilities and critical values there is evidence of five cointegrating equations at the 10% level of significance using the tau-statistic (t-statistic) and evidence of five cointegrating equation at the 10% level of significance using the z-statistic. Therefore, both tests confirm the existence of longrun cointegrating relationship among the variables: LGDPC, LNET, LFINC, LTOP and LBMN.

4.3. Cointegrating regression results

Cointegrating regression is adopted to assess (i) the effect of internet usage on financial inclusion and (ii) the effect of internet usage and financial inclusion on per capita income.

4.3.1. Examining the effect of Internet usage on financial inclusion in Nigeria

The cointegrating regression test result on the effect of internet usage on financial inclusion (Table 4.3) indicates that internet usage (LNET) and broad money (LBMN) are positively related to financial inclusion (LFINC) with coefficients of 0.16 and 0.97 respectively while per capita income (LGDPC) and trade openness (LTOP) are negatively related to the dependent variable with coefficients of 0.33 and 0.11 respectively. However, only the coefficients of LNET and LBMN are significant while the coefficients of the other independent variables are insignificant. Therefore,

internet usage and broad money have positive and significant effect on financial inclusion in Nigeria.

Table 4.3. Internet Usage and Financial Inclusion

Dependent Variable: LFINC				
Method: Fully Modified Least Squares (FMOLS)				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
LNET	0.1609	0.0381	4.2283	0.0012
LGDP	-0.3321	0.3257	-1.0194	0.3281
LBMN	0.9730	0.0748	13.0017	0.0000
LTOP	-0.1064	0.0698	-1.5232	0.1536
C	2.0133	2.4980	0.8060	0.4359
R-squared	0.9604	Mean dependent var		2.3336
Adjusted R-squared	0.9473	S.D. dependent var		0.3585
S.E. of regression	0.0823	Sum squared resid		0.0813
Long-run variance	0.0037			

Source: Author's Computation

Substituted Coefficients:

$$LFINC = 0.1609 * LNET - 0.3321 * LGDP + 0.9730 * LBMN - 0.1064 * LTOP + 2.0133$$

4.3.2. Assessing the Effect of Internet Usage and Financial Inclusion on Per Capita Income

The cointegrating regression test result on the effect of internet usage and financial inclusion on economic activities (in Table 4.4) indicates that internet usage (LNET) and broad money (LBMN) are positively related to per capita income (LGDP) with coefficients of 0.12 and 0.14 respectively while financial inclusion ((LFINC) and trade openness (LTOP) are negatively related to the dependent variable with coefficients of 0.08 and 0.12 respectively. However, the intercept, LNET and LTOP have significant coefficients while the coefficients of LFINC and LBMN are insignificant. Furthermore, the effect of the interaction between LNET and LFINC on LGDP has a positive coefficient that is not significant. The positive impact of internet usage on income is not quite transmitted through the mechanism of savings in the economy.

Table 4.4. Internet Usage, Financial Inclusion and Per Capita Income

Dependent Variable: LGDP				
Method: Fully Modified Least Squares (FMOLS)				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	7.64942	0.21275	35.95565	0.00000
LNET	0.11509	0.02199	5.23319	0.00020
LFINC	-0.08273	0.17516	-0.47228	0.64460
LNET*LFINC	0.03405	0.04534	0.75104	0.47180
LTOP	-0.11709	0.05406	-2.16584	0.04950
LBMN	0.14077	0.18286	0.76982	0.45520
R-squared	0.664035	Mean dependent var		7.592605
Adjusted R-squared	0.682047	S.D. dependent var		0.247241
S.E. of regression	0.054141	Sum squared resid		0.035176
Long-run variance	0.002225			

Source: Author's Computation

Substituted Coefficients:

$$LGDP = 7.6494 + 0.1151 * LNET - 0.0827 * LFINC + 0.0341 * LNET * LFINC - 0.11709 * LTOP + 0.1408 * LBMN$$

The elasticity direction of the coefficients indicates that with 100% change in the LNET and LBMN, LGDPC will change by 11.5% and 14.1% respectively in the same direction. Conversely, a 100% change in LFINC and LTOP will induce LGDPC to change by the magnitude of 8.3% and 11.7% respectively in the reverse direction.

The R-squared (0.66) and Adjusted R-squared (0.68) indicate good fit. About 68% of the variation in LGDPC is explained by the variation in the independent variables. Also, while the signs of the coefficients of LNET, LNET*LFINC and LBMN fall in line with our apriori expectations, the signs of the coefficients of LFINC and LTOP run contrary. It means that increase in average savings and trade openness did not induce increase in per capita income for the period.

5. Conclusions and recommendations

This study investigates the relationship between internet usage, financial inclusion and economic growth in Nigeria for the period 1999 to 2016. The time scope covered in the study is limited to mere sixteen annual observations as a result of the available data in Nigeria on financial inclusion and internet use. The conclusions drawn in this study are based on the magnitude and signs of the coefficients that arise from the cointegrating regression test that is conducted.

Internet usage and broad money have positive and significant effect on financial inclusion in Nigeria. Also, Internet usage has positive and significant effect on economic growth in Nigeria. Besides, the effect of financial inclusion on economic growth is negative, minimal and insignificant. However, the effect of the interacted coefficient of internet usage and financial inclusion on economic growth is positive, minimal and insignificant. Hence, the positive effect of internet usage on economic growth in Nigeria is not transmitted through the mechanism of financial inclusion.

While the effect of broad money on economic growth is positive and insignificant, the effect of trade openness on economic growth is negative and significant. Therefore, the country has not been enjoying positive net benefit of the level of trade with the rest of the world.

The government has to strengthen and improve on the positive gains of internet usage on the economy. Some of the gains highlighted include: improvement in research and technology, ease of data availability and flow, employment generation and improvement in leisure among others. Accordingly, the government should take measures to invest in more appropriate and modern telecommunications and internet infrastructure to further lower internet cost, improve the speed and availability. The provision of more steady power supply will lower the cost and improve the availability of the internet.

The government should take measures to encourage the drive for more savings to improve financial inclusion and ensure that investment is channeled into more productive areas to improve the economy. Along this line, the implementation of specific targets for the existing banks and other institutions should be enforced by the Central Bank. Banks must emphasis presence in more remote and rural locations and carry out activities to enhance savings and monetization of business transactions.

The policy makers should take measures to improve on the direction and quality of trade with the rest of the world. This may involve the actions and incentives to encourage the production and exports of more stable foreign exchange generating products.

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Fiscal Policy Determinants of Money Demand in Nigeria: ARDL Bound Testing Approach

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Abstract

The study examines the fiscal policy determinants of money demand in Nigeria using annual time series data from 1981 to 2017. The study intends to determine the effects of fiscal policy variables on money demand in Nigeria. A modified Fisher money demand model was estimated using ARDL to capture the long-run equilibrium relationship between the variables. The results showed that the fiscal policy variables had a stable long-run equilibrium relationship with money demand in Nigeria. Among the fiscal policy variables examined, government spending was found to be most impactful on the demand for money in the reverse direction. Furthermore, while government revenue and budget deficit have positive and significant effect on money demand, the effect of income was on significant. Also, government revenue and government expenditure granger caused demand for money. Overall, fiscal policy variables constitute strong influence on variations in money demand in Nigeria. The monetary authority in the country should take into account the influence of fiscal policy variables in planning the target level of money demand and monetary policy in Nigeria.

Key words: Money Demand, Government Expenditure, Government Revenue, Budget Deficit, Auto-regressive Distributed Lag Model (ARDL)

J.E.L. classification: C32, E41, E62

1. Introduction

In most economies around the world, governments adopt fiscal policy in addition to monetary policy in the effort to achieve fundamental macroeconomic objectives of economic growth, price stability, unemployment reduction, income redistribution and economic stabilization. Each fiscal operation could have implications for the stock of money in the economy. The behavior of money stock held by individuals continues to be the subject of contentious theoretical and empirical research in the literature. A clear analysis of the volume of money that is held by individuals could guarantee some predictability of critical macroeconomic variables like interest rates, output, and inflation (Eggertsson & Krugman, 2012). Economic theory suggests that the demand for money is a function of critical macroeconomic variables, such as the level of the interest rate, income, price level and wealth (Osamwonyi & Evbayiro-Osagie, 2012).

Nigeria has had more than two decades of fiscal deficits in the course of the government effort to develop the economy (Adedotun, 1997). Within the period, the country has witnessed remarkable inflow of government revenue from oil earnings, and the financial system has seen several reforms to improve the performance. The massive volume of government spending has spilt on the spending habits of the people and would consequently have implication for the volume of money in circulation. Theoretically, the stability of the money demand function is crucial for the implementation of any credible monetary policy as has been underscored by the studies of Friedman and Schwartz (1982) and Melnick (1995), amongst others.

This study aims to determine whether a long run equilibrium relationship exist between money demand and fiscal policy variables. In addition, the study would also examine the specific effects that government revenue and government expenditure have on money demand in Nigeria. Finally, the study would assess the implications of long term fiscal deficit action of government on money

demand in Nigeria. This stems from the fact that a clearer assessment of the impact of government fiscal actions on the money demand function is necessary for establishing a direct link between relevant monetary aggregate and nominal income. In other words, the stability of fiscal policy and the money demand function could enhance the ability of the Central Bank to improve on its achievement of predetermined monetary growth targets (Doguwa et al, 2014). This is particularly important to a developing country like Nigeria that exist under the regular threat of real exogenous shocks to the financial system as was observed during the global financial crises of 2008/09.

While existing literature is of abundance on the general determinants of money demand (Lone & Yadav, 2016; Dou, 2018), some other authors have examined the relative effectiveness of fiscal and monetary policies on the Nigerian economy. The existence of literature on the effect of fiscal policy determinants of money demand in Nigeria is very scanty. This study is designed to fill this gap.

The review of empirical findings on demand for money and other macroeconomic variables show that money demand has long run equilibrium relationship with most of the macroeconomic variables (Nwafor et al, 2007; Mohsen & Gelan, 2009; Herve & Shen, 2011; Doguwa et al, 2014). A number of authors have argued that income plays an important role in determining the variations in money demand (Teriba, 1974; Irfan, 2003; Nwafor et al, 2007; Mohsen & Gelan, 2009; Herve & Shen, 2011; Doguwa et al, 2014; Dou, 2018; Ebadi, E. 2018). In several other studies, some other authors have argued that fiscal policy variables constitute strong factors that may determine the demand for money function (Mankiw & Summers, 1986; Adbullah & Irfan, 2013). In line with theory, most of the studies agree that interest rate and inflation are the very strong determinants of money demand (Teriba, 1974; Nwafor et al. 2007; Dou, 2018).

The empirical studies reviewed did not account for the effect of fiscal policy variables on money demand in a developing economy like Nigeria.

2. Theoretical framework

The theory of money demand highlights the key factors that motivate human beings to hold part of their wealth in cash as opposed to other assets. Jhingan (2007) gives three approaches to the study demand for money: the first approach he refers to as the classical approach which can be divided into (a) Fisher's equation of exchange; b) the Cambridge approach (cash balance). The second approach is related to the Keynesian liquidity preference postulations while the third is the post Keynesian approach which could be classified as Tobin's Baumol's and Friedman's approaches.

Generally, the subject of why people hold money has been greatly debated over the ages by many authors. The main debate on money demand by authors started with Irving Fisher in the early 1900s. John Maynard Keynes made his contributions to the subject matter in the 1920s and 1930s and then William Baumol also made his input. Other writers on the subject matter include James Tobin and Milton Friedman (Odior & Alenoghena, 2016). Keynes (1936) had a great impact on theory of demand for money function. He introduced a conceptual framework that fostered the development of all modern theories. The discussion of fiscal policy and money demand is more situated in Friedman's analysis of the relationship between money demand wealth and income (Friedman, 1956). Carpenter & Lange (2002) opined that a stable money demand function has long been sought after because it can be very useful for explaining, and even predicting the behavior of other aspects of the macro-economy. They further contended that, in orthodox setting, demand for money is a function of the opportunity cost of holding cash and macroeconomic variable like nominal GDP (Bitrus, 2011A). When the relationship between money demand and GDP is stable and the elasticity of demand for money and the opportunity cost is given, then money data may be observed with relatively high frequency and adopted to predict nominal output that may be observed at smaller frequency. Accordingly, while both conditions may be relevant, the second is much more easily adopted.

The emphasis of our paper is focused on the framework of the classical theory of money demand and hence, the situate emphasis of our discussion. The classical economic theorists did not originally set out explicitly to formulate demand for money theory. They started off in a framework of numerical measurements in monetary economics in the early 1900s (Humphrey, 2001). Irving

Fisher developed an equation of exchange which emphasized the transaction aspect of the demand for money in respect of the velocity of circulation of money (Jhingan, 2007). The classical economists reasoned that since money acts as the medium of exchange therefore, it facilitates the exchange of goods and services. This opinion was expressed in the Fishers Equation of Exchange which is shown as follows:

$$MV = PQ \quad (1)$$

where, M is the quantity of money; V shows its velocity of circulation; P is price level and Q is total output. In the equation, MV refers to Money supply, while PQ represents the total output of goods and services which is equivalent to Money Demand (Humphrey, 2001). At equilibrium, the supply of money (MV) equals money demand (PQ). The main focus of this proposition is on the amount of money that people hold to buy goods and services at a particular point in time. This, however, does not explain the reason why people hold money in cash. In addition, some have argued that P and M, are extremely difficult to estimate or calculate.

A slight amendment was introduced to the Fisher's Equation of Exchange by the Cambridge Economists was spearheaded by A.C. Pigou. The Cambridge economists raised a vital question to improve the development of the theory. They asked: Why would individuals want to hold their assets in the form of cash? Consequently, The Cambridge demand equation for money is presented as:

$$M_d = kPY \quad (2)$$

Where, M_d refers demand for money; k is the fraction of real money, incomes individuals want to hold in the form of cash; while P denotes the price level and; Y refers the aggregate real income. The letter k denotes the portion of the total value of all monetary transactions in the economy that the general public wishes to hold in cash balances. This tells us the necessary amount of Money (M) that is required to undertake level of PT (total spending). Note that P multiplied by T is equivalent to the total monetary value of all transactions in the economy. This means that the Cambridge Equation also suffers from the same deficiency with the Fisher's Identity Equation. Thus estimating the value of T is still a problem.

3. Methodology and model specification

3.1. The model

We refer to equation (1) which summarizes the Fisher's Equation of Exchange

$$MV = PQ \quad (3)$$

The general form of the equation can be written as constant and we derive the demand for money function as follows:

$$(M/P)_d = kY \quad (4)$$

It is assumed that demand and supply of money is equal at equilibrium, hence we can equate the real money balances to each other as follows:

$$(M/P)_d = (M/P) \quad (5)$$

This gives us the basis (in conformity with literature) to use money supply in estimation of demand for money as follows:

$$M/P = kY \quad (6)$$

While M/P refers to Broad Money Supply deflated by prices, kY refers to the impact of Government fiscal variables. Therefore,

Our equation may now be specified in line with the study of Faridi et al. (2014) where he recognized government revenue, government expenditure, economic growth and budget deficit as the key determinants of demand for money in an economy. Therefore, we may specify the demand for money model as follows:

$$M_d = f(\text{GREV}, \text{GEXP}, \text{GDPR}, \text{BDEF}) \quad (7)$$

Where:

M_d = M2/P (Broad Money deflated by prices); GREV = Government Revenue; GEXP = Government Expenditure; GDPR = GDP Growth Rate; BDEF = Budget Deficit (estimated as percentage of BDEF on GDP)

For the purpose of estimation we can put the equation (13) in Linear-Log form to normalize the scales of the variables as follows:

$$LMd_t = \beta_0 + \beta_1 LGREV_t + \beta_2 LGEXP_t + \beta_3 GDPR_t + \beta_4 BDEF_t + \mu_t \quad (8)$$

Apriori Expectations: $\beta_0 > 0$; $\beta_1 > 0$; $\beta_2 < 0$; $\beta_3 > 0$; $\beta_4 < 0$

3.2. Methodology

The ARDL Bounds Test and ARDL Causality. The ARDL bounds test procedure was developed by Pesaran & Smith (2001) and can be applied whether the regressors are stationary at level [I(0)], first difference [I(1)] or mixed cointegrated [I(0) and I(1)]. The technique is specifically derived from ECM models that are called VECMs. The application of the ARDL model has proved to be capable of generating reliable estimates in the context of endogenous variables (Gujarati, 2009). Consequently, this study adopts the lag length using Schwartz information criterion (SC) for the tests of unit roots of all variables by using Phillips-Perron test and in the conduct cointegration tests by applying the LR test technique propounded by Johansen (1995). Since the ARDL model can handle variables that are integrated at order I(0) and or I(1), the unit root test may be conducted to ascertain that the order of integration for the variables does not exceed I(1).

The model for the relationship between fiscal variables and demand for money this article is shown in equation (13) as:

$$Md = f(GREV, GEXP, GDPR, BDEF)$$

The error correction models specification to be estimated under the ARDL Bound testing procedure is shown as follows:

$$\begin{aligned} \Delta LMd_t = & \alpha_0 + \beta_{1i} LMd_{t-1} + \beta_{2i} LGREV_{t-1} + \beta_{3i} LGEXP_{t-1} + \beta_{4i} LGDPR_{t-1} + \beta_{5i} LBDEF_{t-1} \\ & + \sum_{i=0}^P \lambda_{1i} \Delta LMd_{t-1} + \sum_{i=0}^P \lambda_{2i} \Delta LGREV_{t-1} + \sum_{i=0}^P \lambda_{3i} \Delta LGEXP_{t-1} \\ & + \sum_{i=0}^P \lambda_{4i} \Delta LGDPR_{t-1} + \sum_{i=0}^P \lambda_{5i} \Delta LBDEF_{t-1} + \varepsilon_{1t} \quad (9) \end{aligned}$$

Where Δ is the difference operator and α_0 represent the drift component. The coefficients $(\beta_{1i} - \beta_{5i})$ expresses the long run relationship while the part with the summation sign $(\lambda_{1i} - \lambda_{5i})$ shows the short run dynamics of the model and ε_{1t} is the serially uncorrelated disturbance term.

To confirm the existence of long run cointegrating relationship among the variables, the ARDL approach adopts the bound test which was developed by Pesaran et al. (2001). The test is based on the F-statistic value of the Wald test using a non-standard distribution. If the value of the estimated F-statistic is lower than the bound critical value based on the desired level of significance, the null hypothesis of no cointegration among the variables $(\lambda_{1i} = \lambda_{2i} = \lambda_{3i} = \dots = \lambda_{6i} = 0)$ is accepted. Conversely, if the calculated F-statistic from the Wald test is greater than the upper bound critical value from the Pesaran et al (2001) table, the null hypothesis is rejected with the conclusion that a long run cointegrating relationship exist among the variables. However, if the value of the computed F-statistic lies within the lower and upper bounds of the critical table value, the decision whether the variables have long run cointegrating relationship becomes inconclusive.

When the variables have no long run cointegrating relationship, the investigation ends up with the ARDL test for short run analysis. However, where the test establishes the existence of cointegration between the variables, the long run model is estimated as follows:

$$\begin{aligned} \Delta LMd_t = & \alpha_0 + \beta_{1i} LMd_{t-1} + \beta_{2i} LGREV_{t-1} + \beta_{3i} LGEXP_{t-1} + \beta_{4i} LGDPR_{t-1} + \beta_{5i} LBDEF_{t-1} \\ & + \varepsilon_{1t} \quad (10) \end{aligned}$$

Where: β_{1i} to β_{5i} are the long run parameters and ε_{1t} is the stochastic error term.

The next step is to determine the optimal lag structure by choosing the lag for each variable in a VAR setting using the appropriate specification by Schwarz Information Criteria (SIC). This is followed with the estimation of the ARDL (m, n, o, p, q) and the associated long run multipliers. Thereafter, the error correction model is estimated to arrive at the short run coefficients and dynamics of the model.

3.3. Estimation strategy

The estimation technique for analysis in this study comprises of four steps. The first step involves the stationarity test using the Augmented Dickey-Fuller (ADF) (Dickey & Fuller, 1981). The second step is the Autoregressive Distributed Lag Model (ARDL). This is necessary to determine the existence of long-run relationship between the variables of study. The third step is analysis of the long-run Cointegrating equation to determine the impact elasticities of the exogenous variables. The final step involves the ARDL Causality test to establish the direction of causality among the variables. The tests are run over the sample period based on annual data from 1981-2017. Data was collected from CBN Annual Statistics for 2017 Report.

4. Analysis of result

4.1. Stationarity test

From the ADF test statistics, the results in Table 4.1, GDPR is became stationary at level $I(0)$. All other variables i.e. LMD, LGREV, LGEXP, BDEF are stationary at first difference $I(1)$. Taking account of the varying levels of integration, all variables (with the ADF unit root test values) are statistically significant at, 1%, 5% and 10% critical values at level and first difference. It means that the Johansen cointegration test is not plausible on grounds of the varying levels of stationarity i.e. at orders $I(0)$ and $I(1)$. The adoption the ARDL bound testing exercise would constitute the logical method to examine the variables in the models for long-run equilibrium relationship. According to Pesaran and Shin (1995), unlike the conventional method which uses multiple equations system, ARDL uses reduced form equation and is therefore parsimonious.

Table no. 4.1 – ADF Unit Root Test

Method	Statistic	Prob.*
ADF - Fisher Chi-square	169.415	0.0000
ADF - Choi Z-stat	-11.9572	0.0000

Series	t-stat	Prob.	Order of Integration	Max Lag	Obs
D(Md)	-5.6080	0.0000	I(1)	2	35
D(LNGREV)	-6.5809	0.0000	I(1)	2	35
D(LNGEXP)	-8.5729	0.0000	I(1)	2	35
GDPR	-5.4202	0.0002	I(0)	2	35
D(BDEF)	-7.4386	0.0000	I(1)	2	35

Test critical values:	1% level	-3.6329
	5% level	-2.9484
	10% level	-2.6129

Source: Author's computation

More importantly, Duasa (2007), points that ARDL is applicable irrespective of whether the regressors are purely $I(0)$, purely $I(1)$ or a mixture of both and this makes Johansen Cointegration unsuitable for our case in which the order of integration of our variables is mixed. The existence or absence of cointegration is tested using the Wald F Statistic against Pesaran and Shin (1995) lower and upper bound critical values. Prior to the test, Optimum Lag Selection for the ARDL Model was carried out using the Akai and Schwarz Criteria and produced the following output.

4.2. ARDL test

Table 4.2.1 shows results of the lag selection. Both criteria (Akaike and Schwarz) choose lag 2 and we used the lag in out Bound Testing exercise and Error Correction Model

Table no. 4.2.1 - ARDL Lag Selection

Lag	Akaike	Schwaz
0	4.645545	4.884354
1	4.537585	4.972224
2	4.465934	4.768694
3	4.593100	5.160925
4	4.682506*	5.184845*

* indicates the chosen lag order under each criteria.

Source: Author's computation

The Wald Test calculated F Statistic is compared against the Pesaran and Shin (1995) lower bound [I(0)] and upper bound [I(1)] critical values at 1%, 5% and 10% level of significance. At all levels of significance, the F Statistic of 5.1488 is greater than the corresponding upper bounds critical values (Table 4.2.2)

Table no. 4.2.2 - Bound Test for Cointegration

F-Bounds Test		Null Hypothesis: No levels relationship		
Test Statistic	Value	Signif.	I(0)	I(1)
F-statistic	5.1488	10%	2.45	3.52
K	4	5%	2.86	4.01
		2.50%	3.25	4.49
		1%	3.74	5.06

Source: Author's computation

The result implies that the null hypothesis of no cointegration cannot be accepted at all levels of significance. Therefore, there exist a long run equilibrium relationship running from Demand for money to government revenue, government expenditure, economic growth and budget deficit. The nature of the long run association is established by estimating the vector error correction of the ARDL model. Specifically we did this to determine the speed of convergence of the system back to equilibrium.

4.3. ARDL error correction model

Table 4.3.1 shows the error correction model results. The long run dynamics in the model is shown by the error correction term which measures the convergence of the model to equilibrium. The value of the Adjusted R-Squared shows that fiscal policy variables explain over 74 percent of the variation in the demand for money. The error correction term is negative (-0.4998). The value is less than zero and statistically significant with t-statistic (-5.9250) and probability value (0.0001).

Table 4.3.1 - ARDL error correction Mmodel result (Dependent Variable is D(Md))

ARDL Error Correction Regression				
Dependent Variable: D(Md)				
Selected Model: ARDL(1, 4, 4, 4, 4)				
ECM Regression				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.0258	0.3297	6.1448	0.0001
D(LGREV)	0.5079	0.2304	2.2045	0.0497
D(LGREV(-1))	-0.3460	0.2149	-1.6103	0.1356
D(LGREV(-2))	-0.5761	0.1911	-3.0143	0.0118
D(LGREV(-3))	-0.7420	0.1805	-4.1114	0.0017
D(LGEXP)	-0.3820	0.2220	-1.7204	0.1133
D(LGEXP(-1))	0.7808	0.2262	3.4517	0.0054
D(LGEXP(-2))	0.9704	0.2165	4.4827	0.0009
D(LGEXP(-3))	0.6797	0.2026	3.3548	0.0064
D(LGDP)	-0.1895	0.2204	-0.8597	0.4083

D(LGDP(-1))	-0.0252	0.1784	-0.1411	0.8903
D(LGDP(-2))	-0.2710	0.1819	-1.4897	0.1644
D(LGDP(-3))	-0.6122	0.1940	-3.1561	0.0091
D(BDEF)	-0.0334	0.0137	-2.4297	0.0334
D(BDEF(-1))	0.0040	0.0112	0.3539	0.7301
D(BDEF(-2))	0.0246	0.0104	2.3601	0.0378
D(BDEF(-3))	0.0383	0.0105	3.6667	0.0037
CointEq(-1)*	-0.4998	0.0844	-5.9250	0.0001
R-squared	0.8765	Mean dependent var		0.0178
Adjusted R-squared	0.7365	S.D. dependent var		0.1203
F-statistic	6.2622	Durbin-Watson stat		2.3304
Prob(F-statistic)	0.0004			

Source: Author's computation

This shows evidence of long run causality from the explanatory variables to the dependent variable. The coefficient of -0.4998 shows the convergence to equilibrium. If Money Demand is in disequilibrium, the system converges back to equilibrium at a speed of 49.98% annually. The value of Durbin Watson (2.33) shows that model does not suffer from autocorrelation. The test for the absence of autocorrelation is reinforced using the Breusch-Godfrey Serial Test in Table 4.3.2.

Table no. 4.3.2 – Diagnostic Tests

Dependent Variable: Residuals

<u>Breusch-Godfrey Serial Correlation LM Test:</u>			
F-statistic	2.692754	Prob. F(2,9)	0.1212
Obs*R-squared	12.35422	Prob. Chi-Square(2)	0.0021
<u>Heteroskedasticity Test: Breusch-Pagan-Godfrey</u>			
F-statistic	0.782883	Prob. F(21,11)	0.6978
Obs*R-squared	19.7714	Prob. Chi-Square(21)	0.5358
<u>Normality Test</u>	Jarque-Bera	0.7116	
	Probability	0.7006	

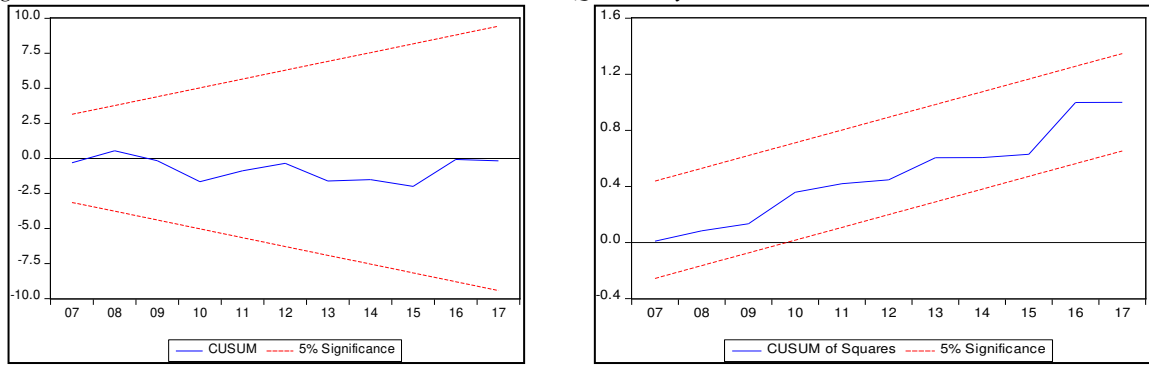
Source: Author's computation

The probability value of the F-statistics of 0.1293 is greater than 0.05 hence, we cannot reject the null hypothesis of no serial correlation on the error correction model. Therefore the model is free of serial correlation. Similarly, the model is free from heteroskedasticity as the probability of F-statistics indicates that we cannot reject the null hypothesis of no heteroskedasticity. The Normality test for the model shows that the value of the Jarque-Bera is 0.7116 with probability of 0.7006 hence, we accept the null hypothesis that the residual series for the model is normally distributed.

4.4. Stability test results

The stability of the model can be observed from the test on the recursive estimates of the ARDL model shown in Figure 4.1. The CUSUM and CUSUM Square tests of Brown et al. (1975) were applied to determine if the money demand function with respect to fiscal determinants for Nigeria is stable over the study period. Whenever the recursive residual of the estimated money demand function is located outside the boundaries of the two critical lines, then we have evidence of parameter instability in that period. As presented in Figure 4.4.1, the CUSUM test shows that the money demand function is stable while the CUSUMSQ test indicates parameter is stable during the period of analysis. Therefore, the parameters of the model exhibit stability during the pre- and post-global crisis periods.

Figure no. 4.4.1 CUSUM and CUSUMSQ Stability Tests



Source: Author's computation

Long run Estimates Results. The long run relationship between Money Demand and fiscal variable is shown in Table 4.4.1. While Government Revenue (GREV), Government Expenditure (GEXP and Budget Deficit (BDEF) are significant, GDP is not significant in explaining the trend in Money Demand (Md) in the long run. However, GREV and BDEF have positive relationship with Money Demand while the relationship with Government Expenditure is negative.

Table no. 4.4.1 ARDL Long run Estimates

ARDL Long Run Form and Bounds Test				
Dependent Variable: D(LBMON)				
Selected Model: ARDL(1, 4, 4, 4,				
4)				
Conditional Error Correction Regression				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.0258	0.8363	2.4223	0.0339
LMd(-1)*	-0.4998	0.2081	-2.4017	0.0351
LGREV(-1)	1.9404	0.7523	2.5792	0.0256
LGEXP(-1)	-1.9479	0.7932	-2.4558	0.0319
LGDP(-1)	0.0186	0.0267	0.6967	0.5004
BDEF(-1)	-0.0890	0.0402	-2.2141	0.0489

Source: Author's computation

$$D(LMd) = 2.0258 - 0.4998*LMd(-1) + 1.9404*LGREV(-1) - 1.9479*LGEXP(-1) + 0.0186*LGDP(-1) - 0.0890*BDEF(-1) \quad (11)$$

The effects of fiscal policy variables become significant on the demand for money in the economy at the fourth lag of the explanatory variables. This analysis falls in line with the tenor of democratic governmental changes in Nigeria. The results of the model analysis are captured in equation 11. All the fiscal policy variables in the model are significant in affecting the demand for money in the long run. Following the log relationship between government revenue and government expenditure with the log of demand for money, it is shown that a percentage change in government revenue is accompanied by 194 percent change in the demand for money in the same direction. In the same vein, a percentage change in government expenditure will induce 195 percent change in the demand for money in the reverse direction. This is in line with expectations because government revenue directly constitutes money supply in bank vaults. However, when revenue is expended by government, it constitutes a direct reduction in the available volume of money in circulation. This is reinforced with the understanding that most transactions in the Nigerian economy are not fully monetized.

The effect of budget deficit on demand for money in Nigerian economy has been minimal, negative and significant in affecting the demand for money in Nigeria. A unit change in budget deficit

stimulated 8.9 percent change in the demand for money. The effect of deficit budget has operated for more than two decades over the period of analysis. The level of income positive but not significant in affecting the demand for money.

ARDL Causality. The ARDL Causality is conducted using Wald Test Coefficient Restrictions as the basis for causality among variables. The causality decision is based on the significant effects of the chi-square test results. The result of the causality test is shown in table 4.4.2.

Table no. 4.4.2 ARDL Causality Test

VARIABLE	CAUSAL VARIABLES
Md	GREV, GEXP, BDEF
GREV	Md, GEXP, BDEF
GEXP	GREV
BDEF	GREV, GEXP, Md

Source: Author's computation

The causality test results show that there is bi-directional causality between demand for money and government revenue. Also, there is bi-directional causality between demand for money and budget deficit. Similarly, there is bi-directional causality between government revenue and government expenditure. On the other hand, there is unidirectional causality flowing from government expenditure to money demand. Income did not granger cause the demand for money.

5. Conclusions and recommendations

The study examines the effect of fiscal deficit variables on Money demand in Nigeria. The study sought to establish long run relationship between money demand and fiscal policy variables. In addition, the study also sought to establish the nature of effects of fiscal variables on money demand in Nigeria.

The study established that there was substantial growth in government revenue and government expenditure during the period. The expansion in government activity for the period caused the growth in the demand for money for more than two decades in the Nigerian economy. The fiscal policy variables studied have long run equilibrium with Money Demand (Owoye & Onafowora, 2007). Also, fiscal policy variables explain about 74 percent of the variation in demand for money in Nigeria. However, despite the expansion in money supply, money demand in Nigeria has maintained a stable trend in the Nigerian economy. Empirical results further confirmed that there is long run relationship between money demand and fiscal variable but government expenditure was the main driver of money demand in Nigeria. This study is of the view that fiscal policy has had significant influence and a key determinant of money demand balance in Nigerian economy. It provides insight into the effects of fiscal policy instruments as important components of the demand for money function in Nigeria. Policy makers in the country are encouraged to take into account the influence of fiscal policy variables in planning the target level of money demand and monetary policy. Accordingly, the economy requires further improvement in monetization of financial transactions as government spending is not expected to negatively impact on money demand.

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Econometric Modeling of the Correlation Between the Type of Income Taxation of Natural Persons and the Standard of Living in the E.U.

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Abstract

The purpose of the paper is to pursue the economic and mathematical correlation between the type of income taxation of natural persons and the indicators that reflect the economic well-being of a country. The starting point of this paper is given by the researches carried out on the topic of proportional tax rate (we shall name it flat tax rate) versus progressive tax rate, at the level of the E.U. existing 8 countries that apply the flat income tax and 20 countries that have preferred the progressive tax rate. The analysis of the correlation between the income tax, calculated by applying the flat income tax and the one determined with the help of the progressive tax rate, and the macroeconomic indicators: GDP/inhabitant, the unemployment rate, the national minimum wage, the risk of poverty, confirmed the existence of an economic and mathematical relation between them, a relation that we established with the help of the SPSS program.

The period analysed from an econometric point of view is 2009 - 2018, the main data source being Eurostat.

Key words: flat tax rate, progressive tax rate, economic well-being, correlation, regression

J.E.L. classification: C58, K34, O11

1. Introduction

Financiers and tax specialists have always been concerned about how the income of natural persons should be taxed: by applying a flat income tax or by applying a progressive tax rate? These concerns result from the desire to respect one of the basic principles of public finances, namely the fiscal equity.

Unfortunately, although numerous studies and researches in this field have been conducted, an ideal in taxation has not been reached because no type of tax applied to natural persons is perfect and leads to shortcomings both at the level of taxpayers as well as at the level of the state.

The previous researches, having as central elements the tax rates and the indicators that reflect the economic well-being, have demonstrated the existence of a direct, significant correlation between them. In other words, the type of taxation significantly influences the economic well-being within the respective country. Thus, starting from these certainties, we intended in this research paper to highlight the economic and mathematical relation between these indicators. We have demonstrated this fact by using Eurostat data on economic well-being indicators, such as: GDP/inhabitant, the unemployment rate, the risk of poverty and the national minimum wage, but also the income tax as a significant part of the incomes that constitute the GDP structure.

The case study of the paper is divided into countries applying the flat income tax, these being 8 in number (Romania, Bulgaria, Ungaria, Cehia, Estonia, Letonia, Lituania and Slovacia), and countries applying the progressive tax rate, 20 in number.

2. Literature review

Research into the type of taxation and its effects on the economy has brought us a number of opinions from specialists in the field.

Supporting the limited progressive system, we also meet the economist and politician Joseph Garnier, who demonstrates that this system of taxation is the most equitable, the tax increasing proportionally with the revenues, but with a moderate limit.

Adam Smith is of the opinion that progressive taxation is the right one, which is fairly settled in the case of wealthy people, while also considering that it is normal for wealthy people to contribute to the state budget not only commensurate with their incomes but also over their incomes. (Adam Smith, France, 2018, p. 525).

The tax rate is defined in the current legislation as the tax determined on the unit of measure of the matter, the taxable asset. At world level there are either tax quotas expressed in percentages as is the case with income taxes, income taxes, etc., or in monetary units in relation to the unit of taxable amount as in the case of excise duties.

Analyses on the correlations between the macroeconomic indicators and the income tax are also found at the authors Marcu N, Cârstina S and Siminică M, these demonstrating in the case study of the paper, among others, the existence of a direct and significant correlation between the level of GDP and taxes (MarcuN ,Cârstina S, Siminică M, Bucharest, 2015, p. 285). These authors started from the relation between GDP and the value added realized within a country, reporting at the same time to the GDP and the structure of value added, the level of taxes being an element in the structure.

Another analysis of the correlation between the level of taxes and the indicators of economic growth is found also at the authors Padovano F and Galli E, they also demonstrate a direct and significant correlation between the specific indicators of the macroeconomic environment such as: the GDP, the gross national income, the national minimum wage and the income tax, and a significant and inverse correlation between the income tax and the unemployment rate and the risk of poverty (Padovano F, Galli E, Germany, 2007, p. 164).

Therefore, the correlation between the indicators that reflect the economic well-being and the income tax stimulated us to go further with the research, thus establishing as an objective the determination of the relation, of the economic and mathematical equation between them.

3. Research methodology

The execution of the present paper has as starting point the analysis of the correlation between the corporate tax and the indicators of economic well-being: GDP/inhabitant, the minimum wage, the risk of poverty and the unemployment rate. From the execution of these analyses, starting from the specialized papers previously presented but also from our own research we have established the existence of direct and significant correlations between the corporate tax and the well-being indicators.

Considering that from the point of view of how to determine the income tax for natural persons there are two ways at level of the E.U.: by applying the flat income tax or by applying the progressive tax rate, the 28 countries are divided according to the approach in taxable material, as follows: 8 countries where the flat income tax is applied, such as Romania, and 20 countries where we have a progressive tax rate.

The correlation analysis was carried out on the two categories of countries and also on this principle we carried out the economic and mathematical modeling. Thus, the analysis took into account 80 variables in the countries with flat income tax and 200 variables in the countries with progressive tax rates. The analysed period is 2009 - 2018, the data being taken from the Eurostat website.

The economic and mathematical modeling begins with the descriptive statistics in which we have pursued the level of the average and of the standard deviation. In order for the analysis to be relevant the average must be above the standard deviation in terms of value.

The test of the relevance of the resulting econometric models was performed using ANOVA (Analysis of variance) and the Summary model, in which we analysed the level of the variable F and of the significance threshold R.

The statistical program used to model the correlation between the income tax of natural persons and the economic well-being indicators is SPSS, version 15.1. The method selected in order to obtain the regression model is the enter method, the sig threshold set being of 0.05. The resulting econometric model is a simple linear regression, the coefficients specific to each variable being

taken from the coefficients table.

4. Case study

The economic and mathematical modeling of the correlation between the income tax and the economic well-being indicators has been performed starting with the countries that apply the flat income tax.

The first thing carried out in order to validate the regression model is the descriptive statistics, which is presented in the following table:

Table no. 1 – Descriptive statistics

Indicators	Mean	Std. Deviation	N
Income tax in GDP	728,30	288,386	80
GDP	10868,75	3325,338	80
Unemployment rate	9,28	3,783	80
Minimum wage	265,48	72,657	56

Source: Table taken from SPSS

The data in the table present us an average value well above the standard deviation, which suggests that the analysis performed is correctly approached. At the same time we notice the N level, more precisely the number of variables taken into account in the analysis performed.

The next step in obtaining the regression model is to reflect the correlation level. The lack of a correlation leads to the cancellation of the regression model. The correlation coefficient is reflected in the following table:

Table no. 2 – Level of correlation

Indicators		Income tax in GDP	GDP	Unemployment rate	Minimum wage
Pearson Correlation	Income tax in GDP	1,000	,941	-,303	,868
	GDP	,941	1,000	-,249	,872
	Unemployment rate	-,303	-,249	1,000	,029
	Minimum wage	,868	,872	,029	1,000
Sig. (1-tailed)	Income tax in GDP	.	,000	,003	,000
	GDP	,000	.	,013	,000
	Unemployment rate	,003	,013	.	,415
	Minimum wage	,000	,000	,415	.
N	Income tax in GDP	80	80	80	56
	GDP	80	80	80	56
	Unemployment rate	80	80	80	56
	Minimum wage	56	56	56	56

Source: Table taken from SPSS

We observe a correlation index close to 1 which suggests the presence of a strong and direct link between the variables income tax, GDP and the minimum wage. Between the income tax and the unemployment rate the correlation is lower and inverse.

The tests for validation of the regression model for countries applying a flat income tax start with the summary model. The variables of the model are presented in the following table:

Table no.3 –Test summ(b)

Model	R	R ²	Adj. R ²	Std. Error of the Estimate	Cha. Stat					D-W
					Sig. F Chan.	R Sq. Chan.	F Chan.	df1	df2	
1	,957(a)	,915	,911	86,218	,915	187,780	3	52	,000	1,843

Source: Table taken from SPSS

The data in the table indicate a level of R of 0.957 almost perfect, the maximum value being 1, which means a very big significance of the regression equation that is to be realized. Also the variable F resulting from the Durbin-Watson test indicates that the regression model will have significance from an economic point of view.

After testing with the summary model we went further to a second test, this being the ANOVA test, the resulting variables being reflected in the following table:

Table no. 4 - ANOVA(b)

Model	Sum of Sq.	df	Mean Sq.	F	Sig.
1 Regress.	4187615,827	3	1395871,942	187,780	,000(a)
Residual	386545,265	52	7433,563		
Total	4574161,092	55			

Source: Table taken from SPSS

From the table above the variable that draws our attention is the variable F which is the equivalent of the significance threshold in the summary model. This variable also validates the regression model.

After all these tests we determined the coefficients of the regression model, which are reflected in the following table:

Table no. 5 - Coefficients(a)

Model	Unstand. Coeff.		Stand. Coeff.	t	Sig.	95% Conf. Interval for B		Correl.		
	B	Std. Error				Zero - order	Part.	Part	B	Std. Error
1 (Constant)	-84,250	55,842		-1,509	,137	196,305	27,806			
GDP	,050	,009	,573	5,739	,000	,032	,067	,941	,623	,231
Unemployment rate	-13,045	3,720	-,171	-3,507	,001	20,510	-5,580	,303	,437	-,141
Minimum wage	1,483	,384	,374	3,864	,000	,713	2,253	,868	,472	,156

Source: Table taken from SPSS

The resulting coefficients led us to obtain the following regression equation:

$$Y = 0,573 * GDP - 0,171 * Rs + 0,374 * Sm + \epsilon$$

Where: Rs – the unemployment rate
Sm – the national minimum wage
 ϵ - the standard error.

In order to obtain the regression model for the countries applying the progressive tax rate, we observed the research methodology, thus, the first thing achieved was the analysis based on the descriptive statistics. The indicators of descriptive statistics are reflected in the following table:

Table no. 6 - Descriptive Statistics

Indicators	Mean	Std. Deviation	N
Income tax in GDP	4342,262	3273,1313	200
GDP	30659,50	15364,084	200
Unemployment rate	9,48	5,044	200

Source: Table taken from SPSS

In this case, it is also noticed an average value above the standard deviation value, which suggests that the analysis performed, is statistically correct.

The next step is to analyse the correlation between the variables analysed and considered, the level of correlation being reflected in the following table:

Table no. 7 - Correlations

Indicators		Income tax in GDP	GDP	Unemployment rate
Pearson Correlation	Income tax in GDP	1,000	,857	-,394
	GDP	,857	1,000	-,406
	Unemployment rate	-,394	-,406	1,000
Sig. (1-tailed)	Income tax in GDP	.	,000	,000
	GDP	,000	.	,000
	Unemployment rate	,000	,000	.
N	Income tax in GDP	200	200	200
	GDP	200	200	200
	Unemployment rate	200	200	200

Source: Table taken from SPSS

There is a direct, strong correlation between the income tax and the GDP and an inverse correlation between the income tax and the unemployment rate. We can declare that the levels and significances of the correlations are maintained as for the countries that apply a progressive tax rate.

After the certainty that there is a correlation between the variables, we went further to the test of the significance of the regression model. The first test performed is the one using the summary model, the level of the resulting variables being reflected in the following table:

Table no. 8 - Test Summ(b)

Model	R	R ²	Adj. R ²	Std. Error of the Estimate	Cha. Stat					D-W
					R Sq. Chan.	F Chan.	df1	df2	Sig. F Chan.	
1	,858(a)	,737	,734	1688,6241	,737	275,338	2	197	,000	1,994

Source: Table taken from SPSS

The variable R with the level of 0.858, as well as the variable F from Durbin-Watson with the level of 1.994 indicate a high level of significance of the regression equation to be performed. Considering the successful passing of the first test, we approached another form of testing, the one by means of ANOVA. The level of the resulting variables is reflected in the following table:

Table no. 9 - ANOVA(b)

Model	Sum of Sq.	df	Mean Sq.	F	Sig.
1 Regression	1570228387,417	2	785114193,708	275,338	,000(a)
Residual	561735943,303	197	2851451,489		
Total	2131964330,720	199			

Source: Table taken from SPSS

The ANOVA test indicates a high level of significance of the variable F regression equation being in this case also at a sufficiently satisfactory level for validating the regression equation.

We can also notice the significance threshold - sig which although has a maximum limit of 0.05, in our case not being observed by ANOVA because of the extremely small value, reason why we have one more argument that the regression equation will have economic significance.

The last step to achieve the regression equation for the countries applying a progressive tax rate is to determine the regression coefficients. The level of these coefficients is reflected in the following table:

Table no. 10 - Coefficients(a)

Model	B	Unstand. Coeff.		Stand. Coeff.	t	Sig.	95% Conf. Interval for B		
		Std. Error	β				Low. Bound	Upp. Bound	Zero-order
1	(Constant)	-	442,168		-1,745	,083			
	GDP	771,690	,009	,835	20,852	,000	,857	,830	,763
	Unemployment rate	-35,519	25,969	-,055	-1,368	,173	-,394	-,097	-,050

Source: Table taken from SPSS

The data reflected in the previous table lead us to obtain the following regression equation:

$$X = 0,835 * GDP - 0,055 * R_s + \epsilon$$

Considering the two regression equations, validated by the Summary model and ANOVA tests, we can remark that the objective of the paper has been reached, by means of a case study performed being obtained a regression equation for each of the two categories: countries applying a flat income tax and countries applying a progressive tax rate.

5. Conclusions

The execution of the paper entitled *Econometric Modeling of the Correlation between the Type of Income Taxation of Natural Persons and the Standard of Living in the E.U.*, allows us to underline some conclusions relevant to the field of taxation but also to the macroeconomic field, being followed the correlation between the two, respectively the way in which they influence each other.

Thus, from the results obtained, we can say that:

- there is a strong, significant correlation between the type of taxation and the GDP, both at the level of the countries applying the flat income taxes well as at the level of those applying the progressive tax rate;
- there is also noticed a significant correlation between the income tax and the national minimum wage;
- it has been established a weaker correlation in terms of significance and an inverse one between the unemployment rate and the income tax in both situations;
- at the level of the countries with flat income tax we have been able to establish the regression equation taking into account the risk of poverty as well, whereas for the countries with flat income tax it has not been recognized as a variable;
- the error regarding the realization of a regression model was smaller for the countries with flat income tax, sig. 55,842 while for those with progressive tax rate it was set at 442.168, but overall both models are validated by summary and ANOVA.

The margin of error was higher for the countries with progressive tax rate as the number of variables taken into account is bigger, simultaneously underlining the heterogeneity at the macroeconomic level of the countries in the sample. In other words, although these countries were linked by the type of taxation applied to the incomes of natural persons, the standard of living, respectively their economic power is different.

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- <https://ec.europa.eu/eurostat>

Creation of a National Innovation System: A Tough Task for Ukraine

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Abstract

The work contains issues related to the creation of a national innovation system in Ukraine. Since Ukraine belongs to the countries of post-communist camp, processes associated with creation of innovations are complex and have long-term character. Public administration and innovation policy are defined as effective tools for the development and dissemination of innovations. State innovation policy should take into account complexity of innovations, as well as large number of industries in which innovations can be applied. That is why it is necessary to use theory of interdisciplinarity in order to elaborate efforts and work of stakeholders. Particular attention is drawn to the possibility of incorporating Ukraine's national innovation system into global innovation network. On the other hand, attention is given to local players that operate in the innovations market: authorities, academic institutions, business representatives and civil society. Increase of public investment in education, science and innovation is determined as the main monetary factor in the development of national innovation system. At the same time, promotion of innovations, development of trust between stakeholders and creation of social capital are major non-monetary factors. Formation of the national innovation system in Ukraine is a long-term process and requires efforts coordination of all stakeholders.

Key words: developing countries, innovations, interdisciplinarity, national innovation system, Ukraine.

J.E.L. classification: O30, O38.

1. Introduction

At the moment, Ukraine belongs to developing countries, or rather to a group of post-communist countries. In nearly 30-year history of independent development, Ukraine has succeeded in carrying out a number of reforms, among which legislative and state reforms are the main ones. These reforms are the key to a balanced development of the economy. Despite the fact that legislation reform took place mainly during the 1990s, and public administration reform over the last 5 years, both of them are important for optimization of many spheres of the country's life, including innovations. Modernization of the ministries work, decentralization reform, and the application of e-governance are innovations by themselves. They are intended to become the basis for future changes in all spheres of the country's life.

In this context, the issue of innovations has central place. Innovations must be made in most sectors of the economy and society in order to bring about systemic changes in the public and economical life of the country. Creation of a national innovation system should be characterized not only by universality, but also by the attention to each individual case of innovations application. Yet, systemic, consistent, collaborative and cohesive work of stakeholders must become the pillars of effective change.

2. Literature review

The issue of innovations is one of the most important at the beginning of the XXI century. The discourse relating to innovations has numerous branches and variations. Ukraine should take into account development of innovations in neighboring countries and in Europe as a whole. The studies conducted in EU are large-scale and can include 20 countries, in the time interval between 1995 and 2013 (Szarowska, 2017). Another study concerned innovations measurement in 30 European countries, between 2005 and 2014 (Włodarczyk, 2017). These studies are large-scale and systemic, so they can be used to establish important patterns of a national innovation system development.

It is worth to pay attention to industrial modernization in Europe (Ivanová et al, 2017) and to the difference in innovation potential among European regions (Hunady et al, 2017). Thus, it is important to draw attention to the experience of European countries in order to choose the best way to develop the national innovation system, and to create it faster.

3. Research methodology

The purpose of this article is to make some clarifications on the problem of a national innovation system creation in Ukraine. Taking into account the above-mentioned reforms, it is important to focus on the benefits that soon may be created. The basis of the research methodology is combination of analysis method and theoretical modeling.

Two scientific approaches are used in this work, which allow to conceptualize and specify theoretical ideas that arose during the course of work. The system approach allows to take into account certain essential features of the national innovation system creation and development. The interdisciplinary approach can clearly demonstrate the interdependence between different parts of the national innovation system and present it as an organic whole.

4. Findings

Knowledge regarding creation of a national innovation system is quite complex and extensive. First of all, it is necessary to avoid confusion regarding the level of economic development, within which it is necessary to create an innovation system. Developed economies and developing economies are very different in the opportunities associated with innovations. Taking into account the case of Ukraine, the understanding that Ukraine is developing country plays a key role in underlying situation understanding and explanation of opportunities that can be created. Ukraine is a transitional post-communist country that has been developing a national market economy for almost 30 years. Although problems of Ukraine's progress towards capitalism are debatable, the creation of a national innovation system is still a pressing issue. This is important because an increase in innovation level will mean an increase in competitiveness of the national economy sectors. That is why understanding of the current problems in Ukraine and its economy is so important. Ukraine is a post-communist country that is developing and is heading towards creation of a market economy and a national capitalism.

Although developed European economies and countries of the post-communist camp are significantly different in terms of development, the factors determining development of both are very similar. Deindustrialization and innovation have a large number of links (Beg et al, 2017). In general, these thoughts concern convergence in social, political and economic life of the European region. This means that developing European countries have all chances to evolve faster than developed, as it is beneficial to all. This way increases the competitiveness of Europe as a global region (Zinovyeva et al, 2016). Because of the development and implementation of innovations, Eastern European countries can catch up with their neighbors. Belarus, Ukraine or Turkey can obtain useful knowledge not only from Germany or France but also from countries such as Poland, Hungary, Romania and Bulgaria. In the case of Ukraine, existence of the economic association with the EU can increase competitiveness of Ukrainian products at the expense of existing quality standards in the EU.

Innovations creation increases competitiveness, especially at the country level. Therefore, it should be known that one of the main factors for the dissemination of innovation is relevant governance policy of individual government ministries and local authorities. Researchers confirm that economic development can be accelerated in developing countries where policy makers and government officials create specific innovation policies and increase research funding (Dobrzanski, 2018). An innovation policy can be general or more specific: the use of new technologies, monetary leverage, tax simplification, and duty reduction are just a few examples of existing opportunities (Westmore, 2013). It must be taken into account that innovation and reform policies must be systemic and inclusive. As a fragmentary attitude to innovations in certain industries may cause lagging behind other sectors of an economy, so it is necessary to consider sectoral, territorial and resource principles. Territorial and municipal divisions of a country into regions are important because all citizens want to be successful and prosperous.

A remarkable example of the large-scale creation and application of innovations in Ukraine is the reforms of last 5 years. Important policies and innovations have been launched in the areas of public administration, municipal police, education, medicine, legislation, anti-corruption, religion, international relations, military affairs, social security, economics, finance, energy, transport and other industries. It must be understood that reforms in each of these spheres consist of a large number of small and large innovations, which together improve each individual domain. Innovations carried out constitute solid basis, which can serve the continuation and completion of reforms. However, in those areas where innovations will not continue, the result will not be achieved. At the moment, change of the country's leadership, mark a new stage in country's development. Therefore, it is important that new leadership of the country support the course of its predecessors, pay attention to the work done before, and do not reject it.

Ukraine, as a developing country, needs to introduce technological innovation, since it accelerates development and reduces economic inequality (Kharlamova et al, 2018). For example, the system of e-governance was introduced in Ukraine, which facilitates relations between city residents and city councils. Thus, computerization and digitalization significantly affect the growth of citizens' confidence concerning the executive branch actions and form social capital.

Another type of technological innovation is the modernization of the old industrial regions (Hlaváček et al, 2017). Such an example is particularly valuable for Ukraine, since creation of innovations in traditional industries can transform economic potential of some cities and even entire regions within the country.

Problems of the society transformation, reforms initiation and innovations creation are not simple. However, reformers should pay attention to main points of common good and be consistent in improvements creation. Ukraine can benefit from the experience of developing countries, since the creation of innovative economy and innovative society is a long-term process.

If it is clear that Ukraine is a developing country, it should also be clear that innovation policy and technological change are crucial at current stage. Reforms at the national level, on the one hand, relate to participation in the global processes, and on the other hand, are connected to creation and application of innovations at the local level. Innovation policy should take into account the link between national economy and global economic networks, as well as willingness of local authorities to apply innovations.

The basis for Ukrainian innovation system creation should be the understanding that innovations are created by professionals with appropriate knowledge and skills. That is why, at the state level, problem of innovations has complex interdisciplinary character. Taking into account numerous branches of knowledge and industry, suitable governance requires understanding of economic, human, natural and technological knowledge. Such activities require productive interaction between different stakeholders: state, business, universities and civil society. That is why it is important to take into account the interdisciplinary approach as an effective tool for a national innovation system creation and improvement, especially for managers and politicians (Gashenko et al, 2016).

We believe that in addition to the understanding of interdisciplinarity theory, stakeholders should focus on three main factors, namely: global level, local level, and knowledge economy issues.

Today, global market of innovations exists as a place for international professional exchange. It is also possible to great effectiveness of global innovation networks (Dudukalov et al, 2016). Creation and development of the national innovation system in Ukraine will help to apply structural and strategic principles. Increasing the role of Ukraine as a player in global innovation processes will be the consequence of competitiveness improvement through the use of innovations. The role of the state, as a stakeholder, lies in lobbying the interests of Ukrainian innovation enterprises at the international level. The state can also protect the interests of domestic innovators, as well as create better conditions for their entry into the global market. Innovation as well as participation in global innovation networks can significantly increase employment in the country (Marcolin et al, 2018). In addition, formation of the national innovation system concept concerns the strengthening of the role of strategic development and systematic efforts of various stakeholders in the country. It is worth remembering that the inclusion of national system into global network, on the one hand, is inseparable from the development of innovations at the local level, on the other hand. Common sense suggests that the second rather than the first factor is the basis of a national innovation system.

Taking into account the fact that problems of a national innovation system creation are being discussed both by politicians and academics, additional extra efforts should be made to implement innovations (Sesay et al, 2018). Discussion on the creation of a national innovation system should be extended to regional and local levels. Local stakeholders should be guided by a complex set of innovations related issues as well as by "what they can do" as a part of the innovation system. At the local level, universities, small businesses, transport infrastructure, etc. are the components of national innovation system (Akhmetova, 2017). Promotion of innovation issues at the local level will allow local stakeholders to create a sense of belonging to progressive changes in society and state. Provision of useful information about innovations is an important tool for inclusion of local stakeholders to innovative activities. Particularly important in this regard is the promotion of knowledge economy, as well as the theoretical developments of scientists carried out over the past decades.

Creation of an effective innovation system is considered as a prerequisite for a knowledge economy creation (Bednář et al, 2018). In turn, the functioning of a knowledge economy depends on the innovative model of development (Smoliy et al, 2018). Creation of a knowledge economy within Ukraine will increase competitiveness of the country, and it will also improve general welfare of the population. It should be assumed that creation of a national innovation system is not an easy task. It requires coordination of stakeholders' efforts and hard work for decades. In general, the concept of a national innovation system creation requires a broad and lengthy discussion in Ukraine. It can be noted that all prerequisites for the national innovation system creation have already been implemented in Ukraine. Innovations discourse and knowledge economy are well known to Ukrainian academic community. That is why it is worth combining the efforts of all key stakeholders to obtain systemic and long-lasting effect.

Creation of a national innovation system can increase national innovation enterprises competitiveness (Geldres-Weiss et al, 2018). This can be achieved through increase of investment in innovations. There is a lot of literature that confirms the direct correlation between level of investment and innovativeness of an enterprise. The same can be applied on a state level. This is called "investment in innovative capital". Particularly valuable are the works related to investing in innovative capital under the conditions of limited resources (Trajkovski, 2018). Such conditions of innovations' creation are especially valuable for Ukraine. Since the expenditures on education, science and innovations are relatively low in Ukraine, the experience of innovations investment increase is particularly valuable.

The peculiarities of innovation development support include the problem of innovative hubs creation (Kraus, 2017). We must say that there are many varieties of hubs in Western Europe. They can be in a form of innovative studios, centers, clusters and associations. A systemic state policy in the innovation domain should focus on gathering information about such centers in Ukraine, in order to create open access to such data. A state should also support innovator's efforts in order to create strong players within the national innovation network. In this regard, it is important to create acceptable conditions for the development of innovation system and dissemination of innovations. On the initial stage, innovators may be afraid that their inventions will be stolen (Papula et al,

2018). Until an appropriate level of trust among stakeholders in the innovation market will be created, it will not be possible to create favorable conditions for the development of social capital. Social capital is an important component of the most networks in the 21st century. Therefore, it is important to focus on the availability of knowledge and patents, and also on access to information, as well as on sharing of available resources.

Increase of innovative projects financing at the country level, as well as increase of trust between stakeholders, at the local level, are the keys to effective development of a national innovation system. In this regard, Ukrainian scientists must pay attention to the concept of open innovations, so politicians and reformers could focus on the possibility of their practical application.

5. Conclusions

A national innovation system creation is a complex and long-term process. So far, Ukraine is not an active participant in global innovation networks. Similarly, trust between stakeholders at the local level is low. An effective market economy creation requires significant investment in innovative capital. In addition, there are numerous industries in Ukraine where a need for innovation is crucial. During a national innovation system creation, governors and other stakeholders should use the systemic approach, and also the interdisciplinary approach. The distribution of efforts regarding an innovation system creation should correlate with the uniformity of all key industries development, which can not be achieved without the use of interdisciplinarity.

This research investigate some theoretical questions of the national innovation system development in Ukraine. It is a part of national and global discourses in this area. Particular attention of Ukrainian scientists should be paid to the formation of innovative clusters in key industries of Ukraine, as parts of a national innovation system.

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Coworking Spaces – A Source for Developing Creative Business

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Abstract

The effects of information technology have allowed people to choose between working at the firm's office, home office or in collaborative spaces, in open plan office environments, where they work alongside other non-affiliated professionals for a monthly fee / office (Mobile professionals may choose to work in offices, executive suites, home offices, or other spaces. In this in the first part I showed what the notions related to the professional activity carried out outside the employer's spaces as a modern form of work organization are and we presented aspects regarding the advantages of using such spaces and a comparison between coworking and Home Office. By studying the specialized literature. I have summarized some of the most important studies and analyzes conducted on coworking in the USA and Europe, regarding the social, communication aspects, and I have highlighted the evolution of the worldwide coworking phenomenon in the last decade. At the end of the paper I identified some of the trends of coworking development in the next period.

Key words: coworking space, home office, collaborative

J.E.L. classification: M13, M20

1. Introduction

The effects of information technology are felt on the means of communication between employees, freelancers or entrepreneurs. Communication has specific forms under the dynamics of new technologies and the development of creative industries and has created favorable conditions for the emergence and extension of new ways of organizing work. Thus, following the financial and economic crisis of 2007 and 2008, a new type of work oriented towards collaboration between partners appeared in cities. Even if we are talking about business incubators, alternative work spaces or simply an efficient solution for the workspaces of start-up companies, open offices are certainly a trend of the future for business communication (Răscolean, *et al*, 2014, p.53-75).

In this context, concepts such as teleworking, home office or coworking are increasingly used for communication in the business environment, in the field of real estate investments or as alternative forms of location in office spaces.

Home office is the home working space for employees or entrepreneurs. Usually, there is a home office combination with flex office or coworking, for which the form of partial home office is often used instead of the full home office. Flex office is a space with non-personalized workstations and usually offers access to conference rooms, meeting rooms, etc. Coworking spaces are the spaces where corporates, startup teams, freelancers and other interested persons "work alone, but together" in an office-style atmosphere.

From these forms, we have chosen coworking for analysis and comparison, an increasingly common notion in the business and real estate environments.

2. Theoretical background

Coworking spaces are shared office environments for independent professionals (Spinuzzi, 2012, pp. 399-441) and have been increasing rapidly. Coworking means the activities carried out in spaces rented often by people with various activities, frequently complementary, which they could

carry out at home, but which they prefer to do in an environment with more social relations, with which they interfere frequently and professionally (Guță, *et al*, 2018, p.89). Coworking spaces are affectual assemblages that create affects that push knowledge workers in flow and motion to enable the formation of new kinds of heterogeneous and constantly changing work communities, where serendipitous encounters become a force of production.

Contemporary coworking spaces have their origins in San Francisco starting with 2005 (Jongseok *et al*, 2017). With a rapid increase in the number of members and the surface of the spaces destined for coworking, this sector is the subject of many concept analyzes, statistical analyzes, comparisons and predictions that not only follow the real estate investment side but also the perspective of communication tools, the way of organizing the workplace and even economy of encounters as a production form in the new knowledge-based economy (Jakonen *et al*, 2017, p.235-242).

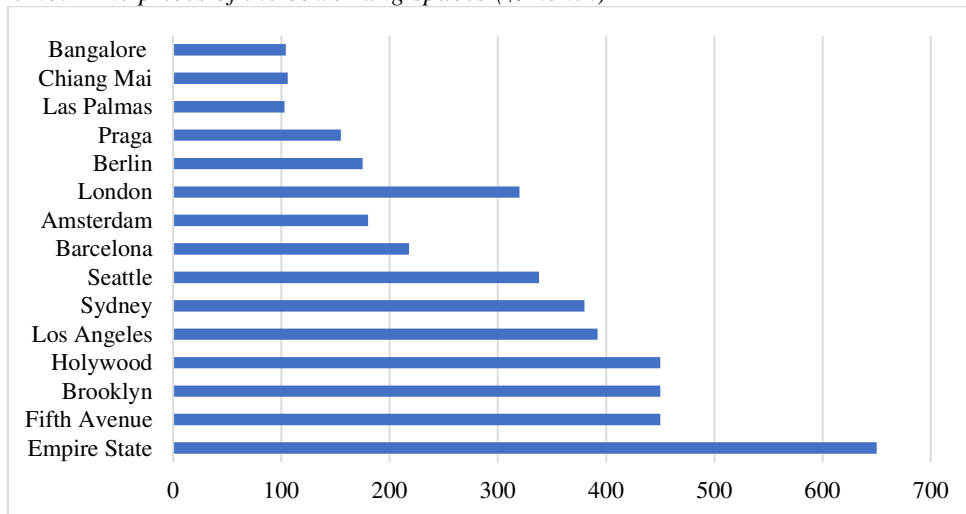
Thus, several papers presented in the Harvard Business Review show the importance of studying this industry. Steve King shows that despite the fact that his study focused on coworking and collaboration issues, coworking social connections proved to be most valuable to members and the first two words to characterize coworking that were mentioned by those questioned represent the social field, namely community and fun (King, 2017).

These conclusions can also be found in studies, such as the one made by researchers at the University of Michigan, which aimed at understanding the factors that led to the rapid increase of the popularity of the working way in coworking collaborative spaces (Spreitzer *et al*, 2001). To better understand this phenomenon, the study authors visited and interviewed community leaders or founders of 12 coworking spaces in the USA, analyzed questionnaires from a sample of over 200 spaces and interviewed more than 30 people from coworking spaces. The results of the study offered a perspective on the most common reasons why people search for collaboration and communication spaces, respectively interaction with people (84%), discoveries and opportunities (82%) and knowledge exchange (77%).

3. Development of coworking spaces concept

Unlike studies that focus on social issues related to coworking, statistical analysis and prediction studies show that this industry is booming and is hybridizing so quickly that the number of collaborative spaces is growing rapidly. In 2015, there were 7800 spaces worldwide with a growth rate of 83% from 2012 to 2013 (Foertsch, 2013) and a significant annual rate of 23.8% will be recorded in the period 2016-2020 from 11,000 to over 26,000 spaces. This growth trend is closely followed by the number of users of these spaces from about 976,000 in 2016 to just over 3.8 million in 2020, thus an average annual rate of 41%. In terms of prices, an international comparison shows a major difference between the US and Europe, respectively Asia. As it can be seen in the following image a Hot Desk option is at the highest price in Manhattan, namely \$ 650 / month and generally in the US the prices remain high in most major cities, around \$ 400 / month. In Europe, prices range from 400 / month in London to \$ 380 / month in Amsterdam and fall significantly in Eastern Europe, for example \$ 155 / month in Prague and they are similar to prices in Asian countries around \$ 100 / month.

Figure no.1 The prices of the coworking spaces (\$/month)



Source: (Huang, 2019)

A highly detailed analysis conducted annually by Deskmag summarizes in over 30 comprehensive statistical charts, such as: number of new members registered in the last 12 months, evolution of female members, annual growth rates of coworking type spaces, growth rates for areas for specific activities, the evolution of the number of coworking spaces, the number of coworking spaces in the same city, area or country, etc. The conclusions show that the trend in the use of coworking spaces is that the new locations tend to be much larger than the older ones and that a mature and flexible market is established in the field, both from the perspective of communication and from the perspective of the organization of spaces as a creation place.

The real estate companies are also interested in developing tendencies of the hub and coworking-type spaces and they make the most of the results of the studies as to make significant investments in this sector. Cushman & Wakefield, the oldest US real estate consulting firm, conducted the study *Coworking 2018 The flexible workplace evolves A Research & Insight Publication* to analyze coworking spaces in the US and the UK. These two countries are leaders in the flexible workspace market, accounting for more than half of such centers worldwide. The analysis estimates that: the stock of flexible workplaces in major US cities amounts to approximately 27 million m², which represents a 20% increase in the period 2015-2017; The US has more specific locations than the UK; the arrangement of hub-coworking spaces represents a relatively small proportion of the total office stock - about 2% in the big cities; London is globally dominant in terms of the number of centers and the proportion of office leasing stocks in the sector, slightly surpassing New York - Manhattan.

Moreover, In Romania there are concerns about analyzing the evolution of coworking spaces, an argument in this regard being supported by studies in the field. One of them "Be flexible at the office", realized by the Romanian Association of Facility Management - ROFMA, Transilvania Business, Pin Magazine, Fab Lab Iași, Banat IT, Archibus Solution Center and GreenForest focused on analyzing the working methods and communication from the perspective of the organizational performance and the feedback of coworking users. This study was attended by 95 respondents who perform office work in the private environment. The most suitable way of organizing is Partial Home Office with 54%, followed by Flex Office with 34% and Coworking with 32%, the most unsuitable, with 56%, being Home Office Total. Accordingly, the conclusions show that the most appropriate communication and organization solution is a mix between working from home and working at company offices, in flex office spaces or in rented spaces, coworking-type ones.

Another study by Fab Lab Iași and Pin Maps Creative Nodes in Central & Eastern Europe Report 2018 shows that the development of coworking spaces in central and eastern Europe is closely linked to the economic indicators of that city, region or country, the indicators regarding the

sustainability of the development of an urban center are correlated with the number of members and the surfaces of the coworking spaces.

According to the study, at the beginning of 2018 in the studied region there were 1,166 hubs and coworking spaces in functional urban areas with more than 50,000 inhabitants, distributed unevenly according to criteria such as number of inhabitants or area of the country. Thus, from the point of view of the number of hub or coworking spaces, most are found in Poland - 340, Austria - 157 or Czech Republic 112. If one reports the number of coworking spaces to one million inhabitants, the first place goes to Austria as well with 17.8 spaces / 1 million inhabitants, followed closely by Lithuania with 15.7 spaces / 1 million inhabitants, Romania with 4.5 spaces / 1 million inhabitants and Moldova with 1.75 spaces / 1 million inhabitants.

In terms of communication, there are significant differences between Home Office, on the one hand, and Flex Office, respectively coworking, on the other (Table 1). Thus, Home Office or work at home involves only virtual communication, through specific tools, such as WhatsApp, Skype, etc., which amplifies the feeling of loneliness and isolation. On the other hand, co-working allows the significant development of social aspects, which cause interference, both professionally and in the business field.

Table no. 1 Differences between Coworking and Home Office

Coworking	Home Office
Communication between members is done "face to face"	Communication is done online or through telephones
The environment is active and the members help each other in various situations that require collaboration	Static work environment, without direct interaction between partners
Socialization	Isolation
Flexible and organized work schedule	Chaotic work schedule
Equipped space	Own equipment
Ability to work in an open space where members can communicate.	Limitation of activities in the room / rooms of an apartment
Existence of meeting rooms and / or conference rooms	Meetings can only take place in the online environment or through the teking-up of Partial Homme Office
Adequate logistics, accessibility, design and ergonomic conditions suitable for carrying out different types of activities	Limited logistics due to the limited conditions to ensure a special design and proper ergonomics
Organizing personal development events within the community.	Personal development is limited by studying written or video materials.
Organization of informal events (culinary activities, sports activities, etc.)	Informal events usually take place outside the space inside the house.

Source: Own processing

The sharing economy brings a new phenomenon—coworking-spaces (Bouncken, 2018, p.317-334). Regardless of their location and shape, the use of coworking spaces has many advantages, such as: eliminating expenses with the arrangement of a headquarters or workspace; creating a community in which ideas are exchanged to develop innovative projects; for employers, increasing the possibilities of finding dynamic specialists in the community; multiplying the opportunities to advertise the business; the rent is small, sometimes symbolic; it offers services and logistics necessary for the activities management (space, administration, secretarial work, accounting); stimulating collaboration among coworkers; promoting exchange of other forms of knowledge (Parrino, 2015, p.261-271).

Generally speaking, the main advantage is that coworking spaces are places where people go to work, without being constrained by the rigidity of the schedule, in a pleasant and friendly atmosphere. This environment determines high productivity not only because of the optimal sharing of resources which is specific to this type of space, but also because of the fact that in a community of people with common or similar interests, emulation and unlimited brainstorming

possibilities are created, which can generate creative ideas and ideal conditions for the development of innovative start-up or spin-off businesses.

Although the number of coworking spaces does not represent a guarantee for the development of innovative businesses, however, a large number of such environments are necessary for the development of communities operating in these fields. From a financial point of view, their development tends to adjust flexible costs much more accessible than in the case of rental contracts for 3-5 years. Thus, for example in Romania, the price of a subscription can vary from 120 lei for one day and up to 1,100 lei for unlimited access.

4. Conclusions

In conclusion, coworking spaces can be viewed as a new form of urban social infrastructure that allow contacts and collaboration between people, ideas and places of connection (Merkel, 2015, p. 121-139) and as an integrated concept for entrepreneurial universities with an important role in creating work spaces between entrepreneurs and students (Bouncken, 2018). Thus, their development has strategic implications for the owners and administrators of urban communication spaces to increase collaboration, knowledge transfer and to promote new business opportunities (Cabral, 2016, p.357-377). With the diversification of investment solutions for the development of startups, the education resources of new entrepreneurs and their maturation, for the coming years there is an increasing trend and consolidation for coworking spaces.

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Specific Elements of Transfer Pricing Analysis

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Abstract

At the present time, taxation mechanisms are becoming more complex. On the one hand, the fiscal authorities are preoccupied with selecting the taxation methods that respect the basic principles and, on the other hand, the companies are interested in finding legal ways to maximize their profits also by optimizing the taxation.

In this context, our paper deals with the issue of transfer pricing by highlighting the specific methods of setting it, in general and, the Price Comparison Method, in particular.

Key words: transfer pricing, price comparison method, OECD, cash-pooling

J.E.L. classification: H25; H30; K34

1. Introduction

Transfer pricing is a current issue. It signifies the prices at which transactions are carried out between companies that are part of the same group (also called affiliated parties). According to the law, the transaction between the affiliated parties must be concluded at market price, in other words, at the price at which a similar transaction between independent parties would have been concluded, in comparable economic conditions. If the price of the transaction between the affiliated parties is not within the "market range", it is considered that the profits obtained by the parties following the transaction are not correctly reflected, thus affecting the taxes and fees paid.

The "transfer pricing" concept refers to a complex system of laws and practices used by states to ensure that the profit obtained from the intra-group transfer of goods / services / intellectual property rights is recorded and charged in the places where it is obtained. This is a very important aspect, since transfer pricing can increase the profit paid by the group in low tax jurisdictions or, on the contrary, they can decrease the profit, in high tax jurisdictions - the so-called "tax base erosion and profit shifting" process (BEPS).

2. Theoretical background

The issue of transfer pricing is based on the market price principle or *arm's length principle* and has been developing since the 1960s in the USA, with the active implementation of new regulations in the fiscal code - Internal Revenue Code.

Based on these, states have claimed the right to challenge transfer pricing and adjust revenues and deductions to prevent tax avoidance or to clearly reflect the income of any economic entity or activity (Malherbe, 2017, p. 126).

Transfer pricing aims to determine the level at which independent / non-affiliated parties would trade goods, services or various financing, compared with the specific conditions and synergies used by multinational companies (Ion, 2019, p. 24).

The increasing extent of fraudulent practices related to value-added tax has compelled the European Union to find solutions for fighting against these using analysis tools of intra-EU trade networks (Dobrescu, 2019).

The interest in the economic value of transfers has highlighted the link between transfer pricing and customs value, as well as the impact of transfer pricing adjustments on customs value (Nag, 2019).

Moreover, from the perspective of transfer pricing, new debates and analyses have emerged regarding the stages and methodology on assigning the profits to a permanent office situated in other tax jurisdictions (Săulescu, 2018).

The networks of subsidiaries with different tax jurisdictions inevitably generate risks related to transfer pricing. National studies have revealed the main risk areas that are frequently encountered by tax authorities (Nag, 2018, p. 20). The risk areas are related to certain financial accounting practices that can be deemed inadequate and risky from a fiscal point of view, namely:

(i) royalties and fees for services provided between affiliated companies; (ii) the inconsistency of the accounting models of results; the substantial variation in the profit margin; (iii) practicing different prices for similar transactions; (iv) practicing high-value transactions with affiliated parties that are tax residents in countries with low tax rates.

These practices create fiscal structures in jurisdictions such as "tax havens", which erode the tax base and shifts profits. This highlighted the need to tackle legal tax evasion through the OECD project to fight the tax base erosion and profit shifting (Base Erosion Profit Shifting-BEPS).

The BEPS project recently launched by the OECD and G20 as an inclusion framework for all tax jurisdictions (OECD / G20 Inclusive Framework on BEPS, 2019) has brought up for discussion benchmarks regarding transfer pricing.

These include the methodologies for setting transfer pricing and the specific elements of financial transactions compared with economic transactions. The project provides indications on how to analyze and document the financial transactions concluded with the affiliated entities, but also on how to accurately delineate the financial transactions, such as treasury activities, loans, cash-pooling arrangements, currency hedging, material guarantees, or captive insurance (Alecă et al., 2019, p. 12).

Given the specificity of financial transactions, the same authors (Alecă et al., 2019, p. 15) indicate the usable methods by which it can be proved that transfer pricing is at market price level, namely:

- ✓ The price comparison method - greater attention should be paid to comparability criteria;
- ✓ The expected benefits method - the interest saved by the beneficiary is analyzed as a result of the granted guarantees;
- ✓ The cost-based method - depending on the costs incurred by the company issuing certain guarantees;
- ✓ The expected loss assessment method - depending on the probability that the guarantee will be executed;
- ✓ The capitalization method - depending on the profitability of the additional capital that the given guarantee generates.

In our study on transfer pricing, the Price comparison method will be detailed, which can easily be applied in the case of economic transactions of real flow type versus money flow, i.e., deliveries of goods, works, services on a consolidated market. In contrast, financial transactions are rather intangible, i.e. the type of securities that assign value against the money flow.

3. Research methodology

In the current internationalization of business and globalization context, in which more than 60% of the world trade in goods and services is carried out between companies of the same group, transfer pricing has become the number 1 priority on the fiscal agenda of the financial managers of multinational companies and the main area investigated by the authorities during fiscal controls. All the transactions between affiliated persons, whether of goods or intellectual property rights, provision of services or other types of transactions, fall under the provisions of transfer pricing rules.

In accordance with these rules, transactions between affiliated persons must be carried out in compliance with the market value principle (the so-called "*arm's length principle*"), a principle underlying the entire transfer pricing analysis. The justification of the market value of transfer

pricing used in intra-group transactions is done by preparing a specific documentation. The market value principle implies that the prices used in transactions between affiliated persons should be equal to those practiced between independent persons, under similar economic circumstances. Frequently, the prices charged between affiliated persons can deviate from the market value principle. The use of intra-group preferential prices offers to the group the opportunity to redistribute its profits or losses in different jurisdictions according to the objectives pursued at the central level. This phenomenon has a direct impact on the fiscal position in each country in which the group operates through its subsidiaries.

Each tax authority is interested in taxing the real profits obtained by the local subsidiaries from the transactions with the affiliated persons, the authorities having the right to make adjustments when the prices charged in these intra-group transactions do not reflect the market value principle. Such adjustments result in the immediate taxation on the same profit of both companies located in different tax jurisdictions. In the specialized language, this type of taxation is called economic double taxation and is characteristic of disputes regarding transfer pricing.

Transfer pricing can influence not only the profitability of the affiliated persons in terms of the method used for allocating the profits and the tax due respectively, but also the money flow, the investment decisions of the group, the performance indicators of the respective company.

Transfer pricing represents an opportunity, but also a threat, its impact on the business of the affiliated persons being significant. The approach of such a large area can benefit the companies in terms of operational advantages, such as knowing the transactions with affiliated persons and identifying the opportunities for the allocation of revenues and expenses, a deep understanding of the business model and the optimization possibilities, which, under other conditions, could be overlooked.

The financial managers, who will succeed in combining the potential benefits with the management of fiscal risks through this new available instrument - transfer pricing documentation file, will provide the company with a long-term competitive advantage. Therefore, it is necessary not only to review and substantiate the transfer pricing policies at group's level, but also to prepare specific and complete documentation, which can demonstrate the market value of the prices practiced in intra-group transactions.

In order to prepare the transfer pricing documentation file, the following steps must be taken:

- Listing the financial years that can be a subject of fiscal inspection;
- For each year the intra-group transactions and their value must be identified;
- Identification of transactions that need to be documented
 - Conducting the "threshold of ownership" test for each affiliate;
 - Carrying out the cost / benefit analysis, defining the materiality
- Checking the availability, at group level, of the policy and documentation of transfer pricing;
 - If available: Do I obey the national law? Does it cover those transactions? Is it updated?
 - If it is not available, start making the transfer pricing documentation file
- Monitoring the application of the established transfer pricing. Building a transfer pricing policy for future transactions.

The price comparison method consists in comparing the set prices for the transfer of goods or services. Thus, the price related to a transaction between affiliated persons ("controlled transactions" carried out at "controlled prices") is compared with the price related to a transaction between third parties ("uncontrolled transactions" carried out at "uncontrolled prices"). This method can be used especially in cases in which the goods or services that are the object of transactions within a multinational group are also the object of transactions between independent persons.

In practice, uncontrolled prices can be identified in the following two situations, presented below.

- when one of the affiliated parties in the transaction concludes similar transactions with an independent entity, under comparable conditions from a commercial point of view (respectively, in comparable quantities, at the same point in the production and distribution

chain and under comparable conditions of delivery and payment) - "internal comparables" (table 1)

Table no. 1 The price comparison method – internal comparable

Seller (affiliated party)	Controlled price	Buyer (affiliated party)
	Uncontrolled price	Buyer (third party)

Source: Own design

- when third persons trade identical or similar goods or services under comparable conditions with the transactions between affiliated persons - "*external comparables*"

Table no. 2 The price comparison method – external comparable

Seller (affiliated party)	Controlled price	Buyer (affiliated party)
Seller (third party)	Uncontrolled price	Buyer (third party)

Source: Own design

In order to apply the price comparison method, it is necessary for one of the following two conditions to be met: (i) none of the differences (if any) between the compared transactions or between the companies participating in these transactions could have a material effect on the price of the transaction on an open market; or (ii) adjustments can be made with a high degree of accuracy to eliminate the effects of such differences.

4. Case study: drawing up the Transfer pricing documentation file within SENNA SRL company using the *Price comparison method*

The transfer pricing documentation file is the document by means of which each company that carries out transactions with affiliated persons must justify the value of the prices of the respective transactions and demonstrate the compliance with the market price.

The fiscal inspector decides to accept or adjust the transfer pricing practiced by the company based on the information presented in the transfer pricing documentation file.

The structure of a transfer pricing documentation file:

A. Group information:

1. the organizational structure of the group, legal and operational, including the participations, history and financial data related to it;
2. a general description of the group's activity, the business strategy, including the changes in the business strategy compared with the previous fiscal year;
3. a description and implementation of the transfer pricing methodology within the group, if applicable;
4. a general presentation of the transactions between affiliated persons, in the European Union:
 - a. the trading mode;
 - b. the billing mode;
 - c. the transactions' equivalent value;
5. a general description of the functions and risks assumed by the affiliated persons, including the changes made in this respect compared with the previous year;
6. a presentation of the holders of intangible assets, within the group (patent, name, know-how, etc.) and royalties paid or received;
7. a presentation of the price agreements in advance concluded by the taxpayer or by other companies within the group, in relation to it, aside from those issued by the National Agency for Fiscal Administration.

B. Taxpayer information:

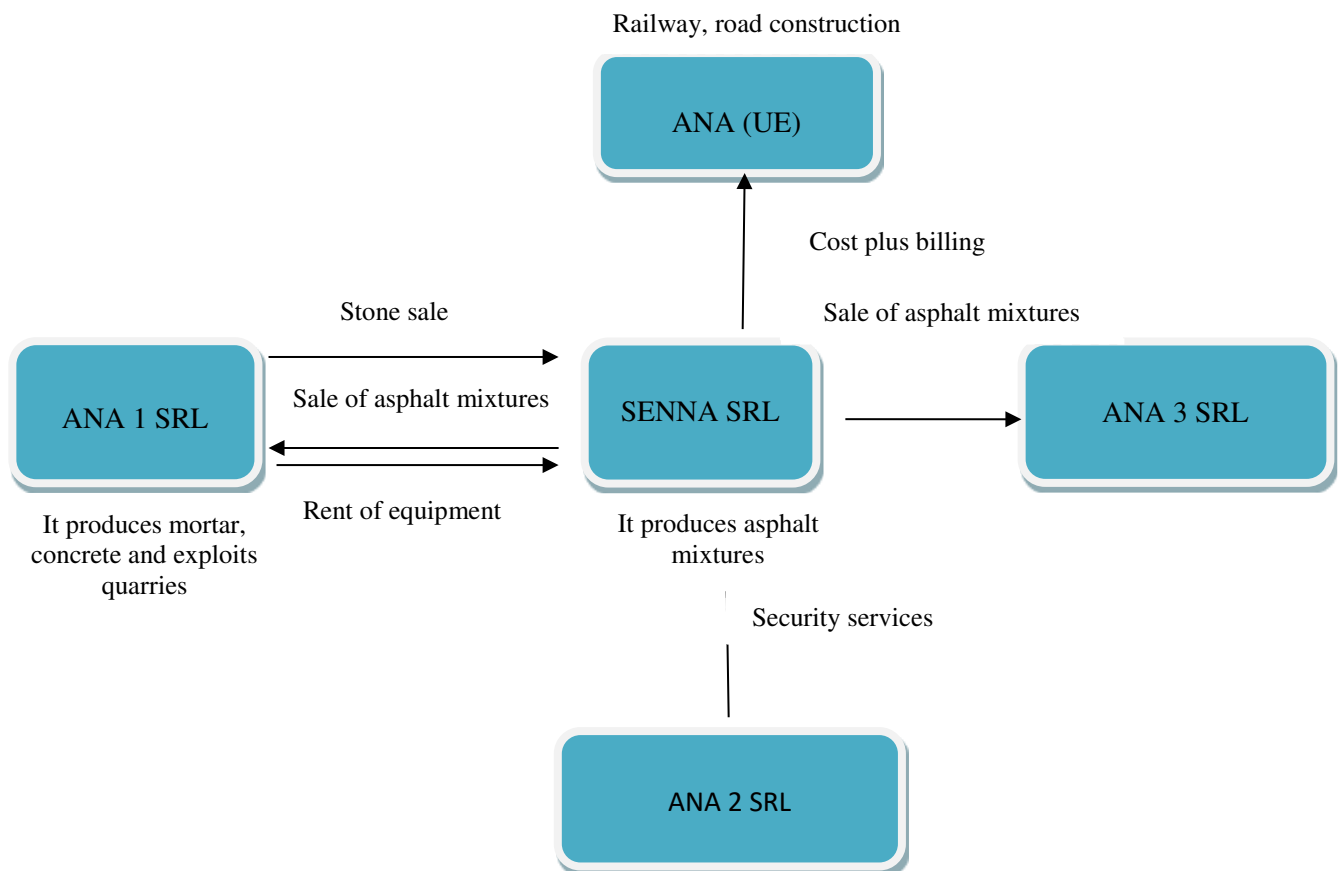
1. a detailed presentation of the transactions with affiliated persons:
 - a. the transaction mode;
 - b. the billing mode;
 - c. the transactions' equivalent value;

2. a presentation of the comparative analysis:
 - a. the characteristics of the goods or services;
 - b. the functional analysis (functions, risks, used fixed assets, etc.);
 - c. the contractual terms;
 - d. the economic circumstances;
 - e. the specific business strategies;
 - f. information regarding comparable external or internal transactions;
3. a presentation of the affiliated persons and their permanent offices involved in these transactions or agreements;
4. a description of the transfer pricing calculation method and an argumentation of its selection criteria:
 - a. if traditional methods of determining transfer pricing are not used, this option will be explained;
 - b. in all cases where the price comparison method is not applied, this option will be justified;
5. a description of other conditions considered relevant to the taxpayer.

The parties involved

The occasions and circumstances in which the necessity of drawing up the transfer documentation file arose are: the appeal filed by SC SENNA SRL, against the Regional Directorate of Public Finance - the appeal resolution service and A.N.A.F./National Agency for Fiscal Administration – the inspection activity. In order to solve the issues notified by the company it was considered necessary to ask for a conclusion from a legal accounting expert.

Figure no. 1. The transactions between the affiliated companies within ANA ROM group



Source: Own design

In September 2012, an independent auditor prepared a report on the transfer pricing documentation file practiced by SENNA SRL, which shows that in Romania between 2008-2011 the group to which the company SENNA SRL belongs also includes the companies ANA 1 SRL, ANA 2 SRL, ANA 3 SRL, ANA SA (a company in the EU, outside the Romanian borders, specialized in construction). SENNA SRL was established by subscribing and paid-in share capital - 50% ANA 1 SRL and 50% ANA SA. ANA group is also present in Romania through ANA ROM, which in 2008 had a turnover of 113 million lei and 193 employees. Through the capital brought by the two companies in the group, SENNA SRL made investments of 6,826,000 lei.

SENNA SRL is a Romanian company operating in the field of asphalt mix production. When analyzing and documenting the transfer pricing used by a company in transactions with affiliated persons, it is important to consider the information that highlights the particularities of the market in which it operates.

As a rule, the group to which SENNA SRL company belongs aims to observe the principles of transfer pricing. Moreover, within intra-group transactions the aim is to respect the arm's length principle.

According to the OECD's guidelines, transactions comply with the arm's length principle when the conditions imposed and the prices paid in the transactions with affiliated persons are comparable to those imposed and paid by independent companies in comparable situations.

Table 3 presents a brief summary of the operating results obtained by SENNA SRL company in the period 2008 - 2011.

Table no. 3. The operating results of SENNA SRL

Indicator / Period	Year 2008 (RON)	Year 2009 (RON)	Year 2010 (RON)	Year 2011 (RON)
Total operating income	2.460.653	3.229.638	822.211	6.818.177
Total operating expenses	3.052.924	4.357.869	2.961.096	6.908.661
Operating loss	592.271	1.128.231	2.138.885	90.484

Source: Data processing based on financial statements www.mfinante.ro

Prices establishment methodology

The price of the sold materials, namely bitumen and quarry stone, is set by the ANA 1 affiliated company, as seller, based on an offer of goods and prices made available by it.

The set prices are presented in the form of a price list, being annexed to the contract. The signing of the price list by SENNA SRL company represents its acceptance regarding the set prices, as well as the payment conditions.

Table no. 4. Prices stipulated in the contract concluded by SC SENNA SRL with the affiliated company ANA 1 SRL

Product type	Quantity (ton)	Average price aggregates (without VAT)	Quantity (ton)	Average price aggregates (without VAT)
		Quarry 1	Quarry 2	
Crushed sand 0/4	3.000	32 RON	3.000	33 RON
Double crushed stone 4/8	2.300	32 RON	2.200	33 RON
Double crushed stone 8/19	2.300	32 RON	2.200	33 RON
Double crushed stone 16/25	2.400	32 RON	1.800	33 RON

Source: Transfer pricing document file of SENNA SRL

The sale price of the finished product, more precisely the asphalt, is established by SENNA SRL company, as seller, for each manufactured ton. The sale price is also set taking into account the delivery "Ex Works" condition (it is the most convenient delivery condition for the seller who has to make the packaged goods available to the buyer, who is obliged to load it at his own expense and risk).

Table no. 5 Prices stipulated in the contract concluded by SC SENNA SRL with affiliated company ANA 3 SRL

Mix asphalt type	Unit	Price in RON (without VAT)
Asphalt mixtures AB 2	Ton	216
Asphalt mixtures BA 16	Ton	230

Source: Own data processing from SENNA SRL transfer pricing documentation file

The prices set for each product category manufactured by SENNA SRL company, as seller, are presented in the form of a price list, being annexed to the contract. The signing of the price list by the affiliated companies, as well as signing of the transfer documents of the ownership of the products, represents the acceptance by the buyer regarding the payment conditions.

5. Conclusions

Wishing to benefit from the synergistic advantages of the affiliated parties from other jurisdictions, the multinationals reach a situation of distortion of the taxable bases, which requires the adjustment of transfer pricing.

The adjusted transfer pricing involves the appropriate correlative adjustment of tax bases in different jurisdictions, so as to avoid economic double taxation (Malherbe, 2017, p. 149).

The market price principle refers to the economic market conditions that should be the same both for group affiliated companies, and for non-affiliated (independent) companies.

The theory and practice of transfer pricing based on this principle also captures other facets of intra-group and extra-group cross-border transactions at multinational companies' level, such as transaction networks, customs value or permanent office.

The research carried out and the case study presented revealed the fact that the main problem when evaluating transfer pricing is the reference database. One can notice that in the Romanian practice there is not enough experience in finding and accessing support databases for determining transfer pricing, although the method application does not cause problems. Regarding the situation of the big audit and financial consulting companies, they have access to international databases so they can set the needed transfer pricing much easier. However, it should be mentioned that, in our opinion, reference pricing may come from companies with a higher degree of development than the country concerned (Romania, in our case) from a technological, operational, administrative point of view. As a result, we wonder about the extent to which these prices are relevant or what limits they have, as a basis of comparison. This is still an open issue and we intend to address these issues in the future.

Another direction of future research may be the structure of the costs which influence differently the final price of the same goods, in different economies.

Therefore, we think it is important for the people involved in this field (including accounting experts) to concern themselves with accessing databases that correspond as much as possible to the economic context in which the company operates and try to appropriately correlate the reference prices with the technology used, the cost structure, and also with other factors that may influence the value of the related adjustments.

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Qualitative and Quantitative Approach for Identifying the Largest Tax Havens in the World

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Abstract

Tax havens are associated with avoiding the payment of tax obligations, whose origins are as old as taxation itself. Different set of criteria are used for defining tax havens, from very low or zero taxes to lack of transparency, financial secrecy and amount of profits reported in other jurisdictions.

The purpose of this paper is the identification of the jurisdictions considered the largest tax havens in the world. On one hand, the qualitative list of tax havens provided by OECD and the European Union are strongly politicized, mentioning none of its members and misidentifying the real tax havens, and on the other hand, analyzing the qualitative studies performed by internationally recognized economists that use different research methodologies, revealed the largest tax havens as being: Ireland, Cayman Islands, British Virgin Islands, Singapore, Switzerland, Netherlands, Luxembourg, Hong Kong and Bermuda.

Key words: tax havens list, qualitative, quantitative.

J.E.L. classification: H26

1. Introduction

In the context of fierce competition between jurisdictions for attracting international financial capital, tax havens and offshore financial centers provide the framework in which a multitude of opportunities for economic-financial crime can be identified. Also, inconsistencies and ambiguities in the tax legislation are exploited to reduce tax obligations through mechanisms that, although comply with the letter of the law, they are not in accordance with its spirit.

The most amazing tax haven in the ancient world dates back in the 2nd century BC, and is attributed to Romans that established it on the Delos island of the Aegean (Adams, 2011). In that area the commercial giant was the Rhodian Empire, Athens and Sparta being overtaken by the island of Rhodes, which was a natural stop for business. Thus, all traders traveling from the eastern Mediterranean, especially from Rome and Greece, passed through Rhodes and paid a 2 per cent tax in exchange for Rhodians' protection provided against pirates. Also, the Rhodians had an agreement with the Romanians to act as intermediaries between Rome and Macedonia, who were at war at that time. To the disappointment of the Romans who saw the Rhodians as allies, Rhodes adopted a neutral attitude, offering to act as a mediator in the war. As a punishment, the Romanians decided to set up in the nearby island, Delos, a port in which no taxes were levied, and that generated in Rhodes, in the first year, the 85% decrease of the revenues from the taxes levied, shortly not constituting any more an option for merchants. Thus, the Romans succeeded in gaining a victory against the Rhodians without resorting to military or naval action. Moreover, Rome used to use fiscal policy to reward its friends, the loyal cities being exempted from taxes, but also to punish their enemies by means of tax requests.

Tax havens, as we know them today, began their development in the late nineteenth century, when, considering a strict regime of setting up companies in the US, states like New Jersey and Delaware patented the technique of fast registration, which is today one of the key aspects of the tax haven strategy. Through this technique, due to the permissive legislation, in less than a day,

transactions in the newly registered company can already be initiated.

Another important moment in the development of tax havens was the one in which the residents of the United Kingdom, intending to escape the payment of tax obligations for their activities within the UK territory and abroad, have chosen to transfer their tax residence outside the country. Decisions of the British courts have confirmed that if a company did not have activities developed in United Kingdom, although having the tax residency there, it should not be taxed by the British authorities. Consequently, the rule was extended to the entire British Empire, an aspect subsequently exploited by jurisdictions such as Bermuda and the Bahamas and perfected in the 1970s by the Cayman Islands.

In the early 1900s, directly after the Great War, a large number of war-torn governments in Europe raised taxes sharply in the context of reconstruction efforts. Switzerland, remaining neutral during the First World War, avoided these high costs of infrastructure reconstruction. Therefore, it has used this strategic advantage to maintain a low tax base. With taxpayers looking for ways to avoid paying taxes, there was a substantial flow of capital into Switzerland, where the wealthiest Europeans were relocating their assets. The Swiss banking law, since 1934, in Article 47, reinforced the principle of banking secrecy, placing it under the protection of criminal law. The law makes the investigation of the commercial secrets of banks and other organizations a criminal offense, so that, once the borders are crossed, the capital enters an inviolable legal sanctuary guaranteed by the penal code and supported by the power of the Swiss state (Palan, 2009).

Thus, these elements developed by the USA, regarding the rapid registration, and by the United Kingdom, regarding the tax residence, together with the legislative regulations elaborated by Switzerland regarding banking secrecy, constitute the bases on which the tax havens were developed later.

2. Literature review

The Organization for Economic Cooperation and Development (OECD), in April 1998, defined tax havens as jurisdictions that meet 3 of the following 4 criteria.

The first is that the jurisdiction charges very low or zero taxes. However, the fiscal criterion is not enough for characterizing a jurisdiction as being a tax haven. The OECD states that each jurisdiction has the right to impose direct taxes and to determine the level of tax rate. An analysis of the other key factors is necessary to consider a jurisdiction as tax haven. Three other factors to consider are:

- lack of transparency in legislative and administrative practices. Transparency ensures uniform application of tax laws among similarly situated taxpayers and the tax authorities have the accounting records that allow them to determine the tax obligations of taxpayers.
- the existence of legislative provisions that encourage financial secrecy and prevent the efficient exchange of tax related information, with other authorities regarding taxpayers who benefit from low or zero taxation. The OECD encourages countries to adopt "on demand" exchange of information, which describes the situation in which the entitled authority of one country requests from their counterpart of another country specific information in relation to an ongoing tax investigation, generally based on a bilateral exchange agreement between the two countries.
- the absence of the requirement that the activity be substantial. The criterion of non-existence of substantial activity was included in the 1998 OECD report as a criterion for identifying tax havens, to prevent a jurisdiction from attracting investments and transactions that are only determined by fiscal causes.

In the 2000 report, the OECD, according to the criteria it established, identified 35 tax havens. According to OECD, the report does not include a number of countries that, although at the time of publication of the report meet the criteria for being considered tax havens, have made commitments at the highest level to progressively eliminate harmful tax practices by December 31, 2015.

Table no.1 List of tax havens according to OECD

Andorra	The Republic of the Maldives
Anguilla – Overseas Territory of the United Kingdom	The Republic of the Marshall Islands
Antigua and Barbuda	The Principality of Monaco
Aruba – Kingdom of the Netherlands ^{a)}	Montserrat – Overseas Territory of the United Kingdom
Commonwealth of the Bahamas	The Republic of Nauru
Bahrain	Netherlands Antilles – Kingdom of the Netherlands ^{a)}
Barbados	Niue – New Zealand ^{b)}
Belize	Panama
British Virgin Islands – Overseas Territory of the United Kingdom	Samoa
Cook Islands – New Zealand ^{b)}	The Republic of the Seychelles
The Commonwealth of Dominica	St Lucia
Gibraltar – Overseas Territory of the United Kingdom	The Federation of St. Christopher & Nevis
Grenada	St. Vincent and the Grenadines
Guernsey/Sark/Alderney – Dependency of the British Crown	Tonga
Isle of Man – Dependency of the British Crown	Turks & Caicos – Overseas Territory of the United Kingdom
Jersey – Dependency of the British Crown	US Virgin Islands – External Territory of the United States
Liberia	The Republic of Vanuatu
The Principality of Liechtenstein	

a) The Netherlands, the Netherlands Antilles, and Aruba are the three countries of the Kingdom of the Netherlands.

b) Fully self-governing country in free association with New Zealand.

Source: OECD, <https://www.oecd.org/ctp/harmful/2090192.pdf>

Subsequently, in 2001, the OECD Committee on Fiscal Affairs agreed that the fourth criterion, regarding the absence of the requirement that the activity be substantial, will not be used to determine if a tax haven is cooperative or non-cooperative considering only two of the other three criteria.

Between 2000 and 2002, most of the 35 identified jurisdictions formally committed to implementing the OECD standards on transparency and information exchange, followed between 2003 and 2009 by Nauru and Vanuatu, Liberia and the Marshall Islands, Andorra, the Principality of Liechtenstein and the Principality of Monaco.

However, according to the Tax Justice Network (2018), the criteria used by the OECD are not appropriate and the outcome of the reports are politicized, inefficient and meant to mislead by misidentifying the tax havens. As none of its members has not been included in the list of tax havens, countries such as Ireland, Luxembourg and Switzerland are sometimes ironically referred to in the literature as OECD tax havens (Weyzig, 2012).

Also, a number of objective quantitative analyzes, have been carried out by internationally recognized economists for the quality of their work:

1. James R. Hines Jr. is an American economist, his work being among the first that mentioned the quantitative features of tax havens. According to the author, these are countries and territories that offer low tax rates and regulatory policies favorable to foreign investors. Tax havens usually tax investments at zero or very low rates and encourage investments by offering telecommunications and transportation facilities, business development infrastructure, favorable legal environment and limiting bureaucracy for setting up new companies. The tax havens are small in size, most are islands, characterized by a good and efficient governance, political stability and effective corruption control. With a few exceptions, they have populations below one million inhabitants and above average incomes. Although in the past tax havens were associated with banking secrecy and corporate anonymity, organizations such as the OECD have determined all countries, including those in

the tax haven category, to implement measures regarding the exchange of information in the tax field.

His work, and the one of PhD student Rice, E., "Fiscal Paradise: Foreign tax havens and American business, 1994", is the most cited research paper in the history of tax havens, being mentioned also in the research papers of the following authors: Desai, Dharmapala, Zucman. It contains the first coherent academic list of tax havens and refers to the group of the largest tax havens (Big 7): Switzerland, Hong Kong, Ireland, Liberia, Lebanon, Panama, Singapore.

In the 2010 research paper, Hines published a revised list of 52 tax havens, the top 10 positions being held by Luxembourg, Cayman Islands, Ireland, Switzerland, Bermuda, Hong Kong, Jersey, Netherlands Antilles, Singapore, British Virgin Islands.

Table no.2. List of tax havens according to Hines, 2010

Tax Havens		
Andorra	11	Guernsey
Anguilla	6	Hong Kong
Antigua and Barbuda	3	Ireland
Aruba	18	Isle of Man
14 Bahamas	7	Jersey
16 Bahrain		Jordan
Barbados		Lebanon
Belize	17	Liberia
5 Bermuda		Liechtenstein
10 British Virgin Islands	1	Luxembourg
2 Cayman Islands		Macao
Cook Islands		Maldives
Costa Rica		Malta
13 Cyprus	15	Marshall Islands
Djibouti	19	Mauritius
Dominica		Micronesia
Gibraltar		Monaco
Grenada		Montserrat
		Nauru
	8	Netherlands Antilles
		Niue
	12	Panama
		Samoa
		San Marino
		Seychelles
	9	Singapore
		St. Kitts and Nevis
		St. Lucia
		St. Martin
		St. Vincent and the Grenadines
	4	Switzerland
		Tonga
		Turks and Caicos Islands
		Vanuatu

Source: Hines (2010) Table 1

2. The Institute for Taxation and Economic Policy is an independent, non-profit research organization in the United States that provides in-depth analyzes of the effects of fiscal policies at local and national level. It ranks tax havens based on profits reported as belonging to subsidiaries in off-shore financial centers and focuses the study on Fortune 500 companies. The strong correlation of these companies with tax haven listings derives from global studies that show that US MNEs are a dominant presence in tax havens. The study on "The use of tax havens by Fortune 500 companies" shows that at the level of 2017 at least 366 companies, representing 73% of them, established at least one subsidiary in one of the countries considered tax havens, demonstrating how extensive the use of tax havens is by big companies. The most used tax haven in the Fortune 500 ranking is the Netherlands, most of the companies reporting at least one subsidiary there. The mentioned study shows that 2,213 subsidiaries are owned by only 30 companies with the highest amounts reported in tax havens.

In 2016, 293 from Fortune 500 companies reported profits outside the borders totaling \$ 2.6 trillion, with 30 companies accounting for 68% of the total, with Apple, Pfizer, Microsoft, General Electric leading the list.

Table no.3 Classification of the 10 most used tax havens considering the amount of profits reported as being obtained by the subsidiaries from different jurisdictions

Tax Haven Country	Reported Profits of U.S.-Controlled Subsidiaries (dollars in billions)	Gross Domestic Product (billion dollars of GDP)	Subsidiary profits as % of GDP
Bermuda	5104	56	1884%
Cayman Islands	46	3	1313%
British Virgin Islands	7	1	746%
Bahamas	23	8	282%
Luxembourg	68	56	121%
Ireland	135	225	60%
Netherlands	165	829	20%
Singapore	23	290	8%
Switzerland	44	665	7%
Hong Kong	10	263	4%
Total:	\$625	\$2,346	Avg: 27%
Total for all other countries in IRS Data	\$428	\$45,616	Avg: 1%

Source: Institute on Taxation and Economic Policy (2017) p. 16.

3. Gabriel Zucman is a well-known French economist, his research work on quantifying the financial dimension of the techniques of tax avoidance by base erosion and the transfer of profits (BEPS) in tax havens is among the most cited.

In his paper, "The missing profits of nations" (2018), he shows what is the value of the global profits transferred outside the borders to speculate the differences in the taxation of the profit. Zucman bases his analysis on the directly observable value of profits recorded globally by multinational companies with subsidiaries in tax havens, using data that was not available until recently. Thus, it produces a new database containing the jurisdictions in which multinationals register their profits.

According to Zucman, Ireland is the preferred destination for profit shifting, leading the list of tax havens, followed by Singapore, the Netherlands, the Caribbean and Switzerland.

Table no.4 Profits transferred to tax havens (in USD billion)

No.	Tax haven country	Reported profits	Of which local firms:	Of which foreign firms:	Shifted profits:
1	Ireland	174	58	116	-106
2	Caribbean	102	4	98	-97
3	Singapore	120	30	90	-70
4	Switzerland	95	35	60	-58
5	The Netherlands	195	106	89	-57
6	Luxembourg	91	40	51	-47
7	Puerto Rico	53	10	43	-42
8	Hong Kong	95	45	50	-39
9	Bermuda	25	1	24	-24
10	Belgium	80	48	32	-13

Source: Author's processing based on data from Zucman *et al* (2018)

3. Data and method

To better understand the case, several written documents from various sources have been analyzed. Secondary data collection method was used, in particular official reports published by OECD, but also studies performed by internationally recognized economists for the quality of their research. The most relevant data was selected to increase the research reliability and validity.

To perform the analysis a process of iterative readings of the texts was conducted, the findings being refined during the analysis. At the level of the theoretical research, generally a deductive approach was used, starting from existing concepts, theories and regulations, that were particularized in order to emphasize the most utilized tax havens in the world.

4. Findings

Reviewing the literature, two types of lists that contain tax havens could be distinguished:

- Governmental - these lists are qualitative and strongly politicized, being neglected by academic research. Surprisingly, both the OECD, which in the 2017 report lists only one country - Trinidad and Tobago, as well as the European Union, whose list in June 2019 was made up of American Samoa, Belize, Fiji, Guam, Marshall Islands, Oman, Samoa, Trinidad and Tobago, United Arab Emirates, Virgin Islands, Vanuatu (Official Journal of the European Union, 2019), does not mention any of their member states.

- Non-governmental - these lists are produced following objective quantitative analyzes, carried out by internationally recognized economists for the quality of their work:

From Tables no. 2, 3, 4. we can conclude that in Zucman's research paper, 9 of the top 10 tax havens are the same as in the top 10 of the two quantitative studies previously mentioned, belonging to James R. Hines Jr. (2010) and the Institute of Taxation and Economic Policy (2017).

Although in each of the 3 studies the research methodology was different, the similar results obtained validate the list of the largest tax havens as being: Ireland, Cayman Islands, British Virgin Islands, Singapore, Switzerland, Netherlands, Luxembourg, Hong Kong and Bermuda.

6. Conclusions

Tax havens in the modern sense began their history at the end of the nineteenth century, but only after the First World War states began to develop coherent legislation and policies for this purpose, being aware of the benefits they were going to obtain.

Globalization has caused large corporations to expand their structures outside the borders, one of the considerations being the future fiscal implications, so countries with low or non-existent tax levels are preferred. These jurisdictions maintain attractive tax regimes and administrative formalities to a minimum to attract foreign investment, create employment opportunities within the local community, and encourage a transfer of competences within their jurisdictions.

Tax havens encourage unfair tax competition by reducing the tax base of other countries where taxes should have been paid and deprive governments of tax revenues that are so needed for socio-economic development.

Increasing institutional capacity, international tax reforms and collaboration between states can counteract this threat and may support governments to increase revenue collected to the budget.

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International Innovative Clusters – The Growth of Regional Competitiveness

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Abstract

The dynamics of clusters is an extremely complex process and is more visible in the regions where innovation and economic growth creates a favorable climate for collaboration and specialization, and also for competition in achieving outstanding performance. Romanian cluster policy was from the beginning until now, a part of industrial policy, neglecting non-industrial clusters with key role in the development of some intelligent services for economic growth and population welfare. Currently, Romania has successful clusters in various economic sectors and services: auto, wood industry, garment industry, agro-food industry, tourism, health and medical sciences, renewable energy, essential generic technologies (KET), creative and cultural sectors, construction, information and communications technology, naval and logistics. The partnership with EU Member States, with regions, with cities and with private sector is essential in the next process of industrial modernization, based on innovation. The study shows the role of innovative clusters in economic development at European and national level and cluster policies, which can be defined as specific government efforts to support clusters.

Key words: clusters, innovations, competitiveness, regional development

J.E.L. classification: O25, O30, O40, R11, R38

1. Introduction

The vector of development of regional economic systems determines modernization of an economy. Priority, here, is given to the principle of organizing a territory by clusters. There is a widespread expansion of organizational forms of inter-firm cooperation aimed at building closer links between firms and their suppliers and customers, as well as knowledge institutions engaged in innovation. The main feature of the information society, which is described in detail by Manuel Castells, 2000 is not so much the domination of information as the network logic of its use, which gives the disseminated information special qualities and functions. Therefore, the transition to a model of an innovative regional cluster and more sustainable development begins with the formation of an innovative person. This challenge will require many nations to conduct reforms that could let go of the familiar concept of "human capital" and to make an innovative person a partner on an equal footing with the other players, especially the science and business.

According to the neoclassical tradition, a necessary condition for the cluster definition is identification of stable interactions between economic agents. We are talking about the work of A. Marshall entitled "Principles of economics", which shows that industrial regions that host several companies engaged in related activities, are characterized by high levels of economic development. In the 2000s, the concept of an innovative regional cluster penetrated economies of developed countries (from Scandinavia to Japan) as a basis of the development of an innovative person. It also started to appear in decisions of the Baltic Development Forum and strategic documents of the EU as a new approach to the processes of integration and creation of a single knowledge market.

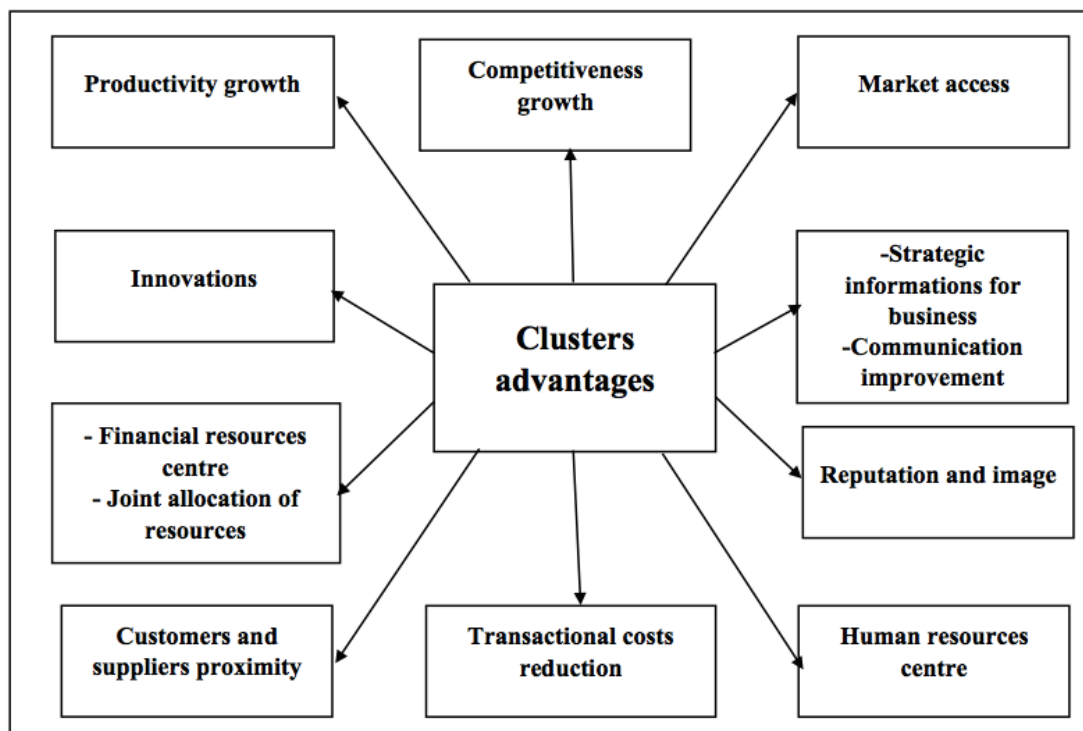
According to Michael Porter's definition: "*Clusters represent geographical concentrations of interconnected companies and institutions, which manifest themselves in a certain field of activity. Clusters contain a group of related industries and other important organizational entities from*

competition point of view. These include, for example, suppliers of specialized inputs such as components, machines and services, or suppliers of specialized infrastructure. Clusters often expand downstream to various distribution channels and customers and laterally to manufacturers of complementary products and to industries related through common qualifications, technologies or inputs. (Porter M., 1998). Inside the clusters, can be found government bodies or universities, vocational training providers and employers who provide specialized training, education, information, research and technical support” (Porter 1999). There are two key elements in Porter’s definition. Firstly, the focus is on the interconnections between the actors and the resulting positive externalities (for ex: skilled labour force, available locally, low transport costs, external economies of scale, transfer of know- how etc.), elements that make them fit into a cluster. The connections are both vertical (the chain of buyers and sellers), and horizontal (complementary products and services). The second fundamental feature is the geographical proximity of the group of companies within the cluster.

2. Theoretical background. The implications of clusters in regional development

The main theoretical tool used by Porter (2000, p.16), which explains the source of the local competitive advantage is ” the diamond of competitiveness”. The central part of the diamond is represented by the local context dynamics accentuated by the local competitiveness. The other strengths of this model are considered to be business rivalry, demand conditions, support industries and primary factors of production (local input). The interactions between the different components of the diamond are those that generate the competitive advantage of the cluster. According to this model, the role of local authorities is to contribute to the intensification of relations between factors. Porter distinguishes between policies that contribute to the expansion of the cluster (for example, the attraction of suppliers of goods or services in neighboring areas) and those that are focused on increasing the competitiveness of the cluster (for example, the creation of specialized educational programs) (Figure 1).

Figure no. 1: Clusters advantages



Source: Tanțău (2011)

The economic benefits generated by clusters serve both cluster members and the public interest whereas efficiency, level of innovation and vocational training reach higher levels.

Clusters bring different actors together along the value chains and can speed up innovative interactions between technologies, economic sectors, regions and policy tools. *Economic theory emphasizes the evolution from policies for clusters to industrial policies through clusters. The implementation of the cluster concept and the cluster policy in the EU* has a remarkable tradition, due to the existence of programs that have supported cooperation between industry, academia, research and innovation. It is the case of France, Germany, Sweden, where it is not accidental the association of the term cluster, with competitiveness pole (France, Belgium, Portugal), industrial district / industrial agglomeration (Italy), networks of excellence / networks of competence (Germany), regional centres of technologies (Denmark), centres of expertise (Finland). At European Union level, there is a variety of clusters in terms of size, specialization, approach, governance, life cycle, labeling, etc. that represent the fundamental resource for elaboration and implementation of intelligent specialization strategies. Secondly, there is the category of regional clusters, whose importance may not exceed the borders of the region funded at the regional level. These also have a special impact on economic development and have the potential to reach the rank of top-level clusters. The main purpose of each cluster is to achieve economic performance. The performances of a cluster can be evaluated on the basis of three success factors: the competitiveness of the cluster, the growth of the cluster and the level of achievement of the set objectives.

To ensure that this resource can be used efficiently, decision factors from EU Member States have three types of actions to take: a) to use cluster mapping for identifying regional competences; b) to support clusters in achieving the objectives of intelligent specialization and c) to strengthen local/regional cooperation and cluster internationalization. *Cluster Mapping and Cluster Benchmarking* are valorous tools which can be used for identification of intelligence specialization models and for comparison of economic activities, in the context of internationalization and of competitiveness, to which clusters must successfully cope. **Cluster Mapping** provides regional sectorial and cross-sectorial data and visualizes the geographical concentration of cluster development in Europe. The strength of cluster development is shown by "cluster stars", which indicates the presence of a critical mass, according to cluster's size, the level of its specialization and how efficient it is. Along with over 20 regional indicators, cluster mapping provides a key tool for local competitiveness analysis. *Benchmarking* is a comparative analysis of structures, processes, goods and services, through which a cluster learns how to develop and improve its performance. Benchmarking is an efficient way to identify the potential of a cluster and to develop some strategic recommendations for short-term development. Benchmarking is a tool, which can be easily integrated, in a strategic management of a cluster.

The factors that influence the evolution and development of a cluster are the following: presence of specialized research centres; existence of a base of talented specialists; existence of specialized trainings; intensity of competitiveness between companies; level of cooperation between cluster's companies; expansion of related industries in and outside the cluster; special demand for cluster's goods and services; cluster specific regulations; existence of cluster specific collaboration institutions; cluster specific attitude towards the source of economic prosperity.

As noted, all these factors present a specialized feature, thus becoming a source of competitive advantage. The performances of clusters are determined by several factors such as: access to specialized human resources, access to specialized knowledge, entrepreneurship based on capitalization of opportunities, collaboration between organizations, specific public regulations of the cluster and specialized technologies.

The access to specialized human resources is one of the main factors which contributes to the achievement of decisive competitive advantage. In this sense, within the cluster, a series of specialized processes, generating performance are continuously developed: a continuous process of specialized human resources recruitment, which allows the identification of persons with special competences necessary for the innovation process, and therefore to obtain the innovative result of the cluster; the continuous instruction and specialized training of the employees, thus the cluster gets to have employees with general experience and also specialists in certain fields, which gives it a certain stability of the workforce and even a better delimitation of tasks; the cluster introduces a

new type of organizational culture that goes beyond the borders of the enterprise and is based on a series of values the most important of which is innovation.

As it turns out from Porter's argument, clusters have an impact on competition in terms of productivity, innovation and the emergence of a new business. Productivity is analysed

from the following perspectives: facilitation of the access to suppliers and work force, access to specialized information, complementarity of companies' activity, their close connection with local institutions, a better monitoring of their activity. All these have a particularly important role, considering that innovation involves real-time knowledge and the possibility of market trends anticipation, rapid response and flexibility in case of changes.

3. Good practices at European and national level

In the European Union, clusters have been spoken for almost two decades, as the new support structures for companies, among the main goals having competitiveness maintenance, through human resources improvement, innovation generation with the help of universities and creation/preservation of a business friendly environment, through the collaboration with administrations.

In Germany, the first efforts to support clusters were made in the mid-1990s. Federal states (Länder), such as Bavaria, Lower Saxony and North Rhine-Westphalia started to implement clusters within their borders. In 1996, "Bundesforschungsbericht" (Federal Research Report), for the first time officially included clusters as a way to support innovation. In Germany, cluster policy has its roots in the support of networks in the technological field and the regional development and it still emphasizes these areas today, through the support programme of excellence networks.

Table no. 1 Areas of innovation and competence networks in Germany

Agronomic and food sciences	Education	Biomimicry	Biotechnology	Energy techniques	Genomic research
IT	Air and space navigation technologies	Maritime technologies	Research on materials	Medicine	Medical technique
Mechatronics / microtechnology	Nanotechnologies	Optical technologies/ laser techniques	Production technologies	Transport	Environmental technologies

Source: "Bundesforschungsbericht" - Federal Research Report

The most important goals of these German competence networks are: research and industry networking, innovation and technology transfer (also inter-thematic), professional training and qualification, quality and benchmarking (comparative analysis). According to Table 1, there are targeted 18 fields of innovation. In conclusion, both, the sixteen provinces and the federal level, represented by the Ministry of Education and Research and the Ministry of Economy are the main actors in the policy of cluster support in Germany, in a rather complex constellation

Table no. 2 – Examples of cluster support programs in EU countries – Role of regional authorities and impact

Country	Program	Role of regional government(s)	Focus	Main results reported
FR	Local Production System (SPL)	Organize application Co-fund and coordinate	Engage actors Networking Found joint activities	Employment growth 9% versus 5.7% in equivalent sectors with no SPLs.
DE	BioRegio (4 advanced high-tech regions)	Organize application Co-fund and coordinate/implement	Strengthen existing biotechnology clusters Finance/R&D/ Collaboration/ Networking- Coordination/Business Support	Total in 4 regions: >300% increase in the number of biotech companies >9000 jobs Regions: Higher than national average increase in biotech jobs.

DE	InnoRegio (Lagging regions in East Germany)	Organize application Co-fund and coordinate/implement	Strengthen existing biotechnology clusters Finance/R&D/ Collaboration/ Networking- Coordination/Business Support	Higher level of R&D activity Than East Germany average
ES	Basque country Competitiveness Program	Initiate, finance, coordinate	Engage actors Develop cluster strategy Networking	Public/private collaboration, strategic cluster orientation Creation of various exports consortia and technology projects.

Source: OECD report on clusters

However, in only 4 cases was information reported on the performance of the clusters, and this concerned the total number of clusters. In general, it indicated positive outcomes in terms of job creation or boosted R&D activity.

In France, the policy of cluster support was adopted in 2004 and implemented since 2005, by launching a new type of industrial policy under the name "France, industrial power", in order to increase the competitiveness of the economy. The goal was to improve the innovation capacity, of the employment degree and of the continuous training of personnel. The rationality of adopting the intensive industrial development policy of the country lies in the fact that industry is the main economic sector of the country, which absorbs about 90% of research and development expenses and contributes 80% to the total exports. Therefore, France has huge development potential that needs to be harnessed at the highest level.

The new industrial policy was launched after the determination of spatial planning policy inefficiency, implemented almost fifty years ago in the 1960s, whose main objective was to reduce regional disparities by avoiding the concentration of industrial activities in some rich regions of the country and supporting declining regions.

A new support attempt of this policy was held in 1987 through the initiative of local production systems creation (systèmes productifs locaux) – SPL, which had modest effects in terms of productivity growth and, implicitly, the competitiveness of enterprises. SPL were mainly focused on production activities.

SPL support policy then targeted financial support by the state, of companies with modest results in terms of productivity and strengthening the collaboration of companies from the same economic field, located in a certain geographical area. It was not taking into consideration the cooperation with research centers, with training centers of labor force or other institutions. The amounts allocated by the state through the calls for projects were modest initially, under the value of 40,000 euro. However, SPL can be considered the precursors of today's competitiveness clusters and poles.

The new industrial policy launched in 2004 - 2005 aims to focus on research and development and the poles of competitiveness are the instruments to materialize this policy. The 103 SPLs existing in 2005 were evaluated and those with research and development orientation and with potential for internationalization of the activities received the name of competitiveness poles. Next year, based on establishing a more complex set of evaluation criteria the rating of competitiveness poles was received by a number of 67 clusters and in 2007 their number increased to 71. In 2017, competitiveness poles were reorganized, some of them merged so that their number dropped to 68.

Currently there are three categories of clusters in France, namely:

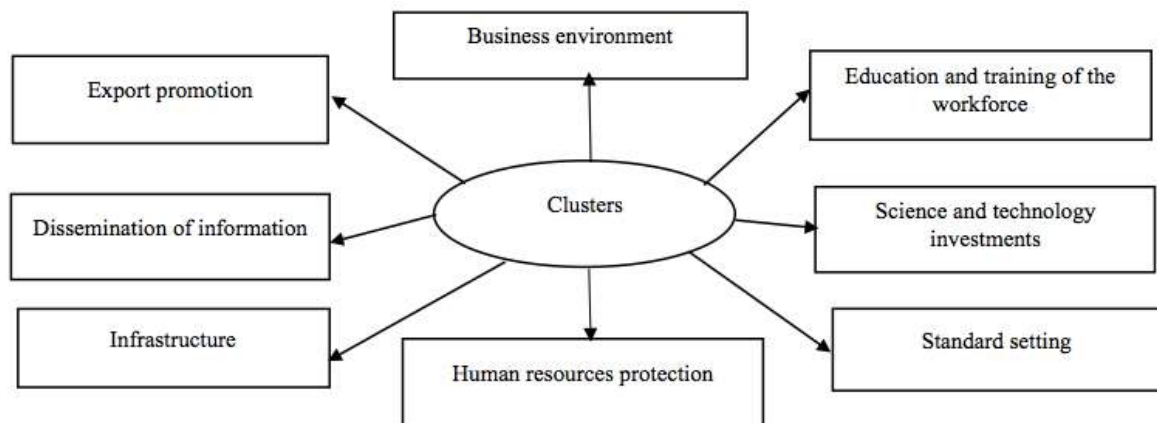
- A. Competitiveness poles;
- B. Business clusters (the so-called grappes d'entreprises);
- C. Regional clusters.

In Romania, clusters are a relatively new term, and in many areas they are not well known. On the other hand, we are talking about an evolution. About 20 years ago there was talk of business centers or chambers of commerce that had the role to catalyze the economic environment and to facilitate cooperation with universities, with local public administration. After that, 10-15 years ago there was a lot of talk about professional associations, also sectorial, on various fields of activity.

Cluj is rightly considered the capital of clusters because here are the only three clusters with the highest European certification, "Gold Label" from Romania. These are: AgroTransilvania Cluster, Cluster Mobilier Transilvan and Tech Transilvania Cluster. Only the time will tell whether clusters will succeed or not in maintaining their role as a catalyst or they will become digital innovation hubs. Transilvania IT Cluster created Transilvania Digital Innovation Hub, the only innovative digital hub in the North-West area of Romania, certified by the European Commission. These digital innovation hubs will represent the backbone around which all the financial support measures will be built from the programming period 2021-2027 on the Digital Europe and Horizon Europe program. Practically, the difference between cluster and digital innovation hub is as follows: when we are talking about an IT cluster, we are talking about companies in the IT area, of technology, which provides digitalization solutions, but in the digital innovation hubs we also include clusters from the other fields of activity, namely those economic actors which come with the demand for digitization solutions, the SMEs that need the services offered by IT clusters. In this regard, in Transilvania Digital Innovation Hub, were also included North Transylvania Cluster Consortium clusters: the cluster of agriculture, furniture, energy, and creative industries.

The Cluj model refers to openness and collaborative environment between clusters and the rest of the actors involved. Specifically, it's not about who gives the exact time, who is more beautiful or more important, but about when you can lead certain initiatives and when you can contribute only as part of the team. The experience of developed countries demonstrated that clustering processes serve as a foundation for constructive communication between the representatives of entrepreneurial sector and the state, educational and information environments, NGOs, etc.

Figure no. 2 Clusters and economic policy



Source: Scutaru (2018). Relansarea fluxurilor de investiții străine directe prin veriga clusterelor inovative, Editura PIM, Iași

The efficiency of the mutual relations from the innovation processes between the private sector, the state, trade associations, educational and research institutions, increased thanks to him.

As many other concentration at a world level, the Romanian cluster model has the following characteristics:

- ✓ Concentration (companies, localization in the region);
- ✓ Research and development units (research centers, universities);
- ✓ Labour force; here relevant are quality, quantity and the qualification of the labour force;
- ✓ Cooperation (current or planned projects, other types of cooperation);

The presence of a third party supplier of services (which provides services which are relevant for the cluster). The intensity of the above mentioned factors is different from cluster to cluster but as a general trend it is noticeable that as to the concentration of companies and labour force, the Romanian clusters are somewhat different as compared to the European ones, like the smaller number of members in a cluster and the existence of some catalyzing organizations (chambers of commerce, development agencies, local authorities) in the cluster (the model of the clover with a fourth leaf, mentioned for the first time by D. Cosnita in the analysis conducted by GTZ in Romania in 2010).

4. Conclusions

In recent years, a lot of research has been carried out in Romania, with the purpose of identifying potential clusters and competitiveness poles, specialized in various fields of activity, which varies according to the geographical framework, natural resources existing in the area and, not least, the qualification of human resources, supported by the existence of large university centres.

The creation of clusters in Romania is in the process of development and Romanian clusters need a period of growth and maturation in which the trust and collaboration between their members would gain value and consistency. And yet, if we refer to indicators of business, innovation and international relations materialized in export values of the clusters which already exist in Romania we can anticipate that there are some of them that have the vocation to become competitiveness poles. We mention that in Romania there are sufficient areas that will give rise to genuine competitiveness poles that combine business excellence with such a demanding field and, at the same time, so necessary in nowadays economy, the field of research and innovation. Such areas as: ITC, renewable energy, automotive, electronics, health, biotechnologies, mechatronics, represents the future resources of the Romanian economy. Romania is still far from unlocking its creative and innovative potential, which creates real growth opportunities for RDI field in the future and the opportunity to become a genuine competitor on international markets.

5. Acknowledgement

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Global Banks: The Race for Supremacy in 2018

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Abstract

The globalization of banking has become an important phenomenon of the economic world especially in the last decades. Today's global banking landscape is dominated by the Chinese and American banks. The aim of the paper is to briefly analyze the fierce competition for supremacy in the global banking system in 2018 by taking into account various criteria such as revenues, profits or assets. The authors achieved the objective of the paper by using a quantitative method. The information was gathered through a comprehensive literature review from numerous sources of secondary data from various domains. The paper shows that the Chinese banks dominated the global banking system last year.

Key words: global banks, China, United States of America, global banking system, financial globalization

J.E.L. classification: F3, F65, G2.

1. Introduction

Banking has become an increasingly global business since the Middle Ages. Twelfth-century Italy proved to be a fertile ground for the appearance of commercial banking. The rise of the Italian merchant banking houses (e.g., the Medici, the Bardi) was the result of the following two factors: the expansion of trade activities in the Italian coastal cities (e.g., Venice, Genoa, Amalfi) and the weakening of religious restrictions related to economic activity, especially in the Renaissance period (Roussakis, 1997; Cassis *et al*, 2016; Reinert *et al*, 2017). These large banking houses carried on a multitude of activities such as the financing of trade, the providing of loans, the formation of deposits, or the exchange of foreign currencies (Munro, 2002). Also, they extended their activities to leading European cities through a network of agents and numerous offices. Italian banks founded foreign branches to "assist their cross-border lending and trade finance activities" (Jones, 1990, p. 2) and to "effect payments and arrange for the delivery of the goods on behalf of their clients" (Smith *et al*, 2012, p. 3). Thus, the Italian banking houses dominated the international finance until the fifteenth century. Their place was taken by the German merchant banks (e.g., the Fugger, the Welser) as they fell into insolvency.

During the seventeenth century, the Dutch banks began to dominate the European finance. With the emergence and development of the capitalistic enterprise, the British banking houses (e.g., the Baring, the Warburg) started to rule the international finance since the end of nineteenth century until the World War I and London became the leading financial center of the world (Roussakis, 1997). Later, the U.S. banks (e.g., JPMorgan Chase, Goldman Sachs) became pre-eminent at the global scale as the United States of America (USA) transformed itself into the world's first

economic superpower. The international expansion of the U.S. banks continued after the end of Second World War. However, in the late 1970s the Japanese banks became aggressive competitors and threatened the American superiority. Today's global banking landscape is dominated by the Chinese and U.S. banks.

The globalization of banking has become an important phenomenon of the economic world especially in the last decades. The multiplication of financial and economic crises, the strengthen of the financial interconnectedness, the imperfect synchronization of business and financial cycles across countries, the increase of mergers and acquisitions, the existence of regulatory reforms, the changes in monetary policies and capital flows, the liberalization of financial markets, the expansion of cross-border banking networks, the improvements in technology and communications have been some of the main factors that influenced the evolution of the global banking system (Grossman, 2010; Cerutti *et al*, 2017; Toma *et al*, 2018a; Park *et al*, 2018; Agénor *et al*, 2019).

The aim of the paper is to briefly analyze the fierce competition for supremacy in the global banking system in 2018 by taking into account various criteria such as revenues, profits or assets. The paper comprises three sections besides the introduction. The second section provides the theoretical framework. The third section illustrates the research methodology. The fourth section displays the findings. The paper ends with conclusions.

2. Theoretical background

Based on financial globalization, a defining feature of the contemporary world economic system (Copelovitch, 2010), global banks represent the key concept of the paper. Financial globalization is related to the rapid increase of global ties developed through cross-border financial flows (Bexley *et al*, 2012). Global banks are defined as "financial firms owned by developed-market households, which engage in financial intermediation and trading in the world economy" (Morelli *et al*, 2019, p. 13).

In order to differentiate global banks from international banks researchers focus on the way in which a bank finances its foreign assets. It is said that a global bank uses „funds raised in a foreign market to finance its claims on borrowers in the same foreign market” and concentrates on „serving local markets locally” whereas an international bank uses „funds raised in its domestic market to finance its claims on borrowers in a foreign market” and concentrates on „cross-border business” (McCaughey *et al*, 2002, p. 42). Global banks can be characterised as follows (Cetorelli *et al*, 2014; Morelli *et al*, 2019):

- They are complex organisations.
- They are structured to incorporate affiliates all over the world.
- Their affiliates span numerous levels of ownership.
- The business-type variety of their affiliates shows distinct tendencies according to the economic geography of their parent organizations.
- They possess generally a superior number of nonfinancial affiliated entities in comparison with their affiliated banking organizations.
- They mediate and provide international lending and investment.
- They are highly diverse in terms of size.
- Their geographic presence is different.

Thus, the rise of global banks was the result of the wave of globalization in finance (Poelhekke, 2015). These banks are huge financial intermediaries competing in the world economic system. In this respect, Chinese commercial banks have become strong competitors for U.S. banks in the global banking system in the last decade as China is increasingly challenging the American global economic supremacy (Toma *et al*, 2017; Toma *et al*, 2018b; Jack, 2019). While these biggest Chinese commercial banks are still largely state owned, the American banks are private.

3. Research methodology

In order to accomplish the aim of the paper the authors used a quantitative method. Various sources of secondary data (e.g., articles, working papers, books) from the domains of banking, economics, and history provided the needed information for performing the literature review. The research was conducted mostly in a Romanian library where numerous books and several electronic databases (e.g., RePEc Archive, Oxford Journals, Taylor & Francis, Sage) were found and consulted.

4. Findings

In their race for supremacy, global banks obtained impressive results in 2018. Last year, the world's largest bank after revenues was the Chinese colossus Industrial & Commercial Bank of China with more than \$168 billion (Table 1). From a geographical point of view the ten largest banks of the world after revenues were from:

- China- 5 banks: Industrial & Commercial Bank of China, China Construction Bank, Agricultural Bank of China, Bank of China, China Development Bank;
- USA- 4 banks: JPMorgan Chase & Co, Bank of America, Wells Fargo, Citigroup;
- United Kingdom (UK)- 1 bank: HSBC Holdings.

Table no. 1. The world's largest bank after revenues in 2018

Rank	Name	Revenues (US\$M)
1	Industrial & Commercial Bank of China (China)	168,979.00
2	China Construction Bank (China)	151,110.80
3	Agricultural Bank of China (China)	139,523.60
4	JPMorgan Chase & Co (USA)	131,412.00
5	Bank of China (China)	127,714.10
6	Bank of America (USA)	110,584.00
7	China Development Bank (China)	103,072.90
8	Wells Fargo (USA)	101,060.00
9	Citigroup (USA)	97,120.00
10	HSBC Holdings (UK)	86,131.00

Source: (Fortune, 2019a)

In 2018, the Industrial & Commercial Bank of China gained more than \$45 billion in profit, the highest profit in the global banking system (Table 2). From a geographical point of view the ten largest banks of the world after profits were from:

- China- 5 banks: Industrial & Commercial Bank of China, China Construction Bank, Agricultural Bank of China, Bank of China, China Development Bank;
- USA- 4 banks: JPMorgan Chase & Co, Bank of America, Wells Fargo, Citigroup;
- UK- 1 bank: HSBC Holdings.

Table no. 2. The world's largest bank after profits in 2018

Rank	Name	Profits (US\$M)
1	Industrial & Commercial Bank of China (China)	45,002.30
2	China Construction Bank (China)	38,498.40
3	JPMorgan Chase & Co (USA)	32,474.00
4	Agricultural Bank of China (China)	30,656.50
5	Bank of America (USA)	28,147.00
6	Bank of China (China)	27,225.20
7	Wells Fargo (USA)	22,393.00
8	Citigroup (USA)	18,045.00
9	China Development Bank (China)	16,744.30
10	HSBC Holdings (UK)	13,727.00

Source: (Fortune, 2019b)

Global banks are among the biggest world's employers. Last year, the Agricultural Bank of China was the largest employer in the global banking system with more than 477,000 employees (Table 3). From a geographical point of view the ten biggest employers in the global banking system were from:

- China- 5 banks: Agricultural Bank of China, Industrial & Commercial Bank of China, China Construction Bank, Bank of China, China Development Bank;
- USA- 4 banks: Wells Fargo, JPMorgan Chase & Co, Bank of America, Citigroup;
- UK- 1 bank: HSBC Holdings.

Table no. 3. The number of employees of the world's largest bank in 2018

Rank	Name	Number of employees
1	Agricultural Bank of China (China)	477,526
2	Industrial & Commercial Bank of China (China)	449,296
3	China Construction Bank (China)	366,996
4	Bank of China (China)	310,119
5	Wells Fargo (USA)	258,700
6	JPMorgan Chase & Co (USA)	256,105
7	HSBC Holdings (UK)	235,217
8	Bank of America (USA)	204,489
9	Citigroup (USA)	204,000
10	China Development Bank (China)	9,507

Source: (Fortune, 2019a)

In 2018, the Industrial & Commercial Bank of China owned assets of more than \$4,027 billion, the largest in the global banking system (Table 4). From a geographical point of view the ten largest banks of the world after assets were from:

- China- 4 banks: Industrial & Commercial Bank of China, China Construction Bank, Agricultural Bank of China, Bank of China;
- USA- 2 banks: JPMorgan Chase & Co, Bank of America;
- France- 2 banks: BNP Paribas, Crédit Agricole Group;
- Japan- 1 bank: Mitsubishi UFC Financial Group;
- UK- 1 bank: HSBC Holdings.

Table no. 4. The world's largest bank after assets in 2018

Rank	Name	Assets (US\$B)
1	Industrial & Commercial Bank of China (China)	4,027.44
2	China Construction Bank (China)	3,376.52
3	Agricultural Bank of China (China)	3,287.36
4	Bank of China (China)	3,092.21
5	Mitsubishi UFC Financial Group (Japan)	2,812.88
6	JPMorgan Chase & Co (USA)	2,622.53
7	HSBC Holdings (UK)	2,558.12
8	Bank of America (USA)	2,354.51
9	BNP Paribas (France)	2,336.66
10	Crédit Agricole Group (France)	2,123.61

Source: (Garrido et al, 2019)

By taking into account the above mentioned criteria (revenues, profits, assets, employees) the global banking system revealed several main features in 2018 as follows:

- The ten largest banks of the world were located in Asia, North America and Europe.
- The Chinese banks and U.S. banks were the major players and dominated the hierarchies.
- The Industrial & Commercial Bank of China was the world's largest bank in terms of revenues, profits and assets.
- The total profits gained by the Chinese banks were superior to those obtained by their American counterparts.

- The total assets owned by the four largest banks of the world surpassed \$13,000 billion. All of them were Chinese.

5. Conclusions

The paper contributes to the development of the scientific literature related to the global banking system, in general, and the global banks, in particular. Firstly, it explains the strong relationship between financial globalization and global banks. Secondly, the paper presents the main characteristics of the global banks. Thirdly, it analyzes the incessant race for supremacy between the Chinese banks and the U.S. banks in the global banking system. Fourthly, the paper shows that the Chinese banks dominated the global banking system in 2018. Further researches might expand this study by taking into account other criteria such as the Tier 1 capital or the market capitalization.

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Coordinates of the Global Performance in the Pre-university Educational System

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Abstract

Given the changes at the global level, the Romanian pre-university educational system must modify its mission, vision, educational offer so as to obtain the best results and to obtain performance. Thus, considering the importance in reflecting performance in the pre-university educational institutions, we proceed to present some tools for revealing the global performance of these institutions.

Key words: performance, quality, performance tools, results

J.E.L. classification: A21

1. Introduction

The Romanian educational system has been subject to successive reform measures, of structural and functional renewal. These changes mainly focused on the legislative framework, the curricular offer, the reorganization of the educational units, perfecting the initial and continuous training programs for teachers and generalizing the ten years compulsory education (Cucoş, 2009, p.17). The educational system, including the pre-university one, involves educational steps programmed and realized in specialized institutions, a continuous effort to train the human being.

Performance is the necessary lever to achieve certain goals, but also a motivating factor to be better in competitive conditions. Currently, the major objective of the pre-university educational process on the path to modernization is closely linked to the concept of quality, meaning that there is the desire to get closer to the international standards. The improvement of the informational-accounting system in the pre-university educational institutions aims to involve the entire category of resources: human, educational, financial and informational.

Our research is motivated by the need to reflect the global performance of the pre-university educational institutions taking into account the current requirements of the society; "information regarding financial performance remains confusing, and the decisions which were taken based on them are insufficiently substantiated and unrealistic" (A. Ştefănescu, E. Ţurlea, O. Vladu, 2010, p. 36).

2. Literature review

N. Albu, C. Albu (2005, p. 30-34.) considered the word performance is the bearer of an ideology of progress, effort and always improving, it implies a behavior which depends on means, activities, objectives and not a static, singular result. In C. Cucoş (2009, p.506) opinion performance refers to results of an objective - material, cultural - spiritual or active nature, but also to create a value. From a dimensional point of view, the performance presents three aspects: financial (profitable relations, balancing the exchange with third parties, fair remuneration); social (quality of services provided, good working conditions, respecting human rights); environmental (preserving the quality of the environment). Reynaud E (2003, p.15) considers that global performance lies in the ability of pre-university educational institutions to create value for all parties involved. It is represented by the sum of economic, social and environmental performances.

The economic performances of the pre-university educational institutions are represented by obtaining better results than the objectives, while the social performance presupposes that the mission of the pre-university educational institutions becomes a reality, meaning the quality of the educational services offered to be reflected by the obtained results. Environmental performance takes into account biodiversity, environmental compliance, environmental costs or the impact of educational services offered on the environment.

N. Albu, C. Albu (2005 p. 39) presented some performance tools in the pre-university educational systems: dynamic planning, quality monitoring, teamwork organizing, technology use, change management, tracking results and improving skills.

A model of performance analysis based on results and quality. The quality of the pre-university education can be reproduced by the effort made by it to achieve the progress of the students compared to the previous level. This paper presented the results of the National Evaluation Exam for the students in the VIIIth grade by technological highschool from Olt county in last two years. We would like to mention that the research in this field is very few and that it is very difficult to appreciate the global performance at the level of pre-university educational institutions.

3. Research methodology

The reasearch methodology may be assimilated to a structured and coherent system of rules, principles, methods, instruments and know-how (Ristea and Franc, 2009, p.33). The scientific knowledge of the facts, phenomena and social processes is aquired through some well defined concepts, using some compelling research methods and techniques, or following the

objective description of the social life (Chelcea2007, p. 48). This plays an important role in all institutions, including pre-university educational ones, as well as in our society.

The premise which began this scientific endeavor was the need to outline an image on how to reflect global performance in the pre-university educational institutions.

Given the characteristics of the field, the research methodology which was used is standardized, being constructed by first identifying, study and systematize the specialized literature but also a factual documentation carried out in the pre-university educational institutions as well as the county school inspectorates.

4. Performance dimensions in pre-university educational system

Pragmatically, relating strictly to the accounting figures, performance in pre-university educational institutions could be perceived as follows: the surplus of incomes in respect to the expenses, the minimum difference between the initial budgetary provisions and the definitive budgetary provisions, respectively between the initial budgetary credits and final budgetary credits, a level as high as possible for revenues and as rational as possible for expenses. All these data are summarized in the balance sheet and the budget execution account. Is this sufficient in order to describe performance in pre-university educational institutions, given that education is the determining factor for society's progress? Maybe, but it describes only partially the financial performance.

Education has a vital role in the development of civilization, culture, humanity, to increase the degree of order and rationality in social life, to cultivate spiritual values and conferre a high status to the human condition. This idea is also supported by Nelson Mandela, who stated that: "education is the most powerful weapon that can be used to change the world" (<http://www.un.org/en/globalissues/briefingpapers/efa/quotes.shtml>)

Education's finality is to form the human personality, through the acquisition of scientific knowledge, of the national and universal cultural values, the formation of intellectual capacities and practical skills, through the assimilation of humanistic, scientific, technical and aesthetic knowledge. In particular, education is required to produce value for as many beneficiaries as possible, to have social conscience, to have performance.

In these conditions, we naturally ask ourselves the questions: how is the harmonization between the quality of public services and the need to minimize budgetary expenses in order to obtain performances by public institutions? What does performance mean for a public pre-university educational institution?

From a general point of view, "performance shows the ability to progress through constant efforts. The word performance is the bearer of an ideology of progress, effort and always improving" (Albu and Albu, 2005, p. 30-34.), it implies a behavior which depends on means, activities, objectives and not a static, singular result; it refers to results of an objective - material, cultural - spiritual or active nature, but also to create a value (Cucos, 2009, p. 506).

From a dimensional point of view, the performance presents three aspects: financial (profitable relations, balancing the exchange with third parties, fair remuneration); social (quality of services provided, good working conditions, respecting human rights); environmental (preserving the quality of the environment). Financial performance is associated with profitability (procurement of the necessary resources at the lowest cost), efficiency (to maximize the results, starting from a given amount of resources, or to minimize the amount of resources for a predetermined result) and efficaciousness (the obtained results match the provisioned results). In accounting terms, which is in search of legitimacy, truth, performance signifies a faithful image, generated by giving accurate, complete, punctual and relevant information regarding economic facts and processes, expressed in a monetary standard.

Global performance lies in the ability of pre-university educational institutions to create value for all parties involved. It is represented by the sum of economic, social and environmental performances (Reynaud, 2003, p.15). The economic performances of the pre-university educational institutions are represented by obtaining better results than the objectives, while the social performance presupposes that the mission of the pre-university educational institutions becomes a reality, meaning the quality of the educational services offered to be reflected by the obtained results. Environmental performance takes into account biodiversity, environmental compliance, environmental costs or the impact of educational services offered on the environment.

Performance is expressed by an increased value attached to education, but also the intensity with which an individual contributes to the development of the society, in relation to the goals and standards that were set. What is the social and environmental dimension of this increased value? There are complex aspects, difficult to appreciate, considering the diverse spectrum of the fields in which the training is carried out, the absence of quantitative indicators and the difficulty of considering and quantifying all the activities generating education.

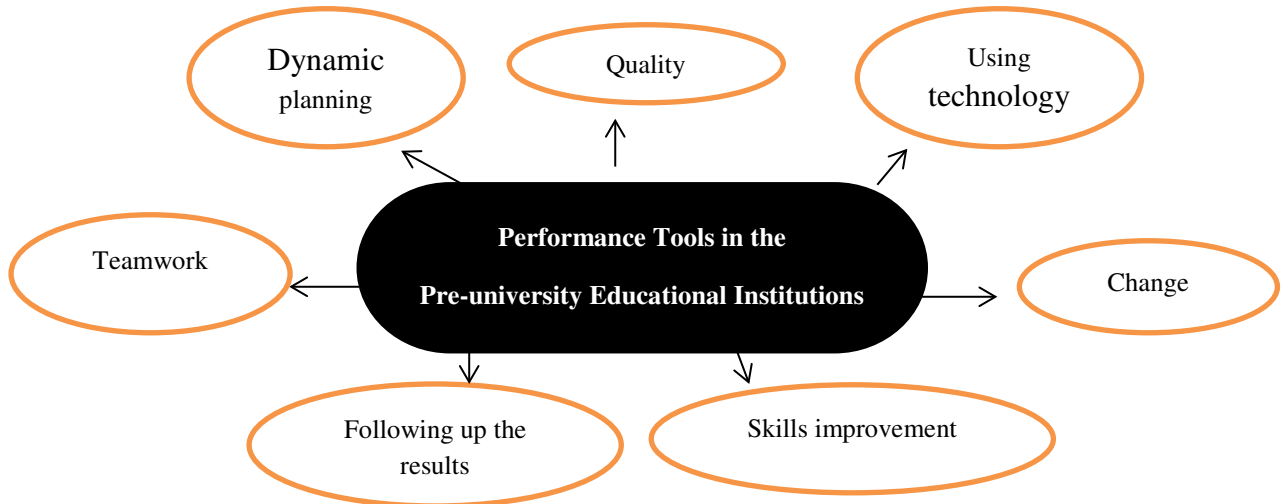
However, we conclude that there is no aggregated information regarding the insertion in the labor market of the beneficiaries of education in relation to the specialization they followed, to the impact produced by the practical activity on the theoretical knowledge, the degree of access to higher levels of education, the degree of capitalization of the knowledge acquired during the student years, the satisfaction of the employers, etc.

We also do not exclude the possibility of completing the information contained in the financial reports with elements regarding the ability of pre-university educational institutions to adapt to the ever-changing environment: identifying and flattening risks, justifying the quality by referring to the beneficiaries of education, evaluating the human resource, with all the more so as, in this field, the quality of the human resource is directly affecting future generations.

5. Performance Tools in the Pre-university Educational Institutions

The pre-university educational performance aims at a dynamic planning, quality monitoring, teamwork organizing, technology use, change management, tracking results and improving skills (Albu and Albu, 2005 p. 39), as shown in figure no. 1:

Figure no. 1: Performance Tools in the Pre-university Educational Institutions



Source: Own processing

Offering quality educational services, the degree of insertion on the labor market, the realization of projects that fit in time and within the established budget, the degree of commitment of the staff is reflected in the results obtained and in accordance with the expectations of the students, parents and of the society, the achievement of educational projects and the degree of commitment of the staff in relation to their responsibilities. A model of performance analysis based on results in Olt County level is shown in chart no. 1:

Table no. 1. The results of the National Evaluation Exam for the students in the VIIIth grade

School year	Promotion according to mean:			
	< 5	5-6.99	7-8.99	9-10
2018 - 2019	20%	53%	6%	2%
2017 - 2018	50%	16%	25%	8%

Source: own processing based on the data pgiven by a technological highschool from Old county

The percentage of exam promotion at the National Evaluation for the eighth-grade students is higher in the 2019 session compared to the one of 2018, due to students and parents, the students' presence at the additional training hours, a better school-family collaboration. The results of the baccalaureate examination are shown in the chart no. 2:

Table no. 2 Comparative situation of the baccalaureate examination results

Session		Unattending	Eliminated from the exam	Rejected (% from the number of the ones who participated in the examination)		6.00 - 6.99	7.00- 7.99	8.00- 8.99	9.00- 10.00
				< 5 at least one subject	≥ 5 all subjects but with mean < 6.00				
2019		11,42%	-	74%	0%	6%	10%	0%	10%
						Total promoted 26%			
2018		7,57%	-	52%	0%	13%	12%	18%	5%
						Total promoted 26%			

Source: Own processing based on the data provided by technological highschool from Olt county

The percentage of promotion in the Bacalaureate exam is lower in 2019, compared to the previous year, due to the lack of interest expressed by students, teachers and parents who did not respond to the requests. These results are for guidance only, they need to be expanded nationally to reflect the performance in pre-university educational institutions.

6. Conclusions

All institutions aim to achieve performance in their field, except that this fact is viewed differently depending on the purpose pursued and the specificity of the activity. In the public institutions, the performance analysis based on the documents drawn up is carried out only through the patrimonial result account, but this analysis, it is not sufficient to establish whether a pre-university educational institution is efficient, taking into account the fact that it pursues the provision of quality educational services.

The performance of pre-university educational institutions is reflected in the results obtained, and these depend to a large extent on the quality of the educational process. In order to achieve the change in the pre-university educational institutions and to improve the quality of the educational act, a series of transformations regarding the mission and the vision of these institutions are needed, the modification of the educational offer, the performance improvement of the evaluation and reward system, changes in the organizational structure and others.

7. Acknowledgement

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Regional and International Development Policy of Georgia International Formats of the Black Sea and Georgia

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Abstract

In the wake of global geoeconomic and geopolitical changes, Georgia, as well as a number of European countries, is undergoing the heavy dynamics of the foreign policy, as well as the diversification of forms of regional and international relations. The welfare and security of the Georgian population depends on how rational the process will be.

We need to talk about formats, conflicts and future cooperation of the Black Sea basin, both economically and geopolitically. The topic is devoted to the political perspective of the Seven of the Black Sea and gives an in-depth analysis of the strategic importance of the Black Sea as a whole, the role of the EU in terms of the partnership of the Seven Seas and the development of regional and Black Sea cooperation in Georgia.

Key words: Foreign policy; Regional development; Strategic geopolitical cooperation; Geopolitical status of the Black Sea Basin

J.E.L. classification: F5, H5, H7

1. Introduction

For the last 15 years, the attention of European politicians was mainly focused on the traditional, South Caucasian dimension, which included Azerbaijan, Armenia, Georgia (AGA). There have been serious efforts to enhance the trilateral cooperation, and there have been major investments, but these processes finally broke at the beginning of third millennium because of the unresolved Karabakh conflict.

Since the beginning of 2004, the intensification of cooperation of Georgia with the Black Sea countries has caused jealousy of Azerbaijan and Armenia, despite they are they are represented in some Black Sea formats.

It is important for Georgia to build an international political concept in itself that does not exclude regional cooperation of different dimensions and strives to complement one another and focus on effective cooperation. Georgia should be interested in the cost-effective diversification of dimensions and the process of international regional cooperation.

Against this background, it is important by neighboring countries and partners to be understood the fact that the country can and should participate simultaneously in different regional dimensions and in their respective formats.

A variety of dimensions and formats provide additional resources for responding to various challenges and threats of modernity. At the same time, the EU should bear in mind that the pace of diversification of regional dimensions / formats for Georgia may be preceded by a lengthy process of planning and decision-making at EU level.

Each regional dimension (South Caucasian, Caucasian, Black Sea, Black and Mediterranean Sea, Black and Baltic Sea, Black and Caspian Sea, etc.) in which Georgia participates, has several relevant formats - applicable and promising. The variety of combinations of these different forms of cooperation can have a very positive impact on the development of political and economic indicators of the country.

2. Theoretical background

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

Regional policy in Georgia is now gaining momentum an important area of cooperation under the Association Agreement and the Single Support Framework 2018-2021, which define the priorities for EU support in Georgia.

Government of Georgia recognizes principles of democratic development, rule of law, efficient administration, respect for human rights and basic freedoms; the Government's policy is based on those principles. Integration in the European Union is the cornerstone of Georgia's foreign and internal policy. Government of Georgia intends to adhere to democratic development course and ensure firm Social-economic Development Strategy of Georgia 4 support to universal European values, which will be basis for getting closer to the EU. Correspondingly, effective implementation of Association Agreement between EU and Georgia (whose integral part is Deep and Comprehensive Free Trade Area) is very important as it is a precondition for political association and gradual economic integration with the EU. (Regional Development Programme of Georgia "GEORGIA 2018-2021")

3. Dimension of the Black Sea Basin

The maritime neighbors of Georgia, such as Ukraine, Bulgaria, Moldova and Romania are one of the most important partners in the fields of politics and economics. Today, they are perceived as neighbors, while only a few years ago only Russia, Azerbaijan, Armenia and Turkey, which have land borders with Georgia, were considered neighbors.

Some impediments to the development of Black Sea Basin cooperation:

- The imperfection of the concept of development of its dimension and formats;
- The absence of a common geopolitical view of Black Sea regional cooperation. Different geopolitical orientations of countries;
- Uncertainty with subregions of the Black Sea basin. Ignorance of this important component at the state level, lack of funds, necessary to organize subregional and regional cooperation issues;
- Negative historical stereotype related to pressure, distrust from neighbors; the desire to dominate the region in large countries, the problem of leadership distribution between countries, confessional differences;
- Armed conflict in Abkhazia.

At a meeting of the BSCC Experts at the Black Sea Commission on Conflicts in Vienna in November 2005, the suggestion was adopted, that if the definition of large Black Sea Coast is introduced at the expert level then the notion of a small Black Sea is logical.

This issue is very important to determine the future structure of Black Sea security. According to BSCC, the small Black Sea Coast includes the coastal region of seven Black Sea countries - Bulgaria, Romania, Ukraine, Russia, Georgia, Turkey and Moldova.

The resulting system may look like this:

- The Black Sea coast country – that is the country that has a Black Sea coast and has a navy (such countries are six - Ukraine, Russia, Turkey, Bulgaria, Romania and Georgia);
- The Black Sea Basin country - that is a country that has a coast or direct access to the Black Sea (such countries are seven - Ukraine, Russia, Turkey, Bulgaria, Romania, Georgia and Moldova).

4. European Inner Sea - Black Sea ?!

The notion of the Black Sea - as of inner Europe, is actively supported by analysts and politicians of Tbilisi, especially after the "Rose Revolution". They perceive the Black Sea region as strategically correct, as the part of the European macro-region.

They outline three key strategic priorities of international regional policy:

- NATO integration;
- EU integration;
- Development of Black Sea Regional Cooperation.

As we can see, Black Sea regional cooperation is discussed along with the above dimensions. This is very important, despite the regional dimension of the Black Sea is much lower than the first two, which have transcontinental and macro-regional levels, to say nothing about the Black Sea institutions, which are underdeveloped. (Chitadze, 2017, pp. 89-110)

5. The European Union as a partner of the Black Sea region

Ideologically and according to the integration, the processes in the Baltic region are far ahead of the Black Sea region. It is due to the fact that once Germany, Sweden and Finland appeared in the role of locomotive, which have received a significant financial support from EU for the development of the Baltic region. Those in the southern dimension are also keen on facilitating the process.

The European Union should launch moral and strategic moves in the region by adoption of a new European and Euro-Atlantic strategy. In this respect, the EU has already taken decisive steps, by engaging South Caucasus and Ukraine in the European neighborhood policy.

The question, why the EU did not create the "Black Sea dimension" in its policy, when the regional approach would be more effective in supporting the development of some of the Black Sea and Baltic states, which is fully applicable to Georgia and the entire South Caucasus region, is timely and needs in-depth study. This would facilitate development of sectoral initiatives such as INOGATE, TRACECA, the pan-European transport corridor, etc.

The absence of a systematic approach is evidenced by the real steps already taken in the field of cooperation within the common foreign and security policy, which also requires "regionalization", i.e. it should be given a regional character and dimension, as well as the rest of the EU strategy. (Heywood, 2016, p.28)

Therefore, it would be desirable to support the following initiatives:

- Support of the conceptual issues related to the Black Sea region;
- Popularization of the idea of "Black Sea –European Inner Sea";
- Development of identification of the Black Sea region as part of the South European macroregion;
- Development of relations with small countries of the Black Sea;
- Commence of the process of resolving the conflict in Abkhazia and Samachablo as an armed conflict in the Black Sea coast;
- Developing cooperation with the Society of Democracy and the United Nations Democracy Fund;

6. Conclusions

Georgia should not slow down the pace of European and Euro-Atlantic integration, as Azerbaijan and Armenia fail to resolve the conflict and reach mutual understanding. This tripartite format is not a panacea; there are other less conspicuous formats in this regional dimension (though its potential is not exhausted yet). Closer relations with the European Union allows us to implement a number of reforms today and to bring the country closer to the Copenhagen standards for common standardization and harmonization. The positive and negative experience of Turkey in the process of EU integration is also very interesting. Thus, the declared aspiration of the four countries towards European integration would contribute to the formation of the new South

Caucasus regional format (AGAT - Azerbaijan, Georgia, Armenia, Turkey). Prospects for regional cooperation of states in the format of transport is also very interesting, which becomes urgent by the construction of the Kars-Akhalkalaki-Tbilisi-Baku railway, connecting Central Asia with the Balkans. This is a very promising project not only for Georgia but also for the countries of the South Caucasus as a whole.

The prospect of increasing the railway lines to Central Asia is not only a regional but a transregional, continental initiative, which, if properly managed, can play a major role in global transport and energy security.

By participation of Iran, the energy interests and global security issues form the basis for another successful South Caucasus format (GITARA - Georgia-Iran-Turkey-Azerbaijan-Russian Federation-Armenia), however, there is a difference of opinion among experts - whether Iran is a country of the South Caucasus, or just borders it. Discussing this issue and the existence of such an important neighbor in regional politics is one of the priority tasks. It is necessary notness this format with the six-sided format (3 + 3), supported primarily by Iran. The project (GITARA) is a development of the AGAT format and all other formats.

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Section II

Regional Development, Integration and Globalization

Migration and Health System in Romania

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Abstract

The health system is vital for any society, especially for developing societies and economies, such as Romania. Health system represents a barometer for the progress of a state, the quality of medical services and the health status of the population being indicators of the level of development. The purpose of this study is to establish if there is a link between the health system and migration, and for this we analyzed the variables: mortality rate, born dead, number of hospitals, number of doctors and number of emigrants. The analysis was reported for Romania, the year 2017.

Key words: migration, health system, mortality rate, born dead, hospitals, doctors

J.E.L. classification: C21, C38, I15, F22, O15

1. Introduction

The health system is a vital one for any society, and even more so for developing societies and economies, such as Romania. Health represents a barometer for the progress of a state, the quality of the medical services and the health status of the population being indicators of the level of development, so that the research of the health system becomes a priority area and a real necessity.

Health systems are defined by the financing mode. The health systems used in Europe are the following: Bismarck system, Beveridge national health system, Semasko centralized health insurance system and private health insurance system. In Romania since 1999 the Bismarck type health system operates, but it also has influences from the Semasko and Beveridge models. The characteristic of the structure of this system is represented by the health contribution, both by the employer and by the employee. (Bârliba and Sinițchi, 2008).

The Eurostat 2016 report places Romania on last place regarding the efficiency of the health system and its ability to save lives. In 2013, almost half of the deaths that occurred in the Romanian hospitals could have been avoided given the technological evolution and the current medical knowledge (<https://ec.europa.eu/eurostat>). Out of the 18 million inhabitants of the country, about 8 million pay for social health insurance, which means that the percentage of taxpayers is below 50% and the percentage of those insured is almost 90%.

Given the limited resources existing in the health system, their efficient allocation and use to generate the most sustainable effects should be considered as a public policy priority. The results of the efficient use of the resources in the health system result in a better state of health of the population, the reduction of morbidity, which can generate in the long term an increase of the healthy life. Of these factors, human resources play a decisive role, being the key factor that ensures the functioning of the system.

The volume, as well as the quality of human resources in the health system, have undergone severe changes in recent years, as a result of an exodus of medical personnel abroad, in the context of the increase of the general Romanian migration.

2. Literature review

Migration allows people to travel where they are best, both socio-educationally and financially, having implications in many areas, such as: social, demographic, psychological, economic, political, military and even ecological. (Vasilescu and Apostu, 2017).

In Romania, migration has grown since the 1989 revolution, and its trend is constantly increasing. The evolution of migration and its influencing factors is one of the most discussed research topics in the literature. The main causes of migration are: irregular development in the economy, health and education, relaxation of traditional social constraints, rapid population growth, political and economic marginalization, environmental degradation and conflict or war. In Romania this phenomenon was caused by the transition from communism to democracy and the level of economic development (Rotariu, 2009).

Migration has many advantages and disadvantages. The consequences of migration are: the considerable reduction of the population that leads to an economic downturn, the increase of the phenomenon of aging of the population, family problems, problems among the children left in the country, dysfunctions in the labor market, the emigration of the skilled labor force, the wage distortion, the development of the economy, reducing the state budget, especially the public health and pensions. The advantages of migration are: remittances that lead to increased incomes and consumption and to reduce poverty in the short term, reduce unemployment and increase the skills of workers left for work (Roman and Voicu, 2010).

Also, the results of the studies show that people who migrate are predominantly young people capable of work, and the factors that most influence this phenomenon are the economic and social ones. (Apostu, 2018).

3. Data and method

The analysis of migration and health system was performed in 2017 for Romania. The data source is represented by the website of the National Institute of Statistics, <http://statistici.insse.ro>. The analyzed variables are: mortality rate, born dead, number of hospitals, number of doctors and number of emigrants.

The number of emigrants represents the total number of emigrants from Romania in 2017.

The mortality rate represents the number of people who died in a year compared to the population as of July 1 in the current statistics and is expressed in the number of deaths per 1000 inhabitants.

The born dead variable represents the number of persons born dead in Romania in 2017.

Doctors represent the number of doctors in Romania in 2017.

Hospitals represent the number of hospitals in Romania in 2017.

The methods used in the analysis are regression analysis and the principal components method.

Principal component analysis (ACP) is a descriptive method of multidimensional analysis that is applied to the study of focused and small numerical variables. ACP is a method of factorial analysis that reduces a complex system of variables correlated with a small number of latent variables (Pintilescu, 2007).

The principle of this method is to extract the smallest number of components to reflect as much as possible of the total information contained in the original data, the components being constructed so that they are not correlated with each other, each of these new variables being a linear combination of original variables. (Giannelloni & Vernet, 2001)

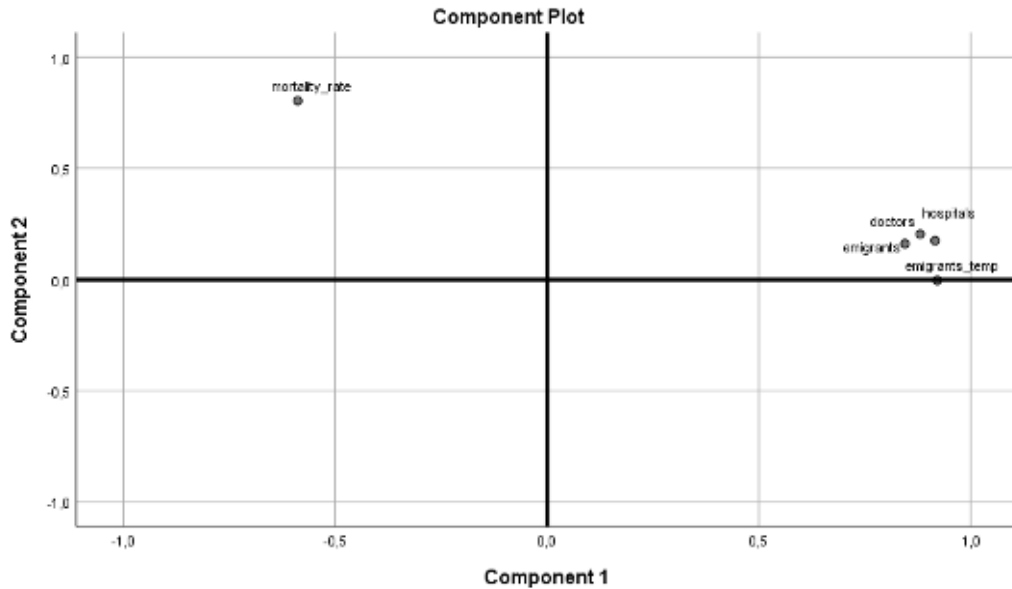
The regression implies the existence of a statistic link on the behavior of some variables (Jaba, 2002). A phenomenon is the result of the action of one or more factors. The linear regression models, its variants and extensions are the most useful and used statistical tools for research (Fox, 1997).

Regression analysis is a statistical method by which we study and measure the bound that exists between two or more variables, as well as discover the relative law according to the links between variables (Jaba, 2002). The multiple regression model describes and evaluates the relationship between a dependent variable and at least two independent variables in order to predict the mean value of the dependent variable, knowing the values of the independent variables.

4. Findings

The graphical representation of the variables registered for the Roamnaian counties for 2017 (Figure 1) emphasizes that the variables number of doctors, number of hospitals, number of emigrants and number of temporary emigrants are located on the first factorial axis, which means there is a direct connection between these variables. On the second factorial axis lies only the variable mortality rate, highlighting an inverse link with the rest of the variables.

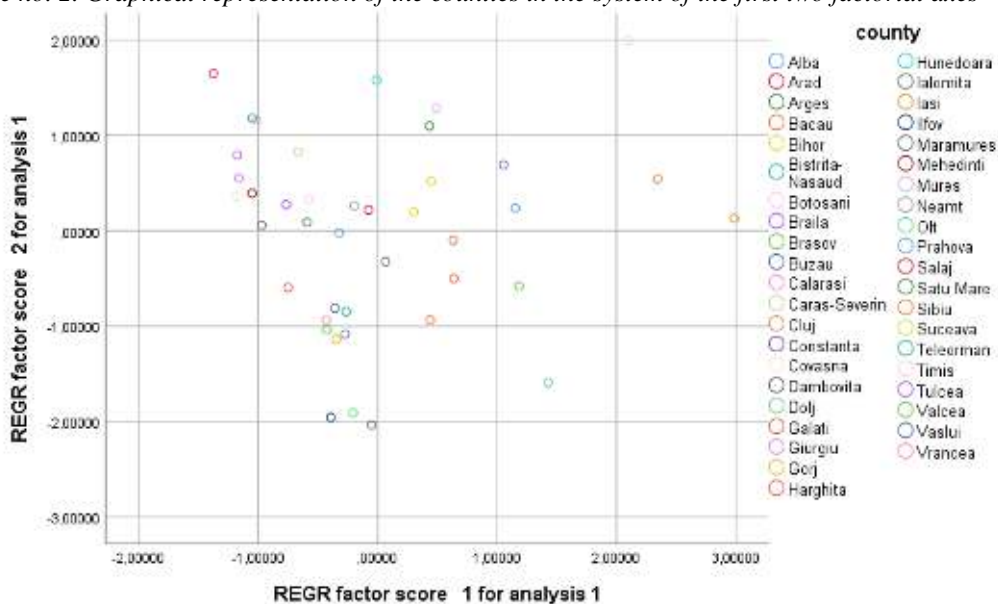
Figure no. 1. Graphical representation of the variables in the system of the first two factorial axes



Source: Own Projection, using SPSS

The graphical representation of the counties in the system of factorial axes, relies that the counties with high mortality rates are: Sălaj, Bistrița Năsăud, Călărași, Hunedoara, Mehedinți and Tulcea. The counties registering big values for number of doctors, number of hospitals, number of emigrants and number of temporary emigrants are: Iasi, Dolj, Prahova and Timiș (Figure 2).

Figure no. 2. Graphical representation of the counties in the system of the first two factorial axes



Source: Own Projection, using SPSS

As in the main component analysis, from the correlation matrix (Table 1) it is observed that between the variables number of emigrants, number of temporary emigrants, number of doctors and number of hospitals there is a direct link, the largest being between the number of temporary emigrants and the number of hospitals. Another strong link is between number of doctors and number of hospitals, followed by the link between number of emigrants and number of temporary emigrants. Between these four variables and the mortality rate the link is inverse, the highest in intensity being between the mortality rate and the number of temporary emigrants. Therefore, when the number of hospitals increases, the number of doctors increases, the mortality rate decreases, but also the number of emigrants, both permanent and temporary, increases.

Because the number of permanent emigrants is smaller than the number of temporary emigrants and permanent emigrants can also include temporary emigrants, we performed a regression analysis in section, having as dependent variable the number of temporary emigrants and as independent variables: number of doctors, number of doctors hospitals, number of born dead and mortality rate, in Romanian counties. The model is valid and the determination ratio is 0.96, meaning 96% of the variation in the number of emigrants is due to the variation in the number of dead babies, the mortality rate, the number of hospitals and the number of doctors.

Table no. 1 Correlation Matrix

		hospitals	doctors	emigrants	emigrants_temp	mortality_rate
Correlation	hospitals	1,000	,818	,686	,842	-,397
	doctors	,818	1,000	,692	,720	-,378
	emigrants	,686	,692	1,000	,729	-,373
	emigrants_temp	,842	,720	,729	1,000	-,512
	mortality_rate	-,397	-,378	-,373	-,512	1,000
Sig. (1-tailed)	hospitals		,000	,000	,000	,005
	doctors	,000		,000	,000	,007
	emigrants	,000	,000		,000	,008
	emigrants_temp	,000	,000	,000		,000
	mortality_rate	,005	,007	,008	,000	

Source: Own Projection, using SPSS

The results (Table 2) show that the variables: mortality rate, number of hospitals and number of borndead are statistically significant, but the number of doctors is not statistically significant. When the number of hospitals increases by one unit, the number of emigrants increases by 177.41 persons, when the number of born dead increases by one unit, the number of emigrants increases by 139.34, and when the mortality rate increases by one percentage, the number of emigrants decreases by 677.08 persons. When the number of born dead increases, it is normal for the number of emigrants to increase as they seek better conditions from all points of view. In contrast, when the number of hospitals increases, we would expect the number of emigrants to decrease, but in our analysis the number of emigrants increases. One reason for this increase may be the fact that the emigrants do not trust the health system in Romania and its efficiency. The same situation is encountered in the case of the variable mortality rate, when it increases, we would expect the number of emigrants to increase, but in our analysis it also increases, an explanation being that those who emigrate do not trust the health system in Romania, and the decision to emigrate is not significantly influenced by the mortality rate, but by the number of hospitals and economic factors.

Table no. 2 Regression analysis

	Temporar Emigrants 2017			
Number of Observations	42			
Mean dependent var	5766.5	Number of Variables	5	
S.D. dependent var	3156.26	Degrees of Freedom	37	
R-squared	0.964499	F-statistic	251.306	
Adjusted R-squared	0.960661	Prob(F-statistic)	2.84854e-026	
Sum squared residual	1.48537e+007	Log likelihood	-327.893	
Sigma-square	401453	Akaike info criterion	665.787	
S.E. of regression	633.603	Schwarz criterion	674.475	
Sigma-square ML	353661			
S.E of regression ML	594.694			
Variable	Coefficient	Std.Error	t-Statistic	Probability
CONSTANT	4147.76	352.62	11.7627	0.00000
Hospitals 2017	177.413	43.2686	4.10027	0.00022
Doctors 2017	0.368347	0.222619	1.65461	0.10646
Mortality rate	-677.084	89.4112	-7.5727	0.00000
Born dead 2017	139.337	18.4943	7.53404	0.00000

Source: Own Projection, using GeoDa

5. Conclusions

The state of the health system of a country indicates its level of development. Migration means that people are leaving where they are better, which also implies a good health system.

A good health system attracts migrants to the respective country, they represent the labor force that contributes to the health system fund. A large fund of the health system means funds for investing in the health system (equipment, doctors, good hospital conditions, medicines). The state of a health system can be evaluated by analyzing the number of hospitals, the number of doctors, the mortality rate.

The results of the analysis of the health system in relation to migration in Romania in 2017 showed that between number of doctors, number of hospitals, number of emigrants and number of temporary migrants there is a direct link, instead between the variable number of doctors, number of hospitals, number of emigrants and number of temporary migrants and mortality rate the link is inverse.

The counties with the highest mortality rates in Romania are: Sălaj, Bistrița Năsăud, Călărași, Hunedoara, Mehedinți and Tulcea, and the counties with large numbers of doctors, hospitals and emigrants are: Iasi, Dolj, Prahova and Timiș.

The regression analysis concluded that the number of emigrants is significantly influenced by the mortality rate, the number of hospitals and the number of born dead. In contrast, the number of doctors in Romania for 2017 does not significantly influence the number of emigrants. One reason for this increase may be the fact that the emigrants do not trust the health system in Romania and its efficiency. The decision to emigrate is significantly influenced by the number of hospitals and economic factors.

Subsequent developments in the study should enlarge the sample, and should also include social and economic factors. Moreover, depending on the possibilities of accessing the necessary specific data, the study can also be applied for Europe regions.

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The Phenomenon of Migration in Romania

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Abstract

Migration is a phenomenon that has existed since ancient times, recording different trends. In Europe, the number regarding migration grew after the fall of the Berlin Wall and the fall of the socialist regimes. In Romania, migration increased after the fall of communism, in 1989. Although there was migration also during the communist period, it was controlled and registered low intensity. In Romania, migration differs according to areas, nationality and country of destination. The purpose of this study is to establish if the migration is related to the nationality and country of destination and to cluster the counties of Romania according to migration.

Key words: migration, nationality, cluster, Romania

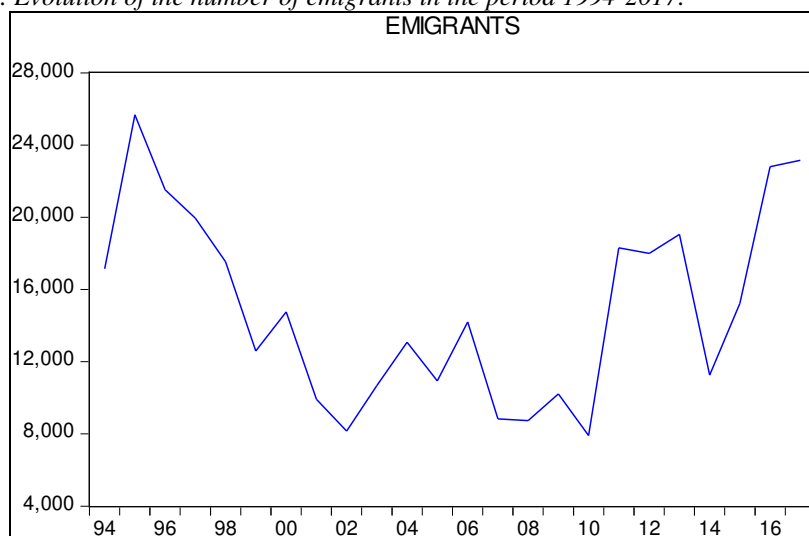
J.E.L. classification: C22, C38, F22

1. Introduction

Freedom of movement has been stipulated for more than half a century in the Universal Declaration of Human Rights (Article 13: "Everyone has the right to move freely and to establish his residence in the territory of any state" and "Everyone has the right to leave a country, including the one of origin, and to return to his country").

In Romania, the migration increased after the fall of communism in 1989. Although migration existed also during the communist period, it was controlled and registered small values. After 1989, the number of emigrants increased. Some emigrants left permanently, some of them were actually repatriated, and others temporarily, in order to return to the country of origin. The number of definitive emigrants followed an increasing trend until 1996, after which this number decreased and oscillated in that area until 2010, and increased from 2011 to 2013 and from 2015 to these days (Figure 1).

Figure no. 1. Evolution of the number of emigrants in the period 1994-2017.



Source: Own Projection, using Eviews

The evolution of migration and the factors that influence migration are important research topics nowadays. The determinant factors are grouped into 3 categories: i) economic and demographic - high unemployment rate, low wages, high poverty gap, lack of jobs, unsatisfactory education and health care conditions; ii) political conflicts, corruption and poor governance; and iii) cultural and social discrimination, human rights abuse (Gurcinaite, 2014).

R.J. Hicks considered that labor migration results from "differences in net economic benefits, mainly wage differences, which are the main causes of migration". His statement was confirmed from a considerable number of studies in the USA (Greenwood, 1975).

The migration decision appears after a trial where the rational individual evaluates the benefits of international migration, the most important being the financial one. Analyzing the phenomenon of migration in the period 2008-2015 in Europe, it has been shown that the factor that most influences this phenomenon is the unemployment rate, the level of education, life expectancy and the value of the incomes are almost insignificant (Apostu, 2017).

Son and Noja (2012) analyzed the link between labor force migration and demographic, geographical and social variables. The results of the study highlight that migration is correlated with unemployment, employment, size and structure of the workforce, working conditions and level of education for the 7 EU countries in Central and Eastern Europe, including Romania. The results highlighted variables specific to the labor market, inequality and the relationship with the socio-demographic characteristics.

2. Data and method

The aim of the study is to analyze the phenomenon of migration in Romania after the communist period, taking into account the nationality and the destination countries, the regions from where emigrated and the time periods, using empirical data.

The population on which this study was conducted is represented by the people who emigrated from Romania between 1990-2017. The analyzed variables are the number of emigrants, nationality, country of destination and the county from where they emigrated.

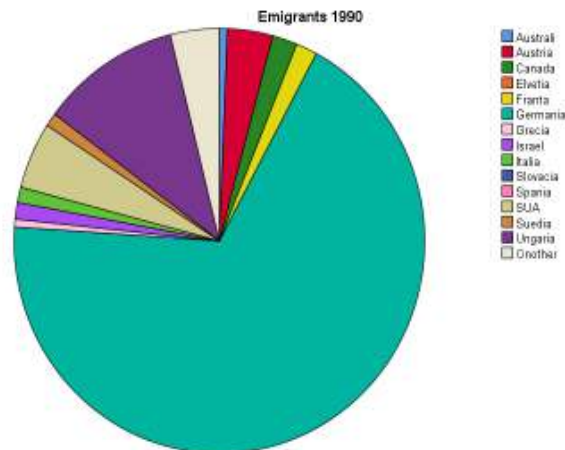
The data regarding these variables were collected for the period 1990-2017 using the online database of the National Institute of Statistics.

As methodology, descriptive analysis, maps and cluster analysis were used.

3. Findings

Analyzing the total number of emigrants in 1990, most migrated to Germany (68%), Hungary (almost 11%) and the USA (5%). Other countries where people emigrated are: Austria, Israel, Italy, France (Figure 2).

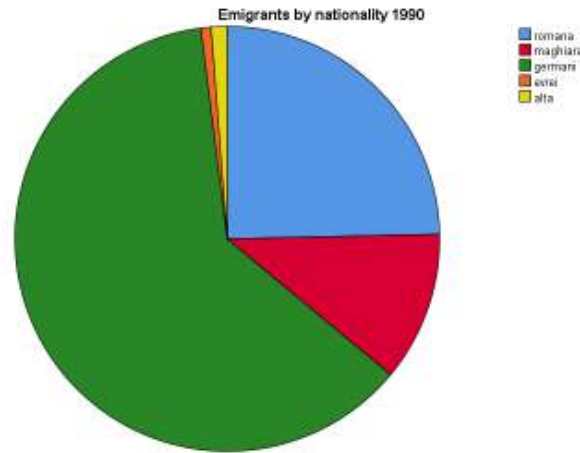
Figure no. 2. Number of emigrants in 1990 from Romania regarding the country of destination



Source: Own Projection, using SPSS

Analyzing the number of emigrants according nationality, most of them were of Romanian nationality, followed by those of German, Hungarian and Jewish nationality. This may explain that some of the emigrants from 1990 were actually repatriated, the connection between the country of destination and nationality being very strong. However, most of the emigrants were of Romanian nationality and emigrated to the USA, Austria, Italy and France, seeking a better life (Figure 3).

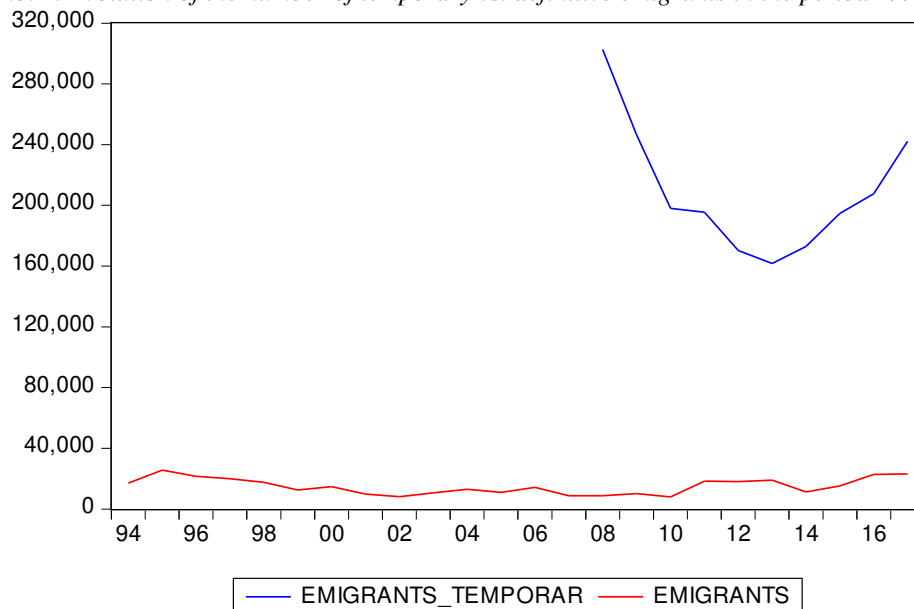
Figure no. 3. Number of emigrants in 1990 from Romania regarding nationality



Source: Own Projection, using SPSS

Some emigrants left the country permanently, and some emigrants left temporary, with the intention of returning to Romania. The number of temporary emigrants is much higher than the number of permanently emigrants, but the trend is similar, an increasing trend (Figure 4). This increase in the number of emigrants was due the freedom of movement, but also due the political uncertainty specific the post-communist period.

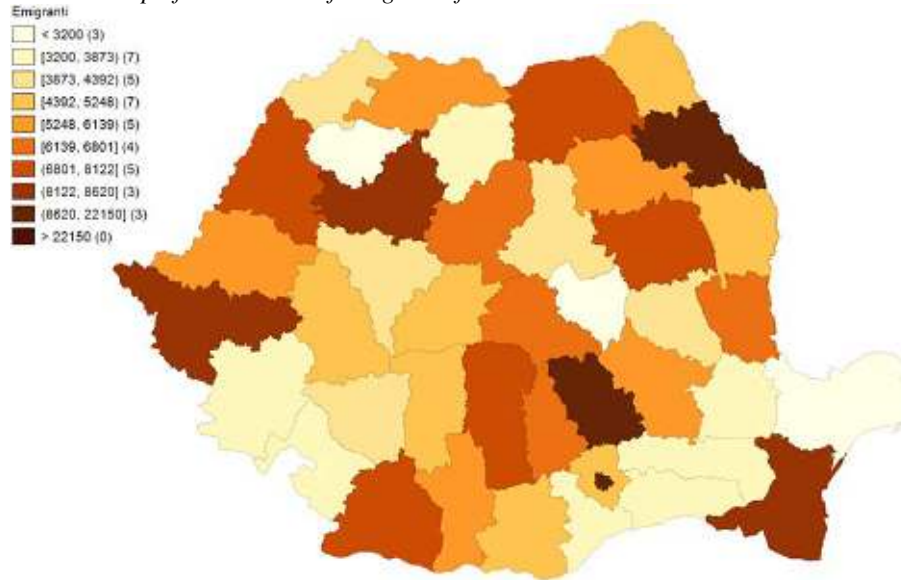
Figure no. 4. Evolution of the number of temporary vs. definitive emigrants in the period 1994-2017



Source: Own Projection, using SPSS

In 2017, Romania registered 242193 temporarily emigrants and 23156 permanently emigrants. Analyzing migration transversal, there are large differences between regions and counties for Romania. The highest number of emigrants in 2017 was registered in Iasi, Prahova and Bucharest counties, at the opposite pole being Covasna, Sălaj and Tulcea counties (Figure 5).

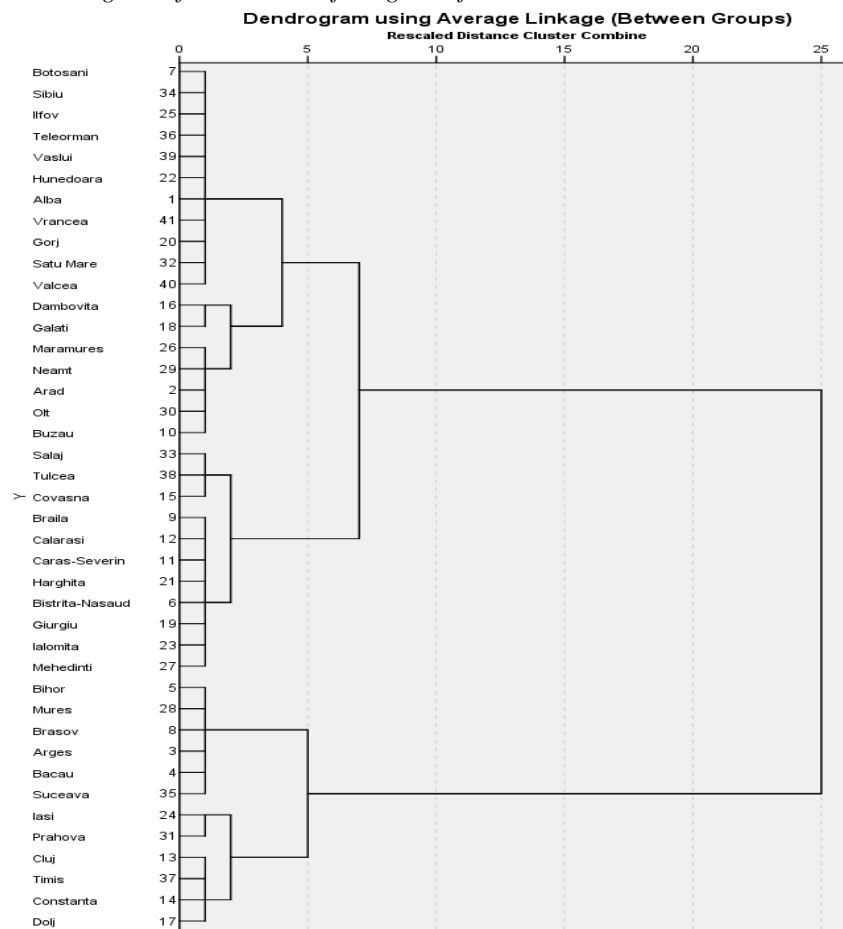
Figure no. 5. Map of the number of emigrants from Romania in 2017



Source: Own Projection, using SPSS

Cluster analysis was used to classify the counties of Romania according to the number of emigrants. Bucharest is an outlier, the difference from the rest of the counties is very large and forms a cluster alone. After eliminating it from the analysis, 3 homogeneous clusters can be formed (Figure 6).

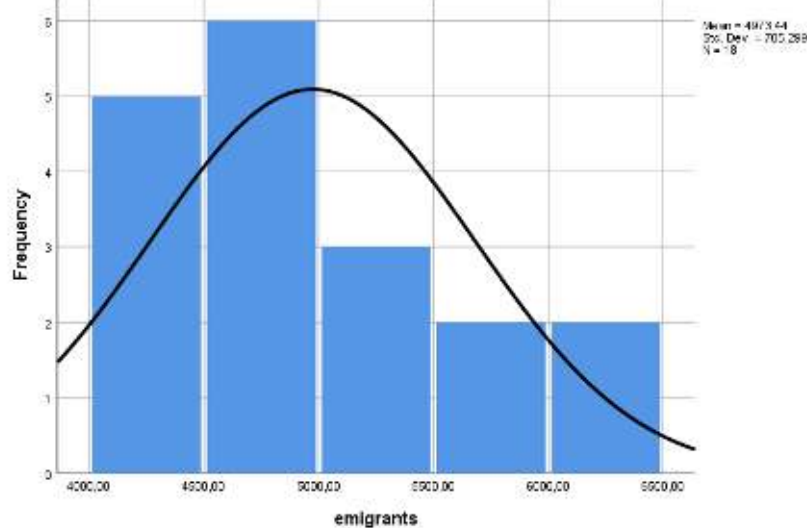
Figure no. 6. Dendrogram of the number of emigrants from Romania in 2017



Source: Own Projection, using SPSS

The first cluster includes the counties: Alba, Arad, Botoșani, Buzău, Dâmbovița, Galați, Gorj, Hunedoara, Ilfov, Maramureș, Neamț, Olt, Satu Mare, Sibiu, Teleorman, Vaslui, Vrancea and Vâlcea. This cluster contains 18 counties, the number of emigrants registering values between 4074 and 6393 persons, with an average of 4973.44 emigrants (Figure 7).

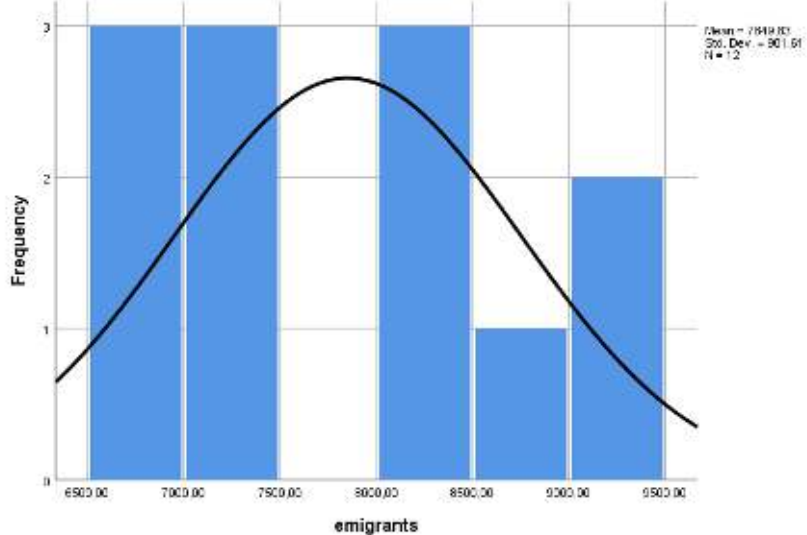
Figure no. 7. Histogram of the counties in cluster 1 from Romania in 2017



Source: Own Projection, using SPSS

The cluster 2 contains the counties: Argeș, Bacău, Bihor, Brașov, Cluj, Constanța, Dolj, Iași, Mureș, Prahova, Suceava and Timiș. This cluster includes 12 counties registering a minimum of 6680 emigrants and a maximum of 9201, and an average of 7849.83 emigrants (Figure 8).

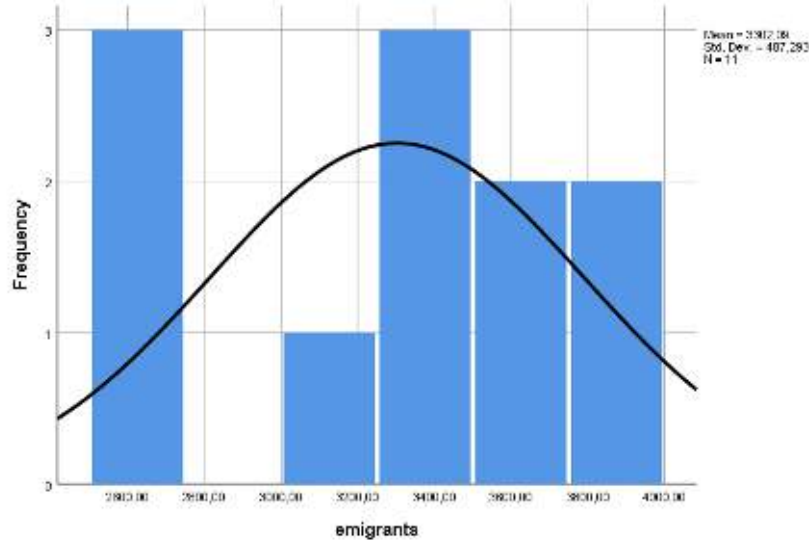
Figure no. 8. Histogram of the counties in cluster 2 from Romania in 2017



Source: Own Projection, using SPSS

Cluster 3 comprises the counties: Bistrița-Năsăud, Brăila, Caraș-Severin, Călărași, Covasna, Giurgiu, Harghita, Ialomița, Mehedinți, Sălaj and Tulcea. Cluster 3 comprises the counties with the lowest values of emigrants, registering a minimum of 2588 emigrants and a maximum of 3873 emigrants, the average being 3302.09 emigrants (Figure 9).

Figure no. 9. Histogram of the counties in cluster 3 from Romania in 2017



Source: Own Projection, using SPSS

4. Conclusions

The phenomenon of migration has always in the world and also, in Romania. Before 1989, during the communist period, in Romania migration was controlled and recorded very low values. After the fall of communism, the borders were opened and besides many freedoms gained by the Romanians, there was also the freedom of movement. The result was an increase of the number of emigrants, a number that has increased until present, with small periods of decline.

According to the countries of destination, most Romanians migrated to Germany, Hungary and the USA. Regarding the nationality of those who emigrated, most were of Romanian nationality, looking for a better life, followed by those of Germanic, Hungarian and Jewish nationality. Except for the emigrants of Romanian nationality, we can say that the others were in fact repatriated, the link between nationality and country of destination being strong.

There are large differences between regions and counties in Romania. The highest number of emigrants in 2017 was registered in Iași, Prahova and Bucharest, at the opposite pole being Covasna, Sălaj and Tulcea counties.

As similarities regarding the migration phenomenon, the counties of Romania are divided into 3 clusters. The first cluster includes counties: Alba, Arad, Botoșani, Buzău, Dâmbovița, Galați, Gorj, Hunedoara, Ilfov, Maramureș, Neamț, Olt, Satu Mare, Sibiu, Teleorman, Vaslui, Vrancea and Vâlcea. The second cluster includes the counties: Argeș, Bacău, Bihor, Brașov, Cluj, Constanța, Dolj, Iași, Mureș, Prahova, Suceava and Timiș, and the third cluster contains: Bistrița-Năsăud, Brăila, Caraș-Severin, Călărași, Covasna, Giurgiu, Harghita, Ialomița, Mehedinți, Salaj and Tulcea.

So, migration in Romania, as in other regions, is closely related to the nationality and country of destination. Those who emigrate will prefer economically and politically stable countries, a high standard of living and a high life expectancy.

Subsequent developments in the study should enlarge the sample, and should also include social and economic factors. Moreover, depending on the possibilities of accessing the necessary specific data, the study can also be applied for Europe regions.

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The Health Services System in Romania: A Case Study

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Abstract

Despite over 26 years of continuous efforts to reform the health system, Romania is facing severe problems in meeting the health needs of the population, mainly due to the underfunding of public health units, lack of medical staff, lack of doctors in the rural areas. The economic crisis deepened these problems, which made it more difficult to access the health care of disadvantaged or vulnerable groups of the population. Poor health status of the community, demographic aging, high population share, and high incidence of chronic diseases all lead to increased health care needs. To understand conceptually and the content of health services, it is necessary, besides explaining the concept of service as a whole and clarifying the concepts of health and health system. In this article, we have reviewed the current situation of health services in Romania, statistically evaluating the number of medical units per development regions throughout the country.

Key words: Healthcare services, health services system

J.E.L. classification: I11

1. Introduction

The paper aims to highlight the cursive evolution of the development of the medical system in Romania, describing at the same time the health status of the population from the perspective of the quality of life, using both objective and subjective indicators. At the individual level, good health is an essential component of human capital, allowing people to carry out their activities, to fulfill their goals, to have a full life, and to be active members of society (Dragoi M., C., 2010).

At the societal level, a high state of health is a critical element of the human capital of each country, contributing to its competitiveness over other countries. In the quality of life research, we can consider health as a neglected present value at the level of the Romanian state, being approached from two distinct perspectives (Rădulescu, V., 2011). A first approach is to consider health as a dimension, as an area of quality of life. The proportion of health, like the other spheres of human life, is described by subjective and objective indicators, the emphasis being placed on how people evaluate their health, access to health services, and their evaluation (Baciu, V., 2007).

Assessing one's health status, perceived constraints, satisfaction with them, life expectancy at birth, infant mortality, mortality rates, or spending on health care services as a percentage of GDP are some of the indicators used in medical system research. Characteristics of this approach are the fact that it highlights how people evaluate and feel their living conditions, resources, and opportunities in the sphere of health.

The second approach is that of quality of life from a health perspective, representing a productive direction of study in a variety of life research. In this approach, health is treated from the perspective of people describing different health conditions or during the survival time of the beneficiaries of medical treatments.

2. Theoretical approaches regarding the health services system in Romania

The field of health refers to both the state of health and health care services (access, use, features, etc.). Also, this area includes attitudes and values related to health, which contribute to health status, as well as elements related to the lifestyle adopted (Baciu, V., 2007).

The use of certain concepts, methods, and techniques, specific to one or the other of the two domains, depends both on the level at which it is decided and implemented, as well as on the type of consumer it aims at.

By its nature, the improvement of the individual's health status is a service that implies a rigorous succession of activities, whose design is carried out at macroeconomic level, by the Ministry of Health, specific regulations, and is practically created and delivered by the organizations from field, but health policy does target not only the individual considered separately but also the community as a whole, for which there are a number of organizations active in the public health sector, aiming to promote social ideas and behaviors among a good community — defined geographically and demographically (Rădulescu, V., 2011).

As the hospitality industry developed and an increasing number of services were introduced, it continued to reflect production orientation. The demand for primary and secondary medicine was considered inelastic, and no attention was paid to the patient and even less to the potential consumer (Doboş, C., 2008).

The health sector is today in a continuous change in its structure, the changes that have taken place in the last twenty years being numerous and profound at the level of the countries of Europe and the USA, as well as at the level of our country.

Secondly, after 1980, hospitals were forced to adapt rapidly to market changes; to find a new approach, medical care no longer synonymous with hospitalization. Thus, the treatment of the individual has changed - there has been a transition from the model of therapy in the hospital and that of the treatment at home.

However, the development of health networks is not carried out in the same ways and conditions. The specialized literature abounds with concepts that can be assimilated to health networks: integrated care, integrated services, case management, continuity of care, etc. We speak, first and foremost, of a demographic component of this evolution, including the general problem of population growth and of changing the population structure, which also implies an increase in the complexity and the volume of services. For example, the aging of the population, doubled by the advances of medicine, changes the weight in the typology of the care services, loading the primary care system and relieving the secondary system (Baciu, V., 2007).

Secondly, there is a geo-economic component aiming at territorial upgrading and access of all communities to services, as well as equitable financing and coverage of the system under the new economic conditions. Also, new technologies and scientific progress add new dimensions to the health field and create new services.

Selecting the most appropriate structure depends on the participants' objectives and the financial, legal, and political factors. The basic organizational models can be classified according to the degree of integration and the financing system. Equity and access to health services are a constant concern for European health policies, and they are frequently referred to as fundamental principles: accessibility for all, high quality of health care services, and long-term financial sustainability. Health equity implies that each person ideally has a fair opportunity to reach their full health potential, ie, no person would be prevented from realizing this potential, if this can be avoided. In other words, the goal of health policies aimed at promoting equity would not be to eliminate all differences in health, but rather to reduce or eliminate the factors that are considered to be simultaneously "avoidable and unfair" (Pentescu, A., 2014).

During the last two decades, Romania has introduced a series of reforms in the health sector, in the context of political, social, and economic changes. The improvements focused on the financing of the health system, the management of the health system, as well as on the development of resources.

Therefore, the performance of the Romanian system, as well as access to health services, is still low compared to that reported for other countries in Central and Eastern Europe, as well as for industrialized countries. Lower levels of productivity can characterize the health sector in Romania,

results more economical than those obtained by the other EU Member States, as well as by a chronic under-financing of the system (Doboş, C., 2008).

Romania has the lowest level of total health expenditure per capita at purchasing power parity in all EU countries. Health in Romania is financed mainly from public resources (approximately 78.1% of total health expenditure). Currently, the primary public resources for the health financing system are The National Health Insurance Fund, local budgets, own incomes, donations, and sponsorships. The share of the private sector in total health expenditure in Romania is among the lowest in the EU but has increased slightly since 2007, the year in which public resources proved insufficient to finance the health system (Pentescu, A., 2014).

The Romanian health system is mainly financed from public funds, through contributions to compulsory health insurance, and the provision of medical services is made through the general policy of health units. The health financing system is a combination of public and private resources. As federal spending cannot grow significantly in the future, due to high public deficits, the main challenge for policymakers is to bring more money into the system from private sources. The development of the individual health insurance market and the introduction of eco-payment mechanisms have the potential to mobilize more health funds and increase competition between health care providers. The purpose of these actions is twofold: better services for patients and greater access to essential health services (Rădulescu, V., 2011).

After a rapid decline in the early 1990s, the health status of the population in Romania improved, starting with 1999-2000. Regarding the assessment of the health status, Romania's position underlines precarious health and perception, being located next to the Baltic states and Bulgaria, among the countries where the people assess their health less. The data indicate health as a critical area requiring intervention through social policies, to improve national health and reduce inequalities in the population (Doboş, C., 2008).

3. Research methodology

As in all other branches of the economy, the health services system has been designed to meet needs that appear on the market in the form of demand. The activities that constitute the process of the provision of health services appear as a reaction to these needs, generally perceived as a disturbance of the state of health or the state of well-being.

In health services, there are numerous situations when certain phenomena are more significant than the disease state, which the individual does not realize and which impose measures of prevention or actions to promote health, which is why the term of need is considered more valuable. Chosen when considering public health services (Baciu, V., 2007).

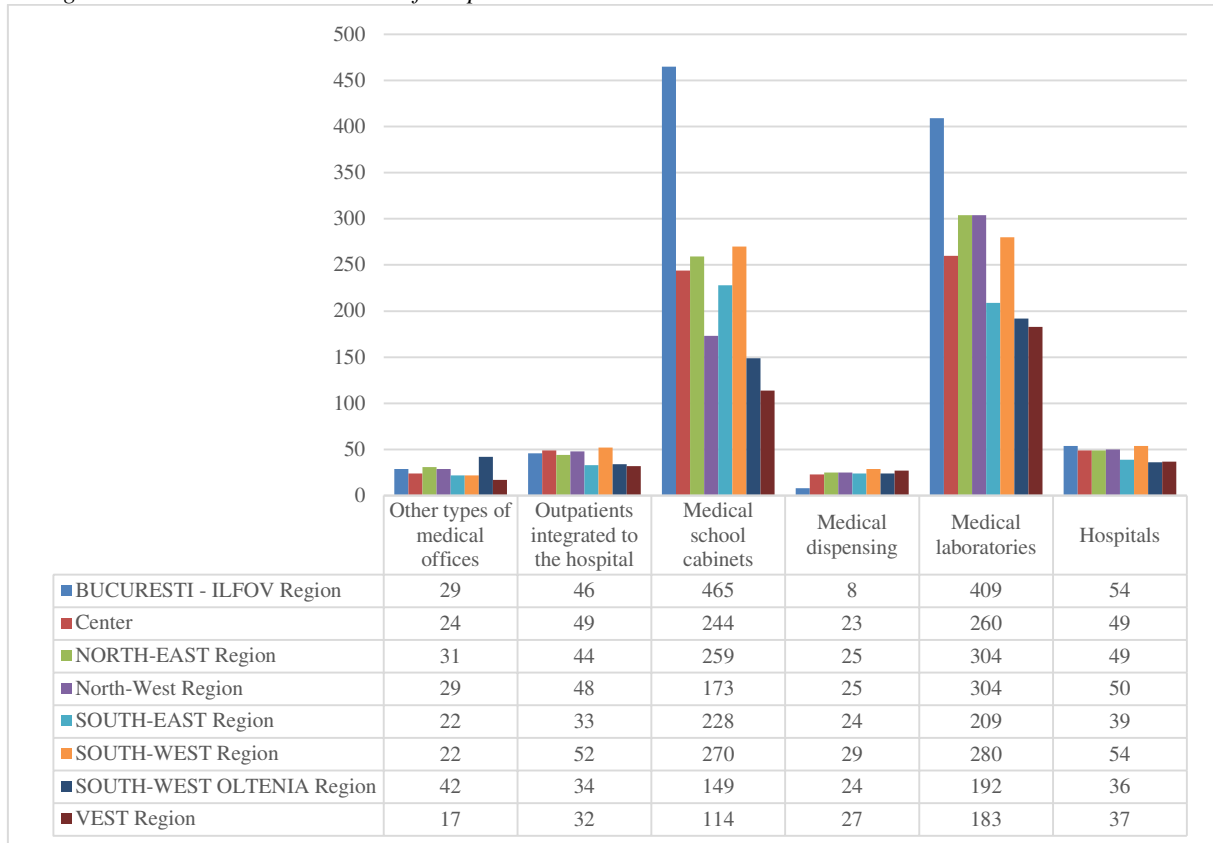
To determine the situation of the health system in Romania, we performed an analysis of the statistical data of the public-owned medical units available in 2018.

4. Findings

We can observe that, depending on the type of medical groups, the medical laboratories are the most common in the territory of the country, in each the development area, in time the medical dispensaries and other types of medical offices are the rarest medical units.

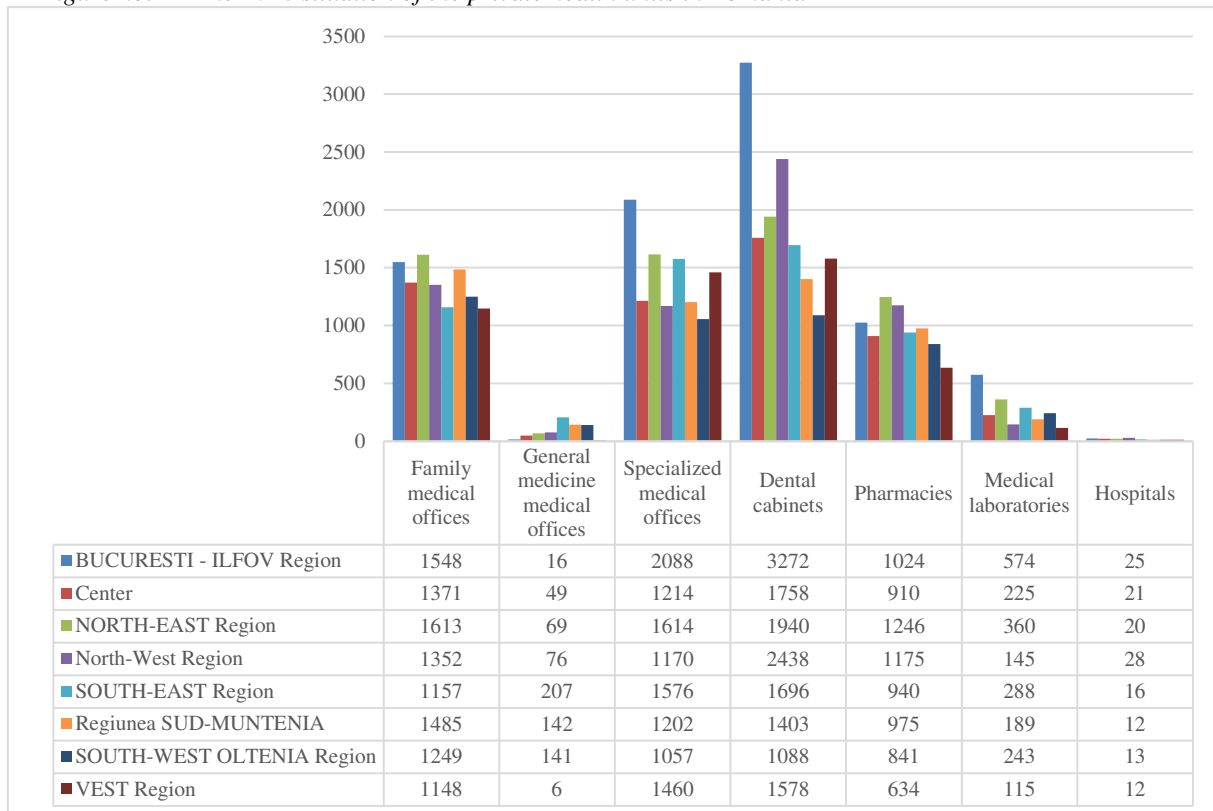
Depending on the development region, we can see that in the Bucharest-Ilfov region, there are the most numerous medical units, areas following the North-East and North-West region with 304 health units.

Figure no. 1 - The 2018 situation of the public health units in Romania



Source: <http://www.insse.ro/> (processed by the author during the research)

Figure no. 2 - The 2018 situation of the private health units in Romania



Source: <http://www.insse.ro/> (processed by the author during the research)

Regarding the private environment of health units in Romania, we can see that their number is substantially higher than in the public setting. In this case, the number of units reaches the number of thousands, having only 2088 specialized medical offices in the Bucharest-Ilfov region. Depending on the distribution by regions, the most significant amount of medical units can be found in the Bucharest-Ilfov Region, followed by the North-West and North-East Region.

Currently, access to public health services is realized on contributory principles by paying the monthly contribution. Conditioning access to services by introducing health insurance has led to the emergence of segments of the population that, through uninsurance, can only benefit from the emergency service. Uninsured persons are selected from the following sections: persons not included in the formal labor market, freelancers, low-income families from the urban area not covered by social assistance, (weak) families from the rural area (a large part of the peasants who obtain income from agriculture). Subsistence), a part of the Roma population. The uninsured population rises, according to CNAS estimates, only to 5-6% of the total population. A large number of people, although they are insured, have limited access to healthcare on the background of the minimal household budget. Low-income families cannot afford the co-payments involved in requesting medical services and purchasing the necessary medicines, paying transport costs, and paying extra for the physician and auxiliary staff.

Urban-rural differences are significant in terms of infrastructure. There are isolated areas in the countryside, where the population does not have access to dispensation, for primary medical services, or these dispensations exist, but they do not have permanent doctors, and they have a very original endowment. What is worse is that it is precisely the areas with the most reduced population, so with the increased demands of medical care, they have these problems. There are no effective health policies for attracting doctors in these disadvantaged areas, the issue of coverage with family doctors being very pressing, in rural areas, and the poverty-stricken regions. The differences between the poor and the affluent counties are significant in terms of the medical staff and the endowment, and they are perpetuated, considering the funds less collected by the county insurance houses, in the weak areas (Olaru, 2013, p. 14)

5. Conclusions

We can conclude by saying that the health system in Romania is continually developing, and despite the forecasts on the development and updating of the public environment, in the private environment, more and more specialized institutions and fields of health services have developed. The market for health services has a series of criteria, these being represented by regulations related to the services provided, differentiating them from the other markets by a set of elements.

- It is not possible to establish with certainty what is the demand for health services at a given time.

- In the market, the price is not confirmed by confronting the application with the offer.

- The services are incredibly heterogeneous, which determines that the relationship between the doctor and the patient plays an important role.

- The state is a demand stimulator for preventive health services. Thus a healthy individual minimizes the need for future health services.

- The free access to this market is conditioned by the control of the various professional associations, there being a maximum number of health centers and doctors in an area, having the role of ensuring the quality of the population's health but also of maintaining a certain price level.

However, the market of the healthcare system in Romania is one that is currently in a recovery phase after a period in which it suffered many losses in terms of the number of hospitals, their quality, and the number of medical staff.

But in recent years, the private medical system seems to be the one to bring this market to life through new services and facilities along with a well-trained staff. And in the case of the public system, it suffers from a lack of trust from the population, which is the main reason why a large part of the community avoids public health services.

The period of economic development in which Romania is currently has contributed a great deal to the growth of the market and its competitiveness within it, at the same time this development has also contributed to the improvement of the state of health and the life span.

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The Financial Sight of the Post-crisis Economic Growth

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Abstract

The analysis of the tendencies regarding economic growth and the identification of factors that print a certain trajectory to economic growth are objectives in the spotlight of the political decision-making authorities, especially that these factors can reveal certain risks for the macroeconomic and financial environment. In this context, knowing the risks to the macro-financial stability is of interest to the central bank, as a monetary authority, being involved in ensuring a sustainable economic growth from the financial perspective. The article focuses on highlighting the main factors that influence the economic growth in the recent post-crisis period, after 2013, following the analysis on the two categories of economies, advanced and emerging economies. The results show that the post-crisis period is fraught with challenges for the global economy, as well as for decision-makers, and the macro-prudential policy can play a major role in sustaining the long-term economic growth.

Key words: Emerging and developed economies, financial conditions, central bank challenges

J.E.L. classification: E31, E58,

1. Introduction

The analyses performed by the Bank for International Settlements (BIS) and described in the last two Annual Reports (BIS, 2018, 2019a) show an unusual pattern of recent economic growth, characterized by an economic activity reinvigorated to some extent after the global financial crisis, by moderate levels of inflation, and by modest increases of wages, against the background of a gradual reduction in unemployment, both in advanced and emerging countries. However, the determinants contributing to this situation are not yet clearly identified. It is considered that such a situation is generated by the joint action of several factors: investments that keep growing, especially in the case of emerging economies, contributing to the increasing of the economic potential; a more flexible labour market in terms of firms' access to the labour force, given that after the global financial crisis, the older labour force segment participation rate (over 55 years) has increased, without the firms having to offer higher wages; an increase in the recruitment pool of labour beyond the borders of the country, as an effect of the globalization, which allows companies to outsource production in countries where the cost of labour is lower; structural changes in the labour market, as a result of using new technologies that allow the automation of some activities, thus weakening the bargaining power of employees. In principle, it is noticeable that the low levels of core inflation (the stable component of inflation) are registered under the conditions of weak, below average, increases of the real wage, a phenomenon better highlighted in the advanced countries.

A general picture drawn from these reports shows that the largest contributions to economic growth are given by the private consumption and fixed investments, both in developed and emerging economies (BIS, 2018 and 2019a). A contribution to the global economy recovery has largely been the concerted actions of major central banks, by applying either unconventional monetary policies or macroprudential measures, a topic developed in previous works (Criste and Lupu, 2016; Criste, 2017). At the same time, inflation, both in developed and emerging countries, remains at relatively low levels, but without the risk of deflation, following a slightly upward slope, in the positive area. After 2015, there is a slight tendency for inflation to converge on the two

categories of economies, that will continue for the next two years, according to the IMF forecasts (IMF, 2018b). However, in a more detailed analysis of emerging economies, there are differences between countries, also reflected by different levels regarding the formation of long-term inflation expectations (IMF, 2018b).

The global economic growth has a trajectory relatively similar to those on the long-term, before the global financial crisis, accompanied by a decreasing in unemployment, and the evolution of inflation is most often near the target pursued by the central bank. Recent developments in the global economy seem to invalidate the hypothesis of secular stagnation, and the analysis of the financial side shows the existence of latent risks.

Based on these general remarks, the article focuses on the financial perspective of economic growth, given its rising importance in recent decades. Understanding factors that influence the post-crisis economic growth, from the financial perspective is useful for the political decision makers, since it helps to identify potential macroeconomic and financial risks.

2. Theoretical background

The relationship between the economic growth and the financial factor is complex and nonlinear. Recent theory and experience support the idea that financial vulnerabilities increase the risks to economic growth (Claessens et al., 2011). When the investment opportunities are abundant and the means for financing are accessible (including as a price), there is a proclivity towards increasing the financial vulnerabilities.

The analysis is based on the interaction between the financial cycle and the economic cycle, considering the increasing role of the financial factor in the economy and its influence on the economic activity, recorded since the 1980s, with the expansion of financial liberalization. In this respect, financial factors have become the main determinants of business fluctuations, while inflation has diminished its importance as an indicator of signalling unsustainable trends in economic growth. The period of the Great Moderation confirms such a situation, taking into account that at that time the macroeconomic environment was characterized by low levels of inflation and of its volatility, while the leverage of the financial and non-financial sectors were increasing, notifying the accumulation of financial risks. Thus, based on the financial cycle, one went through a period of financial stress based on which, subsequently, the global financial crisis started, with implications on the economic activity (recession). The measurement of the aggregate financial cycles offers a general picture regarding the economies' position, being a support for identifying both the influence of the financial factors on the economic growth (whether or not they have a positive contribution to the economic growth) and the potential risks.

The mechanism of interaction between the financial and business cycle operates on the basis of debt accumulation and the subsequent increase in debt service. Thus, in the upturn phase of the financial cycle, the new loans and the increase in the assets' prices stimulate the economic growth. At the same time, the gradual accumulation of debt implies extending the commitments regarding the debt service payment, which have a negative and lasting impact on the spending of the private sector. Gradually, the positive effects of the new loans diminish, while the negative effects of debt service payment increase (BIS, 2019 and BIS, 2018).

An important factor influencing economic growth is the level or the status of the financial conditions, and in the current context of globalization, the internal financial conditions are increasingly influenced by the global financial conditions. According to a recent study (IMF, 2017), global financial conditions are moving in the same direction as those of the US and the standard global risk indicators (the volatility index - VIX).

Other relevant factors that influence the economic growth refer to the price developments of the real estate assets and the degree of house price synchronization. Empirical research (Drehmann et al., 2012) shows that financial cycles that tend to worst affect the economy are associated with medium-term fluctuations in property prices and lending activity.

The financial integration at the global level has produced, among other things, the financialization of the real estate assets, a tendency of both the synchronization of the house price fluctuations, and the house price determination at the global level. The price synchronization in these markets can be entailed by the business cycles synchronization, worldwide, with a history of

several decades, and by the global financial conditions influence, following the economies' engagement in the global network of production, trade, financial transactions, etc. The synchronization leads to contagion in times of crisis, but implications are much broader and critical for the real economy, given that this market has multiple links with other sectors of the economy (the private sector balance sheet has a structure based on real estate and mortgages, and financial institutions are largely exposed to house prices dynamics). A high level of global prices synchronization in these markets can signal the increased risk of impairing economic activity (at least as a result of the likelihood of spreading a potential shock in the housing market from abroad to the internal market, with adverse effects on the local economy), especially in an environment characterized by high levels of lending and borrowing.

3. Research methodology

Based on the above, and considering the paper objective, we detail some of the relevant indicators that reflect the influence on the post-crisis economic growth. As a rule, the post-crisis period is considered after the Lehman Brothers shock, with an early stage (2009-2011), characterized by high inflation and a slowdown in economic activity in almost all developed countries, followed by the post-crisis stage, after 2011. This stage is characterized by the persistence of an "anaemic" economic activity, the uncertainty and the propensity of central banks to have an accommodative behaviour. In this paper the post crisis period is that after 2013.

The analysis is carried out on two categories of countries: advanced economies (AEs) and emerging economies (EMEs), as to identify differences and similarities. In the first category are included: Spain, France, Italy, United Kingdom, United States (the GFC countries), Germany, Australia, Canada, Switzerland, Finland, Norway and Sweden (other AEs). The considered emerging economies (EMEs) are: Brazil, Chile, Colombia, Hong Kong SAR, Indonesia, Korea, Mexico, Malaysia, Singapore, Thailand, India.

The data were taken from the BIS database, as well as from the last two BIS Annual Reports (2018 and 2019). The post-crisis economic growth is described in a financial perspective based on the aforementioned elements:

- The financial cycle
- The private consumption
- The degree of indebtedness and the debt service, including that denominated in dollars
- The house price synchronization
- The financial conditions

4. Findings

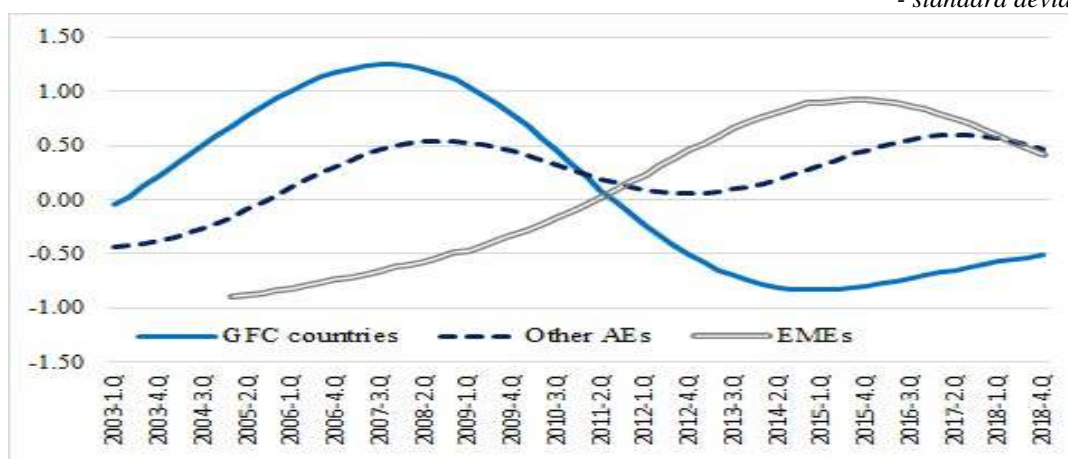
Analysed from a financial point of view, the post-crisis economic growth acquires new attributes that give important interpretations for the macroeconomic policy.

4.1. The financial cycle

Based on the data provided by BIS (2019), the aggregate financial cycles of the developed/advanced countries, affected by the global financial crisis, are in the early stage of expansion (see Figure no.1), with a lower probability of impairing the economic growth in the near future. Instead, emerging economies are on the downward slope of the financial cycle. In some advanced economies that were not directly affected by the global financial crisis (Australia, Canada, Finland, Switzerland, Sweden), the expansion of the financial cycle, which continued even after the crisis, is about to stop, given that a slowdown in the growth rate of the private sector lending is noted (from 2016), and the growth rate in property prices has significantly slowed down in recent years. Thus, in the post-crisis stage, although some developed countries are in an early phase of expansion of the business cycle, they face certain financial vulnerabilities, as a result of both the continuous deterioration of the companies' balance sheets (especially in the USA and the United Kingdom), and the rising prices in the real estate market, mainly on the commercially-owned properties, which are particularly vulnerable to long-term yield growth.

Figure no. 1. The financial cycles in advanced and emerging economies

- standard deviation -



Source: BIS, Annual Report, 2019

4.2. Influences on post-crisis economic growth - Consumer financing

One of the major contributions to economic growth in the post-crisis period is the consumption of the private sector. Despite the low level of employment, as well as the constraints related to the production capacity, the private consumption remains quite high. Such a situation is explained by the using of an alternative channel for financing consumption, not from own resources, but from loans.

Maintaining the high level of the private sector indebtedness, both in the emerging and advanced economies, represents a vulnerable factor for the future economic growth. In the post-crisis period, the debt of the private sector (as a share of GDP) has increased, more or less significantly, in emerging economies (see Table no. 1). In contrast, in some developed countries (Italy, United Kingdom and Spain), the debt of the private sector, as a share of GDP, is lower in 2018, compared to 2013.

Table no. 1 Credit to private non-financial sector (%GDP)

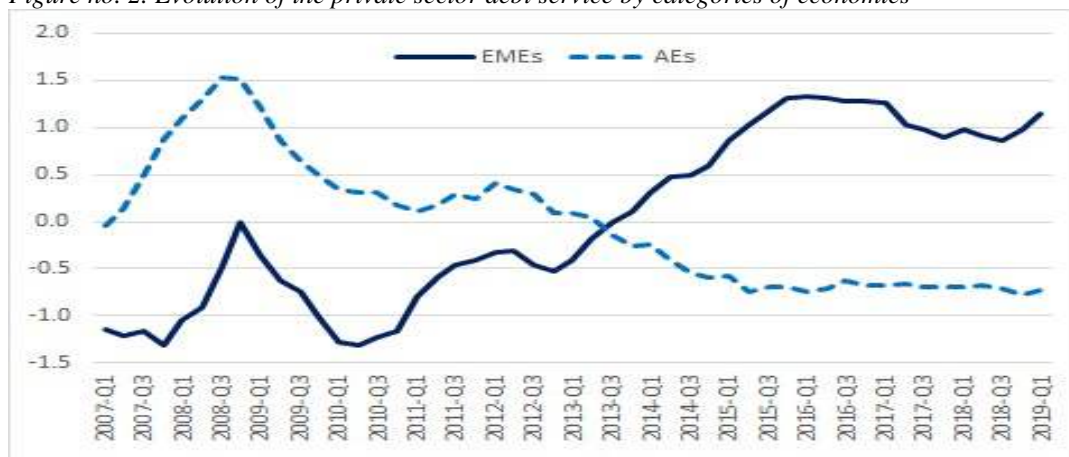
EMEs	2008	2013	2018	AEs	2008	2013	2018
Indonesia	27,0	36,8	39,9	Canada	164,4	188,6	216,5
Thailand	91,0	112,7	116,3	Finland	151,0	177,2	181,2
Hong Kong SAR	184,2	246,2	298,8	Sweden	206,6	234,5	245,5
India	56,1	61,7	56,1	France	162,1	181,9	199,9
Mexico	28,7	33,4	41,8	Norway	209,8	225,7	238,0
Malaysia	106,3	128,1	135,8	Italy	116,7	126,0	111,0
Korea	162,5	177,1	185,4	United Kingdom	190,3	177,5	170,5
Brazil	52,0	67,3	68,1	Spain	207,6	200,8	154,2
Chile	102,1	119,7	139,8	United States	169,3	149,2	150,7
Colombia	43,3	53,2	61,9	Australia	189,1	181,8	195,7
Singapore	124,2	152,8	167,3	Germany	117,6	110,6	110,2
				Switzerland	194,2	223,9	246,6

Source: BIS data, 2019

The debt accumulation does not necessarily create problems, provided that the balance sheets of firms and households are balanced, with adequate levels of reserves and assets evaluated at optimum levels. But when it becomes excessive, the debt service ratio increases, engendering financial stress.

In emerging economies, there is an increase in the debt service of the private sector, between 2013 and 2016 (see Figure no.2). The advanced economies have a better position in this regard, since 2011. In this context, a more detailed analysis of private debt shows an increasing relevance of household indebtedness levels to economic growth.

Figure no. 2. Evolution of the private sector debt service by categories of economies



Note: The evolution is based on the difference between the average of the period chosen (2007-2017) and the quarterly value of debt service, as a share of GDP.

Source: BIS data, 2019

Following the onset of the global financial crisis, the increase in household debt is to some extent the effect of the easing monetary policy promoted by central banks in developed countries. Given that the inflation and wage growth are low, there is a risk of impairing the long-term economic growth through the effects they can have on financial stability. The household debt and access to credit can stimulate the aggregate demand and contribute to the increase of wealth, but the over-indebtedness can be a source for financial vulnerability that induces the risk of harming the economic growth. The short-term economic growth is supported by an increase in the household loans, but at the same time, the financial leverage of households increases, so that a macroeconomic shock can affect both the employment (rising unemployment) and economic activity over medium-term, due to financial difficulties and nominal rigidities.

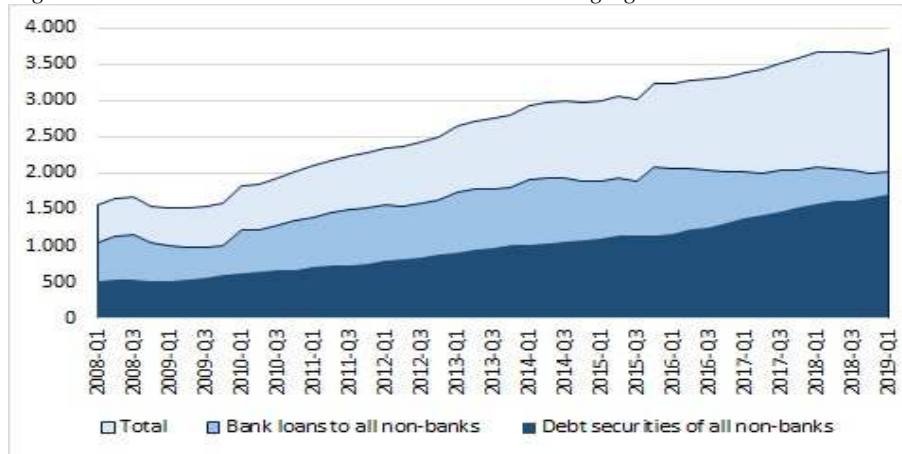
As a rule, increasing household debt stimulates short-term economic activity, but it generates risks to macroeconomic and financial stability in the medium term. According to the analysis of the International Monetary Fund (IMF, 2017), the real GDP initially reacts positively as a channel for increasing consumption, employment, prices on the real estate market and securities, but after one or two years the relationship between them becomes negative, and the household debt is associated with a higher incidence of banking crises.

The macroeconomic and financial risks generated by the increase of the household debt is different from country to country, depending on the level of economic development, the phase of the financial cycle or the institutional characteristics. In this context, some emerging economies are in a more vulnerable situation, given the limited financial and institutional capacity: the liberalized capital account; a less developed financial system; the lack (or a lower level) of transparency and consumer financial protection regulations; poor quality of financial supervision; large disparities between incomes and the predominance of small incomes. On the other hand, the households' debt in these countries is lower compared to that of the developed countries (see Table no. 1), reflecting a greater presence of financial frictions that diminish the access of households to loans.

The financial and institutional capacity of an economy to manage the problems generated by the higher level of households' indebtedness show the extent to which the debt of this sector influences the economic growth and financial stability, in a shorter and longer time horizon.

In emerging economies, economic growth is largely supported by significant accumulations of loans denominated in foreign currency, a tendency noticed especially in the case of non-bank loans denominated in dollars, the expansion of the financial cycle being correlated with this phenomenon. According to the global liquidity indicators calculated by the Bank for International Settlements, the stock of loans to the emerging countries in the non-banking sector has doubled since 2008 (see Figure no. 3), and the recent dollar depreciation further emphasize the trend of growing the US dollars denominated loans.

Figure no. 3. The US dollar denominated debt in emerging economies



Source: BIS data, 2019

4.3. Influences of the house price synchronization

One of the contributions to the economic recovery of many countries in the post-crisis time was the rising level of house prices, as a result of the easing monetary policies at the global level. According to the "Global Report on Financial Stability" (IMF, 2018a), the trend of synchronizing the prices in the housing market is noticeable worldwide. The synchronous movements of prices on this market can be determined by the business cycles synchronization and other non-financial economic fundamentals, as well as by financial factors, such as the degree of financial openness of the economy. The higher the financial openness, the higher the degree of synchronization, economy being more exposed to the action of global factors. In fact, the house price synchronization can be analysed in a broader framework of asset price synchronization.

It is noted that the price synchronization in the housing market during post-crisis has been a benefit for many economies, meaning that the local transmission (at the level of property prices) of the loosened global financial conditions has contributed to the economic recovery. On the other hand, the house price synchronization allows the faster and more direct transmission of the global financial conditions, influencing the dynamics of the real estate market and the prices of housing at the local level, which in fact shows an increased exposure to external shocks.

4.4. The financial conditions and economic growth

The major role of the financial factor on economic activity is also confirmed in the post-crisis time, considering that the main determinant of the economic growth during this period refers to the persistence of relaxed financial conditions, both in developed countries (especially in the USA) and in emerging ones.

The global financial conditions are also relaxed, even during the "normalization" of the monetary policy applied by the Fed (the central bank with global influence), as the conduct of the other major central banks (ECB, Bank of Japan, Bank of England) remains "accommodative", keeping monetary policy interest rates at low levels and implementing asset purchase programs. Recently, since mid-2019, the Fed has adjusted the conduct of its monetary policy and has become relaxed, amid weak economic activity, target inflation and fluctuations in financial markets. It is noteworthy that in addition to reducing the monetary policy rate by 2.5 pp, applied since the end of July, financial market participants have expectations that the Fed will maintain this behaviour in the next period (BIS, 2019b). And the ECB also lowered the monetary policy interest rate and resumed the asset acquisition program.

The relaxation of the global financial conditions is reflected by the maintenance of low risk premiums, the low volatility of the assets price, but also the increased risk appetite of investors. Furthermore, the US dollar depreciation has led to a loosening of financial conditions, especially in emerging economies, which typically have higher levels of loans denominated in foreign currency (mainly, in US dollars).

The tendency to increase lending and indebtedness of the private sector, including the one in foreign currency, which is prevalent in emerging economies, as well as the rising prices on the housing markets and synchronizing of their trajectories at the global level, spurred by relaxed financial conditions, support the short-term economic growth. On the other hand, they may contribute to the accumulation of financial imbalances, excessive risk taking and inaccurate risk assessment, which could determine the materialization of risks to the medium-term economic growth.

Given the array of the influencing factors of economic growth "pattern" in the recent post-crisis period, largely risk factors, it arises the question of identifying the macroeconomic instruments that can contribute to its orientation on a sustainable path. This challenge is all the greater as the room of manoeuvre for macroeconomic and structural policies has narrowed significantly.

5. Conclusions

The global economic growth is on a slightly upward trajectory, but the factors that generate it print certain risks. The loosening financial conditions encourage the lending activity (including lending from the non-banking financial institutions), which is directed to the final consumption. Likewise, the level of the private indebtedness remains high, and the prices in the housing market, synchronized between countries, shows an emphasized development.

During the global financial crisis and after that, the central bank has contributed to the economic recovery through its special levers (conventional and unconventional policies), as well as by extending some responsibilities. In the recent post-crisis period, the monetary authority is still subject to challenges caused by the financial factors evolving, with impact on economic activity.

At the level of the political decision-making authorities, in the recent post-crisis period, the sustainable economic growth requires creating room for manoeuvre that allows to apply countercyclical measures, as a solution to counteract or limit the debt accumulations and imbalances in the financial system. In this regard, there is an increasing emphasis on the role that macro-prudential policy can play in sustaining the long-term economic growth, but the framework configuration of such a policy is still working, not only at local (national) level, but also at regional and global level, from the perspective of ensuring cooperation between countries, in this direction.

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Implementation of BEPS Project - Stakes, Expectations, Challenges

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Abstract

The financial systems' efficiency of the states largely depends on the harmonization of the legislation in the field of taxation. Innovative mechanisms for conducting cross-border financial transactions make it increasingly difficult for the state tax authorities to trace tax bases.

Our paper addresses a current issue, i.e. the BEPS project - a project in the implementation phase, but also the harmonization with other regulations. The topic generates interest among the representatives of the academic environment, financial analysts, experts, but also the participants in the economic environment.

Key words: BEPS, aggressive tax planning, fiscal optimization, international tax law, transfer pricing

J.E.L. classification: H25, H30, K34

1. Introduction

The fiscal system of each state ensures most of the budgetary resources and, therefore, its independence and development. Against the background of the modernization of financial transactions and as a result of their increasing complexity, an adaptation or innovation of taxation at European and world level was also required, especially since more and more companies engage in activities in several countries.

Naturally, due to their desire to increase their profit margin, investors apply fiscal optimization schemes and models that implicitly lead to the lowering of the tax base and other elements of legal tax evasion. In recent years, both at the level of the European Union and at the OECD level, important steps have been taken to harmonize tax legislation and to simplify the identification of non-compliant situations by national tax authorities.

The new version of the OECD guide includes a series of recommendations taken from BEPS reports - Tax base erosion and profit shifting. The issues addressed are current, especially since Romania has been a BEPS associate member starting from June 2017.

2. Theoretical background

The increasing extent of fraudulent practices related to value-added tax has urged the European Union to find solutions to tackle them, using intra-EU trade networks' analysis tools (Dobrescu, 2018).

Interest in the economic value of transfers has highlighted the connection between transfer pricing and customs value, as well as the impact of transfer pricing adjustments on customs value (Nag, 2019). Moreover, from the perspective of transfer pricing, new debates and analyses have emerged regarding the stages and methodology for attributing the profits to a permanent office in other tax jurisdictions (Saulescu, 2018).

The expression "tax base erosion and profit shifting" (BEPS) refers to the tax planning strategies of the business entities taxpayers, which exploit the gaps (deficiencies) and the inconsistencies in the tax regulations in order to artificially move or transfer profit to locations (tax havens) with low or zero rates of taxation where, in fact, economic activity is reduced or does not exist.

3. Stakes, expectations, challenges regarding the implementation of BEPS Project

The fiscal strategies practiced by multinationals, by reducing the corporate taxes paid or even the non-payment of corporate taxes, lead to annual losses for the governments from non-payment of corporate taxes of at least \$ 100-240 billion, equivalent to 4-10% of corporate tax revenues worldwide. This is the financial stake of the BEPS project.

Another essential stake of the BEPS project is the reform of the fiscal rules and of the tax authorities following the digitization of the economy and fiscal globalization.

Eliminating disagreements regarding setting transfer pricing for determining the taxable value of intra-group activities within the EU is a technical and practical stake of this project.

In 2015, within the OECD / G20 BEPS Project, over 60 countries formulated / agreed upon / established 15 measures/actions aimed at preventing tax evasion, improving international coherence and ensuring a greater transparency of the fiscal environment (the so-called BEPS package of measures). The measures to be taken in the BEPS Project are: *1. Digital economy; 2. Hybrids; 3 Rules; 4 Interest deductions; 5 Harmful tax practices; 6 Treaty abuse; 7. Permanent establishment; 8-10 Transfer pricing; 11 BEPS data analysis; 12. Aggressive tax planning; 13 Transfer pricing documentation; 14 Dispute resolution; 15 Multilateral instrument.*

In 2015, the Inclusive Framework on tax base erosion and profit shifting (IF on BEPS) was established to ensure that fiscal countries and jurisdictions, including the developing ones, can participate on equal terms in the development of standards on BEPS issues, in conjunction with the review and monitoring of the implementation of the BEPS project initiated by the OECD/G20.

The Inclusive Framework OECD/G20 on BEPS has over 130 members, of which: 28% are OECD member countries, 6% are G20 group countries (non-OECD members) and 66% are from other jurisdictions.

In 2017, for the first time, the signing at the highest level of the Multilateral Instrument (MLI) took place. Since that time, over 85 jurisdictions signed the Multilateral Instrument which allows the effective implementation of the tax treaty on BEPS measures without the need for individual renegotiation of tax treaties. Thus, over 1500 tax treaties would be modified.

In 2018/2019, the members of the Multilateral Instrument developed a Work Program that aims to provide, on a consensual basis, long-term solutions to the fiscal challenges arising from the digitization of the economy, by 2020. This program will explore the following issues:

- In the first stage (pillar I), potential solutions to determine the allocation of tax rights based on the fiscal connection (nexus and profit allocation).
- In the second stage (pillar II), the design of a system that ensures the payment of the corporate tax at a minimum level by the multinational companies with multilateral fiscal connections. This system addresses the remaining/final aspects of the BEPS Project initiated by the OECD/G20.

The Inclusive Framework OECD/G20, which works with parties/jurisdictions and groups of countries, performs technical work under the guidance of the Working Group (IF Steering Group). Based on the previous consultations, a set of regional information events on the digitization of the economy was planned, in partnership with regional organizations and development banks.

The plenary meetings of the Inclusive Framework (IF on BEPS) usually take place twice a year: in January in Paris and in May/June in a member country. In order to become a member of the Framework (IF on BEPS), a country or jurisdiction must commit to the implementation of the BEPS package of measures and pay an annual contribution of EUR 25,500 (adjusted to the inflation rate annually).

The plenary meeting of the Inclusive Framework where these rules were established took place in Lima, Peru on June 27-28, 2018.

4. Measures to counteract BEPS at European Union level - CCTB Project

The imposition by new tax treaties of a common consolidated tax base of CC (C) TB companies in the European Union (EU) will drastically change the corporation tax, being an indispensable measure in order to limit the *aggressive tax planning strategy* and eliminate the difficulty in setting transfer pricing. Even if the principle of withholding tax is not applied, the proposal of the European Commission (EC) for CC (C) TB is welcome, as bureaucracy will be reduced both for taxpayers and for tax authorities.

The project elaborated by the European Commission divides the consolidated profits of the multinational associations based on a calculation formula which, in turn, depends on the volume of sales, the number of employees and the capital invested. It is estimated that the results of this proposal, as envisaged in the European Parliament in March 2018, are even more detailed than the recommendations envisaged by the OECD. The final version of the CC (C) TB is to be discussed and submitted for approval (by unanimous vote) in the Council of the European Union, and the biggest challenge will be to obtain political agreement. The application of the CC (C) TB principle will divide the profits of the enterprises between the Member States of the European Union, and some founding states will lose tax revenues because pieces of the profits to be taxed will be allocated to other states. This project will be very successful only if the proposed calculation method is applied globally (the effects of the new law are expected to also occur outside the EU borders). The advantages and disadvantages are summarized in table no. 1.

Table no. 1. The advantages / disadvantages of CC (C) TB regulations

Advantages	Disadvantages
Homogenization and legal certainty of profit taxation in EU countries	Reducing / eliminating the fiscal sovereignty of the Member States
Budget balance - Member States will not be able to make changes to the basic structure of the corporate tax system through annual budgets or tax laws	Limiting the freedom of fiscal optimization, CC (C) TB will become obligatory for groups with consolidated global incomes over 750 million euros in the previous year
Undifferentiated legal definitions for basic concepts regarding the regulation of corporate tax	The transition costs for the new system will be very high (there is no study / evaluation yet)
Deduction of expenses for research and development in all EU countries, a regulation which is placed first	There will be additional regulations to avoid double taxation; for example, in Germany, the local trade tax doubles compared to CC (C) TB
Additional deduction: 50% for research and development expenses up to EUR 20 million and an additional 25% increase in costs	The possibility for multinationals to benefit from tax incentives (such as patents for inventions or innovations) will be limited.
Small independent businesses, which have been on the market for less than 5 years, can request an additional 100% deduction for research and development expenses (up to 20 million euros)	Competition through the tax rate is maintained because the harmonization of the corporate tax quotas is not provided by the CC (C) TB.
Some states, such as Belgium and Italy, have introduced interest rate deduction for equity loans, which is quite attractive for SMEs.	Fiscal competition through the CCCTB will be reduced because the levers of state intervention on the economy are limited.
Cross-border compensation for tax losses is currently prohibited	The European Union will be competitively disadvantaged on the profit oriented global market
Elimination of disagreements regarding transfer pricing for determining the taxable value of intra-group activities within the EU	
The one-stop shop is a tax authority that determines the consolidated profit and distributes it, thus reducing the tax administrative burden	

Source: Own design, after Tofan M. (2019)

Following the adoption of the CC (C) TB project in the European Parliament, France and Germany agreed on a common position in support of the European Commission's proposal to establish a common corporate tax base. This led to *The Mesenberg Declaration* being signed on June 19, 2018.

France and Germany express their full support for both proposed directives, with the aim of encouraging fiscal harmonization in Europe, confirming that they are fully committed to the rapid adoption of CC (C) TB regulations and are seeking for ways to harmonize the corporate tax system. A detailed objective in this common position is to stimulate discussions to enable the other EU Member States to adopt the CCTB Directive as soon as possible, before considering the possible adoption of the CCCTB Directive.

The joint declaration of France and Germany envisages, among others:

- ✓ Broadening the scope of the CCTB directive and making it mandatory for all companies that are subject to corporate tax (regardless of their legal form or size).
- ✓ In order to ensure an effective tax harmonization of the corporate tax base, further discussions will be needed, in particular as to the possibility for Member States to grant other fiscal policy measures "outside" the scope of the CCTB Directive (for example, tax credits); the proposal would therefore be effective by ensuring similar values of the corporate tax rates.
- ✓ For optimum implementation, from a technical point of view, both countries endorse a reasonable transition period of at least four years. Therefore, the directive should propose transitional rules.

In Germany's case, the consequences of such a radical change in the transfer pricing system would be enormous, in terms of the volume of export activities. Whereas the idea of using a formula-based apportionment instead of the proximity principle (arm's length) means more of a revolution than a reform of international taxation, and the effects on the distribution of taxable profits are major. An estimate based on data available for EU Member States and G20 countries supports this view.

5. Conclusions

At the European Union's level, the complexity of the integration process and the cooperation that the Member States carry out essentially impose the adoption of fiscal rules, in order to ensure the smooth functioning of the single market. A form of fiscal cooperation is inevitable, with progresses registered in fiscal harmonization and integration.

In the present context, a limited harmonization is justified, aiming at avoiding discrimination, double taxation or withholding tax, regarding direct taxes. Equally, a closer coordination is needed in this area, in order to counteract the distortions generated by the allocation of resources.

CCTB represents a broad reform of the tax regime in the EU, through deeper fiscal harmonization methods and mechanisms than the recommendations on international taxation of the G20 and OECD anti-BEPS initiatives. From a global perspective, the fiscal competition environment in the EU could be disadvantaged by the introduction of stricter measures than those recommended by the OECD / BEP, but the proper functioning of the internal market requires a more comprehensive solution, including tackling tax evasion. If in the 2011 CCTB project the focus was on the administrative burden and on the monitoring of transfer pricing, at present, the CC (C) TB regulation promotes the mechanism of consolidation and the distribution of the profit for taxation, as a fair and efficient answer to profit shifting and to limit aggressive tax planning. The formula for profit distribution, which is the key element of CC (C) TB, is quite convincing from a political point of view, and not from an economic point of view, because the principle of withholding tax would be eliminated. However, due to the difficulties of determining appropriate transfer pricing, the change proposed by the European Council is welcome.

There are several possible obstacles in the way of a CC (C) TB, of which an identified issue refers to the lack of harmonization of the deduction rules, which determines the establishment of the sovereign taxation bases by the national tax authorities. Therefore, these tax bases are at least as important as the tax rates from the point of view of sovereign tax law.

Furthermore, the effects of profit distribution based on a single formula on Member States' tax revenues should not be neglected. Smaller countries would lose some of their tax base, while larger countries would win due to the proposed allocation formula. This makes finding a sustainable solution extremely complex. Compensation for losses could be politically appropriate for smaller countries.

The European Union's regulatory proposal for the CCCTB is an ambitious and promising objective that will stimulate economic growth in the EU and boost research and innovation activities.

As a result of this research, we have found out that there are many other directions worth exploring and that the issue at global and European level is complementary, which Malherbe (2017 p. 140) pointed out, stating that the fundamental methodological problem remains the allocation of the tax base both in the BEPS project, and in the CCCTB project.

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Theories of European Integration Systematic Reflections

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Abstract

European integration is a process that involves and combines transferable competences, from the national to the supranational level, in order to create a form of cooperation, both political and economic, that will lead to a united Europe, respectively to the development and progress of the Union. European. This article aims to outline a clear picture of European integration from the perspective of theories that can be considered the systematic roots of the integration process. Within the scope of this paper, related to the research objective, was used both the analysis method and the comparative method. Of the theories of European integration, neofunctionalism, intergovernmentalism and constructivism remain the most important tools to understand why states decide to unite their destinies in order to achieve a united economic, political, social and cultural Europe.

Key words: European integration, non-functionalism, intergovernmentalism, constructivism, theories

J.E.L. classification: F020

1. Introduction

European integration is considered a process through which policies are formed and implicitly established more at European level and which have a wider impact on civil societies, respectively on national governments. EU integration can be more easily understood if one starts from the literature recognition of three of the most important theories of integration, namely neofunctionalism, intergovernmentalism and constructivism. Focusing attention on these theories implies a correlation with the theoretical approaches of the three families that emphasize the emergence and functioning of this field: theorizing of European integration. The main concern in this study concerns the creation of an area of understanding of the concepts and theories regarding European integration, by identifying the most important relations that exist between the theories of integration of the European Union. This research aims primarily to investigate the interest for theoretical concepts through which the history and development of the EU is reflected. This assertion must be supported by strong theoretical arguments, but no one can deny the impact that these theoretical reflections have had on the integration process. This is one of the reasons that led me to a brief theoretical presentation of three of the most well-known theories of integration. The next section includes a review of the literature on integration theories, namely: neofunctionalism, intergovernmentalism, and constructivism. After that, there follows a section on the research methodology and one that emphasizes the analysis of the acceptances regarding the integration process.

2. Literature review

Rosamund (2005) considered that scholars of the European Union should review the EU integration literature in order to understand the need for supranational governance, thus referring to neofunctionalism, whose thinking was considered a historical foundation in conceptualizing European integration. The theory of neo-functionalism, considered an integration philosophy, was part of the study of European integration in the second half of the twentieth century, being the

result of a social-scientific thinking that made its appearance after the Second World War in the USA. Developed as a theory between the 1950s and 1960s, neo-functionalism, being from the beginning a reflective theory, has been repeatedly subjected to revision, but nevertheless it has a set of tools that are useful in analyzing problems related to process dynamics. of integration, respectively for a series of subsequent approaches that were based on certain concepts. Between the 1960s and the mid-1970s, this theory underwent a major change as a result of the efforts made to apply it comparatively outside the Western European region. In this way, the importance of the factors that have led this region of the world towards a dimension more conducive to the continuity of European integration has been realized. The result was the creation of a complex vision of the integration process and the possibility to offer a wide range of possible outcomes, not only between regions, but also within the same region. At the same time, neo-functionalism must be considered as a constantly evolving theory capable of reform. The status of theory that has been attributed to this current, starts from the imprint it has on the emergence of the Union as a new actor that presents its role on the world stage, leaving neither its capacity for self-analysis nor the attempts to overcome criticism and theoretical obstacles. Between neofunctionalism and the term integration theory there is a legal equivalence that is supported by the ubiquity in theoretical approaches regarding the Union of this current, as well as by the similarity between the predictions of non-functionalists analysts and the evolution of the EU. Also, neo-functionalism sought, on the one hand, to support those attempts to discover the fundamental conditions that influence the integration phenomena in a positive way, and, on the other hand, to promote a process of functional sectoral and political dissemination. The neofunctionalists thus managed to anticipate the importance of the sectoral integration that will lead to the promotion of integration in the other fields. The core of neo-functionalism is given by the use of the term overflow. This concept refers to those situations that have arisen under the shadow of some decisions of the governments to place a certain sector under the authority of the central institutions, which leads to the emergence of pressures regarding the extension of the authority of the institutions in the neighboring political fields. As a result of this decision, European integration was self-sustaining and this led to a political and economic dynamic that influences further cooperation. The essence of the non-functionalists theory is given by the spreading effect. In this case, integration within one sector leads to initiation of integration within another sector.

The most important contribution of the non-functionalists was related to the study of the elaboration of the EU policies by conceptualizing the community method of policy development. At the same time, non-functionalists support the idea that the decision-making process at the supranational level would lead to the increase of the technocratic attributes. The evolution of neofunctionalism takes place simultaneously with the development of pluralism, and because of this overlap it can be viewed as a pluralistic theory that visualizes the transition of politics from the national to the international level.

For a period of time, neo-functionalism represented an integration strategy that registered positive results in an environment defined within the theories of international relations as archaic. The success that the European Union has registered since the mid-1980s (the emergence of sectors of intergovernmental or community cooperation) has failed to give neofunctionalism the glory registered in the mid-20th century. The theory of neo-functionalism manages to ensure a compromise between full integration and the willingness of countries to maintain their independence and sovereignty, respectively between the concept of integration, viewed as a process of formation of the supranational level of government, and that of the national state. This theory offers a coherent, weighted explanation of the evolution of the European Union, being considered, theoretically, the main opponent of the current developed later, namely intergovernmentalism.

The intergovernmentalism proposed by Stanley Hoffmann was developed in the mid-1960s. This concept suggests the idea that national governments are the ones controlling the level and speed of European integration. It is conceptually based on a static approach centered on state institutions. Intergovernmentalism was under the (neo) influence of TRI realism, but nevertheless it managed to reach those particularities that helped it to be considered a unique and at the same time influential theoretical experience within the European space. He appeared within contemporary European political culture as a deviation from the theories of integration, being within the realistic current within the structure of international relations. According to the concept offered by

intergovernmentalism, countries act in the framework of international politics as the main actors. Thus, if neo-functionalism considers integration as the result of competition and cooperation between the main actors of society, intergovernmentalism sees integration as a result arising from the cooperation and competition between national governments. Intergovernmental theory does not agree with the concept of spreading effect that neofunctionalism proposes.

It also rejects the idea that supranational organizations are on an equal footing with national governments. Lynch (1993) and Milward (2000) supported the idea that the governments of the Member States of the European Union played a vital role in the historical evolution of the EU, and not supranational organizations. Through the current intergovernmentalism, the importance of national policies for the process of European integration was underlined. At the same time, nation-states are considered the main actors on the international stage. Intergovernmentalism saw the nation-state as, on the one hand, the main possessor of power, and, on the other hand, the supervisor of the integration process initiated outside its own national borders. In the debates on the future of Europe, intergovernmentalism has played an important role because it has succeeded in coming up with coherent ideas on increasing the degree of cooperation between EU member countries. By participating in the EU, they do not give up sovereignty, because they cooperate in those situations and conditions they can control. Nugent (2010) considers that this control allows all participating states to decide on the extent and nature of this cooperation. In addition, this current benefited from an input of neoliberalism that was to investigate the way of forming the preferences of a state. The unique institutional structure is accepted by the national governments only if it leads to a strengthening of control over internal affairs, respectively to achieving objectives that were otherwise unattainable.

Following the debates that have arisen between the supporters of the non-functionalist theory and those of the intergovernmental theory, it can be said that a new theory has emerged in the field of European integration, namely constructivism. Constructivism has been used as a response to change and transformation. The central arguments that have supported constructivism are related to those basic concepts, norms, identity, discourses and socialization, which are used in contemporary discussions related to issues of international interest (security policy and globalization). The constructivist theoreticians have applied and developed in a relatively short time theoretical tools regarding the European Union, thus managing to bring to the fore the positive effects that the EU has on the governments, respectively on the European people. Risse (2004) did not see in constructivism a theory with substantial implications for European integration, but rather a broader meta-theoretical orientation on EU study. He also believes that human actors are not independent of the social environment or the common EU value system. Within the theories of European integration, social constructivism has contributed, on the one hand, to the development of theories and, on the other, to the development of practices regarding the understanding of the process of Europeanization and communication that highlight the discourses within the EU. The basis of the social-constructivist approach is represented by the concept of identity that models a clearer understanding of the existing interests and policemen at national level.

The idea of European identity is developed among the citizens of the Member States, identifying themselves with the national state, due to the feeling of belonging to the European construction. In addition, constructivist theorists consider that institutions include both formal and informal rules, through which the identities and preferences that are endogenous to institutions can be modeled. Constructivism emphasizes that institutions can greatly influence preferences, identities and behavior. According to Moravcsik (2001), the constructivists failed to provide an empirical understanding of the integration process even though they conceived important and interesting questions, related to the impact that European integration can have on individuals and states.

Constructivists issue hypotheses but, they are not formulated and tested to make a clear distinction between constructivist expectations and their rationalistic equivalents. On the European stage, social constructivism introduced a basic concept, namely rhetorical action, whose role could be identified in the process of extending the European Union to the states of Central and Eastern Europe. This enlargement can be considered the biggest challenge of the EU. The European Union, considered to be a community of free European states, has decided this extension due to the sharing of new values and norms by the new states. Lately, constructivist theorists have adopted a certain

positivism trying to test the assumptions about the propagation of norms and the way collective preferences are formed within the EU. Constructivist studies demonstrate the role that socialization has at EU level (small role in relation to socialization at national level) and the more complex interaction it has with different factors. Jupille and Checkel (2003) created a framework, between the constructivist and rationalist approaches of international relations, to promote integration. They believe that rationalism and constructivism can interact through different forms of theoretical conversation (approaching the scope, competitive testing, succession approach and subsuming).

Starting from competitive testing it is considered that there is a common standard of empirical testing as a criterion for theorizing the policies of the European Union. The theory of social constructivism is considered the newest method of analysis and explanation of the process of European integration. As with the other theories, social constructivism can only be analyzed in the context of the other theories of European integration. Social constructivism viewed as an approach to the study of European integration can be a challenge for more rationalist approaches, such as liberal intergovernmentalism or versions of neo-functionalism. In this case, the three theories, neoliberalism, intergovernmentalism and constructivism, can respond to situations related to the process of integration or its connection with other theories of integration.

3. Research methodology

The study on the theories of European integration emphasizes that the theoretical approaches lead to an increase in the size and horizon of the research, respectively of the reflections on the European integration process. Within the scope of this paper, related to the research objective, was used both the analysis method and the comparative method. From a methodological point of view, the approach can be considered as a qualitative one because it analyzes the size of the interaction between the actors involved, everything being done from a thematic, not a statistical perspective. I have consulted in this regard specialized literature. Thus, it can be said that the collected data can provide an investigation that can be viewed, broadly, from a longitudinal and transversal point of view, and the presentation of this work as observational in nature.

4. Findings

Integration theories have emerged as a result of a so-called contradictory discourse between the two concepts, neofunctionalism and intergovernmentalism, considered as predecessors of the theoretical approaches that are interested in different phenomena taking place within the EU member countries. Neo-functionalism and intergovernmentalism consider European integration as the result of a process of cooperation between governments and interest groups. Intergovernmentalism explains the specific outcomes of the negotiation and focuses on divergent national preferences, and neofunctionalism links the negotiation results in a longer-term perspective and understands the response mechanism of supranational reform in the face of the economic crisis. Neo-functionalism sees the European Union as a dynamic process, while intergovernmentalism analyzes those isolated historical events, such as large negotiations between EU member countries. Thus, through intergovernmentalism, it is shown that within the arena of the European Union, the national states manage to remain the most representative actors, and the history of the EU represents the sharing or sharing of sovereignty, as opposed to the non-functionalist leading to a shift of sovereignty from national to the supranational one. Neofunctionalism and intergovernmentalism are the competing theories and represent the main theories of EU integration. Unlike neo-functionalism, the constructivist theory manages to explain the role of values, norms or identity. Neo-functionalists place more emphasis on integration, a process based on the actors involved, and not necessarily on supranational structures. Constructivism, however, observes that actors are deeply affected by their beliefs, ideas and identity. Also, about constructivism it can be said that it is part of the latest theoretical approaches to EU study, although it leaves significant fingerprints on how the EU is studied, and that it focuses its attention on the most important aspects of European integration. Intergovernmentalism is a theory centered on what agents do based on their interests, recognizing that actors are anchored in a structure, that of power and of interstate negotiations within the Union.

5. Conclusions

Although these theories have been modified and criticized over time, they contain strong theoretical arguments for integration. Through the three theories, neofunctionalism, intergovernmentalism and constructivism, it was possible to highlight the extent to which the process of European integration was supported and modeled. Theories provide the tools needed to understand the EU's past, present and future. As European integration continues, these theories will be the basis for understanding this integration process.

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Ecotourism - A Direction for Sustainable Development in Romania

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Abstract

Ecotourism is an important component of tourism and consists in visiting natural areas for relaxation in nature, for psychic recovery, knowledge, appreciation of nature and its effects. Ecotourism plays a significant role in the economic development of an area or region of tourist attraction. The most important positive effects refer to the contributions in the state revenues, generated by the tourist expenses and the export and import of complementary goods for the receiving countries, and to the stimulation of investments in various sectors, thus, through the multiplier effect of the tourism contributing to the economic prosperity of the country. Ecotourism is and will be an important direction for the sustainable and economic development of Romania, our country being one of the first countries in the world where a standard for the evaluation of ecotourism destinations is applied. It is adapted according to the criteria of the World Council for Sustainable Tourism and is under the administration of the Ministry of Tourism. This article presents the new opportunities for developing and supporting ecotourism in Romania.

Key words: Economic development, ecotourism, nature conservation, sustainable development

J.E.L. classification: O1, O180

1. Introduction

Any form of tourism brings changes to the environment, which is why the tourism industry recognizes the need to keep those elements attractive for tourist, striving to correlate costs and benefits of ecotourism in protected natural areas

Ecotourism is that part of sustainable tourism that refers to visiting relatively untouched natural areas, including protected areas. The annual growth rate of 15% of ecotourism and other nature-based tourism activities is higher than that of many other segments of tourism.

Romania has a very varied natural capital. Due to the physical-geographical conditions, which include mountains, plains, major hydrographic networks, wetlands and one of the most beautiful delta systems (Danube Delta), Romania is the only country on the continent in whose territory there are 5 of the 9 biogeographic regions of the European Union (continental - 53% of the country's surface, alpine - 23%, steppe - 17%, panonic - 6% and pontic - 1%).

In Romania, ecotourism is widely recognized - at government level, in the private sector and at the public level. Ecotourism is recognized as being specific to the rural areas within the communities that have a tradition in agricultural activities, and covers also access to the flora and fauna of the area, as well as to the social habits and lifestyle of the people from the visited areas.

A nationally recognized definition is: ecotourism is tourism form in which the main objective is to observe and raise awareness of the value of nature and local traditions and which must meet the following conditions:

- to contribute to the conservation and protection of nature;
- to use local human resources;
- to have an educational character, respect for nature -awareness of tourists and local communities;
- to have an insignificant negative impact on the natural and socio-cultural environment.

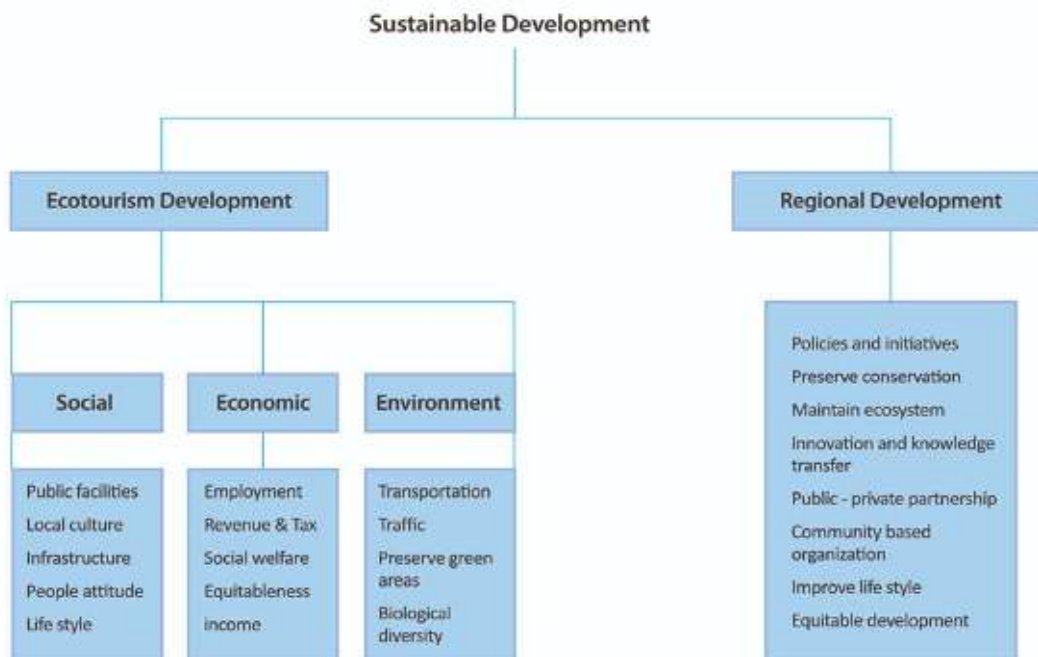
Making the most of the natural environment is one of the fundamental requirements of ecotourism. This statement actually leaves a wide door open to a wide range of activities, provided they comply with the conditions set out above.

This paper is structured in 4 parts. After the introduction, the second section presents the literature review with a short description of the necessity of elaborating a ecotourism strategy and ecotourism market trends. It is followed by the presentation of the main funding opportunity, namely: "Promoting the sustainable development of tourism and the capacity of SMEs in tourism through transnational cooperation and knowledge transfer", within the European program" COSME "2014-2020. In the final part are presented the proposals and conclusions.

2. Literature review

The idea of adopting the concept of sustainable development in tourism emerged at the beginning of the 90's, thus creating sustainable tourism. A branch that has rapidly gained importance also in the academic and research fields, as well as in the tourist activity or industry. Sustainable tourism responds to the needs of tourists and the receiving regions regarding the protection and improvement of resources for future generations. It aims at integrated management of all resources, aiming at meeting economic, social and aesthetic needs without endangering the preservation of cultural integrity, essential ecological processes, biological diversity and the environment. On May 30, 2019, the Government of Romania adopted the Strategy for the development of ecotourism, a normative act that aims to promote ecotourism destinations and which creates the necessary legislative framework for the tourism development in protected areas without having a negative impact on the natural environment. This Strategy is beginning to outline a sustainable development of green tourism, in areas with potential and, more than that, raising awareness among local authorities in this area. An important aspect of this document concerns the educational component, through which the authorities and local people are aware of the value of preserving the natural environment.

Figure no. 1. Ecotourism in Sustainable Development



Source: <https://www.intechopen.com/books/advances-in-landscape-architecture/role-of-ecotourism-in-sustainable-development>

Developing ecotourism activities within local communities and within the protected natural areas implies a number of socio-economic benefits (Fig.1) , respectively:

- generates the appearance of jobs locally (directly in the tourism sector or in the related sectors);
- by raising incomes and living standards for the local population, young generations are encouraged to remain within the community;
- stimulates the local economy by developing tourism infrastructure and services (accommodation, food, transportation, recreational facilities, handicraft products and guide services, souvenirs);
- stimulates the rural economy by creating or increasing the demand for agricultural products needed to provide tourism services;
- it promotes the development of the infrastructure, which brings benefits to the local population as well;
- stimulates the development of peripheral regions through capital insertions; stimulates the improvement of intercultural relations in a region.

Within project "Improving the financial sustainability of the system of protected areas in the Carpathians", the potential impact that tourism can have for five analyzed parks within the pilot project (Retezat National Park, Piatra Craiului National Park, Vânători Natural Park, has been calculated Neamț, Apuseni Natural Park and Maramureș Mountains Natural Park). According to the analysis from "National Strategy for the Development of Ecotourism in Romania- context, vision and goals -2016-2020", the value of tourism and recreation activities is estimated at just over 109.5 million euros at the level of 2020.

Also, considering the multiplier effect, it is estimated that tourism within the pilot protected natural areas can generate 365 million euro per year (or 0.3% of GDP) and can create around 37,100 full-time equivalent jobs.

In addition, through sustainable management, the five pilot protected natural areas have the potential to generate over 2.6 billion euros over the next 25 years. Another argument in favor of developing this form of tourism is provided by statistics produced by The Romanian Ecotourism Association (AER). According to these data, the economic impact produced by the ecotourism programs carried out by the AER tour operators in our country is clearly increasing from about 1.6 million euros in 2008 to about 3 million euros in 2014. This increase is generated by the increase in the number of AER members running ecotourism programs, but also increasing the volume of tourists on ecotourism programs. But what is remarkable is that the impact on the local level is well above the average of the classical tourism. In the case of AER members, more than 50% of the expenses incurred by tourists remain in the area of the tourism program, mainly in the rural area.

Given that the above data refers to a small number of economic operators, AER members (14 tour operators and 10 tourist pensions in 2014), quite territorially concentrated, can deduce the huge potential that Romania has it in the development of ecotourism.

Once recognized the importance of this sector for the protection and conservation of the natural and cultural heritage, for the economic and social development of the local communities in the natural rural areas and for the increase of the tourist experience, all efforts should be made for the efficient use of the rich heritage of our country.

Trends in the ecotourism market - over the last six decades, tourism has been steadily expanding, with average annual growth rates ranging from 5 to 10%, becoming a major sector, providing economic and development opportunities worldwide. According to "National Strategy for the Development of Ecotourism in Romania - context, vision and goals -2016-2020", international tourist arrivals globally increased from 25 million in 1950, to 278 million in 1980, 527 million in 1995 and reaching in 2017 a total of 1.323 billion people.

Also, revenues from international tourism increased from \$ 2 billion in 1950, to \$ 104 billion in 1980, \$ 415 billion in 1995, to \$ 1,340 billion in 2017.

The tourism industry contributed 8.3 trillion dollars or 10.4% to the creation of global GDP in 2017. Also, in the last year, approximately 313 million people were employed (directly or indirectly) in the tourism sector , and by 2028 their number is expected to grow to 414 million, and the contribution to the global economy will reach 11.7% of GDP.

According to the long-term forecasts of "National Strategy for the Development of Ecotourism in Romania - context, vision and goals -2016-2020", (Tourism Towards 2030), the number of international tourist arrivals worldwide is expected to increase with 3.3% per year in the period 2010-2030. It is expected that by 2020 international arrivals of tourists will reach a total of 1.4 billion, and by 2030 to 1.8 billion people.

3. Funding and development opportunities for ecotourism

The European Commission, through the Executive Agency for SMEs (EASME) in Brussels, has opened the call for proposals for 2019 projects "Promoting the sustainable development of tourism and the capacity of SMEs in tourism through transnational cooperation and knowledge transfer", within the framework the European program "COSME" 2014-2020 - EU Program for the Competitiveness of Small and Medium Enterprises on October 24, 2019; Budget: 5,000,000 euros.

The sustainability of tourism is particularly important and refers to the environmental, economic and socio-cultural aspects of the development of the sector, it being necessary to establish an adequate balance between these three dimensions in order to guarantee a long-term growth. The sustainability of tourism thus covers a number of different aspects, including: the responsible use of natural resources, the environmental impact of tourism activities (waste production, water pressure, land and biodiversity, etc.), the efficient use of "clean" energy, protecting the cultural heritage and preserving the natural and cultural integrity of the destinations, the quality and sustainability of the jobs created and the respect for the local communities.

- General objective of the action is to stimulate sustainable tourism development and the capacity of SMEs in tourism through transnational cooperation and knowledge transfer.
- The action aims to:
 - strengthening transnational and cross-border cooperation to enable sustainable growth of tourism SMEs;
 - promoting the capacities and abilities of SMEs to explore and adopt viable solutions, which would improve the sustainable management and sustainability of tourism in general;
 - promoting innovative solutions for sustainable tourism.
- The specific objective of the action is to develop and implement schemes for transnational and cross-sectoral support in order to develop the sustainable growth capacity of SMEs in the tourism sector.

A transnational network of public and also private stakeholders (including business incubators, accelerators and business support organizations that provide business support to SMEs and start-ups that cooperate with sustainable solutions providers, recycling centers, environmental education centers, social economy associations, professional associations) will act as an intermediary that organizes specific activities for SMEs in the tourism field from different countries. The consortium will organize and provide direct support to companies to develop their capacities to achieve and implement sustainable and circular standards / models / strategies in their services and operations, but will also facilitate cross-border / transnational cooperation, learning peer-to-peer regarding the exchange of knowledge and best practices to increase the sustainability of tourism.

- communication activities regarding the objectives of the project to reach the potential SMEs and the expected results for the project;
- selection of SMEs from tourism for participation in the project support scheme;
- mapping the specific needs of the SMEs involved in the project, in order to adopt sustainable innovative solutions;
- mapping innovative initiatives, guidelines, best practices, key actors, sustainable solutions providers, opportunities for the tourism sector to
- it becomes more sustainable (activities relevant to the SMEs involved in the project). organizing online, offline courses, workshops, study visits, awareness-raising activities;
- production of training materials, webinars;
- coaching and guidance services;
- twinning, confrontation, peer learning, knowledge sharing;

- B2B activities (business to business); development of ICT solutions, platforms for the exchange of knowledge and expertise and involvement of the local community;
- organizing activities to strengthen the cooperation of the SMEs involved with organizations
- of intersectoral and extension support, including: technology centers, research institutes;
- innovation hubs, service providers, incubators and accelerators;
- reporting on the results of the capacity building activities implemented and on the concrete adoption of innovative solutions by tourism SMEs that improve tourism sustainability;
- other activities proposed by the project partners, according to the objectives of the call.

Eligible applicants are represented by public and private entities legally constituted in EU countries or participating in the COSME program, for example: local, regional, national, national, associations, tour operators, NGOs, universities, research or training centers. , destination management organizations, chambers of commerce, and the responsible institution is the Executive Agency for SMEs - EASME Brussels.

Among other opportunities, we list:

- the support that the ecotourism enjoys at international level with the signing of the Declaration from Quebec;
- a tendency to increase internationally the number of tourists / visitors who have like main motivation ecotourism;
- the existence of the governmental interest in promoting this form of tourism in Romania;
- accession to the European Union has contributed to the country's international recognition;
- steps have been taken in the process of accession and post-accession to the European Union
- important steps in adapting the national policy and legislation to the European one;
- important steps have been taken regarding the ease with which a business can be opened Romania. According to a World Bank study, our country is 45th from a total of 190 countries analyze;
- the existence of European funds (eg PNDR, POIM, ROP, etc.);
- the existence of other reimbursable or non-reimbursable financing programs in the field environmental conservation and ecotourism;

Internationally, Romania is perceived as an unexploited country, this could be the basis of future promotional campaigns, the marketing potential of Romania as a tourist destination through ecotourism.

4. Proposals and conclusions

The following are the most important recommendations concerning the private sector:

- ecotourism business must be profitable for all stakeholders involved, owners, investors, managers, local communities and conservation organizations in the natural areas in which they operate business design, development and management;
- must minimize the negative effects and contribute positively to the conservation of fragile ecosystems and the environment in general, to bring direct benefits to local communities;
- entrepreneurs must ensure that design, planning, development and operate ecotourism facilities incorporate sustainability principles such as harmonious integration into the landscape, water conservation, energy, non-renewable materials and access to all categories of population without discrimination;
- to cooperate with governmental and non-governmental organizations involved in the protection natural areas and biodiversity conservation, ensuring that ecotourism operations are executed according to the management plans and regulations in the area, so as to minimize any negative effect and to act to increase the quality of the ecotourism product and the financial contribution to the conservation of natural resources;
- to use more local materials and products, as well as resources in the course of the business human and local logistics, to maintain the authenticity of the ecotourism product and to grow it the proportion of benefits that remain in the community;
- to invest in local labor force training;

➤ to actively collaborate with local community representatives to ensure that the elements of traditional culture are described and valorized with respect, that the staff and tourists are correctly informed about the local traditions, customs and history;

➤ to promote among the clients an ethical behavior towards the ecotourism destination visited, for example through environmental education or by encouraging voluntary contributions, to support community and conservation initiatives;

➤ to diversify the offer by developing a wide range of tourist activities at a destination given by expanding operations to other destinations, to avoid overcrowding, which would threaten the long-term activity sustainability.

Private operators must ensure to contribute to the implementation of some visitor impact management systems in destinations ecotourism to ensure a fair distribution of ecotourism revenues among operators, suppliers local services, local communities through appropriate tools and strategic alliances and to formulate sustainable development policies to be implemented in all sectors business.

Ecotourism is not important only for increasing the number of tourists, it is becoming a diverse and complex activity. Although mass tourism remains the predominant form, other tourism activities related to culture, environment, education, health etc. Tourists reflect the preferences for the quality of the environment and a more energetic and participative form of recreation. Ecotourism, as a market niche in tourism, is considered to be one of the fastest growing segments in the tourism industry. Interest in ecotourism is estimated to increase from 25% to 30%, and, in fact, is possible because of nature protection concerns, but also due to the special tourists interest for the nature experiences. In "National Strategy for the Development of Ecotourism in Romania - context, vision and goals -2016-2020", is also estimated that ecotourism, tourism in natural areas, cultural tourism and adventure tourism will grow rapidly over the next two decades and it is estimated that people will spend more on ecotourism products in the future.

According to estimates by the International Ecotourism Society (TIES), ecotourism could grow in the next six years to about 25% of the global travel market, and revenues could reach \$ 470 billion per year.

Ecotourism attracts those tourists who want to interact with the natural environment and want to increase the level of knowledge, understanding and appreciation. One of the tendencies that feeds the growth of this form of tourism is the travelers preference to choose holidays with an educational touch, which will enrich their existence rustic / with potential ecotourism. In Romania the Ecotourism is a strong direction for sustainable development.

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The Impact of Technologic Innovation on Business in the Financial-Banking Field

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Abstract

The innovation in the financial-banking field is determined by the progress of the IT technology, therefore in this paper we have identified several variables that corroborate the identification and development of a particular field, respectively the Fintech field. Being approached from the perspective of business development but also as a consequence of the quickening development of online tools, Fintech is a reality and a direct consequence of the entrepreneurial skills of some innovators of the younger generations. Thus, after a presentation of the Fintech aspects, we synthetically addressed the legal regulations in the field and the specific security instruments. At the end of the paper I showed what the specific elements of the development of the online banking system are and synthesized the advantages of the functioning of such banking institutions.

Key words: fintech, financial-banking field, technologic Innovation, online banking system

J.E.L. classification: G17, G21

1. Introduction

The socio-economic changes and the increasingly accelerated development of technological innovations in the financial field have determined a process of redefining the way of interaction with customers through its transfer to the online environment. Currently this technological innovation in the financial sector can be found in Fintech (*Financial Technology*).

New technologies are changing the financial sector and the way consumers and businesses access services, creating opportunities for FinTech-based solutions to provide better access to finance and improve financial inclusion for digitally connected citizens. According to the Bank of International Regulations, the definition of Fintech and other terms assimilated to this area is important from the perspective of the approaches used by the supervising authorities. Although there are several definitions for Fintech, the most used one is considered to be the one provided by the Financial Stability Board, which considers that Fintech is the "technological innovation of financial services and products that can lead to new business models, new applications, processes and products with material effect associated with the provision of financial services. "There are other definitions: Fintech is a business that aims to provide financial services through the use of modern software and technologies" (Isac, 2018).

Regardless of the definition, the essence of Fintech is the financial technology that makes the transition from financial traditionalism to the finances of the future. The complexity of these technologies gathered in the "incubators" of intelligence, represents the main ingredient that the man of the future needs, a mixture between the internet of things and the artificial intelligence, a "revolt" of the modern man against the old and limited one, who settles for little.

The emergence of Fintech forced the traditional systems dealing with the financial field to "wake up" from the lethargy in which they were pleased and to open up to the solutions offered by start-up companies that provide all kind of innovative and ingenious applications, which optimize the interaction level of those active in the financial field.

Generally speaking, three groups of financial products or services can be identified which fall within the sphere of financial technological innovations (Isac., 2018):

- credit services, attracting deposits and attracting capital (new ways for individuals and legal entities to obtain fast loans with decentralized risk analysis, crowdfunding, peer-to-peer financing, mobile banks, credit scoring, etc.),
- services and means of payment, clearing and settlement (mobile wallets, peer-to-peer transfers, electronic currencies, virtual currencies, currency sales, digital currency exchange platforms, etc.)
- investment and investment management services (high frequency trading, copy-trading, e-trading, robotic consulting, etc.).

2. Theoretical background

Fintech has started its ascension towards the new future in the field and is an industry capable of reorganizing the financial sector in a more accessible way, as demonstrated by the increase of investments in this kind of companies to a value of over 150 billion euros until 2020. On the other hand, over 40% of the clients of the traditional institutions are willing to test the services offered by the Fintech companies in the financial area.

The impact of Fintech's development at the financial system level can be considerable, the technological innovation being able to reconfigure its current structure.

Fintech can also bring a number of benefits such as:

- facilitating access to financial services through secure communication media, leading to a deepening of the financial inclusion;
- decentralization and diversification of financial intermediation services;
- increasing the efficiency and speed of serving financial institutions clients
- reducing information asymmetry and improving risk analyzes by diversifying the type of data used for this purpose.

A benefit of financial technological innovations consists of the opportunities they offer and the direct influence on the main products of traditional banks, which materialize in:

- reduction of staff working in banks, as a result of the automation of back-office processes;
- introducing a new executive role, responsible for the implementation and development of new products that incorporate financial technological innovation (for example, chief digital officer).
- increasing competition in the field of financial services represented by non-specialized companies offering Fintech products or services;
- the development on its own of new products that incorporate financial technological innovation, or by collaborating with companies specialized in this field
- the emergence of companies that have significant financial resources and have a significant impact on the financial services market, such as Amazon and Alibaba;
- the need for a digital education of the staff working in the credit institutions, but also of the public to whom these new products are addressed, is outlined.

The emergence of new technologies in the financial field can lead to changes in the strategy of banks by increasing the scope of eligible customers. The introduction of new concepts such as the digital financial services platform could facilitate the interaction of Fintech companies with financial institutions through open banking applications through which banking services can be integrated with those of external providers, thus enhancing the customer base, and they can manage their financial products through a single interface.

The perspectives regarding the payment and settlement of accounts systems are determined by the increase of the competition, the regulations and the intensification of clients' the preferences towards digital experiences. Thus, the premises of introducing new means of payment, but also of developments in the field of distributed registers technology are created which, according to a study published by the Bank of International Regulations, has the capacity to transform financial services by reducing their complexity, increasing processing speed and increasing transparency of the transactions registration.

In conclusion, Fintech is a mix between artificial intelligence and the Internet of Things and represents a driver of changes in the sectors in which it operates, according to a recent KPMG global survey. Thus, banks, insurers and investment management companies consider artificial intelligence, blockchain and Internet of Things technologies to be essential for the development of financial services.

3. Elements specific to the development of information technology

At European level, the institutions aim to keep pace with the digitization and financial technological innovation, while at the same time committing themselves to ensure the safety and efficiency of the infrastructure. The most important initiatives in this regard are:

The instant payment settlement service (TIPS) allows the possibility of performing within a maximum of 10 seconds a payment service of a maximum of 49,999.99 lei for 24 hours, 7 days a week, 365 days a year. These types of payments have the role of "changing the game" in the banking field and the context of the launch of the "Instant Payments" service by Transfond is developing in a favorable European and global environment as the European and global payments industry moves towards the payment standard instant, including banks, traditional payment service providers and FinTechs. However, the local environment is not developed according to these global trends because in the category of electronic payments per inhabitant there is a massive deficit of education and financial practice, manifested at the level of consumers (Popescu, 2018).

The PSD 2 payment services directive is addressed to both traditional payment service providers, such as banks or payment institutions, and to technical service providers such as payment initiation providers and information service providers. accounts, without taking possession of transfer funds.

The importance of developing financial technologies and regulating their functioning is also highlighted in the FinTech Action Plan: for a more competitive and innovative European financial sector presented in Brussels in March 2018 by the European Commission to the European Parliament, the Council, the European Central Bank, the Committee European Economic and Social Committee and the Committee of the Regions. This plan stipulates that innovative companies bring new products to the market or make available ways to provide renowned services in innovative forms or at more competitive prices and innovators must be able to extend their services to include as many large users as, mobilizing economies of scale. To fully benefit from the single market, they should be able to use a "European passport" based on which they comply with regulatory requirements. In conclusion, the rapid progress made by FinTech causes structural changes in the financial sector that need to be regulated so as to ensure the creation of a conducive environment to encourage innovation in the financial sector, while constantly maintaining financial stability and a high level of protection of the investors and consumers and of course the security of transactions.

Another very important aspect of Fintech development is information security. European Supervisory Authorities (ESAs) amplify the importance of security strategies to ensure the integrity of the European financial system. Authorities worldwide consider cyber risk assessment, and the Financial Stability Board (CSF) and other institutions in the field identify four risk categories:

- macro-financial risks (at the level of the entire financial system);
- micro-financial risks (at the level of the different entities, infrastructures of the financial markets or sectors);
- risk of concentration or potential deterioration of credit standards;
- risks based on operational elements that come from the evolution of Fintech.

In order to increase the security of Fintech services, two categories of providers are set out:

Payment initiation service "PISP" providers are payment service providers that carry out payment order initiation services at the request of the payment service user regarding a payment account held by another payment service provider (for instance at a bank). These payment services establish an IT bridge between a merchant's website and the online banking platform of the payment service provider that offers payer account management services, for the purpose of initiating payments via the internet on a credit-transfer basis.

Providers of information services regarding "AISP" accounts are the payment service providers that carry out online services that involve the provision of information in relation to one or more accounts owned by the payment service user or to another payment service provider or to multiple payment service providers. These services allow the payment service user to obtain information on several payment accounts held by one or more different payment service providers and even have an overview of his financial situation.

All payment service providers will have to apply strict customer authentication when the payer accesses their payment account online, initiates an electronic payment operation or takes any action, through a remote channel, which may involve a risk of payment fraud or other abuse.

The common point of digital banks is represented by card transfer services. They can issue cards associated with a digital account but cannot create credit like banks that comply with legal regulations in the field of lending to natural and legal persons. These cards are not associated with a bank account opened with traditional banks and their functionality is determined by managing money through an application.

Their main advantages are:

- the notion of commission for transfer outside the country via alternative digital accounts disappears and access is open to any internet user regardless of the country;
- obtaining the cards by any citizen over the age of 18;
- facilitating the obtaining of an IBAN that may be his / her own or to be used jointly with other users;
- fast money transfer;
- applications usage is more accessible to users because they are user-friendly compared to many banking applications.

The disadvantages that may arise in connection with the operation of these accounts are determined by the maximum amount that can be deposited in an account, the amount transferred or the number of replenishments.

Revolut. Revolut is a fintech started by two Russians in London and officially launched in Romania in 2018 which currently has over 35,000 Romanian users. The most important advantages of using Revolut services are:

- the reduction of the commissions applied by the traditional banks when making payments with the card abroad, because the conversion is made at the inter-bank exchange rate and not taking the euro basis at the rate established by the bank where the exchange is made. Thus it is estimated that 50 euros are saved for every 500 euros spent;
- small commissions for money transfers by applying the same algorithm so that those who want to transfer even 10 euros, will no longer have to pay the fees that the banks or financial services companies like Western Union pay;
- issuing a transaction report and budget limits can be set and when these are reached, the transactions are blocked or they give a warning.

So, Revolut is an alternative to classic banking and the transactions are carried out using a prepaid card by which transfers can be made from one Revolut user to another, making payments online or directly to merchants. The administration costs depend on the option chosen, respectively, the Standard, Premium or Metal service, which have low costs or allow free access to transfers and payments. Metal is a card with a special design, weighs 18 g, is made of stainless steel and it can access concierge services, medical insurance, cashback 1% and so on.

Monese. The financial services launched in 2015 by Monese can be initiated through an online form that includes a photo with an identity card and is granted to any European citizen. Monese cards are accepted in over 200 countries and are issued in three variants:

- The Starter Card for which no issuing and administration fees are charged, withdrawal fees are paid (except for the first 5 monthly withdrawals from the bank account which are free), payments and transfers;
- Plus Card which allows many free or cheaper services and costs 5 pounds;
- Premium card recommended to users who make many transfers because for 14.95 pounds all transactions are free regardless of their value and recipient. The financial services of this online bank are recognized and include users from over 200 countries.

Monzo. Monzo, one of the largest digital banks, defines itself as a "smartphone only bank" and uses Apple Pay and Android Pay applications. The specific operations of Monzo are the monthly issuance of the operations report, the free notifications for transactions, the free payment of card payments abroad or for the online transactions performed in a foreign currency, the free withdrawal from the ATM of the amounts up to 200 pounds. Easy access to bank services is demonstrated by the large number of users, over 700,000. Over 50% of the users of Monzo services are between 20 and 30 years old and the main tools for attracting customers are specific:

- **Payments with friends** – allows free transfers between users who are friends and frequently interact with each other. Thus, Monzo users can send instant money to each other by selecting, from the contact list, the recipient;
- **Golden tickets** – provides facilities for users to attract customers;
- **Bill spitting** – provides special payment access to users who can pay the bill at restaurants or cafes together from Monzo accounts.
- **Kakao-Bank** was launched in South Korea on the support of the KakaoTalk messaging app, which had 42 million customers. The ease of using its services, together with the operational transposition over an application with a very large user base, allowed to attract almost 2 million customers in 10 days.

4. Conclusions

Technological evolution is of crucial importance for all, and in the area of FinTechs financial services, though regarded for a period of time as possible disruptors, they open the way to many challenges and opportunities.

In conclusion, the business development in the field of banking services is determined by the increasingly efficient information technology, frequently used by young people and which allow much lower costs than traditional banks that have high costs related to the operationalization of processes, expenses with salaries and maintenance expenses and for the rent of the premises in which branches and agencies are opened.

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Recent Trends in Tourism Activity in Dobrudja Region

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Abstract

Dobrudja, a region with ancient references (Dacia Pontica) is located in the South-East part of Romania, which comprises the Black Sea Coast and the Danube Delta, belonging to Tulcea and Constanța counties. The particularity and uniqueness of Dobrudja lie both in the vicinity of the Black Sea, the Danube Delta (a biosphere reserve under the UNESCO patrimony since 1991) and in the archaeological discoveries that prove the existence of ancestors on these lands. Due to these strengths of the region, Dobrudja is one of the most important and favorite tourist regions of our country, the tourist motivation being famous and unique. The aim of the paper is to analyze the influence of the attractions in Dobrudja Region on the tendencies of tourism development in this region. The analysis emphasizes the role of the identified attractions as vectors for the development of tourism in Dobrudja.

Key words: Dobrudja Region, tourist attractions, tourism

J.E.L. classification: Z30; Z32

1. Introduction

Dobrudja was the meeting, coexisting and twinning place for Romanians everywhere. The reigns of the voivodes Mircea cel Bătrân/Mircea the Elder and Ștefan cel Mare/Stephen the Great wrote history on the banks of the Danube and on the Black Sea coasts.

Until near the end of the 3rd century AD, the Romans named the current Dobrudja, Scythia Pontica. This land was part of Lower Moesia, and under Diocletian of the Dioecesis Thraciae/Dioecese of Thrace, it was known as Scythia Minor .

When he took over the territories of Dobrudja (1386-1418) Mircea the Elder added to his titles "Terrarum Dobroticii Despotus et Tristri Dominus". The province across the Danube, known as Dobrudja, was part of Wallachia during the reign of Mircea the Elder. Among his many titles, Mircea the Elder also had the title: "ruler of both banks along the Danube up to the Ocean (the Black Sea) and of the city of Silistra".

According to the historians' presentation of the region, it seems that Dobrudja was the first province in the country to enter, ever since the 7th century BC, the course of history as the oldest cradle of the Romanian people. The importance of the region is also proved by the attack of emperor Trajan on the citadel of Dobrudja, during the war to conquer the Dacians.

As Constantin Brătescu wrote in 1928, in the book "Dobrudja, 50 Years of Romanian Life", "without the mountain range and without the maritime facade, any political formation in the lower Danube is crippled", hence the great significance of Dobrudja for Romania.

Today, people are appreciating more and more spending their leisure time traveling and visiting new places that satisfy their need for recreation, rest and health improvement. Through its components, the plateaux - the former Hercynian mountains, the depressions, the gorges - the Gorges of Dobrudja, the coastline - the Black Sea coast, the delta - the Danube Delta, the large areas - the plains, the deserted places, Dobrudja is a tourist destination worth considering. The development and value growth of tourism activities in Dobrudja region are closely linked to

improving these resources and the development of the necessary infrastructure for tourists in order to become a point of interest. Moreover, the growth of tourism activities in this unique region, in terms of tourist resources, must be part of well-founded programs and strategies.

2. Theoretical background

Considering the uniqueness and complexity of the region's elements of attraction, Dobrudja is perfectly represented by the definition given to tourism by E. Guyer-Freuler, who, in 1905, stated that "tourism, in the modern meaning of this word, is a phenomenon of our times, which is based on the increased necessity of recovering our health and changing the environment, cultivating our sensitivity to nature's beauty".

Professor Edmond Picard, in an article titled "Travel industry", considers tourism ... "the range of its organs and its functioning, not only from the travelers' point of view, of the traveler himself, but mainly from the perspective of the values they carry with them and of the wealthy ones who, in the visited countries, directly or indirectly benefit from the expenses that travelers make to satisfy their needs for knowledge or pleasure"(Baretje, R., Defert, P, 1972).

The following trends in tourism development have been identified:

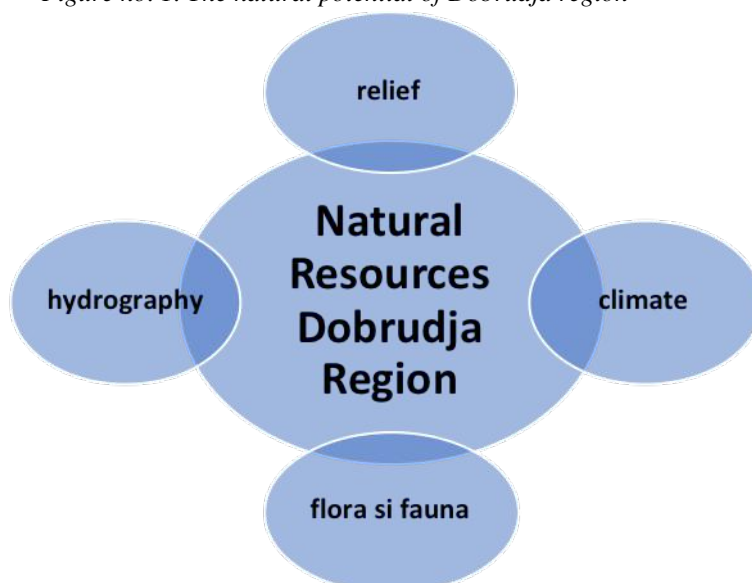
- Niche tourism;
- Diversifying the identity of the tourist objectives;
- Development of cultural and historical tourism (CINAQ, 2015).

The World Tourism Organization defines sustainable tourism as being conceived for the "management of all resources in such a way that economic, social and aesthetic needs can be fulfilled while maintaining cultural integrity, essential ecological processes, biological diversity, and life support systems".

3. The uniqueness and celebrity status of the tourist attractions in Dobrudja region

The existing tourism resources in Dobrudja region make up a complex, diversified tourism product, with a great potential for contributing to the satisfaction of the needs and reasons for travel. That is precisely why, for this region, tourism can represent an economic activity with a strong potential for growth and job creation. The tourist resources are composed of the natural and anthropic, material and immaterial heritage of the area, of the built, economic or symbolic capital of the region summarized in Figure 1 and Figure 2.

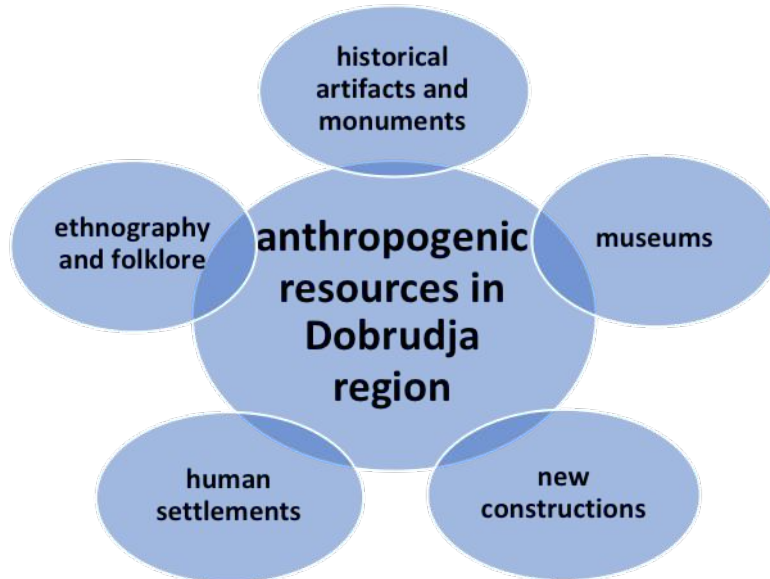
Figure no. 1. The natural potential of Dobrudja region



Source: Adapted after Minciu (2001, p. 161)

The relief of the region is special due to the uniqueness of some of its components, such as the Danube Delta and the Black Sea coast. Also, further attractions for the visitors are the Dobrudja Plateau, the Măcin Mountains, Limanu Cave. The hydrographic heritage made up of the Black Sea and the Danube Delta is the main vector in attracting tourists. The "Danube Delta" Biosphere Reserve, Letea Forest, the wildest wetland on the European continent and the only delta in the world declared a biosphere reserve, represent a true natural museum of biodiversity, with an area of 3446 km².

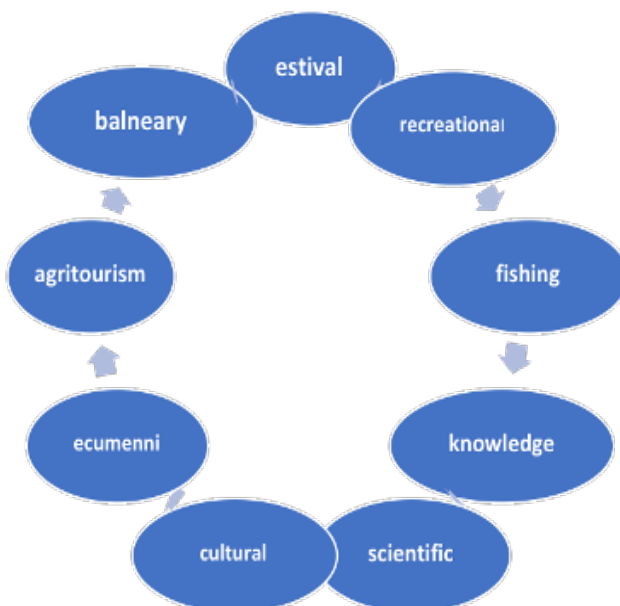
Figure no. 2. The anthropic potential of Dobrudja Region



Source: Adapted after: Tulcea County Council (2014)

As the tourist attractions encountered in this region are so complex and diverse, the main types of tourism that can be practiced in the context of current tourism trends are:

Figure no. 3. Main types of tourism practiced in Dobrudja region

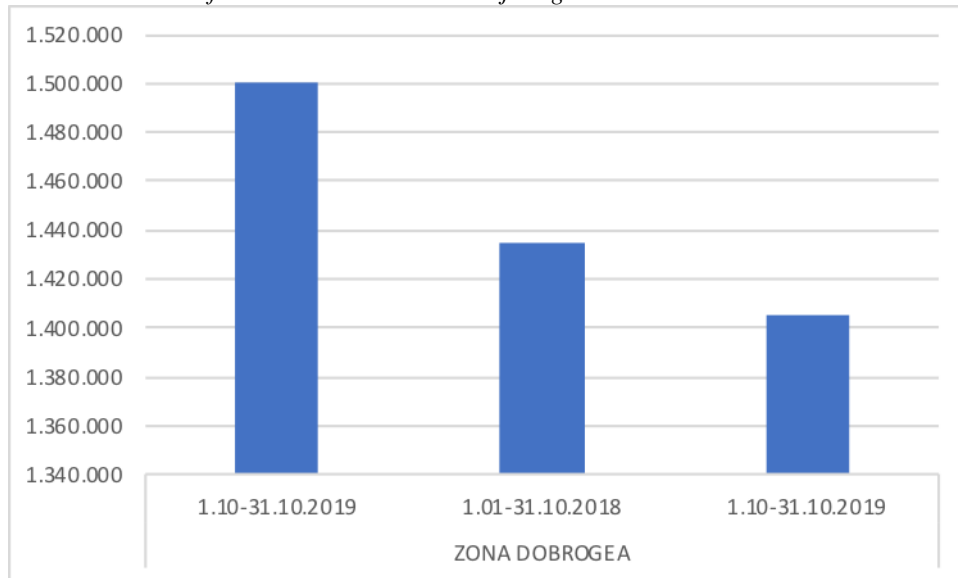


Source: Adapted after: *Dobrogea Turistica, Cultural-Tourist Guide* (2004)

4. Dobrudja region in statistics

The National Institute of Statistics reported record figures related to the increase in the number of tourists in 2018 and 2019. The statistical data show that during January-October 2018, 161,290 tourists were lodged in Tulcea County, compared to 91,020 in the first ten months of the previous year, representing an increase of 77%. Moreover, the growth trend continued in the following year, thus, the number of accommodations in the January-October 2019 period reached 161,657. The data published by the National Institute of Statistics show, for Constanța, during January-October 2018, 1,312,418 arrivals of tourists and 1,339,217 arrivals for the same period of the year 2019.

Chart no. 1 - Evolution of tourist arrivals in Dobrudja region in 2018-2019



Source: National Institute of Statistics, *Tempo Online database*

The statistical data conclude that Dobrudja region experienced a 4.5% increase in the number of arrivals for the January-October 2018-2019 period.

"The increase in the number of tourists happened as a result of the marketing campaigns at national and international level, undertaken by the Danube Delta Tourist Management Association, in cooperation with the business environment and county and local authorities"(Cătălin Țibuleac). The Danube Delta Tourist Management Association (AMDTDD) also recognizes the role played by local craftsmen, tour guides, folkloric ensembles and some NGOs in the growth recorded by Dobrudja region.

Among the identified factors which contributed to the increased number of arrivals in the Danube Delta was the change of vision in terms of its promotion and the construction of an integrated tourism product, based on multiculturalism, traditions, crafts, gastronomy, biodiversity.

Dobrudja region is today the most important summer destination in Romania. There are plans and initiatives to reposition the region as a favorite destination for tourism throughout the year. Currently, the season does not, in fact, exceed 2-3 months.

Every year, Dobrudja region is visited by over half a million tourists and manages over 1.5 million overnight stays in tourist accommodation structures. These flows generate and sustain annual incomes of approx. 1.7 billion euros for the local economy, with expenses in trade, services and other related fields.

5. Directions identified for capitalizing the resources of Dobrudja region

Each of the attractions listed above, inexhaustible resources in a world of exhaustible resources, must become a vector for increasing the number of tourists interested in the uniqueness and diversity of this region. Even though, as we have previously pointed out, the statistics show a

steady increase of tourists in this region, the maximum potential is far from being reached, which is why the state and local administrations' measures and preoccupations for increasing the number of visitors need to be maintained and increased. By maintaining the increasing tendencies of the number of tourists, this region can become a means of protecting, preserving and exploiting the historical and cultural potential that it possesses. Some of the territories hosting tourist attractions are poorly developed from an economic point of view. By promoting and attracting tourists to these areas, the tourist objectives can become reliable sources of income for the locals, especially in the rural areas.

The assessments regarding the future positive evolution of the region are also based on a little exploited potential at national and European level. There is potential for developing the destination in the off-season for event and city-break urban tourism. Thus, a first direction identified would materialize in encouraging the extension of the tourist season in the area.

The second direction identified is the development of marketing programs for a better administration and promotion of these tourist destinations. This could be achieved by creating a DOBRUDJA INFO POINT as part of an EU-funded project.

We consider that a third direction is the continuation of the efforts to add as many airline flights as possible to the Danube Delta International Airport. The tourists who land in Tulcea have at their disposal the river or road infrastructure in order to benefit from any of the types of tourism provided by the attractions of the region.

A fourth identified direction is the interest of local elected officials in developing regional policies that would lead to the improvement in economic development disparities, employment rate, urbanization and environment. Also, research of the aspects related to the content of tourist services, their dynamics, the adaptation of tourist services to the new conditions regarding the improvement of the organizational structures.

Last but not least, the gradual modernization and innovation of the tourism product and of the integrated tourist offer (accommodation, meal, transport, leisure), in a planned and coordinated framework, at high standards, according to tourist indicators and demand.

6. Conclusions

The tourism potential of Dobrudja should be a priority for our country since this region accumulates different forms of relief, from the Danube Delta to the Dobrudja mountains, archaeological artifacts and the Black Sea resorts.

Dobrudja region has a great potential for delivering a complex tourism product, considering the consistent resources, in particular the historical objectives, the material and immaterial heritage, the coagulation of a diverse, mosaic and spectacular ethnic and cultural region (in terms of customs, gastronomy, artistic manifestations, etc.), an active and increasingly involved community, the power and dynamism of the local economy.

The growth tendency in visitors' numbers stimulates the vision of transforming Dobrudja region into a quality tourist destination, based on its natural and cultural heritage, gastronomy, specific customs and traditions, but also on the presence of ancient ruins.

With a superior capitalization and growth in the number of visitors, the region can become a means of protecting, preserving and highlighting its historical and cultural potential. Among these measures, the following stand out: the extension of the tourist season, the creation of a DOBRUDJA INFO POINT, an improved use of the Danube Delta International Airport.

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Research on Human Resources Measures from the Educational Systems at the EU Level

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Abstract

Human resources from the educational systems are essential for the efficiency of these systems and for ensuring a qualitative educational act. The European Union faces a number of challenges in terms of human resources, especially within the educational systems of the member countries.

This paper investigates the trends of some human resources measures from education at the EU level (employees, pupils, the ratio between pupils and employees), along with the influences that the evolutions economic measures have on these measures. The aims of paper study the effects of economic crisis on human resources from education, analyzing the influences of GDP and educational expenses on the ratio of pupils-teachers (RPT) at the EU level.

Key words: educational system, economic trends, employees, pupils, European Union

J.E.L. classification: O15, I20, H52.

1. Introduction

The quality of education is crucial at EU level in order to develop a competitive economy. Competent teachers are the fundamental premise for effective education systems, in order to provide pupils with the best training for life, as active and dynamic members of society. The increasing expectations concerning pupils' results, the variety of the pupil's population, joined with the impact of the rapid evolution of technological improvements have a substantial effect on the teaching profession (OECD, 2005, 2012).

European leaders are dedicated to recognizing the challenges and finding the best ways to provide effective sustenance to professors, boost their competence and increase their prestige, a more efficient human resource management being an essential tool in addressing these challenges (Barbu and Barbu, 2012; Bocean and Sitnikov, 2015; Eurydice, 2018). Many countries at EU level are experiencing severe quantitatively, qualitatively and structurally human resource deficits. (Eurydice, 2015). While digital innovations and technologies supply new opportunities for refining teaching, the European Union is experiencing a rigidity in their actual utilization. (Eurydice, 2004)

In this paper we intend to investigate the influences that the economic evolutions have on measures that illustrate the EU HR in education. The paper is organized in five sections. The first section introduces the research topic. The second section made a brief literature review. The third section establishes the methodological bases and the research hypotheses. The fourth section is dedicated to analyzing the evolution of employees from education and pupils at EU level. The fifth section present the evolution of some HR in education. The sixth section concludes.

2. Literature review

The ratio of pupils-teachers (RPT) is the most frequently used indicator for international comparisons. Like wages, the RPT influences the level of employees' motivation. In the pre-university education level it can be found a great differentiation between the EU countries. Previous research concluded that the RPT is not connected to the economic growth of a country. Countries such as France and the UK, for example, record the highest RPT.

The RPT is an important parameter that affects the working conditions of teachers. In most countries, teachers' unions demand a reduction in class size. The RPT is easier to calculate than the mean of the pupils per class and thus allows the evaluation of circumstances in diverse countries. On the other hand, it is not very significant, as it is an average figure, while "the expectations of the teachers (concerning the difficulty of working conditions) vary depending on the context and mainly be contingent on the level, attitude and conduct of the pupils" (Eurydice, 2004, p. 15).

The economic situation is an important aspect that influences decision in education (Eurydice, 2015). In periods of economic crisis, the financial crisis has a special impact on government spending: "due to high unemployment, on the one hand, the demand for education is increasing and on the other hand, economic crises put pressure on public spending (more people for unemployment benefits, support for the economy, etc.) and, therefore, governments may not be able to respond properly to all the demands they have made" (EACEA, 2013, p.3) and it must make decisions to keep costs under control. As far as education expenses are concerned, this can be done, for example, by increasing private contributions or by freezing and reducing teachers' salaries (Bocean, 2007).

3. Research methodology and hypotheses

Starting from the conclusions of the previous international and national studies, we formulated two hypotheses concerning the evolutions in the area of HRM at the pre-university level within the European Union. H1. Employees in education at EU level has increased in recent years, while pupils have decreased. H2. The RPT in EU countries is influenced by the economic evolution.

These hypotheses will be subject to the validation process, and the resulting conclusions will allow to formulate recommendations concerning the HRM at pre-university level within the European Union.

As research tools we will use descriptive statistics that have the role of synthesizing quantitative data which allow the researcher to obtain a holistic overview of the research data. In addition to analyzing the correlations between the variables, we will also conduct a research of the curve-fit framing to determine the optimal function for an in-depth analysis. Starting from the most relevant functions for the collected data sets we will apply an analysis of the artificial neural networks that are established between the variables to identify their influences.

4. Trends of employees' numbers of educational institutions and pupils in European Union countries

In order to investigate the validity of the hypothesis H1 we have collected both synthetic and analytical data that characterize the HR measures (EU 28) for the period 2003-2017 is illustrated in table 1.

Table no. 1. Trends of employees and pupils in education at EU level (EU 28)

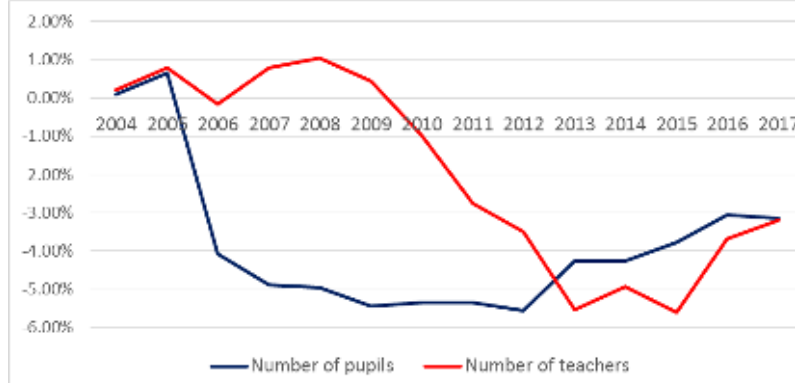
	Number of pupils	Number of employees
2003	92200286	5957776
2004	92277321	5970805
2005	92797437	6004073
2006	88442021	5948019
2007	87688836	6005010
2008	87624293	6020005
2009	87183031	5984479
2010	87272211	5899710
2011	87270631	5793276
2012	87071914	5749148

2013	88283909	5628541
2014	88272446	5663666
2015	88730265	5624062
2016	89390219	5738595
2017	89303103	5767803

Source: Data collected from Eurostat (2019)

To illustrate trends of employees and pupils at the EU level, figure 1 shows the changes of these measures in the period 2004-2017, using as a basis the values from 2003.

Figure no. 1. Changes in the employees' and pupils' number at EU level (EU 28)



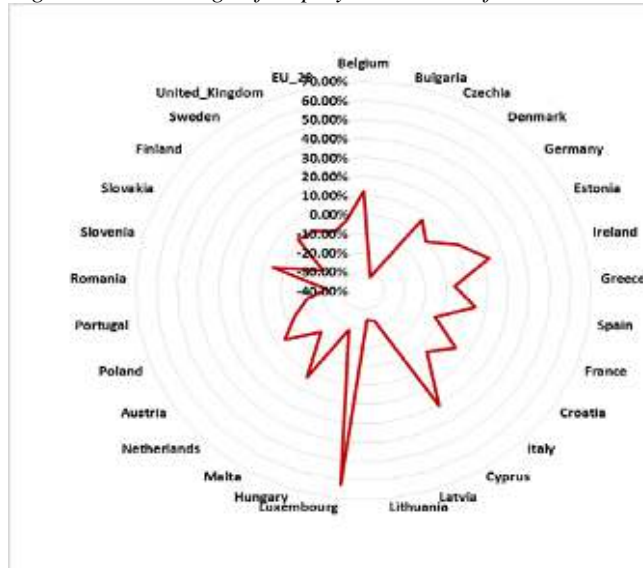
Source: Data collected from Eurostat (2019)

Analyzing the data in table 1 and figure 1, no clear trend of both measures can be observed within the selected period. In the initial three years of the selected period (2004-2006) both measures show slight increases, which lasts in the case of employees from education another two years. Starting with 2008, both measures have a downward trend, their growth resuming between 2012 and 2013 and continuing until 2017.

The trend of the employees was influenced by the evolution of pupils, during the economic growing and by the descending development of the economy and budgets for education during the crisis period.

Following the analysis of the analytical data, the gap between different groups of countries can be observed. Number of teachers registered decreases (in 2017 compared to 2003), especially in countries with a lower degree of development, from the cluster of the former communist countries (figure 2).

Figure no. 2. Change of employees' number from education at EU level in 2017 reported to 2003



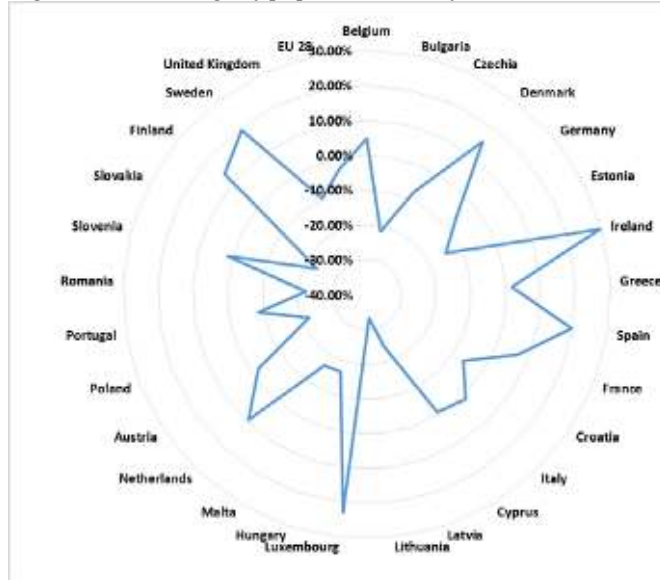
Source: Data collected from Eurostat (2019)

By investigating the evolution of pupils we observed that this indicator has recorded decreases (in 2017 compared to 2003), especially in countries with a lower degree of development, from the cluster of countries that were communist (figure 3).

Starting from the analysis of the synthetic and analytical data we can conclude that the hypothesis H1 is invalidated for the period studied (2003-2017).

There is a tendency to reduce the number of pupils due to the phenomena of birth shortage and aging of the population, but this is moderated by the growth in the population extent. At EU level, the natural growth is supplemented by the strong immigration phenomenon towards the developed EU member countries.

Figure no. 3. Change of pupils' number of at EU level in 2017 reported to 2003



Source: Data collected from Eurostat (2019)

Concerning the evolution of employees of educational institutions, it does not show a clear evolution during the studied period, being biased by the pupils' number, the periods of economic crisis that determine the reduction of the expenses with education, national employment policies and in the area of education.

5. The influences of economic evolutions on the RPT

In order to examine the validity of the hypothesis H2 we collected both synthetic data at the EU level (table 2).

Table no. 2. Evolution of the RPT at EU level (EU 28)

	UE 28	Eurozone (19 countries)
2003	15.48	14.63
2004	15.45	14.48
2005	15.46	14.22
2006	14.87	14.04
2007	14.60	13.67
2008	14.56	13.62
2009	14.57	13.42
2010	14.79	13.58
2011	15.06	13.56
2012	15.15	13.50
2013	15.54	13.97
2014	15.54	14.12
2015	15.48	14.15
2016	15.43	13.82
2017	15.36	13.91

Source: Data collected from Eurostat (2019)

Following the comparative analysis of the data in table 2 it can be seen that the RPT recorded lower values in the more developed countries belonging to the Eurozone, the expenses with education allowing the employment of more teachers reported to the number of pupils.

In order to define the effect of the economic evolution on this indicator, we calculated the correlations recorded between the evolutions of the RPT, educational expenses, per capita GDP in the period 2003-2017 (table 5). Following the analysis of the correlations in table 3 leads to the conclusion that the analyzed measures are strongly correlated, inversely proportional and that the RPT is significantly influenced by the evolution of educational spending and GDP. The decreases determine an increase in the RPT.

Table no. 3. Correlations among the RPT, educational expenses, GDP per capita at EU level 28 (2003-2017)

		Pupils / teacher ratio	Educational expenses for the pre-university level	GDP per capita
Pupils / teacher ratio	Pearson correlation	1	-0.813**	-0.789**
	Significance		0.000	0.000
	Values	15	15	15
Educational expenses for the pre-university level	Pearson correlation	-0.813**	1	0.863**
	Significance	0.000		0.000
	Values	15	15	15
GDP per capita	Pearson correlation	-0.789**	0.863**	1
	Significance	0.000	0.000	
	Values	15	15	15
**. The correlation is strong.				

Source: Developed by the author

To measure the effects of the two independent variables (education expenditure and GDP per capita at EU level 28) on the dependent variable (the RPT) we proceeded to carry out an in-depth analysis. In this sense, ten functions have been tested to choose the optimal function for estimating the variation curve. We found that the optimal function is the sigmoid function. Based on the function testing to estimate the variation function, we deepened the investigation by conducting a neural network analysis, in which we used educational expenditure and GDP per capita as input variables, and the RPT as an output variable, in order to determine the influence of economic evolution (illustrated by the input variables) on the analyzed ratio.

Table 4 presents the summary of the MLP (multilayer perceptron) model and the estimated parameters. We used a single hidden layer, and the model generated two units of influence of the layer. Given the test results of the relevant functions, as a function of activation for the input and output layers, we selected the sigmoid function.

We found that there is an inversely proportional influence on the values of RPT exercised by educational expenses and GDP per capita. The evolution of these have a negative influence on the unit H (1:2) of the hidden layer that constitutes the general economic evolution and a positive influence on the appetite for the school preparation and the interest for the didactic career (unit H(1:1) of the hidden layer).

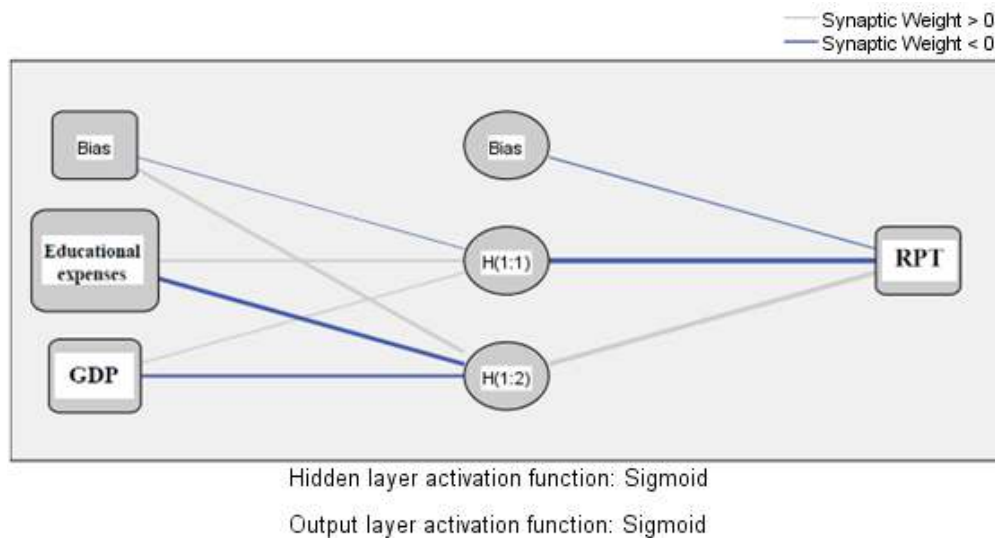
Table no. 4. Multilayer perceptron type (MLP) model applied to the variables regarding educational expenses, GDP per capita and RPT

Predictors		Predicted values		
		Hidden Layer 1		Output Layer
		H(1:1)	H(1:2)	RPT
Input Layer	(Bias)	-0.016	2.595	
	Educational	0.792	-3.010	
	GDP per capita	0.483	-0.876	
Hidden Layer 1	(Bias)			-0.057
	H(1:1)			-3.646
	H(1:2)			3.619

Source: Developed by the author

The bias exercised by the input layer on the hidden layer and the bias exercised by the hidden layer on the output layer indicate an external influence on the overall negative, but not very prominent, being represented by factors such as educational policies. These relationships are graphically illustrated in Figure 4.

Figure no. 4. MLP network applied to the variables concerning educational expenses, per capita GDP and the RPT



Source: Developed by the author

The ANN illustrate the influence of the selected measures to express the economic evolution on the RPT. An economic crisis causes an increase in the RPT, while a period of economic growth leads to the reduction of this ratio, which drive the improvement of the educational act. These effects are displayed with a postponement of several years, considering that the educational sector has a certain rigidity being a predominantly public sector.

Following the data analysis we can conclude that the hypothesis H2. During the economic crisis (2008-2010) this ratio decreased as a result of reducing the pupils' number and lowering employees' number. The growth period brings a reversal of these trends, which causes an increase in RPT.

6. Conclusions

In this paper, we set out to investigate the influences that the economic evolutions have on some measures that illustrate the HR in the EU educational system. In this regard, we formulated two hypotheses that were subjected to a validation process, during the research.

A first hypothesis states that employees in education at EU level has increased in recent years, while pupils has decreased. Analyzing the data we cannot observed a clear tendency of both measures during the selected period, which invalidated the hypothesis. The second hypothesis claimed that the RPT at EU level is influenced by the economic evolution. Resulting from the analysis of the neural network we found that an economic crisis causes an increase in RPT. These effects appear with some delays, considering that the educational sector has a certain rigidity being a predominantly public sector.

An effective and efficient HRM has a decisive role in achieving the academic success by an educational institution. The school organization offers quality educational services if it has implemented an efficient HRM system.

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The Influence of the Economic Globalisation on the Contemporary Religiosity. Brief Theological Considerations from a Christian Anthropological Perspective

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Abstract

Our study aims to depict and evaluate the consequences generated by the contemporary dominant position of the economic-financial factors in relation with the religious awareness of the postmodern man and his capacity and availability to assume and fulfil a religious vocation. From this perspective, we insist on the aggravating circumstances born from the complexity of the globality and globalisation (Marga,2014,p.19), in an linear designed economy, generating consequences that feed the disparaging course of the people, the credibility and the social prestige of the faith and religious practice. These circumstances, although leading to the fragmentation and compromising of the manner in which the man of the global society relates to God (Marga, 2014, p.166), also determines the post-modern global man to try to adhere to a theological horizon of eschatological expectation, between not yet and already. According to all these implications, we also refer to the delimitation of the profiles of the authentic religiosity, with which the contemporary man is confronted, adopting the analytical perspective generously offered by the Orthodox theology.

Key words: globalization, globalism, globality, contemporary religiosity, global economy

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

1. Introduction

In general, the concept of globalisation designates *the more and more ample and dense network of interconnections and interdependences characterising the modern social life*. It requires the consolidation and diversification of the global interconnection, so that everything related to the economic-financial base and the spiritual superstructure of the contemporaneity, from the post-industrial technologies to culture and from the flows of capital to religious beliefs, will tend to coagulate in *postmodern interconnections*, networks or flows with universal opening, which, by bringing everything together and making everything available, will generate the *compression of space and time*, transforming the world in a *global village* (Tomlinson, 2002, pp.10-12). Generating evolutions, considered positive by many commentators – at least the economic-financial and technical-scientific ones – globalisation apparently has the advantage of easily assimilating and integrating traditional and habitual elements, because it can disseminate them worldwide, without any *a priori* conditions or *without any (other) implicit philosophy except the philosophy of the other, accepted in its alterity* (Ică jr., 2002, p.510). Therefore, the globalisation is intended to be built and implemented as *a complex phenomenological and social condition – a global human condition*, with a corresponding *framework used by the social agents to build their existence, identities and actions* (Tomlinson, 2002, p. 22), in a world guided by its own utilitarian values and rules.

2. Theoretical background - The economical sense of the globalisation and its influence on the new structure of the world

During the fact that, in the 60's, globalisation was consecrated as term in the space of the economical scientific debates is not ransom, because, in fact, the appearance and the expansion of the road toward the global unicity is phenomenologically and temporally juxtaposed with the multiple mutations in the world economic system. In this context, the Catholic economist Stefano Zamagni explicitly connected the beginning of the globalization to an important economic event, the denunciation (1971) by the American president Richard Nixon of the gold-dollar standard, the value standard stated in 1944 by the Bretton Woods Agreement. Therefore, without being connected as value to the gold, *the dollar could really become the reference currency of the entire world, by overcoming the American currency protectionism, which could lead to nothing else than the exponential development of the capital movement, the restriction related to it being eliminated by the American presidency three years later* (Ică, 2002, p.455). In essence, the economic-financial subtext of the globalisation appears as determinant and decisive for its evolutions and paths. It will build its dynamic and magnitude on factors as *the finances, the trade, the production and technology, whose expansion will be able to generate very diverse effects, even the modification of mentalities, even the religious one, and life styles* (Popescu, 2005, p.11). Practically, all the mutations in the production and distribution of goods and services during the last 50 years will culminate with the mutations appeared in the space of the post-industrial economies, based on the preeminent role of the industrial branches in direct connections with the contemporary scientific and technical revolution, directly impacting, stimulating and amplifying the globalisation process. Therefore, the economic progress and development tend to favour the globalisation and, reciprocally, allows to the economic aspects to gain and upward dynamic. The economic progress, *the welfare and prosperity* ensured at least theoretically for large masses, and the globalisation course seem to be placed in an interdependent connection. *They forecast the triumph of the economic efficiency, disregarding the negative consequences possible to be politically, socially and cultural-spiritually provoked by this solidarity* (Ică jr., 2005, p.689). We also observe the fact that the globalising post-industrial economy is mostly expressed in multi-national frames, adopting the rebirth of the Marxism as management ideology (Beck, 1997, p.203), substituting the old reforms of the Industrial Revolution. It compulsory brings *the deepening of the international division of the work and the extreme specialisation of the actors from the scene of the production of goods* (Raiu, 2012, pp.15-16). By cultivating the preoccupations for fiscal optimisation and cost reduction, the production of goods is *de facto* internationalised. The free circulation of capitals and technologies is doubled by the unlimited connection made available by the computer technology, leading in the end to the appearance of circuits, mechanisms and integrated and global economic-financial institutions, including the simultaneous process of opening and unification of the national markets (Ică jr., 2002, pp. 444-451). Moreover, by synthesizing the constitutive elements of the globalisation, the Catholic theologian Stefano Zamagni concluded that, among the first five determinant factors of the globalisation, four of them are economic, financial or technical, as presented below (Ică jr. 2002, pp.455-465):

1. *the globalisation of the financial markets* – the physical and/or virtual coagulation, followed by the organisation and regularisation of a supranational space for the transaction of the financial instruments – stocks, bonds, currency and goods; the integration of the financial markets attracted a similar evolution – a tendency of globalisation - for the goods and services market and also for the labour market;

2. *the significant progress of the information technology*, a process which, presenting the possibility to erase the physical, ethnical, identity, cultural and religious distance between people, will give to the human existence and activities a dimension otherwise not possible to be explored; in these circumstances, *the modern human existence gained the feature of a totality, supported by a tentacular network of visible and invisible connection, leading to the development of a consciousness of the globality* (Andersen, 1990, p.27);

3. *the generalisation and the exacerbation of the competition* represent a foreseeable finality of the globalisation of the financial markets, also of the goods and services market; the post-industrial economy is pushed, more and more acutely, to relocate its production capacities and to force the

entrance on third markets in order to overcome the pressure of the competition, becoming quasi-general and unable to be overcome using the *traditional* measures, the competition will favour the road to globalisation, leading, among other things, to the situation in which *the traditional national states have become unnatural economic units*. The adhesion to the *transboundary civilisation* required by the globalisation became explicitly imperative (Tomlinson, 2002, pp. 27-28);

4. *the generalisation of the contractual culture* – the economic and financial cooperation and partnership relations are expelled and considered as limitative and constraining in a space created by regulations and procedures specific to each state; in other words, the transnational regulation of the economic exchanges will generate globalisation by the simple fact that the exchanges will no longer be restricted/ controlled/ blocked by the interests of the state actors.

On a similar position, the British sociologist Anthony Giddens explains the fourth dimensions of globalisation, the fundamental elements of the phenomenon, considering that the economic elements have a decisive role (Tomlinson, 2002, p. 28):

1. *the world capitalist economy*, respectively the generalisation of the capitalist production and of its values – productivity, efficiency, consumption, etc.; the uniformity of this option is in itself a real and relevant factor for the consolidation of the globalisation;

2. *the international division of the work*, respectively the extreme internationalisation of the production activities of the material goods, in the circumstances created by the elimination of the barriers in the circulation of the scientific knowledge, technologies, industrial equipment and capital flows; practically, the proliferation of the centres for scientific creation, technological innovation and industrial production gives power to the post-industrial economy to act as a firm agent of globalisation.

We will conclude that the contemporary economy has a decisive role in the implacable path of the contemporary globalisation. In essence, the world of the national states and of their rather unilateral interests, consecrated and legitimated by the traditional industrial age, was constraint to open to a gradual globality, as imposed by the international division of the work and the acute necessity for wider markets.

3. The globalisation and the alienation of the Christian ethos

The globalisation process is a mostly determined by economic factors, because *its manifestations appear especially in the area of the utilitarian values, offering the profile of the present civilisation* (Popescu, 2001, p. 11). The globalisation almost inevitably brings a deficit of spirituality, reducing the horizon of the human being to the tangible values of the immanent reality. By conferring a practically unlimited magnitude to the possibilities of knowledge, relation and available actions and by *forcing the limits of the concreteness approachable by the common individual*, the globalisation will extend to the maximum the borders of the accessible world, but with the price that, from a theological point of view, is unacceptable expensive: *the limitation of the magnitude of the ideal to the immanent earthly dimension* (Marian, 2018, p. 18). In other words, in relation with the non-material dimensions of the existence, the globalisation illustrates the fact that *any visible progress is made with the cost of an amputation from the invisible body, which transfigures the world* (Patapievici, 2001, p. 12), because, in the modern and late postmodern logics organically accompanying the globalisation, ***only a relation of inverse proportion can be developed between the material accumulation and the desiderate of preserving the spiritual values***. We cannot ignore the fact that the globalisation tends to *become uninterested of the spiritual values, until the point of abandoning them, aligning continuously larger segments from the civil society to some influence factors that quantitatively restructure the reality – using the utilitarian or hedonist principles – and push forward the utilitarian values* (Popescu, 2001, pp.11-12).

Dominated by the pre-eminence of the economic factors – the efficiency of the work, the production of goods and the individual welfare, the globalisation will limit the non-material dimensions of the existence through its reduced capacity of resonating with the spiritual values in general and especially with the religious values. Therefore, in the unilateral symphony of the referential related to the production and consumption of material goods, *the voice of the faith and religious practice will be inevitably placed to the periphery, almost always muted by the noise of*

the materialist-utilitarian axiology. In fact, the globalising path is closely intertwined with the secularisation, due to which *more and more social, economic and political institutions are modelled and expressed outside the Church or even against the Church* (Achimescu, 2013, p. 198).

In essence, if we look at the globalisation as a macrosocial process mostly expressed under the form of economic, technologic or managerial determinants, the secularisation, although causing at its turn social mutations, determines most of all a significant change of paradigm to the level of the religious consciousness. As underlined by Arnold Loen, this does not constitute *a process in the space of the social existence, but one developing inside the human consciousness, so that its manifestation areal will be the field of interpretation, of the reality in the horizon of the human reason* (Achimescu, 2013, p. 199).

From a pragmatic perspective, the secularisation describes *a state of religious indifference, making larger segments of the civil society to keep an absolute silence about God*; a society affected by secularisation gains an alienation of the Christian ethos, highlighting its own functionality and rational structure under the reign of the new secular religions (Gavriliuță, 2018), whose technical-economic-social will tend to *free* from the consciousness of the dependence of transcendence. To the limit, it *will stop manifesting interest for holiness and sacredness* (Achimescu, 2013, p.198), by the unilateral development of the science and less of the wisdom, of the technological progress at the expense of the spiritual energies, of the industrial development at the expense of the ecology, and of a unidirectional democracy toward the perennial horizontality in a landscape of continuously weakened morality (Kung, 2002, p. 20).

The finality of the secularisation process, from the point of view of the followers of the new secular religions, will be impossible to be represented by anything else than the quasi-complete elimination of faith and religious practice from the space of the social acceptable references and values, in the same time with the isolation of the man and of the world in the narrow space of their own spatial and time dimensions, leading in the end to a general crisis that causes national collapse, social deconstruction and political catastrophe (Marga, 2014, p. 24). This crisis should be understood and solved, as observed by Hans Kung, from a perspective of the ethos, starting from an ethics founded on philosophical and theological teachings, *positively responding to the challenge of the change of paradigm beginning after the World War II*. Still, although it does not explicitly aims the religious factors of the social infrastructure, the globalisation will impact them, because, by lacking the openness to the transcendent, it creates a mundane space dominated by the values of the utilitarianism and consumerism. Finding its founding reasons in efficiency, profit and consumption, the globalised world will have the tendency to *reduce everything to the present time, to here and now* (Ică jr.,2003,pp. 74-75), limiting the eschatological aspect to the expectance horizons of the individuals, to the *instant satisfactions and achievements* (Achimescu, 2013, p.178) Practically, the globalisation generates and feeds the dilution of the religious influence, by marginalising or just excluding it from the area of the preoccupations of the contemporary humans.

Tending to become global, the world will incline towards the omission of its dependence to the sacredness, easily ignoring the important role of the religion in the historical and cultural becoming of the world. In the mercantile logics of the modern and postmodern globalisation, *the natural world is considered an autonomous reality, closed in it, losing any connection to God, as it would be able to exist through itself; thus, the globalisation tends to eliminate God from His creation* (Popescu, 2001, p. 13). As consequence, globalisation appears as *a horizontal phenomenon, without a spiritual-vertical dimension, derailing the human consciousness in a manner that leads the contemporary man to ignore the disturbing questions related to his mortal condition* (Popescu, 2001, p. 86).

The new human condition will lose a part from its humanity, although it will be able to access the benefices of the post-industrial economy, reaching new levels of welfare. By choosing *the convenience and the mediocrity of a life of consumption* and by refusing *the existential profoundness* ensured by the indissoluble vocation of the religious being (Ică jr. 2003, p. 444), the contemporary man will deliberately abolish from his statute of *Anthropos, image of the Face of God in Good, Truth and Beauty*, refusing to look toward the Creator and preferring not to be a worker for the divine image that is part of him.

Given these circumstances, we can observe that, from a religious perspective, ***globalisation and secularisation simultaneously act as solving and alienating factors***. In the end, their effects will cumulate and be conjugated. The two macro-phenomena will gather in a single synergic work that will inevitably fragment the historical established continuity of the mass religiosity, reducing it to a chain of *ecclesial islands*, which are rather marginal and isolated. Although he is a creator and, theoretically, a beneficiary of the new global reality, the contemporary man is *reduced to the temporal flow of the production and consumption* (Ică jr., 2003, p. 692), *in a practical way as long as the economy is more important than the spirituality [...], the body is more important than the soul, the time is more important than the eternity, the relativity is more important than the Absoluteness, and the man is more important than God* (Achimescu, 2013, p. 198).

Estranged from the self, his vocations and aspirations, the contemporary man risks becoming, as observed by the philosopher and sociologist Zygmunt Baumann, a victim of the mutations generated or favoured by globalisation. By gaining accessibility to the material goods and by adopting the desideratum of the individual welfare, the contemporary man will ignore his soul. Under the pressure of the consumerism coming from the economic progress and development, the human condition tends to depreciate more acute.

The contemporary man is estranged from the self in an existential way, similar to his world, already confronted with the spectrum of *the nihilist diminishing of the beings to a merchandise and of the man to the welfare or to a simple exchange value* (Ică jr. 2003, p. 693) and with the immediate consequences of this perspective, inducing the real risk of transforming the humans *in medical, psychological and sociological objects*, as underlined by the Lutheran theologian Paul Tillich. As long as the human being is reduced to the role of a simple impersonal part in a huge productive mechanism that requires unconditionally engagement and offering in exchange a certain welfare. In the global society, the human development is conditioned *de facto* by *the technical integration in an efficient production system* (Achimescu, 2013, p.183).

The contemporary human destiny appears rather sombre in spite of all the benefices brought by the consumption society. *Enslaved by the perverse triad* – as called by father professor Ioan I. Ică jr.–consisting of the gathering of the production, profit and consumption, dominated by the pressure of here and now – *the mantra of the man today, aiming to fulfil promises*, the contemporary postmodern man finds himself *alone and without protection against the technical and economic manipulations* (Ică jr. 2003, p. 693). In a situation of living only for *production and consumption*, incorrectly perceiving the meaning of the existence, the man will waste his earthy life and lose the celestial life, uprooting from the source and refusing the eschatological transfiguration (Nechita, 2005, p. 33).

In fact, the tragedy of the contemporary postmodern man resides in the significant perturbation of the ideals that always accompanied him and gave content and meaning to the humanity, due to the fact that he is in the run for material accumulations. The preponderance of the utilitarian axiology in the global contemporaneity have led to a situation in which *the Christian ideal is not found any more in the present anthropological projects, which are unilaterally reduced to the professional success and a life of consumption* (Nechita, 2005, p. 54). Implicitly, as sadly observed Jean Daniélou, the global contemporaneity secularised also the essential data of the Christian eschatology, starting with God, the Creator and the Saviour of the world, easily substituted by the referential of money and consumption, passing through the idolising of professional results and performance – *the performance and the productivity, the image and the success became the new idols of homo oeconomicus* (Achimescu, 2013, p. 413). The end result is taking to extreme the mortal existence, an existence of here and now – *the modern world transformed the material progress and the efficacy into myths, considering them safe paths for the access to a pretended earthly paradise* (Achimescu, 2013, p. 185).

All these artificial, relative and perishable values tend to articulate and function in the space of the social consciousness of the individuals and communities, similar to a false religion, becoming a *secular religious surrogate*. In fact, the contemporary man cast God away, pretending this is the path to discover the self and to highlight the power of the reason. The man intends to transform the universe not through grace, but through multilateral continuous development of the immanent world; *the idea of infinite progress becomes the standard of the illuminist man and the project of self-improvement is attractive and provocative. Convinced that he can be his own creator without*

the help of God (Popescu, 2001, pp.481-482) and completely fulfilling a humanity tempted to repudiate the real potential of overcoming the condition of fallen man, the contemporary postmodern man will culminate through the attempt to give ontological values to the economic base of the existence and to connect his becoming to the evolution *in the field of production and consumption* (Achimescu, 2013, p.181).

The new anthropology – coagulated in circumstances favouring the globalisation and the secularisation – will be antinomical positioned in relation with the values of the traditional Christian thinking, which founded the culture and civilisation of the old *Europa Christiana*. Therefore, inevitably, the contemporary man is in the centre of an authentic crisis, with profound structural implication and, as His Eminence Damaskinos Papandreou, the Orthodox metropolitan of Switzerland, said, this crisis questions the European spiritual (Christian) identity in itself (Achimescu, 2013, p. 181).

4. The effects of the globalisation and the Orthodox “solution”

Wearing the face of God, the One giving love and care – *The Lord watches over you, the Lord is your shade at your right hand* (Psalms 121:5), the man has *the divine given role to become a partner in the dialogue with Creator and a ring connecting God and the world*(Popescu, 2001, p. 486). By receiving this great dignity together with the gift of the salvation in Christ – *for us and our salvation, He, Who is in the Father, accepted to receive the human face and to accept all the suffering of the flesh* (St. John Chrysostom, p. 283) – and, therefore, being able to walk on the road to see, at the eschaton, the uncreated world, the contemporary post-modern man is in the situation of rediscovering God.

The postmodern man rediscovers God because, pressured by globalisation of the economy and confronted with the troubled values of the secularisation, he has forgotten that *Man shall not live on bread alone, but on every word that comes from the mouth of God* (Matthew 4:4), coming to believe that *he can live without God or, at least, without the God preached by the Church* (Achimescu, 2013, p. 178). Still, in order to find again the Creator and the Saviour, the God ignored by a contemporaneity that does not hesitate *to exclude Him[...] from the centre of the existence, proposing a radical anthropocentrism instead of the theological vision on the world and rejecting the idea of world purpose, its divine sense and fulfilment in God*, the contemporary humanity has to accept and understand, as Nikolai Berdiaev wrote, that *the man without God is no longer a man, because the man is not only a body interested in economy, but also a soul nurtured by the Word of God* (Popescu, 2001, p. 766).

In fact, the contemporary man will have to overcome the alienating effects of the exacerbation of his natural propensity for the material accumulation – an artificial one, as any other product of the fall, an urge for which the man is willing to idolize the consumerist-utilitarian aspirations (Achimescu, 2013, p. 486). The exacerbation will represent the key-term of this desiderate because the simple connection of the man to the pragmatic exigencies imposed by the development of the society and those related to the welfare generate alienation - *By the sweat of your brow you will eat your food until you return to the ground, since from it you were taken* (Genesis 3:19).

The exacerbation of the desire to gain material goods will model the non-religious behaviour of the man in the globalised world, making him to openly claim his autonomy in relation with God, because the simple relation to His will would mean *an attempt against his own freedom*(Popescu, 2001, pp. 481-483). This *freedom* means to order the life, interests and aims without God and even against God, but, to a closer look, it is just an illusion, because, without the verticality given by the transcendence, it cannot represent the authentic freedom – *It is for freedom that Christ has set us free* (Galatians 5:1), because *only where the Spirit of the Lord is, there is freedom* (Corinthians 3:17). Therefore, the effort for the restoration of the man's humanity requires assuming again, individually and inside the community, the Word of God, *the Light coming from above, the godliness with no beginning and no end* (Eusebius of Caesarea, p. 192). This is the only way to *fight the individual tendency to impose oneself to the nature and to free the egocentric hunger of the man, the instinctual tendency to possess, to consume and to enjoy with the flesh* (Yannaras, 2009, p. 69).

Therefore, the Orthodoxy highlights the fact that, only by placing Christ in the centre of the individual existence and in the centre of any community, the human nature estranged by globalisation and secularisation can be restored. Therefore, only in Christ, the contemporary post-modern man can overcome the real *transcendental iconoclasm*, which, by spreading the thesis of the *death of God*, characterizes and marks the contemporary western world (Patapievi, 2001, p. 101), making it to not recognise anymore the defining spiritual structure given by the Creator. Only in Christ, the contemporary man, left *alone in the infinite prison of the universe*, confronted with the *lack of meaning* and searching for a *real and sincere communion to oppose to the egotism, individualism and consumerism*, will understand again that *the coming of God for the man was due to the fact that the man was lying dead in darkness, sin, and the unholy spirit of the wicked powers* (St. Macarius the Great, p. 242). Only in Christ, the man will find again the supernatural call to *protect him against the chaos* (Achimescu, 2013, p. 222), guiding him to the eschatological transformation, because *he became man for us to become divine* (St. Athanasius the Great, p.151).

In parallel, the Orthodoxy answers to the estrangement of the contemporary man, offering him the authenticity and the completeness of the Church, the house of God (*Corinthians 3:9*), the Temple of the Holy Ghost (*Corinthians 6:19*), the body of Christ (*Ephesians 1:22, 23*), the holy nation belonging only to God (*Peter 2:9*), because He gained them with His blood. In the divine-human space of the Church – the icon of the future Kingdom (Origen, p. 94), centred on the Eucharist and capable to *keep us in God* (St. Cyprian, p. 438) – the contemporary man, so preoccupied with his possibilities to understand and explain the world, will understand the supremacy of the eternal spirit in relation with the material world, as *it happened to the Body of the Resurrected Christ, a body of flesh and soul, changed in a spiritual body* (Kovalevski, 1996, p.111).

In the super rational reality of the Eucharist sinaxis, the man will be able to understand that *his vocation is to be an active factor of the harmonious union of the beings, to direct them to God and gather them in Him* (Nechita, 2005, pp. 229-230). Therefore, any excess in the direction of the materialist-utilitarian direction of the existence will attract the man into a trap, estranging him from his real calling. The voice of the Church will be, in this context, the voice of maintaining the *order* in everything, of equilibrium and wisdom, because *the role of the Christianity is not to despise the material world, as it happened in the past, or to idolize it, as it happens nowadays, but to transfigure it in Christ*, because, as St. Maximus the Confessor wrote, the man is, as priest, a real mediator in *achieving the aim of the entire creation* (Yannaras, 1996, p. 64).

5. Conclusions

The Church gives credit to globalisation for the safeguard of the standard of living for large masses of people, as well for facilitating the access to education, culture and health care for communities once condemned to pauperism and marginalisation. In the same time, the Church – always consequent to its Christocentric message – will have to attract the attention of the fact that, by absolutizing the material components of the existence, the globalisation tends to impose to the man an unnatural existential path, capable to estrange the man from the self and to compromise his calling to achieve the likeness to the Creator.

Therefore, aware that the contemporary postmodern man is, in spite of his apparent ease and confidence given by welfare, a man who needs its support, the Church – *always searching to bring God to the people* (Ică jr., 2005, p. 336-337) – will teach that the material welfare and the spiritual welfare can cohabitate, working together and completing each other. In fact, the rapid evolution of the civil society imposes to the Church to position in this manner, in order to avoid the endangering of universality of preaching and of the Orthodox mission. Therefore, equalling addressing the rich and the poor, the prosperous communities and the communities fighting for their daily existence, the successful people and the marginalised people, the Church will teach that the authentic form of welfare is the spiritual one - *To them God has chosen to make known among the Gentiles the glorious riches of this mystery, which is Christ in you, the hope of glory* (*Colossians 1:27*) – because, without ever degrading, will bring eternity to its possessor – *In this way they will lay up treasure for themselves as a firm foundation for the coming age, so that they may take hold of the life that is truly life* (*Timothy 6:19*).

In the same time, the Church will not hesitate to warn on the risks coming from taking to the extreme the material wealth (*Jacob 5:2, 3*), a wealth that in fact, impoverishes the man, taking away his most precious gift: Our Saviour Jesus Christ.

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Migration and Asylum Policy Within EU. Causes, Needs, Strategic Policy and Evolutions

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Abstract

A number of European structures have been and are concerned about the phenomenon of migration that has involved Europe so dynamically in recent years, being the biggest challenge in the field, after World War II. The structures we refer to have participated in managing this phenomenon of migration by: reforming EU asylum rules, discouraging irregular migration, saving lives and securing external borders, implementing a strong common asylum policy, developing the new policy on legal migration and like. Thus, we aim to investigate the most important aspects of migration and asylum, including: the specific causes and needs related to Maslow's pyramid, legal and illegal migration, the way that some of the EU institutions have contributed to the migration and asylum reform and so on.

Key words: causes, needs, legal and illegal migration, borders, socio-economic and political instability, strategies, policies, EU institutions

J.E.L. classification: R23, N34, N40

1. Introduction

Migration can be viewed as a natural or strategic phenomenon through which any person seeks to satisfy needs or carry out strategic objectives that he / she cannot achieve in the place/state of origin through the disposable resources and in the context of the existing socio-economic and political factors . Depending on the priority of the problems to be solved, as well as the effects that they would produce with their failure to resolve, some citizens decide to go beyond the borders of their state, following the path of migration.

The European Parliament, the European Commission, the International Organization for Migration are just a few European structures concerned with the phenomenon of migration that has involved Europe so dynamically in recent years, being the biggest challenge in the field, after World War II. On this occasion, vulnerabilities of the asylum system at European level were identified, context in which the European Union was forced to intensify its involvement on this issue. Each of the aforementioned structures participated in the management of this migration phenomenon aimed at: *reforming EU asylum rules, discouraging irregular migration, saving lives and securing external borders, strengthening controls at EU borders, promoting the integration of refugees, a strong common policy in the matter of asylum and the new policy on legal migration.* With this approach we intend to further investigate the causes and needs that determine a person to take the pro-migration decision, how some of the EU institutions have contributed to the development and implementation of policies on migration and asylum, as well as how they are reflected in specific indicators.

2. Theoretical background - Causes of the migration and asylum process

Migration is a worldwide common action and the causes that give rise to it or asylum are, in most cases, related to the need to meet economic, social or conjunctural needs that could not be met in the place of origin or are still related to the answer offered at an opportunity that could not be

denied. From here comes the hope / desire to be able to achieve that change and to achieve the desired objectives in relation to the needs, by developing a strategy that contributes to the fulfillment of needs or expectations. Thus, we appreciate that the needs we refer to lead to legal (LM) or illegal (ILM) migration of people, but at the same time, they can be correlated with or can be found in all of Maslow's theory needs in the following [Armstrong, 2003, p. 143; Pânișoară *et. al.* 2005, p. 172]:

- physiological/basic needs (needs to be met in order to survive): oxygen, food, water and like;
- safety/security needs(ensuring some protection,predictibility/organization requirements of the environment in which the human being lives precisely to be able to meet his other needs and first of all the basic ones);
- sociale/belonging needs: affection, love, friendship, belonging to a group, social interaction;
- esteem needs: we identify the need of a person to have a good opinion about himself, his expectations that the people from the internal or external environment offer him respect, confidence, power, independence and his own freedom, in the context of the desire for reputation and social status;
- self-fulfillment needs (selfrealisation in life): man's need to develop his potential and skills, to become what he is capable of becoming according to Maslow's appreciations: "what man can be, must be".

In this context, we will present in Table no. 1 some causes that can lead the human being to specific actions of legal or illegal migration and which are aimed at satisfying a single need or interconnected needs identified and according to Maslow's hierarchy of needs.

Table no. 1. Causes of legal or illegal migration process

<i>No.</i>	<i>Causes</i>	<i>Minimum category of necessities correlated with Maslow's hierarchy of needs which determines the individual to migrate</i>	<i>In order to fulfill his needs the individual will prefer legal migration(LM) or he will be ready to assume the risks of the illegal migration (ILM)</i>
<i>0</i>	<i>1</i>	<i>2</i>	<i>3</i>
1.	>poverty;	▪ meeting physiological/basic needs;	→ (LM) or (ILM)
2.	> insufficiency/deficiency of medical provisions;	▪ ensuring safety/security needs;	→ (LM) or (ILM)
3.	> wars or other categories of conflicts;	▪ meeting physiological/basic needs;	→ (LM) or (ILM)
4.	> serious and very serious injuries;	▪ ensuring safety/security needs;	
5.	> persecution;	▪ meeting physiological/basic needs; ▪ ensuring safety/security needs; ▪ social/belonging needs;	→ (LM) or (ILM)
6.	> force majeure situations caused by various weather events or arson;		
7.	> the needs for humanitarian assistance;		
8.	> low level of economic development;		
9.	> social and political instability (including political oppression);		
10.	> family reunion;		
11.	> job opportunities offered by more developed states with a stronger economy and increased social conditions;	▪ meeting physiological/basic needs; ▪ ensuring safety/security needs; ▪ social/belonging needs; ▪ esteem needs;	→ (LM) or (ILM)
12.	> the need to ensure the necessary and skilled labor force at optimum costs in a certain organization, locality or	▪ meeting physiological/basic needs; ▪ ensuring safety/security needs;	→ (LM) or (ILM)

	region of a state that is facing the crisis of qualified personnel and that undertakes to attract the necessary labor force;	<ul style="list-style-type: none"> ▪ social /belonging needs; ▪ esteem needs; ▪ self-fulfillment needs (selfrealisation in life); 	
13.	> the need for the individual to satisfy his thirst for knowledge and to complete / diversify his education, to develop the professional and transversal skills needed in a certain field of activity or in a certain region / society or in a certain labor market;	<ul style="list-style-type: none"> ▪ esteem needs; ▪ self-fulfillment needs (selfrealisation in live); 	→ (LM)
14.	> attractive educational offers proposed by third countries;		
15.	> the need to satisfy the feeling of social and professional self-fulfillment for which the migrant considers that he / she has not identified access routes to the place / country of origin;		

Source: Own processing

The main needs, summarized in Table no. 1, are limited to a decent life, peace, tranquility, the balance of the living environment, health, personal fulfillment implicitly through personal incomes [this especially since the low wages in some regions determine the migration to other regions that offer significantly higher wage income opportunities [Méjean *et. al.* 2010; Wang, 2012; Flaschel, 2009; Addison *et. al.* 2013; Eurostat, 2013 (a), Morariu, 2015].

Also, we can easily observe that the more acute a cause is, the more it responds to the needs of the first layers at the base of Maslow's pyramid [Bostan *et. al.*, 2009] and in the same context, these causes determine individuals to migrate even in unlawful conditions, a phenomenon we witnessed in 2015 and 2016, when the EU space was assaulted by an unprecedented influx of refugees and migrants.

3. Contextual cues at the level of european institutions with responsibility for migration and asylum

The European Parliament has contributed to the EU space migration management project by reforming EU asylum rules, strengthening controls at EU borders and promoting refugee integration. Thus, the Dublin Regulation (which is expected to undergo changes once a consensus has been reached at the level of governments on proposals and after discussions between Parliament and Council) has been established that mainly the state that has the responsibility for processing each request for asylum is the first state whose territory was accessed by the applicant. The contribution of the European Parliament is not limited to the Reform of the Dublin system. This is accompanied by the intensification of border controls and the improvement of the ability of Member States to track people entering Europe. The implementation of normative provisions that distinguish ordinary immigrants from refugees and provide fair treatment for asylum seekers at the level of each EU Member State, including as regards the relocation of refugees, was found on Parliament's agenda in the previous mandate. [Parlamentul European (a), (b), 2017-2019]

Directorates-General for Migration and Home Affairs within the structure of the European Commission has, as we can deduce from its title, responsibilities for migration and home affairs, participating in the development and implementation of the Commission's policies on migration and asylum. Among the Commission's directions of action on the issues analyzed we identify: *detering irregular migration, saving lives and securing external borders, a common asylum policy and the new policy on legal migration* [Comisia Europeană, (a)].

The policy on migration and legal integration aims to establish a framework of measures correlated with the legality for migration, ensuring conditions of integration in the host society. The measures for legal immigration concern the entry and residence for certain categories of immigrants, such as highly qualified human resources that are subject to the "EU Blue Card Directive", students and researchers. Family reunification and long-term residents are also issues to consider. Adoption of rules and procedures that have in the center of attention the unique permits (for non-EU workers with legal residence in an EU state), the conditions of entry and residence for seasonal workers and intra-cooperative transfers (in order to provide to migrants employment rights in a transparent way), the EU immigration portal (through which interested persons are provided with specific information on procedures in all 28 EU states for each category of migrants), improving the integration of non-EU nationals into EU companies, limiting migration illegal, managing migration through partnerships with non-EU countries constitute EU measures for a better organization of legal immigration. [European Commission (a)]

Combating illegal migration has been on the EU's policy agenda for over a decade. In 2002, the EU adopted a directive that focused on the issue of unauthorized facilitation of entry, transit and residence and a framework decision to support criminal architecture for such offenses. The policy of combating migrant smuggling as a priority, both on the European Migration Agenda and on the European Security Agenda, was supported in 2015, by adopting a Commission action plan aimed at transforming smuggling from a "profitable activity with high profit and low risk "in one with" high risk and low profit ". The Commission has also contributed to ensuring the protection of human rights for migrants, but the EU has also taken care to monitor the compliance with the provisions of the 2009 Directive on sanctions of employers, thus ensuring that those who employ irregular immigrants are sanctioned. With the support of the European Border and Coast Guard Agency (FRONTEX) the EU has made sustained efforts to save the lives of individuals in distress at sea, with the coastguards and naval services of the EU states playing a major role in this context. The EU is trying to support EU Member States in the process of returning illegally staying non-EU nationals, as well as asylum, migration and integration procedures. Effective cooperation with non-EU countries for the correct application of the Schengen return legislation is of major interest to the Commission. In this regard, EU agreements were negotiated with other non-EU states. [European Commission (b)]

At the end of 2015, the European Commission adopted a package of procedures to improve *the security of the EU borders* with implications and for the Schengen area without internal borders, to protect the free movement of people. Thus, ensuring a European border and coast guard, with a role in the optimal management of the external borders, is the Commission's proposal, but also the adoption of a practical manual for managing the European border surveillance system.(EUROSUR). Of major importance is another Commission proposal, namely to amend the Schengen Border Code to "introduce, at the EU's external borders, systematic checks of databases relevant to all parties entering or leaving the Schengen area" . The Commission also presented a formula for managing the flows of irregular migrants from Syria, with the implications of Turkey and the admission of people in need of international protection by EU member states. All this, but also the reports prepared by the Commission on monitoring the pulse of the refugee crisis, show not only the Commission's concerns about this crisis, but also its involvement in defending human rights in an international context. [European Commission (c)]

Granting asylum, as a fundamental right, to people fleeing persecution or serious harm in their own country and in need of international protection, is an international obligation, recognized for the first time in the 1951 Geneva Convention on the Protection of Refugees. EU Member States have a shared responsibility to welcome asylum seekers in a dignified manner, ensuring that they are treated fairly, that the rules are applied to uniform standards, wherever applicable, with results as they apply the common rules and procedures in a correct way. The EU has been concerned and has been working since 1999 to create a common European asylum system (CEAS) and to improve the current legislative framework. With a view to a common European asylum system, the EU, with and through its Member States, has made progress on: decisions more equitable, faster and better quality asylum, with greater protection of unaccompanied minors and victims of torture; human conditions of reception (such as housing) for asylum seekers throughout the EU, while respecting the fundamental rights of the people concerned; access for those benefiting from

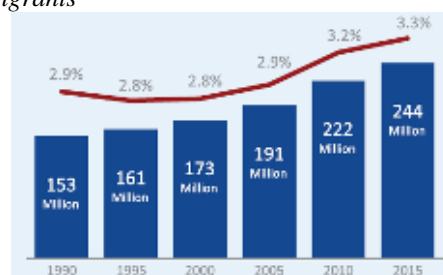
international protection, rights and integration measures; protection of asylum seekers during the process of designating / establishing the state responsible for examining the application and clarifying the rules governing relations between states; access to law enforcement at the base of EU data on asylum seekers' fingerprints under strictly limited circumstances, to prevent, detect or investigate the most serious crimes, such as murder and terrorism, under the revised EURODAC Regulation. [European Commission (d)]

„Established in 1951, International Organization for Migration (IOM), the United Nations Migration Agency, is the leading inter-governmental organization in the field of migration and works closely with governmental, intergovernmental and non-governmental partners“ [International Organization for Migration – IOM (a)]. IOM's concerns include: *the fight against trafficking in human beings, facilitating migration, assistance to refugees, voluntary repatriation and reintegration into the country of origin, integration of migrants with legal residence, resettlement, migrants' health or consular support* [Organizația Internațională pentru Migrație - OIM]. Taking into account the EU commitments at the Valletta Summit on Migration and its partnerships, at the beginning of 2019, the International Organization for Migration (IOM) has focused its attention and made recommendations for formulating long-term migration strategies and to ensure optimum funding at EU level, in the context of developing the next EU long-term budget, the Multiannual Financial Framework (MFF), so that “MFF responds to the needs and commitments of the EU and its partners to ensure better governance of migration in all its dimensions”, which in recent years has registered progress becoming more human-centered, more coherent, rights-based and more oriented towards legal integration [International Organization for Migration – IOM (b)].

4. Migration and asylum in figures

From a numerical perspective and from the trend of international migrants, the United Nations-Department of Economic and Social Affairs (UN DESA) produces estimates of the number of international migrants worldwide, and the data presented below are based on UN DESA estimates which have as source the date provided by the states. Generally, the estimated number of international migrants has increased over the past four and a half decades. Although the number of migrants from the international population has increased globally, we consider that in the last decade it has remained relatively stable as a proportion of the population of the world [International Organization for Migration (IOM) – The UN Migration Agency, 2018, pp. 15-16], as we can see in Figure no. 1.

Figure no. 1. International Migrants



Source: International Organization for Migration (IOM) – The UN Migration Agency, 2017, pp. 15-16

In 2019 throughout the world the number of international migrants increased to almost 272 million, compared to 2010 when it was around 222 million, with Europe hosting the largest number of international migrants (82 million), followed by North America (59 million) and North Africa and West Asia (49 million) [United Nations (a)]. The first five regional corridors (origin-destination pairs) represent almost half of the international migrants in the world, three of the first five migration corridors being intra-regional [United Nations (b)], one of them being identified in Europe, as shown in Table no. 2.

Table no. 2. International migrants in top five regional corridors, 2019

Origin	Destination	Number (millions)	Share of total (%)
Europe	Europe	41.9	15.4
LAC	N. America	26.6	9.8
N. Africa & W. Asia	N. Africa & W. Asia	18.9	7.0
Central & So. Asia	N. Africa & W. Asia	18.5	6.8
Sub-Saharan Africa	Sub-Saharan Africa	18.3	6.7
Total of 5 corridors		124.2	45.7

Note: LAC = Latin America and the Caribbean; N. America = Northern America; N. Africa and W. Asia = Northern Africa and Western Asia; Central and So. Asia = Central and Southern Asia

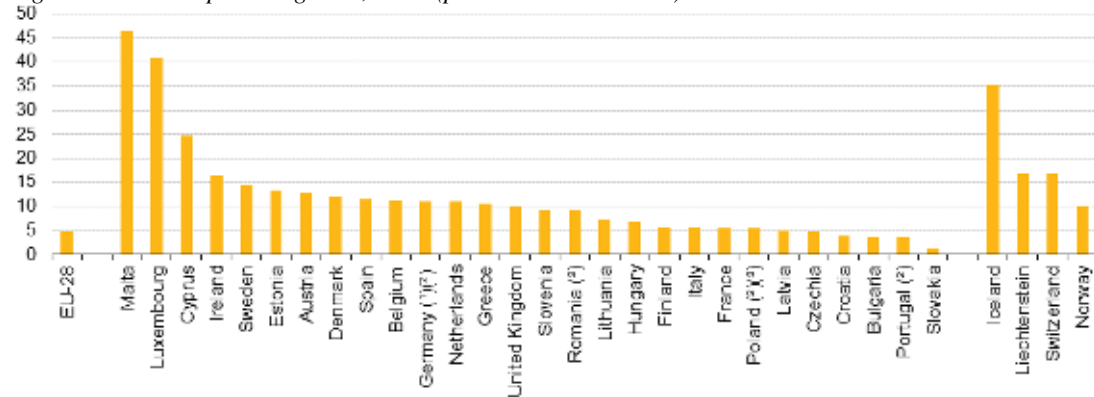
Source: United Nations - Department of Economic and Social Affairs, 2019, p. 2

At the EU level, economic prosperity and political stability have contributed to the increase in the number of immigrants attracted over time, the migration being influenced by a set of economic, political, environmental and not least social factors, both at the level of the country of origin, as well as at the level of the state of destination [Eurostat (a)].

In this international migration context, in 2015 and 2016, the EU space was assaulted by an unprecedented influx of refugees and migrants, over one million human beings entering the EU space, most fleeing the war and terror in Syria and from other countries, and many of them are children. Reporting to the EU, many people who have had or need international protection have arrived and are still coming to the EU for asylum, and how international protection is granted to those citizens who leave their country of origin and are unable to return there for fear of persecution or exposure to the risk of being seriously harmed, the EU is obliged to provide protection (implicitly) through the Member States [Comisia Europeană, 2017 (b)].

As an example, in Figure no. 2 we graphically show, for Europe, the immigration status for 2017, highlighting that the migration factor can have a positive impact on the destination states from the perspective of solving the labor market deficit, and from another perspective, it is possible that migration only could not be a solution to reverse the aging tendency of the population, problematic identified in many areas of the EU [Eurostat (b)].

Figure no. 2. Europe Immigrants, 2017 (per 1 000 inhabitants)



(1) Break in series; (2) Estimate; (3) Provisional;

Source: Eurostat (migr_imm1ctz) and(migr_pop1ctz), 2017 (b, c),

For 2017, Germany reported the highest number of immigrants (917.1 thousand), in the second place being the United Kingdom with 644.2 thousand, then Spain with 532.1 thousand, France with 370.0 thousand and Italy with 343.4 thousand (as shown in Table no. 3). [Eurostat, 2019 (d)]

Tabel no. 3. Immigrants within Europe in 2017

	Total immigrants			Nationals		Total		Non-nationals					
	(thousand)		(%)	(thousand)		(thousand)		Citizens of other EU Member States		Citizens of non-member countries		Stateless	
	(thousand)	(thousand)	(%)	(thousand)	(%)	(thousand)	(%)	(thousand)	(%)	(thousand)	(%)	(thousand)	(%)
Belgium	126.7	17.5	13.8	108.5	85.6	68.2	47.5	48.3	38.1	0.0	0.0		
Bulgaria	25.6	13.1	51.9	12.5	48.9	0.6	2.5	11.8	46.2	0.0	0.2		
Czechia	51.8	4.5	8.7	47.3	91.3	16.6	32.0	30.7	59.3	0.0	0.0		
Denmark	66.6	19.5	28.5	49.0	71.5	25.6	37.3	23.1	33.6	0.4	0.6		
Germany (1)(2)	917.1	124.4	13.6	788.9	86.0	305.0	43.1	301.5	42.7	2.4	0.3		
Estonia	17.6	8.5	48.5	9.1	51.4	4.6	25.9	4.5	25.5	0.0	0.0		
Ireland	78.5	26.4	33.7	61.2	65.2	28.5	36.3	22.7	28.9	0.0	0.0		
Greece	112.2	31.7	28.3	80.5	71.7	17.2	15.3	63.3	66.4	0.0	0.0		
Spain	532.1	78.2	14.7	454.0	85.3	139.4	26.2	314.2	59.1	0.3	0.1		
France	370.0	128.0	34.6	242.0	65.4	74.5	20.1	167.5	45.3	0.0	0.0		
Croatia	15.6	7.9	50.9	7.6	49.1	2.2	14.1	5.4	35.0	0.0	0.0		
Italy	343.4	42.4	12.3	301.1	87.7	61.1	17.8	240.0	69.9	0.0	0.0		
Cyprus	21.3	4.0	18.6	17.4	81.4	9.3	43.7	8.0	37.7	0.0	0.0		
Latvia	9.9	4.8	48.2	5.1	51.7	0.7	7.5	4.4	44.1	0.0	0.1		
Lithuania	20.4	10.2	49.9	10.2	50.1	0.7	3.4	9.5	46.5	0.0	0.2		
Luxembourg	24.4	1.2	4.9	23.2	96.0	16.7	68.3	0.5	26.6	0.0	0.0		
Hungary	96.1	31.6	48.4	36.4	53.5	11.2	16.4	25.3	37.1	0.0	0.0		
Malta	21.7	1.5	6.8	20.2	93.2	11.7	54.2	8.5	39.0	0.0	0.0		
Netherlands	189.6	44.6	23.5	143.7	75.8	72.6	38.3	68.8	36.2	2.5	1.3		
Austria	111.8	9.7	8.7	102.0	91.2	64.4	57.6	37.4	33.4	0.3	0.3		
Poland (1)(2)	209.4	132.8	63.4	76.6	36.6	22.7	10.8	53.8	25.7	0.1	0.0		
Portugal (1)	36.0	20.2	55.3	16.4	44.7	7.6	20.8	8.8	24.0	0.0	0.0		
Romania (1)	177.4	146.3	82.5	26.8	15.1	9.2	5.2	17.5	9.9	0.1	0.1		
Slovenia	18.8	3.3	17.5	15.5	82.5	3.3	17.6	12.2	64.9	0.0	0.0		
Slovakia	7.2	4.3	59.5	2.9	40.5	2.3	32.4	0.6	8.1	0.0	0.0		
Finland	31.8	8.1	25.4	23.1	72.6	6.5	20.3	16.5	51.8	0.2	0.5		
Sweden	144.5	19.5	13.5	124.4	86.1	30.0	20.7	90.0	62.3	4.5	3.1		
United Kingdom	644.2	80.9	12.6	563.4	87.4	242.7	37.7	320.7	49.8	0.0	0.0		
Iceland	12.1	2.5	20.3	9.7	79.7	8.4	69.3	1.3	10.4	0.0	0.0		
Liechtenstein	0.6	0.2	25.9	0.5	74.1	0.2	38.1	0.2	36.0	0.0	0.0		
Norway	53.4	6.6	12.7	46.6	67.3	20.0	37.4	26.0	48.8	0.6	1.1		
Switzerland	143.4	23.8	16.6	119.5	83.4	62.5	57.6	37.0	25.8	0.0	0.0		

Note: The individual values do not add up to the total due to rounding and the exclusion of the 'unknown' citizenship group from the table.

(1) Break in series.

(2) Estimate.

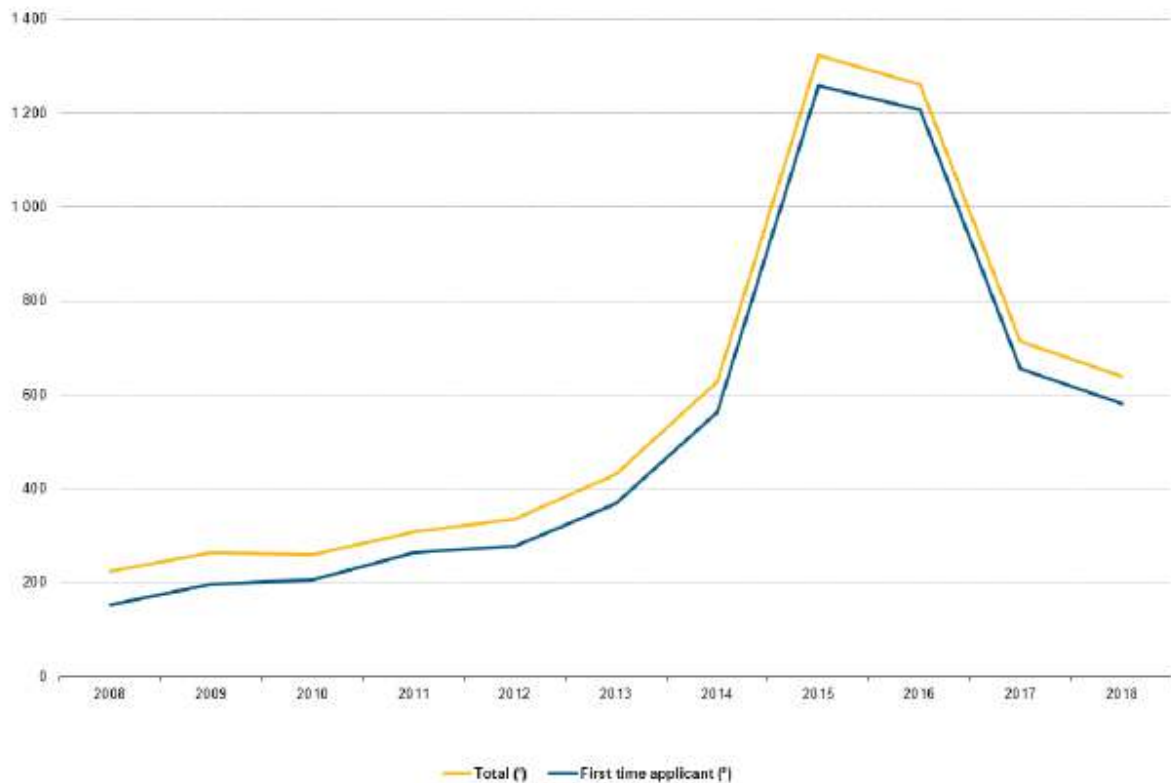
(3) Provisional.

Source: Eurostat (2019)

Regarding the evolutionary issue of asylum at EU level (Figure no. 3), we highlight aspects such as [Eurostat (e)]:

- after the maximum reached in 1992 (672 thousand applications in the EU-15), in response to the EU Member States that received numerous asylum seekers from the former Yugoslavia and then after the figures registered in 2001 (424 thousand applications in the EU-27), the number of asylum applications in the EU-27 decreased to 200 thousand by 2006;
- referring only to the requests from the citizens of the non-member countries, there was a trend of increasing the number of asylum applications in the EU-27 and later in the EU-28 until 2012, after which the growth registered a greater acceleration - increases were made with 431 thousand applications in 2013, 627 thousand in 2014 and about 1.3 million, both in 2015 and 2016, which is approximately double the number registered in the EU-15 in the previous peak period, relative to 1992;
- in 2018, 638 thousand asylum seekers applied for international protection in the Member States of the European Union (EU), decreasing by 10% compared to 2017 (712 thousand) and only slightly over half of the number registered in 2016, when nearly 1.3 million asylum seekers were registered, a figure comparable to the level registered in 2014, before the 2015 and 2016 highs.

Figure no. 3. Asylum applications (non-EU) in the EU-28 Member States, 2008–2018 (thousands)



(*) 2008 – 2014: Croatia not available.
 (*) 2008: Bulgaria, Greece, Spain, France, Croatia, Lithuania, Luxembourg, Hungary, Austria, Romania, Slovakia and Finland not available. 2009: Bulgaria, Greece, Spain, Croatia, Luxembourg, Hungary, Austria, Romania, Slovakia and Finland not available. 2010: Bulgaria, Greece, Croatia, Luxembourg, Hungary, Austria, Romania and Finland not available. 2011: Croatia, Hungary, Austria and Finland not available. 2012: Croatia, Hungary and Austria not available. 2013: Austria not available.
 Source: Eurostat (online data code: migr_asyappctza)

Source: Eurostat (migr_asyappctza), 2019, p. 2

5. Conclusions

This paper highlights how the EU has responded to the migration phenomenon that has marked Europe in recent years. The management of the migration phenomenon, through sustained and continuous efforts by the EU, highlighted its structures which, although faced with various vulnerabilities, showed professionalism, being able to manage the flows of migrants, reduce arrivals and save lives. The entire world has had the opportunity to witness the feedback the EU has provided to migrant citizens from Syria and other countries, citizens who have decided to flee the war, terror, despair, poverty and other shortcomings they have experienced. The EU has shown solidarity and responsibility, by defending human rights in the international context, and by the effective support provided on the ground, while continuing to provide protection for migrants and refugees, many of them children.

The added value offered by the EU was made possible by the reform of the EU's normative and procedural system on migration and asylum, due to the development and implementation of strategic policies referred to in the preceding paragraphs, which it managed with positive effects, with the support of all its bodies with responsibilities in this area, of the EU member states, as well as of all partners.

Of course, these steps cannot be stopped here, the progress registered must be continued and sustained, by continuing the migration and asylum reform, by providing the necessary resources of which we mention: legislative and procedural resources, budgetary, informational, human resources at the EU level as well as at the level of the Member States, but also from the partners around the world with whom agreements need to be outdone to improve existing partnerships, especially since migrants who do not need protection require additional efforts.

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The Macroeconomic Impact on Romanians' Quality of Life

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Abstract

A country's economy is the main mechanism that requires increased attention, as, based on this machinery, all processes within the respective country function, including trade, production, sales, consumption, technological and educational progress, and it determines whether the respective country is going through a growth period or is in decline. Moreover, the economy dictates the quality of citizens' life for entire generations, which is why we have to study and understand it per se, especially since we bear scars from events that also occurred for economic reasons, such as wars, financial crises, real estate crises, aggressive inflationary phenomena. In this paper we intend to explain the economic mechanism. The operating principles and its effects over time, respectively its impact on the quality of life and the methods of protection.

Key words: GDP, employment, trade, quality of life

J.E.L. classification: E24, E51, E62, E70, F10

1. Introduction

The economic system allows a country to establish relations with other countries regarding the imports and exports of goods, the exchange of ideas and educational programs, the possibility to collaborate and strive for a better future from all points of view. In other words, due to economic relations, the countries can go through periods of growth of all their industrial branches in order to satisfy as many needs as possible and for a better quality of life. It is very important to study these processes because when we are indifferent to and not interested in the effects of this system, at some point the side effects we already know can occur, such as: the great economic crisis of the capitalist world due to overproduction, between 1929 - 1933; the Swiss franc crisis; the financial crisis of 2008. These events caused the big financiers to begin to study the market and to understand the principles of the economic machinery's operation in order to predict the upcoming events and to be able to protect us from them.

The most important macroeconomics' indices will be studied, in this paperwork, in order to determine how the quality of life of Romanians could evolve and be affected in the future. Depending on the previous statistics we can determine if this index will change in the future, whether positive or negative, and if it is to be negative, how we can intervene, and on which factors we need to focus the attention. In this way, we can predict and annihilate certain events that may affect our daily lives in a timely manner. We need to understand how the mechanism is built, and when it breaks, we need to know how to repair it or to protect ourselves against it. From a nation's perspective, if this reparation is not done at the right time it can affect generations.

2. Theoretical background

Transactions. The economic machinery can be compared by analogy with a living organism that has its own life and growth (an economic organism). In the case of the economy, growth in this sense is strictly based on transactions and basically the economy is represented by the sum of all the transactions carried out by its participants. People, through all the market relations, set this mechanism in motion and if there is a market economy, there will also be an economic machinery working according to the same principles it is based on today (Dalio, 2013).

At the basis of this mechanism all the transactions carried out by the participants take place, where the transactions are basic operations of buying and selling. People always trade with each other, whether on the commodity market or the food market, the automobile market, the real estate market. The essence of the transactions is that the buyer will always give cash or credit in exchange for goods, services or financial assets. As for credit, it is spent in the same way as the cash, so the sum of all the expenses is the sum of the expenses consisting of cash + credit, and from this point of view if we divide the total expenses by the total quantity sold, we find out the price. The economic machinery is set in motion by transactions and by understanding the essence of the transactions we can understand the economic system.

Credit. Credit can generate high or low values for goods and services, and this phenomenon is very easy to explain. When there is a limited amount of money on the market, the value of the goods cannot grow infinitely, and basically has a value threshold, but in the case of an economy with credit we come to the conclusion that the value of the goods can increase and decrease without a value threshold. For example, when more money is printed on the market, individuals end up having more money and will be able to spend more, and when someone is ready to give more money for a commodity or service, the seller will invariably increase the price because the most primitive method of establishing a price is governing, namely the demand and supply relationship. When the demand exceeds the supply, the price will increase and, respectively, when the supply exceeds the demand the price will decrease. It will do so in case of the price increase until the buyers will no longer have enough money to buy that commodity or service or at least they will not be willing to spend that amount. Later, we will notice how this process will reverse.

Economy with and without credit. In figure no.1 it can be observed the economic growth represented by the GDP (Productivity or economic growth) and time. The lines a, b, c, d, e are supposed to be the individuals that move the economy of a country, and from the graphic we notice that not all individuals will be as productive. There will be those who produce more and those who produce less, because this is human nature. There are a lot of factors that make some companies produce more and, thus, have higher sales and some to produce less and have lower sales. Overall, we have line c which is the arithmetic mean of all the growth slopes. In this case, the advantage is that in this type of economy there are no financial crises as there are no loans and if the company intends to earn more it will have to produce more. Undoubtedly, this slope will always have a fixed direction, without much oscillation. This type of economy has an effect on a long-term cycle (Johnson, Kwak, 2011, p.86).

Figure no. 1. An economy without credit

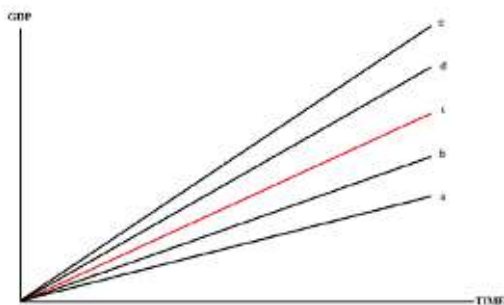
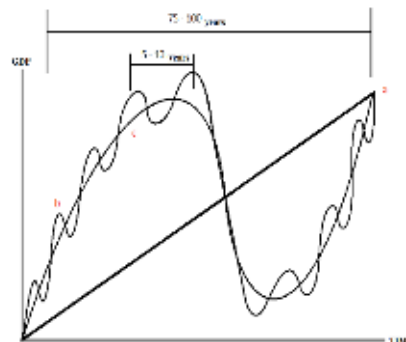


Figure no. 2. An economy with credit



Source: www.investopedia.com

In this model (figure no. 2) things are slightly different from an economy where there are no loans. They allow us to consume more than we produce, and when we must pay this loan, we start consuming less than we produce because our pocket does not allow us to spend more. Line a represents the case of the economy without loans. Line b represents the small cycles that have an interval of 5-10 years. Economically they do not make a big difference since they do not have very large fluctuations, although some of them have affected us a little, such as the last financial crisis of 2008. The big cycles (line c) are those that form in about 75- 100 years, and these are what make the economy decrease considerably, an example being the 1929 crisis (Galbraith, 2009, p.87).

The reference interest rate as a tool for economic equilibrium. Regarding the interest, we pay more attention to the reference interest rate, which is essentially different in that it is established by a country's national bank, in Romania's case by the National Bank of Romania, and according to it, the commercial banks set their interest for deposits and credits. For instance, investors pay a lot of attention to this fact since, if the reference interest rate is high, then the interest rate for the deposits, as well as the credits, will increase, and, similarly, if the reference interest rate decreases, the interest rate will also decrease for credits and deposits. If the National Bank of Romania decreases the reference interest rate, then the market participants will take loans in a much larger volume than they make bank deposits, because the interest rate is advantageous, and it is much more profitable to receive money than to block it. If the National Bank of Romania sets a high interest rate then the participants will make bank deposits, because they have an advantageous interest rate, and the number of loans will decrease because no one will intend to take a high interest rate loan. This instrument is one of the basic methods by which a national bank maintains the economic equilibrium of a country (Marshall, 1980, p.145).

Macroeconomic indicators. According to the specialized literature, the macroeconomic indicators are statistical data that indicate the current state of a state's economy according to certain sectors, such as the banking sector, industry, labor market, trade, etc. With the help of these data, the pulse of the economy, its permanent state, as well as its reaction to the impact of several external factors can be traced. The most important macroeconomic indicators that reflect most realistically the state of the economy are: *gross domestic product (GDP); consumer price index; employment indicator; balance of international payments; fiscal and monetary policy.*

Knowing these indicators is a basic activity in perceiving the overall picture of the economy, its current direction and the direction it will take in the future, so it is necessary to understand each one individually and also to correlate them in order to perform a complex analysis regarding what is happening in the current market and what is about to happen in the future market, in order to know the possible effects on the quality of citizens' life (Acemoglu, Robinson, 2013, p. 103).

Foreign exchange market. The foreign exchange market or FOREX (from English: Foreign Exchange) is a foreign exchange trading market. The foreign exchange market allows participants to exchange a certain currency for another one. Foreign exchange exists as a result of international trade and investments, so companies that import or export goods can buy these goods in one currency and sell them in another currency. That is why they need to convert some of the money they receive into the currency in which they pay for the respective goods. Also related to the foreign exchange market there is speculation, which practically constitutes most of the transactions on this market. As such, the respective market does not have a physical location or a central point, like the other financial markets, but it operates with banks, corporations and individuals throughout the world, 24 hours a day, except for the weekends (Hazlitt, 1988, p.204).

Stock market indices. Stock market indices are synthetic instruments that show the general economic situation of a country. In other words, a stock market index is made up of various companies listed on the stock exchange, chosen according to liquidity or capitalization, usually being part of a sector. At the global level we also have other indices, such as: The United Kingdom – FTSE, Japan – NIKKEI, Germany – DAX, Europe - EURO 50, Hong Kong - HANG SENG, U.S. – DJI 30, SP 500, NQ 100 (Bernanke, 2013, p.45).

3. Romania`s macroeconomic situation

Gross domestic product (GDP). Romania`s GDP from 1986 to 2017. In 2017, the GDP value was USD 211.8 billion, and, in terms of previous values, the highest value was in 2008, i.e. USD 213.6 billion. Thus, we can notice that Romania`s GDP is constantly growing and tends to cross the 2008 threshold, when growth was forced by the economic boom before the financial crisis. Compared to the previous period, more precisely 1986 - 1998, Romania`s GDP did not have wide fluctuations and the general direction was a lateral one, with oscillations between USD 25.1 billion in 1992 and USD 41.9 billion in 1998.

Reference interest rate. In 2002 the reference interest was 34.60%, the maximum of the specified period, in 2003 the reference interest was 17.40%, in 2005 there was the 8.45% threshold, in 2007 the interest was 6.10%, and in 2010 - 6.25%, which did not change until August 2011. With the decrease in the reference interest rate comes the increase in the demand for loans, and with the increase in the number of loans, the economy also increases as we are a society based on consumption and human psychology is based on consumption. For this reason, if the reference interest rate is low, the number of easily given loans is increasing and the economy is growing, which causes the rise in prices, which, in time, will lead to inflation.

Consumer Price Index. In 2005, when on July 1, 2005, after 15 years of high inflation, the leu was denominated, so that 10,000 old lei (bank symbol ROL) became 1 new leu (bank symbol RON), as a result, the CPI index fell slightly and its value in 2016 decreased to about -3%, as a result of the denomination of the leu.

Employment indicator. The unemployment rate had a massive increase in 2002, with the maximum threshold of 8.9% and, subsequently, in 2013 another maximum threshold of 7.7%. The unemployment rate in Romania is not very aggressive compared to other countries, which are in a worse position, such as Bulgaria and Hungary, where the unemployment rate in 2010 for Bulgaria was 11.4% and for Hungary 11.3%, compared to Romania 7.1%, which is healthy for an economy because essentially there is a labor force that produces, which leads to economic growth. Nevertheless, it is very important to draw attention to the unemployment rate, but also to Romania`s population (Lewis, 2010, p.58).

Romania`s population. Since 1920 Romania`s population has increased to a maximum of 23.21 million in 1990, after which we notice a declining trend, and annually the population decreases progressively, until 19.6 million in 2017. Basically, we have a decrease of 3.61 million in 27 years or a decrease of 133.7 thousand per year. The population plays a very important role in an economy because even if the unemployment rate is not very aggressive, if the population decreases at a rapid pace, then the long-term economic situation will suffer, since more people will have to work for the same commodity, and at some point if more and more people emigrate from the country in search for a better quality of life, we will see an increase in the unemployment rate.

Balance of international payments. Romania`s trade deficit increased to EUR 1.23 billion in March 2019, from EUR 1.06 billion in the same month of 2018. Annually, imports increased by 2.7%, reaching EUR 7.36 billion, as purchases increased mainly from the EU countries (4.2%). Meanwhile, exports increased by 0.4%, to EUR 6.13 billion, sales to EU countries increased by 2.5%, while non-EU sales decreased by 6.4%. Considering the first three months of 2019, the trade deficit increased to EUR 3.64 billion, from EUR 2.74 billion in the corresponding period of the previous year. The balance of trade in Romania averaged EUR -635.64 million from 1992 to 2019, reaching a maximum value of 137.60 million euros in February 1996 and a record of -2542.10 million in September 2008. In other words, Romania`s trade balance is negative, which pulls our economic system down, and also growth and the quality of life.

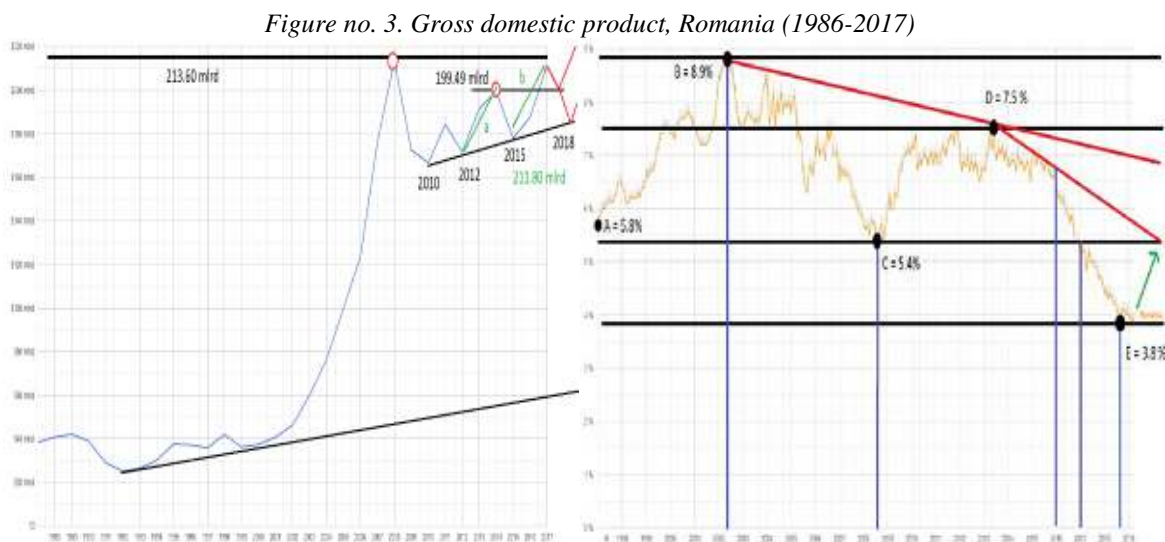
Fiscal and monetary policy. The intermediate objectives of the macro-prudential policy targeted by the National Bank of Romania, fully harmonized with the European recommendations in the field, are: (1) reducing and preventing the excessive growth of loans and indebtedness; (2) reducing and preventing excessive non-correlation of maturities and lack of liquidity on the market; (3) limiting the concentration of direct and indirect exposures; (4) limitation of moral hazard, and (5) strengthening the resilience of financial infrastructures.

4. Impact on the quality of life

The analysis and correlation of the macroeconomic indicators aims to establish their interdependence and their evolution in order to draw a conclusion regarding the initially established purpose, namely the impact of these indicators on the quality of life of Romanians.

4.1. Analysis of macroeconomic indicators in Romania

Regarding the unemployment rate, in Romania we do not encounter an extremely serious phenomenon. On the contrary, Romania is at the average level of the European Union countries, with a 3.8% unemployment rate in 2019. For the next 5 years, the unemployment rate is projected to increase graphically, where the estimated value would be the resistance area of 5.4% and this would be the lowest value because, on average per cycle, the unemployment rate increases between 2- 3% for 5 years. If the cyclical movements are respected, in 2024 we will have a threshold of 6.9%, or in 2025 a threshold of 5.9%. In order to support the technical analysis, help comes from the fundamental analysis. The unemployment rate is directly dependent on Romanian companies' situation (Barro, 1997, p.254)



Source: www.countryeconomy.com/gdp/romania

* mld=b./bn./bil.

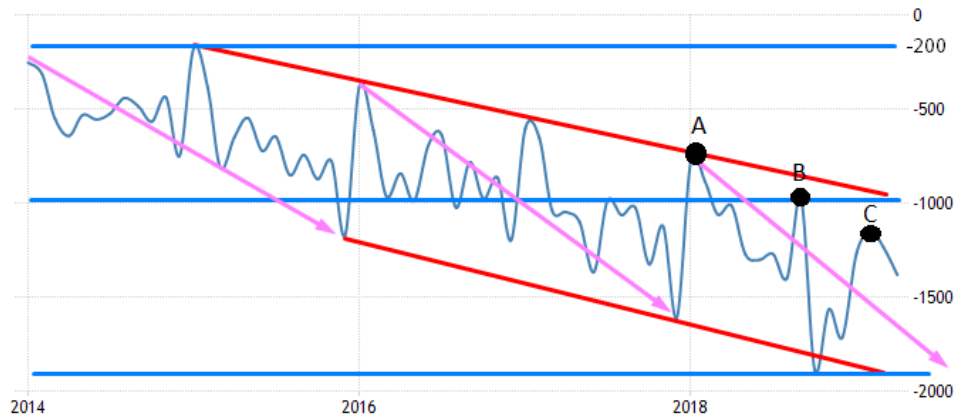
Lines a and b are the cyclical movements of the last 5 years, where line a represents the increase from 2012-2015, when for 2 years we have an increase from USD 170 billion to USD 200 billion. Line b represents the increase in 2015 from USD 180 billion to USD 211 billion in 2017. The conclusion is the following: the last 2 cycles of GDP represent 2 increases of 2 years each with approximately 30 billion USD per cycle. After each increase, there was a correction (decrease) that was progressive after each impulse (increase). This shows that in the next period we expect a correction of GDP. Thus, the graphical analysis reflects that Romania's GDP for 2018 has the possibility to decrease to the value "1", of USD 200 billion or value "2", of USD 185 billion. Then, we expect a new impulse that will be the movement that cancels the last historical maximum of 2008, the threshold of 213.6 billion USD. If Romania's GDP will fluctuate with the same impulses, for 2021 GDP could reach the threshold of USD 213 billion, which is the value "1" or the value "2", of 215 billion. USD. As a calculation formula we have the previous speculated value on the correction + the preceding value of the impulse created, according to the cyclic movements. In other words, for the year 2021, Romania's GDP, following the graphical analysis, will have to take an upward direction and practically form new historical highs, which means an economic growth for Romania in terms of productivity (Roubini, Mihm, 2010, p. 99).

By assessing the National Bank of Romania's fiscal and monetary policy to keep the country's economy stable, we noticed an increase in the reference interest rate, which means that the National Bank of Romania slows down excessive lending and keeps inflation under control.

From the data taken from the National Bank of Romania's website we find that: in the meeting of May 15th 2019, the Board of Directors of the National Bank of Romania decided the following:

1. Maintaining the monetary policy interest rate at 2.50% per year;
2. Maintaining the reference interest rate for deposits at 1.50% per year and the reference interest rate for credits at 3.50% per year;
3. Keeping the current levels of minimum, mandatory reserve rates applicable to liabilities in lei and foreign currency of the financial institutions.

Figure no.4. Balance of trade, Romania (2014-2019)



Source: www.ceicdata.com/en/indicator/romania/trade-balance

The National Bank of Romania tends to keep the interest rate at 2.50% per year. In fact, inflation increased to 4.03% in March 2019 and 4.11% in April, from 3.83% in February, above the range of variation of the target and above the predicted level. If the market follows its negative forecast character and the economic decrease will be more and more aggressive, then the National Bank of Romania will have to lower the reference interest rate in order to increase the economic activity, which will cause an inflation increase, and changes in the monetary policy (Socol, Angelescu, Socol, 2009, p.89)

Regarding the Consumer Price Index, we have mentioned in the previous chapter an expectation of a decrease in this value which today is 4.0%, and by 2021 inflation is expected to be 3.0% (according to National Bank of Romania's analysis). We should also mention that the National Bank of Romania increased the reference interest rate from 1.75% to 2.50% for the first time since 2008, which confirms the possibility that inflation will reach the forecasted value in the coming years. If inflation decreases, the prices will also decrease, which tells us that people have less money to meet their personal needs and are less willing to spend, and if people do not spend the process opposite to inflation begins, namely deflation. In this case, we expect individuals to make bank deposits instead of spending on goods and services, which confirms the possibility of a decrease in GDP by 2020 (Sowell, 2003, p. 184).

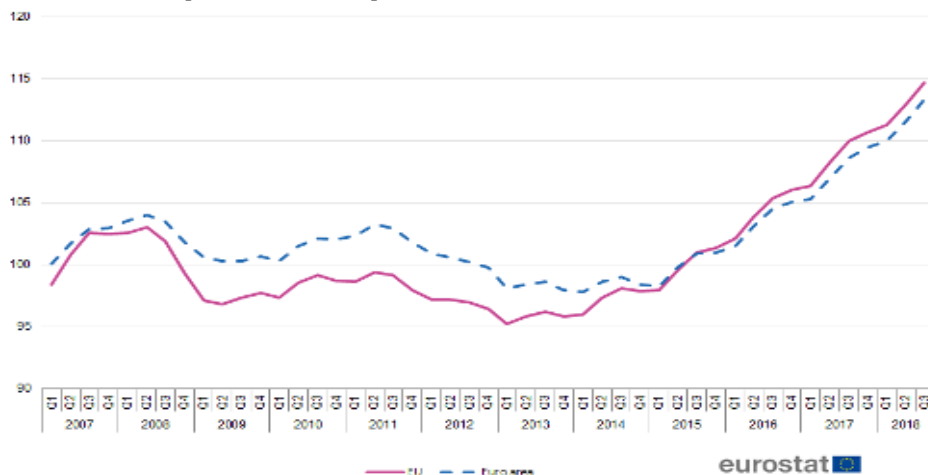
4.2. The lending system, the real estate market and the financial crisis

Due to an excess regarding the lending system, the economy is in a stage of aggressive growth, when both an increase in prices and easily obtained bank loans, also called ID card loans are seen. A serious problem is the use of the loans and how they are used, as most people who received loans at least once in their life were buying a house or did it because the real estate market is an investment tool. From that moment, the demand for real estate increases. If banks offer loans too easily, this means a low reference interest rate and people have a greater spending ability. One should bear in mind that in Romania, at present, the reference interest rate is down to a historical minimum, hence we also observe a tendency of real estate market growth (Krugman, 2009, p.78).

As we can see in figure no 5., for the EURO area the 2008 price was 100-105 points, then it increased to about 115 points until 2018. This fact demonstrates the easiness in obtaining a loan in accordance with the low reference interest rate and the investments in the real estate market. Hence, for the last 4 years, most of the Romanian cities have been subjected to real estate constructions, such as Bucharest, Constanta, Cluj.

When prices rise aggressively and inflation appears, the national / central bank aims to keep the country's economy stable, respectively it has no interest in inflation being very high, thus it increases the reference interest rate, or as it is also known in English the "Interest Rate". When the central bank raises the reference interest rate, fewer people can get a bank loan since they understand that a high interest rate is not advantageous for them and they decide not to get a bank loan for what they set out to buy, rather they make bank deposits, so less and less will take loans when the reference interest is high. Then comes the time when fewer people take loans and for this reason the incomes decrease. When an individual spends less, another individual will have a lower income, and if incomes fall and interest rates of bank loans remain the same or even increase, this is a sign that the economy tends to decrease. In terms of interest, there are 2 types, namely fixed and variable, and in addition we have the reference interest rate, established by the national bank. Variable interest is made up of fixed interest (established by the national bank) and the ROBOR/Romanian Interbank Offer Rate. ROBOR is defined as the average interest rate at which banks lend each other. A fixed interest loan has a higher interest rate than a variable interest loan, which is why most people tend to get a variable interest loan. The problem is that if you want to get a mortgage, in most cases only the variable interest loan will be available on the market.

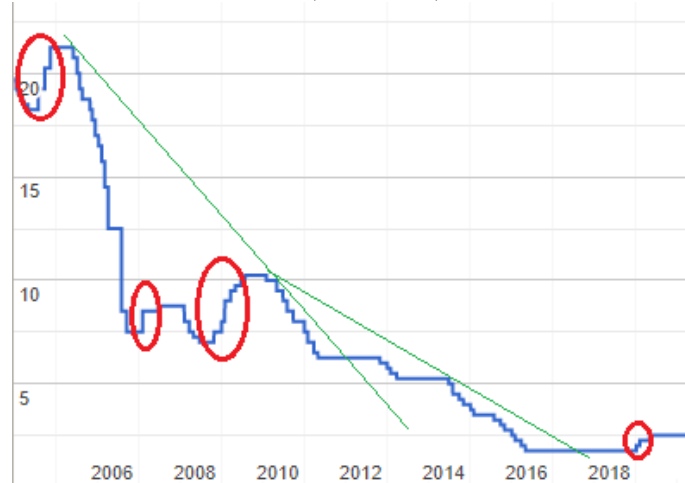
Figure no.5. Real estate price index, Europe (2007-2018)



Source: www.eurostat.eu

The biggest problem is that individuals do not understand this mechanism and take variable interest mortgages and do not study the long-term side effects. An example was the case of 2008 when many people suffered because of loans. When you get a fixed interest loan over a long period of time, the risks are very low, but when you get a variable interest loan, then that is a problem because the interest rate set by the national bank may remain the same, but the ROBOR may vary enormously. If we look at the statistics, before 2008 loans were given very easily, especially mortgage loans, respectively many people who, even if they were unable to cover those loans in the future, would still get them. There was a case in the United States in which a person got a real estate loan using a dog as forfeit. This phenomenon was also found in Romania (Tooze, 2018, p.47).

Figure no. 6. Reference interest rate, Romania (2006-2018)



Source: www.bnr.ro

In figure above we see the periods of reference interest increase, namely the years 2005, 2006, 2008 and 2018, and between 2009 and 2018 there was no increase in the reference interest, which can be noticed in the decreasing maximums, according to the graphical analysis. In 2018 we can observe the increase in the reference interest rate from 1.75% to 2.50%.

Figure no. 7. The evolution of the S&P 500 index



Source: Trading View

In the graphic above, figure no.7, we can notice that the U.S. is currently at an all-time high, which means that growth and the economy prosper better than ever. The purple areas are the prices of support and resistance. The red arrows represent the distance from the fall of the crisis of 2008 and the speculation of the next crisis. If the economy turns out to be at a saturation threshold, the S&P500 index has the possibility to fall to 2100.0 USD from 2900.0 USD (its current value), which would mean the fall like in the crisis of 2008. However, if the crisis turns out to be more aggressive, the next fall is at the price 1600.0 USD from where it should recover and start an upward trend. (Sowell, 2011, p.133).

5. Conclusions

Romania suffered a significant decrease in economic output during the crisis. The recession started in the third quarter of 2008 and sharply increased in 2009. As the effects of the crisis on Romanians' quality of life we can mention the following. The number of employees has steadily decreased since the fourth quarter of 2008, from a maximum value of 4.83 million in September 2008 to 4.1 million in December 2010. Their number has decreased considerably in the private sector, with more than half a million, especially in manufacturing, construction, retail and transportation. In the public sector, the number of employees had a different path: it increased until January 2009 and began to decrease only since February 2009. Therefore, the job crisis is perceived as a generalized one.

If in the summer of 2009 the economic crisis was perceived as being "only on television", in the autumn it became very "real" and by the spring of 2010 it "kneeled" a large part of the population, being accompanied by the decrease in income and increase in the cost of living.

As the crisis deepened, more and more people began to think that the economic crisis dramatically deteriorated the country's economic situation and their family's living conditions. In August 2010, over 92% of the population considered that the economic crisis seriously affected the Romanian economy and 84% stated that their households were "a lot" or "very" affected. Families with children, especially those with parents / relatives at work abroad, seem to be confronted with greater negative effects than families without children. During 2009 and 2010, the political crisis and government's dysfunctions aggravated the negative effects of the economic crisis because successive governments did not provide effective support to the population. Therefore, an increasing share of the population associated the crisis with "sadness", "confusion" and "chaos". The middle-income population perceived the strongest impact of the economic crisis. Most of the destroyed jobs were theirs, their salaries were cut and / or their remittances were reduced. Therefore, the perceived impact on households of formal sector employees and remittance beneficiaries evolved from "low" / "medium" (in June 2009) to "significant" (in December 2010). And this "significant" impact refers to the worsening of the households' standard of living.

Financial protection strategies in case of a new financial crisis can be of several types and are vital since the last crisis affected the Romanians' quality of life, some were left without homes, wages were halved, many of the companies went bankrupt, which led to an increase in the unemployment rate, the population had to migrate abroad so as to find a job in order to support their family, etc. However, not all the countries were affected by the financial crisis in 2008, i.e. the Nordic countries (Norway, Finland, Sweden). In order to overcome such a phenomenon, we must learn from those who have already dealt with it at least once. Among the strategies used by the inhabitants of these countries are the following: (1) Debt should never exceed productivity; (2) Construction of at least 3 sources of income; (3) Diversification of investments in several industries; (4) Bank deposits in diversified currencies; (5) Investing in financial education; (6) A security fund, where we have: $\text{Monthly expenses} \times 6 = \text{Expenses for 6 months}$.

People need a financial education in order to be able to understand at least at a basic level the economic cycles and to understand when it is profitable to get a loan or when it does not make sense to decide on this aspect. They need to understand the importance of loans, but also what impact they can have on their quality of life, and if people take a loan in foreign currency, they must know what events are to be expected in the future and make an assessment on the possible effects. Unfortunately, we are deficient in the field of financial education, therefore, the best solution is for the population to get educated, to apply financial strategies and, therefore, enjoy a prosperous future.

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The Underground Economy in Romania

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Abstract

In recent decades, the underground economy has become an obstacle to economic development, all the more so neither its size nor its evolution are known exactly. The activities associated with the phenomenon of the underground economy are concrete realities, met throughout the world. For a state to be able to efficiently allocate resources, it is essential to have information about the magnitude of the underground economy, the activities involved in this process and their frequency, the people involved. However, it is very difficult to analyze and measure the underground economic activities, the labor force or the goods involved, since the people involved in this type of activities do not want to be identified. The purpose of this paper is to quantify the size of the Romanian underground economy and to identify the main factors that contribute to its growth.

Key words: tax evasion, corruption, underground economy

J.E.L. classification: E26, H26, O17

1. Introduction

The phenomenon of the underground economy is present in all countries of the world, having different dimensions and proportions in the GDP of a country. In the specialty literature this concept is found under different names such as hidden, dangerous, illegal, unofficial, gray, unmeasured, shadow, occult, hidden, secondary, counter-economy, parallel, informal or invisible economy (Braşoveanu, 2010, p.70).

The estimation of the underground economy plays an important role in the literature, as well as the debate regarding the definition of its concept and the appropriate estimation methods. The economists could not rely on a consolidate definition and methodology in order to measure the underground economy, as this is not directly visible, noticeable (it is hidden). Therefore, trying to measure a hidden phenomenon raises a number of issues.

Although the underground economy has been defined and interpreted as having more meanings, it is important to remember only the common essence of the debate: it encompasses all undeclared economic activities with both, social negative effects (regarding the social equity) and economic effects (reduction of GDP).

2. Theoretical background

The most complex definition of the underground economy is considered to be that of Pierre Pestieau, according to which it consist of "all economic activities which are carried outside the criminal, social or fiscal laws or which escape the inventory of national accounts" (Rădulescu, 2007, p. 90)

Schneider has defined activities in the underground economy as all economic activities that contribute to value added and should be included in national revenues, but are not currently registered by national measuring agencies (Schneider, 1986, p. 654). Smith defines the concept as a market based on the production of goods and services, whether legal or illegal, but which is omitted from official estimates of gross domestic product. (Smith, 1994, p. 18).

Tanzi and Schuknecht explained the underground economy as all the economic activities hidden from public authorities with the purpose of avoiding taxation. It should be mentioned that the definition of the underground economy offered by Tanzi and Schuknecht is a little restricted, it assumes that tax evasion is the only motivation for the existence of the underground economy (Tanzi, Schuknecht, 1997, p.166).

Mirus and Smith differentiate informality by the fact that activities are legal or illegal and require monetary or non-monetary barter transactions (Mirus, Smith, 1997, p. 4). Pozo divided the informal economy into three groups: irregular economy, "pure" tax evasion, and illegal activities (Pozo, 1996, p.75)

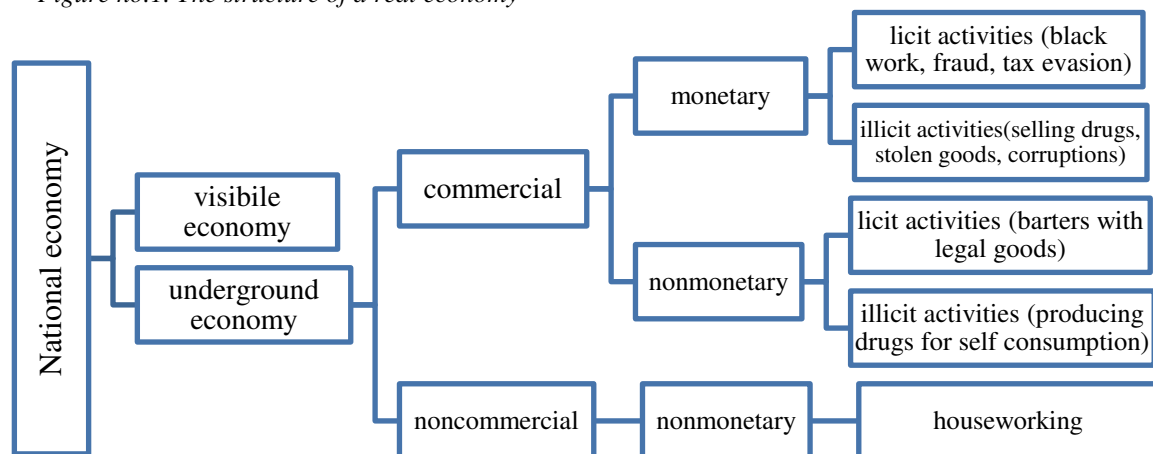
The activities in the underground economy can be classified into legal hidden economic activities, illegal economic activities and non-market economic activities.

Hidden legal economic activities (underground production) refer to production activities considered legal, but purposely masked from public authorities, with the purpose to escape from paying tax (VAT or income tax) or social security contributions; economic activities that are opposite to the existing tax laws, deliberately or because of inefficiencies on the part of the institutions. Such activities include companies that overestimate their expenditures, legitimate incomes obtained and washed abroad, undisclosed or unreported returns.

The illegal component embrace all economic activities that are forbidden by law, such as the production and distribution of controlled substances (marijuana, cocaine, heroin), the production and sale of restricted weapons, the sale of stolen goods and smuggling of goods, prostitution and workforce provided by minor children (UNECE, 2008).

Underground or non-market economy activities include home production, service exchange or babysitting.

Figure no.1. The structure of a real economy



Source: adaptation after Pestieau (1989)

Among the causes of the emergence of the underground economy are the pressure of the regulations imposed by a state, the fiscal pressure imposed by the taxation and the fiscal morality or the attitude of the citizens towards a state (McGee, 2005, p.38).

The size of the underground economy has serious economic and political consequences for a nation. Schneider and Enste have indicated that the increase of the underground economy can start a harmful cycle. Such a consequence may be the decline of tax revenues, if there is a development in untaxed transactions in the underground economy. When contribution in the underground economy enlarge, tax revenue losses complete the government financial tension to accomplish the needs of the community. With low incomes, there is a tendency for governments to cut spending or raise taxes to insure the necessary social services. This may drive more individuals into the

underground economy or may determine current underground participants to work longer (Schneider, Enste, 2002, p.10).

3. The dimension of the underground economy in Romania

In order to analyze the underground economy in Romania is requested a parallel between this and the level of taxation, tackling the problem of corruption and illegal work.

An impact on the informal economy dimension in Romania was caused by the economic crisis, which led to its growth, as in all European states. Thus, the hidden economy in Romania increased from 27.03% in 2007 to 28.23% of GDP in 2009. After this year, the percentage of these activities registered a constant downward trend, reaching a minimum value in 2014, when the percentage was 22.73% of GDP.

In 2010, parallel economy in our country reached a level of 26.76% of GDP, being surpassed only by Bulgaria. At that time, the average for EU states was 20% of GDP, which means that Romania had almost 7 percentage points more, an interval that would have allowed our country to obtain appreciable amounts in the national public budget, under the conditions of an increased fiscal discipline (Braşoveanu, 2010, p.70).

Table no.1. The size of underground economy in Romania, 2007-2018, % of GDP

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
%	27,03	25,44	28,23	26,76	25,41	25,14	23,97	22,73	22,40	26,3	28,1

Source: Medina, Schneider, 2018

In 2015, most of the total underground economy, ie 22.1%, was brought by the „unobserved economy”, which included fraud to pay VAT, work in black, the informal sector (individual unregistered enterprises). The rest, 0.3%, was brought about by illegal activities such as smuggling of alcohol and tobacco, prostitution and drug trafficking. Thus, Romania ranked 4th among the 31 European countries analyzed by the IMF in a report, the highest share being held by Bulgaria at that time, with 29.6% of GDP. In 2016, the activities associated with the underground economy represented over 200 billion lei from the GDP of our country, which means a 26.3% of GDP.

A high level of the unofficial economy has as main negative consequences the decrease and the reduction of the growth rate of the official economy. For a country like Romania, the percentage held by this underground economy is worrying, and the negative effects of the high percentages are visible in the level of GDP and in the level of tax revenues.

Worldwide, the average size of the hidden economy is 31.9% of GDP. According to a report by International Monetary Fund, out of 158 countries analyzed, those with the highest share of the gray economy are Zimbabwe (60.6% of GDP) and Bolivia (62.3% of GDP) and the lowest rates are found in Austria (8.9% of GDP), Switzerland (7.2% of GDP) (Medina, Schneider, 2018, p.18).

4. The causes of the underground economy in Romania

There are numerous reasons attributed to the cause of an underground economic situation in different countries. The size of the underground economic activities is mainly motivated by the *non-payment of taxes and fees* in general, and the fiscal burden on the work, in particular (social insurance contributions). In our country, the fiscal burden (the difference between the total costs incurred by the employer and the net salary of the employee) was in 2018 36,7%, a percentage that places Romania on 7th place in the European Union and on the 1st place in Central and Eastern Europe (being the highest percentage), given that the European average was 32,5%. To this burden is added the bureaucracy of payment of taxes and fees, the bureaucratic effort being a very big one.

Other factors contributing to the high level of the informal economy are:

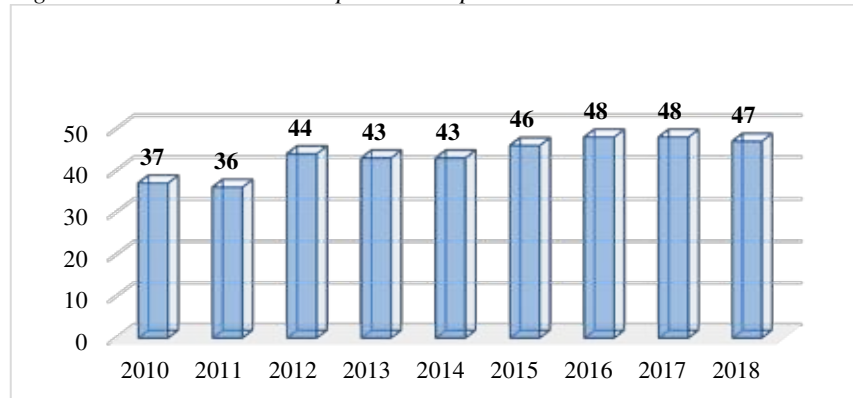
Government effectiveness (quality of public services and social services): poor quality of public services, especially education and health, motivates tax evasion. People pay their taxes and fees, even they are very high, but when they encounter a medical problem they have to pay or not receive adequate medical services, the motivation to voluntarily comply with the tax burden decreases significantly. The quality of public services is also evidenced by the number of deaths

from road accidents, as a result of inadequate infrastructure. Thus, the number of deaths from road accidents in Romania is the largest in the European Union, compared to the population. If the average at EU level is 49 deaths per 1 million inhabitants, unfortunately, in our country at the end of 2017, 98 deaths were reported for one million inhabitants. Also the first place is occupied by Romania regarding the possibility of avoiding deaths in persons under the age of 79, the average in our country being 48%, well above the European average of 33,1%. The apathy for paying taxes arises because of the inability of institutions and governments to provide social services. People simply do not want to honor their fiscal obligation very much, because they believe that the government does nothing for them. Various studies have highlighted the lower capacity of institutions to collect income from economic activities, which is an indication of weak economic institutions, which contributes to the size of the underground economy.

State control over corruption - the high level of corruption further determines the orientation of legal or potentially legal economic activities towards the underground segment. For example, when entrepreneurs need a license to open a business in the official economy and are forced to buy it from a corrupt official, the level of corruption and bureaucracy can push legitimate businesses underground, thus increasing the size of the underground economy. Thus, going underground is considered as a substitute for bribe-taking, although companies sometimes bribe officials to avoid official taxes.

Corruption encourage the underground economy through a number of mechanisms, as follows: (1) corruption decreases the official economy, declines the tax base and thereby reduces income collection; (2) corruption may redirect some of the public financial resources to areas other than those initially provided, which may lead to inefficacious use in non-priority divisions; (3) corruption instigates to increase the values for public or private works, decrease of investments, decrease of productivity due to the mutuality between the works carried out and the bribe received; it benefits the companies present in the informal economy through lower expenditures as a result of small reporting and non-payment of legal fees (Braşoveanu, 2010, p.74).

Figure no 2. Romania's Corruption Perceptions Index



Source: www.transparency.org/country/ROU

Transparency International calculates an indicator for each state, called the Corruption Perceptions Index (CPI), an index that ranks countries and territories according to how corrupt the public sector is perceived to be. The score of a country or territory indicates the perceived level of corruption in the public sector on a scale from 0 (extremely corrupt) to 100 (very clean). Romania obtained 47 out of 100 points in the Corruption Perceptions Index in year 2018, Transparency International ranking our country on 61st place out of 180 countries in the world analyzed.

The perception of fairness and justice, in the fiscal system, affects the incidence, as well as the size of the underground economies. All working adults in a population have to pay taxes, but when people perceive their neighbors as people who do not fully pay their taxes, there is an incentive for them to evade paying the tax.

Black work, which consists of all the activities carried out in an undeclared or partially declared form by an employee for an employer, is still a significant problem in Romania, especially as at present the employers are sanctioned only with fines. In 2013 Romania was ranked on 2nd place

among EU countries with the highest percentage of undeclared employees, ie 26,2% of the gross value added. The negative consequence of black work is that employees do not have access to social protection or benefits arising from employment contract and unpaid envelope payments are currently met at a high level. In 2017 almost 1,4 million Romanians worked in black, most of them in the field of industry (550.000 people), trade (350.000 people), construction (350.000), transport and communications (163.000 people).

Increasing the intensity of regulations (often measured by the number of laws and regulations, such as license requirements) is another important factor, which reduces freedom (at choice) for people involved in the official economy. These regulations may include market regulation, trade barriers and labor restrictions, especially for foreign workers and students.

5. Measures to reduce the underground economy in Romania

In order to reduce the level of informal economy, the same factors that determine it first, namely the quality of public services, the level of labor taxes, the efficiency of using public money, must be analyzed, but the digitalization of Romanian institutions must be emphasized, which has a significant good influence. This measure has contributed a lot in countries such as Poland and Bulgaria, significantly reducing citizens' desire for tax evasion.

Other measures recommended by the European Commission in order to reduce underground economy include simplifying administrative matters so that the cost of the taxpayer decreases, including here the time allocated for the payment of taxes, the strengthening of control and law enforcement activities, adopting specific measures depending on the sector of activity, especially in the fields of agriculture, restaurants and hotels, services.

A number of measures that can be adopted especially in Romania are the restructuring of the National Tax Administration Agency, the reduction of bureaucracy, the intensification of the fight against corruption, the support of non-cash payments, zero tolerance towards tax evasion, ensuring a total transparency regarding budgetary expenditures; the total rethinking of the system of social contributions based on the principle of fair treatment of taxpayers, regardless of their form of income.

6. Conclusions

In a broad way, the underground economy covers very different activities: illegal (traffic, corruption), activities that are not included in the national accounting (internal work, voluntary service or mutual aid in the neighborhood) or are not declared to the social administrations and tax (tax fraud, clandestine work). The forms and size of the underground economy may vary conform to the economic system, the legislation and other local features.

Since underground economic activities are a reality of life all over the world, most societies seek to manage all the activities through different actions such as sanction, criminal prosecution, economic growth or education. Collecting information on who is attracted in underground activities, the incidence with which these activities are carried out and their scale, are critical to make effective decisions regarding the allocation of resources of a country. Unfortunately, it is very complicated to obtain precise information about these underground activities on the goods and labor market, because all the people involved in these activities want to remain unidentified. Therefore, estimating shadow economy activities can be seen a scientific passion.

Understanding the underground economy has important political involvements. First of all, it is necessary to build an environment in which the economic activity can be effortlessly formalized. Secondly, at a comprehensive level, the underground economy ensure a supplementary argument for the necessity to educate people about the goal of taxation, so as to meliorate fiscal morality and, hence, compliance with tax payments. Thirdly, it is important to ensure that the tax system itself is not a scale and it is not constructed in such a way as to encourage a hidden economic activity.

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The Impact of Unemployment on the Economic Growth in Romania

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Abstract

Unemployment is a macroeconomic indicator that reflects the inability of an economy to fully utilize labor resources. The phenomenon itself is based on the concentration of the social-economic activity, the improvement of the means of production with high efficiency, the greater supply of people able to occupy the available places in the economy than their real number or the synchronization of the labor supply and the available places at regional or national level. The number of unemployed, has two negative effects: the economic effort of the payment of unemployment aid and the existence of a percentage of the labor resource that cannot be used to increase the production of goods and services. The analysis of the data series regarding the unemployment rate reveals the labor market availability and the inability to assimilate the national economy, which we'll analyze using some suitable econometric models.

Key words: unemployment, economic growth, productivity, labor market.

J.E.L. classification: E23, J64

1. Introduction

Unemployment reflects the inability of a country economy to fully utilize labor resources. The lack of conversion of the labor force increases the number of unemployed and, consequently, the unemployment rate. The increase in the number of unemployed in Romania has two negative effects: the financial effort to pay the unemployment benefits, with some of the labor resources that cannot be used to increase the production of goods and services. Interpreting the data series on the unemployment level established by the ILO or AMIGO system, it expresses the capacity of the labor market and the inability to assimilate the national economy. Unemployed, according to the international definition (BIM), are persons aged 15-74 years who simultaneously fulfill the following 3 conditions: (i) they do not have a job; (ii) are available to begin work within the next two weeks; (iii) have been actively searching for a job, at any time during the last four weeks. Unemployment rate represents the share of the unemployed in the active population. The economically active population includes all persons who provide the labor force available for the production of goods and services during the reference period, including the employed population and the unemployed. Registered unemployed are the persons in the records of the National Agency for Employment (ANOFM), who benefit from the provisions of the legislation regarding the social protection of the unemployed. The two sets of statistical indicators (monthly unemployment according to the international definition and the registered unemployment) are not comparable because the data sources, the measurement methods, the concepts, the definitions and the scope are different. The analysis of data from both series, however, offers a complete and real picture on the Romanian labor market.

2. Literature review

Aaronson, et al., (2010) analyze the factors that have generated the long-term unemployment growth and the implication for the future economic evolution. Couch et.al. (2013) approach a similar topic, focusing on the economic and health consequences, namely on incomes, benefits related to disability and mortality. Michailat (2012) is concerned with the role of friction matching in influencing and, therefore, in explaining unemployment, proposes a search and matching model, Daly et.al. (2012) develop a close topic, their research question is focused on increasing the natural rate of unemployment. Anghelache and Manole (2015) develop on the correlation between inflation and unemployment. Lalive (2007) offers evidence on the correlation between unemployment benefits, unemployment duration, based on the idea that the benefits tend to increase the duration of unemployment, his study follows the Austrian system, while Le Barbanchon (2016) studies, in an approach similar, the French case.

Åslund et al., (2010) offer a modern approach to the importance of accessing to jobs. Kroft and Notowidigdo (2016) evaluate the link between unemployment insurance and the unemployment rate. Krueger & Mueller (2010) provide new evidence on the intensity of job search measured for unemployed people in the United States, through the time devoted to this activity. Inderbitzin, et al., (2016) measure the impact of extended unemployment benefits on the behavior of older workers towards retirement, in particular early retirement. Agrawala & Matsab (2013) consider the effect of the risk of unemployment on the decision-making process when financing corporations. Chetty (2008) shows that the benefits of unemployment insurance affect job search behavior.

In Romania, the long-term economic crisis has generated high unemployment with low prospects for the reintegration of the unemployed. Changes in the structure of the branches and economic activities, the sub-impact of diversifying the demand for goods, of the economic crisis, have inevitably led for a long period to the reduction of the work demands. Immigration - emigration also influenced the labor market. The migration of the active population provide labor force for that country. Emigration had the opposite effect, of decreasing labor force in the country of origin. The economic situation and the unfavorable international politics, due to the oscillations of the economic growth rate, the armed conflicts, the promotion of embargo policies have negatively influenced the economic relations regarding the import - export, deteriorating the economic activities in the countries of the area and contributing to the increase of the unemployment rate.

3. Research methodology

Based on the existing statistical data regarding of the labor market, the derived indicators were determined, which allowed the characterization of the unemployment phenomenon from different periods:

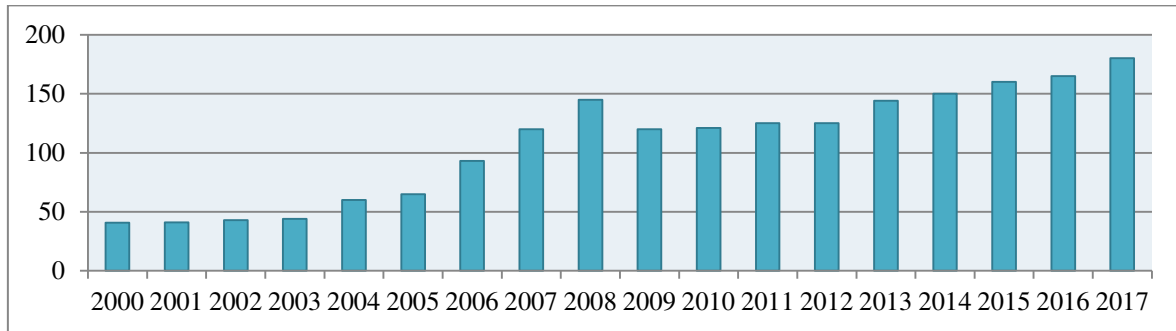
- The annual average of the total occupied population during the period 2000-2017 was 9686 thousand persons with a representativeness that does not exceed the threshold of 35% due to a dispersion degree of 6.8% (659 thousand people), which makes the asymmetry coefficient of 0,80 thousand people to show that the average value of the total occupied population exceeds the median value of 9313 thousand people.

- Macroeconomic indicator, which reflects the production of a country, Gross national product registered an omission of 77535 million euros during the period 2000-2017, an unrepresentative value because the homogeneity coefficient (52.55%) has a high level, due to the onset of the economic crisis.

- The average of foreign direct investments was 1972 million euros / year, a non-representative indicator also confirmed by the coefficient of homogeneity of 65.97%.

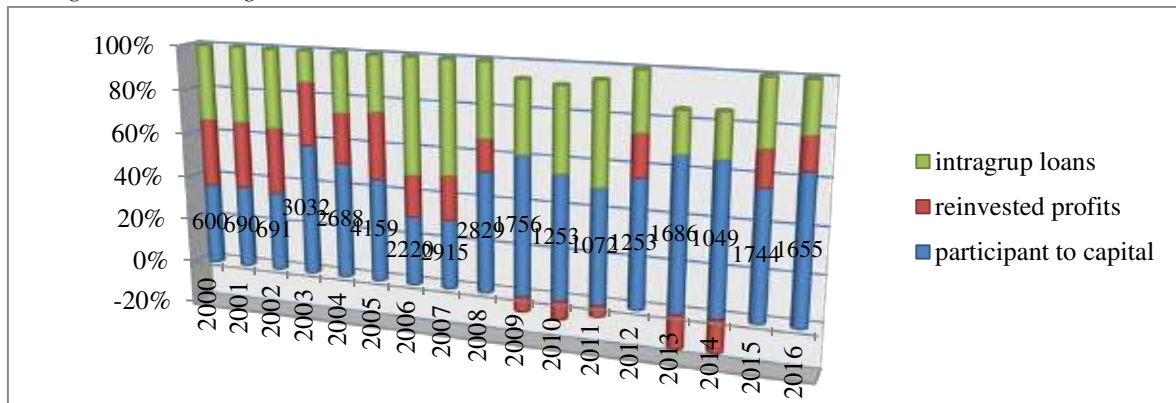
- The average number of unemployed during the period 2000-2017 was 712.000 persons, the dispersion respectively the scattering in the area being modest (65.000 people), and the homogeneity very high ($V_x = 9.22\%$). The asymmetry was reduced and positive ($Cas = 0.03$). The graphical representations presented below are suggestive for analyzing the evolution of important indicators - absolute data.

Figure no.1. Gross Domestic Product- billions euro – 2000-2017



Source: own calculations according to the data provided by AMECO.

Figure no.2. Foreign Direct Investments – 2000-2017

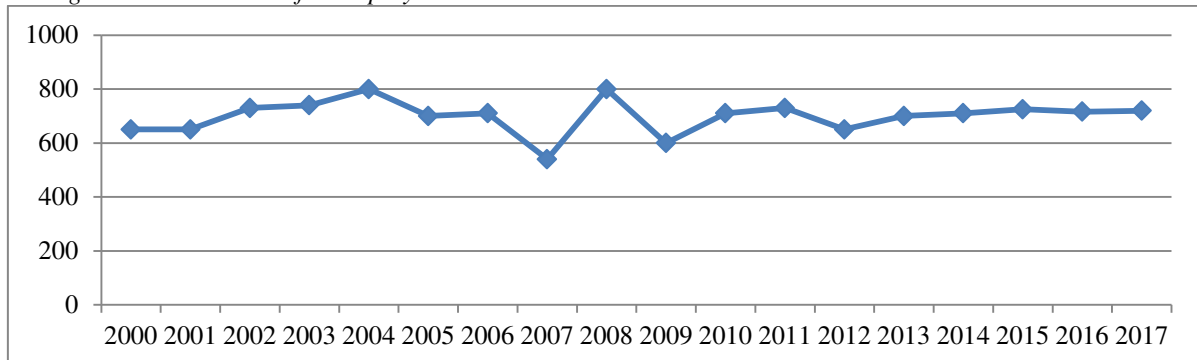


Source: own calculations according to the data provided by World Bank

Gross Domestic Product (Figure no.1) in the period 2000-2017 registered a trend growth. It can be seen that in 2009, the GDP decreased and then a slight increase is constant. Foreign direct investments in Romania, after the economic crisis, started to decline (Figure no.2). Throughout the analyzed period, 2000-2017, there is a continuous increase of the foreign direct investment balance, but starting with 2008, when the economic and financial crisis also felt on the Romanian economy, we can observe a balance of foreign direct investments cumulated with very low increases.

It can also be noticed that the value of loans has increased over the entire period, indicating a negative situation, leading to the idea that foreign firms have significantly decreased or even suspended investments from net realized revenues, some of these companies being significantly affected of the losses suffered.

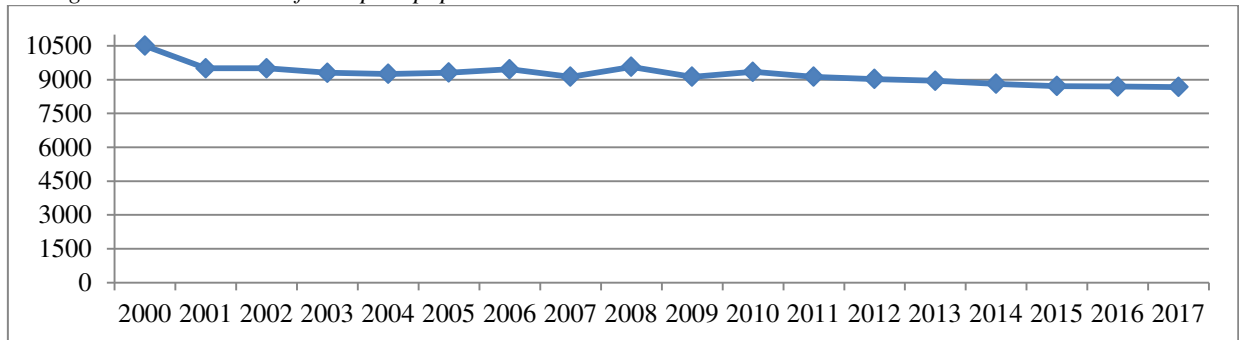
Figure no. 3. Number of unemployed – 2000-2017



Source: own calculations according to the data provided by AFOM

The employed population registered the largest decrease in 2002 (Figure no.3). The downward trend continued even after the economic crisis started. The number of unemployed people started to increase with the onset of the economic crisis. As we can see in Figure no.4 the number of occupied population is declining since 2001. One of the explanation is that a very large number of people choose to work abroad.

Figure no. 4. Number of occupied population – 2000-2017



Source: own calculations according to the data provided by World Bank

Multiple linear regression model for unemployment used in the analysis is:

$$- \text{unemployed}_t = \alpha + \beta_1 * \text{GDP} + \beta_2 * \text{FDI} + \beta_3 * \text{pop}_{-} \text{occupied}_t + e_t; \\ t=1,2,\dots,T, \text{ where } T=18$$

4. Findings

By implementing in Eviews the initial data and estimating the regression model parameters using the LS (least squares) method, the results were obtained.

Table no.1: Results of the analysis

The coefficients of the regression model	Coefficient	Standard deviation	T test	Probability
Free term coefficient	1469.71	337.09	4.35	0.0011
GDP coefficient	-1.0018	0.0105	-939.24	0.0074
FDI coefficient	-1.0143	0.0347	29.2	0.0003
Occupied population coefficient	-1.0166	0.0321	31.43	0.0275

Source. Own results

Predictive equation:

$$\text{Unemployed} = 1469,71 - 1.0018 * \text{GDP} - 1,0143 * \text{FDI} - 1,0166 * \text{Pop_Occupied}$$

The coefficient of gross domestic product was negative and significant, largely determining the number of registered unemployed (endogenous variable). The higher the gross domestic product, the lower the number of registered unemployed. The coefficient of foreign direct investment was negative and significant. As expected where there were investments in savings, the number of registered unemployed decreased. The coefficient of the employed population was negative and significant. The higher the number of employed population, the lower the number of registered unemployed. In this case $R^2 = 0.9684$ and we can say that the regression model was good. About 96.84% of the number of registered unemployed was explained through the chosen multiple linear regression model. As the Fisher test value was 212.96, the multiple linear regression model is relevant..

Jarque Bera test value and probability is p 0.7242. We can accept the hypothesis of normality of errors, because the probability was quite high. Durbin Watson DW test value is = 2.05. Working with a significance threshold $\alpha=0.5$, the number of exogenous variables is $k= 3$, and the number of observations $n = 15$, from the Durbin-Watson distribution table, the values are: $d_1= 0.95$ and $d_2=1.54$. Because $d_2 = 1.54 < DW = 2.05 < 4 - d_2 = 2.46$, the hypothesis of independence of the

residual variable values can be accepted. Applying the White test, it turns out that the hypothesis of homoscedasticity of the errors is verified. We can say that the model is valid, correctly identified from a statistical point of view. Unemployment being a self-reproducing phenomenon, means of quickly creating new jobs will soon be found through the co-interest of those who could employ the unemployed, by providing facilities for setting up companies or by increasing the scope of services. At the same time, the activity of small and medium-sized enterprises (I.M.M) should be stimulated, which, under full market economy conditions, can provide new jobs.

5. Conclusions

The existence in Romania of a long-term chronic unemployment, which triggered the crisis of employment, requires, in my opinion, an active employment policy, which aims at micro and micro-economic objectives. On the economic level, the negative consequences of unemployment at national level and at individual - family level are distinguished. At the national level, the exclusion of a part of the workforce influences the dynamics of the GDP size, in the sense that the training, the qualification of the unemployed have meant expenses from the individual and the society, which will not be recovered in the situation of long-term unemployment; this labor force, coming out of the active working population, did not contribute to the GDP growth; the company bears the costs of unemployment on the contribution to the unemployment fund, from the economic agents, the employees; the existence of long-term unemployment especially in the backgrounds, can generate acts of violence with an impact on the whole society.

The unemployment benefit is lower than the salary. The extension of the duration of unemployment also erodes the savings, if any. The quality of work force is deteriorating and it is harder to find a job. A particular role rests with the moral and mental state, which affects the unemployed individual more than the economic side. Useless complexes appear for society and family. Unemployment can affect family cohesion and harmony. At the same time, chronic and long-term unemployment, which generates the poverty of an important group of the active population, can cause deep social conflicts. The multitude of negative effects of unemployment for society and fully justifies the concern of the governments of the world's states in the face of this scourge and the concern to find employment solutions at a higher level.

6. Acknowledgement

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Sustainable Development of High Tourist Potential Rural Communities in Southern Transylvania

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Abstract

The purpose of this paper is to present an analysis of the sustainable development of rural communities with a rich tourism potential in Transylvania, an important region that is well known for its culture, traditions and values. Rural well-being offers a sustainable approach to healthy lifestyles that are based on a balance of many complex components including social, economic, and environmental issues.

This paper is based on the research of secondary sources namely data accessed online provided by the Institute of Statistics, the Ministry of Tourism, the Ministry of Agriculture and similar websites as well as on a primary research that targeted 33 mayoralities of the localities with a rich tourist potential in Transylvania.

Under this paper, we analyse the current state of sustainable development of the region from the natural-ecological, social, economic, and cultural perspective. We also identified a few examples of good practice and ideas for the future development of the localities with a rich tourist potential.

Key words: sustainable development, rural communities, tourism assets, Southern Transylvania

J.E.L. classification: Q01, R11, P25

1. Introduction

The rural area represents a significant pillar in the history, civilization and national identity of a country, both by the means of spatial and demographic dimensions and the economic, social, cultural and ecological dimensions. Consequently, sustainable principles hold an important place in the development of the rural areas of South Transylvania.

The best-known definition of the concept of sustainable development was adopted in 1987 by the United Nations World Commission on Environment and Development (WCED) in the report entitled "Our Common Future" (Brundtland Report): "Sustainable development represents a form of growth that meets the needs of the present without compromising the ability of future generations to meet their own needs."

According to the World Tourism Organization (WTO), sustainable tourism can be defined as: "tourism that takes full account of its current and future economic, social and environmental impacts, addressing the needs of visitors, the industry, the environment and host communities".

An interesting approach is emphasized by (Bakers, 2006), he considers that sustainable communities could be defined as the communities that proceed with expand and increase sustainability, which has the aim to develop the environment and make part of it.

The aim of the present article is to present an analysis of the sustainable development of rural communities with a rich tourism potential in Southern Transylvania, an important region that is well known for its culture, traditions and values.

2. Literature review

According to (Handmer & Dovers, 1996, p. 485), sustainable development implies changes and development that sustain the elements of the system, while respond to the needs of the present inhabitants.

(Trukhachev, 2015), explains the fact that sustainability in rural areas need to comprise the economic, cultural, social and environmental aspects. The author considers that tourism play an important role, tourism is mixed between investments and the most important assets.

Due to the complex form of sustainable tourism, of tourism management and marketing, is establish the natural and economic integrity of the environment and exploit reasonably the natural and cultural resources, also is conserve the necessary potential for the next generations (Ionciță and Petrescu, 2016).

In addition, (Carballo & León, 2018) state that tourist destinations could reach sustainability. Also, offer the possibility for tourists to have different experience in function of the environmental factors, natural resources, local culture of the tourist destinations.

Rural well-being is measured in many ways. Degrees of rural well-being are traditionally determined by the measuring stick of economic, social, and environmental values.

Rural communities represent the connection between society and the natural environment. Through this aspect, it is emphasis the significance of their continuity and to consider them for the study of sustainability (Summer, 2007).

(Peltier, 2013) considers that rural communities could evolve if there are employment opportunities which sustain a normal standard of living. The add value of the rural areas, are highlighted by the unique resources and opportunities for economic development.

Authors (Delanty, 2003) and (Ledwith,2005), state that communities could be defined as a compound, active and persistent changing.

3. Research methodology

This paper will focus on the analysis of the stage of sustainable development of the localities featuring a very rich tourism potential in the rural area of Southern Transylvania. At the level of the partnership of the PORT Cultural project, it was agreed that we use the concept of 'Southern Transylvania' in relation to the following counties: Sibiu, Braşov, Covasna, Mureş, Harghita, and Alba.

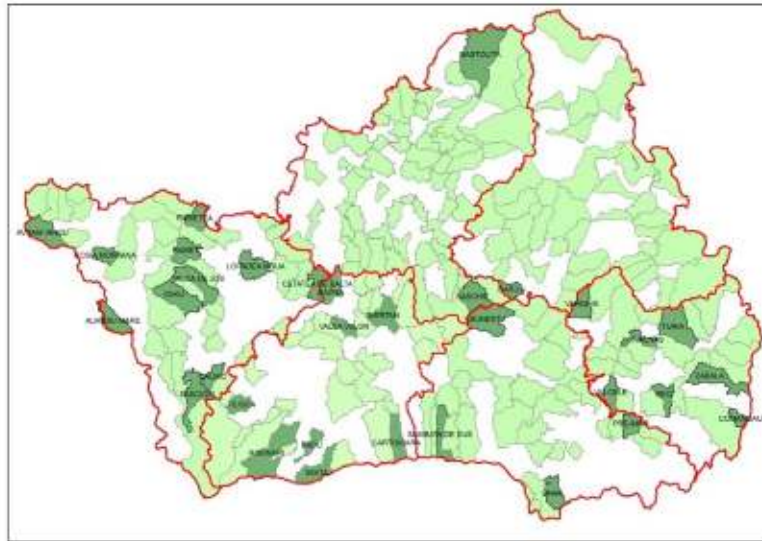
In order to select the localities with a rich tourism potential from the region we referred to the Government Emergency Ordinance no. 142 / 2008 Regarding the Approval of the Plan for the Development of the National Territory, Section VIII – Areas Featuring Tourist Resources, approved by Law no. 190/2009.

According to the normative act, 234 out of the 355 localities in the rural area of Southern Transylvania (65.9%) are considered large territorial and administrative divisions with rich natural and anthropic resources (201 localities) and very rich natural and anthropic resources (33 localities). Of them, there were selected the localities with very rich resources i.e. 33 localities (see Figure no. 1)

The research methodology includes secondary and primary source research, the entire analysis being drawn according to four perspectives: natural-ecological, socio-human, cultural, and economic. The secondary research establishes the evolution trend of sustainable development within the 33 localities by analysing the results of the different studies. On the other hand, the primary research is complementary to the secondary research.

Thus, a primary research was applied, a pilot study based on the survey method featuring the questionnaire as its research instrument. The research was conducted in March 2019, the questionnaire being sent both by e-mail and by fax to the mayoralities of the previously identified 33 rural localities with a rich tourism potential in Southern Transylvania. Of them, 20 territorial and administrative divisions answered the questionnaire. The answer variants of the questionnaire include both one-answer and multiple-choice answers as well as open questions. Out of the 32 questions included in the questionnaire, the most relevant ones were selected to be considered for analysis in this paper.

Figure no. 1. Rural territorial and administrative divisions with rich natural and anthropic resources of Transylvania



Source: drawn by the authors (2018)

4. Findings

4.1. The socio-human perspective

Human capital is one of the most important resources at the level of a region, being on the one hand an important factor contributing to its sustainable development, and on the other hand the main beneficiary of the development.

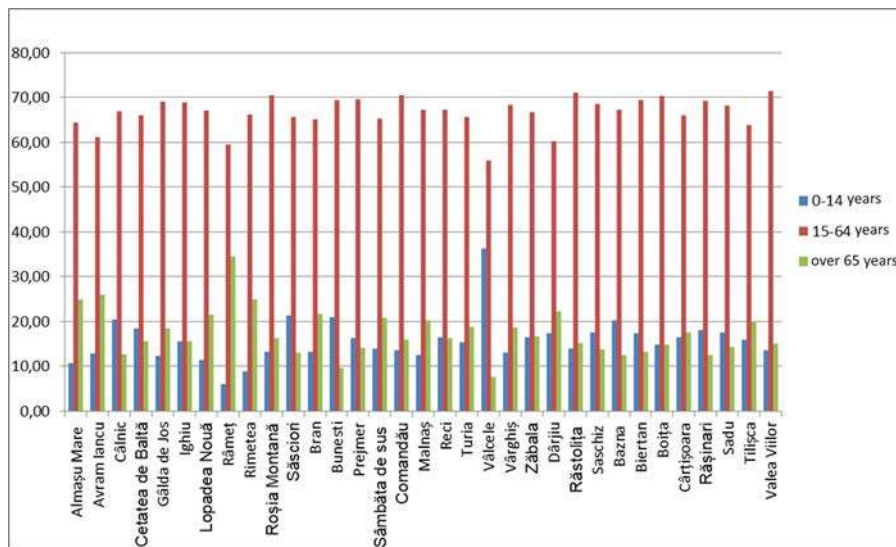
A very important aspect that is analysed in this research is the demographic situation of the 33 localities with tourism potential in the rural area.

The age group structure of the population in the analysed region reflects a quite high share of young people aged 0-14 (15.4%), one that is higher than the national average (14.7%). At the same time, the proportion of people aged over 65 is lower in this region compared to the national level (16.0% compared to 16.3%).

At the same time, an analysis at the level of each locality in particular highlights the high weights of the young population: Vâlcele (36.3%), Bunești (20.9%), Câlnic (20.4%), Bazna (20, 2%); of the elderly population: Râmeț (34.4%), Avram Iancu (25.9%), Almașu Mare (24.9%), Rimetea (24.9%), Dârjiu (22.2%); and of the active population: Valea Viilor (71.3%), Răstolița (71.0%), Roșia Montană (70, 6%), Comandău (70.5%), Boița (70.4%).

At the opposite part, there are registered low weights of the young population: Râmeț (5.9%), Rimetea (8.8%), Almașu Mare (10.7%), Lopadea Nouă (11.4%). In this case, the effects could be extremely adverse in the medium and long term should no measures be taken to stimulate the increase of the number of births and to create new jobs; also, the localities with a low weight of the elderly population (persons aged over 65 years) are: Vâlcele (7.7%), Bunești (9.6%), Bazna (12.5%), Rășinari (12.5%), while those with low shares of the active population include: Vâlcele (55.9%), Râmeț (59.5%), Dârjiu (60.2%), Avram Iancu (61.1%).

Figure no. 2. Population structure by age group, broken down by localities (2018)



Source: done by the authors, INS, 'Tempo' online database

4.2. The natural and ecological perspective

This perspective stands out due to the diversity of the relief forms, the existence of large areas of forest, of grazing areas and glades, of soil resources, of an extensive hydrography network and of the surfaces with protected natural areas – all of these underpinning the cultural dimension represented by the tangible and by the intangible cultural heritage – and having made their mark on the economic and social development of this region.

The territory of the 33 localities with a rich tourist potential comprises a very high concentration of natural and anthropic resources.

Thus, given the high share of the mountain and plateau area, forests cover considerable areas in Southern Transylvania (47% of the region).

The main environmental hazards identified in the analysed area are represented by floods (in 8 of the 20 localities that answered the questionnaire). Pollution of the water (5 locations), pollution of the soil (4 localities), air pollution (3 locations), landslides (3 localities), plastic waste (1 locality) are other hazards identified by the representatives of the local public authorities.

In order to prevent and fight back the environmental hazards 12 of the 20 mayoralties that answered the questionnaire (60%) stated that they are carrying out (have carried out) certain projects aimed at: sanitation (in 4 localities); building of the sewerage network (2 localities); embankment / reinforcing of river banks (2 localities); fighting against pollution (1 locality); un-silting a stream (1 locality).

4.3. The economic perspective

The research carried out showed that the economy of the localities with tourist potential in South Transylvania has undergone important transformations, marked by a transfer of activities from the primary and the secondary sector (agriculture and industry) to the tertiary sector (services).

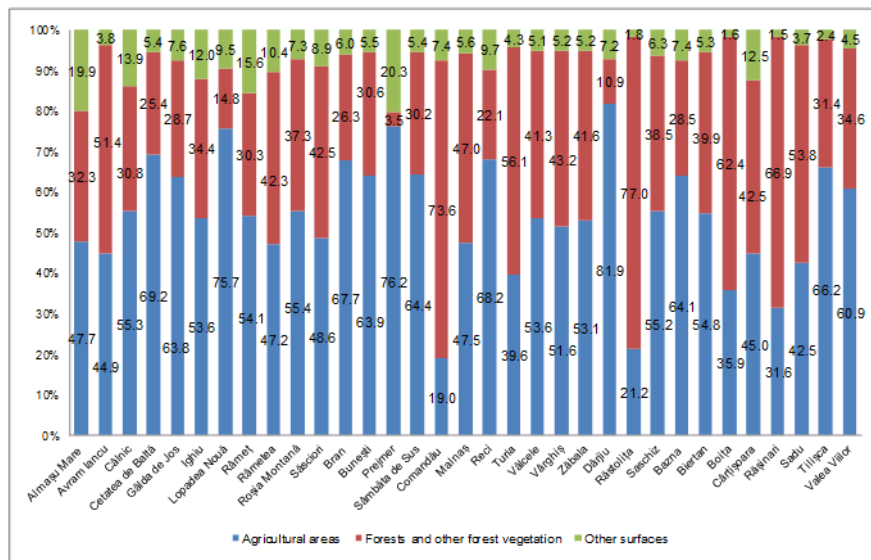
According to the answers received from the mayoralties, the economy of the area is based on trade (10 localities, representing 50.0% of the answers), tourism (8 localities, representing 40.0% of the answers), agriculture (8 localities, representing 40.0% of the answers), wood exploitation activities (8 localities, representing 40.0% of answers), animal husbandry (6 localities, representing 30.0% of answers), and wood processing activities (6 localities, representing 30.0% from the answers).

Thus, a special role in the sustainable development of the 33 localities is represented by agriculture and forestry as basic economic activities undertaken in the rural localities with a rich tourism potential in Southern Transylvania.

Cumulatively, in the 33 rural localities with a rich tourism potential, the area covered by the forest fund represents 42.1%. In this respect, the following localities stand out: Răstolița (77.0% of the land fund of the locality); Comandău (73.6%), Rășinari (66.9%), Boița (62.4%), Turia (56.1%), Sadu (53.8%), Avram Iancu (51.4%).

With regard to the 33 localities analyzed, the agricultural land covers 50.9%. Rich weights of agricultural land are recorded in the following localities: Dârjiu (81.9%), Prejmer (76.2%), Lopadea Nouă (75.7%), Cetatea de Baltă (69.2%), Reci (68, 2%), Bran (67.7%), Tilișca (66.2%), Sâmbăta de Sus (64.4%), while at the opposite pole there are the following localities: Comandău (19%), Răstolița (21.2%), Rășinari (31.6%).

Figure no. 3. Structure of the land fund in Southern Transylvania in the rural localities with a rich tourism potential



Source: done by the authors, INS, 'Tempo' online database

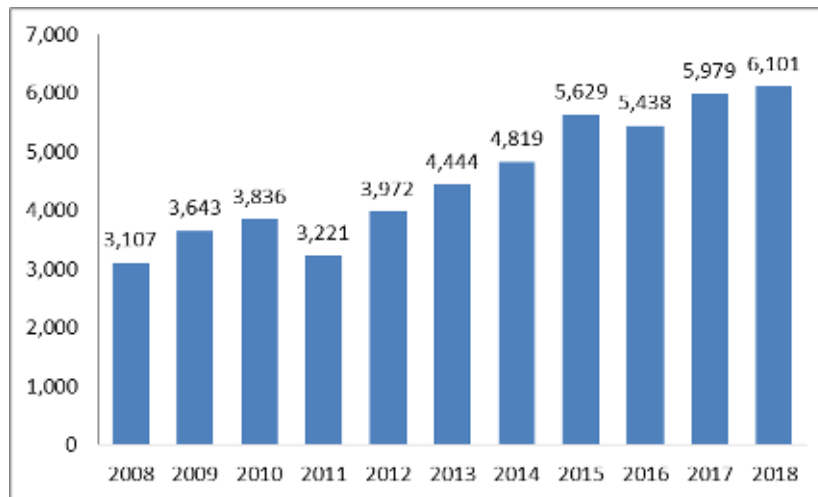
As mentioned earlier, in the last 20 years, tourism has played an important role in the sustainable development of this region.

An important factor in the sustainable development of the localities is the distribution of the accommodation units for tourists. That is why the accommodation capacity largely determines the volume of tourist flows in a certain tourist destination.

According to the existing data, in the database of the Institute of Statistics (2018), at the level of the whole region are classified 2,369 tourist structures with accommodation functions with a total of 70,696 bed-places.

Cumulatively, in the 33 localities in the rural area with a rich tourism potential in Southern Transylvania, 275 tourist structures with accommodation functions are classified (representing 11.6% of the total number of the units in the analysed region), with a total of 6,101 bed-places (8.6% of the total units in the analysed region).

Figure no. 4. Distribution of bed-places in the analysed area broken down by locality

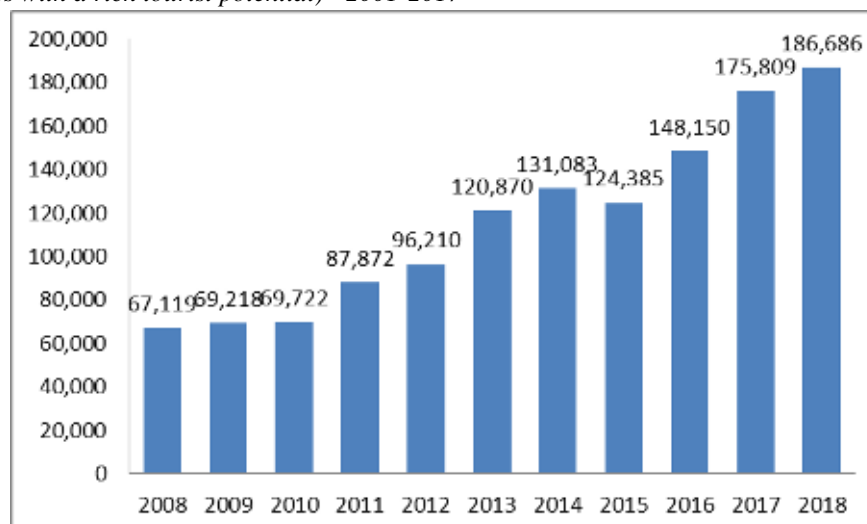


Source: done by the authors, INS, 'Tempo' online database

In terms of the territorial distribution of the bed-places in the analysed area, a rich concentration is observed in a few localities with important tourist objectives or that are situated along tourist flows. Bran stands out in this respect, with 3,006 bed-places (49.2% of the number of places in the 33 localities), along with Sâmbăta de Sus, with 552 bed-places (9.1%), Turia, with 386 bed-places (6.3%), Rășinari, with 315 bed-places (5.2%) etc.

When it comes to the number of tourist arrivals throughout the region, between 2008 and 2018, an upward trend can be observed, with an increase of 2.4 times of the value of this indicator, from 1,291,514 to 3,053,580. In the rural localities with a rich tourism potential, the demand has increased almost constantly except for 2015. In these conditions, between 2008 and 2018 the number of tourist arrivals increased 2.8 times, from 67,119 to 186,686.

Figure no. 5. The Evolution of tourist arrivals within the accommodation units of Southern Transylvania (in localities with a rich tourist potential) - 2001-2017



Source: done by the authors, INS, 'Tempo' online database

Analysing the tourist arrivals in the rural localities with a rich tourism potential in the analysed region, it is found that most were in Bran (89,021, representing 47.7%); Turia (23,703, representing 12.7%); Bazna (13,645, representing 7.3%); Sâmbăta de Sus (10,455, representing 5.6%), Cârțișoara (9,763, representing 5.2%) etc. Localities in which data on tourist arrivals for 2018 are not recorded are: Câlnic, Lopadea Nouă, Roșia Montană, Vâlcele, Vârghiș, Valea Viilor.

4.4. The cultural perspective

The analysed area enjoys a very valuable cultural-historical heritage. In the 33 localities with tourist potential in the selected region, there are eight monuments included in the UNESCO World Heritage List (fortified churches of Biertan, Dârjiu, Prejmer, Saschiz, Viscri, Valea Viilor; the peasant fortress of Câlnic and the Dacian fortress of Căpâlna), another 82 monuments belonging to category A and 150 monuments being enlisted in category B.

In the localities in the analysed area, a series of projects / actions of restoration / consolidation / protection / conservation of historical monuments, cultural objectives or representative buildings, have been carried out in recent years, according to the information received from mayories: the preservation, rehabilitation and promotion of the Evangelical Church of Câlnic that is a component of the UNESCO protected ensemble (Câlnic Commune, Alba County); rehabilitation of the fortified church; rehabilitation of the town hall building; rehabilitation of the Old School building in Dârjiu village (Dârjiu commune, Harghita county); restoration of the evangelical church of Saschiz, and of the evangelical church of Cloașterf, of the Tower within the Architectural Assembly of the Fortified Church of Saschiz (Saschiz commune, Mureș county); renovation of Brâncoveanu Castle (Sâmbăta de Jos commune, Sibiu county); and so on.

In addition, according to the answers received from mayoralities, in the recent years, in the analysed area there were carried out or a series of projects / actions meant for encouraging local artisans to preserve their craftsmanship (Câlnic commune).

Also, several projects / actions have been carried out in the analysed area to support the local artisans according to the responses received from the mayoralities. An example is constituted by the POCU project entitled "Resources for Câlnic" under which classes dedicated to studying traditional activities can be organized (Câlnic commune).

Due to the support of local producers from Saschiz commune was obtained through the Local Action Group "Dealurile Târnavelor".

5. Conclusions

The availability of certain natural resources initially determined the development of a few primary economic activities (agriculture, forestry) while later secondary economic (industrial) activities were developed. More recently, these resources have also made an important contribution to the development of the tertiary sector, and in particular to that of tourism.

The hydrography network consists of two main basins – those of the rivers Olt and Mureș. Due to their rich speeds and the steep slopes they cross, these two rivers and their tributaries ensure a significant hydropower potential. This potential is exploited especially on the courses of the rivers Sebeș, Sadu and Olt. Additionally, apart from ensuring the water supply of the localities, of the businesses and of the irrigation plant, alongside the need for the regularization of the levels of water in order to prevent floods, the rivers provide very complex economic functions to the accumulation of water coming from the large anthropic mountain basin, information provided by the "Development Plan of the Central Region 2014-2020".

According to document "Central Region –Premises and Development Potential", the availability of mineral water springs and of the lakes with therapeutic properties (e.g. Ocna Sibiului, Sovata) has favoured the development of the spa tourism in this area, whose most important resorts / localities with a rich spa potential include the following: Covasna, Tușnad, Borsec, Balványos, Sovata, Ocna Sibiului, Bazna, Malnaș Băi, Vâlcele, Băile Homorod, Harghita Băi.

The rich forestry fund contributed to the development of the timber industry, but it was also an important factor in the development of the woodworking craft. Supplementary, the existence of large areas with pastures and meadows favoured agricultural activities such as animal husbandry,

but they also contributed to the development of traditional crafts such as weaving and sewing, and more recently to the development of agro-tourism activities.

Harnessing the tourism potential of rural areas in the Southern Transylvania region creates a viable alternative to the predominant economic activity of the inhabitants of the rural area, namely agriculture.

At the same time, the development of tourism entails the development of other economic and social fields (transport, craft industry, agri-food industry, various services), generating a multiplier effect in the local economy. This could contribute to reducing and even stopping the demographic decline in the future, the area being characterized by an aging population, a low birth rate, and a positive migratory balance.

At the level of this area, certain sustainable development initiatives have been implemented, both in agriculture (1,140 agricultural producers and 23 agricultural processors operating in the region have been certified in organic farming), in forestry (35 forest ranges throughout the region, administered by RNP Romsilva implemented the Forest Management System according to FSC standard), but also in the field of tourism.

Regarding tourism, certain initiatives implemented individually stand out (boarding houses or certified eco-tourism programmes – EcoRomania), but also certain initiatives implemented at destination level (five areas within the region are recognized or are in the process of being recognized as ecotourism destinations).

A good aspect is that in the area there are some examples of good practice in preserving the local architecture (Viscri, Rimetea), constituting successful models that have contributed to the development of tourism in these localities. The identification of these examples by other localities in the region offers the hope that these positive examples will be replicated. According to (INCDT, 2015), several initiatives aimed at developing sustainable tourist destinations that will receive recognition from the Ministry of Tourism as Ecotourism Destinations are being developed in this region.

In this sense, even since 2014, the Zărnești - Piatra Craiului area has been recognized as the first Ecotourism Destination in Romania.

However, the south of Transylvania is increasingly present in a series of ecotourism programmes (tours) offered for sale through local tour operators, which usually collaborate with tour operators from abroad.

Of them, stand out several operators promoted by AER, some of whom sell certified ecotourism programmes: My Romania, Carpathian Nature Tours, Interpares, Phototour, Noroc Romania, Wanderlust Tour, Tymes Tours, Outdoor Experience, Absolute Carpathian, Active Travel, Carpat Bike, Discoveromania, Explore Romania. They offer cultural and nature tours, wildlife observation programmes, active tourism programmes – climbing, mountaineering, paragliding, rafting, cycling and mountain biking, photo tours etc.

6. Acknowledgement

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EU's Governments Responsiveness in Inducing Efficiency and Innovation

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Abstract

The current paper aims at briefly discussing the ability of European governments to be more efficient and to respond to current societal challenges in order to support their citizens by: opening up to innovation, adapting to novelty, and helping to create optimal conditions for a more efficient management of resources and provision of quality public services.. Starting from these considerations, the analysis focuses on evaluating the government's ability to perform (providing appropriate policies, in accordance with the identified needs - government assertiveness), in order to highlight certain strategies, approaches and measures that can foster and support regional efficiency and innovation. In conducting the analysis, there were taken into consideration relevant indexes (such as World Bank governance indicators, EUPACK, Digital Economy and Society Index, Innovation Output Indicator); overall, the data analysis suggests that compared to the western European countries that have showed a better effectiveness of their development policies, the Central and Eastern European states displayed lower results in government effectiveness and openness to innovation which outline certain deficiencies in their strategic visions and governments' responsiveness.

Key words: governance, efficiency, innovation

J.E.L. classification: O29, O38, O43

1. Introduction

As economies represent complex systems characterised by a network of multiple interactions between heterogeneous actors, they cannot be understood in terms of functioning without taking into account their institutional elements through which the society's norms and rules are established. Furthermore, various research studies provide evidences on how institutions can encourage the comparative advantage formation (Nunn & Trefler, 2014) and about their interdependence with other dimensions of economic development, such as trust, growth, and well-being (Algan & Cahuc, 2014). The institutions' role in managing present challenges is also underlined in the United Nation Report on sustainable development goal 16: "Institutions are paramount to the achievement of the 2030 Agenda for Sustainable Development and all the Sustainable Development Goals (SDGs) [...] The Agenda and the SDGs prominently feature institutions, both as a crosscutting issue in many of the goals and as a standalone goal (SDG 16) "Promote peaceful and inclusive institutions at all levels"" (United Nations - Department of Economic and Social Affairs, 2018, p. 2). For unlocking the institutions' potential regarding the achievement of the assumed development goals, a special attention should be placed on promoting *the good governance*. "The 2030 Agenda embraces a set of institutional principles that together can provide the backbone to good governance and, thus, help reduce corruption risks. These principles – accountability, transparency, participation, and inclusion- play a crucial role in combating corruption" (United Nations - Department of Economic and Social Affairs, 2018, p. 43). Therefore,

for ensuring some pertinent premises in support of the good governance, we must consider coordinating decisions, encouraging strategic orientation, and facilitating multi-dimensional and multi-level communication and cooperation. Moreover, the government intervention through policies must be accompanied by transparency, open dialogue, and connectivity with the public and private sectors.

When it comes to the East-European space, history has shown that the *path dependence* creates a strong anchoring in the past, limiting the acknowledged possibilities and inducing the reluctance or even the fear of incorporating elements of novelty in the governmental act. "Contrary to the notion that the socialist period would produce a more equitable development across CEECs that could disrupt capitalist patterns of development, it rather tended to result in inefficient spatial development, leaving environmental damage as well as social and economic problems to be re-addressed in the capitalist period. Entry to the EU at the beginning of the 21st century created a chance for CEE regions to benefit from the use of EU funds under Cohesion Policy to seek new economic opportunities and break from their historical development paths" (Dyba *et al.*, 2018, p. 89). Therefore, the failure to properly consider the initial conditions, the deficiencies of the overall system, coupled with the limited degree of stakeholders' involvement, are expressions of an incorrect inventory, which will be translated into adopting solutions that do not properly aim at or that partially target the real causes of the problems. For these reasons, there is an increasing need to reflect more intensively on the government' activities and involvement in the economy, thus to focus on the following questions: what are the demands of civil society, how are government's actions be repositioned to the benefit of the citizen and different social networks, how transparent is the government in managing resources so that the distortions of the informational asymmetry are overcome, or if it can play the role of a cohesion factor?

To a certain degree, the answers to all these questions rely on how to use the policy tools that the government has at hand for accomplishing its assumed goals. The call for coherence, consistency, cooperation, is the basis of reforms that generate more value in the economy. However, this is not an easy task, especially when we are referring to the EU, which is comprised by countries with different and various challenges, such as: some legal systems malfunction, the political systems are unstable and subjected to short-term changes, the degree of business security might be low, and there is an overall institutional fragility. Within this particular context, a special attention should be centred on the knowledge society, due to its continuously improving technologies and its innovative character, which requires a permanent reconfiguration of the institutions, in the sense of reducing costs, shortening the cycle of economic processes, and increasing the quality of services and products. Consequently, "the knowledge-based economy is an economy that favours the development of those sectors where the technological knowledge spreads more quickly and effectively, this necessarily leads to the unfolding of processes of structural change. In this context the role of institutions is important, because it is by the interactions between actors and institutions and, therefore, through the relationships that exist between the production system, public authorities, universities and the education sector as a whole – addressed to developing scientific knowledge and technology –, which directly affect the innovation performance of firms, organizations and economies" (Schiliro, 2012, p. 6 *apud* OECD, 1996; Mokyry, 2002).

2. Theoretical background

Considering the aspects discussed before, in order to achieve performance, governments must first and foremost pursue a complementary process between goals-means-outcomes, and more precisely, to prove efficacy, a premise from which one starts in achieving efficiency needs (Handler *et al.*, 2005). Second, in any endeavour involving large-scale effects, it is necessary to take into account the budgets available to governments so that they could reach their proposed goals.

When addressing the public sector matter, Drucker, one of the followers of management in public administration, identifies various issues that should be avoided in order to ensure efficiency (Drucker, 1989, 1999, 2002). Thus, we note that, for the most part, governments fail when they formulate intangible targets, when a thinking based on the rational distribution of resources does not propagate according to results, when moral and economic causes are not properly considered in

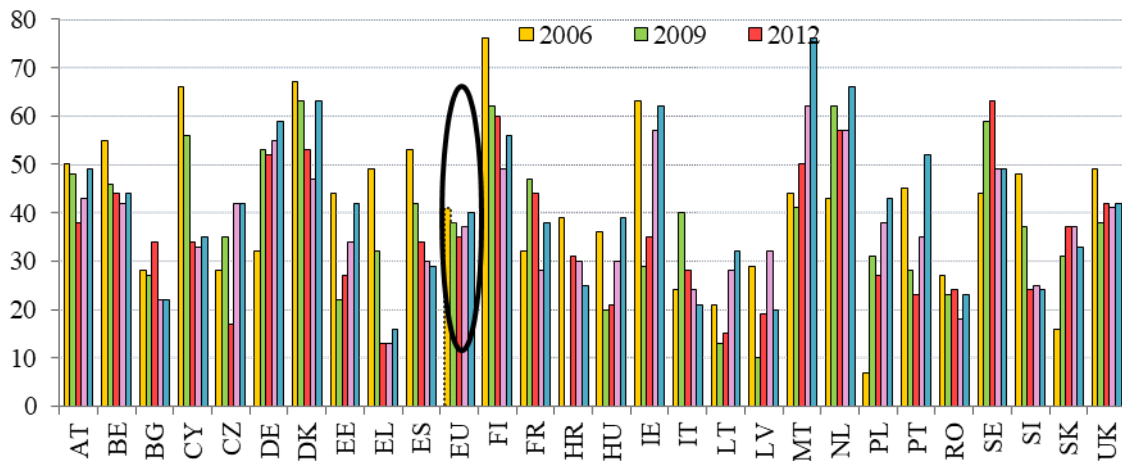
the shaping of governmental strategies, or when there is no simplification through decentralization. In other words, it is vital to outline operational objectives, which are clearly defined and can be transformed into specific work tasks, whose achievement can be measured, or at least appreciated, thus setting clear deadlines, and periodically evaluating the impact of public policies since many activities and government programs might become unnecessary over time (some of the needs they have addressed could either no longer exist or are no longer urgent). As the *theory of change* highlights, the public policies must be evaluated to see if progress is accomplished in achieving the expected results that can be operationalized through observable indicators - the relation outcomes-outputs-impact (Wilson, 2016; Pearl, 2009).

In addition to the aforementioned, a major role in ensuring good governance is played by the *innovative mechanisms* for monitoring and evaluating the public management, with the purpose to make public actions more transparent and to increase the confidence/credibility of the state's institutions. The capacity of governments to adapt to technological changes, to incorporate and disseminate innovative elements in public services should not be neglected. As such, medium- and long-term strategies, as well as a strong mobilization are necessary in order to enjoy the benefits of innovative challenges. "In an era of unprecedented change, with increasing levels of change on the horizon, governance must be designed to enhance innovation capabilities. It is not enough to design governance to cope with today's challenges—in a changing environment, the governance must evolve to stay relevant" (Knapp *et al.*, 2019). When evaluating the good governance, along with elements such as internal order, the rule of law, and the policy results, it is necessary to consider the ability to run a business, to be a good leader, to demonstrate the adaptability to the continuous change of external environment, and to analyse the speed of response to challenges.

Moreover, in order to act in the spirit of the subsidiarity principle, each EU government must have a strong connection with the civil society in the decision-making process, taking into account the demands of citizens, who, according to official statistics (Gallup, EU opinion Eurobarometer), often complain about the corruption of civil servants. Therefore, it is necessary to group the causes and effects of immoral practices, of what is done and what could be done (the positive versus the normative level); the approach has to be an integrative, multi-dimensional one, which should include all actors and all sectors (education, health, defence, etc.). The correction mechanisms need to serve as fundamental benchmarks, to which each individual should refer to, and any violation of the rules of conduct has to be properly sanctioned. Within the European public sector, whether we are talking about countries with advanced capitalism or about those in transition, there are behaviours that are not aligned with the rules drawn in the spirit of fairness, justice, equity and truth. Moreover, Weber's vision regarding the bureaucracy encountered among the public administrations points towards the creation of incentives for the officials of this sector, based on rational principles and meritocracy. By recognizing the negative impact of corruption in the public sector and acting to reduce the phenomenon, the foundation of good governance is ensured. On the contrary, if corruption thrives, the entire economic system is destabilized.

As stated in the relatively recent literature, this negative aspect can be upheld by the fact that man, being driven by personal interests, uses different actions, which do not converge with ethics. *Homo oeconomicus rationalis* makes informed choices, knowing, in some cases, that they may be in contradiction with moral principles, and thus can generate a large-scale modus operandi (Pohoata, 2008). In the medium and long term, the consequences are of the worst, in the sense that, once covered, there is the risk of multiplication effects, which translates not only in a decrease in the quality of the governance, but also in an alteration of the level of population's confidence in the public sector (Figure no. 1).

Figure no. 1. Confidence in National Government (%)



Source: Authors' representation based on Gallup data, 2019

As Figure no. 1 suggests, in 2009, the confidence of the Romanian population in the government was only 23%, a score which was much lower than the EU average of 38%. Similar observations can be drawn from the data of the following years, noting that the overall tendency for the 2006-2018 period being one of decreasing confidence. The EU average in 2012 was 35%, with a slight increase in 2016 (37%); however, this increase has not exceeded the pre-crisis level, when, for example, in 2006, there was registered a confidence of 41%. Therefore, the massive action of the normative factor is required, with clear means and provisions regarding sanctions, and, at the same time, the allocation of resources in this direction, in the form of an imperative resembling Kant's "categorical imperative" as a universal law.

3. Government effectiveness in supporting innovative processes

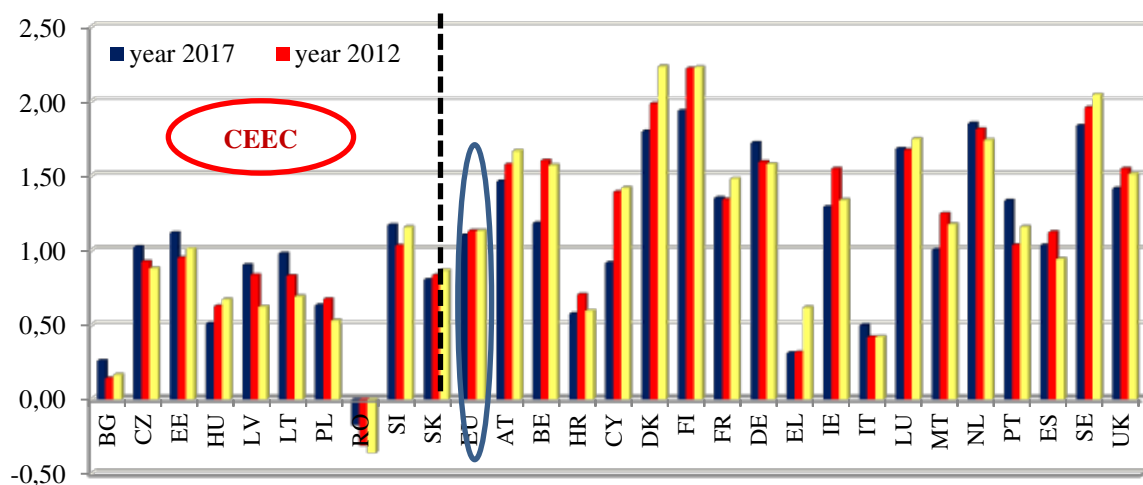
The strategic vision of governments and their ability to generate policies to absorb and promote innovation are key elements in the development process. Thus, according to EC (2012), we find that most of the respondents in the EU countries to the questionnaire measuring the perception of the impact that the public sector has in fostering innovation in the business environment, consider that the public sector does not help their companies to innovate, despite its capability to provide favourable conditions and training systems for the staff. Moreover, 87% of them say that for public services to become more innovative, a constant and focused effort is needed to reach this goal (the gaps between countries, in this sense, are major: Greece (90%) vs. Luxembourg (26%). Although 51% believe that there is information available on what innovative public services mean, only 20% think that their company receives support in facilitating the use of procedures for financial support. Innovation involves significant financial resources, at least until that time when large-scale production allows lower costs. In addition, other concern about the implementation of information technologies in the public sector refers to the lack of online data protection mechanisms. Thus, according to *EU Special Eurobarometer 464a*, entitled *Europeans' attitudes towards cyber security* (European Union, 2017), it stands out that 87% of the 28,093 interviewees, from the 28 Member States, consider cyber security a major challenge; moreover, 49% of the respondents believe that law enforcement fights cybercrime, 42% have concerns about the security of online payments and 45% about the protection of personal data. Furthermore, the results of the same Eurobarometer show that the lowest share of those who access the Internet daily is in Romania (47%), with the Netherlands and Sweden (93%) at the opposite pole.

In the public health system, at EU level, the eHealth Plan 2012-2020 traces the lines of development along with the specific barriers to overcome for the interoperability and implementation of online medical services (EC, 2012). Among the challenges that could hinder the achievement of this objective, the following were recorded: lack of information and trust of

patients in new services, high implementation costs, and lack of clarity in law for interoperability of eHealth systems at Member State level. Starting from these limits, the European Commission (2018) felt the need for more specific information among citizens about the opportunities offered by eHealth for disease prevention, identifying the needs of patients, solving the problem of lacking the necessary medical staff, equitable access to quality medical services and for the sustainability of medical systems throughout the Union, underlining the benefits of both the public health sectors at national level, as well as of the economic actors in the medical field. Essentially, the focus is on three pillars of action: ensuring the safe access of citizens to eHealth between states; data transfer and improvement of the medical treatment research infrastructure; encouraging citizens to use digital health services. Not coincidentally, *the European e-Government Action Plan 2016-2020* (EC, 2016, p. 3) aims for "EU public institutions to work openly and inclusively and provide digital, non-border, personalized public services and be easy to use for all citizens and the business environment in the EU". This should be fully accomplished because the public sector essentially means a regulatory authority, a both services and jobs that account for more than 25% of the total number of job opportunities; if it proves its effectiveness, this should be considered a driver for the expansion of the private sector.

The statistics most commonly used in the governance assessment literature are those of the World Bank, which measures six dimensions of governance (voice and accountability, political stability and absence of violence, government effectiveness, quality of regulation, rule of law and control of corruption) over a wider period, from 1996 to the present (World Bank, 2019). The effectiveness of the government is based on the quality of the services and public actions, their degree of independence from political pressures, the formulation and implementation of policies and the credibility of the government's commitment to such policies. The rating ranges from -2.5 (poor governance) to 2.5 (strong governance) - *Figure no. 2*.

Figure no. 2. Government effectiveness

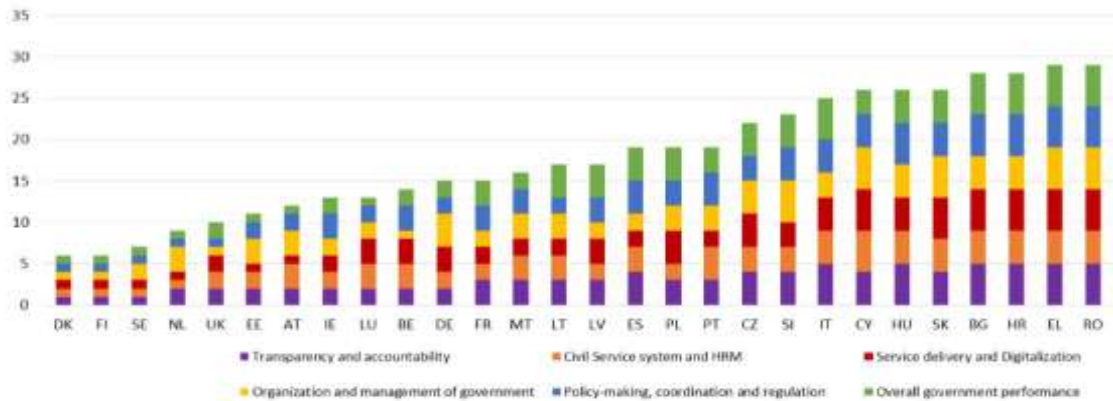


Source: Authors' representation based on WGI, World Bank data

As the World Bank data shows, there is an obvious gap between the Central and Eastern European countries (CEEC) and the western ones in terms of governmental efficiency. If in the case of the former group we report a positive dynamic over time (except for Romania and Hungary), in terms of the latter group we can notice a general decline in governance in 2016 as compared to 2009 (Austria, Belgium, Denmark, Finland, France, Sweden), which further validates the results of our study. Furthermore, additional statistical data was gathered in the framework of a project coordinated by the European Commission - EUPACK (European Public Administration Country Knowledge); subsequently, the EUPACK data highlights the grouping of EU28 countries in the chapter on the capacity of the public administration to perform, according to 5 components: transparency and accountability; civil service systems and human resources management; digitization and provision of services; organization and management of governmental activities; policy development, coordination and implementation (European Union, 2018). The data was

collected from official sources (Eurostat, World Bank, UN, OECD, the Quality of Government Research - University of Gothenburg, Bertelsmann Foundation etc.). The best cumulative score possible is 6, while a maximum score of 30 means a position in the lower ranking. Therefore, in this case, the lower the score, the higher the performance. Analogous to World Bank statistics, the Scandinavian countries occupy the first positions (DK, FI, SE), followed by the Netherlands, Great Britain, Estonia, Austria, Ireland, Luxembourg, Belgium, Germany and France. By contrast, Romania and Greece hold the last positions in this ranking.

Figure no. 3. Overall assessment of public administration capacity and performance of the EU Member States



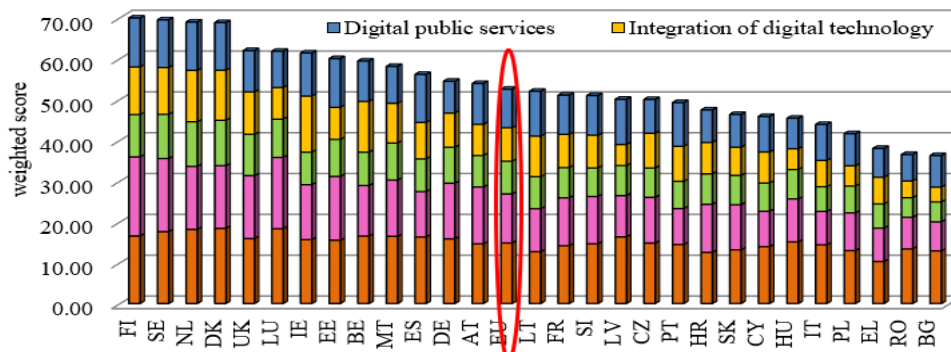
Source: EUPACK calculation based on the overall rank of each country in each of the 6 dimensions (each based on a quintile rank of 1-5) (European Union, 2018, p. 58)

Overall, governmental efficiency, is often associated with digitalization. As such, the digitization level reached by European Member States is monitored through the *Digital Economy and Society Index (DESI - European Commission, 2019)*, which is based on the weighting of the following variables:

$$DESI = Connectivity * 0.25 + Human\ capital * 0.25 + Use\ of\ Internet * 0.15 + Integration\ of\ Digital\ Technology * 0.2 + Digital\ Public\ Services * 0.15$$

According to Figure no. 4, Finland, Sweden, the Netherlands and Denmark have the most advanced digital economies in the EU, followed by the UK, Luxembourg, Ireland and Estonia. The lowest scores are recorded by Bulgaria, Romania, Greece and Poland. With regard to the digital public services, Finland has the highest score, followed by Estonia and the Netherlands. In this case, Romania, Greece and Hungary are at the opposite pole, as well.

Figure no. 4. Digital Economy and Society Index, 2019



Source: Authors' representation based on European Commission, DG Research and Innovation - Digital Scoreboard, 2019 (European Commission, 2019)

The explosion of digital technologies, the increasing emphasis on innovation, the ability to cope with possible disruptions that may occur at the micro and macro levels, will continue to transform nowadays societies; however, these changes will depend, first and foremost, on how citizens, companies and public authorities choose to use these technological tools. Through the Digital Single Market Strategy, the EU has proposed to create optimal conditions for the development of a fair and balanced digital environment, which firmly respects the rights of citizens regarding the protection of personal data. Although there are many reported cases of cyber-attacks at European level, undermining trust in the digital economy and democratic institutions must be counterbalanced through joint efforts, firm actions, clear responsibilities for all actors involved, both within the Union and in the strategic partnership with other economic powers. The report on the digitization of the European industry (European Parliament, 2017) highlights the importance of a clear strategy, thus establishing a series of favourable framework conditions, strengthening of security, coherence and long-term vision, better social resilience through innovation, skills, education and social innovation.

At the same time, a composite indicator that measures the extent to which ideas for new products and services generate economic benefits and are able to reach the market refers to the Innovation Output Indicator (IOI), developed by the European Commission since 2013.

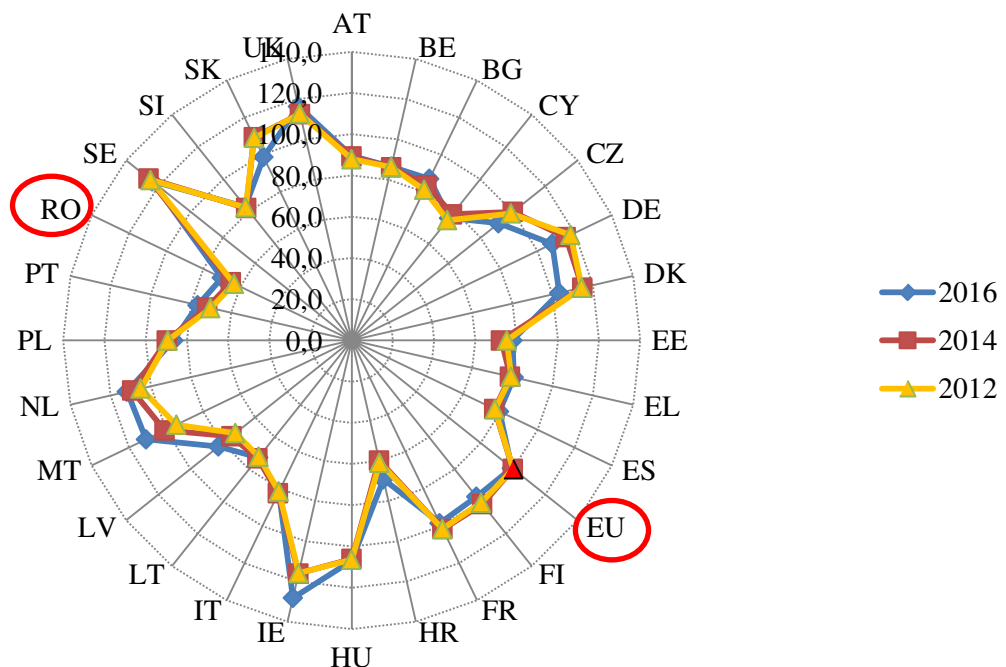
IOI is computed according to the following formula

$$IOI = \alpha_1 PCT + \alpha_2 KIABI + \alpha_3 COMP + \alpha_4 DYN,$$

where α_1 , α_2 , α_3 , α_4 are the weights of the component indicators; PCT = patent applications per billion GDP (PPS); KIABI = share of employment in knowledge-intensive business industries; COMP (competitiveness of knowledge-intensive goods and services in the export markets) consisting of GOOD = the share of medium and high-tech products in total exports and SERV = knowledge-intensive services exports as percentage of total service exports; DYN = employment share in fast-growing enterprises in innovative sectors.

The base year for which the reporting was made was 2011 (EU 2011=100) – *Figure no. 5.*

Figure no. 5 - Innovation output indicator (EU 2011 = 100)



Source: Authors' representation based on Eurostat data, DG Research and Innovation – Science, Research and Innovation performance of the EU 2018

According to the IOI scores, we observe that Ireland, Sweden, the UK and the Netherlands are among the leaders, whereas Croatia, Romania and Lithuania are at the bottom of the ranking. An in-depth analysis of the interrelationship between the IOI components emphasizes that the employment in the fast-growing enterprises in the innovative sectors established a weak correlation with the rest of the components. This may lead to the conclusion that specific/ separate policies may be needed, both in terms of innovation based on research and development on the one hand, and in terms of innovation based on entrepreneurship, on the other hand.

4. Conclusions

Given that the EU economies are highly interdependent and the constraints on public spending have increased against the background of the crisis, the states need to find specific solutions to support innovative activities, based on diversification of economic activities, specialization, relationships between system components; such approach will allow them to create a suitable framework for adaptability in order to better deal with shocks. The resistance of a system to shocks is closely linked to its institutional diversity (Aligică & Tarko, 2014), considering that a sound institutional system refers to that system that is capable to maintain its efficiency over time and to fulfil its core mission, despite the changes that have occurred. Even if the tools that facilitate the institutional arrangement (human resources, infrastructure, human resources, procedures, budgets) persist, the system may still disappear if its mission is fundamentally altered (Steinberg, 2009).

If the western countries of the EU have proved, over time, a better effectiveness of their development policies through coherent policies and institutional flexibility (obtaining high scores regarding macroeconomic issues), the Central and Eastern European states seem to lack a strategic vision as the capacity of their governments to perform is often associated with extractive institutions, which only redistribute the resources from one part of the population to another, without being guided by well-studied cost-benefit analyses. Under these conditions, in CEEC, structural transformations and rethinking of the functioning of the governance system are required. However, the performance of a state is not only measured in terms of the results of innovation and technology, but rather must be judged in relation to the major objective of increasing its competitiveness. Technological change means following three stages (invention, innovation and diffusion) and the competitiveness is evaluated through the whole system's components (quality of institutions, human capital, territorial capital, macroeconomic and social aspects, geopolitics, etc.).

Therefore, the dynamics of societies can be interpreted as a result of several influencing factors, endogenous and exogenous, which act on individual decisions and actions, among which the institutions (formal or informal) and the system of governance can be considered of major importance.

Regarding the strengthening of the innovative capacity of a country, it is important that the measures taken in this direction by governments to support the human resource produce innovative goods and services; as such, in order to foster and enhance innovative capacity, governments need to consider encouraging and financing the creative activities, expanding the partnerships between companies and educational institutions that have in their activities applied/ innovative research, providing incentives for the diffusion of inventions in less developed areas (inclusive innovation), and facilitating the introduction of informational technologies in the public sector to reduce transaction costs.

5. Acknowledgement

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Agency for Financing Rural Investments – The Agency Which Manages Funds from Pillar II of Common Agricultural Policy

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Abstract

The Agency for Financing Rural Investments (AFRI) is a national agency which contributes to implementing the policy of rural development of European Union, policy which aims the growth of life's quality in rural environment. Therefore, the purpose of this article is to emphasize: the AFRI's importance in developing the Romanian rural environment and an analysis of the activity which this agency conducted during the two programming periods. The Agency for Financing Rural Investments is one of the two national agencies subordinated to the Ministry of Agriculture and Rural Development, its main role being represented by implementing rural development measures. This agency was instituted based on the Government Emergency Ordinance no. 14/18.06.2014 and finances Romanian rural environment through some measures such as investments in physical assets, agricultural holdings and businesses development, basic services and village renewal in rural areas, investments in developing forest areas and ameliorating forest viability, support for setting up producer groups in the agricultural sector, support for agricultural and fruit – growing cooperation.

Key words: rural development, European funds, payment agency, agricultural financing

J.E.L. classification: Q14

1. Introduction

The integration of our country in the European Union on the 1st of January 2007 led to the identification of new development opportunities for national sectors through irredeemable European Funds, funds which are meant for eliminating the inequalities which exist between the economies of the Member States. Rural development in the European and national decision factors' centre of interest both because it aims to improving life conditions of the people in the rural environment, but also due to the fact that it considers assuring the necessary products to the European citizens. Therefore, to the measurements of rural development is allotted 1/5 of the budget of the common agricultural policy. The investments made through these measures have as purpose the amelioration of production capacity, increasing competitiveness on the market and increasing the life quality for the inhabitants living in villages. From the year of 2007 until now, there have been two national programs for rural development, which allowed the applicants to make investments in own activities and in the public ones. The Ministry of Agriculture and Rural Development has the role of Management Authority for the European funds destined to rural development, and subordinated to it, there is the Agency for Financing Rural Investments which effects payments and interacts with potential beneficiaries both at the moment of submitting the projects and payment requests, as well as during the whole period of implementing the projects. Concerning the managing of the European funds there is also stated that fact that both the Member States and the European Commission take responsibility for managing and controlling the ongoing programs.

2. Theoretical background

Sustainable rural development – equilibrated and equitable economical development with a high level of social cohesion and bearing responsibility for using natural resources and environment protection

(https://www.researchgate.net/publication/237527540_DEZVOLTAREA_RURALA_IN_UNIUNE_A_EUROPEANA).

The Agency for Financing Rural Investments is a public institution which conducts its activity in accordance to the Government's Emergency Ordinance no. 41/2014 and which assures the technical and financial implementation of the European Agricultural Fund for Rural Development (<https://www.afir.info/>).

European funds are made available for the Member States for financing national programmes. (<http://madr.ro/docs/dezvoltare-rurala/rndr/buletine-tematice/PT23.pdf>).

The National Program for Rural Development represents that program through which the applicants have access to funds from the European Union and the Government of Romania – social development of Romania's rural space (<http://www.finantare-rurala.ro/despre/ce-este-pndr.html>).

3. Research methodology

Our research aims to presenting theoretical aspects concerning the financing of the Romanian rural environment through the Agency for Financing Rural Investments. The main aspects aim the presenting of the Agency for Financing Rural Investments and its activity in numbers. As research methods and techniques in our study we have used theoretical documentation, analysis and synthesis. The theoretical documentation supposed studying the specialty literature. We have used analysis in presenting the numbers concerning the activity conducted by the Agency for Financing Rural Investments starting with the year of 2007 until now. Synthesis was used in presenting the theoretical aspects, the domain of rural development being a vast study domain.

4. Common Agricultural Policy – presentation and financing

4.1. General presentation

Common Agricultural Policy (CAP) represents an instrument which directly sustains the European farmers both by assuring a decent living but also by developing rural areas. CAP was set off in the year of 1962 and has as objectives (Treaty concerning the functioning of the European Union, art. 39):

- ✓ Increasing productivity in agriculture by technical progress, by a national growth of agricultural productivity as well as efficient use of labour;
- ✓ Assuring an adequate living for the agricultural population especially through increasing individual income of the agricultural worker;
- ✓ Markets' stabilization;
- ✓ Guaranteeing provision safety;
- ✓ Assuring reasonable delivery prices towards consumers.

CAP considers both supporting the farmers directly by granting aids and implementing some market measures which are to help them, as well as durable development of rural environment, given that over 77% of EU territory is classified as being rural.

From the moment of its setting off until now, CAP was reformed in three stages, therefore the first stage occurred in the year of 1992 when the focus shifted from supporting the market to supporting the farmers through granting direct aids to them detrimental to subsidizing prices, the second stage (year 2003) consisted in granting the farmers aids for incomes, with the condition of respecting some legal requirements concerning the care for agricultural lands, respecting the standards concerning the safety of food, environment, animal health and well-being, and the last reform occurred in the year of 2013 and consisted in consolidating the competitiveness of agricultural sector, promoting a lasting agriculture and supporting employment in rural environment (European Commission, 2017, p.5).

CAP is financed through two funds namely the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD).

The European Agricultural Guarantee Fund represents one of the funds which contribute to reaching the CAP's objectives through two categories of measures financed in pillar 1 namely: support for incomes given to farmers (70% from CAP's budget) and measures for sustaining the market (10% from CAP's budget). (European Court of Auditors, 2008, pp. 89 – 90).

The European Agricultural Fund for Rural Development is a financing instrument situated in CAP's second pillar and which contributes to a durable rural development of the Member States. (https://www.fi-compass.eu/sites/default/files/publications/EAFRD_The_european_agricultural_fund_for_rural_development_RO.pdf).

4.2. The European Agricultural Fund for Rural Development

The European Agricultural Fund for Rural Development (EAFRD) is a CAP financing instrument which contributes to the rural development of all Member States. The established objectives through CAP's reforming concerning EAFRD aims the sustaining of a competitive European agriculture, lasting administration of natural resources in community space, immunity to climatic changes, endowing the rural environment with public goods, preserving landscapes at European level, amelioration of economy in rural environment, creating jobs in rural environment.

European regulations concerning the financing of rural development through EAFRD have been established in programming periods as follows: Regulation CE no.1698/2005 for the programming period 2007 – 2013, and Regulation EU no.1305/2013 for the present programming period 2014 – 2020.

EAFRD finances expenses incurred by durable development of the Member States, through certain measures such as the ones of agro environment, amounts representing compensations granted to farmers being in disadvantaged areas for a good development of the agricultural activities, investments within the agricultural holdings, infrastructure development in rural areas (European Court of Auditors, 2008, p. 91).

4.3. The Agency for Financing Rural Investments

The Agency for Financing Rural Investments (AFRI) is a public institution which was set off based on GEO (OUG) no.41/2014 concerning setting up, organizing and operating the Agency for Financing Rural Investments as a result of the Payment Agency for Rural Development and Fisheries' (PARDF) reorganization approved by Law no. 43/2015 (<http://www.afir.info/>). The legal attributions of AFRI are adapted to the two types of activities conducted by the Agency, respectively the activity of technical implementation and financial activity.

AFRI offers the possibility of accessing resources within EAFRD, by approving the National Program of Rural Development (NPRD) by the Ministry of Agriculture and Rural Development, program which presents in a detailed way the conditions in which each measure may be accessed by applicants. Until now MARD has elaborated two National Programs of Rural Development which are to be presented.

National Program for Rural Development 2007 – 2013 was a national program with a major impact on agriculture and on Romanian rural environment due to ingress of some significant funds in their development, funds which assured not only the improvement of life for the villagers, but also the modernization and development of rural areas (https://portal.afir.info/informatii_generale_pndr_pndr_2007_2013?amp;lang=RO).

NPRD 2007 – 2013 ended on 31.12.2015 and the report of submitted projects, of selected projects and of concluded contracts will be presented within table no.1.

Table no. 1 Report on submitted projects, on selected projects and on concluded contracts

Indicator	Number	Public Value (Euro)
Submitted projects	150.944	18.533.168.276
Selected projects	98.444	7.610.446.693
Concluded contracts	79.784	5.707.979.271

Source: (The stage of NPRD's projects on the 6th of October 2016, <https://www.afir.info/>).

By analyzing the data in the table we can ascertain that 65,21% from the total number of submitted projects have been selected, and contracts have been concluded for only 52,85% of them, situation which we will present in table no.2.

Table no.2 Situation of concluded contracts reported to submitted projects and selected projects

Indicator	Number (%)	Public value (%)
(selected projects/submitted projects) x 100	65,21%	41,06%
(concluded contracts/submitted projects) x 100	52,85%	30,79%
(concluded contracts/selected projects) x 100	81,04%	75,00%

Source: (Own processing following the NPRD's project stages on the 6th of October 2016, <https://www.afir.info/>).

National Program of Rural Development 2014 – 2020 is a program which is currently running, and its situation on 10.10.2019 will be presented in table no. 3 and table no. 4.

Table no. 3 Report on submitted projects, on selected projects and on concluded contracts on 10.10.2019

Indicator	Number	Public Value (Euro)
Submitted projects	64.333	9.489.111.712
Selected Projects	37.470	5.155.452.815
Concluded Contracts	35.699	4.377.439.226

Source: (The stage of submitted projects on 10.10.2019, <https://www.afir.info/>).

Analysing the data presented above we can ascertain that 58,24% of the total amount of submitted projects have been selected and there have been signed contracts for only 55,49% among these, situation which will be presented in table no.4.

Table no.4 Situation of concluded contracts reported to submitted projects and selected projects

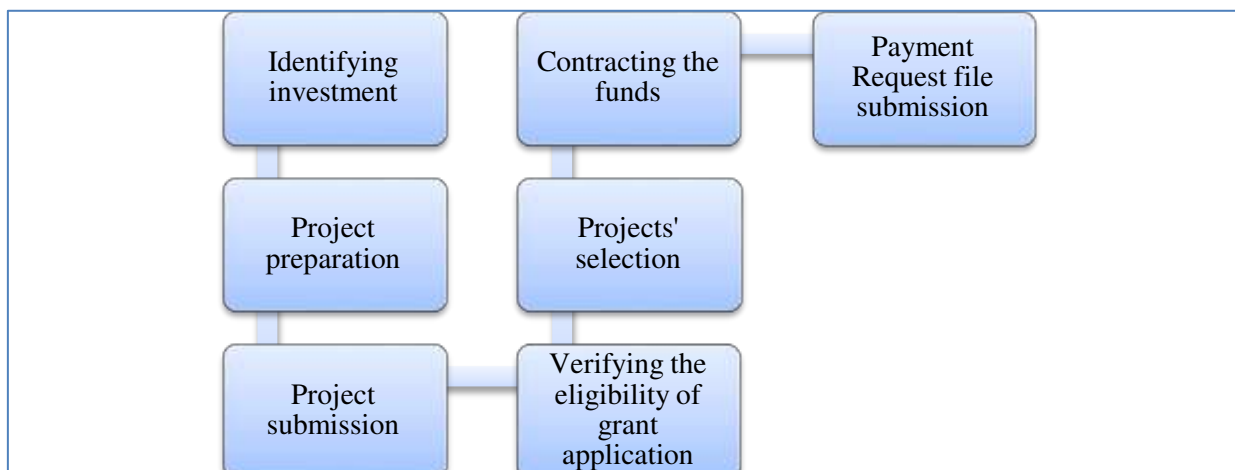
Indicator	Number (%)	Public value (%)
(selected projects/submitted projects) x 100	58,24%	54,33%
(concluded contracts/submitted projects) x 100	55,49%	46,13%
(concluded contracts/selected contracts) x 100	95,27%	84,90%

Source: (Own processing following the stage of submitted projects 10.10.2019, <https://www.afir.info/>).

4.4. The Stages of Accessing European Funds through EAFRD

Accessing of irredeemable funds allotted by EAFRD supposes the completion of seven stages according to figure 1.

Figure no.1. The stages of accessing European funds granted by EAFRD



Source: (Own processing after Payment Agency for Rural Development and Fisheries, European funds for agriculture and rural development (brochure), Bucharest, 2011, pp. 4-6)

1. Identifying investment –in this stage the beneficiary identifies the domain in which he wishes to make the investment; after the identification of the domain the specialised institutions for managing European funds are contacted for receiving informational materials referring to that project.
2. Project preparation – consists in preparing the needed documents for receiving European funds.
3. Project submission – after the project is made, it is personally or by an invested person submitted to the County Office for Financing Rural Investments (COFRI) in the county where the investment takes place.
4. Verifying the eligibility of grant application – within this stage the compliance for the mandatory conditions provided by the Applicant's Guide is verified.
5. Projects' selection – supposes the accordance of scores for each project by AFRI in accordance to the established scoring system. A list containing all the eligible projects will be made, grouped according to the date at which they have been submitted and which fit in the minimal scoring limit. If the value of eligible projects is under the value allotted to the Measure in a submission session, then all the projects will be financed and if the value of all the eligible projects is over the value allotted to the Measure in a submission session, then the financing of the projects will be made in a descending order of their scores.
6. Contracting the funds – after establishing which projects have been approved for financing and after receiving the Report, AFRI lets the beneficiary know that his project was selected and asks for his presence for signing the financing contract.
7. Payment Request file submission – the beneficiary submits the Payment Request file to COFRI, file which contains justifying documents according to payment instructions.

5. Conclusions

The Agency for Financing Rural Investments (AFRI) is a national agency which contributes to implementing the European Union's policy of rural development, policy which aims to improving life conditions of the inhabitants living in the rural environment. AFRI was set off based on GEO no.41/2014, and its attributions are adapted to the two main types of activities that it conducts: the activity of technical implementation and financial activity.

AFRI manages resources in the Pillar II of Common Agricultural Policy, this policy representing the instrument with the help of which the European Union directly supports the farmers in the Member States by assuring a decent living and developing the rural environment.

The activity conducted by AFRI within NPRD 2007 – 2013 supposed the conclusion of 79.784 contracts having a total value of 5.707.979.271 Euros, while for the present programming period 2014 – 2020 a number of 35.699 contracts was concluded having total value of 4.377.439.226 Euros. All these contracts are financed from EAFRD which is a CAP's financing instrument and which contributed to rural development of all the 28 Member States. The objectives established by CAP's reforming concerning EAFRD, aims the sustaining of a competitive European agriculture, durable administration in community space of natural resources, immunity to climate changes, endowing the rural environment with public assets, preserving landscapes at European level, amelioration of rural economies, creating jobs in rural environment.

6. Acknowledgement

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- <http://www.finantare-rurala.ro/>
- <http://www.finantare-rurala.ro/despre/ce-este-pndr.html>
- https://www.fi-compass.eu/sites/default/files/publications/EAFRD_The_european_agricultural_fund_for_rural_development_RO.pdf
- https://portal.afir.info/informatii_generale_pndr_pndr_2007_2013?amp;lang=RO

Volunteering, A Skills Incubator for Future Organizations

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Abstract

Volunteering represents an opportunity to learn continuously, to gain new work skills, qualifications and competences. It increases people degree of adaptability to the future demands of the labor market, taking into account the permanent changes from the economic and technological environment. A proper approach of this activity can create various opportunities regarding mobility or/and the professional insertion capacity of young people, but also a thorough preparation for new business models.

The aims of the paper are to define the concept of volunteering and to show that volunteering, as a formal or informal learning method, can ensure a thorough preparation for the future organizations, by accumulating competitive advantages, professional skills and qualifications that meet the requirements of the labor market and facilitate the insertion into the labor market. The authors used a descriptive research method.

The paper highlights that there is a strong relationship between the people competencies and labor market requirements, and emphasize that formal education and volunteering are viable solutions that can mitigate the socio-economical risks caused by the transition to the economy based on knowledge. Also, it shows that volunteering can enable the labor market access, by accumulating professional competences, skills and qualifications.

Key words: volunteering, organizations of the future, labor market

J.E.L. classification: B26, A13, L31

1. Introduction

The new technologies have a positive impact over the labor productivity and efficiency, although robotization and digitalization of work will result in significant structural changes in employment opportunities (Brynjolfsson *et al*, 2011). To cope with these great challenges, proper education and training are needed for all stakeholders involved to adapt to the new kinds of management, leadership and organizational culture (Kaivo-oja *et al*, 2017), in order to mitigate the risk of joblessness within the high-performing sector due to the absence of the necessary skills and competences. This process implies continuous learning and increase the level of creativity, social intelligence and entrepreneurial thinking (Werner *et al*, 2016) in order to diminish the pressure from technological, environmental and social changes.

O.E.C.D. (2019) estimates that 14% of existing jobs could disappear due to automation in the next 15-20 years, and another 32% are likely to change radically. The labor market will be influenced in the future by several factors such as the demographic changes, the transition to the

knowledge-based economy, the decline of traditional jobs, etc., which require a comprehensive study of the phenomenon in order to elaborate thorough forecasts.

Volunteering has a positive impact over personal development, civic engagement and active citizenship (Hankinson *et al*, 2005), integrates values such as solidarity or non-discrimination and contributes to the development of participatory democracy, and the promotion of human rights at the global level. There is a strong relationship between social inclusion and volunteering as it leads to solidarity between generations and promotes civic participation throughout the whole life. In this respect, volunteering is connected with other concepts such as social responsibility and corporate citizenship (Toma, 2008). This is why volunteering represents a means to promote dignity, self-satisfaction and respect, to contribute to the progress of society and to integrate this activity into the concept of decent work (ILO, 2011).

Due to the high economic competition and work digitalization, the specialists in the field have elaborated various studies to identify the necessary skills and competences for the employee to face the challenges of the future economy such as a higher need for flexibility, a remarkable intensification of work and a strong demand for lifelong learning (Harteis *et al*, 2014).

The aims of the paper are to define the concept of volunteering and to show that volunteering, as a formal or informal learning method, can ensure a thorough preparation for the future organizations, by accumulating competitive advantages, professional skills and qualifications that meet the requirements of the labor market and facilitate the insertion into the labor market. The structure of the paper is as follows: the second part deals with general aspects related to volunteering, education and the needed skills to increase the degree of employability. The third part shows two directions of action that can be followed in order to cope with challenges of the future economy. Conclusions are presented in the final part of the paper.

2. Literature review

The key term of the paper is volunteering. Volunteering has drawn the attention of the globally decision-makers, being considered a component of informal work (Table 1), an economic activity that generates economic benefits, especially in developing countries.

The term "volunteering" encompasses all forms of unpaid work performed by any person, in a formal or informal way, or on their own initiative, which contributes to a competitive European labor market, to the development of vocational education and training, as well as for increasing social solidarity (Law 78/2014, regarding the regulation of the volunteering activity in Romania).

Table no. 1. Volunteering definitions

No.	Definition
1.	Any activity that involves spending time, unpaid, doing something that aims to benefit the environment or individuals or groups other than (or in addition to) close relatives (National Council for Voluntary Organisations, 2005).
2.	It represents the work that a person does out of free will, that reaches out to invest time and service for the benefit of others or to a cause that is not profit-seeking, and for which there is no monetary or in-kind payment (Butcher, 2010).
3.	It is an unpaid non-compulsory work, that is, time individuals give without pay to activities performed either through an organization or directly for others outside their own household (International Labour Office, 2011).

Source: Authors' contribution

According to the definitions mentioned above, volunteering represents an activity with economic potential, but the work carried out is unpaid. It is not compulsory as people voluntarily get involved in this activity, without being constrained from a legal, institutional point of view, etc.

It is important to mention that there are two types of volunteering. The first one is represented by formal volunteering, where the people have a contract signed with host organization, in order to perform voluntary and fret ale of charge activities. At the end of the agreed contractual period, the

volunteer will be awarded with a certificate to acknowledge his activity. The second one, informal volunteering, has no contractual relationship between the volunteer and the host organization. The volunteers are gathering spontaneously to help the people in need. (e.g. floods, earthquakes, etc.).

3. Education and competencies

The Europe 2020 strategy represented by the European Union's agenda for the current decade, related to jobs and economic growth potential, proposes a sustainable and inclusive growth, as a way to strengthen the economy and adapt its structure to the challenges of the next decade. Education is one of the key components of this strategy. The educational objectives are correlated with technological development and innovation, which contribute to a higher degree of employability, to new job creations that require high qualification and implicitly, the reduction of poverty.

Although, the technological development has always been the basis for human expressivity: to sustain self-realization, to raise self-esteem, to increase community bonds, and to create a better society (Zagalo *et al*, 2015). According to Crimson Education, Fast Company publication, Institute for the Future for Dell Technologies and Organization for Economic Cooperation and Development, the employees must focus and develop new competencies, in order to gain a competitive advantage in the future (Table 2).

Table no. 2. New competencies for the jobs of the future

No.	Competencies	Observations
1.	Creativity	Employers see the potential of the future employee and believe that it can add value to the company, while robots cannot think creatively.
2.	Interdisciplinary knowledge and cultural expression	In many cases, you work with foreigners in the workplace and it is necessary to be able to communicate in their language or in a language of international circulation, and to understand their cultural values.
3.	Adaptability	The ability to function, think and make decision flexibly within an organization, labor market, etc.
4.	S.M.A.C. (Social, Mobile, Analytic and Cloud)	A new concept related communicatively within a digitalized environment.
5.	S.T.E.M. (Science, Technology, Engineering and Mathematics)	This concept refers to the basic knowledge that must be learned in order to keep up with the global evolution.
6.	Taking responsibility: Considering the ethics of action	It refers to everything related to ethics, morality, common sense, or education.
7.	Resilience	The future can reserve us many "surprises" through the emergence of new types of businesses, mentalities, consumer skills that do not exist today, and the obstacles must be turn into opportunities.
8.	Critical thinking	It refers to the fact that the entrepreneur or the employee must make decisions that cannot be automated.
9.	Personal brand	It is related to the people advantage towards robots which doesn't posses and understand pshilosophy, arts, etc.

Source: Authors' contribution

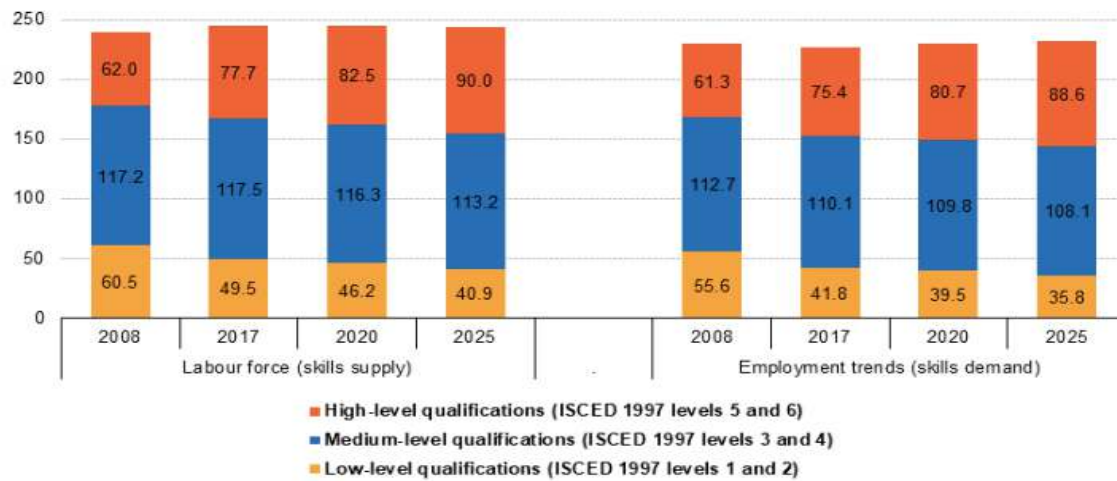
Matching the workforce skills and qualifications with the employers' requirements is an essential condition for an efficient labor market.

Depending on the velocity and duration of the technological and demographic changes or economic-financial crises, organizations can register human and financial losses. In order to combat these threats, it is important to correlate the educational outcomes with the labor market requirements, which is one of the Europe 2020 key strategy.

4. Research methodology

The authors used a descriptive research method based on the official statistics from National Institute of Statistics from Romania and specialized literature gathered from numerous sources such as books and international journals found in various libraries and electronic databases. In 2017, the skills supply of the workforce corresponded largely with the demand existing in the labor market, indeed for low and medium level qualifications the supply exceeded the demand (Figure 1). The European Center for the Development of Vocational Training (C.E.D.E.F.O.P.) estimated that over 13 million high-performing jobs will be created, which require a higher level of qualification, while jobs that require a lower qualification will be lower down by almost 6 million, between 2017 and 2025.

Figure no. 1. Employment trends and employment by qualification, EU-28, 2008, 2017, 2020 and 2025 (million persons)



Source: (C.E.D.E.F.O.P, 2016)

C.E.D.E.F.O.P. forecasts indicate that until 2025, the supply of skills will grow slightly faster than the skills demand. Thus, it is expected that the supply, respectively the workforce share composed only from the ones that graduated the primary or secondary education, will decrease from 20.2% in 2017 to 16.8% in 2025. In the meantime, the demand, respectively the share of jobs for the people with qualifications of medium or low level, it will be lowered from 18.4% to 15.4%.

5. Findings - Necessary action directions related to skills training for organizations of the future

5.1. Formal education

The arts, historically significant landmarks, local celebrations and traditions, and the creative economy, all serve as prime cultural venues through which volunteerism may build cultural capital (Green *et al*, 2008).

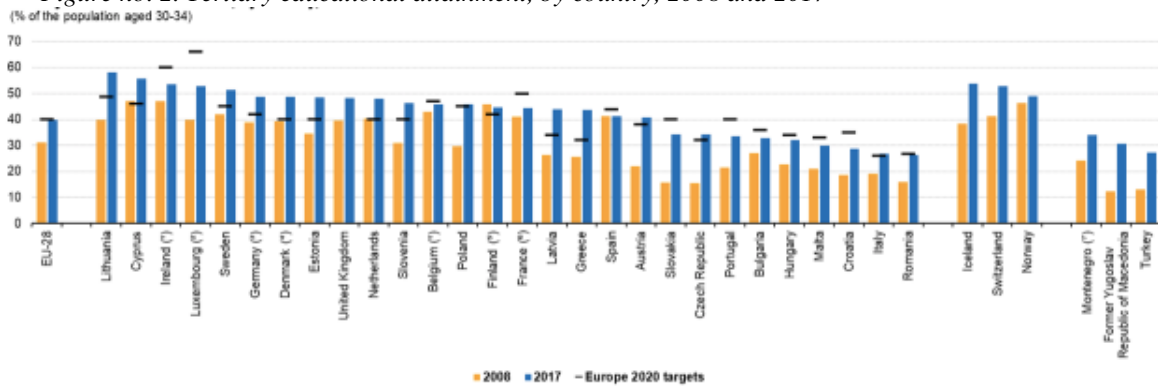
As per Europe 2020 strategy shows, one of the key factors for economic growth and job creation is represented by education and training.

The main objective of the Europe 2020 strategy related to education is to reduce the share of early school leavers by less than 10% and increase the share of the population aged 30-34 with higher education by at least 40%. If successful, this action will have major impact increasing the employment rate from 69% to at least 75%, which is another strategic target.

Education and training represent a permanent concern of the decision-makers (Marinescu *et al*, 2018) and play an important role in the productivity growth process, innovation development, and also maintain a high competitiveness level. In the future, the minimum level of education desired

for "European citizens" is higher in secondary education, while tertiary education offers highly qualified human capital, given its links with research and innovation (Figure 2).

Figure no. 2. Tertiary educational attainment, by country, 2008 and 2017



Note: All countries: break in time series in 2014 (switch from ISCED 1997 to ISCED 2011); the change of ISCED has no impact on the comparability over time of this indicator, except for Austria.

(*) Break in time series in 2017.

(*) Break in time series in 2015; 2017 data have low reliability.

(*) Data and target refer to ISCED levels 4-8.

(*) Break in time series in 2016.

(*) Target excluding former tertiary Vocational Education and Training (VET).

(*) Target refers to 17-33 year olds.

(*) 2011 data (instead of 2008).

Source: (Eurostat, 2018)

As can be seen, the increase in tertiary education levels at EU level is reflected in all member states, due to the investments made in higher education to meet the labor market requirements for a more skilled workforce, as well as shortening the degree programs after the implementation of Bologna process reforms in some countries. The European states established national targets for tertiary education between 26% (Italy) and 66% (Luxembourg).

In 2017, 19 countries from Central and Northern Europe exceeded the general objective set by the European Union, respectively 40% of tertiary graduates. In Eastern Europe, the strongest increases between 2008 and 2017 were recorded in Slovakia and the Czech Republic, while Romania registered a level of 27%.

5.2. Volunteering (formal and informal education)

The volume and value of volunteering are required to better understand the volume and characteristics of the participants in the labour market as well as the dynamics of the labour market, and to plan and implement labour market and other social policies (Young, 2007). Through volunteering people have the opportunity to strengthen and to apply their theoretical knowledge and technical skills. At business level, volunteering improves the reputational advantage and the, relational/networking opportunities, increases the chances of recruitment and provides new qualifications and capabilities (Loosemore *et al*, 2017).

Taking into consideration that volunteering is a worldwide spread concept, it should be promoted among citizens as a general value at society level. The carried out voluntary projects have a positive impact over various fields such as the social protection of human rights, medical, cultural, artistic, educational, scientific, religious, and philanthropic activities (Zainea *et al*, 2018). By using the gained knowledge and competencies, people can easily cope with the future challenges and requirements of the labor market.

Volunteering gives to the people the opportunity meet new people, to widen your circle of friends, to show compassion towards your peers, to promote personal ideas, to raise self-esteem and strengthen the civic spirit.

6. Conclusions

Volunteering teaches the citizens the way to react and to be prepared for the new requirements of the labor market, in order to make lifelong learning a component of their individual career. Volunteering promotes economic and social cohesion, social inclusion, solidarity between generations and has a major impact at the society level.

The paper shows that there is a strong relationship between people competencies and the labor market requirements, and emphasizes that formal education and volunteering are viable solutions that can mitigate the socio-economical risks caused by the transition to the economy based on knowledge. It also illustrates that volunteering represents an essential factor for individual and collective emancipation and plays a key role in people development as it is actively involved in the creation of social and human capital.

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Section III

Economic and Social Studies

Study on the Dynamics of Bank Loans According to the Level of the Interest Rate and the Incomes of the Households

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Abstract

In this paper we have deepened the analysis, opting for the use of statistical-econometric models, more precisely a multifactorial regression model that uses as explanatory variables "Population-Loans in lei (expressed in euros)" as a dependent variable and "Average total income per household (expressed in euros) and Interest rate on lending facility (Lombard)" as factor variables.

In this study we opted for a multifactorial regression model that represents a generalization of the simple linear regression model, which is based on the processing and analysis of the statistical data sets during 2004-2018.

Key words: population loans in lei, total average incomes per household, interest rate at the lending facility (lombard), factor variables

J.E.L. classification: G21, G23, C10

1. Introduction

If we start from the origin of the credit concept from the Latin "creditum" - "belief", which means "to believe" or "to trust", we capture the psychological element of the existence of a credit operation, namely trust. According to the Banking Dictionary, the term credit means "making a sum of money available to a person".

The term bank credit knows many definitions in the specialized literature:

"Credit, in general, represents the exchange of a present monetary value against a future monetary value" (Dedu, 1999).

A comprehensive definition of bank credit is found in the documents of the European Central Bank: "... the monetary relationship between a natural or legal person called a creditor, who grants to another person called a debtor, a loan in money or who sells goods / services on debt, generally with an interest set depending on the risk the creditor assumes or the debtor's reputation" (Kiritescu, Dobrescu, 1998)

"Credit is the operation by which resources are immediately taken over, in exchange for a promise of future repayment, normally accompanied by the payment of interest that is paid to the borrower" (Basno et al, 1999)

Credit creates the impression of wealth, and the greatest danger is its abusive and improper use.

2. Theoretical background and methodology

Given the complexity of the investigated phenomenon, in this study we opted for a multifactorial regression model that represents a generalization of the simple linear regression model. In our model we opted for two factor variables, x_1 = Total average incomes per household (expressed in euro) and x_2 = Interest rate at the lending facility (Lombard).

Often, there is a need to explain and control, as far as possible, the phenomena and processes in the economy, which may reflect more or less favorable situations. Therefore, a number of effective tools are elaborated with the help of explaining the existing situations and eliminating (or possibly mitigating) the undesirable effects that may occur in a certain economic context. In this way, one can verify the assumptions of economic theory, one can give up some that have not proved viable or one can develop new ones, thus contributing to the enrichment of the information system regarding a certain phenomenon or economic process. The model thus becomes an intermediate link between theory and practice, a synthetic, simplified mirror of economic reality, whose main components are synthetically expressed through a set of variables, as well as through the relationships, the interconditions between these variables. The model can consist of one or more equations that express the dependence of the complex variables on a set of main and secondary factors, systematic and random, which act in the same or different senses, system that expresses in a mathematical, abstract, the problem to be solved. In order to solve this system, a series of rational hypotheses are stated, in accordance with the economic theory, and the solutions must be obtained under conditions of maximum likelihood, based on a sample of data on the evolution of the factorial variables and the resultant variables.

The links between two statistical variables can be studied using two techniques: regression and correlation. The correlation will show how strong the link is, the dependence between the variables, while the regression will help in explaining and predicting one factor based on the value of another (others), which obviously will reduce the uncertainty regarding important but random phenomena. (Voineagu, 2007).

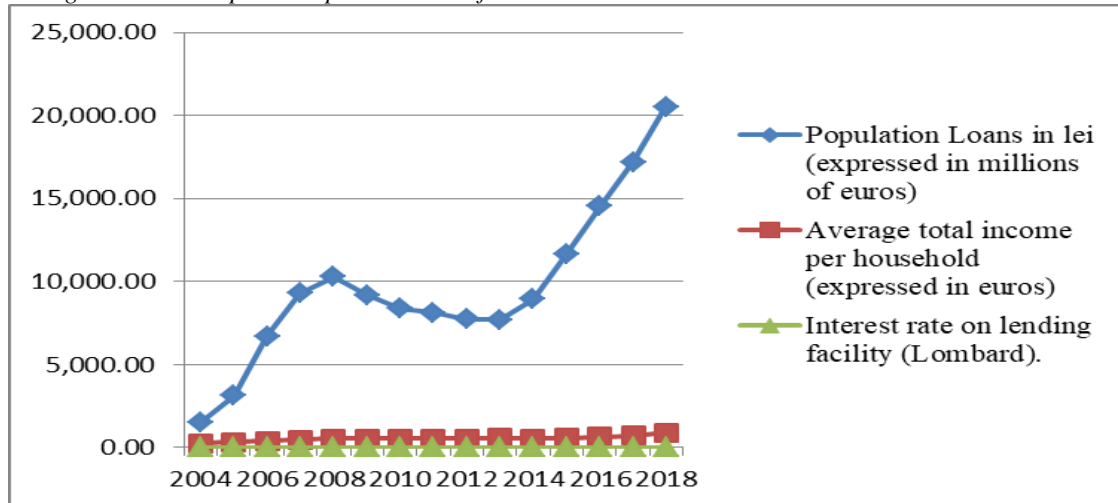
For the variables "Population-Loans in lei (expressed in millions of euros) and Interest rate at the lending facility (Lombard)". The work is based on the processing and analysis of the statistical data sets offered by the National Bank of Romania.

Table no. 1 The value of the variables used in research

Years	Population Loans in lei (expressed in millions of euros)	Average total income per household (expressed in euros)	Interest rate on lending facility (Lombard).
2004	1,489.00	273.75	30.00
2005	3,141.35	329.66	14.00
2006	6,694.69	409.95	14.00
2007	9,299.67	467.22	12.00
2008	10,273.04	534.90	14.25
2009	9,180.57	547.75	12.00
2010	8,382.69	537.78	10.25
2011	8,110.77	559.59	10.00
2012	7,749.55	558.86	9.25
2013	7,713.88	570.62	7.00
2014	8948.58	557.93	5.25
2015	11624.00	593.83	3.25
2016	14553.33	648.43	3.25
2017	14,264.35	727.87	2.75
2018	14,617.91	911.52	3.50

Source: Own processing of data taken from the website of the National Bank of Romania <http://www.bnr.ro> and from the website of National Institute of Statistics) <http://statistici.insse.ro/>

Figure no. 1. Graphical representation of the variables used in research



Source: The data presented in Table no. 1

3. Processing results

The statistical description of the analyzed variables was made, in table 1, using the mean and standard deviation indicators. The variables introduced in the study are: y = Population-Loans in lei (expressed in euros), x_1 = Average total incomes per household (euros) and x_2 = Interest rate at the lending facility (Lombard).

Table no. 2 Statistical description of variables

Descriptive Statistics

	Mean	Std. Deviation	N
Population-Loans in lei (expressed in euros)	9659.001253	4879.9033922	15
Average total income per household (expressed in euros)	548.644167	152.6652509	15
Interest rate on lending facility (Lombard)	10.660356	7.1396782	15

Source: Table processed in the SPSS programme

The correlation coefficients whose estimation is presented in Table no. 3, are partial correlation coefficients that measure the influence of the average total incomes on a household (x_1) on the level of credits in lei of the population (y), as well as the influence of the interest rate on the credit facility (x_2) on the level of credits of the population (y).

Table no. 3 Calculation of Pearson correlation coefficients

Correlations

		Population Loans in lei (expressed in millions of euros)	Average total income per household (expressed in euros)	Interest rate on lending facility (Lombard)
Pearson Correlation	Population-Loans in lei (expressed in euros)	1.000	.950	-.811
	Average total income per household (expressed in euros)	.950	1.000	-.849
	Interest rate on lending facility (Lombard)	-.811	-.849	1.000
Sig. (1-tailed)	Population-Loans in lei (expressed in euros)	.	.000	.000

	Average total income per household (expressed in euros)	.000	.	.000
	Interest rate on lending facility (Lombard)	.000	.000	.
N	Population-Loans in lei (expressed in euros)	15	15	15
	Average total income per household (expressed in euros)	15	15	15
	Interest rate on lending facility (Lombard)	15	15	15

Source: Table processed in the SPSS programme

The positive value of the first coefficient and its size, $r_{y/x1} = 0.950$, indicates a strong, positive influence of the income on the loans. This means that as incomes grow, loans grow. The correlation between the interest rate and loans, expressed by the coefficient $r_{y/x2} = -0.811$, indicates a partially negative influence, of high intensity. This means that as the interest rate drops, so does the level of population loans.

In order to measure the intensity of the connection between the dependent variable (y) and the two factorial variables ($x1$ and $x2$) included in the model, we calculated (in table 4) the multiple correlation coefficient R (0.848) which shows the weight of the total variation of the dependent variable that could be explained by the simultaneous variation of the independent variables included in the model. The result shows a strong connection between these variables.

Table no. 4 Calculation of the multiple correlation coefficient

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.950 ^a	.902	.885	1652.6624499

Source: Table processed in the SPSS programme

- a. Predictors: (Constant), Interest rate on the lending facility, Average total incomes per household (expressed in euros)
- b. Dependent Variable: Population-Loans in lei (expressed in euros).

Table no. 4 also calculates the ratio of multiple determination (R squared) which shows that the variation of the population credits could be explained in a proportion of 90.2% of the simultaneous variation of the variables "Interest rate on the credit facility" and "Total average incomes per household (euro)". The rest of up to 100%, ie 9.8%, represents the influence of other factors not included in the model.

The multiple determination report does not take into account the number of degrees of freedom or the number of parameters that appear in the model. Therefore, in assessing the intensity of the link between variables, an adjusted determination coefficient is used which takes into account this number of parameters. The result (Adjusted R Square) of 0.885 indicates that 88.5% of the variation of the dependent variable could be explained by the two factorial variables.

For multiple regression models, several tests can be constructed, in order to test the model parameters, the regression model and the marginal influence of a variable.

The parameters of the multiple linear regression model were tested using the Student test (Table no. 5), considering the estimators obtained by the method of the least squares and the law of their distribution.

Table no. 5 Calculation of the parameters of the regression model and their testing

Coefficients ^a							
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	-6652.910	4141.094		-1.607	.134		
Average total income per household (expressed in euros)	29.935	5.478	.937	5.464	.000	.279	3.585
Interest rate on lending facility (Lombard)	-10.490	117.137	-.015	-.090	.930	.279	3.585

Source: Table processed in the SPSS programme

a. Dependent Variable: Population-Term deposits in lei (expressed in euros).

In SPSS, the decision is made based on the significance of the test; if $\text{Sig } t < \alpha$, H_0 (the independent variable i has no partial linear influence on the dependent one) is rejected with the specified confidence level, and if $\text{sig} > \alpha$, the null hypothesis is accepted. It is observed that for parameter of variable x_1 the condition $\text{Sig } t < 0.05$ is respected and for the parameter of variable x_2 this condition is not met. In conclusion, with a probability of 95% the parameter of the first variable is statistically significant, while for the second parameter it is not. We can appreciate the fact that, in terms of the level of loans accessed by the population, the interest rate is not an essential variable, but other factors, not included in the model.

Testing the multiple linear regression model was performed, in Table no. 6, using the F. test.

Table no. 6 Testing the multiple linear regression model ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	300612881.563	2	150306440.782	55.031	.000 ^b
	Residual	32775518.081	12	2731293.173		
	Total	333388399.644	14			

Source: Table processed in the SPSS programme

a. Dependent Variable: Population-Loans in lei (expressed in euros),

b. Predictors: (Constant), Interest rate on lending facility (Lombard), Average total incomes per household (expressed in euros)

Since $\text{Sig} = 0.000 < 0.05$, the null hypothesis with a probability of 95% is rejected, ie the model significantly explains the dependence of the variable present in the model.

4. Conclusions

From the study carried out using a multifactorial regression model we can calculate the ratio of multiple determination (R squared) which shows that the variation of the population credits could be explained in proportion of 90.2% of the simultaneous variation of the variables "Interest rate at the credit facility "And" Average total income per household (euro) ". The rest of up to 100%, ie 9.8%, represents the influence of other factors not included in the model.

In conclusion, with a probability of 95% the parameter of the first variable is statistically significant, while for the second parameter it is not. We can appreciate the fact that, in terms of the level of loans accessed by the population, the interest rate is not an essential variable, but other factors, not included in the model.

Bank credit is the main source of supplementing the resources for any household.

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Social Inequalities and the Reform of Romanian Public Pension System by Law no. 127/2019

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Abstract

Social protection system had developed in order to ensure the protection of the citizens, but also to maintain the economic growth of the country. The importance of the pension system is given by its social purpose, which is poverty alleviation, adequacy of income and consumption smoothing at retirement. In countries of Central and Eastern Europe, the income inequalities – main cause of poverty, had increased with the economic development. The aim of this paper is to show the changes brought to Romanian public pension system by the Law no. 127/2019 regarding the provided benefits vis-à-vis of social inequalities existing among elderly people.

Key words: pension system reform, public pension system, social inequalities, pension benefits.

J.E.L. classification: H55, I32, I38.

1. Introduction

Pension systems have the purpose to decrease the financial risk associated with the loss of the capacity to carry on professional activities and obtain incomes, risk which cause poverty and is related with severe material deprivation.

It is said about poverty that it is the “mother of all evils”. From an economic framework, poverty is the result of income inequalities, which in countries of Central and Eastern Europe (CEE, from this point forward) had increased with economic development (Neagu et. al., 2016).

Lewis (1959) describes poverty as a cultural subsystem preserved from generation to generation, in which population does not exceed the financial and material limitations and therefore this burden is accepted and included in their value system. Mojan (2011) stands up against the “culture of poverty” theory, arguing that the poverty is actually a political problem based on the socio-cultural dysfunctions owed to the changes of human values and ethics in a country.

The purpose of this article is to highlight the changes brought to the Romanian public pension system through the Law no. 127/2019 with respect to provided benefits *vis-à-vis* of the social inequalities existing among elderly people.

The paper is organized as follows: the next section is dedicated to literature review, the third section presents the research methodology and the next one presents the revenues of older population and social inequalities existing among them, situation which the new public pension law wants to remove. At the end of the article is found the conclusion of this study.

2. Theoretical background

Social protection systems had developed as an answer to the criticizes brought to the capitalist economic system in industrial revolution time. In that age, from a political economy point of view, Adam Smith stated the concept of free market able to self-regulate (Smith & Cannan, 2003). This

theory was argued by Keynes (1936), who claimed that the economic equilibrium and sustainable economic growth need the state intervention. Also, Marshall (1963) showed that the rights and the psychological structure of citizens represent the foundation of social inequalities and poverty, the state having the responsibility to avoid these situations. On the other hand, Marx (1867) have disagreed with the concepts of classical political economy and have reformed its principles, embracing the idea that the state has to create the required conditions to support economic growth. After all these theories, Gough (1979) concluded that the state interventions through social policies has to be correlated with the social-economic interests of the state.

Social protection systems have developed to ensure the protection of the citizens, but also to maintain the economic development of the country. Social protection systems and the national pension systems appeared in a defined framework, regarding the territory. These were organized by state according with political affinity of the period of implementation (Perotti & Schwienbacher, 2009), being configurated in line with governing system, economic and socio-cultural context of the country (Aggarwal & Goodell, 2013). Germany was the first state which has regulated social policies regarding the protection of some working categories against accidents, unemployment and sickness. Chancellor Otto von Bismarck implemented a social protection system based on contributions and solidarity between workers, the funds being redistributed to financial support of the ones in need. The Western and Nordic countries of Europe have implemented liberal social policies, the state intervention being minimal.

The Universal Declaration of Human Rights (1948) highlights the right to social protection and the duty of the state to ensure the social protection of its own citizens, especially the protection of old people, which due to old age find difficult to obtain the revenues necessary to accomplish the basic needs (Begum & Wesumperuma, 2012). Therefore, the state through its institutions, plays the regulator and income distribution role, and so it gets involved in decreasing the financial risk of elderly people providing the financial means needed to live a decent and respectful life (Mitruț & Wolff, 2011).

The importance of pension systems is given by the social aim achieved. In this regard, pension systems have the purpose to ensure and keep a decent lifestyle among older people, especially in conditions of financial instability. Therefore, alleviation of poverty, maintaining an adequate income and smoothing consumption at retirement are the main objectives of all pension systems (Lanoo et. al., 2014; Littlewood, 2014).

3. Research methodology

In this paper we have propose to highlight the changes brought to Romanian public pension system by the Law no. 127/2019. The research methodology used is based on the traditional method of investigation, applying the following research methods: literature review method for the information and documentation regarding the legislative elements and their results on the beneficiaries of public pension system; the causal method which shows the cause-effect relationship in taking the new law; the comparative method to highlight the similitudes and differences between the provisions of the Law no. 263/2010 and the provisions of the Law no. 127/2019; the statistical and graphical method to present synthesized and centralized the statistical data and the evolution of economic indicators regarding the revenues of population.

4. Findings

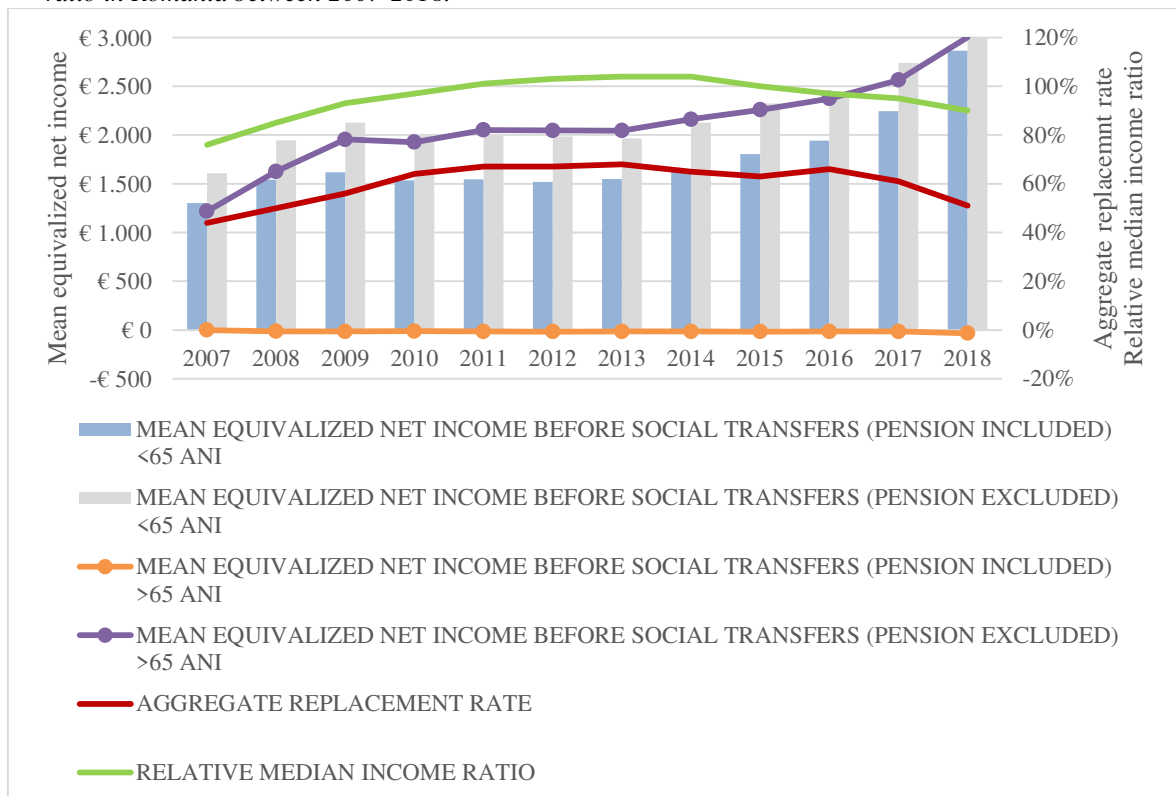
The public pension systems in CEE countries provide four types of pensions, namely: old-age, anticipated, invalidity and survivors. The aim of these redistributions is reducing poverty and material deprivation, but also ensuring similar revenues with the ones obtained in the professional activity period, which should maintain the lifestyle, *ex ante*, retirement. With this purpose, these countries established a minimum level of benefits that must be provided by public pension system (European Commission, 2018).

Organization for Economic Cooperation and Development (OECD, from this point forward) had created an indicator named equalized net income to compare the incomes of population in conditions of equality. In countries of CEE, the equalized net income increased in latest years, but

there are differences between age groups, strongly influenced by the distributions made through national pension systems, especially after 65 years old.

The population aged under 65 years in Romania, between 2007-2018 obtained a median equalized net income before social transfers between 1.302 euro (€, from this point forward) and 2.864 €, which after distribution of pension increased by up to 30%. In case of the population aged 65 years and over, it can be noted that the incomes from pensions are, actually, the only resources this category of population dispose. After pension distribution, the median equalized net income reach 3.000 € in 2018, with 17% more that in 2017. Therefore, the incomes of population aged 65 years and over are comparable with the incomes of population under 65 years. This fact is also showed by the relative median income ratio, indicator which highlights the ratio between equalized net incomes before and after the age of 65 and which has values between 76% and 104% (Figure no.1).

Figure no. 1. Evolution of median equalized net income, replacement rate and relative median income ratio in Romania between 2007-2018.

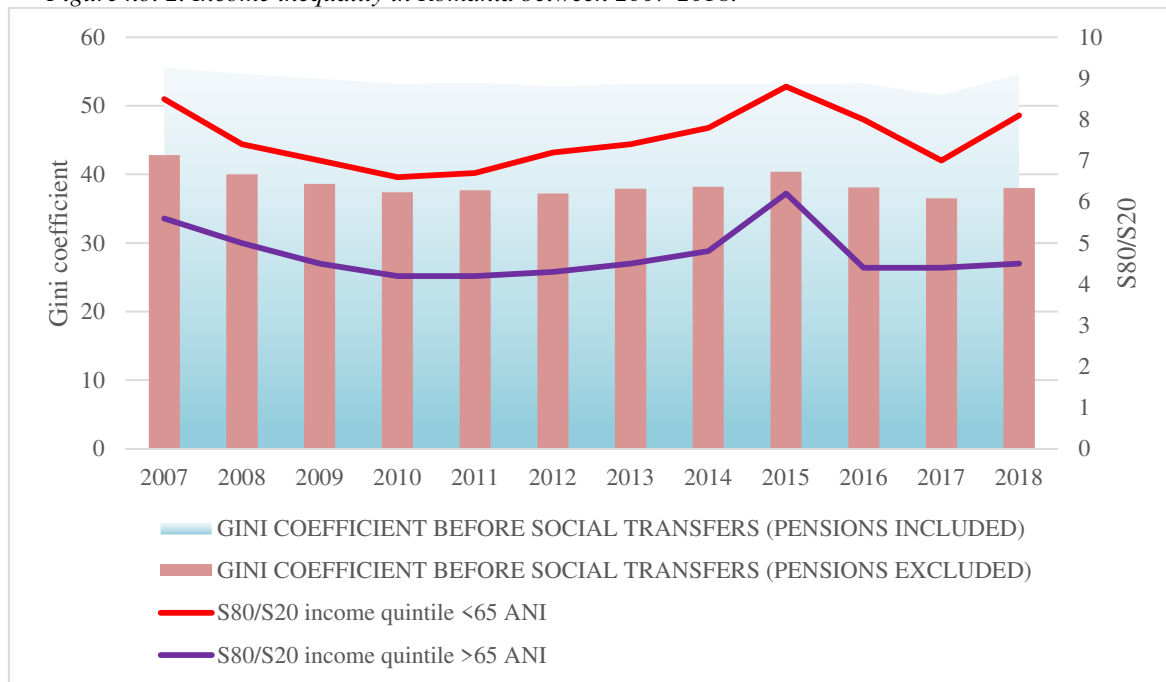


Source: Own processing based on the data available at the Eurostat database.

The capacity to provide to beneficiaries the needed incomes can be appreciated through the replacement rate of incomes earned in the period of professional activity on labor market. In the last years, in Romania, the values of this indicator have constantly increased, reaching the maximum value of 68% in 2013. Since 2014, the replacement rate has decreased, the largest cutback being in 2018 (-10% compared with 2017). According to the World Bank, these values suggest that the public pension system from Romania succeed in providing adequate incomes to the beneficiaries and reduce the financial risk associated to low capability of working, but the differences between population categories regarding income represents a problem. However, decreasing replacement rate of incomes by pensions at 51% in 2018 indicate a losing in the capacity of public pension system to provide incomes similar with those obtained from professional activities, in the conditions in which the average gross income per economy increased with 35% in 2018, compared with 2017.

Income inequality is often express through Gini coefficient, index which shows the dispersion of income distribution from an equal distribution. In Romania, the Gini coefficient has the value 55.6 in 2007, decreasing up to 51.6 in 2017 and increasing at 54.6 in 2018. After the distribution of pensions, these values are reducing from 42.8 in 2007 at 38 in 2018. Even so, compared with other countries of CEE, Romania record the greatest income inequalities. The measure of income inequality is expressed by the income inequality index (S80/S20), computed as the ratio between the incomes from the last income quartile and the first income quartile. In Romania, the income inequality index decreased in the last 12 years, but it has largest vales that the other CEE countries, in 2018 a beneficiary of pension system from the last income quartile collect 4.5 times more money than one beneficiary from the first income quartile.

Figure no. 2. Income inequality in Romania between 2007-2018.



Source: Own processing based on the data available at the Eurostat database.

Income inequality in Romania is a threat for the beneficiaries with incomes from the first income quartile in the case scenario in which the provided benefits will have a growing rate slower than the incomes from the last income quartile. To eliminate these situations, in 2018 was proposed a new law regarding the public pension system, normative act which was adopted in 2019.

Law no. 127/2019 regarding the public pension system has a new functioning principle, which is the available principle. According to the principle, the persons which has not complete the minimum contribution stage can choose to give up the pension and receive the social allowance provided in the legislation regarding social assistance.

The new law is redefining the benefit categories and includes new eligibility criteria for accessing the benefits of public pension system (Table no.1). The minimum contributory stage, the complete contributory stage and the standard retirement age remain unchanged, but there are established some noncontributory periods which will be integrated to contributory stage. If the minimum contributory stage is fulfilled, the periods in which the insured person followed and graduated a university (bachelor, master or Ph.D), completed the military training, was in sick or maternal leave, was the beneficiary of unemployment allowance or invalidity pension, or has other periods stipulated by Decree-law no. 118/1190, all these period will be considered as contributory stage.

Law no. 127/2019 regulates the social insurance contract, concluded between an individual and National House of Public Pensions with the object to complete the contributory stage. This contract is concluded for maximum 5 years only if the minimum contributory stage of 10 years is fulfilled.

The monthly insured income represents the base for benefit computation, the amount can be at least the average gross income per economy.

Table no. 1. The benefits of public pension system under the Law no. 127/2019

Benefit		Legislative changes against the Law no. 263/2010
Pension	Old age pension	The complete contributory stage includes the integrated noncontributory periods and it is 35 years. The retirement age is reduced for: <ul style="list-style-type: none"> - individuals which have reach contributory stage at job with particular/special working conditions; - individuals which have contributory stages in invalidity condition; - women which gave birth/adopted at least 3 children and rise them until the age of 16 or age of 13 in case of adopted children and fulfill the minimum contributory state; - the people living and/or working in the administrative-territorial units at least 30 years in industrial areas with high pollution or within 8 km around them.
	Anticipated pension	- fulfill the minimum contributory stage, including the integrated noncontributory periods; - maxim 5 years before the standard retirement age. The achievement of standard retirement age will remove the penalties and the amount of pension will be recomputed.
	Invalidity pension	Are eligible the individuals which: <ul style="list-style-type: none"> - does not fulfill the criteria to access the old-age pension; - have the working capacity decreased due to working accidents, professional illness, other diseases or accidents due to participation at the Revolution of 1989. The medical practitioner of the National Institute of Medical Expertise and Capacity Recovery will release the medical decision regarding the working capacity in 45 days. Individuals having the 1 st grade of invalidity benefit also from an attendant allowance, financed by the State Budget, represented 50% from the minimum gross basic salary of the month for which the payment is made. The achievement of standard retirement age will be recomputed the amount of the pension including the integrated noncontributory periods.
	Survivors pension	The survivor spouse will benefit from survivor pension also: <ul style="list-style-type: none"> - death of the supporting spouse have followed a working accident or a professional illness, regardless the age and the time of marriage; - have in care children under 7 years old; - does not earn incomes or the amount of incomes is lower than the average gross income, for 6 months since the death of the supporting spouse.
Minimum pension		It is financed from the State Budget and is provided to the resident beneficiaries in Romania, according to contributory stage: <ul style="list-style-type: none"> - contributory stage of 10 years – 40% from the minimum gross salary per country; - for every extra year of contribution is added 1%, until a maximum level of 75% from the minimum gross salary per country. Minimum pension in case of beneficiaries of survivors pension is 35% from the minimum gross salary per country for every survivor entitled.
Other social insurance benefits	Monthly support for surviving spouse	It is provided if the survivor spouse, beneficiary of old-age pension: <ul style="list-style-type: none"> - fulfill the complete contributory stage; - have the standard year of retirement; - didn't remarried; - the marriage persists at least 10 years. <i>Monthly support =</i> $25\% \times \text{amount of deceased supporting spouse,}$ maximum 80% from the minimum gross salary per country.

		The monthly support for surviving spouse is financed from the State Budget.
	Spa treatment	The spouse of insured person/pensioner, which does not benefit from the benefits provided by public pension system can receive tickets for spa treatment, with full payment of their value.
	Death allowance	It is given in 3 days from the request in cases in which the deceased person: - was insured in the public pension system for minimum 3 months; - had the employment relationship interrupted by leave; - wasn't insured/beneficiary of public pension system, but the request for allowance is made by a family member which is insured/beneficiary of public pension system. The amount of death allowance cannot be smaller than the average gross income per economy.

Source: Law no. 127/2019 regarding the public pension system.

Social protection right is respected in community and international framework, the new law regulates the receiving benefits in case of nonresident people. The benefits provided by public pension system require the communication of a life certificate in each semester by the nonresident person, which has to be authenticated by a legal authority from the residence state.

Fulfilling the eligibility criteria to access the public pension system benefits must be notified to National House of Public Pensions in 30 days, if the person is a resident or in 12 months, if the person is nonresident, through a retirement request and the documents which prove the fulfill of eligibility criteria. Submission of required documents after the legal term will determine the provision of benefits to begin with the effective date of submission. In 10 days from the submission of documents, National House of Public Pensions will release and will communicate the decision to the applicant, which can obtain only one type of pension. The released decision can be attacked at the competent court, in 45 days from the release day.

The computation of benefits is made using a pension points system, the algorithm being presented in Table no.2. The pensions are provided at the place of residence or in bank account of the beneficiary, case in which the transfer will be notified at the place of residence. If in three successive months, the beneficiary cannot be found to receive the pension or the bank transfer notification, beginning with the next month the payment of the pension will be suspended.

Table no. 2. The computation of the pension

<p><i>Pension benefit</i> = Total number of pension points × value of a reference point</p>	<p>1. <i>Monthly pension points</i> = $\frac{\text{salary earnings (monthly insured income)}}{\text{average gross income per economy}}$</p> <p>The monthly pension points is diminishing if the insured person is contributing to a privately managed pension fund with the value of the ratio:</p> $\frac{\text{social contributory rate owed to public pension system} - \text{contribution rate to privately managed pension fund}}{\text{social contributory rate owed to public pension system}}$ <p>2. <i>Annual pension points</i> = $\sum \text{Monthly pension points obtained in a year}$</p> <p>3. <i>Total number of points</i> = $\sum \text{Annual pension points}$ + number of pension points for the potential stage + number of pension points for the integrated noncontributory period</p>
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	<p>4. <i>Value of a reference pension point</i></p> $= \frac{\text{value of pension point}}{25}$ <p>Value of pension point = 75 lei (in 09.07.2019) = 1.265 lei (beginning with 01.09.2019) = 1.775 lei (beginning with 01.09.2020) = 1.875 lei (beginning with 01.09.2021)</p> <p>The value of the reference point will be indexed, every year beginning with 2022, with the average annual rate of inflation and with 50% from the real increase of average gross income per economy, according with the publications of National Institute of Statistics.</p>
Integrated noncontributory periods	<p>- for invalidity pension = the gross amount; - for university studies = 0,25 pension points; - for military service = 0,25 pension points; - for the periods with unemployment allowances and sick leave allowances = the amount of the allowance; - for maternal leave = 0,25 pension points.</p>
the potential stage for beneficiaries of invalidity pension	<p>- for 1st grade of invalidity = 0,50 pension points; - for 2nd grade of invalidity = 0,35 pension points; - for 3th grade of invalidity = 0,15 pension points.</p>

Source: Law no. 127/2019 regarding the public pension system.

The entry into force of the Law no. 127/2019 will lead to the re-computation of all pensions in payment, to include the integrated noncontributory periods. In case of amount differences will be provided the most favorable amount for the pensioner or the minimum pension.

Law no. 127/2019 foresees the obligation of beneficiaries to present all the documents needed to establish the right to public pension benefits and also to notify any change which have an impact on eligibility criteria or on the amount of pension, in 15 days from the change occurrence. The legal entities which have the right to certificate the information needed to establish/revision the social rights of a beneficiary have to give the required documents in 30 days from receiving the request. Not providing by the beneficiary and by the legal entity the documents requested is a contravention and is sanctioned according to the law in force.

5. Conclusions

The foundation of social protection system and pension system is the right of population to social protection, in the context of income inequality which leads to poverty. This right was different accomplished, according with the government system and the political ideology. The democratic systems embrace the individual participation to ensure the financial risks, which show up growing old, issue also found in CEE countries.

The income inequalities recorded especially in Romania conducted to the implementation of a new law regarding the protection of older people. Law no.127/2019 change the eligibility criteria through the inclusion of some noncontributory periods in the computation of the provided benefits. We consider that these changes will have a positive impact on the beneficiaries, but in the current demographical situation, should be taken measures to consolidate the sustainability of the budget, which deficit increased in the latest years.

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Effective Error Correction and Language Improvement in Business Communication Teaching

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Abstract

Considering the impact of ESP studies at all academic levels, as well as my belief that language learning is beyond a simple process input and intake of linguistic information, I centered my present approach on effective forms of error correction in communication and on developing language improvement, as well as improving social skills, as featured by my business communication teaching experience. The spoken dimension of language and the communicational competence, although of extreme importance in contemporary world, seem to have enjoyed less attention from theorists. In the present article I stress the importance of offering our students a tailored form of teaching, which would enable them to play an active role and to acquire a real understanding of error correction in order to offer them the possibility to continue studying on their own and to support their independent learning ability.

Key words: ESP, Business Communication, error correction, language improvement

J.E.L. classification: Z13

1. Introduction

Error correction and error analysis is a highly debated subject among theorists and practitioners alike. In the process of developing language improvement, the linguistic code is surpassed by the overall process of learning, which is comprehensive, affecting and being based on a wide range of personal features, mental capacities and mental processes. Just like language learning, psychology is "concerned with mental experiences, processes, thoughts, feelings, motives and behavior of individuals involved in language learning"(Mercer. S., Ryan S. and Williams M., (eds.), 2012, 2).

In my opinion, present language learning goes beyond the statement that only „practice makes perfect” and in this respect, the role of teachers or instructors in correcting the errors, as well as self-correction should not be neglected in oral communication.

2. Literature review and Methodology

A key ingredient in any form of communication is, undoubtedly- fluency. One of the main concerns of ESP or ESL teachers is to encourage this conversational feature and to provide strong motivation for students to continue and to improve their skills. However, from this desire a new problem arises- fluency or linguistic accuracy? An ideal response would be: "both", but this is not always feasible. Communication in a second language is continuously exposed to corrections, adjustments and improvement.

In order to be able to make effective corrections, we must have a consistent standard and a reliable definition of the working concepts. One of the first divisions to be operated is between errors and mistakes. Errors are derived from a lack of grammatical knowledge, a deviation from a norm, while mistakes mark a failure to utilize a known system correctly (Brown, H. Douglas, 1994, 205). Consequently, it is obvious that students can initiate self-correction in the case of mistakes, whereas in the case of repeated errors (systematic), they are unable to activate this correction mechanism.

Offering correction in one-to-one conversations is useful, we can all agree to that, as correction functions as a filter which is meant to provide a qualitative growth for our learners. The feedback we offer can be either during or after the conversation. On the one hand, correction during the conversation has several disadvantages, the most disturbing of which I noticed among my students would be the fragmentation of ideas, loss of self confidence followed by a loss in dialogue fluency. Students feel intimidated and are inclined to focus on the grammatical accuracy of their utterances rather than on content. On the other hand, the feedback offered after sets other limitations: the student has completed his/her task and is, up to a certain extent out of focus- the capacity to concentrate on the correction offered is consequently affected, the interest in receiving this type of later correction is visibly diminished.

Apart from offering a pure form of conversation, teachers also practice and at the same time teach active listening skills- either under the form of non-verbal communication (gestures and movements) or verbal signaling devices. At this point, active listening can be used as a correction tool- apart from introducing new language items, by reformulating or echoing in a corrected version the interlocutor's words.

The information feedback functions as a growth engine: it increases motivation, increases accuracy and extends repertoire (Williams M., Burden R.L., 1997, 77).

In business communication teaching error correction, as well as language improvement is a continuous process, going hand in hand with professional skills acquisition, therefore, the focus should rather be placed on fluency and continuity. From our experience teachers are more aware of this aspect than students. In most students' view, error correction should have as ultimate goal a grade centered approach. What we teach and what students learn is in tight correlation to the course's announced goals. The assessment is rather viewed under the formative aspect: to measure students' ability and skills to produce a grade for each student and to be useful in setting learning goals for future improvement.

In my opinion, at this stage of their development, the entire process should rather be based on formative assessment- as knowledge and skills, ideally speaking, go beyond a score and evaluation rather indicates what students did well and what adjustments need to be made. Future teaching and future learning will thus become more proficient and easier to adapt to various labor market challenges, which are difficult to be fully anticipated at this point. The major challenge comes from the speed the educational system is confronted with- students prepare for tomorrow's jobs, but professions appear and disappear much quicker than the educational system is prepared to foresee and to adjust to.

Assessment and testing need to be clearly differentiated-continuous assessment acts as a mirroring image- by taking an attentive look at yourself, you discover who you are and at the same time the context around you, a vivid and fluent image of the world around and of the individual in it. Since this activity is mostly placed in a class environment, each student can learn from the others- learning itself in such cases comes natural, we copy what we admire and what we like. Testing is a static image, similar to a snapshot- the ideal situation is the one in which the assessment and the testing image overlap. However, in most situations this perfect overlapping fails.

Measuring learners performance involves a definition of language proficiency not only in terms of grammatical or vocabulary structures, but also in terms of its socio-linguistic structures. In 1983, Canale identified four components of the communicative competence: grammatical competence, sociolinguistic competence, discourse competence and strategic competence. In fact, when measuring the acquisition level, teachers should take into consideration several other factors- the knowledge acquired, the knowledge to be acquired and the knowledge being acquired.

In order to assess the mastery of these items, tests have been traditionally used in classroom contexts. At this point of our discussion a differentiation test versus task is necessary. Tests are meant to measure performance in terms of target-language speakers the acquired knowledge of the learner, while tasks are conceived to indicate the learner's own rules, systems and categories. The range and nature of the judgments and the choices made are based upon the knowledge already possessed, irrespective of its extent (Corder, 1981, 62).

The entire teaching process is structured similarly to the building concept. At first the concept comes under an abstract form, a central idea around which once the structuring process progresses,

palpable qualities gather under the form of skills and knowledge. Translated in terms of constructions, this is similar to house building- the project design starts from one or several concepts, these are transformed into a project (curriculum and lesson plans are alike), at a later stage turned into a building by constructors, brick by brick, layer by layer, finished and polished until every tiny idea becomes palpable. Starting with first grade teachers the layers of knowledge gather and can be seen or diagnosed in students. In some of these layers we can identify periods in which teaching to the test was practiced. The overuse of these exam practice materials, apart from its positive influence such as motivating students to learn and preparing students according to the standards of the curriculum, brings negative aspects, such as a loss of labor market connected skills, loss of social and communicational skills and in some cases a sort of functional illiteracy. Being accustomed to a certain artificial form of expression, controlled and guided by given pattern drills, most students are afraid to "get out of the shell" and initiate a conversation when required. New conversational tasks are rather perceived as a threat, than as a challenge to put into practice what they learnt.

3. Findings

Having set a number of working definitions, we consider useful to investigate the teacher's role in effective error correction in the case of communication tasks. In this case, their role proves to be a multitasking role, as they assume in turn the roles of scenario writers, when designing scenarios for the given tasks. They become actors, when interpreting/demonstrating the task to their students. Some other times they become directors, when assigning and explaining the roles or when choosing the right approach for the activity. And finally, they become evaluators when assessing students' oral performance.

Oral communication activities go beyond a capacity of finding words and putting them together. In order to make students aware of the social context the practical oral activities include a presentation of three factors that influence speaking in real life situations: audience, reason and social environment.

In terms of possible formats of business oral communication activities are organized as: a job interview, a business presentation, an interactive small talk, business meetings or interactions with customers, providers, suppliers etc. the tasks are centered around describing processes, situations or job tasks, comparing things, narrating a situation, offering information. In terms of settings- real life circumstances are created: face-to-face, remote (telephone or internet) recorded or live.

Committing errors in the process of language learning is almost unavoidable. Error analysis needs to be transformed into a productive instrument; therefore, teachers are continuously preoccupied to offer constructive error correction to their students. An effective analysis of the errors would enable instructors to identify what their learners need to learn. In order to be able to offer students a precise indication on the level of their performance and linguistic acquisition, the use of feedback instruments is a useful method. In the case of oral presentations, for example, apart from discussing personal observations and subjective points of view, developing a feedback grid and applying it, followed by a group analysis, proves to be an excellent approach. The feedback sheets used must also include socio-linguistic items. After being studied and discussed with the whole class, the grid should ideally be used not only by the professor, but also by the other students- who, most often, prove to be extremely attentive and refined observers. In order to simplify the grading system, we used a grading scale ranging from 1 to 5, in which 1 is unacceptable, 2 is poor, 3 is average, 4 is good, 5 is excellent.

Table no. 1 Oral presentations feedback grid

Aspects	Points to take into consideration	Grade
Presentation planning	A careful preparation of the chosen topic	
Objectives accomplished	Adapted to the audience, to the topic	
Approach	Subject knowledge Clear message	

Organization of content	Consistency Relevance to the chosen topic	
Visual aids	Adequately chosen Easy to understand Clear design Confident handling of the presentation? Of the equipment?	
Delivery	Enthusiasm Eye contact Audience rapport Audibility and intonation Body language	
Overall	Was it interesting? Motivating? Enjoyable? Overcrowded slides?	
Other suggestions		

Source: (Adapted from Cotton D. and Robbins S., 2003, 76)

Applying peer support and correction in this case is very valuable, as it fully illustrates the advantages of peer correction noticed by Edge (1989, 26):

- Students are involved and motivated to listen attentively and think about the language.
- Students learn that collaboration among them is important and that they have a lot to learn from each other.
- When encouraging peer correction, the teacher gets information about the other students' ability to perceive and correct a certain type of mistake.
- Learners' ability to practice constructive correction without hurting each other's feelings is exercised.

4. Conclusions

The purpose of our study was to present and to offer a brief analysis on the way error correction in oral business communication can become a useful instrument in effective language improvement and not only- as socio-linguistic devices are also practiced and improved at this level. A passive role in this type of approach is most probably excluded, both teachers and students being actively involved and in a constant collaboration. Apart from the roles mentioned above, the professor's struggle is to find the adequate balance between correction and a constant supportive attitude in order to fit the learner's educational and emotional needs. Sufficient space and time should be allowed for self-correction, because it guarantees self-improvement and the most adequate form of informational internalization. Correction is ultimately a method of "pushing learners to succeed", the reverse being represented by the danger of losing the "object" between theory and practice. Teachers' ultimate goal is to produce confident and motivated learners, able to produce effective communication and to use effective communication strategies.

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The Influence of New Media Tools in ESP Teaching: Case Study on Business English

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Abstract

This paper is aimed at analyzing the role played by new media tools in ESP teaching, with an emphasis on business English. The paper is divided into two main sections, i.e. a theoretical and a practical one. The first section provides a short introduction to the basic theoretical aspects of the notion of new media and its tools, and it also briefly presents several Internet-based activities. Furthermore, it underlines that teachers should be aware of several issues related to the use of the Internet in the classroom. The second section designs an experiment related to the use of new media tools in the ESP seminar, aimed at increasing student participation, granting learners a more active role in the learning process and contributing to the enhancement of their ESP skills. Moreover, this experiment also professes the idea that new media tools can strengthen the collaboration among students and enable teachers to work more as facilitators/ consultants, encouraging communication in the ESP seminars.

Key words: new media tools, experiment, ESP skills, business English, teaching process

J.E.L. classification: K00

1. Introduction

In general, language learning involves two main "actors", i.e. the teacher and his/her students, and a "stage", i.e. usually the classroom. However, technological development – especially in the field of information technology – and the increasingly easy Internet access have engendered virtual learning environments and new learning experiences. Consequently, learners of all ages have been given endless occasions to attend various lessons, courses or trainings from different locations, whenever they want, as their teacher or trainer is only a click away.

According to Vizental (2008, p.39), teachers' roles are nowadays different (compared to the ones starting on traditional classroom stages):

"In the age of information, teachers must relinquish their traditional, central, authoritative place in the classroom, and they must cease to be the source of information: the teacher's new role is that of go-between the student and the learning process. Students should be helped to link the learning material to their own lives and internalize it as personal experience. The student becomes a researcher and a discoverer."

Therefore, great emphasis falls on interaction and on the exchange and negotiation of ideas. The above-mentioned scholar stresses the importance of the students' intention/ desire to communicate and get involved in various exchanges (Vizental, 2008, p.214). For this purpose, teachers should present students interesting topics and design attractive activities, stirring their imagination, creativity and language production.

Some authors, such as Schmidt et al. (2013, p.3), explain that the rapid and easy Internet access has triggered global social, cultural and political transformations, especially in the field of communication. Thus, online communication is nowadays part of our daily interactions and information is disseminated at an extremely rapid pace. Another scholar, Suzie Boss (2010; 2011), professes that the employment of new media tools in education provide opportunities for students to question traditional teacher-centered learning models, by sharing and discussing their opinions

outside the classroom and even at great distances. Due to digital technologies, students are able to get more new pieces of information than they do from their teacher in the classroom. Thus, learning in an online environment can contribute to the improvement of the target language and to the development of intercultural and communicative skills; it can also encourage the student's independence.

Although the use of new digital media tools has always represented a challenge, it can offer both teachers and students a great variety of creative and practical ideas. Moreover, it can enable teachers to meet the students' various needs and interests and to provide them with many interesting and entertaining language practice activities and tasks that develop their reading, writing, speaking and listening skills, also encouraging them to practice these skills in general, outside the classroom (see Meidasari, 2016). Nowadays, an infinite number of resources provide a great variety of learning and discovery paths. Nevertheless, it should be noted that Harmer (2007, p.176) warns teachers not to consider them as learning methodologies, but rather as auxiliary tools of their teaching approaches.

2. Theoretical background - The notion of new digital media

James (2009, p.49) defines new digital media as "the actual technologies that people use to connect with one another—including mobile phones, personal digital assistants (PDAs), game consoles, and computers connected to the Internet". According to Meidasari (2016), these technologies involve young people in a range of activities, such "social networking, blogging, gaming, instant messaging, downloading music and other content, uploading and sharing their creations, and collaborating with others in various ways" (p. 78). In their turn, Ito et al (2009, p.3) explain that new media are used in order to "describe media ecology where more traditional media, such as books, television, and radio, are converging with digital media, specifically interactive media and media for social communication". Therefore, according to the above-mentioned authors, new media include a large variety of tools and transformations in terms of media technology, which cannot be seen only as mere technical characteristics.

In general, the term new media is used in order to make reference to all those means of communication, representation and knowledge, characterized by signal digitalization and endowed with content dominated by multimodality and interactivity (therefore, it includes everything from the mobile phone to digital television, also including game consoles and the Internet). The new media tools are extremely useful especially in mediating communication, incorporating new technological dimensions, combining interpersonal communication and mass media dimensions, etc. Ito et al. (2009, p.13) underline that the distinction between "old" and "new" media is only temporary, because, in the future, all media will turn into new media. According to these authors, the Internet is both a new medium and a technology whereby all the other media and communication modes interact through the establishment of digital or analogue connections (Ito et al., 2009, p.19).

3. Instances of Internet-based media tools that can be used in the ESP seminar

Social networking sites, such as *MySpace*, *Twitter* and *Facebook*, along with video counterparts like *YouTube* (allowing users to watch videos and upload videos of their own recordings), play an important part in asynchronous communication (Baron, 2008, p.110). For instance, *YouTube*, whose slogan (i.e. "Broadcast yourself") suggests that its services are dedicated to ordinary individuals who want to publish videos they have created, is also used by companies and organizations to promote their businesses. However, an extremely large number of *YouTube* videos (e.g. amateur films, music videos, tutorials or instructional videos, do-it-yourself guides, various funny events, etc.) are created and uploaded by amateurs from all over the world, from various backgrounds.

Another online community, which is dedicated to language enthusiasts that help each other learn and master a foreign language (for instance, by leaving comments in response to exercise practice, by building mini-lessons within exercise feedback, by having conversations on different

topics or by providing language practice and culture tips, etc.), is *Livemocha*. In its turn, *Wiki* enables individuals to edit a document or to add new content to it, operating on collaborative trust (Baron 2008, p.116). These features transformed *Wikis* into a common tool in offices and organizations, employed in drafting joint projects. A well-known example of a *Wiki* website is *Wikipedia*.

Blogs, which are predominantly text-based and published for various reasons (such as to document or to share one's personal experiences; to stay in touch with one's friends and family; to share one's practical knowledge or skills – see Baron, 2008, p.111-112), reaching many people simultaneously, also represent an interesting Internet-based instrument very useful in the ESP seminar. Blogs "attract" readers (as one can find them on his/her own and choose to open or to ignore them), while email or instant messaging are seen as "push" media tools because they show up uninvited on one's electronic device or computer.

4. Using new media as learning tools in the ESP classroom: practical suggestions

One of the greatest challenges faced by the ESP teacher, in the academic environment, is represented by the fact that s/he has to teach students with different backgrounds, abilities and proficiency levels. Moreover, s/he should carefully choose the ESP content, so as to fit the students' field(s) of study, and be able to face various challenges triggered by the specialized terminology featuring in the respective content (see Chirobocea, 2016). Therefore, the ESP teacher must design various learning options and flexible and motivational activities, and provide students with material, according to their needs and interests. The Internet is packed with ideas to get the students involved in communicative activities, using new media tools. According to Harmer (2007, p.69), the main advantage is represented by the plentiful exposure to language in use; new media tools provide a wide range of language practice opportunities, which are vitally important for a student's development of ESP knowledge and skills.

In her turn, Suzie Boss (2010; 2017), an edutopia.org blogger, states that a strong classroom culture is beneficial to all students, irrespective of their age. Icebreaker activities, such as name games or brainstorming activities are widely used at the beginning of the school/ academic year, contributing to the architecture of a positive and trustworthy learning community. The blogger's advice is that teachers should update this tradition and make it more attractive by employing new media tools and low-tech activities, which will enhance the students' teamwork skills and creativity, from the very beginning.

In addition, Boss (2010; 2011) gives practical suggestions of tools that can be used in class, such as: *Wallwisher* (see <http://wallwisher.com>), a user-friendly brainstorming and feedback-gathering tool; *AnswerGarden* (see <http://answergarden.ch>) – a fast response-gathering online tool, which does not require registration; *VoiceThread* (see <http://voicethread.com>) – which can help teachers and students get better acquainted, allowing the combination of photographs or of other visual items with written/ audio comments. *VoiceThread* can also be employed as an activity involving the entire class (i.e. the teacher can ask his/her students to share a digital album in order to introduce themselves to their classmates, or s/he can ask them to record audio comments about themselves). Another interesting tool is *Glogster EDU* (see <http://edu.glogster.com/>), which designs multimedia posters, by incorporating various items, such as texts, graphics, pictures, links, audio, video, etc. Moreover, since students can employ these online posters in order to combine and sort digital content, *Glogster* can be utilized in the organization and development of big projects.

Last but not least, social media tools, such as *Edmodo*, *Facebook* or *Twitter* can also raise the students' interest. In "5 Ultimate Tricks of Using Social Media as Learning Tools", blogger Stephanie Norman (2016) emphasizes that an increasing number of students consider that social media, such as *Facebook*, can make the learning process more appealing and fun. In this regard, teachers can gradually use social media in order to create groups, ask questions and post various messages or links to various e-books, articles, videos, etc. These strategies – involving the use of the new media as learning tools – are likely to raise the students' enthusiasm and trigger better learning results.

Teachers should provide many opportunities for learning experiences, encouraging students to get information from a large variety of sources. Having in view that students enjoy discovering new things and respond well to being asked to use their creativity by various means, especially by involving visual aids (see Nadrag, 2018) and new media, a performant ESP seminar should also provide an atmosphere of cheerful and supportive harmony. Thus, adapting ESP lessons to these modern learning styles and using the new media in the ESP seminar can have a great impact upon students, providing for new communication opportunities, encouraging collaborative learning and critical and creative thinking.

5. Research methodology and expected results

In second semester of the academic year 2019-2010, I intend to conduct a study on the effects of the use of new media tools in the ESP seminar, as far as the development of the students' writing and speaking skills are concerned, with special emphasis on business English. Thus, the hypothesis underlying my study will be based on the idea that the use of new media tools in the ESP seminar will contribute to the enhancement of the students' writing and speaking skills and it will motivate their learning.

I chose to conduct this study together with the students majoring in Economics and International Affairs, second year of study. For this purpose, I will divide the students into two main groups, i.e. a control group and an experimental one. Both groups will be taught the same ESP content, i.e. "Jobs, People and Organizations": "Work and Organizations", "Recruitment and Selection", "Skills and Qualifications", "Pay and Benefits", "Managers, Executives and Directors", "Businesspeople and Business leaders", "Organizations"), for four weeks. It should be mentioned that the ESP content will largely be based on Bill Mascull's book, *Business Vocabulary in Use* (2002) and on Carmen Liliana Maruntelu's *Course in Business Communication* (2007). However, with the students from the control group, I will use traditional teaching methods, strategies and techniques, while the students from the experimental group will become acquainted with several new media teaching tools.

As far as the data collection instruments are concerned, I will have in view the following: the initial test, the observation of students' activity and attendance during the experiment, the final test, and statistical data (in terms of the students' age, gender, previous educational background). The initial test will aim at establishing the student's English language proficiency level. The results of this test will underlie the distribution of students in the two groups (i.e. the control group and the experimental group), in order to obtain two heterogeneous groups, with similar English proficiency levels. During the entire study period, I will observe and register the students' reactions and involvement degree in the ESP activities (i.e. attendance, motivation, initiative, active participation, task achievement level, etc.). The success of the new media tools will be underlined by the students' high level of participation and interest in the ESP activities.

The ESP content will be distributed into two lessons, one dealing with jobs, recruitment and remuneration and the other focusing on managers, businesspeople and organizations. Each lesson will consist of several sections with the same key features: presentation of the new language items, dialogues and activities. The new language items will be presented and highlighted in various contexts, depending on the teaching approach used with each group (i.e. the control group and the experimental group). In general, I will also introduce students to short dialogues or texts or ask them to integrate the new vocabulary items into dialogues/ texts of their own, aimed at gradually improving their speaking skills. The ESP activities will involve pair and small group work (see Maruntelu 2006), matching exercises, gap filling tasks, error correction exercises, crosswords, brainstorming, etc., focused on the use of new language items in meaningful contexts and in accordance with the teaching approaches and strategies employed for the two groups involved in this experiment.

For the control group, I will design task-based learning activities (based on Nunan, 2004). First, the students will be provided with the new language items (as pre-tasks), but the emphasis of the learning process will fall on the performance of tasks, followed by the discussion of the respective language items and corrections, if necessary. Commands, repetition, drilling, question-answer exchanges (based on texts or on dialogues) are among the techniques that will be employed at the

ESP seminar designed for the control group.

As far as the experimental group is concerned, I will use a communicative, student-centered approach (see Nadrag, 2013) and new media tools, aimed at developing the students' speaking and writing skills, the emphasis falling more on language functions and interactions, and on the students' learning needs and interest, within a relaxed and supportive atmosphere. I will create a social media group with the students from the experimental group and use it in order to post various ESP exercises, videos, pictures and pieces of information, all related to the topics debated at seminars. I will also encourage (and, at some point, even require) students to post their own videos or pictures (connected to the respective topics) and/or to comment upon the items posted by me or by their classmates. Moreover, brainstorming, online discovery activities, online crosswords, word games and quizzes, information-gap filling activities (preceding writing activities), writing short paragraphs on various topics (using the newly taught language items), listening short sequences for gap filling or for specific information, watching short videos (also for gap filling or for extracting specific pieces of information) are some of the techniques that I will use during the ESP seminars attended by the students from the experimental group. Thus, students will discover new ways of learning business English by playing various online games or by solving online exercises, quizzes and crosswords, which will also entail enjoyment, motivation, problem solving skills, interaction.

As far as the final test is concerned, it will be administered at the end of the experiment period and it aims at verifying the students' evolution in terms of language acquisition and development of their speaking and writing skills (by comparing the grades obtained at the initial test with the final test grades). This test will also check the efficiency of the new media tools in the ESP classroom (by comparing the results obtained by the control group with the grades obtained by the experimental group). It is noteworthy that the final test items will be selected from the materials employed in the ESP classroom. If the experimental students' outcomes are better than those of the control students, the hypothesis of the study will be validated.

6. Conclusion

The comparative results of the experiment are likely to show that the students from the experimental group will enjoy the new media tools used in the ESP seminar, triggering positive attitudes, increased motivation and a high degree of active participation, encouraging them to speak and write in English, contributing thus to the development of their productive skills (i.e. speaking and writing). It should be noted that the success of using new media tools in the ESP seminar is likely to be enhanced by the student-centered approach, where students are provided with interaction opportunities and encouraged to produce their own language, the teacher playing the role of a facilitator of the learning process. Having in view that the new tasks will be designed so as to meet the students' interests and needs (dealing thus with individualization), these beneficiaries of the learning process will appreciate more the ESP activities, which will also keep them engaged in the learning process. Moreover, the new media tools will provide students more access to individual extensive learning, also boosting their interest for self instruction, encouraging them to continue their learning outside the seminar. For instance, students usually find it easier to learn new words, by simply clicking on a corresponding picture to see their definitions or to practice reading on their own. Furthermore, word pronunciation and meanings, various definitions or any additional pieces of information are just a click away; multimedia tools can support their understanding of the newly taught language items and improve their speaking and writing skills, in terms of business English.

Therefore, by integrating new media tools in the ESP seminar, the teaching and learning processes will become more flexible experiences, their facilitator (i.e. the teacher) being able to adapt them to the students' learning styles, pace, interests and needs, boosting their critical thinking and problem-solving skills.

Nevertheless, it should be mentioned that new media also poses some challenges for teachers, having in view the overwhelming variety of teaching sources and materials but also the fact that some of them may not be trustworthy. Thus, teacher should be able to discern the right from the inappropriate ones and select only those tools that fit the teaching content, the teaching approach

and its objectives and also the students' needs and interests. All in all, we strongly believe that despite all these challenges, the advantages triggered by the use of the new media tools in the ESP seminar will surpass the difficulties, and an appropriate planning will reduce these drawbacks, transforming new media into efficient ESP teaching and learning instruments.

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Triggers of the Economic Crisis

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Abstract

Trade war, stagnation, distrust of institutions and the effects of the political turmoil that change the international business environment, have intensified the empirical research over the enhanced instability of the economic systems. The present research highlights the warning signals of the slowing down economy and triggers of financial crises, the authors rationalising them, trying to find out whether a financial crisis is approaching or not, based on recent crises. Financial crises analysis leads towards asking questions about whether we can determine, predict or prevent crises and finding solutions for preparing for such events.

Key words: financial crisis, black swans, trade war, slowing down economy, recession.

J.E.L. classification: F650, G01, J00, K24, O20.

1. Introduction

In this research paper, the authors are studying the warning signals of the slowing down economy and triggers of financial crises, rationalizing them, trying to find out the main characteristics based on most of the crises from the last 20-30 years. Early signs can warn the policymakers and regulators about forthcoming financial crises (Diks et al., 2019, pp. 1201). The economic crisis is explained by the businessdictionary.com by a sudden downturn of the economy of a country, in a form of recession or depression, caused by a financial crisis.

Thinking about weather crises can be predicted or not, economists might identify the causes of crises, firstly by taking in consideration the risk factors, and afterwards analyzing the accumulation of factors that can lead to a potential crisis. Also, crises might be predictable, occurring in economic cycles, at every 8 to 10 years, or unpredictable, caused by the black swans events.

The former governor of Bank of England, Mervyn King, considers that global economy is leading towards a new financial and economic crisis, because of the economic stagnation, and too less spending, actually a low growth trap, after the 2008-2009 recession, comparing it with the economic growth that succeeded the Great Depression (Elliott, 2019). Also, he raises an alarm signal over the fact that the global economic crisis will be disastrous for the free market economy.

2. Theoretical background

Generally speaking, in the occurrence of a financial crises, there are several predictable risk factors that can trigger a crisis, from which we can state some:

- Low-interest rates on loans
- Overvalues assets
- External shocks
- Manipulating the markets
- Shadow banking

- Cyber attacks on banks and stock exchanges.

Black swans events are impossible to predict, with dramatic and unexpected consequences and that are rationalized only afterwards. We can draw examples of different black swans that led to crises in the past, such as:

- The *Asian financial crisis in 1997* - consisting of currencies devaluations, that started in Thailand, after the government decided to stop pegging their local currency, Thai Baht to the US dollar. But Thailand was strongly relying on foreign debt and the currency market failed, which led to stock market decline in entire East Asia (Thailand along with Indonesia, Malaysia, Philippines, China, South Korea and Japan). In the end, World Bank and the IMF helped in solving the Asian crisis but even Europe, Russia and the US also felt the market declines.
- Another black swan triggered the *2000s* with the *Tech Bubble Crash*. Preceded by low-interest rates, telecom companies made huge investments in infrastructure technology, bought 3G licenses and ended up in debt. In the attempt to gain in the customer's competition process, the telecom providers greatly reduced their prices, which ended up in the Dot-Com Crash.
- In *2001, the Fukushima nuclear disaster* happened, when a strong earthquake, followed by a tsunami, meltdown the reactor. The nuclear accident led to huge economic costs, on compensating businesses and residents, cleaning and evacuating the area, the damages wreaked over farming and fishing in the area, and the cost numbers will get to 3 trillion\$, according to Michael Barnard (2019).
- *The Great Depression and Global Financial meltdown in 2008* – the biggest economic disaster since 1929. The abundant liquidity and oversaturation of savings created resources available for investments. The low interests rates and their low volatility led to a higher appetite for high-earning assets, and underestimating the risks, a very low vigilance concerning low margins prices and not understanding the risks involved, also the cracks in the business models of rating agencies – the accumulation of these factors triggered the greatest financial meltdown.
- *The 9/11 crash* - 19 terrorists from the al-Qaeda Islamic terrorist group have planned the attacks, hijacking four American passenger airliners and crashed them over the World Trade Center towers and Pentagon. Over 6000 people died, the insurance losses were more than 40 billion\$, the US stock lost 1,4 trillion \$ in one week, and two wars started afterwards the Afghanistan and Iraq wars.
- The *2014 Crude oil crisis* – the oil price fell from 110\$ per barrel in 2011 to 29\$ per barrel in 2016 (Ellwanger, 2017), due to offer and demand factors, oil production largely expanded while the consumption did not grow enough.
- *2015 The Black Monday in China* that resulted in over 4 trillion\$ losses – the stocks got overvalued in a period when the Chinese economy was going down.
- *2016 Brexit* – the cost in three years is over £66 billion and it's just starting.

3. Triggers of a potential economic crisis and Romania's situation

The US war trade with China and other states, combined with imposed restrictions on migration, foreign direct investments (FDI) and technology transfers, all of them have negative effects on the global supply chain, followed by slowing down growth and rising inflation. Emergent market economies (EMEs) are the most sensitive in the case of the economic crisis, as they borrow in foreign currencies. Romania is one of these countries, as the national currency, the RON is not entirely convertible, like US dollars, GBP, Euro, Yen, Swiss francs. Central Bank being the lender of last resort (LOLR) for the commercial banks, can get vulnerable in the extent of flash crashes on a less liquid financial market.

The market economy in Romania is too recent to respect the usual economic cycles prognosis and it was drastically reformed; it was subject of a large number of shocks, which masks the cyclical crisis generated by the market.

There are several risk factors that, in the extent of accumulation, might lead to a potential economic crisis in Romania such as external shocks, markets manipulation, social and political factors and over evaluated assets.

- *External shocks* – Romania is connected to an international market. Every shock in the external market can generate a crisis here, and there are two major risk factors we can expose Brexit and China situation.
- *Brexit*. For sure the withdrawal of Great Britain from the European Union will affect the common market – the most important commercial partner of Romania. Even if the UE already implemented a series of measures, it is still possible to occur several unpredictable events or bottlenecks in production that can block entire branches of the European economy. Brexit is a new phenomenon with hard to predict consequences.
- *China* and the inevitable slowdown. China will not be able to grow in the same accelerated rhythm on the midterm, partly because of the trade war with the US. Companies tend to get more cautious and hold back on investments and even cutbacks, or slowing down hiring. The labour force that was always a strong advantage for the Chinese economy is raising a red flag for the future workforce. Furthermore, their leadership diversity is quite lacking, as board members of more than 80% of the privately-owned companies and over 90% of Chinese state-owned companies are Chinese nationals. That means that shortly, the solution is hard to come from a foreign workforce. A strong influence for the labour force reduction comes from the one-child policy, which led to a demographic shift and decreased overall workforce by 13,5% in 10 years, from 2008 to 2018 (Statista Research Department, 2019).

4. Eurozone crisis afterword

Banking crises negatively impacts the level of GDP, and subsequently the capital, productivity, with other words, the potential output reduces dramatically. A banking crisis leads to a deficit in the structural budget and public debt. In the short term, this translates into a recession of the public finances and the cost for rescuing the banks and, in the long term, by lower tax revenue because of the productive potential fall. To consolidate their finances and restore fiscal sustainability, austerity measures will be needed. The European debt crisis had significant consequences for many countries from the Eurozone. Mainly triggers of most financial crises are the regulators, governments, and banks practices; even though each country has specific economic conditions and reasons that led to the financial crisis.

- Greece, for instance, did not take measures for the prolonged period of corruption, the black market economy, tax evasion and high imports (Cabral et al., 2013).
- Ireland government has financed one of the biggest Irish banks (Bank of Ireland) in a period when it seemed it was lacking liquidities, but it proved out that it was actual insolvent. Bank failures, bad banking practices happened because of a lack of regulatory surveillance, the bad implementation of regulation or improper risk management of the Irish financial institutions.
- The sensitive budgetary discipline of Italy,
- the revenue crisis in Spain,
- in Cyprus banks overleveraged local companies and the exposure of their financial institutions to Greece debt crisis, together with failure in paying the structural expenses on international markets and a weak financial system.

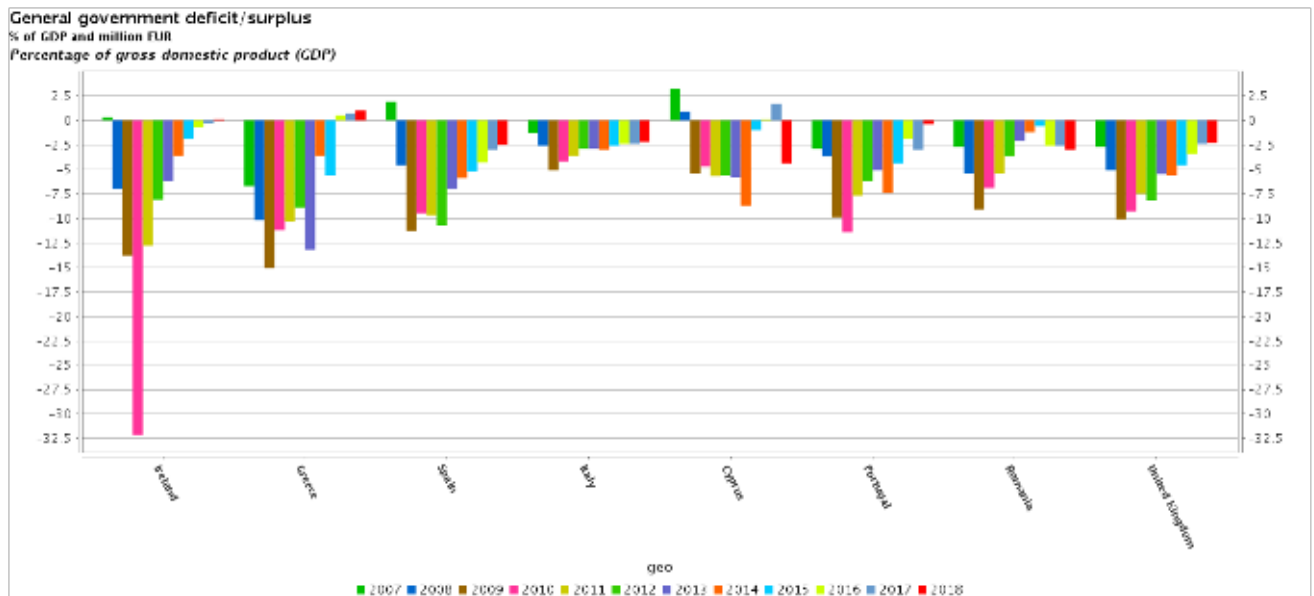
Greece, Cyprus, Ireland, Italy, Spain and Portugal have all passed through similar steps:

- 1) occurring the financial crisis that led to government debts that could not be paid, followed by
- 2) bail-out programs to save the excessive debt of banks and refunding their governmental debts, provided by the IMF and European Central Bank or other Eurozone countries,
- 3) implementation of austerity measures to payout the public debts.

In the end, Ireland, Cyprus and Portugal managed to regain access to the market in summer of 2014, also Greece ended their bailout program in 2018.

Below, we exposed the government deficit of these eurozone countries from 2007 until 2018, expressed in per cent of gross domestic product.

Figure no. 1 - General government deficit/surplus; % of GDP and million EUR in the period 2007-2018.



Source: Authors' extract from Eurostat

Prolonged austerity politics are reflecting in daily life and are usually followed by people discontent, in the beginning, and might end up in protests even with riots, and organizing reelections. As Crafts N (2019) suggests, the United Kingdom financial crisis and the extended austerity period led to political consequences like people's vote for the UKIP party and after the 2016 referendum for Brexit.

5. Conclusions

The financial markets liquidity is decreasing in the following directions: assets volatility downturn, deadlocks in executing trades, and decrease in financial market depth. 25% of the total global turnover on the foreign exchange (FX) and over the counter (OTC) derivatives market is in the EMEs, according to Bank of International Settlements (BIS 2019).

Today, the global financial system is much more precarious and unstable than it was before the 2008 financial crisis. The global debt exceeds overall levels, the possible hostile interest rate policy of US central bank, the turmoil in the Middle East, trade wars, and maybe Brexit, are likely to guide us into a global recession and financial crisis.

The democrat economies are not prepared for the consequences of another financial crisis. In the occurrence of a global financial crisis or recession, the most affected will be the emerging market economies (EMEs) but neither the advanced economies are not ready, due to their current level of public debt that would not allow them enough financial stimulus in such case.

A solution for financial stability would be an ease of the Federal Reserve restrictions in the US and the Eurozone would be the risk-sharing reform, to be implemented by the European Stability Mechanism, that would guarantee all the bonds of the European Economic Monetary Union, so all the public debts will converge into Eurobonds (Dosi et al., 2019).

The 21 century came in with transboundary challenges, like climate change, cyber crimes, high sovereign debt levels but in the same time, with globalization and technology that is shared broadly, and consequently, with an optimistic regard, we can say that they are helpful to prevent future crises and to effectively react to next recession and hope in building a flourishing future.

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Privacy and Cybersecurity Insights

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Abstract

This research paper concerns the interactions between privacy and cybersecurity as business risks, exploring how the same challenges apply to both of them and how security is a global threat in a digitalized world.

In their quest to gain competitive advantage, capitalizing on digital information and owning personal data, businesses of all types get challenged in managing risks, being exposed to data privacy and cybersecurity. As information and processes get digitized, more risks occur and an organization evolution is influenced by the way it manages risks of all kind: reputational, ethics, conformity, regulation, market, strategic, credit.

The paper raises awareness and encourages dialogue on data governance and presents important direction lines over cyber security as a fundamental part of online privacy protection.

Key words: cyber security, data privacy, data breach, risk management.

J.E.L. classification: K24, M42, M48, O33

1. Introduction

The world transformed since the digital era began, everything got more complex and can be instantly changed, with overwhelming opportunities. What seemed impossible in the past becomes a reality, life gets easier in the present with the help of technology but at the same time, we are more exposed to cyber risks.

In their quest to gain competitive advantage, capitalizing on digital information and owning personal data, businesses of all types get challenged in managing risks, being exposed to data privacy and cybersecurity. Virtual environment generated by the cyberinfrastructures and the content of information that is processed, stored or sent and the users' actions are already part of personal and professional life but security is considered far too rarely.

The new technologies, however, entail new risks that can seriously affect the individual or the organization, given that there are numerous hostile actions carried out in the cyberspace capable of affecting the availability, integrity and confidentiality of the functioning of the information systems. As information and processes get digitized, more risks occur and an organization evolution is influenced by the way it manages risks of all kind: reputational, ethics, conformity, regulation, market, strategic, credit. Many obstacles in the digital transformation process are not associated with technology but with culture, talents, good judgement, the risk appetite, risk management ability and the old technology.

2. Theoretical background. Cyber security and digital risk

Risk management is extremely important for the success of businesses. Of course, it is normal to take risks if you seek for evolution and to use social media for better-targeted marketing campaigns. But meanwhile, companies should be aware that digitizing comes with reputation and brand value risks. There are plenty of examples of how easy is to destroy a company reputation in hours.

The top companies are the ones to capitalize their customer's data preferences with various intentions, like direct marketing campaigns, creating personalized services, assessing employees performances to improve their productivity, examining the supply chain data to increase efficiency.

The biggest example of data breach up to that date was Equifax data breach. One of the third-largest US credit rating bureaus released the news in September 2017 that private sensitive information of 147 million people from the 50 US states was exposed. They negotiated an agreement with the Federal Trade Commission and the Consumer Financial Protection Bureau up to \$690 million for people claims.

One of the greatest examples of an ethics violation and leaking data is the Cambridge Analytica and Facebook data breach, that became public in 2018. The political consulting company collected and used the personal data of 87 million Facebook users in 2015 for advertising the Trump political campaign (and later in Brexit vote and Mexican elections) – more specific, they used the data to create personalized voting ads. The fine the social media network received from the Federal Trade Commission (after refusing to recognize that they were aware of the data exposure) was \$5 billion and in terms of the reputation, it is difficult to say if Facebook will be able to pass over the scandal.

The Marriott data breach is another famous case of the data breach. The Chinese spy agency, communist-controlled hacked the data of 500 million guests of Marriott hotel chain in 2018. The insurance, mortgage and real estate company, First American Financial Corporation, stated in 2018 that 885 million mortgage files were leaked, dated since 2003.

Hostile actions concern mainly:

- disrupting, disabling, destroying, degrading or maliciously controlling an information system or infrastructure;
- affecting the integrity of the data or stealing restricted information. Example: sensitive data might be extracted or recovered by cyber attackers in case of loss or theft of a mobile device.

According to the Romanian National Computer Security Incident Response Team, cybersecurity refers to “the state of normalcy resulting from the application of a set of proactive and reactive measures that ensure the confidentiality, integrity, availability, authenticity and non-repudiation of information in electronic format, of public and private resources and services, from the cyberspace. Proactive and reactive measures may include political, concepts, standards and guidelines for security, risk management, and training awareness activities, implement engineering solutions to protect cyberinfrastructure, management identity and management consequence”.

Digital risk refers to entire digital behaviour that is used to ameliorate effectiveness and response to risk for all processes and decisions that include automation, for digital surveillance and warning actions. It indicates a contrived adaptation of data, all IT and analysis, processes, human resources and organizational culture. The risk function needs to stop being seen just as a protective tool but to be part of the strategic management.

Organizations use data governance as the system to manage, engage and assure data. Data comprises full or in part, an enterprise hard copy or digital assets. Defining data becomes the key process of the business and is part of data governance best practices. The trickiest thing is to get to know what data mean for the company, to be able to realize in which ways it can be used. Authors can also add any chapters and subchapters designed to help the relevance of the paper.

From the individual point of view, most frequent privacy risks exposures are:

- Geosecurity – due to our devices (mobile phones, smartwatches, sports bracelets and accessories, tablets, GPS devices, our cars navigation system);
- Social media (Facebook, email, they are all free because actually, the users are the products they promote, selling their information to companies that produce services and products guiding by their preferences and all data they provide on social networks);

- Web browsers and apps (the applications accessing our location, camera, microphone);
- Speech Software and Smart TVs (real spies);
- Shopping & Savings Cards (information is used for creating more shopping experiences based on individuals consumption habits; also the location is tracked and might be shared).

3. Three Lines of Defense Model

40 years ago the risk management function appeared, starting to be used in banks, helping them manage risks occurred in different current activities of the organizations. With time, the Three Lines of Defense Model appeared so that the responsibilities of managing risks to be clearly defined and implemented.

Figure no.1 – The Three Lines Of Defense Model



Source: The IIA data

The business departments hold the primary responsibility of risk management because from there risk are generated – this is the **first line of defence**. The fundamental issue is knowing the risks that arise from the activity and to take the right measure to manage them. The model is based on a concept that considers the business function is the one who knows best how to handle correct risk management, considering a powerful risk culture within the organization, for the persons in charge with managing risks. According to IIA, (2019) the first line of defence is defined by functions that own and manage risk.

The **second line of defence** is the risk management function, responsible for supporting the business function, by creating an effective risk management environment and surveil its implementation and application by the first line of defence. The second line of defence provides opinions so that the first line of defence can use in making the best decisions and will alert the business when these decisions are not aligned with the risk principles. IIA explains the second line as functions that supervises risk management and compliance. Here are comprised the Financial Control, Security, risk management, quality, compliance, inspection. An integrated digital risk approach

The **third line of defence** is the internal audit that analyses the activity of the first two functions and provides an independent view over managing risk within the organization. This function reports to an audit committee (or governing body).

The interconnection of data security risks makes even greater the occurrence of other company's risks like financial, reputational and compliance. A solution to the problem would be integrating all data risk in a data governance model and engage them in the same structure with control testing and internal control, within a comprehensive approach of risks.

All lines of defence must be knowledgeable of all changes on the risk appetite vs tolerance to risk for an integrated risk approach of a business decision, risk monitoring and control. Effective risk management determines business performance, cooperation between the first two lines of defence is crucial for business growth. Managing the business in a risk-based manner implies data assets awareness and the ability to estimate quantitatively the impact of a data breach, cybersecurity attack in case of exposure to unwanted events. Capodagli (2018) agrees on the importance of work effectiveness between the second line of defence and the business partners in negotiating convenient security levels respecting the directions given by the board.

4. Risk function

To help your readers The ascent of data analytics imposes managers to be vigilant to model risk and be aware that interrelated companies might be risk contagious.

The PricewaterhouseCoopers (PWC, 2010) studied the seven key disciplines for risk function to focus on: leadership, process alignment, proactive information, enterprise risk assessment, efficiency and culture.

- Top management needs to provide leadership, promote transparent communication, assure that everyone in the company knows and acts towards company goals and support team managers to see their departments as a network, not as individual silos.
- Process alignment – synchronizing the organizational objectives, the business process objectives, strategies and performance metrics, aiming to avoid conflicts, duplications and omissions.
- Supporting employees through a proactive information delivery, offering a complete spectrum of knowledge to all business processes.
- Enterprise risk assessment – continuous auditing the risk categories and activities of the business across the way of meeting the company's objectives and evaluate the risk-adjusted returns.
- Efficiency – analyzing the root causes of risks, working sustainably, optimizing the business processes, taking advantage of opportunities, reducing the costs and boosting competitiveness.
- Culture – emphasizing the company awareness and controlling the risk appetite with the linked processes from the three lines of defence.

5. Data protection regulation

Data classification refers to the scope of data within a business and how it is linked to processes and managers. Regulations in charge of personal data and cybersecurity are fundamental in data classification. Companies that manage to classify data can also safely protect it, using programs to evaluate and identify the content of their data assets.

The European Union adopted in 2018 the General Data Protection Regulation (GDPR) that applies to all organizations that use personal data of users from EU, regardless of their location, so it applies within EU and beyond, imposing internet privacy on a global level.

The Information Commissioner's Office (ICO) decided that Equifax U.K. breached several data protection standards in the Data Protection Act 1998 (DPA 1998), counting:

- fair and lawful processing of data;
- obtaining personal data only for one or more specified lawful purpose;
- poor retention practices;
- failure to secure personal data;
- lack of legal basis for international transfers of U.K. citizens' data to the U.S.

There is no law at the federal level in the United States up to date regarding data privacy or data security.

Nevertheless, California state elaborated in 2018 the CCPA, the Californian Consumer Privacy Act, regarding data privacy, internet-focused, for Californian consumers and will take effect in January 2020. The CCPA concerns obligations and individual rights, fines for noncompliance and the right of private action.

6. Conclusions

Online exposure to risks is high in a world where every information is connected and threats become more sophisticated. Because companies tend to not publicly disclose security violations, due to reputational risk and competition concerns, there is not sufficient information about how attacks are executed, which restricts the cybersecurity work.

Companies need to implement strong governance procedures, recruit capable staff with both technical and cyber skills, connect data governance with technology and act accordingly to protect the business reputation in case of a privacy violation. Cyber breaches occur mostly because people of human errors, therefore, is important to mitigate the risks and enhance awareness on human risk management (Deloitte, 2019). In the same time way of managing digital risk is getting insured. Companies need to think from the attacker perspective, to evaluate the risk exposures and assess the worst loss that can be provoked and invest in risk insurances for most valuable assets and preventive maintenance software.

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Nicholas Georgescu-Roegen - An Atypical Economist

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Abstract

Nicholas Georgescu-Roegen is one of the most famous Romanian economists. From the point of view of the schools of economic thought, his writings are not part of the orthodox typology. An original and unconventional spirit, Nicholas Georgescu-Roegen is at the same time an important representative of the mathematics economics and "a profoundly humane and wise philosopher" as Paul Samuelson described him. His work is so atypical especially given the way he analyses economic phenomena and processes seen in connection with the processes taking place in the immediate environment. The economic and philosophic concept of entropy, based upon the second law of thermodynamics, is indissolubly linked to Georgescu-Roegen's name, him thus becoming a paradigm creator. In his turn, the term of bio-economics rests upon Georgescu-Roegen's idea that there is an analogy between the biological and the economical worlds.

Key words: entropy, statistics, neoclassical economics, economic history

J.E.L. classification: B31

1. Introduction

Nicholas Georgescu-Roegen was born on the 4th of February 1906 in Constanta. He lived through three dictatorships and three wars (Georgescu-Roegen, 1996a, p. 75). He had a scholarship while attending an elite educational institution in Romania, the *Dealul Monastery Military High School* in Targoviste, where King Mihai the 1st of Romania and Corneliu Zelea-Codreanu, leader of the extreme right and founder of the Romanian Christian Nationalism, also studied. He was a brilliant student, a born mathematician (he won the contest held by the *Mathematics Magazine* and was declared the best mathematics student in the country) (Drăgan, Demetrescu, 1994, p. 29). He continued to study at the Mathematics Faculty within the University of Bucharest and his teachers were among others Gh. Titeica, Traian Lalaescu and Octav Onicescu.

He had a government scholarship and obtained his PhD in Statistics at Sorbonne University in Paris. His thesis was titled "Le problème de recherché des composantes cycliques d'une phenomena". He continued his studies afterwards guided by the renowned British scholar Karl Pearson (an expert in mathematics and bio-statistics) and by J.A. Schumpeter, at Harvard University, having a Rockefeller scholarship, and became a true economist (he was into the theory of consumer choice and the theory of production).

Given the fact that Schumpeter was impressed by the scientific value of his work, Nicholas Georgescu-Roegen was asked by Schumpeter to work together on a book of economics. He respectfully declined and came back to his native country where ever since 1932 he had been a professor at the School of Statistics created by Octav Onicescu within the University of Bucharest. In the country, he had high public positions for the next decade: Director of the Central Institute of Statistics, Economic Councillor at the Ministry of Finance, Romania's representative in the Committee on Pacific Settlement of Disputes within the League of Nations, Director in the Ministry of Commerce, and Secretary General of the Romanian Truce Committee. Preoccupied by the theory of statistics, he published a course book of "The Method of Statistics. Elements of Mathematical Statistics" in 1933.

In 1948 he immigrated to the USA and went back to Harvard. Later he accepted a position as an Economics professor at Vanderbilt University, Tennessee; he also taught at Geneva and Strasbourg Universities. In 1976 he retired. In 1994 he was chosen as an honorary member of the Romanian Academy. He died on the 30th of October 1994 of diabetes, aged 88. His ashes were taken to Bellu Cemetery in Bucharest.

2. Theoretical background. Entropy and Economics

Nicholas Georgescu-Roegen had significant contributions to the development of Economics, especially to the theory of the consumer, to the modeling of the economic growth, to the input-output analysis and to mathematical statistics. In 1971 Harvard University Publishing House published his work that will later on make him internationally famous – *The Entropy Law and the Economic Process*, which was published in Romanian 8 years later.

At the beginning of his economic research, Nicholas Georgescu-Roegen published two essential articles "The Pure Theory of Consumers Behavior" (1936) and "Choice, Expectations and Measurability" (1954), both of them considered to be trend-setters in the field. The first article deals with the problem of integrability in the theory of demand and harshly criticizes the neoclassical theory. The orthodox analysis of demand is founded on the theory of consumer behavior which is based on the assumption that the consumer is a rational subject who maximizes a utility function under a budget constraint. Nicholas Georgescu-Roegen demonstrated that the integral curves of the differential equation that expresses the consumer equilibrium condition (an equation that equates the marginal rate of substitution to the price ratio) do not necessarily represent the consumer's indifference curves. Only when transitivity of preferences is postulated can it be demonstrated that the two types of curve coincide. In the second article, Nicholas Georgescu-Roegen shows that if the consumer's preferences are lexicographic (so-called because it recalls the order in which words are listed in a dictionary), the indifference curve does not exist; it is impossible to construct a utility function from which to extract the familiar demand curve. He was able to point out the *ordinalist fallacy* inherent in the neoclassical consumer theory: despite appearances, the ordinalist approach is not substantially different from the cardinalist one.

Later in his research, Nicholas Georgescu-Roegen published an article titled "Analytical Economics: Issues and Problems" (1966) in which he strongly contested the fundamentals of neoclassical economics, introducing the concept of entropy to his analysis. The term comes from the old Greek language and means *return*, change and it is used in many scientific fields to represent a thermodynamic condition measure which characterizes the degree of disorder of a system, whose value increases as a result of an irreversible transformation (Popa, 1996, p. 224). Entropy also means losing energy due to the increase of the disorder (Varrod, 2000, p. 880). Initially introduced to thermodynamics (defined as "the physics economic value" by Nicholas Georgescu-Roegen) by the German physicist and mathematician Rudolf Julius Emanuel Clausius (1822-1888), in the second half of the 19th century the concept of entropy was the topic of a philosophical debate given the fact that the principle of growing entropy did not go with the mechanist vision. Nicholas Georgescu-Roegen criticized the mechanist bases of the neoclassical school which presented economic activity as a circular process, in which the economic flows unfolded only within production and consumption, without emphasizing their connection with the outside world, the environment. Economically speaking, entropy is a continuous and irreversible degradation of the existing resource potential, of the environment, it is order turning into disorder (Dobrotă, 1999, p. 202). The entropic degradation of the environment comes naturally, in time, at a lower or a higher speed, augmenting the insufficiency of the resources. The economic process depends on the activity of the human being and it is entropic meaning that it turns low energy into waste. This phenomenon is relatively slow and becomes noticeable while accumulating over long periods of time (the exhaustion of certain categories of resources, pollution, climatic change). But, as Lord Keynes said, „ in the long run, we are all dead"... The concept of entropy can be correctly grasped only in relation with the law of entropy (the second law of thermodynamics) according to which heat always passes from warmer bodies to cooler ones; according to this law there occurs a quality degradation of energy: the energy used constantly grows towards a state in which it can no longer be used.

Georgescu-Roegen's way of thinking is atypical due to the fact that he believed that the force driving economic evolution is neither the free market with its self-regulating mechanism (according to Adam Smith), nor the government's control over the economy (according to Marx and other Keynes related currents), but the law of entropy, which states that the energy which is not used has the tendency to constantly increase, while the energy which is used is constantly decreasing. A steadfast opponent of the analogy made by orthodox economics between economic and mechanical activity, Nicholas Georgescu-Roegen considers economic activity to be non-mechanicist and nature to be entropic, meaning it does not consume energy and matter, but turns low entropy into high entropy, that is material goods into waste. The result is the irreversible deterioration of the environment. According to Nicholas Georgescu-Roegen, evolution means a permanent transformation of order into disorder, of low entropy (as the state of matter in which energy is available) into high entropy (as the state of matter in which energy cannot be used) (Georgescu-Roegen, 1996b, p. 275). The amount of energy does not increase, nor does it decrease. There is only its transformation from a form in which it can be used into a form it cannot be used.

3. Some Aspects About Romanian Economy (1929-1939)

Nicholas Georgescu-Roegen was a member of the Committee that published the "Encyclopedia of Romania", proving himself to be an analytical historian of the Romanian economy that he understands and explains by using statistics. He publishes papers on agricultural inventory, foreign trade, prices, personal income, cost of living, and national wealth.

Nicholas Georgescu-Roegen analyses agricultural inventory in Romania given the change in the structure of agricultural ownership as a result of the land reform (Georgescu-Roegen, 1997, p. 12). The state issued laws to endow agricultural economy with what it needed, offered subsidies and tax exemptions to imports of agricultural tools and machines, yet the agricultural inventory remained insufficient in terms of quantity and quality as a consequence of the inequity between the prices of agricultural produce and the prices of manufactured goods. He considered that the fundamental cause of the low average production per hectare was not the insufficient use of motorized vehicles but the unsystematic use of the land. Since small agricultural properties were dominant, Nicholas Georgescu-Roegen thought the solution was not to endow the household with all the necessary tools and machines (which implied huge decrement costs) but to introduce association schemes to allow the introduction of rational methods to grow crops.

His experience as a statistics expert helped Nicholas Georgescu-Roegen to correctly understand the status and the future tendencies in Romania's foreign trade (Georgescu-Roegen, 1997, p. 31). The chronic insufficiency of the internal supply as a result of the constant movement of the operations theater and the high level of imports while the value of the national currency was receding led to the increase of the deficit of trade (however, between 1919 and 1938 there were 14 years in which the trade exceeded as a result of an active policy sprung from protectionism and mercantile economic nationalism). Basically, Nicholas Georgescu-Roegen considered that "when it comes to foreign trade a country's ability to export goods depends mainly on its imports or (...) a country can have a major position compared to another if their mutual trade represents a smaller percentage in the trade of the first country compared to the latter's. The interest of each country in mutual trade is proportional to this percentage".

Nicholas Georgescu-Roegen starts from the postulate that income distribution *is the cornerstone of the mechanism of any economic system* (Georgescu-Roegen, 1997, p. 85). In classical economic theory individual income is given by the marginal productivity of the factors of production, but the government can correct income distribution in accordance with the interest of society, mainly through fiscal measures. In a country in which agriculture (small property agriculture) is what most people do an analysis of the income distribution is difficult because of the fact that much of the farmers' income is consumed by the very farm that generates it. Statistics show two apparently contradictory situations. The first situation: 1. Small farms (less than 5 hectares) in which more than 50% of the produce are used on the farm; 2. 5 to 10 hectare-farms on which the value of the goods that are sold surpasses the value of the goods that are used on the farm; 3. Farms that are more than 20 hectares on which almost 70% of the produce are sold. The second situation: the

average income per hectare decreases as the surface of the farm increases since statistics refer solely to exchange economy.

Nicholas Georgescu-Roegen pertinently interprets price evolution in Romania as an element that shows the wealth or the poverty of a country in a clear and objective way (Georgescu-Roegen, 1997, p. 119). Until the monetary stabilization in 1927, there was one first disparity: domestic prices behaved contrary to international prices. The success of the stabilization was deeply affected by the 1930 crisis which caused massive amounts of capital to leave the country and exacerbated cash hoarding. There is also a second disparity between international prices of agricultural produce and manufactured goods. The prices of agricultural produce in Romania went below the remunerative level, despite the fact that the government offered incentives for corn exports and thus „protected the producer apparently at the expense of the consumer”.

The cost of living varies greatly, according to regional characteristics and Nicholas Georgescu-Roegen considered that its level is determined by the level of urbanization which in turn depends on the number of businesses, the number of their employees and the size of the population. The variation of the cost of living in towns and cities is given first of all by the level of the rent and then by the prices of the food (Georgescu-Roegen, 1997, p. 129). The less developed the town is from an economic point of view, the more reduced the correlation between the level of urbanization and the cost of living is. (Basarabia, Bucovina).

As far as Romania’s national wealth is concerned, Nicholas Georgescu-Roegen thought that it had low commercial value, and that the national income was a high percentage of the national wealth (in comparison with more developed countries) because labor was more intense in national production, but it was doubled by a major potential for development, especially since „national wealth must also include the nation’s spiritual wealth” which definitely potentiates the nation’s progress (Georgescu-Roegen, 1997, p. 141).

4. Conclusions

Economic activity is an extension of man’s biological evolution. Economic rarity originates in the entropic degradation of energy and matter. The solution given by Nicholas Georgescu-Roegen to the issue of rarity is conservation achievable through reducing resource consumption (stopping the production of weapons, reducing the production of luxury goods, ignoring fashion) and managing them at a global scale.

Although he warns about the limits of using mathematics in economics, Nicholas Georgescu-Roegen makes a relevant analysis of the economic status of the country in its dynamics, based on using series of statistical data and complex mathematical calculus.

As N.N. Constantinescu said, Nicholas Georgescu-Roegen’s work is „a priceless capital in the Romanian and universal thought. There is no doubt that many generations of economists to come will contemplate the scientific ideas it comprises” (Constantinescu, 1999, p. 258).

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The Modernity of Max Weber's Economic Ideas

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Abstract

Karl Emil Maximilian Weber is well-known for his works in the fields of economics, sociology, epistemology, law, economic history, theology and philosophy. One of Marx's great intellectual rivals, Weber was among the first to understand that human society has lost the religious dimension it once had and that it cannot progress without values, without faith in God. This is in fact the pillar of the modernity and contemporaneity of Weber's writings.

Key words: capitalism, protestantism, legitimate rule

J.E.L. classification: B31

1. Introduction

Karl Emil Maximilian Weber was born on April 21, 1864 in Erfurt, in Thuringia, the city where Martin Luther had gone to university in. He studied law and economics in Heidelberg and Berlin. After getting his PhD in law, he became a professor of economics and finance in Freiburg and in Heidelberg, where one of the oldest and most renowned universities in Europe existed: Ruperto Carola. In 1919 he had tenure at the Sociology Department within the University of Munich. Together with E. Jaffe and W. Sombart he set up the Archives of Social Science and Social Politics (1904), and in 1910, with a group of researchers including G. Simmel and F. Tonnies, he took part in the setup of the German Sociological Association. In fact, Max Weber, along V. Pareto, Le Play and A. Comte are considered co-founders of sociology as a science. He got involved in politics and became a member of Germany's delegation to the Versailles Treaty. He died of pneumonia on June 18, 1920, aged 56.

In his fundamental paper *The Protestant Ethic and the Spirit of Capitalism*, Max Weber analyzed two major problems: the emergence of European capitalism and the importance of politics in government.

As far as the emergence of the European capitalism is concerned, he relates it to the Calvinist viewpoint on the world. Puritanism forbids Man to learn about God's decisions, but forces him to praise his kingdom. Labor is what confirms the faith of the predestined. Symbolically, Labor is Prayer. The rational organization of labor and the capital accumulation enrich man's life, not material wise, money wise, but because they prove to him that he was chosen by God. The origins of capitalism did not necessarily mean capital accumulation, technological revolution and the emergence of a class aware of its economic destiny; Weber set the emergence of a new ethic which set into motion the entire economic and social mechanism and determined the historic development of the Western civilization in opposition to the Marxist perspective.

As far as the importance of politics in government is concerned, Weber imagined two types of society. The first one, in which individuals are socially integrated in an intense way and act in accordance with religious traditions and norms. The second one, to which individuals adhere based on mutual interest evaluations in order to obtain some advantageous regulations. Thus, any political order is based either on the tendency towards integration, or the tendency towards conflict.

As a result there appears domination (as a form of exercising power), through which those who are dominated and those who dominate make up in political groups. As J.K. Galbraith pointed out, for Weber power is „the possibility to impose one's will on behavior of other people” (Galbraith, 2007, p. 28)

2. Theoretical background - The religious fundamentals of European capitalism

The Protestant Ethic and the Spirit of Capitalism is made up of two distinct parts, published in the in the Archives of Social Science and Social Politics: the first one in 1904 titled *The Problem*, and the second one in 1905 titled *The Practical Ethics of the Ascetic Branches of Protestantism*. The book is the result of research made by the author on the history of the national economy.

Protestantism, as a doctrine, evolved in two main directions: to the *left*, that is towards socialist influences and to the *right*, that is towards liberalism. In Charles Gide's opinion, "Protestantism goes with the liberal bourgeoisie, and this leads to the conclusion that if its place is, generally speaking, to the left in politics, on the contrary, in economics it has to be placed to the right extreme" (Gide, Ch., Rist, Ch., 1926, p. 696-697). Weber's works fall under the perspective of the liberal Protestantism. The German author rejects the Marxist economic determinism, postulating at the very beginning of his book that "The impulse to acquisition, pursuit of gain, (the gold rush, as Sombart called it), of money, of the greatest amount of money, has in itself nothing to do with capitalism. This impulse exists and has existed among waiters, physicians, coachmen, artists, prostitutes, dishonest officials, soldiers, nobles, crusaders, gamblers, beggars") (Weber, 1993, p. 8).

The Protestant Ethic and the Spirit of Capitalism is dedicated to studying the new realities of the economic and social life, characterized by the impetus of economic activity and of religious pursuits. Weber reached the conclusion that the foundation stone of the capitalist spirit is the Protestant ethics, whose central dogma stipulates that God's chosen one (who therefore is successful in business) has to permanently work, be moderate and not spend his earnings on entertainment or on luxury goods, only on increasing his own capital and, implicitly, on expanding his business.

Weber's starting point in his analysis of the emergence of western capitalism is the following observation: "A glance at the occupational statistics of any country of mixed religious composition brings to light with remarkable frequency a situation which has several times provoked discussion in the Catholic press and literature, and in Catholic congresses in Germany, namely, the fact that business leaders and owners of capital, as well as the higher grades of skilled labour, and even more the higher technically and commercially trained personnel of modern enterprises, are overwhelmingly Protestant" (Weber, 1993, p. 23). The development of capitalism took its sap from a new moral economy that he had the inspiration to call "capitalist spirit". This "spirit" of capitalism had already been noticed and mentioned by Werner Sombart in his paper *Der moderne Kapitalismus* (1900): "Sombart saw two main leit-motifs between which economic history evolved: satisfying one's needs and earning, according to the extent to which the volume of personal needs or the aspiration – independent on their limits – towards profit and the possibility to get profit become decisive for the type and the direction of the economic activity". Modern capitalism cannot be explained only by the rules of the classical economic liberalism: in this respect, traditionalism means to consider that "the opportunity to earn more is less attractive than the opportunity work less" (Badescu, 2016, p. 624).

3. The Theory of the Legitimate Rule

An important representative of the Young German Historical School, Max Weber was active and wrote in the period when the German centralized state was created, and when the neoclassical doctrine started to impose itself in the theoretical field. Homo economicus is replaced by homo socialis, an individual guided not only by petty material interests, but also by a constellation of moral values. The individual's actions rest upon a plurality of reasons. Selfishness stops being regarded exclusively as a virtue, since it does not generate a fair society; social morals and national values have to prevail in opposition to individualist morals. The state has to play an essential role in the economy, to guarantee economic order and success. It has to regulate working conditions, to create new and modern institutions.

The state is the institution that uses domination in space and time, having the monopoly of legitimate physical violence. Weber's analysis on domination starts by instating the concept of *legitimate rule*, which implies a number of beliefs and mental representations on the conditions that the political authority has to meet in order to be accepted, since it corresponds to the aspirations of

the decision makers.

Domination/governing can be one of the following types:

- charismatic (its legitimacy is insured by transcendence, by absolute submission to heroism or to the exemplary value of a leader possessing extraordinary qualities); Weber shifts the meaning of the word charisma from the religious zone (charisma understood as a gift given by God to a person so that they can act for the benefit of the Church) to the social and political one (charisma understood as transcendental power that someone exercises upon their subjects, who trust the leader and worships him); as a result of a process of routine, this type of domination has the tendency to shift towards the next two types either on the hereditary principle (charisma is an innate quality, so it is genetically inherited, it becomes transmissible and takes the form of a tradition), or on the principle that it is a quality that derives from the very function a person has, a function that can be transmitted through rituals;
- traditional (its legitimacy is insured by the rebirth of the past and of its importance, by observing the unwritten laws); it is the characteristic of those societies dominated by faith in sacred character of the values transmitted from immemorial times, that people are used to respecting;
- legal, rational (its legitimacy is given by the existence and functioning of certain law rules); it is the characteristic of those societies in which labour division manifests itself to the fullest, having as an effect the formation of a bureaucratic class that issues impersonal written laws or norms.

Alongside the concept of domination (as probability of an order to be obeyed by a group of individuals), Weber correlatively uses two other important terms: power (*Macht*) as probability for an individual to impose his own will without coming across resistance and discipline (*Disziplin*), as probability for an order to be immediately and automatically carried out of force of habit.

Max Weber developed his viewpoint on the structure and organization of the modern European society using as a methodological principle a *comparative historical approach* that was wide in time and space. He undertakes a deep analysis of the modern capitalist society, emphasizing two major factors of influence on it: religion and institutions.

Weber adds to and extends the Marxist analysis of social stratification (based exclusively on the economic factor, respectively on material wealth) by pointing out two new decisive factors for it: social prestige (the distribution of honors among social classes) and social power (the capacity to influence other people's behavior). He noticed that in most situations, the repartition of the social prestige does not coincide with that of the material wealth. Moreover, he was among the first sociologists to note a fundamental fact: especially in wartime, during great economical transformations (for example, the change of the social order in Romania in 1989) there takes place a significant modification of the ration between material goods repartition, that of the social prestige and that of the social power.

In *Objectivity in Social Science and Social Policy* (1904), Weber showed that a clear distinction must be made between the empirical knowledge of the scholar (whose arguments address the intellect) and the judgment of the man of will (whose arguments se address the feelings). In social sciences, objectivity does not derive from the empiric material, which is valorized only by the existence of certain valuable ideas. The social and economic concept means an event or an economic institution, alongside what is economically important (the economic consequences of the religious behaviour) and what is economically conditioned (the nature of the social environment determines artistic taste). History must be economically interpreted. Weber firmly rejected the existence of certain objective economic laws, universal and everlasting and considered that certain general tendencies take shape in the economic evolution. For instance, there are several types of capitalism, but all of them rest upon the capitalist enterprise, upon the permanent pursuit of profit, upon the tendency to accumulate and to increase one's capital. He agreed with the classical economists when he was convinced that the mere description of economic phenomena can insure their deep understanding. After collecting statistical data and facts, these are to be systemized, analyzed and interpreted. The historical method must be an addition to the inductive method of the classical economists.

In *Science as a Vocation* (1917), Max Weber recalled the ageless condition of the scientist: "Youngsters nowadays share the idea that science has become a calculus operation, that takes place in laboratories or in statistics offices only with the help of cold reasoning, and not with the entire *soul*, like *in a factory*. (...) man has got to have an idea – and that is the right idea– to be able to produce something valuable. (...) Passion is a preliminary condition of the decisive factor: inspiration. (...). Inspiration does not replace labour. But labour, on the other hand, can replace or force neither inspiration, nor passion" (Weber, 2011, p. 45-46)

4. Conclusions

Max Weber strongly believed that value norms and judgments must not be used in scientific research, as any valorization is the result of our attitude towards the world and depends on the way we relate to it.

The nature of capitalism rests upon a distinctive type of rationality. It is not the need to make money that makes the distinction between modern capitalism and other economic systems, but the fact that money is multiplied in a rational way (calculus is used, predictions are made and science and technology are systematically used).

The most important part of Weber's theoretical inheritance is the comparative and historical analysis of the capitalist society. Analyzing the evolution over the last 3 decades and the current structure of the Romanian society from Weber's perspective, we can conclude that after 1989 there was a remarkable change of balance between the 3 repartitions (that of the material wealth, that of the social prestige, and that of the social power). The communist regime prior to 1989 had led to a rather balanced repartition of the material wealth (based on egalitarian principles) and of the social prestige (higher education counted, but in the last period the role of the intellectuals had begun to diminish especially because their opposition to the totalitarian regime); social power was an exclusivist attribute of the minority ruling class, whose members were recruited almost exclusively on political, clientage and relation oriented criteria. After 1989 there was a polarization of the repartition of material wealth, as its owners benefited in general, in a direct or indirect way, of the political power as well. The importance of the social prestige has continuously diminished and many times it was formal or only honorific.

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Human Resources – A Value Driven Perspective

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Abstract

The information age has changed many of the "classical" business activities by altering the core values and management principles. Human resources management has also changed and has adapted to the new challenges of the 21st-century information age. The hunt for knowledge and for the determined business value is driven by more complex and far-reaching human resources activities. Companies must change their "classic" view on human resources to prevail and to be successful in the new complex and speed century. Human resources have changed its old working principles to fit the requirements of constant data, information, and knowledge "hunting" and morphed to a proactive and dynamic business value driver. The main objective of the paper is to show and document that human resources management is 21st-century business value and knowledge driver that business organizations must use in their quest for the ultimate competitive advantage.

Key words: human resources, value driver, information age, economic value

J.E.L. Classification: M00, D46, O15

1. Introduction

When talking about a business or a business organization the concept of human resources cannot be ignored. Right next to the viability of the business idea and the needed business capital the human resources are an essential element that supports a business idea to become reality by transcending from just a well-thought business plan to an operational, activating organization.

A business organization can be defined as being an entity formed for the deployment of commercial activities by making use of resources to create value for its shareholders. One of the critical resources that a business organization needs to control and can use is human resources.

Like any other business resource, also human resources, represented by the employed or needed staff/employees need to be properly managed and handled to reach the defined business organization goal.

Since the very early stages of development of human society, there was a clear need for attracting, retaining, training and developing the best available people for the achievement of an organizational goal.

"During pre-historic times, there existed consistent methods for selection of tribal leaders. From 2000BC to 1500BC, the Chinese used employee screening techniques and while Greeks used an apprentice system." (Tubey, et al., 2015, p. 1)

As of today, there is hardly a universally accepted definition of Human Resource Management. Human Resources Management (also known as HRM or HR) is the activity of managing the organization's human resources by maximization of staff performance to assure the organizational strategic goal.

2. Theoretical background

The 21st century has come with a lot of changes and challenges to the daily life of humans. One major change in the daily life of humans is determined by the information age that has started in the 1990s with the breakthrough of electronic data processing.

The massive adoption and rapid development of information technology have led to a paradigm shift in business management and business philosophy. Data, information, and knowledge have become the "prime commodity" of the information age of the 21st century. Business organizations, like any organization, are generating data, information, and knowledge from within their own organizations.

The current paper proposes a detailed look at business human resources management from the perspective of the information age where data, information, and knowledge are prime products for the business organization. Modern human resources management is more than a clerical activity, it has become a main business value contributor by meeting all the key requirements of the information age, it is creating economic or business value, through the proper and efficient management of organizations knowledge.

3. Research methodology

Qualitative research was the main research methodology used for the present paper. Interviews and free discussions with human resources professionals and executives have been highlighted the main research objectives. Document analysis in form of publications and articles and social and professional media analysis confirmed and documented the main findings of the present paper.

4. Origins of human resources management

Human resources management has evolved alongside the development of human society to fit the new challenges and requirements of the social and business realities. Early human resources employees were called personnel administrators, due to their mainly reactive and administrative role in managing worker's relations. Even more, the performed activities have been mostly secretarial and did not have any link to the strategy of the business organization.

HRM has evolved and developed at different rates all over the globe, it was mainly driven by the adoption of power-driven machines and industrialization. This process created a lot of jobs that have had simplistic, monotonous operations that have been performed also in unhealthy or even dangerous working environments and that has led to the separation in white and blue-collar.

The concentration of workers in industrial factories has led public attention to focus on labor environments and employment conditions. The economic theories of the time, early 1900, have highlighted the potential conflicts between employers and employees.

"Governments became involved in these issues and passed a series of laws to regulate the hours of work for women and children, to establish minimum wages for male labor and to protect workers from unhealthy or hazardous working conditions." (Tubey, et al., 2015, p. 2). In the given new frameworks, companies have begun to focus and to analyze the nature of work and work systems still focusing on the main goal of getting maximum efficiency of the available human resources for the achievement of the strategic business goals.

HRM has evolved and developed as a reflection of human society and the industrialization of businesses. Starting 1900 until 1940 the personnel management function was mainly assimilated to the supervisor, line managers that have faced the early stages of the modern HRM, like recruiting, training, etc. Until the 2nd World War human has faced some major events, the great depression from the 1930s and the first World War, have scared human society, trade unions have been active but mainly focusing in basic working conditions and pay. Personnel functions have been mainly limited to personnel administration like wages, disciplinary actions, and welfare. Starting 1940 until the mid-1970 the marks of World War II are visible in all areas of the business, because of the lack of resources a more professional approach to personnel management was needed and has appeared. The scarcity of labor resources in critical post-war industries have determined and

increase in requirements and a change in approach, topics like labor performance and recruitment, retention and training of personnel became the main preoccupation of personnel management.

Personnel administration has morphed towards human resources management at the time when it became obvious that staff, personnel, employees are more than a workforce. This transformation has represented the incorporation and development of the secretarial activities of personnel administration into the management of human resources, a strategic business activity, that was oriented towards organizational efficiency. Human resource management sees staff as human resources that are recognized as assets, owning knowledge, skills, aptitudes, and potential. The business assets called human resources demand a different management strategy as opposed to seeing human resources as costs. Human resources, properly managed, are the key factor for a business organization that pursues its business goals.

What is today known as Human Resources Management has evolved and has morphed from the more "simplistic", administrative orientation of personnel administration? The main differences of the old view, personnel administration and the new view, human resources management, are shown in table no. 1 further below.

The old concepts of personnel administration have evolved and have transformed to meet the requirements of the new social, business and economic environment. The changes in the old concepts have accompanied and supported the new socio-economic environment.

Table no. 1 - Personnel Management vs HRM

Factor	Personnel Management	Human Resource Management
Time and planning perspective	Short term, reactive, ad hoc, marginal	Long term, proactive, strategic, Integrated
Psychological contract	Compliance	Commitment
Employee relations perspective	Pluralist, collective, low trust	Unitarist, individual, high trust
Preferred structure/system	Bureaucratic/mechanistic, centralized, formal/defined roles	Organic, devolved, flexible roles
Roles	Specialized/professional	Largely integrated into line Management
Evaluation	Cost minimization	Maximum utilization (human asset accounting)

Source: Adapted from 'Human Resource and Industrial Relations', Journal of Management Studies, 24 May, p. 507

5. HR as a corporate knowledge-based organization

The concepts of human resource management (HRM) and human resources (HR) are replacing the obsolete and aged concepts of personnel administration or personnel management. Today's meaning and role of HRM is people management within a business organization. "Human Resource (HR) management deals with the design of formal systems in an organization to ensure the effective and efficient use of human talent to accomplish organizational goals. In an organization, the management of human resources means that they must be recruited, compensated, trained, and developed." (Birkend , et al., 2013, p. 1)

Human resource management has an important role and contribution to the business knowledge management function due to the fact that it manages people that are the source of tacit knowledge for business organizations. Considering the knowledge management view, the role of human resources management is to attract, retain and develop intellectual capital that covers the business organization's needs.

"Organizational learning is an integrative characteristic of most companies although not all of them can utilize it for the creation of an improved performance. Organizational knowledge and knowledge management and interconnected and both are widely dependent on human resources." (Birkend , et al., 2013, p. 5)

In the classical view, HRM has its focus on securing, training, motivating and retaining the business organization's workforce while concentrating efforts to maintain and control labor costs. Due to changes in paradigm, influenced by the information revolution, HRM must contribute to the accomplishment of the sustainable competitive advantage of the business organization by capitalizing on the core asset of the employees, their knowledge. HRM enables, facilitates and assures the proper organizational environment for employees to use their knowledge to achieve the corporate strategic goals by securing, training, motivating and retaining the best workforce.

"The approach of KM and HR is much complex due to the fact that HR internal consultants should be leading factors in defining the learning organization through shared knowledge or through specific policies that have as aim to increase the orientation to discover and share the knowledge." (Chasovschi, et al., 2010, p. 3)

"Nowadays, the knowledge workers are found at almost all levels of the workforce, from low wages to high wages." (Dobre, 2012, p. 1)

Modern HRM must set up procedures and systems so that employees can deliver maximal efficiency by securing, training, motivating and retaining needed staff by encouraging and creating a work environment that fosters and promotes learning, communication, and knowledge sharing.

"In the knowledge-based economy, the human resources management activities will be not resumed by the conventional functions of staffing, training, and development, performance management, etc." (Antohi, 2013, p. 2)

In the context of the knowledge-based society, Human Resources Management includes the same traditional functions but with a changed approach. Recruitment, retention, and development of staff are viewed as procurement of knowledge rather than procurement of labor force.

Human resources management creates, distributes and uses knowledge through the creation of systems and processes that leverage the new point of view on employees and the labor force. The modern HRM, to fit the requirements of the knowledge-based society and to assure the needed competitive advantage, can be summarized as a business organization that fosters, promotes and assures knowledge creation by itself and by the managed employees.

The processes and systems created by HRM are custom designed and proprietary to the business organization and use the specific knowledge, background, and experience of the HR staff to gain a specific competitive advantage.

6. HR as a corporate business value driver

Modern Human Resources Management defines and profiles competitive and innovative business organizations of the 21st century, a century of the information and knowledge revolution. Even though the main processes of Human Resources are the same, sourcing, retention and development of needed labor force, the influence of the information and knowledge revolution has left its mark.

The classical processes have been adjusted and updated to match the requirements and the newly transformed demands of market competition that is now focused on the "prime commodity" of the knowledge economy.

The transformation of the role and focus of HRM has led to new challenges of business organization management. HRM is one of the main drivers of the value chain and its contribution to the business organization margin has been demonstrated and is accepted.

HRM creates value through the generated specific knowledge of the sourced, retained and developed employees. The available pool of potential employees, valuable and accessible knowledge resources, is not unlimited, this puts business organizations in increased and more complex competition. The creativity and innovation of the business organization HRM create value the more the needed knowledge is in short supply.

One other solution to access the needed knowledge at the level of the business organization is the investment and fostering of the knowledge organization. This process is a time-consuming process that can not react quickly to the changes in the markets and competitors. The organizational HRM can mediate and manage these aspects by retention and motivation systems and policies for the existing staff.

7. Conclusions

HRM has progressively increased in complexity because of the changing market requirements and competition. The created value and the resulting competitive advantage has put business organizations into the position to assure and to sustain the growing reach of HRM in the business value chain. Human resources are one of the most important and relevant business functions and activities that need to be treated with the utmost attention by business managers, stakeholders, and shareholders. Based on the existing business goals the activity of the human resource must find, acquire, retain and develop the needed business human resources by aligning and understanding the business strategic goals.

By assuring the needed employees, human resources (HR) defines, develops and distributes specific activity and business knowledge. The knowledge creation and management process are influenced by HR in two ways, by creation, implementation, and management of rules and regulations for internal business use and by sourcing of employees that contribute to the overall business knowledge creation and management.

The creation and management of internal rules and regulations for employed staff are based on existing legal frameworks, the tacit knowledge of HR staff and business organization goals and organizational culture. Knowledge is created by adjusting the HR rules for the achievement of business goals. In the case of HR, knowledge creation is the basis of the organizational culture that transforms and adjusts the "level" of the business organization so that tacit knowledge is transformed in explicit knowledge by its employees and fosters the learning organization.

Business value is created by the sourced, retained and developed staff that assures and enables further development of business organization and operations. In the information age, the information worker, the knowledge worker, is enabling, transforming and distributing knowledge and created business value true the shaped improved and streamlined operational and organizational business processes, tools and systems.

The main challenge for the HR of the 21st information is the sourcing, retention, and development of needed skilled and trained human resources that can contribute to the knowledge and value creation process of the business organization. The HR function has transcended the clerical, administrative role and has morphed into a creative, proactive knowledge-based organization that is contributing to the business organization value creation process by tapping into the core of the knowledge creation and development, the tacit knowledge transformation from tacit into explicit knowledge by creating an adequate framework for the employed staff.

Disruptions in the knowledge and value creation process can be determined by socio-political instability, increased labor union power, missing or low management performance and lack of clear business goals and perspectives that determine a decrease in employee and employer branding.

Human resources in the information age imply a delicate balance between demand and supply of needed skilled resources that can be acquired by business organizations that are proactively and flexibly acting on the labor market.

In Romania, in the last years, one of the major battles that are fought by companies is the battle for knowledge, through the intense and wide-reaching recruiting campaigns. Local companies like UiPath, Bitdefender, TotalSoft, Zitec, Kaufland, Lidl, etc. have developed strong high-performance HR departments and have integrated HRM in their business strategic activities.

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Information Technology – The 21st Century Business Value Driver

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Abstract

One of the most important changes of the 21st century, an information-driven century, is the shift in the paradigm of managing and understanding businesses. Economic value has become more and more difficult to define and understand when looking through the perspective of the information age. The information age has brought information technology “into the spotlight” and transformed some of the classical economics concepts. The qualitative research for this paper has shown that “Information Technology” is a solid 21st-century knowledge-based organization and economic- and business-value driver that business organizations have to capitalize in order to achieve Porter’s business margin. The paper demonstrates that information technology as a business activity is not only a clerical activity, it has morphed to knowledge based organization and a value driver for the business organizations of the information age.

Key words: economic value, information technology, knowledge-based organization

J.E.L. classification: M00, D46, D83

1. Introduction

Technology is defined by Porter’s value chain model as being part of the secondary activities, that are supporting the business through their contribution to the achievement of margin, the business success factor.

Technology can be defined and understood as follows:

- ✓ “The application of scientific knowledge for practical purposes, especially in industry. Machinery and devices developed from scientific knowledge.” (Oxford University Press, 2017)
- ✓ “The practical application of knowledge especially in an area. A capability is given by the practical application of knowledge “ (Merriam-Webster, 2017)

Technology can be understood as being the practical application of existing knowledge and information for the creation of machines and devices that support a sustainable and consistent improvement of existing processes, machines and devices.

Technology has been the main driver for development, evolution, and innovation of existing living conditions. The main supporters of technology have been the operation business organizations that have been looking for ways to improve, increase efficiency and succeed. Technology has been the force that enabled the leaps and development of human society. Therefore, technology has accompanied humanity from the very first stages of evolution.

In the context of this research, information technology will be used as a sub-branch of technology as being one of the main innovation factors of existing business organizations of the 21st century, a century driven mainly by the creation, usage, and storage of data, information, and knowledge. Information technology, also known as IT, is an integral part of the today’s 21st-century modern business organizations that must cope, manage and select business relevant information for their usage out of a huge available volume of data, information, and knowledge to be able to maintain and potentially gain more sustainable competitive advantage.

OxfordReference.com is defining information technology as being "the study or use of computers, telecommunication systems, and other devices for storing, retrieving, and transmitting information" (Oxford University Press, 2017). Merriam-Webster Dictionary is defining information technology as being "the technology involving the development, maintenance, and use of computer systems, software, and networks for the processing and distribution of data." (Merriam-Webster, 2017)

The definitions describe the generic role and scope of information technology within business organizations that used IT as an additional mean in their competition for sustainable business advantages.

2. Theoretical background

The 21st century is also commonly known as the information age has come with a lot of technological changes and developments. Besides the many technological developments and breakthroughs, the information age has come also with a major change in business philosophy and management. The information age has transformed the once clerical number processing activity to a potential definitive competitive advantage where data, information, and knowledge are put into the economic and business "spotlight".

Porter, in his value chain concept, has defined technology as support activities that leverage the primary activities towards the achievement of the ultimate goal of any business organization, the achievement of the business margin. Information technology is included in the technology category of Porter's value chain concept and is supporting the business organization. The present paper shows that the 21st-century information age information technology is doing much more than just supporting the primary activities. Information technology leverages and drives the primary activities by being one of the businesses knowledge-based organization that is creating economic value that any company can use to grow and succeed in the modern business environment.

The information age, in the 21st century, has become much more than a "simple support activity", it includes and illustrates all characteristics of a knowledge-based organization that is creating economic value for its users or beneficiaries.

3. Research methodology

The main research methodology used for this paper is qualitative research. Direct free discussions, unstructured interviews, and observations gave very important and insightful facts and findings. The analysis of publications published articles and social and professional media and networks have supported the findings and conclusions of the present paper. Quantitative data have been used only for the indication of perception of the business environment of business support services that support the main objective of the research paper.

4. Dawn of information technology

Based on the storage and processing technologies used there are 4 IT development stages identified, pre-mechanical stage (3000 BC – 1450 AD), mechanical stage (1450 – 1840), electromechanical stage (1840 – 1940) and electronic stage (1940 – present).

Each of the development stages has been marked by scientific and technological breakthroughs that have changed the way things have been done previously.

Information technology and information have accompanied human development from the very early stage of existence and progress. Since the beginning, humans have communicated and passed on data, information and knowledge through the means existing and used at the time.

The pre-mechanical stage (3000BC – 1450AD) is the oldest and **1st stage** of development of information technology and dates to the first petroglyphs found in caves. During this development stage the Sumerians, through cuneiforms, have used their form of writing and storage of data and information. In Europe, Greeks have developed the Phoenician symbols that have been picked up and introduced by Romans what is known today as the roman alphabet as a means to transmit data and information. The Chinese have introduced and developed the basics of today's paper that are a

development of the Egyptian papyrus rolls and serve the storage aspect of information technology. Also during this stage, the first basic analog calculator, the abacus, was introduced that has been based on the early numeration systems. The abacus is one of the first documented tools used for data processing.

During the **2nd stage**, the mechanical stage, information technology has developed driven by leaps in science and technology. Gutenberg has invented and introduced the printed press that was a big step from the hand-written books and documents of the time. The slide rule of William Oughtred, Pascal's Pascaline, Leibniz's Machine, and Babbage's Engines have raised the bar in understanding and using more complex machines for data processing. The punch card system was introduced by Joseph Marie Jacquard as being the first real-time programs for the operation of machines.

The **3rd stage**, the electromechanical stage, is picking up a lot of the earlier discoveries and refining them through the usage of more modern and actual technologies. During the time (1840 - 1940) the handling and management of electricity have changed the way the world was handling and doing things. The introduction of the voltaic battery, the telegraph, the Morse code, Bell's telephone, and radio and Marconi's early "radio" communication have set the foundation of the modern telecommunication technology. During this stage, Hollerith introduced the census machine that used an early form of punch-cards. IBM (International Business Machines) introduces the MARK 1 computer that was using paper taped stored data and instructions.

The biggest evolutionary leaps, regarding information technology, have been made during the **4th stage**, the electronic stage (1940 – present). During this time the electronic vacuum tube has made further developments possible and represented the first migration towards today's digital data processing technologies. Soon after the introduction of the electronic vacuum tubes, transistors by using semiconductors and integrated circuits have driven electronic data processing. Alongside the hardware development also the software development has made electronic data processing machines, also known today as computers, more affordable and accessible. The information revolution started in 1990, has enabled a large-scale acceptance and usage of hardware and software. Companies like Microsoft, Apple, Intel have made their mark and established themselves as world-leading information technology companies. Driven by the refinement of software, information got more accessible and affordable. The world-wide-web, the internet, and the smart devices have made information the prime "commodity" of the 21st century, where more and more complex technologies emerge and evolve on the hardware and software side.

The massive amounts of data and information that are generated by require more and more processing power, abilities and speed in transmission. The information revolution has changed *classical* concepts and so will information technology, it will transform and innovate *conventional concepts* in all areas of human society. The usage of artificial intelligence will become more and more accessible and reliable for human society the same way that electronic vacuum tubes have been integrated into the development of information technology.

5. IT as a corporate knowledge-based organization

"Organizations will increasingly be regarded as joint human-computer knowledge processing systems. A knowledge-based organization is a society of knowledge workers who are interconnected by a computerized infrastructure." (Holsapple & Whinston, 1987, p. 1)

IT is the organization that enables and assures that the business organization can create processes and store data and information. Based on the Knowledge-Based Organization definition from Holsapple & Whinston the future human society is based on interconnected human knowledge workers that must cope and deal with an increasing volume and complexity of data and information. This can only be assured by the usage of the best possible combination of hardware and software that are maintained, managed and improved by the business organization IT as an important part of making a business work.

In a business environment that is constantly evolving, changing and reacting to current market conditions the business function that is taking care of data and information availability and relevance is the IT function.

Speed is one major factor that has impacted information technology massively. In an information society, data and information tend to become obsolete very quickly, consequently, the management of data and information needs to be performed accurately and in due time by the business organizations in order to make the most of the newly acquired information.

The involved staff in managing the IT function must find the best suitable and adequate solution to deploy and maintain a software and hardware business environment that meets the specific needs of the specific business organization. The deployed systems need to reflect the specificity of the business organizations that enables the maximum leverage of obtainable and insurable competitive advantages.

The sustainable competitive advantage can be obtained only by the acquisition, implementation, and deployment of unique software and hardware systems. In the case of IT, the uniqueness of implemented and managed systems is created by skilled, knowledgeable professionals that understand the specific business requirements that are paired with the best available and suitable software and hardware systems.

The continuous and quick development of information technology is the case per se for a *by the book* knowledge organization. There are the tech professionals, the knowledge workers, employed by business organizations that analyze, improve and develop existing systems and deploy new ones that meet the perspective business needs to be defined by the evolving business strategic and operational plans. The created unique solution represents, in the context of the knowledge organization, the created knowledge that is used and exchanged within the business organization.

The rapid development and obsolescence of software and hardware systems transformed some of the IT services into commoditized *yesterday's news*, email, web presence, general acceptance and usage of computers are part of the today's and of the 21st-century business requirements.

Smart devices and their usage is the new challenge of business organizations, the development of data and information-driven systems that are maintained and managed without human intervention need the utmost involved knowledge.

The 21st century IT systems tend to reflect the new challenges of business organizations that need more and more reliable and accurate data and information. The full-scale implementation and roll-out of artificial intelligence is the next step in IT development. The IT function is getting more and more involved in business actions by making use of specific knowledge and deploying it into the business organization.

The business organization can be regarded as a *classical* learning organization, IT professionals need to permanently learn and stay up to date with the latest technologies. The learning ability and need is an additional attribute of the knowledge-based organization; new knowledge is acquired through the learning of new technologies and applications of the software and hardware ecosystem.

The corporate business IT function and organization are providing to the modern business organizations the tools and systems that it needs to achieve the needed sustainable competitive advantage. The existing systems are maintained, managed and updated based on rapidly changing market requirements by trained, skilled knowledge workers that create and adjust IT business systems that support business knowledge usage, sharing and communication.

The information revolution has started the battle for human intelligence that can develop more and more complex business systems.

"The firm is conceptualized as an institution for integrating knowledge. In contrast to earlier literature, knowledge is viewed as residing within the individual, and the primary role of the organization is knowledge application rather than knowledge creation." (Grant, 1996, p. 1)

6. IT as a business value driver

Modern Information Technology provides the business organization the ability to act and react to rapidly changing business market requirements.

Innovation and productivity increase are the foundation of business organizations' competitiveness and profitability that is enabled by information technology development and rapid adoption.

“Without sophisticated IT systems, it would be impossible to create value chains that extend around the world. High-end hardware, upgradable software and global networks have given rise to the evolution of entire industries, the digitalization of virtually every business process and the development of novel business designs.” (Oliver Wyman, 2012)

Information technology is enabling features and abilities of the modern business organization that allow the transformation from a reactive organization to a proactive organization.

Typically, a value driver is defined as being the activity that adds value by increasing profitability to the business organization by managing and reducing risks through the achievement of strategic business goals.

Information technology is creating business value considering two roles, the business support role, and the business driver value creator role.

By meeting the minimal market requirements of modern business, IT is assuring that the business able to compete without having drawbacks. The today's *standardized* IT services like email, web presence, sharing, and storage, IT security, etc. are evolving and developing and enabling the business organization operations without having drawbacks compared to current market requirements. Due to the uninterrupted changing in business dynamics and complexity of the business environment, companies must meet specific market requirements to be competitive. The minimal requirements of IT are simple business support activities that just support proper business operations without being a business driver.

The business driver value creator role of IT is enabling a business organization to have the specific needed competitive advantage. By being at the edge of technological development, software and hardware, companies can have accurate, rapid, reliable data and information needed for the business decision process.

IT can bring much more value and a specific competitive advantage when “their top management team (TMT) moves from flirting with IT to marriage.” (López-Muñoz & Escribá-Esteve, 2017). To profit from all IT benefits the management of a business organization must be ready to adopt change and update and adapt to the latest market requirements.

7. Conclusions

IT has evolved a developed from being an aid for certain calculus tools to a real and consistent ecosystem of tools and systems that have decisive business support and driver functions. The 21st-century business organizations must face a huge amount of daily new data and information that might impact or influence their business. To manage all the data and information and turn it into useful business intelligence business organizations must adopt and promote adequate software and hardware solutions that allow them to acquire, process, store and communicate relevant business data and information.

To be able to adapt, act and react to the ever-changing market requirements, business organizations must focus on the actual business support functions, information technology is one of the support / indirect business functions, and reconsider their classical role as indirect productive / business support services. Business support functions have a more and more definitory impact on the business operations by bringing business-relevant information into the focus of the business operations.

Information technology is enabling the untapped resources that business organizations have in their already owned data and information. Software is heavily supported by modern and powerful hardware that empowers business organizations to use data and information insights by using modern technologies like big data, data cubes, analytical data processing, etc. The increased accessibility of modern technology, especially information technology allows business organizations to make the most of available data and information that has been previously remained untapped.

The near future will bring again new developments and breakthroughs that will rewrite classical concepts and will allow companies to capitalize on the new possibilities. IT is no longer a resource-consuming business function, it has transformed into a clear and decisive business driver and value creator. The future developments in IT will allow having even more reliable data and information that can be used by business organizations to gain the needed competitive advantage.

Information technology, used as a very broad term, is the driving force of the information age that has transformed and changed many aspects of human society. The key element of the information age is data and information that are processed and distributed by highly complex and performant software and hardware systems. The essence of information technology (IT) is the management of huge and complex volumes of data that are generated by human activity. The information age has taken the discoveries and developments of the industrial revolution and put them through the next progress step of the information age.

IT has enabled business organizations to become more dynamic and more accurate in their decision processes that led to better and more sustainable business developments. The IT function of a business organization became an integral and decisive factor of competitive and sustainable companies. The more the adoption of IT modern technologies is assured the more competitive differentiation arguments a business organization has.

IT is the pinnacle of data and information management of the 21st century that is based on already commoditized services like basic network infrastructure and services and on business-specific software and hardware systems. The knowledge creation, processing, storage, and dissemination process is digital, it feeds all needed internal stakeholders and should self-adjust to the requirements of the new digital informational markets. Corporate IT became quickly the differentiating factor of the information age. The modern technology has enabled and redefined the means of knowledge management from creation to dissemination.

The IT tools used today are evolving and are re-defining once again the classical concepts driven by the need for better alignment of used systems and tools to the requirements of a dynamic changing market environment. IT has allowed fast access and accurate business data processing that can be used for automation and improved and efficient business processes. The value proposition of information technology is incontestable; the provided possibilities exceed everything that was considered *state of the art* in the industrial age. IT has led business organizations into the 21st century and away from analogic, mechanical, limited means of the previous age.

IT is contributing to the business organization value creation process by highly accurate, fast and complex systems that capitalize on the relevant business information that allows companies to differentiate themselves from other business organizations.

Information technology has enabled and made possible massive developments towards increased efficiency, accuracy, reliability and speed by innovations and inventions of technological means that completely transformed and made obsolete some of the classical concepts like analog communication, fax services, written communication, data acquisition, and processing, etc.

The challenges of modern fast-moving business organizations for the coming years will be the creation and usage of IT tools and systems that allow relevant data query and filtering that enable pattern recognition and reliable future steps models to be created and used for future predictive business management decision process through automated and/or artificial intelligence.

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Political Marketing in Romania

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Abstract

This paper aims to highlight how global political trends have affected the perspective from which individuals perceived their condition within the society, socially acceptable responses and dominant traits associated with the set of statuses and roles assigned to them.

The presence of a wide spectrum of collective political actors and a wide range of options on the well-being of the individual embodied in political doctrines, ideas or strategies has determined the appearance of specific behavioral typologies and even of strategies of analysis and selection by response from human communities. The electoral dimension of human existence is perhaps the one that has undergone the most powerful transformations with the evolution of human culture and civilization during this millennium end.

Key words: marketing, electoral, voter, dimension

J.E.L. classification: M3

1. Introduction

According to a general definition, Ion Boboc evaluates political marketing as "the managerial process of identifying, anticipating and satisfying the political market actors"(Boboc, 2004).

The managerial approach of political marketing is confirmed both in the theory and practice of relations between political parties and in the research of this process (Marshment, 2003).

Taking into account the objectives of political marketing, it can be defined, from an operational point of view, as a methodology for streamlining an electoral campaign or the image of a political organization or persons from the sphere of politics.

In this operational definition, the key concepts that characterize political marketing are those of "set of methods" and "efficiency".

Like management, interdisciplinary science, process and methodology from which the essence of the action is extracted, political marketing can be conceived as a synthesis science, managerial process and specific methodology, through which the "political causes" are better valued and by this they acquire more credibility in the public opinion.

2. Theoretical background

Philip Kotler says the same thing when it comes to social marketing: "The concept of social marketing argues that the task of an organization is to determine the needs and interests of the target markets and to deliver the expected satisfaction more effectively than its competitors, so that to maintain or increase the welfare of consumers and society".

However, marketing efficiency must be understood differently in the case of political organizations (which are non-profit organizations) than in the case of private (profit-centered) organizations.

Political parties, which employ marketers (professionals in political marketing) and carry out extensive political marketing actions, do not have the type of profit and loss (P&P) relationship that serve as a criterion for determining efficiency (as in the case of business firms). , as is the case of the companies where the marketers come from), but of their equivalent in the value of the services provided in addition and in their quality (according to their political programs), compared to those of other competing political parties on the political market - in the case of "profit". Or in the loss of elections and the deterioration of the public image - in the case of "losses").

Ion Boboc believes that the P&P system can be used in the political marketing component called "fundraising", where the "cost-income" (from the private sector) relationship is synonymous with that of "collected-cost of collected funds" (from organizations). political), compared between managers from the same party or marketers from the same political consulting firm or between competitors on the market of political services of the same kind (Boboc, 2006).

The managers of parties and marketers from political consulting firms must therefore find ways to substitute the P&P relationship and which can be identified in formulas specific to the planning functions (for example in forecasts, or forms of budgeting of special programs), of staffing (better recruitment and training of candidates and managers, with reduced costs, using specialized volunteer staff). "The nature of the voluntary sector, says specialist David E. Mason, does not allow the use of the entire arsenal of sector-specific tools for profit, but the management of these organizations, based on the understanding of the role that this tool plays in business, can discover ways to grow the efficiency of their organization. However, the most obvious substitute remains, clearly specifying quantifiable objectives, fulfilling the same role as the P&P relationship of business firms" (Mason, 1984).

There are specialists, on the one hand, who argue that marketing in general and political marketing in this case would be a science, but also an art of selling political causes.

Philip Kotler will present the following arguments in this regard: "A political party will frantically sell its own candidate, presenting it to the voters as the most suitable person for that position. The candidate goes from one constituency to another, shaking hands, kissing babies, making donations, giving speeches full of humor.

A lot of money is spent on radio and television advertising, printing electoral posters, etc. The weaknesses of the candidate are carefully hidden, the purpose being to sell, the subsequent satisfaction of the customers less interest. After its election, the new officiality retains its commercial style in its relations with the electorate. Less importance is given to the real wishes of the citizen and great pressure is made to persuade the citizen to accept the measures envisaged by the politician or his party".

In the quotation above it is obvious that "shaking hands" or "speeches" may represent natural abilities, which are based on the intuitive skill of politicians, who often rightly suspect that such popular gestures or spoken words will it brings more votes, which means "the art of political marketing" (the soft aspect of the discipline), while the relationship with the radio and television stations or the market studies can only be realized on the foundations of the "science of political marketing" (the hard aspect of the discipline).

Gaston Bouthoul's work, called "Political Art", published in 1962, represented a first collection of texts on the art of political management and marketing at national and international level, starting with the treaty concluded, in 1278 BC, between Pharaoh Rameses of II and Hattousilis, king of the Hittites and even the writings of German sociologist Max Weber (Bouthoul, 1962).

3. Research methodology

Romanians associate the idea of non-governmental organization with apolitical groups of people, with philanthropic purposes, often opposed or acting as a counterweight to political associations (in particular political parties). However, there is a very large percentage of people (58%) who do not know anything about NGOs. Almost nine out of ten people are not members of any association, mainly due to lack of information on them (23%), lack of time (23%) or interest (25%). Only 11% belong to different associations.

In Romania, the political earthquakes are far from over, the parties continue to proliferate, the citizen suddenly waking up with a much larger offer than he could process in order to choose a doctrine, but knowing the cause. It is time to see what are the markers that voters are taking and how the decision to choose one or another of the offered political products is built, taking into account the specificity of the political market in Romania, namely that the political supply is greater than the demand.

In order to get out of the "glacial" commentary of the explanatory models of electoral behavior, two famous paradoxes used in the analysis of the electoral atmosphere will be introduced shortly (Bratucu, 1995).

The first is the so-called "Condorcet effect" (Bratucu, 1995), which can be presented in the following way: 15 voters must decide on 3 candidates: A, B and C; The individual preferences are as follows:

A > B > C for 2 voters

A > C > B for 4 voters

B > A > C for 3 voters

B > C > A for 2 voters

C > B > A for 4 voters

So: B is preferred to A by 9 of the 15 voters (absolute majority); A is preferred to C by 9 out of 15 voters (absolute majority); C is preferred to B by 8 out of 15 voters (simple majority). Voters are required to nominate a single candidate, in a poll, with the following results:

A - 6 votes

B - 5 votes => A is the first

C - 4 votes

Voters are asked to proceed to a second ballot, because after the first ballot no candidate won the simple majority (8 out of 15), but the results of the first ballot are maintained. The following results are obtained:

I II

A - 9 votes (6; 3)

B - 11 votes (5; 6) => A is eliminated!

C - 10 votes (4; 6)

Following the third round of elections the following results are obtained:

B - 7 votes

C - 8 votes => C is the first one, although, after the first round, he was the last one in the option of the same 15 voters!

4. Results

Based on this effect, in 1963 the mathematician KJ Arrow (double winner of the Nobel prize for mathematics, in 1952 and for economics, in 1972) drew a paradoxical conclusion (hence the name of the "Arrow paradox"), namely: "For to satisfy the fundamental logical principles of a rule of law, the government of a country must decide, and the society permanently adopts the opinion that a member is chosen to decide for all" (Arrow, 1963).

He admits as axioms of rationality:

1. universality;
2. isotomy;
3. independence from irrelevant variants;
4. the sovereignty of the group;
5. the non-dictatorial character of the collective ordering.

From these axioms of rationality, the famous Arrow's theorem also shows that "there is no formal algorithm of aggregation (of all imaginable) that simultaneously satisfies the above conditions".

Subsequent research (Debreu) has shown that the paradox does not disappear even if other sets of axioms are adopted.

With the advent, ascension or decay of new, evolved political systems, human communities have developed political values, norms or ideals in a wide, diverse range, adapted in accordance with the economic evolution of the society.

5. Conclusions

Today, the art of political marketing means how those who lead the parties know how to exercise their skills to use the expertise of others, first of all, the teams of political consultants / marketers, so that they can obtain and retain. power and develop it.

Markets, industries, and businesses are being transformed (Dinu&Dinu, 2014).

In conclusion, we can say that the electoral market is that discontinuous public space, of known dimensions and which adopts an extensive development model, in which four main actors meet: the voters, the candidates, the parties and their electoral offers and the media it factors in. mediation of the relationship between supply and demand.

The political society is just as immature, taking into account the instability it shows, by migrating politicians between parties, splitting some parties with tradition and forming new parties, etc. However, political society is more publicly visible than civil society. Its offer is, or seems to be, richer, more diversified.

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Maritime Fair Transport

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Abstract

Inspired by maritime fair trade, Fair Transport is a concept occurring in line with the emerging issues in the transport sector: questionable quality of service, environmental impact, gender bias and decent work conditions. This paper presents a pilot study identifying perspectives and attitudes of a small group of young and adult generation (21-44 years) from maritime industry regarding the societal role of a fair transport system. The research method used consist in an online survey with 71 respondents from the international maritime sector, whose contribution was recorded for two months (October - November 2019). Primary results indicate that consumption behavior can be influenced by fair attitudes manifested in maritime business and this may lead to sectoral changes in the close future.

Key words: policies, gender, UN, development, seafarers

J.E.L. classification: L91, M50, D01

1. Introduction

The concept of maritime fair transport has evolved from previous fundamental studies of fair trade and maritime fair trade.

“Fair trade” emerged in international agricultural commodity chain as tool for creating markets opportunities for marginalized and small-scale farmers development. International trade networks dedicated to development of communities emerged between 1950-1960, enabling geo-economic connections between poor-resource Southern producers with Northern consumers. It has further evolved through multiple actors with various ideologies and aims. (Farnworth, 2008, p.7)

Fair trade is considered a response to international trading system inequalities. The concept ensures better prices and/or wages for producers to help address global poverty. Principles of the fair trade movement are: to create opportunities for economically disadvantaged producers; Accountability and transparency in order to avoid misleading information about how business is conducted; fair trading practices; Payment of a fair price; no use of child labor or forced labor; non-discrimination, gender equality, and freedom of association in unions; decent working conditions; capacity building through access to training opportunities; promoting fair trade and respect for the environment (Fairtrade Australia and New Zealand, p. 10)

Today, conventional trade is considered ‘unfair’ due to:

- lack of transparency and confusion within commodity chains, encouraging socially unjust practices to persist, e.g. use of modern slavery and child labor in agriculture or lack of decent labor conditions in the sector of transport;
- stakeholders benefit from low priced labor, typically made by women and particular castes. Even in our days, in some societies, social structures, family traditions, behavior, ideology and institutional relations do not discourage gender bias and this is affecting women rights to work in decent conditions, own capital, properties or land;

Within logistic chain, whole sellers, retailers and supermarkets, the most powerful buyers, opt for commodities and merchandise sold by large producers, multinational sellers and corporations with financial power developing large scale production with attractive pricing, in the detriment of small producers who are not only most disadvantaged within the supply chain, but are also affected by industrialization developed through non-environmental friendly methods of production and through non-healthy means of agriculture. (Farnworth, 2008, pp.1-2)

2. Theoretical background - Maritime fair transport

2.1. Maritime fair trade and maritime fair transport

The concept of *maritime fair trade* represents "organizations from shipping, transport, logistics or maritime trade sectors, which voluntarily implement and communicate a cumulation of four types of policies related to their employees, customers, competitors, suppliers and local communities, namely: social, safety and security, environmental and quality management policies." (Dragomir, 2019, pp. 226-227). The use of the concept *maritime fair transport* is proposed to be used as dedicated exclusively for maritime transport sector while having the same background as maritime fair trade and fair trade: emphasizing, as ethical desiderates, the necessity of assuring quality, continuous improvement and responsibility in business, positive impact for the environment and an ethical and safe working environment.

The path of implementing, assuring and developing maritime fair transport is based on a clear vision of long-term sustainable development, as synthesized in the United Nations Sustainable Development Goals Agenda 2030.

2.2. Comparative perspectives between fair trade and fair transport

In the case of Fair Trade, „many consumers value goods produced in a socially and environmentally responsible manner” and „efficiency and welfare gains are possible from credible third-party certifications, like Fair Trade” informing consumers about the production and origin of the products (Dragusanu, Giovannucci and Nunn, 2014, p.233).

Delivering a comparative approach of fair transport in relation to fair trade, a broad perspective would be also required on organizational and logistic various aspects regarding transport, monitoring, labeling, storage, proper communication at all levels and through various channels in relation to the cargo, special training of the personnel, selling points for cargo transported through fair transport etc. However, within the extent of this paper, discussion on fair transport remains at an initial basic level, targeting a primary analysis on the consumers perception regarding fair transport, as collected through the pilot survey.

„Empirical evidence based on conditional correlations suggests that Fair Trade does achieve many of its intended goals, although on a comparatively modest scale relative to the size of national economies” (Dragusanu, Giovannucci and Nunn, 2014, p.234) Benefits of the Fair Trade concept are recognized at all level countries and is expanding outside emerging economies. While objectives are high in Fair Trade, multiplicative positive impacts are already recorded in consumption patterns and consumer behavior. Effects of Fair Trade are also manifested along the supply chain. It is to be questioned the magnitude of the change and improvement in global trade that is expected to result from Fair Trade concept. Fair trade, as any other revolutionary concept or solution proposed for improving economic systems, will address inequalities once at a time, step by step. Considering one step is more than none, results of change brought by Fair Trade concept will be validated in time. Such approach is to be met within Fair Transport as well.

2.3. Fair transport and civil society

While poorly analyzed and researched by scientific basis, fair transport campaigns, movements and actions were delivered loudly and effectively in 2018-2019. Fair Transport Europe is a campaign developed by the largest transport workers union, pan-European, named the European Transport Workers' Federations (ETF), head-quartered in Bruxelles, Belgium, representing the

interests of over 5 million transport workers. In Table 1 below is represented some of the most representative societal actions organized by the ETF in Europe the first half of 2018, highly relevant for the development of fair transport concept:

Table no. 1. Representative events for fair transport (2018-2019)

Nr. crt	Date	Event	Transport sector	Location
1	February 22, 2018 -	A Czech driver won a case with ver.di union support for German minimum wage. The driver was being paid less than German minimum wage for work in Germany and he was entitled to receive €10 000 (project <i>Faire Mobilität</i>)	Road	Germany
2	February 28, 2018	Steering Committee for Cross-Border Cooperation: Railway unions from four countries met in Austria to build network for Fair Transport	Rail	Austria
3	April 27, 2018	Protest united European unions in defending SNCF public service railway	Rail	France
4	May 17, 2018	Fair Shipping Campaign for creation of a common European maritime space without social dumping and with decent working conditions for all crew.	Shipping	France
5	June 15, 2018	National maritime campaign SOS2020 fighting against social dumping and unfair competition in UK shipping	Shipping	UK
6	July 2, 2018	Fair transport TV campaign against social dumping for Romanian truckers	Road	Romania
7	July 6, 2018	BTB-UBT Campaign for fair road transport (social dumping and wage discrimination)	Road	Belgium
8	July 17, 2018	Amazon employees strike for safety, health and living standards	Logistics	Spain, Germany and Poland
9	July 24, 2018	DHL Express Turkey accepted to enter into negotiations with workers' union	Logistics	Turkey
10	August 1, 2018	Fair shipping in the Irish Sea campaign for social dumping affecting employment	Shipping	UK and Ireland
11	September 10, 2018	A Dutch court decide national labour rules apply to foreign drivers that are running freight operations from the Netherlands.	Road	Netherlands
12	22-27 March 2019	Fair Transport Week with 100 actions against social dumping in Europe for all modes of transport	All transports	18 countries+ Bruxelles

Source: <https://www.fairtransporteurope.eu/news/>

The magnitude of such social movements of workers and workers' unions indicate the concept of fair transport is effective and impactful. It is manifested in all major types of transport, including logistics, and in various countries in Europe, being expected to expand outside the continent. A major interest of fair transport protests planning is related to social dumping, i.e. practice of employers to use cheaper labor (e.g. of migrants) than is usually available at their site of production. Overall, protests related to fair transport are initiated by unions and are non-violent. It is recommended further research on the concept of fair transport in relation with the manifestation of the concept in the real life.

3. Pilot study for identifying consumer perspectives regarding a fair transport system

Further is presented the pilot study developed between October - November 2019 within Constanta Maritime University from Romania in cooperation with Ordu University from Turkey, aiming in identifying consumer perspectives and changed attitudes of young and adult generation (21-44 years) from the maritime industry in relation to the suggested concept of *fair transport*, as described previously in this paper.

3.1. Survey methodology

An online survey on the emerged concept of *fair transport* was planned and conducted within the above-mentioned universities in the departments sharing the same specialization in maritime and transport. A total number of 71 respondents from the international maritime sector has agreed to participate voluntarily and anonymously. The survey had a number of 10 multiple choice questions. The scope of the survey was to analyze and understand the societal role of a fair transport system, with remarks on the further impact of the concept within society.

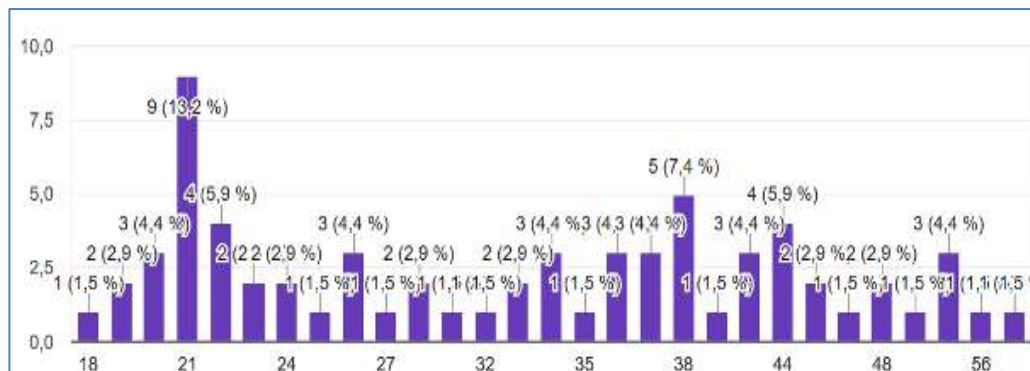
3.2. Results

The first three questions had the purpose to identify ordinary statistical data related to the background of the participants: institutional affiliation, gender and age. The respondents came mainly from shipping/ navigation business (27 replies out of the total of 71). Nearly half of the respondents (14) are from educational/academia, 8 from ship management business, 4 from crewing, 3 respondents from Transport (in general) and 2 are affiliated to surveyor business.

From the second question regarding the gender of participants, the resulted values confirm a clear statistic which is characterizing the biased maritime sector: male respondents are 46 out of 71, meaning more than half 64,7%. The number of male respondents (46) is double compared to the number of female (23). Two respondents preferred not to say their gender.

The third question indicates the largest proportion of the respondents are young adults (21 years old), as can be seen in the Figure 1 below.

Figure no. 1. Age structure of the respondents



Source: Authors' study

The age structure of the respondents is relevant for the analysis of further behavior and consumption patterns. Overall, the structure of participants' age is very scattered. Respondents having 21 years at the date of the study are representing 13,2% of the total respondents. They are considered by demographers as belonging to Generation Z, currently teenagers at the frontier to adulthood, most probably students very familiar to digital technology and comfortable with the large volume of information available on Internet and on social media. It is probable that such a group of respondents, which is able to get easily into contact with updated societal information, to develop a visible socially responsible attitude towards fair trade and to further manifest boycott towards the decision of consumption for products transported through unfair means.

The second significant percentage belongs to the age group of 38, known as Millennials, or Generation Y (or simply Gen Y), also comfortable in their usage of digital technologies and social media. According to a study recently presented by Forbes Millennials are large spenders, while they consider social responsibility and environmental friendliness when doing their purchases (C. Gui, 2019), so the second largest group of respondents in our survey seems to meet the same consumption behavior pattern.

When the survey respondents were asked:

"If you were able to choose between buying maritime fair trade products (i.e. products transported by maritime fair trade companies, which implemented and comply to social policies (including gender equality policy), safety & security policies, environmental policies and quality management policies) OR buying similar products transported by unfair maritime trade companies, would you choose to boycott unfair maritime trade (by purchasing the products transported by maritime fair trade companies instead of buying similar maritime unfair trade products)?" the largest group of respondents (38 replies, meaning 53,5 % of total respondents) replied "Yes, I would buy maritime fair trade products to boycott maritime unfair trade". The statistics can be seen in Figure 2 below.

Figure no. 2. Behavior towards boycotting maritime unfair transport goods

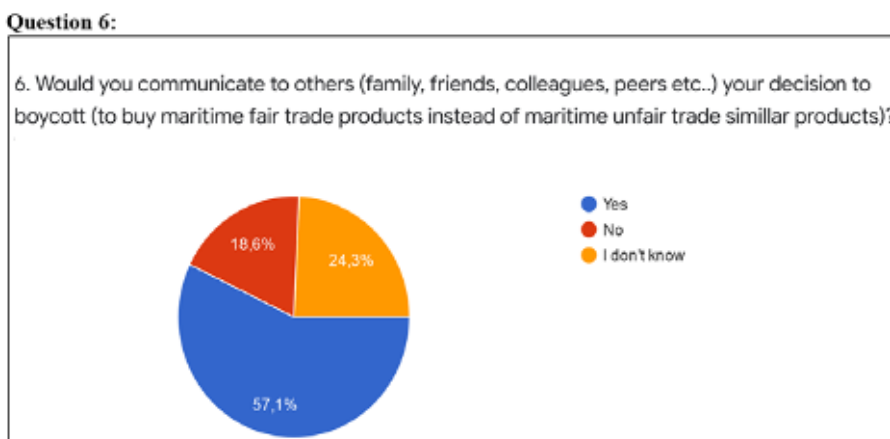


Source: Authors' study

The statistics indicate a clear socially responsible attitude towards the perception and consumption behavior of the largest share of the respondents. An interesting result is seen for the second group of respondents: 31% of the respondents would not know how to proceed or how to reply, while the smallest share has replied negatively: "No, I would not boycott". Would have been expected the percentage of respondents replying evasive "I don't know/ Not sure" to have been recorded as below the number of negative replies. Such situation might be explained by the new perspective that maritime fair transport brings, possibly unexpectedly, in report to the conventional.

The next question is considering communication behavior of the "unexpected": "Would you communicate to others (family, friends, colleagues, peers etc..) your decision to boycott (to buy maritime fair trade products instead of maritime unfair trade similar products)?" The majority (40 replies out of 71) replied positively in regard to communication of the boycott decision. The ratio structure of negative replies and replies of the undecided has remained the same, as indicated in Figure 3 below, as validating the previous statistics.

Figure no. 3. Communication behavior in case of boycotting goods transported unfair



Source: Authors' study

It is noticed a slight increase of only 3.1% for the persons that would not communicate their own decision to boycott, while also a slight increase of 3.6% in the number of persons that would communicate in case of boycott. Considering the predisposition of Millennials and the Generation Z to communicate easily through social media, the values obtained might be confirmed.

Finally, regarding the question whether the respondents would invite or suggest others to boycott, the largest share, of 53.5%, replied Yes (would invite), while the undecided (28,2%) replied "I don't know" and the negative answers were recorded by the lowers share, of 18.3%.

4. Conclusions

The pilot study presented in this paper had the purpose to make a primary analysis for the consumption behavior and socially responsible attitude of teenagers and adults from the maritime sector. Results indicate the largest share of respondents is open to manifest and communicate their behavior to boycott products that were not transported by companies complying to the minimum 4 criteria of fair transport: implemented social policies (including gender equality policy), safety & security policies, environmental policies and quality management policies.

Further research is needed in expanding the knowledge over millennials versus Z generation consumption patterns for cargo transported through fair transport.

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Welfare and Labour Aspects of Romanian Orthodox Diaspora in Italy

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Abstract

Based on statistical data evidence, this paper concludes that, since 2012, Romanian Orthodox Diaspora in Italy is increasing, but in a decelerating rhythm. However, the percentage of Romanian active population leaving the home country in the long term lead to a critical migration rate overall. The paper includes demographic and geographic characteristics of diaspora influencing faith affiliation, weekly worship service attendance, daily prayer and assessment of religion importance in the citizen daily life.

Key words: migration, gender, Italian syndrome, statistics

J.E.L. classification: N3, Z12

1. Introduction

Romania's integration into the European Union in 2007 has influenced regional relations, imposing a visa regime for some Eastern European neighboring states while eliminating the visas for free movement within community space. Hence, Romanians have acquired the quality of European citizens enjoying several fundamental rights. In 1993 the Maastricht Treaty established at European level the institution of European citizenship which granted the right to free movement and free residence within the Union to all citizens belonging to the Member States of the European Union. Such citizenship does not replace national citizenship, but supplements it (Svevo, 2005). This allowed unemployed citizens of Romania to work in other member countries of the U.E. (Stoica, 2001) while a series of bureaucratic formalities and movement restrictions were eliminated. Romanians also have benefited by new opportunities of finding a suitable paid job, qualitative services, access to studies including the possibility of free expression of religion. A significant part of the young Romanians were eager to experience a different kind of life outside Romanian borders and their number increased exponentially with each year because those who initially left and established a correct contractual relationship with minimal comfort of life were able to bring their relatives, friends and families in turn to the host country.

2. Theoretical background

Benefiting on the advantages of knowing the languages of Latin origin, familiar geographical climate, equal EU citizen rights and especially coming from a predominantly Orthodox Christian state in the space of a Christian community, many Romanians manage to impress in a pleasant way, noting themselves through their determination and professionalism. Overcoming the problems encountered by Romanians in the diaspora, they succeeded in verification of the popular expression that "man sanctifies the place". They carried with them and cultivated home traditions and set up parishes to keep alive the communication of love with God and their neighbors.

The aspects identified within such context materialize through "transhumant" active members of the local churches in Romania to the different parishes outside the country.

This hypothesis from which we started the present research, began to take shape by identifying and putting together the situations discovered in research trips and pilgrimages through the country and abroad. Discussing with priests from different parishes, former college colleagues or university professors and religion teachers we found that attendance at holy ceremony is somewhat different from previous years due to the absence of many parishioners.

By conducting several in-depth investigations with those who know best the in-site diaspora situation, respectively with the priests who were assigned to international parishes or with the teachers and school leaders who know the situations of the families well, we found out that many of the young people who were part of the parish were leaving country, either for work, studies or for other reasons. This is also how we found that many of the young graduates of theology faculties have migrated to other places to settle with their families abroad. Many of them carry out their mission there as priests, deacons, church chorus singers or gather together with the priest and the administrative council to carry out the specific activities of the parish, and a good part of the students or graduates of the theological seminars work in completely different fields, but keep a good connection with the closest church.

3. Welfare and labor analysis based on statistical data

According to a statement published by the Romanian National Institute of Statistics (INS), in 2018 a percentage of 0.7% of the country's active population have left the country in the long term (INSSE 212/29.08.2019). These are the official data presented, but in reality, it is not possible to do a full correct verification in the field. Even though the law mentions that it is the duty of those who leave the country for a long time to declare at the Embassy (Law 227/2015), most do not. This is just an option and the fact that nowhere is any sanction or reward, does it make many skips this. In this regard, the Romanian state came to the support of the Romanians in the diaspora and gave them the possibility to register at the diplomatic or consular missions of Romania in the constituency where they are located, work or have their domicile, as the case may be, without having to go through distance to the country to express this option.

Analyzing the research survey and discussions, it is noted that each of the Romanians still present in the country knows someone who has gone to the diaspora, regardless of whether we are talking about their relatives, friends or neighbors. Of those leaving the country, the majority are young people between the ages of 16-35. According to the same INSSE statement (INSSE 212/29.08.2019), the birth rate in Romania is decreasing, the main cause of this decrease is the negative natural increase, the number of deceased persons exceeding the number of live births by 75,729 persons, and at this rate the number of the Romanian population decreases drastically. According to a report published by the European Union in 2019 (Lutz et al., 2019), Romania could lose over 40% of the country's active population if the scenario of intra-community migration continues at the same rate. Analyzing this report, we can say that in Romania the effect of such an exodus of qualified and educated people would have a direct demographic impact and in the diaspora would reach a population with Romanian origins larger than the one present in the country of origin. Most of those who migrate are young, active adults, most of them have higher education, and the medium-term effect is the loss of the active population from many fields of activity, which means in the long term the reduction of the number of new families. According to the source quoted above, if the number of potential parents is lower than the number of Orthodox parents decreases with the number of established families, the more so as the birth rate in Romania is decreasing.

In the Italian diaspora the mission of the Church can be manifested in the form closest to the Savior's exhortation, as it appears in the Gospel of Matthew: "Go, teach all the nations, baptizing them in the name of the Father and of the Son and of the Holy Spirit, teaching them to keep all that I have commanded you" (Mt. 28: 19-20). So once in a tough mission and evangelism priest through apostolic succession is "going and teaching all nations" committing the sacraments and urging them to continue in faith and holiness (Bel, 2004).

In the Church history, its mission did not impose a limit given by the geographical space or the ethnicity (Geffré, 1982), only that these two elements preserve the particularity and tradition of a pastorate and mission of a Local Church, as it is in the example of the current Orthodox diaspora organized ethnically and territorially in several Romanian, Greek, Russian, Russian bishops, but united in the same faith, sanctifying work and catechesis.

As observed in Fig.1 below, Romanians represent by far the largest number of emigrants in Italia (1.206.938), followed by Albanians (441.027), Morocco (422.980), Chinese, Bangladesh, India, Pakistan etc. The ratio between the number of Romanian migrants in Italia and the second largest migrant minority (Albanians) is approximately 3:1. The explication for such ratio might be generated by the language barriers transitivity, considering Romanian language, having solid Latin roots, assemble very much to Italian language, in comparison to Albanian language or with other migrant minorities language. According to official data from Istituto nazionale di statistica (ISTAT, http://dati.istat.it/Index.aspx?DataSetCode=DCIS_POPSTRCIT1) the total number of Romanians in Italy at the date of 1st January 2019 were of 1.206.938, comprising 513.289 males and 693.649 females out of a total of 5.255.503 foreigners in Italy (23,0%).

Figure no. 1. Printscreen of ISTAT official statistics regarding the number of emigrants in Italy as recorded at 01.01.2019

Territorio			
Italia			
Tipo di indicatore demografico			
popolazione straniera al 1° gennaio			
Seleziona periodo			
2019			
Sesso			
	maschi	femmine	totale
Paese di cittadinanza			
Mondo	2 536 787	2 718 716	5 255 503
Romania	513 289	693 649	1 206 938
Albania	225 316	215 711	441 027
Marocco	225 305	197 675	422 980
Cina	150 789	149 034	299 823
Bangladesh	101 367	38 586	139 953
India	92 404	65 561	157 965
Pakistan	85 159	37 149	122 308
Egitto	84 215	42 518	126 733
Senegal	82 023	28 219	110 242

Source: Istituto nazionale di statistica (ISTAT), [online] Available at: http://dati.istat.it/Index.aspx?DataSetCode=DCIS_POPSTRCIT1 [Accessed 03.11.2019]

The geographic dispersion of Romanian diaspora in Italy is indicated in Table 1.

Table no 1. Romanian migrants in Italy

Region in Italy	Romanian (2019 figures)				% from total foreign population	Variation % compared to 2018
	Male	Female	Total	%		
1. Lazio	105.009	128.460	233.469	19,3%	34,16%	+0,3%
2. Lombardia	79.608	96.974	176.582	14,6%	14,94%	+2,6%
3. Piemonte	64.675	83.241	147.916	12,3%	34,57%	-0,3%
4. Veneto	56.396	70.516	126.912	10,5%	25,33%	+3,4%
5. Emilia-Romagna	38.719	55.553	94.272	7,8%	17,22%	+3,6%
6. Toscana	32.321	52.774	85.095	7,1%	20,39%	+0,6%
7. Sicilia	23.870	34.610	58.480	4,8%	29,24%	+2,6%
8. Campania	17.778	25.030	42.808	3,5%	16,14%	+1,0%
9. Puglia	13.694	22.396	36.090	3,0%	26,00%	+1,2%
10. Calabria	15.743	20.108	35.851	3,0%	31,70%	+1,6%
11. Abruzzo	10.772	15.884	26.656	2,2%	29,85%	-0,2%
12. Umbria	9.724	16.785	26.509	2,2%	27,18%	+0,7%
13. Marche	9.040	17.167	26.207	2,2%	19,14%	+0,0%
14. Friuli Venezia Giulia	11.025	14.332	25.357	2,1%	23,01%	+3,0%
15. Liguria	8.587	12.517	21.104	1,7%	14,42%	+2,0%
16. Sardegna	4.565	9.578	14.143	1,2%	25,30%	-0,5%
17. Trentino-Alto Adige	5.704	8.106	13.810	1,1%	14,13%	+2,2%
18. Basilicata	3.580	5.541	9.121	0,8%	39,29%	+0,0%
19. Molise	1.571	2.510	4.081	0,3%	29,36%	-1,8%
20. Valle d'Aosta	908	1.567	2.475	0,2%	29,84%	-1,5%
Total Romanian in Italy	513.289	693.649	1.206.938		23,0%	+1,4%

Source: Istituto nazionale di statistica (ISTAT), [online] Available at: <https://www.tuttitalia.it/statistiche/cittadini-stranieri/romania/> [Accessed 3.11.2019]

It is observed the largest percentage of Romanian residents in Italy are located in Lazio region, around Rome capital, followed by Milan city in Lombardy region and Turin in Piedmont (it. Piemonte). However, in 2019 compared to 2018 is observed a slight decrease in the number of Romanian residents in Turin, Piedmont (Piemonte) region. Such statistics should be correlated to the Caritas-Migrantes “Immigration Report” stating that, overall: „over half of foreign residents in Italy live in the country’s North (57.5 percent), followed by central Italy (25.4 percent) and the South (roughly 12 percent). Only some 5 percent legally reside on the Italian islands, although that figure is on the rise.” (<https://www.infomigrants.net/en/post/19852/italy-has-third-largest-migrant-population-in-europe-report>)

Figure no. 2. Relevant geographical regions for Romanian residents’ dispersion in Italy



Source: <https://www.italythisway.com/images/italy-map-regions.jpg>

Another interesting statistic generating resourceful observations related to the welfare and labour aspects of Romanian Diaspora is related to the evolution of number of Romanian migrants in Italy, as recorded from 2003 by ISTAT (included in Table 2 below).

Table no. 2. Number of Romanian residents in Italy at 1st January

Year	Male	Female	Total
2003	44348	50691	95039
2004	86754	91058	177812
2005	123452	125397	248849
2006	143376	154194	297570
2007	162154	180046	342200
2008	294212	331066	625278
2009	373255	423222	796477
2010	409464	478299	887763
2011	439311	529265	968576
2012	361440	473025	834465
2013	402766	530588	933354
2014	467630	613770	1081400
2015	487203	644636	1131839
2016	492737	658658	1151395
2017	497577	670975	1168552
2018	505961	684130	1190091
2019	513289	693649	1206938
* 2003-2011 data was not reconstructed compared to the population of the 2011 census from Italia			

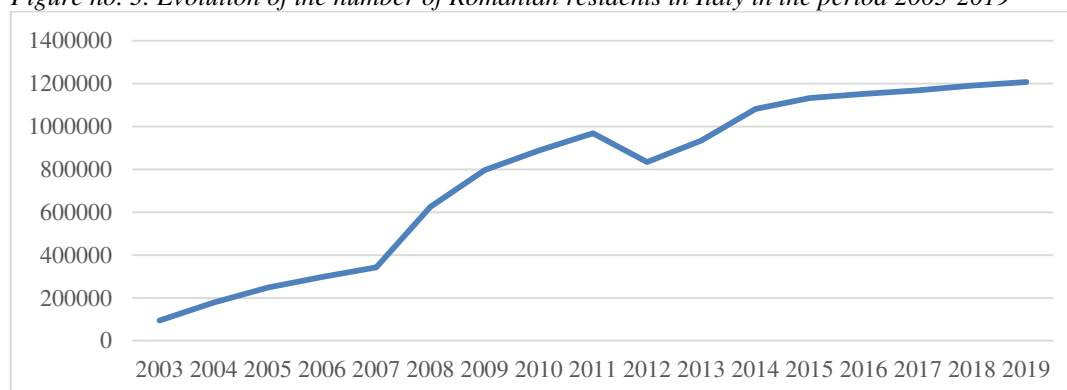
Source: Authors' table, based on ISTAT 2019 data, [online] Available at: http://dati.istat.it/OECDStat_Metadata/ShowMetadata.ashx?Dataset=DCIS_POPSTRCIT1&ShowOnWeb=true&Lang=it

Based on Table 2 can be observed the large proportion of female Romanian residents in Italia, hence suggesting a predominant feminine structure within the Romanian Orthodox diaspora. Demographic characteristics of diaspora might influence aspects concerning Orthodox diaspora, considering the correlation to a Pew study released in 2016 stating 83,4% women on globe are religious, compared to 79,9% men. On all the standard measures of religious commitment examined in the Pew study, based on data collected from censuses, demographic surveys and general population surveys, Christian women are more religious than Christian men (Pew Research Center, 2016). Demographic structure within Romanian diaspora in Italy is probable to influence faith affiliation, weekly worship service attendance, daily prayer, assessment of religion importance in the citizen daily life, belief in heaven, hell and angels etc. Regarding the explanation of the religious gender gap at global level, according to Pew study, there have been developed different theories with „a wide range of sources: biology, psychology, genetics, family environment, social status, workforce participation and a lack of “existential security” felt by many women because they generally are more afflicted than men by poverty, illness, old age and violence. Lately, a growing consensus in the academic community is that the religious gender gap probably stems from a confluence of multiple factors. But there is still no agreement on exactly which factors are most responsible for the gender differences.”

Related to labour aspects, most Romanian female work as care workers („badante”) for old Italian persons, for caring Italian children inside Italian families or in agriculture in the Southern part of Italy. Most but not all are having jobs with contract. The raising number of Romanian residents in Italy suggest Romanian move to Italy for a temporary job, based on poor living conditions or low wage in the home country, ending in staying on long time or permanently. Romanian women forming the largest part of Romanian diaspora work in Italy by leaving family or children in Romania. Some of them work in small towns were might feel isolated (Saudelli, 2019).

According to data from Table 2, the evolution of the number of Romanian residents in Italia between 2003-2019 is presented in Figure 3.

Figure no. 3. Evolution of the number of Romanian residents in Italy in the period 2003-2019



Source: Authors' work based on ISTAT 2019 data

We notice a steady increase in the number of Romanian residents in Italy between 2003-2007, with a more accentuated increasing between 2007-2011 after free movement of labour opportunities due to 2007 accession of Romania to the European Union. Between 2011-2012 is observed for the first time in the analyzed period a decrease of 134111 residents due to economic financial crisis affecting Italy and the whole Europe. In 2013 is observed a recovery in the number of Romanian residents in Italy, of + 98.889, however, not reaching the level of residents from 2011 (when were registred 968576 residents). Since 2013 a moderate increase is manifested in the number of Romanian residents in Italy, not as accentuated as in the period 2007-2011. We conclude the rhythm of increasing in the number of Romanian residents in Italy is decelerating, thus influencing the structure of Romanian Orthodox diaspora in Italy.

4. Conclusions

The exodus of a large part of Romanian population to Italy for temporary, long term and permanent work and residence contributes in forming and expanding Romanian Orthodox diaspora communities. Only in 2018 a percentage of 0.7% of Romanian active population have left the country in the long term, suggesting a critical migration rate overall. Majority of people leaving the country are young people between ages of 16-35. In Italy, Romanians represent by far the largest number of emigrants in Italia (1.206.938 in 2019), followed by Albanians and Moroccans in a ratio 3:1, most probable due to language accessibility. The largest percentage of Romanian residents in Italy are located in Lazio region, around Rome capital, followed by Milan city in Lombardy region and Turin in Piedmont where was observed a slight decrease in the number of Romanian residents in 2019 compared to 2018. Overall, the number of Romanian residents in Italy is increasing, but the increase is more stable compared to period 2007-2011. Majority of Romanian residents are women. Based on statistical data analysis, is concluded the rhythm of increasing in the number of Romanian residents in Italy is decelerating, thus influencing the structure of Romanian Orthodox diaspora in Italy. In correlation to a previous Pew research, the demographic structure within Romanian diaspora in Italy is probable to influence faith affiliation, weekly worship service attendance, daily prayer and assessment of religion importance in the citizen daily life.

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The Printed Travel Guide in the Analysis of the Tourist Discourse

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Abstract

Among the texts dedicated to the tourism sector, there is a wide variety of genres such as: hotel catalogues, brochures, flyers, menus, travel guides, audio guides, etc. Therefore, it is interesting to analyze the structure of these materials and the connections between their texts. Travel guides – descriptive information tools – are both spatial representations, invitations to travel, dream and experience emotions, as well as the mirror of a certain way of understanding the world. Despite their great diversity, these travel incentives play the role of practical advisors, being involved in a dynamic market, i.e. they seek to sell or promote tourist destinations. This paper, which focuses on travel guides, addresses their complex aspect, having in view that they mix maps, texts and images. The speeches transmitted by these different elements complement each other, sometimes making it possible to send contrasting messages. We will make a brief presentation of the travel guides.

Key words: travel guide, tourist space, communication means, promotion of destinations, commercial strategies

J.E.L. classification: Z13

1. Introduction

Seen as an instrument of mass tourism for a long time, allowing the access to information of a very large number of readers, at present, the travel guide contributes to the development of the modern "tourist", i.e. the one going on a pre-constructed path, through landscapes and monuments selected and interpreted/ presented by it. Thus, nowadays, the travel guide is a product of both the tourism industry and of the publishing house. The advertisers' commercial strategies (i.e. publishers, in our case) entail the evolution of travel guide offers, which retain, less and less, their main function, i.e. to "guide" (Vivant 2006: 308). Currently, the travel guide market is a niche market depending on destinations, customers, types and duration of travel. Over the last ten years, the most important trend has been "le glissement du guide pour le voyage au guide de loisirs pour les résidents eux-mêmes" (i.e. a shift from the trip guide to the recreation guide, for residents themselves) confirming the idea of endogenous urban tourism, supported by Vivant (2006: 308).

2. Theoretical background - Short history of travel guides

The oral and the written communication have long been the only ways to inform about remote lands and travel conditions to get there. The first travel "books" emerged at the end of the Middle Ages, with the invention of printing and the expansion of travel of all types: pilgrimages, trade, diplomacy, intellectual and artistic exchanges. These works aimed, first and foremost, at reassuring the traveler, who might have faced unknown and dangerous situations. To a greater or lesser extent, by recounting travel experiences, they described landscapes and societies, "other" than those known, and they also presented different attractions that worth being visited by the traveler. In the eighteenth century, due to the institutionalization of the Grand Tour as an initiation ritual for young English aristocrats, the development of tourism activities and their future form – i.e. mass tourism – were foreshadowed. Under these conditions, editing travel guides has become a trade and an industry. In the paper *La Roue et le style*, Catherine Bertho Lavenir (1999 with Hécate Vergopoulos and Emilie Flon 2012) shows that, in tourism, technical changes have accompanied

and have been accompanied by scriptural transformations. Due to the advent and, later on, to the expansion of railways and of the tourist market, guides departed from travel stories, which were sometimes bulky and heavy, with few titles. Thus, a slow transformation began, which will underlies today's works, published in specialized collections, in volumes that include "practical" information, such as schedules, prices, accommodation, etc.

The first travel guides – as we know them today – emerged in the early 19th century in England, Germany and then in France, foreshadowing today's modern publishing system. The most important travel guides include *Le Guide des voyageurs* Richards (1817), Baedeker (1827) and the first Murray guide, *Handbook for Travelers on the Continent* (1836), the first collection of travel guides providing for practical (and not just cultural) information, such as monument opening times, accommodation costs or the current exchange rate. At first, guides were mere inventories of the historical and artistic heritage of cities, providing generic information about the natural landscape; later, they included information about services, geo-economics and topographic development (Faccin 2015: 10). At first, guides were real encyclopedias, with lots of pictures, addressed to only one type of audience. However, Karl Baedeker, the founder of the homonymous publishing house, profoundly revolutionized the travel guide world through the "pocket" format. The small-size Baedeker Guide is the most comprehensive and reassuring guide, based on information collected and verified by the publisher itself. We can conclude, first and foremost, that all the guides of that period, and especially the Baedeker guides, paid greater attention to information than to the content form.

The development of auto tourism has transformed the Michelin tire manufacturer into a publisher of maps and travel guides. The Green Guides (*Les Guides Verts*), which emerged after World War I, are still published and represent one of the oldest collections of French guides, which, even today, remains very active, with a well-developed catalog, capable of coping with the challenge of the Internet. Due to the development of tourism in the 1950s, numerous collections of guides were published, with an extraordinary evolution; however, some of them did not survive. In the 1970s, the famous *Guide du Routard* was published and enjoyed international success, as evidenced by the number of editions in foreign languages. The guide of *Hachette Tourisme* publishing house – launched in the same year as *Lonely Planet* – which adapts to the evolution of its clientele, addressing young people first and foremost, occupies an important place. Among the works of tourist nature, this collection has enjoyed great and long-time success and notoriety. The *Lonely Planet* guides have been published since 1973. Initially addressed to Anglophones, these guides addressed to the lonely traveler with a limited budget are increasingly being translated, like the guides published by *Dakota Publishing*, which, initially, they were drafted by the Harvard Student Agency.

Despite the presence of the Internet and the information it transmits, publishers continue to expand their range of printed travel guides today. The number of guides available on the market is endless: from generic to specialized guides, for the independent traveler or for those who like traveling in groups. New forms of fully digital travel guides are being developed, in the form of audio tour guides, guides for mobile devices or GPSs. However, regardless of their typology, all guides are characterized by the function of mediator, which they play, between the tourist and the tourist destination.

3. Travel guides – definition and presentation

Patricia Aelbrecht (2013) defines travel guides in the following way: "whether they are descriptive information tools [...] or invitations to travel, dream and experience emotion, they are both spatial representations but also mirrors of some ways of understanding the world". In the *Encyclopedic Dictionary* (1996: 453), the guide is defined as a brochure or book that contains the information needed for orientation in a region, city, collection or field of knowledge. According to the authors of the *DEX* (1984: 371), the guide is a book containing travel information, maps, plans, directions, etc. necessary for orientation in a country, region, museum, etc.

Despite their diversity, these travel incentives have two common features: on the one hand, the scientific discourse, the description, the observation, aiming to get closer to concrete facts, and on the other hand, the literary, photographic or artistic discourse aimed at capturing the reader and attracting him/her. In addition, guides play the role of practical advisors and are involved in a dynamic market – i.e., they try to sell themselves or sell by promoting tourist destinations.

Tourism and leisure have become major economic sectors, carrying social and economic stakes for the development of territories.

Considering the historical basis of the evolution of the guide over the last centuries, it is appropriate to analyze the current general situation. Given the diversity of travel guides on the market, it would be difficult to draw their complete and exhaustive picture. The guide offers and types on the market are, in fact, endless; however, despite the economic crisis, the affirmation of the Internet, the rapid diffusion of new methods and patterns of behavior involved in using tourist information on the move, printed guides (or in book format) still hold, to a certain extent, a privileged ranking on bookshelves. Their offer remains wide and diversified.

The printed tourist guide is a means of tourist information used by the reader-traveler. It is a textual tool whereby the reader is introduced to the discovery of an unknown or insufficiently known space, promoting places and stirring the imagination of future travelers (Stock 2014: 6). These materials are works published in collections whose aim is the exhaustive enumeration of "what is to be seen" (t.n) (Boyer & Viallon 1994: 55). We may notice the existence of publications with an encyclopedic aspect, such as "Les Guides Bleus", but also more concise copies, which can be browsed on the spot, such as "Les Guides Verts Michelin". They contain practical pieces of information (for example, accommodation, meals, places to visit), geographical information (landscape descriptions, orientation information in the area, etc.), as well as cultural, historical, political information, etc. In order to organize their writings, the editors of these tourist texts arrange them in different sections, following an almost always similar plan (title, chapters, subchapters, general index of localities, legend of maps and plans of a tourist destination). This creates a certain consistency of the text and a standard structure for this textual genre (Gotti 2006: 33).

In addition to these features, the guide offers a reading/ an interpretation of the tourist space that finds its specificity in the preference given to certain places, considered worthy of interest, compared to the others, which were not mentioned. Thus, it operates a selection and differentiation in terms of «regard touristique» (Stock 2014: 7) of the moment, «publicized» by the interests of the publishing house. Adjectives such as "picturesque", "paradisiacal", "exceptional" or "extraordinary", used to justify this selection, are elements involved in defining tourism. At the same time, the genre known as "travel guides" is very broad and diversified because there are: generic guides, local guides and thematic guides. According to Urry (1990: 150), the guide expresses the "*collective tourist gaze*", and, in fact, it prescribes only the tourist places that enjoy, at one point, the acknowledgement of the "tourist" status by various actors of social structures. Used in the communication act, in a certain place, at a certain time, the tourist text aims to convey those pieces of information that are necessary to "guide" the reader on the occasion of his/her visit to a chosen destination. As a result, the speaker will use communication means such as: photos, colors, maps, but also a special typography.

Thus, travel guides enjoy a special graphic treatment. First, we note that the background of the characters varies depending on the speaker's choices, and it also underlines the names of the referents. Specifically, in order to attract readers, the writer-guide resorts to bold titles for names of cities or for the names of historical, religious, political, etc. persons. It is also noteworthy that, within the guides, different markers (squares, colored arrows, circles, etc.) are used in order to highlight prices, accommodation, places that represent points of interest to the reader.

At the same time, maps and toponymic schemes, which often follow the presentation of destinations, are important reading and understanding elements that support the orientation of readers. Maps – visual elements also full of textual significance – are typical of guides; their success has contributed to the popularization of these abstract and structured representations of space. As agents of the social space, guides are also mediators of geographic networks, of tourist roads, of destination networks that influence the tourist practices and underlie the imaginary spatial constructions, stimulated by stories and images (Aelbrecht 2013). While the textual content of

guides tends to be expressed in such a way as to give an impression of objectivity and neutrality, the photographs convey a message that emotionally engages the reader. The harmony, aesthetics and grandiose nature of destinations are imposed by images that invite the reader to dream, to contemplate and to embrace adventure.

According to Mourlhon-Dallies (1995: 32), travel guides and brochures are "ephemeral" writings, as they have a short archiving period. This depends not only on the social and political realities of a country, but also on the evolution of tourism data itself. The analysis of travel guides allows the "historicization" of tourism and the reconstruction of the way the tourist space was imagined at a certain point. But this ephemeral nature influences the names used, because names can be changed from one era to another, especially those of hotels, restaurants, cafes, bars, etc. This forces publishers to re-edit their guides periodically, therefore to update their information. In fact, guides vary according to the audience, editors, eras and contexts of communication and their changes accompany technological developments. Thus, the advent of tourism triggers the birth of travel guides for promotional purposes (Stock 2014: 9).

In conclusion, contemporary guides are sources of information regarding the artistic, cultural and patrimonial treasures of various villages, towns and cities, both for tourists and cultural heritage agents (Devilla 2013: 2). These texts play an important role in highlighting destinations, and we must not forget that their discourse describes but also builds a historical, cultural and social "Ailleurs-Image" (Seoane 2013: 19).

4. Conclusion

Travel guides are volumes that contain practical information (itineraries, means of transport, traditions and art, fauna and flora, accommodation and restoration, etc.). Increasingly exhaustive claims and the presence of paratextual elements define the so-called "tabular" writing that allows the reader's eye to scroll through the page thought as a spatial and visual composition, as opposed to "linear" writing (Vergapoulos et Filon 2012). They differ in terms of format, number of pages and graphic adaptation, but in terms of content and structure, they are almost similar, the differences being more important between practical and cultural guides than between guides in Romanian and French. They are descriptive texts, often telegraphic, accompanied by images, paintings, icons, plans and various announcements.

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Open Market Operations as a Main Tool of Monetary Policy

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Abstract

Importance of monetary policy is the main indicator of economic condition in the country. Some monetary policy tools used by central banks influence on money supply and short-term interest rate. Open market operation is the monetary policy tool, frequently used by central banks to overcome liquidity problem.

Key words: monetary policy, central banks, treasury bonds, open market operations

J.E.L. classification: E52, E580

1. Introduction

USA was the first country where open market operations were first implemented. First communication between Federal Reserve and commercial banks was during Great Depression by purchasing governments securities to assemble free money. This type of relationship pushed financial institutions to realize that Federal Reserve System can influence on countries money supply. Creditability of commercial banks were increased when Federal Reserve was purchasing government securities on open markets. For coordination of open markets there was established Investment Committee on 1922, lately on 1935 year, Investment Committee was replaced by Federal Open Market Committee.

Georgia is the country where Open Market Operations is used for overcome short-term liquidity problem. For this reason, National Bank of Georgia has refinancing loans, 1-month open market operations, implemented from 2016 year, certificates of deposit and treasury bonds.

2. Literature review

Money turnover in accordance with countries development is the main topic of scientists and government attention. Georgian Scientists (Aslanishvili, 2015; Kovzanadze, 2014; Eliava, 2016; Papava, 2019) studied conduction of monetary policy problems of monetary policy transaction mechanism. Georgian authors working on topic point out that, open market operations play significant role on development of financial markets.

Monetary policy is the government's policy which influence on money turnover (Campbell; Dolan, 1988). Charles Woelfel defines monetary policy as direction of money consumption in circulation. This means the control on money in circulation. The target of this kind of monetary policy is price stability and economic growth (Woelfel, 2000)

In USA open market operations were largely conducted in government bonds. Open market operations described as market operations in real capital (Wallance, 1979 p 24). Open market operations comprise purchases and sales of securities in the secondary markets either outright transactions or considering resale a purchase agreements (BIS Markets committee, 2019 p 7).

Open market operations have shown their great value in influencing the supply of money in relation to the county's volume of business (Burgess, 1964 p 226).

3. Open market operations

Central Banks of developed countries use Open Market Operations as a main tool of monetary policy. Commercial banks liquidity and creditability is regulated by Open Market Operations. It is effective mechanism to regulate creditability and liquidity of commercial banks. In the USA Open Market Operations is conducted by financial institutions (primary dealers), they have legal right to buy and sell government securities. Financial institutions have to meet some specific requirements to declare liquidity. (New York Fed, 2007)

Central Banks open market operations influence on commercial banks free money, stimulates or decreases their credit expansion in economics. From 2019 year National Bank of Georgia introduced new monetary policy tool Foreign Exchange options sale to filling up international reserves. According to this tool currency exchange will have strike price with exchange rate of the previous day. Option will only take place if exchange rate will be stronger than previous 20 days. This tool helps to avoid short term fluctuation of exchange rate. Another monetary policy tool Foreign Exchange auction (FX), is broadly used to maintain foreign exchange reserves at a equilibrium level. The interventions are conducted through open market operations. We have to point out that importance of FX arises from the government's position. When operating on international markets, governments' funds turnover (inflows and outflows) are managed by the National bank of Georgia. Thus, despite of positive balance on balance of payments, private sector can have resulted negative foreign balance, at the same time country can have positive balance. Same situation was during 2008-2009 economic crisis. Dynamics of Foreign Exchange auction can be seen in the table 1, below.

Table no. 1. Dynamics of trade on NBG's FX auction 2017-2019 years

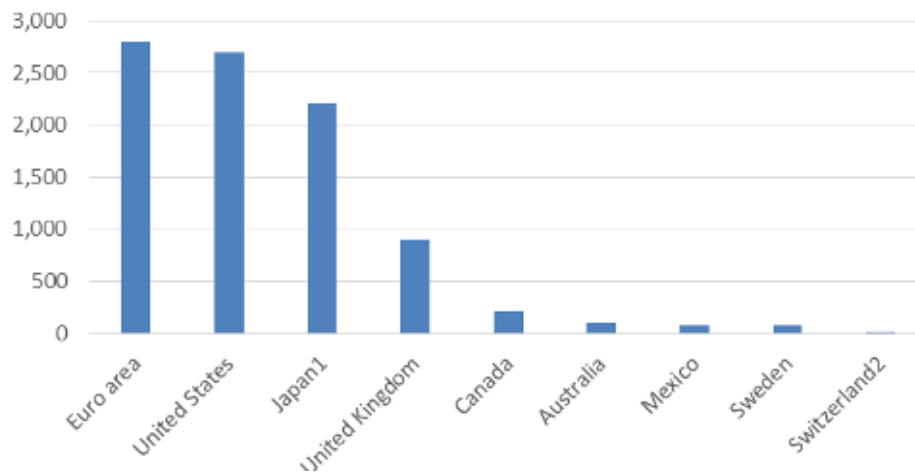
Year of auction	Selling of USD	Purchasing of USD
2015	286 960 000	-
2016	280 000 000	293 350 000
2017	-	129 750 000
2018	-	197 500 000
2019	72 800 000	165 000 000

Source: National Bank of Georgia

Examination of the table 1, shows that during 2015-2019 years National Bank of Georgia has sold 360 040 000 USD on commercial banks and purchased 620 765 000 USD. In fact according to this dates currency reserves has been increased by 146 000 000 USD. Despite of currency interventions in 2015 year, exchange rate of Georgian Lari (GEL) was fallen approximately by 30%. On 2016 year exchange rate of Gel to USD was fluctuated from 2.35 to 2.28. Average exchange rate of GEL to USD 2017-2018 years was from 2.60-2.47. Nowadays national bank of Georgia purchased 165 000000 USD despite of currency crisis when exchange rate is fluctuated 2.67-2.96 only on September NBG decided to sell 40 000 000 USD for exchange rate regulation.

Open Market Operations is differentiated by Overnight Purchase agreement and REPO (repurchase) Operations. Repo operation is frequently used in Open Market Operations. During REPO operations government sells and buys treasury securities on previously agreed price. Main aim of REPO operations is to reduce fluctuation of interest rates and increase security market liquidity. REPO transactions is actively used in EU, Switzerland, United Kingdom, USA and other countries. Dynamics of REPO operations is shown on Figure 1. Oppositely in countries like Russia treasury securities are not liquid assets and open market operations aren't popular.

Figure no. 1. REPO transactions by countries

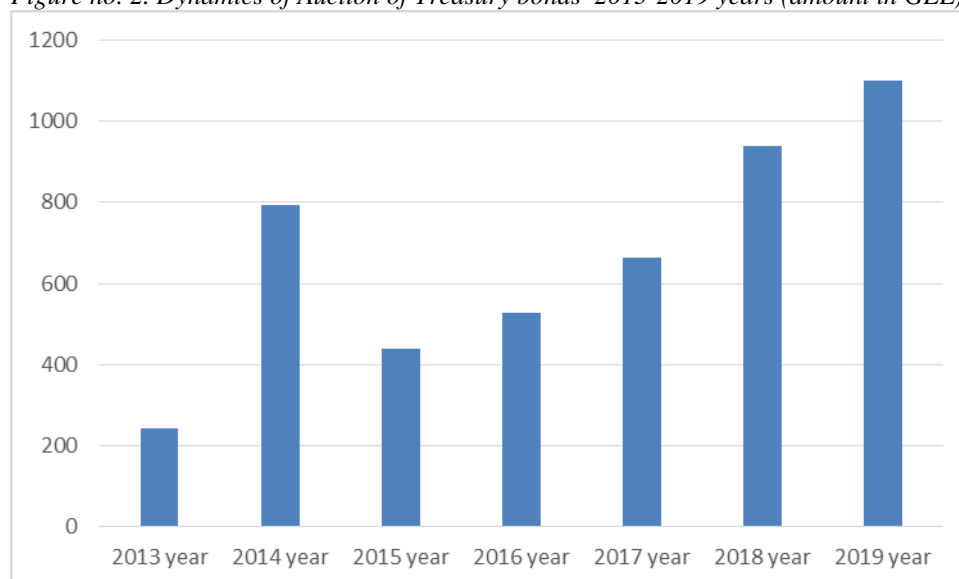


Source: www.bis.org

Commercial banks liquidity can be managed by open market operations. To accumulate money resources all amount of purchased government securities is transferred on corresponding accounts in commercial banks. It is important that commercial bank starts lending money on business, but when commercial bank transfers money from accounts, it decreases free resources and the business has no funds (Kovzanadze, Kontridze, 2014, p 58). National Bank of Georgia has the Forecasting Group, that predicts liquidity by measuring autonomous sources of liquidity supply, and commercial banks liquidity demand. To resolve resistance with these components, National Bank of Georgia makes different kind of decisions: In some cases it shortens liquidity and sometimes adds liquidity for banks. To determine central bank reserves it is important to take into consideration not only Open Market operations but total size of lendings. In Georgia Open market operations are regulated by "Regulation on Monetary Operations and Collateral Management", and "Organic Law of Georgia on the National Bank of Georgia".

During 2013-2019 years, the volume of open market operations is increased significantly. (See Figure 2). National Bank of Georgia conducts Open market operations through the auction. It is previously known the date of auction and nominal amount of emission. Information about obligations is derived from results of past auctions. Certificates of deposits, and treasury bonds are actively used by National bank of Georgia for open market operations.

Figure no. 2. Dynamics of Auction of Treasury bonds 2013-2019 years (amount in GEL)



Source: National Bank of Georgia

From January 11, 2012 National Bank of Georgia actively uses treasury notes, in this date they sell 20 000 000 Gel amount treasury notes at the NBG-s auction, there were participated 5 commercial banks and total demand was 44 000 000 Gel. Maximum yield was 8.98%. By end of 2012 year National Bank of Georgia sold 5 000 000 Gel 10 year treasury bonds, auction was conducted between 2 commercial banks and the demand was 5 020 000 Gel. On January 6, 2016 363-day government securities in amount of 40 000 000 Gel were sold at the Treasury Bonds Auction in Ministry of Finance. Total demand was 43 000 000 Gel, maximum yield was 13.3%. On 7 December 2016, 30 000 000 Gel's 2 year treasury bonds were sold at the auction held at NBG the auction conducted between 4 commercial bank. total demand was 52 500 000 Gel, min and max yield was 7.3%- 7.9%. During 2017 year the total amount of treasury securities auction was 663 million GEL and average min exchange rate was 8.22 %, on 2018 amount of transactions was-940 million GEL and average minimum exchange rate - 7.9%, on 2019 amount of transaction was - 1 100 billion, and average minimum exchange rate was – 7.4%. Open market operations take place on Bloomberg trade system, where trading are possible to make during 24 hours.

4. Conclusions

Examination of the issue allows us to generalize the following conclusions:

- ✓ Development of financial markets and liquidity of banking sector is stimulated by Open Market Operations. To improve condition on financial markets Georgia has to take into account experience of developed countries.
- ✓ In Georgia existence of floating exchange rate is significantly important because of unpredictable shokes on world financial markets. They can prevent domestic economics from negative effects.
- ✓ Highly developed financial markets is main prerequisite that influence on successful open market operations. This tool can play significant role in the economic growth, it is characterized by flexibility, and can be used for management of short-term money resources. Development of financial markets has positive influence on this process.
- ✓ Increase amount of repo operations provides banking sector with reliable funds that will be collateralized by treasury securities and simultaneously there will be possibility increase reserves.

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Tourism in Romania and the Possibilities of Attracting Tourist Flows

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Abstract

At present, tourism represents an important activity for the economy of a country, being able to make a major contribution to the economic development of that country. Moreover, tourism can be considered not only an economic activity but a way and lifestyle that is aimed at the parties involved in this activity. Tourism generates benefits for all parties involved: tourists, direct service providers (the transport service providers, hoteliers, restaurant owners, entertainment, treatment, etc.), intermediaries (travel agencies) and for residents. In this paper are addressed the concepts aimed at tourism as an economic phenomenon, as well as its importance in an economy.

For this, in this paper, we analyze the tourist activity in Romania, identifying the causes and factors that influenced this activity, as well as the possibilities and directions of attracting tourist flows.

Key words: tourism, tourist, tourist flows

J.E.L. classification: L80, L83

1. Introduction

Tourism is a complex activity, with many positive or negative implications on tourists, service providers, tourism intermediaries, but also on the natural, economic, social and cultural environment of a certain tourist destination. Tourism is part of the tertiary sector, of services, which is why it is strongly influenced by the human resource in this sector, which provides tourism services. Although these intangible elements are essential, they cannot function without the existence of tangible elements represented by the specific technical-material basis of tourism, but also by the infrastructure with general character, as well as by the natural and anthropic resources that can be exploited from a tourist point of view.

This is why, I think, tourism functions as a true complex, dynamic system, with a multitude of elements, with inputs and outputs. In an economy, this system cannot function independently, so it is in close correlation, directly or indirectly, with the other activities within an economy. That is why tourism functions as a genuine industry, called the tourism industry.

The tourism industry represents one of the most dynamic economic sectors. Tourism plays a vital role in creating jobs, an important consideration during any economic crisis. Tourism is a heterogeneous industry involving a complex system of activities and services (Stanciulescu & Lee, 2011, p.13)

2. Literature review

In the specialized literature, tourism has been defined in different ways, being developed simpler definitions but also more complex definitions, these definitions evolving with the development of society. If at first tourism was regarded as a simple phenomenon, today it is approached as a complex phenomenon, being a genuine tourism industry.

In Dictionary of Hotels, Tourism and Catering Management (1994, p.253) tourism is a business of providing travel, accommodation, food, entertainment, etc., for tourists.

Hudman & Hawkins (1989, p.4) considers that a definition would be that tourism is the sum of all the relationships arising from the interaction of tourists, businesses, tourist governments, and the host government and communities. In the conception of other authors tourism may be defined as the processes, activities, and outcomes arising from the relationships and the interactions among tourists, tourism suppliers, host governments, host communities, and surrounding environments that are involved in the attracting and hosting of visitors (Goeldner & Ritchie, 2009, p.6).

An important role in generating a tourist flow has the motivation to travel, motivation that is the basis for choosing a tourist destination. These travel motivations are presented in table no.1.

Table no. 1 Tourist motivation

Travel Motivations	Forms	
Health	Physical	Mental
Curiosity	Cultures Society or public figures Disasters	Politics Physical features
Sports	Participating Team competition Spectator Baseball Horseracing	Hunting and fishing Golf and tennis Football Track and field
Pleasure	Travel Art Music	Entertaining Gambling Honeymoon
Spiritual or Religious	Pilgrimages Religious headquarters Drama and musical productions	Meetings Historical sites
Professional and Bussines	Scientific expeditions Business travel	Conventions Education
Friends and Relatives		

Source: (Hudman & Hawkins, 1989, 39)

Other authors (Landry & Fesmire, 1994, p.10) considers that for tourists, the "profit" in choosing certain destinations is not monetary, but emotional. Tourists choose destinations that fill their personal needs:

- Culture
- Education
- Entertainment
- Health
- Relaxation
- Being with others
- Religion, spiritual enrichment

In other words, not every trip generates a tourist flow to a tourist destination. There must be at least three conditions for a person to be a tourist:

- disposable income
- free time
- a tourist motivation

The United Nations Conference on International Travel and Tourism, held in 1963, considered recommendations put forward by the International Union of Official Travel Organization (now the World Tourism Organization), and agreed to use the term "visitor"(, Holloway, 1998, p.2). The term visitor (The United Nations Conference on International Travel and Tourism, 1963, p.5; <https://digitallibrary.un.org>) describes any person visiting a country other than that in which he has his usual place of residence, for any reason other than following an occupation remunerated from within the country visited. This definition covers:

- Tourists: temporary visitors staying at least 24 hours, in the country visited and the purpose of whose journey can be classified under one of the following headings:

- a) leisure (recreation, holiday, health, study, religion and sport);
- b) business, family, mission, meeting.
- Excursionists: temporary visitors staying less than 24 hours in the country visited (including travellers on cruise but excluding travellers in transit)

A tourism destination is a physical space with or without administrative and/or analytical boundaries in which a visitor can spend an overnight. It is the cluster (co-location) of products and services, and of activities and experiences along the tourism value chain and a basic unit of analysis of tourism. A destination incorporates various stakeholders and can network to form larger destinations. It is also intangible with its image and identity which may influence its market competitiveness (UNWTO Tourism Definitions, 2019, p.14).

Tourism plays a very important role in an economy. Thus, Page (2009, p.4-5) considers that the reasons why tourism assumes an important role, are:

- Tourism is of growing economic significance at a global scale
- Many governments see tourism as offering new employment opportunities
- Tourism is increasingly becoming associated with quality of life issues
- Global travel is becoming more accessible in the developed world for all classes of people
- Tourism is becoming seen as a basic right in the developed, Westernized industrialized countries
- In some less developed countries, tourism is being advocated as a possible solution to poverty

Attempts to encourage the development and growth of tourism activities are often desirable because tourism creates jobs and brings money into a community or country. Tourism can create greater cultural understanding and enhance economic opportunities, it may also change social structures; may place increasing demands on transportation systems, public services, and utilities; and may lead to environmental degradation (Cook *et al*, 1999, p.22).

3. Research methodology

In this paper, the existing statistical data, provided by the National Institute of Statistics, are used to analyze the tourism activity in Romania and the tourist flows. Based on these data, the flows of tourists are analyzed, on the two components: domestic tourism and international tourism, in order to highlight the trends recorded during the analyzed period.

4. Tourism in Romania

Romania is a country that has a huge natural and anthropic potential. There are all forms of relief, thermal resources, there are buildings with historical value, castles, traditional buildings, monasteries, customs and valuable traditions. Therefore, in Romania all forms of tourism can be practiced: mountain tourism, coastal tourism, spa tourism, nature tourism, rural tourism and agro-tourism, ecotourism, speleological tourism, business tourism, cultural tourism, religious tourism,, sports tourism, hunting and fishing, etc. However, in Romania, tourism is an activity that is not carried out at its true value, its natural and anthropic potential is not properly exploited.

Thus, after 1990, with the transition to the market economy, tourism in Romania entered a new stage. The economic, social and political instability in Romania has strongly affected tourism in the first ten years after the 1990 revolution.

The incoming tourist flows were negatively affected (the number of tourists who visited our country was drastically reduced) and the number of Romanian tourists who visited other countries increased. This led to a deficit in the trade balance.

Table no. 2 Tourists accommodated in the establishments of tourists' reception with functions of tourists' accommodation in the period 2005-2017, in Romania

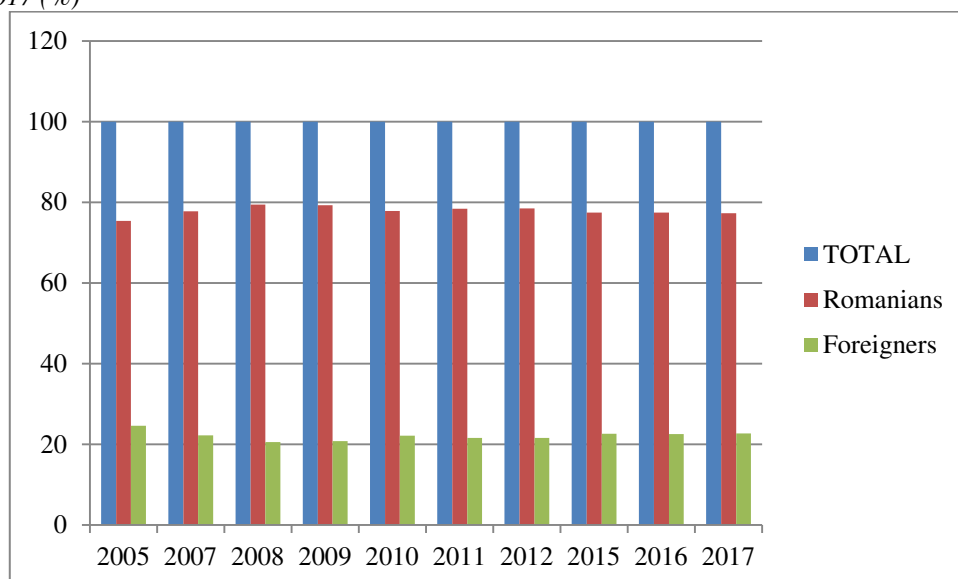
Years	TOTAL		From which:			
	Number of Tourists	%	Romanians (Number of Tourists)	%	Foreigners (Number of Tourists)	%
2005	5805096	100	4375185	75,37	1429911	24,63
2007	6971925	100	5420968	77,75	1550917	22,25
2008	7125307	100	5659416	79,43	1465891	20,57
2009	6141135	100	4865545	79,23	1275590	20,77
2010	6072757	100	4726414	77,83	1346343	22,17
2011	7031606	100	5514907	78,43	1516699	21,57
2012	7686489	100	6030053	78,45	1656436	21,55
2015	9921874	100	7681896	77,42	2239978	22,58
2016	11002522	100	8521699	77,45	2480824	22,55
2017	12143546	100	9383266	77,27	2760080	22,73

Sources: realized by author, based on data provided by *National Institute of Statistics* (<http://www.insse.ro/cms/ro/content/alte-publicatii>, Romanian Tourism Statistical Abstract, 2007, p.35-36; 2010, p.42-43; 2013, p.38; 2018, p.36).

From the analysis of the data from table no.2 the following aspects are revealed:

- In 2017, compared to 2005, the total number of tourists increased by 2.09 times, indicating an upward trend and an improvement in the tourist activity, both on the national and foreign tourists segment;
- Starting with 2009 and until 2011, there is a decrease in the total number of tourists to 7125307 in 2008, to 6072757 in 2010, ie a decrease of about 15%, meaning a significant decrease for this interval. This decrease is due to the reduction of population incomes and consequently, the reduction of the tourist demand as a result of the economic crisis of this period;
- After 2011, there is a continuous increase of the tourist flows so that in 2017 the maximum value was recorded for the analyzed period, both for the internal tourist flows and for the tourist flows received.

Figure no. 1. The share of Romanian tourists and foreign tourists accommodated in Romania between 2005-2017 (%)



Source: realized by author after Table no.2

The analysis of the data in Figure no.1 indicates a concrete situation for the tourism in Romania, during the analyzed period. Thus, it is found that every year the number of Romanian tourists is significantly higher than the foreign tourists. Each year analyzed, Romanian tourists hold about 77% as compared to about 23% as foreign tourists.

The small number of foreign tourists in Romania compared to the number of national tourists is based on the following causes:

- Insufficient promotion of Romania as a tourist destination from the point of view of the tourist attractions and the offered tourist services;
- Causes related to the tourist infrastructure: accommodation units inadequate from the point of view of the provided tourist services;
- Tourist services that do not correspond in terms of quality;
- Deficit of specialized labor force in the provision of tourist services;
- High prices of tourist services, non-competitive in terms of price-quality ratio;
- Lack of highways and communication routes to facilitate tourists' access to tourist attractions
- Insufficient protection of foreign tourists

5. Conclusions

The analysis of the tourism activity in Romania and of the tourist flows highlights the fact that Romania's tourism market is dominated by domestic tourism (over 75%). This fact is beneficial for Romania being a short-term solution for Romanian tourism, but that does nothing but move the financial flows from one area to another, within Romania. That is why Romania has to take the appropriate measures, to reduce the departures of Romanian tourists abroad and at the same time to increase the flows of foreign tourists visiting our country.

To do this, it is necessary to act in the following directions:

- Improving the quality of tourist services;
- Practicing tariffs that are competitive abroad;
- Better tourism promotion of tourism resources and attractions in Romania;
- Increasing investments in the hotel business so as to increase the number of 4 and 5 star hotels;
- Realization of investments corresponding to the construction of roads that facilitate the access of tourists to the tourist attractions in Romania;
- Changing the mentality of the tourism service providers in Romania regarding obtaining maximum profit in the shortest time and creating a long-term tourism vision;
- The stimulation of the employees in the tourism sector by increasing the wage incomes, because in Romania the level of the earnings in tourism is the lowest and therefore it reflects negatively on the quality of the tourist services.

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Ecotourism and Its Importance on the Tourism Market

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Abstract

Ecotourism is the main form of sustainable tourism and takes into account the natural environment, the cultural and social environment as well as the economic impact on the local communities. These features make ecotourism an attractive form for tourists who want to travel in the areas that constitute the appropriate environment for practicing ecotourism.

The actions of conservation of the natural environment have generated this form of tourism that is addressed to a small segment of tourists, namely the segment of ecotourists. Therefore, protected areas play a decisive role in the practice of ecotourism.

In turn, ecotourism generates a minimal negative impact on the natural and cultural environment, contributing to the well-being of local communities.

In Romania, the existence of relatively unaltered natural resources, the preservation, revitalization and capitalization of cultural resources, as well as the support of local communities in these areas, had the effect of developing ecotourism materialized in increasing the number of ecotourists.

Key words: tourism, ecotourism, protected areas

J.E.L. classification: L80, L83.

1. Introduction

At present, there is an increasing emphasis on the development of sustainable forms of tourism. Unlike mass tourism, ecotourism is a form of tourism that has lately been an attractive form for tourists and tourism operators, but it is also an area that is continuously researched to provide the best solutions. for the environment, tourists, service providers, but also for the local community.

This is why, in Romania, ecotourism is a form of tourism that knows positive trends, and the protected areas have a major role in developing this form of tourism.

2. Theoretical background

In practice there are two separate dimensions for the sustainability argument applied to travel and tourism: the physical environment and the social and cultural environment (Middleton and Hawkins, 1998, p.7). In other words, if ecotourism initially aimed only at respecting ecological principles, at present, it also implies the impact it has on local communities.

This impact is aimed at:

- relations between tourists and residents;
- the economic benefits obtained by the local community;
- the customs, traditions and culture of the respective area

In essence, ecotourism experiences are sustainable in respect both to the environment and local populations, their culture, needs and desires (Wearing and Neil, 1999, p.7). Also, many remote and fragile environments and cultures may come increasingly under the influence of tourism as specialized forms of tourism, under such names as alternative tourism, ecotourism, adventure tourism, and green tourism (Heath and Geoffrey, 1992, p.37). This highlights the importance that ecotourism has on the tourist market. Ecotourism must maintain its characteristics that define it as

the main form of sustainable tourism and not become a form of mass tourism.

This character would have a huge negative impact on the natural and socio-cultural environment in a certain area.

In theory, several terms are used to designate ecotourism. Common terms used to describe ecotourism and related activities are (Cook *et al*, 2010,319):

- Adventure tourism
- Low-impact tourism
- Rural tourism
- Wilderness tourism
- Green tourism
- Nature-based tourism
- Sustainable tourism
- Responsabile tourism

Tourism development will invariably require the sacrifice of natural landscape to make way for tourist facilities (Holloway, 1998, p.319). Ecotourism has been declared to conserve the natural areas, enhance small-scale development, educate both tourists and locals as well as provide an incentive for long-term attractiveness of the destinations (Knowles *et al*, 2001, p.118). Therefore, ecotourism is an important solution on the tourism market.

Swarbrooke, consider that, in simple terms, ecotourism simply means that the main motivation for travel is the desire to view ecosystems in their natural state, both in terms of wildlife and the indigenous population (Swarbrooke, 1999, p.318). In The Concise Oxford Dictionary (1999, p.454) ecotourism is 'tourism directed towards unspoiled natural environments and intended to support conservation efforts'.

In Fennell's conception (Fennell, 2003, p.25) 'ecotourism is a sustainable form of natural resource-based tourism that focuses primarily on experiencing and learning about nature, and which is ethically managed to be low-impact, non-consumptive, and locally oriented (control, benefits, and scale). It typically occurs in natural areas, and should contribute to the conservation or preservation of such areas'.

The International Ecotourism Society defines ecotourism as 'responsible travel to natural areas that conserves the environment, sustains the well-being of the local people, and involves interpretation and education' (<https://ecotourism.org/what-is-ecotourism/>). This organization believes that those who implements, participates in and market ecotourism activities should adopt the following ecotourism principles (<https://ecotourism.org/what-is-ecotourism/>):

- Minimize physical, social, behavioral, and psychological impacts
- Build environmental and cultural awareness and respect
- Provide positive experiences for both visitors and hosts
- Provide direct financial benefits for conservation
- Generate financial benefits for both local people and private industry
- Deliver memorable interpretative experiences to visitors that help raise sensitivity to host countries' political, environmental, and social climates
- Design, construct and operate low-impact facilities
- Recognize the rights and spiritual beliefs of the Indigenous People in your community and work in partnership with them to create empowerment.

Consequently, ecotourism differs from other forms of tourism by educating ecotourists as well as the local communities involved.

Benefits and importance of ecotourism are (Goeldner and Ritchie, 2009, p.486):

- Provides jobs and income for local people
- Makes possible funds for purchasing and improving protected or natural areas to attract more ecotourists in the future
- Provides environmental education for visitors
- Encourages heritage and environmental preservation and enhancement

3. Research methodology

For the analysis of ecotourism and the importance it has on the tourism market, statistical data were used regarding this form of tourism in Romania. The research method is based on the systematic observation and analysis of the phenomenon in order to unravel the recorded trends and to discover the factors that were the basis of these trends.

4. Ecotourism in Romania

In Romania, ecotourism is a form of tourism with huge potential, because there are numerous areas where the natural environment is little affected by human activity.

Protected areas play an important role in the development and practice of ecotourism. There are three main categories of protected areas in Romania: the Danube Delta Biosphere Reserve (the largest protected area, representing 580000 hectares); 13 National Parks and 13 Nature Reserves. Their total area represents 7% of the Romanian territory, being a major resource for tourism. Activities can range from hunting and hiking to leisure and winter sports. (http://turism.gov.ro/web/wp-content/uploads/2017/05/masterplan_partea1.pdf).

In Romania, ecotourism programs have a relatively recent history. The first ecotourism packages were created around 2000. Currently, the main areas of Romania where ecotourism programs are concentrated are the following

(<https://patrimoniul.gov.ro/images/turismcultural/Romania/Strategie-ecoturism.pdf>):

- Danube Delta Biosphere Reserve (bird watching, boating);
- Piatra Craiului National Park and its surroundings (programs based in particular on the observation of large carnivores (wolf, bear, laughter), but also of certain species of plants, equestrian tourism, cycling, mountain hiking, etc.);
- The Apuseni Mountains Natural Park (hiking, thematic hiking, cultural programs, ski touring, equestrian tourism, cycling tourism, etc.);
- other protected natural areas, some with national or natural park status, with ecotourism programs focused on: equestrian tourism, cycling, thematic hiking, ski touring, flora and fauna observation, cultural programs, canoeing, etc. ;
- Transylvania
- Bucovina (nature observation programs, thematic trips combined with cultural tourism and monastic tourism).

The concern for the development of ecotourism in Romania has led to the appearance of associations and organizations that promote this form of tourism. Such an association is The Association of Ecotourism in Romania.

This is a partnership for nature conservation and tourism development among tourism associations, non-governmental associations acting in local development and nature conservation, nature conservation projects and travel agencies. Therefore, the innovative idea promoted by AER is to bring together the public and the private sector in a partnership for nature conservation and sustainable tourism development (<https://www.asociatiaaer.ro/en/mission-and-objectives/>).

In Romania, in many situations the ecotourism is identified with the rural tourism, not being a clear delimitation of them, because many activities specific to the ecotourism are found in the rural areas where there is a natural environment specific to the practice of the ecotourism. Although it is an important form of tourism for Romania, there is no clear statistical data on ecotourism.

Because the Danube Delta is the protected area with the largest area on the Romanian territory, it is very important the statistical image regarding the number of tourists in this area.

Thus, in the Table no.1 is presented the number of tourists in the Danube Delta compared to the number of tourists in Romania.

Table no. 1 Arrivals in the tourist reception structures with accommodation functions in Romania and in the Danube Delta, between 2015-2018

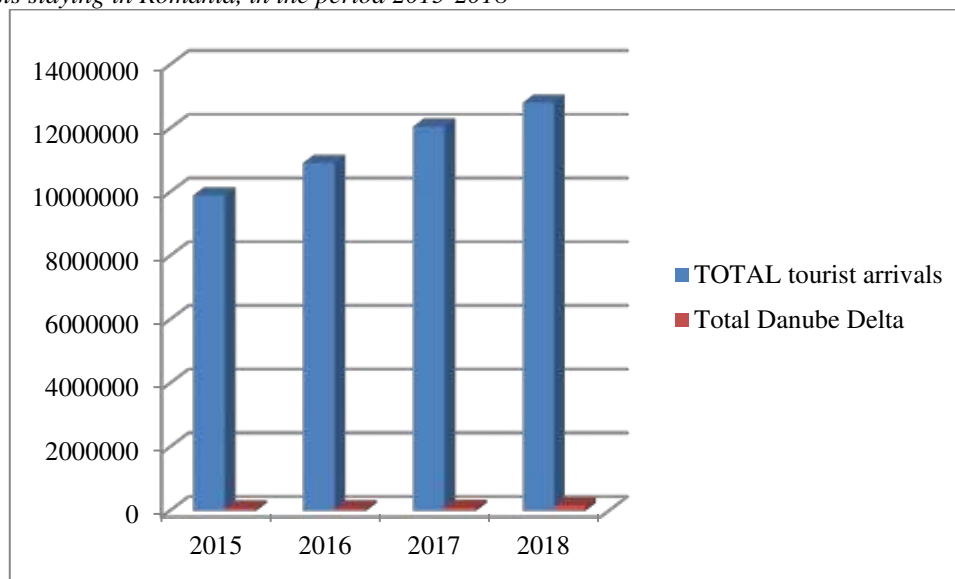
Year	TOTAL Arrive Tourists	From which:		Danube Delta (including Tulcea city)		
		Romanian Tourists	Foreign Tourists	Total Tourists	From which:	
					Romanian Tourists	Foreign Tourists
2015	9898610	7664378	2234232	69076	53384	15692
2016	10917561	8445949	2471412	73114	55747	17367
2017	12056276	9307004	2749272	100423	76281	24142
2018	12809887	10024482	2785405	165431	140077	25354

Sources: realized by the author, based on data provided by National Institute of Statistics (Seria turism 2015-2017: nr. 4/2015; nr. 4/2016; nr. 4/2017 <http://www.insse.ro/cms/ro/content/alte-publicati>; Seria statistica de turism Nr 4/ 2018, p. 3 http://www.insse.ro/cms/files/publicatii/publicatii%20statistice%20operative/seria_turism_in_anul_2018.pdf).

From the analysis of the data in table number 1, between 2015-2018 we can see an upward evolution of both the total number of tourists in Romania, as well as the number of Romanian and foreign tourists.

Although the data in figure no. 1 indicate an increase in the number of tourists in the Danube Delta, the share of these tourists in the total number of tourists remains small. Thus, if in 2015 the tourists staying in the Danube Delta represented 0.7%, in 2018 their share reached 1.3%, which represents almost a doubling. This fact is due to a better promotion of ecotourism in this area, as well as the emergence of new activities specific to ecotourism in the Delta.

Figure no. 1. The total number of tourists staying in the Danube Delta compared to the total number of tourists staying in Romania, in the period 2015-2018

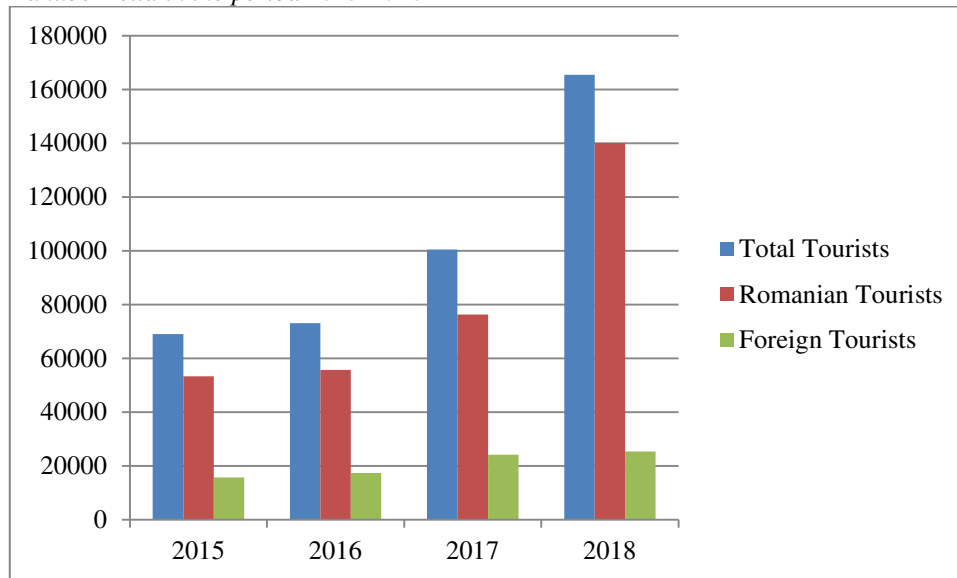


Source: realized by the author after Table no.1

If we take into account the number of tourists staying in the Danube Delta, there is an increase of 2.4 times in 2018 compared to 2015 (Figure no. 2). A similar increase is registered for Romanian tourists but also for foreign tourists from the Danube Delta.

However, it should be noted that the number of foreign tourists is small compared to the number of Romanian tourists. Thus, in 2015 Romanian tourists represented 77.3% and foreign tourists 22.7%. In 2018, the share of Romanian tourists increased to 84.7%, while foreign tourists represented 15.3%, which represents a decrease of 7.4% compared to 2015.

Figure no. 2. The total number of tourists, the number of foreign tourists and Romanian tourists staying in the Danube Delta in the period 2015-2018



Source: realized by the author after Table no.1

5. Conclusions

Following the analysis, it is found that ecotourism can play an important role in the tourist market, if the appropriate measures are taken to practice it. The development of ecotourism represents a beneficial strategy for the economy of a country, but especially for the natural, cultural and social environment in these areas.

The analysis of data from Romania has revealed that this form of tourism is not sufficiently promoted, especially at the institutional level. There is no statistical data to characterize this form of tourism. However, Romania has a huge potential for practicing ecotourism. For this, it is not enough a promotion of ecotourism areas but the realization of concrete actions that will contribute to the protection of the protected areas, because in Romania there are massive deforestation of forests, even inside the protected areas. This phenomenon generates the destruction of ecosystems and consequently a negative impact on ecotourism.

Although the Danube Delta is the protected area with the largest area in Romania, the number of tourists who practice ecotourism is very small.

In conclusion, for Romania, ecotourism is a huge opportunity for economic development, but also for the protection and conservation of the natural and cultural environment. But the development of ecotourism should not lead to its transformation into mass tourism that will generate negative effects.

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The Use of Text Mining in Identifying Means of Enhancing the ESP Teaching Process

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Abstract

Nowadays, English is studied at all academic levels. However, this has not always been so. With the advent of lifelong learning and due to the increasingly dynamic labor market, more and more people choose to take undergraduate courses and some of them do not have formal training in English. Thus, ESP teachers are facing the challenge of working with heterogenous classes. This article is analysis of 20 unstructured responses to the task "Agree or disagree with the statement that business and ethics are incompatible", given by 1st year accounting students enrolled in the distance learning program of "Ovidius" University in the academic year 2018-2019. The method used is text mining, by means of a free online tool, with the aim of identifying the degree of readability of the texts and any peculiarities of specificities of the discourse which may be used as anchors for curriculum development.

Key words: text mining, readability, ESP, curriculum development

J.E.L. classification: Z13

1. Introduction

When working with a heterogenous ESP classroom, it is difficult to choose or come up with a set of didactic materials which will fit all levels of competence and will bring added value to all students. In order to do so, there is need for an extensive analysis of the needs, knowledge and competences of the target group. While grammatical structures are the focus of pre-university structured learning, one of the aims of ESP is to build field-specific vocabulary. But neither approach can be exclusive, especially in the case of classes with different or no level of prior formal language instruction. Hence, this micro-level analysis of texts written by 1st year accounting students enrolled in the distance learning program of "Ovidius" University of Constanta, in order to identify commonalities and to develop the curriculum in a value-added manner.

2. Literature review

Text mining is a means to "extract and aggregate numerical data from textual documents" (Schouten, et al., 2019, p. 68). Besides being an increasingly appreciated research and analysis tool, it is being used by social media platforms, since it proved to be very profitable (Schouten, et al., 2019, p. 68).

A simple search in the Web of Science database yielded a staggering 2,098 results for papers which contain the words "text mining" in their title. However, only a handful concentrate on using this method in order to improve the learning experience, with an increasing interest since 2001.

Text mining has been used a computational linguistics tool. For instance, Alina Buzarna-Tihenea (Galbeaza) used this method in view of developing written business communication (Buzarna-Tihenea (Galbeaza), 2019, p. 146). Furthermore, together with Lavinia Nadrag, she made a cross-linguistic analysis of contracts of maritime law texts, in order to contribute to better understanding and translating such texts into Romanian (Nadrag & Buzarna-Tihenea (Galbeaza), 2016, p. 35).

As a support for teaching, Jason West proposed the use of text mining to “empirically analyze the breadth and depth of existing tertiary-level curricula to quantify patterns in curricula through the use of surface and deep cluster analysis” (West, 2017, p. 389), while Harakova and Rydval analyzed 6 storybooks used in class, in order to establish patterns of repetition and recycling for low-frequency words (Harakova & Rydval, 2015, p. 167). Similarly, Joorabchi et al. proposed to text mine specialized forums in order to identify the latest trends in the field of interest (Joorabchi, et al., 2015, p. 1170).

Although several studies analyze learner-generated content, most of them do not aim at improving the learning experience. Kong et al., however, designed an experiment in which keyword analysis is used before and after the teaching activity, in order to identify the frequency of the target vocabulary (Kong, et al., 2018, p. 369).

3. Research methodology

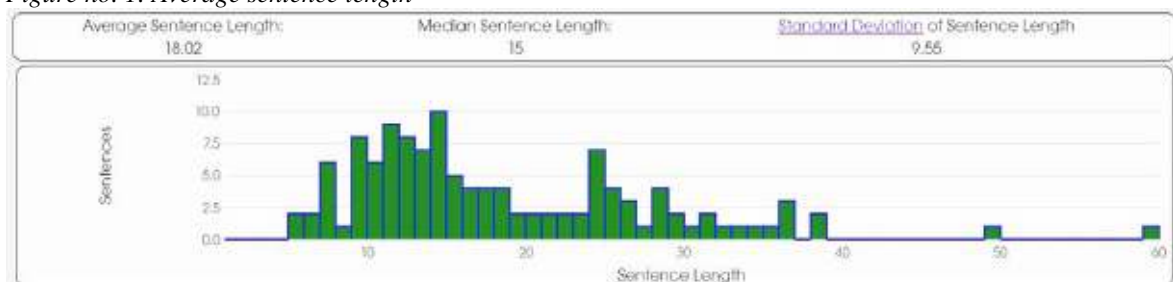
Our endeavor is a micro-level analysis of learner-generated contentment, which may provide useful information and prompt in a certain direction in the further development of the curricula. Twenty accounting students enrolled in the distance learning program of “Ovidius” University of Constanta, Romania, in the first year of study, were asked to agree or disagree in writing with the statement that business and ethics are incompatible. Other than that, no restrictions were imposed regarding the structure of the response or the content and no specific vocabulary or grammatical structures were activated. The students had different levels of competence in English, ranging between A2 and B2 (CEFR).

The obtained texts were analyzed using the free online tool located at the address <http://www.analyzemywriting.com/>. We focused on the following aspects: word length, sentence length, word frequency, readability and lexical density. The 20 inputs were analyzed separately and together, yielding similar results, with the exception of only one input, which exhibited a higher level of language competency.

4. Findings

The obtained corpus contains short answers, consisting in 1-6 paragraphs. The average sentence length is 18.02 words, with the highest consistency between 9 and 14 words. The sentences containing more than 30 words belong to the same paper. Therefore, a propensity for the simple, classical SPO structure of the sentence is remarked.

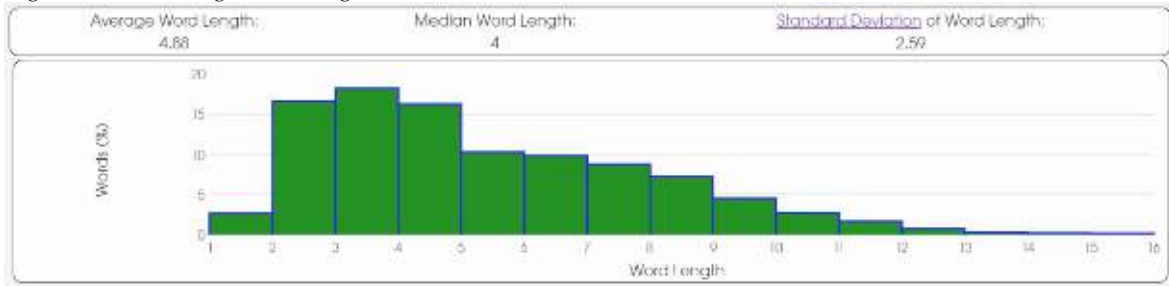
Figure no. 1. Average sentence length



Source: Generated on [analyzemywriting.com](http://www.analyzemywriting.com/), based on the corpus (Analyze My Writing, n.d.).

The average word length is 4.88 letters. 51.06% of the words have between 2 and 4 letters. The longest word has 16 letters.

Figure no. 2. Average word length



Source: Generated on analyzemywriting.com, based on the corpus (Analyze My Writing, n.d.).

The most common lexical word which was not provided in the question is “profit”. This data shows the use of a limited, poor vocabulary, primarily made up of short words, consistent with a low level of language competence.

Table no. 1. The most common words

Rank	Word	Number of occurrences	Percentage of total words
1	the	89	4.1%
2	business	71	3.27%
3	to	70	3.22%
4	and	64	2.95%
5	ethics	54	2.49%
6	are	53	2.44%
7	that	49	2.26%
8	is	48	2.21%
9	in	43	1.98%
10	of	41	1.89%
11	a	34	1.57%
12	not	33	1.52%
13	I	24	1.1%
14	for	24	1.1%
15	profit	22	1.01%

Source: Generated on analyzemywriting.com, based on the corpus (Analyze My Writing, n.d.).

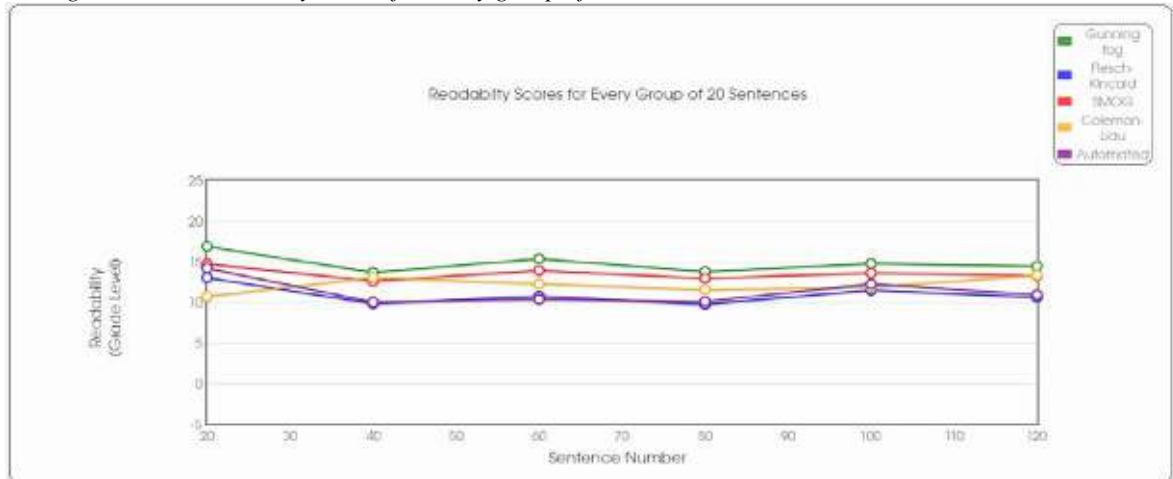
The degree of readability of the corpus was calculated based on 5 methodologies (Gunning fog, Flesch–Kincaid, SMOG, Coleman-Liau and Automated), with an average level of 12. This equates to the reading level of a High school senior in the USA, according to the Gunning fog index and the Coleman-Liau Index or of a college graduate, according to the Flesch–Kincaid index. This information is consistent with the participants’ level of study.

Figure no. 3. Readability level of the corpus

Readability Score (Index)	Grade Level of Entire Text
Gunning fog	14.58
Flesch-Kincaid	10.72
SMOG	13.51
Coleman-Liau	11.91
Automated	11.06
Average Grade Level:	12.36
Median Grade Level:	11.91

Source: Generated on analyzemywriting.com, based on the corpus (Analyze My Writing, n.d.).

Figure no. 4. Readability scores for every group of 20 sentences



Source: Generated on analyzemywriting.com, based on the corpus (Analyze My Writing, n.d.).

The average lexical density of the corpus is 53.13%. The most common parts of speech are nouns (27.39%), prepositions (13.95%), verbs (11.69%), adjectives (8.84%), auxiliary verbs (8.38%), adverbs (5.2%) and pronouns (4.7%). This structure confirms the low level of lexical diversity and the simple sentence structure.

5. Conclusions

This study is limited to the specific target group, consisting of 20 first-year distance-learning accounting students with ages between 22 and 49 and with different levels of competence (mostly between A2 and B1, with one B2-level student). The rather short answers are consistent with the current trend of systematization in social media and electronic communication.

The results of the study are valid for the target group. They confirm the low level of competence in English, but the correct and consistent application of simple grammatical structures common to both languages (Romanian – the mother tongue and English – L2).

The study reveals that the target group requires a communicative approach, with the focus on lexical words both in the general spectrum and in that of accounting.

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Customers' Perception about Bancassurance in Romania

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Abstract

The implementation of new products in the banking field contributes to the creation of a competitive environment, the development of new products and the satisfaction of the clients. In this way, a new product was launched, such as bancassurance.

Bancassurance developed in many countries and become an important distribution channel especially for the life insurance products (eg France, Italy, Spain, Austria) around 50%, and in Romania is around 30%.

Given that the behavior of bank customers is in a permanent change, it is necessary to develop and diversificate new financial products for satisfy their needs.

This study aims to highlight different perspectives of bancassurance according to the customers' experience regarding the contraction of an insurance through the bancassurance channel.

Key words: bank, insurance, customer, banking

J.E.L. classification: M21, M310

1. Introduction

Bancassurance is a financial concept, where insurance policies are sold through bank branches, with the help of bank employees.

Bancassurance is a financial product launched by the banks and the insurance company, in order to offer insurance products or insurance benefits to the bank's customers. In this partnership, the insurance policies are sold by bank staff and tellers. Bank staff are trained by the insurance company through wholesale product information, marketing campaigns and sales training. Insurance policies are processed and administered by the insurance company. In this partnership, all the parties involved obtain different benefitts. Banks are increasing their revenues based on commissions received from insurance companies; insurance company extend the data base from banks customers, with low costs of commisions paid to insurance agents. The most important benefit of the client is that he can satisfy all the financial needs in the same place: in a bank. The success of this model mostly depends on banker-customers relationship over a period of time. This relationship motivates them to purchase insurance products apart from banking products and services.

Bancassurance has developed significant around the world, specifically in European countries. According to Insurance Europe, around 80% of life insurance premiums have been distributed through bancassurance in Portugal, around 65% in France and 30% in Romania. In Romania, bancassurance products have been created and adapted to market-specific conditions, so there is still no product on the local market that corresponds 100% to the classic definition of bancassurance system. However, more and more customers are using bancassurance to complete an insurance.

The first bancassurance product in Romania was launched in 2001 by BRD and Aviva Life Insurance (taken over by Metropolitan Life, formerly Alico Asigurari). Since then, banks have become one of the main distribution channels, through which they sell life insurance, bancassurance contributing with over 25% to the total gross premiums subscribed.

Considering that the competitive environment is increasingly developed, the banks need to improve their financial services and to satisfy the customers' needs. Customer satisfaction is seen as a key differentiator and a key element for business strategy.

2. Literature review

The modern concept of marketing starts from the premise that any economic activity must be directed for satisfy of the consumers needs with maximum efficiency. There are a lot of studies about customers' experience about contracting an insurance through bancassurance channel.

In this way, Munusamy et.al,2010 and Nautiyal et.al, 2014 found that implementation of insurance sales through banks has a huge impact on customer satisfaction .

Previous studies showed that is a relationship between customer satisfaction and service quality (Brady et al., 2002). Studies of Choudhury and Singh (2015) found that customers have positive experiences of buying insurance through bancassurance channel.

There is a need for retailers to understand the consumers' demands and their behavioural intentions (Chang et al.,2016) such as customers' perceived value and effort expectancy (Cronin, Brady, & Hult, 2000; Teo & Lim, 2001).

According to the literature, bancassurance implementation in banks' activity can lead to efficiency and profitability of banks, as products are launched to satisfy customer needs.

3. Research methodology

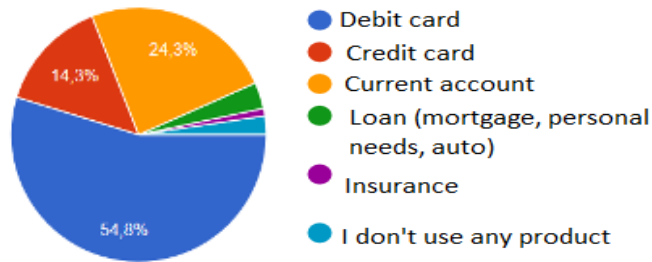
The present study tries to find the main perception of the customers about finalizing an insurance through bancassurance channel and also if demographical variables has influences on customers perception.

The study was conducted on the basis of a questionnaire, in general, based on "closed" questions, for which the answers were fixed in advance and the respondents had to choose from the variants of proposed answers. The questions were formulated in such a way as to avoid errors. These errors can be caused voluntarily by the respondent, due to the masking of opinions, attitudes, etc., or they can be involuntary misunderstand the core of the problem. This aspect may also be due to the fact that this distribution channel is relatively new developed.

The questionnaire was distributed by email, choosed random, in order to be completed by different people, from different social media, thus obtaining a sample of 210 people.

First of all, i've tried to find out which are the most used products from a bank, according that the financial education in Romania is located on one of the last places, worldwide - respectively on position 123 of 143 countries and on the last place in the European Union. Romania is positioned after the European rankings in terms of intermediation and financial inclusion. About 40% of the adult Romanians are not banked, given that in developed countries such as Austria and Germany, the share of non-banked persons is below 1%. In the European Union states , the average in terms of financial inclusion is 90%. Romania's development strategy should include deficit mitigation tactics in relation to European environments, including in this line of education.

Figure no. 1. The most used banking products

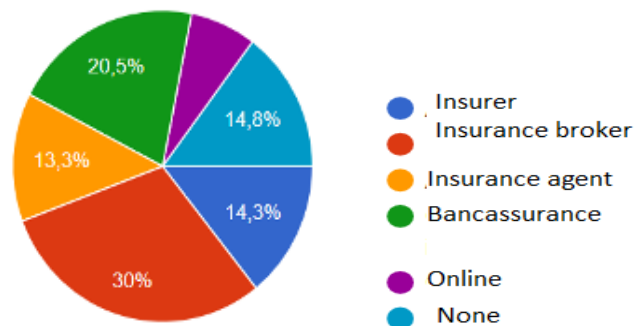


Source: Author's contribution

The products most used by the customers are debit cards (54.8% of respondents), current account (24.3% of customers) and only 1% of customers goes frequently to bank for contracting an insurance policy.

The insurance distribution channels are: insurers, insurance brokers, agencies and bancassurance. The use of the various distribution channels varies depending on the market, the insurance product and the needs and preferences of the consumer.

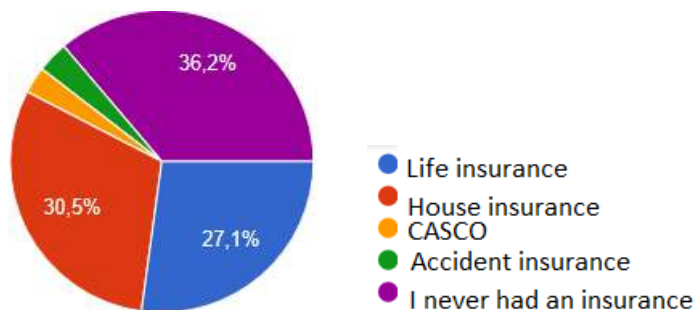
Figure no. 2. Distribution channels



Source: Author's contribution

According to this study, most of the customers (30.5% of respondents) buy a house insurance policy, mostly attached to a mortgage loan and 36.2% of customers never had an insurance policy.

Figure no. 3 . The most insurance used



Source: Author's contribution

Source: Author's contribution

In this study, I tried to find which are the main factors , which determine a person to buy or not to buy an insurance policy through bancassurance channel.

Table no. 1. Customer satisfaction for contracting an insurance policy through bancassurance channel

Factors	% of total	Number of respondents
Lower time for solving all financial issues in the same place	33.3%	70
Find all financial products in the same place	46.70%	98
Lower prices for contracting a loan (most of the banks have special offers if you take also an insurance when contracting a lon)	20%	42

Source: Compiled from the questionnaire

Table no. 2. Customer dissatisfaction for contracting an insurance policy through bancassurance channel

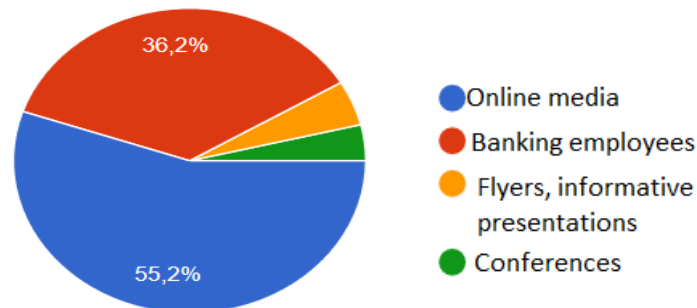
Factors	% of total	Number of respondents
Professional training of banking employees	13.3%	28
The agglomeration of a bank branch	31.9%	67
Diversified range of products	26.2%	55
Concluding an insurance through insurance agent	28.6%	60

Source: Compiled from the questionnaire

Financial education is an essential component of consumer empowerment, as it provides them understanding of how to manage their finances, in order to avoid risks and possible financial exclusion. This is a key element in rebuilding consumer confidence in the banking system.

Most of the respondents wants to find more information about bancassurance distribution channel through online media (55.2% of respondents) , 36.2% from banking employees and the rest from conferences, flyers and other materials.

Figure no. 4. Financial education



Source: Compiled from the questionnaire

In this study, I used the following demographic variables: gender, age, income, occupation of the respondents. As we can see from Table 3, there is a discrepancy between the male and female procents, like the total number of male respondents in the sample is 40 (19 %) and the total number of female respondents is 179 (81%). Usually, when I distributed the questionnaires, I noted that female respondents tended to be more concerned and interested in the survey than the male respondents.

Table no. 3. Demographic profile of respondents

	% of respondents	Number of respondents
Age		
18-24	7.70%	16
25-34	39.70%	83
35-44	39.70%	83
45-64	12%	25
More than 65	1%	2
Gender		
Female	81%	170
Male	19%	40
Occupation		
Employee	78.10%	164
Unemployed	5.20%	11
Retire	2.90%	6
Entrepreneur	13.80%	29
Income		
Abroud	11.40%	24
Country	88.60%	186

Source: Compiled from the questionnaire

4. Findings

The present study intended to find the satisfaction or dissatisfaction of customers about the bancassurance channel, the main financial products used by Romanian customers, awareness of the risks covered by the policies and the need to conclude them, especially in the case of credits, the degree of satisfaction of the banking staff able to promote the insurance policies. Most of the respondents (30%) use insurance broker mostly, when they need to conclude an insurance and only 20.5% of respondents use bancassurance distribution channel.

In different studies, the concept of satisfaction is defined as necessary for managing service quality effectively. The notion of customer satisfaction is an ambiguous and abstract concept, because the satisfaction status varies from person to person and from product / service to another product/service. The level of satisfaction differs, depending on the various options that the client creates, depending on other products that the client compares.

5. Conclusions

In a competitive environment, it's absolutely necessary to create new products, to differentiate yourself by others and try to satisfy your client needs. Implementation of bancassurance has raised the satisfaction of bank customers, customers loyalty especially for finding all the financial products in the same place. Also, implementation of bancassurance enhances the banks' performance and profitability.

Also, honest practices in favor of consumers can contribute to the long term growth of the insurance market in Romania and the development of other insurance segments.

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Modular Learning Environments - The Case of Moodle

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Abstract

E-learning means learning in a virtual world, where the student interacts with the computer in order to facilitate and deepen the knowledge of the subject studied.

The objective of this paper is to demonstrate how important bibliographic and imaginary sources for presenting lessons and preparing topics are by using electronic resources. It also demonstrates that any student can access digital resources from anywhere in the country or the world and that each student group can communicate online with other student groups from any location, the teacher being able to track and discuss socio-cultural differences. Therefore, the Internet will improve education and change the current learning style.

Key words: e-learning, modular learning, MOODLE, platform

J.E.L. classification: K00

1. Introduction

The exponential evolution in the computer field in the last decade has led to the emergence and development of numerous IT tools useful for the didactic process and, implicitly, the development of several e-learning platforms, which have become increasingly familiar to teachers and students. Generic e-learning can be defined as distance learning in an evolving, collaborative learning environment that combines traditional teaching methods with IT-based methods and aims to increase the individual performances of students. Learning through e-learning is based on a modern teaching, in a way other than the classical one, much more attractive and in which an important role is played by the consolidation of knowledge and assessment, carried out in an attractive and adaptable way to the needs of both teachers and students.

2. Theoretical background

In Romania, computer-assisted education is experiencing a rapid pace of development. After the 1990s, the major IT companies worldwide became present on the Romanian market through IT solutions in the field of e-learning. Thus, in 1999 the first Cisco Academy was set up, with the purpose of training in the field of computer networks.

Starting from the concept that the training of the human resources prepared for the new economy represents a long-term investment whose costs will be amortized by the quality and level of competence of the young generation, in 2001, MEN (Ministry of National Education), then called MEC (Ministry Education and Research), started the Computerized Education System - SEI program. This strategy was to be transposed into practice through a set of projects:

- the introduction in the pre-university education of the computer-assisted training system;
- training of ICT human resources in pre-university education;
- development and implementation of educational software that can be used in pre-university education;
- introduction and development of computer-assisted management (SMART program);
- development and use of programs for computerized records of students, teachers and resources used;
- development and use of electronic textbooks in pre-university education;

- introduction of the education system with the help of television on demand (video on demand);
- development of a data center (data center) for Romanian education;
- setting up information kiosks (info-kiosks);
- realization of pilot networks for schools located in disadvantaged areas using the distance education system.

After IBM launched Lotus Learning Space (virtual classroom) in 2002, a year later, it announced the availability of the IBM Lotusphere Learning Management System (LLMS), a collaborative platform with functionalities of distance learning. LLMS offers a complete system for e-learning, very flexible, based on standards in this field, a system that offers a fully customizable and scalable online learning environment and training, according to the beneficiary's needs and particularities.

For the university environment, e-learning is intended to be an excellent tool. Initially, the concept of e-learning replaced the classical methodology of distance learning, the written materials being on CDs. Later, the possibilities of Internet connection facilitated the creation of collaborative environments, virtual classrooms, synchronous and asynchronous training. The next period is undergoing a series of research efforts in the field of electronic education. Notable is the Sintec system, implemented at the Polytechnic University of Bucharest and funded by an INFOSOC project, the Socio-cultural Models project implemented through multiagent architectures for e-learning, the LT4eL project (Language Technologies for eL Learning - Linguistic Technologies for e- Learning), which uses multilingual technologies, language tools and semantic web technologies to improve the possibilities of retrieval of learning materials.

There are numerous e-learning software platforms in the electronic space, of which we mention: WebCT, BlackBoard, Learning Space, IntraLearn, eCollege, Docent, Click2learn. A well-known domestic platform is the AEL platform, developed by SIVECO, compatible with MathML, SCORM, IMS standards.

Worldwide there is a ranking of the first 100 online learning platforms, which is based on the internal statistics provided by these platforms. In this ranking on the 11th place is Moodle, which has been constantly in the last 7 years among the first 15 e-learning platforms in the world. The official Moodle site now has over 1.3 million registered users, from over 200 countries, available in over 70 languages, which proves that Moodle has managed to create one of the most powerful communities worldwide, and the statistics on this site show that there are currently almost 70,000 Moodle sites and more than 7 million courses created in this format.

3. Research methodology

This study proposes a method called *investigation* (in the sense of research, discovery) that can be best used on a Moodle platform as a learning method to teach students to think and act independently, both individually and as a team.

For example, at the beginning of the semester, the teacher establishes the list of topics that the students will approach with the help of the investigation, the period of the investigation, the way of working, presenting and using the results. The investigation can be carried out individually or collectively. Students are asked to solve a theoretical problem or to carry out a practical activity for which they are required to undertake an investigation (documentation, observation of phenomena, experimentation, etc.) within a set time frame.

Investigation has several functions: the accumulation of knowledge, the exercise of students' abilities to investigate the phenomena and to evaluate the capacity of taking such steps.

Using this method intelligently with the help of the Moodle platform the teacher can appreciate:

- The degree to which the students define and understand the investigated problem;
- Their ability to formulate and test hypotheses;
- Their ability to identify and select processes for obtaining information, collecting and organizing data,
- The brevity and validity of the analysis report of the obtained results.

- The way the student presents the methods used in the investigation .

This method of learning brings an important contribution to the development of the application capacities of the students, especially in case of problem solving, of the development of the capacity of argumentation, of the logical thinking, etc. Also correlating with the degree of complexity of the work task and the nature of the study discipline, the investigation becomes an instrument of analysis and assessment of the knowledge, abilities and personality of the students.

Individual learning activity: The teachers will draw up a list of research topics for a class and a discipline they will choose, arguing the choice of topics. For each proposed topic they will specify the way of elaboration by the students (individually or in group), the working time allotted for carrying out the investigation, the requirements for presentation of the final material, evaluation criteria.

4. The Moodle Platform

The Moodle platform is a platform with a free license (4) of the Open Source type (open source, that is, it allows anyone to contribute to the elaboration or improvement), with a course management system (CMS), also known as a learning management system (LMS) or as a virtual learning environment (VLE). The name MOODLE comes from the Modular Object-Oriented Dynamic Learning Environment, which is a modular, object-oriented and dynamic learning environment.

A Moodle platform offers a constructive, interactive and integrated environment, centered on learning and in this context of learning, the advantages that are noticeable from the point of view of the teacher, but also of the student will be highlighted, specifying that it will not be about details how to administer a Moodle platform, as the following focuses on the issues regarding the Moodle platform from the perspective of users, teachers and / or students.

The basic principle in Moodle is social constructivism, which implies collaborative learning, based on individual and group projects and tasks. Thus, learning becomes effective when the teacher constructs a learning material, for his students to interact with and learn this learning material, to understand. In this context, the student is part of a learning community, in which he is placed to understand what he has to do, to explain to others and to do together.

The Moodle platform offers teachers a variety of useful tools in teaching-learning-assessment and the way the courses are defined allows an adaptation to the needs of the educators - students, students or other categories who go through a training process, either initial or continuous. It is important to say that the teachers can take such a course when, where and as they wish, because by its form and structure, a course realized and implemented on a Moodle platform is adapted to their needs, accessible anytime and anywhere, even outside the classroom. , allowing collaboration through modern communication tools such as forum, chat, blog or wiki. Moodle allows the construction of sites that have interactive, attractive and flexible content. Thus, on a Moodle site, that is, on a Moodle e-learning platform, the organization of information is hierarchical: at the base are the courses that make up the subcategories and which in turn form the basic categories, access to courses being very easy. Can you imagine a library, whose shelves are the categories, each shelf containing several subcategories.

The courses have two fundamental parts: the lateral ones that are made up of different blocks with different destinations, very useful in the course and the central part, of a larger dimension in which the activities and resources of the course are included. Courses made on a Moodle platform can be backed up, allowing the insertion / restoration of the course on another platform, or within another category / subcategory on the platform on which it was initially created. For example, a teacher's ESP for math course can be used by another ESP for math teacher, either within the category of the initial course, or within another category, or even on another Moodle platform.

It is obvious that when defining and constructing the site, the needs of the group of trainers to which it is addressed are taken into account, the elaboration of this site being based on the particularities and needs of the group, but also of the individuals that make up this group. Important to mention is the Moodle feature regarding the number of users: Moodle can be used by both a kindergarten and a large university, in other words, the number of users is adaptable to the institutional needs, from a small number of users, to a very large number. The roles that users can

play are different and take into account the different ways of approaching the content and the rights they have, from full rights on the platform, to rights that only allow viewing some content: administrator, manager, creator of course, teacher, teacher without editing rights, student / student / visitor.

All of them log in as authenticated users, a fact which highlights another important aspect: the access of a user is ensured, controlled and secured with a username and password. The ways of communication between users is very important to a Moodle site. Thus, tools such as the forum (of general use, news or question-answer type) and wiki - which allow the elaboration and access of common content represent asynchronous / offline communication tools, but also there is chat as a tool made available to users as synchronous / online communication. Obviously, these allow good communication and collaboration between the teacher and his students, but also between the students. There is also the possibility to exchange messages through internal messaging, but also via email and to notify users about future events.

The development of a course by the teacher takes into account the particularities of the group to which it is addressed and although the teacher is constrained by a curriculum, he can approach the whole content of this curriculum adapted to the needs of the group being trained. The success of acquiring knowledge from a curriculum is ensured by the approach, adapted to the level, needs and particularities of the members of a group, which may be a group of students, a class or why not, several classes targeting a common content. The course is structured on topics, units of learning or lessons so that it respects the curriculum, but the friendly approach offers a special attractiveness and helps the student to cross the barriers of anost and unfriendly content. The emphasis in the courses developed in Moodle is not focused on providing information, but on activities that involve exchanging ideas and building new knowledge based on previous knowledge. The virtual classroom or webinar is another useful tool, in which the teacher can communicate audio and video with the students, in which the work sessions are online, being able to take place outside the classroom, the learning being synchronous and guided by the teacher. It is worth mentioning that there is also the self-training module, which allows the student to complete the asynchronous course, depending on the need and the time available.

5. Teaching and learning activities on Moodle – Hot Potatoes

The activities and resources made available to students in a course are varied and attractive. Thus, in the list of activities there should be mentioned: the database, useful in managing the personal information of students in a group or class, questionnaires with different questions that can be addressed not only to students, but also to parents, for example, but also questionnaires applied in real time, the glossary created in progress as a useful and collaborative tool, games based on information contained in a glossary, lessons with steps imposed by conditions that allow the continuation or return to content to be reviewed, feed-back with regarding activities, topics that can be given to students and which can be solved online, offline or with the upload of files and for which an antiplagiarism system and many others can be used. The ones listed are only a small part of the activities that can be done in Moodle.

Regarding the resources that can be added to a course, it can be said that they are varied: electronic books, pages with attractive content, URLs, image gallery, files of any type - documents, presentations, etc. Moodle editor should also be mentioned, which is similar to the text editors that users are already used to. In addition to formatted text insertion, the editor allows the insertion of symbols, images, media files, links, as well as HTML editing.

Along with those listed above with direct reference to the teaching-learning process, we should mention the particularly important role the assessment has. The diversity of approach to the problem of evaluation is the strongest argument that brings the Moodle platform to the foreground and in this context we can remember: the varied ways of elaborating the tests, the so diversified type of questions made available by Moodle and which can be displayed in random orders in the test and with different initial data for different users, the modalities of combining and structuring the tests, the application modalities, which allow to define the working time - the duration of the test, the student knowing how much time he has until the completion, the date and time when this test can be supported, the issues related to the permission to repeat the test support to improve the

results, as well as the various reports for the users who have taken the test and which are obtained after applying a test, from the analysis on the whole, to the analysis on the items, obtaining different statistics and many more. It should be said that in these tests the correction is automatic, thus eliminating the subjectivism that may affect the grade given. But it is important how the teacher defines the method of awarding points / marks on the items related to the test set.

When one refers to monitoring and control of the activities carried out by the users, there should be remembered all the activity reports that can be obtained and which can be used in a current format, such as those of spreadsheets (* .xls). Thus, log reports, activity reports, course attendance reports and different statistics can be obtained. These reports can be useful to the teacher for monitoring student activity. Also, there are reports generated in the evaluation activities, namely reports of the grades, both for each user (student) or as a whole for all users enrolled in a course and for each of the items that make up the test for which the report is made.

Regarding the software that can be integrated on the Moodle platform, Geogebra and Wiris should be mentioned, useful for teachers who teach mathematics, but also physics or chemistry. You can also mention Hot Potatoes (test creation or crossword games) and Audacity (audio editor), but also others such as Antiplagiarism System, useful in any discipline.

The online test application - Hot Potatoes - a product of Half-Baked Software – can be used when teaching and learning a foreign language. It contains a set of six test editing tools of different types:

- ✓ **Jquiz** - allows the creation of multiple-choice grid tests: multiple choice: multiple choice questions, of which only one is correct; short-answer: short answer questions; many select: multiple choice questions, some of which are correct; hybrid: questions to which the answer must have one of the predefined formats;
- ✓ **Jmatch** - for creating association items (pair type), establishing links between two columns: between keywords (terms) and their description.
- ✓ **JMix** - allows the generation of exercises by ordering the words in a sentence or the letters of a word;
- ✓ **Jcross** - is used to create crossword tests: crosswords or puzzles; the lines of the puzzles should be completed horizontally and vertically;
- ✓ **Jcloze** - is used for creating tests with sentences that lack some words;
- ✓ **The Masher** - allows you to combine tests of different types and pass them in turn.

Hot Potatoes type tests can be saved in various formats: * .zip; * .Htm. The * .htm format allows you to run the test on a computer system and display the result without having to connect to the Internet. The score obtained is viewed for several minutes, until the application closes. The * .zip format is recognized by the Moodle platform and can be implemented on it. The user can pass the test as a visitor or as a student. If the user is registered on the platform and is associated with a group, the test score remains recorded in his electronic book and in the teacher's electronic catalog.

A .zip test file can be uploaded to the Moodle as a resource - IMS content package. In this case, the student can go through the resource with the role of fixing the new knowledge taught in the current lesson; the score will not be recorded in the electronic booklet and this helps the student to go through the resource a sufficient number of times until his knowledge is fixed.

A test.zip file can be uploaded to the Moodle platform as an activity - SCORM / AICC. In this case, the score obtained after completing the test, will be recorded in the electronic book and in the electronic catalog. If the teacher deems it necessary, he can set a limited number for the test and the scoring method: the average test score.

6. Conclusions

The advantages that Moodle offers can only be noticed after the development, implementation and use of courses for any discipline and in which it is recommended to integrate as many activities and resources as possible. The advantages highlighted by the use of Moodle are both from the teacher who offers his students attractive courses, as well as from the students, the latter being delighted by e-learning and all that it entails. Perhaps a disadvantage that should be mentioned is the time that should be devoted to creating and developing the courses, but the fact that a once-developed course can be used whenever this need arises greatly diminishes this disadvantage.

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Teaching Business English to Non Economics Majors

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Abstract

Teaching specialized English or ESP (English for Specialized Purposes) is a challenging endeavor for a teacher of English especially in the countries where English is neither the native language/ mother tongue/ first language nor the second language used and spoken in that society. This paper aims at showing such challenges and a suggested syllabus that might help the students who major in American Studies get acquainted with concepts, terms and phenomena which "rock the world". The former part of this study will consider the syllabus, the concepts, terms and issues concerned with the U.S. and world economy. The latter part will deal with the design of some research focused on preparing students of non economic background for a variety of work experiences; the research design envisages the following steps: teaching the course over an academic year through interactive lectures, administration of a questionnaire at the end of the semester after the students' completion of the course and data analysis.

Key words: ESP, economics, syllabus, concepts, terms

J.E.L. classification: K00

1. Introduction

Lots of people are interested in what has "made America great", how its economy works, what challenges it has faced so far. In 1987, Robert B. Reich was talking about "America's two competitors", the U.S.A. being "engaged in two global contests", namely "a political rivalry with the Soviet Union and an economic rivalry with Japan", both involving high technology and finance. Nowadays, more and more media (see books, scientific articles, online news, TV shows, Facebook, Blog and Twitter posts), and specialists in economics argue about the consequences of trade wars on the economies of countries such as the U.S.A. and China (see Ka Zeng's book "Trade Threats, Trade Wars", 2004; Lawrence Lau, "The China-U.S. Trade War and Future Economic Relations", 2019).

Everybody enjoys telling or being told stories. Therefore, reading the history of U.S. economy could be an appealing approach for students. In his book, entitled "An Empire of Wealth. The Epic History of American Economic Power" (2004), John Steele Gordon suggests that "the story of the empire of wealth is an epic one, full of triumph and disaster, daring and timidity, new ideas, and old prejudices, great men and utter fools" (p. XVIII). This is how we can understand the progress made by "The New World" from a colonial economy to a small farming economy and later on to a complex industrial, high-technology (high-tech) economy.

"The American Story" is told from another perspective, in "Tales of a New America" (1987) by Robert B. Reich, the author of "The Next American Frontier" (1983). In the former book, the author tells "four morality tales", refers to "The Boomerang Principle", "The Ecology of the World Economy", and among others, the "Collective Entrepreneurialism", which "suggests that a business firm, if it is to remain consistently profitable, should have a portfolio of Big Ideas at different stages of their life cycle. The typical large firm does not generate Big Ideas internally, but buys start-ups that seem likely to yield high profits when their Big Ideas reach full-blown mass production" (p.118). Another "tale" is linked to a fable: "Give a man a fish and he will beg for another tomorrow. But teach him to fish and he will feed himself forever". Consequently, "the new fisherman joins and thus enriches the productive system. Once he learns to catch more fish than he

can eat himself, or tires of an all-seafood diet, he starts to trade with the gardener, the butcher [...]. He expands the network of mutually beneficial interdependencies. Our initial contribution to his education was thus not simply a donation meant to ease his dependency; it was also an investment in our own future prosperity" (p.192).

2. Theoretical background - Syllabus design: objectives and content

Teaching economics to students of noneconomic background poses several challenges. Therefore, one major aim of a syllabus for non economics majors could be: to help students understand, learn to define and eventually apply the various key concepts used in the study of U.S. economic system and to explain and use them in a coherent discourse; to identify the structure and features of the American economic system; to make them aware of the role played by the (historical, social, cultural, economic, etc.) context in understanding the American economic system in general and the business world in the U.S.A., in particular; to understand how the American economy works (small businesses and corporations, commodity exchanges and circuits, monetary and fiscal policy, foreign trade and global economic policies, labor force issues in the U.S., ethics and ideology issues; to compare the American economic system to the Romanian one; to make comparisons between the branches of the U.S. and Romanian economy; to formulate personal opinions and argue in a coherent way both in writing and orally.

The main objectives are connected to teaching and learning the structure of American economy; its historical evolution, the terminology specific to the U.S. economic system; to understanding its economic traditions; noticing the major differences between the U.S. and Romanian economic systems; highlighting the strengths and weaknesses of the American economic system; understanding the economic aspects of U.S. higher education. Another major objective could be to provide students with the necessary vocabulary for explaining and discussing issues related to the U.S. economy, but at the same time for answering questions related to "the future of jobs and jobs training", AI (artificial intelligence) tools, online training, "the most important skills needed to succeed in the workforce of the future", jobs at risk, new "credentialing systems" (see Rainie and Anderson, 2017), the role of the teacher as prompter becoming essential.

In our opinion, every lecture should deal with concepts and terminology, based on solid knowledge of general English. For example, the first lecture could introduce concepts such as: *economy and economics, microeconomics and macroeconomics, types of economies, GDP*. The teacher could also ask the students to pay attention to the words which could express the ups (*to go up, to rise, to increase, to move up, to inch up, to surge*, i.e. a sudden powerful forward or upward movement, *to balloon, to soar*, i.e. to increase rapidly above the usual level, to skyrocket) and downs (*to go down, to fall, to drop, to decrease, to sag, to slump, to sink, to plummet, to collapse*) of an economy and even its recovery (*to recover, to look up, to turn up, to pick up, to improve*) (see Marcheteau *et al*, 2000, p.18). The same authors consider important the study of globalization in relation to business firms, trade, telecommunications, financial markets, the stock market, banking, accounting, marketing, transportation, advertising, insurance, legal issues.

Another source of inspiration for a teacher of English could be the volume "Outline of the U.S. Economy", "prepared for the U.S. Department of State by Christopher Conte, a former editor and reporter for the Wall Street Journal, with Albert R. Karr", also "a former reporter for the Wall Street Journal" (2001, p.1). The issues explained in the book concern "How the U.S. Economy Works", its history, "small business and corporation", stocks, markets, economic policies, trade. The book concludes in its afterword: "Labor, agriculture, small businesses, large corporations, financial markets, the Federal Reserve System, and government all interact in complex ways to make America's economic system work" (p.142).

3. Teaching methods and aids

Interactive activities in the ESP classroom are a key feature of modern teaching which enables students to have access to learning resources wherever they are (see, for example, Buzarna-Tihenea 2017; 2019). Audio aids help present knowledge differently and enable different forms of

interaction with learners. They can be used to enhance the potential of learning resources by showing real life situations and triggering discussions.

The ESP teacher can transform a great variety of visual aids into successful learning tools, making the foreign language class a more attractive, collaborative and inspiring one. The progress of technology has brought a series of new audio and visual materials such as videos, podcasts, audio software which can make the learning more fun and appealing to the students. One of the new listening techniques combines audio aids with visual ones - pictures. Thus, the teaching-learning-assessment process can be performed by choosing pictures, which are physical or electronic illustrations from magazines, newspapers or other (online) sources. In our case, they can be mostly photographs, drawings, collages, maps, charts, grids or other illustrations, accompanied or not by printed texts. These colorful and varied materials are collected by teachers or students. Teachers usually select pictures for describing and explaining economic phenomena, for discussing economic issues, at the same time enhancing students' vocabulary and communication skills. In the EFL classroom, the students should also have the opportunity to listen to conversations, negotiations, interviews, short functional texts, even monologues in English. The subsidiary aim of such activities is to make them get used to the English words, phrases, sentences, asking and answering questions. In this way, students can understand the economic concepts and terms beyond the linguistic aspects, helping them to apply their listening skills in real world communication contexts.

The internet is the richest source of authentic material with plenty of materials in video, audio or written format. An audio/video recorded interview is by definition a formal meeting in person, for the assessment of the qualifications of an applicant or conducted by a reporter to elicit facts or statements from another party. Videos offer some advantages for enhancing listening skills, as well. Whenever the teacher decides to use audio and visual aids, s/he has to make students understand that they are also given instructions and that they are supposed to provide feedback or perform a particular task.

Visuals can illustrate presentations, describe microeconomic and macroeconomic processes, tell/explain why an economy works in a certain way, tell what they would do if a certain situation occurred or if they lived in the U.S.A., share their experience about the topic, prompt students' creativity, support them for guessing names, definitions, explanations. Visual narratives contribute to the development of abstractization skills and multisensory learning. Eliciting the analysis and interpretation of visuals means to make sense of the storyline told by the juxtaposed pictures; such aids can be used in multiple ways: they contribute strongly to content verbalization and to the expansion of the students' learning horizon, by developing their abilities to connect images and words. Visual narratives are complex in terms of "the nature of relations between images in a sequence, the range of possibilities for point of view in a visual narrative and the visual resources for emotional engagement with the reader in such texts" (Painter et al., 2014). Learners can be asked to verbalize what they see and the sequence of events.

Another advantage of visual narratives is that, besides boosting the students' linguistic knowledge and speeding the pace of the learning process, they can also be used in order to develop thinking skills. During the learning process, students can be required to solve various tasks involving meaning extraction, problem solving, data assessment and interpretation, decision making, establishment of different connections and relationship patterns, outcome prediction. Moreover, the teacher can also develop their critical thinking by involving them into activities focused on grounding or discarding various hypotheses, examining and questioning the content, etc. Animations can be used for teenagers and adult learners. For teenagers, animations can be used to teach a moral point, empathy, or help develop positive character and personality traits in addition to teaching economics and language. Social and thinking skills can be enhanced with the help of the right animation.

As a multi-sensory technique, animations involve seeing, hearing, talking and, perhaps, even touching, which is an extremely effective manner of improving learning that creates several neural pathways for retrieving the same information. It is engaging, interactive and interesting. At the same time, a limited number of minutes can convey a lot of information and have an incredible impact on the social dynamics of the classroom as well, in building groups with shared experience. Also, the use of a favorite character or a pleasant and interesting animation may tear down barriers

made up of fear of expressing one's opinions, while creating a more open, safe, and light-hearted learning environment. In this environment, learners feel more encouraged to come up with new ideas, learn communicative strategies, discuss or debate issues with their peers in a respectful and constructive manner.

Teachers can also use online videos, films and clips or they can produce their own videos or recorded materials in order to boost the students' attention and to make their courses and seminars more relevant and engaging. According to Scrivener (2011), before choosing the videos that they want to use during their lessons, courses or seminars, teachers should consider certain important elements, such as images, characters interacting with each other, sounds (e.g. track the characters' voices, tonality/ pitch), body language cues, mimicry, etc. Videos can be used as "warm up" tools, or to introduce a vast array of activities aimed at developing listening, writing, communication skills (e.g. debates, discussions, asking and answering questions, essay or project writing). A longer video can be split into sections and used intermittently or throughout several lessons, integrated with traditional learning activities.

4. Research methodology and expected results

Using both audio and visual aids in teaching ESP has benefits as they provide diverse teaching techniques for learning, simplify and explain complex problems, give students access to the learning materials, and make them reflect on the topics for discussion. They also allow students to learn at their own pace and can be reused.

Problem Statement

Our approach involves working with a group of students willing to take an elective course in U.S. economy (an introductory course). The bottom line is that by using appealing texts tailored on their needs and interests along with audio and visual materials their knowledge of economics in English along with their listening and speaking skills will improve. The truth is that students show great interest in learning English with media tools such as computer and Internet and enjoy the English classes based on modern/alternative teaching and learning techniques.

Research Question

Can students of non economic background be prepared for a variety of work experiences by teachers of English?

In order to answer this question, we are going to rely on an English teacher's twenty-year experience in teaching English for economics, who has been attending several courses in English teaching methodology, dozens of webinars, and meetings with economists from various countries. The approach will be based on the use of modern teaching techniques in the classroom, on stressing the idea of understanding the occurrence of certain economic phenomena and events especially in our current, globalized world in connection with social and political factors, the need for information to socially act and pursue a career by getting in touch with the American culture and experience.

The study will consist of designing a course syllabus, preparation of interactive lectures, teaching the course over an academic year, a questionnaire after the course completion, data analysis.

The main research methods employed in this study will be the observation and the questionnaire, the latter being aimed at assessing the students' reactions and attitudes towards the modern teaching techniques, materials and content used in order to teach them English for economics and to prepare them for an array of work experiences. Moreover, the students' answers will help the teacher improve the teaching strategies, tools and content, so as to make this course more appealing to the future generation of students. The questionnaire will include both close- and open-ended questions, focused on assessing course materials, workload, assignments, tests/examination and grading; student engagement, involvement, interest, expectations, attendance and learning experience; course structure and learning outcomes; general rating (of the course and the instructor); the students' further recommendations, comments, opinions.

It should also be noted that "a student-centered approach, with modern teacher roles, provides many advantages, such as adequate and increased exposure to language, to interesting material, in a relaxed and tension-free learning environment" (Buzarna-Tihenea, 2019, p. 237). Therefore, in

terms of expected results, we believe that the employment of modern teaching approaches and techniques and the use of digital media tools, such as videos and recordings, will greatly contribute to the achievement of the main course objectives. Furthermore, the students will acquire or improve their knowledge of the structure of American economy, of the terminology specific to the U.S. economic system. They will understand better the U.S. economic traditions and the economic aspects of U.S. higher education; they will be able to identify the main differences between the U.S. and Romanian economic systems and highlight their strengths and weaknesses. In addition, students will develop their vocabulary and will be able to explain and discuss issues related to the U.S. economy.

5. Conclusions

The challenging endeavor of teaching specialized English or ESP (English for Specialized Purposes) in countries where English is neither the native language nor the second language used and spoken can be overcome by the application of modern teaching approaches, strategies and techniques and the use of interactive and attractive teaching tools, in order to raise the students' interest and to meet their learning needs. Moreover, the ESP teacher should also design a syllabus that might help students get acquainted with and expand their knowledge of various concepts, terms and phenomena which "rock the world".

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NoSQL Data Storage and Clustering Large Volume of Data from Smart Metering Systems with Impact on Electricity Consumption Peak and Tariff Settings

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Abstract

Recently, large volumes of electricity consumption data are pouring constantly from smart meters and other sensors that count for millions or even milliards of records. Our purpose in this paper is to handle such data and extract valuable information until it becomes stale. Sometimes, additional data such as meteorological, motion-sensitive, door position data, results from surveys, tariffs, etc. come together with the electricity consumption and increase the number of records. In this case, NoSQL solutions are utilized to process and analyze the entire volume of data. In this paper, we propose a data processing framework for electricity data set that comes from a trial smart metering implementation period that took place from 1st January to 31st December 2010 in Ireland. The main purpose is to cluster the consumers based on similarities regarding theirs 30-minute consumption, show their impact on the electricity consumption peak that could be used as an input in establishing real-time tariffs based on peak coefficient.

Key words: clustering, big data, NoSQL, electricity consumption, real-time tariff

J.E.L. classification: L94, C55, C38, C92, E21

1. Introduction

The progress of the smart metering systems and sensors have led to big data solutions for processing and analyzing large volumes of data that requires attention as soon as the data is fresh and can assist the decision makers to enhance business (Diamantoulakis, Kapinas and Karagiannidis, 2015), (Oprea, Bâra and Diaconita, 2019), (Zhou, Yang and Shen, 2017). Data sources are also multiple not coming only from sensors but social and professional networks, complex questionnaires that are usually gathering and revealing useful insights related to the consumers' customs, preferences and expected behaviors.

After handling large amount of data through means of NoSQL data bases and programming environments, clustering the electricity data and analyzing the contribution of each consumer or group to the consumption peak are proposed in the current paper. The analysis of the clusters is significant in terms of tariff settlement for the electricity suppliers. Using boxplots at the level of each cluster, the consumption at peak is analyzed for its variability to the median values. They also uncover the outliers and the significance of the whiskers.

This paper is structured in 5 sections. In the second section, a couple of related paper to the data clustering aspects were enumerated. The third section is dedicated to the research methodology that is described using a comprehensive flowchart. Results are depicted in the fourth section, whereas in the fifth section the conclusion is drawn.

2. Literature review

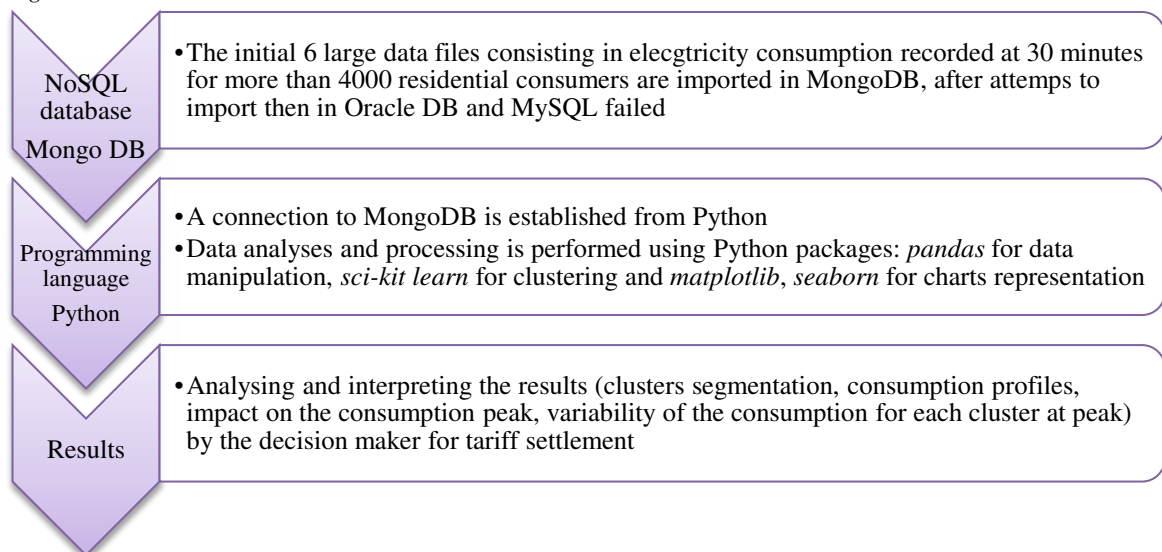
Clustering the electricity consumption data has had several objectives. Many papers distinctly have approached this evolving topic that continues to grab attention of researchers as a consequence of the changing context of the demand side management strategies. (Chicco, 2012) provided an overview on the performance evaluation of some clustering methods in case of electricity consumption without considering the large volume of data and NoSQL alternative for the relational databases. A fuzzy-oriented clustering model was developed in (Zhou, Yang and Shao, 2017) considering the monthly consumption of residential consumers and the concept of pattern mining. However, grouping the electricity consumers based on monthly consumption is a particular approach. (Wang et al., 2016) assessed the electricity consumption behavior and tendency of the consumers considering big data solutions. (Hernández et al., 2012) approached several classification and clustering methods to identify patterns in electricity loads for industrial business. (Kim, 2015) used clustering algorithms to answer to the question "Electricity consumption and economic development: Are countries converging to a common trend?" (Motlagh et al., 2015) assessed the impact of the local electricity production on the electricity consumption behavior considering the renewable sources availability and the feed-in tariff. Clustering methods were also applied for detecting theft using smart metering systems and consumption patterns (Jokar, Arianpoo and Leung, 2016). Also, clustering the electricity consumers assist the decision makers in creating electricity profiles or patterns that are useful for many applications: settlement, understanding behaviors and future tendencies, market strategies, tariff setting, etc. (Gouveia and Seixas, 2016), (Yildiz et al., 2017), (Hayn, Bertsch and Fichtner, 2014), (Rodrigues et al., 2003).

3. Research methodology

The electricity consumption data is stored in six text data files, with three attributes: consumer id for over 4000 residential consumers, date and time information and consumption data recorded at 30 minutes. The consumption data files size is 2,539 MB containing over 157 million of rows. Additional files containing results of pre and post-surveys, proposed time-of-use tariffs, and reports are available (UMassTraceRepository, Smart* Data Set for Sustainability, 2007), (Comission for Energy Regulation - CER, 2011).

The relational databases (e.g. Oracle Database and MySQL) failed to import or process the consumption files. Taking into account the large volume of the data sets, NoSQL solution MongoDB is used to store the data and Python to process and analysis it. The flowchart of the proposed methodology is shown in Figure 1.

Figure no. 1. Flowchart



Source: Authors' contribution

After the processing of the data stored in NoSQL database (MongoDB) system by using Python code, some of the data were sent to a second processing phase to uncover significant information and knowledge for decision makers. Combinations of various techniques, such as grouping, aggregation and group functions, descriptive statistics, statistical analysis, plotting and data mining using *.sql* queries and *.xls* sheets, etc. are applied to enhance the analysis capabilities.

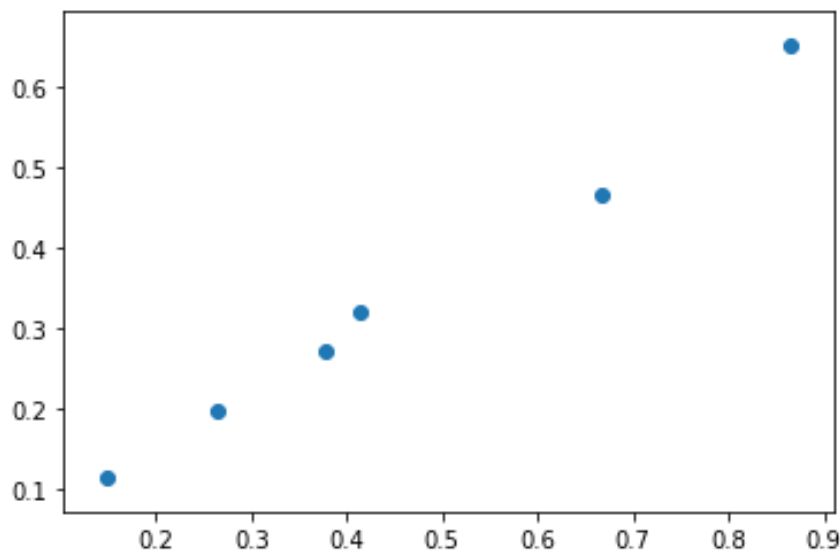
As for the clustering method, in order to group the electricity consumers based on the similarities among their individual consumption and to reveal the characteristic daily profile, we applied k-means method available in *sci-kit learn* provided by Python. For identifying the number of optimal number of clusters, the Elbow method is used.

4. Results

The electricity consumption data is processed in Python using the facilities of *dataframes* and *Spyder* as IDE for a better visibility and control of variables. Initially, the data is imported from Mongo DB to *pandas dataframe* with a structure of 168 (7x24) columns meaning the hourly consumption for each hour of the week and 4225 rows meaning the ID meter.

Before processing, the consumers are clustered into 6 clusters using k-means algorithm implemented by *sci-kit learn* package in Python, considering the Elbow method in selecting the number of clusters. Actually, the number of clusters depends on the data sample so it can be considered variable. Hence, the optimal number of clusters is 6. In Figure 2, the centroid of each cluster is given.

Figure no. 2. Centroids of the clusters



Source: Authors' contribution

To represent the hourly consumption for each meter id as in *df_f*, the consumption from the same hour of the day was summed up and then divided by 7, obtaining the average hourly consumption for 24 hours regardless the days of the week (Figure 3). So instead of seven daily profiles as in Figure 4, that would have been difficult to represent, we obtained one single daily profile for each cluster as in Figure 5.

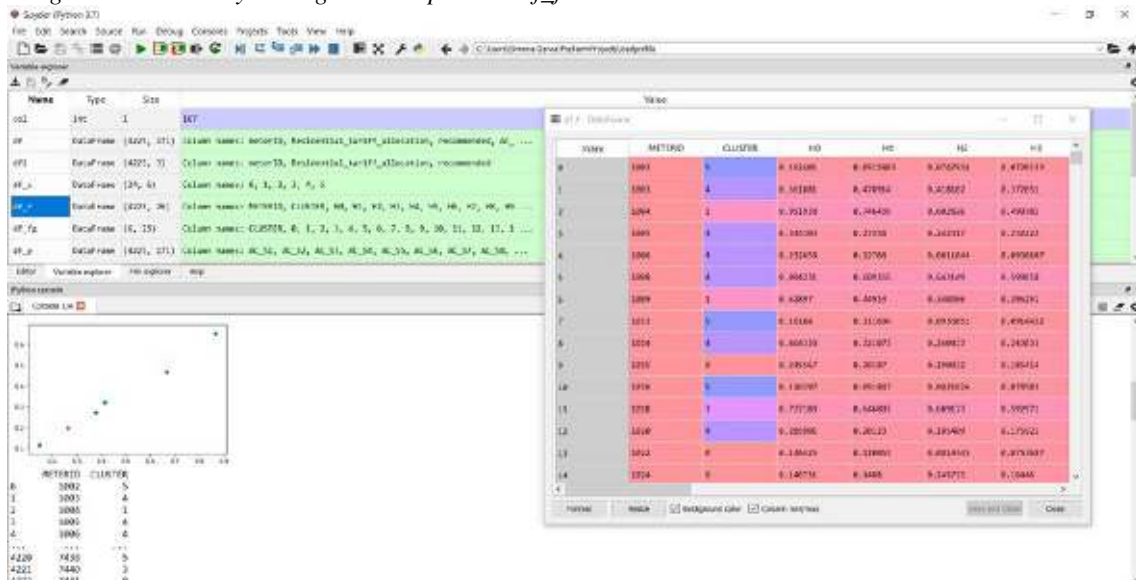
Figure no. 3. Data processing in Python from the initial dataframe df_p (4225x171) to df_f(4225x26)

```

Spyder (Python 3.7)
File Edit Search Source Run Debug Consoles Projects Tools View
Editor - C:\Users\Simone\Open\PycharmProjects\loadprofile\profilur_irlandecz.py
profilur_irlandecz.py funnel.py
43 print(df_f)
44 for i in range(0,24):
45     hour='H'+str(i)
46     df_f[hour]=0
47     for j in range(0,7):
48         col=i+j*24
49         #print(col)
50         #print(df_p.iloc[0,col])
51         df_f[hour]=df_f[hour]+df_p.iloc[:,col]
52     df_f[hour]=df_f[hour]/7
53 print(df_f)
54 fig, ax = plt.subplots(figsize=(12,8))
55 df_f.boxplot(column='H18',by = 'CLUSTER', ax = ax)
56 ax.set_ylabel('Peak hour H18 consumption kwh')
    
```

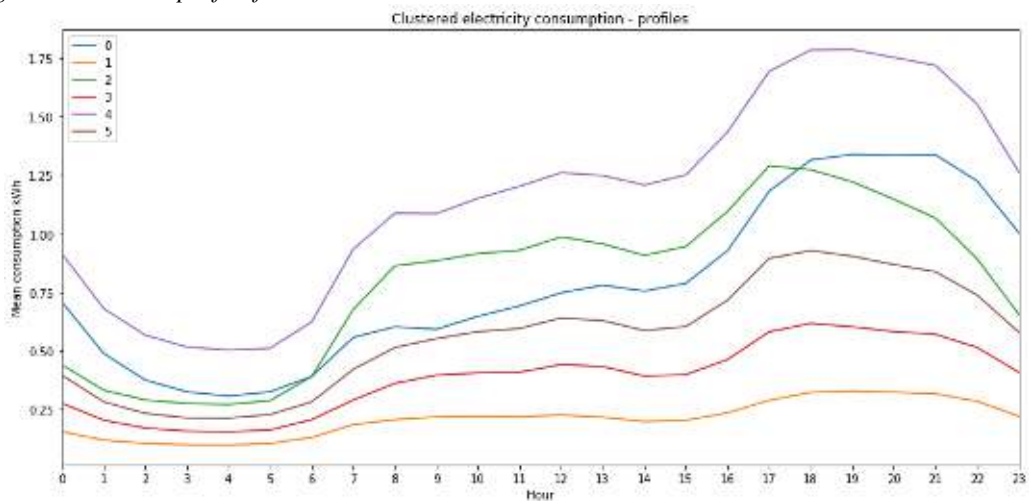
Source: Authors' computation

Figure no. 4. Hourly average consumption as df_f



Source: Authors' computation

Figure no. 5. Load profile for each cluster

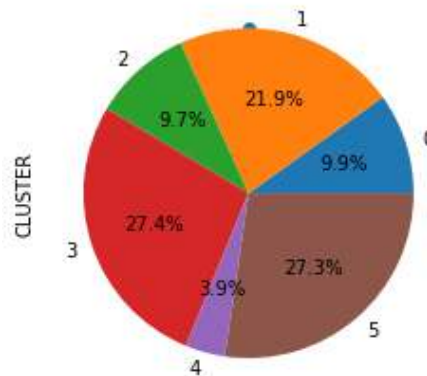


Source: Authors' computation

Based on similarities of the electricity consumption, the residential consumers are grouped with k-means algorithm into six clusters (from 0 to 5). The optimal number of clusters is given by Elbow method. Starting from the clusters, the hourly average consumption is shown in Figure 5. These daily load profiles differ mainly in amplitude. However, one exception is provided by cluster 0 - blue and cluster 2 - green that intersect twice. Cluster 2 - green has a shorter consumption peak period (around 17) compared with cluster 1 (from 18 to 21), although during the day (from 6 to 17), cluster 2 consumption is higher. Cluster 1 - orange has a special allure characterized by lowest, almost flat daily consumption. Cluster 3 - red and 5 - brown are similar, differing only in amplitude, while cluster 4 - purple is characterized by highest clear morning, noon and evening peaks and night off-peak. Its off-peak consumption level exceeding other clusters' peak consumption level (cluster 3 - red and cluster 1 - orange).

The distribution of consumers allocation in the above-mentioned clusters is given in Figure 6. Most of the consumers (more than 76% of the total) belong to clusters with the lowest electricity consumption, namely cluster 1 – orange, cluster 3 – red and cluster 5 – brown. Cluster 4 – purple with the highest consumption consists in only 4% of the total consumers, while the other two clusters green and orange sum up around 20% of the total consumers.

Figure no. 6. Segmentation of members for each cluster

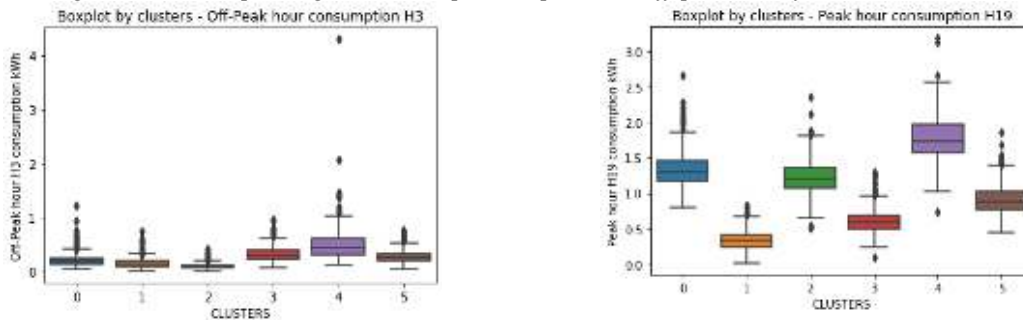


Source: Authors' contribution

The variability of the consumption profiles at peak hour (and at off-peak too) can be analysed by box plotting the consumption data for each cluster as in Figure 7. The highest variability of data belongs to cluster 2 while the smallest belong to cluster 1. Half of the data in case of cluster 2 is spread from 1.4 to 1.8, one whisker that goes up to 2.3 and the other one to 0.8, and biggest outlier to 3.4.

Another interesting feature of the input data is the spread of the hourly consumption values at the level of each cluster. Let us pick two specific hours: evening peak hour (H19) and night off-peak hour (H3).

Figure no. 7. Box plotting the consumption at peak and off-peak hour for each cluster



Source: Authors' computation

As it can be seen in box plots provided in Figure 7, the spread of the consumption values at the level of clusters at night is smaller and dispersion of the values around the mean for each cluster is also smaller. Also, the highest variety of data is recorded for cluster 4 – purple with the highest consumption level.

The contribution to the consumption peak/off-peak of each cluster is calculated as percentage of the cluster consumption at peak/off-peak hours from the total consumption. The clusters contributions are summarized as following: cluster 0 – peak 21%/off-peak – 18%, cluster 1 – peak 8%/off-peak – 11%, cluster 2 – peak 17%/off-peak 23%, cluster 3 – peak 16%/off-peak 14%, cluster 4 – peak 28%/off-peak – 18%, cluster 5 – peak 10%/off-peak 16%. Base on these contributions, the tariff system can be designed so that to reflect the apport of each cluster to the consumption peak/off-peak. However, it is necessary to repeat calculation at a few months as the clusters can significantly change in terms of number of members or contributions to the peak/off-peak.

5. Conclusion

The large volume of raw electricity consumption data consisting in more than 157 million of records from smart meters was stored and procced in Mongo DB that is a NoSQL database whereas the relational databases failed. Then, for further processing the data was transferred to Python and other tools for extracting useful insights for decision makers.

As it is well-known that the pattern of the consumption is sensitive to the level of the electricity tariff rates, in this study the consumption data of 4225 residential consumers is analyzed. In this context, we aimed at identifying the contribution group of consumers or clusters to the consumption peak or off-peak and accordingly encourage or discourage the consumption.

The impact on the consumption peak is measured as a coefficient that is recommended to be timely computed to uncover the behavior of individual consumers or certain consumers grouped in clusters. This way, only the consumers that highly impacts the consumption peak would be charged with higher hourly rates, whereas the consumers that significantly contributes to the off-peak consumption should be charged with lowest rates.

As further work, formalizing the impact on the electricity tariff is the next step. Also, more data sets will be analyzed and the sensitivity to the tariff rates will be considered. We should further analyze whether the rate should be established based on the individual consumer or groups of consumers' contributions to the consumption peak or off-peak.

6. Acknowledgment

This work was supported by a grant of the Romanian National Authority for Scientific Research and Innovation, CCCDI – UEFISCDI, project title “Multi-layer aggregator solutions to facilitate optimum demand response and grid flexibility”, contract number 71/2018, code: COFUND-ERANET-SMARTGRIDPLUS-SMART-MLA-1, within PNCDI III

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Design Functionalities for A Wholesale Electricity Market Simulator

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Abstract

One of the most important and well-known characteristics of the electricity is the necessity to balance almost perfectly the load with generation for each moment of the power system operation. This characteristic, coming from the very beginnings of the power systems design and building, has shaped the operational rules of the power systems and more recently has also shaped the electricity markets structure. The basic parameter used for designing various electricity markets is time. Also, the recent developments of renewable energy lead to a higher complexity of the power systems operation and as a direct consequence a higher complexity of the electricity market structure. Hence, nowadays, it is very difficult for a generation owner to optimize the operation of his asset from all points of view: technical, financial, etc. The main objective of this paper is to develop an electricity market simulator that includes the basics of a good practice guide starting from the use cases for generators or producers that compete on different electricity markets in order to maximize their financial results and efficiency. Thus, this paper mainly proposes to uncover the functionalities a simulator should have to assist market players to access different electricity markets.

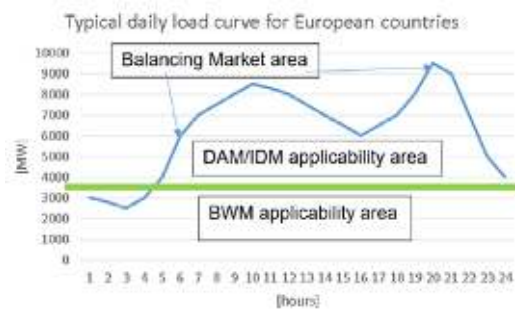
Key words: whole electricity market, simulator, functional model, functionalities, use case diagram

J.E.L. classification: Q41, C63, P47

1. Introduction on the wholesale electricity market structure and characteristics

The main goal of the electricity markets (i.e. for long-term contracts – Bilateral Wholesale Markets (BWM), mid-term contracts – Day Ahead Market (DAM) and Intra-Day Market (IDM), and short-term transactions– Balancing Market (BM)) is to provide a balance as accurate as possible between load and generation, for each time interval, while keeping a high quality of supply and a high level of financial efficiency. In parallel with the above-mentioned electricity markets there is a different market for the ancillary services (ASM). For a better understanding of the interactions between different markets we are providing a typical (for European countries) daily load curve as shown in Figure 1.

Figure no. 1. The typical daily load curve and the applicability areas for the electricity markets



Source: www.transelectrica.ro

It should be mentioned that ASM has a different goal that is not directly related to the load curve and therefore it is not included in the Figure 1.

BWM deals in principles with the area of the load curve below the green line in Fig. 1. The transactions finalized using this electricity market are characterized by medium to long durations: from few months up to few years and by fixed hourly values during whole day. Nowadays, in Romania, on this type of market there is no possibility to have hourly values of electricity tailored for a consumer or group of consumer's needs (RERA, 2014b). Taking into consideration the above-mentioned aspects the electricity prices on this market are the lowest and therefore the transactions performed using this platform are intended to cover the base of the load curve. In order to perform transactions on this type of electricity market, in Romania, a special software platform managed by the Romanian Market Operator is used. The software platform provides a safe and transparent market environment for all market participants.

DAM is a component of the wholesale electricity market on which the scheduled transactions of electricity with delivery on the day following the day of trading are carried out (RERA, 2014a). On the load curve presented in Figure 1, the transactions performed on this market are covering the area between the green line and the load curve itself. *DAM* provides the market participants with a functional tool to set the balance between the portfolio of bilateral contracts, the consumption forecast and the technical availability of the production units for the delivery day. Thus, the electricity surplus or shortage can be balanced by selling or buying it on the *DAM*. Participation in this market is voluntary. *DAM* is concluded on each day of trading, consisting in firm electricity transactions for each trading day of the next delivery day, based on the bids submitted by the *DAM* participants. Tenders may be placed in the trading system in accordance with the trading hours set as CET hours and only if the RON price scale is available and the exchange rate for the respective trading day has been published by the National Bank of Romania. In the normal conditions of coupled operation, *DAM* transactions are carried out by correlating the bids through the Auction Coupling Mechanism established according to the Price Coupling of Regions (PCR), following the bidding, validation and aggregation of bids, running of the coupling mechanism, allocation of the coupling results on the participants' portfolios.

IDM is a component of the wholesale electricity market on which hourly transactions of active energy are made for each day of delivery from the day before the day of delivery, after the transactions on the *DAM* are concluded and up to a certain amount of time before the start of delivery/consumption. The rules of the *IDM* are laid down in (RERA, 2013) and they very similar with the rules of *DAM*. *IDM* creates a centralized framework for the sale and purchase of electricity by participants in the wholesale electricity market in Romania, required by: facilitating the competition, transparency and non-discrimination formation on the wholesale electricity market and creating fairly and transparent electricity trading prices. *IDM* provides the participants with an additional functional tool to set up the day-to-day schedule for adjusting its own portfolio of contracts to strike a balance between the bilateral contracts' portfolio, the consumption forecast and the technical availability of production units as close as possible to delivery time. The surplus or contracted electricity shortage can be balanced by selling or buying it on *IDM*. Participation in this market is also voluntary.

On the *BM*, the Romanian Transmission and System Operator (Transelectrica S.A.) buys and sells active energy from or to the generators, in order to compensate the deviations from the electricity production and consumption schedules (Transelectrica S.A., 2018), (ENTSO-E, 2017a). The dispatchable units are obliged to offer on this market for power increase the entire quantity of available energy in addition to the notified electricity quantity and all the notified electricity quantity for power decrease.

As for the *ASM*, ensuring enough ancillary services necessary to the Transmission System Operator and Distribution Operators is usually done through non-discriminatory market mechanisms, fixed-term auctions and bilateral contracts (RERA, 2007), (RERA, 2011), (ENTSO-E, 2017b). Providing the Frequency Containment Reserve (also known as primary reserve) and maintaining the availability of the power necessary for performing this action are mandatory for all electricity generators in accordance with the provisions of the Technical Code of the Electric Transport Network. Generators who have contracted Ancillary Services (Frequency Restoration Reserve – secondary regulation reserve and Replacement Reserve – tertiary regulation reserve) are obliged to offer on the *BM* at least the quantities of electricity corresponding to the volumes of contracted ancillary services.

This paper is structured in 5 sections. In the second section, a couple of related works are discussed emphasizing on informatics system analysis process, UML and similar simulators. Section 3 is dedicated to the functional model in the process of informatics system analysis, whereas section 4 underlines the findings of our research in terms of use cases for the wholesale electricity market. In the fifth section, conclusion is draw and future works are depicted.

2. Literature review

In this article, the use cases technique was chosen to model the first stages of the proposed simulator development cycle: identification of requirements and system analysis. This technique is commonly used in software design and is often associated with the well-known Unified Modelling Language (UML, 2019) (Dennis et al, 2015), a standard commonly used for object-oriented modelling.

But use cases have been proposed and used successfully since 1986, when Ivar Jacobson proposed use cases to meet functional requirements (Jacobson, 1986). Being written in natural language, the use cases offer a good documentation of the project and easy communication with the clients. They help in a good structuring of complex systems, the perspective being that of the users. This technique is highly recommended for: specifying the boundary system and the users, capturing the system requirements; validation of the system architecture; implementation management; development of first user interface templates (Dennis et al, 2015; Kulak & Guiney, 2012).

Simulation tools can be very useful for electricity markets because these are very complex environments, with a large number of involved parties. A simulator for electricity market is proposed in (Pinto et al., 2014) alongside with a methodology that combines different strategies to build actions proposals. The solution applies learning algorithms and uses different mechanisms such as for managing the efficiency/effectiveness balance of the system and for competitor players' profiles definition.

An agent-based simulation model is illustrated in (Bublitz, et al., 2014). The paper emphasis that, as a modelling approach, agent-based simulation is especially suitable for modelling wholesale electricity markets with market participants making individual decisions on interrelated markets. This model can simulate wholesale electricity markets with respect to time and point of delivery of electrical energy. Another agent-based approach for electricity market simulation is proposed by (Sueyoshi et al., 2008). This research intended to numerically examine the influence of a transmission line limit on the dynamics of a wholesale electricity market, with application on DAM and IDM.

Research shown in (Simoglou et al., 2014) are focused on an analysis of the Greek electricity market based on an hour-by-hour simulation in order to determine the impact of integrating renewable energy sources on the electricity market operation. Moreover, a proposed software tool is used for simulating current and future day-ahead market clearing algorithm of the Greek wholesale electricity market.

Decision making process in an electricity market environment is also considered by (Teixeira et al., 2015). Their approach is based on artificial intelligence and data mining algorithms and provides a simulation tool that processes data from real electricity markets in order to create realistic scenarios that take into account the modelling of electricity market players' characteristics and behaviour. The main scope was to clarify the understanding of the interactions between involved parties.

3. Functional model in the process of informatics system analysis

As described in (Dennis et al, 2015), during the process of informatics systems analysis, functional models are used to represent business processes and the interaction of an information system with its environment. Object oriented approaches propose two types of models in order to describe the functionality of an information system: use cases and activity diagrams. Use cases are a high level representation of the main functions that an information system will provide.

Use case diagram has the role of representing, in a graphical form, the functionalities that the information system should fulfil in its final phase. Use case diagrams are made up of actors and use cases, on the one hand, and the relationships between them, on the other. Actors are human users or information systems that interact with the system under development. It is important to remember that one external entity can play multiple roles and one role can characterize more external entities.

Use cases represent sequences of transactions that take place in the dialogue with the information system. Therefore, a use case models a dialogue between an actor and the information system. The set of identified use cases represents all the ways in which the system can be used. Use cases are purpose oriented: they represent what the system should do and not how. Hence, they are technologically neutral and can be used in any process or application architecture.

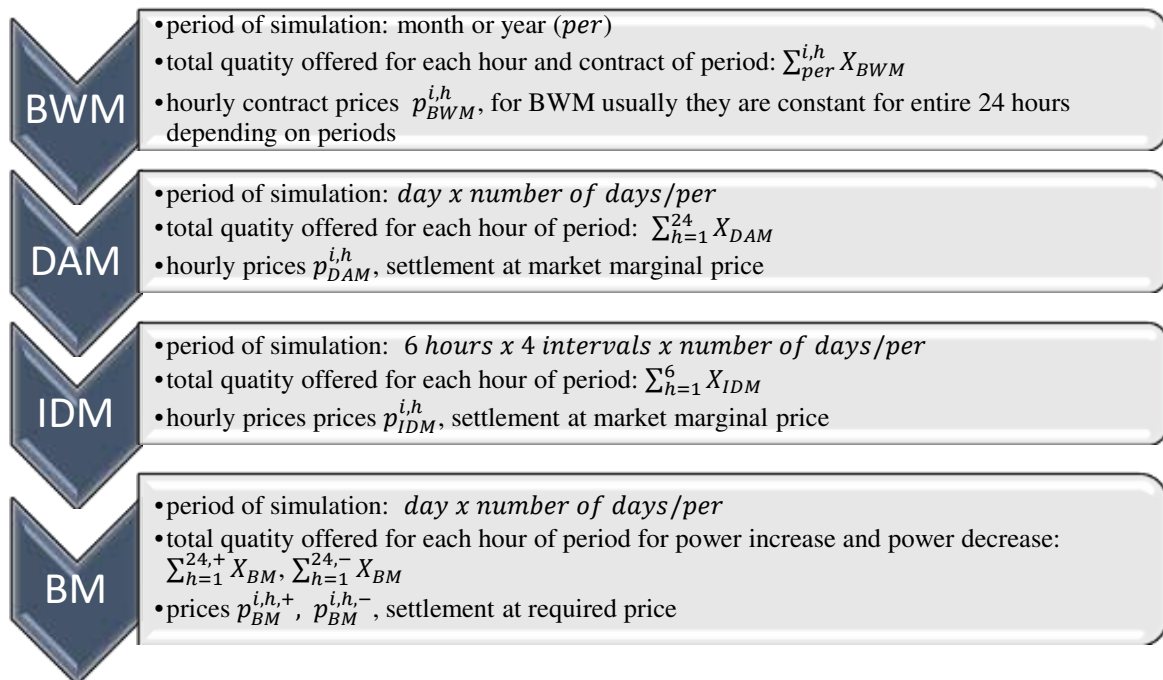
There can be no simple relationships between two use cases that refer to the same information system. Each describes a complete use of the system. The UML standard states that between the use cases there can be three qualified types of relationships, which will be presented in the following paragraph. Generalization is used when there are two or more use cases that have common behaviour, structure and purpose. The behaviour of the parent use case can be overwritten. Only the differences between the two are specified in the specialized use case. The "include" relationship aims to integrate a use case into another use case, the first thus becoming a logical part of that use case. Inclusion is used when there are common behavioural parts in several use cases or to simplify large use cases. This relationship is equivalent to calling a subroutine in programming and denotes mandatory behaviour, not optional. The extend relationship describes a behaviour that occurs only under certain different conditions that can be specified based on the selection of an actor.

All the processes to be executed by the information system should be found in a use case. The processes are then described textually or in a sequence of steps.

4. Findings: Use-case diagrams for wholesale electricity market simulator

The interaction of the electricity markets in terms of generators' strategies is obvious since the components of the whole electricity market tend to the same target. Hence, the main purpose of a producer is to allocate the generated electricity to different types of markets and periods of time so that to maximize the efficiency of trading on such markets and to estimate the income for existing generators or new ones.

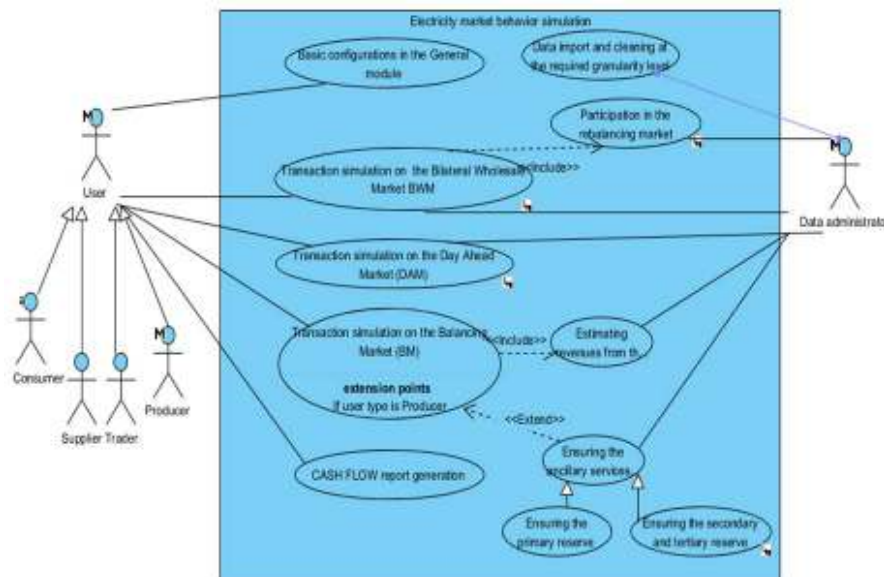
Figure no. 2 Main stages of the simulation for an optimized electricity market participation



Source: Authors' contribution

A software tool for simulating the participation of a producer / supplier / trader / consumer of electricity in different types of markets aims to identify how decisions regarding the price or quantities offered can influence profit optimization. We have used UML use case diagrams in order to describe the simulator's functionalities. Figure 3 depicts the main functions that can be performed by the four types of users. It also presents the interaction of Data Administrator with the simulator, which has the role of collecting, cleaning and bringing the historical data to the desired granularity level.

Figure no. 3. Main use case diagram for the Electricity market behaviour simulation system



Source: Authors' computation

First of all, some basic configurations are needed to be made before simulating the market trading, such as: a) choose, from a predefined list, what type of business is simulated: producer, supplier, consumer or trader. Further, a producer can be controllable (thermo, hydro, nuclear) and has to indicate the volume of electricity available for trading or uncontrollable (photovoltaic, wind) and his forecast will be based on average historical data in Romania; b) indicate the total available power, this being the installed power for a producer or the power required for trading or buying for a supplier or trader; c) specify a technological minimum below which the production cannot be lowered; d) indicate the duration for which the simulation is performed (1/3/6/12 months). These setting will be implemented using the interface presented in Figure 4.

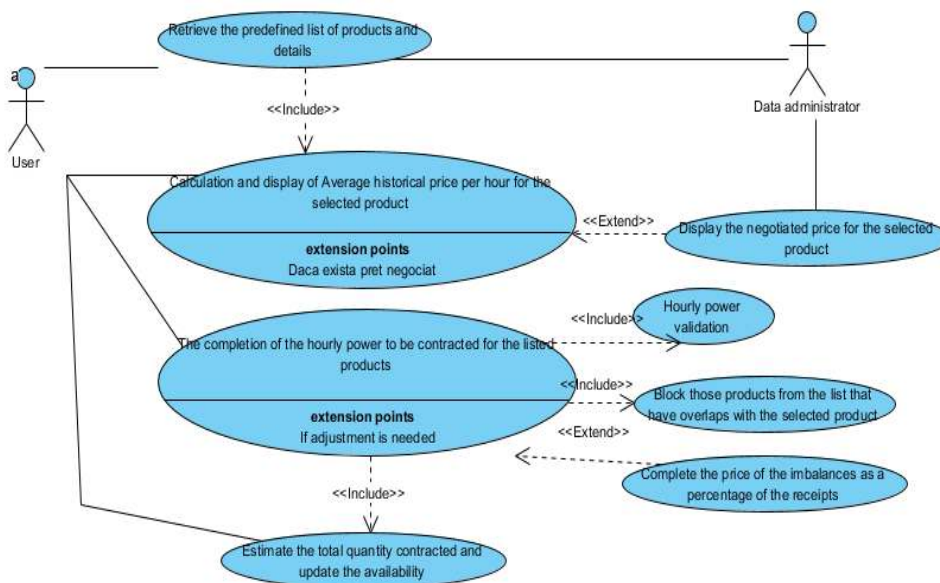
Figure no. 4. General settings for the Producer

Source: Authors' computation

Next, we describe the simulator's functionalities regarding the transactions on the following markets: BWM, DAM and BM.

On the BWM market different kind of specific products can be sold or purchased. A graphical representation of the use case Transaction simulation on the Bilateral Wholesale Market can be found in Figure 5.

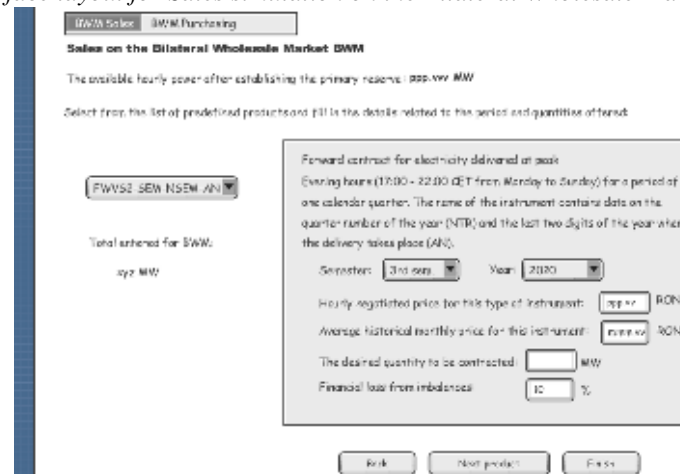
Figure no. 5. Use case diagram for Transaction simulation on the Bilateral Wholesale Market



Source: Authors' computation

In order to simulate the participation on BWM, there are several steps to be performed, the first being the selection from a predefined list of products offered by the Romanian Gas and Electricity Market Operator (OPCOM). For the selected product, a desired hourly power is specified. For selling, this will be validated in order not to exceed the availability declared in the general settings. It must be noticed that the available products that have overlaps with the selected product will be blocked. If there is a negotiated average price for the selected product, this will be taken into account. Otherwise, the historical average price provided by OPCOM will be displayed, with the possibility of being modified by the user. Also, a cost of imbalances is provided, as a percentage of incomes, with a default value of 10%. Figure 6 depicts the interface responsible for implementing BWM transaction simulator for sales.

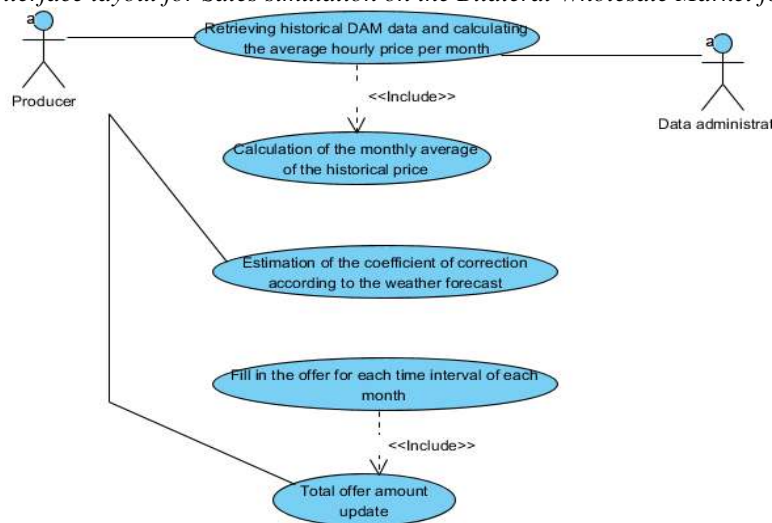
Figure no. 6. Interface layout for Sales simulation on the Bilateral Wholesale Market for the Producer



Source: Authors' computation

The participation on DAM market is voluntary, the price being higher than the one on BWM. Hourly prices are different per day, per hour and per season. For simulation, a monthly hourly average will be used to estimate the price, based on historical data available on the Transelectrica website. The general steps required to perform the use case Transaction simulation on Day Ahead Market can be seen in Figure 7.

Figure no. 7. Interface layout for Sales simulation on the Bilateral Wholesale Market for the Producer



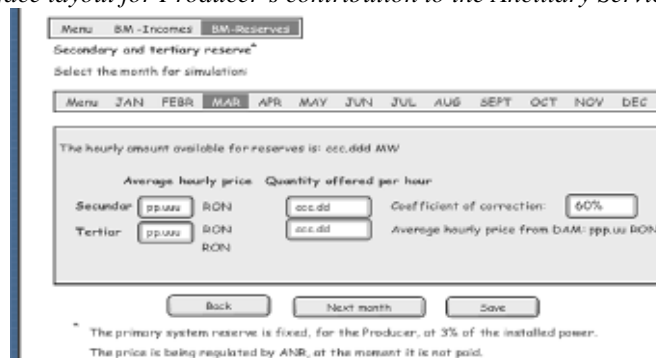
Source: Authors' computation

The user can choose one of the options for sale or purchase on the DAM and the desired month for simulation. The number of months for which the simulation is performed must be less than the period specified in the general settings and correspond to the periods of a possible simulation performed on the BWM.

The available hourly power is displayed, by correlating the general settings with any sales on the BWM and with the primary system reserve (for Producers). The user can sell more than the installed power if he previously bought from the BWM. Also, a historical monthly average price for the chosen month is displayed. Several information is provided to the user, such as a correction coefficient for the chosen month, which defaults to 25% and hourly historical prices, averages per month for the user-chosen period. The default values can be modified. The user had to specify the hourly power that is to be traded. For sales, it should be checked that the maximum available power is not exceeded.

The participation on the Ancillary Services Market is mandatory for energy producers. Depending on the type of producer, offers can be simulated for taking part to the balancing market for primary, secondary or tertiary regulation reserve. From the very beginning, the primary system reserve is fixed for the producer, at 3% of the installed power. The price is being regulated by Romanian Energy Regulatory Authority (ANRE) and at the moment it is not paid. Figure 8 depicts the interface responsible for implementing the Producer's contribution to the Ancillary Services Market.

Figure no. 8. Interface layout for Producer's contribution to the Ancillary Services Market

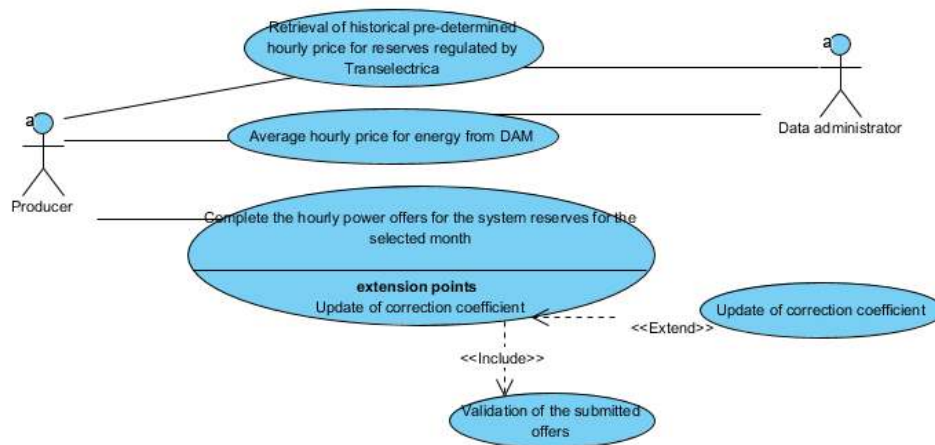


Source: Authors' computation

The general steps required to perform the use case for simulating Producer's contribution to the Ancillary Services Market are provided in Figure 9. The user can select the desired month for simulation. The number of months for which the simulation is performed must be less than the period specified in the general module and correspond to the periods of any simulation carried out on BWM or DAM.

For system services the historical price is displayed and used. It can be modified. The power available for reserves is completed and validated based on the total power offered in the General Module and the power contracted on BWM and DAM.

Figure no. 9. Use case diagram for simulating Producer's contribution to the Ancillary Services Market

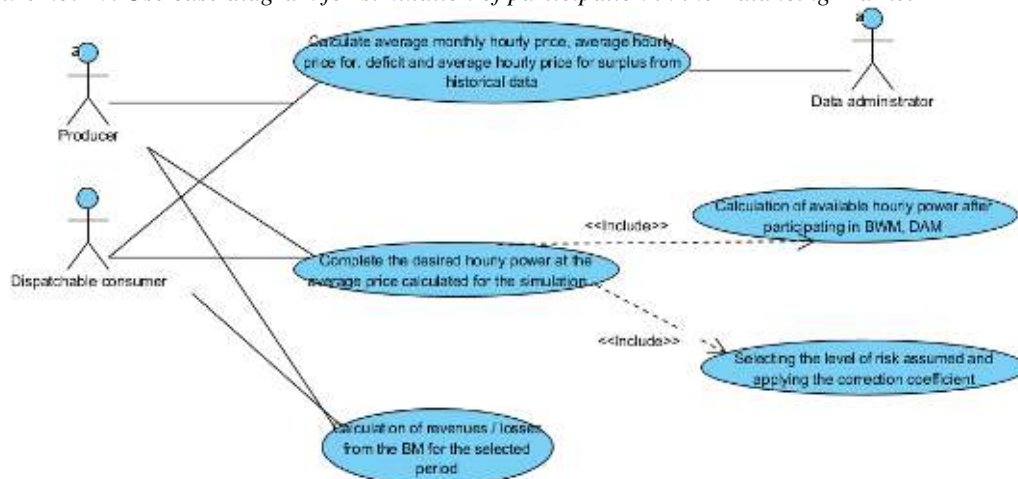


Source: Authors' computation

If the producer is activated, additional revenues are obtained, only for the period of activation, in addition to the revenues from power. A correction coefficient for activation is displayed. It has a default value of 60% and can be modified. In calculating the activation revenues, the average hourly price in the DAM for that month will be used.

Figure 10 presents the main functionalities of the simulator for the Balancing Market. Participation on the Balancing Market is mandatory, the power offered is calculated as the difference between the total power completed in the general module and the quantities contracted by participating in the other types of markets. The technological minimum that can be reached per hour will also be considered.

Figure no. 10. Use case diagram for simulation of participation in the Balancing Market



Source: Authors' computation

The price on the BM is very high compared to other markets. A monthly estimate is made for deficit and surplus based on historical average monthly prices per hour. The historical prices for the deficit and for the surplus will be taken from the OPCOM web-site. The displayed prices can be changed.

The user will choose a level of risk, which by default is 30% and can be modified. Thus, a percentage correction is applied to the estimated revenues or expenditures for the simulated period.

In order to calculate the total balance income, the price for the increase and the price for the decrease are weighted by 50%, the probability of the surplus or deficit occurring being equal.

The results of the simulation will be presented in a Cash Flow report that will show the values, the quantities of energy traded, by month, market, and type of transaction. This report aims to provide a centralized perspective of the monthly revenues and expenses for the requested period, including the associated risks for each type of transaction, but also an overall risk of the entire simulation.

5. Conclusion

The existing complexity of the electricity markets structure makes very difficult for any market player (electricity generator, consumer, trader, supplier, etc.) to optimize his participation both from technical and financial point of view. Looking forward to meeting the needs of the main market players, this paper proposes a simulator for the participation in the electricity markets, being focused on the aspects related to the optimization of the income. The issues related to the maintenance and long-term financial assessments will be the subject of a future work. This paper models the main functionalities for a market simulator. The simulation platform is organized in several steps from a general menu for setting the user type, available power and simulation period to each market type considering its characteristics. It takes into account the risks associated with each market and the probability of trading, as well as the unbalancing costs. The scope of the simulator is to evaluate the expected cashflow and traded energy for each market, helping the user to make decisions in regards with fuel stocks, trading activities approaching different markets and investment sector. The calculations and assessments are performed using updated large data sets with the financial results of the existing electricity markets in Romania.

6. Acknowledgment

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Financial-Banking Exclusion- An Economic and Social Phenomenon

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Abstract

Financial-banking exclusion deprives some categories of people from having access to financial-banking services. It is a phenomenon that has global alarming effects and it has special implications in the discrepancies that exist between different categories of people regarding incomes, economical development and social wellness of population.

In this research the authors have studied the financial-banking phenomenon, factors that influence it and have identified solutions for decreasing the financial-banking exclusion and its implications at social level.

Key words: financial-banking exclusion, social exclusion, banking disponibility, financial inclusion

J.E.L. classification: G20, I32, P36, P46

1. Introduction

Competition between banks for gaining customers and increasing market share, determined banking institutions to diversify their offer of products and services while providing competitive prices. In a dinamic market, with important economical growths, banks are struggling to gain new customers and to diversify the products' portfolio for existing customers. According to Coccorese (2004), competition has proved to be stronger in those areas where macroeconomical data indicate a dynamic economy.

In order to attract as many customers as they can and maximize net income, banks try to improve their market strategies and reduce costs of products and services. As Amaeshi *et al.* mentioned (2007), inevitable, these approaches have excluded some people from having access to certain financial services.

2. Literature review

According to Anderloni *et al.* (2008), financial exclusion relates to the process that population faces in accessing and/or using financial products and services that they need and that allow a normal life in society.

The literature review in Romania is very limited, while this subject is often debated worldwide.

2.1. Financial-banking exclusion worldwide

According to Hodgson (2017), two billion persons do not have a banking account or access to a financial-banking institution by using their mobile phones or any other banking device. More than 20 percent from population who does not have access to banks get monthly salary or other cash transfers and a lot of people from developing counties pay bills and school taxes in cash.

As stated by Hodgson (2017), 94 percent from adults in developed countries have an open bank account in 2014, while only 54 percent from adults in developing countries have a bank account. Countries in Middle East have the lowest rate for people using a bank, 14 percent. Main reason why people do not have an open banking account is that they do not have enough funds, while only 4 percent said that they do not want to have an account.

2.2. Banking exclusion in Romania

Banking exclusion is a phenomena that has been poorly analyzed in Romania as compared to the studies performed worldwide. The banking exclusion concept (in Romanian context) was studied by Popescu (2015), in his PhD thesis. According to him, „an important dimension of banking exclusion, and on this basis a component of the expanding or restraining network distribution” offered by banks is bank availability”. He calculated the bank availability as the number of branches weighted by 2/3 plus the number of de ATMs weighted by 1/3. He has determined a statistical model that explains criteria used by banks to measure up network distribution, taking into consideration certain indicators (unemployment rate, average salary, gross domestic product). Popescu (2015) has come to the conclusion that “countries where there is a low number of branches and ATMs will have the lowest availability banking index, while the highest availability index will be in the countries with more branches and ATMs”.

From one year to another, banks that operate in Romania have narrowed their activity, closing more branches and ATMs. Some branches have closed their activity or merged with other banks.

Reducing the number of branches and ATMs available in each geographical region, has direct consequences on excluding people from having access to banks. There are also other factors that contribute to increasing the financial-banking exclusion, such as:

- *Banks' taxes* (only few banks offer their customers accounts with no administration fees, no fees at cash withdrawals from ATMs, and zero fees are applying only if the account holder receive the salary in the bank account);
- *Conditions that may apply* (especially in case of loan products) such as: minimum/maximum age, studies, minimum income, minimum period of employment, marital status, number of children a.s.o.;
- *Proximity of bank network* (there are situations when a person has to go big distances to reach a bank);
- *Access to a computer with internet connection* (this is the situation in case of retired people, mostly);
- *Non-confidence in financial-banking system* (some people prefer not to open any account for receiving their salary, pensions or paying current bills).

The solution for decreasing the financial exclusion is the financial inclusion. A first step in increasing the financial-banking inclusion is to own a bank account. This has an important role in security and transparency of funds administration and contributes to transactions efficiency.

However, owning a bank account is not sufficient. It is necessary that the direct involvement of the state is needed. This could be possible by using legislative policies, that contribute to the reduction of social exclusion and consequently, to the financial-banking exclusion of some categories of people, by providing an adequate environment for banking inclusion. This could be possible by encouraging competitive prices, marketing policies and last but not the least by educating the population about using banking products and services.

Financial-banking education is modest in Romania (with the exception of economic high schools and universities, where students learn at least from the theoretical point of view, basic economic knowledge).

However, there are institutions that are actively involved in promoting financial education among population and especially among young people. One of these organizations is Romanian Banking Institute that organizes together with the main Romanian banks seminars that debate aspects concerning financial education. Participants benefit from useful informations concerning economic and financial base, the way that these terms work in the everyday activity, advantages of

using in an efficient way the financial services, as well as more complex issues for those people that are interested.

3. Research methodology

Using public information that are available on the Romanian banking sites, National Institute of Statistics, as well as available previous researches concerning financial-banking exclusion, the authors have identified factors that contribute to the rapid development of social and financial exclusion as well as the main solutions for decreasing this phenomenon.

The objective of the research was to determine the main indicators and their direct or indirect correlation with the social and financial exclusion.

Analysing the information provided by the National Institute of Statistics at the end of 2017 and using regression method and SPSS software, the authors identified some correlations between social exclusion and some statistical indicators.

The research was made on a representative sample consisting of the 42 counties of Romania. The dependent variable included in the model was gross domestic product and the independent variables included were county area, number of inhabitants, average monthly wage, number of employed/unemployed persons, unemployment rate, number of retired persons (see table no. 1 below).

Table no. 1 Statistical indicators (2017 values)

COUNTY	County area (km ²)	No of inhabitants	Average monthly wage (RON)	No of employed persons	No of unemployed persons	Unemployment rate (%)	GDP/county (million RON current prices)	Total number of retired persons
ALBA	6,242.00	379,608.00	2,057.00	162,100.00	6,163.00	3.70	13,561.60	89,140.00
ARAD	7,754.00	473,532.00	2,103.00	210,200.00	3,245.00	1.50	17,874.10	107,095.00
ARGES	6,826.00	643,573.00	2,318.00	249,700.00	10,322.00	4.00	22,263.30	153,843.00
BACAU	6,621.00	745,805.00	2,031.00	197,700.00	14,032.00	6.60	15,630.70	153,246.00
BIHOR	7,544.00	618,793.00	1,871.00	260,400.00	6,497.00	2.40	18,804.40	150,531.00
BISTRITA-NASAUD	5,355.00	329,484.00	1,815.00	127,300.00	4,043.00	3.10	8,769.61	63,199.00
BOTOSANI	4,986.00	454,806.00	1,887.00	131,700.00	4,919.00	3.60	7,925.17	98,449.00
BRASOV	5,363.00	632,888.00	2,314.00	254,100.00	7,353.00	2.80	28,099.80	146,091.00
BRAILA	4,766.00	352,910.00	1,859.00	119,300.00	6,294.00	5.00	8,969.06	88,424.00
BUZAU	6,103.00	475,274.00	1,903.00	158,100.00	15,001.00	8.70	11,165.80	125,438.00
CARAS-SEVERIN	8,520.00	325,587.00	1,869.00	105,400.00	3,961.00	3.60	9,390.00	75,267.00
CALARASI	5,088.00	315,696.00	1,940.00	86,500.00	4,487.00	4.90	7,342.55	70,736.00
CLUJ	6,674.00	725,708.00	2,668.00	358,400.00	7,460.00	2.00	38,543.20	179,169.00
CONSTANTA	7,071.00	769,379.00	2,117.00	284,300.00	9,099.00	3.10	36,844.10	151,631.00
COVASNA	3,710.00	228,287.00	1,858.00	82,400.00	3,612.00	4.20	6,027.95	48,090.00
DAMBOVITA	4,054.00	526,906.00	2,000.00	181,300.00	10,188.00	5.30	14,286.40	120,060.00
DOLJ	7,414.00	697,675.00	2,128.00	242,500.00	23,331.00	8.80	19,398.40	173,292.00
GALATI	4,466.00	629,865.00	2,007.00	177,000.00	15,245.00	7.90	13,878.00	140,267.00
GIURGIU	3,526.00	275,840.00	2,018.00	79,300.00	2,668.00	3.30	7,450.73	65,604.00
GORJ	5,602.00	364,145.00	2,137.00	127,200.00	8,600.00	6.3	13,037.30	80,845.00
HARGHITA	6,639.00	333,218.00	1,796.00	128,400.00	6,542.00	4.90	8,667.11	77,888.00
HUNEDOARA	7,063.00	466,139.00	1,898.00	168,600.00	7,898.00	4.50	12,945.50	127,399.00
IALOMITA	4,453.00	292,170.00	1,890.00	88,100.00	6,476.00	6.90	7,479.41	65,720.00
IASI	5,476.00	930,518.00	2,338.00	282,700.00	11,960.00	4.10	25,362.40	170,104.00
MARAMURES	6,304.00	525,115.00	1,886.00	192,700.00	6,186.00	3.10	13,426.80	117,301.00
MEHEDINTI	4,933.00	285,011.00	1,897.00	94,400.00	9,777.00	9.40	5,958.19	64,674.00
MURES	6,714.00	595,326.00	2,112.00	225,500.00	9,314.00	4.00	17,344.40	144,458.00
NEAMT	5,896.00	575,595.00	1,866.00	171,500.00	9,039.00	5.00	11,217.80	128,438.00
OLT	5,498.00	446,140.00	2,044.00	149,800.00	12,027.00	7.4	9,923.29	111,682.00
PRAHOVA	4,716.00	804,348.00	2,235.00	284,500.00	8,991.00	3.10	33,840.20	204,616.00
SATU-MARE	4,418.00	390,227.00	1,931.00	143,000.00	4,727.00	3.20	9,947.15	82,922.00

SALAJ	3,864.00	246,892.00	1,891.00	98,000.00	4,821.00	4.70	6,933.71	61,733.00
SIBIU	5,432.00	465,421.00	2,315.00	192,500.00	4,770.00	2.40	18,953.60	99,466.00
SUCEAVA	8,553.00	748,150.00	1,876.00	217,100.00	12,379.00	5.40	14,937.30	152,315.00
TELEORMAN	5,790.00	384,343.00	1,872.00	132,400.00	14,893.00	10.10	7,580.20	112,344.00
TIMIS	8,697.00	746,795.00	2,562.00	346,300.00	3,540.00	1.00	39,210.60	156,708.00
TULCEA	8,499.00	242,321.00	2,009.00	80,500.00	3,951.00	4.70	6,361.04	49,003.00
VASLUI	5,318.00	485,064.00	1,877.00	123,400.00	14,239.00	10.40	7,496.10	97,491.00
VALCEA	5,765.00	401,264.00	1,854.00	153,400.00	6,670.00	4.20	10,891.40	107,177.00
VRANCEA	4,857.00	390,148.00	1,800.00	130,400.00	6,903.00	5.00	8,285.55	80,179.00
ILFOV	1,583.00	407,626.00	2,610.00	191,100.00	1,207.00	0.60	21,936.70	75,723.00
BUCHAREST	1,295.00	2,103,251.00	3,272.00	1,177,600.00	18,275.00	1.50	200,165.00	485,344.00
TOTAL	239,448.00	21,851,235.00	86,731.00	8,366,800.00	351,105.00	182.70	818,125.62	5,053,102.00
AVERAGE	5,701.14	520,267.50	2,065.02	199,209.52	8,359.64	4.35	19,479.18	421,091.83

Source: National Institute of Statistics

4. Findings

4.1. By using SPSS software , stepwise method, the output data showed that only three independent variables can be included in the model, having significant correlation with gross domestic product (dependent variable). These three independent variables are: number of employed persons, county area and total number of retired persons.

4.2. The coefficients table below indicates that “number of employed persons” is positive correlated with “gross domestic product”, while “county area and “total number of retired persons” are negative correlated with GDP. This means that gross domestic product increase when the number of employed persons increase, while GDP decrease when county area and number of retired persons increase.

Table no. 2 Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations		
		B	Std. Error	Beta			Zero-order	Partial	Part
1	(Constant)	-15001.972	1281.070		-11.710	.000			
	Number of employed persons	.173	.005	.984	35.237	.000	.984	.984	.984
2	(Constant)	-4104.798	2930.535		-1.401	.169			
	Number of employed persons	.169	.004	.961	39.214	.000	.984	.988	.934
	County area (km ²)	-1.768	.441	-.098	-4.007	.000	-.326	-.540	-.095
3	(Constant)	-1667.423	2707.988		-.616	.542			
	Number of employed persons	.214	.014	1.215	15.424	.000	.984	.929	.327
	County area (km ²)	-1.406	.407	-.078	-3.452	.001	-.326	-.489	-.073
	Total number of retired persons	-.111	.033	-.259	-3.351	.002	.917	-.478	-.071

Source: SPSS output data

4.3. The dependent variables that are not statistically significant were excluded from the model.

4.4. The dependent variable (gross domestic product) is statistically correlated with the independent variables included in the model (number or retired persons, number of employed persons and county area), which means that the model is viable.

5. Conclusions

Financial-banking exclusion is a phenomenon that is little approached in the speciality literature in Romania, although this issue is often analyzed worldwide.

The main factors that contribute to financial exclusion are bank's taxes, special conditions that banks may require, especially in case of loan products, proximity of bank network, access to a computer with internet connection, non-confidence in financial-banking system.

Analysing the information provided by the National Institute of Statistics at the end of 2017 and using regression method and SPSS software, the authors identified some correlations between social exclusion and some statistical indicators.

The research was taking into consideration same indicators that are correlated with the social exclusion (number of employed/unemployed persons, unemployment rate, gross domestic product, number of retired persons).

The research made by the authors indicates that the number of employed persons is positive correlated with gross domestic product, while county area and total number of retired persons are negative correlated with GDP. This means that gross domestic product increase when the number of employed persons increase, while GDP decrease when county area and number of retired persons increase. When number of employees increase, GDP increase, social exclusion decrease and financial inclusion increase.

Financial-banking institutions, by the price policies they used, state by legislative actions and other organisations that are direct involved, should collaborate for a common interest: that of reducing social exclusion of some people, in order to contribute to a social inclusion of these people, increase the standard of living and social welfare at the individual level and consequently at the global level.

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"New Education" A Determining Factor of Economic Growth in the 21st Century

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Abstract

In the context of postmodern society, by extrapolation, of postmodern pedagogy, where a special place belongs to the permanent education, it becomes imperative to manifest the new educations, as pedagogical answers to the problems of the present society.

*Being aware of the problems and values of today's society, mankind has been able to formulate its problem-solving strategies, entailing the values within which they are. The most important type of strategies is the one that realizes the change of mentality. And it is known that any change of mindset occurs effectively and globally through the transformative action of education. In this sense, we believe that the new educational model, called **New education**, has an overwhelming importance for the economic growth in the 20th century. XXI.*

Key words: New education, training, economic growth, the knowledge society

J.E.L. classification: I20, I21, I25

1. Introduction

The huge amount of information, accumulated due to technical-scientific progress, exceeds the possibilities of assimilation. In this context, the education of the 21st century emphasizes the application of the principle regarding life experiences and „the provision of the consequences of the individual's action”.

In order to prevent any problems, the education of the 21st century must assimilate the direction, content and rhythm of social development, prefigure its content according to the demands of tomorrow's society, prepare the man for adaptation to change, applying a series of strategies:

- ensuring an optimal balance between the informative and the training dimension;
- focusing on innovative learning
- implementation of the principles and contents of anticipatory learning;
- extending the educational act throughout the whole life of the individual;
- global approach and coherent approach to content;
- adaptability to change

Education, meant to contribute to the building of a personality capable of „foreseeing to prevent”, to trigger positive change both within one's self and outside it, can be conceived as a permanent reconstruction of future existence and experience, what makes the man of the third millennium correspond, at a higher level, to the social expectations of renewal and cultural enrichment, but also capable of solving contemporary problems.

2. Theoretical background

The evolution of education has brought humanity to the awareness of the phenomenon defined as learning throughout the life. This was conditioned not only by the rapid and wide-ranging changes that human society is subjected to, but also by the problems that are emerging and serious, undermining the integrity of the human personality, the culture and the existence of the human being, even of the world as a whole.

After the 1980s, UNESCO, through its programs and recommendations, promotes the concept of contemporary world issues and outlines a set of possible answers of the education systems, which have been concentrated and formulated under the new education genre. According to G. Văideanu pedagogical acceptances, the new educations represent new specific contents, approached as concrete answers to each identified problem. The existential framework and theoretical analyzes demonstrate the need for effective solutions and holistic treatments. The scientist proposes three practical ways to capitalize on new education: - the introduction of new disciplines focused on a certain type of education; - creation of specific modules within the traditional disciplines; - capitalizing on the approach technique infusion / infusion with messages related to the new contents in the classical disciplines.

Another researcher, S. Cristea, details the methodology of capitalizing on new education by applying strategies for implementing and designing training content, noting that they are adaptable to the level of each dimension of education, depending on the particularities to them, but also to life cycles; by the specific conditions of each education system. It is valuable that, in this context, the author proposes a holistic approach, correlating the possibilities and objectives of the three forms of education: formal-non-formal-informal. Thus, the infusion approach involves capitalizing on the problem of new education within the school and university disciplines in the form of modules, topics, formalized or independent study recommendations, including, explored in the process of non-formal activities and dissemination through modern media communication systems (TV, radio, networks socializing etc.).

Adhering to the nominated approaches, based on the analysis of their own pedagogical experience, we mention that the idea of capitalizing on new education must also be realized within the family, through its education. Of course, this depends on the initiation of the parents, the training and strengthening of the parental competences in the given field, but it will essentially contribute to the strengthening of the family influence process and the development of the child's personality. The infusion approach is closely linked to the modular one and implies a greater concentration of the specificity of solving a problem, conceived as a desire for new education (education for peace; education for democracy; education for health; education for the environment; education for the family, etc.), structured scientifically, theoretically and applied, in a module, provided by the disciplinary curriculum.

The disciplinary approach intends to include, in the curriculum, some school or university disciplines, distinct with institutionalized objectives at the level of the school documents. In this case, we consider that the curriculum is being revised and non-formal educational activities must be well thought out in the school's decision. In this order of ideas, it is necessary to respect the particularities of age, the specificity of the education step and the ergonomic principles, those that ensure the respect of the intellectual hygiene of the student.

The trans disciplinary approach, which, in our view, has a great future, involves the approach of new education at the level of scientific summaries proposed annually or quarterly / semester by well-prepared teams of teachers. For example: addressing global environmental issues and ecological education from the perspective of a team of teachers, consisting of teachers of biology, geography, economics, chemistry, physics, sociology, philosophy, etc.

Obviously, in the training process we will capitalize on the informal influences, which come from the family, the media, the community. The essential here, being their knowledge and the mastery of the educators in order to correlate interestingly, originally and efficiently the three general forms of education (formal - non-formal - informal), valorizing their general contents, concurrently with the values and contents of the new educations. As mentioned above, a possible evolution of the education and personality formation of the individual from the perspective of enhancing the new education, as an optimal response to the challenges of the contemporary world,

would be the orientation towards the holistic approach of the formal, non-formal and informal education.

3. Research methodology

The "new educations" are adaptable to the level of each dimension of education, depending on their particularities but also on the "cycles of life" and the specific conditions of each educational / educational system (for example, ecological education can be integrated into the level of moral education / in primary education; intellectual education / high school education; technological education / vocational education, etc.).

The integration of the "new education" in the school programs is realized / achievable on the basis of four approaches for designing the content of the training:

The methodological relationships opened between the dimensions of education and "new education" employs the following four pedagogical approaches institutionalized, already, at the level of modern education systems.

A) The "infusion" approach engages "new education" in the area of different school disciplines but also of different dimensions of education. For example, the problems of ecological education are addressed simultaneously in biology, chemistry, physics, geography, but also in the intellectual-moral-technological-aesthetic-physical (sanitary) education.

This type of approach raises two methodological problems of the greatest pedagogical and social importance: the need to integrate the information brought from the "ecological education" level into the structure of the school syllabus, eliminating the practice of its juxtaposition only as an annex, at the end of a chapter or manual; the need to effectively carry out a curricular synthesis between the two types and information circuits.

B) The modular / disciplinary approach engages "new education" within integrated study disciplines at the level of school steps but also at the level of some dimensions of education. For example, "ecological education" is approached as the "mode" in biology, in high school education, with specific objectives for the dimension of intellectual education.

This type of approach raises the problem of the correlation existing between the different "modules" introduced in some educational disciplines. It also raises the issue of the risk of unilateralization of specific objectives within the same dimension of education.

C) The disciplinary approach employs the "new education" within a distinct school discipline. For example, "ecological education" appears as a teaching discipline, integrated into the educational plan, designed at the level of the respective school system, with pedagogical objectives institutionalized at the level of the school program, which adequately processes the general and specific resources of all dimensions of education.

This type of approach has already enshrined in the curricula new school disciplines: ecological education, civic education, human rights education, health education, demographic education and especially technological education.

The methodological problem raised by the disciplinary approach is due to the special status of the school disciplines promoted in this way. They do not have the specific academic basis of the particular sciences, which also give the title of most of the school disciplines. Their design thus implies, in an objective way, the overcoming of the monodisciplinary tendencies in favor of multidisciplinary strategies focused simultaneously on the scientific contents taken informatively but also on the social effects, formatively processed applications, in the intellectual, moral, technological, aesthetic, physical sense.

D) The trans disciplinary approach employs "new education" at the level of "scientific summaries" proposed quarterly or annually by "teams of teachers". For example, the global and special problems of ecological education are addressed by a team of professors of philosophy, sociology, economics; biology, chemistry, physics, etc., in synthesis lessons, ethical seminars, thematic conferences, ideological debates, school competitions, etc.

This type of approach, "probably the most interesting, most promising, but also difficult to implement" (Vaideanu) responds to topics included in the content of "new education", which reflects the ideological and psychosocial tension of the problems of the contemporary world: democracy; economic development; the defense of the natural environment, the use of free time,

the relations between the sexes the role of religion, the relationship between national and international in political life; the relationship between national and universal in cultural creations; the culture of the postindustrial company of computerized type.

The methodological difficulties inherent in this approach involve the sensitivity and social responsibility of the educators: their ability to approach global (intellectual-moral-technological-aesthetic-physical) of the activity of training-development Personality: their attitude of openness towards the problems of permanent training: their will to self - continuous professional development. - Content of education, Dimensions of education.

4. Findings

The placement of any type of educational approach in time, so in historicity, necessarily implies the action of searching and deciphering the trends that are manifest in this area of vital importance for contemporary societies. This is because the trends are "bearers of suggestions, confirmations or answers. Depending on their strength and relevance they can announce possible or favorable futures".

Knowing the trends can help researchers and decision makers better situate their projects and methodologies, avoid possible errors and move more safely to the desirable future of the school.

There are three aspects to be deciphered in education trends: the trends as such, their play and the identification of the strongest trends (which should be encouraged if they serve social progress, or stopped or minimized if, on the contrary, they develop destructive, braking or insignificant directions).

On the other hand, obvious, manifest tendencies can be identified, as well as "hidden" tendencies, latent the latter manifesting in areas where measurement is difficult, at first weak, weak, trends evolve and in some cases become important or powerful.

At the global level, there is, of course, a game of trends. For example, the interest for foreign language learning, for the massive use of computers, for the programmed training could be considered as major trends of the contemporary education. It is well recognized that learning a foreign language (or more!) Are both a useful spiritual exercise and a means of openness to other cultural horizons, of dialogue and communication between cultures and not least of social improvement (mitigation) conflicting states, disorganization, etc.). Similarly, the use of computers in training is, with the specificity of this field, converging, in the same type of purposes stated above.

The trends could be grouped according to the levels of education or domains: objectives, contents, methods. Thus, in terms of content the major directions could be:

- both the contents of formal education and those of non-formal or informal education;
- both the systemized contents, in the form of plans, programs, courses and textbooks, as well as the "hidden" or latent ones, detached from the atmosphere of the school institution, from the culture and style of the educator;
- both the objectives and the knowledge and the ways of organizing the learning, considering that they are also message bearers and are part of the "path" of personality building.

Finally, the tendencies could also be grouped in relation to the ways of approaching the processes of oral education. The systemic approach of the educational processes produces positive effects such as:

- increases the coherence of the educational activities;
- ensures the variety and balance of the methods and means used;
- favors the articulation of different types of learning, etc;

The systemic approach to education "allows to highlight the functions and structures specific to the school organization / institution. This approach regards education as "the institutionalized totality" practically at the level of the whole society".

System analysis (of the education system) highlights the following four types of schools:

1. school-institution, whose purpose is socialization based on the internalization of social norms;

2. school-apparatus for reproducing social relations of power, which gives full power to the social system, legitimizing the differences between classes and categories (Bourdieu, Passeron);

3. multiple school, open to varied experiences, dependent to a greater extent on the activity of those involved in education (students, students);

4. school - "education market" which "aims at socialization based on" distance from norms "(conceived entirely on the postulate of rationalization of individuals who choose according to interests and resources" - and who, as we can see, promotes it and our current system.

These types / theories highlight the importance of the socialization function employed at the level of the education system in order to socially integrate the personality in different fields of activity. The methodological and practical opening made by the theory (but especially by the systemic method) of the systems allows the approach of the school from the perspective of the organization theory, defining the school as an organization based on a set of pedagogical resources (human, informational, financial, material-energetic, etc.) engaged in the realization of a common activity, oriented value towards the general aims (established on medium and long term) achievable within specific hierarchical structures that determine the quality of the school curriculum (objectives / plan-programs / methodology).

The structure of the education system also supports an evolution determined by the reforms carried out in the last decades in the world. There appears the tendency of articulating the three levels of schooling (primary - secondary - superior) provided on the one hand by the establishment of school stages and / or cycles, and on the other hand by the opening of the whole system, both vertically and horizontally towards lifelong learning. .

The reforms implemented in the last decades (especially after the events of 1968 in France) tried to solve the disfunctionalities that appeared in the context of the "world crisis of education" materialized, in the last instance, in the contradiction between the demand and the supply of training, between resources and results, reforms that mainly focused on the basic structure of the system, respectively the level of compulsory education.

Currently the compulsory education structures undergo the reforming transformations initiated in the years 1960-1970 in the following most important directions:

- redefining compulsory education;
- extension of its duration up to the age of 16-18 years;
- flexibilization of the relations between the levels and the steps (cycles of education);
- the concentration of the content around a common trunk of general culture, designed in most countries in terms of an identical basic program;
 - validation of compulsory education through graduation certificates obtained through examinations or by evaluating the results obtained during the course.

Higher secondary education / high school, usually organized as post-compulsory education, exploits the tendency of "prolonging a common trunk whose diversification by branches is realized later during the studies".

Its purpose is to ensure a common basic training and to diversify the study possibilities according to the variety of requirements and aspirations, while ensuring, at the same time, the effective equality of different types of education and training and mobility of students.

Higher education, oriented towards a balanced general education that pursues not only cognitive goals but also affective and moral development employs new tendencies such as:

- the social openness necessary for the training of graduates in an increased number of professions;
- restructuring the content based on the fact that in a dynamic society the specific competencies are quickly exceeded;
- professionalization through research meant to strengthen the university's ability to produce the fundamental knowledge necessary for the training of specialists;
- supporting the partnership between the university and the public authorities, especially in the case of large projects;
- promoting a new philosophy of education that allows the assertion of a curricular design capable of resolving the conflict between general and specialized education, not by offering the widest knowledge in different disciplines, but by adopting, in different areas of specialization, a style of education focused on assimilating some intellectual mechanisms and university values.

The education systems in Central and Eastern Europe, after 1990, try to respond to these challenges in the context of educational policies aimed at changing the relationship between state and universities, following on the one hand the countries of the old system (centralization, absence of autonomy, politicization, ideologization, uniformization etc.) and on the other hand, the achievement at a macro-social level of some pedagogical objectives of wide scope. At this level the following tendencies are manifested:

- expanding the network of higher education institutions, by setting up new institutions;
- restructuring of higher education in three stages: short-term education (2-3 years); long-term education (4-6 years), post-graduate education (masters, doctorate).
- diversification of higher education institutions (state, private, confessional, military, etc.) and their forms of organization (day, without frequency, at a distance).
- changing the relations between the higher education institutions and the government (Ministry of National Education), in the following senses: partial decentralization of the management of the system, increase of the institutional autonomy, establishment of national academic bodies of intermediation between the institutions and government, etc.

The curricular approach of the education promotes a new conception about the selection and organization of the contents, about the design and organization of the learning. This approach operates on an inversion of terms in the learning equation: if by far the most important was the content (what) of learning, at present it matters first for what purpose and with what results it is learned. The great advantage of the new approach is that "the methodology of curriculum development requires the educators to select, use and dose or articulate all the components and stages of the didactic activities according to objectives, avoiding the isolation or overriding of a component (method, means instrument) to the detriment of others".

The reform of the curriculum launched in 1977-1978 essentially follows the radical change of the conception about the role of the school: "The school was, in principle, the scene of a process of teaching-learning, that is to say, of assimilation of knowledge. It must become more and more the institution that ensures a complete development of the personality. The new programs will focus on the individual study and the development of the originality of thinking, the learning will be focused on fundamental concepts. "

Illustrative of this new way of understanding the purpose of the school is the program of measures adopted in 1976 by the Ministry of Education, Science and Culture of Japan, whose priority is not the objectives regarding the increase of the share of science and technology, but those aimed at:

- "Stimulating the ability of students to think independently and make appropriate decisions;
- A calmer and more enjoyable school life.
- Stimulating the students' love for nature and for people, developing sociability.
- Cultivating love for the family, for the birthplace combined with the openness to the contemporary world".

The curricular design promoted in the modern didactics is centered on the objectives of the instructive-educational activity, pursuing as a priority "the optimization of the pedagogical correspondence relations between the component elements (objectives - contents - methodology - evaluation), between the teaching-learning-evaluation activities subordinated", to the purposes committed to system and process level. The development of curricular design involves a pedagogical approach oriented to three types of decisions (Seguin, 1991):

I. decisions of philosophical and political nature that involve establishing both the fundamental options (the pedagogical ideal, the goals) that define the evolution directions of the system as well as the pedagogical resources (human, informational, etc.) needed for the educational system as a whole;

II. decisions of a pedagogical nature, dependent on (I) and involving, in their turn, three elements: establishing the criteria for the elaboration of the educational plans, establishing the profiles of formation-development of the personality of the student / student on the different stages of his formation, establishing the modalities global and partial evaluation of their level of preparation;

III. decisions that also involve: setting specific objectives on educational disciplines or modules, establishing the pedagogical resources necessary to achieve the specific objectives, establishing the modalities of partial evaluation of the students.

The curricular design does not exclude but on the contrary relies on the three ways of designing the teacher / student correlation at the three levels: front, in groups, individually but should focus more on the individual level. Under the current conditions, the individual education "evolves from the extreme, socially inapplicable solution (" each teacher works with a student at his own pace ") to the curricular inspiration procedures, integrated in different didactic strategies organized in front or in the group: worksheets individual work, homework assignments, learning tasks (play, work or creation) practiced in the classroom but also in the school or extracurricular environment".

The philosophical basis of the modular structure of education is holism (from holus = whole, everything), meaning "the attempt to conceive an informative totality as an integrated unit of elements that lose their sequential features". Modular structuring makes it easier to include special knowledge in logical assemblies that exceed quantitatively and qualitatively the characteristics of curricular divisions. The students / students are offered modular chains or suites depending on the instructional-educational objectives or in relation to their interests and skills. The modules may be different in terms of difficulty, level and pace of work. The student / student chooses or is proposed to follow one (or more) of the way he / she goes with the support of the teacher, and then evaluating the results. In case of failure it is recommended to go through a lower or complementary module.

Modular learning cannot be fully extended. As a rule, the basic disciplines are taught in a mono disciplinary perspective. The modular dimensioning of the content "is done for a group of disciplines (this does not mean that the modules overlap over the classical educational objects, but represent unique syntheses, new epistemic perspectives, accumulations of integrated knowledge, etc.) that seek differentiation even for professional orientation of the students."

Life, the experience of the modern man shows that learning to maintain, simple reproduction of the values of the past, tradition are not enough to "equip" the man of the society of the future. The old type of learning, based on "maintenance" learning, can no longer satisfy today when the changes are so fast and complex that they provoke true "shocks" to the contemporary man.

Unlike traditional learning, the new form of learning is anticipatory, that is, consistent with a vision in which the future must not only be expected or met, but also designed and constructed according to a set of desirable goals, in order to avoid undesirable effects. Also, this type of learning is characteristic and participatory dimension, thus creating two types of solidarity essential for the survival of the human species: in time (in anticipation) and in space (through participation).

There are three main directions in which to change education:

- a) notifying and welcoming changes;
- b) their evaluation;
- c) designing the change and intervening (controlling the changes) all three aimed at the formation of the human being so that he can cope with the changes to which he is subjected by his environment.

Particularly interested is aspect (c). It is not enough for today's man to just notice, welcome and evaluate the changes that take place in one area or another of society. In his capacity as subject of history, as a participant in social processes (and not as a spectator!), He must design changes himself, intervene in their flow to cause the desirable effects, limit or avoid the undesirable ones. That is why he must be educated in the spirit of alternative solutions, in the image of possible future scenarios. The intervention for change involves to some extent the planning of change (limited and precise objectives, realistic goals and terms).

In terms of the means of education for change, these are the stimulation of the anticipatory imagination, of the possibilities of choice and initiative, of the responsibility, by using all the resources and processes that create "images of the future", "alternative scenarios", "models of possible worlds", "Problems with multiple solutions" etc.

In the face of such desirable behavior of the contemporary man, education must give an appropriate and appropriate response. He should give up disciplinary work and focus on complex issues, becoming an inter- and cross-disciplinary education. He must, inter alia, adopt such a strategy that will allow the gradual introduction of new education into its "classical" structure.

The different challenges of the contemporary world were answered with specific education. Theoretical progress obtained is important, but the new contents are still slowly entering the structured (still) school frame by disciplines, in the form of syllabus plans. Progress is uneven (or even absent) when it comes to introducing curricular and modular approaches. They made it easier for you to find demographic, nutritional and ecological education.

5. Conclusions

In conclusion, "new education" implies a reconsideration of the contents and objectives of education in the contemporary world. Some authors believe that this renewal of education should be so profound that it will lead to the completion of the traditional components of education (intellectual, professional, moral-civic, aesthetic, physical) with what the "new education" represents. We consider such an opinion to be inconsistent with the general principles of determining the components of education.

Through structure, objectives and content, education must meet the demands of national and international evolution. The meanings and efficiency of the educational act are given by the availability of adaptive and self-regulating education in the face of the increasing challenges of the social space.

Human civilization goes through one of the most hectic stages, causing structural changes, profound in all areas of life: "nuclear age", "computer science age", "robot age", it creates a new living environment and a new consciousness in relation to it. The rapid pace of change has led to the creation of a complex problem of the contemporary world, which has brought humanity to an extreme alternative: an unprecedented human fulfillment or a final catastrophe; what will happen depends on human understanding and action.

The problem of the contemporary world has no national and particular character but universal and global and a complex, branched causality, which only global, holistic approaches can illuminate and solve.

Education today involves an approach that responds to the demands of contemporary values through the formula of "new education" corresponding to a paradigm shift in the educational act, making the dissociation between maintenance learning and innovative learning. Traditional societies have adopted a maintenance learning that emphasizes the acquisition of fixed methods and rules, in order to cope with known and recurring situations. This type of learning is meant to ensure the functioning of a known way of life. In the conditions in which existential shocks, changes, renewals, breaks, another kind of learning is needed - so-called innovative learning. It aims to prepare individuals and companies for new situations. The dimensions of personality formation are enriched and modified in relation to the new, priority values of the contemporary society: peace and cooperation, tolerance, participation and democracy, communication and media, change and development, etc.

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Study on the Quality of Fruit Juices Innovated by Adding Rhubarb Extract

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Abstract

The research study carried out follows the effect produced by the natural invert substances extracted from the Rhubarb stems, on the acidity of the native fruit jellies. The identification of the acidic substances in the rhubarb stems does not allow the experimentation of their use for the replacement of the citric acid obtained by chemical synthesis. Thus, an aqueous extract of rhubarb was obtained which was successfully used to conserve indigenous fruit jellies experimentally obtaining stable of sugary products, which did not show changes in structure through saccharification. There were studied for types of jellies obtained from natural fruits: plums, nectarines, peaches and grapes to which it's were added different concentrations of rhubarb extract, following the sensory, physical and chemical characteristics of the preservation jellies. The applied scientific research aimed at both innovating baby jellies and consumer segments with different digestive disorders, as well as obtaining a technologically stable product.

Key words: jellies, acidification, rhubarb extract

J.E.L. classification: I2, I23

1. Introduction

Rhubarb is a plant native to Tibet (Central and Eastern Asia), but is found and cultivated in Europe. So that the rhubarb stems are used in the preparation of sweet products: jellies, sweets, compotes, as well as pies or rhubarb pies. By its benefits rhubarb reduces the risk of cancer, it is recommended for cases of indigestion, regenerates liver cells, lowers blood pressure and helps fight bad cholesterol. It is a good digestive and the consumption of this plant at a low temperature helps to balance the acids that produce digestion.

It is ideal to consume only the stem as the leaves contain a large amount of oxalates, which can become toxic in the context of consuming a large amount.

The plant is rich in mineral substances (magnesium, calcium, phosphorus, potassium, sodium, zinc, selenium, iron), proteins, fiber and carbohydrates. It also has a large amount of vitamins, the most important of which are Vitamin A is a powerful antioxidant that contributes to the health of epithelial cells, contributes to bone metabolism and ensures the body's immunity. In addition, vitamin C, vitamin K and calcium, help strengthen the immune system and teeth. (Mogos, 1999, p. 106). Due to the benefits of this plant it is recommended to be introduced into the diet as it helps the human body for normal functioning and harmonious development of the human body (www.sciencedirect.ro). Today, the processing technology of fruit jellies uses as a manufacturing recipe: sugar, water, dye, citric acid, thickening agent, identical natural flavors that will taste the assortment after the fruit associated with the finished product (Radu, 2008).

2. Research methodology

The experimental research took into consideration the juice extracted from four types of fruits: grapes, plums, nectarines and peaches. We obtained for the raw material which was subsequently used for the innovated fruit jellies which used rhubarb extracts with acidifying effect and inverting sucrose.

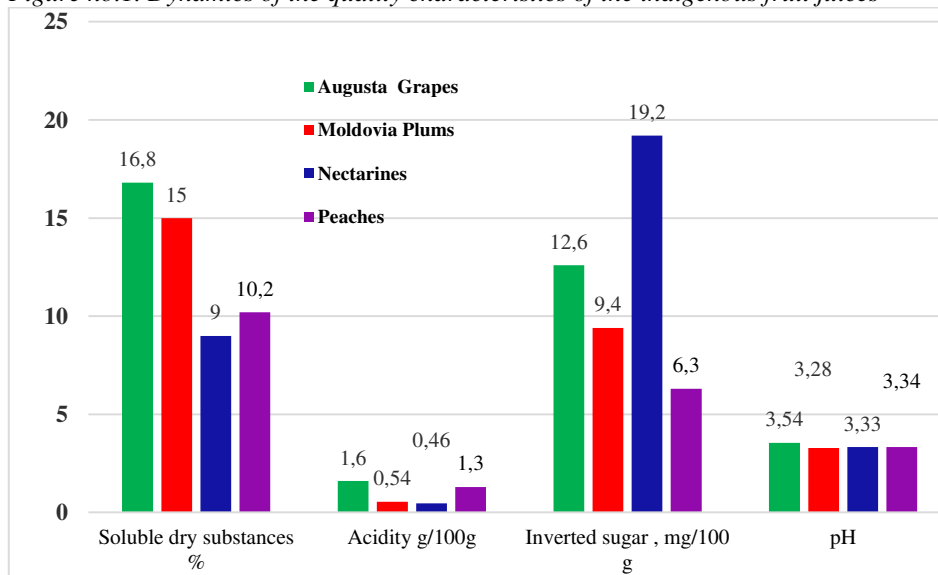
Thus, it was practiced to add rhubarb extracts in fruit juices in different concentrations of: 3% (samples 1, 2, 3, 4 - grapes, plums, nectarines, peaches), 5% (samples 5, 6, 7, 8 - grapes, plums, nectarines, peaches), 10% (samples 9, 10, 11, 12- grapes, plums, nectarines, peaches), 15% (samples-13, 14, 15, 16 - grapes, plums, nectarines, peaches), 20% (samples - 17, 18, 19, 20 - grapes, plums, nectarines, peaches). So that, the innovated samples were examined both from the sensory and from the physical and chemical characteristics. Regarding the carbohydrate/inverted sugar content, the acidity, the pH and the soluble dry substances we studied in the same time the fruit juices with different concentrations of rhubarb extract.

Following the laboratory experiments we obtained taste variations regarding the taste of sweet sour and we followed the behavior of the jellies innovated by comparative analysis during the storage period. The experimental methods used a number of 40 samples, coupled - the control sample - the sample to be analyzed for each type of fruit taken in the experimental research. Two types of acidifiers were used in the sample: natural acidifier, rhubarb extract, identical acidifier, citric acid. The determinations from the experimental research and the physical and chemical analyzes were performed according to analytical methods (Radu, 2010).

3. Findings

The results of the experimental are the following: the fruit juices recorded decreasing values from 16.8% soluble dry substances in Augusta Grapes, 15% in Moldova Plums, 10.2% in peaches and 9% in nectarine juices (figure no. 1).

Figure no.1. Dynamics of the quality characteristics of the indigenous fruit juices



Source: output graph by own contribution

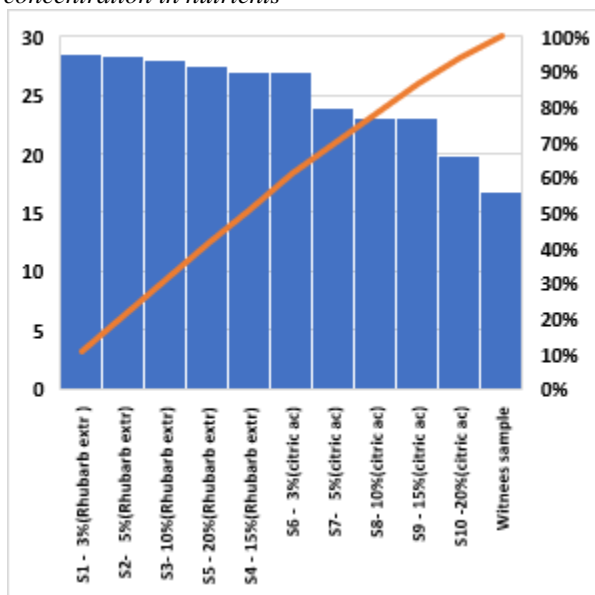
The glucose determined in the fruit juices are having an upward trend from 6.3 mg / 100g in peaches, 9.4 mg / 100g in plums, 12.6 mg / 100 g in grapes and 19.2 mg / 100g in nectarines.

The acidity of fruit juices also varies from 0.46 g / 100g in nectarines, to 0.54g / 100g in plums, 1.6 g / 100 g in grapes and 1.3 g / 100g in peaches. It is noted that grapes and peaches are more acidic in fruit juices, while nectarines and plums are less acidic. Regarding the pH it is observed that the values recorded are in the range 3.28-3.54, grapes having a pH of 3.54, plums a pH of 3.28, nectarines a pH of 3.33, and peaches a pH of 3.34 (figure no.1).

The analysis of the quality characteristics for the raw material of the fruit pulp led us experimentally to choose appropriate concentrations for the sampling. Thus, we obtained the first series of samples (samples 1, 2, 3, 4, 5) consisting of five types of fruit juices to which rhubarb extract was added in concentrations of: 3%, 5%, 10%, 15%, 20%. We performed the second series of samples (samples 6, 7, 8, 9, 10) in which the acidification with citric acid was performed in concentrations of: 3%, 5%, 10%, 15%, 20%.

The Pareto diagram graphically represents the distribution of data in decreasing order of frequency and the trend is given by a cumulative line represented on a secondary axis, as a percentage of the total. From the interpretation of the data, it follows that the samples 1, 2, 3, 4, 5 concentrated by boiling with rhubarb extract have a much higher solubility compared to the witness sample, sample 5 with 20% rhubarb extract had double pound of 32,4 %, while citric acid samples only reach the limit of 27%. From this, we can conclude that rhubarb extract contains other organic substances that enrich the nutritional value of the jellies, while the samples 6, 7, 8, 9, 10 acidified with citric acid solution are more aqueous, so they are less watery taste (figure no.2).

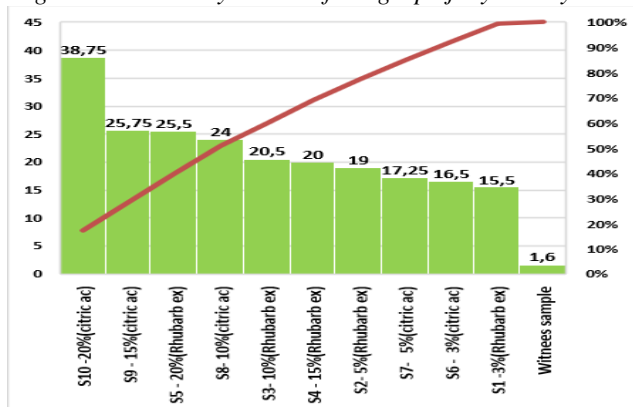
Figure no. 2. The dynamics of the soluble dry substance at the innovative fruit jellies depending on the concentration in nutrients



Source: output graph by own contribution

The dynamic of the acidity in the innovated fruit jellies indicates that the addition of rhubarb extract and concentration increased the acidity of the grape jelly from 5.2 g/100g acidity to 15-20.5 g/100 g acidity, in the case of samples 1, 2, 3, 4 in which the natural extract was used in different concentrations increasing by 3%, 5%, 10%, 15%, 20% (figure no.3).

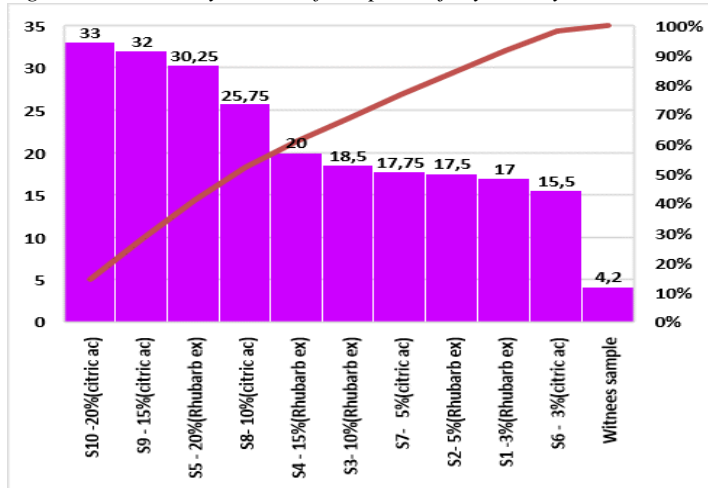
Figure no. 3. The dynamics of the grape jelly acidity with rhubarb extract / citric acid



Source: output graph by own contribution

The evolution of the acidity of the innovated fruit jellies indicates that by adding rhubarb extracts and by concentration, the acidity of the plum jelly increased from 1.3 g/100g acidity to 10.9-22 g/100 g, acidity in the case of samples 5, 6, 7, 8 in which the natural extract was used in different concentrations increasing by 3%, 5%, 10%, 15%, 20% (figure no.4).

Figure no. 4. The dynamics of the plums jelly aciditywith rhubarb extract / citric acid



Source: output graph by own contribution

The dynamic of the acidity of the innovated fruit jellies indicates that the addition of rhubarb extract and concentration increased the acidity of the nectarine jellies from 5.2 g/ 100g acidity to 15-20.5 g / 100 g acidity in the case of samples 11, 12, 13, 14, 15 in which the natural extract was used in different concentrations increasing by 3%, 5%, 10%, 15%, 20% (figure no.5).

The evolution of the acidity of the innovated fruit jellies indicates that by adding rhubarb extract and by concentration the acidity of the peach jelly increased from 1.3 g/100g acidity to 10.9-22 g/100 g acidity in the case of the samples 16, 17, 18, 19, 20 in which the natural extract was used in different concentrations increasing by 3%, 5%, 10%, 15%, 20% (figure no.6).

Figure no. 5. Dynamics of the nectarines jelly acidity with rhubarb extract/citric acid

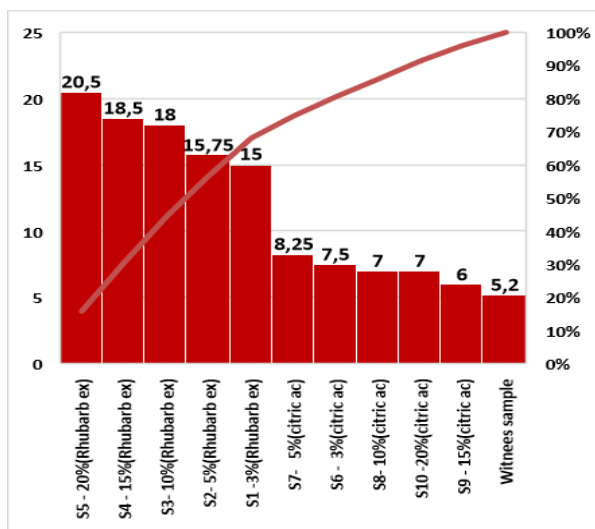
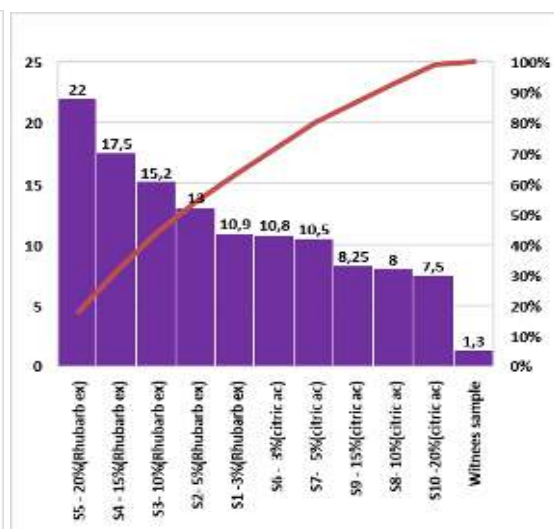


Figure no. 6. Dynamics of the peaches jelly acidity with rhubarb extract/citric acid



Source: output graph by own contribution

The dynamic of the pH in the fruit jellies innovate indicates small variations of the pH indicator between the limits of 3.43-3.72, range that is tangential to the reference pH from the witness sample that recorded values of 3.54 (figure no.7). Regarding the glucose content, it is kept within constant limits both for the addition of rhubarb extract and for the addition of citric acid. The highest glucose content was recorded in sample 5 to which it was added 20% rhubarb extract (figure no 8).

Figure no. 7. PH dynamics in Innovative fruit jellies

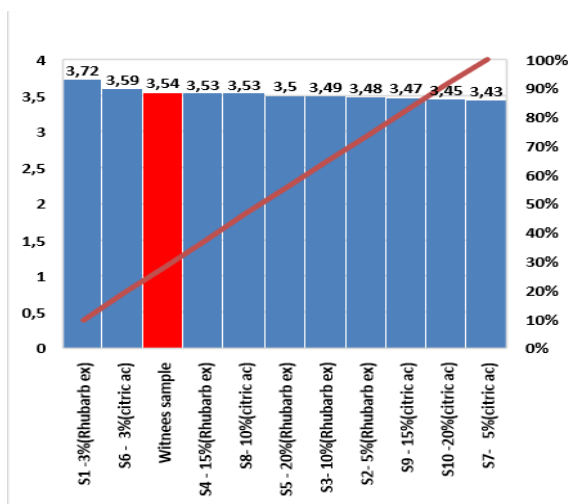
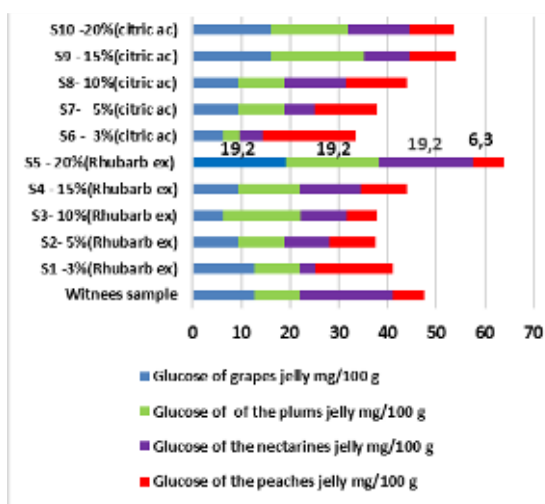


Figure no. 8. Glucose dynamics of fruit jellies innovated with the addition of rhubarb extract



Source: output graph by own contribution

This means that in addition to the natural sugars from the fruits used as raw material (grapes, plums, nectarines, peaches) in the experimental obtaining of the jellies where rhubarb extract was used, the glucose content was enriched by the use of the extract.

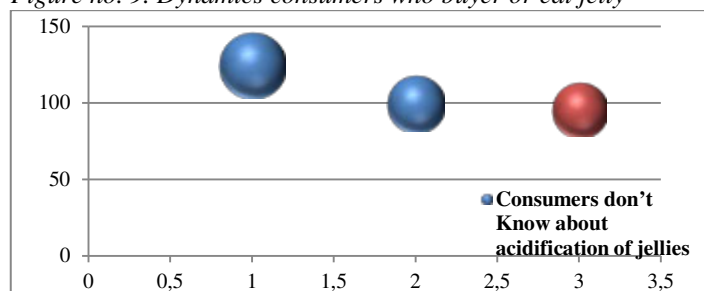
As a result, the use of rhubarb extract has a multiple effect, on the one hand it prevents sugar inversion, on the other hand it also increases the glucose content of the finished product, and thirdly it determines the taste of the finished product by increasing the acidity which it was demonstrated. experimental. This is a novelty aspect because in the manufacture of fruit jellies, citric acid is commonly used which produces their acidification, also having the effect of preventing the inversion of the sucrose, favoring the stability of the finished products. (Prevents the crystallization of the sucrose).

The idea of making jellies for children with rhubarb extract without adding citric acid for acidity correction, has aroused the interest of a large number of consumers.

In a sociological survey conducted on isondaje.ro it was found that 80% of the consumers - parents do not know that the jellies they buy for their children contain as a food additive the citric acid of synthesis (figure no. 9), used mainly to stabilize the product finite.

75% of consumers are not aware of the effects of acidification substances on digestion, as well as the impact of these substances on the digestive tract.

Figure no. 9. Dynamics consumers who buyer or eat jelly



Source: output graph by own contribution

Through technological explanations we managed to inform all the respondents that using a natural product such as rhubarb extract for acidification would be much healthier for obtaining jellies.

4. Conclusions

We can conclude the following:

- By choosing raw materials of fruit grapes, plums, nectarines and peaches we obtained from experimental research decreasing values from 16.8% soluble dry substances to grape juice Augusta, 15% at Moldova plums, 10.2% at peaches and 9% nectarine juice.
- The level of glucose in the fruit juices studied indicates an increasing trend from 6.3 mg/100g in peaches, 9.4 mg/100g in plums, 12.6 mg/100g in grapes and 19.2 mg/100g to nectarines.
- The acidity has been studied as the most important factor because the use of rhubarb extract to obtain innovative fruit jellies can generate a major impact in the modification of the classical technology of obtaining jellies. Thus, the fruit juices registered values from 1.3 g/100 g in peach juice to 5.4 g/100 g in plums. However, acidity corrections made when processing fruit juices as well as jellies are a very practical operation in the production process.
- An important novelty aspect encountered in the manufacture of innovative fruit jellies is related to use of rhubarb extract which have produced their acidification, also having the effect of preventing the invert of sucrose, favoring the stability of the finished products (prevents the crystallization of sucrose).
- We recommend fruit jellies, which used 3% and 5% rhubarb extract, these being the most balanced in taste.

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Improving the Nutritional Value of Foods by Using the Essential Fatty Acids Obtained from Soybean Seeds Through the IR Spectroscopic Method

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Abstract

Soybeans have an oil content of 34-45%, containing about 15% saturated fatty acids and 85% unsaturated fatty acids, of which between 14-43% oleic acid and 44-75% linoleic acids. In recent years, high quality soybean oil has been produced with a diverse range of compositions by developing mid-oleic (43.1% -81.8%) and high-oleic (75-90,7%) soybean varieties. For the correct use of soybean oils in food and other industries, the content of oil, moisture and protein, fatty acid compositions and quality characteristics, must be evaluated both at harvesting and at marketing and processing and a study on consumer behavior regarding consumption of soybean oil. More than 40% of the investigated samples know the nutritional benefits of soybeans oils and the benefits of using it in a healthy diet. The sociological study was carried out on 154 consumers where the sociological research indicated the categories of consumers, nutrition criteria, food safety. Experimentally followed the behaviour of consumers to detect or group the types of consumers according to their gastronomic style.

Key words: soybean, oils, consumer's health

J.E.L. classification: D1, D12

1. Introduction

The use of fast and efficient methods is a necessity when considering the application needs. Alternative technologies such as NIR spectroscopy are being developed. This technology is based on measuring the absorption of electromagnetic radiation in the wavelength range of 400-2500 nm. To this end, studies have been conducted to determine the fat content of the sunflower plant and their fatty acid compositions by NIR spectroscopy. (Davies *et al*, 1987) NIR spectroscopy has been successfully used in the analysis of the fatty acid composition of sunflower seeds to evaluate the content of palmitic acid, stearic acid, oleic acid and linoleic acid, the content of oleic acids and linoleic acids, the analysis of sunflower seeds for fatty acids, moisture content, fats, oleic acid and palmitic, palmitic-oleic, stearic, oleic and linoleic acids.

It is necessary to determine the composition of fatty acids from sunflower seeds and soybean seeds that have an important value in national production, import, as well as in food processing and reproduction programs, by fast and reliable methods. Because analyzes based on NIR spectroscopy do not require labor-intensive sample pre-treatment and processing, the samples are analyzed by simple grinding or as a whole. This study was conducted to evaluate the efficiency of NIR spectroscopy, in determining the composition ratio of the fatty acids consisting of unsaturated fractions (UFA) and saturated fatty acids (SFA). (Biskupek-Korell *et al*, 2006)

2. Research methodology

Materials used for the study: 5 grams of soybeans, analytical balance, Soxhlet extraction device, blender. Several soybean varieties that were sampled for the experimental study were cleaned, dried in the oven, to a moisture content of less than 10%, then milled to a diameter of 1 mm, in a blender. Then 5 grams of soybean were taken, weighed and extracted with the Soxhlet plant, using 150 ml of ether for 3 hours. Analysis of gas chromatography of fatty acids: the crude oil extracted was subjected to chromatographic analysis (GC); after esterification. 0.5 grams of oil was transferred to a 10 ml glass container, then 5 ml of n-heptane was added to the container, to which 200 ml of 2 M KOH solution was added in methanol. After mixing, for 20 s, the upper phase was separated and analyzed with a GC equipped with a capillary column and an FID detector. The GC conditions used to determine the fatty acid methyl ester were as follows: injection volume, temperature schedule, starting from 175 ° C, up to temp. 230°C; temp. 260°C detector; injector temperature 250°C; gas flow rate N2.1 ml / min; the total running time being 58.5 min.

Spectral analysis and calibration of the curve. The XDS infrared fast analyzer was used to receive spectra and to determine the estimated values of the soybean sample spectrum. These spectra were taken every 2 nm between 400 and 2500 nm wavelength. Calibration equations were created using Win ISI III v.61. This program uses original spectra, either directly after corrections to provide optimal pre-treatment for each evaluated parameter and instrument. The corrections applied are the first and second derivative transformations and the standard normal variation and distribution correction. Modified partial least squares (MPLS), least squares (PLS) methods were used to construct the calibration equations. The most appropriate mathematical model was obtained by using several mathematical models to correlate the results of the analytical reference methods with the results obtained by NIR spectroscopy. (Blanco *et al*, 2002). Calibration statistics include the standard calibration error (SEC) and the coefficient of determination in calibration (R). These statistics were used to develop the calibration model, standard prediction errors (R) were used to determine the validation accuracy. (Shenk *et al*, 1993)

Regarding the sociological study conducted on the consumer behaviour related to the consumption of soybean oil, we recorded the following results: the study was carried out on 154 consumers on isondaje.ro, and the respondents answered a set of questions; sociological research indicates the categories of consumers: men / women, young / old, loyal / occasional consumers; the questions were formulated according to sociological criteria, nutrition criteria, food safety; experimentally followed the behaviour of consumers to detect or group the types of consumers according to their gastronomic style; the primary criteria was the one related to nutrition or metabolism.

3. Findings

The validation statistics for the calibration equations obtained using the PLS regression methodology to predict the fatty acid composition of soybean seeds are presented in Table 1. The intervals of each fatty acid were found to be the following: 4.20–6.86, 2.06–4.90, 17.52–87.54, 3.66–67.90, 0.166–0.333, 0.109–0.262, 0.517–0.3535, 0.152–0.385, 87.13–92.53 and 7.47–12.87% for palmitic, stearic, oleic, linoleic, arachidonic, linolenic, behenic, EPA, UFA, and SFA.

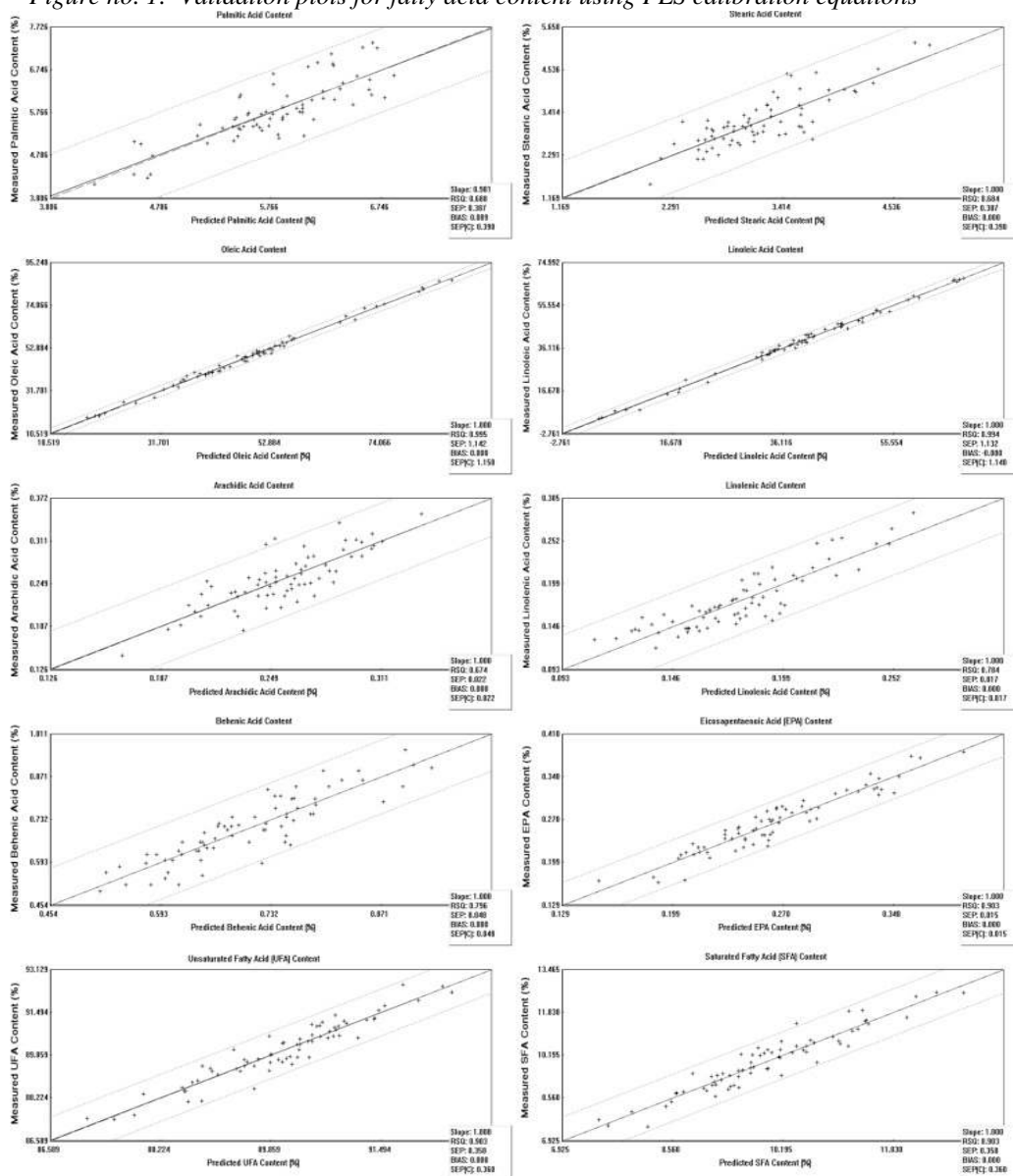
The average percentages of these fatty acids in the order mentioned above were 5.80, 3.20, 48.46, 39.50, 0.255, 0.179, 0.703, 0.265, 90.05 and 9.96%. Table 1 also shows the R² and SEP values of the calibration equations obtained by the PLS regression. R² values were found to be 0.688, 0.684, 0.995, 0.994, 0.674, 0.784, 0.796, 0.903, 0.903 and 0.903, while SEP values were calculated as 0.387, 0.387, 1.142, 1.132, 0.022, 0.017, 0.048, 0.015, 0.358 and 0.358 for palmitic, stearic, oleic, linoleic, arachidonic, linolenic, behenic, EPA, UFA and SFA.

Table no.1 Validation statistics of the calibration equation of PLS elaborated for estimating the relative composition of fatty acids in soybean seeds by FOSS NIRS system

Properties	Media ± SD	Min. (%)	Max. (%)	R ²	SD	Sharing	Slope
Palmitic acid (%)	5,80 ± 0,59	4.20	6,86	0.688	0.387	0.009	0.981
Stearic acid (%)	3,20 ± 0,57	2.06	4,90	0.684	0.387	0.000	1.000
Oleic acid (%)	48,46 ± 15,71	17.52	87.54	0.995	1.142	0.000	1.000
Linoleic acid (%)	39,50 ± 14,84	3,66	67,90	0.994	1.132	- 0.000	1.000
Arahidonic acid	0,255 ± 0,032	0.166	0.333	0.674	0.022	0.000	1.000
Linolenic acid	0,179 ± 0,032	0.109	0.262	0.784	0.017	0.000	1.000
Behenic	0,703 ± 0,096	0.517	0.935	0.796	0.048	0.000	1.000
EPA	0,265 ± 0,046	0.152	0.385	0.903	0.015	0.000	1.000
UFA	90,05 ± 1,10	87.13	92.53	0.903	0.358	0.000	1.000
SFA	9,96 ± 1,10	7,47	12,87	0.903	0.358	0.000	1.000

Source (Velasco et al, 1999)

Figure no. 1. Validation plots for fatty acid content using PLS calibration equations



Source (Velasco et al, 1999)

PLS, partial minimum squares; SD, standard deviation in the validation model; R², coefficient of determination in prediction; SEP, standard prediction error; EPA, eicosapentaenoic acid; UFA, unsaturated fatty acid; SFA, saturated fatty acid.

They found R² values of 0.88 for both oleic and linoleic acids in their validation study comparing NIRS and GC. We found that the comparison of NIRS and GC, the R² values determined by using the PLS and MPLS regression methods were higher than those reported. The regression methodology used was not indicated in the study, the R² values being 0.83, 0.92 and 0.93 for stearic, oleic and linoleic acid, respectively. In our study comparing GC and NIRS, the R² values found for oleic and linoleic acids by both regression methodologies were higher than those reported. However, the calculated R² values for stearic acid were lower than the R² value reported in the study. The SEP values calculated in their study were very low for all fatty acids. This may be due to the larger number of samples analysed. (Velasco *et al*, 1999).

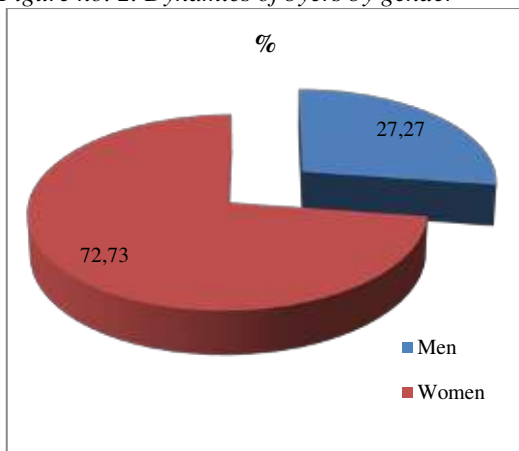
They reported R² values 0.987 for oleic acid in their study, comparing the reference values and the values obtained by NIR calibration using the MLR regression method. The R² values calculated in this study are similar to the R² values reported.

The comparison of the NIRS fatty acid composition ratio and the fatty acid composition ratio obtained by GC analysis (reference values) is shown in Fig. 1. Because the calibration coefficients (R² = RSQ) were higher, the tangents of the calibration lines were equal to or closer to 1. When the standard prediction error (SEP) is close to zero and R² is close to 1, it means that model calibration is most appropriate. This shows that the predicted values are closely correlated with the real values.

Otherwise the evolution of the consumption of soybean oils indicates to us the following facts:

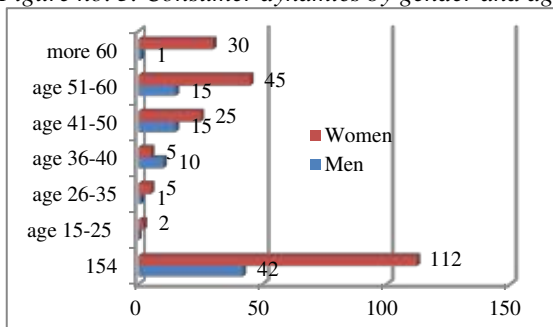
It is observed that the dynamics of the buyers by gender indicates that 72.73% of the respondents are women and 27.27% are men (figure no 2) on different age segments (figure no. 3).

Figure no. 2. Dynamics of buyers by gender



Source: output graph by own contribution

Figure no. 3. Consumer dynamics by gender and age segments

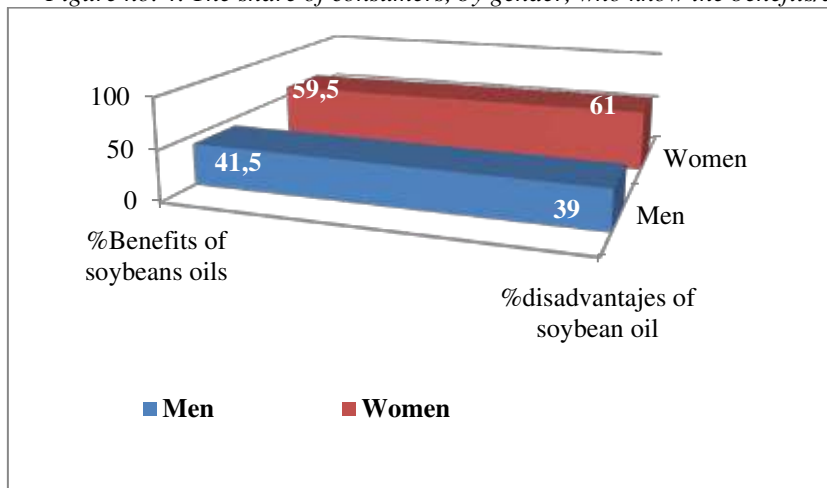


Source: output graph by own contribution

Also, the highest weight was registered by women's, 50% more than in men. This also explains the manifestation of obesity predominantly in women. In all age groups, women are in first place in the consumption of soybean oil. The highest percentage is in the age range over 60, 30 women compared to man, which indicates that the third generation food trend is to use vegetarian diets cooked with oil. This is counted with immediate effect in the health of the consumers, who after long periods of fasting diets immediately register increases of cholesterol, something not allowed especially in the case of cardiovascular, coronary diseases.

From the information provided by consumers, 41% of men know the benefits of soy oil, while 59% of women do not know them. Approximately the same was also recorded if the respondents were asked about the disadvantages of soybean oil (figure no.4). When asked about the fatty acids role played in nutrition, 20% of consumers knew the role of omega 3- oleic acid or omega 6- linoleic acid, while only 5% knew the role of triglycerides and respectively only 7% of cholesterol for human metabolism (Figure no.5).

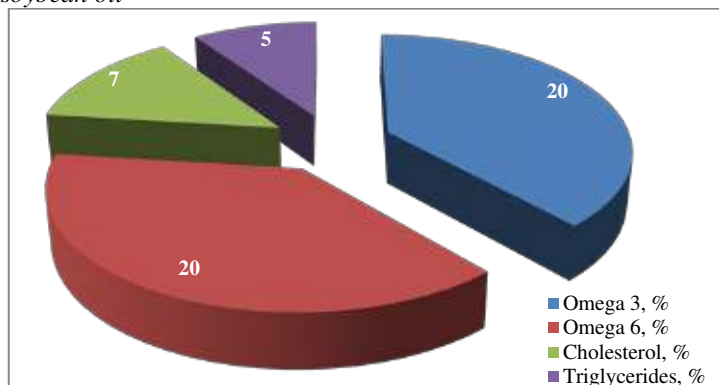
Figure no. 4. The share of consumers, by gender, who know the benefits/disadvantages of soybean oils



Source: output graph by own contribution

A significant percentage 54% do not know what cholesterol means and 37% do not know about triglycerides, but especially what effects these compounds have on their health (figure no.6).

Figure no.5. The share of consumers who know about omega 3, omega 6, cholesterol or triglycerides of soybean oil



Source: output graph by own contribution

As regards the health of consumers, they do not have rigorous information about what oils they consume and what are the benefits of oils for their health. Also, from the investigation carried out, consumers do not know the disadvantages of using oils. That's why they can't properly appreciate what a healthy lifestyle means.

4. Conclusions

This study demonstrated that NIRS can be reliably used to determine the fatty acid composition of s seeds. Higher values of R² were found by the MPLS regression method than the PLS regression method. In addition, he pointed out that NIRS analysis can be a fast and efficient method both in the vegetable oil industry and in the trade and marketing of sunflower seeds.

On the other site, in this stage of evolution the consumers are confusions regarding the selection of healthy oils from unhealthy oils. So that, we recommend a better dissemination of in the bands about the nutritional qualities of beneficial oils for health.

An education on the biochemical composition of oils on the content of good fats and less good fats for consumer health is also needed.

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Taking Over the Rotating Presidency of the Council of the European Union by Romania: A Psychosocial Approach

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Abstract

The 2018th Eurobarometer shows that "the number of Romanians who have a positive image about the EU is also rising above the European average (52% vs. EU average of 43%)". In order to analyze the perception of Romanians regarding the taking over of the Presidency of the Council of the European Union by Romania, starting with January 2019, but also other important issues concerning Romania in its context of member state, we applied a questionnaire with 8 questions constructed as follows: (1) the degree of knowledge about the studied issue, (2) awareness of the importance of the studied subject, (3) assessment of the perception on the standard of living, (4) scenario regarding the positive and negative future of Romania as a member state. The questionnaire was distributed, between May 3-5, 2019, to the students of the Faculty of Law and Administrative Sciences ("Ovidius" University of Constanta).

Key words: European Union; Romania; The Presidency of the Council of the European Union

J.E.L. classification: P48

1. Introduction

Romania started to negotiate with West-European countries from the first years since the transition to a democratic system from communism. So, on February 1, 1993 (on February 1st, 1995 the agreement became effective), Romania signed the European Agreement, which establishes an association between Romania and European Union states. In the same year, in June 1993, Romania submits the application for joining to the EU and 2 years later, in 1997, the European Commission adopts the Agenda 2000, which includes the Statement on Romania's accession request. In November 1998, the European Commission publishes the first Country Report on the process of Romania's accession to the European Union, and in June 1999, Romania adopts the National Plan of Accession to the European Union. In December of the same year, in Helsinki (Finland), the European Council decides to start accession negotiations with six candidate countries, including Romania.

In 2000, in February, at the meeting of the EU General Affairs Council, dedicated to launching the Intergovernmental Conference, the accession negotiations with Romania are officially opened.

2. Theoretical background

In 2002, 3 major events favor Romania's accession to the European Union: (1) November 13 - Commission adopts a "Roadmap" for Romania and Bulgaria, (2) November 20 - European Parliament considers January 1, 2007 as target date for Romania's accession to the European Union and (3) December 12-13 - The Copenhagen European Council decides on the accession of 10 new Member States and adopts the roadmaps for Romania and Bulgaria.

On March 26, 2003, the European Commission presents the revised edition of the Accession Partnership with Romania, and on December 17, 2004, at the European Council in Brussels, Romania receives the political confirmation of the conclusion of the accession negotiations with the European Union.

The following year, 2005, the European Parliament voted for the accession of Romania and Bulgaria to the European Union, and on April 25, during an official ceremony, held at the Neumunster Abbey in Luxembourg, the President of Romania, Traian Băsescu, signs the Treaty of Accession to the European Union. Starting with January 1st, 2007, Romania becomes a member state of the E.U., but this accession procedure came with a series of specific measures that the Government had to take to raise performance indices in several fields of activity, like: food safety, agricultural funds, judicial system reform and the fight against corruption. During January-June 2019, Romania took over, for the first time, the rotating Presidency of the Council of the European Union. This journey from Romania to Europe was described by Dimitris Papadimitriou and David Phinnemore (2008) in 2 stages, as follows: (1) 1989-1997 - from isolation to incomplete rehabilitation, (2) 1997-2007 - from rehabilitation to accession in the EU.

Even so, Tom Gallagher (2013) considers that Romania joined the European Union on some relaxed or collateral criteria with the key areas. "The European Union (EU) revealed itself to be an institution that had great difficulty projecting democratic values and indeed ethical forms of capitalism into inhospitable terrain. Political power continued to be wielded by a narrow set of parties and economic interest groups. The shape of the *acquis communautaire* determined the nature of the EU's engagement with Romania" (Gallagher, T., 2013). Moreover, Gallagher argues that the European Union has failed to combat high-level corruption and political clientelism, lowering the Community's general standards at the level of the Romanian political system. He also characterizes this EU policy decision as a mistake, arguing that "under-developed state now finds itself within the Union". (Gallagher, T., 2013)

However, the perception of Romanians regarding the status of member country of the European Union has undergone fluctuations from the moment of accession until now. In 2011, following a study by Tasente Tanase and Ciacu Nicoleta (2011), it appears that: "67% of the respondents stated that they generally have a good image about the EU and only 19% labeled as very good the image they have about European Union". At the same time, we can notice that "46% of the respondents consider that Romania joined the European Union only on geopolitical and geostrategic criteria and not due to the economic performances or the effort to harmonize the Romanian legislation with the European one, and 45% of the respondents stated that their financial situation did not change after Romania's accession to the EU, but for 22% the accession to the EU meant a worse economic situation" (Tasente, Ciacu, 2011).

Moreover, Klaus Armingeon and Besir Ceka (2014) noticed that, during the 2007th economic downturn, the European population, including Romanians, haven't lost trust in European Union institutions more than they lost trust in national governments. "Only part of the loss of support is directly related to EU policies toward the countries that came under EU and IMF surveillance" (Armingeon, Ceka, 2014). The same study shows that Romanian changed their trust in EU from 77% (in 2007) to 69% (in 2011) during the economic crisis, especially because adopting by the government's unpopular austerity measures.

The 2018th Eurobarometer shows that "the number of Romanians who have a positive image about the EU is also rising above the European average (52%, compared to a European average of 43%)". Moreover, half of Romanians trust the European Union (compared to an EU average of 42%), and 51% of Romanians believe that their voice matters in the EU (EU average is of 49%). At the same time, 56% of Romanians have a positive perception of the situation of the European economy (EU average is 49%), and 48% of Romanians are optimistic about the labor market situation (compared to an EU average of 44%).

On January 1st, 2019, Romania took over the Presidency of the Council of the European Union, for a period of 6 months, according to the rotating system introduced in the Lisbon Treaty of 2009. The rotating presidency system involves a collaboration between the 3 successive presidents, also called "trios". "The current trio (2019–20) is made up of Romania (January–June 2019), Finland (July–December 2019) and Croatia (January–June 2020)", according to the European Council's website (2019). In 2003, Ken Kollman considers that the rotating system of the Presidency of the

European Council is "a curious, and unusual, institutional feature" (Kollman, 2003) and may be a good policy, but once the European Union exceeds 20 Member States, this procedure may no longer be sustainable (Kollman, K., 2003). According to Agnes Batory and Uwe Puetter (2012), the EU's rotating trio Council Presidency model can be described as attempt to "re-adjust the balance between consistency and diversity" and the rotation remains "a key-instrument for ensuring the representation of the diversity of member states in an enlarged Union".

According to the Treaty of Lisbon, "the presidency is responsible for driving forward the Council's work on EU legislation, ensuring the continuity of the EU agenda, orderly legislative processes and cooperation among member states. To do this, the presidency must act as an honest and neutral broker". Moreover, the presidency of the Council has two main tasks: (1) Planning and chairing meetings in the Council and its preparatory bodies and (2) Representing the Council in relations with the other EU institutions.

3. Research methodology

With the starting point of the results of the above-described research, we set out to conduct a study focused on three major objectives, namely: (1) the opinion of Romanians on the image of the Union European, (2) the degree of knowledge and perception of the Romanians regarding the taking over of the rotating presidency of the Council of the European Union, in January 2019 and (3) positive and negative projections on the future of Romania as a member country of the European Union.

In order to analyze the perception of Romanians regarding the taking over of the Presidency of the Council of the European Union by Romania, starting with January 2019, but also other important issues concerning Romania in its context of member state, we applied a questionnaire with 8 questions constructed as follows: (1) the degree of knowledge about the studied issue, (2) awareness of the importance of the studied subject, (3) assessment of the perception on the standard of living, (4) scenario regarding the positive future of Romania as a member state, (5) scenario regarding the negative future of Romania as a member state.

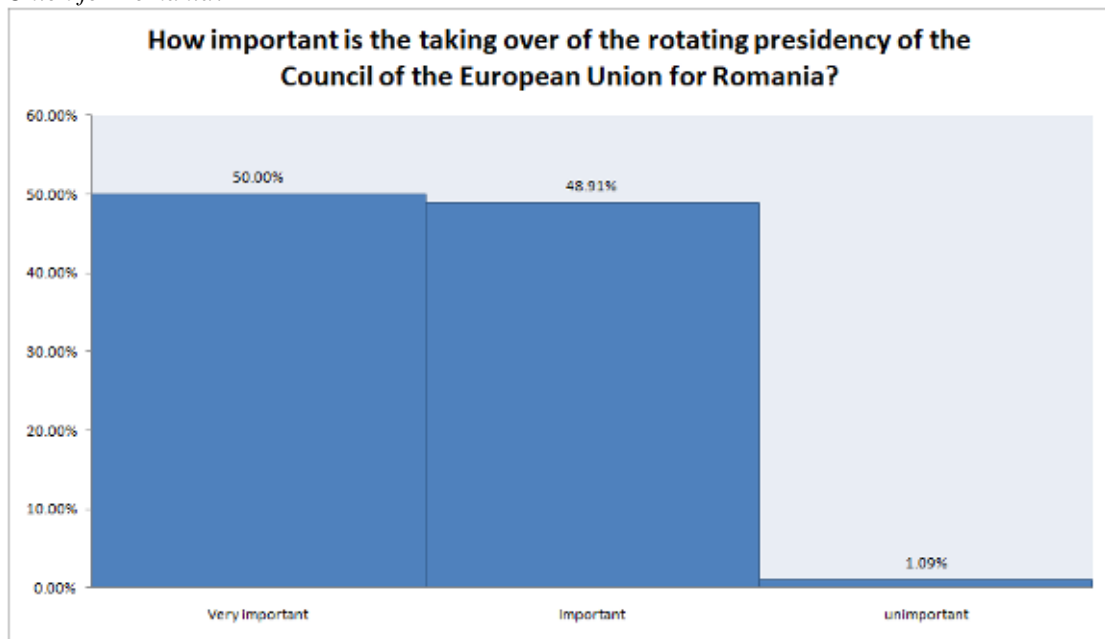
The questionnaire was distributed, between May 3-5, 2019, to the students of the Faculty of Law and Administrative Sciences of the "Ovidius" University of Constanta and was completed by 92 persons. The sample consists of 83.70% women and 16.30% men. Most of the respondents (77.17%, are aged 18-25 years, 11.96% - 26-35 years, 7.61% - 36-45 years and 3.26% - 46-55 years. 51.09% of the respondents come from the environment rural, and 48.91% - from the urban area.

4. Data analysis

Most of the respondents (73.91%) were aware that, starting with January 1, 2019, Romania assumed the presidency of the Council of the European Union, and 26.09% of them did not know this. Moreover, 50% of the respondents consider that taking over the rotating presidency by Romania is a very important thing for the country, 48.91% consider it an important thing, and 1.09% think it is an important thing.

46.74% of the respondents consider that the current Government is unprepared for this role, 26.09% - prepared, 26.09% - not prepared, 1.09% - very prepared. At the same time, 52.17% of the respondents replied that, according to their knowledge, Romania no longer held the presidency of the EU Council (correct answer), 44.57% - they did not know how to answer, and 3.26% replied that it did not held in the past (wrong answer). Half of the respondents (50%) said that their life is the same as before Romania's accession to the EU, 40.22% - their life is better, 9.78% - their life is worse than before their accession.

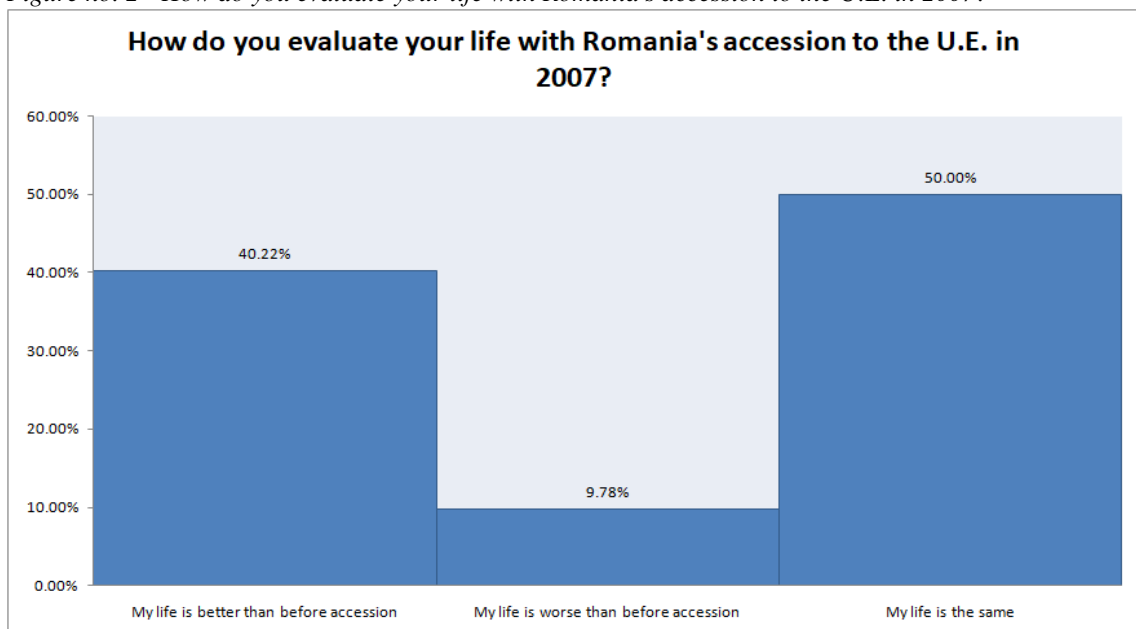
Figure no. 1 - How important is the taking over of the rotating presidency of the Council of the European Union for Romania?



Source: Authors' contribution

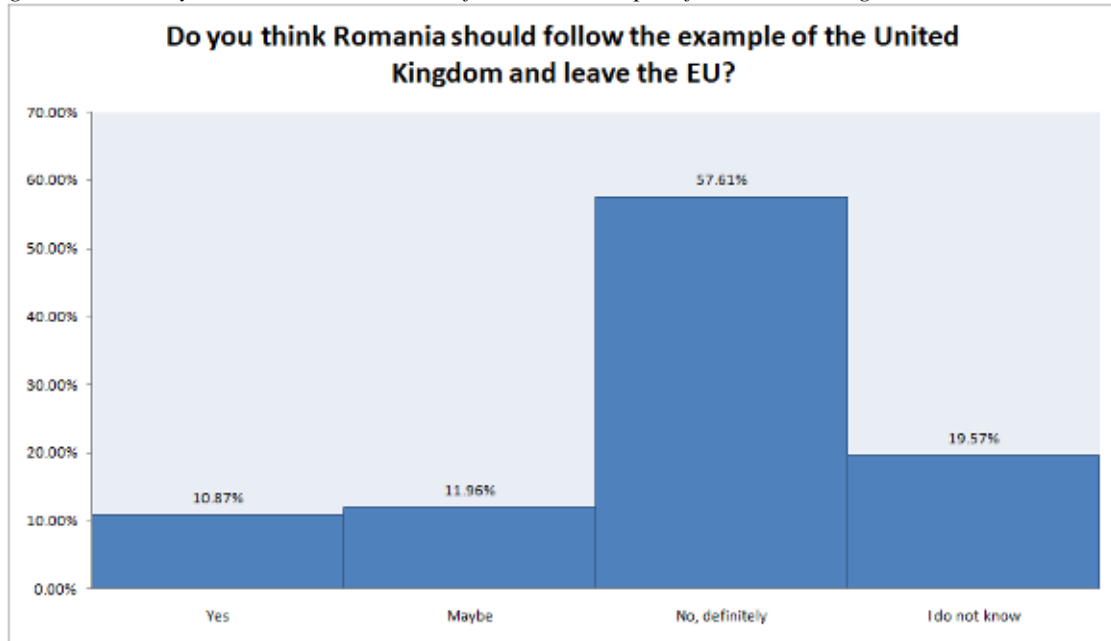
At the question "What are Romania's chances of joining Schengen in the context of taking over the EU Council presidency?", 39.13% consider that Romania's chances of joining Schengen have increased due to the new context, 25% - chances have not increased, 33, 70% believe that we will not enter Schengen in 2019. At the same time, asked if they believe that Romania should follow the UK and leave the EU, 57.61% of respondents answered that Romania should not leave the EU, 19.57% - do not know, 11, 96% - maybe, and 10.87% consider that Romania should leave the EU.

Figure no. 2 - How do you evaluate your life with Romania's accession to the U.E. in 2007?



Source: Authors' contribution

Figure no. 3 - Do you think Romania should follow the example of the United Kingdom and leave the EU?



Source: Authors' contribution

3. Conclusions

According to the results of the study, we can see that the majority of Romanians (73.91%) are informed about the major events of Romania regarding its status as a member of the European Union, but a significant percentage (about 48%) did not know that Romania takes over for the first time the rotating presidency of the EU Council, and about two-thirds of the respondents did not know or answered incorrectly when asked what time Romania will hold the EU Council presidency. At the same time, almost all the respondents confirmed that this event is important and very important for Romania, although about 3 quarters of those questioned categorize the Romanian Government as unprepared for such responsibility.

Looking at the scenario in which Romania would be favored for joining the Schengen area in the context of taking over the presidency of the U.N. Council, 4 out of 10 respondents believe that the chances have increased. On the other hand, when asked if Romania should leave the European Union, following the UK example, over half of the respondents believe that Romania should not leave the EU, 30% are undecided and only 10.87% believe that Romania should leave the EU

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Unblocking the Route to Success: An NLP Analysis

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Abstract

The scope of Neuro-Linguistic Programming (NLP) goes beyond business-specific skills and has led professionals to develop many ways of describing its essence. With healthy patterns of thinking, language and behaviour, NLP offers us the keys to unlocking our own potential and shows us how to use them to overcome barriers to success in the workplace.

Firstly, the paper attempts to provide us with effective strategies/tactics and appropriate language suitable for dealing with problem-solving or handling a conflicting situation.

Secondly, the article defines the concept of outcome as a key pillar for measuring business success. In this respect, reflecting the specifics of an outcome can be managed by means of questioning techniques and the Meta Model.

The findings of my research indicate that flexibility among business people can help them change from an unsatisfactory present state to a desired state and move towards solutions.

Key words: barriers, conflict, questioning, outcome, business NLP

J.E.L. classification: Z00

1. Introduction

An important role in the process of communicating within an organization is played by developing effective strategies for dealing with difficult situations and people, problem-solving and handling conflicts. When such events occur at work, it is important to find the source/cause of problem, what attitude is most appropriate to take, how to react in the right way, and what the advantages and disadvantages of each approach are.

However, overcoming barriers that prevent us from being successful at work may not be always possible if we consider a hostile environment, or conflicting forces.

The approach is twofold: first, conflicts occur within an individual, being related to our deeper structures - *inner conflict* and, second, conflicts can occur externally, in relationship to others - *interpersonal conflict* (Dilts and DeLozier, 2000; Molden, 2001; O'Connor and Seymour, 2002; Alder, 2002; McMillan, 2003; Cooper, 2008).

2. Theoretical background

Some definitions focus on NLP's power in the communication area, considering NLP as *the art and science of communication*, or *a set of powerful influencing strategies*; others are concerned with excellence and define NLP as *a user's manual for the brain*; yet other definitions focus on attaining goals, regarding NLP as *an attitude of mind* or *a process by which you can achieve what you want in life and your future career*.

A person may feel conflicted about working with difficult personalities especially when the decision involves strong beliefs or opinions. Conflicting demands/ opinions/interests (when ideas, beliefs, opinions cannot exist together), conflict of interest (the inability to do your job fairly because you will be affected by short/long-term decisions), disagreement, disputes, confrontations of antagonistic intentions remain the biggest barrier to communication in the business environment and require a compromise between the conflicting parts.

The term *conflict*, for example, is defined by Longman Dictionary of Contemporary English as meaning "a state of disagreement or argument between people, groups etc", "a situation in which you have to choose between two or more opposite needs, influences etc", or "a situation in which you have two opposite feelings about something" (LDCE, 2014, p.371). Since conflict is based on a situation in which different people want different things, NLP's emphasis on addressing conflicts, both internally and interpersonally, lays the foundations for managing and resolving various forms of conflicts.

From an NLP perspective, conflict is interpreted as "a state of disharmony between incompatible or antithetical persons, ideas, or interests".

Avoiding problems by using *appropriate language* and *tactics* is a method which seems suitable for handling a conflicting situation at work in the best way. It shifts away from sinking deep into a problem towards evaluating more options tactfully and professionally.

A key pillar of NLP is knowing what you want. Defining clear outcomes is considered to be the most important measure for business success. An example such as the unpredictability of market conditions can get a company off track from achieving its financial targets.

3. Overcoming barriers that prevent you from being successful at work is really possible

With healthy patterns of thinking, language and behaviour, NLP offers us the keys to *unlocking our own potential* and shows us how to use them to overcome barriers to success in the workplace.

A correlation between service-/retail-based businesses and businesses centred on customer/supplier/community interaction has been firmly established: the concern for people power makes all the difference for how we communicate and mis-communicate in the context of business.

To paraphrase Cooper (2008, p.23), *barriers exist rather metaphorically*. It can be argued that overcoming barriers provides an opportunity for guaranteed success within group work. By zapping away already formed habits or programs that limit our thinking, we can step into more positive feelings generated from imagined events or real experiences, and remove barriers from our success.

This approach uses strategies such as: trying to anticipate potential conflicts, finding common goals, being as positive as possible (Trappe and Tullis, 2006). Some useful phrases for dealing with co-workers could be:

- *Before we start, I think you should know..., I wanted to inform you before anyone else does – we're planning to...* (try to anticipate potential conflicts);
- *Let's work on this together, We're all working towards the same goal / We've all got the same objective* (find common goals);
- *It is a good idea – it just needs a brush-up, I understand your point of view, but it's not what we need right now* (be as positive as possible).

Cooper (2008), on the other hand, refers to the categories of people who unawares stop us reaching our goals for multiple reasons – goals, beliefs and values, or patterns of thinking: "Other people can have goals that conflict with yours. For example, you want extra budget to hire an additional person, but your boss wants to underspend budget to show his management capabilities and get promoted" (Cooper, 2008, p.31).

According to her, "the biggest barriers to success in organizations are *misunderstandings, difficult relationships, and blaming*. All these are people-centred issues." (Cooper, 2008, p.55).

Using NLP tools, we can take a stand on conflict resolution by minimising a dispute, accommodating your point of view, or dictating what must be done or how someone must behave:

- *I don't see what all the fuss is about, I'm sure that won't be a problem* (ignore or make a conflict seem less important);
- *Can we set aside our differences?, What are your views on this?* (accommodate/find a compromise solution that both parts could benefit);
- *Whether you like it or not..., I'm sorry, but there's no point discussing this any further* (use authority to impose a solution).

In NLP, a negative state is also characterized by the use of *coercive language* showing disapproval or disrespect. It is easily recognized because it usually follows the pattern "That's + not + adjective" with the intention of dismissing the other person's view (Molden, 2001). From the

NLP perspective, problems result from negative judgements such as: *That's not rational/possible/practical/proper/feasible/right* and they can only be diffused through NLP conflict resolution techniques which unblock that state into a more flexible and resourceful one. It is the adverb *not* rather than the adjective which causes tension between people, or as Molden puts it, "the word 'not' is more often interpreted as a direct attack on the person, on their ideas, and it can be 'wrong' only if compared with the other person's unique map. So, *who is to judge?*" (Molden, 2001, p.39).

Indeed, who is to judge? *How exactly do you decide what is rational/possible/feasible, and so on? What leads you to believe something is right/wrong/proper/improper?*

Similar results are reported by McMillan (2003, p.116), who is concerned with the questioning techniques as linguistic tools for targeting on specific information in a customer – seller relationship.

The findings of his study reveal several types of homing-in or targeting questions, among which *barrier breakers*, their role being to uncover the future customer's interests, motivation, needs and wishes. Barrier breakers are further subdivided into two main forms, i.e. *brick walls* and *sweeping statements*:

Brick walls examples include:

e.g. *I can't accept your offer under these conditions.*

I can't increase your order to 3,000 units.

I won't consider doing business with you again.

Homing-in questions meant to recover lost information and go beyond the barriers built in the prospect's mind can be: *I know you can't, but what would happen if you did it?, How do you stop yourself from...?* They lay emphasis on the outcome and identify the barriers as a first step to challenge the limitation.

Sweeping statements are obvious in the following examples:

e.g. *I've never been satisfied with the quality of this product.*

All your suppliers have no idea of what my company wants.

Every delivery you make is taking far too long.

I always look for the highest bid.

Such statements are typically challenged with the help of universal quantifiers: *Never? All? Every? Always? Has there ever been a case in which / a time when...?* Molden (1996) notes that generalizing is a way of extending a statement to cover all possibilities. In agreement with McMillan (2003), Katan also notes that "in generalization, the specific context is lacking, and the implication is that the utterance is of universal validity" (2004, p.132).

4. Outcome – the most important measure for business success

Using NLP to set well-formed outcomes throughout companies, departments, teams, and individuals, empowers people with well-defined, meaningful goals.

The characteristics of a *well-formed outcome* model (Cooper, 2008, p.288) used in diverse areas of business are as follows:

- Positive: *What do you want?*
- In your control: *Can you initiate and do it?*
- Specific: *What or how specifically?*
- Context: *Where, when, with whom?*
- Resources: *What do you need?*
- Impact: *What are the consequences on other things and people?*

Outcome thinking has as a starting point expressions like *what I want to have* and *what I don't want to have*. However, the difference between these two outcomes is in the way we express them, either positively or negatively. Consider these examples:

e.g. (1) I reject/refuse/dislike having dissatisfied customers any longer.

(2) I want to exceed customer expectations.

e.g. (3) I don't want to feel bored in my job.

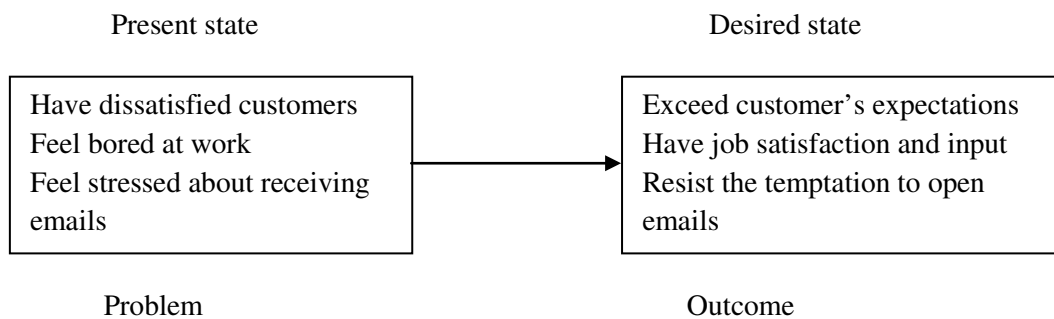
(4) I want job satisfaction and more input in everything I do.

e.g. (5) I don't want to feel stressed about the cascade of e-mails at work.

(6) I want to resist the temptation of opening e-mails as soon as they arrive.

Although the first statement (e.g.1) does not include any overtly negative words or auxiliaries (like *no* or *not*, *don't*), the statement clearly expresses what *you don't want*. In the *dislike* variant, negativity may be understood from the prefix *dis-*, whereas with the *reject* and *refuse* variants, negativity is semantically implicit. Furthermore, in order to achieve an elusive goal, the example should give an indication of what needs to replace the current situation - what you want (*the outcome*) - rather than what you currently don't want (the *problem* of customer dissatisfaction). In metaprogram terms, the statement expresses this goal in *away from* language, rather than *towards* language. The difficulty with focusing on what you don't want is also expressed in examples (3) and (5) indicating that in order to think about *not* having something, you need to think about that very thing. In such a situation, attention is focused on what you *don't* want rather than what you *do* want. The art of NLP is to separate the *problem* (dissatisfied customers, feeling bored, feeling stressed about e-mails) from the *outcome* (exceed customer expectations, job satisfaction and more input, not to be afraid of e-mails). By moving *away* from *present state*, you can move *towards* your *desired state*, as shown in the diagram below:

Moving from problem to outcome



The antidote to shift an outcome to the positive is to ask these questions:

- a) What needs to happen for [outcome]?
- b) Is there anything else that needs to happen for [outcome]?
- c) What do I want instead?
- d) What do I really want in my work?
- e) What are the consequences on other things and people?

Setting clear outcomes makes us consider some timescales when we *can* realistically reach our goals: e.g. *this week, this month, this year, in the next ten years, throughout my career, by the end of my career*. Problematic words like the modals *should*, *need to* and *must* introduce beliefs which are counterproductive in the modern workplace. In addition, the moment we think of our challenges and write them down on a chart, we always prioritize them in their order of importance to our success. In the list of urgent work situations that we *want* to overcome, the above modals create a false impression of taking charge of or having a strong influence on the outcome of a situation, as they are not compatible with what we *want*, but rather suggesting what we *do not want*, what *others* want, or what *we think we 'should' want*:

- e.g. 1. They *should recognize* your merits/what you do for the company.
2. They *need to see* your real implication in the reconstruction of the organization.
3. They *must understand* that not everyone is as workaholic and perseverent as you are.

Statements/ Thoughts that start with modal verbs such as *should*, *have to*, *need to* and *must* express implicit rules, regulations, policies and procedures.

In NLP, clean questions help us access unconscious thoughts and lead us to a change in perception, often to a new attitude and behaviour. Using NLP Meta Model patterns, we can challenge the rules associated with imperative words at work:

e.g. I *should* work harder.

Meta Model Question: Who says that?

e.g. I *need to lought to* coach my team to take on more.

Meta Model Question: What happens if I don't?

e.g. I *must* give feedback to all my suppliers' proposals.

Meta Model Question: What happens when I say "I choose to" instead?

Meta Model Questions bring a change in a person's map of reality and involve moving to the *specifics* of an experience, decomposing larger chunks of information into smaller bits, thus creating a clearer and more comprehensive or accurate description of an experience.

Defining the specifics of an outcome can be managed by means of the questioning technique. A broad outcome is not a reasonable, real and appealing one unless we describe it more specifically, by using sensory-related words/language about what we see, hear, or feel once the outcome is achieved. A broad outcome is a *vague* outcome which often does not work, but which can be brought to life by asking the right questions. Let us consider the following outcome: *I want more money and fame in my career*. Devoid of specific details, the statement needs a more accurate description. Thus, the following questions may arise: More compared with what? How much money specifically do I want to earn? What do I see, hear and how do I feel when I've earned enough money and won fame?

5. Research methods and material

This article started from the description of some effective strategies and tactics accompanied by their appropriate language suitable for handling conflicting situations in the workplace, and continued with practical examples of setting clear outcomes which brought me closer to the understanding of how the Meta Model questioning technique can lead us to a change in perception and a new, resourceful attitude.

From a linguistic perspective, I have looked up positive phrases for accommodating a point of view, ignoring a conflict, or minimizing a dispute, expressions focusing on misunderstandings, difficult relationships, and blaming as well as the coercive language for miscommunication in the context of business.

I have also concentrated on and analyzed contexts in which barrier breakers, both brick walls and sweeping statements, can be used as linguistic tools in a customer-seller interaction. Using targeting questions as guidelines has helped me clarify statements, recover missing information, connect language with thought, unlock potential, and overcome barriers to success.

From the NLP perspective, I pointed out that asking precise questions modifies the surface structure of a statement and forces the deeper structure to find more possibilities, widens our map of the world and ultimately, provides a framework for a clear outcome.

Thus, my research also focused on the essential role of Meta Model questions in moving to the specifics of an experience, decomposing it into smaller bits while making the actual description more vivid, colourful, with more details and even some sensory information.

6. Findings

On the basis of the above descriptions of language, thinking and behaviour patterns, the results show that, in order to open up more choices and find exceptions to the rule, professional business people need to resort to effective strategies in overcoming barriers and diffusing negative judgements through conflict resolution techniques.

This has allowed me to consider the role of flexibility in removing linguistic barriers and the extensive use of Meta Model patterns which makes all the difference in realistically reaching our goals.

On the one hand, the findings of my study reveal that uncovering our future customers' interests, needs and wishes through homing-in or targeting questions has to be taken into consideration if we want to go beyond the barriers built in the prospects' mind.

On the other hand, regarded as both necessary and sufficient for unblocking miscommunication and confusion, establishing clear outcomes as the most important measure for business success enable business people to generate a positive state of mind through effective linguistic expressions and work on a desired outcome.

7. Conclusions

To conclude, objective-focused people clearly define duties and assign roles and tasks within their teams. Flexibility seems to be the heart of the problem. Flexible business people build relationships first and then set out goals and let them develop with the relationship.

A step worth taking into account is to not do tasks until outcomes are carefully considered and set. They actively help us change from an unsatisfactory present state to a desired state, move towards solutions by means of available resources such as programming/reprogramming strategies, NLP Meta Model patterns, questioning techniques, beliefs and values.

Beliefs strongly shape our map of reality, focusing on our 'towards' language, i.e. what we want, and our 'away from' language, i.e. what we reject/refuse/dislike. They point to achievable goals as well as obstacles, self-doubts or conflicts, both internal and interpersonal.

In the context of business, an opportunity for guaranteed success within group work is to overcome barriers which exist rather metaphorically, diffuse disputes, zap away limiting habits and step into more positive feelings.

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Pacing and Leading – The Engines of Strengthening Business Rapport

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Abstract

One could say that rapport is a natural and necessary phenomenon, but it is something that needs to be worked at. My approach focuses on the difference in the techniques/actions applied at gaining and losing rapport. The technique of rapport demonstrated that there are three variables used to differentiate stages in striving for achieving rapport:

Firstly, body language as non-verbal communication consists of kinesics and proxemics.

Secondly, matching voice and words covers characteristics of spoken language pointing to the individual's ability to develop the content of the communication through recurring sensory words.

Thirdly, mismatching strategies include negative chemistry, deliberate mismatching and other devices for breaking rapport.

The results of the research show that the two engines of strengthening rapport, namely pacing and leading, highly contribute to a desired outcome in conversation.

Key words: body language, breaking rapport, language matching, leading, pacing

J.E.L. classification: Z00

1. Introduction

The business model of communication involves two main techniques for enhancing rapport, namely *pacing present states* and *leading to desired states* in face-to-face interactions. In the verbal context, these instruments for facilitating effective communication help us connect with other people and create a favourable climate of rapport. Pacing involves matching the other person's map of the world, having the flexibility to go along with people's communication model through their own way of thinking, and in their own language. Leading is the process of changing the other person's map of the world in order to move closer to some desired outcome. It involves shifting to a new perspective and a new resourceful state, and in so doing subtly attempting to influence another person's orientation in the desired direction.

To put it differently, *pacing* is the process of establishing rapport through matching and *leading* is the process of changing your physiology, tone of voice, or choice of words to cause the other person to favourably change either his physiology or state (Ellerton, 2006).

In other words, to *pace* a client in a selling situation, we need to make reference to what he/she would most likely be *seeing, hearing, feeling* or *thinking*. For example, 'As you *look* closely at the *picture*...comfortably in the chair... and *listen* to my *voice*...bring the *sounds* of *waves* and *hear* the *songs* of whales into your bedroom...you can *sense the warmth* of the place...while you begin to *wonder*...' Words such as "and", "while" and "as" link the thoughts one with another, providing a continuous sensory experience. They also imply a *weak cause and effect*. This perspective is also shared by O'Connor (2001) who, referring to Meta Model Patterns, acknowledges that "Cause – effect links what is happening naturally (pacing) with the outcome you want (leading). The *cause-effect* is the *transition* between pacing and leading" (O'Connor, 2001, p.177). That is why, focusing on the ways of establishing human relations through rapport and respect, pacing and leading are worth taking into consideration. From a linguistic perspective, matching the clients' words, being attuned to their expressions and metaphors, using the same language cues (visual, auditory, kinesthetic patterns) is a confirmation of active listening and an attempt to build a more empowering desired state.

2. Theoretical background

As we pace a person's ongoing sensory experience, we start portraying everything in *artfully vague terms*, and while doing that, we start to *lead* him/her into downtime (Ellerton, 2006), begin to draw their attention to their internal experience. Alternatively, O'Connor notices that we can suggest *stronger cause and effect patterns* that slowly *lead* people deeper into trance with conjunctions that imply time, like "when", "during", "before" and "since": "*Before* you go into relaxed state, you may notice how easy it is to close your eyes *whenever* you wish to feel more comfortable and begin to think of somewhere you would like to set out...and *when* you are ready..." (O'Connor, 2001, p.179). Once we have gained a good level of rapport by pacing, we begin to lead and influence the other person.

This approach was continued by Molden and Hutchinson (2006) who remarked on the difference in the techniques/actions applied at gaining and losing rapport. After "matching the other person's unique perception, check if he is willing to follow you by changing your physiology and noticing what happens – if you have rapport they will follow you. If rapport is lost during leading, revert to pacing before continuing to lead to a desired outcome. The general view in NLP is that you need twice as much pacing as leading" (Molden and Hutchinson, 2006, p.59).

New attempts at distinguishing stages centred on how we could take the lead and start to move the other person to a different way of thinking/feeling/acting are offered by Cooper (2008, p.99) who synthesized 7 steps to lead someone to:

- Consider a new idea or proposal;
- Speed up the conversation;
- Hear and accept bad news;
- Slow down and think about something in more depth;
- Change the emotional state (for e.g., to move from anxious to calm);
- Accept and respect you for saying 'no' or delivering bad news;
- Change the other person's energy level.

However, there are similarities between Molden and Hutchinson' (2006) view and Cooper's (2008) view, who is also of the opinion that in order to start leading, one has to test out how much rapport they have established and notice whether their interlocutor follows: "[...] make changes to your breathing and movements if you want to change the other person's emotional state or pace. If the other person doesn't follow your lead when you test it out, *keep on matching and pacing*, test again and keep on going until you're confident you have enough rapport to lead" (Cooper, 2008, p.99).

Alder's research (2002) on the technique of rapport has also demonstrated that there are three variables used to differentiate stages in striving for achieving rapport. These are: *body language, matching voice and words, mismatching strategies*.

3. Body language as non-verbal communication

On the basis of the above set of criteria, Alder makes a classifications pointing out the following aspects:

Body language as non-verbal communication (NVC) consists of 2 main types:

a) kinesics and b) proxemics

a) *Kinesics* include *facial expressions* like smiles, frowns, narrowed eyes and scores of subtle expressions, transmitting emotions such as friendliness, anger, disbelief and sympathy. *Gestures* include finger-pointing, head-shaking, hand movements such as clasping, making a fist, facing one or both open palms upwards.

They can convey:

- agreement or disagreement
- focus and attention
- emphasis
- openness and honesty
- congratulations
- acceptance

Kinesic movements as part of the communication process include:

- pacing up and down
- strolling
- standing up
- clasping hands
- crossing legs
- folding and unfolding arms
- placing both hands palms down on a table

b) *Proxemics* involve:

Physical contact:

- shaking hands
- hugging
- patting
- mimicked, gentle punching
- ruffling the hair
- holding hands

Physical contact can intensify a communication, both positively and negatively. It can send various messages (often more powerfully than words):

- greetings
- friendship and warmth
- sympathy
- empathy
- insistence

Positioning includes:

- sitting close or at a distance
- the effect of physical barriers such as a desk
- orientation, including the direction of chairs (in a meeting/interview room) → denoting connotation of power and vulnerability respectively.

Posture includes:

- standing straight
- leaning (forward with both hands on a desk)
- lounging
- sitting upright, and so on.

According to Alder, this “plethora of body language suggests the kind of conversation and its tone, the level of formality or informality, and the general demeanour and emotion of the parties” (Alder, 2002, p. 89).

4. Matching voice and words

Linguistically, *matching voice and words* covers characteristics of spoken language such as voice tone and pitch, or speed of conversation.

a) *Language matching* emphasizes the individual’s ability to use the same sort of language, words and phrases, technical or specialized terms unique to their group. Raising people’s awareness of the power of matching, or likeness, is an important aspect of developing the content of the communication and the relationship itself in the degree to which they can concentrate on the complex mechanics of voice and language when in rapport. In this line of thinking, we tend to match words and phrases that reflect our sensory preference, but at the same time, identify the other person’s recurring sensory words.

The ‘visual’ person usually sees images, and their speech and voice reflect that experience:

‘I can *see* what you mean’.

‘I’ll give you the full *overview*’.

‘I’ll *paint* you a *picture*’.

‘Let’s *zoom in* on this’.

An ‘auditory’ person tends to talk more slowly, with a rich, precise, rhythmic voice tone. In conversation the auditory communicator will have the tendency to choose auditory words, such as:

‘I *hear* what you’re saying’.

‘That *rings a bell*’ / ‘That’s *clear* as a *bell*’.

‘*Sounds* ok to me’ / ‘This *rings* true for me’.

‘It’s *music* to my ears’ (someone’s words make you very happy or pleased).

A ‘kinesthetic’ person speaks slowly, intermittently and is immersed in a feeling. A kinesthetic communicator tends to use feeling words and phrases like:

'I know how you must *feel*'.
'This just *feels* right' / 'I have a *gut feeling*'.
'I *sense* you're right'.
'Let's *run* with this idea for a while'.
'You'd better *get your skates on*' (hurry up)
'Let's get a *handle* on things' / 'I *get the hang* of this now'.

Knowing how a person is communicating is very useful if you want to 'get on the same wavelength' and make your communication as effortless and effective as possible (Alder, 2002; Molden and Hutchinson, 2006).

Once we identify a dominant modality in people's speech, language will start to seem more understandable and predictable. By specifically listening to sensory predicates, we can improve specific objectives like winning a sale or succeeding in a negotiation (our purpose or outcome). It has been shown (Ferraro, 2006) that *gender and linguistic differences* can be frequently observed in the same speech community between men and women. Variations in language usage according to gender give rise to very different communication styles. According to Julia Wood (1994), American women talk for the purpose of *building and supplementing rapport* with others, whereas men use talk to assert themselves; women will often *match* experiences with others for the sake of showing understanding and empathy (e.g. 'I know how you feel'), whereas men *match* experiences for the sake of gaining attention (e.g. 'I can top that' - do better than that).

From an Neuro-Linguistic Programming perspective, sensory preference / gender difference is but one dimension of linguistic style. In Kerry Johnson's opinion, *verbal pacing (matching)* counts for "not forgetting to listen to key phrases and marked-out words" (1994, p.147). He associates the state of keeping up pacing with a neck-and-neck cross - country race where "there is usually a runner who sets the pace [...]. Rather, he is the person the rest of the runners strive to keep up with" (1994, pp.142-143).

Johnson enlarges upon the "Yes – But" versus "Yes – And" approaches which prove effective in any sales situation. He argues that "they can *lead* your client to greater commitment and to the point of making a sale [...] Understanding the *power of verbal and nonverbal pacing* gives you a lot of control over the momentum of your meeting" (Johnson, 1994, p.142). Thus, he reveals that the "Yes – And" approach is twice more effective than the "Yes – But" strategy used in resolving disagreements and that convincing the customer to buy from you a whole lot quicker becomes more easily attainable:

e.g. *Yes, I agree that it seems too expensive. And the reason for this is that we wish to keep up the high standard and maintain the quality of our products. Certainly, when better materials are put into a product like this one, spending a little more upfront will pay off in the long run. Higher quality is preferable to replacing it in three years, isn't it?*

Using the "Yes – And" approach preserves the customer's self-esteem and makes them feel smart and confident.

b) However, there are some general *ground rules* that may speed up the learning process of matching and prevent embarrassment and failure (Alder, 2002, pp. 91-92):

▶ *Don't exaggerate* – you shouldn't try to match what seem like extreme or unusual mannerisms or voice characteristics. Use your common sense.

▶ *Partial matching* – match a *type* of behaviour but in a different way: e.g. you can clasp your hands rather than fold your arms, or nod your head in time with the speed of a person's speech and level of animation.

▶ *Practise in a low-risk situation* – don't try out your matching skills in an important interview or critical negotiation.

▶ *Respond paralinguistically* – make feedback sounds all the time to indicate you understand what someone says: e.g. 'Ok', 'Yes', 'Uhuh', 'I see', 'Whew', and other sounds you understand colloquially. Such sounds also indicate annoyance or impatience (a wide range of communication nuances).

Note: Just as there are considerable verbal differences (modalities), which are usually well documented in structure and meaning, the universal vocal practice, also known as *paralinguistics*, aids rapport by letting the person know you follow their communication.

► *Stay in character* – to some degree, self-awareness forms part of the learning process as you move out of your mental map and start to experience the other person's map of the world.

5. Mismatched communication

Alder reminds us that there are 2 types of *mismatched communication*. The former is the so-called *negative chemistry*, and the latter a *deliberate, conscious behaviour mismatch*.

a) *Negative chemistry* translates as the absence of personal 'chemistry' and contains a range of expressions which will quash rapport in attempting to end a communication:

e.g. 'Somehow we *don't connect* as before'.

'We don't *hit it off*'. (we don't like each other)

'You operate in *different planes / in different dimensions*'.

'It seems to go in *at one ear and out at the other*'.

'I might as well *talk to the wall*'.

'Our conversation doesn't *flow* as easily as it does on other occasions'.

b) In addition to simple mismatching, another aspect which "guarantees" an icy, invisible barrier in communication deals with situations when we *may wish to mismatch deliberately*. Communication in the business environment requires not only an understanding of language but also the nonverbal messages (cues) of communication that are part of any speech community. The way that business people hold their bodies often communicates information about their social status, feelings of submissiveness, or desires to maintain social distance. In line with this, Ferraro also considers that, when communicating, "a person may stand over another person, kneel, or <<turn a cold shoulder>>. Postural cues constitute very effective signs of a person's inner state as well as his or her behavioural expectations of others (Ferraro, 2006, p.79).

Alder (2002) illustrates this by offering examples of nonverbal communication patterns (*mismatching strategies*) to choose from:

- stand up abruptly from a sitting conversation
- sit down from a standing position
- stop in the middle of a walking conversation
- go silent for a few moments
- look into the far distance
- blow your nose
- sharpen a pencil.

How we position ourselves when communicating is a mark of our willingness or unwillingness to converse at all.

Perhaps one of the most visible nonverbal message for purposeful mismatching is *silent language* (go silent for a few moments for no reason): the other person merely senses something wrong, can't prove anything (mindread), and they decide to end their monologue. Other devices for mismatching on purpose, and hence *breaking rapport* are:

► *Bring a communication to a close* – You may consider:

1. You have obtained your outcome (persuading or informing)

Useful phrase: 'Can we *clinch the deal* now with this final offer?'

2. You may decide to abort your outcome (you no longer want what you wanted)

Useful phrase: 'Either you give me 10%, or I *take my business elsewhere*'.

► *Redirect a conversation* – A fluid communication, based on a strong rapport, can take on any direction, pace or model (e.g. serious, jocular, or *laissez-faire*) that may not be in agreement with your beliefs or intentions. A quick and unexpected mismatch can bring the communication to a road junction from which you can then pace and lead to your communication outcome.

Useful phrases: 'Leaders are 'hands-off' and give very little guidance'.

'Projects can go off-track and deadlines can be missed'. (*laissez-faire* leadership: open, creative, co-operative)

► *Attract attention* – Strong rapport can involve a "downtime" state. In this state, we enjoy the process:

Useful phrases: '*Doesn't the time fly* when you're having long training workshops?'
'*We just talked and talked*' .

At the same time we may fail in pursuing the outcome of the communication. Alder (2002, p. 94) believes that when a sudden mismatch occurs, it "brings the other person into an *alert*, 'uptime' state in which you have their full attention. Use this device when you want to make an important point":

Useful phrases: '*So, I've given you enough time* to work out how you could manufacture on a large scale. I'd like to *have your commitment today*. I *strongly urge* you to consider preparing a business plan: the benefits are less waste, lower costs and greater productivity. If you give your support to this proposal, we can *start right away*. *The sooner* we act, *the sooner* we'll see the results'.

The steps used to help you attract attention and conclude your proposal convincingly are:

1. Summarize the benefits (ideally highlight 3 benefits)
(e.g. The benefits are *less waste*, *lower costs* and *greater productivity*).
2. End with a call for action
(e.g. I'd like to have *your commitment today* [...] If you give your support to this proposal, we can *start right away*).

► *Temporarily interrupt a communication* – This frequently happens by default, if a telephone rings or somebody pops up into your office, but you may wish to interrupt a communication for your own purposes, such as:

1. - to carry out an important brief task:
e.g. Jacqui, would you please *send* our contractors *an email* with the conclusions of our discussions *right away*, so we can *get their feedback by the end of this meeting?* And now we can get on with the next stage of the project.
2. - to allow a communication to have an effect on the other person by allowing them time to reflect and give them a sense of personal satisfaction:
e.g. I'm going to *let you handle this* for a while. *What do you say?* Would you like to *take full responsibility for this?* After all, you *get the business*, you *get the bonus!*

When people feel motivated by their job, this results in better quality work. Empowering people to work autonomously, giving them a financial incentive, and keeping them motivated is therefore a priority for managers and supervisors. Thus, by achieving a mismatch as if at a 'natural juncture' in the communication, you maintain rapport, and can carry on your communication where you left off.

6. Research methods and material

My research into the 'mysterious chemistry' process of rapport has led me to find the techniques of rapport-dynamics and consider that the common portal for experiencing the world is based on matching/mirroring back another person's linguistic, non-verbal and mental patterns, i.e. reflecting back language, gestures and attitudes.

The specific categories of words and phrases reflecting the dominant modality in speech were insisted on and adapted from real business situations such as winning a sale or succeeding in a negotiation.

I have discussed the necessity to listen to key phrases, recurring sensory words, technical or specialized terms, conjunctions that imply time (*verbal pacing*) before taking further steps to actually *lead* and influence the interlocutor. Moreover, the paper attempted to provide a 7-step synthesis to lead someone and the whole research was carried out following the 3 stages used to achieve rapport, i.e. body language, matching voice and words, mismatching communication.

In analyzing the two engines of strengthening business rapport, I could come up with two remarks. Firstly, pacing and leading can be considered important in business communication because they reduce the gap between us and our interlocutors. Secondly, by engaging themselves in a reciprocal matching-pacing-leading process, interlocutors check on the understanding of the other

person's map of the world and communicate from a position of knowledge.

In my analysis of both linguistic similarities and differences, I have been aware that people's dominant modalities in speech can lead to either gaining or losing rapport.

7. Findings

The findings indicate that, from a linguistic point of view, pacing involves having the flexibility to pick up and incorporate other people's vocabulary (their words and phrases) into one's own vocabulary. If somebody says 'I haven't got a good grasp on this situation', we might say 'I understand you need to get a handle on this. Let's go more deeply into it. How does that grab you?' In this way, we experience his/her model of the world, by communicating with them in their own language and through their own way of thinking. The article also shows that we need to understand a present state, i.e. to pace the other person, in order to build a more empowering desired state, i.e. to lead our interlocutor towards the outcome we want to achieve. Whether dealing with issues of selling or negotiating, the degree of success depends on how naturally the people involved can establish rapport.

8. Conclusions

This article aimed at giving an overview of the two engines of strengthening rapport, namely *pacing* and *leading*, which highly contribute to a desired outcome in conversation. The role of *matching* the other person's perception as well as changing their emotional state was pointed out. Both pacing and leading stand for matching harmoniously posture, energy and words at first, and then gradually enlarging the individual's model of the world. These three relevant stages, i.e. matching, pacing and leading, if well-balanced, contribute to the cognitive ability to make the other person more open to receiving our message.

The results show that once we make the *transition from pacing to leading* and gain a good level of rapport, we create a more favourable business context where gestures, kinesic movements, proxemics match and language begins to seem more predictable and understandable.

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Competition versus Monopolistic Competition by Integrating Solow-Uzawa and Dixit-Stiglitz

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Abstract

This paper builds a neoclassical growth model with monopolistic competition and perfect competition. The paper synthesizes the basic economic mechanisms in neoclassical growth theory and monopolistic competition within a compact framework. The economic structure is based on the Solow-Uzawa growth models. We model monopolistic competition on basis of the Dixit-Stiglitz model. This paper makes a unique contribution to growth theory by making deviations from the traditional approaches in household behavior in monopolistic competition literature and markets in neoclassical growth theory. We develop and then show behavior of the model by simulation. The calibration identifies a stable unique equilibrium point. The motion of the economy is plotted. We also studies comparative dynamic processes due to changes in degree of specialization, unit labor requirement for production of intermediates, output elasticity of intermediate inputs, propensity to save, propensity to consume service, and human capital.

Key words: Dixit-Stiglitz model, monopolistic competition, Uzawa model, profit distribution, perfect competition

J.E.L. classification: O41; L12.

1. Introduction

Modeling behavior of households and market structures is the most fundamental tasks in economic theory. As far as endogenous wealth and capital dynamics is concerned, neoclassical growth theory is a main tool for economists to deal with growth on a rigor basis. The Ramsey approach to household behavior is the key tool for modelling capital and wealth accumulation in the last few decades in the theoretical literature. The Ramsey approach is not only problematical with regards to behavior mechanisms, but also causes many analytical difficulties even with simple economic questions. This may be a main reason for economists to fail to properly deal with many basic economic issues within an integrated framework. Zhang (2005, 2008) proposes an alternative approach to the Ramsey approach in order to model behavior of household with endogenous wealth. This paper applies this approach to model behavior of household to solve issues related to neoclassical growth theory with imperfect competition.

Neoclassical growth theory is developed mainly for markets of perfect competition. Modern empirical and theoretical studies in microeconomics show that most markets are characterized by imperfect competition. There is an extensive literature on imperfect competition. These studies treat market structures more realistically than neoclassical growth theory. But many important insights into functions of markets are not further integrated with neoclassical growth theory. This study attempts to make a change by introducing monopolistic competition to neoclassical growth theory. We are mainly working the core two models of neoclassical growth model, Solow's one sector growth model and Uzawa's two sector growth model. (e.g., Burmeister and Dobell, 1970; Barro and Sala-i-Martin, 1995; and Ben-David and Loewy, 2003). We base our modelling economic structure on the Solow-Uzawa model (Solow, 1956; and Uzawa, 1961, see also, Stiglitz, 1967; Jensen, 2003). We assume that the consumer goods sector in the standard Uzawa model is characterized by monopolistic competition. In monopolistic competition there are numerous producers producing differentiated products. Products are

differentiated. No perfect is a perfect substitute any other. Each firm takes the prices charged by other firms as given and maximizes its profit. Each firm has some degree of market power. Market power is measured by power over the demand and supply equilibrium terms and conditions. Formal monopolistic competition theory was developed first by Chamberlin (1933). The theory has since then been developed by many scholars. In the last two decades it has been developed in numerous ways in analyzing economic growth and development, economic structures, innovation and technological diffusion, and economic geography (e.g., Dixit and Stiglitz, 1977; Krugman, 1979; Ethier, 1982; Romer, 1990; Brakman and Heijdra, 2004; Behrens and Murata, 2007, 2009; and Wang, 2012). Zhang (2018) makes an alternative attempt to integrate monopolistic competition theory and neoclassical growth theory on basis of the Solow one sector model and Dixit-Stiglitz model (Dixit-Stiglitz, 1977; see also Lancaster, 1980; Waterson, 1984; Benassy, 1996; Picard and Toulemonde, 2009; and Parenti, *et.al.*, 2017). The study extends Zhang's model by adding the consumer goods sector. Rather than intermediate goods being used as consumer goods as in the Dixit-Stiglitz model, intermediate goods are used as inputs of the final goods sector as in the Grossman-Helpman model (Grossman and Helpman, 1990). We differ from the other studies in that the profits of intermediate inputs sectors are shared equally among the homogeneous population, but not for investment. We organize the rest of the paper as follows. Section 2 gives the three-sector growth model. Section 3 makes an analysis of the model and simulates the movement of the dynamic model. Section 4 makes comparative dynamic analysis in some parameters. Section 5 concludes the study.

2. Theoretical background - The growth model with intermediate inputs

We synthesize the three important models (Solow, 1956; Uzawa, 1961; and Dixit and Stiglitz, 1977) to give a dynamic general equilibrium analysis of economic growth with perfect competition and monopolistic competition. There are three kinds of production for supply a final (capital) good (like in the Solow model), consumer goods and services (like in the Uzawa model), and a variety of differentiated middle products (like in the Dixit-Stiglitz model). Different from the Grossman-Helpman approach and the which neglect wealth and capital accumulation, we follow the neoclassical grow theory in considering capital accumulation as the main machine of economic growth. The three sectors fully employs the labor force.

The Capital Goods Sector

Let $K_i(t)$, $N_i(t)$, and $F_i(t)$ denote capital input, labor input, and output of the final goods sector, respectively. Capital good is used numeraire. Physical capital depreciates at a given rate δ_k . We use n to represent the number of varieties of middle products available. A rise in n means an increase in the degree of specialization. We use $X_i(t)$ to represent aggregate input of intermediate inputs as follows:

$$X_i(t) = \sum_{\varepsilon=1}^n x_{\varepsilon}^{\theta}(t), 0 < \theta < 1, \quad (1),$$

in which $x_{\varepsilon}(t)$ represents the input of middle product ε and θ is a parameter. We Grossman and Helpman (1990) in describing the production of final goods. We choose the following production function:

$$F_i(t) = A_i K_i^{\alpha_i}(t) N_i^{\beta_i}(t) X_i^{\gamma_i}(t), \quad 0 < \alpha_i, \beta_i, \alpha_i + \beta_i < 1, \quad \gamma_i = \frac{1 - \alpha_i - \beta_i}{\theta} < 1,$$

in which A_i , α_i and β_i stand for parameters. The specified form implies constant returns to scale for given n , but increasing in n . It also implies an improvement in technical efficiency due to an increasing degree of specialization. Scale economies exist at the industry level. For individual firms, scale economies are exogenous.

Variables $r(t)$, $w(t)$, and $p_{\varepsilon}(t)$ represent, respectively, the rate of interest, the wage rate, and the price of middle good ε . We have the profit of the capital goods sector:

$$\pi_i(t) = F_i(t) - (r(t) + \delta_k)K_i(t) - w(t)N_i(t) - \sum_{\varepsilon=1}^n p_{\varepsilon}(t)x_{\varepsilon}(t). \quad (2)$$

The marginal conditions are given by:

$$r(t) + \delta_k = \frac{\alpha_i F_i(t)}{K_i(t)}, \quad w(t) = \frac{\beta_i F_i(t)}{N_i(t)}, \quad p_\varepsilon(t) = \frac{\gamma_i \theta x_\varepsilon^{\theta-1}(t) F_i(t)}{X_i(t)}. \quad (3)$$

The production function formation tells that the share of factor X_i equals $\gamma_i F_i$. Equations (2) and (3) imply the following relations:

$$K_i(t) = \Lambda(t) X_i(t), \quad N_i(t) = \left(\frac{w(t)}{\beta_i A_i K_i^{\alpha_i}(t) X_i^{\gamma_i}(t)} \right)^{1/(\beta_i-1)}, \quad (4)$$

$$\Lambda(r, w, t) \equiv \left[\left(\frac{r_\delta(t)}{\alpha_i A_i} \right)^{\beta_i-1} \left(\frac{\beta_i A_i}{w(t)} \right)^{\beta_i} \right]^{\frac{1}{\gamma_i}}, \quad r_\delta(t) \equiv r(t) + \delta_k.$$

We see that $\Lambda(t)$ is independent of variety. From (3), we get:

$$p_\varepsilon(t) = \frac{\gamma_i \theta_i r_\delta(t) x_\varepsilon^{\theta-1}(t) K_i(t)}{\alpha_i X_i(t)}. \quad (5)$$

Inserting (4) in (5) implies:

$$x_\varepsilon(t) = \tilde{\Lambda}(t) p_\varepsilon^{-\bar{\theta}}(t), \quad (6)$$

in which

$$\tilde{\Lambda}(t) \equiv \left(\frac{\gamma_i \theta_i r_\delta(t) \Lambda(t)}{\alpha_i} \right)^{\bar{\theta}}, \quad \bar{\theta} \equiv \frac{1}{1-\theta}.$$

We see that $\tilde{\Lambda}(t)$ is independent of variety. The share of variety ε in the total value of intermediate inputs is:

$$\varphi_\varepsilon(t) \equiv \frac{x_\varepsilon(t) p_\varepsilon(t)}{\sum_{m=1}^n x_m(t) p_m(t)}. \quad (7)$$

Insert (6) in (7)

$$\varphi_\varepsilon(t) = \frac{p_\varepsilon^{1-\bar{\theta}}(t)}{\sum_{m=1}^n p_m^{1-\bar{\theta}}(t)}. \quad (8)$$

The share variety ε is a function of its price and the aggregated price.

The Middle Goods Sector

Following Dixit and Stiglitz (1977) we describe production of middle goods. It is assumed that the production is oligopolistic with price competition. The producer of variety ε gets the profit:

$$\pi_\varepsilon(t) = [p_\varepsilon(t) - a_N w(t)] \frac{\varphi_\varepsilon(t) \gamma_i F_i(t)}{p_\varepsilon(t)},$$

where a_N is the labor requirement for producing unit of the intermediate. It expresses that the profit equals the profit from per unit of product multiplied by the share of the market. Inserting (8) in the above profit yields:

$$\pi_\varepsilon(t) = [p_\varepsilon(t) - a_N w(t)] \frac{\gamma_i F_i(t) p_\varepsilon^{-\bar{\theta}}(t)}{\sum_{m=1}^n p_m^{1-\bar{\theta}}(t)}, \quad (9)$$

The producer decides $p_\varepsilon(t)$ in order to get maximal profit. From (3) and (1), we have

$$F_i(t) = \frac{p_\varepsilon(t)}{\gamma_i \theta x_\varepsilon^{\theta-1}(t)} \sum_{\varepsilon=1}^n x_\varepsilon^\theta(t). \quad (10)$$

Insert (6) in (10)

$$\frac{F_i(t)}{\sum_{m=1}^n p_m^{1-\bar{\theta}}(t)} = \frac{\tilde{\Lambda}(t)}{\gamma_i \theta}. \quad (11)$$

With (9) and (11), we now express the profit function:

$$\pi_\varepsilon(t) = [p_\varepsilon(t) - a_N w(t)] \frac{\gamma_i \tilde{\Lambda}(t) p_\varepsilon^{-\bar{\theta}}(t)}{\gamma_i \theta}.$$

The first-order condition (i.e., $\partial \pi_\varepsilon / \partial p_\varepsilon = 0$) yields the fixed-markup pricing rule:

$$\theta p_\varepsilon(t) = a_N w(t). \quad (12)$$

This equation also implies that varieties have the same price. With (9) and (12), we have the profit per firm:

$$\pi(t) = \frac{(1 - \theta)\gamma_i F_i(t)}{n}. \quad (13)$$

We see that the profit per firm is independent of ε . From (5), we see $x_\varepsilon(t)$ being independent of ε . We express this variable by $x(t)$. From (1) we get:

$$X_i(t) = nx^{\theta_i}(t). \quad (14)$$

Total profit is:

$$\bar{\pi}(t) = n\pi(t). \quad (15)$$

The industry's total profit equals the industry's number of the firms by the representative firm's profit

The Service Sector

We denote capital input, labor input, output of the service sector, respectively by $K_s(t)$, $N_s(t)$, and $F_s(t)$. We use $p_s(t)$ to stand for price of services. We specify a production function of services as follows:

$$F_s(t) = A_s K_s^{\alpha_s}(t) N_s^{\beta_s}(t), \quad 0 < \alpha_s, \beta_s < 1, \quad \alpha_s + \beta_s = 1, \quad (16)$$

in which A_s , α_s and β_s are fixed coefficients. The first-order conditions yield:

$$r(t) + \delta_k = \frac{\alpha_s p_s(t) F_s(t)}{K_s(t)}, \quad w(t) = \frac{\beta_s p_s(t) F_s(t)}{N_s(t)}. \quad (17)$$

We use (17) to determine the distribution of labor and capital inputs.

Consumer Behaviors and Wealth Dynamics

This study applies the model of consumer behavior suggested by Zhang (1993, 2005). We use $\bar{k}(t)$ to represent per household wealth. We have $\bar{k}(t) = K(t)/N$, where $K(t)$ represents the total capital stock. We assume that total profits are equally shared among households. There are different ways that profits are distributed. For instance, in the new growth theory profits are invested for innovation. For simplicity, this study assumes profit to be shared equally between the homogenous households. We take a simplified approach at this initial stage of modeling. Let h stand for human capital. The household's current income is:

$$y(t) = r(t)\bar{k}(t) + hw(t) + \frac{\bar{\pi}(t)}{N}. \quad (18)$$

The disposable income $\hat{y}(t)$ is defined, different from the current term used in the literature, as the sum of the household's wealth value and current disposable income:

$$\hat{y}(t) = y(t) + \bar{k}(t) = (1 + r(t))\bar{k}(t) + hw(t) + \frac{\bar{\pi}(t)}{N}. \quad (19)$$

The disposable income is spent entirely on consuming goods $c_i(t)$, services $c_s(t)$, and saving $s(t)$. We have the budget constraint as follows:

$$c_i(t) + p_s(t)c_s(t) + s(t) = \hat{y}(t). \quad (20)$$

The household makes decision on consumption levels of goods and services and amount of saving. The household's utility level $U(t)$ is related to $c_i(t)$, $c_s(t)$ and $s(t)$ as follows:

$$U(t) = c_i^{\xi_0}(t) c_s^{\chi_0}(t) s^{\lambda_0}(t), \quad \xi_0, \chi_0, \lambda_0 > 0,$$

where we use χ_0 to represent the propensity to consume services, ξ_0 the propensity to consume capital goods, and λ_0 the propensity to save. Maximize the utility s.t.: (20)

$$c_i(t) = \xi \hat{y}(t), \quad p_s(t)c_s(t) = \chi \hat{y}(t), \quad s(t) = \lambda \hat{y}(t), \quad (21)$$

$$\rho \equiv \frac{1}{\xi_{0+} + \chi_0 + \lambda_0}, \quad \chi \equiv \rho \chi_0, \quad \xi \equiv \rho \xi_0, \quad \lambda \equiv \rho \lambda_0.$$

We express the change in the wealth as net saving which implies saving minus dissaving:

$$\dot{\bar{k}}(t) = s(t) - \bar{k}(t). \quad (22)$$

Equilibrium Conditions for Final goods and Services

Changes in the capital stock are the final goods sector's output minus the consumption of capital goods and the depreciated amount of capital stock. We have:

$$\dot{K}(t) = F_i(t) - c_i(t)N - \delta_k K(t). \quad (23)$$

Equilibrium condition for the service sector implies:

$$c_s(t)N = F_s(t). \quad (24)$$

Full Employment of Labor and Capital

The labor force of intermediate goods sector is

$$N_x(t) = a_N x(t)n.$$

We have the balance condition for labor as follows:

$$N_i(t) + N_s(t) + a_N x(t)n = hN, \quad (25)$$

The balance condition for capital is as follows:

$$K_i(t) + K_s(t) = K(t). \quad (26)$$

The left-hand side is the sum of the capital stocks employed by the capital goods and consumer goods sector and the right-hand is the total physical capital available in the economy.

National Capital and National Wealth

The value of national wealth is given as the value of physical capital:

$$\bar{k}(t)N = K(t). \quad (27)$$

The model is based on the Solow-Uzawa model, the Dixit-Stiglitz model, and the Grossman-Helpman model. These models are integrated with Zhang's utility function and concept of disposable income. We now examine the model's properties.

3. The model's dynamic properties

The previous section developed a neoclassical growth model, integrating a few core models in the literature of growth theory. As we are mainly concerned with simulation by computer, we provide a computational program for simulating the movement of the economic dynamics.

Lemma

The following differential equation determines the motion of the economic system:

$$\dot{x}(t) = \left(\frac{dv(x(t))}{dx} \right)^{-1} f(x(t)), \quad (28)$$

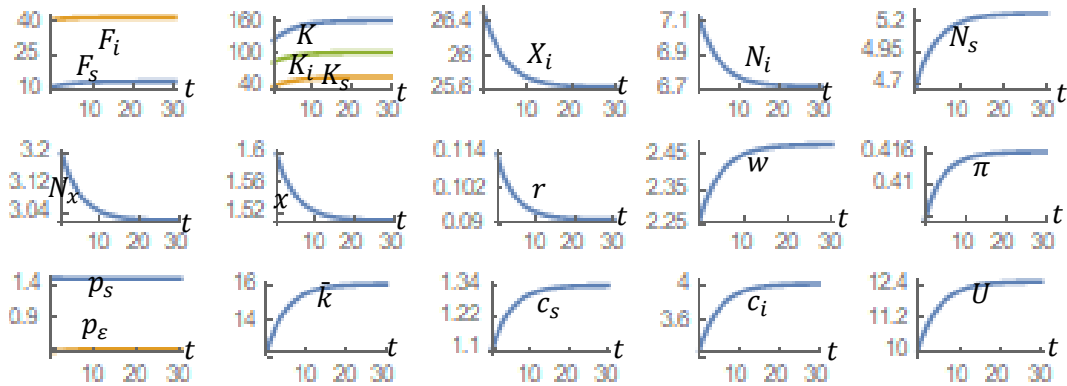
where the Appendix gives functions $v(x(t))$ and $f(x(t))$. All the other variables are computed with the following procedure as functions of $x(t)$: $\bar{k}(t)$ by (A12) $\rightarrow K(t) = \bar{k}(t)N \rightarrow p_\varepsilon(t)$ with (A2) $\rightarrow F_i(t)$ with (A8) $\rightarrow N_i(t)$ from (A4) $\rightarrow N_s(t)$ from (A5) $\rightarrow K_i(t)$ and $K_s(t)$ from (A1) $\rightarrow F_s(t)$ with (16) $\rightarrow w(t)$ with (A9) $\rightarrow p_s(t)$ from (17) $\rightarrow \hat{y}(t)$ from (A10) $\rightarrow r(t)$ with (A13) $\rightarrow \varphi(t)$ with (8) $\rightarrow c_i(t)$, $c_s(t)$ and $s(t)$ from (21) $\rightarrow \pi(t)$ from (13) $\rightarrow \bar{\pi}(t)$ with (15) $\rightarrow X_i(t)$ with (14).

The expressions are complicated. It is not easy to give simple intuitive interpretations of the results. We illustrate dynamic behavior of the model by simulation. The parameters are taken on the following values:

$$n = 20, N = 10, \theta = 0.6, a_N = 0.4, A_i = 1.4, A_s = 1.1, \alpha_i = 0.3, \beta_i = 0.4, \\ \alpha_s = 0.35, \lambda_0 = 0.8, \xi_0 = 0.2, \chi_0 = 0.1, h = 1.5, \delta_k = 0.03. \quad (29)$$

We fix the population at 10 and the level of human capital at 1.5. We specify the number of varieties of intermediate inputs 20. We choose the initial condition: $x(0) = 1.6$. Figure 1 shows the simulation result.

Figure no. 1. The Motion of the Model



Source: Author's computation

The output levels of the capital good and service sectors are augmented from the initial state. The two sectors' capital inputs are enhanced. National wealth rises. The labor inputs employed by the intermediate goods sector and capital good sector fall. The service sector uses more labor force. There is almost no change in the prices. The rate of interest decreases. The wage rate is enhanced. The household's consumption levels of services and capital good are increased. The household enjoys higher utility. The sector uses more net input of intermediate goods. The economy produces less output of each variety. Each firm in the intermediate goods sector earns more profit. The equilibrium values of the variables are calculated as follows:

$$\begin{aligned}
 K &= 160.6, F_i = 41.6, F_s = 13.4, X_i = 25.6, N_i = 6.7, N_s = 5.3, N_x = 3, \\
 K_i &= 102.8, K_s = 57.8, x = 1.51, \pi = 0.42, r = 0.09, \\
 w &= 2.48, p_s = 1.5, p_\epsilon = 0.41, \bar{k} = 16.1, c_i = 4, c_s = 1.34, U = 12.5.
 \end{aligned}$$

4. Transitory and long-term effects in change of parameters

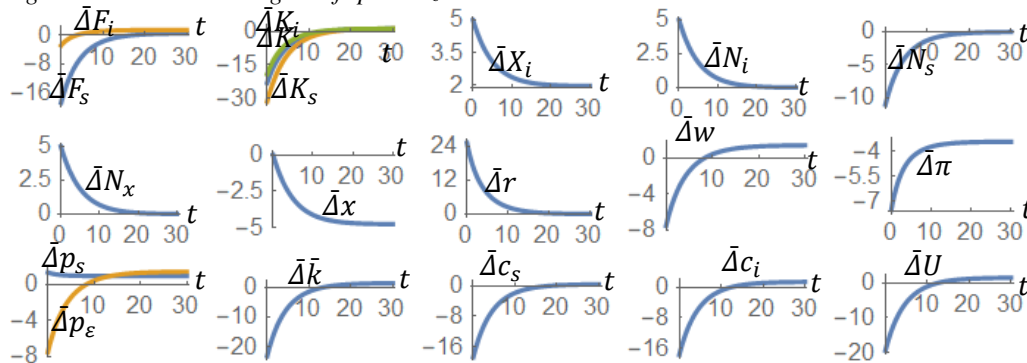
The previous section simulated the dynamics of the model. The next step is to ask about effects of exogenous changes in parameter values on transitory processes and long-term values of the variables. To do this, we define a symbol $\hat{\Delta}x_j(t)$ to express the change rate of $x_j(t)$ in percentage due to the exogenous changes.

4.1. A rise in degree of specialization

We first deal with the effects on the economic system when the degree of specialization is increased in the following way: $n = 20 \Rightarrow 21$. Figure 2 shows the simulation result. We have initially rises in the the output levels of the capital good and service sectors, then decreases in the same variables, and finally rises in the long term. The two sectors' employment of capital input is initially increased and is almost invariant in the long term. The economy experiences initial falls in the national wealth (total capital stock) and long-term rises. The employment of labor inputs by the intermediate goods sector and capital good sector rise initially and remain almost invariant in the long term. The employment of labor input by the service sector rises initially and reminds almost invariant in the long term. The price of service rises. The economy experiences an initial fall in the price of intermediate goods but long-term rise. The economy has an initial rise in the rate of interest but reminds invariant in the long term. The wage rate is reduced initially but augmented in the long term. The household's level of wealth falls lower initially but slightly higher in the long term. The household's consumption of services falls. The consumption level of capital good is reduced initially and almost the same in the long term. The household has lower utility initially but higher

in the long term. The economy experiences an expansion in the net input of intermediate goods. The economy produces less each variety. The firm's profit falls.

Figure no. 2. A rise in degree of specialization

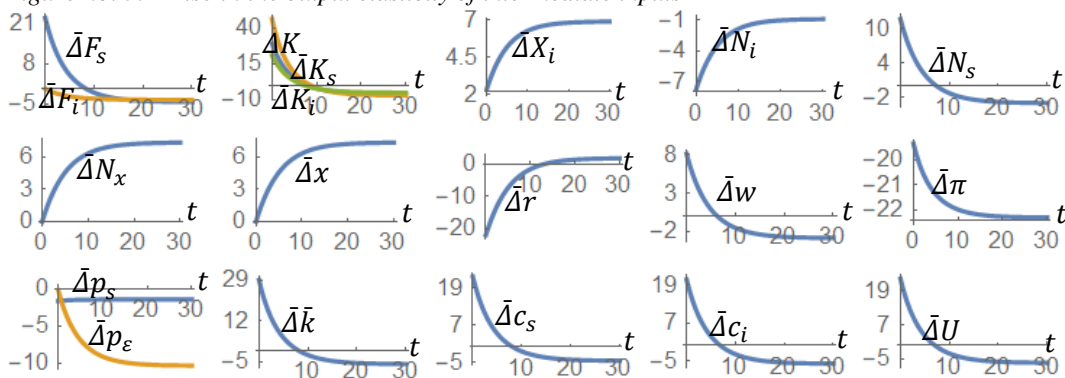


Source: Author's computation

4.2. A rise in the output elasticity of intermediate inputs

We now deal with the effects of the following increase in the output elasticity of intermediate inputs on the system: $\theta = 0.6 \Rightarrow 0.65$. Figure 3 shows the simulation result. The service sector's output level is increased initially but reduced in the long term. The capital good sector's output level is decreased. The capital inputs employed by the two sectors are augmented initially but reduced in the long term. The household has more national wealth initially but less in the long term. The labor force employed by the intermediate goods sector rises. The labor force employed by the capital good sector falls. The labor employment by the service sector rises initially but falls in the long term. The economy has lower price of service and intermediate goods. The rate of interest is decreased initially but increased in the long term. The wage rate rises initially but falls in the long term. The wealth is increased initially but reduced in the long term. The household's consumption of services and capital good rise initially but fall in the long term. The household has higher utility initially but lower in the long term. The net input of intermediate goods rises. Each firm's output is increased in association with falling profit.

Figure no. 3. A rise in the output elasticity of intermediate inputs



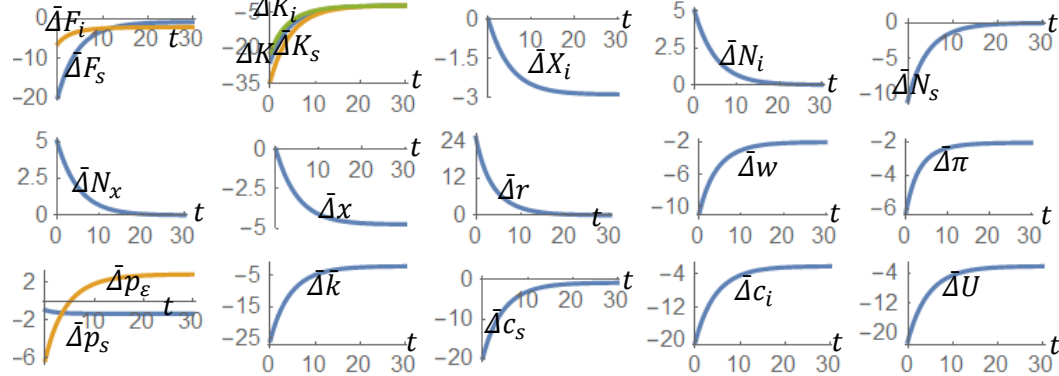
Source: Author's computation

4.3. A rise in the unit labor requirement in producing intermediates

We now analyze the effects that the following rise in the unit labor requirement in producing intermediates: $a_N = 0.1 \Rightarrow 0.105$. Figure 4 shows the simulation result. The capital good and service sectors' output levels are reduced. The capital inputs employed by the two sectors fall. The economy has lower national wealth. The labor inputs employed by the intermediate goods sector

and capital good sector fall initially and remind almost invariant in the long term. The labor input employed by the service sector falls initially and reminds almost invariant in the long term. The price of service is decreased. The price of intermediate goods is decreased initially but increased in the long term. The rate of interest is increased initially and reminds almost invariant in the long term. The wage rate is reduced. The household's wealth is reduced. The consumption levels of services and capital good fall. The household has lower utility level. The net input of intermediate goods fall. Each firm in the intermediate goods sector produces less and has less profit.

Figure no. 4. A rise in the unit labor requirement in producing intermediates

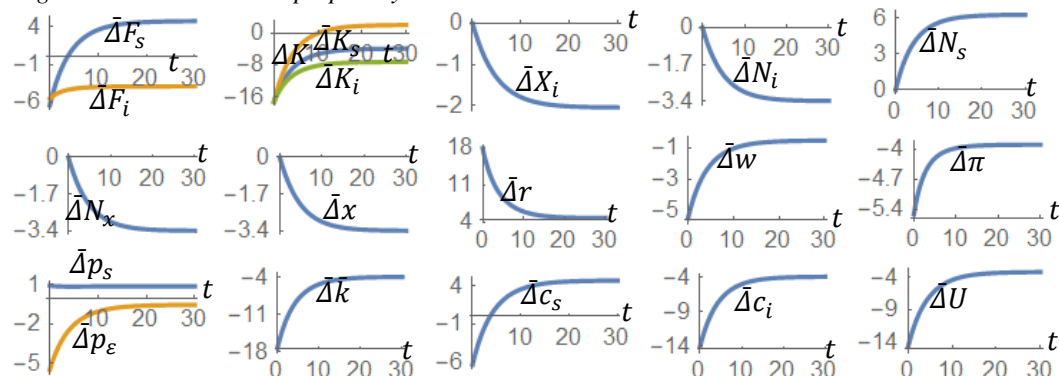


Source: Author's computation

4.4. A rise the propensity to consume service

We now study the effects of the following rise in the propensity to consume services on the economy: $\chi_0 = 0.4 \Rightarrow 0.42$. Figure 5 shows the simulation result. The capital good sector produces. The service sector produces less initially but more in the long term. The capital input by the capital good sector falls. The capital input employed by the service sector falls initially but rises in the long term. The economy has less capital. The labor inputs employed by the capital good sector and intermediate goods sector are reduced. The labor input employed by the service sector is augmented. The price of service is enhanced. The price of intermediate goods is lowered. The economy experiences in the rate of interest. The wage rate is reduced. The household owns less wealth. The consumption of services falls initially but rises in the long term. The consumption of capital goods by the household falls. The household has lower utility level. The economy use less input of intermediate goods. Each firm in the intermediate goods sector produces less and has less profit.

Figure no. 5. A rise in the propensity to consume service



Source: Author's computation

5. Conclusions

This study modelled growth of an economy in which has perfect competitive and monopolistic competition markets. The economic structure is constructed by synthesizing the economic mechanisms

in neoclassical growth theory and the monopolistic competition. We made a unique contribution to the literature of economic growth by integrating two main modeling frameworks with Zhang's utility function and concept of disposable income. We calibrated the model. The system has a stable unique equilibrium point. We also plotted the movement of the model. We also showed the effects of changes in some parameters on the transitory processes and long-term equilibrium values of the variables. As the model is built on the core (simplified) models of growth theory and monopolistic competition, it is not difficult to extend and generalize

We now check the Lemma. We define $z \equiv (r + \delta_k)/w$. With (3) we obtain

$$z \equiv \frac{r + \delta_k}{w} = \frac{\bar{\beta}_i N_i}{K_i} = \frac{\bar{\beta}_s N_s}{K_s}, \quad (A1)$$

where $\bar{\beta}_j \equiv \alpha_j/\beta_j$, $j = i, s$. From (12) we have

$$p_\varepsilon = \frac{a_N w}{\theta}. \quad (A2)$$

From (3), we have

$$w = \frac{\beta_i p_\varepsilon n x}{N_i \gamma_i \theta}, \quad (A3)$$

where we also use (14). By (A2) and (A3), we have

$$N_i = a x, \quad a \equiv \frac{\beta_i n a_N}{\gamma_i \theta^2}. \quad (A4)$$

From (A4) and (25), we have

$$N_s = hN - a_0 x, \quad (A5)$$

where $a_0 \equiv a + a_N n$. From (21), (17) and (24) we have

$$\hat{y} = \frac{w N_s}{\beta_s \chi N}. \quad (A6)$$

By (2) we have

$$F_i = A_i N_i \left(\frac{K_i}{N_i}\right)^{\alpha_i} \left(\frac{X_i}{N_i}\right)^{\gamma_i}. \quad (A7)$$

Insert (A1) and (A4) in (A7)

$$F_i(x, z) = A_i a x \left(\frac{\bar{\beta}_i}{z}\right)^{\alpha_i} \left(\frac{n x^{\theta-1}}{a}\right)^{\gamma_i}. \quad (A8)$$

From (3), (A8) and (A4), we have

$$w(x, z) = \frac{\beta_i F_i(x, z)}{a x}. \quad (A9)$$

With (A6) and (A5), we obtain

$$\hat{y} = \frac{(hN - a_0 x) w}{\beta_s \chi N}. \quad (A10)$$

From (26), (27) and (A1), we solve

$$\bar{\beta}_i N_i + \bar{\beta}_s N_s = z \bar{k} N. \quad (A11)$$

Insert (A4) and (A5) in (A11)

$$\bar{k} = \frac{a_1 x}{z N} + \frac{\bar{\beta}_s h}{z}, \quad (A12)$$

where $a_1 \equiv \bar{\beta}_i a - a_0 \bar{\beta}_s$. From (A1) we have

$$r(x, z) = w z - \delta_k. \quad (A13)$$

From (A10) and (19), we have

$$h w + \frac{(1 - \theta) \gamma_i F_i}{N} + (1 + r) \bar{k} - \frac{(hN - a_0 x) w}{\beta_s \chi N} = 0, \quad (A14)$$

where we also use (13) and (15). Insert (A13) and (A12) in (A14)

$$\Lambda_1 w z - \frac{(1 - \theta) \gamma_i z F_i}{N} = \Lambda_0, \quad (A15)$$

where $\delta \equiv 1 - \delta_k$ and

$$\Lambda_1(x) \equiv \frac{hN - n_0x}{\beta_s \chi N} - \frac{a_1x}{N} - \bar{\beta}_s h - h, \quad \Lambda_0(x) \equiv \frac{a_1 \delta x}{N} + \delta \bar{\beta}_s h.$$

From (A9), (A16) and (A8) we solve

$$z = \omega(x) \equiv \left[\frac{\Lambda_0}{A_i a x \bar{\beta}_i^{\alpha_i}} \left(\frac{\beta_i \Lambda_1}{a x} - \frac{(1-\theta)\gamma_i}{N} \right)^{-1} \left(\frac{a}{n x^{\theta-1}} \right)^{\gamma_i} \right]^{1/(1-\alpha_i)}. \quad (A16)$$

We get the computational procedure in the Lemma. From the procedure and (22), (A11) and (A5), we get

$$\dot{\bar{k}} = f(x) \equiv s - \bar{k}. \quad (A17)$$

Denote (A12) by $\bar{k} = v(x)$. We have

$$\dot{\bar{k}} = \frac{dv}{dx} \dot{x}. \quad (A18)$$

From (A18) and (A19), we have

$$\dot{x} = \left(\frac{dv}{dx} \right)^{-1} f. \quad (A19)$$

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Section IV

Marketing – Management

Correlations Between the Management of the School Organization and the Management of Human Resources

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Abstract

The connection between the management of the organization and that of human resources is indisputable. The human resources of a school organization represent an indicator of organizational quality. The organization, by its characteristics, ensures the attainment of the level of satisfaction and performance of the employees.

Human resource performance evaluation has profound implications for the entire organization and highlights important human resource management activities: continuous professional development, awarding of rewards, motivating employees, maintaining / dismissing them, performance feedback, finding potential and professional training their needs. The conclusions present the demands of the manager's role in achieving a participative management, in exploiting and highlighting the entire individual potential of the employees, in motivating and obtaining their superior performance.

Key words: organization management, human resources management, personnel evaluation, organizational climate

J.E.L. classification: C 92, D 81, D 83.

1. Introduction

The vitality / dynamism of contemporary society we consider determines the adaptation of the educational factors from pre-university education to the multitude of changes in a social environment of a pronounced competitive character, they learn to manage them responsibly by developing the design competencies , organization, operational management, control-evaluation of all activities at the level of an educational organization, with an impact on the level of increasing the organization's performances, as a fundamental element of changing the human resources management of an organization.

The success, performance, degree of competitiveness of any organization depends, to a large extent, on the content and quality of human resources, because, as many specialists in the field have analyzed, the competitive-performance advantage of a school organization is reflected in its employees, having in view that people are the most valuable asset of the respective institution.

2. Literature review

The specialized literature (Agabrian, 2008, Căndea, 2008, Cismaru, 2008, Florea, 2014, Miege, 2000, Păuș, 2006, Rogojinaru, 2005, Stegăroiu, 2014, Tănăsescu, 2016) emphasizes that the investment made in human resources has proven to be the safest and most effective way to ensure the survival and competitiveness of an organization. In the 19th century, the success of an organization was considered an exclusive result of the personal qualities of the employees. In the twentieth century, there were several trends that, through the research carried out, diversified the

content of the term human resources management. Thus, the current social organization, through its founder Frederick W. Taylor, emphasized the role of participatory management and the granting of rewards to ensure the success of the organization. The administrative stream, founded by Henry Fayol, maximized the role of staff, for Max Weber to emphasize the role of motivating employees in ensuring the productivity of the organization.

The administrative stream, founded by Henry Fayol, maximized the role of staff, for Max Weber to emphasize the role of motivating employees in ensuring the productivity of the organization. The school of human values, founded by Mayo, emphasized the importance of implementing participatory management and psycho-sociological, but also relational factors. The specialized literature reveals that after 1980, the concept of human resources management has adopted other connotations, emphasizing the role of the human resource in determining organizational change and organizational climate.

The Japanese researcher Ouchi introduced the term "enterprise culture", underlining the idea that human resource is the strategic binder of any organization.

3. Research methodology

The methods of scientific research used during the documentation and research were: bibliographic documentation by information on the sources, collecting, studying and using the sources; the study and interpretation of scientific literature.

4. Correlations between participatory management and the strategic role of human resources in an organization

No profession requires its owner as much competence, dedication and sensitivity as that of an educator, because no one works with a more precious, more complex and sensitive material than the developing man ... anchored in the present, brightening the future and strengthening the dimensions. Possible of personality, the educator instructs, educates, exhorts and directs, cultivates and organizes, corrects, perfects and constantly evaluates the process of forming and perfecting the qualities necessary for the man of tomorrow.

The contemporary reality shows that the role of the school has become increasingly complex, which requires the increase of the professional competence and the adaptability of the teachers to the needs of the society and to the increase of the competitiveness of the school.

Gary Jones emphasized: "The essential feature of an organization is the coordinated presence of people and not necessarily of things"; the fact that they involve people, in the end, they depend on their joint effort, especially when talking about institution-level performance. Many people view the organization as a personal good, and the successes, in general, as their own successes, while the institution's failures are felt as personal failures (*apud Chivu, 2008, p. 82*)).

Human resources, as strategic resources in an institution, are one of the most important investments of the respective organization, whose results are becoming more and more evident over time. Investing in people is the safest way to guarantee its competitiveness, position and future. The basis of the process of making a managerial decision within the human resources are as many qualities that can be demonstrated by all involved: respect, fairness, responsibility, communication, empathy, transparency. The time factor also plays an important role in the managerial practice, imposing interventions to change mentalities, so as to reach openness and adaptability in the face of those different situations. Belonging to the group and the whole set of contoured relationships represents the favorable context for the formation of the employees' personality and the growth of their creative capacities.

Human resources are a special human potential that must be understood, motivated and involved as fully as possible in achieving the organization's objectives. To this end, managerial decisions in the field of human resources must always be adapted to the personality and characteristics of the employees.

Organizations become and remain strong only if they promote participatory management, which means that the conditions for all employees can be consciously involved in achieving their strategic objectives. As it is known, the motivation for work leads to obtaining professional satisfaction and

acquiring personality recognition. The individual professional performance is determined by the motivation of the employee, his ability and willingness to train, as well as to improve; on the other hand, the individual professional performance is dependent on the physical and intellectual capacity to achieve the objectives. Failure to achieve the objectives leads to a poor performance evaluation. The evaluation of the performances, as a basic activity of the human resources management, carried out in order to determine the degree to which the employees of an organization fulfill their tasks or responsibilities effectively, according to the job description, implies the continuous improvement of the activity of all the employees in order to achieve the mission and vision, achieving the strategic goals set out in the institutional development plan.

The relationship, which can be created in an organization, between motivation + performance + competence, as a result of an objective evaluation, is one of the factors underlying the increase of the quality of the educational act offered by the respective school organization; the knowledge of the level of performance and quality in the activity carried out by the teachers, but especially the degree of satisfaction among the beneficiaries (direct and indirect) regarding the instructional-educational process, are aspects of major importance for the manager of a school. Thus, the way of carrying out the evaluation of the teachers, becomes the absolutely necessary lever in this managerial approach.

5. Considerations regarding the evaluation and quality management in education

The main objective of human resources management is to provide expertise and experience in this field, so that optimal and safe performances can be obtained, using the most appropriate methods. The long-term strategic objectives aim at organizing and planning the human resources, which, together with the operational objectives, of a tactical and administrative nature, with an impact on the activities regarding the daily management of the working groups, will lead to the achievement of the general objectives, which are aimed at: attracting human resources and keeping them in the organization for a longer period of time. If we think: "Which elements characteristic of the human resource are important for the professional activity carried out by it?".

Referring to competence and performance, the two general characteristics relevant to the human resource existing within an organization or necessary to it, we conclude that, in order to give appreciable professional results, an individual is not only competent enough, he needs something that will lead to performance, reflected in a second formula:

PERFORMANCE ↔ COMPETENCE + ATTITUDE

which can be completed as follows:

COMPETENCE ↔ KNOWLEDGE + SKILLS + SKILLS

Identifying the individual needs and uniting them with the categories of incentives that can give satisfaction to the employees is a source of motivation, which, once fulfilled, gives birth to the performances desired by both the individual and the organization, generating the feeling of usefulness, professional value, prestige, respect.

The evaluation of the teaching staff proves to have a great influence on the organizational climate within the institution with immediate repercussions on the efficiency in general and the quality of the education process in particular.

Periodic actions to assess the quality of professional activity make employees aware of the importance of the quality of their performance and through the feedback they receive, to make efforts to recover their professional shortcomings as long as it is not too late (T. Constantin, 2002, p.89-90). From the point of view of the employees, the knowledge of the professional performances and of their own potentials means a real understanding of how they perform their tasks, what their performance is, what the organization they belong to is expecting from them. The possibility of knowing the professional value gives the evaluated one confidence in their own forces, also constituting a motivating factor. Through the evaluation process, the manager has available an x-ray of the performance level of the employees, of the organization and a support for the promotion / ranking decisions, recommendation for the training-professional development programs. The objective assessment of the staff will directly affect the increase of the efficiency of the activity, the quality of the educational act.

In the management of human resources, the success of the evaluation depends mainly on the way in which the performance standards have been formulated based on the performance criteria and indicators. If these are not clearly specified and measurable, the manager's assessment can only be a subjective estimation of the achievements, to fulfill the tasks according to the job description of an employee.

Although necessary, performance appraisal, a rather difficult and sometimes controversial or even detested activity, some employees fear that appraisals may be misused as a threat, leading to a state of insecurity. Therefore, it is very important that in the management of human resources, all employees understand the meaning of performance evaluation, namely that it is an activity with a positive and constructive purpose.

The management of the school organization, besides the size of the human resources management, whose function is the evaluation of the performances, also has a management component of the evaluation and the quality in education, increasingly involved, with notable implications on the development-hierarchy of the respective organization. Performance appraisal is a way of informing employees about their professional progress and indicates to them what knowledge, skills and abilities they must develop for any promotion / ranking, pre-transfer / transfer / restriction of activity.

In the professional evaluation, the main purpose of the feedback offered to the employee is to influence, change and improve the behavior, providing periodic information on the individual performance can be an incentive for an efficient work and for strengthening the feeling of fairness. Sometimes, the process of professional evaluation can follow less the "measurement" of the efficiency of the professional activity, being centered on the description of the aptitudes, competences and especially of the defining characteristics of the personality defining traits of the employees, in order to know them and to adapt their behaviors in the reciprocal interactions.

The purpose of the evaluation of the teachers is not the differentiation of the salary, provided there are not enough financial resources to reward all the teachers, who deserve these salary awards. In this situation, the non-productive competition arises, which does not aim to improve the quality of the educational process, but the "bounty hunt" that diminishes the quality of teaching.

The evaluation of the staff can have an immediate and limited purpose (the evaluation made in order to make available or to promote / recommend to the specialization), it can have a purpose with medium-term consequences (the evaluation of the staff in order to rank and pay levels), or a general purpose with long-term consequences (evaluation of employees as part of the continuous and integrated staff management process - career management and staff development).

The way in which the evaluation of the teachers is carried out becomes the absolutely necessary lever in the managerial approach.

The evaluation strategy is the equivalent of: what you evaluate, under what form, with what methods and means, how do you capitalize on what you have obtained. Of course, finally, depending on the conclusions drawn, the student will change his learning strategy, the teacher the teaching one, and the manager the managerial strategy.

The evaluation of the individual professional performances as the core activity of the human resources development function (the performance review) is the main source of information on the basis of which the institutional development strategy is established.

The periodic actions of evaluating the quality of the professional activity determine those involved to realize the importance of the quality of their performance and through the feedback they receive, to make efforts to recover their professional shortcomings through different training programs - dev. From the point of view of the employees, the knowledge of the professional performances and of their potentialities means a real understanding of the way in which they fulfill their tasks, what their performance is, what they expect from them the organization of which they belong. The possibility of knowing the professional value, gives the evaluated one confidence in his own forces constituting also a motivational factor.

Because the role of a school organization has become increasingly complex lately, we talk about the hierarchy of schools, the payment per student, the financing that follows the student, it is necessary to increase the quality of the professional competence and the adaptability of the teachers, of the educational document to the needs and interests of the school. and of the community, in increasing the competitiveness of the school in the community. Therefore, the

evaluation of the teaching staff should be understood as a pr. with a positive and constructive purpose;

In this context, the manager offers, or should offer, the opportunity to know the level of employee performance. Thus, the objectively achieved assessments will directly affect the increase of the efficiency of the specific learning activities. pre-university, increasing the quality of education with the possibility of maintaining / consolidating / developing positive elements and diminishing / improving on the negative ones following the evaluation.

The evaluation process will have an influence on all participants in the educational act of the respective school organization.

Here comes the role of the manager, with his abilities or qualities, which can be summarized as follows:

- ability to use available knowledge, techniques and resources to solve problems;
- the ability to identify the key factors and to understand the interdependence relationships between them, in order to diagnose and evaluate the problems and situations they face;
- the ability to make decisions and take risks;
- the ability to use computer equipment and software suitable for managerial activity;
- the ability to see the organization in all its complexity and to notice the relationships and relationships between the component subsystems.

6. Conclusions

The conclusions drawn from the evaluation activity must be used through individual discussions between the evaluators and the evaluated one, keeping the confidentiality of the assessments; discussions in the chair, accompanied by recommendations; the inclusion of teachers in various scientific / methodical training programs; proposing teachers for reward; the adoption of administrative measures, according to the Law ed. National, in limited cases, when the respective teacher does not want or cannot improve his activity.

Starting from the pedagogical dictum, according to which "the magister is good when the disciple overcomes his master", based on the belief that the noble profession of teacher is like the flame of a candle, which warms the souls and illuminates the minds, the competent teacher is the one who manages to form and motivate him for learning, determining him to achieve remarkable performance throughout his life.

Being a pedagogue is not easy and it doesn't have to be within anyone's reach. To train and to educate means to be both an entertainer, a mediator and an evaluator, and if you want to get closer to what is called professional fulfillment it is necessary to give up yourself as a person and to put yourself in the service of others, managing your time according to your power. and their will.

Being an educator does not mean exercising a job, it is fulfilling a job, doing an apostolate. The teacher occupies an important place in the educational activity because it contributes to the formation of the personality of the students, to their conduct in society, to their formation as individuals and citizens, etc.

It can be stated, without a doubt, that human change is the most difficult and difficult to achieve, but that human change is the fundamental aspect of organizational change and development. Human resources are the ones that will ultimately say what changes can be made, what costs and what profit will be obtained from the change.

In the professional evaluation, the main purpose of the feedback offered to the employee is to influence, change and improve the behavior, providing periodic information on the individual performance can be an incentive for an efficient work and for strengthening the feeling of fairness. Thus, the organization may have at its disposal an evaluation, a "diagnosis", a description of the quality of the employees and their ability to achieve performance in the implementation of all the competences acquired formally, nonformally and informally. Depending on the results of the evaluation, the institution can define, the strategy for the development of the organization, can act in the direction of attracting quality staff or in the training and development of its own staff. Last but not least, the manager with the quality assurance commission can plan or estimate the level of strategic indicators / targets of the organization established on time intervals, in order to make relevant decisions regarding the managerial evaluation strategy. Regarding the employee, he is

informed whether the results of his work or the performances need to be improved, he can find out what aspects of his professional activity can be improved and he can estimate what is the relation between the level of competence and the performances achieved.

The most important mission of the director / manager in the educational field regarding human resources - but also of the managers in general - is to inspire the employees, the idea that all, together, managers and employees, share the same objectives, subject - implacable - evolution, from point of view of the performance of the respective organization.

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Considerations Regarding Making Ethical Decisions Using Triangular Fuzzy Numbers

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Abstract

In the current context of the community development based on knowledge, the ethics represents one of the important features which claims a special attention from all the social, political and economic actors. Each of them claims the compliance of a minimum ethical norm from the partners' side, being imposed the fulfilment of some standards including with regard to the technologies used and the confidentiality of the information.

The sustainable feature of any activity has, in the background, fundamental ethical elements. The more complex an activity and it presupposes the involvement of the human factor under ever more sensible aspects, the more the ethical requirements are higher. More often than not, the relating to this concept is a subjective one, lacking quantitative or qualitative elements for the specific punctual evaluation.

From this point of view, we propose using the fuzzy elementary numbers in the process of adopting ethical decisions using the qualitative evaluations via experts.

Key words: ethical decisions, qualitative evaluations, triangular fuzzy numbers

J.E.L. classification: D91

1. Introduction

The process of the ethical decisions making presupposes an identification, analysis and selection process of the alternatives in connection with the ethical principles or ethical standards. These principles can be the object of an institutional, personal ethical code or they sometimes report only to the legislation in force at a given time. In the adoption of the ethical decisions the accent falls on the identification both of the ethical options as well as on the non-ethical ones, no matter the quality of the other performance indicators.

A decision becomes the object of a decisional process from the perspective when several features are fulfilled (Haas and Malouf (2005), Sinaci (2017)):

- The decision is based on generally accepted ethical principles;
- The action is justified by an analysis of the principles;
- The decision is "generally valid"/it can be reproduced, namely it can be taken by anybody found in a similar situation.

More often than not, the decisions are the result of some qualitative analysis or we can speak about subjective experiences even in similar situations. The ethical dilemmas and preoccupations are part of the daily research practice. The ethics does not limit to the qualitative research and not necessarily to the human subjects' research.

The development true triangular fuzzy numbers of the models for the ethical decision adoption represents a natural step for the interdisciplinary approach in which the qualitative and quantitative components can contribute both to the identification of the optimal solution as well as the nuancing of certain features which is closely connected in time and space to a system of principles and concepts placed under ongoing updating and accumulation.

2. Literature review

The majority of the activity domains, professional associations and organisations understood the need to implement ethical specialised conduct codes (Bulmer, 1982; Homan, 1991). Although these codes exist and are often essential components of the professions' and organisations' ground, various analysts, such as, for example Mason (1996, p. 160), raises the issue of the impact of these codes upon the current activity and in the foundation of the ethical decision. Hornsby – Smith (1993) sustained that these organisational behavioral codes are often too restrictive and that in many organizations there exists a general movement towards more general guiding lines for the ethical practice.

2.1. Ethics – a nuanced preoccupation

From the epistemological point of view, the ethical decision concept does not benefit from a unitary accepted definition. In practice, it is observed that the approach of the ethical issues considers three important dimensions specific to any resolution: the person who intervenes, the subject of the intervention and the institution within which the intervention takes place. This approach of the ethical decision adoption process brings into the discussion the tensions, the potential limits or possible conflicts which can take place among the knowledge, beliefs, values, rules involved during the professional interventions or practices.

The ethics becomes the framework of a triple preoccupation which animates any objective undertaken or the person engaged in an analysis which raises the issue of the meaning of the human life: "care for one self", "care for the other" and "care for the institution".

An ethical decisional process brings into discussion two distinct conceptual categories for the grounding of these qualitative research issues, and namely "the procedural ethics" (which usually includes the request for an approval, provided by the relevant ethical committee) and "the practical ethics" (ethical issues which arise daily in the activity). Being known the fact that the procedural ethics cannot offer everything that is needed for the analysis of the important ethical moments in the qualitative research, we base ourselves upon the notion of reflectivity which we consider it to be an important resource.

The laws are evaluated according more likely to their coherence with the basic principles of correctness, than with the simple support based upon the location within the existing social order. That is why it exists an understanding of the fact that the elements of the morality, such as those regarding human life and wellbeing surpass the specific communities and cultures and are sustained disregarding other normative conventions or obligations.

For the argumentation of our point of view we must underline the fact that within the stages of the moral development, Lawrence Kohlberg identified 6 stages or moral rational grouped in 3 major levels. Each level represents a fundamental change from the individual's social and moral perspective:

Level A, the preconventional level in which are included stage I, of the punishment and submission, and namely stage II, in which the accent is placed upon the scope and individual instrumental change.

Level B, the conventional level composed from the stages of expectations, relations and interpersonal reciprocal conformity, namely stage IV of the social system and of the preservation of the conscience.

Level C, postconventional in which it is brought into discussion stage V of the priority rights and of the utility or that of the social agreement, namely stage VI of the ethical universal principles. We underline that this last stage remains as a final theoretical point, which logically follows the 5 previous stages. In essence, this last level of moral rational entails rationals rooted in ethical principles, based upon the correctness from which the moral laws can be divided and deduce.

There are numerous points of view of the critical nature, of social level, of the rigidity of the stages, but these methodological aspects do not make the object of our research. What we underline is the fact that we have qualitative analysis processes of the ethical decisions in which the nuanced (fuzzy) evaluation can play an extraordinary role in the future development via interdisciplinary approaches of a unitary research model and the grounding of an ethical decision.

Terry Cooper proposes four levels in the ethics of the decision making in the public administration ethics' domain:

- The expressive level: in this stage it is answered to a situation with "spontaneous emotion expressions " in which the point of view is unilateral.
- The level of the moral rules: is the first level in which it is appealed to "moral norms" gained by the individual via the educational process, family, affiliation, personal experiences etc.
- Level of the ethical analysis: there are situations in which a personal moral code conflicts with the situation, or that the alternatives and consequences do not harmonies with the ethical principles.
- The post-ethical level: in this situation it is added an important and relevant ethical standard code for the individual and the organization in the grounding of the decision.

2.2. Cooper's decisional ethical model

Beginning from the economic logical decision-making processes, several types of models were developed (Sinaci, 2017): decision making processes based on character (6 stages), ethical fundamental decision-making processes (8 stages, with dual evaluation, of the ethical nature), rational models. These models are structured on 6 or 8 or 10 stages, according to the importance of the sorting of the decisions based on ethical codes.

A special model is Cooper's model used in the evaluation of the public administration ethics. Here it is brought into the analysis the interests of the organization, with those of the beneficiaries and those of the employees, these being, often, in competition or in conflict. Reason why most of the times the ethical standards are defined in great lines and thus more difficult to evaluate with regard to the need to identify the ethical breaches in the system. For the increase of the responsibility, it is imposed defining as specific as possible some standards for each activity.

Cooper proposed a sequential ethical approach model, beginning from a rational decision-making structuring of an ethical issue, specific for any decision-making process, with accent upon the identification of the adequate alternatives and the qualitative evaluation of the consequences. This model is structured via the following stages:

- The description of the activity
- The identification of the ethical issue (here most of the mistaken interpretations are made)
- Inventorying the alternative action directions
- Projecting the possible consequences
- Grounding an optimal

The distinctive contribution consists in defining an adequate solution or alternative as a four-element system:

- Moral rules: these basic standards, which can be attribute to their alternatives and consequences.
- Defence rules: evaluation and alternative alignment with the larger norms accepted in the professional organisation and the political communities of which we are part of.
- Ethical principles: it is considered a larger framework in which an alternative must comply with the safety of a person, organisation and to support equally the justice, even though some moral values are competitive.
- Self-evaluation rules: it is proposed an additional internal evaluation through which an alternative is framed within its own value system.

We observe that between the ethical norms, the plausible argumentations, the ethical principles and the self-evaluation rules, an ethical decision becomes the space of a complex process for which the fuzzy (nuanced) numbers and the fuzzy logic can provide an answer better suited to the concrete situations.

3. Findings

The usage of the nuanced numbers is an important step in the development of the ethical decision evaluation methods. Thus, we aim at contributing to the wish for a unitary knowledge, offering an overview and with an increased comparability capacity. These methods can be used

very easily in the conditions of a society based upon knowledge.

The operating manner with various nuanced evaluations (triangular, trapezoidal, bell etc) is defined via the addition, multiplication, deduction, division or multiplication specific mathematical operations with a scalar.

The challenge is to obtain a nuanced evaluation based on some ethic management specific principles. Operating with the obtained values is a very easy one, and it becomes very easy to apply via the usage of specific programs. Weighted averages can be calculated, ordinal variables can be combined with those of the interval type or with the report-type, non-parametric correlation coefficients can be determined etc.

The abundance and variability of the qualitative and quantitative features from the ethical decision evaluation processes complicate the representation, combination and aggregation in items and synthetic indicators. Usually, the rule of a model uses only a category, obligating the evaluators to limitations in the analysis processes. Moreover, results are reached for which it is needed an ordinal size to be interpreted as being of the interval or report type. Very often linguistic tags are used. By associating a fuzzy number to a numerical or qualitative variable, which comprises also other elements complementary to the research, we consider that the defining, characterisation of a more complex image can be achieved, as well as with an increased comparability degree.

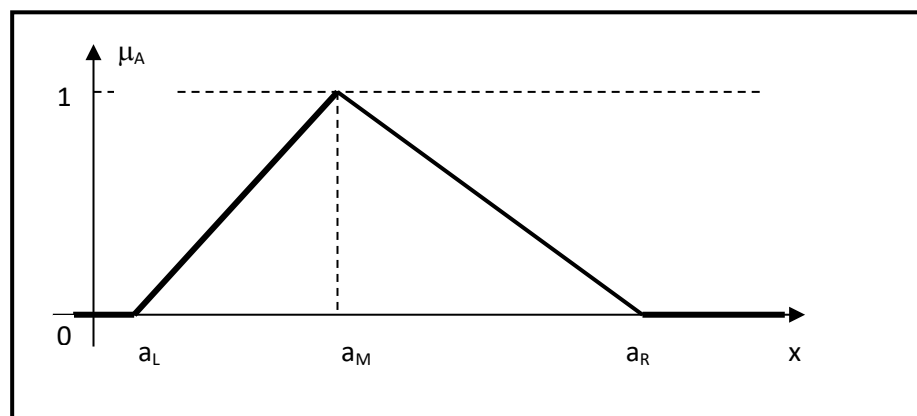
The representation of qualitative and quantitative items via fuzzy numbers is not a new concept. Proposals in this regard can be emphasised in Zadeh (1975), V. Georgescu (1995), Tamura Hatono and M. Umamo (1998), Gil Aluja and Teodorescu (1998), Lazzari and Martinez Panero (2001), Garcia-Lampresta and L. Lamazares (2003), O. Gherasim (2006) etc .

An important step in the development of the ethical decision evaluation processes will represent the usage of triangular fuzzy numbers. For this it is imposed the usage of a new mathematics based upon classes of fuzzy numbers, complex representations and with specific operations.

Definition: A triangular fuzzy number expressed as $A=(a_L, a_M, a_R) \in F_{tr}$ is defined by its membership function $\mu_A: \mathbb{R} \rightarrow [0,1]$, with the following form:

$$\mu_A = \begin{cases} \frac{x - a_L}{a_M - a_L}, & \text{daca } a_L < x < a_M \\ 1, & \text{daca } x = a_M \\ \frac{a_R - x}{a_R - a_M}, & \text{daca } a_M < x < a_R \\ 0, & \text{daca } x \notin (a_L, a_R) \end{cases}, \text{ unde } -\infty < a_L < a_M < a_R < +\infty$$

Figure no. 1 Graphic representation of a triangular fuzzy number



Source: Author's own representation

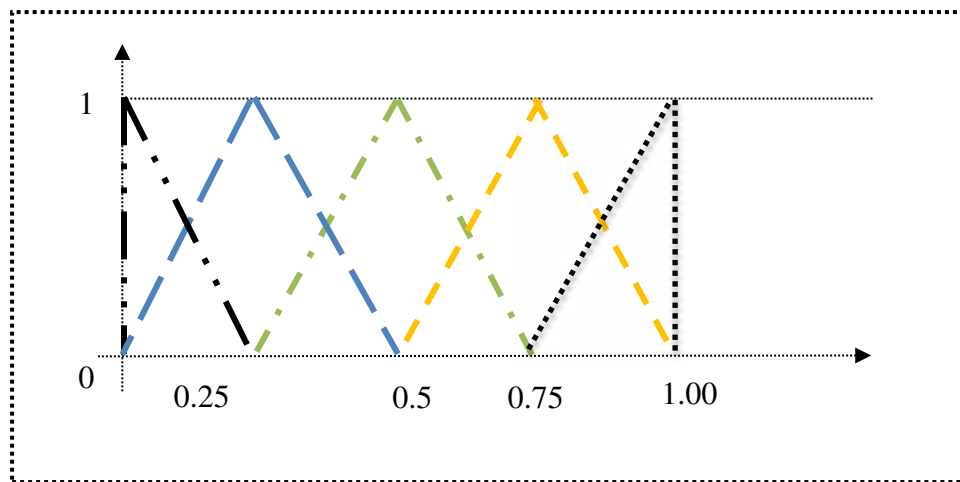
One may notice that μ_A is zero in the interval $(-\infty, a_L)$, increases linearly up to the value 1 on the segment $[a_L, a_M]$, decreases to the value 0 on the segment $[a_M, a_R]$, becomes zero for values in the range $(a_R, +\infty)$.

Most of the times in obtaining the qualitative appreciations it is used the evaluation of the Likert type. For example, the points of view can be evaluated by using a scale made up of five comparability degree: very good, good, average, weak and very weak. From this point of view, we present a possible transformation of these points of view using the triangular nuanced numbers:

- Very weak (0.00, 0.00, 0.25)
- Weak - (0.00, 0.25, 0.05)
- Average - (0.25, 0.50, 0.75)
- Good - (0.50, 0.75, 1.00)
- Very good - (0.75, 1.00, 1.00)

Graphically, these estimations are presented in Figure 2.

Figure no. 2 Representation of the quality items via the triangular fuzzy numbers



Source: Author's own representation

As the main stages of using fuzzy numbers in the process of making ethical decisions using fuzzy numbers the following steps are proposed:

1. The brief structuring of the context / activity based on the data of the input data, of the socio-economic and ethical information
2. defining the ethical problem by analyzing the organizational objectives, identifying the difficulties, the gaps
3. identifying alternative solutions
4. evaluation of the consequences and formalization of alternative solutions by fuzzy numbers which implies:
 - determining the values that must be maintained or promoted
 - identification of the rules, laws and norms that apply
 - assessing the consequences through quantitative and qualitative characteristics of alternative solutions, their uncertainty and subjectivism
 - choosing the best method of formalizing information by fuzzy numbers (by interval, triangular, trapezoidal number, etc.)
 - formalization of information through a matrix of variants and consequences
5. the hierarchy of alternative solutions
 - identification of the best method of ranking the fuzzy solutions (simple ordering, distance to an optimal one, etc.)
 - ordering solutions;
6. choosing the optimal solution on the basis of an optimization criterion;
7. implementation of the solution
8. evaluation of the solution implementation (feedback)

In our opinion, one of the major challenges lies in performing comparisons and ranking the solutions obtained. Most often, a hoped-for, expected optimal solution takes centre stage. To define it, one needs a complex interdisciplinary approach, which is difficult to achieve and sometimes strictly related to the nature of the problem under consideration, at other times incorporating less objective elements, requiring an active input from specialists. The concept of distance between fuzzy numbers is used at this point and solutions are ranked based on a sequence of comparisons. As the basis of these calculations, one can resort to a fuzzy number considered to be as follows:

an „supremum” ($T_s = [s_L; s_M; s_R]$)

an „infimum” ($T_i = [i_L; i_M; i_R]$)

An „ideal” point of view ($T_e = [e_L; e_M; e_R]$), different from previous numbers.

Can be used different approach for “distance” between fuzzy numbers:

Hamming distance :

$$\delta(T_a; T_b) = \int |\mu_a - \mu_b| dx$$

Euclid distance :

$$\varepsilon(T_a; T_b) = \int \sqrt{(\mu_a - \mu_b)^2} dx$$

Minkowski distance

$$\rho(T_a; T_b) = \int \left(\sqrt{(\mu_a - \mu_b)^\lambda} \right)^{1/\lambda} dx$$

The (principal and secondary) ordering criteria are defined according to the ordering of the solutions, i.e. ascending or descending.

4. Conclusions

From a practical point of view, several reservations have been voiced about the use of fuzzy numbers. This is due both to difficulties in understanding fuzzy numbers and to the failure to promote these theories in the training programmers targeting specialists in various fields and top managers.

In our view, fuzzy numbers allow the opening up of new perspectives in modelling ethical decision-making situations characterised by irreducible or difficult to absorb difference of assessment and difference on the levels of ethics.

We have demonstrated the ease of use of such theoretical constructs in modern management. We emphasise that the use of associated indicators in defining operations with fuzzy numbers simplifies such operations both in terms of facilitating understanding and of application. This addresses a growing trend observed among specialists in the field, namely the need to make the operations easier to implement and to expand the area of interdisciplinary applicability.

Modelling ethical decision making by means of fuzzy numbers raises specific problems linked to their theory and application due to their complexity and difficulty. Despite these limitations, the method provides a new mode of scientific approach to knowledge.

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Economic Cycle and Firm Managerial Strategies

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Abstract

Over time many economists have focused on the problems of economic cycles and crises. Economic cycles are generally the result of global demand displacement, its decrease bringing about reduction of production as well whereas its increase leads to production growth.

Starting from the fact that the variations of global demand are the basis of the comprehension of economic cycles, in the literature two categories of theories have been approached (known under the name of external theories and internal theories) which might explain the cyclic evolution of economy. For external theories, the cause of economic cycle is given by the exterior fluctuations of the economic system such as: wars, rates of rise of population and emigration, scientific discoveries and technological innovations. Internal theories refer to mechanisms within the economic system which generates economic cycles and which determines the cyclic movement. According to these theories the whole expansion leads to recession and shrinkage, and the whole shrinkage leads at its turn to expansion similar to a process which recommences regularly.

Key words: economic cycle, cyclicity, fluctuations, strategies, expansion

J.E.L. classification: M10, M21

1. Introduction

The characterization of cyclicity as a form of movement of economic activity has in view the succession and repeatability in time of some similar stages of economy from one cycle to another. The phases of cyclic movement are reciprocally conditioned and they lay their finger on economic activity providing continuity, qualitative changes and progress. Therefore, economic theory has drawn the conclusion that cyclicity represents the normal form of evolution of economic activity (Camelia Constantinescu-Băeșu, 2005, p.55)

The economic literature shows numerous points of view referring to *genesis of cyclic activity*. The analysis of these approaches lead to the conclusion that for long time economic thinking has been dominated by the theory (law) of markets according to which each merchandise creates automatically its own market, providing at any moment the full use of available resources, the automatic mechanisms of market having the role to correct the possible negative phenomena that might occur in any activity sector. (Niță, 1993, p.453)

The capitalist development has not lost its cyclic character, the determining role in the emphasis of world contradictions being held by the cyclic development of production process and economic crises which have led to the occurrence of economic imbalances.

The evolution of main economic activities in an enterprise, national sector and economy determines increases in some periods and in others depressions or even reductions, the overall economic activity or branch going periodically through crisis stages. This fact emphasizes that economic activity may have in time a fluctuating evolution. Therefore it is important to make the distinction between more categories of economic fluctuations: (Negucioiu, 1996, p.208)

Seasonal fluctuations of economic activity occur all along the same year and have a high degree of predictability. They can be generated by natural or social causes such as the seasonal character of some activities carried on in the field of agriculture, industry of constructions, tourism. These fluctuations can also be determined by a series of social circumstances (religious traditions, customs, and holidays);

Accidental fluctuations of economic activity are usually determined by a series of causes and events that cannot be foreseen such as: natural cataclysms, different political and social events; Economic (aggregated) cyclic fluctuations are generated by economic internal causes of running of national economies and they manifest themselves with certain regularity. Such fluctuations of cyclic type occurred at the beginning of the 19th century. The research of these fluctuations has led to the conclusion that the alternation of expansion and contraction periods of businesses, of economic activity in general takes place with a certain regularity in time. On the whole, the evolution of main economic phenomena has an undulating form of cyclical character.

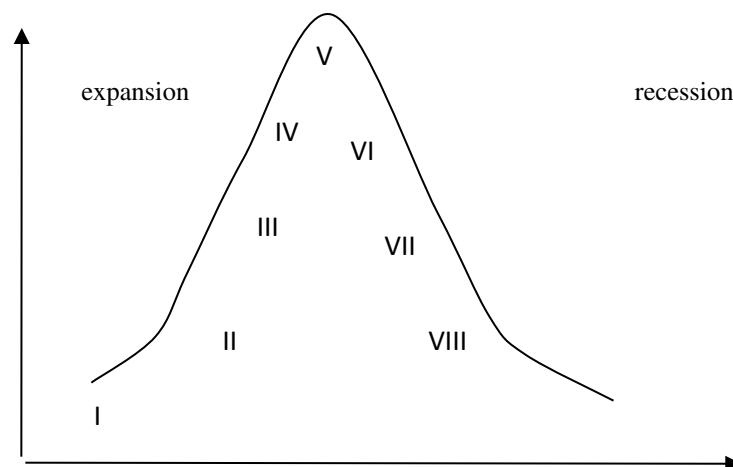
2. Theoretical background - Short Analysis Regarding the Role and Importance of Economic Cycles

In the study *Measuring Business Cycles*, published in the year 1964, Arthur Burns and Wesley Mitchell define business cycle as being fluctuations of economic aggregated activity of a nation that runs its economic activity by means of commercial companies. (Burns, et Mitchell, 1946, p.480). The previously mentioned authors summarize a few characteristics of economic cycles: (Burns et Mitchell, 1946, p.480)

- such a cycle is being formed by an expansion which takes place at the same time in many economic activities, followed by general similar recession, contractions and booms which get united in the expansion phase of the next cycle;
- this sequence of changes is repetitive but not periodical;
- duration of a business cycle varies from more than a year to 10-12 years;
- they are not dividable to smaller cycles of similar characteristics and proportional amplitudes.

Burns and Claire consider that an economic cycle consists of more phases, such as: ascending phase, descending phase, crisis phase (named also recession) and phase of economic activity reprise.

Figure no. 1. Stages of economic cycle



Source: (Burns and Mitchell, 1946, p.480)

- The stage I is the lowest point from where the cycle starts;
- The stages II, III, IV are the expansion phase;
- The stage V is the highest point of cycle;
- The stages VI, VII and VIII show the contraction phase (decrease or shrinkage);
- The stage IX is the lowest point which ends the cycle.

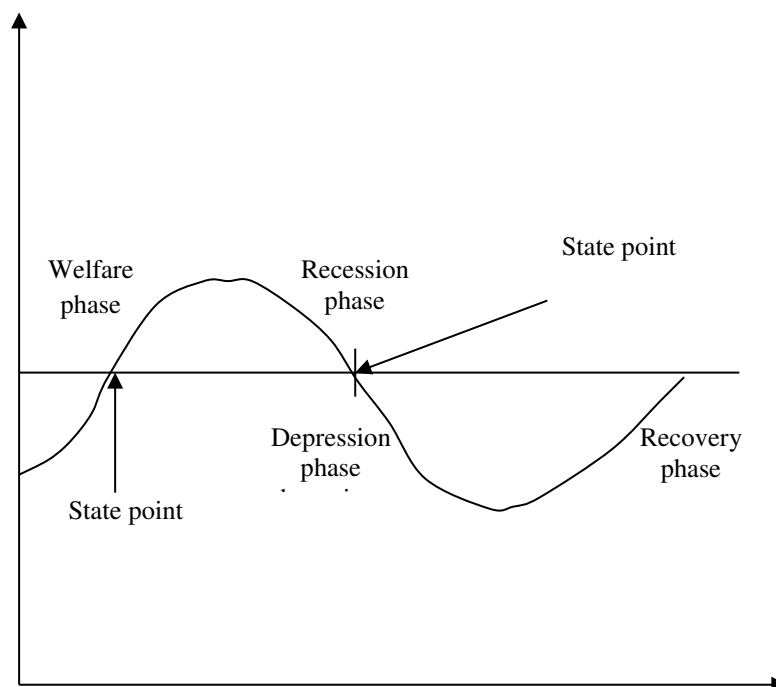
Economic cycles take place continuously and they change their total duration, duration of phases and intensity with which these phases manifest themselves.

In the paper *Economics*, in the chapter *Business Cycles and Unemployment*, Paul Samuelson thinks that a business cycle lasts between two and ten years. The author considers that a business cycle is like an oscillation in the total, national production, income and labor force marked by a large expansion or contraction in different sectors of economy.(Samuelson, 1992, p.242)

Keynes considers that investments are the main element in achieving a business cycle. Consequently, he explains the way how a cycle is getting formed, starting from the investments' growth which determines changes in the aggregated demand, cyclical fluctuations being determined by the oscillations of investments in stocks. Thus, if in the expansion phase the increase of aggregated demand determines the increase in production and decrease in stocks, in the recession phase because of decreased demand, companies will significantly reduce their production showing a tendency of increasing the stocks. (Reynes, 1970)

An important role in the study of economic cycles is held by Joseph Schumpeter by his studies *Die Theorie der Wirtschaftlichen Entwicklung* (Theory of economic dynamics, 1911); *Business Cycles*. According to Schumpeter's opinion an economic cycle comprises the prosperity phase, recession phase, depression phase and recovery phase.

Figure no.2.Four-phase Cycle adapted from Schumpeter



Source: (Schumpeter, 1998)

One can notice that the periods of expansion and recession shown in figure 2 alternate with peaks and inferior limits of activity after crisis which interpose. Recession ends with an inferior limit of activity after crisis which implies the turning point when the economic activity is the lowest. This is followed by expansion stage, period in which productivity increases and available jobs as well, salaries, enterprises' profit. (Schumpeter, A.J., 1998). But not every period of expansion reaches a high share of prosperity with a low rate of unemployment. It is difficult to determine the moment when a change is strong enough to be considered depression. At present there is no definition of depression unanimously accepted, this term being used to describe the economic situation of the year 1930 (the depression in 1930 was profound and of long duration). (Wannacott, et. al, 1986, p.138)

On the basis of available data analysis, economic theory emphasizes also three categories of economic cycles which overlap and intertwine (Modelski, 1987, p.49).

Long, secular or Kondratieff, called after the name of the economist who studied them for the first time, have a period of evolution from 20-30 years and up to 500 years;

Juglar cycles, called after the name of the French economist concerned with the evolution of medium term fluctuations;

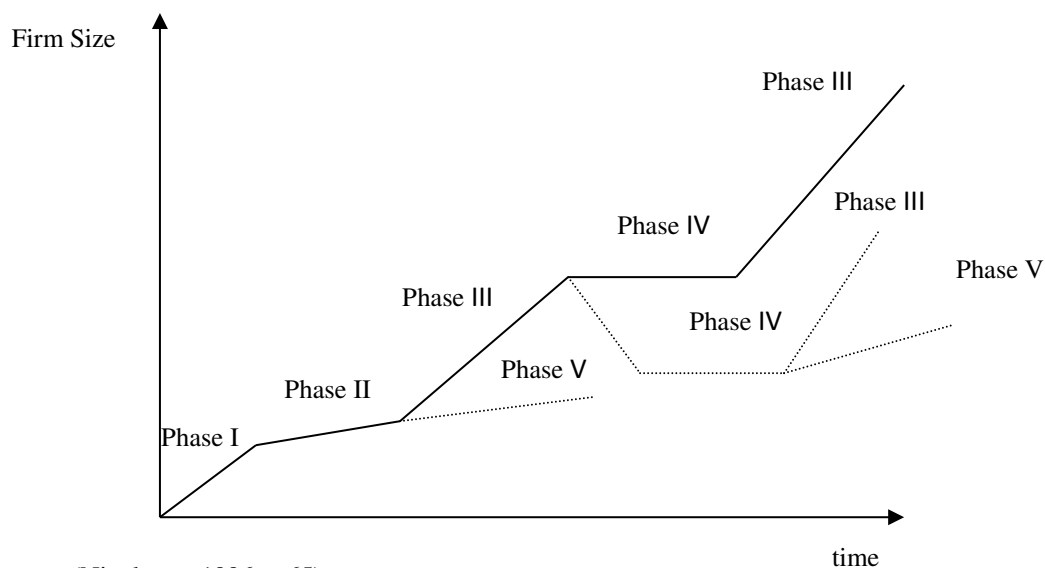
Short or Kitchin cycles, called after the name of the American economist who analyzed them in 1923.

At present business cycle was defined as being the model of succession of recession stages of economic activity around the trend (tendency) of economic growth. Later on other types of cycles have also been defined such as: cycle of political businesses, cycle of inflation, cycle of assets, cycle of unemployment, as well as constant economic growth, economic growth from the point of view of demand, extensive economic growth, intensive economic growth, potential economic growth, stable economic growth and economic crisis.

3. Elaboration of Firm's Strategies Depending on Phases of Economic Cycle

Elaboration of economic strategies is a complex process which requires good knowledge of internal and external factors influencing the firm's activity, the study of demands on different markets, good documentation regarding the evolution of products, technologies, economic, political and social life. The evolution in business of a firm in a competitive environment can differ from one period to another and it depends on the life cycle in which the firm is. The six phases of a firm's life cycle are shown in figure no 3: launching phase of the firm on the market (phase I), development phase of firm (phase II), growth and expansion phase (phase III), stagnation or decline phase (phase IV), comfort phase (phase V), the owner's and/or firm's juridical form changing phase (phase VI); this phase is not illustrated in the fig. n. 4.3. as it may occur at any moment in the firm's evolution. (Nicolescu, 1996, p.65)

Figure no. 3. Stages or phases of firm's life cycle



Source: (Nicolescu, 1996, p.65)

To solve the problems specific to each stage of firm's life stage in practice the decision maker can apply different strategies sometimes even opposite ones. Thus, in the boom phase, enterprises apply successfully a series of strategies such as: the sale of discounted products, domination on market provides the company with high position on the market and competitive advantages. If the firm is in the stagnation or decline phase, then the strategies applied will be more prudent, being focused on the protecting of market share where the firm carries on its activity.

To ensure high competitiveness on the market, the firm is orienting firstly its efforts to minimize complete costs (these include production cost, marketing costs, and administrative costs). In this sense, a strategy which under certain conditions can be successfully applied by the enterprise on a market is the strategy of getting market advantages by prices which aims at sale of discounted products. This type of strategy is currently applied on an oligopoly market characterized by the existence of a small number of producers and high number of buyers. To get advantages by applying this strategy, companies apply specific pricing procedures of different products they launch on the market. There are five price strategies which correspond to competitive position of the firm. (Bărbulescu, 1999, p.227)

In practice, there is the possibility that the cycle phases specific to firm businesses (at micro-economic level, respectively) coincide with the phases of economic cycle on the whole of national economy, case in which synchronous phenomena take place, but there is also the possibility for the enterprise knowing the further development of economic cycle phases to adopt divergent strategies, when asynchronous phenomena occur.

The implementation of an adequate economic strategy must take into account mainly the new internal and international conditions in which the enterprise carries on its activity in order to determine viable economic orientation that guides the firm's management to achieve the goals aimed at under conditions of profitability.

4. Conclusions

At microeconomic level, cyclic evolution of business of a firm on the market can be influenced by the type of strategy adopted in practice by the decision maker, but also by the economic conjuncture existing at macroeconomic level which can be favorable or not the firm in question. In this sense the way in which the succession of classical cycle phases takes place at macroeconomic level is significant.

Crisis is defined as a temporary breaking but often violent and profound of an ascending evolution of economy, of the equilibrium between production and consumption which follows after the maximum point of growth of a cycle. The crisis itself is a brusque, perturbing phenomenon which is felt in the enterprise as brusque fall down of prices, by massive dismissal of labour force, stock exchange collapses and even bankruptcy.

Depression is the phase succeeding crisis and is characterized by stagnation of economic activity, production diminution, price cut down, and increase in unemployment, a series of weaker enterprises reducing or slowing down their activity. As a consequence of slowdown or reduction of investment process and of decrease in incomes of a part of population which does not succeed in coping with price raise, the demand tends to decrease more and more. Therefore, once with the diminution of orders, restriction of monetary mass and significant decrease in profit rate, share quotation, a reduction of current production volume takes place. The enterprises which have resisted to crisis and depression are adopting severe measures of cost reducing by renewing active labor means based on technical innovations.

Reprise or revival of economic activity makes companies improve significantly their activity and create new capacities of production. Therefore, refreshment of economic activity has in view the renewal of permanent capital and especially of its active part in order to overcome the most critical point of cycle. On the whole, all these bring their contribution to the increase in labor force and reduction of unemployment. Restarting and refreshing of economic activity turns gradually into an economic advance whose duration may differ depending on the conditions of every country.

Expansion (advance) is characterized by an increase in sales and prices and a general increase in incomes. In such more favorable economic conjuncture businesses become prosperous and the consumer goods demand becomes dynamic with perspectives of getting stronger. In economy a strong investment process takes place, the modernization of existing production capacities and the creation of new ones occur, facts which determine a significant increase in production and take-up of labor force. Enterprises increase sales amount, clients receive the products well and the profit made allows the covering of investment expenses. It is the phase when artificial stimulation of demand takes place in multiple ways, stock increase being obvious in view of high profit selling-off. Aggregated demand in artificially simulated increase and by increase in monetary mass and

cash rotation speed determines a slow but long lasting ascending tendency of prices. Against the inflationist phenomena, the monetary authorities adopt measures to slow down global demand, especially by raising the rate of interest which determines investment slowdown. The real rate of profit in new investments often tends to be smaller than the anticipated one, thus generating a slowdown in renewing and modernization of production capacities. Thus economy enters a new phase, a new cycle.

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Tourist Guide Role and Performance – Element of Visiting Experience at a Tourism Destination

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Abstract

The constant development of the tourism industry was accompanied, both, by positive and negative effects. The increased number of visitors generated substantial revenues for tourism companies and other firms which offer tourist services. Also, destinations' overcrowding is the source of different conflicts which may arise between locals and visitors. One solution is to support visitors' confidence in the services of local tourist guides. The article presents the results of a quantitative marketing research organized among students and master students from the Faculty of Economic Sciences and Business Administration, Transilvania University of Brașov. The sample included 306 respondents, and the findings pointed out that visitors appreciate tourist guide's competence, its oratorical and amusement qualities. At the same time, by fulfilling several roles the tourist guide can enhance visiting experience, can contribute to avoid conflicts and, at the same time, could postpone visitors' intentions to replace its services by a smartphone application.

Key words: tourist guide, tourism destination, smartphone applications, visiting experience.

J.E.L. classification: M31, Z32

1. Introduction

Tourism trips faced a continuous, ascending and, especially, constant evolution. Congestion and overcrowding due to excess of visitors, especially at the most popular tourism destinations, can generate conflicts between tourists and residents. The tourism guide could be one of the solutions to solve these issues. Not long before, it was considered that mainly the groups of tourists should be accompanied by tourist guides. In the last years things changed, the proliferation of tourist guides' services being a natural phenomenon. Nowadays, numerous individual tourists choose to visit a city or a region accompanied by a local, independent tourist guide. Many locals, able to speak foreign languages, and especially young people, choose to become tourist guides, mainly during holidays. Taking the decision to spend their free time guiding tourists brings them many satisfactions, such as the ability to practice foreign language skills, to capitalize on the fact that they live in a city with continuous flows of national and international tourists, to know new people, to earn money and make new friends, etc. At the same time, this activity needs certain skills, the capacity to communicate, resistance to effort, and so on.

The aim of the article is to analyze the roles and responsibilities of tourist guides as part of visiting experience at a tourism destination. Considering the fact that the evolution of information technologies has greatly influenced the tourism industry, the paper highlights which are the main characteristics considered relevant for the tourist guide's performance taking into account the fact that a smartphone application could be replacing its services.

2. Theoretical background

Tourist guides are the mediators between visitors and local facilities and cultures and their activities could be summarized to conveying information, offering explanations, and developing narratives (Gelbman *et al*, 2012, p.117). Guiding is considered a highly individual and creative art, the specific tasks being accomplished under complex stresses and strains (Gelbman *et al*, 2012, p.119). At the same time, tourist guides bear a great responsibility in this regard, the accuracy of information transmitted to visitors and their general knowledge being prerequisites to undertake this activity. A tourism destination's image depends on primary and secondary images (i Agusti, 2018, p.103). Primary images are those formed by the visitor's and they tend to be seen as impartial and highly credible. Visitors' interactions with the tourist guides represent a decisive part of these perceived images. Secondary images are created by the various tourist agents, precede the visit and aim to be objective or to meet commercial criteria (i.e. tourism brochures, travel guides, commercials, etc.) (i Agusti, 2018, p.103).

The tourist guide's role is complex and comprises the following components: (a) the instrumental component; (b) the social component; (c) the interactional component; (d) the communicative component (Cohen, 1986, p.10). Each of these components encompasses several vectors or activities. For instance, the instrumental component, which determines the accomplishment of the tour, consists in assuming the direction, granting access, and exerting control in order to take responsibility for a secure, safe, and pleasant tour. The social component relates to the tourist guide's responsibility for the cohesion and morale of the tour group and embraces several concrete elements, such as tension-management, integration, morale, and animation. The interactional component relates to guide's role as a middleman between the members of the group and the local population, sites, institutions and touristic facilities. The two principal elements of this interactional component are representation and organization. As about the communicative component which is often considered to be the principle component of the guide's role, it comprises four principle elements: selection, information, interpretation, and fabrication, elements which enhance tourist guide's position as a local "cultural broker" (Cohen, 1986, pp.11-16) or a "translator of the culture" (Gelbman *et al*, 2012, p.108). It was argued that tour guides' role has evolved from facilitating the experience which is the logistical aspect of the job, from the pathfinder to the mentor role (Cohen, 1985, p.21). Authenticity – one of the most appreciated features of tourism destinations, is dependent on many aspects, among which the "commodification" of the local culture, building images to produce touristic performance, etc. (Wijngaarden, 2016, p.140). In the interaction between hosts and guests, visitors' images of local people are greatly influenced by their tourist guides, and their performance influences visitors' perception on destination's authenticity.

As the requests of tourist guides' services evolved, the number of persons accomplishing the job evolved accordingly. As a consequence, the need to differentiate became a real pressure. Numerous tourist guides adapt themselves and their presentations contain an important humor side. Pabel and Pearce (2015) highlighted the benefits of tourism humor which has a calming effect on stressful travel situations and alleviates anxiety which some tourists might have with certain tourism experiences. As previously identified, the humor categories most appreciated by visitors were "amusing stories" as the number one way to deliver humor followed by the approach labeled "friendly teasing", the third most popular way to convey humor included the use of "funny exaggerations", while another major humor approach was the tour guides "target the humor at themselves" (Pabel *et al*, 2016, p.196).

Information Communication Technology has become a common element in our lives, and tourism industry has greatly been influenced by technology connectivity. Technology developments have changed tourism by revolutionising information gathering, communication, storage and dissemination (Buhalis *et al*, 2005). Nowadays, online social contact has become a norm among travellers and greatly influences tourists' travel behavior and experience (Buhalis *et al*, 2019, p.564). Starting from the reality that social contact, especially between tourists and hosts, is essential in the host–guest relationship (Fan *et al*, 2017), the tourist guides' roles and influences become more and more relevant. Tourist guides are inherent components of tourist social contact which essentially marks visitors' travel experiences (Fan *et al*, 2019, p.4). Technology

developments allow visitors to interact with a digital graphical interface, signaling major tourist attractions and the varieties of path to tour at a particular tourism destination. It was acknowledged that such means distract visitors in appreciating the city or destination they visit (Heuten et al, 2008, p.174). Developments in this area are boundless and new speech technologies have been created. Their ambition is to focus on the speech interaction in order to build a hands-free, eyes-free application that enable users to explore and be guided around a city (Bartie et al, 2018, p.111). However, visiting experience alongside a pleasant and charismatic tour guide, able to answer the various questions from tourists will, undoubtedly, enhance the authenticity and value of the tourist consumption.

3. Research methodology

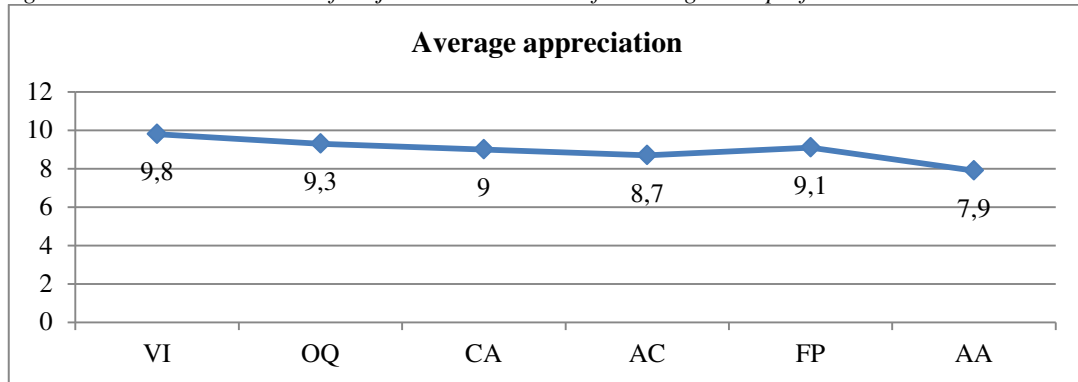
The findings presented in the article are results of a quantitative marketing research. The chosen method was the survey based on questionnaire, and the analysed sample included students and master students from the Faculty of Economic Sciences and Business Administration, Transilvania University of Braşov. The research was conducted between 1.10-10.10.2019. The questionnaire used in the research included a number of 8 questions, out of which 3 were identification questions. The questionnaire was distributed to all students and master students, being completed a number of 306 questionnaires. Female respondents represent the majority within the sample, i.e. 77%, the average age of the sample members is 22.6 years old and 97.4% of the subjects are Romanian citizens.

4. Findings

Subjects were asked about their preferences for collecting information about the major attractions they intend to visit and their actual means and solutions to visit the tourism destination. As multiple responses were allowed, 378 responses were obtained. 14.3% of the responses indicated that sample' members prefer to search for the Tourism Information Centre where they are explained which are the major attractions at the destination and where are these attractions located, they are given a tourism map with further indication about the characteristics of these attractions and they continue the visit on their own. The majority of responses, i.e. 47.6% out of total responses, indicated subjects' preferences to download, in advance, in their smartphones, different travel guides which they read previous to their arrival at the tourism destination. These are the visitors who visit individually the attractions and Google Maps application is their trusted advisor. 28.6% of the responses indicated that at the arrival, subjects buy maps and different travel guides, they also search for and download tourist information about the destination and visit the attractions on their own. Only 7.1% out of the responses pointed out the preference to search for an individual tourist guide and 2.4% indicated the preference to find an incoming travel agency and ask for its professional guidance.

Respondents assessed the quality of the tourist guide's services. Six characteristics were rated: volume of information communicated to visitors (VI), oratorical qualities (OQ), capacity to answer to the most diverse questions (CA), the ability to communicate in an amusing manner (AC), fulfillment of the announced program (FP) and the ability to adapt to visitors' preferences (AA). Each characteristic was rated with notes beginning from 1 (not important) to 10 (extremely important) and the results are presented in Figure no. 1.

Figure no. 1. The assessment of major characteristics of tourist guide's performance

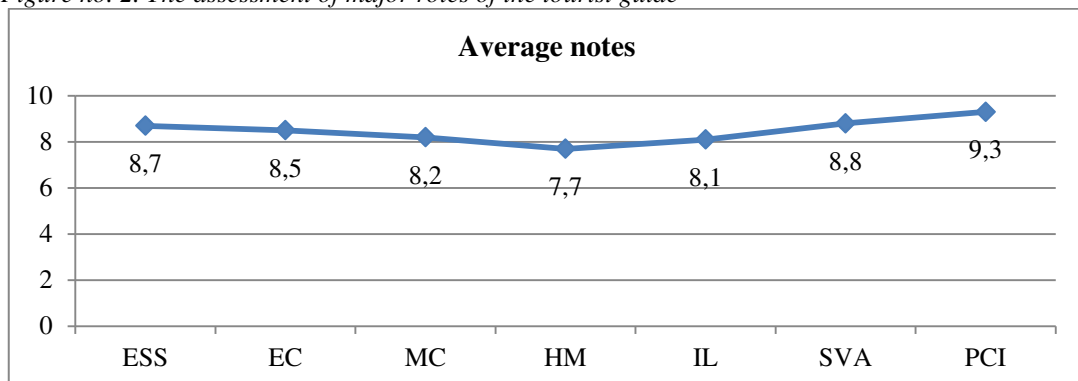


Source: Author's own research

The most valued characteristic was the volume of information transmitted to visitors which was rated with 9.8 points out of 10. The oratorical qualities were rated with 9.3 points, followed by the fulfillment of the announced program with 9.1 points. The capacity to answer to the most diverse questions also was considered very important, being rated with 9.0 points. Also, the ability to communicate in an amusing manner was considered relevant, with 8.7 points, and the least rated characteristic was the ability to adapt to visitors' preferences, element which obtained 7.9 points.

Another question identified the most important roles of the tourist guides. The rated roles were: ensuring safety and security during the visit (ESS), the capacity to ensure cohesion between the group members (EC), mitigating conflicts that may occur (MC), creating humorous moments (HM), facilitating interaction with the locals (IL), selecting the visited attractions (SVA) and providing complete information about them (PCI). The results are presented in Figure no. 2.

Figure no. 2. The assessment of major roles of the tourist guide



Source: Author's own research

Respondents considered that providing complete information about tourist attractions is the major tourist guide's role (9.3 average rating). The selection of the most interesting attraction at a tourism destination is the second rated role (8.8 average rating), followed by ensuring safety and security during the visit (8.7 average rating) and the capacity to ensure cohesion of the group (8.5 average rating). Mitigating conflicts that may arise (8.2 average rating), facilitating interactions with locals (8.1 average rating) and creating humorous moments (7.7 average rating) are the roles considered less important.

Finally, subjects were asked if they consider relevant to replace the tourist guide with a smartphone application. 29% out of the respondents appreciate that replacing a person with a smartphone application is an appropriate way to visit the attractions at a tourism destination, while the majority of subjects (71%) prefer to be accompanied during their visits by a tourist guide. An interesting result obtained highlights women preference to replace the tourist guide with a smartphone application, as 80% out of the subjects who chose this answer were women.

5. Conclusions

Taking into account the fact that the tourism industry is shaped more and more by information technologies development, one of practitioners' and academics' concerns depends on finding solutions to enhance quality and trust for tourist services traditionally performed by people.

Supporting visitors to find the most interesting tourist attractions, the best ways to visit them and to understand the authenticity and the "local flavor" of the destinations are few of the benefits visitors can have only if they are guided during their visit by a local, gifted and passionate tourist guide.

Moreover, conflicts that could arise between agitated and impatient visitors and exasperated residents due to overcrowded cities could be hardly avoided by visitors, with the smartphone application in one hand, the photo stick in the other hand, rushing to accomplish all indications offered by the downloaded travel guide.

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An Assessment of Online Travel Shopping Among Young People

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Abstract

Online shopping has been validated globally, and in tourism the phenomenon has expanded with extreme rapidity. Analyzing the features of the online tourism distribution is necessary for shaping future decisions, both in the activity of traditional travel agencies and online travel shopping. The article presents the results of a quantitative marketing research conducted amongst students and master students from the Faculty of Economic Sciences and Business Administration, Transilvania University of Brașov which focuses on the main advantages and disadvantages identified during online travel shopping process. The conclusions revealed pointed out that young people appreciates easiness and reduced risks for online travel shopping and supports, at a high extent, the development of this form of tourism distribution.

Key words: online travel shopping, travel agencies, tourism distribution, young people.

J.E.L. classification: M31, O33, Z32

1. Introduction

Information Communication Technologies favored definitive changes in tourism which essentially influenced the tourism industry. The technological revolution in tourism began in the 1960s, the period which witnessed the beginnings for using computers in managing and selling air tickets. Starting with the computerized reservation systems, the technological advance generated the development of the global distribution systems (Saber, Amadeus, Galileo, Worldspan) in the 1980s. The 1990s and the Internet have revolutionized the tourism industry once again, and this open road shows that innovation is, in fact, unlimited.

The paper focuses on online travel shopping amongst the younger generation. These members of our society have grown up alongside the technological evolutions which first and foremost are addressed to them, a generation who will shape behaviors and actions in every economic and social sector. Assessing today their opinions, needs and preferences will favor a solid and sound reform in the future, especially in the tourism sector which tends to be highly influenced by technological changes.

2. Theoretical background

Tourism distribution allowed tourism companies, operational at a certain tourism destination, to find consumers worldwide. The role of intermediaries in tourism is recognized as crucial for the development of the tourism sector. Their presence throughout the distribution channel, however, generates additional costs that increase the selling price of the tourism product and, at the same time, diminish the service providers' revenues.

The newly distribution opportunities allowed tourism suppliers to reach customers directly and to avoid commissions' payments to travel intermediaries. The emergence of online travel agencies (such as Expedia and Priceline) in the second half of the 1990s, revolutionized the way travel services were purchased (Amaro *et al*, 2015, p. 65). Nowadays, the e-concept in tourism has two main applications: the use of Internet in tourism services and second, the use of mobile applications

in tourism (Ukpabi *et al*, 2017, p.620). Information technologies and the Internet offer companies new possibilities to achieve performance through innovative ways to communicate, promote and to distribute their products and services (Silva *et al*, 2016, p.5512). The adoption of this new alternative distribution channel brings benefits to both consumers and tourism providers (Tan *et al*, 2018, p.1617).

Online, the customer has access to more varied information and in different formats, elements which have a decisive influence on customers' attitudes and behaviors (Rose *et al*, 2011, p.37). A different combination of antecedents: customer satisfaction, trust, perceived value, and perceived quality is the foundation for customers' loyalty, and online shopping has no exceptions (Silva *et al*, 2016, p. 5516).

Attitude towards online travel shopping is highly influencing intentions to purchase travel online, and that is why travel marketers need to pay a closer attention to factors which determine a favorable attitude (Amaro *et al*, 2015, p. 74). Developing risk reduction strategies, among which to provide travellers with information on their consumer rights and personal data, to use security approval symbols, to provide contact information, to offer money back guarantees, to use high security standards, and so on, are important steps in the online travel shopping expansion (Lin *et al*, 2009). Online travel providers should provide effective ways to reduce users' perceived risks to enhance Internet users' willingness to purchase travel online (Amaro *et al*, 2015, p. 65).

The members of today's young generation already have experience in using m-devices so they have sufficient knowledge needed to use Internet means to shop travel online (Tan *et al*, 2018, p.1635). At the same time, their shopping decisions are highly influenced by the opinions of their friends, families and colleagues (Tan *et al*, 2014).

With the rapid development of e-tourism industry, understanding the online purchasing behavior and defining, in accordance, prediction strategies for e-application improvements are of substantial interest for decision makers (Navio-Marco *et al*, 2018). Transforming e-visitors into online buyers is an essential element for the big e-commerce platforms (Zhu *et al*, 2019, p.11). As it was stated "technological development has forced the tourism industry to completely transform a large part of organizations and their brands. We are witnessing alliances between companies to reduce investment costs in technology and innovation and even creating own investment funds to develop emerging technologies" (Navio-Marco *et al*, p.466).

3. Research methodology

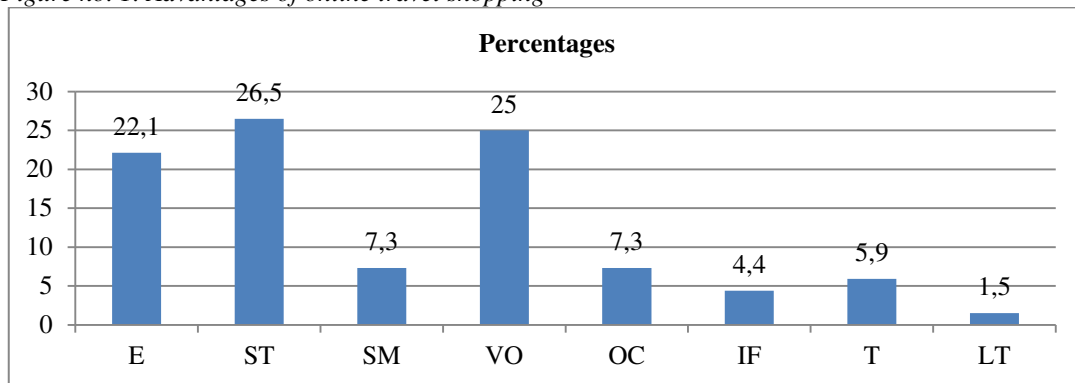
The findings were obtained out of a quantitative marketing research which was organized with students and master students from the Faculty of Economic Sciences and Business Administration, Transilvania University of Braşov. The chosen method was the survey based on questionnaire. The research was conducted between 3.09 - 5.10.2019. The questionnaire used in the research included 9 questions, out of which 3 were identification questions. The questionnaire was distributed online to all students and master students, a number of 408 valid questionnaires being recorded. Female respondents represent the majority within the sample, i.e. 72%, the average age of the sample members is 21.9 years old and 97.3% of the subjects are Romanian citizens.

4. Findings

Subjects pointed out which was their preferred method in the buying process for tourism products and services. It was highlighted an interesting finding, those who prefer to consult online offers first, and then decide to purchase all through online means, represent 41.7% of the responses, while those who indicated they usually use a combined solution (both online and offline) represent 41.8% out of the recorded answers. 16.5% of the respondents indicated they consult and compare offers from different travel agencies, and, in the end, they decide to purchase from one of the visited travel agencies. Another question highlighted subjects' trust in online travel shopping. The overwhelming part of the sample, i.e. 91.7% out of the respondents, declared they consider online shopping as reliable.

Forwards, the respondents who indicated they trust online travel shopping were asked to mention the advantages of this method. They had the possibility to indicate more than one advantages, and the total of recorded responses gathered 952 answers. The options were the following: it is easier compared to traditional purchase (E), it saves time (ST), it saves money (SM), multiplies the possibilities to consult various offers (VO), own control on purchase process is higher (OC), it is a more interesting and funny way to purchase (IF), the transparency is higher (T) and, also, the level of trust compared to traditional purchases from the travel agency is higher (LT) (Figure no.1).

Figure no. 1. Advantages of online travel shopping

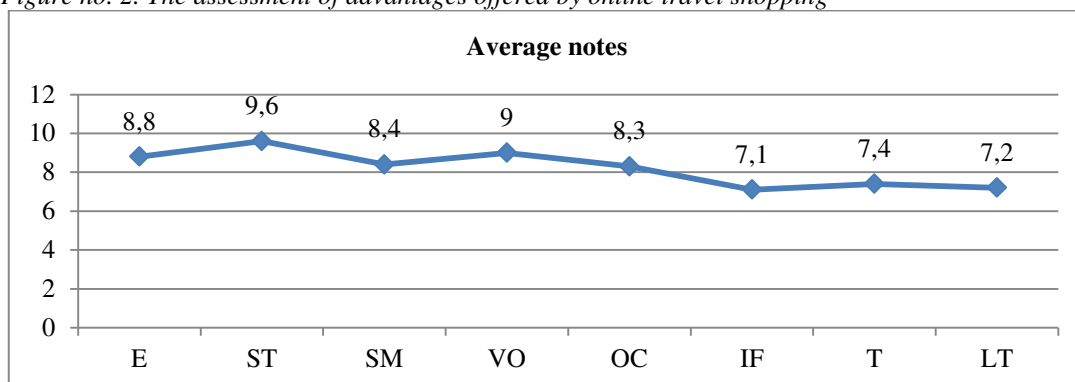


Source: Author's own research

The most important advantages offered by online travel shopping are considered to be the time savings (26.5% out of total responses) and the possibility to consult numerous offers (25%). At the same time, online purchases were appreciated as easier compared to the traditional purchases by 22.1% of the recorded responses. The other advantages were appreciated to a lesser extent. Saving money and the higher control on purchase process were considered advantages only by the 7.3% of the responses, each of them. Transparency was obvious only for 5.9% out of the recorded answers, the funny moments offered by online travel shopping recorded only 4.4% out of total answers, while the higher trust by comparison to traditional purchase was indicated through 1.5% of responses.

Respondents were asked to rate all these elements with notes from 1 (not important) to 10 (extremely important) (Figure no 2).

Figure no. 2. The assessment of advantages offered by online travel shopping



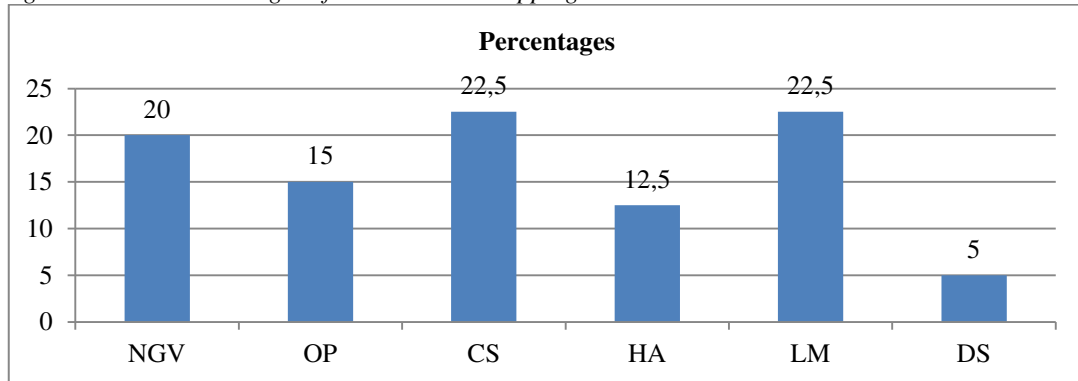
Source: Author's own research

Analyzing the responses, it was demonstrated that the best rated advantage was time savings which recorded an average of 9.6, out of a maximum of 10. The possibility to consult a bigger range of offers was rated second by the subjects (with 9 points), followed by easiness of purchase process (8.8 points), money savings (8.4 points) and a better control (8.3 points). Advantages rated with the lowest notes were transparency (7.4 points), a higher trust compared to traditional purchases (7.2 points) and interesting/funny moments offered during the purchase process (7.1

points).

All sample's members highlighted the disadvantages of the online purchase process for tourism products and services. The recorded answers were the following: higher risk for not going on vacation (NGV), the risk associated to insecurity of online payments (OP), impossibility to consult a specialist (IS), the impossibility to hold someone accountable in case there are problems during the tourist consumption (HA), the loss of money if I cannot leave (LM) and the difficulty to select among the multitude of online offers (DS) (Figure no.3).

Figure no. 3. Disadvantages of online travel shopping



Source: Author's own research

The most important disadvantages in the online travel shopping were considered to be the impossibility to consult a specialist and the possibility to lose money in case of problem that arise during tourism consumption, disadvantages that both recorded 22,5% out of answers. The risk of not going on vacation is the third acknowledged disadvantage (20% out of the recorded responses), insecurity of online payments is the fourth perceived disadvantage (15%), followed by the impossibility to hold someone accountable in case of various problems (12.5%), and the least considered disadvantage was the difficulty to select from the offers (5%). Asked about their intentions to buy online tourism products in the future, respondents pointed out their trust in online travel shopping, 79% indicating their determination in this direction, 17% declared they don't know, while only 4% declared firmly their completely lack of interest in online travel shopping.

5. Conclusions

The results indicated a majority of responses pointing out online use both for gathering information on the desired purchases and for completing their purchase, 83% out of the sample's members being included in this segment of consumers for tourism products and services. Online travel shopping was considered reliable, at a great extent, but an important element to mention is that respondents are all part of the younger generation, keen to use internet applications.

The major advantages for online travel shopping were the possibilities to save time and to consult numerous offers and, also, easiness of purchase process. When rating these advantages, results showed the same hierarchy. As about disadvantages, the results highlighted the risk to lose money in case of problems during consumption and the impossibility to consult a specialist as the most relevant disadvantages. The future of online travel shopping is promising, the majority of respondents highlighting commitment to this process.

Technology development will continue. Tourism companies need to adapt, to undertake major changes and to constantly try to develop their activities and innovate in their information, communication and distribution activities. Analyzing constantly consumers' needs and consolidating the segment of loyal buyers will ensure company's survival.

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Communication in Private and Public Companies

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Abstract

The companies' modernization is felt especially in the private sector, thus the employees, fundamental resources in the operating process of the company, are offered a favorable organizational climate. Emphasis is placed on a formal but familiar style of communication, as they are encouraged to participate with ideas and suggestions in the decision-making process. The private sector emphasizes the communication of the whole system; hence team buildings and events are regularly organized and the members of the families of the whole team are expected.

In public companies there is a less familiar climate, in which things are difficult, as many public companies are not yet adapted to today's systems.

The purpose of this paper is to emphasize the importance of communication in private and public companies, drawing a delimitation between how it is approached in both the private and public systems.

Key words: public communication, organizational communication, efficient communication, communication within companies, modernization of companies.

J.E.L. classification: L32

1. Introduction

The basis of this article is communication, an element without which a system cannot function and without which the connections between people would not exist. In order to follow a logical thread of the paper, we will focus our attention, in the first phase, on the term of communication, pointing later to the term of public communication, which we will analyze from the perspective of both public and private companies. The two types of companies will be analyzed separately, following the interpreted information, drawing a delimitation between the way each one works, then identifying the similarities and the differences between them. The term of public relations will be mentioned during the work; this concept is a result of communication and can play a substantial role in the communication process.

In making this article, as a research method, the qualitative analysis of information was the basis. I chose a qualitative approach because I considered it relevant in dealing with the topic of communication. Because qualitative research allows for a detailed study, the information we analyzed led to the creation of an article highlighting the importance of communication in the private and public sectors, and also drawing a boundary between the two sectors to understand how communication is addressed.

The analysis of the theories drawn by the researchers helped us to identify the differences in the approach of communication between public and private companies.

2. Theoretical background. Communication and public relations

Communication is defined as a process that takes place between people, groups, which has as a means of interaction the word, gesture, sign, symbol, mimic, image. The purpose of the communication is to convey what is desired, the reason why something is desired and the means by which it can reach the proposed goal.

Communication is an inevitable process, so that each individual communicates, regardless of which means; any behavior, gesture, sign represents communicative value, even if speech is not involved.

In order for the communication process to run in complex parameters, it needs to answer a series of questions: why? (the purpose for which the communication is initiated), who? (to whom is the message addressed?), where and when? (the place where the caller will be when he receives the message and when the message arrives), what? (what is information communicating?), how? (what is the tone and style of the message being transmitted?).

Communication is a dynamic process, always in constant motion. Through the communication process there is an unlimited exchange of messages, so each entity involved in the communication process aims to send and receive the information of interest. Communication involves the existence of at least two parts, a transmitter and a receiver, which communicate through words, signs, symbols (Niculae *et al*, 2006, pp. 9-10).

The information transmitted to employees, shareholders, the board of directors, as well as the interactions between the members of the company are included in the internal communication. Internal communication supports the functioning of the entities, it being the one through which the activities within the companies are traced.

The information regarding the organization such as values, culture, principles, the positions that each employee occupies, the objectives set, all these are transmitted through internal communication. Decisions, problem solving, encouragement are all aspects that have in common communication; through internal communication the members of the company understand the company's steps and adapt to its norms. (Abric, 2002, p. 14).

Communication within organizations is carried out in stages, through various communication channels. The Top-Down type of communication, through which the messages are communicated from top to bottom, implies the transmission of decisions, instructions, values, operating policies, from a higher level to a lower level. This type of communication is considered to be insufficient, incomplete and ambiguous in certain situations, the information transmitted containing only the result to which it is intended to be reached, without instructions that should be put into practice to achieve the goals. Often, those who provide information from higher positions have a greater willingness to speak than to listen, thus creating unpleasant situations at the staff level because they cannot verbalize their ideas. The Top-Down communication is unidirectional in some situations, which means the lack of feedback from those receiving the message; in these cases, it is possible that the message transmitted is unclear and this problem cannot be detected in time, due to the lack of feedback, leading to consequences that can affect the entire communication system of the company. (Matei, 2006, p. 65).

Upward communication, as opposed to descendent communication, involves the transmission of messages from the lower to the higher hierarchical level. In this case, the most common means of communication is the direct one, the message being transmitted by subordinates to the superiors. There are situations in which in the process of upward communication intervenes an intermediary who takes the message and sends it further, if he considers that it is a problem which can only be solved by superiors. Like descendent communication, in the upward communication there are also limits, the most frequent being the limit of inequality. In the case of the ascending communication, there are situations in which the subordinates compromise their rights, offering the superiors the messages they wish to hear, both for the purpose of being liked, but also for the purpose of hiding the mistakes they have committed. (Bogathy *et al*, 2007, pp. 9-10).

One form of efficient communication between departments is the horizontal one. In this case, communication is made from peer to peer, between the different departments of the company, the superiors not being involved, messages have a low level of distortion. There are also limitations of horizontal communication in this case; certain types of managers want to have control over all

departments, so they try to control the flow of information between departments; their intervention can block the communication and the natural course of the process. Another limitation may be the culture that each department develops. Although these subdivisions are part of a whole, the people who build them have different values, thus forming different opinions and different points of view regarding the functioning of the system. An eloquent example would be in the case of the sales department, which, focused on quantity, aims to distribute the services/products to as many customers as possible, while in the case of the quality department the staff focuses on quality; they prefer, to the detriment of the large number of sales of products created at a lower quality level, to deliver fewer products/services, but created to the imposed standards, which can do nothing but maintain or increase the company's image. (Bogathy *et al*, 2007, pp. 9-10).

A final model of communication is the informal one, which takes place between subordinates. In this case, the language is familiar and the climate is relaxed. Through this means of communication, the subordinates transmit information of general interest about the company's approach, thus being aware of its situation. Through this means of communication, the messages are clear and concise, with no distortion of information. Of course, there may be situations where the information transmitted is incorrect, which could adversely affect the situation of the company. An example would be stock companies, where decisions are made quickly, and there are situations when there is no time to verify the authenticity of the rumors (Bogathy *et al*, 2007, pp. 9-10).

Public communication, which is part of each company, is the means of communication through which information of general interest is provided to the public/client, the communication process being a complex one, in several stages, transmitted through various distribution channels. The messages transmitted are intended to inform, to share opinions, ideas and programs, but also to influence the public/clients. The public communication has the role to bring to the target public's attention information about the existence and the functioning of the companies, the decisions taken, the new regulations; there are, of course, information that cannot be divulged and which are related to the secrets of the operation of the company/institution and its security. Through public communication, the needs and interests of the public/client are also monitored, following that through the resources the companies have, they intervene in solving problems. Public communication used by public institutions can be classified into three categories:

- Institutional communication: within this type of communication, legal regulations are brought to the public's notice; in the foreground is the organization itself, its image being fundamental; it tries to influence the public perception on the image of the organization, the objectives being those to attract, convince, sell.
- Political communication: it is the form of communication that deals with the transmission of messages with political content; its purpose is to form a positive opinion for the public; the time and space of action are defining, these being substantial characteristics in this type of communication (Rus, 2002, p. 30).
- Social communication: it is defined by human interaction; the focus is on interpersonal relationships, here usually being a transmitter and a receiver whose roles change by rotation; if in the other two types of communication there is often a transmitter and several receivers, which are represented by the public, in this case the situation is restricted, the communication being made between two persons or between groups of only a few persons (Marin, 1998, p. 36)

The communication barriers have a significant importance in the communication process, as they intervene on the transmitted message, distorting it. They are cataloged as follows: physiological and mental; the physiological ones refer to the obstacles encountered in the external environment, such as noise, excessive heat or cold, smell, these kinds of barriers having an impact on the participants in the communication process, the message being wrongly transmitted or misunderstood. Psychological barriers appear in a more subtle form, being present at the level of senses and experiences. The information transmitted and received is filtered, being subsequently transmitted and understood differently by the participants in the communication process. This type of barriers is difficult to detect, precisely because the subjective filter intervenes, the information being thus perceived according to the experiences lived, the level of knowledge accumulated, the perspectives of life. The category of psychological barriers includes cultural, social and individual barriers (Silvaş *et al*, pp. 250-251).

Cultural barriers intervene when the transmitter and the receiver belong to different cultures, in which perspectives, language, time, gesture, mimicry are understood differently, thus distorting information. Such situations are encountered especially in the international private companies, in which they carry out numerous nationalities, with different cultures.

Social barriers refer to the positions from which we discuss, at the hierarchical level, living, values, norms, knowledge. The attitude and language used change, consciously or unconsciously, depending on the perception that the participants in the discussion have about each other.

Individual barriers are about the intrinsic values of each individual. Although the work environment is the same in a company, even if it is about the same hierarchical position, individuals perceive the organizational culture differently. Within this type of barriers are included the values of members, motivation, perceptions, level of influence.

Once the information regarding the communication process is set, we will treat the concept of public relations, which are a consequence of the way the company communicates with the outside. Public relations have the role of positively or negatively influencing the perception of the public, depending on the means of communication approached. The term of public relations lasts in the dictionary before the outline of the term we are referring to, being defined in the form of information, persuasion and integration. Subsequently, these three terms merged into what we now call *public relations*. Certainly, the basic meanings of the three terms remained the same, adapting to the new changes that occurred during the development of the society (Department of Communication, University of South Africa, 2000, p. 15). The half of the XIX-th century welcomes the business field with a new concept, namely, public relations. The phrase is used for the first time in order to maintain a connection between businesses and consumers. Debated by theorists in the field of philosophy, psychology, sociology, etc. the definitions of public relations are numerous. There is no clear, unique definition of this concept; there are only a multitude of ideas expressed from different points of view (Rus, 2002, p. 71).

The explanation given to the numerous definitions formulated for the term of public relations is that the activities of public relations are carried out in different types of organizations, each having its own purpose of using this field; public relations are applied in governmental/non-governmental organizations, civic associations and educational institutions - the purpose being the formulation and implementation of public policies, public/private companies - whose interest is to make profit. Public relations are used for a purpose other than the permanent connection between the company and the public, namely, to persuade and manipulate the public in favor of the organization. (Coman, 2006, p. 27).

There must be a two-way link between at least two entities for public relations to be present; such a relationship would not exist without the presence of an organization and a public. It is the organization that initiates a first contact with the public, consolidating in time a relationship based on trust. We consider the value of trust as the most important factor in establishing a relationship with the public. The managerial function is the one that intervenes for the physical creation of the relationship, the PR specialists being the ones that mediate the connection between the two parties. The activities of this function include the following: analysis, interpretation and anticipation of public opinion; involvement in management decisions; studying, managing and evaluating the actions taken and the communication processes; planning and implementing a plan that will lead to changes in public policies; management of financial resources to carry out the aforementioned actions. This relationship that wishes to exist from both directions cannot be possible without communication, a form of interaction considered vital. If the communicator is considered to need both the ability to be a good speaker and a good listener, then the organization is seen as such. (Rus, 2002, pp. 70-71).

It is worth mentioning that public relations consists of the links that the organization has, not only with the public, but also with the employees, the authorities and, not least, with the press. The relationship with the media can be defining for the life of a company. As for the relationship with the media, the purpose of the company is to create a favorable climate, to have an effective relationship with it. The relationship with the press must be permanent, there must be communication, there should be initiative from the company when events or product launches take place to provide exclusivity to a certain media source; these initiatives crystallize in the confidence of the media in the organization (Rus, 2002, p. 41).

If the companies use the public relations tool for issuing information and the public relations have a set of tools that they use to spread messages; depending on what is wanted to transmit, the information reaches the public through press releases, press conferences, public talks, community programs for the big mass.

There are studies that show that the public of a company is formed due to the prestige that the respective company has, the type of services and products falling in second place; therefore, public relations can have a huge impact on the sales and revenue of a company (Hillstrom *et al*, 1998, p. 925).

In the following we will treat separately the private companies and the public companies, and then we will integrate the communication process into the functioning process of each of them.

3. Private companies

With the fall of communism, major changes took place on the Romanian economy. The Romanian state has alienated its property rights over the entire economy, thus giving freedom in terms of setting up companies by citizens. 1989, the year marked by the privatization of companies, was the year when the country's economy started on a path of continuous change. An article published in February this year confirms that almost 80% of the country's gross domestic product (GDP) is allocated to the private sector and only 20% to the public sector. The same source, confirms a share of 70% allocated to the private sector in terms of Romania's GDP in 2016, the growth being marked. If during the communist period the state was the sole owner of the companies, the situation took a completely different turn with the years passing, the private companies being the ones in majority on the Romanian economic market. A significant desire for modernization and development came with the entry of foreign companies into the Romanian market. The level of development of companies with an international profile, significantly higher than the Romanian one, raised the bar in terms of the business operating model. Romanian private companies have taken over procedures from the operating system of foreign companies, and will implement them in the management process. An impact on the modernization of the Romanian companies was also by those who were employed by the foreign companies, either in Romania or abroad, thus taking over ideas which they subsequently introduced in the business they created. (Economica, 2017).

In private companies, internal communication and employee involvement are fundamental requirements for the good approach of the organization. Communication in a private company takes place on the four levels mentioned above: descending, ascending, horizontal and informal. As mentioned above, the modernist trend that entered the Romanian economic market had an impact on companies; the communication means has become more accessible between subordinates and superiors, the horizontal communication having a significant weight in the current companies. Top-down and upward communication is still present, these being fundamental in any company, but the climate has become more relaxed. The subordinates are encouraged to participate in the good approach of the company with ideas, suggestions, which leads to the desire to involve them, their interest being significantly increased in the activities they undertake. Private companies often use the reward system for active employees, who are continually involved in the good initiative of the company and whose results are above that initially established by the management.

Internal communication in organizations circulates through communication networks, which are classified in formal networks and informal networks. Messages that are transmitted through official channels, such as emails, written statements, brochures, reports, memos, newsletters, are part of the formal network. Informal paths involve the transmission of information through opinions, rumors, expressions, usually being subjective; In this case, situations such as the ones mentioned above may occur, in which certain unverified information may adversely impact the organization. This type of communication is included in the interpersonal one and it is carried out horizontally, between the employees from the same hierarchical position (Berger, 2009).

Private companies emphasize the conditions they offer to employees; thus, human resources departments are becoming more involved and larger in size in the composition of organizations. In the private companies, at the beginning of each year, the budgets for the whole year are established, according to the objectives set; there are budgets allocated to events organized for the entire team

of the company, events that encourage communication and within which the predominant type of communication is the horizontal one. During *corporate* events, a term adopted from English, the atmosphere becomes relaxing and relaxed; those in the higher hierarchical positions lower their barrier and become more accessible. Corporate events have the role of creating and establishing relationships between team members, the topics of discussion not being necessarily about the company. Often such events are organized for the families of the members of the company, thus, the atmosphere becoming even more familiar.

Another type of events that private companies organize is team building. This type of activity, which usually takes place outside the cities precisely to avoid the turmoil and to increase the level of relaxation, is considered necessary in any company. Various team games are set up that aim to increase the level of trust between the members of the organization; such activity also involves games of self-awareness, encouragement of team spirit, decision-making and problem-solving; it stimulates creativity and improves the performance of the team members. Ideas are conveyed that state that employees are motivated only by the financial side, but studies say that following events like this, organized by companies for employees, their desire for performance is visibly increased. Activities are needed to disconnect the team from work and daily routine, and a salary bonus could not contribute to the employee's mental health. Of course, we do not dispute the importance of a financial surplus, but mental health is also taken into account; a balance between the two is the ideal recipe (Kaisser, 2018).

Regarding the leadership position in front of the internal communication, they have the role to increase the communication within the organization. An open communication style from the leader is recommended, precisely so that the employees feel free to express themselves, offering opinions and suggestions, but also complaints. A defining characteristic that may have a negative impact on internal communication is the inconsistency of the facts of the leaders with that of the words; in a case where the leader's actions would be contradictory to what he expresses verbally, his integrity and credibility would lose value.

4. Public companies

The term of public company means the company in which the state or other public unit is either a sole shareholder or a majority shareholder, in each of the two situations the state having the control (Nicolescu, 2017). The remarkable expansion of the private sector took place between World War II and the late 1970s, an event that marked the twentieth century. The public sector can be found in various fields of activity, such as education, security, food, trade, health, etc.

Before discussing the approach of communication in the public sector, we will make a comparison between the two sectors at the development level. In 2017, the studies attest that the public sector is becoming more and more limited to the private sector, so that the profit margin of the public companies decreases from year to year, with the private companies having a considerable advance. When filing the balance sheets at the end of 2015, the state-owned companies held only 0.18% of the total number of companies in Romania, with a profit of 4.1% of the revenues of all companies.

An important aspect that we consider to be relevant in this context is that the private sector is a shareholder in certain private companies. Studies confirm that in companies where the state owns shares, the dividends paid as a result of filing financial results are significantly higher; thus, the money collected from the dividends goes into the state budget (Economica, 2017).

Private sector interest should be focused on meeting the needs of the general interest. In today's Romania, perceptions about public companies are divided, the public sector being described as chaotic and disorganized. A strong influence that has a significant impact on the perception of the population is the media. Negative messages that reach the public are more than half the percentage of positive information. The media delivers the information that the public wants to receive, and those that are of interest are those that have a negative temptation. The news with violent tone, the news that present negative situations within the public institutions and the news in which there are communication mistakes made by the representatives of the public institutions, are the ones to which the public reacts and resonates. There are public institutions where the shortcomings are obvious and the interest in the activities they have to perform is too low; because of these

institutions the public's opinion about the public sector has become a general negative one, in which all public institutions are framed.

Regarding the type of communication directed to the public, the institutional one is predominant. As mentioned above, the role of institutional communication is to inform the public about issues of general interest, but also to create a favorable image for the outside, in order to justify their actions with the risk of a diminished level of revolt on the part. population. The image of the company is reflected in the people who work in it; the presentation of the company's image by the PR department must be in the same parameters for both employees and the public and it is necessary to have a continuous communication with them through talks, monthly publication of magazines, existence of newsletters, video production. Before this information is disclosed by various means, it is advisable to survey the opinion of the employees to find out what kind of information they would be interested in.

Communication in the public sector is carried out according to the models detailed in the first part of the article. As with private companies, all four types of communication are present: vertical communication, which includes top-down and upward communication, horizontal communication and informal communication. The environment in this sector is considered to be more formal than in the case of private companies, as the communication. Upward communication is more difficult to access, so it is quite difficult for subordinates to transmit information directly to superiors without intermediaries. Horizontal communication is considered to be cold and not very friendly. The psychological barrier is felt in this case, because, the perception of the environment as being a formal, serious one, is also transposed on the communication style (Mardare, 2016, p. 128).

The existence of communication barriers is present in a higher percentage in the case of the public sector than in the case of the private one. If, in the case of private companies, cultural barriers are predominant, in the private sector, psychological and social barriers are encountered. Due to the less warm organizational culture in the public sector, the hierarchical positions are better defined and the communication is more rigid. Although there are situations in which employees are not satisfied with the conditions offered, their choice is not to convey what displeases them. Carrying out the activity in an environment where communication is on a secondary level, leads to employee frustrations, the interest in the workplace being at an increasingly low level.

If in the case of private companies, various events are organized whose main purpose is communication, the conclusion of relationships, the consolidation of the members' trust, in the case of public companies, things are different. There are very few public institutions where such activities are organized, the public sector relying on results, internal communication and networking not representing important aspects of daily activities.

In the system of government there are still imprints of communism, imprints of a rigid and cumbersome leadership style, which influence and affect the functioning of public companies. Because a private company is set up through a public company, there are countless complaints from business owners regarding the conditions for setting up companies. Due to the lack of internal communication, civil servants do not know the necessary information, information that enters into the duties of the position they occupy, which is why the chaos in institutions is installed.

The fundamental shortcoming of public institutions is communication, which also leads to a lack of feedback, thus, no information regarding the changes that can be brought about an efficient functioning.

5. Communication in the private and public sectors

The role of communication is primordial, which is why the presence in any of the two sectors is mandatory. In both private and public companies, all four models of communication are present, namely: top-down communication, upward communication, horizontal communication and informal communication. In private companies, relaxed communication is encouraged even in the case of the upward communication approach, while in the public sector, communication is not as present and as friendly. The private sector encourages employees to freely express ideas, suggestions, even dissatisfaction, which is absent in the public sector. Regarding the relationship of the members of the private companies, these are naturally carried out, the informal communication being fundamental. The formal environment that characterizes the public sector imposes on

employees a cold climate, in which the relationship and communication are not as important as in the case of private companies. Although the private sector is focused on generating profit, the importance given to employees is not neglected. Within the private companies, activities such as team building and corporate events are organized, which aim to communicate between employees. At the same time, in private companies there is the term brainstorming, which involves meetings in groups, which encourage communication, the ultimate goal being to find the right solutions for existing problems or for development. The operating system within public companies is quite different, so that the activity of the employees is carried out in a climate in which communication is at the level of the strictly necessary. The lack of constant communication in public companies negatively affects the activity of the company, causing chaos both inside and outside, in the relations with the public (Kaisser, 2018).

A relatively new concept that has emerged in the private companies in Romania is the specialization of the employees. Specialization programs are carried out in different cities, even countries, if it is a multinational company, which has branches in several countries. Within these programs the employees receive information regarding the activity of the company, the objectives set, the new implementations and changes. Often, teams of several people are sent to specializations, thus, the relationships between team members are strengthened.

Regarding the motivation of the employees, in the private companies they practice encouragements and the recognition of the merits both by the superiors and by colleagues. Financial rewards are not always enough. The corporate events come in support of the employees, giving them the possibility to relax with the work colleagues, activities that also contribute to the motivation of the employees.

There are certainly advantages and disadvantages in each of the two sectors, but based on the information obtained, communication in private companies seems to be placed on a primordial level and on a higher level than in the case of public companies. The public's opinion changes and is shaped according to what is transmitted from inside the company to the outside, to the public. Each company establishes its own way of communicating with the external environment, and the results are drawn according to what it wants and manages to issue.

The tone of the communication is given, first and foremost, by the company leader. A relaxed management style, open to communication, gives employees the confidence to express their ideas and opinions. The organization works properly if there is an efficient management, which gives importance to the professional training, motivation and reward of the employees.

In making this article, as a research method, the qualitative analysis of information was the basis. I chose a qualitative approach because I considered it relevant in dealing with communication. Because qualitative research allows for a detailed study, the information we analyzed led to the creation of an article highlighting the importance of communication in the private and public sectors, and also drawing a boundary between the two sectors to understand how communication is addressed.

6. Conclusions

Communication is closely linked to coexistence. Relationships between people are based, above all, on communication. Companies, whether private or public, are created by people, and they are the ones who support them. Communication is a continuous process, which must be sustained, as two-way communication is required for efficiency. The feedback provided by both subordinates to the superiors and vice versa, is fundamental for a normal functioning of the company; feedback has the role of providing information on what could be improved.

Effective communication requires a balance between all four types of communication. Upward communication is necessary to know the hierarchical positions of the members of the company, through the top-down communication the information reaches from the subordinates to those from the higher positions, the horizontal communication connects the team members and the departments from the same positions, and the informal communication is necessary to relax things and to make friendships within the organization.

Public communication is also an important aspect within companies. The public's perception of public or private institutions is the result of the way they communicate with their public. In this

context, public relations also intervene as a result of public communication. A good communicator needs to have the ability to be both a good speaker and a good listener, a principle that also applies to institutions (Rus, 2002, pp. 70-71).

The media, an important factor in the public's perception of organizations, can significantly influence the public's opinions. Within the public sector the media has a greater influence; Once the companies are public, they become accessible to the public, which already have an opinion about the institution, and a news provided through the media can strengthen their opinion or change it. Media pressure is higher in the public sector; there are situations in which the media either anticipates the movements of the company or provides false information, which then creates problems to be solved by managers/spokespersons.

There is an interdependence relationship between the public and private sectors, so that the regulations and principles according to which each of them works are the same or at least similar. The functions that are found both in the public and in the private sector are those of organization, forecasting, coordination, control, value, administration, motivation and profit. Each of the two categories of companies has a purpose and several goals set: although they differ, the process they implement to achieve them is similar.

Following the information obtained and the qualitative analysis, we conclude with a quote on communication, which is described as "the most important engine of business performance". Communication is the boost that starts the whole process of operating companies.

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Customer Relationship Management in Romanian Banks

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Abstract

Nowadays, banks noticed the importance of the CRM systems and started to implement them according to their strategy. Customer relationship management solutions help banks to raise their number of clients, retain existing ones and grow their customer lifetime value. The paper highlights the measures that banks should take in order to enhance the performance of CRM.

Customer relationship management in the banking system represents a research step in an interdisciplinary area of maximum interest. The subject is very important for researchers, as well as for bankers.

The research about the customer service in the banks measures the customer satisfaction and tries to identify the main problems that the banks are facing with and the future of CRM in banking using the new technologies.

Key words: customer relationship management, banking, innovation, customer satisfaction, loyalty

J.E.L. classification: M15, G21, O32, G40

1. Introduction

Customer relationship management represents an important subject for researchers in the last decade, both the technological processes and the activities of the CRM, but also the factors that drive to the success of CRM applications and the way that CRM influences the performances of an organization.

Internet and new information and communication technologies (NICT) are used both by companies and their customers. This is the reason why the CRM strategy evolved to e-CRM. Many companies tried to find out how the new technologies help the CRM to enhance the performance of a company.

The IT companies use the term CRM to describe the software applications that automates the marketing functions, sales functions and also the services from the specific business segment.

The management-marketing studies consider CRM much more than a technology. This concept can be analyzed with an extended perspective, understanding the strategic vision and the value of the clients.

CRM can be a strategic instrument for improving profitability, the operation efficiency and also the ROI of the marketing. CRM can also be a philosophy of doing business or the manner we can develop the organization. The CRM considers the client the center of a business, the most important factor and orientates the marketing policy in this specific way.

Nowadays, CRM is used by the companies which follow two different aspects: customer relationship service (CS) and technology. There are three business sectors that count on CRM and use it in their advantage: financial services, high-tech companies and the telecommunications industry.

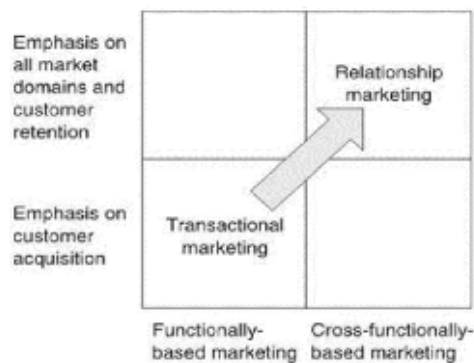
The paper presents the concept of CRM and its evolution, implementation of the CRM in banks, types of CRM instruments used by the banks, CRM in the Romanian banking system and a research that evaluates the call-center service of the banks.

2. Theoretical background. The evolution of the CRM

The concept of customer relationship management appeared in the IT suppliers' community in the middle 90s. Initially, the term CRM was about implementing an IT application in order to solve problems in a specific department of the organization. This approach was limited because it defines the CRM applications as "IT solutions oriented in automating some processes that take place in the sales department or the marketing department and which are independent one to another." (Filip, A., 2011)

The researchers believe that the 90s indicate the transition from transactional marketing to relationship marketing (figure no.1). At the same time, "orientation on a high number of transaction on short term started to change gradually and is being replaced by the philosophy of promoting the medium and long term relationships, with all the persons and organizations that have a direct or indirect involvement in the company activity." (Bălan, C., 2007)

Figure no.1 Transition from transactional marketing to relationship marketing



Source: Payne (2005)

According to Philip Kotler, the organizational performance is built on a relationship (Kotler, 1992). Kotler emphasizes the importance of developing stronger relationships both with customers and suppliers. Moreover, the relationships between employees and the syndicates, governmental organizations and other important entities from their business sector, must be followed up.

In the academic environment, the relationship marketing and CRM are often used with the same meaning (Sheth and Parvatiyar, 2001).

CRM aims to attract and retain profitable customers, through the development of long-term relationships and by stimulating customer loyalty. The progresses made in the field of information technology contribute to the development of strategies for managing relationships with each client in a unique, personalized way.

We propose a definition of CRM, representative for the banking system, namely: CRM is a business practice that involves strategy and operations in an integrated effort to improve customer relations through optimized sales, marketing and related services, which should lead to increased customer satisfaction and loyalty.

True customer relationship management begins at the beginning of this century. Software companies have implemented new advanced solutions, customized on industrial branches, which helps us to use information in a dynamic way. Instead of storing information in a static database, CRM has become a way to understand the needs of customers and their behavior.

The emergence of the Internet has been an important factor in the development of these huge databases because it allows the storage of external information. Companies were having a hard time storing the large amounts of information they held, and CRM came to their aid, relying on the new possibilities that the Internet offered.

3. CRM in banking system

The process of globalization and liberalization had an influence on the banking sector. In banks, customer service should not only be considered a functionality, but should be included as a mission of banks. The success of a bank depends on how much it satisfies the needs of its customers. Thus, banks should be customer-oriented in order to survive in the competitive banking environment.

In the banking sector, the content and specification of the product are very high, and the transfer of information and operations are done with specialized tools: cards, internet-banking, mobile-banking and payment systems.

Today, companies cannot afford to ignore customers' needs for electronic devices if they want to maintain and expand their portfolio. Banks are growing rapidly and feel the need to keep their customers, in this competitive market. Thus, they chose to implement e-CRM. They have developed web pages that allow customers access to their services. Customers can authenticate themselves and find solutions to their problems without sending an email or calling. Financial institutions have combined data from across the organization so that when customers use the call centers, the representatives have the information they need. Banks pay special attention to the cyber needs of their customers and reward their customers by solving their needs.

Customer relationship management is one of the biggest challenges for the banking sector. Therefore, CRM is accustomed to receiving customer data, customer satisfaction levels, customer loyalty, long-term services, customer retention, identifying potential customers for their bank, identifying non-profitable customers.

In the work of Onut et al. (2006), the authors discuss the use of CRM in the bank, using technology and human resources to better understand the behavior of customers and focusing on the value of these customers.

Romanian banks select their clients based on the information provided by CRM. Each receives different facilities depending on its history with the bank or the profit they generate. In general, top customers are treated differently and have benefits and better facilities. Banks are divided into two main divisions: physical persons and legal entities (companies).

4. Romanian banks and customer relationship management

In 2011, the consultancy company named Enight Management Consulting made a study that shows that most of the Romanian banks use CRM solutions that are developed in-house, mainly because of the costs. Smaller banks cannot support the cost of an external CRM solution, sometimes they can implement just some modules or isolated CRM applications. The big banks use international CRM suppliers.

Most of the Romanian banks use an IT system made by their own department. This means the architecture of the data bases and their centralization that future data that will be stored, are internally made by the IT department of the bank. Because of the complexity of CRM systems and the new technologies integrated, banks opted for CRM solution offered by specialized suppliers.

A small research on the marked emphasized that, information collected from customers through their interaction with the bank using different channels such as the branch, call center, ATMs, internet banking, it is stored in the central data base. This information can be easily accessed by each department (sales, marketing, call-center) of the bank at any time. All the information about clients is updated continuously, every time it is needed. At least once a year, customers are asked to fill an update form with their data.

Depending on the type of client, legal entity or individuals, banks in Romania offer a variety of services and products. Of course, legal entities and individuals are managed differently, with different products and services, depending on the value they bring to the bank. Thus, in the Romanian banks, the customer relationship counselor deals with individuals, while the customer relations manager deals with the legal entities. In addition to the employees in branches that offer all the support for maintaining customer relationships, call centers have an important role.

In Romania, almost every bank has a call center where clients express their requests or dissatisfactions 24/24h. Due to the increased competitiveness of the banking sector, of the increasingly demanding customers, it is necessary to have a call center within the banks in order to

provide information quickly. Initially, the call center was created because of the need to supplement the staff of the banks headquarters, who could not cope with the requests coming from the customers. On the other hand, for both individuals and legal entities, it is easier and more convenient for them to solve their problems over the phone, than to go to the branch office. Currently, with the advancement of the technology, the operators of the telephone service of customer relations, can solve several requests, and can offer more information about account, credit, card, mortgages, related services of online banking, etc., they are very good prepared. In short, customers can benefit from most of the facilities offered by the branches, only by calling the customer service.

When we talk about operations with the help of new technologies we refer to ATMs and e-CRM facilities: internet banking, mobile banking, SMS alerts. There was an increase in the number of users of the new technologies: the ATM and multifunctional ATM service (self-banking), as well as the online banking service. Generally, in Romania, the traditional ATMs are used the most, the customers prefer to perform classic cash withdrawal or balance check operations, although the new multifunctional ATMs offer various services such as: cash deposit, invoice payment, phone card loading, card activation, PIN code change, , exchange currency.

To conclude, there is a very large ATM network in Romania, available in public places where customers can benefit from services without being commissioned. Banks are interested in upgrading and updating the software installed in these ATMs, and these machines are permanently monitored to make sure they work properly. Regarding the use of eCRM banking, it is observed that more and more customers use these services, the number of users increasing year by year. Most banks in the Romanian banking system offer electronic CRM services, and many clients benefit from them on a regular basis. The most popular in Romania are: internet banking and mobile banking. The banks are concerned about the security of the services offered and constantly update them to avoid fraud and to keep their customers satisfied. Phone banking services are not very popular in Romania, and the alerts via mobile phone messages are used by some users for a fee.

The research shows that banks` tendency is to use CRM systems and to improve them in order to keep their customers loyal and increase their retention rate, in order to successfully meet the clients' needs and also to increase their revenues. More and more banks are using new technologies such as: internet banking, mobile banking and multifunctional ATMs, and in the future, with the evolution of technology, these digital banking solutions will replace the traditional ones, but will not eliminate them completely.

5. Research methodology

The evaluation of the call-center service was made using a questionnaire consisting 21 questions. The sample has 62 respondents. The study wants to identify the bank with whom the subject collaborates, the way in which he prefers to carry out operations or to solve his problems in relation with the bank and the evaluation of the call-center service on the problems encountered, the response time, the training of the staff, the courtesy of the employees, the perceptions about the use of the customer call- service, in order to be able to identify the level of customer satisfaction.

The research evaluates the satisfaction of the clients regarding the call-center service by calculating the Net Promoter Score (NPS).

The NPS is calculated using the following formula:

$$\text{NPS} = \% \text{ promoters} - \% \text{ detractors}$$

On a scale from 1 to 10, the clients who give a grade below 6 are considered detractors, the ones with marks of 7 or 8 are considered passives, and the ones who gave a grade above 9 are considered promoters of the bank.

NPS can be used to predict the future of the business, if it is growing or not. When the levels of NPS are high, or above average, we can say there is a strong and healthy relationship with the customers, that can become promoters for the bank, using the word-to-mouth method, which is probably the best advertise for the company.

6. Findings

From the 62 respondents, most of them declared that they use the services of the ING Bank (19 respondents), Transilvania Bank (18 respondents), BRD (11 respondents). We can conclude that people prefer more and more the banks that focus on technology and innovation, the banks that offer good digital banking services and use the artificial intelligence in order to keep their customers happy.

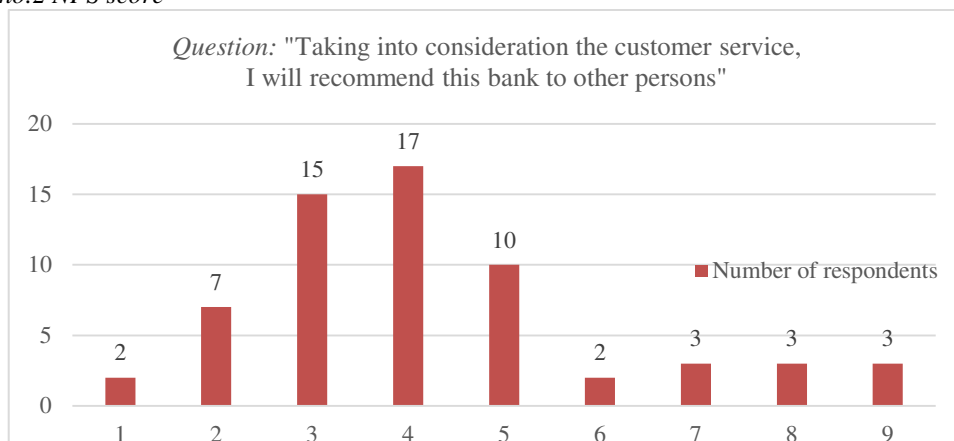
Regarding the response time of the customer service representative (CSR), the majority (66,1%) answered that they got in touch with an operator in more than 6 minutes, the ones that got in touch with an operator between 1-5 minutes are 29% of the total. Only 4.8% of the respondents said that the CSR answered in less than one minute.

The courtesy of the CSR is evaluated by the respondents: the majority (46,8%) agrees it is according to expectations, 27,4% over expectations, 6,5% well over expectations, while 19,3% were dissatisfied about the courtesy and friendliness of the CSR.

When we look deeply into the promptness of the call-center service, it is obvious the dissatisfaction of the clients: 67,7% evaluated the service below expectations and 12,9% well below expectations. Only 8 respondents out of 62, which means 12.9% declared that the rapidity of the service is according to their expectations and just 4 out of 62 (6,4%) were pleased with call-center speed.

The majority of the clients were disgruntled with the customer service offered by the banks. Therefore, 83,9% answered below expectations or well below expectations.

Figure no.2 NPS score



Source: Authors' contribution

In figure no.2 we can observe the grades offered by the respondents (from 1 to 9). They are very low, the clients expressing their dissatisfaction with the call center and the customer service. The mean of the grades given is 4.24.

We can calculate the Net Promoter Score to analyze the clients' loyalty and to measure their satisfaction regarding the banking services.

Customers who scored below 6 are considered detractors - we note that there are 53 subjects that fall into this category, representing 85% of the total.

Those who scored 7 or 8 are considered passive - we note that there are 6 subjects that fall into this category, representing about 10% of the total.

Those who scored above 9 are considered promoters - in our case only three people scored grade 9, no one scored grade 10, accounting for 5% of the total.

$$\text{Net promoter score} = \text{promoters\%} - \text{detractors\%} = 5\% - 85\% = -80\%$$

This negative score is worrying for banks in Romania, generally a score of 50 is considered an excellent score, while a score of over 70% is above expectations. This negative score means that, banks are losing a large number of potential customers because of customer dissatisfaction with customer service, and banks should take the attitude and make changes as quickly as possible. To

improve the performance of the customer service telephone service and the customer communication channels is changing their strategy, on a customer centric one, and also banks should learn that keeping their customers satisfied brings many benefits.

In terms of service availability, most banks offer 24/7 customer service, although the operators available at night shifts are not sufficient, or cannot resolve all customer requests and redirect them to another operator available during the working hours, usually between 9 and 17h.

When asked to evaluate the behavior and communication of the call center operator, the subjects expressed their satisfaction with an average score of 7.6. Of the 62 subjects, 16 gave a grade of 7, 13 gave a grade of 8, 11 gave a grade of 9, and 9 gave a grade of 10, a total of 79% gave notes over 7, while grades below 7 but not lower than 4 were 13.

When conducting a transaction, customers prefer to use the new technologies from the bank 75.8%, and just 24.2% said they opt for physical contact and prefer to go to a branch.

7. Conclusions

The sample analyzed believes that the call-center services or the customer contact centers are not satisfactory, especially the response time and problem solving times being too large.. Poorly calculated Net Promoter Scores demonstrate that low-scoring clients are likely to leave the organization. When customer dissatisfaction is correlated with low or negative NPS scores, customers can generate negative feedback for the organization. With this information, the responsible teams for managing customer relationships can improve communication channels and can generate higher revenues for the company.

The complexity of the activities that are conducted by the banking companies leave a series of particularities on the information technology, leading to the creation of a different category – informational banking system. People tend more and more to use new technologies and digital application, using the self-service applications that the banks offer. Therefore, banks should take into consideration the implementation of electronic CRM applications using the information from the new online channels offered by the banks.

The topic is analyzing a current issue, having a major interest in the financial-banking environment, the integration of CRM systems with the strategy of banks represents the most important approach, which banks adopt in order to remain competitive in the market and to adequately meet the different needs of customers. The global development and innovation of IT applications influence the strategies of the banking institutions, which require the use of new technologies and the digitalization of banking.

Storing customer information using CRM, analyzing data, helps banks create patterns and segment customers based on the profitability they generate. Focusing only on profit, banks can opt for customer loyalty, but at the same time they may lose a segment of customers that can become profitable in time by using custom CRM campaigns.

As technologies continue to develop, with a general database of online customers, companies must try to take advantage of the opportunities available, in order to provide benefits in the eCRM digital market. Regarding these strategies, there is a continuous need to examine how companies turn their profit invested in eCRM technologies into advantages. The role of eCRM in the development and management of multiple channels is an issue for which, surely, more research will be done.

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Identification of the Reasons for Buying and Consuming BIO Products by the Romanian Consumers

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Abstract

The BIO products in Romania are continually expanding; more and more companies are consuming organic products for various reasons. The general opinion was that in the days when the level of pollution, the working conditions of the stress level are becoming increasingly difficult and harmful for the state of health, so the people still have the most to maintain it. The consumption of ecological products and the people's impression that in this way, the improvement of the health status diminishes the adverse effects. With all this, we can ask ourselves that the people who choose to consume organic products have searched for information and have knowledge about the fundamentally scientifically beneficial effects they have or are relying on information used informally.

The purpose of this article was to determine the motives for which people choose to consume certain products, and the objectives were found to identify the information sources regarding the consumed food products, to identify the procurement allocations of the eco-friendly products, and to identify the advantages recognized by consumers.

Within the article, quantitative research was carried out, using it as a questionnaire research tool. In the quadrant sample, the questionnaire was applied to only 120 people, being a pilot study, and the obtained results indicated that most of the respondents chose to consume BIO products for the fact that they considered them to be the most beneficial to the processed products.

Key words: marketing, consumer behavior, BIO products;

J.E.L. classification: M31

1. Introduction

Consumer behavior is a topic of great interest in the marketing literature, both because of the many influencing factors that have been generalized and defined so far, and because of the individual factors that differentiate one individual from another, as there is no natural bridge between these. In the specialty literature, there are two categories of influences on consumer behavior, namely: endogenous and exogenous factors (Catoiu, Teodorescu, 2007, p. 87). The factors that determine consumer behavior are psycho-social and economically representative, irrespective of the field of research and for which we want to find out whether or not there are significant differences, and even more so if they are essential in terms of food preferences, nutrition and diet. In Hindu culture, for example, "If McDonald's wants to sell a Big Mac with beef in Nepal, it will hit not only residents' refusal to buy it but also legislative issues" (Pop, 2011, p.115). Moreover, in this example, we are talking about a single exogenous type factor without affecting personal preferences, attitudes, or other aspects.

Food style and preferences have always been a topic of interest, but as time went by, more and more ideologies regarding the healthy food lifestyle and approaches to nutrition and diet were developed. If some of the specialists in the field consider that vegetarianism is the solution, another

part contradicts them with solid arguments. If a category of nutritionists strongly recommends carbohydrate intake and limiting animal fats and proteins, another party is adept at animal feed and protein, avoiding carbohydrates as much as possible.

2. Theoretical approaches regarding consumer behavior towards organic products

Since ancient times, human behavior has been a topic of interest to researchers or specialists in various fields, with no general solid basis for interpreting reactions, decisions, behaviors.

In the field of marketing, consumer behavior analysis explicitly deals with how preferences are formed in the consumer's mind and how they can become priorities in consumer decisions (Ozguven, 2012). It is well-known that the basic need of man is that of food, also called the primary need, but far from the desire to satisfy this need, in the decision-making process for choosing certain foods, there are many factors, more or more. They are little identified by the researchers.

At the center of the consumer, the decision is the preference for a particular food or brand, an attribute followed by the factors of utility, needs, and benefits. More and more consumers tend to adopt a healthy lifestyle, correlating their choices with the idea of a healthy product that helps to mention the well-being of the body. In this context, we can consider that people who intend to consume healthy foods can identify the risk of eating unhealthy foods, perceive expected results of behavior change, and exercise control over consumption decisions and actions taken (Van Bull. Et al., 2017). Furthermore, this is possible both by prior information on the quality of the products and their health benefits, as well as by reading and analyzing the information on the product labels. Including information on nutritional values on product packaging to be more readable and easy to interpret is one of the public policies that have been implemented to enable consumers to identify unhealthy foods and to avoid or reduce their consumption (Machin, et al., 2017).

Another critical factor in the decision of consumption is the desire of the packages, which, through the graphics and colors, induce the idea of "healthier." A study of parents purchasing baby cereals showed that visual information suggestive of "health" (natural cereals, wheatears, cereal chains) was more important than the nutritional statements on the product packaging when these elements were evaluated concurrently

The evolution of technology in all fields and the desire of the producers to sell as much as possible makes few foods on the market natural or even organic. Stimulating quantities through chemical processes that harm both final consumers and the environment is a problem that society is currently facing. Starting from this problem, some producers understood that they could offer people a healthier alternative and began to produce without using substances to stimulate the number of products or their structure, this being the category of organic products, the category in the composition. Which includes products made according to specific preset standards (Rana and Paul, 2017).

The purchase of products of this kind seems to be influenced by the values of the consumers, their interest in the environment, and the desire to maintain their health and those close to them. However, choosing to buy an organic product seems to be a more expensive alternative for potential customers, the majority of those who can afford to make this choice are those from the middle socio-economic class. The purchase decision is also made according to the way each customer perceives the product, the values, and principles of consumers, all these aspects motivating whether or not the potential customer to buy an organic product (Shafie and Rennie, 2012).

Demographic characteristics are often used to define the status of the ideal consumer of organic products. Criteria such as living environment, education level, or income are those that shape the attitude of this type of consumer. People's awareness of organic products is enhanced if they have received a high level of formal education. Formal education connects people by generating a more significant amount of information exchange, while providing them with the opportunity to document on issues in various fields, different from the one chosen for specialization, due to the information resources they have. Educational institutions benefit (Shafie and Rennie, 2012).

Specific to most goods and services, the customer structure of organic products is composed of 3 subcategories, depending on the frequency of purchases : regular consumers, occasional consumers, and non-consumers. According to Shafie and Rennie (2012), ordinary consumers are those who make at least two purchases of organic products per week and represent 12% of the sample analyzed. They are available to pay about 15% more for organic products compared to ordinary products. The second category of consumers, the occasional ones, represents 42% of the sample, for them not being established a particular frequency of purchase. Non-consumers represent 46% of the respondents analyzed, 25% of non-consumers expressing their intention to buy organic products in the future. Given these percentages, it can be concluded that approximately 65% of the respondents purchase or plan to purchase organic products. Therefore, the tendency in the market is to choose organic products to the detriment of conventional products (whose composition also includes chemical compounds), however, there is a significant category of people who do not consider the possibility of having a healthier consumption.

Initially considered a better alternative, increasing food production with chemicals and pesticides has now become a practice people are accusing. The adverse effects on the environment and the consumers have made people realize that not the price, but the quality is the criterion that must first take into account when deciding to buy. Therefore, the consumers' attitude was to return to the specific products of the period before the discovery of the chemical incentives, to the organic products. Also, the emergence of consumer education campaigns on how to live a healthier life and increasing financial opportunities compared to the last century have influenced people's attitudes towards consumption, making them aware what are the effects of foods with chemical compounds. In this context, large companies understood that promoting healthy products would have a more significant effect than promoting right looking products (Rana and Paul, 2017).

Many specialized studies have concluded that consumers' attitudes and behavior are positively influenced by their health awareness and knowledge about the environment and how it is influenced. In other words, the reason why people buy organic products is the existence of a solid knowledge base about the environment, about ecology and about the positive effect that organic products have on nature and their health. Even if there is knowledge about organic products and their positive effects, consumers' intention to buy them may be diminished by inaccessibility to the product. Often the market does not come with many solutions for those who want to buy organic products. Even if the price is affordable, the long time of obtaining organic products is often a problem for consumers and thus makes them choose less healthy but faster (Singh and Verma, 2017).

Even though the market for organic products is not yet as developed as that of conventional products, statistics show that this (the market for organic products) is increasing; between 2000 and 2010, its size has tripled. The figures show that the largest markets for organic products are in the US, Germany, and France, but the countries with the highest per capita consumption are Switzerland, Denmark, and Luxembourg. In 2011, for example, in Germany, sales of organic products reached a total value of 6.6 billion euros. Of this total, 54% were sales in the chains of supermarkets specialized in the sale of conventional products, 31% were sales registered in stores specialized in the sale of organic products, and 15% were sales made by other categories of merchants. It was also found that marketing strategies played a significant role in increasing demand for organic products on the German market. The chains of stores specialized in the sale of such products and that have made efforts to popularize the organic products have registered an increase of the demand, whereas the chains of supermarkets that only made available to the customers the organic products without promoting and have registered a stagnation of the request. The same study also shows that 3% of households in Germany generate about 39% of their income from sales of organic products, thus suggesting that a tiny part of the population perceives this range of products as a first consumer option. These results cannot be extended worldwide, but they are significant when the consumers represent the analyzed community in a state with one of the largest markets in the world in this regard (Buder, Feldmann and Hamm, 2014).

In the last century, there has been a considerable evolution of technology and an evolution of medicine and people's awareness of their health. Under these conditions, people increasingly understand how their health can be affected and at the same time, have the opportunity to protect themselves from certain medical conditions. Health and maintaining an excellent physical

condition make people have a sense of well-being, feel safe, and genuinely enjoy life. Most people understand that health, and therefore well-being, can very quickly disappear if the adopted lifestyle is not an adequate one, thus trying to maintain these conditions through consumption that does not have adverse effects. This tendency is called "health concern" and appears at a different intensity from case to case. Whether it is a difference in intensity caused by a lack of knowledge or an inability to understand the seriousness of this aspect, the relationship between consumer health concern and the intention to buy organic products is positive. In other words, the more a consumer is aware of how important his or her health is and understands that his / her physical condition is directly influenced by consumption, the more the intention to consume organic products and to have a healthier diet is higher (Apaolaza et al., 2018).

3. Research methodology

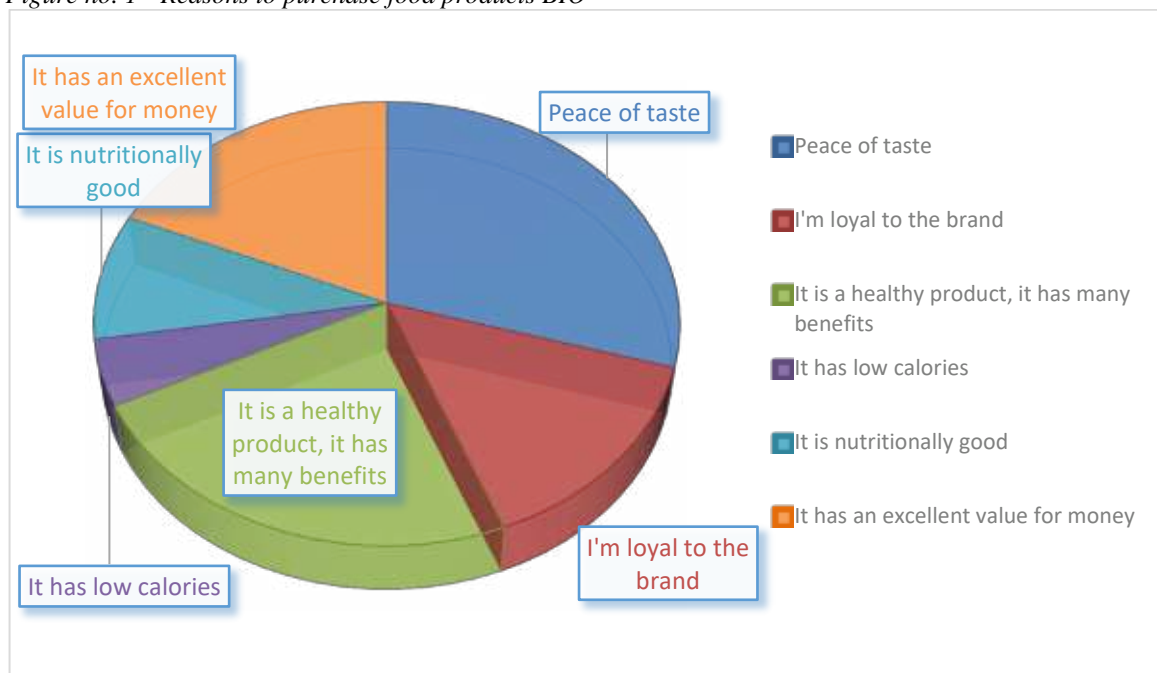
In order to identify the motives for which people choose to consume certain products, and the objectives were found to identify the information sources regarding the consumed food products, to identify the procurement allocations of the eco-friendly products, and to identify the advantages recognized by consumers.

The purpose of the research was: Identification of the influencing factors in the choice of food, and among the objectives we can list: The degree of importance given to the label of the products, Awareness of the reasons of purchase by the consumers, the degree of knowledge of the nutritional information on the packaging of the products, .

The research was based on a questionnaire consisting of 20 closed and open questions, both demographic and meant to determine consumption intentions, the degree of attention, of importance given to certain factors (eg. Do you consider that you have a healthy lifestyle? what do you consider this food to be healthy?) and was addressed to a number of 120 respondents.

The research started by trying to identify the reasons why consumers choose a particular product, and the results showed that most consumers choose the products they consider healthy, which benefits the body. The next reason for the purchase is the one based on personal preferences, a large part of the consumers choosing a product just because they like its taste, reasons followed by the favorable quality-price ratio, the brand's fidelity, or other nutritional benefits.

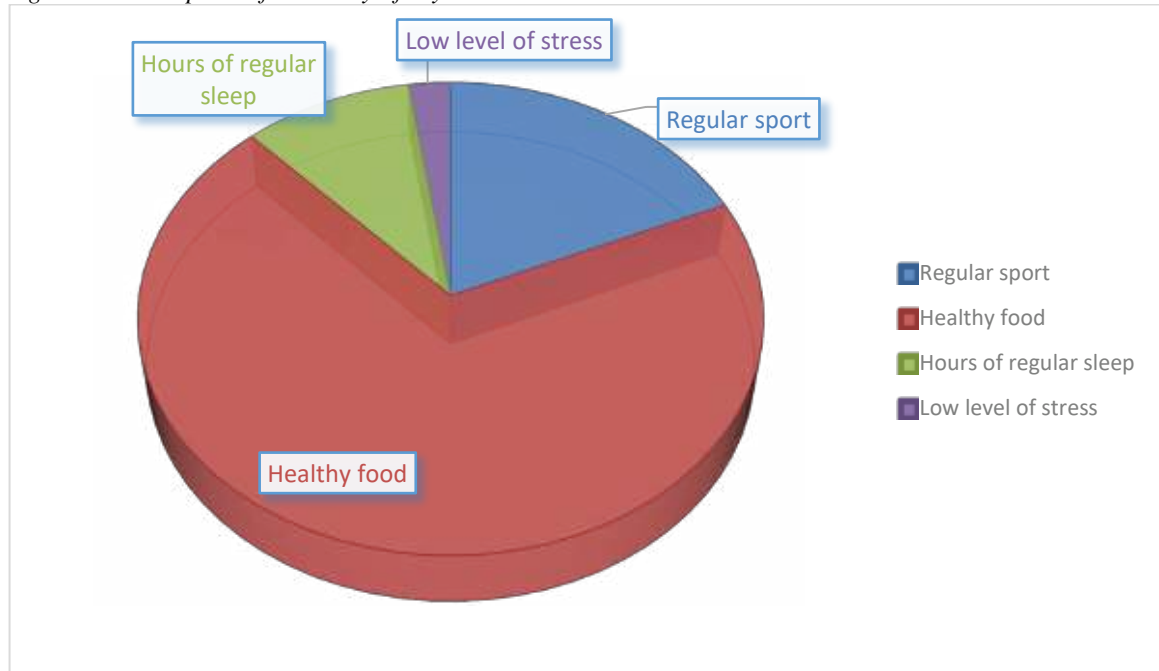
Figure no. 1 - Reasons to purchase food products BIO



Source: made by the author for the research

Subsequently, consumers were asked if they consider that they have a healthy lifestyle, and following the answers, I asked them to detail why they have these considerations. Following the analysis and organization of the answers, the results showed that most of the respondents consider that they follow a healthy lifestyle, because they consume healthy foods, or they do regular sports.

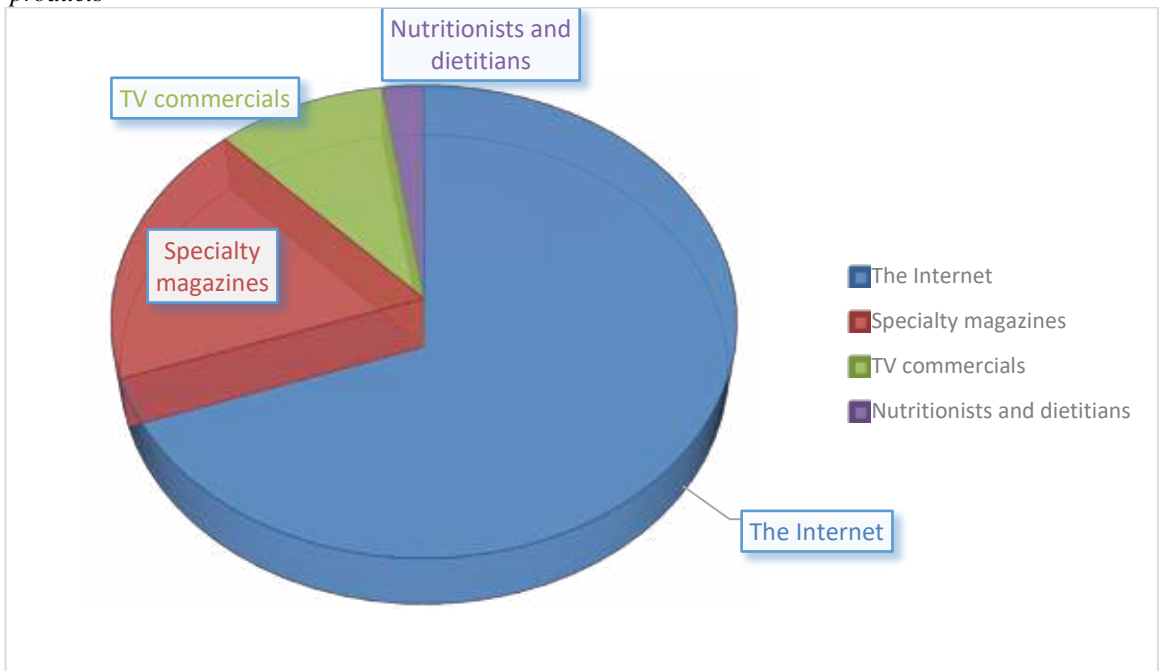
Figure no. 2 - Aspects of a healthy lifestyle



Source: made by the author for the research

Another question in the questionnaire was to identify the sources of information that consumers use in identifying the advantages of consuming BIO products, but also in determining the most qualitative products or brands of this type.

Figure no. 3 - Sources of information that consumers use in identifying the advantages of consuming BIO products



Source: made by the author for the research

The results showed that the primary source of information for both areas of interest is the internet, most consumers searching online for the information they need. A small part of them replied that sometimes they also read specialized magazines.

4. Conclusions

In conclusion, the market for organic products is growing, but far from the level of the conventional product's market. People are willing to go more and more towards this healthier alternative, even if it is often more expensive, but few are ready to give up conventional products altogether. Consumers seek to lead a healthy life, but often organic products are inaccessible to them. The attitude of consumers towards organic products reflects the correlation between the variety of consumer decisions regarding meeting the essential needs and the influences of the social-demographic environment in which he lives, learns, manifests, and behaves.

It is worth noting that the correct information of the consumers is beneficial, being the critical factor that determines in advance the final choice of the consumer regarding the purchase of the products. In the case of the existence of a developed economy, there is a high consumption of organic food, this type of purchase is based on economic, ecological, and social factors. Thus, there is worldwide misinformation regarding organic products, and their characteristics are not well understood. Their purchase leads to higher costs, which in the eyes of most customers is not justified, despite the taste or health benefits. A good state of health is considered by some consumers to be dependent on the constant consumption of organic foods, especially fruits and vegetables. Thus, we can conclude that it is vital for consumers at the moment to educate them from a food point of view and to convert them to a lifestyle that requires the correct consumption of organic products.

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Study on Financial and Outcome Measures of Education Sector from Romania

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Abstract

In Romania as a consequence of a policy that did not establish education as a priority area, the rates of financial allocations for education related to budget revenues and GDP decreased, which had an bad effect on the outcomes in education sector bringing a change in some measures calculated on the basis of graduates' number, school population, the number of students who passed the baccalaureate exam, graduates' employment rate, enrollment in education, and the leaving rate. This paper aims to investigate the evolutions of educational expenses and outcome measures that describes the education sector in Romania and the principal influences that are established between these measures.

Key words: educational system, financial measures, outcome measures, Romania

J.E.L. classification: O15, I20, H52

1. Introduction

Teachers (employees of educational institutions) are important actors in society and contribute to the formation of social attitudes and policies, being vectors of societal change. It is important for teachers to be aware of this pro-active social role having a major responsibility for the formation of the future society (Eurydice, 2018). This allegation emphasizes the decisive role that teachers must occupy in the process of social transformation, while emphasizing the difficult position, as they face changes for which they cannot be solely responsible (Barbu and Barbu, 2012).

A deep understanding of the need to increase the effectiveness in education may be the motivating aspect to inspire both the establishment of a policy for rethinking education and elaboration of a HRM strategy aligned to it (Eurydice, 2004). It is absolutely necessary that, in Romania, a strategy for improving education should also include new approaches on organizational governance and HR management.

Within this paper we propose to investigate the evolution of some financial and outcome measures from education.

The paper is organized into five sections. First section is an introduction of the research theme. In the second section we review on short the literature. The third section set up the methodological lines. The fourth section expose the influences among variables. The fifth section offer the conclusions.

2. Literature review

Romania is considering a series of strategies aimed at modernizing the educational system, in order to respond to the challenges that are manifested at European and specific, at national level. However, the implementation of these strategies is progressing at different speeds, and policies to

improve participation rates, considering that the education system fails to keep up with the demands of a modern economy (OECD, 2005, 2014).

The commitment of public authorities towards improving and maintaining the level of education, consequently, must be associated with a commitment to improve and maintain the financing of education, since teacher salaries are by far the largest part of budget (Eurydice, 2015).

In Romania, education system face problems of deficiency of teachers. Although there has been an increase since 2016, spending on education remains low. Primary and secondary education is essential for a beginning in life under conditions of equality and in order to combat the phenomenon of early school leaving, a phenomenon that remains a problem in Romania (OECD, 2009).

The salaries of teachers in Romania are among the lowest in Europe for all categories. In Romania, starting with January 2011, the basic salaries have recorded significant increases, however, still being among the lowest in Europe. A bonus system was created to encourage teachers to work in rural areas (OECD, 2014).

3. Research methodology and hypotheses

Starting from the allegations of the previous studies, we formulated a hypotheses concerning the trends in the education sector in Romania: *The main outcome measures (the rate between the number of graduates and the school population - RGP, the degree of enrollment in education - DEP, the leaving rate - LRP, the pupils' numbers who passed the baccalaureate exam - PPB, the graduates' employment rate - GER) suffer influences from financial measures (expressed by the share of educational expenditure in budgetary income - PEEBI and the share of the educational expenditure in GDP - PEEGDP) at the pre-university level.*

This hypothesis will be validated or invalidated, and the resulting conclusions will allow to formulate recommendations. As research tools we will use descriptive statistics, correlations and analyze the artificial neural networks that are established between the variables to identify their influences.

4. The effects of educational expenses on the main outcome measures

In order to investigate the validity or invalidity of the hypothesis proposed in the paper, we collected for the period 2003-2017 at the level of Romania data which characterizes the financial and outcome measures from education. The state regarding the analyzed measures at the level of Romania is displayed in table 1.

Table no 1. Evolution of the outcome measures and the educational expenses of Romania at pre-university level

	PEEBI (percent)	PEEGDP (percent)	RGP (ratio)	DEP (percent)	LRP (percent)	PPB (number)	GER (percent)
2003	15.03	2.02	17.7	73.2	1.7	156076	69.2
2004	14.81	1.93	19.8	72.7	1.8	162556	70.4
2005	15.64	1.93	19.5	74.4	1.9	168058	70.8
2006	18.99	2.02	19.0	76.7	2.1	171015	72.6
2007	19.44	1.97	19.4	81.1	2.4	181589	73.8
2008	19.10	2.36	18.9	85.9	1.3	199972	75.5
2009	17.81	2.30	18.7	86.5	1.1	199006	72.6
2010	13.61	2.31	18.2	88.3	2.0	162482	69.8
2011	11.35	1.86	15.3	83.9	2.6	110412	67.8
2012	11.18	1.56	15.4	82.9	2.6	101655	68.1
2013	11.39	1.55	15.1	82.6	1.9	112223	67.1
2014	12.43	1.62	16.2	73.6	2.0	102718	68.6
2015	11.96	1.71	14.8	72.4	2.5	118313	67.5
2016	12.15	1.69	14.9	72.1	2.4	95940	67.1
2017	13.00	1.53	15.0	72.3	2.0	100774	69.7

Source: Data collected from INS (2019) and Eurostat (2019)

In order to determine the effects of the educational expenses on outcome measures, we calculated the correlations recorded between the evolutions of the values of these measures recorded during the period 2003-2017 (table 2).

Table no. 2. The correlations among the educational expenses and the main outcome measures

		PEEBI (percent)	PEEGDP (percent)	RGP (ratio)	DEP (percent)	LRP (percent)	PPB (number)	GER (percent)
PEEBI (percent)	Pearson correlation	1	0.715**	0.835**	0.207	-0.528*	0.898**	0.950**
	Significance		0.003	0.000	0.460	0.043	0.000	0.000
	Values	15	15	15	15	15	15	15
PEEGDP (percent)	Pearson correlation	0.715**	1	0.748**	0.534*	-0.605*	0.890**	0.723**
	Significance	0.003		0.001	0.040	0.017	0.000	0.002
	Values	15	15	15	15	15	15	15
RGP (ratio)	Pearson correlation	0.835**	0.748**	1	0.185	-0.531*	0.907**	0.798**
	Significance	0.000	0.001		0.510	0.042	0.000	0.000
	Values	15	15	15	15	15	15	15
DEP (percent)	Pearson correlation	0.207	0.534*	0.185	1	-0.228	0.391	0.338
	Significance	0.460	0.040	0.510		0.414	0.150	0.217
	Values	15	15	15	15	15	15	15
LRP (percent)	Pearson correlation	-0.528*	-0.605*	-0.531*	-0.228	1	-0.658**	-0.558*
	Significance	0.043	0.017	0.042	0.414		0.008	0.031
	Values	15	15	15	15	15	15	15
PPB (number)	Pearson correlation	0.898**	0.890**	0.907**	0.391	-0.658**	1	0.874**
	Significance	0.000	0.000	0.000	0.150	0.008		0.000
	Values	15	15	15	15	15	15	15
GER (percent)	Pearson correlation	0.950**	0.723**	0.798**	0.338	-0.558*	0.874**	1
	Significance	0.000	0.002	0.000	0.217	0.031	0.000	
	Values	15	15	15	15	15	15	15

** . The correlation is relevant.

Source: Developed by the author

The examination of the correlations from table 2 allows us to conclude that educational expenses of Romania is strongly correlated with the main outcome measures. We can say that the level of expenditure influences all the outcome measures. PEEGDP shows stronger correlations with the outcome measures compared to PEEBI.

The correlations of the share of educational expenditures in GDP with RGP, PPB, GER are strong, while the correlations with DEP, LRP are average, these measures being strongly influenced by other factors (social and cultural). All the outcome measures are positively correlated with the measures that illustrate the state's educational expenses, except the LRP which is negatively correlated. A rise in public educational expenses conduct to a decrease in the LRP and inversely. Likewise, a rise in the state's educational expenses determine an increase in RGP, DEP, PPB, and GER.

To determine the influence of the two independent variables on the dependent variables we proceeded to carry out an in-depth analysis. In this respect, eleven functions were tested to choose the optimal function for estimating the variation curve. Following the analysis of the values recorded by the tested functions we found that the optimal function is a hyperbolic type function.

Based on testing the functions to estimate the variation function, we deepened the investigation by performing a neural network analysis, in which we used as input variables the PEEBI and PEEGDP and as output variables RGP, DEP, PPB, GER and LRP.

Table 3 presents the summary of the MLP (multilayer perceptron) model and the estimated parameters. We used only one hidden layer, and the model generated four units of influence of the layer. The rescaling method used was data standardization.

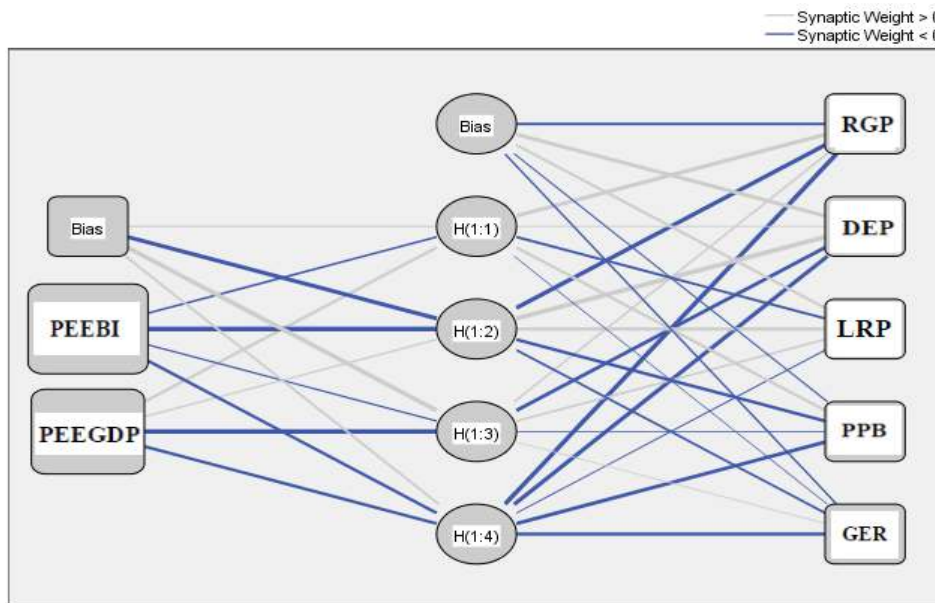
Table no. 3. Multilayer perceptron type model applied to the variables concerning the educational expenses and the main outcome measures in education

Predictor			Input Layer			Hidden Layer 1				
			(Bias)	PEEBI	PEEGDP	(Bias)	H(1:1)	H(1:2)	H(1:3)	H(1:4)
Predicted values	Hidden Layer 1	H (1 : 1)	0.420	-0.484	0.641					
		H (1 : 2)	-1.181	-2.139	0.460					
		H (1 : 3)	1.276	-0.448	-1.369					
		H (1 : 4)	0.545	-0.731	-0.744					
	Output layer	RGP				-0.599	1.065	-1.199	0.476	-1.244
		DEP				1.001	0.199	1.597	-0.927	-1.090
		LRP				0.613	-0.567	0.843	0.488	-0.338
		PPB				-0.360	0.631	-0.757	-0.054	-0.985
		GER				-0.463	-0.050	-0.520	0.112	-0.812

Source: Developed by the author

Following the analysis of the values recorded by the parameters estimated in the model, it is found that there is a directly proportional influence on the values of the variables RGP, DEP, PPB, and GER and inversely proportional to LRP exercised through the four units of the hidden layer by the variables concerning educational expenses. The variables concerning the degree of enrollment in education of the school age population and the leaving rate in pre-university education also bear positive influences that come from the variables that characterize the economic evolution. The hidden layer bias exerts a negative influence on the values of the variables concerning RGP, PPB, and GER and positive on the variables concerning DEP and LRP, being represented by the social and cultural factors which most strongly affect these variables. The input layer bias has mixed influences being represented by factors such as educational policies, the quantity and quality of human and non-HR. These relationships are graphically illustrated in Figure 1.

Figure no. 1. MLP network applied to the variables concerning the educational expenses and the main outcome measures



Hidden layer activation function: Hyperbolic tangent
Output layer activation function: Hyperbolic tangent

Source: Developed by the author

The analysis of the neural network that is established between the input layer defined by the variables on educational expenses and the output layer defined by outcome measures illustrates the influence of financial measures on the outcome measures. As a result of a policy that did not establish education as a priority area, the rates of financial allocations for education related to budget revenues and GDP decreased, which had an effect on the quality of the educational act, leading also to a decrease RGP, DEP, PPB, and GER and the increase of LRP.

Analyzing data we can conclude that the hypothesis is validated for the period studied (2003-2017). The reduction of budgetary allocations for education (related to total budget revenues and to GDP) had negative effects on education, reducing the quality and disturbing the main outcome measures.

5. Conclusions

In our paper we study the developments of the financial and outcome measures from Romania education system. In this regard, we formulated a hypothesis that were subjected to a validation process, during the research. According to the hypothesis, the main outcome measures in education (RGP, DEP, PPB, LRP and GER) are influenced by the evolution of the educational expenses of Romania (expressed by PEEBI and PEEGDP).

Using correlation analysis and neural network analysis, we observed that all outcome measures are positively correlated with the measures illustrating the state's educational expenses, less the LRP which is negatively correlated. A rise in public expenditures leads to a reduction in the leaving rate and vice versa.

As a result of a policy that does not place particular emphasis on rewarding HR, the teachers' motivation lessened what had a consequence on the quality of the educational act leading to the decrease of RGP, DEP, PPB, LRP and GER.

Government spending on education increased from 2011-2018, reflecting the increase in teachers' salary incomes. Despite wage increases, Romania continues to invest low financial resources in this area. The expenditures allocated to pre-university education related to GDP were constantly inferior than the European mean reported to the share of higher education expenditure.

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Marketing Research on the Competitive Travel Products Design

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Abstract

Starting from the idea that in the field of services, their quality is obtained only by placing the customer in the center of the performance act, our aim was to find out to what extent, in the field of tourism, the population participates in the obtaining of quality travel products and how their consumption influences the individual development and society as a whole. Based on these considerations, the present paper aims to determine how travel products should be designed to comply with the sustainability principles. In this respect, we conducted a research on the opinion of foreign tourists visiting Constanta, Romania, to further find out from them what the researchers who carried out the research in the tourists' country of residence could not find out. Thus, a combined tourism product that would include a circuit in three European countries could be designed.

Key words: travel product, research, foreign tourist, marketing

J.E.L. classification: Z3, M30

1. Introduction

Tourism management implies the analysis of any activity related to tourism and accommodation services from the perspective of allotment and spatial rapports with other facts. Tackling it only considering the spatial relationship, although this approach is an important characteristic of geography in general, does not correspond to researchers' requirements in tourism management.

The diversification and modernization of travel services are an integral part of the permanent fundamental concerns of travel companies, as one of the basic directions to stimulate tourist demand and achieve a higher quality level of satisfying consumers' needs for travel goods and services. Tourism is an industry that has extremely optimistic forecasts for the future, its importance becoming gradually higher, both globally and regionally, nationally and locally. Over the years, tourism has undergone a continuous and thorough diversification thus becoming the branch of the economy that has gained the fastest economic growth around the world. Modern tourism is closely related to a continuous development and encompasses a growing number of destinations. These dynamics have transformed tourism into a key factor for the global socio-economic progress. As an activity overview focused on fulfilling tourists' needs during their stay, the travel services have the role to exploit the tourism potential of the chosen destination, thus becoming a catalyst for the development of tourism. Considering the amplitude and dynamics of tourism as phenomenon, a continuous process of travel services development and diversification in view of satisfying consumer's needs and desires can be fully observed.

Therefore, commercialized travel products must be carefully designed as to not affect the environment and smooth development of travel activities. At the same time, the development of certain competitive tourism products leads to the improvement of the quality of life and the stimulation of the disadvantaged areas.

The purpose of this paper is to emphasize how travel products are created in order to best meet foreign tourists' needs. This work can be used by both Romanian tour operators and other individuals skilled in the production of tourism products.

The competitive development of travel products leads to generating new jobs, both directly - in the field of travel services production and distribution - and indirectly, through the multiplier effect on the related branches. Travel products launching will lead to special effects on the connections that will be created between hosts and tourists, the relationships between appreciating values and the standard of living between the participants in the act of tourism, communication, exchanges of ideas, etc. The novelty of a competently designed travel product, the existing conditions, the culture of people and places, doubled by hospitality, interest, motivation and aspiration for a better life will consecrate the development of a truly sustainable tourism.

The localities where the travel product thus created will be implemented will become spaces where all elements of the local sustainable development will be assembled. The interest to improve the infrastructure, establish a spiritual life of the envisaged localities will emerge. This will create the support for improving public services.

According to a reputed specialist, the travel product exerts a complex influence on the overall level of economic development of the localities considered (Stanciulescu, 2014, p.56). This will achieve the strategic objectives that take into account the insurance and protection of the human factor, the technical endowments and heritage conservation, grouped in three directions of action as follows:

- Stopping the migration of population from certain disadvantaged environments (e.g. rural areas) and stimulating the return, at least partially, of the population to these zones.
- Ensuring the living and civilization conditions in those environments by stimulating the stability of the active population in these environments.
- Preserving and protecting the natural environment - factor of attraction for the indigenous and foreign population.

By launching the travel product on the international market the rural, mountain, ecological and cultural tourism will become a cultural-educational ambassador, a constant and not costly tool - for example the continuation of the economic activity in a poorly productive environment, the prevention of the unemployment rate growth, the major contribution to increasing the general degree of civilization of a large category of population, especially by improving sanitary conditions, social behavior and cultivating aesthetic taste.

2. Literature review

In sustainable development, tourism plays an essential role in highly contributing to Romania's economic relaunching and revamping. The development and diversification of travel services are debated and supported by many specialists studying modern tourism, being considered key elements for the capitalization of tourism potential. A high-quality service is a way to ensure profitability as it endorses greater price stability under conditions of increasing competition, while a quality service is also a satisfaction as it constitutes the basis to build a culture in that firm (Minciu, 2014, p.412). Another aspect to stress is that tourism, as phenomenon, but also as activity, is unique, precisely through that dependency that it manifests towards natural, social or cultural environment, but also towards transport. Due to this dependency, tourism has an undeniable interest in ensuring their sustainability.

For a long time, the idea that the rail transport means the most exhaustive and best organized transportation system has been approved, yet through the explosive growth of the auto and air transport, things have been reconsidered without doubting the significance of the railways within the overall transport system. This significance imposes the present and future necessity to modernize the rail transport in order to handle the pressure of competition before the other transport means (Daneci-Patrau, 2013, p. 64). From studying tourism's positive economic effect on the economic development at national, regional or local level, we can infer that it leads to the idea that there are at least three important multiplier effects: the multiplier effect of tourism, the multiplier effect of travel investments and the multiplier effect of foreign trade (Cristureanu, 2018, p. 178). Being a particular area of economic activities, travel services present a number of traits which, although characterize the tertiary sector in general, have specific peculiarities, mainly determined by the content of the tourism offer and demand, the forms in which materializes the meeting between the demand and offer. Thus, the consumption of travel services is characterized

by a large gamut of peculiarities (specific traits) which separates it from the consumption of goods and at the same time defines its contents (Rezeanu, 2017, p. 153).

On the official website of the National Tourism Authority of Romania (www.mturism.ro) were presented the studies carried out by a series of specialized institutes from 11 countries where Romania has Travel Promotion Offices: Austria, Germany, Italy, Finland, Hungary, Norway, Sweden, the United Kingdom, Spain, France and Denmark. The studies were commissioned by the Romanian Offices and had as main objectives, for almost all countries: how Romania is perceived as a potential tourist destination by the tourists from each of the 11 countries; what the strengths, weaknesses, opportunities and threats are for the Romanian travel products and what is the image of Romania as a tourist destination on the market of each country; which Romanian travel products would be most interesting for the travelers from the 11 countries; how Romania is perceived as a tourist destination in comparison with other Eastern European countries in terms of natural potential, services offered, value for money, etc.

The idea concluded of all studies assessed is that Romania has considerable natural resources, with great potential for tourism development. Most of the examples mentioned by the French people heed: mineral or thermal water treatments from the seaside resorts and tourism from the seaside resorts. Romania also benefits from the diversity of natural landscapes (a strongly contrasting natural environment) and the warm greeting offered by natives to foreigners and which is acknowledged by everyone.

From the study carried out by InterPress on the Spanish market, it turns out that the Romanian tourism market potential is large enough to be promoted in Spain: diverse and complementary tourism resources (culture, nature, sports and ethnography); the "Latin" character, with a language with common origins and certain cultural features that bring the two countries closer together; relatively close to Spain from a geographical point of view (less than four hours by plane); recent establishment of air connections that can promote travels between the two countries; the increasing presence of Romanians in Spain, which made Spanish people to want to get to know more about a country they hardly knew before; a well-preserved nature, in some cases original and extremely attractive (especially the Carpathians and the Danube Delta); the enormous cultural, architectural and artistic treasures ("the largest jewels – the monasteries, the castles, the churches and the traditional villages from Maramures and Bukovina should be capitalized", according to the interviewees).

The Danes emphasize that Romania has the potential to provide many opportunities for a family vacation with children. In addition to adventure and family values, many former Danish tourists say that it is cheap to visit Romania.

Without the intention to present the values of Romania, as they were perceived by the tourists or tour operators from all 11 countries, the opinion expressed by the English caught our attention. According to the study "Romania in the UK Travel Market - Image and Product Perception Analysis", carried out by Trip Vision in February 2006, Romania's strengths are: intact nature; life in the countryside; heritage; multiculturalism; diversity; smaller or larger, beautiful and undiscovered cities (except Bucharest); lifestyle (outside the capital); child safety; deep family orientation; organic food in rural areas (good for vegetarians) etc.

But there are other English travelers, strongly motivated by the desire to see new things and discover new places. Trip Vision dubbed these types of individuals "Explorers" and considered them the segment of consumers with the greatest potential for the Romanian tourism market. Explorers travel more than the average tourist, but more importantly, they are more open and independent and appreciate experience authenticity before comfort.

According to the study conducted on the UK market, the main opportunities of Romania would be: differentiation from other Eastern European countries (through language, culture, food) and promotion of specific vacation offers and images that are known to be international. Romania was spontaneously described by English respondents as "romantic", starting with the life in the countryside, moving to the architecture and history of the destination. Romanticism is something that the other Eastern European countries lack and this should be the basic message promoted by Romania, around which several specific product offers can be added. For instance: skiing, sledding, pleasant evenings with good food and drinks more affordable than in other ski resorts. There is a sufficiently large number of themed holidays that can be linked to the same primary

communication in order to render Romania a differentiating, distinctive and positive aspect compared to other destinations, especially those from Eastern Europe that may be considered competitors.

In Norway, the articles found on Romania and, in particular, the image of holiday makers focus on the following issues:

- A new holiday destination, which can be further developed.
- A convenient destination in terms of travel products rates.
- An interesting destination for strengthening the Eastern European myth.
- Some exotic tourist attractions.

Romania is a destination that surprises most visitors, especially due to the modest initial expectations. Tour operators often meet tourists' positive astonishment regarding Romania, often due to the complete lack of or modest expectations. The feeling of security is one of the aspects that surprised many tourists that visit Romania. The conclusion of this study states that what is essential for Romania is not necessarily new inventions in the field of tourism. Instead, there is a need for marketing and attention in the direction of the many opportunities this country offers for those interested in trying something different. There is an abundance of other tips that Romania has received through these studies related to the image of the country, as a tourist destination. Space does not allow us to present them all. However, we invite all those interested to study these materials and act accordingly. We also hope that those who commissioned these studies will draw the rigorous theories and take all the necessary steps to improve the image of Romania as a tourist destination.

3. Research methodology and hypotheses

Next, we present a marketing research conducted among foreign tourists arriving in Constanta with various travel reasons, in order to identify their preferences regarding the tourist objectives in Romania, the preferences regarding the accommodation services (type of accommodation structure, category of accommodation unit, etc.), type of B&B (full board, half board, etc.), preferred form of tourism. Based on the results yielded by this research, we will produce a lump sum travel product, in the areas indicated by foreign tourists as they know them (or that they would like to discover), with the tourist attractions that can be visited in the respective areas (we consider the following tourism activity: hiking), with the most frequent type of accommodation indicated by them, etc.

The research was based on the following three hypotheses:

- I.1 Foreign tourists use 50% combined means of transportation.
- I.2 More than half of foreign tourists travel for business purposes to Romania.
- I.3 More than half of the foreign tourists consider it appropriate to include Romania in a tourist circuit.

For financial reasons and because the purpose of this research is didactic, we could not respect the size of the sample, hence we condensed it to 100 people. We distributed 110 questionnaires that could be validated based on questions. The first stratification variable was represented by the foreign tourists staying in the type of unit (hotels, B&Bs, villas, motels), and the second variable represented the size of the accommodation unit in which the foreign tourists are accommodated, in relation to the number of employees.

In order to ensure the representativeness of the sample, in the random selection of the accommodation units where foreign tourists are accommodated, their proportion within the total of researched population was respected, namely:

- Foreign tourists staying in hotels 52%.
- Foreign tourists staying in urban tourist B&Bs 31.5%.
- Foreign tourists staying in farm B&Bs 11.21%.
- Foreign tourists staying in villas, cottages, camping, etc. 5.29%.

In order to obtain the most correct and accurate data, we used the direct interview method, which involved moving to each accommodation unit and conducting an interview with the foreign tourists accommodated. The information was collected directly from the foreign tourists who wished to participate in the interview and who were informed about the researched topic and were

assured of the importance of the answers given. The accommodation units where the foreign tourists were staying (hotels, tourist B&Bs, agrotourism B&Bs, villas, tourist cottages, etc.) were randomly chosen.

The working tool of this research was a questionnaire, consisting of 27 questions grouped as follows. The first part of the questionnaire included identification questions:

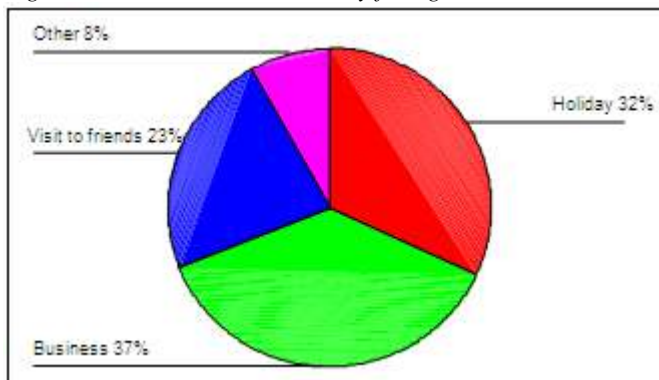
- About the reasons why tourists interviewed visited Romania.
- About the quality of the different types of services requested by tourists during their stay in Romania.
- About the positive and negative aspects held by tourists.
- About the areas most often visited by foreign tourists.

In the second part of the questionnaire there were questions used to identify the interview subjects related to age, sex, level of preparation, country of residence.

4. Interpretation of results

Following the survey, it was found that out of the 100 interviewees, 32% indicated holiday, as the main reason for visiting Romania, 37% - business, 23% indicated visits to friends and relatives, and 8% indicated another reason. But we notice that adding up the tourists who visit Romania for the holiday with those who come to visit their friends and relatives it equals 57% of the total respondents, which means that they could be willing to go on a mountain hike to visit the tourist spots of great attraction. Figure 1 shows the main reason why foreign tourists visit Romania.

Figure no.1. The main reason why foreign tourists visit Romania



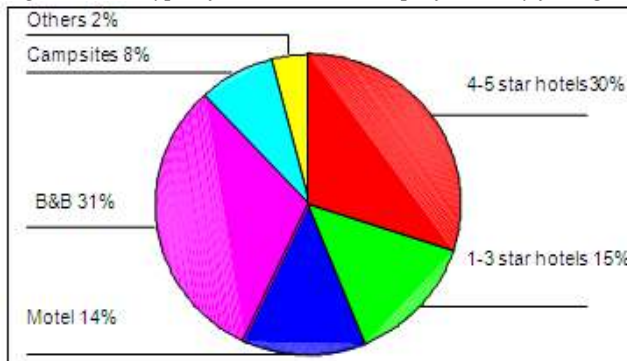
Source: own processing

Regarding the means of transport used to travel to Romania, 46% of the 100 interviewees replied that they used the plane as a means of transport and only 5% indicated the vessel. On the second place in the preferences tourists indicated the car (27%), hence it can be concluded that for the transport of tourists in Romania a combination of the two means of transport, namely the plane and shuffle bus can be used.

As a result of the survey, from the 100 interviewed tourists 34% indicated Bucharest as a tourist destination visited in Romania and only 2% indicated Bukovina. We can observe that, in ascending order, the preferences of the interviewed tourists are directed towards Transylvania (21%) and the Carpathian Mountains (12%). So, a combination of tourist areas can be made in order to create a travel product. As a main attraction, the interviewed tourists indicated businesses in proportion of 36% and closely followed by the legend of Dracula in a proportion of 25%, followed by mountain hiking in a percentage of 14%. Only 3% of those interviewed indicated equally the traditional culture and the history of Romania, meaning that the last two positions should be much more promoted, both at tourism fairs and in accommodations. Regarding the opportunity of introducing Romania in a tourist circuit together with other neighboring countries, 68% of the interviewees answered "yes" and only 32% gave a negative answer, which shows that Romania would be much more demanded as tourist destination in such a circuit.

Tourists' preferences regarding the type of accommodation selected shows that 31% of the interviewees opted for B&Bs, followed by the 4-5 star hotels, in proportion of 30%. A very small percentage is composed of the campsites that were preferred by 8% of the interviewed tourists and this is due to the fact that there are very few functional and of a higher quality units like this.

Figure no. 2 Type of accommodation preferred by foreign tourists



Source: own processing

Regarding the tourists' opinion about the quality of travel services, following the research, the average values presented in table 1 were recorded (on a scale from 1 - excellent to 5-very negative, 6-do not know).

Table no. 1. The quality of travel services

Travel services	Average values
Hotel/Motel	2.23
B&B and full board	2.14
Travel agency services	2.37
Restaurants/Bars	2.25
Road and local transport	2.80
Airport services	2.37
Tour guide services	2.48
Leisure activities	2.57
Attractions/Museums	2.13
Shopping	2.49
Souvenirs	2.39
Information services	2.96

Source: Author's contribution

We can notice that the best average of the Romanian travel services according to the tourists' preferences expressed in the research carried out is of 2.13 for attractions/museums and for B&B accommodations, the calculated average is 2.14. All other services are considered by tourists between good and satisfactory.

As a result of this research, a profile of the foreign tourist in Romania can be created, or an image of his/her preferences, according to which a travel product that corresponds to the expressed wishes of the interviewed tourists can be made.

Here's how we synthesized the preferences:

- The main reason for visiting Romania: holidays and visits - 55%.
- Means of transport used for coming to Romania: plane - 46%, car - 27%.
- Favorite regions to be visited: Bucharest - 34%, Transylvania - 21%, Carpathian Mountains - 12%.
- Specific attractions sought in Romania: business - 36%, Dracula legend - 25%, mountain hiking - 14%.

- The opportunity to create a tourist circuit in which Romania enters along with other countries: Yes 68%.
- Reasons for choosing Romania as a tourist destination: curiosity – 26%, recommendation – 22%, price – 20%.
- Most appreciated tourist services in Romania: attractions and museums, full board B&B.

From the analysis of these data we have designed a lump sum travel product in the form of a tourist circuit in which several forms of tourism will be combined and where Romania will participate alongside other neighboring countries such as: Hungary, Bulgaria. We will use as means of transport the plane and shuttle bus to transport the tourists to their tourist destinations. In Romania, the travel product will include visiting the capital, Prahova Valley, Transylvania and we will use mountain hiking as a means of recreation. The tourist services will be at affordable prices and as accommodations we will choose 4-5-star tourist B&Bs, as far as possible, with full board or half board. This travel product will include other regions too beside the areas known by foreign tourists, this being a very good way of promoting them.

5. Designing the combined travel product

Based on the marketing research for the design of the lump sum travel product, it was concluded that over 60% of the foreign tourists interviewed, consider that Romania (as a tourist destination) would be much more attractive if it got included in a tourist circuit with the surrounding countries: Bulgaria and Hungary.

We will further present a lump sum travel product consisting of a tourist circuit in which we will combine Bulgarian coastal tourism and Romanian mountain tourism from and cultural tourism from Hungary. Of course, within the mountain tourism that we will present in Romania, along with the mountain hiking we will also envisage objectives of cultural interest in the areas we travel, so here as well we will combine the mountain tourism with the cultural one.

The lump-sum travel product entitled "Let's Discover Romania" has as theme sports tourism intertwined with discovering the cultural and tourist objectives from Transylvania area and Apuseni Mountains area. 'Țara Moșilor' is an extremely beautiful area, with a natural potential that is insufficiently exploited, but which offers optimal conditions for mountain hiking and adventure sports, such as: paragliding, river rafting, rock climbing, mountain biking etc.

Beside the possibilities for sports leisure, tourists can visit tourist attractions with a cultural value that is recognized abroad: Prahova Valley, with the famous mountain resort Sinaia (Sinaia Monastery, Peles Complex which includes Peles Castle, Pelisor, Foisor, Guard's Chambers and Economat), the city of Brasov (the Black Church, the Church of St. Nicholas of Scheii Brasov, Brasov Citadel), the city of Sibiu, the Cultural Capital of Europe in 2007 (the Brukental National Museum, the Council Tower, the Carpenters Tower, etc.). Meshing the forms of sports leisure (adventure sports) and the discovery of the cultural treasures of the region aims to fully meet tourists' expectations and needs, the more so as the travel product is addressed to foreign tourists.

The lump sum travel product "Let's Discover Romania" is an 18-day vacation, distributed as follows:

- *Bulgaria* - 5 nights (6 days) in the Albena resort on the Black Sea coast, at the 4-star Laguna Garden hotel, in an all-inclusive system.
- *Romania* -10 nights (11 days) as follows:
 - Sinaia - 2 nights (3 days) - accommodation at Villa Boema *** in all-inclusive system
 - Sibiu -1 night (2 days) - accommodation at Arpasel B&B 4 daisies – dinner
 - Alba Iulia - 2 nights (3 days) - accommodation at San Bened Mansion in full board system
 - Garda de Sus - 2 nights (3 days) - accommodation at "Mama Uta" Guesthouse - dinner
 - Padis - 3 nights (4 days) - accommodation at Ic Ponor Guesthouse in full board system
- *Hungary* - 2-night accommodation at Budapest Star Hotel ***.

Transporting tourists to the destination will be done by plane from the tourists' destination country - Varna (Bulgaria), then after the 5-day stay on the Bulgarian coast, transport by plane on the route Varna (Bulgaria) - Bucharest (Romania) and then by shuttlebus from Bucharest on the whole route through Romania, including Hungary, from where the tourists will return to their

destination country by plane from Budapest (Hungary). Apart from the basic services, accommodation, meals and transport, several recreational services are offered, consisting, on the one hand, of mountain hiking, and on the other hand, of visiting historical-cultural objectives in the area. Mountain hiking is practiced as a group, with a specialized guide speaking a language of international circulation, following certain rules and instructions.

6. Conclusions and proposals

A well-designed travel product, based on research, can influence the development of a disadvantaged area by:

- *Bulgaria* - 5 nights (6 days) in the Albena resort on the Black Sea coast, at the 4-star Laguna Garden hotel, in an all-inclusive system.
- Attracting a flow of foreign tourists to the area.
- Modernization and extension of infrastructures: accommodation, food, transport so as not to affect the existing natural environment.
- Creating new jobs and developing the local human resources through the improvement of the employees.
- Maintaining the continuity of the traditions, customs and spiritual values in the area.

The travel product designed was created based on the preferences of foreign tourists, expressed in the analyzed research, which should ensure the tourist flow in the areas promoted by the respective product and a high degree of tourist satisfaction.

The quality and competitiveness of travel products contribute to the development and maintenance of a sustainable tourism.

We will mention the following proposals:

- Informing and raising awareness to the travel agencies and tour operators on the importance of designing competitive travel products that will determine the achievement of sustainable tourism in the area.
- State's involvement by granting facilities to the tourism agencies that promote such Romanian tourism products in the economically disadvantaged areas.
- Hiring specialized personnel with higher education in the field by tour operators and travel agencies.

The tendency to customize travel services and the development of new forms of tourism will lead to an increase in tourism employment, and, simultaneously, to the diversification of tourism professions. Some of the main activities performed by tourism employees are in the field of tour operators, travel agencies, tourism promotion and advertising.

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Implications of Modern Leadership Styles on Managers' Organizational Behavior

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Abstract

Leadership results from the action of a large number of factors, among which an important role is played by the organizational culture, leaders' qualities and characteristics, motivation tools, hierarchical position, functional and psychological autonomy, groups of managers and subordinates and information system. In turn, these factors are found in an interdependence relationship, forming a system in which any modification of an element affects the other elements. In such a system, leadership, as a reflection of managers' behavior in relation with subordinates, collaborators or hierarchic bosses, shapes itself as a resultant. From the point of view of managerial practice, the major issue of leadership lies in increasing its efficiency and effectiveness, subordinated to achieving the best possible results by the organization. The purpose of this work is focused on analyzing how leadership modern styles influence the organizational behavior of human resource managers.

Key words: organizational behavior, management, human resources, leader, efficiency

J.E.L. classification: M12, O15

1. Introduction

The first research on leadership was undertaken around the year 1920 starting from the premise that a good leader is born a leader and not further shaped into one. In these circumstances, this research focused on identifying the traits needed for a successful leader. It was hoped that, consequently, the people to be designated in managerial positions would be thus characterized. However, this research did not lead to conclusive results, which caused further studies to be oriented towards other directions.

During the past decade, leadership has outlined itself as a major management component with a special specificity and autonomy and exerting a major influence, not seldom even decisive on the performance of the organization. At present, research on leadership is highly diversified, with two basic approaches being distinguished: the *psychological approach*, where informal leaders and research starting from *concrete management situations* and managers' action within these organizations have been specifically targeted.

Leadership as a current management element carries a variety of approaches. One of the most prominent American authors, S.C. Certo, in one of his well-known work, defines leadership as the process of influencing, in a given organizational context, the behavior of others and their coaxing to act in a certain way or follow a course of action as to create the possibility to accomplish the objectives set (Certo, 2018, p. 116). According to this approach, the leadership inspires, motivates, directs the work of others in view of the achievement of the objectives of groups or organization. In the vision of Jacques and Clement, leadership is the process whereby a person establishes a purpose or direction for one or more people and persuades them to act together with competence and full dedication toward their fruition (Nicolescu, Verboncu, 2018, p. 375).

Leadership directly influences the manner of adopting decisions aimed at issue solving or economic process evolution correction. A good manager is constantly informed about the organization's problems, focuses on key priority areas, trains their subordinates for continuous

innovation actions and is concerned about ensuring their motivation. In turn, a leader possesses specific skills, is effective, quickly observes activity deviations and makes effective decisions. Leaders operate through a series of tools for staff training and motivation aiming to promote organizational objectives and decisions implementation.

2. Literature review

Following the approaches in specialty literature has enabled us to establish three typical situations on how to use the *leadership* and *management* concepts:

- *Identification of the two notions*, when the authors use the two concepts randomly, resorting to one or the other as the context requires, without the express intention of distinguishing them. Such an operational method occurs mainly in those cultures where there are no distinctive terms to designate the two realities; It is also the case of the Romanian language, where these two terms were translated by the term "leadership".
- *Categorical differentiation of the two notions*, being a typical opposite situation consisting in drawing an express separation between managers and leaders; According to this, leadership is preoccupied by the determination of vision, directions of action and main human approaches, while management's object of activity is effectively operationalizing all these directions and approaches.
- An *intermediate situation*, which establishes a relationship of the two notions as part and whole, so that most authors appreciate that *leadership is an essential part of management*, constituting one of the ways in which management ensures organizational efficiency. The standpoint according to which management is a part of leadership, namely one of the tools through which leadership is achieved is also present, albeit at a lower frequency.

There are also authors who consider that none of the typical situations encountered in specialty literature on how to use leadership and management notions is satisfactory. One of them, M. Zlate, proposes an authentic solution regarding the postulation of partial coincidence relationships of the spheres of the two notions, meaning that leadership and management, leaders and managers have their individual elements which ensure individuality and relative autonomy, but also a number of common elements, which facilitates their mutual interaction and empowerment (Zlate, 2017, 222).

In addressing leadership issues, the concepts of *manager* and *leader* are implied. The leader is generally considered to be any person with the capacity to establish objectives and action methods that is of interest for a group of individuals and get them affectively and actively involved in their operationalization. Such an approach on leadership is generally valid for any field of activity and in any situation, it does not refer only to organizations.

Research regarding managers and leaders lead to a criteria system according to which their analysis and characterization are made and the conclusion being the obtaining of major differentiations between the two categories. The main criteria and major differentiations between managers and leaders are presented in table 1.

Table no. 1 Differences between leaders and managers

Categories of leaders	Criteria			
	<i>Purpose</i>	<i>Conception on work</i>	<i>Relationships</i>	<i>Image of self</i>
MANAGERS	Manifests impersonal, passive attitudes	Coordinates and balances work. Resorts to value compromises	Does not involve too much in the relations with the others	Identifies with the need to maintain current order, are more conservatives
LEADERS	Manifests personal, active attitudes	Stimulates work, offers and creates possibilities to choose it	Are empathic, pay attention to the significance of actions and events	Have a weaker self-identity being oriented towards change

Source: Adaptation after Zlate, M., 2007, 219

Compared to the leader, the manager is that person who actually holds a managerial position, which means that other constituents of the organization are directly subordinated and who, by virtue of the tasks, competences and responsibilities of the occupied position makes decisions and initiates actions directly influencing other people's actions and behaviors (Zlate, 2014, p. 177).

If the manager's main concern is that tasks are met, according to Professor P. Nica, the leader focuses his attention on the people who fulfill these tasks (Nica, Iftimescu, 2014, P. 321). To be successful in business, managers rationally distribute their attention to the processes within the organization as well as to the people carrying out these processes.

The hierarchical position and power displaying manner influence the management style, in the sense that a group is easier to run when the manager is on a higher hierarchical level and his position is more powerful; The value system puts its strong mark on leaders' attitude and behavior.

Autonomy, appreciated as per the time during which a manager can exercise his own duties and responsibilities without resorting to the hierarchical head, depends both on his psychic structure and hierarchical position. Autonomy targets both the conceptual and action fields. Both groups of managers and subordinates, through the level of training and education, skills, cohesion, solidarity and current dominant views, influence the adoption of a participatory leadership style where either creativity or an authoritarian, rigid style that causes interpersonal tension and frustrations is stimulated. Knowing the specifics of the activity and the groups of people they lead, leaders can improve their behavior by adopting the most appropriate leadership style. Due to this fact, each leader has their own original style and not an ideal unique leadership type.

The actions and behavior used mainly by managers as well as the method to conceive and conduct managerial processes and relationships differ to some extent from one case to another. In most organizations, the type of manager and its management style have a wide generation that involves taking into account the assembly of main elements that condition leader's reckoning and acting.

3. New types of leadership applied in modern organizations

In specialty literature there are some authors who consider that the leadership styles coincide with the managerial styles, but there are other authors too who indicate that naturally the leadership styles are organically related to the managerial styles with which they overlap to a considerable extent, but compared to which, at the same time, they also present certain specific elements. The latter category also includes Professor Ovidiu Nicolescu who has created a typology of the new styles of leadership according to several criteria (Nicolescu, 2018, p.385).

A first classification, demarcates according to the managerial and psychological characteristics involved, three styles of leadership:

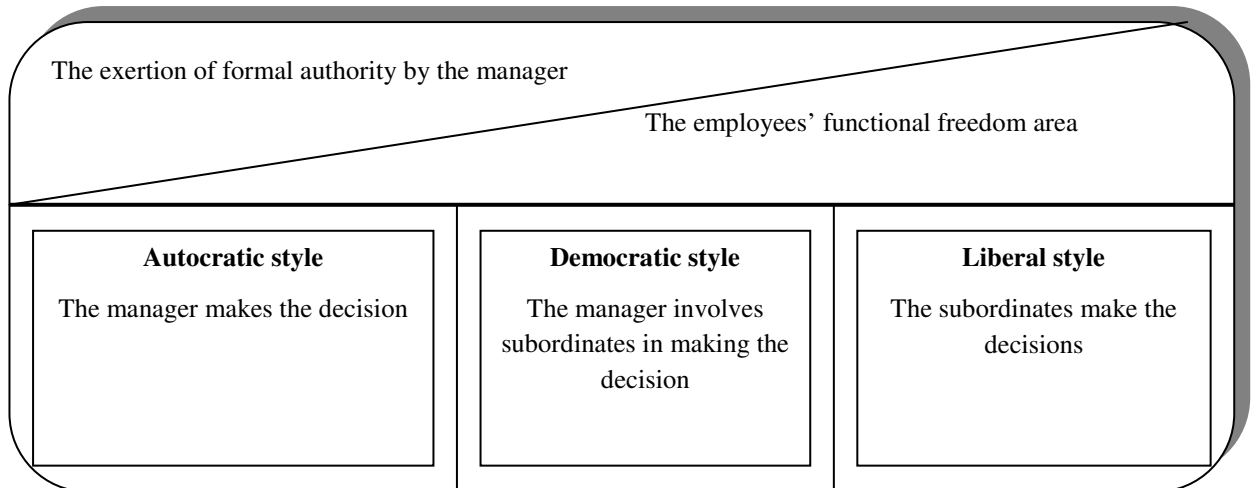
- Autocratic, characterized by a strict supervision of the subordinates by the head, information flows mainly directed upwards, fear acting as a control mode.
- Liberal, by which, within the general directions of action established by the senior management, very large freedom of action is offered to subordinates, the control being almost null.
- Democratic, whose main dimensions are sociability, flexibility, cooperation, good communications upward, downward and horizontally, spirit of openness and friendliness in the organization.

Being consistent with the characteristics of leadership and managerial style presented and adopting the conclusions of the last studies in the field, of the three styles, only the latter -the democratic one we consider as representing both a managerial and leadership style.

The positioning of the three styles in relation to the manager's power exertion and employees' functional freedom rapport is represented in figure 1.

Another typology partially different from the first, brings as novelty the symbiotic leadership, which appears alongside the autocratic and participatory one. The basis of symbiotic leadership is the mutual trust between the manager, subordinates and the other individuals within the organization. This form of leadership encourages maximum contribution for each component of the organization.

Figure no.1. Management styles and managers' power exertion



Source: Adaptation after Petrovici (2007, p. 279)

The division of leadership styles according to the scope of staff within the organization has resulted in two new styles:

- Interpersonal leadership, achieved through direct, face-to-face relationships of the head and subordinates, being, in fact, the classical type of leadership.
- Organizational leadership refers to either the organization as a whole or its major components and is not limited to employees directly subordinated to their management, ensuring a foundation clearly superior to the effective interpersonal leadership.

Another approach belongs to Professor P. Nica who presented three new styles of leadership in one of his well-known works (op.cit. p.354):

- Charismatic leadership, whose success is achieved through the manager's sensitive ideas brought to subordinates or potential followers, for instance those of religious nature, the national problem or aspects related to social welfare and injustice, as well as unconventional problem solving solutions.
- Transformative leadership, which is based on the development of a set of procedures that ensure organizational success by profoundly influencing subordinates' beliefs about what an organization would become; this style of leadership creates the feelings of responsibility and duty towards the organization, stimulating new ways of approaching and solving problems.
- Transactional leadership, in which the leader orients and motivates subordinates in the direction of setting the objectives by clarifying the role and tasks that they have to fulfill, being effective in organizations where the problems are simple, clear and of a strictly professional nature.

Characteristic to some modern organizations is the fact that, between employees, the collaborative professional relationships are hierarchically administrative and subordinately operative. Within the relations of administrative hierarchy, each employee is directly subordinated to a single head, through which the transmission of any provision is made. The other managers on higher levels in the hierarchy can send provisions even directly, but in this case, the one who receives the task is obliged to directly inform the manager.

Regarding the type of manager and leadership style existing within the group of railway organizations, based on the results obtained by the author in the research on the analysis of labor relations and social climate, undertaken on two distinct and representative groups of employees within "CREIR CF" Branch Constanța, the following types have been identified (Daneci-Patrau, 2013, p.27):

- In three of the nine railway stations, the existence of an autocratic leadership style was identified which imposed a structured climate, characterized by a severe control by the direct manager; the station managers demand punctuality, order and superior efficiency; the employees have the perception of a cold, distant, inaccessible station manager; as such, they

are afraid of their superior.

- In the other six stations of the traffic section, the existence of the *permissive climate* was identified, characterized by a management style that offers freedom of action; the unit manager, respectively the station manager does not intervene directly in the activity of exploiting the railway infrastructure, rarely controls and once in a while imposes restrictions.
- Within the group in the central management structure of the branch, the style identified was *democratic*, whereby the manager allows the subordinates to express their opinion in relation to the activities of the office or service; everyone is involved, the boss is a leader and at the same time a member of the group; thus creating team spirit.

The establishment of such a climate is the goal of most modern managers. A democratic climate is one in which employees want to achieve what the manager wants to be done.

Due to the specific nature of the railway transport activity, the employees of the railway companies concur directly for the safety of the rail traffic, therefore they are obliged to prove high discipline, based on the need to perform the job's tasks. In the railway transport system, the discipline involves a subordination of each employee to the hierarchical leaders and requires the strict compliance with the orders of the direct hierarchical superior, the specific norms established by railway instructions and regulations.

Given the leadership style practiced in the railway transport activity, we consider the permissive climate perpetuating a threat to its future activity, this liberal climate becoming dangerous, especially for new inexperienced employees, who need discipline. From the survey based on the questionnaire and direct observation used in the research carried out, we found that the railway staff in the railway stations do not use their working time effectively and are less motivated to perform the specific tasks of the job description, when a leader is missing.

Among the new types of leadership, in the analyzed railway branch it was identified as frequently practiced the interpersonal leadership, characterized by daily direct rapports between manager and subordinates, especially in the local railway subunits, and central management body, the charismatic leadership, practiced by the regional director, who being young and having worked for eight years in the field, based his success on using unconventional problem-solving solutions.

In the railway transport system, organization's union leaders and railway companies' managers face more problems that require effective and efficient solutions, but which also generate important adverse reactions. The massive staff reductions, the activity restructuring by giving up some traditional operations and the development of new ones, which require other skills and abilities, have proved to be unpopular, generating union movements or adverse reactions from their own staff. In response to these situations, railway companies' management is oriented towards the adoption of new leadership styles that will lead to the increase in the employees' involvement in solving major problems. However, the implementation of these new measures requires a certain period of accommodation and high potential to assume responsibility by railway managers.

4. Efficiency and effectiveness in the activity of human resources managers

Any managerial approach involves efforts and effects. Efficiency results from their comparison. To this, effectiveness is added, concept with ample echoes on the manager's activity and its implications.

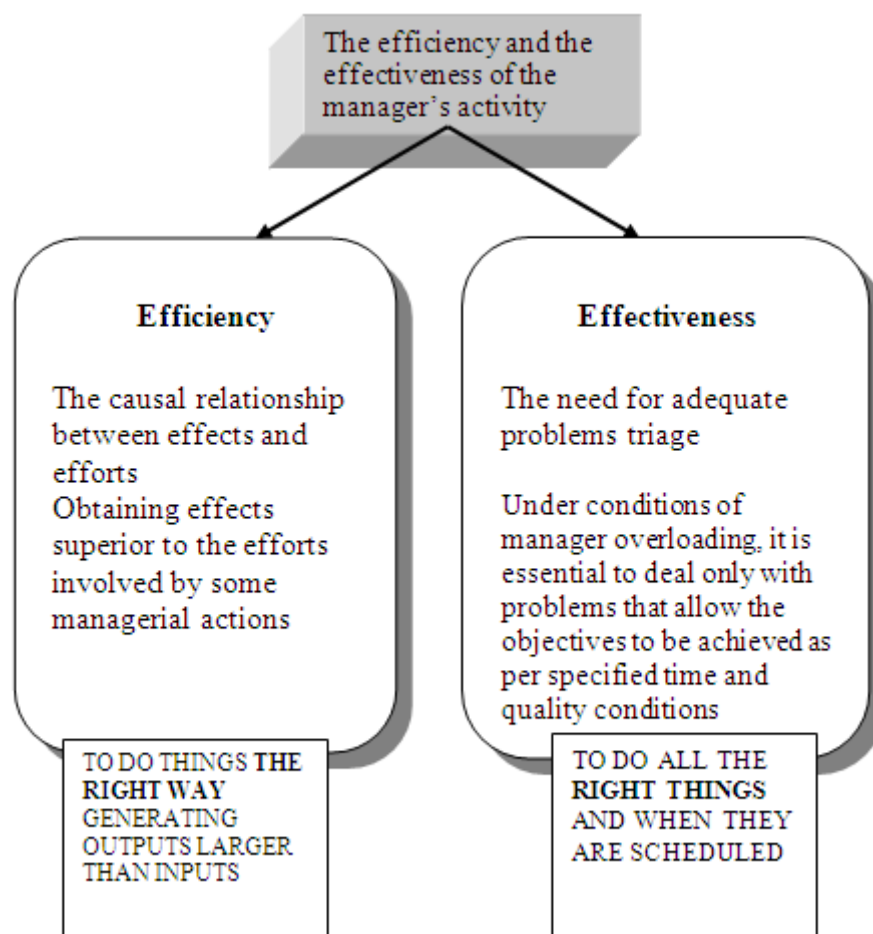
Efficiency involves *doing things the right way*, and refers to the relationship between inputs and outputs, representing a measure of how productively the resources of the organization have been used to achieve the goals. The human resources management also considers the establishment of the most appropriate objectives and activities necessary to achieve them. In managerial terms, this ability is called effectiveness and involves setting the most appropriate goals and *doing the right things* to achieve them.

Although efficiency and effectiveness are different terms, they are usually closely linked to the functioning of an economic organization. High efficiency is often accompanied by good effectiveness. Poor management is often explained either by inefficiency and ineffectiveness or by efficiency produced through ineffectiveness. Regarding the efficiency of the managerial style, this is determined by the way in which the adoption of that style manages to increase productivity. Thus, the essential role in ensuring the efficiency of the style rests with the leader's managerial

capacity. *Managerial capacity* means an ensemble made up of three basic elements: *knowledge in the field of management* - which is acquired, *social responsibility* - educated or imposed and *managerial talent* - sometimes innate, it is shaped, educated and developed in the work process.

Figure 2 presents comparatively the characteristics of the efficiency and effectiveness of the manager's work, resulting from the two significant aspects that a manager must take into account when conducting the activity, namely: *what to do* and *how to do it*. What matters most in successfully managing an organization is the manager's ability to know how to put into practice this set of elements of managerial capacity, but also how to make them operational within the management activity. Important for the effectiveness of the managerial style are the psycho-social relationships between managers and subordinates, who support and nurture cooperation within the working group. These relationships also imprint the climate that develops within the organization, being the result of the specific way in which all the elements of the management process are practiced.

Figure no. 2. Efficiency and effectiveness of the manager's activity



Source: Adaptation after Nicolescu and Verboncu (2018, p. 392)

The comparison between the results obtained and the effort made, in order to analyze the efficiency of an action is valid also in the case of human resources, all the more since this essential element in obtaining the results represents an important source of costs. Improvement of individual human performance, but especially of social performance, represents methods to increase productivity that are little exploited in managerial practice. Social performance refers to the impact of managerial activity on employees, being defined by the intensity with which an individual contributes to the development of the organization, by reference to the set objectives and standards (Nica, 2010, p.138). In human resources management, the execution manager is an implementer, who together with his management team knows how to achieve results, that is to achieve the goals proposed in high efficiency conditions.

5. Conclusions

Organizational culture is an intrinsic part of modern approaches concerning human resources management. In fact, the ascendancy of theoretical concerns and pragmatic approaches with regard to organizational culture reflects the new vision of human resources in the modern firm and the new type of management involved.

Especially for a manager or leader it is important to know the reasons why the employees comply with the rules of the organization, because their interventions, which often have effects at all levels of the organization, can unexpectedly reduce efficiency, effectiveness or productivity.

Within the international companies, the national culture through its dimensions strongly influences the success of the various managerial models used. In one country, employees are motivated by teamwork, and in another, by self-employment; in this case culture acts on the motivation system. In Romania, the study of the culture within an organization is at the beginning. The results of research at the companies' level in our country are characteristic of the transition state, which has its mark on mindsets, values, attitudes, but they are important in terms of their alignment with the theories of international specialty literature, by drawing cultural profiles, based on real, concrete situation within the Romanian organizations, profiles to which the corresponding types of management are associated.

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Developing the Self-Confidence of the Romanian Entrepreneurs by Applying the Life Coaching Process

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Abstract

The purpose of this study is to show how life coaching can help entrepreneurs develop self-confidence.

For this, we created a focus group with a single question, in which we asked the entrepreneurs to answer the question: "How did you manage to develop self-confidence after the life coaching sessions?"

This focus group was attended by 20 IT entrepreneurs, of which 10 men entrepreneurs and 10 women entrepreneurs, who have also held life coaching sessions in the past, with different life coaches.

Life is only improved by changes that take place inside, not by chance. So, improvements only occur when entrepreneurs want to make a change, and change happens when confidence appears.

Key words: entrepreneurs, life coaching, IT, focus group, self-confidence

J.E.L. classification: I25, J24, J28, L21, L26, L29, M13

1. Introduction

The level of self-confidence shows the extent to which a person is capable of achieving the desired results (Zeus and Skiffington, 2008, p.217).

Life coaching is a process of human resource development through the questions asked by the coach, in which entrepreneurs find their own solutions to their problems on a personal and professional level.

If we are to refer to the new knowledge-based economy in which the focus is on developing people's knowledge and skills, studying this topic is of significant importance for both the scientific field and those who conduct coaching sessions.

2. Theoretical background

The essential factor of a successful entrepreneur is confidence. Thus, the biggest obstacle to the success of entrepreneurs is the lack of confidence in their own forces. So, entrepreneurs must use their potential to develop self-confidence (Maxwell, 2008). Only an ordinary man uses only 10% of his potential (Powell, 1995). What some people don't know is that the potential is immeasurable, and people often set limits. Therefore, the potential depends only on man. It matters what lies within the human being and whether it can bring out its true potential.

3. Research methodology

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For this, we created a focus group with a single question, in which we asked the entrepreneurs to answer the question: "How did you manage to develop self-confidence after the life coaching sessions?"

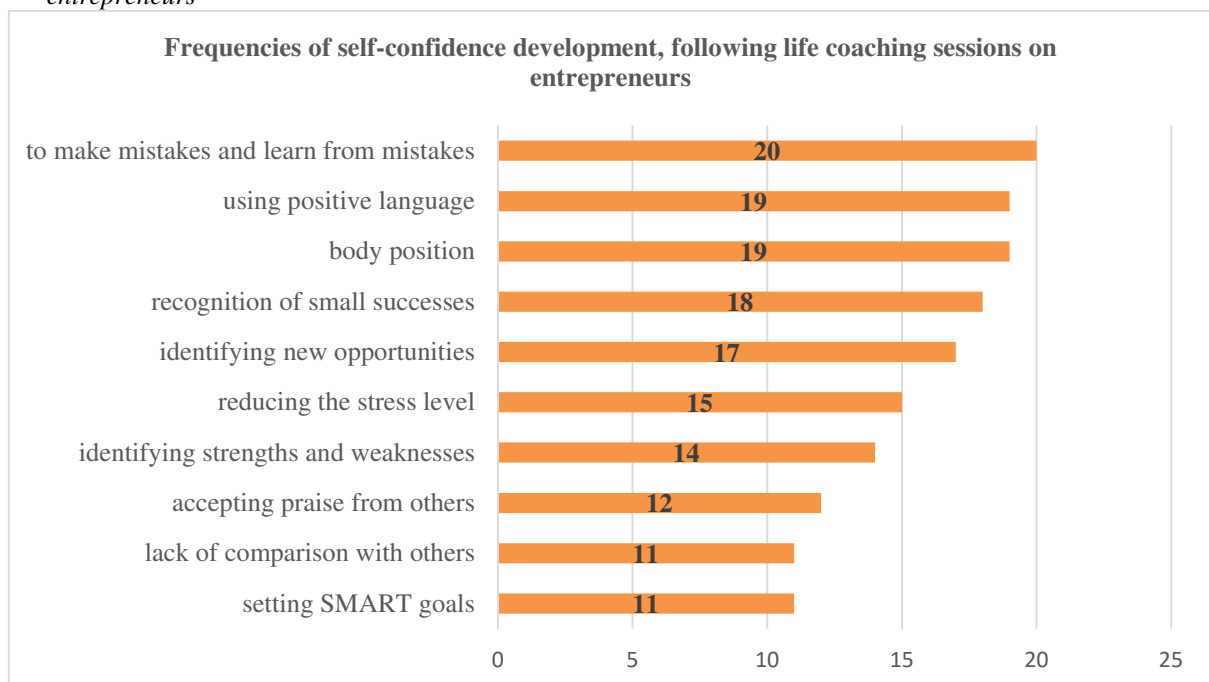
This focus group was attended by 20 IT entrepreneurs, of which 10 men entrepreneurs and 10 women entrepreneurs, who have also held life coaching sessions in the past, with different life coaches.

This focus group was attended by entrepreneurs at the start-up level, from the first 3 years of activity.

4. Findings

To the question: "How did you manage to develop self-confidence after the life coaching sessions?" we obtained the following results from the entrepreneurs:

Chart no. 1 Frequencies of self-confidence development, following life coaching sessions on entrepreneurs



Source: The author

From the chart no. 1 "Frequencies of self-confidence development, following the life coaching sessions on entrepreneurs", the entrepreneurs mostly referred to the fact that they want to make mistakes and learn from mistakes (trial-error-retest), followed immediately by using positive language and body position, then recognizing small successes, identifying new opportunities, reducing stress level, identifying strengths and weaknesses, accepting praise from others, lack of comparison with others and establishing SMART goals.

The life coaching process helps entrepreneurs build self-confidence. Thus, people are able to gradually accumulate self-confidence through both cognitive, physical and social experiences (Krueger and Brazeal, 1994).

Entrepreneurs who do not have self-confidence have doubts because they have fears. So, self-confidence occurs when entrepreneurs are allowed to make mistakes and learn from mistakes. The basic idea is that they must persevere and seek new solutions to their own failures. This is precisely why successful people are those who continue to learn constantly and seek information and experiences to apply in new situations (Zeus and Skiffington, 2008, p.60).

This means that the life coaching process supports entrepreneurs to have a new vision than the past, which is based on effective actions (Dumitraşciuc, 2019).

It is also important that entrepreneurs have a positive thinking and attitude (Popescul, 2017), because they will be reflected in the language they use.

Especially since the people with whom the entrepreneur comes into contact (suppliers, business partners, employees, etc.) do not want him to print their traumas and take revenge on them for the mistakes that they think their parents would have made or his teachers in the past (Denning, 2011).

In other words, entrepreneurs should not allow words to limit them, restrict their access to make choices, understand and act at a much higher level (O'Connor, 2019).

The position of the body also plays an important role. Entrepreneurs with more self-confidence pay attention to body language because they are aware that changing body language also changes the body chemistry, which leads to a higher level of self-confidence as opposed to those who do not.

Thus, the body language of the entrepreneurs shapes them and causes them to become aware of who they are.

When entrepreneurs feel unreliable, their testosterone and cortisol levels in the brain are affected, which inevitably leads to repeated failures.

So, they need to mentally set their self-confidence to increase their chances of success.

The recognition of small successes causes entrepreneurs to be happy, to have a sense of gratitude for what they do, in other words, to trust themselves and to continue to persevere with what they have to accomplish, such as be the growth of the business, the increase of the number of employees, the desolation in new markets etc.

So, in order to cultivate this sense of recognition of small successes, training is needed. Through life coaching sessions, some entrepreneurs have been instructed to keep a clear record of the gratitude journal, which implicitly has a number of positive effects on their brains releasing dopamine. This can inevitably lead to the identification of new opportunities, as well as the reduction of the stress level.

Another aspect is to identify the strengths and weaknesses. Entrepreneurs need to know their strengths and cultivate them. They must also know their weaknesses in order to counter them. So successful entrepreneurs do not pay special attention to failures and focus on strengths. In other words, those who succeed in life focus on the things they can achieve and not on those they cannot achieve (Maxwell, 2005).

Entrepreneurs need to accept the praise of others and not question everything. Praise and recognition feed the entrepreneur to grow and grow (Carnegie, 2018).

So, the idea of praise actually means the positive feedback received from others. Only that these praises should be offered at the right time and should not be general in order not to have negative effects and not to affect their self-respect.

Also, praises must be formulated as clearly, as specifically and as action-oriented as possible. They should never be exaggerated because they lead to anxiety, nor be they unspecific because they will not reflect their behavior.

Comparisons are often harmful. This is why the lack of comparison with others is recommended. As a rule, some entrepreneurs end up comparing themselves with others around them in terms of performance, skills or other social attributes, which only diminishes their esteem and self-respect. Those who end up comparing themselves to those around them are actually vulnerable and insecure people in terms of their own abilities, which will inevitably lead to envy and a sense of guilt.

What entrepreneurs learn in life coaching sessions is that they must first determine their qualities. This is why they are carefully analyzed, discovering new talents and new qualities. Then they begin to learn from their own experiences, more precisely from the life lessons they have gone through and to accept them if the lessons have been painful for them.

Thus, when the coach focuses on the qualities and not the defects of the entrepreneurs, he highlights the successes of the past (Zeus and Skiffington, 2008, p.218).

Setting SMART objectives helps young people to start new businesses (Popescul, 2017), by means of which they determine to identify new opportunities in the market. It also sets SMART goals and helps entrepreneurs increase their performance (Popescul, 2017). Thus, high levels of self-confidence help entrepreneurs achieve their goals.

5. Conclusions

In the case of entrepreneurs who have no self-confidence or have little confidence, self-confidence is built primarily by recognizing small successes, by failing to compare with others, accepting praise from others, by improving body position, by using positive language, by setting SMART goals and by identifying strengths and weaknesses, reducing stress levels and identifying new opportunities.

Life is only improved by changes that take place inside, not by chance. So, improvements only occur when entrepreneurs want to make a change, and change happens when confidence appears. Therefore, the results appear when an action takes place.

The cause of failure is due to lack of self-confidence. Successful people have self-confidence, even when others don't. Thus, there is a systematic link between self-confidence and entrepreneurial performance (Zeus and Skiffington, 2008, p. 217).

Therefore, entrepreneurs become outside, which they believe in inside. So, if they expect to fail, then they will fail. If they want to succeed, then they will succeed.

And last but not least, entrepreneurs with self-confidence have a much lower level of stress, they are happy, they have a high level of self-esteem, which means they recover much more mentally when they register a failure. Also, entrepreneurs with a high level of self-confidence will continue to seek new development opportunities.

6. Acknowledgement

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The Influence of Entrepreneurial Passion on Success

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Abstract

What we intend in this study is to analyze the influence that entrepreneurial passion has on success. In this regard, we have analyzed 10 articles from the last 15 years, from Google Scholar.

The articles were identified by the keyword: " Entrepreneurial Passion".

The criteria for the selection of articles referred first to the relevance of the content, then to the number of citations and articles of ISI type published in international databases.

When we talk about entrepreneurial passion we refer to: business growth, people, product or service, competition, innovation and social cause. Therefore, organizations become efficient when there are passionate entrepreneurs. So we can talk about true leaders when they inspire their own people, whether we are talking about employees, business partners, etc., to grow and develop and do the things they are most often afraid to do them.

Key words: entrepreneurs, IT, succes, passion

J.E.L. classification: I25, J24, J28, L21, L26, L29, M13

1. Introduction

The passion is that determines the entrepreneurs to invest considerable energy and effort in the part of new projects (Baum and Locke, 2004).

Thus, if we define entrepreneurial passion, it refers to the part of positive feelings that are intensely lived, but also consciously accessible, that are experienced by involvement in entrepreneurial activities being associated with roles that are significant and relevant to the entrepreneur (Cardon et al., 2009).

According to the Explanatory Dictionary of the Romanian language, the word passion means “a particularly intense and stable emotional and intellectual state, manifested as a tendency that polarizes the psychic processes of the human being, determining it by the intensity of the effects or by the permanence of their action”.

Thus, what drives entrepreneurs to achieve new business success is entrepreneurial passion (Baum and Locke, 2004). Of course, passion does not have to be seen at any moment, but entrepreneurs must feel this passion, otherwise they are at the right place and at the wrong time (Ghenea, 2011).

2. Theoretical background

In order to have the chance to win in a competitive environment, an entrepreneur must have a passion that allows him to overcome the most difficult obstacles (Drnovsek et al., 2009), because it is the passion that gives the energy needed for entrepreneurial talent (Maxwell, 2008). Which causes leaders to have a vision and to teach others to see (Kiyosaki and Trump, 2008), through the passion of entrepreneurs.

Passion is an essential component of entrepreneurship (Cardon et al., 2009), and what drives entrepreneurs to take risks and strive to succeed is precisely passion (Maxwell, 2008).

To overcome the challenges of starting and running a business, entrepreneurs need to be passionate about what they do (Cardon and Kirk, 2013). This is why passion is often more important than the plan that entrepreneurs make (Maxwell, 2008).

Because passion gives them a very high level of energy, so they do not even take into account the fact that they fail at the beginning (Maxwell, 2008). In this sense, passionate entrepreneurs are not overcome by fear, especially since fear represents the dividing line between cowards and leaders, between failure and success (Kiyosaki and Trump, 2008).

3. Research methodology

What we intend in this study is to analyze the influence that entrepreneurial passion has on success, starting from the fact that passion is a significant element of the entrepreneur's life. In this regard, we have analyzed 10 articles from the last 15 years, from Google Scholar.

The articles were identified by the keyword: "Entrepreneurial Passion".

The criteria for the selection of articles referred first to the relevance of the content, then to the number of citations and articles of ISI type published in international databases.

In the analysis process we considered the following aspects: authors, year of publication, article title, methodology and main results obtained.

4. Findings

In the analysis process we considered the following aspects: authors, year of publication, article title, methodology and main results obtained.

Tabel no. 1 Analysis of the influence of entrepreneurial passion on success

Authors	Year	Title article	Methodology	The main results
Davis et al.	2017	Funders' positive affective reactions to entrepreneurs' crowdfunding pitches: The influence of perceived product creativity and entrepreneurial passion	This study considered both the development and the testing of a model with indirect effects regarding the part of decisions regarding the allocation of crowdfunding resources. This study was attended by 102 subjects, who considered the evaluation of ten different products made by ten different contractors.	The study showed that the indirect effect of a product's creativity is highly dependent on the extent to which the financiers perceive the entrepreneur, such as if he is passionate.
Cardon et al.	2017	Passion for what? Expanding the domains of entrepreneurial passion	The researchers considered a phenomenological approach applied to 80 entrepreneurs. In the case of the entrepreneurs, the stories of the entrepreneurs have been subjected to the analysis in order to identify the sources of the entrepreneurial passion described by them.	Entrepreneurial passion helps coordinate knowledge and develop entrepreneurial behavior. So it is passion that fuels persistence, innovation, but also ultimate success. The researchers identified six areas of entrepreneurial passion: people, growth, product or service, competition, invention and a social cause.
Cardon et al.	2017	Team Entrepreneurial Passion: Its Emergence and Influence in New Venture Teams	The entrepreneurial passion at the team level takes into account the level of positive feelings shared for a collective and central identity for new risk teams.	The entrepreneurial passion of the team arises from the influence of the entrepreneurial passion of the team on the results of the team and of the members of each member, from the individual entrepreneurial passion of the risk team members and the process of emergence and influence of the entrepreneurial passion in the team at different risk stages.

Biraglia and Kadile	2016	The Role of Entrepreneurial Passion and Creativity in Developing Entrepreneurial Intentions: Insights from American Homebrewers	The researchers analyzed the role of passion and entrepreneurial creativity as antecedents of entrepreneurial intentions.	Following the analysis of the study it was found that the entrepreneurial passion is in a strong positive relationship with the entrepreneurial intentions.
Murnieks et al.	2014	Pathways of Passion: Identity Centrality, Passion, and Behavior Among Entrepreneurs	The researchers analyzed the role of passion on 221 entrepreneurs.	Passion is associated with entrepreneurial self-efficacy and individual entrepreneurial behavior.
Cardon and Kirk	2013	Entrepreneurial Passion as Mediator of the Self-Efficacy to Persistence Relationship	The authors applied a questionnaire to 129 entrepreneurs in which they wanted to find out what determines certain entrepreneurs to persist in this adventure, while others give up.	Following the study, it was found that the relationship between entrepreneurial action and entrepreneurial self-efficacy is determined by passion.
Breugst et al.	2012	Perceptions of Entrepreneurial Passion and Employees' Commitment to Entrepreneurial Ventures	A survey was conducted on 124 employees regarding their perceptions regarding entrepreneurial passion.	The passion for entrepreneurs, such as: inventing, founding and developing a business can have a different impact on employees at the workplace and on the clarity of their purpose, thus affecting their commitment to entrepreneurial initiatives.
Cardon et al.	2009	The impact of perceived entrepreneurial passion on angel investing	The authors examined the relationship between the passion shown by an entrepreneur, the passion perceived by angel investors and the impact on the angels interest and the financing of the companies.	The results of the qualitative study indicate that angels use passion as a factor in their investment decisions and focus in particular on the enthusiasm, training and commitment shown by entrepreneurs.
Cardon	2008	Is passion contagious? The transference of entrepreneurial passion to employees	The authors of the research wanted to find out how the entrepreneurs can mold the ones around them with their own passion?	In the entrepreneurial process, passion plays the central role.
Cardon et al.	2005	Entrepreneurial passion: the nature of emotions in entrepreneurship	The researchers wanted to find out the importance of passion in terms of entrepreneurial efficiency.	The study found that entrepreneurial passion is a discrete but very intense emotion, which envisages the energy mobilization that involves both the entrepreneur and the risk.

Source: The author.

From the analysis of the 10 articles we find therefore that, with the increase of the entrepreneurial passion, the creativity of the entrepreneurs also takes place.

In addition, it is the entrepreneurial passion that fosters both success, persistence and innovation.

Personal and environmental factors affect entrepreneurial intentions, which indicates that an entrepreneurial passion is played by an essential role because it is a significant impetus for those who intend to start a business (Biraglia and Kadile, 2016).

When we talk about entrepreneurial passion we refer to: business growth, people, product or service, competition, innovation and social cause. Therefore, organizations become efficient when there are passionate entrepreneurs (Cardon, 2008). Thus, true leaders are the ones who inspire their people to evolve and do the things they are afraid to do (Kiyosaki and Trump, 2008).

So we can talk about true leaders when they inspire their own people, whether we are talking about employees, business partners, etc., to grow and develop them and do the things they are most often afraid to do them (Kiyosaki and Trump, 2008).

Passion is associated with entrepreneurial self-efficacy and individual entrepreneurial behavior. A valuable entrepreneur is passionate about what he does every day. For example, if a novice entrepreneur is not sure if he likes what he does or on the contrary, he does not like what he does, he would be advised to give up the business because he will not succeed (Ghenea, 2011).

The passion for entrepreneurs may have a different impact on employees at work. Thus, it is essential to have passionate employees as it represents an essential contribution to organizational performance (Cardon, 2008). However, on the other hand, it has been found that creativity does not seem to be a significant impetus for the development of entrepreneurial intentions, because people still need to feel efficient, knowledgeable and able to be the founders of a company (Biraglia and Kadile, 2016).

The passion is particularly focused on the enthusiasm, training and commitment shown by entrepreneurs. Thus, it is the passion that gives the entrepreneurs the most intense emotions (Cardon et al., 2005).

5. Conclusions

So we find that entrepreneurs who are passionate about success must have a clearly defined set of values and a vision that inspires the people they lead. To these we can also add responsibility, self-confidence and emotional intelligence.

Passionate entrepreneurs are the ones who like the new challenges, who have the enthusiasm of the beginning, then develop, and once the business is started and starts to run, the challenge of expansion and development follows (Kiyosaki and Trump, 2008).

Also, it is possible for the entrepreneur, however, to be lucky and to enter a market where demand is high and achieve success at first, only that success does not cause the entrepreneur to become passionate. Therefore, he is not happy and fulfilled, which is doomed to failure (Robbins, 2017).

It is necessary for the entrepreneur to be passionate about what he does and to convey this in the organizational culture. And the culture in the organization has to focus on support, orientation towards people to be able to cope with the competitive waves. Thus, any organization that neglects these aspects is likely to be criticized and what is acceptable today may not be tomorrow.

6. Acknowledgement

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Dimensions of Sustainability in Universities. Evolution. Instruments

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Abstract

The notion is sustainable, it is suggested that it is well established at the level of the whole society, which is attributed to education, everything is very important, but the role of higher education is a clearly more important decisive statement. Firstly the universities must become sustainable, and then to be reached a sustainable society. From the performed research activity, so far, we have identified a proposal for universities to become leaders.

Even though a lot of debates are on-going about sustainable development, in Romania it's acting at low level rates in the direction of both quantifying this concept and elaboration of a country specific model. There are very well known all the efforts put by the Romanian Statistics Institute on identifying of some indicators, for their own consolidation and, for collecting data and information.

Romanian higher education system can take over the proposed indicators by other experienced countries or can come up with its own set of indicators. In the first case, it becomes possible not just status evaluation or the changes made, but also the comparison with other prestigious foreign universities.

The chosen / applied indicators might be exploited to highlight all the progresses done by the universities on the everywhere of sustainable development and will allow decisive factors / entities to take correct solid decisions. Also, in this way the positive changes can be emphasized, which must be consolidated later.

Key words: sustainability, indicators, dimension, universities, measurement instruments

J.E.L. classification: M14, Q56, I23

1. Introduction

The universities that were noted in the modern era of 1800, were at the forefront of creating and resolving the emerging paradigms, educating decision-makers, entrepreneurs and future leaders (Elton, L., 2003). The specialized work identified a traditionalist trend of the manifestation of universities with a clear tendency of self-replication, (Walther, J., 2005) Many modern universities continued to rely on Newtonian and Cartesian thinking models, which confer Learning and the action of thinking a decisive role of thinking and those interpretation mechanisms.

At international level, the first notable changes in the mode of manifestation of universities are specified in the literature from the 17TH and 18TH centuries onwards. In England, universities supported excellence in educational systems and specifically targeted industry, and the Scottish universities in the 18TH century aimed at advanced science through inter-relational theory and practice. At first, some universities were established in the form of colleges, later became universities. Therefore, it took almost 200 years for this change if substantial contributions came from outside academic institutions, respectively from companies and industry.

Taking into account the level of evolution of the IÎS, the competition model began – the conquest of Nature through competition (“Conquest of Nature through competition”) industrialization, supra-specialization and disciplinary isolation. Thus, reductionist, monodisciplinary education and repetition testing have stimulated highly individualistic, fierce and self-interested behaviours – geared towards their own interests. As Brown cites from J. Bernal “in times of great creativity of science, artists and scientists have worked very closely and have been, in many cases, the same people (e.g. Leonardo da Vinci)”. The result of this separation [i.e. science and art] was the most incredible mutual ignorance. (Walther, 2005) .

From my research it turns out that over the last twenty years there have been a lot of universities that have contributed to sustainable development (SD). Other researchers come and say that the model of sustainable development of education (ESD) has not made its mark in all areas, such as: in all disciplines, for all the scientists involved or for the leaders of the university concerned. (Cortese, 2003).

From our research, we have identified the proposal for universities to become leaders, it is advisable to ensure that the needs of present and future generations are much better understood and constructed so that professionals who are well trained in sustainable development (Cortese, 2003) can effectively educate students of all ages to contribute to the "sustainable social models" stage, as shown in confessions, partnerships and conferences. To do this, the competent university leaders and cadres need to be empowered and aligned to implement new paradigms and be sure that sustainable development is the "golden gold" throughout the university, which includes the Interdependent elements: education, research; Campus activities, Extension, evaluation and community reporting.

2. Theoretical background

At the ONU conference in Stockholm in 1972 (UNEP, 1972), Education was identified internationally, finding it a major pillar for promoting, conserving the environment and protecting it. Since then, many projects have been extended that have undertaken academically, the memoirs, books and relationships that have been developed to promote Ecological Education (EE), Transposed Education in Sustainable Development (ESD) and Sustainable Development (SD), (Achim. M., 2011) In table 1 we presented a brief development of these initiatives, divided into three levels/elements of focus: society, education and higher education. It can be seen that since 1987 there has been a significant increase in these initiatives. Table 1 shows that most of the university declarations (seven out of eleven) have been developed in the European continent.

Table no. 1. A brief history of the initiatives taken by educational societies to maintain sustainable development

Year	The event / the statement	Level of reporting / adress
1972	Stockholm Declaration on the Human Environment, United Nations Conference on the Human Environment, Sweden	Society
1975	The Belgrade Charter, Belgrade Conference on Environmental Education, Yugoslavia	Education
1987	Tbilisi Declaration, Intergovernmental Conference on Environmental Education, Georgia	Education
1987	“Our Common Future”, The Brundtland Report	Society
1990	Talloires Declaration, Presidents Conference, France	Higher Education
1991	Halifax Declaration, Conference on University Action for Sustainable Development, Canada	Higher Education
1992	Report of the United Nations Conference on Environment and Development (Rio Conference); Agenda 21, Chapter 36: Promoting Education, Public Awareness and Training and Chapter 35: Science for Sustainable Development	Society

1992	Association of University Leaders for a Sustainable Future founded, USA	Higher Education
1993	Kyoto Declaration, International Association of Universities Ninth Round Table, Japan	Higher Education
1993	Swansea Declaration, Association of Commonwealth Universities' Fifteenth Quinquennial Conference, Wales	Higher Education
1993	COPERNICUS University Charter, Conference of European Rectors (CRE)	Higher Education
1996	Ball State University Greening of the Campus conferences were in 1997, 1999, 2001, 2003, 2005, 2007, and 2009	Higher Education
1997	Thessaloniki Declaration, International Conference on Environment and Society: Education and Public Awareness for Sustainability, Greece	Education
1999	Environmental Management for Sustainable Universities (EMSU) conference first held in Sweden. Following conferences in 2002 (South Africa), 2004 (Mexico), 2006 (U.S.A.), 2008 (Spain), and in 2010 in The Netherlands.	Higher Education
2000	Millennium Development Goals	Society
2000	The Earth Charter	Society
2000	Global Higher Education for Sustainability Partnership (GHESP)	Higher Education
2001	Lüneburg Declaration on Higher Education for Sustainable Development, Germany	Higher Education
2002	World Summit on Sustainable Development in Johannesburg, South Africa (Type 1 outcome:Decade of Education for Sustainable Development; Civil Society outcome: the Ubuntu Declaration)	Society
2004	Declaration of Barcelona	Higher Education
2005	Start of the UN Decade of Education for Sustainable Development (DESD)	Education
2005	Graz Declaration on Committing Universities to Sustainable Development, Austria	Higher Education
2009	Abuja Declaration on Sustainable Development in Africa: The role of higher education in SD, Nigeria	Higher Education
2009	Torino (Turin) Declaration on Education and Research for Sustainable and Responsible Development, Italy	Higher Education

Source: Adapted and updated after Calder and Clugston (2003) and Wright (2004).

In higher education, the level of integration of the concept of sustainable development may vary from the wording of acceptance at declarative level to integration into courses, education programmes and other activities selected for a complete reform of Education system. A more practical approach to promoting sustainable development is to accentuate tangible impacts on the environment. (Calder, W.,2003) in Europe, North America and other regions there are many examples indicating that the "greening" of campuses, improved waste management, energy saving innovations, make these operations much more sustainable for the environment. Such changes do not meet major resistance, since they facilitate the saving of funds. (Achim M.I 7/2013) These strategies increase the chances of initiatives to promote the concept of sustainability in higher education and will improve the moderate effect of the impact of the concept of sustainable development on education.

3. Findings

The concept of sustainable development (or sustainability) knows a wide use, it really is – perhaps – too often worn out, without Insist – to the same extent – and on a deepening and adaptation. Today, almost everything is carried out under the logo of sustainable development: society develops in the application of sustainable development; Education must become sustainable; The industry or agriculture develops sustainably; Research must support sustainable development; Water resources (or other kind) will be used sustainably, etc. And yet, is the concept

in its complexity and depth understood? Regarding the need to measure, the words of Lord Kelvin are well known, which states: "When you can measure what you are talking about and express it in numbers means you know something about it, but if you can't express it in numbers, your knowledge is Insufficient and unsatisfactory".

These words correspond to the tendency manifested in the earliest times of man, who wished to measure, determine, quantify the realities of the surrounding world and the phenomena they face. The desire to measure distances or surfaces, the need to determine the flow of time, the fixing of gears or weight of the bodies accompanied and can be said to have even determined the evolution of human society. (Denes, 2007)

In the modern age, all these parameters, all these sizes, dimensions or characteristics can be assimilated to the notion of indicators. (Lozano, 2006)

Indicators can play a decisive role in guiding the decisions of decision makers in one area or another and in transforming knowledge or society as a whole. These indicators actually move or quantify knowledge in the sphere of technical, social or humanistic sciences in information units, which may undergo a simple, statistical or decisional processing process (Calder, 2003). Thus, measurements and calibrations of stages and progress can be achieved in different areas, even in areas where physical dimensions are not evident.

Romanian higher education can take over the indicators established in other experienced countries or establish their own indicators. In the first case, it becomes possible not only to assess the state or changes made but also the comparison with other prestigious universities abroad.

The indicators you use will be used to highlight the progress made by universities in the aim of sustainable development and will allow decision-makers to make properly substantiated decisions (Lozano, 2006).

Positive changes will also be highlighted, which must then be strengthened.

Education for sustainable development is the process of gaining the knowledge, debates and skills needed to build local and global societies that are not only honest, but also have the right place in our planet's environment, both now and in the future by the Fund. European social through the operational program of human resources development. According to the Brundtland report, education, sustainable development in higher education can be interpreted as (Report of regional debate, "Educated Romania", internationalization of Romanian higher education: challenges and perspectives;) elaboration of school programs and pedagogical methods for equipping students with inclined and knowledge needed to survive and work sustainably (Walther, 2005) .

It can be done by:

- Designing/organizing the curriculum structure from a holistic perspective;
- Introducing new education programmes, new disciplines or new chapters on sustainable development;
- Interdisciplinarity and critical thinking;
- Learning and teaching through experimentation;
- Informal learning.

4. Conclusions

Sustainable development is a challenge for universities especially in relation to the communities in which they operate. It is a unique challenge because, as teaching providers, universities represent the opportunity and consequence, problem and solution. In order to have a positive impact, sustainable development must resonate with people in their daily lives. Teaching providers have a major role to play in supporting companies, developing the skills and attitudes needed to meet the challenge that is sustainable development.

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Going on Digital: A Short Brief of the ICT Firms from Romania

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Abstract

The digital economy has become a topic of interest for many international organizations due to the fact that technological innovations dominate both individuals' activities and business organizations. Thus, the strategies of more and more companies have started to focus on the development of products / services that ensure the way of managing productive operations through the use of digital economy tools. From this point of view, we mention that the information technology has been gradually included in companies' current activities which concurs significantly to the efficiency of their operations. At the same time, it has increased the interest for hardware and software products, but also for other similar products that have changed the way of doing business. In this context, the activity related to the ICT sector is higher internationally, given the fact that the big economies of the world develop complex plans for the progress of the digital economy of the society.

Key words: digital economy, information and communication technologies, innovation

J.E.L. classification: O33, M15, M19

1. Introduction

The changes from the business environment determine the business organizations to grant significant resources in order to discover innovative solutions that allow them to maintain a competitive position in the market. From this point of view, the innovative activity has become the central element of successful business organizations strategies. Given these facts, the digitalization is an option taken into consideration for many business organizations, which highlights the increasing role of companies in the ICT sector in the development of the digital economy. Their importance lies in the extent to which their products/services increase the digitization of the activity of other companies and even some public institutions. Thus, the innovations in the medical sector have changed the way of performing the medical act, given the fact their contribution in obtaining superior performances in the treatment of certain conditions. At the same time, the discovery of medicines / solutions used to cure certain diseases as a result of the digitization of certain operations has significantly improved the quality of life.

Regarding Romania, we mention that there has been a significant progress in terms of carrying out operations in which are involved the latest technologies, fact that had a significant contribution to the development of the ICT sector. This is the result of the presence of many foreign companies on the national market, but also of the increasing relations with foreign partners (outsourcing). Based on these considerations, the research aims to highlight the activity of the ICT companies, as a result of the increasing need for the organizations of any kind to exploit their resources and to obtain a high level of performance.

2. Literature review

The digital economy is closely linked to the knowledge economy based on knowledge, human resources and technology. Thus, we mention that successful business organizations will implement business models based on knowledge and technology in order to gain a competitive position in the market. One branch that stands out in the current context is that specific to knowledge-intensive

services that contributes to the creation and the development of knowledge in order to support the innovation process through the technologies provided by the ICT sector and through the application of new methods of organizing companies activities (Aslesen et. al. 2007, p.46).

Innovation is defined by both theorists and businessmen as the foundation of economic growth and long-term progress. From this perspective, businesses that include knowledge-intensive services are considered innovative business organizations because they have an innovative activity internally and at the same time implement strategies that support innovation (Doloreux and Laperrie' re, 2014, pp. 638-639). The decisions made within the company are focused on identifying solutions in order to improve current services/products, to develop new services / products, but also to identify new methods to carry out the specific operations of the company. A major position in this regard will have the technologies used, the research and development activity carried out by the company, the level of human resources training, etc. An important role in the development of the digital economy had the changes in the software and hardware area, but also the Internet, the mobile applications and broadband networks, which are considered the foundation of economies digitalization. In this context, the sector related to information and communication technology represents a driver for growth and innovation in the digital economy (OECD, 2015, p.85).

The development of the ICT sector worldwide has been based on the outsourcing by the big companies of a certain part of their activities. Thus, more and more multinational companies choose the collaboration with smaller companies from other states in order to make their activity more efficient (lower costs with personnel, well-trained human resources). The difficulties that the decision makers must face are related to the coordination of the operations, to the control of the delivery terms and the guarantee of a high quality of the services / products (Oshri et al., 2008, p.288).

Regarding digitization, we mention that there is no clear definition of the process, but the references to this process mention the use of data and the Internet, as well as the use of specific technical tools for carrying out operations within companies, within a state institution and even activities within one's own home (for example, using a certain equipment in order to manage the temperature by using an application that allows the control of the thermostat without being physically present, with one condition: a connection to internet).

Concerning the digital economy, we mention that this is defined most often as being made up of online platforms, but also of the activities that are provided by the existence of these platforms. At the same time, all operations involving digitized data are a part of the digital economy. From this point of view, some studies approach the subject of digital sector that includes activities that ensure the digitization process: online platforms, software production, hardware components production and other online applications (IMF, 2018, p.7). Some authors claim that the digitization has become a necessity for companies that want to be competitive on the world market. In this context, business organizations must be creative and effectively include disruptive technologies in their activities. Thus, employees use laptops and smartphones to perform their tasks, access information from the cloud (a way of storing company data and information, or ask for feedback from a crowd (a help desk where real-time solutions can be identified) for certain problems) (Andriole et al, 2018, pp.68-69).

Some studies underline that the use of ICT tools by companies supports a better position in the market, reducing production costs and increasing productivity. Moreover, the use of such methods can entail the diversification of the product range, and also can improve its ability to better respond to market demands. In fact, these tools can help companies to improve their ability to innovate (OECD, 2003, p.11). Given these facts, we mention that such methods ensure a high level of performance that will definitely support other investments and also new innovations.

Regardless of the perspective of the analysis on the changes that will be registered in the world economy as well as of the solutions that can be applied, we observe that they are largely influenced by the level of knowledge. ICT products/services depend on the level of knowledge, but also on the experience of human resources within the companies that carry out operations in this field. Thus, within the knowledge-intensive companies are developed products/services based on a higher level of knowledge. The base of the development of these companies is represented by the competences of their employees fact that will be highlighted in the development of innovative products /

services. From this point of view, a large part of the employees will have academic training / higher education as well as a specific experience (Alvesson, 2004, p.26).

Knowledge transfer within business organizations takes place through IT tools that provide the necessary methods to store and transmit explicit knowledge (Jennex, 2007, p.14). In this way, the specific the processes /operations specific to companies are efficient, since the human resources have access to all the information necessary to fulfill their tasks. Moreover, the use of such tools allows the request of expertise from other areas, thus increasing the chances of identifying the optimal solutions for certain problems in a very short time.

Technology development, the accessibility of information, as well as the efficiency of the communication processes, have determined a significant increase of the international trade, but also of the investments due to the large number of countries participating on world markets (North et al, 2014, p.39). From this perspective, the ICT sector had an important contribution to the economic development of the states of the world.

3. Research methodology

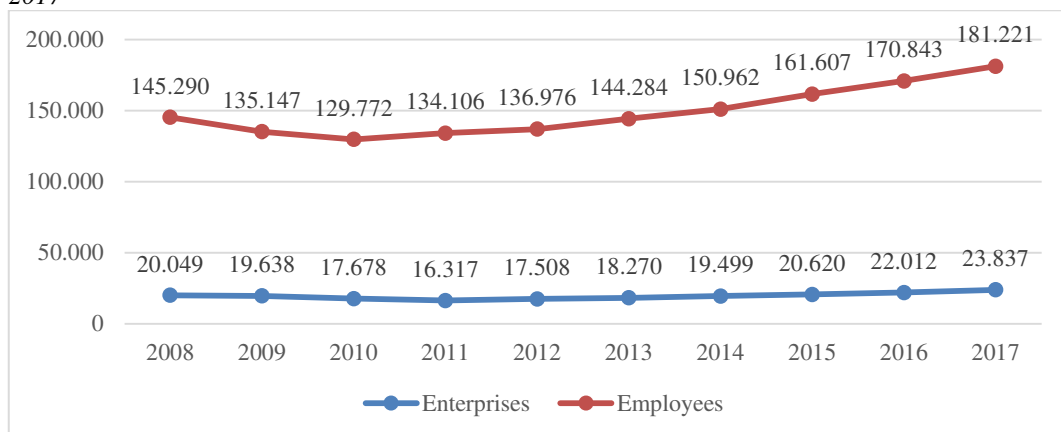
The purpose of this research is to highlight the key sectors in which business organizations have an intense innovative activity in the context of digital economy development. At the same time, the aim is to analyze the evolution of the ICT sector in Romania and the impact of these companies activity on the growth of the national economy.

In order to accomplish this paper, it was considered both the use of qualitative instruments sometimes, as well as of quantitative tools in order to ensure an optimal framework for the analysis. Thus, on the one hand, the attention was focused on studying works in the existent literature in order to create an overview on the studied aspects, as well as to determine the level of knowledge in the field. On the other hand, we decided to analyze some specific indicators that reflect the position of the ICT sector in the national economy. The research is based on statistical data available on the specific platforms of the National Institute of Statistics. For all the indicators studied, a period of at least 10 years was taken into consideration in order to outline a trend regarding the evolution of the ICT sector in Romania.

4. Findings

The Romanian business environment has changed significantly in the recent years due to the evolution of technology that has been used both by the business organizations but also by central and local government institutions. Thus, has been made significant progress in many sectors of activity, mostly in the ICT sector. Moreover, currently, some specialists find Romania as a Europe Silicon Valley. That is a fact given the number of companies that carry out activities related to this field has increased quite a lot in recent years. In the table below we give an overview of the sector, considering the number of existing companies as well as the number of employees within them:.

Figure no. 1 The evolution of ICT sector given the number of enterprises and employees during 2008-2017

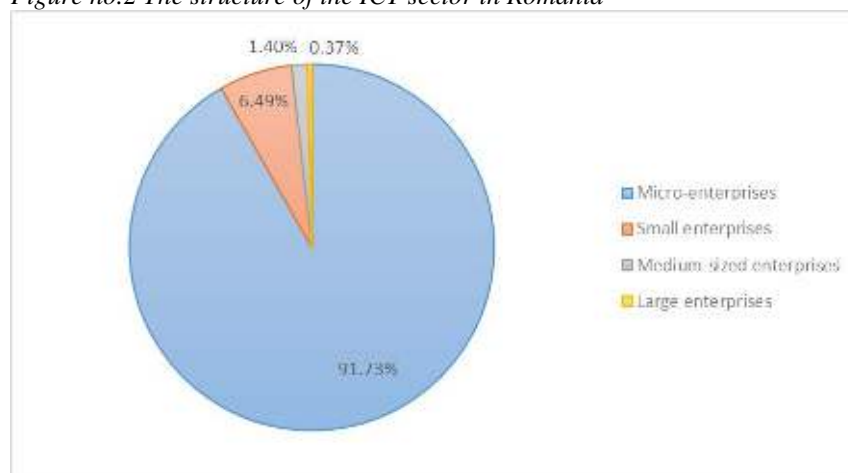


Source: Data processed by the author using The National Institute of Statistics database

The data available from the National Institute of Statistics shows that the number of companies in the ICT sector in Romania has increased significantly during the analyzed period. Thus, in 2017 the number of economic agents operating in this sector increased by about 20% compared to 2008. At the same time, the number of employees in the economic entities from this sector increased by about 25% in 2018 compared to 2008. The data available for 2018 shows that companies like ORACLE (4,463 employees), IBM (3,207 employees), Ericsson Telecommunications (2517 employees) and Endava (2,275 employees) have the highest number of employees. Although the financial crisis of 2008-2009 has also affected this sector, we observe that starting with 2012, the predominant trend that characterizes the evolution of both indicators is increasing. Regarding the concentration of businesses in this sector we mention that the largest number of companies, specific to this field, are in the city of Bucharest (9135 companies), Cluj county (2,127 companies), Timiș county (1036 companies) and Iași (949 companies), according to the available data for the year 2017. This is a result of the fact that these cities are also the largest university centers in Romania, providing companies access to well-trained human resources in various fields, not just the technical ones. Thus, in recent years the number of graduates in the field of information and communications technology has also increased significantly as a result of the increasing demand of employees for companies in the ICT sector. For example, in 2017 the number of graduates of higher education in this field was 10% higher than in 2016. The level of training of the human resource at national level in this field, as well as the reduced costs with the salary expenses had a great influence on the decisions of many multinational companies to carry out operations in Romania. To these motivations are added the high quality of the software products created by the Romanian companies in the field, an aspect that was the basis for establishing various partnerships.

Regarding the structure of the sector we present in the figure below the situation in the year 2017, taking into consideration the methodology of the EU to define the SMEs given the number of the employees.

Figure no.2 The structure of the ICT sector in Romania



Source: Data processed by the author using The National Institute of Statistics database

According to the data presented, we can notice that most of the companies that carry out operations specific to the ICT sector are microenterprises. Thus, over 90% of the economic entities existing in this economic branch have up to 9 employees. Some studies regarding the EU business environment highlights that most of the economic agents at the European level are microenterprises. Regarding large companies (economic entities with over 250 employees) we can mention that these businesses represent only 0.37% of the sector as a number. At the same time, the most representative economic players in the Romanian ICT market are dominated by multinational companies such as IBM, ORACLE, Endava, Microsoft or SAP, companies with a strong global position.

In order to give an overview of the results obtained by the companies in the ICT sector in Romania, we present in the figure below the evolution of these businesses turnover during the period 2008-2017.

Figure no.3 The evolution of ICT firms turnover during 2008-2017

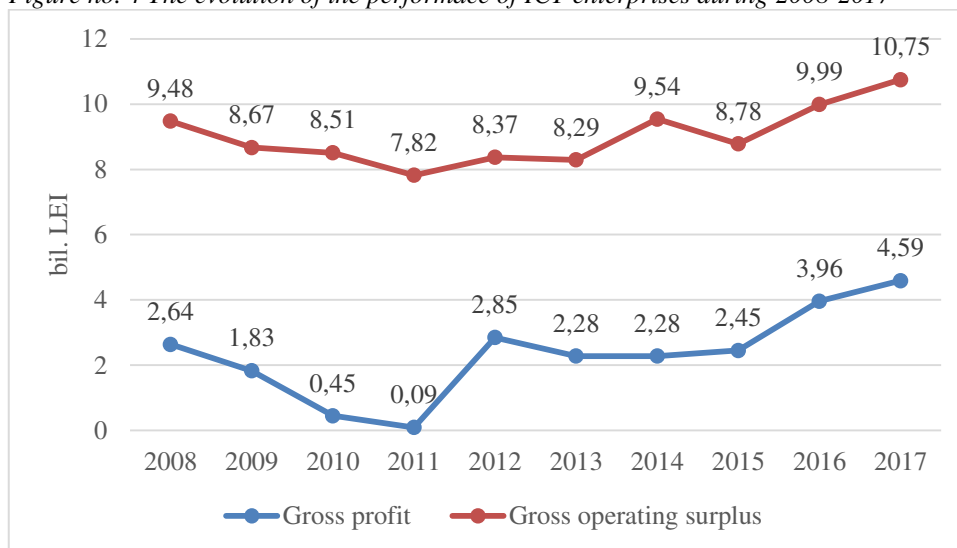


Source: Data processed by the author using The National Institute of Statistics database

According to the presented data, we observe that the predominant trend regarding the turnover is related to a high increase. Thus, in 2017 the incomes of business organizations in the ICT sector increased by 6.94% compared to 2016 and by about 48% compared to 2008. We also mention that the value of the revenues obtained by the companies in the ICT sector recorded the lowest value in the period after the financial crisis.

Other aspect highlighted for the purpose of analyzing the performance of the companies in the studied area are the gross result and the gross operating surplus. Therefore, we present in figure no.4 their evolution in the period 2008-2017.

Figure no. 4 The evolution of the performace of ICT enterprises during 2008-2017



Source: Data processed by the author using The National Institute of Statistics database

Regarding the presented indicators we can mention that they have a predominant growth trend, however, there is a short period of decline in the years preceding the financial crisis (2009-2011). The decrease period of the sector was short, being successfully exceeded by the companies in the field, given the high values obtained in the following years. Moreover, in 2012, the gross result obtained by the entities that carry out operations in the ICT sector was higher than before the financial crisis. Regarding the gross operating surplus, we find that in 2017 it registered the highest value, being about 13% higher compared to 2008. The high value of this indicator underlines the high capacity of self-financing of companies in the sector. At the same time, the gross operating result showed a similar evolution, given the fact that the value registered in 2017 was about 74% higher than the one obtained in 2008. The high values of the analyzed indicators indicate the rise of

the ICT sector as well as the high performance obtained as a result of strategies implemented by the management of these companies regarding the innovative activity.

Regarding the activity of the companies studied on the international markets, we present in figure no.5 the evolution of the export related to the sector during the period 2008-2017.

Figure no.5 The evolution of ICT firms export during 2008-2017



Source: Data processed by the author using The National Institute of Statistics database

As respects the presence of the Romanian ICT firms in foreign markets, we can mention that this has increased significantly in recent years. Thus, the value of exports registered in 2017 was about 300% higher than that registered in 2008. The high value of the exports is due, in large part, to the presence of many multinational companies, that have a competitive position worldwide, on the national market. In fact, the available data shows that the activity in the ICT national is ruled by foreign capital companies. At the same time, Romanian companies have also developed, which have asserted themselves on foreign markets through tools such as outsourcing. Moreover, recently, some domestic companies in the field have succeeded in offering innovations that give them competitive positions on the world market (Bitdefender, UiPath, Arobs Transylvania, etc.).

5. Conclusions

The increasing importance of the services specific to the ICT sector in carrying out the operations of the companies will intensify the activity of the business organizations involved in developing software, computer applications or other different products that ensure the efficiency of some processes. Moreover, technologies evolution will play a major role in eliminating the problems that is facing the society. Regarding the activity of ICT companies in Romania, we can conclude by mentioning that they have achieved a significant performance, contributing to the growth of the national economy by creating jobs and increasing the innovative activity

Although, at present, foreign companies dominate the national market, significant progress has been made regarding the development of Romanian start-ups in this sector. An important role was played by the European financing programs that facilitated the access to non-reimbursable funds for the development of the activity of the companies in the field. At the same time, the establishment of specific clusters in the field (Cluj IT Cluster, EURONEST IT&C HUB, iTech Transilvania Cluster, etc.) was reflected in the increase of the competitiveness of the Romanian companies on the global ICT market.

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A Review: Strategic Analysis of the Variables that Generate the Procedural Crisis in the Change of Organizational Management at the Educational Level

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Abstract

The process of educational change goes through a period of crisis of the organizational management. To reduce this period, a diagnostic and strategic analysis of both the inflow of flows is needed, by finding prospective strategies that meet the acute need for change, as well as the outflow, by guaranteeing proactive management.

This study has as starting point the danger of applying the managerial changes made in the European Union countries, not taking into consideration the national particularities.

Using a series of methodological activities such as identifying the shortcomings, applying the principles of change, generating conclusions, the study aims to broaden the perspectives in the field. On the other hand, it carries out a review of the strategies regarding the agents of change by elaborating a conceptual model for reaching a possible and desirable state, in which the political and the legislative play a very important role.

Key words: agents of change, space of transition, contradictions of change, brakes of change, managerial innovation

J.E.L. classification: I2, J5, M5

1. Introduction

It is well known that the school is created by society having the purpose of fulfilling the main functions of education. However, there exists an actual degree of social determinism that puts the school in a position to exemplify cultural, political and social reality. As a result, in a period when profound changes are taking place regarding the educational system, the question of the real capacity to change the school, as well as clarifying its content, raises the risk that change will become a pretentious but empty concept.

There is a tendency to consider that change occurs instantly, whenever it is requested. Both the organization and the members are affected, the desire for change being characterized by ambivalence, by the specialists' opinions. It is about trying to find a balance between new and old, between the need to maintain a comfortable state, given by ingrained behaviors and the desire for change.

For a better understanding, the therapists' experience is relevant. In many situations, regarding the patients undergoing treatment, instead of the maturation, they feel the presence of regression phenomena, explained by the power of the repetitive forces that act regarding the human psychic, and which require the continuation of the treatment. It seems to be a setback, a moment of denial, of not accepting change at this level. This is also the reason why the therapists consider the change to be a time of disturbance of a stable disorder, but that for the patients it was the only order they knew.

This example represents a possible support for understanding the contrasts that mark the evolutionary context of the organizational management. Regarding this, it is mandatory to review the most obvious such contrasts.

The first one calls for the psychological dimension of change and refers to the relationship between change and stability/ continuity. Not infrequently we have been witnesses or subjects of this contrast because, regarding the psychic the desire for evolution and routine behavior, the driving forces and the brakes of change coexist.

The meanings of this paradox are deeper than they are to be understood at first sight. It should not be neglected that, usually, change involves not only changing the rules, but even affecting the professional identity of those involved. This is why the change must respect the principle of planning / design. The emergence of resistance to change has as its motive the idea that novelty elements can be converted into old practices, possibly slightly improved, an aspect that gives the feeling of a certain stability.

Closely related to this paradox is another, that of respecting tradition and promoting modern/ postmodern values. The two aspects coexist, the change not meaning the cancellation of tradition. The problem nowadays that is being hinted at is quite another, experts say.

If modernity, by its already experienced values, has managed to be easy to anticipate and offer some stability, the same cannot be said about the values of post-modernity. This is recognized by the tendency to affect the basic structures, to deconstruct, to destabilize, to change the axis of things, which raises a serious question mark regarding the limits to which change can advance. If postmodern changes mean disassociation, then there is the risk of creating imbalances, chaos. Therefore, postmodernism becomes an uncertain world, probably increasing nostalgia for the past all the more, since sometimes the change only concerns external demands, leaving the system unmodified.

The relationship between decentralization and centralization regarding the educational organization is a possible paradox too. The fact that, regarding the Romanian education system there is an autonomy of educational institutions, one cannot help but notice the relativity of this concept. It manifests itself inside the organization. However, at the inter-organizational level there is still a centralism that maintains the organization within the rigid frameworks of bureaucracy. In other words, regarding the Romanian school, centralization and decentralization coexist.

An equally upsetting paradox is the one that emerges between the need to meet the modern demands of society and the low financial resources allocated to the school to support the reform. Their absence or their insufficiency, puts the Romanian school in the situation of choosing between two solutions: either to give up the change, in which case they would self-destruct, or to operate moderate changes, with the risk of depreciating their investments through the sustained effort of direct and indirect beneficiaries. This case is synonymous with the one in which quality is required without the necessary logistical and financial support.

A paradox found by some Western school analysts, but to some extent also suited to the Romanian education, is the one regarding the contrast between the requests for innovation in education and the institutional or individual evaluation according to the old criteria. This is explained by the fact that, although it is required to promote teamwork, individualization of the curriculum, promotion by school managers of an optimal educational climate, modernization of educational resources, involvement in educational development projects, these are not yet among the evaluation criteria. of managers or organizations.

2. Literature review

The issue of educational change has been of concern to specialists in the field since the early 1960s. The first works belong to American literature, but there is an almost total absence in the West-European space. You can talk about a small number of UNESCO conferences or a few reports from the Center for Research and Innovation in Education, published in the 1970s. The necessity of changing the school paradigm has made the phenomenon of change management a very debated topic in the recent period.

In the mid-1960s, Lapière is the one who analyzes, from the broad context of social change. Opposed to change is the event, considered a component element, being a generator of change when it affects the society structurally and functionally. If this condition is not met, the event manifests itself only at the individual level without affecting the community.

A clear distinction between social change and social evolution is made by G. Rocher in 1968. The time factor is the one that differentiates between the two concepts: social change refers to verifiable transformations in a more limited time, and social evolution highlights transformations recorded in a period of time that can exceed even two generations.

A.M. Huberman (1978) gives another definition of the concept for change starting from innovation. In its conception, innovation is represented by an innovative selection, organization for human and also material resources so that the proposed objectives are achieved at the highest level. The definition was challenged based on the premise that innovation is considered to bring added value to already known inventions.

A new perspective on the change-innovation report is provided by G. Adamezewski who tries to achieve a consideration of innovation, analyzing all the definitions existing in the specialized literature at that time. In its conception, innovation is a phased adoption of an idea in a value system.

Although innovation brings change, the reciprocal is not valid because a clearly defined purpose is needed for change to become innovation.

M. Forse makes the distinction between tendency and change, noting the small difference between the two. In his opinion, the tendency is an irreversible change, in time and space having a great magnitude, supporting the changes that will take place. In M. Fullan's view, although innovation is based on clear goals, there are situations when good intentions can assimilate inefficient practices.

In the educational perspective, the change comes in complementarity with the school improvement, but there are clear differences between the two concepts. In L. Stool's and D. Fink's view, this is that school improvement develops the capacity to accept change and must necessarily take into account the internal conditions of the environment in which the change occurs. Although considered a form of change, the renovation involves a return, a refresh of outdated practices, thus being closer to the concept of improvement.

In the conception of S. Cristea the education reform is represented by a fundamental change that is designed and realized regarding the educational system. The changes occur in the change of purposes and in its structure and content, thus making a modification of the curricula and curriculum.

In the same direction of accentuating the complexity of the changes in education is also M. Fullan (1991), who considers that the reform implies a fundamental restructuring of the entire education system.

J.C. Rouchy draws a parallel between change and adaptation, from a perspective of the depth of change, underlining the need for a transitional space when one process moves to another. It is very important that these processes are intertwined, adaptation can be a stage of change or even the means by which change is produced. The concept of change is analyzed by R. Dahrendorf (1996) who interprets change from the point of view of the social conflict, change signifying the struggle for authority. The author emphasizes the idea that change is not always generated by conflict. V. Doise, G. Mugny, J.A. Perez analyzes the change from the perspective of socio-cognitive conflict, being produced regarding thinking structures.

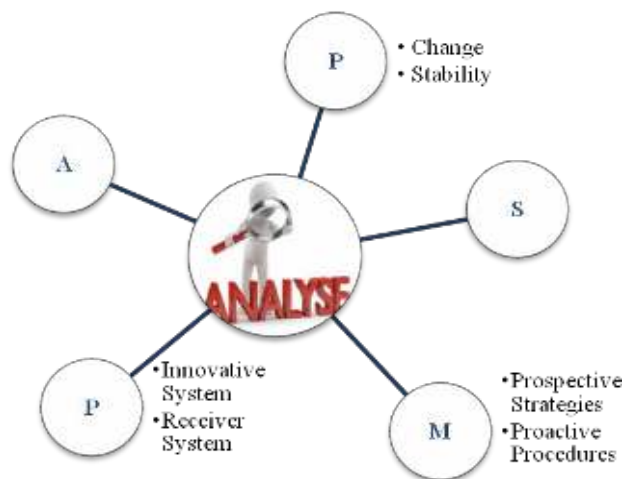
3. Research methodology

Following a critical analysis of the definitions, some characteristics of change emerge, the most important being: the global character (both economic and educational organizations are affected), it is a collective phenomenon (it manifests itself in isolation, starting from individuals to organizations), it represents the passage of clearly defined stages, being a lasting phenomenon. Although initially it causes imbalance and tension, then change can develop another form of balance.

Studies show that educational change needs to be approached from multiple perspectives, configuring it as an open, self-regulating process that contains elements in the inter-conditioning relationship. The implementation of change strategies at the organization level is underlined, emphasizing the need to shift the focus from the extrinsic motivation, financial eminence, to the intrinsic motivation.

To understand the phenomenon and the causes that generate them must be highlighted. It is better to specify that without taking into consideration the perspective from which the analysis is made, the process of change proposes new objectives and strategies required by the new type of society. Only an analysis from multiple perspectives can raise awareness of what the process really entails, with an emphasis on the mechanisms that generate it and the long-term benefits. There are five perspectives from which the process of changing organizational management can be analyzed: psychological, social, managerial-strategic, pedagogical and axiological (PSMPA, as shown in Figure no.1).

Figure no. 1. PSMPA - Map of perspectives for analyzing the process of strategic change of organizational management



Source: The authors' own concept

Using multiple methodological activities of study, observation, comparison, correlations, the authors consider that the psychological implications during the process of change are major. There are two perspectives that consider that personality can be underlined by elements that give it identity. It is the behaviorist perspective that claims that a person could be modeled by changing only the elements of the situation and the constructivist perspective that highlights the variable character of the behavior of humans. So, during the process of change of organizational management, two contradictory tendencies are put in balance: change and stability (rules, rules, procedures).

The authors found that during the change a series of turbulences may occur due to the fact that the stimuli may be received differently from one person to another, but these aspects are generally controllable, an essential role having in this regard education for change.

Special attention during this study was given to globalization, the authors appreciating the specialists' opinion in the field as the phenomenon that attracts both the mobility of a capital, but also a decentralization of decisions and policies, reshaping global markets, increasing competition, globalizing knowledge.

In this context, it is natural for globalization to propose the change of the paradigm of the educational phenomenon as this leads to the transformation of substance of the environment.

Thus, the organization must redefine its concept of development, and will explore new practices and technologies, adapting on the move to new trends. The two components develop an interdependence report as any organization can exist only insofar as it is able to adapt to the new demands of the social environment. It should be noted that each organization has its own social structure that becomes visible through interpersonal relationships and through the set of behaviors and norms that underpin the evolution.

The requirements of quality management must be respected, thus avoiding outdated practices, routine and inertia. Several variables must be taken into account, among which human resources are the basic capital. They must be endowed with proactive attitudes and motivation. Another variable is represented by the school organization, in which there must be cooperative relations, the partnership between its members being a guarantee of progress.

From a pedagogical perspective, education as a system and process is an integral part of the global system, being called to produce changes in all the components from the initial training to the continuous one, from the curriculum to the educational management. Early in the 70's, comparative studies were carried out between the school regarded as an organization and between the economic enterprises. In 1978 A.M. Huberman advanced the idea that one can speak at the following levels of change: individual perceptions, institutional system, teaching-learning system, environment.

In Huberman's view, individual change presupposes the existence of two systems: one innovative, the other receiver, both of which are modified by reference to the other. Any change is aimed at restructuring attitudes and values, knowledge, means of transmission, reviewing the policies of the entire process.

Regarding the environment it is the impact that any transformation has on the indirect beneficiaries, the local community or the various associations that can financially support the innovation efforts. An interpretation can be made from inside to outside and vice versa, the relationship of double determination, the process of change being performed in an evolutionary manner and not a mechanical one.

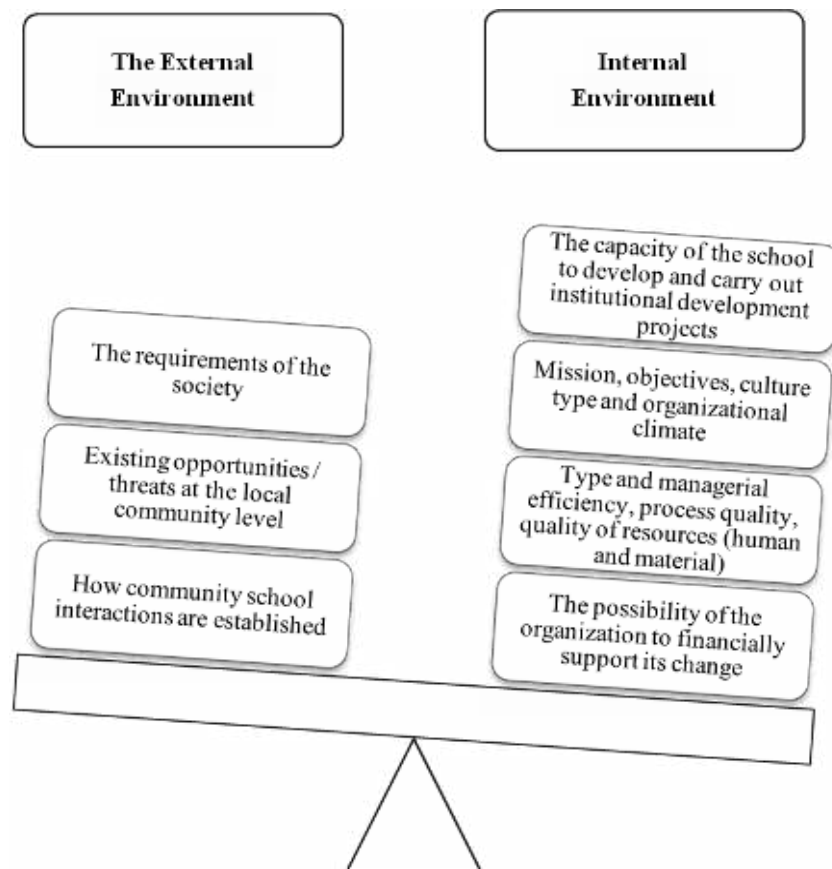
In view of the current managerial crisis situation, through a consideration of research from other fields, the authors emphasize the idea that changing organizational needs requires a reorientation of managerial values, a recycling of the entire school organization. For this, it is mandatory an analyze of the factors that can determine the change, the agents that are involved, and also the conditions that favor or that block the change of the old values without having to eliminate them. In 1990 R. Weil and J.P. During this period, I establish four factors of change: cultural and ideological values, technical progress and demographic factor.

Cultural values represent the fundamental axiological benchmark, guiding the promotion of the change type. Closely related to cultural values are ideologies, which can be considered as tools used in different social systems.

The principle of axiological substantiation emphasizes that change implies quality and value, which must become mobile in identifying the main managerial changes. Education is based on the value criterion, which is transposed in practice in the fact that education is achieved only through own and proper values.

When confronted with innovation, sometimes a doubt or a feeling of powerlessness can arise. For this reason, coping with change in education becomes a professional task, seemingly impossible when it addresses the psychological barriers or extreme solutions. There is a need to get rid of inefficient practices, critical reflection and reconsideration of socio-educational realities, as well as effective involvement in promoting change at this level. The social should take responsibility for the assistance of change when it is requested and for facilitating the integration of the trained young people, and the organization needs to assume the responsibility for the coherent changes and quality.

Figure no.2. The internal and external environment of the organization, variables generating the procedural crisis



Source: Authors' own concept based on the diagnosis of the two environments of the educational organization

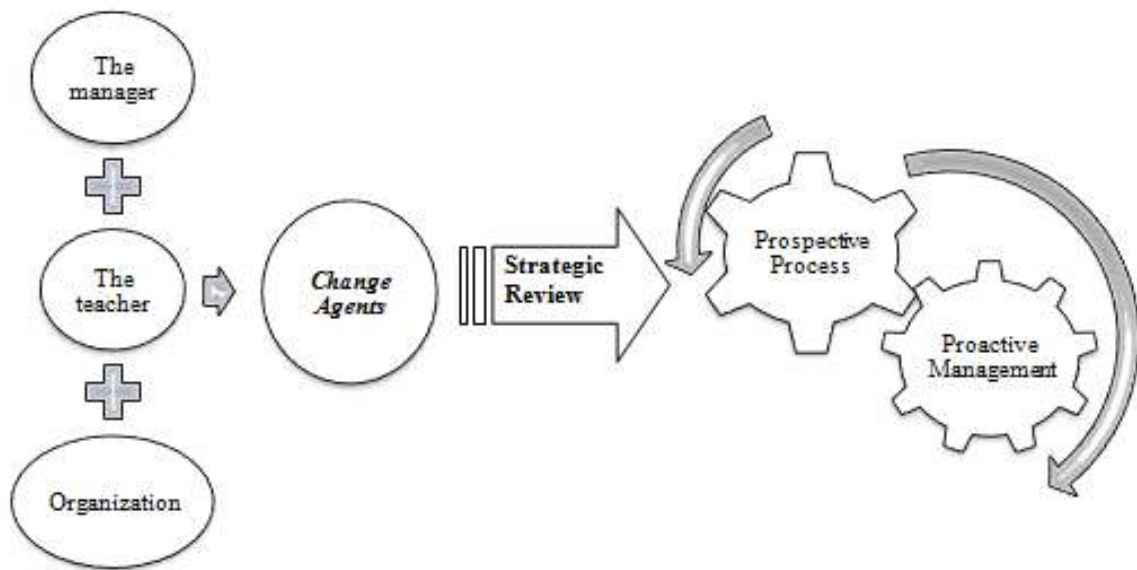
Two essential aspects are brought into question when we speak about the process of change. It is about the necessity of a diagnostic analysis that will be the support for the planning / designing and the effective realization of the change.

The results obtained from the diagnosis have relevance in creating a prognosis of the evolution of that organization. The diagnosis should concern the internal and external environment of the organization, two variables that can generate a situation of procedural crisis if too large imbalances in quality and efficiency of the organizational management occur, which most often face obstacles raised by the sphere of politics and deficient legislation (Figure no. 2).

The role of educational management is reconsidered at the social level. It is possible to speak of a double conditioning relationship between the social change and the managerial change. The individual's ability to respond convincingly to external challenges has its starting point in the way the organization connects its development strategies and the mission of the socially demanded needs. Without an understanding of the logic of social transformations, organizational management cannot restructure its educational offer because its performance needs to be socially validated. It should be emphasized that not always the social influences are beneficial, the organization having the task of operating a selection of them, without being limited to a passive and expectant behavior.

The educational organization operates according to its own logic of evolution, advancing only the changes that are in accordance with its own development needs (Figure no. 3).

Figure no. 3. Conceptual model of change design



Source: Authors' own concept based on the inflow and outflow of the management strategy

4. Findings

The company's evolution is affected by change, which aims to identify the agents of change (individuals, groups, organizations), these having the role of establishing the meaning of the changes. It is very important that the change of the educational management starts from an internal need of the school, not just a reflex act to the changes in the society. The change involves in each area several stages that consist in reaching the balance between all the factors involved in the process. And the process of educational change, like any other process, requires careful planning of the issues involved.

As a result, it is mandatory to carry out the diagnostic analysis of the need for change that can be requested by both the school organization and the direct and indirect beneficiaries. The analysis provides the support to establish the strategic objectives that are addressed to both individuals and the organization. The way of harmonizing the objectives is very important, imposing the finding of the common points involved in the change.

The teachers, the school manager and the school organization are the agents of change. The conceptual elements of education are represented by the contents that provide support for the achievement of the objectives. Their approach must be carried out in an interdisciplinary way with the possibility of intervening when the conditions require it. As in any process, a set of resources is involved, from the informational and material ones, to the experimental resources.

The strategies aim at either the instructional-educational process, in this situation being the rebalancing of the strategies of teaching in accordance with the modern requirements of education, but also the management strategies that refer to inter-institutional partnerships and projects. Prospective and pro-active abilities are the change result, offering the possibility for responding to the company's demands.

The technical progress represents the fundamental source of the change, initiating the transformation of the social and subsequently generating a new perspective of approach. However, the risks that can be achieved through an over-promotion of new technologies must be emphasized, as it is a depersonalization of the individual which leads to the limitation of creativity and the desire to get involved.

The demographic factor plays a very important role in producing change, and an interdependence between change and demographic growth can be established in that the promotion of change is determined by the intrinsic motivation.

The change in education refers to the reform process that the Romanian school is going through. Its effects on the organizational management process have been discussed for a long time and it is necessary to go through the types of changes promoted.

Each process or action is based on a set of laws, principles, rules or norms that have the value of procedures, ensuring the achievement of the proposed objectives and helping to guide the respective action.

The process of strategic change in educational management can be configured as an open, self-regulating process, containing elements in the inter-conditioning report, with the purpose of obtaining the proposed competences. In this context, it is necessary to ensure a normativity that will ensure the success, the principles of managerial change can be defined as standards that have the property to guide, carry out and evaluate the quality and size of the achieved change. Being quality standards and fundamental theses to the same extent, the principles act as indispensable factors in promoting managerial change, fulfilling some basic functions:

- Guidance, guides the manager's activity during the implementation of changes;
- Adjustment, representing a criterion in assessing the quality of change.

The principles represent the relationships during the process, expressing the essence of the action with a wide range of applicability. The essential features of the principles are derived from the characteristics of the change process and have a normative, dynamic, open and flexible, strategic and operational character. Although they seem compelling and rigid, their presence is required, regarding any process, being the result of the evolution of the society that asks individuals to manifest an independent and creative thinking in order to adapt to the new requirements.

5. Conclusions

The attitude towards education and the approach of the organizational management at national level require to be rapidly improved, being aspects that need to be changed, the compromises being not a solution.

Therefore, the educational policy must be a basic concern in the modern society, which by change is in a permanent search.

As the society is in a process of pretending, it is imperative that the organizational management is not confined to the old values, thus avoiding a retrograde image. The process of managerial change was marked during its unfolding of ambiguities and dysfunctions in an attempt to overcome the traditional limits of institutional reality. A management situation between tradition and modernity can lead to the emergence of valuable tensions, with the risk that the organization may lose its mark. At the same time, a clear delineation between the traditional and the modern cannot be made, considering that by change it is not desired to cancel the traditional but only to relocate to another foundation.

It should be emphasized that managerial changes prove their worth over time, through exercise, having a strong emotional burden. In promoting change, a major obstacle may be resistance to change, especially when it has not been sufficiently prepared before. In this situation, an internal support is needed at the organization level, not just external requirements. The changes cannot be made in a definitive way immediately, but only when a qualitative change has been registered in the level of managerial behaviors and attitudes.

Change in organizational management has a price that can be considered exorbitant. And yet, promoting it implies accepting the renunciation of old satisfactions and getting involved in finding the best solutions. There is the temptation of the organization to ask itself about the real possibilities it has to cope honorably with this development. There are no guarantees, but involvement by any means is preferable to disinterest and reluctant conservatism.

As a further development, it is desired to question some proactive managers, with a prospective vision for a reconsideration of the variables generating managerial crisis and the revision of strategies of resistance in the conditions of political pressures and of bad legislation.

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Interdisciplinary Connections of Philosophical Practice with the Business Environment

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Abstract

The paper present the interaction of philosophy with the field of economics and the business environment, through philosophical practices and ethics applied in organizations, and by applying philosophical ideas and themes that can influence the business environment, all having a better perception by defining the suitable business, what is different from the first concept, , like as just a business. Philosophy can make the necessary clarification on this dilemma regarding this position: the right business or is limited only to identifying the principles and elements of a business, as an activity specific to the economy, be just a business. The interdisciplinary connections identified between philosophy and the fields of economics can indicate the fairness of a business, using other approaches taken from philosophy, manifested through a new specialization proposed, the philosophical consulting and applied ethics for the companies or organizations.

Key words: business environment, ethics applied, philosophical consulting, interdisciplinary, company

J.E.L. classification: M10, M14

1. Introduction

In order to present some influences of philosophy in the field of economics, it is necessary to consider some ethical perspectives generated by the philosophical theories that have interacted with it. In this regard we consider the principles of utilitarianism presented by John Stuart Mill, the categorical imperatives of Immanuel Kant, the justice in Rawls's concept of justice, the healthy relationships reflected by the Confucian's current or the altruism manifested by the so-called ethics of care. The utilitarian theory applied to business, who starts from the original principles of Jeremy Bentham and John Stuart Mill, and "is attempting to do greatest good for the greatest number" (Johnson, 2012, p.20) and has the effect of maximizing the benefits obtained for as many people as possible. Looking at this context, the two philosophers define *the greatest good* concept "as the total amount of happiness or pleasure" (Johnson, 2012, p.21). Bentham is the initiator of the utilitarian philosophical principle, which can be considered just within a business, giving it a permanent character. The quoted philosopher calls utilitarianism as the principle of "the greatest happiness", thus expressing his hope in a just society, which will also include the economy as an area of manifestation.

2. The theoretical approach

Being contemporary with Bentham, the German philosopher Immanuel Kant brings some rules, defined in his work to be *imperative categories*, which can be implemented in the process of making the ethical decisions, in any field, based on the moral rights applied to the people, and which generate a respect for one another, regardless of consequences, and these become a "powerful ethical tool" (Johnson, 2012, p.25). Justice as fairness theory introduced by John Rawls resolves the dispute over the distribution of resources in the economy, by its principles (equal liberty and equal opportunity) these are introduced for balancing freedom and equality (Johnson, 2012, p.27-29).

The concept of altruism derives from the Latin, *alter*, which means "other" and can be represented in the business environment by caring for others, or recently by the concept of social responsibility that makes its presence in the business environment more and more. Being difficult to track the benefit of others to the detriment of the personal, a new concept has been introduced, "care ethics" that can generate a change of priorities within an organization and can prevent any abuses or violations of organizational rules of ethics (Johnson, 2012, p.32-38). Another confirmation is given by the Confucian's philosophy, which also contains ethical elements specific to the altruistic trend, which show us the place that the person can have within a community, the rules of good practice applied to the institutions of that period, who can be easily extrapolated to the current business environment, preserving his applicability even today.

Other depth study of business ethics is done by Elaine Sternberg, who proposes to call a specialist, called *the business ethics consultant*, and who "can make a task of keeping business accountable" (Sternberg, 2018, p.10), thus showing the importance of the concept of responsibility, which can generate a fair and ethical business. The expert in this type of consultancy is a combination between the ethics consultant and the business consultant, he will have the attributions of both, in sense of dealing with the ethics applied to the organization, by implementing a code of ethics and conduct, using an ethical audit of the company and training of the personnel involved in their application, but also in providing consulting for problem solving, making decisions or support the crisis management, recommending the application of the so-called *The Ethical Decision Model* (Sternberg, 2018, p.247).

3. References of the philosophical practitioners about interdisciplinary approach of philosophical and ethical counseling in the business environment

The ethics applied with the philosophical consultancy, participate together in the achievement of the objectives proposed within a company, which reason is why we believe that they must be considered as a real investment in its development and the achievement of the mission of company.

The involvement of philosophy in this new type of consulting is underlined by the practicing philosopher Peter Koestenbaum, who suggests the idea that philosophy applied in business can be a new profession, thus emphasizing the need to build a profession distinct from the philosopher, which he calls the philosophical consultancy (Koestenbaum, 1989).

The analysis about introduction of the concepts from philosophy in new field of leadership is presented by Koestenbaum in his book published in 1987, where he presents the topic of leadership from different points, talking about the mental development of the leader, the development of leadership through The Deep Structure Theory and introduction of the concept of the authentic leader, who generate changing in this field and gives it a certain power, this being given by the business idea, the intelligence of the leader, his character and his genius power (Koestenbaum, 1987).

In his introduction of the first book, Koestenbaum asking himself if it is "a book of inspiration for the business community?" and the analysis presented is based on the multiple intelligences concept, he starting from the eight types of intelligences and he speak about the transformation of the leadership mind, as a transformative process. In the same book, the philosopher indicates the need for ethics in action, because "Ethics means profits" (Koestenbaum, 1987, p.xii).

The debate on the topic continues with another paper published by Koestenbaum in 2003, in which he develop the concept, showing which are the four intelligence tools of the leadership mind, such as: ethics, courage, reality and vision, which he places these in the corners of a rhomb structure, which represents "The Leadership Diamond Tools" (Koestenbaum, 2003). From analyzing these tools, we observe that ethics is regarded as a service that can be applied by a leader, courage shows his initiative, reality builds the image of the person and the vision generates a strategy, all together concur for the emergence of other two tools, named: the polarity and greatness (Koestenbaum, 2003, p.394). In the same context, the Dutch philosopher Ad Hoogendijk proposes the application of philosophy in the business world with the help of a concept call "vision development" whereby the practitioner in philosophy becomes a "vision developer", who also needs "analytical and synthetic thinking". (Hoogendijk, 1995, p.159-170). We have to appreciate that, because Hoogendijk not only makes an exposition of his working method, but he also present

what are the philosophical skills necessary for a philosopher to working in this field of business, referring to the conceptual analysis, reflection on the fundamental network of concepts, the critical thinking, examining of the presuppositions, the dialogue and even utopian thinking (Hoogendijk, 1995, p.160-162).

The working method proposed by Hoogendijk can be applied at various levels, starting from a micro level, where it is applied in the form of "career counseling" addressed to a candidate for a job; it continues with the average level, specific to the organization where problems arise from the labor relations but also from the marketing process necessary for its development; and the last macro level being represented by the company or community where the organization or company operate (Hoogendijk, 1995, p.164).

In Romania, Professor Sandu Frunză has a study on ethics, morals and deontology; and he connect these concepts to searching for public well, showing that "the experience of organizations operating in the economic field shows that a process of continuous adaptation to a situational ethics is necessary" (Frunză, 2011, p.17-39). In the same sense of research, this author analyzes the concept of responsibility, placed "between determinism and voluntary action", thus identifying the concept of ethical responsibility, which he studies alongside that of the social responsibility of an organization, his study mainly referring at organizations in the public health system (Frunză, 2011, p.149-170), but we believe that idea can be extrapolated to any organization from economy or even to public institutions, which can thus become socially responsible, with the help of ethics applied.

Inside the organizations and companies there are concerns on various directions, from marketing to researching the market conditions, in the area of recruiting workers, to establishing the company's mission or in area where the philosophy addressed to managers. In all these cases, philosophy can be associated, like that: the marketing philosophy, the market philosophy, the personnel philosophy, the communication philosophy, the management philosophy; and all these expressions are components of the interdisciplinary links that are formed between philosophy and these areas of the business area, which their find a place in companies, organizations and institutions (Hațegan 2018a, p.50-54).

Other approach of the interdisciplinary link between ethics applied and economics is made by Benedetta Giovanola, who looks at these connections from two points of view: at the micro level, between rationality and the concept defined to be *homo economicus*; and at the macro level, from the point of view of inequalities and social justice, and she concluding the importance of a permanent dialogue between ethics and economy, where "ethics is called to confront the concrete human action with the different forms of practice, with critically orientation, and thus avoiding the sterile abstraction" (Giovanola, 2018, p.189-198). A special approach to Aristotle's ethics is made by Robert Audi, who regards the ethics of virtues as part of the moral theory that can be applied to the business environment (Audi, 2012, p. 273-291).

Starting from Aristotle's ethics, the Italian researcher Roberto Mordacci transposes the concept of ethics applied within a company of the present, analyzing the values of a business, such as: the profit, the product or the realized service as well as the so-called identity of company; indicating a transversal principle, what should be applied within an organization, and concluding that "A company that respects people, beings and the environment has a strong and positive identity, which can be found concretely in the way of production, sale and carrying out its own activities" (Mordacci, 2018, p.199-207).

In this context of introducing the philosophical practice in various fields of activity, Eugenie Vegleris becomes a practitioner since 1993 and he pay a special attention to the economic field and its specific entities, writing about the role of the philosophical consultant in the company, about the influence it can have a practitioner in philosophy for manager, showing what can be achieved when a manager meet a practitioner philosopher (Vegleris, 2006), or the fact that an economic language can have many elements in common with philosophy manifested in the form of philosophical practice. This practitioner present the differences observed between the new philosophical practice and the consulting applied to the organization in various other forms, from business consulting, coaching and other types of counseling, to which an economic entity can call, she showing that the new specialization is manifested through a type of generalist expert, who use the tools and ideas taken from philosophy, but which has a different language and methods specific to the philosophical practice (Vegleris, 2010).

The conclusion reached by Eugenie Vegleris show us how the philosophy can be used within a company, by asking the right questions, defining the essential concepts to the organization, developing the dialogue as a form of communication between the manager and the staff of company, developing the creativity in the case of excessive standardization within the corporations, and making the optimal decisions for organizational and development of company (Vegleris, 2008, p.132).

A short presentation of the competencies needed for a philosophical consultant is made by the practitioner Neri Pollastri, who publishes them in his book about the philosophical practice destined to the organizations, together with Paolo Cervari and they grouping them as follows: the argumentative competences developed through the philosophical practice, as an exercise in philosophy applied to the organization; and followed by dialogue and relational skills; and supplemented with the ethical competences (Cervari, Pollastri, 2010, p.199-203).

4. Romanian research about applied ethics and philosophical practice in the business field

The implementation of the philosophy within organizations can have various forms of application, such as: establishing a direction to be followed, materialized by the company's mission statement; defining the identity and meaning of the organization; elaboration of ethical norms regarding the entire activity of the organization; identifying the elements of human relationships; the marketing communication and market definition; building trust in the organization; the conflict management; the person-centered consulting; development of leadership based on philosophical instruments; the social responsibility of the organization or company (Hațegan 2018b, 2019).

In Romania recently was published the results of a research conducted by Cosmin Bordea, a manager who has worked in national and multinational companies, from various economic fields of activity, and who highlights some tools of the ethics applied in organizations, useful to any leader who wants to be effective in its actions and decisions (Bordea, 2018). The work cited is the result of a doctoral research by the author, under the coordination of the Professor of ethics, Valentin Muresan, and the paper starts with an approach to understanding ethics, starting from the system of rules that governs it, or regarded as part of a "common morality" or as a social process; or for take care for others (Bordea, 2018, p.23-52). In the main content of the book, the author introduces the ethics concept for organizations, through various tools or application methods, such as: establishing the vision and values of a company, the company code of ethics and his ethics committees, elements of ethics management and the introduction of the concept of expert in this field, the ethical assistance given to an organization and the communication necessary to implement these instruments or to implement an ethical audit system, which will included in the social audit, as a part of the management of company (Bordea, 2018, p.55- 121).

The conclusions of this research indicate a dynamic approach of the author on ethics applied, as a form of strategic management within the reach of the leader of organization and which can be integrated into the management policy of the company either by creating its own structures of ethics applied in organization, which to attract the new specialists in ethical counseling, along with the training of the personnel involved in this applied field; or by outsourcing these service, by appealing to specialists or companies specialized in ethics applied services to organizations, including for preparation of ethical audit reports, as an part of the management.

The model of the ancient Agora, in which the philosophers were so active, can now be brought in present, and it is now represented in the business environment by the place where are doing the discussions held in the councils, meetings or conferences of the persons involved in the management of business or in the management activity of the company, generally defined as organization or company.

Wide use of the concept CSR within an organization attenuates the destructive influence of the development of the economy as an effect of globalization (Ishrat and Sarasvathy, 2012), indirectly stimulating the need of the respective organization to call about the philosophical counselor, as a specialist who supports the management team, for achieving this social wish but also for developing and implementing a fair business, in accordance with the business environment and the community, where the company works (Hațegan et.al. 2018c).

5. Conclusions

We consider it an opportune time to promote the philosophy as an option for practice, intended for its organizations and people. We can say that philosophy, through all its forms of practice, using specially methods and tools, can become a form of support for management, and can be applied not only to the leaders but also to the staff of an organization or company.

We support the need to reinvigorate the leadership concept, with the help of other tools taken from philosophy and presented by specialists trained in philosophical consulting for managers and their teams.

We believe that practitioners in philosophy can now include in their promoting message, that philosophy and applied ethics represent for organizations and companies a useful and necessary investment for the growth of economic performance and the development of the human capital available to them, thus benefiting from the specially support represented now by the philosophical consulting and ethics counseling, which can be also become the distinct professions in Romania, recognized and applied in all area, including economics.

Thus, the philosophy put into practice within companies or all organizations specific to the business environment, can substantially help to regulate the economic systems in which they activate, by ethics applied and philosophical consulting, as a new branch of philosophical practice, for organizations or institutions.

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Marketing Activities in the Early Existence of Mamaia Touristic Resort

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Abstract

The Romanian seaside represents the area with the highest concentration of accommodation units in Romania. Of all the 17 Sea side touristic resorts and localities, the most famous is Mamaia, considered by many as being the "Pearl of the Romanian seaside". In August 2016, the resort made 110 years of existence. The purpose of this study is that, through a desk research, on some qualitative information on the economic and social activity of Constanta city, between the end of the XIXth century and beginning of the XXth century, to present some marketing activities that had a great impact on the creation and development of Mamaia resort and Mamaia brand.

Our approach seeks to emphasize that, in a period during which, marketing was only appearing as a science in the economic developed countries, various documents recorded that in Constanta and Mamaia, there were carried out practical marketing activities.

Key words: marketing activities, tourism, Mamaia resort, Romania

J.E.L. classification: M31 N73, N93, Z32

1. Introduction

As each human settlement has a story about the beginning of its existence, every resort should be presented to the visitors/tourists not only with its touristic offer, but also with a marketing "story" behind it. We believe that we can create a better image, a stronger brand of a resort, with a "marketing story" that is carefully written. Tourists visiting Mamaia (and not only them) might be pleasantly surprised to find that, more than 110 years ago, concerns to find a place and to set up a new beach for Constanta, appeared (given that the the most important beach, called "Baile la Vii", was to be closed, due to the extension works of the port). After controversial debates and the involvement of several personalities (especially from the local government, political and economic environment, culture, media and others), it was decided that, on the beach strip from the North of Constanta, with sand dunes, to be set out a new beach. Even if the great potential offered by this place was discovered, no one anticipated then, that the new beach would become a new touristic resort, called over the years, the "Pearl of the Romanian seaside of the Black Sea".

2. Theoretical background

It is considered that the modern period of development of Dobrogea Region and of Constanta County, in particular, began in the mid nineteenth century. By building the railway (during 1858-1864) and the bridge over the Danube, in Cernavoda (during 1890-1895), Dobrogea region and Constanta, in particular, came to realize the connection between West and East (Duployen, 1933; Păuleanu, 2006). The result of these investments was reflected primarily in the economic growth of the area, of the country, but also regarding the social life of the romanian people. Before the construction of the bridge, the road from Bucharest to Constanta was made by train on the route Bucharest-Calarasi, continued by boat, from Calarasi to Cernavoda and then by train to Constanta. The direct connection, on rail, between Bucharest and Constanta led to the development of domestic and international trade, and the increase of number of people travelling to spend the

holidays at the „baths at the sea" (which, in marketing terms, represents the growth of the touristic demand).

The history of the appearance of Mamaia is linked to the evolution of the port activity and the touristic activity of Constanta. In 1889, began the works for the extension of Constanta port, ran by the famous engineer Anghel Saligny. In this project, one of the most frequented beaches in Constanta, known as "Baile de la Vii", located in the Southeast area of the city, was to be closed. Local authorities and various personalities involved in Constanta city life, began to be concerned about finding another place to set up a new beach. Still since the late nineteenth century, about Constanta it was mentioned that: „Able to reach through its port, the real gate of the european trade for the East, the city is still perceived, in 1899, as a balneary resort of first order; however, the new industrial design begin to disturb the traditional approach"(Tomis Magazine, 1899, p. 2: in Pauleanu, 2006) and, in a report sent to the king in 1903, Constanta was mentioned as ... „foremost seaport of the country and most important balneary resort". (Constanta newspaper, 1903, p.1, in Pauleanu, 2006).

On what is concerning the touristic activity, it is recorded that, still during the Turkish occupation, in Constanta (Kustendje) people made sea baths, on the coast, in the city, under the open sky and in shacks, on the Southeast coast (Păuleanu. 2006).

The writer Barbu Stefanescu Delavrancea, mentioned for „Românul" newspaper, from August 14th, 1887 that many residents of Bucharest, from upper socio-professional categories, preferred to go to Constanta „... to end there the holiday season. After the air of the mountains, the salty air of the sea." (Stefanescu Delavrancea, 1972, pp.113-121, in Păuleanu, 2006). The writer's records contain important marketing information. We note that an important segment of tourists was formed (since 1887), who preferred Constanta („many residents of Bucharest, from upper socio-professional categories") and also, that some changes in tourists' behavior appeared: after a period spent at the mountains, their holiday continued at the seaside. Also, these records reflected the development of touristic activity and the growth of tourists attraction for Constanta balneary resort. In these circumstances, the issue of finding a new beach, that would have compensate the closing of the beach „de la Vii", becomes an important concern for the city ... „to develop as a summer resort for sea baths". In the publication „Aurora", from May 18th 1895, it is stated that, for the development of the balneary activity, Constanta would need .. „certain expenses and to be chosen a beautiful beach", that is also close to the city. (Aurora newspaper, 1895 p.3, in Păuleanu, 2006). The famous engineer Anghel Saligny, involved in the construction of the bridge over the Danube, but also in the works to extend the port, believed, in 1904, that: „For the area to flourish as a balneary resort, Constanta needs to have a beach close to the city, where the visitors of the baths can spend all day and even to live in summer homes, near the sea, which is required most for children and as it is the case of popular beaches from abroad like Ostende, Scheveningen and others".(Constanta de odinioară, blogspot).

Analyzing now engineer's Saligny opinion, we can say that this is a true marketing strategy for the development of the beach and the Mamaia resort.(Juganaru, I. D., 2007) Not only the content of the strategy is surprising, but also the moment in which it was expressed, in 1904, when no one heard, certainly, about the science of marketing.

Also, it can be observed, from these points of view, that, in marketing terms, the characteristics that the new product (a new beach, which was to become a new resort) should have had, were already set up: to be „splendid" .. „nearby" (the city, the accommodation units), to provide a variety of services so that tourists „... can spend all day", and accommodation „...right ... near the sea". For the development of the beach and of Mamaia resort, these characteristics were achieved different from one period to another, being approached/understood as components of tourism demand and supply. (Minciu, R., 2005)

3. Research methodology

This study brings into attention the fact that the qualitative marketing research can be considered an appropriate method, when the purpose is to obtain an objective knowledge about a situation or about the reality. It is appreciated that the qualitative research uses four main working methods: the observation, the analysis of texts and documents, interviews, recording and

transcription of data. These may be used individually or in combinations (Silverman, 2004). In the content of the current study, we included the analysis of some texts and documents from the period of the late nineteenth century and the early twentieth century and the research conducted shows that the information (which, at a first glance, it seems to represent just simple descriptions of aspects and events), can be worked out in the purpose that we pursue, which is to give evidence of the presence of some marketing activities that had a strong impact on the creation and development of Mamaia resort.

4. Data, results and discussion

Because in the South part of city the development project of the beach was not possible (both due to the extension of the port and the natural conditions, that were less proper), the attention of several people was headed to the Northern part of the city. Back then, the area was just a strip of desert seaside, with sand dunes with a height that reached 5-7m and at the end of this strip there was a modest settlement of fishermen, with a few houses and a water mill, at the end of Lake Siutghiol. We shall mention that, still since the late nineteenth century, this settlement, modest and desert, was preferred by the aristocracy of that period for spending the summer holidays (www.turismistoric.ro).

To understand why this area of North of Constanta attracted a certain segment of tourists, we present some aspects of a series of articles, published under the title "The waters of the sea", from 1896, in which Petre Grigorescu expressed his particular admiration for this place (Constanta, 1896, p. 3, in Păuleanu, 2006). We considered interesting, to present the aspects that we selected for this paper, in a SWOT analysis.

Strengths:

- „splendid beach with huge deposits of sand, very large (5 km), without waves”;
- it is located close to the city .. „26 km North of Constanta”;
- „the bottom of the sea is clean and has only sand, the water depth starts at a very far distance from shore”;
- „waves are not strong, although they are frequent”;
- „the nature did so, that brought together, in this place, all the conditions for a proper beach”;

Weaknesses:

- the lack of transport means to bring tourists from Constanta to the beach in Mamaia;
- the lack of accommodation units.

Opportunities:

- „on an area of several hectares, it can be set up a beach for...” „...cold and warm baths, showers, and floating boxes for children...”;
- „This perfect and beautiful establishment would attract not only romanian people, but also foreigners” ... and the city „would flourish and gain a lot from visitors”;
- „connecting this beach with the city, through a park, could offer tourists the opportunity for walks and fun”;
- „the construction of a railway line, to connect the beach with the city or the introduction of trams”;
- „the swamp (Lake Siutghiol), which is not far away...” could be used for parties; „...several boats covered with canvas and curtains, to avoid the heat of the sun, could bring enjoyment to tourists and gains to investors”.

Threats:

- the interests of some businessmen who disagreed with moving the beach to Mamaia (Constanta, 1896, p. 3, in Păuleanu, 2006)

At the end of the published articles, the author conclude that: „In these circumstances, we should feel proud that we knew how to take advantage, as civilized people, of the natural assets and we can have a balneary maritime establishment" (Păuleanu, 2006, p.192). We shall notice that the author was able to achieve, on the one hand, a marketing analysis on the characteristics and the touristic potential, and on the other hand, to anticipate the development possibility of this place, yet in 1896, more clearly: 10 years before the inauguration of Mamaia beach (in August 1906).

Professor Ion Banescu, the mayor of Constanta during 1905-1907, had a decisive role in moving the beach in Mamaia (Constanța de odinioară, blogspot). Thus, in 1905, the mayor believed that: „the city of today, rather narrow and crowded, will remain the city of the port, of noise and movement and Mamaia will build up, in the future, as a meeting place, for relaxation and health” (Păuleanu, 2006, p. 196). In the press of that period, it was noted that several proposals have been formulated, regarding choosing the location where to be set up a new beach and each has generated extensive debates. A proposal (of engineer Saligny) was: „...behind the Greek church, where the beach can be enlarged easily by building a small dig” (Steaua Constantei Newspaper, 1905, p. 1, in Păuleanu, 2006). The proponents of this proposal felt that, if the new beach would have been in the city, the tourists could have reach it easily, without needing any means of transport, not being dependent on their schedule and the access to the beach would have been free. Another proposal was to move the beach in "Tabacaria noua" (probably in the today area Tabacariei Lake – North Cliff). The decision to move the beach arouse a series of controversies, reported in the press, „a decision that will change the face of the city and that will have the most adverse effects” ... or „Moving the baths at the beach from the North-East of the city (in Mamaia, A/N) is a misfortune ... No one will gain from this move, there will be no improvement and on the contrary, everyone will lose” (referring to owners of accommodation units in Constanta, residents of the city who rented their homes, tourists who were to lose time traveling to Mamaia, A/N) (Steaua Constantei Newspaper, 1905, p.1, in Păuleanu, 2006). Other opinions were also expressed, which reflected, still since that period of time, the marketing thinking. Thus, in the newspaper Steaua Constantei Newspaper from 8th of May 1905, they were presented and debated the proposals for setting up the new beach, with their advantages and disadvantages. It was thought necessary/important that, in arriving to a decision, to take into account the preferences of tourists (knowing the demand) and the economic potential of each proposal (knowing the offer). „...Thus, it will be expected the decision of the visitors (tourists, A/N) which, after all, are the most interested and who have not been asked before” and „The registers of the entrepreneur will decide, with the eloquence of the figures, which is the people’s favourite place and after the winter, the advantages and disadvantages of each work will be seen” (Steaua Constantei Newspaper, 1905, p. 2, in Pauleanu, 2006). We notice the marketing thinking of that moment (year) 1905: in order to take the correct decisions, both demand and supply had to be considered.

Despite the criticism, the entire effort of the mayor Banescu enjoyed the appreciation coming from the residents of Constanta, but also from the tourists. Thus, in the Newspaper „Dimineata”, from Bucharest, from August 21st, 1905, it was said that: „The peak of Constanta baths season was reached also due to the initiative of the mayor Banescu, to move the baths to the splendid Mamaia beach”.(Constanța de odinioară, bogspot).

The project of setting up the beach in Mamaia was drawn by architect Petre Antonescu. The first works were made in 1906 (vladimirrosulescu-istorie.blogspot.com/; www.academia.edu). The construction, which represented the setting of „baths” (the beach), was made of wood and had, at the same time, the role of station (because access to the resort was made mostly on the railways, but carriages were also used). On the northern and southern sides of the construction there were set up 56 cabins.(Constanța de odinioară, bogspot).

Mamaia beach was officially inaugurated on August 28th, 1906. On this occasion, two trains crossed the road from Constanta to Baile Mamaia, in one hour and a half (Constanța de odinioară, blogspot). Regarding the development of the resort, the period between 1906 and until the First World War it is considered to have less significance, more specifically: several small villas and fishing restaurants appeared, and it began the setting up, in 1913, of a park, but the work was interrupted by the outbreak of the war. Regarding recreational investments, it is remembered about the setting up of a pony rides game, near the halt of the baths and a gamble (Constanța de odinioară, blogspot).

Even if the development of the material basis was modest, tourists attraction for the beach located in Mamaia was increasing. A confirmation of these tendencies is offered to us by the well-known writer Cella Serghi, who described, in 1914, the atmosphere of the summer holidays, hereby: „Mamaia was reached by train: a lot of congestion, brightly coloured people that spoke French and German, lots of children, governesses, comfortable railcars, heat, many halts to take people on the road.”(Constanța de odinioară, blogspot). More than this, the writer stated that in

those days, only the gentlefolk went on vacation at the seaside and very interesting is the mention that most went to Mamaia, on weekends.

The interpretation of the issues captured by the well-known writer, leads us to the following marketing conclusions: Mamaia was an attractive destination for the summer vacation („very crowded” ... „many halts to take people on the road”), preferred by segments of tourists with a high income („only the gentlefolk went on vacation at the seaside”), belonging to a higher social class and with a higher level of education („people ... speaking French and German”), belonging to different age groups („brightly coloured people”...”many children”).

We shall also notice that, still since the beginning of its activity, Mamaia has created for itself the image of an exclusive, expensive beach/resort, accessible to certain segments of tourists, especially preferred for spending time on weekends. We recall, in this regard, also other appreciations, written in the press of that period. It was considered that the beach from Mamaia „... it is fairly beautiful and has a considerable extent, so from this point of view, it could not be found a better solution.” „...Under these circumstances, the beach from Mamaia can only be considered a luxury beach and so we believe it will remain ...” (Dacia Newspaper, XV, no. 152, July 1928, p. 1, in DP, p.185). We believe that, at this positioning of the resort, a multitude of factors contributed (economic, social, cultural, political), which acted both on the demand and on the offer, in different circumstances (Juganaru, I. D., 2007).

The resort starts to develop after the First World War, along with the setting up of the summer residence of the royal family. Following 1920, when the royal family received from the mayor, a land of 4 hectares, between Lake Siutghiol and the sea, the construction of a small palace in Romanian style, as a summer residence, started (vladimirrosulescu-istorie.blogspot.com/). This act of the mayor should be seen as a marketing action, because the existence of a royal residence in Mamaia is an evidence of interest and appreciation from the royal family, which helped to increase the prestige and attractiveness of this resort. At the same time, it was achieved the approach between local administration and the royal house (it was stated that its members were sea fans and obtaining, thus, support for the local development).

The Castle from Mamaia (the current „Castel Club”) was designed by the Italian architect Mario Stoppa, following Queen’s Mary ideas. It was the third royal residence in Constanta, besides the official one (the current headquarters of the Court) and the Queen's Nest, located in the port. But, around the same period of time, the Queen also discovers the Balchik town, for which she felt more attracted to, which is why it began another building there (Dragomir.A.-2012; Hagi C., 2017). We believe that few tourists and locals know, nowadays, these issues. We have no explanations regarding the sad history of the Castle of Mamaia, why it didn’t reached the celebrity like the castle from Balchik and, moreover, why there were no concerns, marketing strategies of authorities/investors after 1990, to bring/put this building to its deserved place in the history and image of the resort.

5. Conclusions

Still since 1892, Constanta was considered a "balneary resort" and worked under a „Regulation” drafted by the mayor and approved by the Ministry of Interior (County Directorate of National Archives 1892, in Păuleanu, 2006). The touristic activity of the city experienced a continuous growth between the late nineteenth century and the early beginning of the twentieth century, but the beaches located in the city became, at some point, insufficient. It is decided to be set up a new beach for Constanta, in the North of the city, due to the touristic development potential offered by the strip of sand between the Black Sea and Lake Siutghiol. On August 28th, 1906, the new beach located in Mamaia, was inaugurated. In December 1927, the Ministry of Health and Social Care, informs that „the city of Constanta, with the beach in Mamaia, Constanta county, declared itself as a balneary-climatic resort and enjoys the rights and duties that are set.” (County Directorate of National Archives, 1939, in Păuleanu, 2006).

Currently, Mamaia is the most famous of the 17 resorts and touristic localities from the coastline architecture, namely: Navodari, Mamaia Village, Mamaia, Constanta, Eforie Nord, Techirghiol, Eforie Sud, Costinesti, Olimp, Neptun, Cap Aurora, Jupiter, Venus, Saturn, Mangalia, 2 Mai and Vama Veche. Today, after 110 years of existence, Mamaia resort, mostly keeps the

characteristics (indicated by different personalities) that it had at the moment of its establishment, as the new beach of Constanta. Thus, Mamaia offers accommodation units near the sea, it is a splendid beach, more expensive than others, preferred especially for weekends by particular tourists with high incomes and who want to spend the time here all day and night. Mamaia's brand was built, in these 110 years of existence, also thanks to marketing activities. We noticed the presence of marketing activities in moments when no one had heard (in our country) about this economic science, but we noticed their unexplained absence, in more recent periods of time, in which the marketing activity already became a way of thinking and action. We consider that now is the moment when the business community, the local administration, the political and academic environment, the civil society, to come together and to shape a new marketing strategy of the resort, adequate to the current conjuncture and able to promote better the brand of Mamaia.

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The New Key of Competitive Advantage in Business

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Abstract

Given the new knowledge economy, competitive environment, the rise of the new technologies and also the new instruments for marketing and management – from social media to software, from chatbots to ERP – every business has to understand that adjusting to the new conditions is vital not only to survive, but to have a competitive advantage.

Using the new strategies and trends for communication is actually the key of a business development and the key to competitive advantage.

In this paper, the author explores the nature of a communication strategy in the context of social media, briefly summarize the process followed in developing a communication strategy for a small business and share lessons learned useful to others involved in strategic planning efforts.

Key words: competitive advantage, communication, strategy, new economy

J.E.L. classification: L80, M13, M30

1. Introduction

Communication is a field of study that draws from many academic disciplines and this interdisciplinary perspective present communication as a process of generating meaning by sending and receiving useful content.

The analyzed company is a start-up developed in Romania in 2019 from a PR single communication activity. The start-up has followed a communication model, as a result of a branding model developed by the owner.

The model states that there are five steps in which a business image, an authentic business and personal image, may be developed [Lupşa, 2019]. Four of them consists of establishing the values, the mission, vision, straights, the last one consists of establishing the colors, the messages, the voice of the brand, the images, the key words proper for the brand archetype.

2. Theoretical background

Communication becomes mass communication when the message is adjusted in order to become part of many people's life mostly through electronic media. Websites, blogs, and social media become within the last 5 years mass communication channels that most of us probably are engaging to. For a business, s certain amount of intentionality message transmitted as a mass communication message required one or more steps to convey it [Potter, 1997].

Mass communication differs from other forms in terms of the personal connection between participants, as it creates the illusion of a personal connection Considering the new media channels - blogs and Facebook for instance - feedback is becoming immediate or even instant. Radios and televisions even ask for feedback from viewers/listeners via social media and may even share the feedback on the air [Porter, 1996].

Communication scholars focusing on mass communication often have a critical approach in order to examine how new media influences the culture and who are the ones included and excluded in different mediated messages [Hickock, 1997].

The brand archetype model is derived from the work of Karl Jung, starting from 1953 and adjusted to the brand theory by Margaret Mark in 2001.

The model used and proposed by the owner of the start-up business is developed based on this theory and combines also color psychology, image crises, marketing, management and management theory, but also communication theories.

3. Research methodology

The research methodology is based on the observation method and comparing the results of communication before applying the model and after by the start-up.

Thus, there were analyzed both the impact – known as engagement – of the Facebook posts over a period of 1-year time, and the financial results that the author consider are strictly connected.

4. Findings

The research methodology is based on the observation method and comparing the results of communication before applying the model and after by the start-up.

Figure no. 1. The results of communication before applying the model



Source: (the social media page of the business)

As one can observe from figure number 1, before applying the model, the impact of a post was for about 192 people and only 18 interactions.

Figure no. 2. The results of communication after applying the model

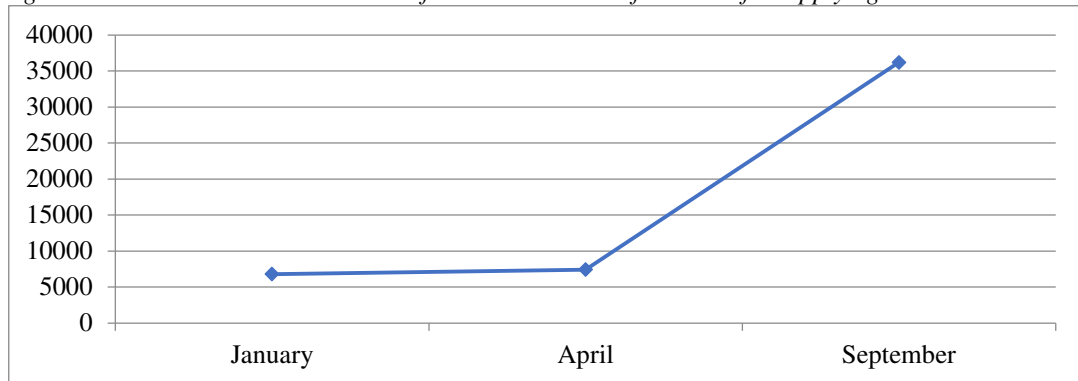


Source: (the social media page of the business)

As one can observe from figure number 2, after applying the model, the impact of a post raised from 192 to 1157 and the impact raised from 18 interactions to 551.

Also, the financial results are increased, as shown in figure number 3.

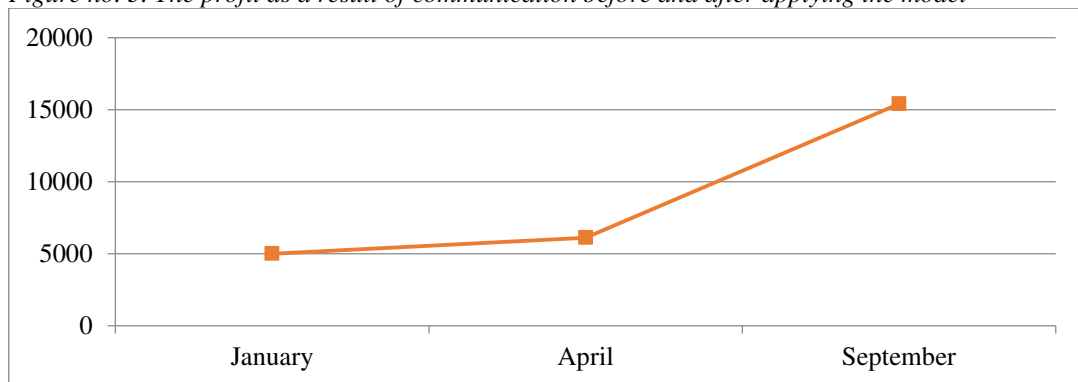
Figure no. 3. The turnover as a result of communication before and after applying the model



Source: (the financial results of the business)

As one can observe from figure number 3 and number 4, after applying the model, the profit has raised from 5000lei in January 2019 to 15400 in September 2019.

Figure no. 3. The profit as a result of communication before and after applying the model



Source: (the financial results of the business)

We have to underline that the impact of communication is not the only factor for this evolution, but also the fact that the portfolio of products and services had been developed. Thus, there was printed a book – the messages about the book were communicated according to the values and the mission of the brand – and also a video online course was relished.

5. Conclusions

In term of the nature of communication, one may understand that the power of mass communication within the new economy is vital – the website promoted through the social media, both Facebook and Instagram – the structure of messages according to the brand archetype was a success factors and also following the trend of engagement – in terms of contests and questions addressed to the target market. There were still not so many videos, but this is a trend for 2019 and also for 2020 communication process.

In terms of the processed followed, there were few steps followed – the first was to define and write down the values, the mission, the vision and the straights, the second was to define the public and social and also desirable image, the third was to establish the target market, the forth was establishing the message, the colors and the tone of the voice and afterwards the communication channels.

After accomplishing the work for all of those steps, the brand was clearer communicated and branded, the target market was attracted to the tone of the voice and the effort of communication was far less pressing.

In terms of lessons learned, useful to other start-ups involved in communication process, one may understand that there is a process of planning and adjusting the message to the public. Not all the posts on Facebook for instance have the same impact or engagement, but it is essential to use special techniques for certain objectives.

Also, in term of lesson learned, the start-up has to begin by documenting and fully understanding the target market, and work constantly to achieve the communication objectives. Although every owner and marketing specialist is experiencing discomfort about the objectives and also about the challenges that they are trying to figure out, all of them have to be committed to achieving the communication goals, mostly in term of engagement, that eventually will lead to a more credible, authentic and appealing communication strategy.

Every marketing specialist has to be prepared for implementation the strategy, including all the instruments which support the start-up owner in need: focus groups, document reviews and feedback loops also.

The start-up has to practice periodically meeting management and carefully documented decisions, as the website and other online instruments may be a very special tool for working papers.

Even though the temptation to action before the strategy is complete is high, the owner has to resist it. When the strategy base on the model presented was not even ready, the management began to focus almost exclusively on the services and there were discussions regarding budgets before the strategy was complete. But first there was done a complete report based on the most accurate perception of the problem, and there was also a resistance to implement and improve step by step the strategy.

When the strategy was finally ready, in the context of all of the market findings, the owner supported all. Using also, apart from Facebook and Instagram, other communication products, including a newsletter, free PDF and some free videos, one may understand that communication will have greater whole-product support.

The model is a proper one and its efficiency is demonstrated both by the reviews of the book and also by the results of those implementing it, corroborated to the video course.

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Assertive and Non-assertive Consumer Behavior Styles in Relation with Advertising Appeals

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Abstract

For some people, advertising and other marketing practices are just background noise. For others, these tools provide extensive guidance for their decision making process. The paper seeks to determine which information sources are perceived as more reliable and trustworthy by the consumers. But products fall into different categories in function of the involvement level of the consumers. Therefore, we intend to establish how much and what data is considered and accepted as credible for high and low-involvement products.

All in all, the focus of this thesis is to highlight assertive and non-assertive consumer behavior styles in relation with advertising appeals used in marketing practices, the way of conducting the information gathering process, the information consumers seek and find about the products and the purchase intention.

Key words: assertive consumer, non-assertive consumer, advertising stimuli

J.E.L. classification: M31, M37, E21, L67, L68

1. Introduction

There is a long tradition in putting effort to better understand human thinking and feeling processes as part of their behavior. The reasons have varied over the history and therefore the issue has been addressed from varied points of views. Identifying needs and establishing better communication with customers is what marketers seek. One of the paths to follow in this respect, is to assess the assertiveness of individuals and how this influences their purchase process. Assertiveness and non-assertiveness are closely associated with a type of communication. Sales people are trained to better cope with these behavior styles.

The paper seeks to determine which information sources are perceived as more reliable and trustworthy by the consumers. The three groups form the Influential Mix also called the PMO. The acronym stands for Personal previous information, that provided by Marketing tools and that provided by Others in the form of product reviews.

The research was conducted on 160 international students in two Viennese universities: University of Applied Sciences and Vienna University of Economics and Business, in the spring of the year 2014. The results and the discussions of this thesis are useful for marketers, sales representatives and consumer behavior researchers.

The approach was divided in two phases. First, a preliminary survey was applied on a group of 30 students that fit into the target group. A series of images presented as advertisements for two products were tested in order to establish the perceived advertising appeals. The two products are a holiday van, the high-involvement product, and a milk box, the low-involvement product.

Next, assertive and non-assertive respondents have been tested, through an online questionnaire to establish how the information gathering process is conducted in each product case and how advertisement appeals influence the purchase decision for the two behavior categories.

The results and the discussions of this thesis are useful for marketers, sales representatives and consumer behavior researchers.

2. Literature review

The most relevant literature that helped our research is summarized in the table below (Table no. 1) which also show in what manner this information support our research hypotheses.

H1. Percent wise, women are more assertive compared with men.	
Ganesan, P., Venkatesakumar, R., Sampth, G. V., & Sathish, A. S. (2011, p.91)	Men are significantly more likely to strongly voice their opinions and seek redress for the emerged situations, thus, engage in non-assertive behavior.
Richins, M. (1987, p.79)	Men show non-assertive behavior styles.
Crutsinger, C., Knight D. and HaeJung. K. (2010, p. 202)	Young men engage easier in aggressive behavior.
H2. Cognitive advertising appeals trigger the highest rate of purchase intention for the high-involvement product.	
H3. Affective advertising appeals trigger the highest rate of purchase intention for the low-involvement product.	
Ruiz, S. and Sicilia, M. (2004, p. 661)	Have used comparative advertisements for cameras, a high-involvement product. They have obtained better results for high cognition processing styles.
Crutsinger, C., Knight D. and HaeJung. K. (2010, p. 202)	Assertive buyers have reported distrusting advertising, being rather sceptical to the message and content in the case of high-involvement products.
Hansen, H. M., Samuelsen, B. and Sallis, J. (2013, p.1174).	Non-assertive consumers have a greater preference for feeling stimuli because they match their need for affect.
Medina, J. (2008, p. 27)	People learn to filter what they receive through marketing. Therefore, affective stimuli are more efficient for non-assertive consumers as they put up less mental barriers.
H4. Assertive consumers have stronger preference towards the thinking processor (high cognition) when purchasing a low-involvement product.	
H5. Non-assertive consumers have stronger preference towards the feeling processor (high affect) when purchasing a low-involvement product.	
Chang C. (2002, p. 533)	Proposed that even though the message of an advertisement was showing the consumers' self-congruency in relation with the product, the influence over the decision making process was rather limited.
Crutsinger, C., Knight D. and HaeJung. K. (2010, p. 202)	Non-assertive teens had positive attitudes about advertising, relying more on it when making the purchase decision.
H6. Both assertive and non-assertive consumers have stronger preference towards the cognitive advertising appeals when purchasing a high-involvement product.	
De Pelsmacker, P., and Geuens, M. (1998, p. 286)	There is clear connection between the thinking processing style and cognitive appeals.
Fabrigar, L.R. and Petty, R.F. (1999, p. 378)	Appeals are more persuasive when the nature of the appeal and the complexity of the product match.
Pham, M.T. and Johar, G.V. (2001, p.140)	Rational advertising appeals are more useful in promoting functional products.
H7. Assertive consumers value more information sources provided by other users rather than on information provided by marketing tools and by their personal experience.	
H8. Non-assertive consumers value less information sources provided by other users when compared with the information provided by marketing tools and by their personal experience.	
Simonson, I. and Rosen, E. (2014, p.44)	In the case of high involvement products, people tend to rely more on product reviews and personal information shared by other users.
Zhang, A., Zheng, M., Jiang, N., &	Non-assertive consumers are prone to seeing and buying behavior

Zhang, J. (2013, p. 438)	without really thinking things through and, in most cases, they end up regretting their purchases.
Crutsinger, C., Knight D. and HaeJung. K. (2010, p.202)	Non-assertive teens had positive attitudes about advertisements, trusting them.
H9. There is not a significant difference between assertive and non-assertive consumers in the importance given to the information sources available for low-involvement products.	
Gligorijevic, B. (2012, p.284)	Traditional marketing techniques face an increasingly greater challenge to reach and persuade the consumers in the social media era.
Murray, P.N. (2013)	The consumer does not analyse low-involvement advertisement cognitively, and thus, do not give them much importance in the decision making process.

Source: Authors' contribution

Starting with these hypotheses, we have developed our approach and our research methodology.

3. Research methodology

The purpose of this thesis is to highlight assertive and non-assertive consumer behavior styles in relation with advertising appeals used in marketing practices, the way of conducting the information gathering process, the information consumers seek and find about the products and the purchase intention.

The research objectives are:

O1. Identify the consumer behavior style of the respondents from the assertiveness point of view.

O2. Determine the purchase intention for the two product categories (low-involvement and high involvement), shown distinctively in relation with the advertising appeals.

O3. Identify the type of advertising appeals, towards which each consumer behavior style (assertive and non-assertive) is more responsive when making the purchase decision of a low-involvement product (milk box).

O4. Identify the type of advertising appeals, towards which each consumer behavior style (assertive and non-assertive) is more responsive when making the purchase decision of a high-involvement product (holiday van).

O5. Identify the type of information source (previous Personal experience, Marketing tools, Other people's experience and reviews) most relied on in the decision making process of purchasing a high-involvement product, shown distinctively on the two consumer behavior styles (assertive and non-assertive).

O6. Identify the type of information source (previous Personal experience, Marketing tools, Other people's experience and reviews) most relied on in the decision making process of purchasing a low-involvement product, shown distinctively on the two consumer behavior styles (assertive and non-assertive).

The target group represents students in Viennese universities, both those that were born and raised in this country, and also internationals. The main universities in which the responses are collected are Wirtschaftsuniversität Wien and Fachhochschule des bfi Wien.

The method: Because the research intended to test several marketing appeals in some advertisements, for objectivity reasons, we have chosen to conduct a preliminary research in order to find out what are the perceived advertising appeals by the target group. A small sample of 30 respondents has been asked to associate the related marketing stimuli with the pictures that was used as advertisements for the product later on. The survey was conducted using an online survey structured in three parts. First part showed the pictures of the holiday vans, the second part showed the pictures of the milk boxes advertisements and the last part contained personal information in order to check and prove the belongingness to the target group. After each image a checklist question followed asking the respondents to choose from a list of advertisement appeals (Hetsroni, 2000, p. 63).

For the preliminary survey, the sample, consisting of 30 respondents, 20 females and 10 males, most of them, 90%, with ages between 21 and 24 years old, meet all the requirements of the target group. All of them live currently in Vienna, 17 follow the lectures of Fachhochschule des bfi Wien and the other 13 those of Wirtschaftsuniversität Wien. The nationalities of the respondents are: French, Albanian, Austrian, Moldavian, Hungarian, German, Romanian, Finish, Portuguese, Vietnamese, Czech and Turkish.

The final survey was also online, and the instrument had three parts. It first establishes the behavior category in which the respondent fits. A tested instrument is utilized to provide the most accurate evaluation. Frank Atkinson [2010] provides the tool used in the survey. It consists on twelve statements that show the extremes of a situation, bipolar semantic differential scale. The respondent has to score himself on a ten points scale to show his personal tendency towards one of them. On the left side are statements that correspond to a non-assertive behavior and in the right side are those specific for assertive people.

By adding up the points, two groups will result. Scores under 60 points belong to the non-assertive group and those above to the assertive group. No modifications are made to the questionnaire.

The second part of the survey tests how the consumer engages and conducts in the information gathering stage for a high-involvement product. For this matter, the respondents have been asked to imagine they would buy a holiday van. The assumption is that a high majority does not have previous experience with this neutral product; therefore the respondents would have to think of a strategy on the spot.

As it has been pointed out, a paradigm shift is happening due to the development of technology and, thus, consumers start checking other, more neutral sources of information like online reviews made by other consumers and/or specialists. A five points Likert scale has been used to check how much importance the respondents give to each information source category. It is expected that this product will be placed close to the "O-Dependent" end of the "O-Continuum" (Simonson and Rosen, 2014, p.44).

Further on, through a multiple choice question, this part also checks how involved they would be in the information seeking process. They have to predict how long (how many days) would it take them to make a decision.

Moreover, to check also the marketing component that is involved, through an open question the respondents are asked to name a cars' brand they would first check for holiday vans. No options are provided for them so that the question can test what they can recall without the possibility of making comparisons between the components of a list.

A page break is inserted in the survey at this point so that marketing appeals effect can be better tested as they are separated from the sources of information. It is expected that this technique will clear the minds of respondents so that they only respond to the advertisements shown.

The advertisements are presented as pictures and the marketing appeals are named in the description of each of them without using the word "appeal". The six pictures are divided as follows: three of them use emotional/feeling appeals (joyful and popular; adventure; beauty), one shows neutral appeals (family and friends) and the remaining two appeal to the rational/ thinking aspect (modern and efficient' luxury). The respondents are asked to say what their first two preferences are. A correlation between the behavior style and the degree of responsiveness towards one of the appeals categories is pursued.

In the end of this part of the survey, through a dichotomous (yes/no) question, the previous experience in deciding on such a product is checked.

The third part of the questionnaire seeks to analyze how marketing appeals influence the choice for a low-involvement product, a milk box. Again, six pictures are shown but this time, the appeal is not named in their descriptions. Instead, the brand advertised for makes the description. The respondents are asked to decide for one of them based only on the advertisements shown.

Next, it is established what additional information the respondents need to make their decision. The answers are provided and they have the possibility to check multiple-boxes. It is verified how much more and what more the buyers need to know, by this question. Using two Likert scale questions, it is verified, in turns, how much importance do the information gathered and the advertisement displayed have over the purchase decision.

How valuable the product is for the consumer is checked by the following two questions. Using a 5 points Likert scale, the respondents are asked directly about the perceived importance of the product in their life and then, through a multiple choice question, the quantity used is checked.

The last part of the survey contains the contact information questions. Gender, age, nationality, location, studies and income are the requested details. This are used to ensure the belongingness to the target group.

The structure of the resulted sample consists in 160 respondents, 98 females representing 61.2%, and 62 males representing 38.8%. All of them currently live in Vienna. 42.5% of them study at Wirtschaftsuniversität Wien, 53.8% study at Fachhochschule des bfi Wien, and the rest of 3.8% study at another University. The great majority, 68.8%, follow an Undergraduate program. From the age point of view, the sample is also homogeneous. 80% of he respondents have ages between 21 and 24 years old. The disposable income level obtains the highest percentage, 41.3%, between 301 and 600 € per month. 21.3% have less than 300 €, 17.5% between 601 € and 900 € and 20% more than 901 €, disposable income per month. The last variable used to describe the sample is the nationality. We obtained a sample of 24 nations from all over the globe.

4. Findings

For analyzing and interpreting the results, this part is structured in function of the objectives, which leads to five sub-chapters. All of them contain tests that help developing a comprehensive overview of the research problem.

O1. Identify the consumer behavior style of the respondents from the assertiveness point of view.

More than two thirds of the respondents are assertive, 68.8%. This gives the research a stronger basis for analyzing the assertive category of respondents. By comparing the assertiveness scores of the test, we can see that there is a difference in favor of the female respondents. However, the fact that it is only of approximately 2 points. More male respondents are assertive compared with female respondents: 74% of men compared with 65% of women. Still, an important majority of both groups is composed by assertive people. Overall the respondents are assertive, 68.8% of them. There is no evidence supporting correlations between gender, region and disposable income level with assertiveness. However, percent wise, a bigger percentage of men (74%) are assertive compared with women (65%). So the first hypothesis is supported.

O2. Determine the purchase intention for the two product categories (low-involvement and high involvement), shown distinctively in relation with the advertising appeals.

The findings shoe that the neutral advertising appeal manages to persuade the smallest share of the respondents to buy the holiday van: 13.8% from the first attempt and 23.8% from the second. The most efficient are the affective and the cognitive. Talking about a high-involvement product, it was expected that the cognitive advertising appeal would be more convincing.

However, we can see that the results of the affective and cognitive advertising appeals are quite close: 46% of the respondents choose the thinking stimuli and 40% choose the feeling stimuli, in the first attempt. In the second one, more than half of the times, 55%, the respondents have chosen the affective appeal and only 21.3% the cognitive appeal. We can think that, at first, the respondents weight all the benefits and the products before making the purchase and choose it wisely, whereas, when given a second chance, they choose to indulge themselves and go for the product that displayed the affective advertising appeals.

Also, the majority of respondents, 58.8%, have a preference for the thinking processor, which is composed from neutral and cognitive advertising appeals. The feeling processor, with a score of 41.3%, is composed from neutral and affective advertising appeal. The difference of 17.5% in favor of the thinking processor shows us that, when faced with the situation of purchasing a low-involvement product, people are not impressed by the affective advertising appeals, but more by the benefits they bring shown by the cognitive stimuli.

In both cases, low-involvement and high-involvement product purchase, the respondents choose the thinking stimuli in favor of the affective stimuli. This means that Hypothesis H2 is supported. The possible reason for which Hypothesis H3 is not supported by the evidence is that, being a low-

involvement product, the consumers are not even open enough to allow the advertisements to influence their feelings.

O3. Identify the type of advertising appeals, towards which each consumer behavior style (assertive and non-assertive) is more responsive when making the purchase decision of a low-involvement product (milk box).

Assertive respondents have chosen 38 of the times "Organic Valley" milk boxes. This is represented by a cognitive oriented advertisement. The second choice is "Fairlife", 32 out of 110 responses, a product introduced by an affective advertisement. The least preferred option, 4 out of 110, is "Got milk?" This milk box was introduced by an affective stimuli, namely, by the humorous and youthful spirit appeal.

Non-assertive respondents have chosen "MariGold" milk boxes 18 times out of 50 (36%), which has a cognitive advertisement. The second position belongs to "Organic Valley", 12 responses out of 50. 56.36% (62/110) of the assertive respondents and 64% (32/50) of the non-assertive respondents have based their purchase intention on cognitive stimuli.

Hypothesis H4 is supported by the findings: assertive consumers do prefer cognitive advertisements, whereas hypothesis H5 is contradicted by the findings. Non-assertive consumers also show a greater preference towards the thinking processor.

O4. Identify the type of advertising appeals, towards which each consumer behavior style (assertive and non-assertive) is more responsive when making the purchase decision of a high-involvement product (holiday van).

The expressed purchase intention towards the first two options has the lowest scores for the neutral advertising appeals. Assertive respondents have expressed their purchase intention relatively equal for holiday vans presented through affective and cognitive advertising appeals. For their second choice however, they have clearly showed a greater preference for the affective stimuli. The same is the case for the non-assertive respondents.

There is no significant difference between assertive and non-assertive respondents with regard to their preference of advertising stimuli. Both groups have balanced number of affective and cognitive choices, whereas neutral stimuli are the least preferred by both groups. Hypothesis H6 is supported.

O5. Identify the type of information source (previous Personal experience, Marketing tools, Other people's experience and reviews) most relied on in the decision making process of purchasing a high-involvement product, shown distinctively on the two consumer behavior styles (assertive and non-assertive).

First of all, it is important to see the classification of the information sources tested in the survey according to the Influential Mix, as depicted in *Table no. 2*.

Table no. 2 Classification of the information sources tested according to the Influential Mix

Item number	How much importance you give to the following information sources? (1 meaning the most importance and 5 meaning the least importance)	Influential Mix Component (PMO)
1	I find someone I trust and leave the research to him.	Others
2	I have strong preferences in terms of car brands.	Personal
3	I rely on personal knowledge about car brands.	Personal
4	I choose between what cars/ brands, are currently advertised.	Marketing
5	I ask selling representatives.	Marketing
6	I consult professional reviews in specialized magazines	Marketing
7	I read other people's online reviews about the holiday vans they have bought.	Others
8	I consult professional reviews online.	Others
9	I discuss with friends who have (more) knowledge about it.	Others

Source: Authors' contribution

Assertive respondents value less information sources provided by marketing tools (with mean scores of 3.29, 3.22 and 3.15). Next, they grade higher their personal experience and the most reliable information sources are provided by others with mean scores smaller than 2.31. The most

reliable source of information is considered to be friends that have knowledge or more knowledge about the subject than the respondent themselves. Non-assertive respondents also find the information provided by others more reliable (with scores of 2, 2.44 and 2.66) than all other kinds of information. In contrast with assertive respondents, this category finds marketing tools more reliable than their personal previous experience. The respondents have been asked to think of a car brand that they would check to see if they have also holiday vans for sale. The reason for this question was to check whether or not there is a minimum of information in the mind of the respondents regarding the selected product. Only 6.3% cannot think of any car brand. An interesting fact is that 32.5% have thought of Volkswagen. Other higher scores are achieved by BMW (10%), Mercedes (8.8%) and Audi (7.5%). All other car brands have scores below 3.8%.

Hypotheses H7 and H8 are both confirmed. The most trusted source of information for high involvement products is that provided by other peoples' shared experiences. Assertive and non-assertive consumers differ only when speaking of the other two sources: the first category trusts marketing tools the least whereas the second category of consumers rely the least on their personal previous experience.

O6. Identify the type of information source (previous Personal experience, Marketing tools, Other people's experience and reviews) most relied on in the decision making process of purchasing a low-involvement product, shown distinctively on the two consumer behavior styles (assertive and non-assertive).

When asked what is the information they would require to make the purchase of the low involvement product milk the two most important characteristics have been found to be price and the expiry date. With scores a little over 50%, the production place and the fat content follow. The least important aspect has been found to be who else drinks that kind of milk. It is clearly that the product milk box is on the O-Independent end on the O-continuum and marketing tools can still make an important difference in determining the sale of the product.

However, when asked to rate how important is the information checked and the advertisement itself, on average, the information is "very important" (4.26 on a scale from 1 to 5), and the ad is close to "important", with a mean rating of 2.84. The differences in answers are of approximately one point in addition or in minus as the standard deviation is 0.805 and, respectively, 1.192. With a mean score of 3.3, the product milk box is considered to be important, answers varying with 1.092 more or less. Most respondents are quite frequent buyers of milk boxes: 76 of them buy one to 3 pieces in a week and 52 of them buy one in two weeks.

Hypothesis H9 is totally supported by the findings. As expected, both consumer categories give the same amount of importance to the two categories of information sources. They regard the information they gather themselves as "very important" and that obtained from marketing tools as almost "important". The two most valuable pieces of information are seen to be the price and the expiry date. It is more logical to advertise for the first one but the second, the expiry date can also provide significant marketing advantage.

5. Research conclusions and limitations

A great majority of the respondents, approximately, 70%, have assertive behavior style. This might indicate that the majority of the population is also assertive. A research on this matter would be indicated. Establishing this aspect would make it easier for marketers to design their marketing campaigns as it is easier to design a message knowing the dominant communication style.

There is not sufficient evidence to support correlations between region and disposable income level and assertiveness. This shows a behavior style levelling tendency at least at the European level. Relevant variables in determining the assertiveness level might be those related to the social context. The education, family and friends, and possibly hobbies and interests can influence the behavior style determining the subject to be more or less assertive. Further on, wider age groups can also be considered in the study.

In addition, percent wise, men have found to be more assertive than woman. Close to 10% of the male respondents have been found to be assertive. However, when comparing the mean scores for the behavior test, the difference is of only 2 points out of 120 maximum points. This indicated

that male respondents register smaller differences in the scores whereas for females, the standard deviation is higher.

How to deal with the assertive behavior styles?

- Use facts and logic
- Show disagreement towards facts but not opinions
- Use the KISS principle: Keep It Short and Simple
- Personal assurances are not effective enough. Show different options and facts
- Achieve mutual understanding by sharing opinions
- Communication should be about both people and facts
- Keep summarizing
- If you do tell stories, keep them short and leave out irrelevant details
- Make sure to pin them down in a friendly way
- Focus on the future state as well as on the present state

How to deal with the non-assertive behavior styles?

- Work together, find out the common points
- Learn more about hobbies, interests and social background
- Be patient. Do not try to push the consumer
- Use personal assurance. Guarantee for the product and limit the number of options
- Give the consumer time to assess the proposal and be agreeable
- Emphasize on how the product works to lower the levels of perceived risk
- Be helpful and willing
- Do not try to overstate
- Nurture relationships. It makes the consumer be more cooperative
- Prevent the consumers from finding out by themselves the flaws of the products by letting them know from the beginning
- Emphasize on why they should buy and use the product.

In both cases, low-involvement and high-involvement, the respondents choose the thinking stimuli in favor of the affective stimuli more often, when expressing their purchase intention. Possibly, the reason for this is that, being a low-involvement product, the consumers are not even open enough to allow the advertisements influence their feelings. They simply choose to filter out the information received through advertisements.

In contradiction to what was expected, non-assertive consumers also show a greater preference towards the thinking processor. Hypothesis H4 is supported by the findings: assertive consumers do prefer cognitive advertisements in more cases.

However, the difference in the number of cases in favor of the cognitive stimuli for the two product categories, expressed for assertive and non-assertive respondents, is not high enough to show a clear tendency in favor of the thinking processor. What is absolutely clear, is that for both groups neutral stimuli are the least preferred.

The most trusted source of information for high involvement products is that provided by other peoples' shared experiences. Assertive and non-assertive consumers differ only when speaking of the other two sources: the first category trusts marketing tools the least whereas the second category of consumers rely the least on their personal previous experience.

In the case of the low-involvement product, both consumer categories give the same amount of importance to the two categories of information sources. They regard the information they gather themselves as "very important" and that obtained from marketing tools as almost "important". The two most valuable pieces of information are seen to be the price and the expiry date. The first one could be advertised easier than the second. Other important information for the low-involvement product milk box, have found to be fat content and place of production.

Research Limitations:

A first limitation of the research is the sample size which may not be highly representative. The multitude of nationalities of the respondents can be considered a factor to determine a heterogeneous sample. Most of the respondents are Europeans, but cultural differences should be

taken into account in a further research. A study at the level of each country or region should be made before applying the results in this paper.

Only 31% of the respondents are non-assertive, meaning that the results for this category can be considered not significant enough.

The high-involvement product chosen is an untypical for most participants, therefore it can lose its value as high involvement, as the complexity and the length of the information search process might not be enough to classify it as such. A preliminary test to establish the level of involvement for the product is recommended.

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Balneary Tourism Management in Turkey - Comparative Analysis

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Abstract

Nowadays, the tourism is a significant and remarkable economic branch. The increase in volume and the complexity of the touristic service offer have generated a true industry of the journeys and tourism, which justifies treating the touristic phenomenon as a distinctive branch of the national economy which is in full development, being a component of the tertiary sector. In this way there is a concern to define the concept in a more complete form.

Tourism is a phenomenon characteristic to the modern civilization, influenced by its evolution. It fulfils the needs of all client categories. Also, through its mass character and complex content, tourism trains a vast material and human potential, with important implications upon the evolution of the economy and society, upon the national and international interhuman relations. As a result, tourism represents a true business, contributing to the employed work force and the gross world product.

The balneary tourism, as an integrated branch of tourism, its extremely important, given that it's based on natural resources, given that it is based on natural resources, from which not every country benefit from. So, owning some natural resources constitutes a true treasure that needs to be treasured and simultaneously valued through adopting a total management. We have chosen this theme in order to highlight the differences between the approach of balneary tourism by two countries: Turkey and Romania.

Key words: balneary tourism, management, Turkey, Romania

J.E.L. classification: Z30

1. Introduction

Tourism and the local economic development are strongly connected. Tourism can have a constructive effect upon the local economy and can contribute to the balancing of some inequalities between different parts of a country. Thus, in many regions of the world, tourism is accepted as one of the biggest sources of economic growth and job creation. In accordance with the economic contribution of the sector, the policy in the tourism department has become a regional development instrument and to improve the opportunities of a country.

Thus, tourism for many countries has become a constant concern and a priority. Through the prism of the tourism, the local resources are superior valued, the infrastructure is improved, the action of spatial planning is intensified and at the same time exchanges of experiences and cultures are made.

Tourism in Turkey has rapidly developed, gaining an important competitive advantage in the international tourism market using its natural potential. In addition to the mass tourism, Turkey also has a significant potential for alternative tourism in different regions. Although Turkey holds an important share of the tourism at a global level, from the point of view of tourism revenues and arrivals, it is not enough to only consider this potential. It is obvious that the alternative tourism potential is not fully explored and exploited due to obstacles encountered in the tourism sector.

Insufficient commercialization of thermal natural resources, lack of adequate infrastructure for diversification and geographical expansion, lack of efficient promotion and marketing activities are some of these obstacles.

2. Literature review

The constantly developing economy, the living conditions of the people in the modern society and the fast pace of life lead to the appearance of negative aspects, such as: the increased pollution, which affects the development of the human body, having harmful effects on it, the accumulated daily stress, the food imbalances, both quantitative and qualitative, but also the intensification of work have an impact on people's health. Balneary tourism is seen as a solution to these consequences, contributing to the improvement of the side effects which these factors present. The tourist chooses as destination a balneary resort to regain its energy and to take care and straighten his health.

Spa tourism combines relaxation with different forms of spa treatment and balneomedical treatment and is practiced in the spa and climatic resorts with rich natural cleaning resources: mineral waters, thermal waters, sludge, mofettes, with therapeutic effects, usually located in areas with a specific microclimate, suitable for treating various diseases.

Given the major importance of spa tourism throughout the world, it is imperative that each country, which benefits from natural resources that can facilitate this type of tourism, to approach an integrated management for the conservation, development and continuous improvement of the quality of the services offered by this branch of tourism.

The management of tourism is the process of overseeing all activities related to the tourism and hospitality sector. It is a multidisciplinary field that prepares people with the interest, experience and professionalism required for management positions in the food, accommodation and tourism industry. Tourism management could also include businesses, associations and public authorities that market tourism services to potential travelers.

The management of tourism comprises the functions of business administration, such as finances, human resources and marketing. Also, the management of tourism involves theories and management principles of the tourism industry sectors, such as the travel motivation, environmental factors and tourism organizations.

The principles of general management must be adapted to the tourism industry, according to its particularities, the service representing the central element in this industry. Thus, the branch of balneoclimatic tourism knows certain specific features to its characteristics, for which the management is different from other areas of tourism.

The managerial approach of the balneary tourism realized at a microeconomic level, focuses on the managerial activity necessary for an enterprise that works in the field of tourism. The managerial approach is considered the most important component in the study of tourism. In the event that it intervenes changes in tourism products, institutions, legislation, society, the managerial approach must be modified and adapted to the new tourism environment.

Also, a special influence in the tourism management activity in general and of the balneary tourism in particular is the technical progress registered in the field of the means of transport's development and in the visible and invisible tourism infrastructure. As for the demographic evolution correlated with the dynamics of the population and with the changes in its structure, they also influence the tourism activity, as well as the urbanization process and the governmental actions or the psycho-sociological factors and the facilities granted by the tourism organizers.

The latest theories of strategic management consider that entrepreneurship and innovation development are more favored by certain contexts of organizational development. Due to the fact that innovation has become both a tool and a condition for performance, its approach should be done in a systematic way. Managers are responsible for developing an organizational entrepreneurial environment and adopting innovation as the main tool for development.

Thus, the managers occupy an important place in the development of the balneary tourism's activity, as they are assigned to carry out a management activity. In the context of tourism, the manager is not the person who directs the organizational activity in a direction that was previously

established, but they have the role to carry out the activity through a continuous flow of changes and innovations throughout the structure.

The manager plays the leader role which is particularly important in the tourism industry. The leader must tend to reflect the character and spirit of an organization in this industry. Many of the activities carried out by managers in the tourism industry have their roots in the activities related to gathering, processing and transmitting information. This means that receiving and communicating information is a very important element of the manager's activity.

For the balneary tourism industry, the role of entrepreneur is a major criterion for classifying managers into efficient and inefficient. When a manager is creative, innovative and generates growth through profit, by being efficient, then he is an entrepreneurial manager.

3. Research Methodology

Given that the intention of the present paper is that to make a comparative analysis of the balneary tourism management in two different countries, I thought that it would be most appropriate to use as a research method a comparative analysis, both at a resource level, and an economic one.

Turkey is a country with a vast potential in the balneary tourism and with a rich history in this area, as well as our country, being the most important type of alternative tourism in both countries. However, there is a significant difference in the interest given to this sector by the two countries. Thus, Turkey offers qualified health services that are competitive with those of developed countries, while Romania pays too little attention to balneary tourism.

4. Results

The tourists from the balneoclimatic and health sector spend almost 10 times more than the tourists who go to Turkey during the holidays, according to the Association of Health and Social Politics Strategy (SASOMER).

SASOMER claims that Turkey receives 1.1 million medical tourists. The balneoclimatic tourism produces annual revenues of 2.3 up to 3 billion dollars and it is foreseen that Turkey will raise this number to 5 billion dollars until 2020.

The evolution of the incomes obtained from the balneary tourism by Turkey during the last four years is presented below by highlighting the number of tourists in this sector both in Turkey and in Romania.

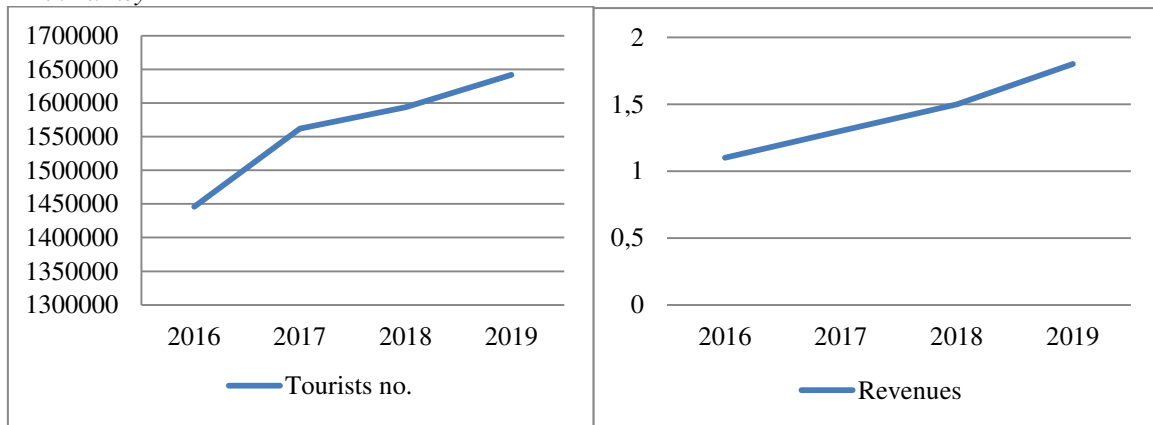
Table no.1 The number of tourists and incomes in the balneary sector in Turkey

	2016	2017	2018	2019
No. of tourists	1,446,000	1,562,000	1,594,000	1,642,000
Revenues	1.1 billion \$	1.3 billion \$	1.5 billion \$	1.8 billion \$

Source: Authors' contribution, based on the information from SASOMER

We note that medical tourism has become a booming sector in Turkey, with a higher growth in 2019.

Figure no.1 The evolution of the tourist's number and revenues in the balneary sector between 2016-2019 in Turkey



Source: Authors' contribution, based on the information from SASOMER

The Turkish government aims to become one of the top 10 tourism countries by 2023, through supporting boutique type hotels, instead of five-star hotels and holiday villages. The target of the government is 50 million tourists and revenues of 50 billion dollars by 2023.

Table no.2 The number of tourists and revenues in the balneary sector in Romania

	2016	2017	2018	2019
No. of tourists	851,040	945,257	1,018,721	1,143,562
Revenues	23.8 mil Euro	24.4 mil Euro	25.9 mil. euro	26.7 mil. euro

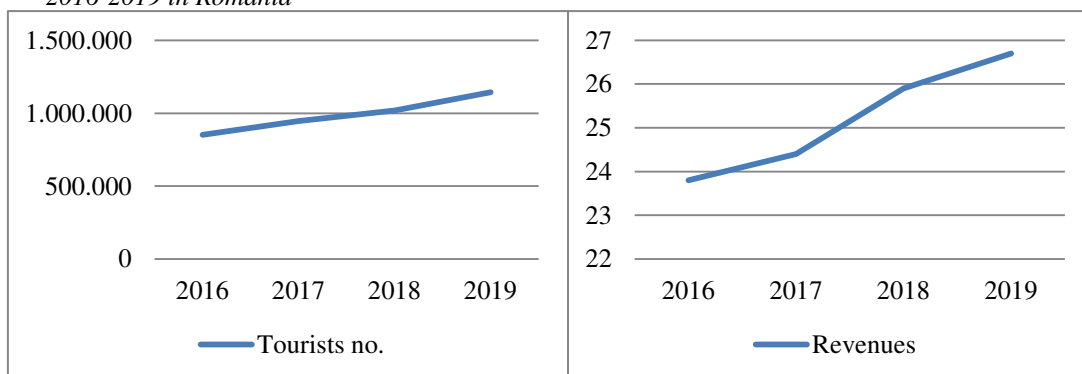
Source: Authors' contribution, based on the information from INSSE

The Romanian balneary market generated in 2018 a turnover of approximately 314 million euro. The average price of a health stay is 797 lei/person. Tourism vouchers have brought a major boost to the growth of the health, recovery and prevention tourism market in Romania. Thus, in the health and relaxation segment, over 1,000,000 people invested over 25.9 million euro for their health and well-being.

In 2018, the balneo market in Romania increased by about 10% compared to 2017, when the total income obtained was 24.4 million euro. And the revenue growth generated in 2017 compared to 2016 was also about 10%.

As for the revenues obtained in 2019, those also increased by about 10% compared to the previous year, up to now, but the number is constantly increasing.

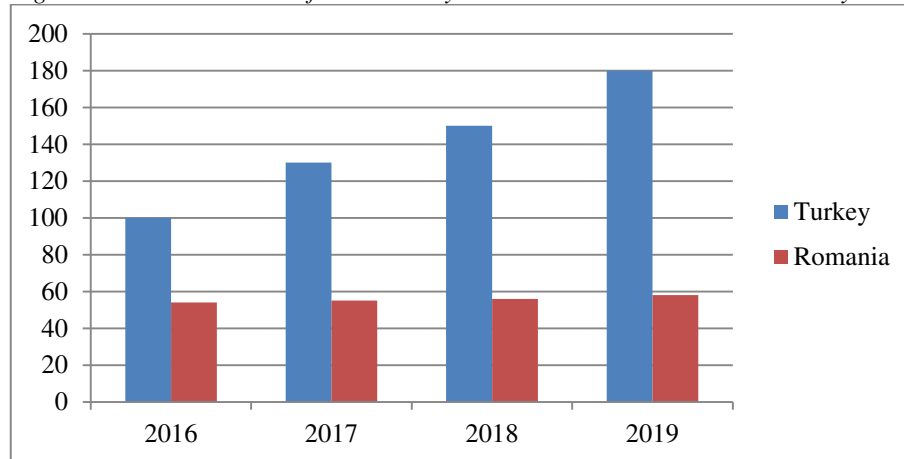
Figure no.2 The evolution of the tourist's numbers and of the revenues in the balneo sector between 2016-2019 in Romania



Source: Authors' contribution, based on the information from INSSE

Therefore, both the number of tourists from the balneary resorts and the income obtained from this type of tourism have experienced a constant and homogenous growth since 2016 and until now. It is also expected that this growth will be faster in the coming years and will produce higher incomes.

Figure no.3 The evolution of the balneary sector between 2016-2019 in Turkey and Romania



Source: Authors' contribution, based on the information from INSSE

Both countries have a lot to offer in the field of tourism. Both Romania and Turkey have natural resources that facilitate tourism in the balneary sector. There are, however, differences in the management of this sector and the development of tourism in these areas between the two countries. Thus, as we see in the graphics above, even though Romania has a natural potential near as great as that of Turkey, it is classified much lower in terms of tourism development in the balneary and medical sector. Due to the fact that it offers much better facilities than Romania, Turkey benefits from a much larger number of tourists and implicitly by obtaining much higher incomes. Also, the evolution of the balneary sector is much faster in Turkey than in Romania.

5. Proposals and recommendations

Compared to Turkey, Romania has a very modest presence in terms of economic performance of tourism. Thus, Romania needs a coherent and stable action program to regulate tourism development. Also, it is recommended to access some funds for investments intended for the development, modification and rehabilitation of general and specific infrastructure, as a result of the slow and complicated privatization process.

The representatives of the National Tourism Agency should offer solutions for the coverage of Romanian tourism, solutions that depend on a bold strategy, specific to the sector, elaborated in collaboration with the persons responsible for operations, which could provide a vision, a model capable of directing production and trade. with tourist products.

The sustainable establishment in the field of tourism must address very important issues, such as: encouraging dialogue between the partners involved, setting up multidisciplinary teams, guiding and encouraging investors, contributing to improving local transport, communication infrastructure with great benefits for the local population. Also, ensuring the long-term security of investments in tourism and including the conservation of the specific nature elements in the strategy for the development of balneary tourism.

6. Conclusions

Like Turkey, Romania can rely on its natural and cultural resources for the development of balneary tourism. However, unlike Turkey, Romania provides less resources and management for improving the conditions and accommodation services and for modernizing the infrastructure to

facilitate the access to potential tourist areas, and on the activity of domestic and international presentation of the balneary tourism potential.

However, the security of Romania, compared to the other European states, including Turkey, can be exploited as an opportunity, as terrorist attacks are not felt as in other countries which, until recently, did not present any danger. On November 15, 2003, in Turkey, at two synagogues in Istanbul, bomb attacks took place that resulted in 25 dead and 300 wounded. These attacks had negative results immediately and not only on the Turkish economy, but implicitly and tourism.

So, there are some downsides for Turkey, but it has always managed to recover and make tourism, and especially the medical tourism, which is an important source of income for the country. On the other hand, Romania, which also has the necessary resources to develop the balneary tourism sector, being able to transform this branch into a very profitable one, has not been able to overcome the barriers of an underdeveloped country, without the infrastructure and promotion necessary for a tourism realized at high quotas.

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Total Quality Management and Performance in the Hotel Industry

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Abstract

With the development of the society, the concerns within the organizational management also intensified, this being cataloged as a specific form of intellectual work that holds a well-defined function based on an important fund, in a continuous growth, of specific knowledge. Management knowledge has thus become indispensable for the management of any business, regardless of its form or size.

Quality represents within the quality management system a very important competition factor or most often the most important. Quality must be found both in the production process and in the services offered. In this sense, the quality management system includes the implementation of activities that aim to optimize the use of existing resources to achieve the proposed objectives. This is a large and complex system, which includes activities of coordination, organization, planning, control and, of course, quality assurance.

Key words: quality management, tourism, hotel industry

J.E.L. classification: Z31

1. Introduction

Conditioned by a fierce competition, products and services quality has become the fundamental factor for the survival of the market, the profitability and the total economic development of a country, especially for specific fields of activity and types of companies. The modern business strategy is based on the control intention of the product and service quality. Today's quality is not manufactured, but used as a management tool.

Total quality management (TQM) is a system that guarantees a stipulated quality. Therefore, quality is the result of a TQM system defined for specific activities, both for the company, and for specific tasks and activities within the company.

TQM methods and techniques can be applied in all organizations - in manufacturing processes, in services and public services, law enforcement, education and others. More than ever, TQM is accepted and becomes a way of thinking and a way of life. Thus, a total quality management system, not only it can be used in the hotel industry, but it is absolutely necessary.

The tourist product is the aggregate of different products and services: hotels, restaurants, transport, shops, cultural institutions and others. Additional factors are the local population and economy. It is necessary to define an objective for all these factors - the constant intention of the quality. The tourists, as end users of the tourist services are also heterogeneous. All these elements make it very difficult to interpret a single definition for the quality of the tourist product - quality management being a very complicated task.

Therefore, the service sector took TQM from the production sector and adapted it to the characteristics of the tourism and hotel industry, based on the example of the manufacturing sectors, and obtained very good results. The services sector has adopted the rule of activity according to which productivity, quality and profit constitute a whole, used for the improvement and development of quality tourism services.

2. Literature review

Total quality management is considered as an integration of the different processes that characterize the behavioral dynamics of an organization. For this, an organization is called a total (socio-technical) system, in which all the activities carried out are oriented towards satisfying the requirements of the clients with efficiency and effectiveness. Zaire and Simintiras supported this view by stating that total quality management is a combination of the socio-technical process to do the right things (externally), everything correct (internally) permanently, with the economic viability taken into account at each stage of each process.

The meaning of the quality concept has evolved from its association with production to management. Nowadays, TQM is a trendy concept and can be defined in various ways. TQM is a developing and improving flexibility and efficiency system. In the quality management system there are included all the employees and all activities from those of effective work, to the highest levels of management. TQM aims to ensure and create conditions in which all employees, through a common effort, fully and effectively achieve a single objective: when, where and how to produce a product or to provide a service to the buyer and consumer. Thus, TQM integrates strategy, efficiency and process efficiency, teamwork and delegation of responsibility and decision-making to deliver the highest quality product or service, in order to satisfy the consumer's requirements.

Quality management brings together all forms of existing business techniques, in order to improve business performance and all professional knowledge and material means are directed to the permanent improvement of all processes, using all available human and material resources.

Total quality management has been used in the tourism industry for years and many hotels worldwide use a quality management system to develop their products and services. The hotels reached the conclusion that, implementing the quality procedure is a vital component for the total quality management.

Total quality management was first used in the hotel industry when the Quality Assurance (QA) was introduced in the 1980s. Specifically, quality management implementation in the hospitality industry began in 1982, when the American hospitality industry implemented the QA Systems and achieved excellent results. Thus, quality knows a particular importance in the hospitality industry.

Total quality management in hotels is implemented to provide better services to the customers, who are very careful in their choices when paying for the services offered. In order to stay on the market, hoteliers are preparing a strategy for their future projects and judiciously using the current resources for future growth.

Quality is of particular importance in the hospitality industry. Over the last decade more and more hospitality organizations have shown more interest in the concept of TQM. As the expectations of customers and potential customers have expanded, hotels everywhere have considered that quality implementation is an important competitive component in the global market. Therefore, total quality management has become popular in the hospitality industry and, therefore, is increasingly important for the hotels management, especially due to the existence of high global competition.

The quality management in the hospitality department is a participatory process that allows all levels of employees to work in groups in order to meet customer expectations and determine the best way to exceed those expectations. Through their process of organization and management, the accommodation units are called upon to adapt to many changes in order to produce and provide services that are tailored to the clients' requirements.

One particularity of the hotel management refers to the fact that the accommodation units offer their customers a product that has, both tangible and intangible elements. The intangibility of the hospitality product (the service) makes it difficult to satisfy the customers, because any failure of the hotel services leads directly to the dissatisfaction of the customers, not being enough time to repair that defect before reaching the customer.

On the other hand, the perishability of the hospitality product makes it difficult to meet the needs of the client, because the hotel cannot sell tomorrow the rooms and restaurant places that were not occupied today. This adds pressure on the quality of the hospitality sector, because the customer would not buy the product if it did not meet his expectations.

The fact that the hospitality product can be easily duplicated makes it difficult to satisfy its client, because the competition would be rigorous and extensive. As a result, quality management in the hotel field should ensure customer loyalty by offering the service that meets or exceeds their expectations.

The implementation of a quality management system covers every aspect of the hotel's performance. Two general benefits for designing and implementing the quality management systems in a hotel include meeting clients requirements that help foster trust in the organization, leading in turn to increased customer numbers and profit.

The implementation of TQM ensures the quality of work of each employee, thus improving the efficiency of the operation and avoiding the costs associated with the failures and dissatisfaction of the clients. The implementation of TQM implies that organizations change the way they work to eliminate inefficiency, in order to improve customer satisfaction and achieve the best results.

The relationship between the TQM practice and hotel performance is significant in a cross-sectional way, as the intensity of TQM practice explains a significant proportion of performance variation. The leading segments of a company, the management and the focus upon the clients are the strongest predictors of the operational performance. Furthermore, the findings have shown that higher levels of performance within a hotel are significantly correlated with more intensive use of TQM practices.

3. Research methodology

The research approach for the research study is the Descriptive Research, using quantitative method. Also, the need to explain the benefits of TQM in the hotel industry also required the collection of quantitative data. This involves collecting data from different hotels that have implemented and have not implemented a quality management system in order to deduce the differences between them in terms of performance.

The data collection was carried out by applying questionnaires to both hotel management and tourists, in order to identify the degree of customer satisfaction, the performances obtained by hotels in terms of number of tourists, the degree of occupancy of the offered tourist capacity, as well as the income realized.

These questionnaires were sent directly to the respondents by the researchers, which gave the researchers the privilege of introducing the subject and encouraging them to answer the questionnaire. The questionnaires were followed by four major parts, which focus on the areas of interest of the research. These parts refer to customer satisfaction, staff satisfaction, the number of tourists received in the examined accommodation units (in a certain period) and the income obtained.

Each of these major parts was identified by applying a set of items to the persons staying at the targeted hotels, as well as to their staff and managers. Thus, in terms of customer satisfaction, the aim was to obtain feedback on the services they benefited from, by noting the different aspects of the stay (staff training, cleaning, other facilities) on a satisfaction scale from 0 to 10. Then, it was obtained, by correlating them, the total degree of customer satisfaction with the services received both at hotels with an implemented quality management system and at those that did not have such a system implemented.

In order to clarify the other aspects, a questionnaire with 22 items was created addressed to the staff of the analyzed hotels. By applying this questionnaire it was sought to obtain information regarding the satisfaction of the staff, who had the possibility to choose a number related to their degree of satisfaction on a scale from 0 to 10.

In addition, there were obtained concrete information, figures and statistics, regarding the number of tourists who visited the hotels in a given period and the income obtained, in order to finally see which is the performance that can be achieved by implementing a system of quality management. The quality management system involves the training of a large number of factors, which will eventually lead to obtaining a higher quality of services, that will attract more customers and, finally, a higher profit.

4. Results

Following the application of the questionnaire addressed to the clients, in order to find out the satisfaction obtained from the hotel services from which they benefited, the obtained results show a clear difference between the satisfaction of the hotel's clients, with an applied quality management system, compared to the others.

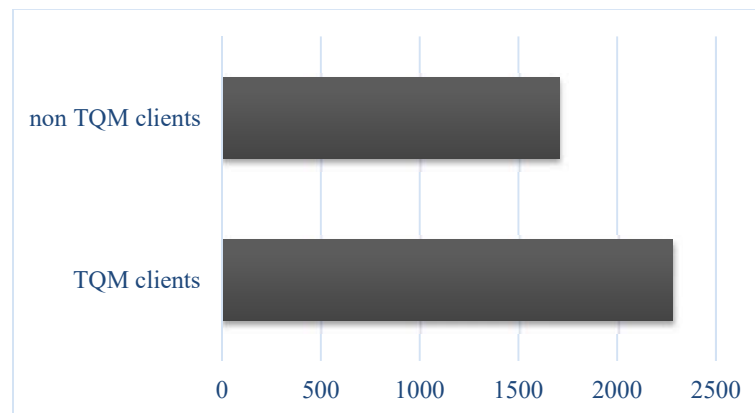
Table no.1 The level of satisfaction of hotel's customers with and without TQM

Clients	Satisfaction regarding the room	Satisfaction regarding the personnel	Satisfaction regarding other facilities	Total
TQM Clients	634	708	940	2282
Non TQM Clients	492	564	652	1708

Source: Authors' contribution, based on the data obtained from the questionnaire

It has been obtained quite a large difference between the results obtained from the two categories of respondents, with a predominance of the services offered by hotels with a quality management system.

Figure no.1. Clients satisfaction towards the services they have benefited from to hotels with and without TQM



Source: Authors' contribution, based on the data obtained from the questionnaire

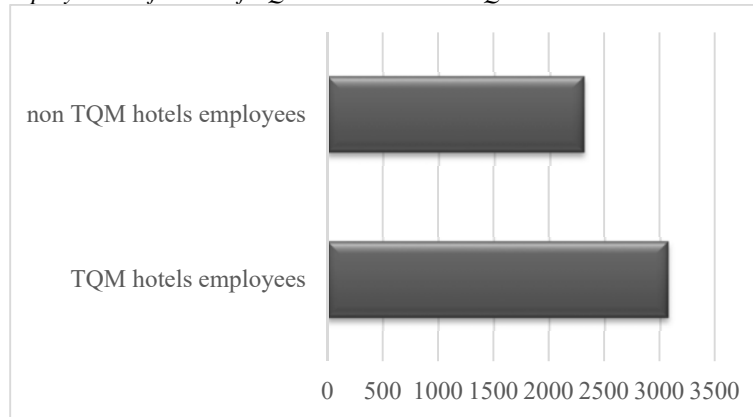
In the second part of the study the questionnaire was applied to determine whether there was a significant difference between TQM hotels and non-TQM hotels and also to identify whether the hotels benefiting from a TQM system are more efficient in their operation, than hotels that do not have a TQM system. Following the analysis, we obtained the following results.

Table no.2 The level of satisfaction of employees from hotels with and without TQM

	Salary	Team work	Working conditions	Other benefits	Total satisfaction
TQM Hotels	642	786	802	846	3.076
Hotels without TQM	425	540	640	704	2309

Source: Authors' contribution, based on the data obtained from the questionnaire

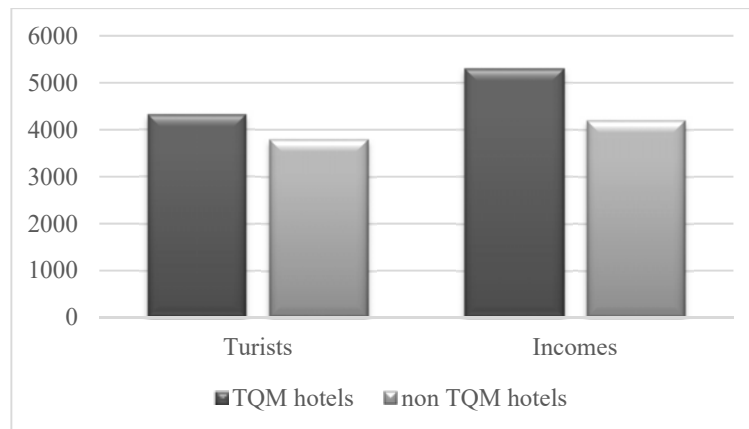
Figure no.2 Employee satisfaction of TQM hotels and non-TQM hotels



Source: Authors' contribution, based on the data obtained from the questionnaire

As we can see, TQM employees are satisfied with the management and the benefits received, the teamwork and the working conditions offered, which means that they, in turn, are efficient in maintaining the quality of the hotels they work for. This is also demonstrated by the number of tourists received in the TQM accommodation units analyzed and the income obtained by them.

Figure no.3 The incomes and the tourists of TQM hotels and non-TQM hotels between 01.02 – 01.08.2019



Source: Authors' contribution, based on the data obtained from the questionnaire

And regarding the number of tourists and the income obtained by the hotels analyzed during the period 01.02.-01.08. 2019, the hotels with an implemented quality management system have achieved better results. This means that the services offered by the hotels with TQM were significantly higher than those offered by the hotels that have not yet implemented this system. We thus realize that, although not an obligation, the implementation of such a system is a real necessity nowadays.

The results of this research attest to the benefits that result from the implementation of TQM. It has shown that it is a strategic tool for any hotel that wants to gain a high position in a competitive market. If implemented properly, the principle adds value to an organization of any kind in terms of operating efficiency, employee satisfaction, customer satisfaction and even profitability.

5. Proposals and recommendations

Following this study, it is proposed that hotels implement a quality management system for its ability to enable a better performance, a multi-faceted construction, which has been measured by financial performance, operational performance, quality of services, customer satisfaction and employee satisfaction and relationships.

The implementation of TQM is also recommended due to the fact that it can have an impact on financial performance, either directly or indirectly. The direct connection is established by reducing the costs resulted from improving the quality, while the indirect connection is established through a better customer satisfaction and by improving the subsequent financial performance.

Continuous improvement of services in the hotel industry brings added value to the customers, making the organization to focus on meeting customer needs, while teamwork and training empowers employees to contribute to the continuous improvement of the organization. TQM is a strategy tailored both to the clients, to satisfy their needs and desires, but also to the employees and the benefits that they can obtain, as well as to the management of the organization and the incomes obtained. Therefore, the implementation of an integrated quality management system is as justified as possible.

Pointing out that total quality management encourages skills in knowledge generation and exchange in the market to increase the value and satisfaction of customers for their services, we believe that the implementation of a quality management system should be a prerequisite for hotels that make their own long-term operating plan.

Also, it is advisable to carry out several studies, covering all hotel departments, to demonstrate the efficiency of TQM implementation while using a representative sampling technique.

6. Conclusions

The hotels which have implemented TQM are more efficient and performant in their operation, than hotels that have not implemented a TQM system. This is supported by the data obtained, as the contribution of the hotel employees and the management for the effective operation of the TQM in the hotel has taken a positive value.

Therefore, the empirical results support the proposition that TQM leads to overall performance improvement in the hotel industry and that each unit wishing to raise its quality standards needs to implement a quality management system.

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Theoretical Studies and Contributions Pertaining to Risk Management in Public Administration

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Abstract

The paper is part of the doctoral thesis study and examines aspects related to risk management at the level of public administration, trying to achieve an analysis of inherent and residual risk.

Managing risk is a stringent problem in the present context in which European public administration as well the Romanian one are in a constant state of change.

The reform of public administration is a very dynamic and ongoing process. The objectives of the research are: an analysis of risk management and methods of managing it in Romanian public administration as well as generating a holistic model of risk management.

Key words: risk management, quality, public administration, risk

J.E.L. classification: G32, H83

1. Introduction

The issue of risk and its management is nothing new. Yet, it is a young concept. In the current context, the concept of risk has acquired different meanings and can be observed in many areas and organizations, private or public. Every public institution has the obligation to evaluate and manage risk periodically, this practice having been adopted from private entities that have implemented risk management a long time ago. We can say that the reform in progress at the level of public administration in all European countries wants to achieve the integration of risk management at all levels of public administration. It is very hard to offer a classification of risk in general but we can try to generate one of the risk appearing in public administration. A good knowledge of risk makes way for a better management of it which, in turn, allows a decrease in risk and an increase in service quality in public administration.

2. Theoretical background

Risk has two dimensions: its occurrence and its impact.

Occurrence is, in fact, determining the possibility of risk manifesting itself and the impact, the negative consequence after the risk has occurred. Taking into consideration the previously stated facts, we can infer that risk management seeks to diminish it in the following way: diminishing the probability of risk occurrence and/or minimizing the impact the risk has on the overall process.

When talking about risk management, what we really want to emphasize is the risk of not being able to achieve previously established objectives. In the private sector the main objective is to increase the invested capital.

The public sector has as its main objective the ability to offer good service to the general public in accordance to its expectations. Irrespective of the public entity, achieving its objectives is burdened by risk and uncertainty.

To achieve its established goals, the public entity must identify and evaluate risk. There are many types of risk, among which we encounter:

- Inherent risk;
- Residual risk.

Inherent risk is the type of risk appearing when a process is exposed to a certain risk, before implementing the measures stated in measures plans created to diminish that risk. When the process is exposed to a certain risk, after the measures plan has been generated and actions to minimize that risk have been taken, the resulting risk is called residual risk.

The measures plan belongs to the internal audit. For this reason, we can state that the efficiency of the internal audit can be quantified by measuring residual risk. Many countries in the EU use the term "control risk" rather than "residual risk".

Residual risk can be defined as risk left over after the implementation of measures provided in the internal audit team's measures plan. They serve to minimize residual risk to a level easily tolerable by the public entity, and the internal audit's continued aim is to maintain such risk at a level the public institution can accept.

If we analyze risk in connection to when the measures plan is implemented, we can observe that, before implementing the plan there is inherent risk and, after implementing the plan, there are residual risks. It can be concluded that inherent and residual risk is one and the same but in distinct stances.

The management of the public entity keeps under observation the occurrence of residual risk in order to keep modifications, changes, the intensity of impact or the occurrence of such risk under control so that it does not become uncontrollable. Even so, there is the risk that, at a certain point in time, the introduction of control instruments is done at the moment of inherent risk manifesting itself thus allowing residual risk the same volume as inherent risk, leading to the conclusion that residual risk can be seen as inherent risk.

The main role of the internal audit and measures plan is to decrease the frequency with which inherent risk emerges and to reduce its impact on objectives set by the public institution's management. We can deduct that inherent risk is the risk emerging before the implementation of the measures plan and, residual risk presents itself after the measures plan has been implemented. Between the two there is the following relationship:

$$E_{\text{inherent risk}} > E_{\text{residual risk}}$$

In the situation in which residual risk is greater or equal to inherent risk, this means the measures plan is not effective and must be revised. The internal audit and the measures plan may or may not be effective-nobody can argue with that. The result is the following: inherent and residual risk is of relative scale and is not absolute. By comparing the two, we can say if the measures imposed by the internal audit are effective or not or, in other words, if the public entity possesses a good internal audit team.(Bârsan-Pipu)

Risk management is a cyclic process and, putting it against the measures implemented by the internal audit and the risks which have been dealt with, it can be said that a current residual risk can become an inherent risk for the next stage of the internal audit.

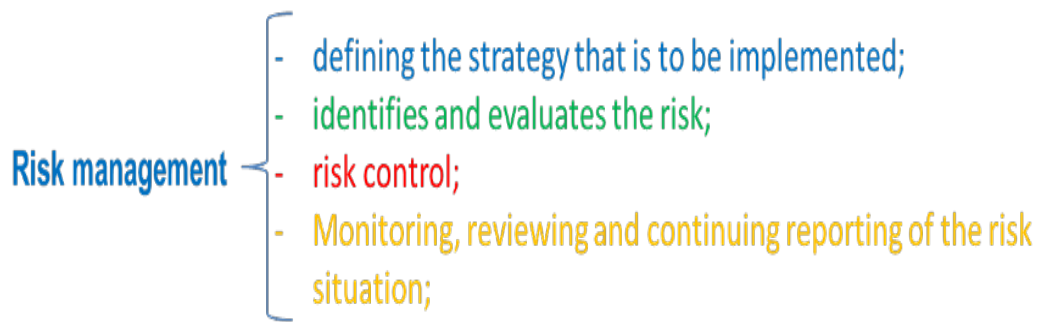
This new stage is followed by a new appraisal of risk and the implementation of new measures that will, in the end, generate a new residual risk.

3. A holistic model of risk management

In the process of risk management, all the employees at all levels of the public entity are involved. As it is with self-evaluation, risk management involves the general manager of the institution as well as those executing his orders.

Risk management is schematized in the following figure:

Figure no. 1 The schematic definition of risk management

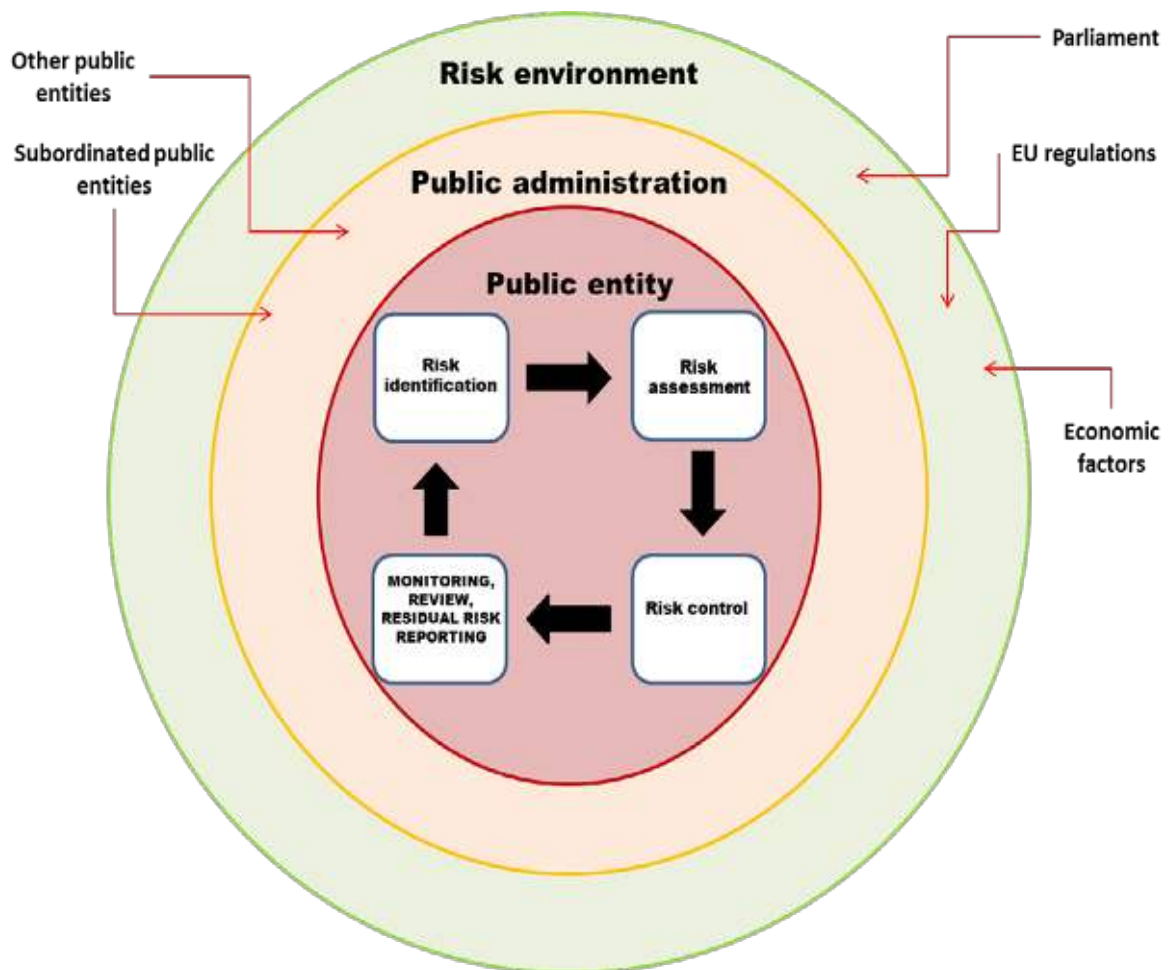


Source: own processing

According to Fig. 1, risk management is a multiple-stage process. The first stage is concerned with defining the strategy that is to be implemented within the public institution; the second stage identifies and evaluates the risk that threatens the public institution and all its activities. The third stage deals with risk control. It is done periodically in order to maintain it within tolerable limits.

The fourth and last stage refers to monitoring and updating risky situations encountered in the institution. It exists to keep residual risks within the limits imposed by the manager of the institution to allow the completion of the goals mentioned in the first stage.

Figure no. 2 A holistic model of risk management in public administration



Source: own processing

The model presented in figure no. 2 represents a holistic model of risk management but, in reality, risk management in public institutions is a process whose elements harmoniously merge into a whole.

All the components of risk management interact in such a way in which to influence how a risk and its management can affect other types of risk and their management. It is possible that risk management can offer instruments meant to minimize these types of risk and, in turn, positively or negatively affect the management of other kinds of risk. When talking about public institutions, it must be emphasized that they are part of the public administration system and risk management in one institution can predetermine the management of risk in other institutions.

When it comes to risk management, the internal audit must keep into account the environment in which the public institutions functions and the kinds of risk that can influence the activities performed within them as it leads to achieving their set goals.

The risk environment, as shown in Fig.2, is generated by actions performed by public institutions that are part of public administration such as the government and, by laws and regulations imposed by the EU as well as economic factors.

4. Conclusions

To conclude, risk management is a very important process for the management of public institutions as it handles risk and minimizes its impact and occurrence in daily activities in the public sector.

For the institution to achieve its goals it must have an effective risk management and measures implemented by the internal audit that will handle as best as possible all types of risk.

The public administration exists to serve its citizens and its main objective is to efficiently meet and satisfy their demands and expectations.

In the actual context in which Europe's entire public administration system is in full reform and the dynamics of change is at a very high level, a more efficient risk management is needed, geared toward the needs of its citizens as well as a better functioning of the institution itself.

Risk management is a process which is seamlessly integrated with quality management, both having as a main objective minimizing risk and increasing the quality of public services rendered to the public. As the issue of risk has been recently brought forth in European public administration, an increased interest in it has been observed, coming from public administration managers that want to align their institutions to the European standards.

It is a complex process as the public institution's management cannot generate a plan of measures without interacting with other institutions and entities. They all perform activities which merge together, creating a system.

Within an organization, the plan of measures that is to be created to minimize risk must take into account risk emerging from the institutions that interact with the organization, risk that can reverberate on its own activities. The implemented measures will take into account all entities and institutions that render public services.

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Analysis and Impact of Coaching Strategies for the German Labor Market

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Abstract

Coaching developed according to the economic status of each country. Thus, depending on each country, coaching acquires certain features. Nevertheless, differences shall be identified upon the analysis of coaching in countries having similar development levels. We consider that the differences arise from factors such as: economic environment, research level and quality in the field, organizational culture etc. This paper set out to emphasize the trend of the German coaching market.

Key words: coaching, mentoring, strategies, human resources

J.E.L. classification: E24, J21, J24, M12, M53

1. Introduction

The coaching pioneers in Germany started their activity in 1975 and, as in other European countries, coaching knew an accelerated growth between the years '80 -'90. Over the last decade, the market grew continuously – by approximately 25% all in all, up to approximately 500 million EUR per year. The number of trainers' training providers also grew – by approximately 25% in the last decade, reaching approximately 360 training providers. The level of scientific research also evolved in the last decade but it still requires a significant development, despite the fact that the number of German publications is of approximately 2,280 units. (Passmore, 2018)

The term *coaching* is neither protected nor regulated in Germany. Thus, it was found that on the German market there are approximately 14,000 qualified and professional trainers. Moreover, at least 50,000 people work as coaches despite the lack of certification. (Roundtable der Coachingverbände)

2. Theoretical background

Böning, in a benchmark, found that the positive perception about coaching was enhanced between 1989 and 2004 (Böning & Fritschle, 2005), coaching being regarded enthusiastically. Similar aspects have been identified in other authors' studies. (Schmidt, 2003)

Künzli, in a paper that synthesized the data of twenty-two papers, mainly from Germany, reached the conclusion that coaching produces effects unrelated to the examination type, the chosen method or the generalization level. Among the highlighted beneficial effects is emotional relaxation, decrease of stress levels, increase of self-reflection capacity, communication improvement and a better relationship with the co-workers. (Künzli, 2005)

Therewith, Jansen, Mäthner and Bachmann, according to the research conducted among the coaching programmes' beneficiaries, reached the conclusion that the success rate of coaching in Germany is of 90%. (Jansen *et al.*, 2004)

Further to the performed research, we found that, from the viewpoint of coaching services, Germany is a very developed country, a significant number of entities having this activity object unfolding their activity. Both international bodies having work points in Germany and associations and companies providing coaching services have been identified. There are also German entities performing their activity abroad, more precisely in Austria and Switzerland. We consider that this connection exists due to the economic similarities, interstate cooperation and the advantage of using German as communication means.

According to the data collected by Jonathan Passmore, twenty-two coaching associations unfold their activity in Germany. Twelve combine coaching with various methods such as psychotherapy. Others are subgroups within other bodies, such as the Association of Psychology Practitioners, also known as Berufsverband Deutscher Psychologen. The author identified three large bodies specializing in coaching that work on the German market: ICF Deutschland eV (ICF-D) - approximately 450 members, Deutsche Gesellschaft für Coaching eV (DGfC) - approximately 445 members, Deutscher Bundesverband Coaching eV (DBVC) - approximately 423 members (Passmore, 2018)

Further to the performed research, I have also identified other German entities working in the field of coaching: DCG - Deutsche Coaching Gesellschaft e.V., DCV - Deutscher Coaching Verband e.V., Deutscher NLP Coaching Verband e.V., NLC - Gesellschaft für Neurolinguistisches Coaching e.V., QRC - Qualitätsring Coaching und Beratung e.V., DFC - Deutscher Fachverband Coaching.

We consider that the most important professional association offering coaching services is ICF Deutschland eV (ICF-D) affiliated to the International Coaching Federation. The German association started its activity in the year 2001, and in February 2018 it had over 500 members. In Germany, the association has a considerable territorial development, with 11 branches, the last being open in Aachen in May 2019. (ICF Deutschland eV)

In parallel, International Coaching Federation Foundation has been established globally, which has as activity object the development of social programmes in the field of coaching. In Germany, the foundation collaborates pro bono with: Deutsches Rotes Kreuz – DRK (German Red Cross), which implies the unfolding of 6 coaching programmes involving 30 volunteer trainers and people working in the educational system, the programme being labelled Coaching Initiative. The Coaching Initiative programme is complex. Thus, throughout 3,600 days, 10,000 voluntary training lessons were offered in 180 schools in Germany. (ICF Deutschland eV)

The Coaching Initiative Programmes is dedicated to teachers, headmasters and students. Volunteer trainers deliver training whereby the development of the learning culture and capacity to master various challenges, such as integration, is pursued. We have identified the following projects: Mehr Zufriedenheit, Gelassenheit und Überzeugungskraft (More satisfaction, serenity and persuasion), Entwicklung einer coachenden Haltung (Developing a trainer attitude), Rollen- und Zielverständnis für Schulleiter (Understanding the roles and goals of headmasters), Führungskompetenzen für Schulleiter (Management skills for headmasters) and Leitbild entwickeln und zum Leben erwecken (Identify a mission and bring it to life) (Coaching Initiative).

We found that ICF-D is also getting involved in public activities, namely the organization of the Prism Award even. Internationally, ICF, through Prism Award, acknowledges the results of the companies and organizations standing out by the development of a coaching culture, which have significant results. At present, Prism Award is a manifestation organized within Coaching Tag (Coaching Day), which took place for the first time in 2011. In 2018, Germany was the third country where Prism Award was organized, alongside Italy and Switzerland. (Coaching Tag)

Roundtable der Coachingverbände (RTC), translated as Coaching Associations' Round Table, is a scientifically supported body that is made up of members of the coaching associations. There are also member associations within RTC: Berufsverband Dt. Psychologinnen und Psychologen (BDP), Der Berufsverband für Training, Beratung und Coaching e.V. (BDVT), Deutscher Bundesverband Coaching e.V. (DBVC), Deutscher Coaching Verband e.V. (DCV), Deutsche Gesellschaft für Coaching e.V. (DGfC), Deutsche Gesellschaft für Systemische Therapie, Beratung und Familientherapie (DGSF) Deutsche Gesellschaft für Supervision und Coaching e.V. (DGSv), Deutscher Verband für Coaching und Training e.V. (dvct), European Association for Supervision and Coaching e.V. (EASC), European Mentoring & Coaching Council Deutschland e.V. (EMCC),

Gesellschaft für Personzentrierte Psychotherapie und Beratung e.V. (GwG), International Coach Federation Deutschland e.V. (ICF-D), Qualitätsring Coaching und Beratung e.V. (QRC), Systemische Gesellschaft e. V. (SG). Humboldt University of Berlin provides the scientific support. (Roundtable der Coachingverbände)

Munich Business Coaching Institute (MBCI) offers high-quality services, a statement endorsed by the participation in international research programmes, cooperation with other bodies and permanent member development. On the one hand, it supports companies in strategic planning and tactic implementation as well as in the employees' management and development. On the other hand, it supports trainers' own career. The entity offers training to both human resources, directors and managers, in order to implement business coaching as management tool, and trainers. In the MBCI's offer we have identified: practical training courses in the field of business coaching delivered by senior trainers, further coaching skills development programmes by implementing the results of the most recent research in the field, capacity to create innovatory coaching formats for companies, possibility to provide an active network of business coaches, renowned managers and specialists in human resources. (Munich Business Coaching Institute)

XING Coaches + Trainer Platform is a coaching platform acting for the profile market in Germany, Austria and Switzerland. The platform offers services to the companies that acknowledge the added value offered by the implementation of coaching or training programmes within the staff. The platform offers the possibility to compare the available coaches for an optimal selection. (XING Coaches + Trainer)

Another coaching portal we have identified in our research is *iscoaching-report.de*. It embeds staff training resources and information based on economic theory and practice aspects, education, literature and scientific research, but it also collects market data and provides news about the German coaching industry. (Coaching Report)

As to the costs of certifying a coach, Munich Business Coaching Institute offers a training services package at a cost of 12,400 euro plus VAT, the programmes being designed according to the quality standards of DBVC, QRC, EMCC and ICF (Munich Business Coaching Institute)

Another entity identified as offering specialized coaching training programmes is Academy 4 Excellence, which offers specialized training in the education and development of top managers, leaders, coaches and trainers. The following programmes are part of the entity's offer: Agile Coach, Agile Change Manager, Agile Innovator, Agile Leader, Business Coach, Business Mediator, Business Trainer. As a training institute, Academy 4 Excellence specializes in the further education of the services providers, consultants, coaches and trainers. It promotes labour in the digital context. The investment to participate in the Agile Coach and Business Coach programmes amounts 2,950 Euro + VAT (Academy 4 Excellence). BCO, an organization that has been active on the market since 2002, offers a qualification variant for trainers amounts to 4,200 Euro net. ((Büro für Coaching und Organisationsberatung)

Moreover, Coaching Report provides us with an overview on the costs the coaching activity involves in Germany. Thus, it was noticed that a qualified coach has a fee between 100 and 350 Euro per hour, the tariff being similar to that of the economic experts. The cost of a coaching session, which usually lasts between one and two hours, varies between 200 and 700 Euro plus VAT, the cost depending on the coach's qualification level. (Coaching Report)

Further to BCO's poll named Coaching-Umfrage Deutschland 2014, it was concluded that the average coaching hour price paid by companies was of 165 Euro. Depending on the environment of the coaching sessions, it was found that the average fee for those organized by companies amounts to 187 Euro while a private coaching session amounts to an average fee of 130 Euro (Büro für Coaching und Organisationsberatung)

Jürgen Graf, in his paper, Weiterbildungsszene Deutschland 2016, found that the average coaching hour fee amounts to 168 Euro. Men charge an average fee of 198 Euro per hour while women charge a 148 Euro fee for one coaching hour. The coach type could also be differentiated. Thus, institutional providers charge an average fee of 226 Euro for one coaching hour, while independent coaches charge only 173 Euro average fee. The study completes the top management coaching, where the average price of a coaching hour amounts to 232 Euro. (Jürgen, 2016)

In another context we have identified the opinion of the court as well in regard to the amount of the coaching services fee. Thys, in a case judged by the Kamen Court, by judgment 12 C 519/03 from 06.05.2005, it was deemed that the coaching services may have an hourly tariff ranging between 115 and 300 Euro. (Wolters Kluwer)

Haufe Coaching on-line platform, which is part of Haufe Akademie and operated by Haufe Advisory GmbH, offers interactive coaching services. The Haufe Community has 300 coaches with at least 18 years of coaching and leadership experience, who benefitted from at least 520 hours of training. In the case of both companies' and private beneficiaries' requests, a coaching programme participation application is filed, then, depending on the beneficiary's requests, three collaboration variants with different coaches are submitted. In the next stage, the beneficiary chooses the desired coach, the coaching processing starting thereafter. In the case of the individual beneficiaries, the charged tariffs for a 5-hour coaching services package are: 950 Euro for non-executives, 1,150 Euro for managers and 1,400 Euro for top managers. Tariffs for companies could not be identified since the offers are bespoke in this case. (Haufe Coaching)

3. Research methodology

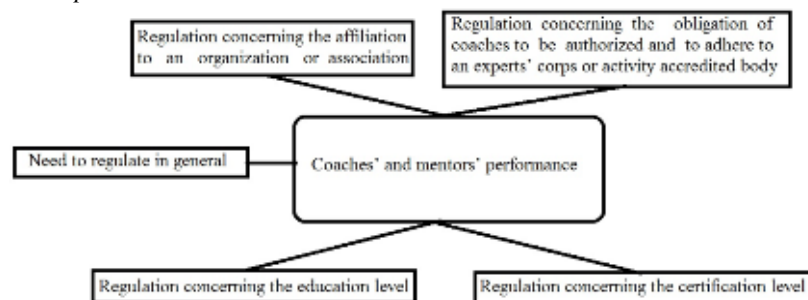
For the research to be made within this paper the QCA (Qualitative Comparative Analysis) method was used, which is an agreed method by the academic environment. Thus, the gaps between the qualitative and quantitative analyses are removed. (Rihoux et al., 2009). The data was processed by fsQCA software.

4. Findings

The study is intended to distinguish the elements defining coaches' and mentors' performance that influence customers' satisfaction level. Considering that the profile market in Germany is not regulated, as previously observed, we have chosen to include among the causes the following: the need to regulate in general, regulation concerning the obligation of coaches to be authorized and to adhere to an experts' corps or activity accredited body, regulation concerning the education level, regulation concerning the certification level and the regulation concerning the affiliation to an organization or association. Thus, we consider that we could test how these causes influence the performance, an element that is tightly connected to the customers' satisfaction level.

The conceptual model is identified in Figure 1. The causes were included within the independent variables, and Customer satisfaction as direct effect of performance was considered as an independent variable.

Figure no.1. Conceptual Model



Source: Figure designed by the authors

A questionnaire was used for data collection. The questionnaire was submitted to German universities where management study programmes unfold. The questionnaire was sent via email and one hundred people responded. In order to obtain an as accurate result as possible, the analysed sample was trimmed. Thus, we considered only the questionnaires the respondents of which have at least five years of practice and spend more than half the working time performing activities or studying the involved field. In the end, fifteen questionnaires were validated for research.

Results' calibration was made by correlating the Likert scale values with the scores established within the range of the fuzzy set from 0 to 1, according to the QCA methodology, resulting into Table no. 1.

Table no. 1. Scale calibration

Fuzzy set value	Likert scale correspondent
1	Total agreement
0.75	Agreement
0.5	Neither agreement nor disagreement
0.25	Disagreement
0	Total disagreement

Source: Figure designed by the authors

We have subsequently defined the variables:

- Reg – need to regulate in general
- Aut – regulation concerning the obligation of coaches to be authorized and to adhere to an experts' corps or activity accredited body
- Edu – regulation concerning the education level
- Cert – regulation concerning the certification level
- Aso – regulation concerning the affiliation to an organization or association
- Perf – dependent variable
- Rez in order to emphasize the calculation result of the fuzzy sets value from the conceptual model by the relation: $Rez = \text{fuzzyand}(\text{Reg}, \text{Aut}, \text{Edu}, \text{Cert}, \text{Aso})$. "fuzzyand" function returns the minimum of the analysed variables.

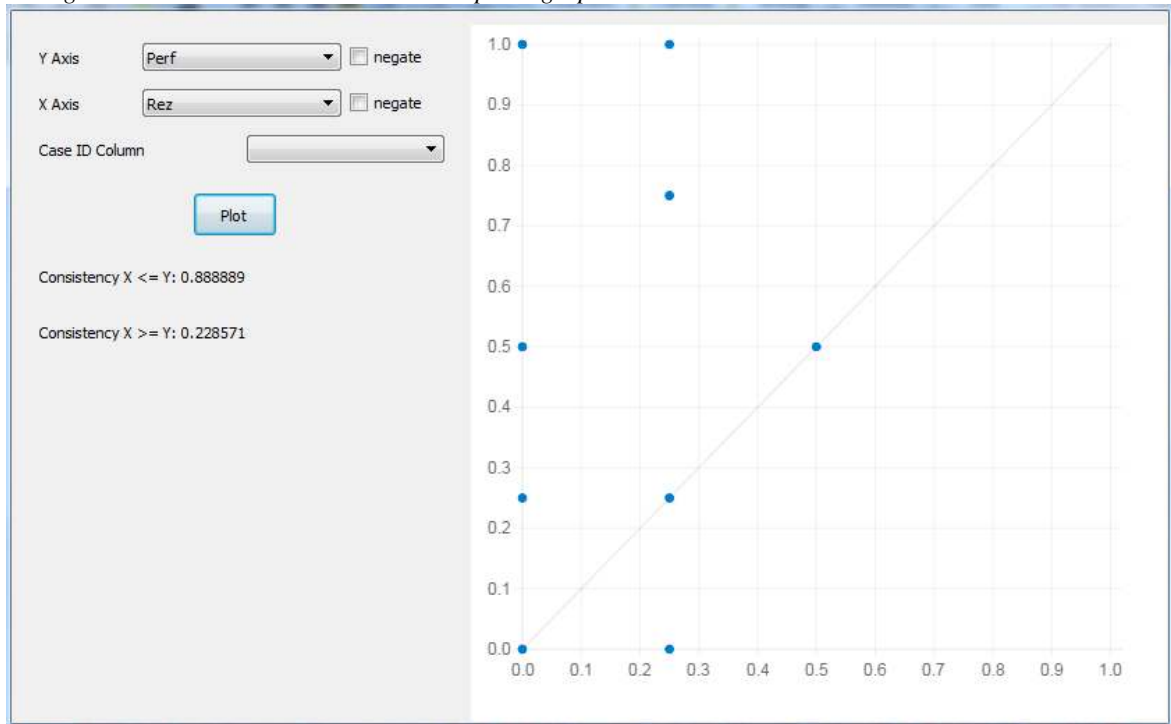
Table no. 2. Fuzzy sets calibrated for the identified cases

Caz	Reg	Aut	Edu	Cert	Aso	Perf	Rez
1	1	0.75	1	0.25	1	0.5	0.5
2	1	1	0.25	0.75	0	0.5	0
3	0.75	0.75	0.25	0.5	0.5	1	0.25
4	0.75	0.75	0.25	0.25	0	1	0
5	0.75	0.75	0.75	0.25	1	0.75	0.25
6	1	1	1	0.25	0	1	0
7	1	1	0.5	0.25	1	0	0.25
8	0.75	0.5	0	1	0	0.25	0
9	1	1	0	0.75	0.25	0	0
10	1	0.75	0.75	0.25	1	0	0
11	0.75	0.75	0.25	0.25	1	1	0.25
12	0.75	1	0.25	0.25	0.25	1	0.25
13	1	0.75	1	0.75	1	0.25	0.25
14	0.5	0.25	1	0.25	1	1	0.25
15	0	0.75	0.25	1	0.25	0.5	0

Source: Figure designed by the authors based on the data collected through the questionnaire

In the beginning, we decided to test the consistency and coverage on the XY plane of the fuzzy set by using the "XY plot" function. Thus, Figure no. 2 resulted, which illustrates case distribution in the XY plane graph. It must be mentioned that the X axis is used to illustrate the Rez variable values and the Y axis shows the Pef variable values.

Figure no.2. Case distribution in the XY plane graph



Source: Figure resulting further to the use of the XY plot function of the fsQCA software.

Analysing the result, it was noticed that in the case $X \leq Y$, consistency is 0.88, which means that variable Rez is a subset of variable Perf. Consistency shows the extent in which a combination of causality leads to results. Thus, we could say that the previous conditions are sufficient to obtain the result. Consistency of 0.2285 for relation $X \geq Y$ means that the coverage level is of 22.85%. More specifically, the result shows that variable Rez represents 22.85% from the sum of the Perf variable members.

The next step of the research was to emphasize case distribution in different logical combinations of the causality conditions. (Ragin, 2017)

Table no. 3. Truths table

Reg	Aut	Edu	Cert	Aso	Perf	number	Rez	cases	raw consist.	PRE consist.	SYM consist.
1	1	0	0	0	1	2 (25%)	0	cases	0.222222	0	0
1	1	0	1	0	0	1 (37%)	0	cases	0	0	0
1	1	1	0	1	0	1 (50%)	0	cases	0.555556	0	0
1	1	1	1	1	0	1 (62%)	0	cases	0.571429	0	0
1	1	1	0	0	1	1 (75%)	0	cases	0.285714	0	0
1	1	0	0	1	1	1 (87%)	0	cases	0.571429	0	0
1	1	1	0	1	1	1 (100%)	0	cases	0.8	0	0

Source: Table resulting from the use of the True Table Algorithm function from the fsQCA software

Studying the consistency values in Table no. 3, it was found that only eight causal combinations are valid in order to obtain the result.

5. Conclusions

By the performed analysis, we established the causality relation between certain necessary conditions for success and the customers' satisfaction level. We consider that the study reached its goal – that of creating an accurate image of the coaching phenomenon in Germany. In the case of a deeper analysis we shall realize that the German entities have a tight collaboration with the profile entities from Austria and Switzerland.

We found that, regardless of a country's economic level, there is a continuous growth trend of coaching. Thus, although Germany is the largest economy of the European Union (Reuters), it was noticed that the coaching phenomenon is in full expansion. As previously seen, ICF Deutschland eV (ICF-D) affiliated to the International Coaching Federation, is in permanent expansion in Germany, reaching the stage in which it establishes branches in various areas. Moreover, it was noticed that there are various public manifestations that have a positive influence on the development of coaching by public information. On the other hand, a tight collaboration of the profile entities with non-profit organizations affiliated to the UN, Unicef etc. was noticed.

As future research directions, we believe that it is advisable to elaborate a study on mentoring, considering that mentoring and coaching act on human resources development, as they have similarities to a certain extent. A deeper study at beneficiary's level must be elaborated in order to achieve a more accurate picture of the German coaching market.

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The Challenges of Increasing the Competitiveness of Human Capital in Public Institutions in Romania, in the Context of the Phenomenon of Globalization

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Abstract

Between human capital - as a social investment and competitiveness - from the perspective of sustainable development, in the context of globalization, there is an indestructible relationship, taking into account the imperative of general global development and continuous efforts to protect the environment.

The society, as a whole, is highly influenced by the ability of individuals to use their educational capital and to adapt their skills to the highly competitive external environment. In this respect, the managers of public institutions in Romania must face, on the one hand, the challenge given by the organizational engine, respectively the subordinate staff and on the other hand, the phenomenon of globalization, characterized by technological competitiveness, instability and competitive pressures.

At the same time, the specialized literature draws on and demonstrates the link between education, human capital and competitiveness, and international organizations recognize the role of countries' economic competitiveness, creating hierarchies in this regard.

Key words: performance, personnel management, competitiveness, decision making

J.E.L. classification: L25, M12, D91

1. Introduction

Undoubtedly, increasing the competitiveness of public institutions cannot be achieved without increasing the quality of human capital, without ensuring and maintaining the competitiveness of staff. From this perspective, we emphasize that the increase of the competitiveness is given by the increase of the individual and organizational performances.

The fact that the key factors of performance and competitiveness are the knowledge held by the workforce and its qualifications, as well as the mastery of the information and communication technology revolution, is no secret to anyone.

In the last years, the issue of globalization has been given special importance and, with it, the implementation in optimal and advantageous conditions of the knowledge society, is given special importance, the last mentioned aspect being impossible to achieve, in the absence of amplifying the purpose of human capital.

With certainty, today's society, revitalized by the continuous knowledge, digitized, in a continuous and accelerated transformation must take into account, in the organizational management and the distribution of the duties and tasks specific to the positions of the universal criteria: know what, know why, know how and know who.

Increased competitiveness and increased performance are so desirable that they sometimes undermine ethics, integrity and morality. From this perspective, today's managers, in addition, must invest time and effort in order to ensure an organizational balance, from all points of view.

An intelligent manager must know how to attract his collaborators, so that his staff wants to get involved, by making joint efforts, in order to increase the entrepreneurial ability by investing in education, continuous improvement and accumulated experience.

The complexity of the managerial act imposes many challenges, which is why we consider that not everyone can successfully run an organization, in the current situation, in which the difficulty of adaptability to change becomes an argument for the development of capacities and capabilities.

2. Literature Review

In recent years, the whole world has become increasingly interconnected due to the phenomenon of globalization. However, no matter how optimistic we are, we can calculate the benefits and the opportunity to take care to enable globalization, but, we cannot take into consideration, at any time, challenges. The European Union pays particular attention to phenomena and exceeds all efforts so that the positive aspects can be capitalized and the negative aspects minimized.

Globalization is available in all spheres of daily life, of an economic, political, social, demographic, cultural, religious, even military (security perspective) and, as far as we concerned, from the perspective of the subject addressed, organizationally.

In the very broad context of globalization, the Romanian public institutions are obliged to be aligned with the standards imposed by the European Union or even to the international standards. In the last years, the competitive environment is not only the internal one, national, it is extended internationally, and, in this moment, this requires a series of adaptations, changes, adjustments and so on.

Thus, it is necessary to discuss the global competitiveness, concept intensely carried by the following two international organizations: the World Economic Forum (WEF - <https://www.weforum.org/>) and the International Institute for Management Development (IMD - <https://www.imd.org/>).

In this context, we emphasize the relevance of the Global Competitiveness Index, developed by WEF and based on twelve analytical pillars, which refers to: Public and private institutions; Infrastructure; Macroeconomics; Health and primary education, Higher education and training; Market efficiency; Labor market efficiency; The complexity of the financial market; The technology; The size of markets; Business Complexity and Innovation" (Badea L., Rogojanu A., 2012).

Given the analytical pillars listed above, we emphasize the connection between institutions, human capital, education, training and continuous improvement, infrastructure, technology and innovations. It is an interconnected chain, from which no link can be missing, if we want things to work, from an organizational point of view. "As a unit of measure of the quality of human capital, the level of general and professional training of employees, professional experience is used; number of proposals made by employees in order to improve the production process or innovations" (Suslenco, 2015).

Taking into account the fact that we have previously referred to the Institute for Management and Development, we consider that it is appropriate to bring into discussion some aspects related to the fact that there is a digital competitiveness classification worldwide, namely: IMD World Digital Competitiveness Ranking.

This indicator is very relevant because technology and accelerated changes in information and communication technology not only affect the performance of institutions and organizations (public or private, as the case may be), but also how countries, at the macro level, know how to prepare for what will happen in the future. This is why most Governments invest in the digital economy.

The indicator we referred above, analyzes and evaluates the capacity of 63 national economies (including Romania), on how to adopt, implement and explore digital technologies. Thus, according to the reports made by the IMD World Competitiveness Center, the assessment of a national economy is analyzed from three perspectives: knowledge, technology and future training regarding the level of training of Governments in exploiting future digital transformations (and even in their degree of flexibility in innovations).

The report also generates a digital competitiveness profile for each country studied separately. From this perspective, we mention that, according to the ranking presented, for the year 2019, Romania ranks 47th out of 63 countries. (IMD, 2019). At the same time, we highlight the fact that the top ranked are: the USA, Singapore, Sweden, Denmark, Switzerland, Holland, Finland, and the last ones are: Brazil, Colombia, Argentina, Ukraine, Peru, Mongolia, Venezuela (some of the latter being even a big surprise for specialists).

Another aspect we want to discuss is sustainable development, because competitiveness is not durable without being correlated with this concept. The latter deals with three pillars, respectively: the economic pillar (which refers to profitability), the social pillar (which refers to welfare, equity and social justice, inclusion and social solidarity) and the environmental pillar, „which aims to maintain a stable natural resource base; biodiversity, avoiding excessive exploitation of renewable resources; ecological efficiency; ecoeconomia; ecoinnovation” (Jordan M., Pelinescu E., 2014).

In conclusion, we can say with certainty that the exigencies of the digital society made clear that human capital can no longer be just passive and receive certain information, but must become a conscious, complete and complex actor, to receive, acquire, transform their information and, relay the information in the form of in-depth and personalized knowledge on each particular case.

The literature emphasizes that “the economic performance of a country is a direct result of the quality of its human potential for research and development, and the experiences of the developed countries (USA, Japan) have shown that the continuous improvement of human resources leads, in time, to the capacity development, national innovation and the competitiveness of the economy” (Pavelescu, 2007).

3. Collection of data

The present case study, conceived in an inductive and comprehensive way, was designed like a questionnaire, applied to a number of 23 subjects - persons who work in public institutions, within the Romanian state, from 23 different counties. The period in which the questionnaire was prepared, launched and received was September-October 2019 (the questionnaire was initially sent to a number of 82 public institutions, not all of them being kind enough to support us with information in order to carry out the case study).

The respondents work in different fields of activity (agriculture, social inspection, employment, statistics, culture, education) and hold both execution and management functions.

The study respects the conditions of validity, considering that the respondents are different ages (the youngest respondent is 33 years old and the oldest is 64 years old; the average age is 50), they are part of both gender and have high work experience (between 5 and 41 years; average experience is 27 years).

The questionnaire was constructed using non-repetitive, unique questions, which contained 5 directive questions, 2 semidirectional questions and an open, non-directional question, which allowed the respondent to express his point of view.

Regarding the estimated duration of filling the questionnaires, we consider that the respondent had to allocate somewhere up to a maximum of 20 minutes, a reasonable time interval, in which very relevant qualitative data were obtained on the topic under discussion.

The questionnaire was designed to reflect the connection between the notions presented previously, at a theoretical level, drawn up by the specialized literature and the knowledge gained in the specialized practice by the respondents.

The research has a pronounced applicative character, aiming to achieve the general objectives of the study. The first of these refers to demonstrating the extent to which subjects are aware of the notion of competitiveness, as well as the extent to which they believe that competitiveness is closely linked to performance.

At the same time, through this case study performed at the level of the public institutions in which the investigation took place (through the self-administered questionnaire - the respondents completing the questionnaire themselves), the second objective was also pursued, namely: identifying the extent to which public institutions operate in practice with the notion and which is the extent to which they know the relevant European instruments in the field of competitiveness.

4. Data analysis and results

The questionnaire form respected the inclusion of the following specific elements: the right of the participants to voluntarily withdraw from the study at any time; protection of respondents' privacy; the central purpose of the study and the procedures to be used in data collection; signature of the participant, as well as the researcher (Creswell, 2013).

The first open question addressed to the subjects refers to the definition of the concept of competitiveness, from a personal perspective. In this regard, we emphasize that none of the respondents stated that they do not know the concept, each of them approaching the topic either from a frame point of view or by framing the notion in the field in which they operate. A single respondent, from the total of 23 who completed the questionnaire, stated that, from his point of view, in the Romanian public institutions there is no competitiveness and no performance.

Thus, the structure of the answers looks like in the diagram below:

Figure no.1. Configuration of responses. Considerations regarding the notion of competitiveness

Considerations regarding the notion of competitiveness	Number of answers given in connection with the topic
Ability to face competition	10
The ability to keep up with the technology and progress of similar institutions / organizations	3
Speed in providing public services by eliminating arbitrary decisions due to legislation or subjectivism	2
The ability to innovate and find solutions to challenges in all spheres of activity	2
The performance of the employees and the institution and the increased degree of satisfaction of the citizens	2
The engine that gives the energy of economic life	1
The pillar of competitiveness and development is creativity	1
The capacity of the institution to develop, to perform and to overcome competition	1
The ability to respond efficiently to the requirements of the beneficiaries	1

Source: Own research of the authors

Based on the second question in the questionnaire, **Hypothesis no. 1** was conceived, with the following statement: *Maintaining the competitiveness of the staff ensures organizational performance and competitiveness at national / international level.*

In interpreting the answers, to determine the truth value of the above hypothesis, we used the Likert scale, from psychometrics. The scale is named by its inventor, the psychologist Rensis Likert, being a nominal scale of 5 values, on which we introduced a relation of order, as follows:

Figure no.2. Respondent's attitude towards the link between competitiveness and performance

Totally agree	Agree	Somewhat agree Partial agreement	Partial disagreement	Totally disagree
1	2	3	4	5

Source: Own research of the authors

Analyzing the answers offered, it is observed that the hypothesis has been confirmed, the respondents being classified as cataloged type 1 and 2 - totally agree and agree with the statement. For the sake of clarity of interpretation, we consider that it is important to mention that 17 respondents have emphasized that the competitiveness of the staff is not sufficient to achieve the overall organizational performance or the competitiveness related to the external environment of the organization (they brought it into discussion in new technologies, in addition, in this regard).

The second hypothesis discussed in our case study, based on questions 2 and 3 of the questionnaire, brings to the fore, the institution in which the official carries out his activity. Thus, **Hypothesis no. 2** is the following: *In the institution where I work, the management emphasizes the importance of competitiveness.*

After centralizing the responses to the questionnaire, it was found that the hypothesis was not confirmed by the respondents. On a more optimistic note, we could consider that it was only partially confirmed, given the fact that 13 of the respondents answered „Not absolutely. Rather, the focus is on completing the tasks on time”, and 2 people stated that they prefer not to answer this question.

Figure no.3. Configuration of responses Adaptation after Van Vlock

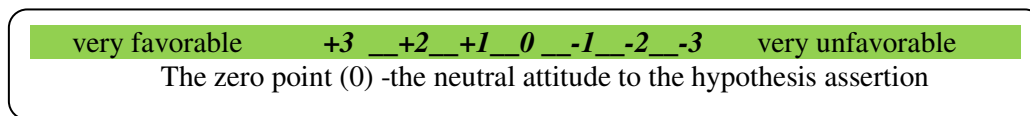
According to the hypothesis	8 persons	35%
Unsure, reported to the hypothesis	13 persons	57%

Source: Own research of the authors

Hypothesis no. 3 was formulated using questions 5 and 7 from the questionnaire and corroborating the respective answers, as follows: *In the current activity we often used Global Competitiveness Index, especially when applied to the operational programs POSDR, POCU and POC.*

From our point of view, a very good thing was that all the respondents stated that they know the theoretical and partial aspects related to the Sectoral Operational Program Human Resources Development, the Human Capital Operational Program and the Operational Competitiveness Program, all being financed from the European Union funds.

Figure no.5. The attitude scale used in analysing the hypothesis



Source: Own research of the authors

The hypothesis was partially confirmed, this result being obtained using the oldest form of content analysis, termed thematic-categorical, which consists in performing a cross-cutting of the discourse corpus (a fragment of the discourse) and its separate analysis, in the sense of a favorable, unfavorable or neutral directions that the respondent has in relation to the proposed topic.

Regarding hypothesis no.3, we mention that the hypothesis was weakly confirmed in the interval [+1, +2]. Also, we consider it very relevant that only 4 respondents stated that they applied on one of the financing lines mentioned above, thus confirming the low absorption rate of European funds in our country, on a very small scale (assuming that subjects interviewees know very well the institution they come from and it would have been impossible not to be aware of a matter of such importance).

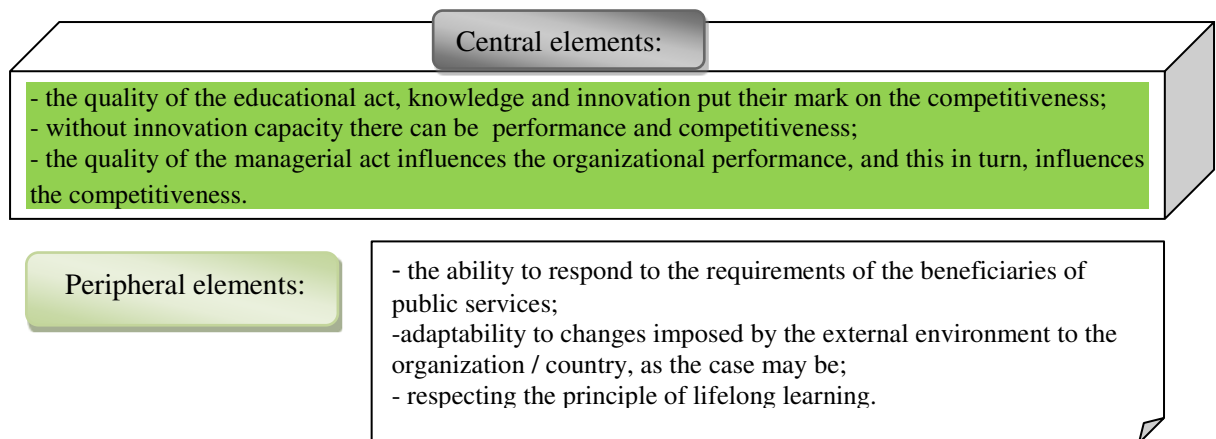
The last hypothesis, made on the basis of questions 4, 6 and 8 in the questionnaire and as a result of the analysis undertaken based on the answers given, refers to aspects related to the balance of competitiveness at the level of the European Union and to the main aspects revealed by it. Thus, **hypothesis no. 4** is a very complex one: *I believe that, at the present moment, the objectives declared in the European Council of 2005 are achieved, respectively: “Europe must renew its economic competitiveness base[...], must consolidate social cohesion, with a great emphasis on knowledge, innovation and the optimization of human capital”.*

Through this hypothesis, we wanted to make the transition from the micro level (the perception of the subjects related to the current activity they carry out), to the macro level (the vision from a global, international perspective).

Taking into consideration the complexity of the hypothesis, we decided that it is appropriate to use another research method applied and adapted by Jean Claude Abric, which takes into account cognitive analysis on the one hand, and socio-linguistic on the other, emphasizing the constructions that represents the central node of the communication and emphasizing the peripheral elements (less important, from the perspective of the respondents).

Unfortunately, we must mention that 39% of the respondents stated that they cannot express themselves in this regard and that they do not have enough information. A percentage of 17% said that Romania most certainly does not adhere to these criteria and that there is a possibility that some countries in the European Union have already achieved these goals in the last 14 years. However, the highest percentage, respectively 44% of the respondents partially agreed with the answer. More specifically, in the diagram below, a series of justifying aspects in support of the statements and percentages stated are highlighted.

Figure no. 6. The attitude expressed by the respondents regarding the statements about competitiveness, made within the European Council

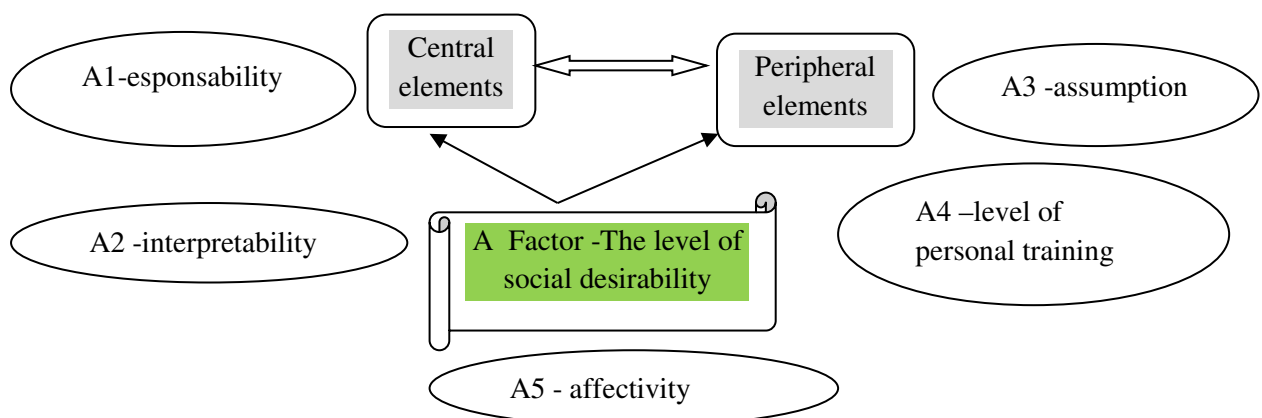


Source: Own research of the authors

The interpretation of the presented results was made by correlating the adaptation after Jean Claude Abric with CMV- Common Method Variance (Popa, 2016), considering that our case study is not part of the non-experimental studies category and that the so-called effect of the researcher's intervention was much minimized (it was about a question included in an e-mail questionnaire and not a face-to-face interview).

The way of interpreting the answers and translating them into central and peripheral elements was realized by taking into account the fact that the respondents have a personal way of referring to the questions, sometimes answering in a certain way, from their desire to make an impression. Thus, using the method of CMV evaluation with the help of partial correlation, the following factual situation resulted:

Figure no. 7. Partial correlation with the assertion of competitiveness within the European Council



Source: Own research of the authors

In this context, the only general factor is the perception of the respondents regarding the claim related to competitiveness, and the control variable of the method used is even social desirability (which is recognized as an inducer of CMV).

5. Conclusions

Through this study, we have shown that the connection between optimization of human capital, performance and competitiveness is an indissoluble one.

Both the specialized literature studied and addressed in the present paper, as well as the study conducted in the Romanian public institutions, confirm, once again, that the managerial challenges are immense, when it is desired to increase the performance and competitiveness, especially that the current society must keep up with the turbulence specific to the phenomenon of globalization and to take advantage of the opportunities it offers.

Regarding the limits of the research, the present paper discusses a very complex problem, which can be viewed from several perspectives (sociological, pedagogical, managerial, political, economic and so on, which is why it was very difficult to follow a unique research path. On the other hand, narrowing the research could have helped to deepen the investigation and improve the quality of the work, if we had had the opportunity to conduct face-to-face interviews or organize focus groups (these would certainly have allowed us to enrich with relevant details our research.

However, we can conclude, quoting one of the respondents who said that competitiveness is the engine that gives the life energy of human capital and adding that globalization requires its performance increase, without a doubt.

After all, in all this complex equation, the human capital factor is still unknown if it is to consider that only it can be the catalyst for the long-awaited performance, in all fields of activity and, that no matter how much more technology advances, it cannot be controlled totally or definitively replaced in any form and under any circumstances.

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Reflections of Data and Theory of Leadership Communication Strategies

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Abstract

For successful leadership there are many tools and methods to be applied. Within this paper we try to argue that the most important tool of effective leadership is communication. The level of communication that a manager applies, will dictate the results he/she will obtain in their activity. The motivation of the human resource sums up a number of facilities at the enterprise level, but staff needs to be satisfied and feel useful. How can some employee behavior be influenced? The purpose of this paper is to develop a model that highlights the influence of transformational leadership on managerial performance, starting from the personality traits of managers and the importance of communication in an organization. The main results of the research conclude that leadership and communication are interdependent and dynamic components that continuously change their forms and thus generate different results.

Key words: communication process, management performance organization, communication leadership

J.E.L. classification: M11, M12.

1. Introduction - Strategies to get maximum results from employees

The success of an organization is closely related to the degree of knowledge that managers have regarding their employees. We can rightly say that, directly proportional to the achievements being made is the behavior of the managers. If managers do not know the climate in which employees work, the difficulties they face, the organization is unlikely to be successful. Performance management is about understanding a certain type of behavior and influencing certain behaviors in order to achieve goals (Bejinaru & Baesu, 2013).

A manager will get performance results from an employee, taking into account certain aspects. From the recruitment and selection phase, the manager has to make sure that he/she chooses competent people and that they have the skills required for the post. Then, after passing the first phase, the manager must ensure that employees are always helped to perform within the company, that they will be offered specialized training and that they will have the right place in the company. To sum up these points, we can say that a manager will focus on aspects such as the individual needs of team members, understanding the motivational factors, psychological factors that show how and why they are motivated, and last but not least, it results that the manager will have a general view of the employee's behavior and will even be able to influence it by following certain strategies (Yannopoulos, 2011).

The motivation of the human resource sums up a number of facilities at the enterprise level, but staff needs to be satisfied and feel useful. How can some employee behavior be influenced? The answer to this question might be useful, especially in managerial practice. A certain behavior will be the result of some external conditions and factors. Thus, encouraging or discouraging attitudes, depending on what the employee's actions, the consequences of the action taken by someone can

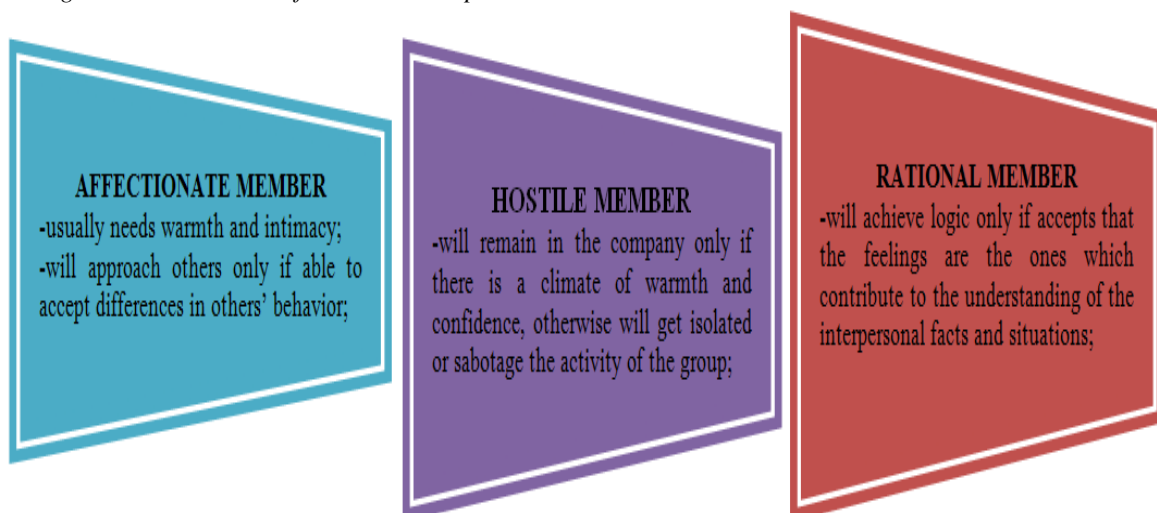
influence behavior, and therefore any actions are followed by feedback. If a certain correct behavior deserves to be encouraged by the manager, a positive feedback will help the employee develop that positive side, and over time, there will be more positive results. On the other hand, the employee's unethical behavior will attract negative feedback from the employer. It should be noted, however, that in the literature, is considered that sanctioning the employer is ineffective and should not be found in managerial practice. In order for a punishment to be successful, it must meet certain criteria such as: the employee must know well the wrong facts he has done, but also the positive perspective of the situation. The punishment must be made in private and shortly after it has been committed. Last but not least, the punished person should not receive a heavier punishment than the deed (Danieles, 2007; Verboncu & Zalman, 2005).

2. Theoretical background - Communicating with the team

Difficulties in communicating with the group are generated by the attitude of each individual at work. The contradictory discussions can be related either to the leader of the group or to the degree of performance of each member. Group communication is appropriate when certain goals are required, and in this context, consideration will be given to defining objectives, expressing individual views in developing appropriate solutions, understanding all the factors, and formulating hypotheses. With regard to the maintenance of peaceful relations, it is possible to focus on the common points of the participants in the discussion, not on the disagreements, the acceptance of the involvement of all the employees and the satisfaction of all the participants in the discussion or, if not, the adoption of new procedures (Bejinaru et al., 2016).

As regarding the emotional issues of each employee, the manager will sometimes have to act according to the employee's feelings as this side can influence the company's activities. Emotional issues will usually be tacit, but will certainly be reflected in the work of the employee. We also mention aspects of the employee's identity, that is, in what position he / she is in the company, or the issue of control, what influence everyone has on others. At the same time, there is the issue of objectives, i.e. how many activities it will be involved in, and last but not least, the issue of accepting, as the employee reports to the manager of the company, not to colleagues (Hapenciuc, et.al., 2016b; Neamtu & Bejinaru, 2018; Tănase, 2014). These aspects may degenerate into the company's tensions or difficulties, and the way a person performs an assignment will be reflected in the context in which he or she is located in relation to his feelings and needs. In this context we can refer to some typologies of the members of an organization shown in Figure 1 (Candea & Candea, 1998).

Figure no. 1. Theories of the relationship between ethics and business



Source: (Candea & Candea, 1998, p. 116)

In group communication we can remember a well-known method: meeting method. In managerial practice the meeting has certain characteristics that cannot be replaced. For example, when a meeting is held, it is known that each member has a certain amount of knowledge that will contribute to the good going of the discussion in question. Breaks between meetings often contribute to the acquisition of information that has been debated or to the formulation of new ideas to be proposed in the discussions that will take place. Meetings help members of the team to be aware of what pressures the company is facing, what is their position in the company, or what decisions will be made in the future for the good things, which will be adopted by all crew members, even if will not be in full agreement (Băeșu & Bejinaru, 2014; Bejinaru, 2010).

Often meetings are regarded as the only occasions when members of the community really form a team. Not all meetings have the same purpose. Some sessions may be to inform the team, others to establish strategies or plans that will be considered in the future, and others to celebrate some of the company's successes. The number of members participating in the meeting may vary depending on the purpose of initiating it. For example, when it comes to making decisions, the number of participants may range from 5 to 12 members, and when it comes to some events or the adoption of strategies, their number may be even higher, reaching even 40 participants (Kark & Shamir, 2002; Prelipcean & Bejinaru, 2016). The preparation of the meeting also sums up a series of stages that the manager will adopt in her planning. For example, the meeting manager will ensure the meeting plan, the objectives and the way in which the discussion will be conducted, while the facilitator will ensure the involvement of each employee and the free expression of the ideas of each participant. Any meeting will include some steps that consist of the opening phase of the hearing, through this stage understanding the role of the allocated time in the meeting. The actual meeting is the one in which clearly defined stages are established and will show what action to be taken by whom. The third and final stage is the end of the meeting where the goals will be remembered (Bejinaru & Iordache, 2010; Griswold & Smith, 1999).

As for the first stage, considerations such as the involvement of all participants in the discussion, balance in the development of ideas so that the discussion does not degenerate, is preceded by a good preparation in advance. The second step and the most comprehensive one follows some rules such as not interfering with the discussion unless it is the case, the questions that are asked to relate to the subject in question. It is also important to note that anecdotes do not have their place in the sessions. The last step concerns the control of the management team members to summarize the positive and negative aspects of how personnel manifest themselves and encouraging or discouraging certain behaviors (Bejinaru & Băeșu, 2015; Hemsworth, et. al., 2013).

Barriers to communication can be a challenge for many managers, among them the most important ones: the poor vocabulary of the manager due to the lack of clear ideas from his vision. Thus the receiver will not correctly identify the meaning of the sentence and therefore its activity will not have the desired result. Erroneous interpretation of the message is another barrier to communication. This time, although the manager addresses coherent and legible information, the receiver does not fully understand the ideas he wants to convey to him. Another barrier may be motivation. This occurs because company members have not carefully analyzed the email or report. In the case of oral communication, the listener does not understand the message because he does not sufficiently focus on ideas. Premature conclusions may also be another barrier to communication. Since it is impossible to have inter-human relationships without communicating, these barriers have to be overcome. How can this be done? Obviously it is necessary for all to have a convergent way of thinking. Having the same company problems in mind, everyone will look for solutions, and that issue will be easier to solve. Another aspect is empathy, feeling and believing what others need. Effective communication will depend on how we understand the needs of others, feelings, states, and ideas (Hapenciuc & Bejinaru, 2015).

Effective communication will result in considerable economic growth, as the lack of communication barriers will process an efficient information circuit, so that the managerial task will be successful. From a historical point of view, the concept of economic growth has always been closely linked to the rise in consumption, and this has led to unprecedented pressure on the environment and on the resources available to the modern world. In the post-war period, when there were many approaches to the concept of economic growth (economic progress, technical and

scientific revolution, organization and management of the labor factor), natural resources were seen as free goods (with zero and unlimited costs) (Bejinaru & Prelipcean, 2017).

3. Manager-employee relationship in multinationals

Whether we want it or not, we are all formed in a cultural environment, we have developed and settled in some cultural horizons and we are both creators and recipients of culture. So, in order to understand, we need this environment to learn how to analyze the signs, values and symbols of culture, how they influence our behavior, how to think, and so on. This organizational culture was initially considered a way to emphasize internal integration and coordination. Its importance is great in structuring an organization by adjusting to environmental conditions, so at the beginning of the new century there was the idea of organizational culture's need for conception of behavior norms and patterns due to continuous changes (Kahler, 2008).

Relational capital sums up all the knowledge that results from the interaction between the firm and the stakeholders. Relational capital reflects the organizational value that results not only in a company's relationship and customer relationship, but also with current and potential suppliers, shareholders, other agents, and society in general. Therefore, the company must keep pace with natural evolution, develop the existing capital structure and also acquire skills and competences accordingly. The effectiveness of an organization in a given area reflects its ability to use its resources as efficiently as possible so that the existing potential can turn into beneficial results for the organization as much as possible. An organization is characterized by the existence of resources and capabilities and differentiates itself from other organizations, managing to capitalize on them in a competitive environment. Capacities are intangible and sometimes difficult to define or evaluate, but can be clearly identified through results. In order to achieve strategic and successful management, it is very important to distinguish between resources and "capabilities." A company can have valuable resources but if it does not have the capacities to use these intelligent and creative resources then it cannot get an advantage. The capabilities are achieved by integrating the quality of human resources, knowledge, organizational structure and cultural organization in time. In order to better understand this, we will consider some examples (Hapenciuc, et. al, 2016a).

When a company enters an existing market, its goal is usually to first establish itself on a market segment, consolidate its position and then begin to expand into other market segments. First, risks are identifiable if they enter the market by violating the rules of the game by promoting highly innovative products or innovations in pricing, distribution, delivery, service and positioning. Entrants entering the markets are radically new, products typically come from markets that are unrelated to the one they invade. For example, the computer industry was not invented by IBM, but by companies like Apple and Microsoft. Established businesses have to defend their position while recently entered opponents are small and vulnerable instead of waiting until they become a strong and serious threat (Vance, 2015; 2017).

The experience of the past decades has shown that the success of companies has been determined by intellectual capacity and organizational efficiency rather than the existence of raw materials, equipment and buildings. A number of statistics also highlight the fact that the share of intangible resources in the total resources of large companies is steadily increasing. There is a very simple explanation for this situation: intangible resources are less visible and harder to understand for them to be imitated by competitors. For Rolls-Royce, for example, basic skills are: engine quality, color, leather and wood. The other competencies have been outsourced for the most part. When an organization gains a competitive edge, the other organizations it competes with will try to identify the resources and capabilities that underpin success and imitate them. The question is how long they will do it. Speed limitation contributes to the erosion of competitive advantage. Therefore, the organization that has obtained the competitive advantage must invest continuously to be one step ahead of the other competitors. This means creating new barriers for competitors to reduce the chances of imitation and to increase the time available to the organization that created the specific competitive advantage. Time becomes a crucial element of the competition (Bejinaru, 2017).

If the competitive advantage relies mainly on resources, the imitation can be done relatively quickly because it is easy to identify and replicate. For example, General Motors successfully copied Ford's famous assembly line of the 1920s. Intangible resources are more difficult to identify and thus become more difficult to imitate. An important barrier to imitation is the creation of a brand name such as Coca-Cola, IBM, Microsoft, Harvard, MIT, Princeton and many others. This name is related to the resources, capabilities and "know-how" that represent the true secret of the company. Imitating capabilities are more difficult than resources because they are not so obvious and explicit. It's hard, for example, to define those capabilities developed by 3M that allow it to launch new and new products on the market. The same can be said about Walt Disney, which has developed an almost unique creation capability in the field of animation films (Vance, 2017).

As far as competitors' capabilities and external dynamics are concerned, we should consider Xerox. It had a clear supremacy in the photocopiers market. The company name has become generic for all copiers. Almost everywhere Xerox has become synonymous with photocopying. In the 1970s, Canon and Ricoh of Japan began commercializing photocopying equipment at more advantageous prices with performances comparable to Xerox's. The speed of imitation of Xerox equipment has increased and the competitive advantage of this company has begun to erode in favor of Japanese companies (Vance, 2017).

Thus, in essence, management assures the goals of one in terms of efficiency, effectiveness and control. Managers are those who have been strongly invested to carry out planning, organization, leadership and control functions. Although management is not a standardized process, it requires compliance with organizational requirements (Băeșu & Bejinaru, 2014).

4. Statistics reflecting leadership communication strategies

A study developed in 2016, on 195 leaders from 15 countries, placed effective and clear communication in the top 10 of leadership skills along with flexibility, ethics, openness and the ability to grow those around them. This is another important point that is part of the communication sphere: a leader must explain clearly what the expectations are, in order for people to be determined to provide quality work. Kahler (2008) identified six different types of personality based on how people perceive information, how they perceive the world, and how they respond to it. Thus, the 6 typologies work, according to the latest statistics obtained in Romania, as follows:

- 18% are those who first react to emotions. They are warm, sensitive and work on the basis of compassion.
- 46% are task oriented. They are responsible, logical and organized.
- 27% have a strong sense of justice. They are very meticulous, dedicated and good observers.
- 1% are very different from everyone else and have an incredible ability to think 'outside the box'. They are contemplative, imaginative, calm.
- 4% are the most creative. Creative, spontaneous and playful.
- 4% are native entrepreneurs. Compelling, adaptable and charming.

All these typologies have certain dominant features, as can be seen, and this also means a set of different needs that must be met in the working environment and in the relationship. However, it is important to note that each one falls into one of these typologies, but that it manifests certain characteristics of other typologies.

The purpose of this article is to propose a model that highlights the influence of transformational leadership on managerial performance, starting from the personality traits of managers and the importance of communication in an organization. Its support will be provided through the following specific objectives:

- O1. Building a conceptual model that highlights the influence of communication leadership on managerial performance;
- O2. Development of a profile of the communicative leader, efficient from the multinational companies in the services sector (trade and professional, scientific and technical activities), from Suceava municipality.
- O3. Testing and validation of the conceptual model regarding the influence of communication leadership on managerial performances in the multinational companies in the services sector, in Suceava;

The fundamental research hypothesis is: The personality traits of the managers, implicitly the communication, influence the specific components of the leadership, and these in turn determine the level of the managerial performances. The hypothesis is interpretive and evaluative, aiming at designing a model for measuring the relationship between transformational leadership and managerial performance. The approach is of inductive-deductive type, and the support of validation and testing is provided by the following working hypotheses:

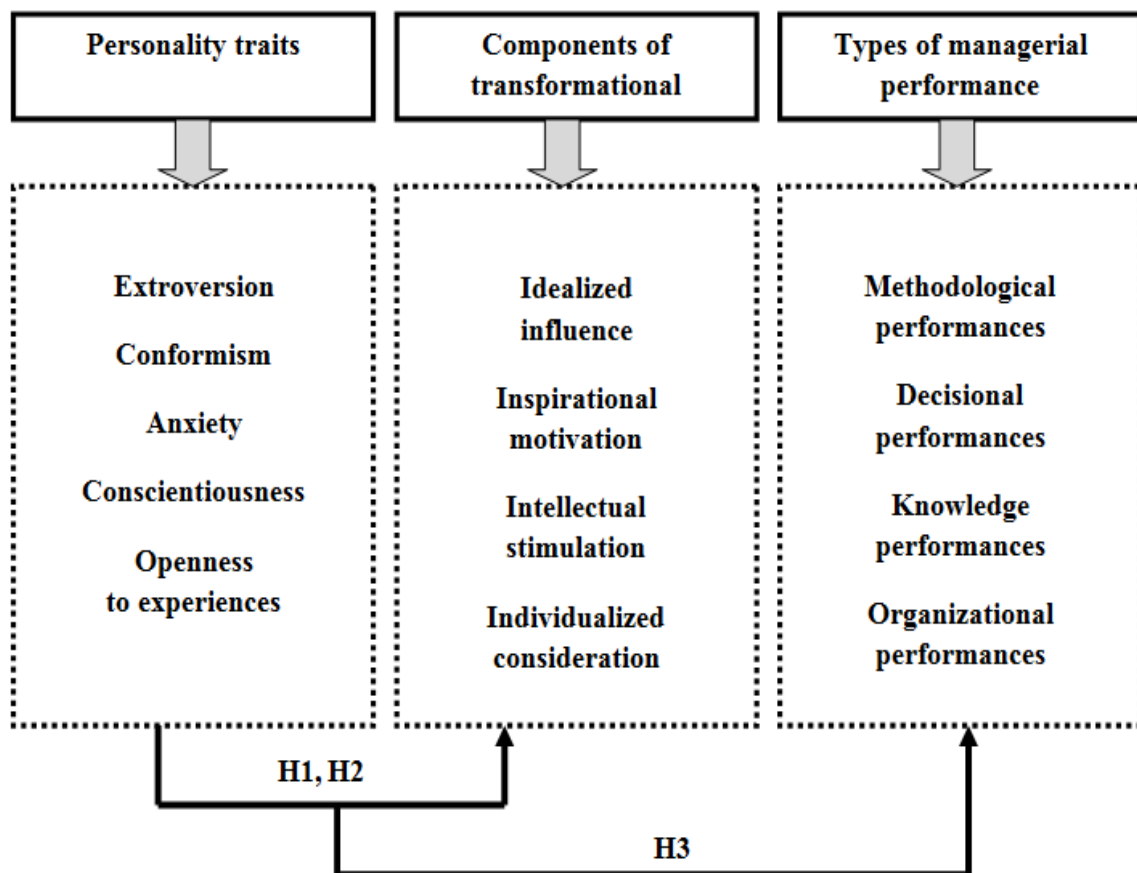
H1: Leaders characterized by low conscientiousness and high intellectual stimulation in communication record higher decision-making performance than leaders with high conscientiousness and low intellectual stimulation.

H2: Leaders who are characterized by openness to high experience and low communication influence record higher methodological performances than leaders with low experience openness and high communication influence.

H3: Leaders who are characterized by a high level of creativity and intellectual stimulation in communication record higher information performances than leaders with a low level of conformity and intellectual stimulation.

The perspective approached is limited to a simple stimulus-effect relationship (personality / communication-leadership); transformational leadership motivation / satisfaction / organizational performance. As problems are unpredictable in today's economic environment, and knowledge is increasingly uncertain, transformational leadership needs to be approached from a more complex perspective and closely related to managerial performance. As a consequence we have developed a conceptual model, presented in Figure 2, that highlights both the influence of personality traits on the specific components of transformational leadership, and the impact that this influence has on the four types of managerial performance.

Figure no. 2. Conceptual model regarding the influence of transformational leadership and personality traits on managerial performance



Source: authors' conception

In order to understand these needs, the PCM (Process Communication Model), developed by psychologist Kahler (2008) and used by organizations such as NASA for recruitment and leadership, can be an effective key. Kahler (2008) identified six different types of personality based on how people perceive information, how they perceive the world, and how they respond to it.

Thus, the 6 typologies work, according to the latest statistics obtained in Romania, as follows:

1. Those who first feel. They are warm, sensitive and work on the basis of compassion.
2. Focus on the task. They are responsible, logical and organized.
3. Have a strong sense of justice. They are very meticulous, dedicated and good observers.
4. Different from everyone else and with an incredible ability to think 'outside the box'. They are contemplative, imaginative, calm.
5. Creative, spontaneous and playful.
6. Native entrepreneurs. Compelling, adaptable and charming.

All these typologies have certain dominant features, as can be seen, and this also means a set of different needs that must be met in the working environment and in the relationship. However, it is important to note that each one falls into one of these typologies, but that it manifests certain characteristics of other typologies.

The model is divided into three components, highlighted by 5 variables (Tănase, 2014):

- a) personality traits: openness to experience, creativity, extroversion, communication and "common sense", competence.
- b) components specific to communication leadership, reflected through 4 variables: sincerity, intellectual stimulation, ability to create relationships, communication efficiency.
- c) managerial performances, reflected in the light of the following 4 categories: IT performance, decision performance, motivational performance and organizational performance.

Within the model are included three types of variables: independent variables, mediating variables and dependent variables. The independent variables are the personality traits and include the factors that act as stimuli. This category includes:

Openness to experience - represents the tendency of individuals to be imaginative, creative, perceptive and thoughtful;

Extroversion - represents the tendency of the individual to be assertive, active and in search of emotions, getting involved in the activities of the outside world, the affectivity, the search for sensations and the positive emotions.

Creativity - personal characteristics that stimulate and incorporate social cooperation and harmony, imagination, artistic interest, affection, adventurous spirit, intellect and liberalism. Mediating variables describe those components that mediate causal relationships. In the proposed model, they are represented by the specific components of transformational leadership and include:

Intellectual stimulation - describes the degree to which the leader stimulates and encourages creativity and inventiveness (Luț, 2013).

Sincerity - reflects the degree to which the leader is oriented to adopt behavior based on high moral and ethical standards, inspiring pride, admiration, respect and trust (Hemsworth et al., 2013; Luț, 2013).

Effective communication - reflects the extent to which the leader pays attention to the problems and needs of the team members. It highlights the leader's ability to stimulate followers to formulate and achieve ambitious goals (Hemsworth et al., 2013; Kark & Shamir, 2002; Luț, 2013).

The dependent variables reflect the effects obtained from the application of the stimuli and are represented by the managerial performances. This category includes (Verboncu & Zalman, 2005):

Methodological performances - reflects the results recorded in the use of managerial tools; they comprise three dimensions: the degree of scientific management of the company, the degree of "involvement" of the managerial instrument in the exercise of the organizational processes and the managerial competence.

Decision-making performance - highlights the efficiency and effectiveness of managerial decisions; aims at reporting at the following coordinates: decision intensity and degree of operationalization of decisions;

Informational performance - describes the degree of satisfaction of the informational needs of managers and subordinates;

Organizational performance - highlights the overall results obtained at the organization level; it is based on the degree of accomplishment of the objectives, the degree of human endowment of the posts and compartments and the sphere of authority of the managers.

Within the model proposed in this article, a diagnosis of the impact of transformational leadership on managerial performance will be made, taking into account personality traits. Demonstrating this relationship is an essential contribution to the literature because it can be viewed as an extension of previous research. On the one hand, it will reflect the impact of each personality factor (openness to experience, creativity, extroversion, communication and "common sense", competence) on the components of communication leadership (sincerity, intellectual stimulation, ability to build relationships, communication) effective), and on the other hand will analyze their influence on the four types of managerial performances (methodological, informational, decision-making and organizational). Through the model developed this study fits with contributions in the current studies interested in increasing managerial performance. The validation, testing and results of the model will be presented in a subsequent research based on the aforementioned working hypotheses.

5. Conclusions and perspectives

The ability to communicate is more than the ability to stand in front of an audience or make a speech in public, and this ability is actually what makes a manager - a good leader. Leaders must, in fact, ensure that each member of the team / organization understands the vision and works daily to achieve it. We have tried to provide some guidelines that leaders need to consider in order to make a successful communication. Our mission is far from being accomplished. There are countless ways in which leaders can streamline their communication. Probably some of these have not been explored yet. Modern leaders face the most serious challenge: building a successful organization. Imposing strong communication within these organizations seems to be the most important element in facing this challenge.

Within the model proposed in this paper, a diagnosis of the impact of transformational leadership on managerial performance will be made, taking into account personality traits. Demonstrating this relationship is an essential contribution to the literature because it can be viewed as an extension of previous research. On the one hand, it will reflect the impact of each personality factor (extraversion, conformism, neurosis, conscientiousness and openness to experience) on the components of the transformational leadership (idealized influence, inspirational motivation, intellectual stimulation and individualized consideration), and on the other hand will analyze their influence on the four types of managerial performances (methodological, informational, decision-making and organizational). Through the model developed this study fits with contributions in the current studies interested in increasing managerial performance.

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Competition in Air Transport Services in the Liberalized Market in Romania

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Abstract

In a century defined by strategies, by broad processes meant to strengthen its position for care while occupying the market, civil aviation since the interwar period, civil aviation transport reaches maximum levels every year. It is expected to follow 20 years, is traded annually for passengers, is created with more than 68% compared to 2000, which involves the creation and creation of an air transport system, first and foremost, for the modification of flight surveillance technologies and, of course, aircraft modernization.

The evolution of the transport segment creates new forms of evaluation in the market.

The original articles are a more obvious pursuit of the most important of the air transport operators in Romania, which are to present differences between a company and a state capital and can enter privately, in a liberalized market.

Key words: air transport, competition in Romania, airlines

J.E.L. classification: M30

1. Introduction

Air transport services, although seemingly recently developed, are undergoing a continuous development process since the first half of the 20th century. With the advent of the first airline companies, competition inevitably also appeared. The first valences of the competition were aimed at devising strategies based on price differences, reaching nowadays until offering related services during or outside the flight period.

Regarding the information relevant to the research, we used the exploratory method, in order to highlight the most important indicators of the first five air transport operators in Romania.

Air transport has become the equivalent of a much more accessible, cheaper and efficient way to travel. Market liberalization policies within the European Union have increased the level of competitiveness in the air transport services market in this geographical segment. As a result of this competition, land transport had to review its development strategies, by changing prices and improving the services provided to the customer. The final beneficiary of this competition with various types of transport remains the passenger. Competition is one of the main tools meant to contribute in a guaranteed and efficient way in the evolutionary process by improving the quality of services and in most cases, reducing prices. Following the elimination of restrictions on destinations, frequencies, and capabilities, liberalization allows airlines to optimize their flight network and pricing strategies. This involves expanding air services, including to new destinations. A first result is reflected in the offender who measures passenger traffic, an element that can be substantially stimulated.

2. The air transport vector of the century of speed

With several prominent representatives in the world history of aviation, Romania has not always been able to be at the top of the countries offering the highest quality modern air transport services. The evolution of this field has been slow, mainly due to low investments. For 45 years, between

1945-1990, in Romania, an own air system was used, used for domestic and international circuits. After the 1989 Revolution, due to financial-economic difficulties and political changes, no new airports were built, and the existing ones did not benefit from extensive modernization work.

Romania currently has 16 international airports, ensuring optimum operating conditions for no less than 30 airlines. From the point of view of geographical positioning, they are located near the big cities of the country: Bucharest Otopeni (Henri Coandă), Baneasa (Traian Vuia), Cluj (Avram Iancu), Timișoara (Traian Vuia), Târgu Mureș (Transylvania), Constanța (Mihail Kogălniceanu), Iași, Oradea, Sibiu, Bacău, Arad, Craiova, Baia Mare, Satu Mare, Suceava, Tulcea.

Figure no. 1. Airports from Romania



Source: Infotravel Romania (<http://images.app.goo.gl/T1ouCyLELwX5VfkG9>)

Through the 16 airports in Romania, in 2018, 21.8 million passengers were transported, more than 7 percent more than in the previous year.

3. Research methodology

The aspects that highlight the competitive spirit in an airline and which were presented in this article refer to the number of passengers transported, the market share, the number of aircraft with which the company operates flights, or personnel policies.

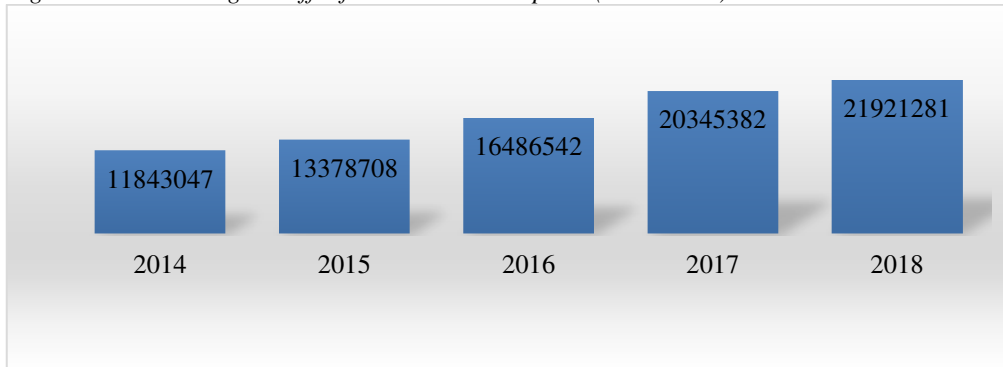
Table no. 1 Passenger traffic from Romania airports(2014 - 2018)

Passenger traffic from Romania airports(2014 - 2018)			
Year	Country	All movements	Total no.of passengers
2014	ROMANIA	167.651	11.843.047
2015		180.620	13.378.708
2016		201.677	16.486.542
2017		225.414	20.345.382
2018		237.843	21.921.281

Source: Made by the author from the research

The country's largest air gate is Henri Coandă International Airport, which facilitated the transport of over 13.8 million people in 2018. On the other positions in the top 3 is Avram Iancu International Airport from Cluj-Napoca and Traian Vuia International Airport from Timisoara, with 2.7 million passengers and 1.5 million passengers, respectively.

Figure no. 2. Passenger traffic from Romania airports (2014-2018)



Source: Made by the author from the research

Henri Coandă Airport in Bucharest is one of the largest and most modern airports in Eastern Europe, is located 16.5 kilometers north of the center of the capital, and having a total area of 605 ha. It registered an increase in the total number of passengers by almost one million passengers, from 12.84 million in 2017 to 13.82 million in 2018. In this context, the country's largest air gate has 68% of the total passenger flow in Romania passed.

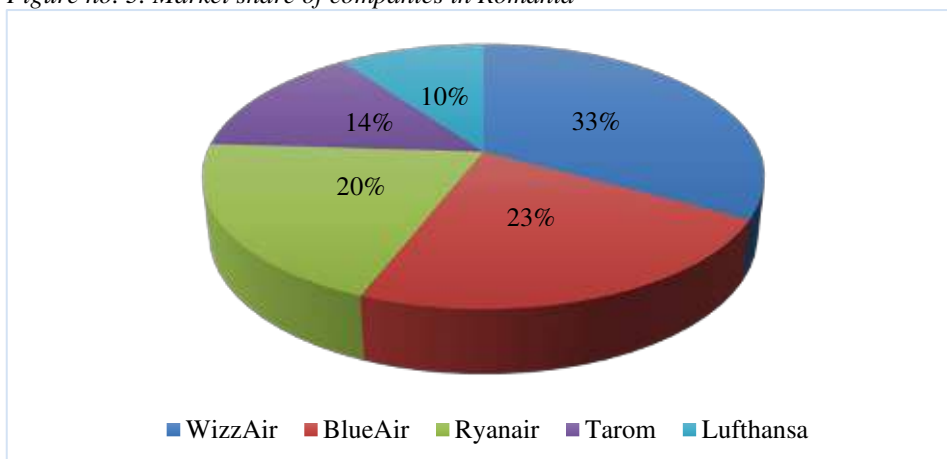
In order to maintain operating standards and to cope with traffic, the airport has modernized its main landing-take-off runway, expanded platform no. 1 with 15,000 sqm, with four new parking positions being created for aircraft. The construction of a new terminal with 25 gates of boarding gates is planned. The total value of this project is approximately 1 billion euros.

Analyzing from the point of view of the airlines present at the Otopeni Airport, at this moment, there are over 30, from all corners of the world

(<http://www.bucharestairports.ro/en/pasageri/companii-aiene>).

Following the five most crucial airline service providers in Romania, we note that the first places in the ranking are divided by three low-cost operators - WizzAir, Blue Air and Ryanair - and two-line operators - Tarom and Lufthansa. Specifically, the second-largest leader is WizzAir, the company originating in Hungary, which has a market share of almost 33%, followed by the national carrier Tarom and Blue Air. Ryanair comes in 4th, and Lufthansa is fifth.

Figure no. 3. Market share of companies in Romania



Source: Made by the author from the research

Almost unexpectedly a few years ago, the idea that in a country with a traffic of over 21 million passengers in 2011, a company based on lowcost principles would be a market leader. Long-term policies, investments, and dynamics have allowed this entity to develop and succeed in outperforming companies with tradition.

4. Different competition policies between a company with public capital and one with private capital

In Romania, the most famous transport company is represented by Tarom. TAROM-S.C ROMANIA AER TRANSPORT S.A is the oldest airline in Romania. The company headquarters is located at Henri Coandă International Airport. It is currently the second airline in Romania, analyzing the number of international destinations in terms of fleet and passengers occupying the third position. Immediately after World War II, in 1945, when the Soviet Union expanded its influence over Eastern Europe, a new reorganization replaced LARES with TARS (Romanian-Soviet air transport), a company jointly owned by the Romanian governments. And the Union. Soviet. The internal operations were started from Bucharest (Baneasa Airport) on February 1, 1946, when all the air services and aircraft from LARES (Romanian airlines operated by the state) were transferred to the new TARS entity. Within a few years of its launch, TAROM has already become operational in almost all countries in the European area. 1966 was a milestone year for Tarom when the first flight over the Atlantic was made.

The analysis will follow a series of aspects applied differently between the two major categories of entities.

- Tarom's pricing policy pursued lower prices than those practiced by competitors such as Blue Air, Wizz Air. If the price differences practiced by the last two entities can be considered insignificant, the company Tarom offered flights with 10-20% below a certain threshold of significance, aiming to maintain a level of competitive fairness compared to the "new players" in the sphere of air transport in Romania;
- Personnel policies. For example, Wizz Air, the largest low-cost carrier in Central and Eastern Europe, is investing in human capital development. The Wizz Air team, onboard and on the ground, share the same passion for their business. Wizz Air uses high-level ethical standards supported by a team / player-to-team approach. Today, this company has dedicated staff from different countries in Europe, including France, Hungary, Germany, Republic of Moldova, Netherlands, Norway, Poland, Romania, the United Kingdom, Ukraine. The professionalism of the Wizz Air team is ensured by advanced training, according to the IATA and ICAO requirements, Wizz Air currently has a maximum of 1600 employees, with almost 500 less than Tarom. For this reason, based on the number of flights operated and turnover, it was appreciated that a large number of employees do not represent a benchmark of productivity. At the same time, it is clear from the document that it is the basis of the management of the staff that it is prepared to meet at a minimum level the internationally regulated requirements. In a company with the state capital, personnel policies involve broadly analyzed costs, with a much broader decision-making chain than in the case of a private entity, while also pursuing a fixed cost value for each financial year.
- Luggage policies related to passenger interactions within companies are a popular topic in all entities providing air transport services. Here the problems start from the issuing of tickets, the intervals during which the check is carried out, the delays of the aircraft and not least the complaints about baggage (lost, lost or stolen). The only entity mentioned above that has a significantly different policy from the others is WizzAir, which decided in 2017 to load additional luggage with a certain weight, which created widespread dissatisfaction from passengers;
- Maintenance of the technique in operation. The technical problems in the air transport industry are transposed by delays, dissatisfied passengers, additional costs. From this point of view, comparing Tarom and WizzAir comparatively, we see a big difference. While the company headquartered in Budapest has three regional maintenance centers, operated by a Lufthansa maintenance contract, Tarom makes timely preventive remedies through the company's Technical Directorate. A relevant aspect of this analysis concerns the aircraft used, the higher the number of flight hours, the higher the costs incurred;
- Fleet. From a fleet standpoint, entities differ exponentially. By operating with as many aircraft as possible, we can analyze the full aspects related to the profitability of each route, its reliability as well as the design of a cost-effective policy by using aisles adapted to each route:

- Tarom - 27 aircraft;
- WizzAir- 100 aircraft;
- Blueair-23 aircraft;
- Ryanair-455 aircraft;
- Lufthansa-650 aircraft.

Analyzing the excellent practice aspects resulting from this comparison, as well as the current turnover, some passengers transported, the fleet, the current revenues, we observe how, within the private entities, the differences created a favorable framework for faster evolution and full expansion characteristics.

An important aspect to note outside the fleet that each airline owns is the number of aircraft ordered. It is between 50-100 for entities, as mentioned above. These fleet upgrades are aimed at improving flight conditions, reducing costs, using smaller aircraft for domestic flights, but also protecting the environment.

5. Conclusions

The current trends of the competitive environment on the local market for air transport services are following an upward trend, as well as the traffic values registered at each airport. Following the evolution of the market of air transport services and collocating with the general economic situation in Romania, since the last period of time, we can say that the favorable conditions meet that the trends in the commercial passenger transport industry will increase by approximately 10% every 2 years, following aspects such as the volume of passengers transported by air will increase in the next years. The evolution from this point of view will take place due to the increase in population incomes, the emergence of new travel needs of people in a globalized age. Globalization leads to the stimulation of competitiveness, and an increasingly complex competitive environment is created, by facilitating the entry of more stakeholders into the market, and this will be observed in the prices and quality of transport products and services, for tourism or business purposes. The fierce competition in the airline industry will continue to create significant difficulties in managing airlines, even in periods when, for various reasons, demand increases are registered.

The competition has generated considerable benefits for consumers and leads to the reorganization of the airlines and even the modification of the offered products. The new airline operators, in order to acquire market share, will try by different methods to continue to gain from the market share of the national company, Tarom, an entity that has a monopoly in this industry.

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Entrepreneurship for Young People

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Abstract

The importance of entrepreneurship in terms of economic performance, the achievement of welfare and cohesion at the social level can be highlighted with the help of indicators and values in the field of entrepreneurship, but also through the results obtained at the macroeconomic level.

Entrepreneurship consists in the ability to identify a business opportunity, to implement it and to properly manage it in order to capitalize on it. The contractor is the person who commits himself to provide various services, to perform certain works, based on a contract and obligations, the reward being previously established through negotiation.

The entrepreneur represents the innovative element, which can generate economic growth and bring a positive change at the level of the company of which he is a part. By undermining monopolies, solving existing problems with the help of new technologies, young entrepreneurs will thus be able to encourage more competitive economies and will be able to adapt much more easily to globalized societies.

The purpose of this article is to highlight the importance of involving the school, the universities, the state and the government through its leaders, by implementing appropriate policies so as to support entrepreneurship, for the development of the private, financial and social sector.

Key words: Entrepreneurship, education, young entrepreneurs, business entrepreneurs.

J.E.L. classification: I21, M12, M54, J24.

1. Introduction

The current economic situation brings to the forefront the importance and necessity of the implementation and development of their own businesses, an element increasingly targeted by young people who consider the moment as appropriate to create their own job, their own business. Starting new businesses generates benefits for the initiator, but especially for the economic environment.

At this moment, entrepreneurship has opportunities for development, due to the existence of structural funds that can be accessed.

Regardless of the citizenship they had or acquired, the language used and the level of training and education they have, young people believe that through entrepreneurship they can contribute to economic, implicit and social development. For young entrepreneurs to succeed with their start-ups, to be able to generate jobs, it is imperative that the state through government and its leaders, but especially through appropriate policies, support entrepreneurship, in order to develop the private sector and financial of the company of belonging.

An entrepreneurship with superior thinking and forecasting capacity that creates jobs, capacity for analysis and adaptation to change, will bring the value of the economic environment to which it belongs, but also the society as a whole.

2. Theoretical background

Entrepreneurs represent the heroes of the current generation, given the importance of entrepreneurship in today's economies.

The problem of understanding and developing entrepreneurship at the level of young people today, needs a closer analysis, due to the fact that the new generation needs guidance to discover entrepreneurship as a solution to finding a job, but also as a change of job. perception of life and career.

When we talk about entrepreneurship, we talk about a certain behavior, initiatives, organization, dynamic reorganization of the activity and perspectives, accepting risk and failure. The topic of entrepreneurship has been widely debated in numerous writings, articles and specialized books. Thus the transition from the student stage to the entrepreneur. However, the following elements must be considered: the status of entrepreneur involves the risk of career and financial security dedicated to an idea, the allocation of temporary and financial resources in an uncertain action.

The concept of entrepreneurship is "the process by which individuals become aware that developing a business is a viable option for them, formulating business ideas, acquiring the skills needed for an entrepreneur and making the necessary steps to start and develop a business". (Chigunta, 2002)

'Entrepreneurship behavior among young people is sensitive to a variety of factors, including entrepreneurship education, institutional and business environment, access to funding mechanisms' etc. (Schoof, 2006)

From the point of view of the market economy, the entrepreneur is the creative economic agent who adopts an active and innovative behavior, who knowingly accepts risks of a financial nature in order to develop new ideas and projects. The entrepreneur in order to be able to turn ideas into action, needs skills and abilities such as: creativity, desire for innovation, managerial and risk-taking skills in order to reach the set goals. The possession of such entrepreneurial skills is the basis for identifying and evaluating business opportunities, followed closely by the beginning of an entrepreneurial activity.

Increasingly, the entrepreneurship of our days is oriented more towards young people, to stimulate their interest in this field by setting up innovative start-ups and making them available for non-reimbursable financing for feasible projects, which leads to growth. the role of entrepreneurs in society and economy.

'Entrepreneurship is considered a central force of economic development because it generates growth and serves as a vehicle for innovation and change. Joseph Schumpeter has made a significant contribution to the theory of entrepreneurship, through the theory of economic development, in which entrepreneurship is the main engine of economic development and its central element is innovation, not always brilliant (inventions) but at least brilliant (new combinations) in the short term.' (Dromereschi, 2013)

3. Research methodology

The research starts from the following idea: the importance of the formation of entrepreneurial skills among young people for a safer generation on it, who can create for themselves, but also for other jobs, but which will also be the engine of economic development.

It is necessary to understand the importance and usefulness of the concept of entrepreneurship, in order to be able to transmit to the young generation the useful, necessary and sufficient information that determines them through change, innovation and expression through entrepreneurship.

The research aims to describe the concept of entrepreneurship and to explain the particularly important role that entrepreneurship currently plays in economic, but also social development.

4. Findings

Entrepreneurship confronts the young man with the challenge of launching, maintaining or developing in a developing market using his own resources. For this reason, entrepreneurship represents both a solution to the problem of unemployment, but also an opportunity for development and innovation in a certain market sector.

"This segment of freelancers can also represent an indicator on the evolution of the market and can positively influence the level of pay in the companies that cover and similar activities, meaning that when specialized people can earn more than the freelancers, they can exert pressure on companies to pay at the market level for specialized work. At the same time, it is essential for the company to invest in young people through the development of programs that provide the necessary resources (mentoring, coaching) that encourage young people to take the risks of an entrepreneurial activity", says Dan Hulea. ([Http://antrenor.info/2016/02/22/importanta-coachingului-in-randul-tinerilor-antrenori](http://antrenor.info/2016/02/22/importanta-coachingului-in-randul-tinerilor-antrenori))

The young people of today are quite confident, they have the courage and the ability to face the new, but they are also very creative and can find a business formula of their own idea of success.

"To be successful, entrepreneurs need to generate valuable ideas in order to meet the requirements of certain markets with new goods or services and to turn their projects into reality. In addition, entrepreneurs must convince other people of the viability and promising effect of their aspirations. The success of the entrepreneur's creative performance is influenced by two main factors: knowledge of the field of activity and personal and professional experience." (Braşovschi-Velenciuc)

The accomplishment of an entrepreneurial education at the level of the students, must be a priority of the current Romanian education. Encouraging the interest and entrepreneurial spirit among young people by promoting innovative thinking, which emerges from the patterns and by orienting them towards the entrepreneurial field, can lead to successful businesses and job creation. As evidenced by the current studies, most of the companies established by the student or freshly graduated from high schools or colleagues, have had great success in terms of the number of employees and the ambitions of the entrepreneurs regarding the turnover and profit.

"The EU employment guidelines identify entrepreneurship as a priority in the education system. Encouraging the entrepreneurial spirit implies the promotion, the right to think, entrepreneurial skills and the awareness of career opportunities as an entrepreneur. Supporting economic and entrepreneurial education is a need for survival in today's Romanian society." (Dromereschi, 2013)

At the level of Europe, it is advocating for the promotion of entrepreneurship education at all levels of education and especially at university level. By offering the opportunity to know this field from school, high school / college or university, it is intended that the graduates will acquire knowledge and skills that will be useful to them, so that during the studies or at the end of them they can be motivated and to have the necessary knowledge to create an enterprise / firm / company in a field of activity that seems to him to be bidding, topical and which will subsequently benefit him.

Universities play a major role in shaping and providing entrepreneurial culture, as follows:

- dissemination of information on entrepreneurship education having as a target group graduates, students and businesses;
- the development of new technologies, at the level of the technical-scientific universities, with the purpose of applying them in the entrepreneurial projects under development so as to bring more value;
- creating collaborative relationships between business and academic-school environment.

The participation of young people in the activities carried out by non-governmental organizations, the Erasmus experience exchange program for young entrepreneurs can be a huge opportunity for professional development. (Zamfir, Lungu and Mocanu, 2013)

The program of the Entrepreneurial Start Up project is another measure to support entrepreneurship among motivated young people, with a business idea and a well-prepared business plan, the funds being non-refundable.

Generally, the businesses undertaken by young people are much more ambitious compared to other companies existing on the market or owned by older people who adapt more difficult to the changes that occur in the environment in which they operate.

Although important steps are being taken to transmit entrepreneurial knowledge, there are still obstacles in the development of entrepreneurship education, related to their financing and the human resources available.

5. Conclusions

Entrepreneurship is a skill that can be learned. You do not have to be genetically skilled as an entrepreneur to be successful, but you can train such skills and become a successful entrepreneur.

The present paper aims to encourage young people to acquire entrepreneurial skills even during high school or university studies and to start in such a business.

Also, the paper focuses on the importance of the transition process from student / masterand / doctoral student status to work of young graduates. By briefly analyzing the importance of educational, institutional and personal factors on the involvement and development of this sector of entrepreneurship, the results obtained can be used as a basis for developing future policies and programs to encourage entrepreneurial behavior, especially for young students.

It is true that entrepreneurship is not for anyone, that you must have the flair of being a trader, a vision and a courage, to be involved and always self-motivated in fulfilling your vision.

Nothing is easy, various obstacles can arise in the business, and many young entrepreneurs have specified that they face multiple challenges when starting their own businesses, such as access to financing, education and training, better infrastructure and opportunities for expansion.

Through entrepreneurial education implemented at the level of high schools or universities, young people are guided to become responsible persons, with confidence in their own forces and with initiative, thus preparing themselves for professional and social life.

In conclusion, entrepreneurial development makes us think differently, we are more open to new, motivated and easily adaptable to change, we know how to attract personal people - trustworthy people, so that we can form high performing teams with whom to go on the road to success.

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The Communication Relationship Between Companies and the Public

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Abstract

Communication is the vital resource within companies. The public and the private sector operate according to different strategies, but however, both require the integration of communication within their operating system. How communication is approached is directly proportional to the difference between the principles that guide the two types of companies.

Private companies, which practice an open organizational climate, are focused on the formal communication, but with familiar influences; within the private sector, all members of the company are encouraged to express their ideas and suggestions, being actively involved in the proper functioning of the system. The system by which public companies operate is rigid, thus the communication with the members of the company and the public is lacking in warmth.

The purpose of this paper is to emphasize the role that communication has within companies and the communication relationship that forms between the company and the public.

Key words: the importance of communication, the public of the companies, the communication relationship between companies and the public

J.E.L. Classification: L32 Public Enterprises; Public-Private Enterprises

1. Introduction

Communication is the underlying theme of this article. For a natural course of the paper, we will first deal with the term of communication, followed by public communication, a form of communication whose importance is defining in both private and public companies. We will also focus on public relations, which are a result of public communication and which can substantially influence the communication process. The private and public companies will be analyzed separately, in order to be able to outline a delimitation between the way each one works, and then we will deal with the similarities and differences between the two sectors.

2. Theoretical notions about communication and the public

Communication is the vital element of any company, whether private or public. Communication is the means of communication of the company with the employees, the public and third parties, providing them with information of general interest, as well as information that is not public and that concerns only certain individuals. Through communication there is always an exchange of information between the company and the employees or the public; there are situations in which the message is unilateral, always waiting for a reaction from the other party (Niculae *et al*, 2006, pp. 9-10).

The messages transmitted are intended to inform, to share opinions, ideas and programs, but also to influence the public/clients. The public communication has the role of bringing to the attention of the target public information about the existence and the functioning of the companies, the decisions taken, the new regulations; there are certain information that cannot be disclosed and

which are related to the secrets of operating the company and its safety, so the company will provide the general details regarding the community of people interested in its activity. Through public communication, the needs and interests of the public/client are also monitored, following that through the resources that companies have, to intervene in solving problems. Public communication used by companies can be classified into three categories: institutional communication, used mainly by companies for communicating with employees and its public, political communication consisting of transmitting messages with political content and social communication, which is defined by human interaction (Rus, 2002, p. 30).

For the communication process to be functional, it is necessary for the two elements of the communication: transmitter and receiver. In this case the transmitter can be the company or the public, and the receiver also the company or the public. Depending on who sends the message, the roles are reversed. The transmitter is represented by the person transmitting the message, an action that takes place from the desire to express ideas, opinions, information of general interest. The receiver is the person who receives the message transmitted by the transmitter, being the one who reacts to the received message. The receiver and the transmitter are also called the actors of the communication, expression in which the transmitter is designated as a speaker, while the receiver has the title of talker. Once the roles of the communication are established, it is the message that is directed from the transmitter to the receiver. The message can be transmitted orally, in writing or by signs, containing ideas, opinions, suggestions, informative information.

The public is defined as the community with decision-making power in relation to the interests of an institution/organization/company. The number from which the public is formed is considered to be irrelevant, so that only one individual can be considered to be public, as long as he manages to influence the institutional policy (Rogojinarul, 2010, p. 73). The public refers to the multitude of people who have common interests and values in certain situations. From a sociological point of view, the public is represented by any group or individual that is involved in the activity of a company. The term public succeeds in bringing together a number of people who share common ideas, values, norms and principles. The audience of a company is not definitive; it is constantly redefining itself, being in a permanent dynamic, as are the interests of the company; the public is directly proportional to the changes that occur at the organizational structure of the company, being the one that decides whether its values coincide with those of the respective company or if it decides to direct its attention to another company, its interests not consistent with those of the original company. Factors that also have an impact on the public's decision to support the company are the efforts made to achieve the objectives, the leaders who run the institution, the image they created, but also the external environment of the company, specifically the third parties with whom it interacts. The concept of audience is used most often in the singular, which has led to contradictions among the researchers; they are of the opinion that within the companies several types of groups are formed at the same time, depending both on the actions that the groups follow, and their principles, thus concluding that there are more *publics* within the companies (Marconi, 2007, p. 41).

Public relations are an area that intervenes when there is information exchange between the company and the public. The half of the nineteenth century welcomes the business field with a new concept, namely, *public relations*. The phrase is used for the first time in order to maintain a connection between businesses and consumers. The term of public relations lasts in the dictionary before the outline of the term we are talking about, being defined in the form of information, persuasion and integration. Subsequently, these three terms merged into what we now call *public relations*. Of course, the basic meanings of the three terms remained the same, adapting to the new changes that occurred during the development of the society (Department of Communication, University of South Africa, 2000, p. 15). Public relations have the role of positively or negatively influencing the perception of the public, depending on the way of communication approached.

Proper use of public relations is a force multiplier for companies that know how to integrate them optimally into the operating system. In Eastern Europe, public relations are compared and confused with the promotion term, while the meanings of the two concepts are distinct. The impact of the two elements that companies use is different for each element; however, the two concepts should be used together, therefore a strategy that encompasses both will prove to be effective and impactful.

A functional strategy that theorists appreciate is the action of the company with disinterest; what this strategy means is that the benefits of the products and services presented spontaneously, without a scheduled lecture, become unbelievable to the public, thus the company looking like this is not strictly interested in increasing sales.

3. Private companies and public companies

The private company is a company that is owned either by a relatively small number of shareholders or members of the company, or by non-governmental organizations that are independent of the activity of the government; private companies are also referred to as unlisted societies or companies (Reifman *et al*, 2008). As an object of activity, private companies can operate in fields such as production, trade and service provision. These companies are often owned and run by the founders who created it, by their families and/or even their heirs.

Within the private companies the internal communication and the involvement of the company members in the organizational activity are fundamental. Both in private and public companies, communication takes place on all four levels: descending, ascending, horizontal and vertical; the doses with which these types of communication are used differ from company to company, but it is certain that there are significant differences between the private and public sectors in the approach of communication.

The public company is defined as the entity with a sole shareholder or a majority shareholder (Nicolescu, 2017). Public companies, from the point of view of visibility and accessibility, are defined as companies whose shares are listed on the stock market, which means that any individual active in the field of capital markets can own a share of the companies listed by buying shares in exchange of a sum of money (Banton, 2019).

Regarding the type of communication directed to the public, institutional communication is the predominant in both types of companies; if within private companies, communication with informal influences is appreciated, in the case of the public sector, formal communication is the one that dominates.

There is a major discrepancy between the styles of communication with the public between the two classes of companies. In the case of private companies, various events are organized which have as main purpose the communication, the conclusion of relations, the consolidation of public trust in the company, while in the case of public companies things are presented differently, the communication with the public being not an aspect such important to organize various actions for the purpose of communication.

4. Communication relationship between companies and the public

The public, defined as the community that is in the attention of companies, is one of the factors that strongly influence the way the company operates. Regardless of the field of activity of the company, the public is the final beneficiary, being the one who decides whether the internal decisions were good for their needs. Theoreticians claim the existence of several *publics*, even if it is the same company. Depending on the actions that the institution introduces in its activity, the general public is divided into several *publics*, according to values, norms, principles. Although the public institution represents the common interest of the public, it will be divided into categories of fields, according to its interests.

Companies, whether private or public, are vital to the functioning of a country. They have the role of fulfilling the needs of the public and meeting their wishes. Depending on their field of activity, public institutions meet certain conditions and have a certain structure that changes in relation to the field in which they operate. Although public institutions have the role of performing different functions from private institutions, their way of communicating with the public follows similar principles.

In the context of the communication relationship between the company and the public, the concept of leader and its action, leadership, also intervene. In terms of defining the term leader there are simplistic theories, so that, he is explained as being the person from a higher position, who leads the team or sends orders to be executed. The leader must acquire a series of qualities and

abilities, which will then help to deliver the message in a clear and concise manner. The leader is the person who has succeeded in knowing his skills and weaknesses, who has managed to balance his personal life with his professional one, relying on the same principles both in the workspace and in the daily life, even after leaving the company (Peters *et al*, 1986, pp.5-6).

Leaders are the ones who set the steps in a company, they are the ones who decide the direction and the way of communication between the company and the public. Although there are companies in which public relations departments are developed that consider communication with the external environment, the final decisions regarding the connection with the public are set within the leadership process.

External communication is often reduced to managerial communication; the manager is considered to be the liaison between the organization and its external environment. Although the company's main spokesperson is the manager, he is not the only person who maintains the connection with the external environment. The interactions that the manager initiates with the public of the company he represents are often official, conforming to his role. Through public relations and advertising, the manager supports and consolidates the company's image; the manager is considered to have a symbolic role in companies, especially in the case of the public sector, when he is the one who maintains the connection with companies with similar profile.

Communication within companies is vital, and internal communication must be in line with the external one for optimal functioning of companies. The relationship that forms between the internal and external communication is visible in the way in which the company's departments work together, but also in the image that the company transmits outside. In order to be harmonious in the communication process, it is necessary to know the information about who is communicating, what is communicating and in what atmosphere: "Before communicating, the one who wants to design communication plans must obtain a coherent picture of the organization" (Cismaru, 2008, p. 8). External communication is the result of internal communication, so that before the message is transmitted to the public, it is initially created and analyzed within the company, and subsequently exposed to the public. The effectiveness of the message and the way it was transmitted to the external environment can be measured later, by analyzing the reactions of the public.

Internal communication is at an early stage in many companies in Romania. Managers pay attention firstly to the organizational identity, considering that the products and services require increased attention; In this way the internal environment of the company is in second place, the managers thinking that the members inside the organization will understand that the public must take priority. This behavior is considered to be defective by the critics, because the members of the company are the ones on whom the attention must be directed; it depends on them if the image of the company is transmitted correctly to the outside, as they are also representatives of the company, not just simple employees.

The relationship between internal communication and external communication has an important role in the smooth running of the company; the relationship between the two types of communication must work like a precisely created mechanism for harmony to exist. The performance that the company can achieve is strongly influenced by the way it manages to communicate with the internal environment and with the external public.

Communication is closely linked to coexistence. Relationships between people are based, above all, on communication. Companies, whether private or public, are created by people, and they are the ones who support them. Communication is a continuous process, which has to be sustained, and two-way communication is required, both from the company and from the company. Feedback provided by the public around which the company operates is fundamental to operating within normal parameters; feedback has the role of providing information on what can be improved.

5. Research method used

Following the information obtained and the qualitative analysis, we conclude with a quote on communication, which is described as "the most important engine of business performance". Communication is the impetus that starts the whole process of operating companies. The information we focused on provided us with informational data. We focused on qualitative information because we considered them to be relevant in approaching the present topic, helping to

create the connection between companies and the public from the perspective of communication. We analyzed the three terms separately, thus managing to understand the meaning of each one and the role they play, and then to merge the information into a whole.

6. Conclusions

The dominant type of communication in public and private companies is the institutional one; this type of communication involves making the public aware of additional information regarding the company's activity, its future plans, objectives set, etc. Within this type of communication, the image of the company is the defining one; the public is influenced by looking at the image of the company. It is intended to convince the public and attract it to the company in order to buy the products and services offered by it. Institutional communication also has the role to create a favorable image for the public, with the role of gaining its confidence in the company's activity.

The public relations that we mentioned in the chapter about the public have the role of maintaining the connection between the companies and the public to which they are addressed. Public relations are those that also have the task of caring and increasing the image of the company. The attention that the companies offer to the reputation is on an uphill slope, and the term of public relations also takes shape in Romania. Gradually, the advantages of this new field of public relations are identified and understood, which leads to the initiation of its practice (Rotar *et al*, 2010, p. 73). If the company uses the public relations tool for issuing information and the public relations have a set of tools that they use to spread messages; depending on what is intended to be transmitted, the information reaches the public through press releases, press conferences, public talks, community programs for the great mass, etc. (Hillstrom *et al*, 2002, p. 925).

There are studies that show that the public of a company is formed because of its prestige, the services and products provided are on second place, so public relations can have a huge impact on the functioning of the institutions. Public relations are described as representing the interests, needs and wishes of the public and of all other third parties, being the connection between the institution and the internal environment, but also between the institution and the external environment. The dialogue between the two entities, company and public, is the key to attracting and maintaining the public as a customer. The actions of public relations must be taken so that the interests of the public take precedence over the interests of the company. As the public contributes to the longevity of the company, one of the primary objectives of a company should be to thank the public and to offer new and useful information/services. However, public relations must prevent and identify existing problems among the public, in order to be able to then solve them.

We conclude this article by underlining the importance of communication between the company and the public. The processes and actions that the company initiates in favor of its community are based on communication; in the process of public relations, the company collects information about its interests and expectations, information that will be the basis of the strategies that the company will establish.

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Management of Systems from a Cybernetic Perspective

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Abstract

Systemic development involves moving to a higher level of the evolution of any entity in the real world and the existence of an evaluation and analysis activity. An important feature of the contemporary era is the development of scientific frontier disciplines, through which an attempt is made to increase the complexity of the economic-social realities, which requires interactive, multidisciplinary approaches. The development of information and communication technologies has allowed, both on a global level and in our country, the emergence of new concepts and methodologies in the field of economic informatics, which try to respond to the need for a deep revolution and with important implications in the computerization of the managerial process, both by using more effectively of the IT tools in organizations, as well as by solving the most operative problems of complex management. This is why it is important to highlight the major role of systems from a cyber perspective in the activity of organizations and to emphasize the importance of having basic knowledge about them. The main purpose of the article is to identify the roles of systems in organizations from a cyber perspective.

Key words: system, management, information, information system, user

J.E.L. classification: M15

1. Introduction

Management - because management science and the economic framework are fundamental aspects for the existence of any society, which includes and reflects at the same time resonances in the area of industry, agriculture, tourism, trade, services, etc. Last but not least, the impact of economics on the production and use of information, the technology of communications and new opportunities offered by the forms of work specific to the information society and knowledge: telework, teleservices, telecommerce, teleeducation, telemedicine, etc. Without claiming to make a thorough incursion into economic theories, the present work can be a starting point in identifying the economic implications, determined by the functioning at the level of an organization of a performance information system, well developed and well exploited (Nickols, 2002).

System - because any court in the environment is a system, from microorganisms to social, philosophical and even virtual constructions. All the more so a lot of information, decisions, individuals, etc. is a system (Orlikowski and Baroudi, 1991).

Informational - because it concerns information and how it is formed, used and stored, in a word the life cycle. In this case, the informational includes computer science, which automatically implies the consideration of information and communications technology, both as a means of obtaining and transmitting information, but, especially, as a new paradigm in the development of modern organizations, specific to the information society based on knowledge. We talk here about the virtual office, the virtual enterprise, the virtual corporation, the virtual university - understood not in the sense of their non-existence, but in the sense of building and functioning within the global Internet

network (Orlikowski and Baroudi, 1991).

The tendency to apply to one science the method of another science is a characteristic feature for the whole history of the development of scientific research. The explanation of the tendency lies, on the one hand, in the impact that the explosive progress of one science has on other sciences at one time, and, on the other, in the custom of using methods or models verified by obtaining good results in different other scientific fields (Kahn *et al.*, 2002).

Thus, regarding the problem of method in the science of economics can be mentioned philosophical, physico-mechanistic, bio-organic or psychological approaches. For example, a physico-mechanistic conception regards the economic phenomenon as a physical phenomenon, trying to apprehend laws and principles similar to those in physics, especially quantum mechanics, in economics.

2. Relevant literature

The transition to the notion of system is demanded by the temporal perspective of the analysis of the respective phenomena and processes, which results in the conception of concepts regarding the economic, political, social system, etc. Generally speaking, a system is a set of elements, organized to achieve a certain objective (Kahn *et al.*, 2002).

Information systems are vital components of organizations, constituting an essential area of study for business management and administration, as necessary to the contemporary manager as disciplines such as marketing, accounting or finance. The paper proposes to the reader a gradual approach to the main concepts related to economic information systems. Thus, in one of the most general approaches we can define the system as any entity in real life, for which a set of components (phenomena, objects, processes, notions, concepts, entities or collectives) that are in both reciprocal relationships and which are identified are identified. and with the environment, and acting together to achieve well-established goals (Berners-Lee *et al.*, 2001).

In order to perceive the notion of information system as accurately as possible, a few basic definitions of the main components are needed (Constant *et al.*, 1996):

✓ **the information** is a novelty (reality, fact), to be introduced in a useful and understandable context. It gives value to the information for certain people and satisfies the specific information requirements. Thus, information is a basic resource that individuals and organizations must possess in order to survive and succeed in contemporary society, which gives importance to information systems;

✓ **the information** system represents the set of people, procedures and material and financial resources that collect, transform and disseminate the information in an organization. Contemporary economic organizations can implement several types of information systems, which include simple manual information systems (written information on paper), informal information systems (tacit and explicit information, shared within labor relations and organizational culture), and automated information systems. (which uses hardware, software and human resources to transform data into user information);

✓ **managerial information system** is a concept used to describe an information system that provides information in the form of standard and digital reports for the management system. Next, the concept of managerial information system will be used to describe a wide class of information systems designed to provide the information needed for managers' decisions. All these make the managerial information system a popular term in the field of information systems. As a result, the term is used by many organizations as a name for IT departments, as a name for, the information systems they develop, or as a name used by many universities for departments and academic programs in the field of information systems;

✓ **the user** is the person who uses either an information system or the information it produces. Typically, the term applies to most employees in an organization to distinguish them from the small number of information systems specialists (system analysts and professional programmers);

✓ **the managerial user** represents a manager, an entrepreneur or a specialist with managerial attributions, who uses the information system for the information needed to obtain the decision alternatives and to base the decisions.

Both in the specialized literature and in practice there are a multitude of criteria for the classification of systems. As a synthesis of these general criteria, the following types of systems are defined (Hali *et al.*, 2002):

1. Depending on their nature:

- natural systems (for example, living organisms);
- elaborated systems (technical, economic, conceptual).

2. After the operating mode:

- open systems (exits from the system do not influence inputs);
- closed systems (exits from the system influence the inputs).

3. After their behavior:

- deterministic systems;
- probabilistic systems.

In addition, from the perspective of the scientific approach, the types of information systems and the major roles they play in the operational, managerial and strategic success of an organization are highlighted. Information systems fulfill three roles in an organization, being (Berners-Lee *et al.*, 2001):

- support for business operations;
- support for decision-making management;
- support for strategic advantages

Each system has two defining characteristics: the structure of the system - which represents the set of relations between the components of the system, as well as the relations between components and the environment - and the state of the system - which constitutes the set of the characteristics of the system at a given time (Stoica, 2003).

The elements of the system can be real objects (a stock of products, a delay of production, a rhythm, a company, etc.), their dimensions depending on the level of detail existing. In these cases, the object-elements of the analyzed system can, in turn, be systems. Thus, the system represented by an organization is an element of the branch system which, in turn, is included in the national economy system (Orlikowski and Baroudi, 1991).

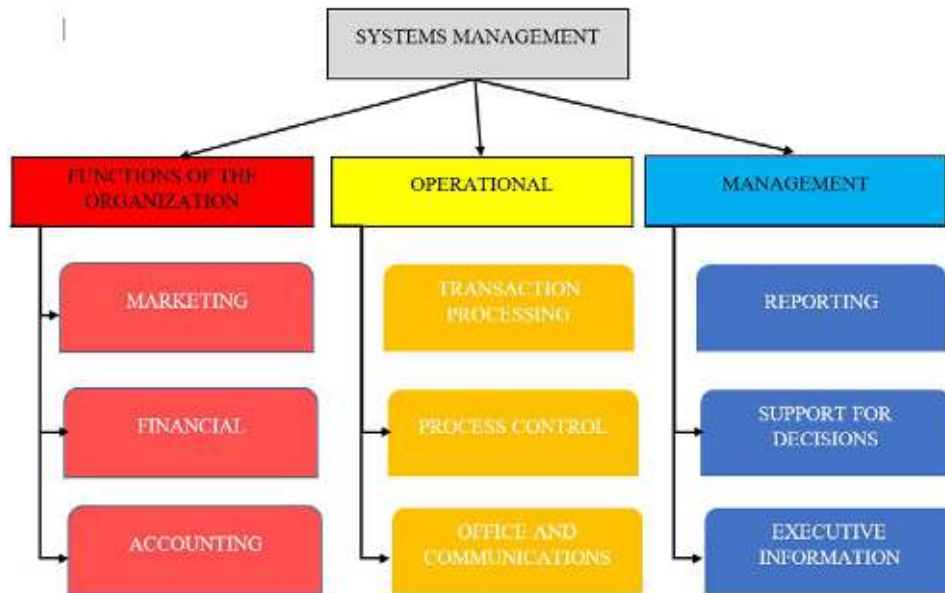
The objective of this study is to identify the roles of systems in organizations from a cyber perspective.

3. Research methodology

The main purpose of the research was to identify the roles and importance of systems in organizations from a cyber perspective. 150 employees from various organizations were involved in the research. The research study was based on the questionnaire and the sample size in this study was simple random sampling. In order to determine the validity of the questionnaire, a calculation method was used to calculate the coefficient alpha-Kronbach, whose variance was equal to 0.86. For data analysis, statistical methods have been used, such as the Friedman, Peonson and Spartan methods.

In the process of data analysis, systems management was approached as being composed of three subsystems: the functions of the organization, operational and managerial (Figure no. 1).

Figure no. 1 - Systems management



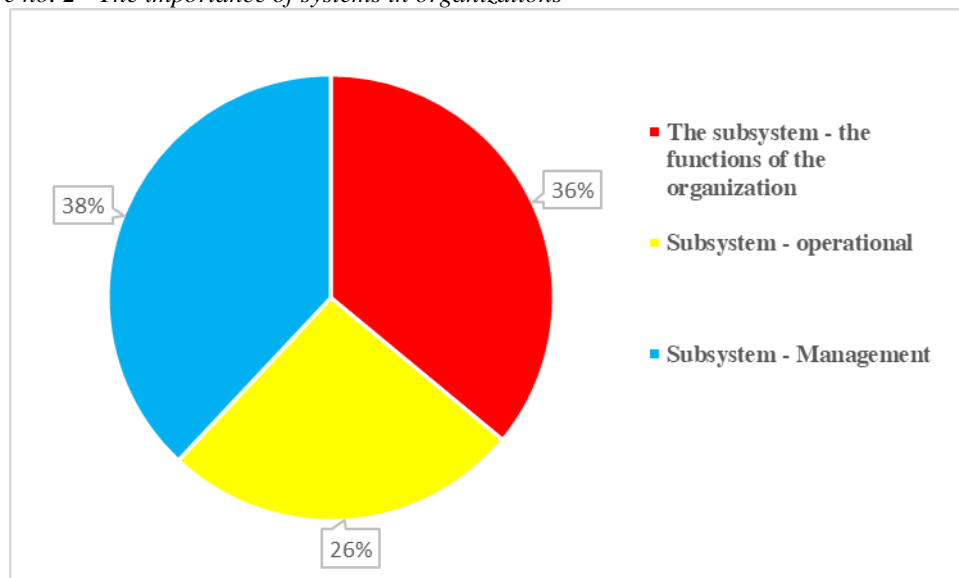
Source: Developed by authors through adaptation and processing after Baroudi *et al.*, 1996

All subsystems are in continuous interdependence. Changing one, most often, changes the other and this must be known by all managers. It is important for managers to know, be responsible and take account of these subsystems so as to ensure that the possibilities of reaching the organizations' objectives are increased.

4. Findings

The main results indicate that the managers of the organizations first consider the managerial subsystem, then the subsystem - the functions of the organization, and, finally, the operational subsystem (Figure no. 2).

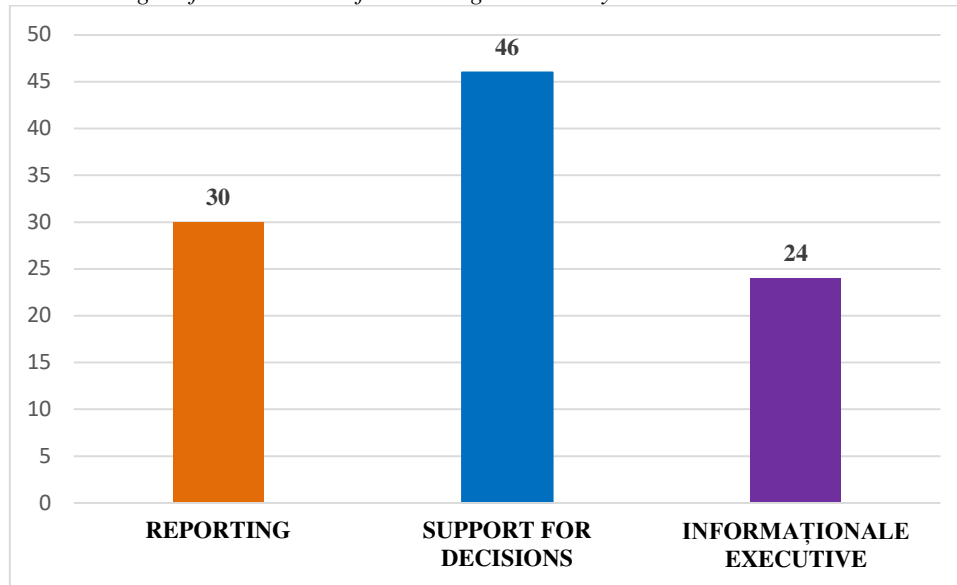
Figure no. 2 - The importance of systems in organizations



Source: developed by authors

We found that 38% of the managers interviewed appreciated that the **managerial subsystem** has the highest weight as importance, within the importance of the systems in the organization considering that the *decision support* (46%) plays an important role, followed by the *reporting process* (30%) and lastly the *executive information processes* (24%) - Figure no. 3.

Figure no. 3 - Weight of the elements of the management subsystem

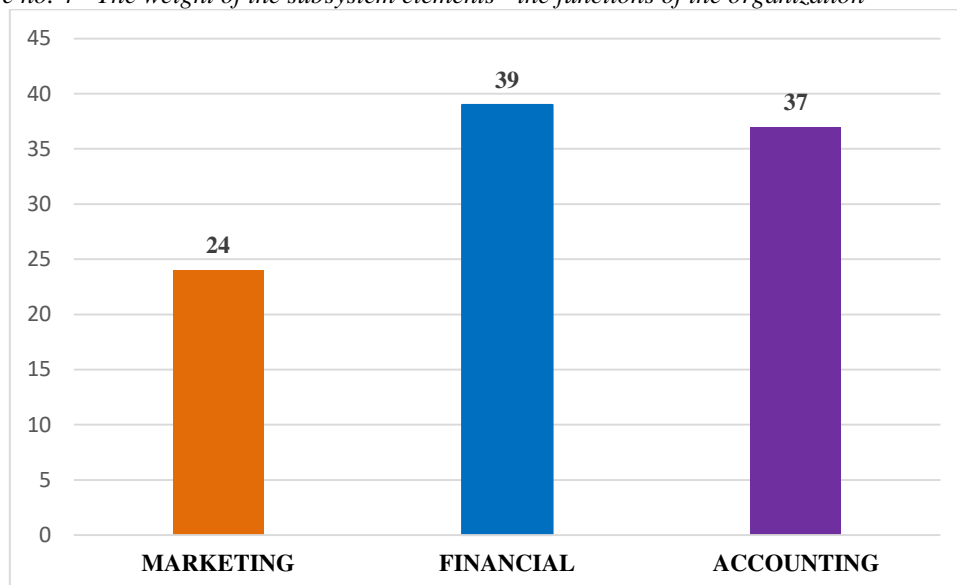


Source: developed by authors

The management systems provide information to support the decision-making activity. Managerial information systems are designed to provide accurate, timely and relevant information needed to make effective decisions.

In the second place as importance in the management of the systems, with 36%, the **subsystem - the functions of the organization**, were considered, considering that the *financial processes* (39%) play an important role, followed by the *accounting processes* (37%) and lastly *marketing* (24%) - Figure no. 4.

Figure no. 4 - The weight of the subsystem elements - the functions of the organization

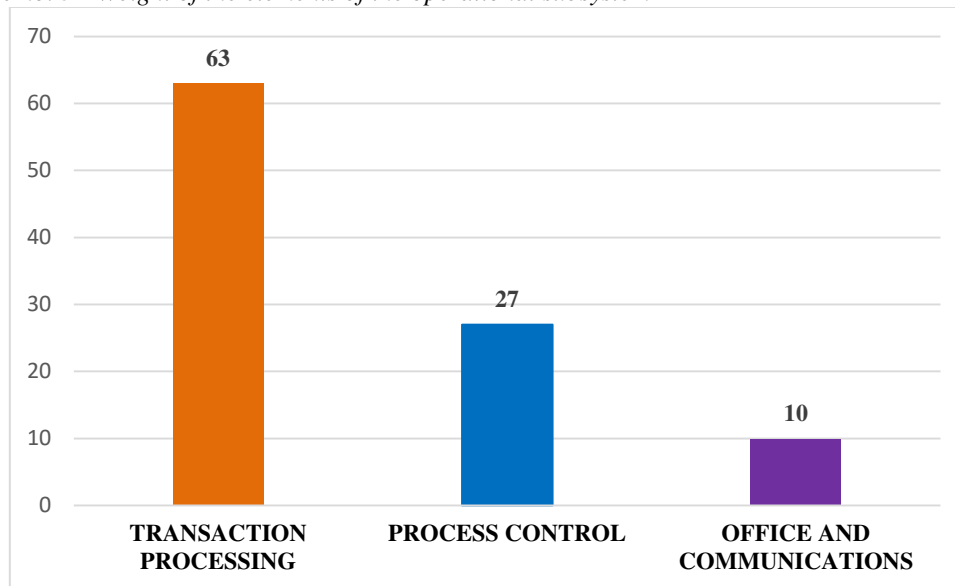


Source: developed by authors

Subsystem - The functions of the organization for a manager is important to understand that the information systems directly support the operational and managerial functions of the organization in accounting, finance, human resources, marketing and operational management.

On the last place were the operational subsystem, with 26%, as the major importance is primarily the processing of transactions (63%), followed by the control of processes (27%), office and communications (10%) - Figure no. 5.

Figure no. 5 - Weight of the elements of the operational subsystem



Source: developed by authors

Operational systems process data generated and used in business operations. Depending on their role, there are several categories: transaction processing systems - records and processes data resulting from transactions, updates databases and produces a variety of documents and reports; process control systems - provides operational decisions that control physical processes; automated service systems - those that support communications.

5. Conclusions

In order to explain the behavior of the economic system according to the organizational structure (their activities and connectivity) and the functional structure (control mechanism and decision-making policies) of the organization and to suggest the changes that lead to an improvement of the general behavior of the system, done dynamic analysis, based on system analysis, modeling method or simulation method. System analysis is one of the most important methods of system dynamics, because it allows precise definition of the objectives and limitations of the studied system, of the component elements, of the relations of interdependence between subsystems, as well as of the links with other systems from the external environment.

In addition to the general properties derived from belonging to the abstract category of system, the economic cyber systems also have specific characteristics, formulated as laws or principles of their organization and functioning. The laws of cyber systems remain valid, including in the case of the system represented by the economic organization and its information system. The characteristic of cyber systems, according to which the variety of the outputs of a system can be modified only by a sufficient variety of its inputs. Based on the law of the required variety, different types of behavior of dynamic systems are determined, such as economic systems.

Providing information and supporting the adoption of managerial decisions at all levels of management is a complex issue. Conceptually, several types of information systems are needed to support the responsibilities of managerial users.

Managerial information systems are designed to provide accurate, timely and relevant information needed to make effective decisions. The concept of managerial information system was developed to counter inefficient development and inefficient use of electronic computers.

The importance of managerial information systems lies in the fact that they emphasize the managerial orientation of the processing of business information. An important purpose of information systems based on information and communication technology is that of support for the management of decision making and not just the processing of the data generated by the operating system. This emphasizes that a systemic framework must be used to organize the activities and functions of information systems.

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Current Consumer Behaviour

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Abstract

The consumer, by definition the natural or legal person, who is predisposed to different purchases of material products or services, has a new connotation in the paradigm of global marketing nowadays, easily moving from the offline to the online consumer stage.

Consumerism, this phenomenon received with the open arms by the large mass of the population, has brought many benefits to the producers of material goods and services, but also to the consumers, who have assimilated consumerism as an idea of spending their free time to which the classical purchase may be added.

This paper's purpose is to evidenciate the role and action of consumerism regarding the usual shopping behaviour, but also certain changes regarding the growth of e-commerce against traditional types of shopping.

Key words: consumer, consumerism, global marketing

J.E.L. classification: A1

1. Introduction

In this paper, we have chosen to investigate aspects of current consumer behaviour, from the perspective of a large-scale phenomenon, such as consumerism. Consumerism could not exist without marketing, as the actions achieved by means of the marketing strategies lead to the increase of this phenomenon in what we call the private capitalist society, characteristic of countries with a developed or developing economy. Consumerism also appeared in the context of market supersaturation, the companies taking the decision to produce even more, transforming the wishes of potential consumers into tangible needs.

Marketing aims to meet the needs and desires of consumers, accomplishing them. But, knowing consumers is not a simple thing. It is possible for them to express their needs and desires in a certain way and to act in a completely opposite way; sometimes it is possible even not to know the true motivations that cause them to buy, or to react to the factors that change their purchasing decision at the last moment.

Marketers have the duty of analysing the desires, the manner of perception, the preferences and buying behaviour of the targeted consumers. This analysis will allow the creation of products with new features, the establishment of prices, the choice of distribution channels, the elaboration of advertising messages and other elements of the marketing mix.

All these efforts to influence the consumer are part of the marketer's arsenal, as the latter will always be inclined to research the characteristics of the buying behaviour, before launching the action of selling itself. Consumerism is also interdependent with the phenomenon of globalization, the two leading to the unprecedented modification of the current buying behaviour, this aspect leading to the emergence of overconsumption, that is, the consumption higher than usual consumption needs.

2. Literature review

Because consumer behaviour is a complex and multidimensional notion, being influenced by a variety of factors (social, psychological, economic, demographic, cultural), an interdisciplinary research is required.

"The field of consumer behaviour studies deals with how individuals, groups and organizations select, buy, use and dispose of goods, services, ideas or experiences that meet their needs and desires." (Kotler, 2003, p. 233)

One of the most well-known definitions of consumer behaviour is given by the American Marketing Association: "a dynamic interaction regarding impression and perception, behaviour and common natural events, through which human beings direct the changes taking place in their lives". (Grigorut and Serban Comanescu, 2007, p. 93)

A more concise definition belongs to J.F. Engel, D.T Kollat and R.D.Blackwell: "the ensemble of the acts of individuals, directly related to the purchase of goods and services, the ensemble that includes the decision-making process that precedes and determines these acts". (Grigorut and Serban Comanescu, 2007, p. 94)

Why is the reason to innovate, create, produce, sell, only in terms of consumer need and desire so important today?

Are there any situations contrary to this principle?

In certain situations, regarding companies and developing or undeveloped countries, marketing decisions belong to governments, manufacturers, distributors, while consumer options have been reduced to a minimum, this aspect being possible due to the low level of income available to the consumer and last but not least due to the lack of competition between the companies operating in these countries. It seems that in these cases, the marketing orientation does not target the customer in the first phase, but the producer. This situation can be assimilated to a stage of non-consumerism.

In the second situation, characteristic of countries with a developed, capitalist economy, the difference is clear, the producers thinking entirely about what the consumer wants, what they really want from its product. In this context, as compared to the first case, the purchasing power increases, the possibility of purchase is higher, the competition is fierce in the respective market, so the role of the consumer becomes extremely important. This will influence all the decisions regarding the elaboration of the product mix of the respective company - product, price, promotion, distribution. (Thomas, 1998, p. 263)

In conclusion, we can say that the real success in marketing depends on the achievement and implementation of a marketing mix, which is inclined and oriented in principle towards consumers, rather than to the one used by the competition. This situation is conducive to the emergence and manifestation of consumerism.

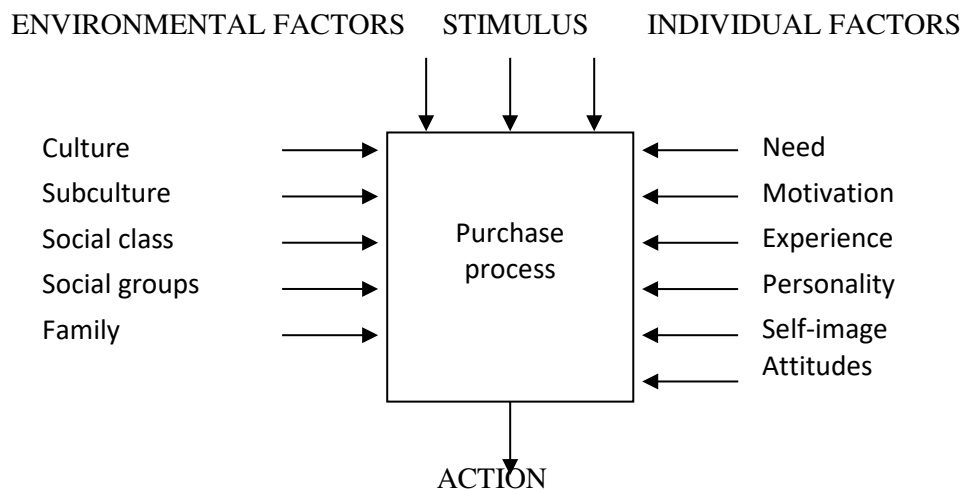
Regarding the composition of the goods market we distinguish two types:

- The consumer goods market, characteristic of individual consumers, or the B to C (business to consumer) market
- The market of industrial goods, characteristic of organizational consumers, or B to B (business to business) market

Within the consumer goods market, we distinguish two major groups of factors, included in the explanatory factors of the purchase, which influence the consumer's purchase decision:

- Environmental factors: culture, subculture, social class, social groups, family
- Individual factors: need, motivation, experience, personality, self-image, attitudes. (Meghisan, Nistorescu and Serban Comanescu, 2008)

Figure no. 1. The explanatory factors of the purchase



Source: (Meghisan, Nistorescu and Serban Comanescu, 2008, p. 94)

The environmental factors can be highlighted with Veblen's scheme :

- Culture
- Subculture
- Social class
- Reference group
- Contact group
- Family
- Individual

1. Culture reflects the traditions, attitudes, beliefs, rules of behaviour, characteristic values of a country;

2. Subculture - is a group that can be differentiated and customized within a culture, having common features; the criteria for differentiating the subcultures are: area, religion, language, ethnicity, occupation, home environment, tradition.

3. Social class - is a relatively homogeneous division of the society, defined by factors such as wealth, income, occupation, degree of education, social conscience, values and similar behaviours.

4. Groups - group: a group is made up of several persons having common goals and needs that can only be met by cooperating.

a) belongingness groups: are groups to which the individual belongs physically at a given time (the family is the most eloquent example);

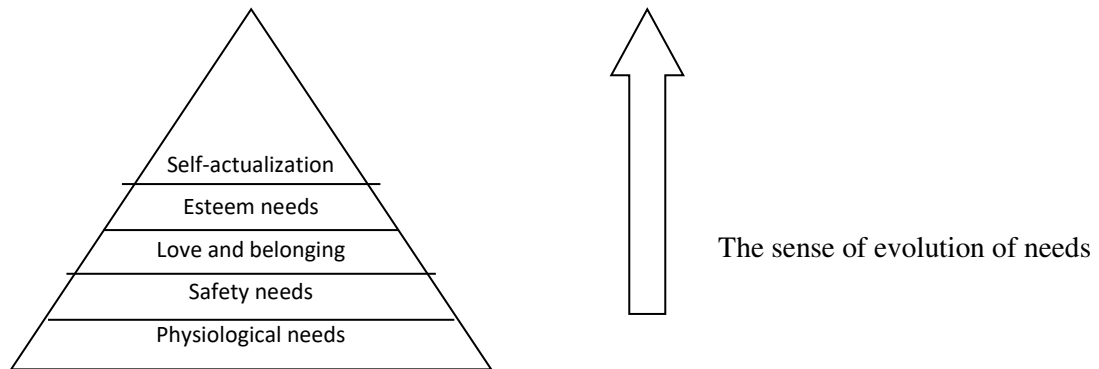
b) reference groups: are groups to which the individual refers and which influence their behaviour and values (associations, businessmen, unions). (Grigorut and Serban Comanescu, 2007, pp. 94-95)

5. Situational factors-all those factors specific to a moment or place of observation that do not result from knowing the personal (intraindividual) attributes or the stimulus (the chosen alternative), and which have a demonstrable and systematic effect on the current behaviour (Ristea, Ana - Lucia (coordinator) - op cit. P.174 - the source cited by Cornel Grigorut, Adrian Serban Comanescu - Marketing Elements - Tests and Applications, 2nd Edition, Ed Bren, Bucharest, 2007, p 95).

6. Individual factors

a) needs –represent a lack of something necessary, and in this context in order to meet it, the person must consume a certain amount of energy. The most famous list of needs is Maslow's famous Pyramid.

Figure no. 2. Maslow's pyramid



Source: (Meghisan, Nistorescu and Serban Comanescu, 2008, p. 101)

b) The reason is what can replace at any given time the need, it is the impetus, if we can say so, which pushes the individual towards the decision to buy the product or service.

The reasons may be as follows:

- psychological/physiological;
- rational/emotional;
- conscious/unconscious;
- positive/negative.

c) Experience is one of the most important aspects of the purchasing decision.

It consists of several stages, such as:

- the motivation of the individual to experiment
- the signalling coming from the consumer area
- an answer, after the individual analyses from the point of view of a mental or physical process
- a strengthening of the individual's argumentation, to perform the learning approach through the accumulated experience.

d) Personality represents the totality of the characteristics that relate to the fundamental characteristics of a person and which determines him to act in a certain sense, having a well-defined purpose.

Examples of features of the individual, which determines him deeply in making the purchase decision could be (stability/instability, reflection/impulse, activity/passivity, calm/nervousness).

e) The self-image, or the way the individual perceives himself, can be approached in two ways - the real self-image, as it is seen and perceived in reality, and the ideal self-image, that is the way he would like to be seen and interpreted by other people.

f) Attitudes represent those states, predispositions, feelings, towards people, objects, groups, etc. They have the role of interacting in the decision-making process of the individual with respect to the action of buying by attracting and rejecting.

3. Research methodology

In order to carry out a marketing research regarding the current consumer behaviour in Romania, I used the online questionnaire method, applied on a representative sample of respondents, more precisely we used Google Form.

The questionnaire was made of 11 closed and open questions.

Closed questions are those questions with a unique answer, by which the respondent offers a clear and firm answer to the inquirer, the latter being able to analyse precisely and concisely through such an answer.

Open questions are those questions that allow one or more answers, different answers as a rule.

To avoid certain inconveniences and problems I used a specific and easy-to-understand language for the respondent, delimiting myself from an economical technical language specific to marketing research.

The questions were addressed to a measurable sample of almost 100 respondents.

The area targeted demographically was the city of Constanta in particular, but also Bucharest, Romania.

The degree of education, people who have graduated high school and higher education.

The age category of the respondents was between 18-65 years.

Income level: dependents and financially independent persons.

Occupation: students, employees.

Gender: women and men

Marital status: married, unmarried

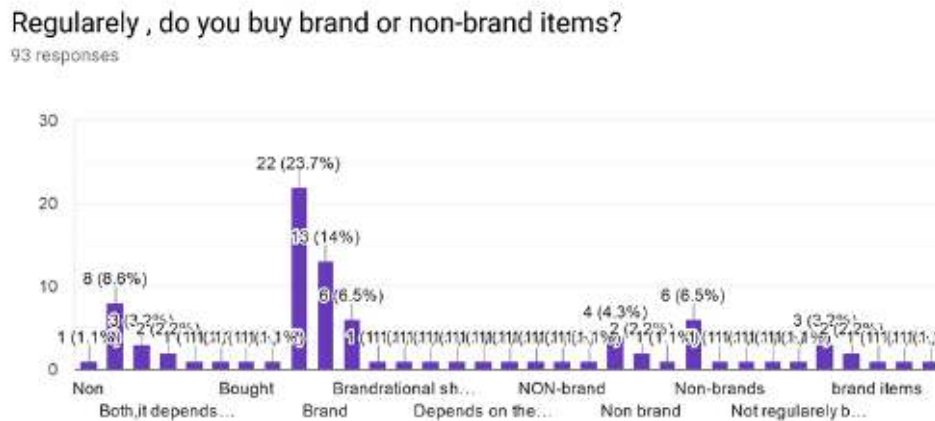
The purpose of the questionnaire was to identify a correlation, a strong link between the actual consumer buying behaviour from the target sample (Romanian retail and banking market) and consumerism, especially consumerism through brand purchase.

4. Findings

After analysing the results of almost 100 questionnaires, we concluded the following:

a) Consumerism is closely related to the brand purchase, most of the respondents being inclined only towards brand purchase and not towards non-brand ones.

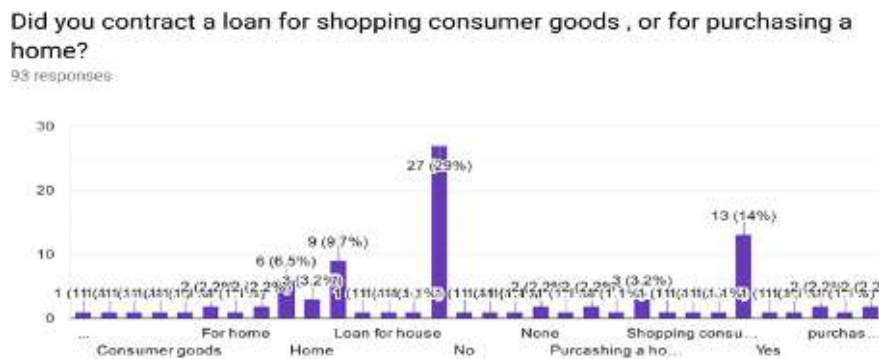
Chart no 1- Brands or non-brands



Source: Google questionnaire form

b) The current consumerism is related to the purchasing power, implicitly in the situation in which they do not have own income, the consumers resort to financial loans, both for the purchase of goods and real estate, the percentage of people who borrow being higher for the purchase of goods than of properties

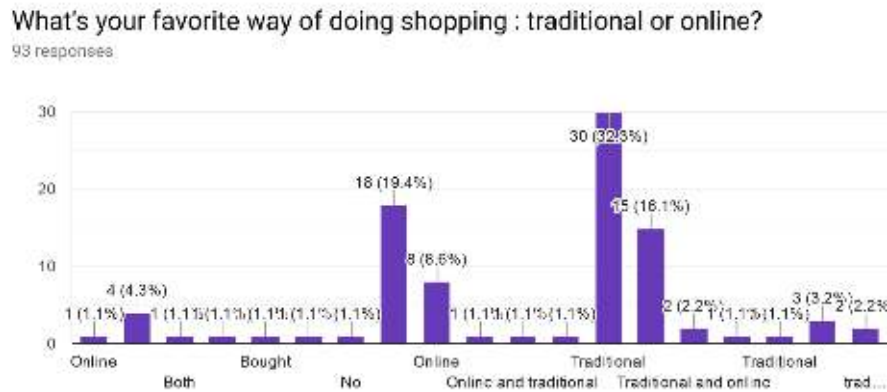
Chart no 2 Loan for shopping costumer goods or for purchasing a home



Source: Google questionnaire form

c) The traditional mode of purchase remains the main option, but it will soon be reached by the online mode of purchase -buying, as i would estimate an outrunning of the traditional mode by the online one in the near future.

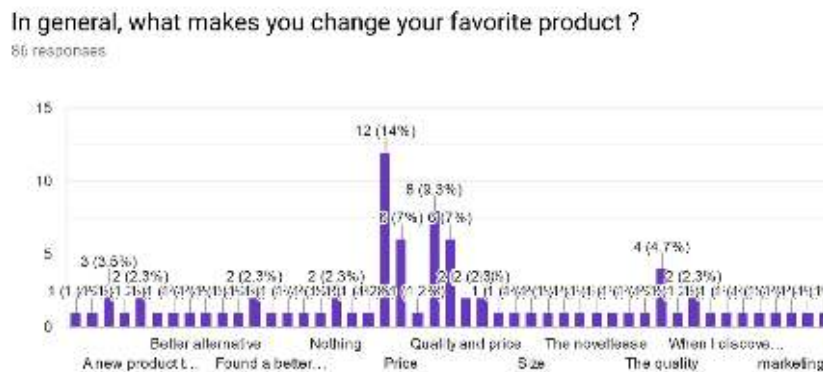
Chart no 3 Favourite way of doing shopping



Source: Google questionnaire form

d) Price is the main argument, for which the respondents would choose to change their favourite product for another product, but other options of the respondents are also interesting, such as quality, price&quality, innovation, a superior product with better characteristics, price versus quality, brand, etc.

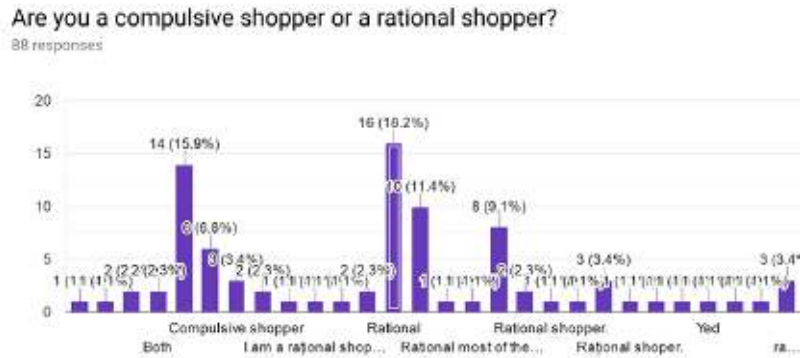
Chart no 4 Decision to change favourite product



Source: Google questionnaire form

e) The rational mode of purchase is the one chosen by the respondent, versus that out of instinct.

Chart no 5 Compulsive or rational shopper

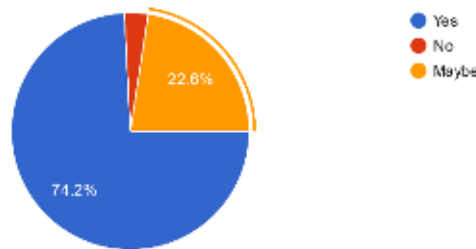


Source: Google questionnaire form

f) Following the answers of the majority of the respondents, they affirmed and concluded that there is a close relationship between consumerism and innovation.

Chart no. 6 Inovation and consumerism

Do you believe that inovation is strongly related to consumerism ?
 93 responses

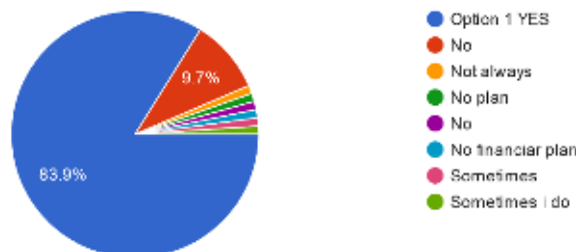


Source: Google questionnaire form

g) I have found that 1/3 of the respondents do not follow a financial plan when they consider an approach to make purchases –buy goods.

Chart no. 7 Follow a financial plan or not when shopping

When shopping do you follow a financial plan?
 93 responses



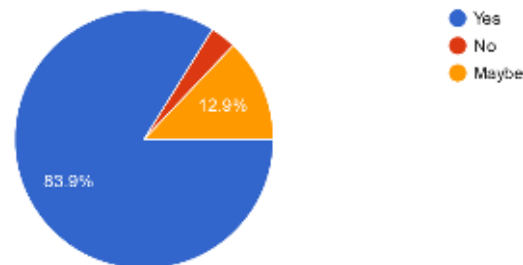
Source: Google questionnaire form

h) Over 80% of the respondents stated that they buy more than needed.

Chart no 8. Are we buying more than we need

Do you think that we are buying more than we need?

93 responses



Source: Google questionnaire form

5. Conclusions

Consumerism is a reality, both in Romania and globally. There is a close connection between consumerism and globalization, since the desire to manufacture as much as possible and to diversify the product range is not a coincidence, and it has to do with factors such as the increase in the purchasing power globally, the influence of electronic commerce on the mass of consumers, the power of the brand owned by the big multinational companies, the innovation that shortens the life cycle of the current products, as well as the desire of the companies to obtain a profit which they can redistribute in the form of dividends to the shareholders, etc.

We observe the increasing trend of online trade versus traditional trade, as this aspect is going to change in the future the context given to current consumerism, more precisely the leisure component of the definition of consumerism will become an individual reality - isolated, the consumer relaxing himself only by means of online purchases, which will take few minutes.

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The Impact of Conflict in Organizational Communication in School Units

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Abstract

The act of communication within the school organization can be interpreted through the following aspects: operational communication, institutional communication. Communication prints a powerful effect in unfolding relationships between teachers, non-teaching staff and manager. Information arrived in time and undeformed contributes to the achievement of an optimal working environment, which stimulates participation members of the school unit to reach the set aims. Also, are inevitable generated conflicts, in turn, by disturbing communication factors. The totally inappropriate reactions generate criticism addressed by both the transmitter and receiver. The intrapersonal conflict also occurs determined by feelings, of beliefs, by external influences but also the external influences but also the interpersonal conflict which it is developed between members of the organization, which have totally different concepts on the situation they were in. The stamp of this conflicting state counts on the efficiency of members' activity, on their feelings and emotions bringing change in behaviour, and on how to resolve new issues. Organization reality can no longer be perceived, bring deformed by hostility, by spreading of rumors and incomplete information.

Key words: communication, school units, conflict, disturbing communication factors, information
J.E.L. classification: D83

1. Introduction

A pleasant atmosphere, efficiency in the school unit is the result, first of all, of an organizational communication that blurs the birth of the conflict. The communication under its different sides, brings safe solutions to solving and even resolving conflicts that appear in the school unit. Indeed the conflict is based on a faulty or non-existent communication. Starting from the definition of conflict, it appears as a process that occurs when a person, group or sector of an organization lacks another to achieve the objective pursued. Inside the school unit, attitudes and behaviors that support changes imposed by the manifestation of conflict are felt.

Examples of attitudes can be multiple: the mutual antipathy of the parties involved in the conflict, the doubtful character of the relations, the amplitude of the negative stereotypes about the adversaries. At the time of manifestation of the conflict the behaviors of the parties involved use nicknames, resort to unconventional rumors and discussions, to clashes, to undermine the adversary's activity managing to damage his image within the school unit. Not infrequently, as a last step, we resort to physical aggression.

The implications are felt by manifesting dysfunctions at the school unit level. It is the occasion when the manager acts, in the sense of effectively monitoring the respective conflict (Serițan et al, 2005, p.25). There are various causes of conflicts. In school units there is a tendency for all staff, wether didactic or non-didactic, to join a certain group. The lack of these small groups that are most often at odds, depends on the manager's ability to ensure the cohesion of the members of the school unit. Thus, there is that pressure on the group to exists this cohesion. In turn, it stops the conduct of unconventional discussions, the spread of rumors and other behaviors that generate

conflicting states. The opposing groups can be: manager-teaching staff, teaching-care staff; primary education teachers-teachers; women (predominant)-men (in minority) (Serişan et al, 2005, p.25) Between these groups there are aspects that represent causes of the existence of the conflict: a) the partiality comes from the good opinion about his own person and the visible separation from the failures of the other members considered responsible for the failures of the school unit; b) overestimation of the respective group in comparison to others from where and obtaining results most often unsatisfactory; c) the complaints of the care staff regarding the maintenance of cleanliness in the classrooms, in the laboratories, on the halls, in the chancellery, complaints that accuse the teaching staff that they do not supervise the students, during the break, allowing them to make a mess; d) unlimited of behavioral deviations of students or teachers affecting the quality of relationships with parents, with the manager of the school unit; e) different level of power, professional training. It may be a conflictual state between the manager and the board of directors, between the commissioners and the other teachers, the members in the methodical commissions; e) unclear formulation of goals, performance criteria, deadlines for carrying out tasks specific to the activities of school units (Serişan et al, 2005, pp.27-31).

The impact of the conflict can be viewed from both a positive and disadvantageous point of view. Both at the level of the group and of each individual member, who belongs to the school unit, manifests destructive emotions and feelings (suffering, fear, stress, aggression, anger, isolation), waste of time, energy, can destabilize cohesion among the members of the group, one gets to mental and organic illnesses (Stoica Constantin, 2018, p. 26). On the other hand, the conflict also has positive aspects: it can bring about change within the school unit, within the relationships between its members, it can influence personal development by encouraging self-critical reflection, stimulating interest and curiosity, determining awareness of problem content and being stimulated to find solutions. Thus the purpose of the present paper is to emphasize the importance of knowing the sources of the conflict and the most suitable ways to resolve the conflict.

2. Literature review

The term "conflict" comes from the latin verb *confligo*, to fight, with the participle substantiated by *conflictus*, with the meaning of collision, of quarrel, of fighting against someone else. Other specialized works define this term by the words *dissension*, *dispute*, *war*. The Romanian encyclopedic dictionary and the American Webster's adopt term "misunderstanding, collision, interest, disagreement, antagonism, quarrel, discussion (violence). (Stoica Constantin, 2018, p. 20) Webster's dictionary deepens the definition, using the meaning of "a disagreement or a collision, wich is related to interests, ideas, etc., which refers to the process rather than to the result.", and also uses the word *beating* (physics), *fighting* (for example, fighting for survival), *quarrel* (verbally), *competition* (fight for primacy in a certain problem). Encarta encyclopedia describes the conflict by referring to four areas of reference: *military conflict*; *conflict as the difference*, ie disagreement between opinions, principles, persons; the *psychological conflict* determined by the opposition between aspirations, needs, concomitant tendencies, but inadequate; *literary conflict* between characters. (Stoica Constantin, 2018, p. 20)

3. Research methodology

The accomplishment of this work involved a bibliographic research consisting of books, articles, recent studies, taking into account certain references of interest that were noted and accessed. Thus, the basic elements can be used in situations that can refer to these elements. Also, scientific databases were accessed. Being aware that the research methodology links the theory with the empirical research (Crăciun, 2015, p.18), in this paper the theoretical research was used, starting from the concepts present in the studies realized and devoted to deepen the understanding of the implications brought by the manifestation of the conflict in the process of organizational communication.

The criteria used to select the bibliography were: the theoretical model, because the theoretical basic consulted is a definite starting point for the analysis of the subject of this paper; the analysis of the subject of this paper; the empirical study, because the experience described in various

specialized studies facilitates the understanding of this phenomenon so common in the school unit; the impact of conflict itself in the development of organizational communication.

4. Findings

If there are cases when the parties are overwhelmed in the resolution and settlement of the conflict, it appears the necessity of the intervention of another person, usually the manager of the school unit. Desirable is the resolution of the conflict by the participating parties, thus proving responsibility, the ability to identify salvage solutions to meet the needs of those involved. There are also situations in which the intervention of another party is required, which can play a role in strengthening a future relationship between the participants of the conflict, emphasizing the cohesion in identifying and applying satisfactory decisions for the entire staff of the school unit. (Safta, 2016, p.135)

The disadvantages of solving without the input of the third party are easy to identify. For example, conflict resolution is closely linked to the kindness and degree of involvement that each party in the conflict demonstrates. In the absence of this type of behavior, the moment of extinction is far from being achieved. This is the case of a parent-teacher conflict, when the parent tries to impose himself, even if the level of personal training does not provide him with the necessary skills to analyze an educational act carried out by the teacher during the course.

Also, the verbal communication skills, if missing, to which are added other minuses related to persuasion, assertiveness, personal motivation in involving the achievement of the objectives of the school unit may place the party that does not have these aptitude characteristics in a lower position in the ongoing conflict. At any time, the moment destined for the settlement of the conflict can be disturbed by one of the parties, if there is then a person not involved in the conflict. In order to have the expected outcome of the conflict resolution and settlement, the third party must demonstrate a certain level of authority, benefit from the request of both parties to the conflict, to demonstrate objectivity so as not to offer biased solutions, especially that these solutions lead to the delay of pronouncing the decision with maximum efficiency in the resolution of the conflict (Safta, 2016, p.136).

E.V. de Vliert states that „individuals are in conflict when they are obstructed or irritated by another individual or group and they inevitably react in a beneficial or costly way.” But it does not refer to the possibility of the existence of a party in conflict, who chooses to withdraw, to deny the presence of the conflict. This author calls „conglomerate conflict behavior” the complexity that reflects the source of the conflict, the behaviors resulting from it, and the last aspect that underlines this behavior is the result. Thus, it identifies the major components of the conflict: the source, the conglomerate conflict behavior and the outcome (Stoica Constantin, 2018, p. 22).

The disparity of authority causes the conflict to be resolved. Important for the evolution of the conflict is the quantity of the authority to which the involved persons appeal, compared to the qualitative particularities of the authority, which pass in a secondary plan. The ability to manipulate authority, more precisely the amount of authority, intervenes. This state of affairs underscores the reality according to which the affective involvement delays its solution and influences the unfolding of the organizational communication process (Safta, 2016, p.81). The participants who benefit from a reduced authority are open to cooperation, to adaptation to the new situation, contributing to a somewhat acceptable solution for the parties involved in the conflict. The conflict also amplifies the existing personality problems, leading to the destruction of the group, of the teaching staff. These aspects can be affected at the managerial level, leading to the manager's overloading, increasing his responsibility within the school unit, as a whole, and within the conflictual relations between its members (Safta, 2016, p.171).

5. Conclusions

There are many differences between people. Thus, the sources of conflict are endless. The existence of contradictory discussions puts its mark on the individual behavior, influenced also by the personality traits (extraverted-introvert; adaptive-innovative), on the self-esteem, that is, the individual cannot conceive to reject his personal opinions; personal gestures, thinking that in this

way denies its own value; thus, the individual tends to attribute his qualities, and to the others to brings a series of shortcomings, according to which the conflict has increased (Stoica Constantin, 2018, p. 29). As a result, the organizational communication process can also be regarded as a source of conflict, with an impact on verbal communication, in case the person does not speak out loud what is bothering him and thus he accumulates within him frustration that finds a favorable moment of manifestation, but also when this communication process is defective, not being an open, precise and clear communication (Stoica Constantin, 2018, p. 29).

Conflict is a dynamic process and has an impact on the efficiency of the activity specific to the school unit. The manager must manage the conflict constructively, identifying its causes and implementing the most appropriate strategies to achieve the expected efficiency. It is necessary for the manager to be involved in mitigating the effects of the in the school unit, in preventing it, identifying precisely the particularities of each possible conflict state. This can also be possible through the manager's effort to get to know the staff of the school unit very well, to accept the conflict as a real feature of everything that means school unit, with all the staff working within it. Managing a conflictual state, visualizing the impact on the activity of the school unit, is not a simple step, therefore the courses of continuous training of the managers, of the teaching staff, especially, are a necessity, which facilitates the process of knowledge and the application of a wide range effective strategies for managing conflicts and their effects on the entire school universe.

These conflicts also influence the leadership styles, determine the reformulation of the objectives of the school unit, intensify the feelings of competition, decrease the interest to perform the task at all levels. The conflict-generating situation, the manner of solving them are challenges that the members of the school unit must face through continuous professional training. It is the occasion when organizational communication plays an important role, which can be such a triggering moment, or a solution to the conflict that is expanding (Utku et al, 2018, p. 267)

Thus, in order to reduce the impact of conflict in the school unit, attention should be paid to those behaviors that block communication, such as "deaf dialogue", unsolicited advice, confusion, voluntary cessation of obedience, persuasion, irony. A manager concerned with the quality of the communication act within the school unit attaches importance to personality factors, but also to the psychic processes: timidity, strong emotions (Stoica Constantin, 2018, p. 80). The manager's intention is the optimal and efficient functioning of the school unit, and among its members there is a favorable environment for the implementation of the objectives of the school unit. But we must not ignore the fact that the unity of a group is given to diversity, so it is necessary that the manager provides a framework for effective communication, clearly favoring the responsible management if conflicts.

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Management of the Economic Efficiency of Irrigation

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Abstract

The management of the economic efficiency of the irrigation implies the implementation at the level of the management board of the irrigation systems of a managerial decision-making system whose main objective is the technical-productive together with the effective management. efficient of the post-crisis needs regarding the reproduction in the agricultural circuit of some parameters of the efficient irrigation systems, by elaborating and using viable management strategies and adapted to the post-crisis period, concomitantly with the implementation of efficient economic models through the internal and external post-crisis factors.

The implementation of these economic models must follow a managerial decision system appropriate to the existing crisis situations.

The purpose of this paper is, by elaborating scientific conclusions using modern instruments of research, to analyse the economic-financial and technical-productive indicators of irrigation that determine the management performance at the microeconomic and macroeconomic level.

Key words: management, efficiency, indicators, agriculture, irrigation

J.E.L. classification: E61

1. Introduction

Economic efficiency is made by concrete conditions under which the production activity is carried out. evaluation of specific indicators but also specific ways of determining the indicators.

Transformation of agricultural products into foods, presents a series of particularities related to the specific activity of these branches or to the characteristic features of the means in which these expenses materialize.

The knowledge and understanding of these particularities is necessary and useful for the analysis of the indicators of investments specific of the agriculture.

2. Theoretical background. Economic efficiency - general problem

Methodologically, in terms of specialty, economic efficiency is a complex category that expresses synthetically the results obtained in economic and social activity, thereby understanding the relationship between effect and effort present under the formula:

$E_{ec} = V / C$ where: V = annual production volume obtained, and C = the annual volume of the expenses incurred. Regarding the economic efficiency of investments

Economic efficiency of investments, it expresses the relation between the obtained material value results and the efforts made to achieve the respective objectives.

The determination of this report is made by establishing the results obtained on an investment unit, taking into account the opportunity generated by the investment and time factor. Economic efficiency in agriculture has a broader meaning, including the degree of satisfaction of the product requirements of a certain assortment imposed by the needs of the population and the economy, the increase of the productivity of social work of the net profit.

Efficiency economic of investments cannot be expressed merely as a simple relationship between the effects achieved in a given period and the value efforts, due to the fact that some economic and social effects occur later are difficult to commensurate economically or even not yet.

an adequate evaluation.

In the case of land improvement works, the problem is even more complex from several points of view determined by specific characteristics of this type of activity, such as (Mandache, 2003):

- the social and political character of investments - taking into account their contribution to the food security of the population, as well as to maintaining the economic independence in this field, elements that are hardly quantifiable in value;
- the impact on the economic efficiency of other economic activities upstream and downstream or collateral to agriculture;
- aspects regarding the conservation and maintenance of the ecological balance, the arrangement of the hydrographic basins, combating soil erosion.etc;

Regarding the influence of the volume of activity of other branches of the economy such as the creation of new activities which in turn produce a positive economic effect, can be considered as a contribution of investments in land improvement works to the economic efficiency of these branches, first of all through the mass effect of the realized profit. Thus, the development of land improvement works on areas of 7-8 million ha, it required a strong development of the construction materials industry, of pumping equipment, of automation. The agricultural production of development in the arranged perimeters required related and collateral investments in the tractors and agricultural machinery, fertilizer and chemical industry. and various other imputations specific to agricultural technologies.

The additional agricultural and vegetable production obtained on the landscaped land, in turn, contributes to the expansion of animal production. Finally, all the activities listed above, including the design activity and technological engineering, are job creators, an element whose weight in the social efficiency of hydro-ameliorative arrangements investments.

3. Irrigations' efficiency in agriculture

The hydro-improvement works occupy a special place in the strategy of the economic policy of the Romanian agriculture, being the determinant factor of increasing the production capacities, of rendering in the productive circuit of some unferred land surfaces, or with deficient biological features deficits contributing at the same time to the development of sectors of provision of collateral services and implicitly to the involvement in the development of the activities of the socio-human segment and not lastly it is the determining factor in the conservation and the increase of the capacity of agricultural lands with good biological potential for the development of the agricultural agri-food productive activities.

The main destinations of investments in agriculture of irrigation systems are (Bohateret, 2003):

- mechanization of agricultural works
- hydro improvements
- realization of constructions
- establishment of plantations
- buying anilmale

The main characteristics of the hydro-improvement works that influence the way of investments are the following:

- investments in hydro-ameliorations have a direct influence on production agricultural. These types of works, the desiccation and induction work require investments, which result in the introduction in the agricultural circuit of productive potential of the lands already put in culture.

- A part of the land is removed from agricultural use being occupied by dams, irrigation channels and desiccation, it is necessary that in efficiency economic these losses

- the hydro-ameliorations work has a long period of use fact which determines an increase of the risk of moral wear. In addition, in the accomplishment of these works generally non-recoverable materials are used, the consumption being completely integrated in the new value created by investments

- most of the times, the hydro-ameliorations are carried out within complexes of works that follow the directing of the normal water circuit, as for example the embankment works involve the association with the desiccation works, in order to remove the excess surface or groundwater from the enclosure. dams in the embanked enclosures, desiccations and irrigations follow one another to

remove the salt. In these conditions, it is difficult to separate the contribution of the different categories of hydro-improvement works, on the production being difficult to delimit the effect of these works by the influence of the other productive factors (fertilizers, fertilizers) plants, mechanization)

- making hydro-ameliorative investments usually involves a re-profiling of the agricultural units. For example, the embankments demand a change of the technical-economic orientation of the production from fish farming to livestock, where the need to grow maize, alfalfa, etc. The introduction of irrigation conditions changes the structure of soils, regarding the extending the species of plants that make the best use of irrigation water in close connection and with the phyto-thnico biological materials used

- sometimes, the works of hydro-ameliorations, involve the making of related investments (accumulation basins), for the conservation of the surplus water. Their utility is multiple (avoiding flooding, irrigation, water supply, energy, fish farming) so that the economic effect of basic and related investments.

The efficiency in hydro-ameliorations of investments are:

- irrigation volume of investments

- the specific investment, which no longer represents only the irrigation, but an entire complex of agro-pedestrian improvement works meant to enhance the land resource from a certain landscaped perimeter. Moreover, some of these components aim at environmental protection, spatial planning objectives, with socio-economic and urban functions, flood protection, structure by ownership of the irrigation arrangements, according to which the ownership right over the irrigation arrangements as well as other categories of land improvements derives in particular from the source of financing the investments in such works. Within the economy planned all the sources of financing of the big investment objectives were based on the development fund whose share in the gross national income was maintained at over 30%.

In an irrigation arrangement, the state and the private structure of property derives from the way of organizing and exploiting the respective investments. Thus, the water outlet points, the pumping and repacking stations, the adduction and most of the transport and distribution network including the pressure stations are state owned, operated by it through its specialized units existing in each county.

A less important part of the investment represented by mobile watering equipment, was supported by investment by the state agricultural units or cooperative being between 30-40% of the specific investment and structure of the watering equipment. At the beginning the massive arrangement for the irrigation by thermal units of pumping increased the part of investment that came back from the units of agricultural.

The arrangements for land improvements as defined in Law no. 138/2004, under the management of the National Company for Land Improvements, SA are composed of:

- works from irrigation arrangements consisting of water outlets, basic pumping stations, including reversible ones, pumping stations, channels and pipelines for the supply and distribution to the pressure pumping stations

- works from irrigation arrangements and from rice fields - formed from pressure pumping stations, internal irrigation networks consisting of pipes and channels, mobile watering equipment

- works from pumping and gravitational drying arrangements consisting of main collecting channels with the corresponding pumping stations, lower order drying channels, drains and drainage collectors

-works in the arrangements for combating soil erosion

- dams and dams against floods from the Danube and inland rivers

- production and administrative buildings

The methodology of evaluating the economic efficiency of irrigation consists of analyzing the efficiency of investments and the efficiency of agricultural production under irrigated regime

In fact, the indicators of economic foundation of the projects of investments in irrigation, are conclusive from this point of view

Also, the two phases of project and investment exploitation, are not different methods of the efficiency of agricultural production in the perimeters given in use

At the same time, the analysis aimed at assessing the economic efficiency at the project level, can be done both for checking the substantiation of economic indicators, and especially for comparing different project variants.

Starting from the particularities presented above, the efficiency of the hydro-improvement works is established in two essential phases, namely:

- the design phase, when it is determined the economic opportunity of making the investments and choosing the optimal investment variant,
- the exploitation phase, when the main objective is to establish the efficiency of the use of fixed capital, achieved through investments. Ultimately, this objective is reduced to determining the economic efficiency of the production obtained by exploiting the fixed capital realized. The indicators used to analyze the economic efficiency of the investments can be grouped in:

4. Efficiency indicators of production and efficiency of investment costs

Within the indicators of the production efficiency group, we find:

- Average production per hectare. Because of the hydro-improvement works, usually several crops benefit, it is necessary that the average production level be expressed in value. The indicator must be determined for both the previous situation and the situation after the hydro-improvement works are performed, so that the possibility of comparison can be.

As hydro-amelioration works usually benefit from more cultures, it is necessary for the average production level to be expressed in value. The indicator must be determined for both the previous and the post-hydro-amelioration situations so that the possibility comparison can be made.

- The production hectare increase. It expresses the increase of the production realized from the investment in relation to the production obtained before the works are carried out. following the constructions and the hydrotechnical arrangements, installations, etc., to determine the actual production increase per hectare, the formula is used:

$$Aq = Q1 / S1 - Qo / So,$$

where: Aq - represents the average production increase per hectare; Qo and Q1 - the total production, expressed physically or value, obtained from the entire surface before and after the arrangement; So and S1-the surface cultivated before and after the arrangement. In this context, the production obtained before the arrangement of the hydro-amelioration works (Qo) represents the average of several years of the realized production, and the production after the arrangement (Q1) is estimated by forecast calculations.

- The cost per unit of product. It is an indicator that is calculated on the physical unit of main product. If the hydro-amelioration works serve large territories with a variety of cultures, the cost is calculated at 1 lei / value of production, thus including all the cultures in the system given from this indicator, another 2 collateral indicators can be calculated, namely:

- cost savings at 1 leu production (Ec), with the formula: $Ec = Cho / Qo - Ch1 / Q1$

- production increase at 1 leu expense (Aq), with the formula: $Aq = Q1 / Ch1 - Qo / Cho$

In all these formulas, Cho and Ch1 represent the total production costs before and after the arrangement.

- The profit rate per unit area (Ap), with the formula $-Ap = B1 / S1 - Bo / So$

where, Bo and B1 - represent the total profit (gross operating surplus) before and after the arrangement, specifying that if before the execution of the respective works is registered losses due to the natural calamities, these will be added to the increase of profit per unit area to better express the effect of hydro-ameliorative works.

Within the efficiency indicators of investment expenses, we have the following indicators:

- The (value) volume of the investment
- The execution duration of the investment
- Duration of the investment
- Specific investment
- The recovery duration of investments
- Equivalent or recalculated expenses
- Economic return on investments

Also, in the analyzing process of the efficiency of irrigation investments, certain additional indicators are also calculated which intervene in characterizing the efficiency of investments in hydro-improvement works and which differ from one category to another of works.

For example, for irrigation arrangements indicators such as:

- the system performance of the irrigation
- the efficiency of using water for irrigation on the cultivated area;
- the uniformity degree of the water distribution on the irrigated surface;
- the consumption of specific materials

The efficiency indicators of analysis the irrigation investments, must be done considering the investments interdependence with the time. In a correct analysis of the investments efficiency economic it appears necessary to take into account the durations time in which investments are made or operated. If this factor would not be important for avoiding complications it would be ignored by him. But as in the other economic fields, in the correct choice of the functioning of the economic processes in the correct choice of the functioning of the processes economics generated by making investments, as well as determining how they can be more efficient.

5. Conclusions

Efficiency economic of the irrigation, the opinions expressed by the specialists, refer to the fact that the use of several technical-economic indicators is appropriate in order to rigorously characterize the investments efficiency economic. These indicators make up a system of value indicators such as: the investments volume, the investment specific, the duration of the recovery of investments, etc., as well as a system of natural indicators such as: production capacity in physical expression, specific consumption of materials and materials, duration of execution of investments, etc. lately it is found that more and more authors restrict this system of indicators, to indicators that characterize only the profitability of investment.

Also, these basic indicators can take both static and dynamic forms of presentation. In generally, this static form is related to the traditional approach being of accounting essence, and the dynamic form is related to the analysis on flows being of financial essence.

This form also involves taking into account the time factor based on the updating techniques.

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Marketing Strategies in the Field of Electricity

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Abstract

The presence of electricity in any activity undertaken by any citizen, the importance of its efficient use in order to protect the environment and concern for future generations, are three important aspects that have been highlighted over time and from which the importance of this sector can emerge.

Due to its importance, the energy market involves, on the one hand, the analysis of the existence of electricity resources, and on the other hand the analysis of the entire stages completed from the moment of production to the final consumer.

Starting from these elements, the objective of this work is to contribute to the scientific research on the particularities generated by the electricity market, analyzing also the way of trading the electricity produced from renewable energy sources, but also the costs that it generates for consumers.

Key words: marketing policies, electricity market, renewable energy

J.E.L. classification: M31, Q40, Q42

1. Introduction

One of the greatest challenges of the 21st century is to ensure the access of every citizen of the Planet to non-polluting, sustainable energy. Given that the production of energy from fossil sources causes environmental pollution, increases the danger to health, climate change, etc., the search for new alternative energy sources, the discovery of alternatives at the level of integration and management of energy units and systems, along with finding innovative solutions at the level of energy conversion and storage are the challenges that spread ahead of today's and tomorrow's generations.

The traditional energy sector deals with two major problems - the energy crisis and the impact on the environment, these two serious issues representing the current global problems of humanity.

Because the world is so energy dependent, since most of the Earth's population uses fossil fuels to meet their energy needs, which causes a high degree of environmental pollution, there is a strict need to look for new sustainable and environmentally friendly energy sources, noting the need to find energy sources that produce the least pollution. Because all traditional sources of energy used pollute the environment to a different extent, renewable energy is apparently directly lacking in this negative effect of environmental pollution.

Currently, the EU imports more than 53% of the energy it consumes, being at the same level as in 2006 (53.6%). Several variations were observed during this period: a relative peak of 54.5% was recorded in 2008, while 52.7% was the lowest dependence, recorded in 2010. The energy production is represented mostly by renewable sources, the main share being hydro, followed by wind and biomass. (Eurostat,2019)

Regarding the electricity produced, in the case of Romania we can talk about the highest share of fossil fuel sources (coal, gas) with 44.6%, followed by renewable sources with 37.5%, followed by nuclear energy by 17.9%. (INS, 2019)

As for the renewable energy sources, the hydro (23.1%) stands out much from the others, an important role being attributed to the company Hidroelectrică SA, followed by wind power plants (11.5%) and photovoltaic power plants. (2,9 %).

In most states, the price of electricity is freely formed by intersecting the demand with the supply, as in the case of trading the other goods or services. This leads to efforts to increase the efficiency of consumption as well as to increase investments in the development of new energy resources.

In Romania, the liberalization of the energy market has become a desideratum once with the accession to the European Union, starting from benchmarks such as eliminating regulated prices, increasing consumer protection, developing the competitive environment among the participants in the energy market.

2. Theoretical background and research method

The reduction of energy consumption or the efficient use of energy has become one of the main concerns worldwide today. The continuous increase of the consumption determined by the dynamics of the industrial development meant a great pressure on the conventional energy resources, which is why the sustainable energy policy intends to ensure the balance between the security in energy supply and the protection of the environment.. (Băhnăreanu, 2010, p. 12-13).

About consumer behavior as a distinct field, it begins to be spoken in the mid-1960s, having as a basis contributions from different fields such as psychology, sociology, anthropology, etc. In the literature there are various definitions, the American Marketing Association describing it as "a dynamic interaction regarding impression and perception, behavior and common situations by which people direct their exchange activities." (Blithe, 1998, p.11)

At present, however, we can no longer talk about simple products that serve a mass population, about the exploitation of mass resources, or about consumers who are not informed. In this respect, competition has increased and has become tougher, consumers are informed and are launching quality demands, the cooperation between production and the market is made more complicated by the fact that it takes into account the available resources and the protection of the environment and, in this context, the relationship between marketing involves a strategic production planning oriented not only towards obtaining short-term profit, but also towards generating long-term value. Thus, in this context, it is appreciated that "the green opportunities will arise for companies and marketing people who can create new solutions that promise prosperity through environmental protection." (Kotler et al, 2010, p.147)

Now, humanity is covering its primary energy needs in the proportion of about 85% of coal, oil and natural gas, exhaustible and polluting resources, in particular through greenhouse gas emissions, which is the main cause of climate change. Hydro energy does not cover more than 7% of primary energy, and nuclear energy does not exceed 6.5%. In the short and medium term, there is no significant increase in the share of large hydro and nuclear power, especially after the Fukushima accident. The only energies whose share can and should grow massively in the coming years are renewable energy. (Badea et al, 2014, p. 2).

In this context, this work presents the main features of the electricity market, respectively shows an analysis of electricity production from renewable energy sources and identifies the particularities generated by the trading of energy.

In order to carry out this work, data from the official statistics of the European Union, the National Institute of Statistics and data published by the energy market regulator (ANRE) were used, data that were used and processed for the period 2011-2018. The methodology of this work was based on the qualitative and quantitative analysis of some indices and indicators that were processed and interpreted statistically. As far as the introduction part of the work is concerned, scientific papers from the analyzed area have been consulted.

3. Marketing mix in the field of energy products

The purchase of any product or service implies a price that can be higher or lower, depending on several factors such as: the demand existing at a certain time for the particular good or service, the competition in the market on which the product or service is traded, the direct costs and indirectly, its objectives etc.

The distribution channels are compared with those pipes that ensure the transport of liquid or gaseous products from the producer to the filling stations, the last point from which they are taken over by the final consumers without affecting their environment and health conditions. (Danciu, 2006, p.214)

The route of electricity, similar to that of any product, from the producer to the final consumer, involves a series of related activities, among which are the transport, distribution and supply.

Applied marketing in the case of electricity does not involve only a simple production of energy efficient products, it must be involved in a well-defined promotion policy, so that these products capture the consumer's attention and are preferred by the final consumers to the disadvantage of the classic ones.

The success of a campaign to promote electricity comes only after a strong campaign by which the consumer is informed about the financial advantages brought by the change of the power supply operator.

The marketing policy defines the general framework of action of an organization, in order to achieve its objectives, being made up of a number of concrete strategies and tools of action (tactics).

In the case of electricity, given that the product itself has the same characteristics, the focus is on creating different packages according to the needs and habits of each consumer, depending on the energy consumption required. For example, energy suppliers offer end customers packages and subscriptions for the supply of electricity depending on the time interval in which the customer's consumption is higher or depending on the estimated amount of energy consumed.

Price is a main element of the marketing mix, which plays a fundamental role in terms of consumer behavior, this variable having a direct impact on the firm's market share, including its profitability.

In the energy field, the most common ways of fixing the sale price of energy are: fixing the price according to the production costs, fixing the price according to the demand shown on the market and fixing the sale price according to the competition.

Regarding the distribution of electricity, it becomes very important how the participants in the energy market participate in the realization and transfer of the product from the producer to the final consumer. A product should be made as close as possible to the place of consumption, in order to reduce the carbon footprint of the distribution and to support the local economy.

The realization of electricity at local level, as close to the place of consumption, brings benefits regarding the development of local production, but also for the environment, if it is to be taken into account their transport from the producer to the final consumer, which is realized in the case electricity over very long distances, which implies the recording of losses on networks.

The promotion of electricity resources is focused, especially in the case of energy providers, on the advertising element, an essential element of the promotion policy, and the most useful means of communication within advertising are the internet and audiovisual. About the Internet it is important to emphasize that "it is not just a means of promotion, but that it has become the most important way of communicating between a company and the target audience." (Epuran, 2015, p.61)

In the case of the distributors and the energy carrier, it cannot be about promotion for the purpose of growing the business, as long as they have a monopoly for the activities carried out in the area they serve, but of a promotion in order to increase the company's notoriety.

4. Production of energy from renewable sources

Electricity produced from renewable energy sources (E-RES) represents the electricity produced in power plants that use exclusively renewable energy sources (RES: water energy, sun energy, geothermal energy, biomass, wind energy, etc.), as well as the proportion of electricity produced from RES in multi-fuel power plants that use both RES and conventional energy sources.

At national level, through Law no. 220 / 27.10.2008 *for establishing the system to promote the production of energy from renewable energy sources*, the system of promoting the E-RES through green certificates was regulated by trading green certificates combined with the mandatory quotas of green certificates.

Under this normative act, in order to stimulate the production of electricity from renewable sources, the producers receive Green Certificates, these representing titles that certify the production of one MWh of electricity from renewable energy sources. Depending on the type of RES used, for 1 MWh a different number of CVs (between 0.5 CV and 6 CV) is granted.

Basically, green certificates are intangible assets granted to electricity producers from renewable sources, which can be traded separately from the amount of electricity it represents, on an organized market, under the law.

At the national level, the producers of electricity from renewable sources were financially supported, respectively they provide their income from:

- sale on the electricity market of the electricity produced;
- sale on the green certificates market of green certificates.

All these costs, respectively electricity and green certificates, are fully recovered and recovered from the energy consumers by billing the energy consumed by the suppliers..

The financial support from the producers of electricity from renewable sources under the state aid scheme was, in the period 2011-2018, amounting to 12.3 billion lei (2.738 billion euros), thus:

Tabel no. 1. Evolution of the state aid granted to E-RES producers

Period	State aid value (million lei)	State aid value (million euro)
2011	422,5	98,5
2012	1.354	303
2013	1.663	376
2014	1.750	394
2015	1.730	389
2016	1.882	419
2017	1.666	365
2018	1.834	394
Total	12.301	2.738

Source: author's processing based on data from ANRE Annual Reports

In this context, considering the fact that these costs are fully borne by the Romanian consumer, through the national legislation (GEO no. 88/2011) it was established that, until the national targets regarding the share of electricity produced from renewable energy sources were met in gross final consumption of electricity (33% in 2010, 35% in 2015 and 38% in 2020), commercialization of electricity produced from renewable sources benefiting from the promotion system to be realized only to cover the gross final consumption of energy power of Romania.

Although the legal framework for the protection of the Romanian consumers, namely their assurance that they pay for a product that they consume, has been created, in reality no regulations have been developed regarding the monitoring of the electricity production from renewable sources used to cover the national consumption of electricity, as well as for monitoring the electricity from RES for export.

In this sense, although the Romanian consumers pay the cost involved in the E-RES promotion system through green certificates, respectively they support the production of electricity from renewable sources, it is not possible to determine if this energy is consumed by these consumers or if this energy is exported.

5. Particularities in the trading of energy from renewable sources

The directly usable energy results in the effect of at least one or more successive transformations of the primary energy. It is a commodity, while its distribution (supply at the place of final consumption) is a service. The production and / or distribution of directly usable energy (electricity, heat, cold, mechanical energy, compressed air, etc.) can be, separately or together, a profitable activity (a business).

The specific aspect of the directly usable energy consists in the fact that the production and consumption are simultaneous, except when the accumulation or storage of the respective form of energy is firstly technically possible and secondly economic. Therefore, any energy supply contract is drawn up for a certain period and is concerned with the conditions under which the energy is to be supplied in the future.

Manufacturers, distributors, suppliers and many of the major energy consumers are organizations that operate on a commercial basis, so they can be included in the business category. As in any other profitable activity, these economic agents seek to maximize profit, minimize risk, consolidate their position on the respective market.

Regarding the market for electricity from renewable sources, depending on the way of trading, it is divided into:

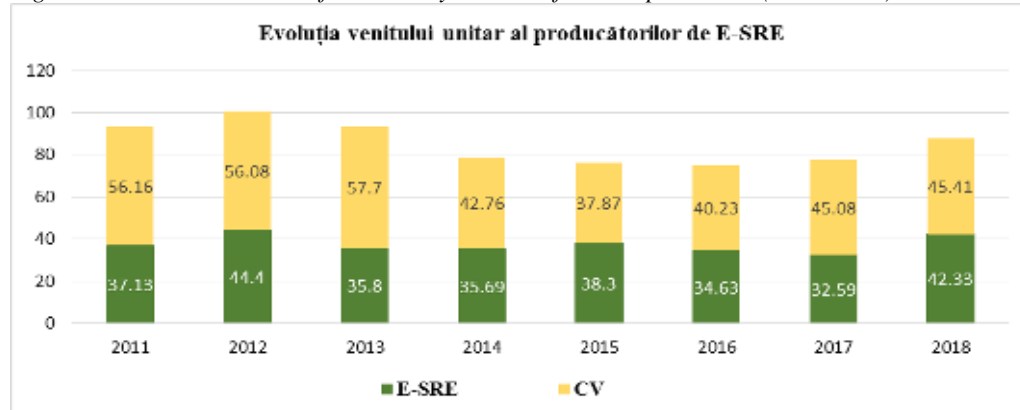
- the electricity market;
- the green certificates market.

The green certificates market is a separate market from the electricity market, where green certificates related to electricity from renewable resources that benefit from the promotion system are traded. In other words, energy producers earn revenue from selling green certificates to energy suppliers..

Selling green certificates to suppliers brings producers additional revenue to cover the costs of using renewable energy sources.

The unitary income of the E-RES producers who benefited from the promotion system in 2018 registered an average value of 88.74 Euro / MWh, respectively 412.92 Lei / MWh (calculated at the average value of the exchange rate of 4.6534 Lei / Euro established by the National Bank of Romania). The evolution of the unitary income realized by the E-RES producers, in the period 2011-2018, is presented as follows:

Figure no. 1. The evolution of the unitary income of E-RES producers (euro/MWh)



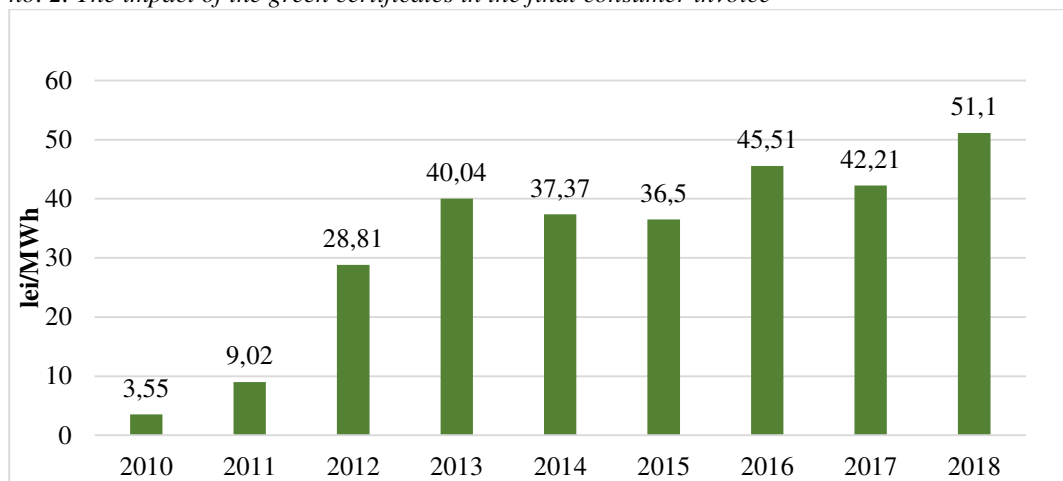
Source: author's processing based on data from ANRE Annual Reports

In the average annual income of E-RES producers, the largest share was represented by the revenues from the sale of green certificates, which in the period 2011-2018 were 55.1%, while the revenues from the sale of energy electricity accounted for 44.9%.

In fact, the energy consumer is the one who fully supports this support scheme, but without having at hand mechanisms to control the costs incurred by it, being dependent on the trading policy adopted by its supplier.

The impact of applying the electricity promotion system produced from renewable sources with green certificates, in the price of electricity included in the final consumer invoice, in the period 2010-2018, stood between 3.55 lei / MWh, in 2010, and 37.37 lei / MWh, in 2014, the evolution per year being in the sense of increasing more than 11 times in the period 2010-2013 up to the value of 40.04 lei / MWh, after which it registered an oscillating evolution, reaching in 2018 up to the value of 51.1 lei / MWh, as follows:

Figure no. 2. The impact of the green certificates in the final consumer invoice



Source: author's processing based on data from ANRE Annual Reports

Electricity and green certificates markets can be characterized by distinct periods, depending on the behavior of producers and suppliers, on the one hand, and that of consumers, on the other:

- the period until the total liberalization of the electricity market (01.01.2018) in which the trading of electricity from renewable energy sources and the trading of green certificates by the energy producers was characterized by the following aspects:

- in the situations where a large number of green certificates were not available in the energy market, the energy producers under the pressure of the expiration of the validity of these titles were forced to trade them at minimum prices;
- the energy consumers, although they were the ones who fully supported the final price of the green certificates, did not have any mechanism to intervene in order to force the supplier to act in terms of efficiency for the purchase of the green certificates;
- the electricity suppliers, although in this mechanism they are practically intermediaries, they played perhaps the most important role as the value of the total electricity price depended on how it acted in the market. In this first period, due to the lack of knowledge of the market mechanisms by the consumer, but also due to conservatism, the number of customers who chose to change their energy supplier was very small, the vast majority of consumers choosing to remain in contractual relations with the big suppliers.
- the period after the moment when the energy market was totally liberalized (01.01.2018), characterized by the following aspects:
 - orientation of the clients towards the research of the offers in the market and the renunciation of the offers proposed by the classical energy suppliers. The number of domestic consumers who left the regulated market and entered into new contracts, on the free market, has increased tenfold in the last year and a half, reaching almost 1.2 million consumers, their number increasing year by year.
 - orienting the energy suppliers towards identifying the needs of the consumer and creating offers that best meet the consumers' needs. During this stage, due to the increase in the knowledge and understanding of the energy market mechanisms by the consumers, the suppliers were determined on the one hand to be as efficient as possible regarding the purchase of electricity, and on the other hand - channeled efforts towards reducing total costs to reduce total costs, so as to offer consumers the most advantageous offers.
 - the energy producers, with the introduction of the obligation to trade electricity in a transparent, public, centralized and non-discriminatory way, have been oriented towards long-term transactions (sometimes ending transactions with a delivery term exceeding 1 year), in packages comprising Relatively small amounts of energy (5-10MWh).
 - the emergence of a new actor on the electricity market - the prosumer - this concept has been introduced since July 23, 2018, through the entry into force of Law no. 184/2018. The prosumer is the natural person or entity that, at the same time, produces electricity and consumes, in whole or in part, the electricity thus produced. The electricity produced in excess of the consumption needs or, as the case may be, the electricity consumed in addition to the quantity produced is sold to, respectively, purchased from the electricity supplier with whom the prosumer has concluded a contract for the supply of electricity.
- the period of entry into force of GEO 114/2018, characterized by the following aspects:
 - for the period March 1, 2019 - February 28, 2022, for domestic customers the supply of electricity is carried out under regulated conditions, by ANRE (the same ones that were applied until the end of 2017).
 - although starting from 2019 we are witnessing a re-regulation of the electricity market through which some of the largest producers (Hidroelectrica SA, Nuclearelectrica SA, OMV Petrom SA) have the obligation to deliver to the suppliers of last instance electricity to regulated price of type production price plus 5% profit, and the final supply price was also frozen, the total number of consumption places for final customers served by the Last resort Suppliers decreased by 13.97% in the II quarter of 2019 (6,428,336 customers) compared to the same period of 2018 (7,446,384 customers) and 2.04% compared to the first quarter of 2019. This trend is mainly determined by the domestic customers who migrated in the competitive market, as a result of the specific offers dedicated to this segment promoted by the suppliers active in the competitive market. (ANRE, 2019)

6. Conclusions

The future of marketing in terms of electricity requires more and more attention, which must be paid by both marketing specialists and operators involved in trading these products.

Dialogue, transparency, ownership and risk-taking are key elements leading to the emergence and maintenance of sustainable economic growth for every player in the market. Above these elements, it is very important for each participant in the energy market to be aware of how important the long-term benefits of the functioning of the energy market in terms of competition and transparency are.

Thus, in the context of frequent changes occurring at national level within the energy market and the further development of this sector, participants in this market must practice and encourage policies based on competition, honesty and transparency, so that all participants in market to meet its goals.

Consumers of energy-efficient products (which help to protect the environment), are those involved in the process of producing the products, have the quality of a prosumer, are aware of their value and the important role they play in making those products that are as beneficial to them as they are. and the environment.

Electricity providers must focus on identifying the real needs of consumers, must create packages of products that adapt to the demands of consumers who have become increasingly attentive to the choice of suppliers, gather information and perform analyzes on the tariffs applied by them. Attracting a supplier to a client in the portfolio can be akin to participating in a tender where you have to be competitive not only as a price, but also as an approach, as a service package.

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Integrating Online Marketing Strategies in B2B Companies

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Abstract

In the context of a highly dynamic business environment ,which is constantly changing due to the innovations brought by the rise of advanced technologies,companies are faced with the difficult challenge of permanently adapting their strategies in order to create differential effect for their brands,as well as to gain competitive advantage in the market, in an entirely new different marketing era.The rise of e-commerce has been directing the efforts of marketers worldwide towards the online environment, as we are whitnessing a „digitalization” effect in every sphere of activity.While B2C (Business-to-Consumer) companies have successfully adopted and used marketing strategies based on new technologies(more precise , they embraced online marketing techniques) , in the B2B context, these new approaches are still viewed with some skepticism , due to the perception of traders regarding their use in this particular business sector.

In this study, we set out to investigate, based on the existing academic literature and previous scientific research, the ways in which B2B companies can use online marketing techniques. Particularly, we will discuss the use of one certain online marketing method, namely, Social Media Marketing, widely known as SMM, which involves the use of social media platforms as a marketing communication tool. Furthermore, we will analyze, based on a case study of a B2B company, namely, the Maersk company (globally known as being a company with a long history and tradition behind , in the transport, logistics and energy services domain), the benefits that can result from integrating online marketing strategies in a business plan. The case study which we will present will highlight the ability to use social media platforms for marketing purposes, their approach being considered one of the most popular marketing methods of modern technology.

Key words:B2B marketing ,Online marketing,Social Media Marketing,Relationship Marketing

J.E.L. classification:M310

1. Introduction

The ideological and technological foundations of Web 2.0 have allowed a true digital revolution in the field of marketing, causing professionals to "migrate" from the traditional space to the online marketing environment (e-commerce), which allows a two-way interaction with consumers ((Kaplan & Haenlein, 2010). The most popular applications used to support marketing activities are social networks (Simula, Töllinen and Karjaluo, 2013), considered to bring numerous benefits to companies such as efficient management of customer relationships , increasing confidence among potential and actual clients , building or consolidating brand image, improving the perception of the quality of services or products offered by a certain company, which can lead to customer loyalty, as well as strengthening the company`s position in the market, creating barriers for their competitors and many other advantages(Michaelidou, Siamagka and Christodoulides, 2011). The multitude of marketing benefits through social networks has led to the creation of a self-standing concept, known as Social Media Marketing (SMM).

It is a well-known fact that the commercial agents operating in the B2C (business-to-consumer) sector have recognized the benefits of using SMM. However, the enthusiasm is not yet fully shared by those who operate in the B2B sector, the adoption of these technologies has been noted to be happening in a rather slow pace, according to specialists (Kaplan and Haenlein, 2010; Swani, Brown and Milne, 2014). Academic literature associates this slow approach of social media marketing strategies with the perception of marketers regarding the characteristics of B2B companies, that are considered incompatible with these medias (Buehrer, Senecal, & Bolman, 2005; Järvinen, Tollinen, Karjaluoto, & Jayawardhena, 2012). More specifically, the American Marketing Association (AMA) defines the concept of B2B as a business that markets its products or services to other companies; the nature of interactions between business partners, which theoretically is considered to be limited to professionalism, seriousness and other such traits, considers that social media sites are irrelevant in B2B marketing, some considering them „frivolous” (Swani and Brown, 2011; Michaelidou et al., 2011). According to recent statistical data, marketers do not recognize the importance of these sites in the B2B context. Specifically, as of May 2015, only 41% of B2B marketers considered LinkedIn as an important platform for marketing activities, 30% rated Facebook as a relevant component of their marketing activities, while less than 20% recognized Twitter as a marketing communication medium for companies (Richter, 2015). Although statistics indicate an initial reluctance of B2B marketers to use social media for marketing purposes, more and more scholars are fervently claiming that these platforms will have a growing importance in the future, influencing the vision of B2B companies (Brennen & Croft, 2013).

The importance of this study is given precisely by these considerations: the perspective of using online marketing techniques, respectively of social media platforms for B2B companies, their impact, as an effect of integration into the strategic plan of B2B companies, analysis of the role of online marketing in the future of the respective companies, the benefits as a result of approaching these strategies. With this paper, we propose to contribute scientifically to present studies, as well as to fill certain gaps in previous academic literature, aiming to offer a clearer view on all the key aspects mentioned, as well as to gain insight into the factors that could stimulate the adoption and use of marketing techniques through social media, by exploring the case study that will be presented later; by evaluating the obtained results we want to highlight the beneficial effects of SMM on B2B companies.

2. Literature review

According to the American Marketing Association (2015), B2B companies are defined as businesses which market their products (and services) to other businesses, as opposed to B2C companies, which sell their products directly to individual consumers. Taking into consideration the market dimension of the B2B sector, it can be stated that there are fewer organizations involved in B2B commercial transactions than there are consumers involved in B2C interactions (Lacka & Chong, 2016).

The nature of the interactions between B2B business partners and B2C companies and its customers is another differential element, the communication can be characterised as being more direct and intense in the B2B sector, taking into consideration the smaller number of organisations involved (Jussila, Karkkainen & Aramo-Immonen, 2014). The B2B business philosophy is based on building trust and establishing a solid relationship between partners, the aim being conserving a database consisting of loyal clients. For this reason, a proper marketing strategy is considered vital for a B2B company to become successful.

Although B2B marketing strategies were carried out in a traditional environment (offline), over the past few decades, experts have integrated online marketing techniques (platforms) in their strategies (Brennan & Croft, 2012). At first, these platforms, consisting of company websites, for instance, were limiting the communication between business partners. The focus has been shifted towards the use of online communications channels, allowing a two-way interaction between B2B partners (Lacka & Chong, 2016).

An increased attention among marketers is directed, nowadays, towards social media platforms, which are regarded as being a powerful marketing tool. This fact is confirmed by Brennan and Croft (2015), who reported that there is an extensive interest in the use of social media by

practitioners in the field; therefore, B2B companies are starting to plan their marketing budget, taking into consideration the implementation of social media-based marketing strategies for their companies (CMO Survey Report, 2015). This growing interest for B2B Social Media Marketing may come as a result of marketers becoming more and more aware of the positive impact of using the abovementioned platforms. To confirm these statements, in the section below, we will highlight the advantages of implementing Social Media Marketing in the B2B sector, as well as identifying the barriers of adopting such strategies, viewed from a company perspective.

3. The use of social media marketing in B2B companies: benefits and barriers

It is a fact proven by previous research that social media websites can be successfully implemented in B2B marketing activities, including a better management of relationships between the company and its customers (Moor, Hopkins & Raymond, 2013); also, it can constitute an efficient method for attracting and gaining new business partners (Michaelidou et al., 2011), as well as new business opportunities (Breslauer & Smith, 2009), leading to a better market position and, implicitly, a stronger brand image. Engaging in bidirectional communication through social media, resulting in better, faster interaction can be strongly appreciated and can help build relationships between industrial partners (Jussila, Karkkainen, & Leino, 2012).

A permanent interaction between producer and clients can help companies to adapt their offer accordingly, adjusting it to consumers' needs and requirements, following the suggestions/feedback received through social media. We may add a number of tremendous advantages conferred by SMM, which include better knowledge of consumer behaviour and buying patterns, identifying and establishing a target audience which the company can focus on, and the ability to respond promptly to clients' solicitations or respond properly in a situation crisis, building and improving their trust, which can lead to loyalisation). All these advantages are linked to an increased performance and higher sales revenue, and a better investment return (Lacka & Chong, 2016).

Efficient management in terms of customer relationship, establishing trust between partners and gaining loyalty are crucial factors in B2B transactions. Among the above-mentioned directions in which SMM can be applied in B2B marketing strategies, we cannot overlook the importance of the role it has in brand building, creating a strong brand identity (Michaelidou et al., 2001), and all the advantages that come along with brand status and powerful brand equity, such as: high level of awareness (which implies recognition and recall of the brand), perception of higher quality in consumers' minds, favorable associations with the brand and finally, brand loyalty (Aaker, 1993; Keller, 2003). In the context of the globalization phenomenon which defines the modern business environment, it is safe to assume that a brand can achieve a high level of awareness worldwide with effective use of social media.

At an organisational level, studies have emphasized that social media creates a two-way communication and virtual co-creation (Simula et al., 2013), facilitating interorganisational collaboration (Moor et al., 2013; Lacka & Chong, 2016), leading to a better management of product portfolio or creating innovative product offerings, which can differentiate the company from its competitors (Bughin et al., 2009; Jussila, Karkkainen, & Leino, 2013). Increase of sales and reduction of product distribution time can be achieved with the use of social media (McKinsey, 2013).

Although it is understood from the above-stated facts that the use of social media platforms in marketing purposes provides a multitude of advantages for B2B companies, adopting these types of strategies is still met with skepticism by professionals in the respective sector. This can be partially attributed to misunderstanding of the concept of Social Media Marketing (Lu, Zhou, & Wang, 2009; Michaelidou et al., 2011; Järvinen et al., 2012), which can create a negative attitude towards it, resulting in failure to acknowledge the benefits that can arise from using it in the B2B context (Buehrer et al., 2005). Also, another common misconception is that SMM is irrelevant in the B2B sector, and that it suits only B2C companies.

Another reason which makes B2B marketers reluctant in adopting Social Media Marketing strategies can be the lack of control over communication carried throughout these platforms (Mangold & Faulds, 2009). Their opinion is that, due to this lack of control, information exchange via these sites enhances the risk of company confidential information leaking, which can have a

profound negative impact on the future of the business (Kaplan și Haenlein, 2010; Simula et al., 2013).

A study conducted by Swani & Brown (2011) reveals that B2B marketers share a common belief that social media websites are incompatible with the nature of the B2B sector, in which the industrial partners are highly involved in the acquisition process. Generally, B2B partners usually require individual approach and face-to face interaction (direct communication with their partners is always preferred, due to the fact that negotiation can be a key element in most cases of B2B transactions), which cannot happen via online channels (Lacka & Chong, 2016). Some B2B marketing professionals consider that online marketing communication can be considered impersonal in these types of businesses. Thus, they are faced with the constant struggle of deciding whether or not they should implement such marketing strategies in their business plan, how will they adopt these strategies and whether or not they will obtain favorable results.

Despite the existing barriers (impediments) which can prevent the use of Social Media marketing in B2B companies, it is revealed by existing research that there are some innovative marketers who embraced these new marketing technologies, establishing their companies' presence in the social media environment. Moreover, they intend to make greater investment efforts and increase the budget for SMM (Van Den Bulte & Wuyts, 2007; Michaelidou et al., 2011; Veldman, Van Praet & Mechant, 2015). There is a slow, but steady growth in the recognition of the value of using SMM among B2B marketing professionals and creating marketing strategies around them is currently turning into a trend (Swani, Milne & Brown, 2013; Brennan & Croft, 2012; Lacka & Chong, 2016).

4. Case study: Maersk Company

In this paper, we will be taking into consideration a case-study approach in which we will analyse the Social Media marketing efforts of a global logistics service provider, namely the Maersk Group, based on information provided by a previous research journal conducted by Katona & Sarvary (2014), describing the entire process of the company's social media marketing strategy and its outcomes.

A.P. Møller - Mærsk, globally known as Maersk, is a Danish multinational conglomerate with activities in the fields of transport, logistics and energy. Since 1996, Maersk has become the largest container and supply vessel operator in the world (<https://en.wikipedia.org/wiki/Maersk>). The continuously growing industry of container transport between 2001 and 2006, as a result of globalization and outsourcing, was a good year for Maersk, as they acquired different companies to build a solid global base. In addition, they have invested in increased ship capacity. With the financial crisis of 2008, there was a decline in the market, the company had excessive capacity and they were in a vicious cycle of price competition. This was not the position Maersk Line wanted to be in and due to the pressure generated by the current business environment, management sought to differentiate it as a premium brand. With this objective in mind, they needed to develop a customer experience that would make them stand out in the face of competition.

Therefore, in 2009, they initiated a customer initiative and hired Beyond Philosophy (a reputed advertising company) to help guide them, work with their team, and provide a range of tools and techniques to help them implement a new customer experience in the shortest and most efficient time periods.

The first step was trying to understand the current Maersk Line experience. This provided valuable insights into customer experiences and ways to improve them and thus determined the extent to which Maersk focused on consumer activity. Following this experiment, the recommendation from the specialists was to focus more on the emotional side of the clients' experiences, rather than the analytical approach, focused on the management of the transactions they were used to. They were also advised to establish a target in making customers sense the following feelings in their experience with the company: trust, safety, satisfaction, through different actions and managerial approaches. All these objectives could be obtained through social media networking.

5. Launching the SMM strategy

The decisive moment of launching Maersk in social media was met with internal and external skepticism, everyone having the general perception that the conservative image they created for themselves and the company's field of activity is incompatible with such a marketing approach, catalogued as „frivolous” or „playful”. Therefore, for those involved in the strategy development it was a real challenge. In developing the social media strategy for Maersk Line, the four areas that were emphasized were: communications, customer service, sales and internal use (Katona&Sarvary, 2014). The objective was to strengthen the customer relationship and to understand the opportunities to get a better exposure in other environments, better engagement of employees, increase brand awareness, etc. To get a better relationship with its customers, Maersk started to think like a B2C company, stating that while they are a B2B company, its customers are also represented by people who, like in B2C businesses, would like better interaction with the company.

6. Building Social Media presence

Initially, the company's Head of Social Media, Jonathan Wickmann, began posting content that were deemed unappealing, but then discovered the digital archive of Maersk Line with 14,000 photographs of ships, seascapes and harbors, which no one had used. "I knew I could share them and add stories," he said. This rich history of the company was something they could share that was unique.

Such photos were mixed with other posts, such as: "Maersk Line increases with the best permanent reliability percentage of 82.9% in the third quarter, according to the new Drewry report on program reliability". Among these posts were added more photos under titles such as "Management", which included photos of the management team in several scenarios. Wickmann laid the foundation for the public and users who liked to take pictures with Maersk ships around the world, posting on the company's official social media accounts the photos of Maersk ships photographed by professionals or enthusiastic amateurs, thus creating a community in the online environment.

In the first 11 months, Maersk Line attracted over 400,000 people on their Facebook page. Many of the "likes" were from employees. This was part of a strategy designed to engage the company's 25,000 employees so that they could help achieve viralisation among their friends. Taking into consideration that seven thousand of Maersk Line's 25,000 employees are navigators, and Facebook has become an important channel for them to connect with colleagues, people at home and by accessing the company's Facebook page, family and friends will gain a better understanding and improve their knowledge regarding the significance of the company and of the field they work in. The company publishes pictures of their employees' daily work, including critical situations, such as pirates approaching the bay of Aden or dramatic images of voyages conducted under terrible weather conditions (Katona&Sarvary, 2014). This was an opportunity to reveal to the public the risks associated with working in this activity domain. The Maersk Line Facebook page is followed by NGOs, Maersk Line employees and potential employees, competition, suppliers, or shipping enthusiasts.

While actively posting on Facebook, Wickmann started launching Maersk Line on other social media platforms, such as LinkedIn and Twitter. Until the fall of 2013, Maersk Line was live on 10 different social platforms (Facebook, Twitter, Google+, LinkedIn, Instagram, Vimeo, Flickr, Pinterest, Tumblr and Instagram).

Overall, the company used Facebook to engage with followers in a very visual and conversational way, with Twitter as a news station and LinkedIn as a platform to target professionals in the field, as well as for recruitment purposes. Instagram and Flickr. Instagram was one of the key elements in the social media marketing strategy for Maersk. Initially, it started as a leisure activity, and the use of it was for sheer enjoyment; they had a variety of photos they wanted to share while using the retro filters available on Instagram to make the photos look older or classic. Later, they realized that there is more to it than that - by inspiring people around the world to take pictures of our ships and containers, using the hashtag #maersk, they accessed the most

visible part of the company, exposing it to the public(Katona&Sarvary,2014).

7. Conclusions

In this extremely dynamic business environment, characterised by rapid and continuous innovation due to the "technological explosion", B2B companies need to adapt their marketing strategies according to the new market trends, to fulfill the needs of its consumers. By implementing social media marketing, Maersk managed to build communities among professionals, employees and current or potential clients. The image of the company has been improved, gaining personality (through posts related to employees, work environment, activities undertaken, projects, social involvement, etc.).

Through the SMM activities (Social Media Marketing) that contributed to a favorable image of the company, employer branding took place, so the companies increased their chances of recruiting new employees, to receive feedback from current and former employees, making it possible for the company to reassess HR policies. The creation of content has led to a better information of the clients, offering a clearer picture on their field of activity.

The conductors of this marketing initiative mentioned some qualitative aspects of Maersk's socializing efforts. In the first year of social media on the Maersk Line, they received numerous emails from colleagues around the world, consisting of positive feedback and their thoughts about implementing social media into their marketing strategy. Nowadays, Maersk Line has a prominent presence on social media. The people involved feel more proud of the company they work for and have the possibility to share it with their friends and family. Internally, Maersk's Q4 2012 study, "The Next Step: How to Unlock the Full Potential of Social Media," showed that of the surveyed and non-customers (followers and non-followers), 67.1 percent of respondents said that Maersk's presence on social media had improved the perception of customers regarding the company's brand image (Katona&Sarvary,2014).

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Section V

Finance and Accounting

Government Programs Focused on Financial Support for SMEs (2014-2018)

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Abstract

The SMEs or the Small and medium-sized enterprises sector is underlying the Romanian economy, its share representing 99.64% of the total enterprises. As the main driver of economic growth, SMEs are facing several problems, which generate a direct impact on economic competitiveness. Economic competitiveness is based on determinants at the macro (i.e. institutions, public finances, infrastructure, etc.) and micro (i.e. business environment, SMEs' dynamics, entrepreneurship, innovation activity, clustering, development of business networks) level. This paper seeks to address and analyze the 2014-2018 government programs which focused on funding SMEs, given the difficulties that the latter face in developing and increasing competitiveness due to a rather difficult and costly access to financing, but also due to the access to various markets.

Key words: Government programs, funding, SMEs, competitiveness

J.E.L. classification: H11, I25, I26

1. Introduction

In Romania, the legal framework for the functioning of SMEs includes regulations on the establishment of small enterprises, the organization of and engagement in economic activities based on free initiative, the privatization of state-owned companies, etc., which are included in a set of laws, such as: Law 31/1990, Law 35/1991, Law 58/1991, etc. Entrepreneurship, as a field of business, seeks to understand how opportunities to create something new arise and are discovered or created by specific individuals who then use various means to exploit or develop them, thus producing a wide range of effects (Baron R *et al*, 2008, p 5). The European Commission defines microenterprises, small and medium-sized enterprises in Recommendation no. 361/2003/EC, having in view criteria such as total assets, turnover and number of employees, classifying them into three categories, according to their size: Micro, Small and Medium: "The category of micro, small and medium-sized enterprises (SMEs) includes enterprises with less than 250 employees, with an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million"(Art.2).

2. Theoretical background

Micro, small and medium-sized enterprises (SMEs) – sources of entrepreneurial skills, innovation and job creation – play an essential role in the European economy. Public policy spanning a broad range of contexts, ranging from the European Union, to states, cities and local communities around the globe, has turned to entrepreneurship to provide the engine for economic growth, competitiveness in globally linked markets, and jobs (Audretsch *et al*, 2006, p 11) and financial development allows existing firms to exploit growth and investment opportunities (Beck *et al.*, 2005, p.197-227). In this regard, SMEs have certain characteristics, such as: the company is a unit of production and distribution, it has the role of economic agent of primary distribution of

income, the enterprise decides on the main variables of its activity and is a social cell, since, within it, a certain number of employees carry out their activity.

A report from the White Paper of SMEs showed that the Romanian entrepreneurial environment is rather pessimistic as far as the expansion of the economic environment is concerned because only **13.78%** of companies think that the Romanian business environment will enjoy a favorable development in relation to SMEs. The bureaucratic problems continue to represent the main obstacles in business development (61.41%) and, as a consequence, 81.66% of entrepreneurs state that they are not interested in accessing structural funds in the following period. Thus, The National Council of Small and Medium Sized Private Enterprises in Romania has proposed a series of measures, the starting point being accelerated debirocratization, access to adequate financing (mainly European funds), access to markets and internationalization, but also public administration reform. The governmental strategies have aimed, ever since the accession of Romania to the European Union, at the economic readjustment and reinforcement of the SMEs expansion, having in view goals such as: facilitating access to finance for SMEs, accelerating and encouraging innovative actions, a simplified SMEs regulatory framework, encouraging and developing entrepreneurial education, facilitating access to internal and external markets. By accessing governmental and structural programs, the number of SMEs increased from 326,443, in 2012 to 551,868, in 2017.

3. A short overview of government programs aimed at supporting SMEs

In Romania, the indicators regarding the number of persons employed and the value added in the economy are well below the European Union average (Fig.1, Fig.2). The difficulties of these enterprises in finding the right financing, as well as the reluctance of financial institutions or private equity investors to meet the demands of SMEs have a significant role in slowing their development, with negative effects on the remodeling of the productive sectors, the rate of employment and innovation.

Figure no. 1 Number of persons employed in SMEs

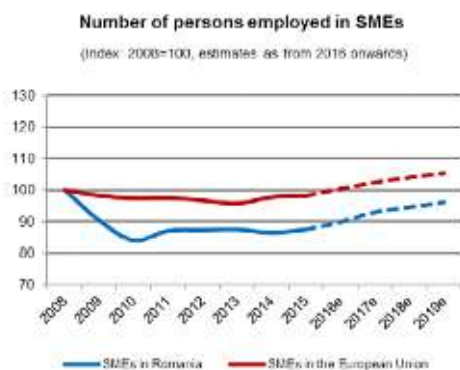
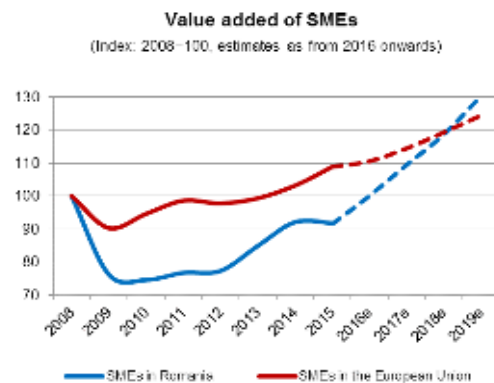


Figure no. 2 Value added of SMEs



Source: <https://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>

In the 2014-2018 period, the programs aimed at supporting SMEs managed by the MMACA/Ministry for Business Environment, Commerce and Entrepreneurship were carried out according to the following calendar:

Table no. 1 The calendar of the programs aimed at supporting SMEs by MMACA

YEAR	PROGRAM NAME
2017-2018	“Program for Stimulating the Establishment of Small and Medium – Sized Enterprises” – START-UP NATION ROMANIA
2014-2016	“National Multiannual Program for the Establishment and Development of Business and Technology incubators”
2016-2018	“National Program for Organizing the Small and Medium Enterprises’ Fair”

2014-2017	"Multiannual National Program for Trades and Handicrafts Support"
2014-2017	"National Program for the Development of Entrepreneurial Culture among Female Managers in SMEs sector"
2014-2017	"Program for the Development and Modernization of the Marketing Activities of Market Products and Services"
2014-2017	"Program UNCTAD/ EMPRETEC Romania for Supporting the Development of Small and Medium Enterprises"
2014-2016	"Program for Stimulating the Establishment and Development of Micro-enterprises by Beginner Entrepreneurs in Business - SRL-D"
2016-2017	"Micro-Industrialization National Multiannual Program"
2015-2017	"Romania Hub Program"
2016	"National Program for the Establishment and Development of SMEs in Rural Areas"
2017	"Program for Supporting the Internationalization of Romanian Economic Operators, Financed by the State Budget"

Source: Own data processing based on MMACA information about the programs aimed at supporting SMEs available on <http://www.imm.gov.ro/2018/11/14/programe/>

A. "Program for Stimulating the Establishment of Small and Medium – Sized Enterprises" – Start-up Nation Romania

The main objective of this program is to stimulate the establishment of new small and medium-sized enterprises, to improve the economic performance of start-ups, to increase the potential for accessing sources of financing and to facilitate their access to funding. This program has begun in 2010, when it had the assumed objective formulated in the following manner by AIPPIMM/Agency for the Implementation of Projects and Programs for SMEs: "Stimulating the establishment of new enterprises, small and medium, improving the economic performance of the existing ones, increasing the potential of accessing the sources of financing and developing the entrepreneurial skills of the entrepreneurs in order to involve them in private economic structures" (http://www.imm.gov.ro/adaugare_fisiere_imm/2018/11/SIPOCA-5-RI.2-studiu-final.pdf). Until 2017, the annual objective remained unchanged, and for Start-up 2017 the development of SMEs, not just their establishment was added, the focus being on the creation of jobs for underprivileged people, unemployed and graduates, and, last but not least, the investments in advanced technologies. The budget and the achievements of this program in the years 2014-2017 are presented in the table below:

Table no. 2 The budget and the achievements of Start-up Nation 2014-2017

YEAR	BUDGET (EUR)	ACHIEVEMENTS (Registered companies)
2014	2.924.898	56.381
2015	4.499.438	64.417
2016	3.785.517	73.889
2017	375.166.481	98.405

Source: Own data processing based a study of the Romanian Academy on Start-up Nation Romania program available http://www.imm.gov.ro/adaugare_fisiere_imm/2018/11/SIPOCA-5-RI.2-studiu-final.pdf

B. "Program for the Development and Modernization of the Marketing Activities of Market Products and Services"

This program boosts and spurs SMEs establishment and evolution, supporting investments in the main economic sectors. Moreover, it aims to assist economic operators and facilitate access to the acquisition of equipment, means of transport, machinery, work installations, apparatuses and installations for measuring, control and regulation and IT technology, on the one hand, but also to readjust to the demands provided by Romania's status as a EU member state, by boosting competition, creating new jobs (and keeping the previously created ones), developing consumer protection and food security.

C. "Multiannual National Program for the Development of Entrepreneurial Culture among Female Managers in SMEs sector"

This program was designed in order to encourage and assist the creation and evolution of private economic structures created by women; thus, it will ease the access of women entrepreneurs to financing, thus boosting their potential. The program aims to fund and implement the best business plans submitted by women entrepreneurs. This program is focused on the following objective:

- encouraging and assisting the establishment and expansion of private economic structures created by women;
- promoting an information and training system that facilitates the mobility of women in the labor market;
- developing their entrepreneurial skills so as to encourage them to carry out activities within private economic structures, having in view the concerns focused on the balance between family and professional requirements and local prejudices.

D. "Multiannual National Program for Trades and Handicrafts Support"

This program is focused on boosting the evolution of trades and small industries established in Romania; it also envisages the reinforcement of the small tradesmen and handicraftsmen class; since they perform their activities individually or organized through associations or other organizations, especially in the rural area (but also in the urban one), this program was also designed to protect the trades involving a considerable number of manually performed operations, to re-launch their services and products (especially the traditional ones, including folk art and handicraft items), and to promote them on national and international markets. Furthermore, the program aims, by organizing **Regional Crafts and Trades Fairs** and organizing **Traditional Markets**, to support small tradesmen in promoting their own products and preserving and stimulating the wider promotion of local traditions.

E. "Program UNCTAD / EMPRETEC Romania for Supporting the Development of Small and Medium Enterprises"

This program endorses the organization of workshops to support the development of small and medium-sized enterprises in areas of interest for the development of entrepreneurial capacities, in order to acquire theoretical knowledge and with a practical applicability, necessary for starting and developing a business. EMPRETEC is an integrated training program, which offers entrepreneurs training and technical assistance, as well as an institutional framework for developing entrepreneurial capabilities and increasing competitiveness on the local and international market of small and medium-sized enterprises. EMPRETEC is an international program for the development and support of entrepreneurs, under the aegis of the United Nations Conference on Trade and Development (UNCTAD - Geneva), being operational in 32 countries in Central, Latin America, Africa and the Middle East.

F. ROMANIA HUB program

This program combined informing activities with entrepreneurial education, mentoring and public-private consultations and it was addressed to the business environment, young pupils and students, entrepreneurs.

It was divided into four components: a) developing the entrepreneurial skills of young people; b) improving cooperation and communication between the academic and business environment; c) promoting SMEs' funding; d) public-private partnership and the creation of new jobs. During the 2014-2018 period, within this program there were 112 information sessions, workshops addressed to the target group, which meant about 3100 people. In 2015, the program achieved the highest level of success (i.e. 1382 people attended these sessions), while in 2018 the attendance level recorded the lowest shares.

G. National Program in Rural Areas

This program aimed at rural economic development, job creation and poverty reduction in this environment. The procedure focused on a de minimis aid scheme, its objective being to boost and

assist the establishment and expansion of private economic structures in rural areas. Furthermore, the program was mainly designed in order to ease the SMEs' access to financing sources, in the rural area, and to reduce the discrepancies between the urban and rural areas.

3. Regional Operational Program 2014-2020 (ROP 2014-2020)

With ROP 2014-2020 (as the successor of ROP 2008-2013), Romania focuses on the stability of the strategic regional development, by completing and expanding the directions and priorities of regional development included in the National Development Plan and implemented by means of ROP 2007-2013 and other national programs. By means of Priority Axis 2 - SMEs development and stimulation of regional and local business environment, an allocation of 11.10% of European Regional Development Fund/ ERDF funds for this programming period is received. Within this priority axis, the activities are intended to support entrepreneurship and strengthen SMEs, including micro-enterprises. As with the strategic vision of ROP 2014-2020, it is based on the following **development needs**, identified and prioritized as being most important having in view the current socio-economic development of the Romanian regions and the main strategic directions mentioned in the relevant national and European strategic documents:

1. Limited transfer to market of research results and low level of assimilation of innovation in companies
2. Insufficiently developed SMEs sector, with a negative impact on the competitiveness of regional economies

According to the report "Innovation Union Scoreboard", in 2014 Romania was included in the modest innovators' category, the last of the four categories of the ranking. Romania ranks among the last positions regarding the proportion of innovative SMEs that cooperate with others (2.9%), the number of patent applications, investments in companies or the number of SMEs that introduced an innovative product or process. Furthermore, Romania is experiencing serious competitiveness disparity compared to the other EU countries, as far as all the elements that determine competitiveness are concerned, which is reflected in a low productivity level. A key element in achieving the objectives of the *EU 2020 Strategy* is to increase the competitiveness of SMEs, given that 99% of EU enterprises are SMEs.

Although SMEs benefited from financial assistance through business incubation structures, this was insufficient. According to studies in the field, SMEs that have received support within incubators should be much less prone to the failing risk in their first activity years, due to the numerous services that these structures should provide. SMEs sector can be characterized by relatively weak orientation towards productive activities, reduced access to capital, technology and infrastructure, aspects that negatively affect economic productivity.

ROP 2014–2020 aims as a general objective: *to boost economic competitiveness and to contribute to the improvement of the living conditions of local and regional communities by assisting the evolution of the business environment, of the infrastructural prerequisites and of the services, so as to ensure a sustainable development of the regions, capable of effectively managing resources, to harness their potential for innovation and the assimilation of technological progress.*

The SMEs number, especially the innovative ones, is very small in Romania compared to the EU average, which justifies the encouragement of new SMEs but also the help and support of the existing ones both in size and in activity, in order to increase the competitiveness of regional economies and create jobs. Within the Thematic Objective 3, special attention is given to SMEs which engage in innovative activities, during their first activity years, and to the establishment and development of those structures that assist SMEs in their different evolution phases. Additionally, the existing SMEs are also targeted by assisting the establishment and expansion of the ability to develop new products and services in order to become competitive on regional, national and international markets.

4. Conclusions

As a major factor in increasing competitiveness at all levels, SMEs are a major driver of any economy. A large number of these entities present on the market stimulates competition, creates

added value and jobs, and thus, the productivity and well-being of an economy. However, one of the main obstacles faced by SMEs is access to finance.

National programs to facilitate access to finance for SMEs have over time supported these entities either to develop or to establish and survive under conditions of competition. In the 2014-2018 period, several categories of programs with different addressability coexisted, but with a common objective - to support SMEs by facilitating access to non-reimbursable funds. These government programs were implemented by the ministry in collaboration with numerous institutions that assist SMEs. The implementation of these programs triggered visible results, raising the number of SMEs and the number of jobs, boosting the added value, the exports, and the access to the internal and external markets.

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Management Decision Process and Accounting Instruments Used in Decision Analysis

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Abstract

The research carried out in this article is a Behavioral Accounting Research, based on the following approach: How do individuals react to various issues in the field of accounting? The main purpose of this type of research is to describe the current decision-making behavior, to evaluate the quality of this process, as well as to develop and test theories in the sphere of psychological processes, which determine the behavior. Therefore, the content of this article will be based on the deductive approach, starting from theory to practice, with some research trends designed to verify the extent to which certain theoretical aspects mentioned above are confirmed by the practice in the field.

Key words: accounting, decizional process, risk mnagement

J.E.L. classification: B26, G38

1.Introduction

Many times tens discussions appear between those who consider that be best decisions are taken based on numerical calculations, on some templates of past events and those who base their decisions on more subjective degrees of confidence related to the unsure future. This controversy has not yet found its solution. The issue comes down to each person's vision on how the past conditions the future. The future cannot be quantified, because it is an unknown (Bernstein P., 2014). The individual has always wanted to project the future based on the present or based on past experiences. Any decision related to risk results in two distinct elements and at the same time, indissolubly linked: the objective reality and the subjective vision about the value of what can be gained or lost, as a consequence of that decision. Objective calculations, as well as the degree of confidence, are essential elements; none of them are adequate without the other. "The value of our expectation always signifies something in the middle between thebestwecan hope for and theworstwecan fear" (Hacking, 1975, p. 144), "The Risk of losing any sum is the reverse of Expectation; and the true measure of it is, the product of the Sum adventured multiplied by the Probability of the Loss" (Abraham de Moivre, De Mensura, 1711). In an economy based market, information represents a force that gives powers of decision to those who have it, ever if it does not represent the absolute truth. One of the most respected mentors in business, Warren Buffett said: „It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently.” and it seems that it is true. In the current economy, in a world developed from an information technological point of view, you are a click away of success or failure. If we were to think about what Buffet said, the most important asset of an organization is its reputation and among the elements that influence this reputation we find: the quality of products (40%), business grounds (34%) and social responsibility (56%).

2.Theoretical background on the researched topic

Practices regarding decision-making processes have been for a long time tackled in the academic and practitioner literature (Behram, 2012, p.733). The benefits requested went beyond simply reducing the risk by extending performance improvements throughout the company (Grable et al., 2009, p.396). Numerous studies have shown the need to develop risk-based decision models;

Azuma et al. (2006) and Endsley et al. (2007). Moreover, the need for the development of decision models that can describe the risk attitude of people from a systematic point of view is felt (V. Sankaranarayanan, et al. 2007, p.256), also (Cordell, 2002, p.30) and (Watts et al., 2000, p.95).

3. Research methodology

The research is part of a positivist scientific approach, of course not being deprived of some critical and interpretive ideas that aim to explain different concepts, but also to highlight possible solutions to the identified problems. For the scientific examination of the problems and to achieve the objectives and the proposed goals we will use the following research methods:

- *the analytical method* will be used to conduct an analysis of the theoretical approach of decisions and their role in the decision-making process
- *qualitative and quantitative research method* by collecting data
- *the method of induction and deduction*

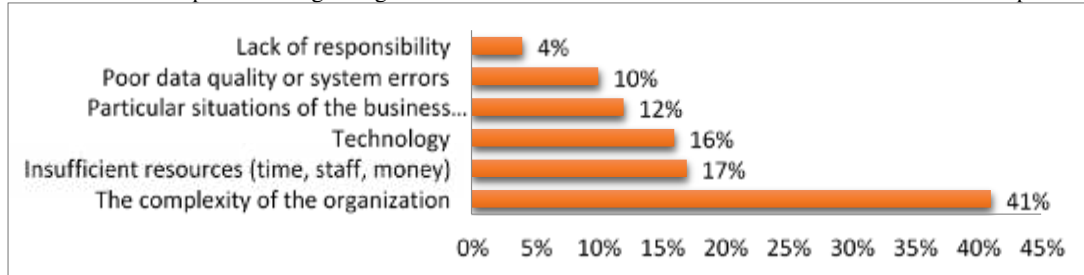
4. The implications of globalization on the decision-making process

The sectorial information enjoys an increasing interest from the creditors and analysts due to the fact that it allows to assess the development strategy and the evolution of the results of the multi-activity group, offering the support of the cross-sectorial comparisons at international level. The information must be prepared, audited and disseminated in accordance with the highest quality standards regarding: accounting, financial and non-financial reporting and auditing. Developing the concept of risk management at the organization level by implementing work procedures specific to each department, supporting internal control and internal audit systems will ensure the identification and control of the risks faced by the entity, in order to achieve the proposed objectives. The audit is required annually by an independent auditor, in order to provide an objective and neutral guarantee on the financial statements that have been prepared and presented by the entity. The channels for disseminating information ensure, in this way, the correct and timely and efficient access of users to relevant information.

There are studies carried out in different countries, studies that have shown that there are considerable differences regarding the decision system adopted by organizations. Thus, in the UK, top managers do not have sufficient knowledge to make decisions about, for example, launching a new product. They leave this decision responsibility on the shoulders of marketing specialists. On the other hand, in France, general managers have a multilateral training and therefore prefer to take responsibility for decisions. The Nordic countries focus on the quality of the production and the technical aspects and less on the managerial aspects and the Japanese when making an important decision involves everyone in the organization, who will be affected by it. The main motivation is the tendency to globalize the activities of multinational companies, the global company being characterized by economies and by an organizational culture beyond the national cultures (Filip, 2012, p.116).

CFO Europe Research Services applied a series of questionnaires to approximately 193 directors of European companies. All respondents came from companies with more than \$ 750 million in annual worldwide revenues. The purpose of this study was to highlight the quality of managerial decisions. 75% of the managers of the companies want the financial department of the entity that they manage to offer more support in making decisions and focus less on the actual processing of transactions. As can be seen in Chart no.1 in the top of choices regarding the barriers affecting the financial information presented later to the managers there are:

Chart no. 1. The top choices regarding the barriers that influence the financial information of the companies



Source: processing by Management information and performance: CFOs face new demands for high-quality data that drives decisions

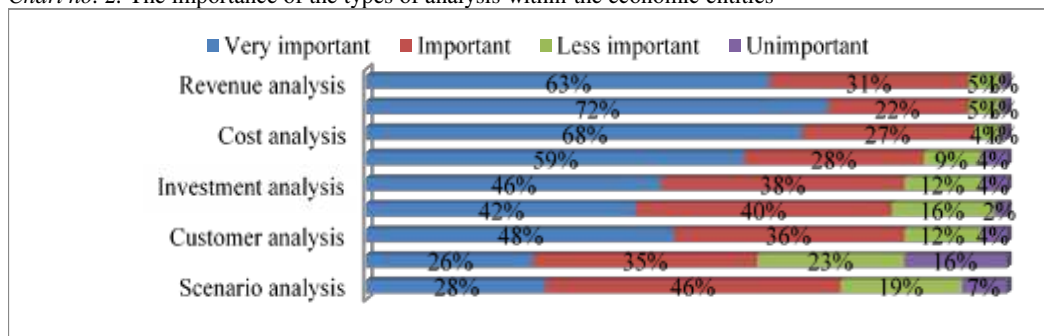
Therefore, it can be observed that the relevance of the financial information presented to the managers can be affected first of all by the size of the respective organizations, followed by the lack of resources such as the personnel, the money and even the time required to submit the reports to the decision maker. In the last place, with only 4% there is the lack of responsibility of the staff. Because the economic decisions are influenced to a large extent by the accounting decisions in the table below, we presented the accounting decisions, their constraints and the methods of adoption (Necula Sabina et al. 2013, p.15).

In the Anglo-Saxon vision, the financial-accounting analysis allows the stakeholder to assess the degree of profitability and risk of his placement. Starting from the idea that the capital market is efficient and transparent, the economic entities will not be able to falsify, through accounting artifices, the value of the equities since the financial statements are only sources of information for the investors. As any economic entity is considered to be wealth creator, performance analysis should not be limited only to financial profitability and an expansion on economic profitability will be pursued. (Chart no.2)

In Germany and France, the analysis of the results is accompanied by the study of the evolution of added value, and some German entities present besides the ordinary financial statements also the picture of the added value.

Comparing the organizations in Eastern Europe with those in the West in terms of performance indicators, it has been established that 50% of companies in the West use working capital as the most relevant performance indicator. On the other hand, only 30% of companies in Eastern Europe do this, focusing in particular on turnover.

Chart no. 2. The importance of the types of analysis within the economic entities



Source: processing by Management information and performance: CFOs face new demands for high-quality data that drives decisions

A study conducted by the Association of Chartered Certified Accountants (ACCA) reveals that investors are skeptical about the information provided by companies. The main conclusions of the study included (Financial Audit Magazine, Year XI, no. 104 - 8/2013):

- after the financial crisis of 2007, 69% of investors became more skeptical about the information provided by companies;
- 63% give more confidence to the information generated outside the company;
- 63% consider that the management has too much authority over the reported figures;

- 63% believe that the volume of information provided by companies has encouraged "hyper-investments";
- 46% believe that mandatory quarterly reporting should be abandoned;
- 93% expressed their support for the concept of integrated reporting.

Erste& Young, one of the world's leading audit firms, has published a study, "Tomorrow's investment rules: global survey of institutional investors on non-financial performance", about the value of non-financial information for investors. The study identifies the most important trends and practices in evaluating information on corporate performance in environmental, social and corporate governance. (Chart no.3)

Chart no. 3. Important informational aspects for investors

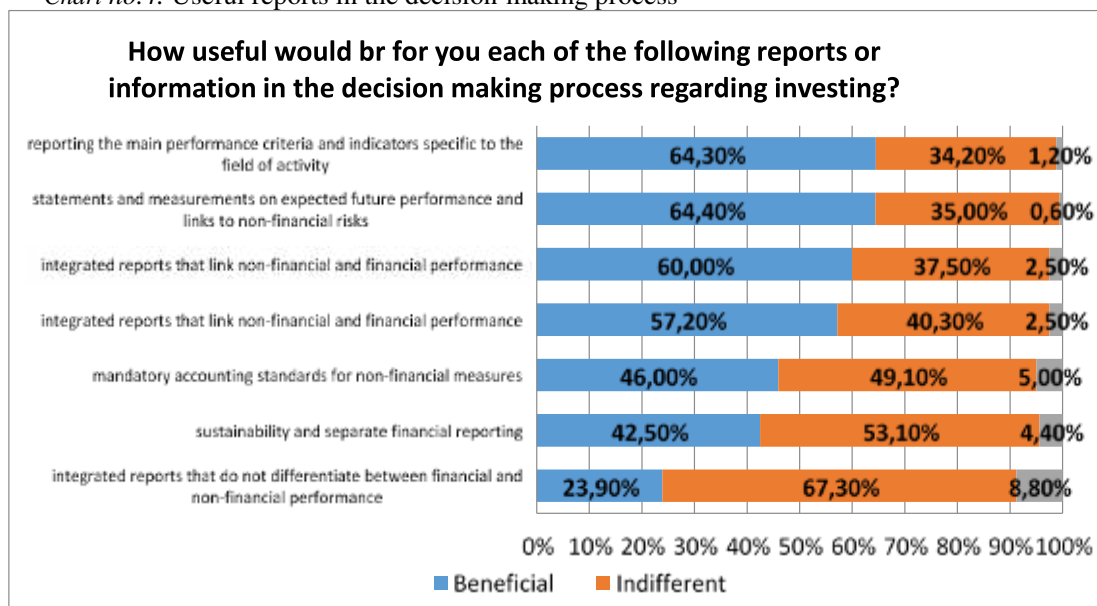


Source: processing by Erste&Young

Most of the surveyed investors use the non-financial information of the companies when evaluating the return on assets.

One of the most important reasons they do this is that non-financial information allows them to anticipate and reduce the risks associated with investments.(Chart no.4)

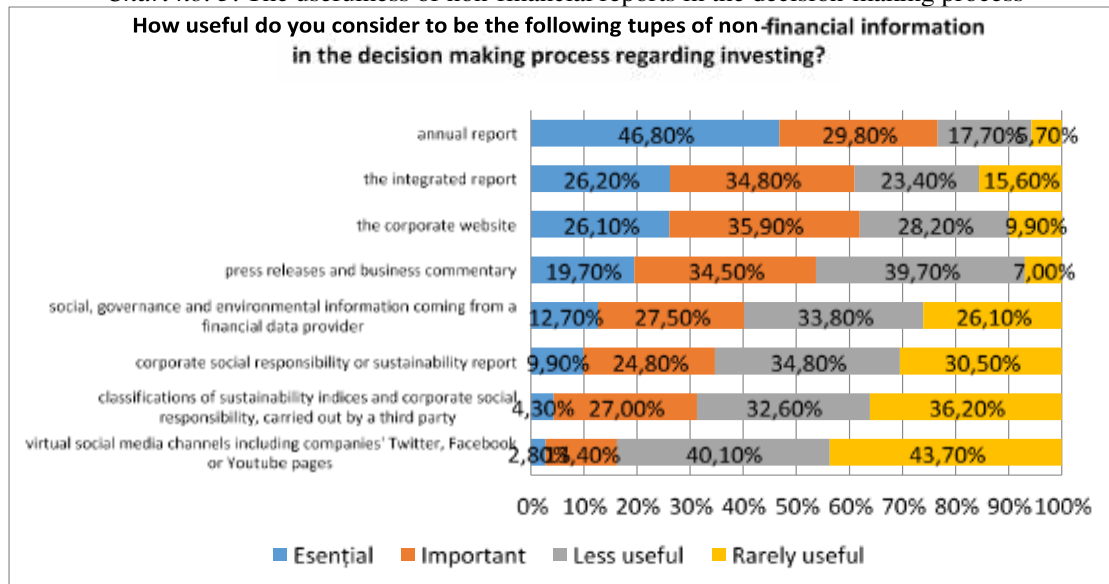
Chart no.4. Useful reports in the decision-making process



Source: processing by Erste&Young

Among the aspects that investors are very careful about are corporate governance, the strategy by which the company aims to create long-term value, but especially the data relevant to the field in which it operates "material data". (Chart no.5)

Chart no. 5. The usefulness of non-financial reports in the decision-making process



Source: processing by Erste&Young

Another problem that arises in relation to the choice of informational decision support systems is: *to what extent do they depend on a technological or organizational determinant?* The question that arises is whether the technical performance of electronic products, and therefore the potential of the information system, is really an advantage for the entity or are they generating contradictions that require the choice of standard models? It should not be overlooked that, the entity's networks are created thanks to the potential of new information and communication technologies, and that the technology does not condition, but even supports the new elections, that the development of strategies for collaborations and partnerships may be the result of the possibilities made available by the informational systems. Indeed, the externalization of some activities requires the elaboration of the organizational procedures in order to ensure the coordination of the activities.

In practice, it has been observed that European financial analysts are increasingly using market-oriented methods, trying to take into account factors such as the geographical distribution of turnover and the state of the sector. To meet this idea come also the International Financial Reporting Standards (IFRSs) that wish to ensure comparability between the financial statements of the different economic entities and to overcome the difficulties that arise.

5. Conclusions

In summary, the new trends in risk management in decision making are largely related to the so-called dual decision-making model in which rational analysis is combined with intuition. A variety of terms are used by many theorists and practitioners in the field, including quasi-rationality, conscious, subconscious, or rational and irrational thinking. Although there are terminological differences, the essence of changes in the daily decision-making process remains unchanged and involves making global decisions in which the reasoning is mixed with the intuition of a manager. Rational analysis has been extensively researched in empirical studies and is well documented in the literature on this topic. Therefore, the intention to try and seek answers to the question regarding the role of intuition in decision making, as well as, in particular, the determinants of its effective application seems to be justified.

We must not absolve: in practice, decision makers never face a single decision problem, and the information system provides a wide range of information. Therefore, the cost-profit approach must be focused on the collective effect of decisions within a company. For example, a complex and costly accounting system can provide sufficient data and even functionality for budgeting. In simpler situations (let's say the supply requirement is established), a cheap application implemented

on a computer or even a user-designed model in a usual development environment can provide sufficient data to substantiate the decision, in terms of economic efficiency.

The limits of any structured decision-making approach are essentially the same as in the case of problem solving:

- as a rule, the methods of decision making are presented as rational and clear. Complications, iterations and uncertainties are not indicated, and the process seems linear. In practice, managers go through the various stages back and forth several times. Whether you approach decision making in a linear and rational way, or on the contrary, in an iterative way, there are many difficulties that you may face.
- it is often difficult or expensive to collect all the necessary information.
- it is not always easy to identify goals that may meet your needs as you perceive them. Often you have to accept a compromise to best meet different interests or divergent goals.
- generating options can be costly and time consuming.
- often you do not have enough time to think creatively.
- evaluating alternatives can also be time consuming.
- estimates of expected outcomes often have a high degree of uncertainty.
- finally, even if you reach what you think is an ideal decision, it can be rejected by others. There are several alternatives, inspired by the ideas of Boone (2003), namely:
 - *approaching the less ideal solution.* Try to view the ideal solution, then choose the option that seems closest to the ideal one and is likely to be accepted.
 - *intuitiv eapproach.* *Make the decision of choice intuitively - as you often do - but be as honest with yourself as you can. State the real reasons why you chose the alternative. Can you justify them openly in front of others? Isn't your real motive, for example, comfort or fear of acting? Wouldn't you have thought of a little more?*
 - *negativeapproach.* Instead of targeting the best option, find reasons to reject the options. This eliminates the weaker options, one by one, until left with the "least bad option".
 - *addressingchangingcircumstances.* You can eliminate from options by analyzing how well each one would stand if conditions changed, that is, if the forecasts you made about the future turned out to be incorrect. Change those conditions that an option seems most sensitive to, then choose the one that seems to best withstand the changing circumstances.

Accounting information becomes a primary and primordial resource of decision-making processes, used both for the elaboration of strategic development plans in accordance with the organizational culture of each economic entity, and for the projection of operational plans in harmony with the medium and long-term development strategy.

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The Role of Financial-Accounting Activities and Practices in Corporate Governance

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Abstract

The financial department does not have a passive role in the process of creating added value. It is true that it is not directly a creator of added value, but is actively involved in its distribution to the factors of production that have contributed to its realization, in the sense that it is actively involved in reducing the remuneration of the state (as an infrastructure provider) through taxes and duties. In this article we have conducted a fundamental research. We analyzed the opinions and information provided by the literature using the descriptive method. We used both inductive and deductive methods. The aim at the end of our research was to be able to formulate some relevant conclusions regarding the role of accounting in the corporate strategy, through an approach from international to national, identifying at the same time the coordinates that will influence the future evolution of the thematic approach.

Key words: corporate strategy, accounting information, corporate governance, users of accountancy's products

J.E.L. classification: B26, G38

1. Introduction

The development of the information and telecommunications network has created important advantages for market participants and regulators:

- collecting and processing the information necessary for the measurement, monitoring and management of financial risk;
- setting prices and conducting trading operations through new complex financial instruments;
- control of extensive 24/7 transaction logs in major financial centers in Asia, Europe and the American continent.

As far as institutional investors are concerned, speed and low cost of electronic information are among the most important benefits of online trading, seemingly more important than price transparency and lower transaction level. These electronic systems can also increase investors' ability to manage much larger portfolios more efficiently and to conclude a much larger number of transactions in a much shorter time frame.

Whether or not a true technological revolution has occurred based on computing power, the technological changes generated by it have had a major impact on the role of financial accounting information in decision-making, being an important factor in corporate governance as well. Of these, we can list the most important:

- a. Increasing the pace of technological innovation.*
- b. The wide area of utility of financial accounting information.*
- c. Shortening the duration of the decisional cycles of economic processes and actions.*

The extraordinary expansion of communications has led to the disappearance of stock markets as traditional physical places for securities transactions. They were replaced by a global system, integrated on virtual markets consisting of computer networks and terminals that allow the online trading of a large number of shares and bonds listed on the international market, regardless of the reference currency.

With the help of ICT, large financial institutions can serve several markets in a single location. Developments in ICT have promoted a more intensive use of international financial institutions. They also contributed to consolidating and restructuring the global financial services branch (Boone et al., 2003, p. 56).

Numerous researches on the behavior of institutional and private investors in developing markets, however, have identified that 80% of investors agree to pay extra for the actions of companies with an efficient corporate governance system. For corporate governance to positively influence the market value of the enterprise, two conditions must be met:

- firstly, corporate governance must contribute to increasing the income of the shareholders of the company, and
- secondly, the financial market must be sufficiently efficient, so that the share price correctly reflects the performance indicators registered by the company. These conditions are more frequently observed in countries with developed financial markets.

Problems arise from two causes:

- an individual investor may not have the appropriate incentives to bear the costs of enforcing the obligations of the economic unit management. As a result, the investor may try to manifest a "clandestine" (free-rider) behavior in the process of monitoring and enforcing the contracts made by other investors;
- the mechanisms to oblige and penalize the managers may be missing or incomplete, possibly due to the imposition of the respect of the property rights in the respective country. Usually, these two problems are associated.

A study published by SG Emerging Funds Equity Research (*The Straight and the Narrow - Standards of Corporate Governance*) showed that Romania was then 7th out of 10, regarding the application of corporate governance practices in the emerging economies that were studied, strictly based on the behavior of the organizations with the best practices existing at the moment, with a score of 20.6 points out of 36 possible ones. In making this ranking, the following criteria were taken into account: the correct conduct of the shareholders meetings, the efficiency in stopping transactions based on information obtained from privileged sources, publishing the trustees' transactions, announcing all capital changes in a timely manner, concluding extraordinary transactions at transparent prices, regular publication of financial results, independent audit, equality of access to information for all shareholders, open and free of charge access to information on shareholder structure, role of Board of Directors, real protection of shareholders' rights by justice, quality of shareholder access in the company.

Another study by Ernst Young & Center for Business and Innovation shows that, in Western Europe, 56% of investors attach equal or additional importance to corporate governance and financial information. Most investors are willing to pay a premium for companies that apply corporate governance standards. This stock price supplement is 12-14% in the US and Western Europe. In Asia and Latin America it is 20-25%, and in Southeast Europe and Africa the maximum value of 30% of the market capitalization is recorded.

2. Theoretical background

The role of corporate governance within an entity in substantiating decisions has been addressed in many books and specialized articles, among which we can mention: *Transparency and Corporate Governance* (Benjamin E. Hermalin, Michael S. Weisbach, 2007), *Law and Finance* (Rafael La Porta & al., 1996), *Auditing, Trust and Governance. Developing regulation in Europe* (Quick R., Turley S., Willekens M., 2008); *Essentials of Corporate Governance* (Anand S., 2008); *Corporate Governance. A Practical Guide to the Legal Frameworks and International Codes of Practice* (Calder A., 2008); *Corporate Governance* (Monks R., Minow N., 2004); *Handbook On International Corporate Governance* (Mallin C.A., 2006); *Corporate Governance and Accountability* (Solomon J., Solomon A., 2004). At the international level the mentioned studies have approached different ways to improve the decision-making processes through an efficient financial management. Multinational companies have already considered the opportunities offered by the financial transformations to make the accounting functions more efficient, but they have also developed accounting professionals to operate as business partners, helping to make decisions

within the organization. (Behnam M., 2012, pp.733–746). Financial transformation is already a reality for many companies, giving them a significant competitive advantage. The plan for improving the efficiency of the financial function is clear, but improving business partners, in order to provide decision support, becomes an even greater challenge. (Shi-Ming Huang & al., 2011, pag. 692–701). A change in the management program is needed, starting with a shared vision of the role of the function in the future (Watts R., Zimmerman J., 2000, pp.231-240). Numerous studies have shown the need to develop decision-making models based on human cognitive processes; for example, see Azuma 2006.

3. Research methodology

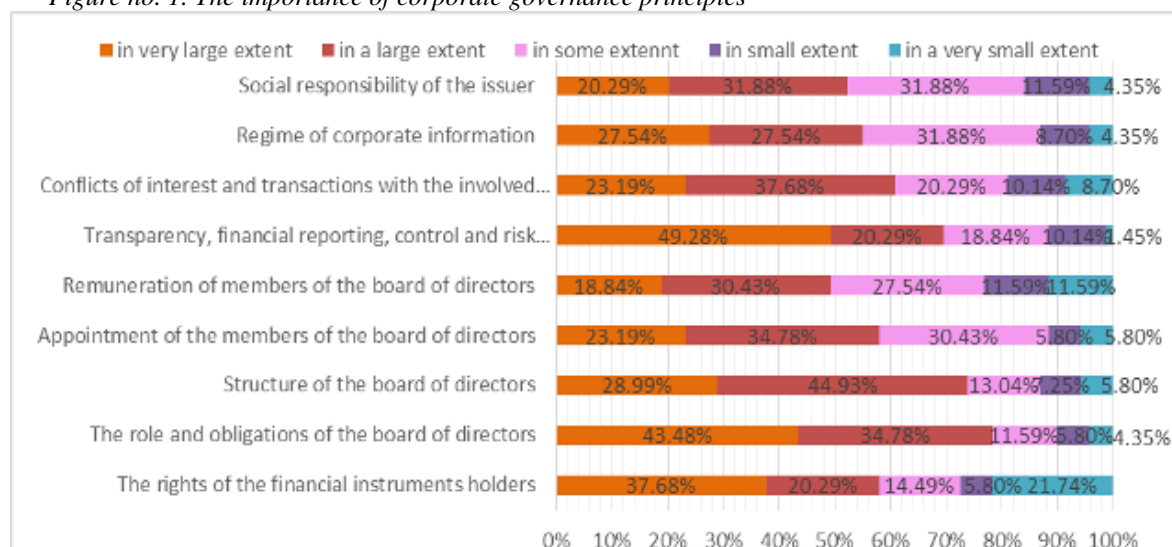
The specialized literature defines the research methodology and the construction of the text of a paper as a "way" to be followed in the research activity to achieve the objectives, namely for information and training. To reach the goals of this research, I relied on a qualitative approach using a general-to-private approach (Gray et al., 2007, p.87). Regarding the human and social sciences, this research is based on the non-participant observation (Lesage et al., 2012, p.272), more precisely the inductive research method is applied, on the document analysis and on the comparison techniques.

4. The role of corporate governance in the efficient leadership of economic entities

Corporate governance must ensure the framework necessary to protect shareholders' rights as stipulated by law and oversee their compliance. (Figure no.1). The fundamental rights of the shareholders include the following:

- guaranteed access to the methodology to enroll the property;
- transfer or conveyance of stock;
- obtaining relevant financial and accounting-related information on time and in accordance with regulations;
- participation and vote in the shareholders' general meeting;
- election of the members of the board of directors;
- profit share from the firm's profits.

Figure no. 1. The importance of corporate governance principles



Source: own processing

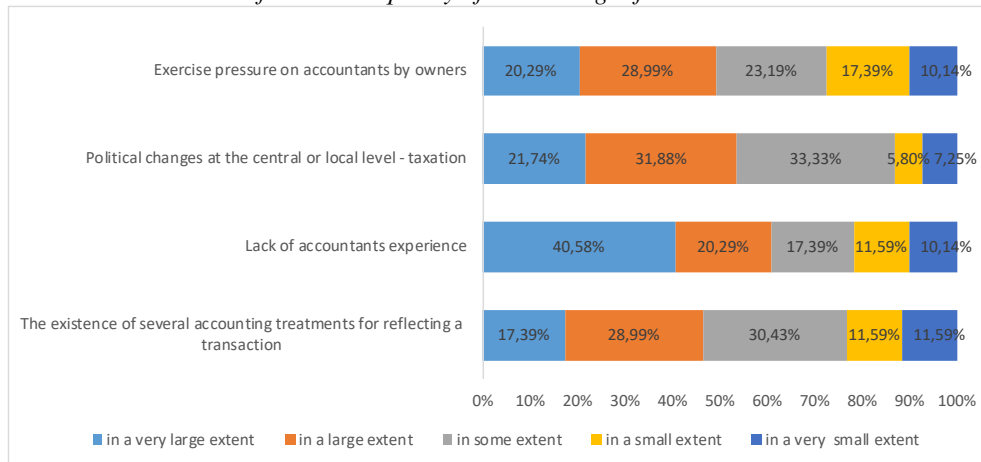
Shareholders have the right to take part and be informed regarding the decisions on fundamental changes within the firm, such as:

- amendments to the firm's statute;
- company contract or similar documents that govern the firm;

- authorization of supplementary actions;
- exceptional transactions, other than firms' object of sale.

The lack of experience on the part of the accountants is considered the main cause that puts its mark on the quality of the accounting information (40.58% consider that to a great extent), followed by the changes in the field of taxation (33.33%). First, financial-accounting information in order to be effective should always be updated, simplified, presented as suggestively as possible, using appropriate terminology for managerial knowledge, to help forecasting (Cordell, 2000, p.30).

Figure no. 2. Factors that influence the quality of accounting information



Source: own processing

The only inexhaustible resource, information has today become a real factor of power, a social good that directly influences the prosperity of people. The most profound change that the economic entities in Romania go through is the one related to the generation, collection, elaboration and dissemination of information. (Figure no.2). Organizations cannot exist outside communication, which they largely generate and mediate. The point of view accepted by the majority of respondents gathers opinions according to which accounting has the role to provide information that faithfully represents the financial position, the performances and the changes of the financial position (39.13%), in a way and form that is most useful to those who use accounting information to substantiate their decisions. Accounting information plays a decisive role in testing the decision factors with essential elements of ensuring a judicious economic mechanism that will favor, in the medium and long term, the profitable integration of the economic companies in the competitive market environment.

The achievements of people have produced a change in the attitude towards risk, and the passion for games and bets has been channeled towards economic growth, improving the quality of life and technological progress. The ability to define what may happen in the future and to choose from several alternatives is a central principle of contemporary society (Boghean F., 2010, pp . 97-105).

Senior management may want to ensure objectives and advice on risks and controls. A properly resourced internal audit function can provide such assurance and advice (Turnbull Guidance, 2005). such as, for example, acquisitions, mergers and systems for developing and implementing new strategies (V. Sankaranarayanan, et al., 2007, p.84).

5. Conclusions

Any economic entity has a fundamental objective that constitutes the motivational criterion for its entire activity. In most cases, the fundamental objective is represented by the maximization of profit. In addition, other objectives may appear, among which: survival, economic growth, optimization of relationships among the participants in the company's activity etc. Furthermore, any enterprise has certain financial objectives as well: financial balance, financial profitability, output growth for production factors utilization and others.

The investors concerned to know the firm's actual condition want to find answers to the following questions (Raiffa,1998, p.151):

- *Is the company viable?* The balance allows for an assessment of profitability if a structuring process is undertaken in the positioning of assets by the criterion of ascending liquidity and a classification of liabilities by the criterion of ascending exigibility. This traditional optic of the patrimony and the firm's solvency tends to be replaced by a new one, based on a functional structuring of the balance and on the employment of the financing chart
- *Which are the firm's performances?* In order to evaluate the performances of an enterprise, one has to compare the means employed with the results obtained. This comparison is emphasized by the result indicators, especially by the intermediary trust balances.
- *Which is the company's stage of development?* One has to know the exact increase in the firm's activity during the reported period.
- *Which are the risks the firm is subjected to?* We have in mind here the bankruptcy risk as a result of discontinuance of payments, for example, or the risk of supply intermission, the risk of narrowing down or loss of trade markets etc.

By obtaining answers to these questions and of course to other questions related to the organization they are interested in, investors can get a clear picture of their future financial investment and consequently make a decision. There remains the problem of the quality of this information on the basis of which the investor will make his decision.

It is obvious that technological developments have implications in international economic and financial actions, and the nature and importance of these implications remain extremely controversial. Some critics of technological progress say that rapid technological advancement has a devastating impact on heavily industrialized countries, linking the speed of this process to technological unemployment, while others argue that technological progress means and will continue to mean new and better jobs for everyone.

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Changes and Historical Evolution of Management Accounting

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Abstract

Since the 1980s, it has been found that the existence of cost management and control systems for almost all economic entities, in a global competition, is remarkably unfortunate. In recent decades, it has been noted that the conventional practices of cost management and accounting have been the vast majority severely critical for the failure presented by them to be in line with the changes manifested in the external and internal environment, but also for their inability to help innovations, management accountants to adequately respond to the demands of an environment in continuous transformation. The current research punctuates this discussion by analyzing the evolution of innovations in the field of cost and accounting management from the previous century and investigates whether it has had a remarkable impact on the way of managing accounting. Research shows that management accounting is constantly changing.

Key words: evolution, management accounting, cost, traditional, changes

J.E.L. classification: M41

1. Introduction

The universal academic literature was decisive for the conventional systems of management accounting, notably for their absence at the capacity and efficiency of providing updated and complete data because it ensures possible users of this data and the decision makers.

An extended debate has recently taken place years over the extent to which the leadership accounting changes. Johnson and Kaplan, claimed that it did not have management accounting changed from the first part from the previous century they were no longer marked for this purpose in the decisions taken by the managers. As answers to these numerous critics have been discovered in a number of industries and a variety of techniques that have brought innovation in management accounting. The most relevant contributions were the accounting of strategic management, the activity based on techniques and a balanced score.

The techniques have been used to propose modern tools and new management processes, such as timely production systems (JIT) and total quality management (TQM) to find competitive advantages in responding to the challenge of outstanding global competition. It is noted that these recent techniques affect the entire process of management accounting and have brought a change from a simple role of cost calculation and financial control to a more sophisticated role, namely to bring value through much research greater resources. It has been found that the environment in which management accounting is used has changed greatly, bringing about changes in information technology, competitive markets, discovering different organizational structures and new management practices. Through this research, we try to think of the challenges that can be encountered within an economic entity and which are factors that determine that it needs such criticisms brought in to deepen the management accounting practices that they constantly need. Therefore, the evolution of management accounting practices throughout the universe with the idiosyncratic characteristics they have, also been verified to offer a better understanding of their improvement. In this regard, the following questions were asked:

- ✓ What management accounting systems are used in economic entities?
- ✓ Do you find management accounting systems in the local economic entities that have changed a lot in the last decade?

2. Theoretical background

The criticized aspects brought to conventional management and accounting practices, found in the last two decades, for their ability and inefficiency to respond to requests from the changing environment, refer precisely to the collapse of these practices in order to provide accurate and complete data on the activities which are needed in an economic entity.

In 1990, these arguments are supported by a probe sample regarding the dissatisfaction between two management accountants and managers with regard to the accounting and cost management techniques that will be used in the various industries. Some authors reiterate these observations, which means that conventional accounting and management systems have not succeeded, currently keeping up with the demands that are growing and that have been noticed with the technological changes in the production environments. For this reason, it is very obvious that the management accounting literature places more and more significant emphasis on the study of flows of innovations in the field of management and cost accounting. Research on changing management accounting refers to the practices used in the developed countries.

Literature from around the world has warned of the portability of these practices between nations (Kaplan, 1983; Johnson and Kaplan, 1987; Bromwich and Bhimani, 1989; Wallace, 1990). Some authors argue that only changes in new management accounting systems perfected in the foreign environment to cope with changes in business environments are not absolutely reasonable because the divergent conditions in which they operate are different in certain economic entities (Bromwich and Bhimani, 1989).

In addition, they argue that we must take into account the fact that both the political, as well as the social, economic, cultural environment of an economic entity. In the point of view of developing countries information about the "imported" systems can be obtained by starting those studies on how foreign economic entities work to determine operations in developing countries, by adapting management accounting systems to the context of the constantly developing world (Wallace, 1990).

3. Research methodology

The objective of this scientific work is to present the evolution recorded by the traditional management accounting, as well as the changes over the years. These researches present the result of using different management accounting techniques from different countries. The research is based on the information on the previous researches and on the accumulated results of these studies thus, therefore, it is based only on the secondary level, method of data collection.

4. Findings

Managerial accounting in a global business environment has the specific, which is of interest, to combine two sciences. The first, accounting, addresses the technical part of communication and information processing. The one to two, the management, provides a perspective on the behavioral problems specific to the control on an entity. The communication of information through accounting language starts from the idea of allocating resources in order to reach for a purpose or objective, in the broad sphere of resources using both financial, technical means and resources human. The resources are managed by a manager who decides both the allocation and the use thereof and who it needs information on the consequences of resource allocation in order to optimize the resource ratio consumed - results obtained. The information also concerns the need to compare the actual allocation with the one foreseen, of the real consequences with those foreseen.

In year 1998, the International Federation of Accountants, in order to better understand the changes registered in the accounting practices, provides a framework that has the role of explaining how management accounting has developed. The evolution of accounting is explained in this framework through four recognizable stages. As Omar et al explained, the main focus of each stage is:

- ✓ Stage 1 (previous 1950) - During this period, most companies focused on determining the

costs, which was related to the assessment of stocks and the allocation of overheads. Part of the leadership the accounting techniques that were developed to estimate the costs were First In First Out (FIFO) and Last In First Out (LIFO). The cost estimate was justifiably underlined because estimating the cost, the managers were able to control their finances position.

- ✓ Stage 2 (1965-1985) - By 1965, companies were turning to information generation for this purpose management planning and control. This was important because only valuable information could induce managers to make the right decisions. Administration there have been accounting techniques such as marginal cost and debt accounting introduced at this stage to help managers choose the right course of action or, respectively, to create strategic business units.
- ✓ Stage 3 (1985-1995)-Increased global competition together with a rapid technological improvement in the 1980s, it affects many aspects of the industrial sectors. At this stage, management remained focused on reducing costs, but a larger process analysis was done made possible by cost management technologies. The purpose was basically to reduce waste when processing the product, as this could reduce your expenses increase in expected profit. Some of the techniques popularly used by companies at this stage include Just in Time (JIT) and Cost-Based Activity (ABC).
- ✓ Stage 4 (1995 onwards) in the global industry, continuously, in the 1990s has to deal with multiple uncertainties and unprecedented progress in the manufacturing industry, technologies, which have grown even more emphasized the challenge of global competition. In this stage, companies have focused on improving value creation through efficient use of resources. Basically, managers tried to identify the drivers that could increase shareholder value. As such, activities with no added value were deliberately eliminated. Among the popular techniques introduced in this regard the stages were Activity Based Management (ABM), Total Quality Management (TQM), re-engineering and Benchmarking.

Although the evolution and development of management accounting, can be differentiated in this way four steps, it is important to mention that the techniques used in the previous phases continued to be used in subsequent stages. This is in line with the point of view traditional and advanced management accounting practices tend to complement each other.

It is noted that the number of articles regarding managerial accounting is associated with an increase in the number of profile faculties existing between 1950-1980.

US reform efforts have had three effects on research:

- ✓ importing ideas from other external disciplines;
- ✓ using the methods typical of other disciplines;
- ✓ the use of experimental, empirical or modeling approaches.

In the UK, improving the need for cost control to increase productivity efficiency in industry has given management accounting an important place in scientific management.

In the 1930s, a group of economist specialists approached business accounting procedures, with an emphasis on accounting costs. These theories have been applied in practice and have been updated in traditional accounting. In the UK specialty literature, managerial accounting appears which produces changes in accounting practice. These changes have led to new solutions for the modern management of the economic entity. In year 1887, the first British paper in this area was untied of costs, where it is emphasized the interest for the costs allocated to the product. When the twentieth century began, the research starts from reality that the managers used the information from the accounting records to analyze the previous situation of the company, but they also needed information about the consequences of the decisions taken. Thus, specialists are trying to replace the traditional methods of calculating costs based on collecting and allocating historical costs with approaches of costs oriented more towards the economy.

Managerial accounting in France is based on two contradictory but at the same time complementary approaches: a cost analysis for evaluation and an approach used for decision making, called table on board. Unlike the US, where only industries are Government related and must follow certain rules for calculating costs, the French approach requires application in all industrial sectors, whether they are related to the state or not.

After the World War is necessary, focus on managerial management to facilitate cost determination the full cost (production cost and sales expenses) for the care product is based on negotiation prices sale. Such a procedure was used until the 1960s, when the outdated application can be ensured supply and production capacity was used to the maximum. After the 1960s, when applying for a deposit, full costs and delimited in direct costs and variable costs.

In France, in 1885, the first books of managerial accounting, prepared by M. Nikitin, appeared.

Managerial accounting has been permanently adopted the management need:

- ✓ be able to approach a coherent approach and generate different needs;
- ✓ focuses on the needs of managers;
- ✓ uses future-oriented information.

The evolution of costs in Sweden is due to the permanent development of industries after the First World War. Large, well-managed economic entities have been disbanded and can be granted on certain industry areas related to international plan, correlated with the small size of the internal market, an external generation of industrial activation. This is an impulse.

Leading companies are dependent on niche strategies for activating on international domestic markets and being flexible with other cultures.

The first step in promoting cost calculation was developed by some authors in 1927.

The calculation and management of the full cost in Sweden is described in three stages:

- ✓ determining the cost elements;
- ✓ allocation by cost center;
- ✓ allocation on cost bearers.

In Sweden, a study of contract research and cost management aims at classification some problems:

- ✓ before establishing the calculation methods;
- ✓ ways to allocate indirect costs;
- ✓ evolution of calculation systems and cost management.

Changing management accounting is not a uniform phenomenon. Consequently, one could expect the causal factors of change to be varied and this was indeed the case confirmed by management accounting researchers. It is obvious that both the external factors (environmental) and internal factors (related to the organization in question) have influenced the recent development of recent management accounting systems and techniques. According to Shields in 1997, the potential changers are competition, technologies, organizational design and strategies. These drivers change also indicates the different roles that causal factors may use in the procedure change. Changing the environment also involves uncertainty and risks that create a request to modify the subsequent management accounting in the "non-financial" form measures.

The researchers paid less attention to the researchers the process of changing management accounting. (Burns and Scapias, 2000, p. 4) observed that little attention was paid to researching process understanding which new accounting systems and practices have emerged (or have not succeeded) through time. Change can be approached in a variety of sizes. According to The American Heritage Dictionary, the third edition, the amendment includes all of the following: becoming different or undergoing changes; transformation or transition; starting from one phase in another; making an exchange; the modification; substitution; giving and mutual reception. Replace with another dropout. This definition illustrates different types of changes and shows that, in general, it is not a uniform phenomenon. Some authors suggest a development of a management accounting as a learning methodology to understand how environmental factors form internally process within the organization.

According to them, the process of change is reflected on the question of how they appeared, evolved and were the management accounting techniques transformed when there are new demands from the changing environment. Environmental and technology changes are used as motivational factors in detailing the change of organizational and accounting management changes factors (structure and strategy). In addition to this, the organizational structure and the strategy (organizational factors) are considered as contextual factors within the company which may have to do with changing management accounting. Financial factors are used as the result recorded by the management accounting and change of organization. Some authors suggested that low financial performance can put economic pressure on the company to change its MAS to increase its

performance. The authors suggested that if management accounting changes it is accompanied by a greater reliance on accounting information, it may result improved performance. Thus, financial performance can be a background or a year the resultant factor of the transformation and development of management accounting. Many companies have experienced significant changes in their business environment advances in information technology, highly competitive environments, new management strategies and a greater focus on quality and customer service. The relevant studies of management accounting have highlighted the significant changes of these operating environments. Management accounting research has used a variety of theoretical frameworks for explain the changes. This study uses both contingency and institutional theory explains a need for a good match between MAS, external environment and organizational aspects, to improve the performance. This is similar to other researches certain changes in organization and accounting that also use contingency theory.

Some people have pointed out multiple factors that influence the permanent change of the management accounting, but the most important is the competitive economic situation registered in the 90s and, in particular, the global competition. The degree to which the claims made by a larger competition are metaphorically not relevant to the actual economic effects. It presents the importance for the accountants and managers of an economic entity and the perception of how they define the economic climate in which they carry out their activities. In the situation where at a more advanced level there is a perception competition, it is likely, at that moment, to focus on the customers and the market. In addition, an elementary change is the advanced information technologies that have been carried out in recent years. The period in which the technological changes made in the last decades have produced significant effects on the economic entities. A significant predominance registered in the last 5-10 years is the extent of the dispersion of information technologies, but also of the computing capacities within the economic organizations. The large use of computers has had a great effect on the work of nature, relevantly the information flows and the clerical works within the economic units.

5. Conclusions

Management accounting is at the beginning. Historically, it has a secondary role of financial accounting, but now in many economic entities, it is much more than a by-product of the procedure through which finances are reported. However, although the events carried out, over the years, have stimulated a development of management accounting, they are increasingly recognized and widespread as constituting the area of maximum expertise separated from the field of financial accounting. The new innovations brought in the field of accounting and cost management in the last decades, are greater in comparison with those achieved in the last two decades, namely those from the years 60-70. This fact underlines the situation that the lack of innovations registered and the costs calculated in the field of management accounting in the last two decades will not materialize to constitute a difficulty. This point of view (Kaplan, 1994), is emphasized from the 80s-90s, which have undergone multiple revolutions regarding the innovations brought to management theory and accounting procedures. Thus, in the specialized literature, from this observation it was found that in the last two decades there has been a wide range of innovations in the field of management accounting. And about 50 years ago, in the management accounting there was no notoriety.

Through a research of the changes around the last 50 years, certain functions are unchanged, and at present it is found that they have changed the functional responsibilities to the professional ones. The developments clearly refer to the degree of professionalization of the positions held by accountants and managers. Therefore, around the last part of the twentieth century, aspects of management have changed a lot. As a result, the problems related to the speed of the environment or the technologies used, the decisions taken promptly, even the actual partners that have changed very radically, have changed a lot. The domain of management consisted of obstruction, a command and the control by which almost all the decisions made brought prompt results. The reports that are decentralized and the decision-making structures are highly developed. Economic entities are currently facing a wide range of challenges and options. They constantly require management accountants to guarantee success and to work at any level required.

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The Organization and the Operation of the Treasury System of the Republic of Moldova

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Abstract

The Treasury system has become one of the main elements of the Public Financial Management. Currently, the treasury system carries out cash execution of the budget for income and expenses, is responsible for the targeted use of budget funds and optimizes the flow of cash flows, ensures the consolidation of budget funds and their effective management, takes part in the development of budget legislation and monitors its implementation.

Increasing government expenditures for the governmental needs, reducing governmental incomes as the results of the population decreased and low businesses' enthusiasm, makes us look for new organizational forms of public financial management.

This paper is based on the author' experience in operating and implementing Treasury system in Republic of Moldova.

Key words: Public Financial Management, Treasury System, Treasury Single Account.

J.E.L. classification: G28, H11, H61, H72

1. Introduction

Moldova is reforming its public financial management (PFM) system in accordance with the 2013-2020 Strategy for the Development of Public Finance Management approved by Government Decision No. 573/2013. The strategy includes provisions to improve budget development, ensure rules-based and competitive procurement, and implement financial management information systems across government entities. The budget preparation, it's approval, execution, control and audit processes, are regulated by the Law on Public Finances and Budgetary Fiscal Accountability No. 181/2014. (The Law No.181/2014)

The ensuring of the rational distribution and use of financial resources, balancing financial and monetary policy, developing a financial mechanism for implementing the state financial policy in the form of relevant regulatory acts are important tasks that the state system should implement through the structure of the Treasury System.

Moldova has begun to improve its PFM system, but much more remains to be done. There is an established dedicated automated commitment management system that needs to improved and aligned to the international standards.

The Government needs to ensure the efficient implementation of its budgets and good management of its financial resources.

2. Theoretical background

The purpose of the paper is the theoretical justification of modern technologies of treasury execution of the national budget and the development of methodological proposals for improving the organization of the treasury system in the context of reforming the public financial management.

To achieve the goal, the following tasks are solved in this paper:

- identify the prerequisites that determine the unity of the organizational and technological system of treasury execution of the budgets of the Republic of Moldova;

- explore the essence of the national model of treasury budget execution and determine the content of the concept of the treasury budget execution system from the standpoint of economic and regulatory characteristics;
- give a subjection-objection characteristic of budget accounting;
- analyze the treasury system of budget revenues and expenditures.

Our goals in this paper are to provide historical context around the framework's development, and to flesh out the concepts and concerns underlying the Treasury System framework. While we draw heavily on the thoughts and ideas of others expressed internally over many years.

3. Methodology of research

In this regard, the study of this subject is an essential condition for a deeper understanding of the contents of the budget and the mechanism of its functioning.

In this paper the author intends to highlight the role and functions of the state treasury, by describing the historical stages of transforming the structure of the treasury system, and proposes to outline the problems that the treasury system faces.

4. The history of the Treasury system of Moldova

The State Treasury was created on the basis of the Decree of the President of the Republic of Moldova No. 39/1993. Over its history, the development and the implementation of the Treasury system of the Republic of Moldova, was carried out in the following stages:

Stage I (1993-1997). Starting with the first of April, 1994, the State Treasury opened a unique account with the National Bank of Moldova, which ensured the accumulation and administration of the revenues in the total amount, without ensuring their record on the types of taxes and fees. The financing of the state budget expenditures was carried out from the same account through the main authorizing officers within the limit of the approved quarterly budget allocations.

Stage II (1998-1999). For the execution of the provisions of the Government Decision No. 683/1996 regarding the creation of territorial treasury structures, the Ministry of Finance created the following territorial treasuries:

- from the 1st of January, 1998 – the staff of the Chisinau Territorial Treasury consists of 25 units;
- during the second quarter of 1998 – 10 territorial treasuries based in the following localities: Balti, Edineț, Soroca, Drochia, Ungheni, Hincesti, Cahul, Causeni and Comrat, with a total of 3 units in each treasury, in total 32 units.

During the creation of the territorial treasuries, changes have been made in the process of cash execution of the state budget.

Thus, starting with the 1st of January, 1998, the revenues of the state budget were administered through 5000 treasury income accounts, which ensured the receipts record according to each type of taxes and fees, and territorial-administrative units.

At the same time, about 1500 bank accounts of the budgetary institutions, financed from the state budget, were closed and treasury accounts were opened in the respective territorial treasuries, based on the financing plans approved for each institution.

Stage III (2000-2002). For the execution of Art. 28 of the Law on Local Public Finances No. 491-XIV/1999 (currently repealed) and the Decision of the Government of the Republic of Moldova No. 961/1999 on the Development of the Treasury System, the Ministry of Finance, in common with The National Bank of Moldova and the local public administration bodies were authorized to ensure the organization and implementation of the third stage of the treasury system development in the republic, which provides for the cash execution of the budgets of the administrative - territorial units through the territorial treasuries.

From the 1st of January, 2000 three new treasuries started their activity: the Chisinau Territorial Treasury - the municipality budget, the Chisinau Territorial Treasury - the county budget and the Taraclia Territorial Treasury. During the year 2000 the treasury system of the Ministry of Finance (consisting of the Central Treasury and 14 territorial treasuries) ensured the record of the daily receipts of the state budget and of the budgets of the administrative-territorial units through about 2

million accounts, administrative-territorial unit and locality (municipality, city, village / commune). Thus, from the 1st of January, 2000, the treasury system ensures the administration of the revenues of the state budget and the budgets of the administrative-territorial units.

During 2001, 23 territorial treasuries started their activity in order to create more favorable conditions for the services of the general finance departments, of the town halls, of the public institutions, which ensure the execution of the budgets of the administrative - territorial units. Starting with the 1st of April, in the counties Cahul and Ungheni, was performed the testing of the packages of programs elaborated by the employees of the Central Treasury, together with the employees of the Calculation Information Center of the Ministry of Finance. Based on the test results and for the execution of the decision of the College of the Finance Ministry No. 16-3/2001, the treasury system was extended throughout the territory of the republic:

- from the 1st of July, 2001 - in the counties of Tighina, Lapusna, Taraclia and UTA Gagauzia;
- from the 1st of August, 2001 - in the counties of Balti, Edineț, Orhei, Soroca and Chisinau;
- from the 1st of October, 2001 - in the town halls of Chisinau municipality;
- from the 1st of January, 2002 - in public institutions financed from the Chisinau municipality's budget.

Starting with 2001, 38 territorial treasuries operate within the republic.

Stage IV. (2004) The incomes of the Compulsory Insurance Funds were taken over by the treasury system.

Stage V. (2006) The revenues of the State Social Insurance Budget were taken over by the treasury system.

Stage VI. (2007) The transfer of special means, special funds and means temporarily entered into the possession of public institutions, financed from the State Budget, from the bank accounts of the territorial treasuries in the Treasury Single Account of the Ministry of Finance.

The Treasury Single Account system is in place since 2007, providing for proper cash management. As regard to debt management, medium-term debt management strategies are regularly prepared, and include a fiscal risk analysis, indicators for risk monitoring, and a debt sustainability analysis.

Stage VII. (2008) The transfer of the means of the State Social Insurance Budget, the Compulsory Insurance Funds for Medical Assistance and the Administrative-Territorial Unit budgets from the bank accounts in commercial banks to the Treasury Single Account of the Ministry of Finance.

For the purpose of temporary use of the available balances of money from the accounts of public authorities / institutions financed from the state budget, as well as the balances of money means from the accounts of self-management public authorities / institutions, opened in the Treasury Single Account of the Ministry of Finance, according to the annual budget law.

A reform agenda for public finance management – the PFM Strategy 2013-2020 was elaborated and approved in August 2013. The implementation of this strategy is also supported by the new the Law on Public Finance and Budgetary-Fiscal Accountability No. 181/2014.

Since 2015, self-managing public authorities / institutions manage the financial means through the Treasury Single Account of the Ministry of Finance.

Since 2016, some state-owned enterprises and joint stock companies manage the financial means through the Treasury Single Account of the Ministry of Finance.

5. The State Treasury functions

Revenue uncertainties, combined with political pressures for social spending and resistance to expenditure reductions elsewhere, mean that the approved budget is often an unrealistic guide to a sustainable level of public spending.

“The traditional and the contemporary functions of the treasury are: the manager of public money, the financial intermediary, the trustee of public power, the agent of public financial intervention in the economy, the guardian of the great balances.” (Manole, 2014, p. 26)

The State Treasury of the Republic of Moldova is a General Directorate within the Ministry of Finance that fulfills the following functions as:

- ✓ the execution of the national public budgets,
- ✓ the drafting and approving of the methodology for the execution of the component budgets of the National Public Budget and the maintenance of accounting records and reporting systems,
- ✓ the accounting and reporting of assets and liabilities, state revenues and expenditures,
- ✓ the cash management and forecasting,
- ✓ the provision of relevant methodological and advisory assistance to budgetary institutions.

The Treasury aims at achieving its goals through:

- the establishment of the Treasury Single Account and the gradual expansion of its coverage,
- the reform of the accounting and reporting systems for better alignment with the international standards,
- the continuous improvement of the automated budget execution processes.

Starting with January 01, 2016, financial accounting and reporting in the budgetary system are conducted in accordance with the new Chart of Accounts and Methodological Norms on accounting and financial reporting in the budgetary system approved by the Order of the Minister of Finance No. 216 of 28 December 2015. The new Chart of Accounts is integrated with the new economic classification of the budget.

Information about the cash receipts, cash payments and cash balances is necessary for accountability purposes and provides input useful for assessing the ability of the government to generate adequate cash in the future and the likely sources and uses of cash. In making and evaluating decisions about the allocation of cash resources and the sustainability of the government's activities, users of the government's financial statements require an understanding of the timing and certainty of cash receipts and cash payments.

In the budget execution process, the Treasury ensures:

- the Treasury Single Account functioning;
- participation in the Automated Interbank Payment System;
- registration of commitments;
- daily cash forecasting and management.

In accordance with the provisions of the Regulation on automatic interbank payments system approved by the Decision No. 53 of the Council of Administration of the National Bank of Moldova of 2nd March 2006, the Ministry of Finance – State Treasury, starting from 1st March 2007, has become a direct participant in the automatic interbank payments system. Since January 1st, 2007, the special means, special funds and means temporarily owned by the public institutions financed by the state budget were transferred from the treasury banking accounts of the territorial accounts into the Treasury Single Account of the Ministry of Finance.

To make the banking operations more efficient, streamline the electronic exchange of documents between the territorial units of the State Treasury and its clients, the Ministry of Finance procured and installed the Informational System of Long-Distance Account Services 'Client – Treasury' that permits to deliver long-distance services to the territorial units and clients without presenting the hardcopy documents and information and without resorting to the services of commercial banks.

Beginning with January 01, 2008, the authorization of payment documents shall be done by applying the digital signature issued and certified by the Centre of Public Key Certification.

Consolidation of Government bank accounts to a Treasury Single Account at the Central Bank and setting up appropriate institutional arrangements for processing payment and receipt transactions against this account.

Treasury Single Account is one of the proven practices in improving the payment and revenue collection systems, and carrying out consistent control of public expenditures by centralizing the free balances of government bank accounts. The TSA infrastructure is usually implemented as a part of the Financial Management Information System solutions.

"Treasury Single Account is a public accounting system under which all government revenue, receipts and income are collected into one single account, usually maintained by the country's Central Bank and all payments done through this account as well. The maintenance of a Treasury Single Account will help to ensure proper cash management by eliminating idle funds usually left with different commercial banks and in a way to enhance reconciliation of revenue collection and payment." (Cernit, 2017, p. 35)

The centralization of all government payments throughout the Treasury System and consolidation of bank accounts to a single account at the Central Bank, avoids a situation in which there is a buildup of large idle balances in spending unit bank accounts, even though the Ministry of Finance experiences has a cash deficit in overall terms. The buildup of idle balances is also indicative of the difficulty experienced by the Ministry of Finance to receive timely information from spending agencies on the use of public funds and subsequently to exercise control.

The benefits of Treasury Single Account:

1. *Allows complete and timely information on government cash resources.*
2. *Improves appropriation control.*
3. *Improves operational control during budget execution.*
4. *Enables efficient cash management.*
5. *Reduces bank fees and transaction costs.*
6. *Facilitates efficient payment mechanisms.*
7. *Improves bank reconciliation and quality of fiscal data.*
8. *Lowers liquidity reserve needs.* (Bragg, 2010, p. 69)

The Treasury prepares and publishes periodic and annual reports on the execution of the State Budget and the National Public Budget.

Budget execution reports are accurate, comprehensive and produced in a timely manner. The consolidated annual budget execution report is the basis for the annual financial statements which are prepared on cash basis, using a national methodology which is not International Public Sector Accounting Standards compliant, but broadly in line with international standards.

In accordance with the provisions of Law No. 181 of 25 July 2014 on Public Finance and Fiscal Responsibility, the reports on the implementation of the national public budget and its components are elaborated and published monthly, semi-annually and annually.

The managers of the component budgets of the national public budget are prepared and published reports on the execution of the budgets they manage.

These reports include the approved and executed indicators, as well as the indicators executed for the same period of the previous year.

Information on overdue liabilities and debts (arrears) of the state budget and of local budgets are prepared and published each month.

The semi-annual report on the execution of the national public budget and its components for the current budget year is drafted and submitted to the Parliament by the 15th August.

The annual reports on the execution of the state budget, the state social insurance budget and the mandatory health insurance fund are prepared by the respective budget administrators and submitted to the Government and then to the Parliament for approval by the 1st June of the year following the reporting period.

The annual reports on the execution of local budgets are drawn up by the local executive authorities and submitted to the local councils for approval by 15th March of the year following the reporting period.

Treasury is also an excellent place to schedule internal audits, with the intent of matching actual transactions against company policies and procedures. Though these audits locate problems only after they have occurred, an adverse audit report frequently leads to procedural changes that keep similar problems from arising in the future. (Bragg, 2010, p. 6)

The Treasury provides methodological advice and consultations to central and local public authorities in the process of budget execution.

The Treasury is in the process of reforming the accounting and financial reporting system in the public sector. The objective of the reform is to develop National public-sector accounting standards in line with International Public Sector Accounting Standards.

In order to implement the reform, the Ministry of Finance established, by the Order No. 202/2015, a Council for Public Sector Accounting Standards aligned with International Public Sector Accounting Standards to draft/amend the relevant normative acts.

The concept for the development and introduction of National public-sector accounting standards was approved by Order of the Minister of Finance No.159/2016. The National public-sector accounting standards will be designed in compliance with International Public Sector

Accounting Standards taking into account the specific characteristics of the Moldovan Government operations.

6. Conclusions

To enhance the efficiency of the use of budgetary resources to improve the procedures used in budget execution and capitalization of existing reserves in the field of public finance, it is necessary to ensure the stability of treasury system. Efficiency of budgetary resource use can be reached, first of all, by re-examining the budgetary process by implementing the best practices in the field, after which the reform of public sector by undertaking activities of improving the budgetary expenditures and their harmonization in accordance with the financial resources really available for their coverage.

As it is mentioned in The Treasury management manual, "The value for money in treasury management activities should be pursued and performance methodology used in support, within the framework set out in the treasury management policy statement." (Treasury management manual, p.5)

The electronic public procurement system MTender in Republic of Moldova is completely ineffective. The existence of an effective electronic procurement system is crucial to ensuring the transparency, record keeping and efficiency of the public expenditures.

Advanced economies are assumed to have solved most control problems. Ex-ante control has been replaced by strong ex-post accountability. They can prioritize efficiency and effectiveness objectives, while having ample financial management capacity and well developed markets for financial services.

An integrated treasury system offers several significant benefits in managing public monies more effectively, including, greater financial control, improved monitoring of the government's cash position and better planning for future requirements, better fiscal reporting, and availability of better data for budget formulation.

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Romania's Monetary Evolution from its Creation until the Great Union

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Abstract

Ever since the creation of the Romanian state in 1859 and until the period immediately following the First World War, the newly formed Romanian state has been subjected to heavy political, social and economic trials. But the real challenge was the financial support by the National Bank of Romania of the war effort for the first major world conflagration and after that, the exit from the economic and financial crisis, of the new Romanian unitary state.

The paper deals with the evolution of Romania's international supply from the period preceding the First World War, during the conflagration with its complete exhaustion, the monetary imbalance generated by the war, until the monetary unification was realized, with the aim of regaining confidence in the national currency since the end of the First World War.

Key words: monetary system, international supply, currency

J.E.L. classification: N13, N14

1. Introduction

The international reserve is now considered to consist of all external claims made up of the monetary gold, International Monetary Fund reserve, convertible currencies, special drawing rights, other assets. The National Monetary Authority with control over the international reserve guarantees the country's external solvency by ensuring payment of the external debt service and keeping under control the expenses balance and guaranteeing the refunding of the external debt of the country.

Over time, the concept of international reserve has changed according to the economic and historical context. At first the international reserve was given by the metal stock held by the issuing banks. The international reserve comprised the gold stock followed by the silver stock, which had a downward evolution, eventually reaching the coins with intrinsic value of precious metal.

The quantity of metallic stock required for monetary coverage was dimensioned by the fixed ratio of the money in circulation at face value or by the commitments at sight being regulated by the monetary law.

The guarantee for converting bank notes in circulation into gold was given by the metal stock in the international reserve.

In cases where debts to other countries were not paid from goods deliveries or services, the metal stock could be used for this purpose.

2. Theoretical background

In order to motivate the choice of the theme that refers to history, our plea begins with the words of a German professor, B. Pendorf "Whoever wants to become a master in an art must first study its history. Without historical foundation, all knowledge is incomplete, and the judgment of the phenomena presented is uncertain and lacking in maturity" (Pendorf, cited in Demetrescu, 1947, p. 5).

On the other hand, "Few subjects in economic science are more tangled than currency", and "the multitude of opinions on monetary issues" have "the perfect historical equivalent as a Babel Tower" (Rothbard, cited in Marian, 2007, p. 307).

Therefore, in the context of the centenary anniversary of the Great Union, consecrated on December 1st, 1918 but also its consolidation from the immediate period, from the beginning of the interwar period, we considered it appropriate to undertake a scientific approach on Romania's Monetary Evolution from its Creation to the Great Union.

Studies found in this regard highlight Romania's monetary evolution, including international reserves, from its constitution until the Great Union period. T. Brailean realizes an analytical incursion into the world of ideas that promote, among others, the monetarism in the economic mechanism and in the face of reality, and advocates for a moral economy (Brailean, 1998). In the chronology of the economic thinking from antiquity to the period of economic neoliberalism, Ghe. Popescu emphasizes the effects of treasuring the currency, but also of the reverse effect (Popescu, 2002).

I. Saizu and Al. Tacu emphasize the extremely subtle and often difficult to decipher complexity of the economic realities, in a continuous movement in one direction or another, which involves the use of specific tools to penetrate the mechanism of monetary mass fluctuations in relation to the analysis of economic conjunctions (Saizu *et al*, 1997). Knowing the economic realities, including those regarding the monetary system and the evolution of the international reserve, must be related to the context of economic evolution overshadowed by the aftermath of the First World War, which warned about the economic decline in the next period. The important moments regarding Romania's national monetary system evolution were presented by V. Stoica and P. Deaconu (Stoica *et al*, 2003), and V. Turliuc highlights the progress made in the monetary reality, analyzing the important stages in the evolution of the national monetary system before and after its foundation (Turliuc, 2013).

We also mentioned that the capital work of C. Kiritescu, entitled "The money system of the *leu* and its precursors", represents Romania's national monetary system, its history, its antecedents, its genesis and its manner of functioning until today (Kiritescu, 1997). C. Kiritescu also captures, in a unique way, the monetary disturbances of the 20th century (Kiritescu, 1996).

3. Research methodology

Economic history, monetarism, currency and credit, monetary policy, economic thinking were the theoretical guiding marks from which we initiated this scientific endeavor; guiding marks that we have passed through the filter of observation, reasoning, analysis and synthesis. By the nature of the subject addressed by us, our research is descriptive and analyzes the evolution of Romania's international reserve from the period prior to the First World War, during the conflagration, the monetary imbalance generated by the war until the monetary unification as part of the efforts to restore the currency's national prestige.

Researching means being objective, and this research is based on how the authors understood to reflect the reality of the past events regarding Romania's monetary evolution in a period of great historical fragmentation for the Romanian people.

Obviously we do not claim that we have contributed to the progress of science in this subject area, but in the tumultuous times we are going through, such a subject can generate new scientific reflections, positions and new research ideas, which can contribute to the development of science in the field of history and monetary policies.

4. Findings

4.1. The Evolution of the International Reserve and of the Romanian Monetary System, from the Creation of Romania until the Eve of the First World War

After establishing the Romanian state under the Ruler Alexandru Ioan Cuza in 1859, the government from that time had a failed attempt to create a monetary system in 1860, following the French model, as a consequence of the withdrawal of France's support in its desire to avoid a

diplomatic conflict with the Ottoman Empire. In Romania, there was the intention to realize the emission of the first coin, named *român* or *romanat*.

The act of establishment of the national currency, the "leu", came only in April 1867, after the dethroning of Alexandru Ioan Cuza, when the modern Romanian monetary system was established. The denomination of leu was taken by the name of the lion-taller, a high-value currency that had circulatory power first in the United Provinces of the Netherlands, then in the Balkan Peninsula including in the Romanian countries. The Lion-taller has been circulating for 150 years starting with the 17th century in the Romanian space, gaining a great popularity.

In order to manufacture national coins, the law imposed the double gold-silver standard as the basis. The first coins on which the name of the lion was inscribed are the gold ones with a face value of 20 lei and the silver ones of 1 leu, the same year the State Monetary was inaugurated.

By making coins with a high content of precious metals, therefore an intrinsically large value of the national currency, the desire was to amplify the leu's hoarding function. Heinrich Marx said about the treasury function of the currency, the fact that if the currency in circulation is too large, the currency is treasured by turning into a metal block and conversely if the monetary mass is too small, the treasured metal blocks returned to the currency. In this way a continuous process of adapting the monetary mass to the needs of the economy takes place (Popescu, 2002, p. 547).

Worldwide, as a result of discovering of large silver deposits, and some countries abandoning silver as a benchmark, as well as the European economic crisis of 1873, it has led to a large quantity of this metal on international markets, and implicitly decreasing its value in relation to gold.

In spite of these factors, due to the specific evolution conditions, in Romania the silver was overestimated by law, the structure of the money mass evolved to increase the number of silver coins at the expense of gold ones, the Romanian state issuing, with one exception, silver coin.

Several reasons have led to decrease the availability in gold:

- gold was exported and treasured up as a commodity with a price expressed in silver;
- the decline in the export of agricultural products by which gold was obtained (1883-1884);
- the external debt paid by the state exclusively in gold;
- the war in 1877.

As a consequence, it can be said that in Romania until 1873, the gold single standard functioned and after that we can talk about the silver single standard.

On June 22, 1877, for the first time, paper banknotes were issued, bearing the title of lion, constituting in fact at the same time mortgage notes created in order to guarantee with the real estate values of the state to support the too expensive efforts of the Independence War. Mortgage tickets were secured with state-owned assets and properties, which were necessary in order to replace the metal coins, which were intensely used in the payment of imports, given the fact that the exports were declining, mainly exports of agricultural products.

Through this issuing, the state tried to conceal the name of paper money with the ambiguous one, "mortgage" bills designed to create confusion about the production of mortgage tickets as well as banknotes, there were ample provisions regarding the guarantees underlying the issue of mortgage tickets" (Kiritescu, 1997, p. 228).

By the Law for the establishment of an "account and circulation bank" (<http://www.bnr.ro/Istoria-BNR-1052.asp>) in April 1880, the axis of the modern Romanian financial-banking system, the National Bank of Romania, a credit institution, which had the exclusive privilege to issue banknotes. The new bank which had a privileged statute was from the beginning a Romanian private bank owning a third of the bank's capital, the rest of it belonging to Romanian private people.

"It is true that in 1880 the state was the strongest shareholder, because it held one third of the shares. It was not, however, the most consistent shareholder since in 1900 the state sold its shares to the Association of National Bank Shareholders. In 1925 it returned as a holder of one-third of the NBR's shares and in 1929 sold some of his shares again, keeping only 10% until the end of 1946 when the bank was staged by the Communist government, led by Petru Groza" (<https://www.zf.ro/>).

The National Bank of Romania, through the mechanism of monetary issuance, in the beginning of the Romanian capitalism, has greatly contributed to the formation of pecuniary capital through large-scale crediting of the market and the state.

Since its foundation, the Central Bank created the premises for the development of the Romanian banking system from a bank, in 1874. to four, in 1881 and in 1913, to 187 banking companies.

Central Bank had the obligation to administer a gold and silver stock that would overtop a third of the value of the issued banknotes with the purpose of guaranteeing the banknotes in circulation. The metal reserve of the Central Bank did not correspond to the bimetallic base of Romania's monetary system, initially silver had a bigger share than gold. This fact was emphasized until in 1883, when the Central bank owned a metallic stock only composed of silver which had a small value, as an effect of total conversion of the gold stock.

The large increase in exports from 1890 until 1892 brought large quantities of gold in the country, which led to a slower shift to gold monometalism.

Due to the economic context, the National Bank of Romania, together with the Romanian government, contributed in the years 1890-1892 to the creation of the legal framework to a single monetary rate by giving up bimetallicism in favor of gold monometalism.

In 1892, through the new monetary law, gold monometalism was adopted by the removal of silver as a benchmark. Thus, 1 leu was the equivalent of 0.3226 g gold with the title 900 ‰.

In relation to the most important foreign currencies, the situation was as follows:

- 1 French franc = 1 leu;
- 1 Swiss franc = 1 leu;
- 1 pound = 25.25 leu;
- 1 dollar = 5,18 lei.

Monetary law at that time respectively imposed Central Bank to cover a minimum of 40% from the banknotes volume in circulation. Still, in special cases, specified by the law there was a reduction of a third from this coverage.

The Central Bank in the time of its foundation until the beginning of the First World War financed Romania's economy by the volume of the credits and maintained a reduced level of the bank rate. Although between 1900 and 1925 the state withdrew from the shareholders, the Central Bank's statute was kept as a bank with all its previous responsibilities.

4.2. The International Reserve and the Romanian Monetary System during the First World War and the beginning of the Interwar Period

The foreign capital infusion in Romania until the beginning of the First World War. due to domestic insufficiency, were very big, being vulnerable for the country, taking the form of loans granted to the state, banks, commercial or industrial entities. The situation was as follows:

"Regarding the state loans, it is clear that in 1914 the Romanian kingdom owed Germany 903 075 000 lei, France 483 790 000 lei, and Belgium, the Netherlands and Switzerland together 64 505 000" in relation to the domestic public debt of 177 390 000 lei, where the National Bank of Romania remained the most important domestic creditor. In the banking sector, out of the total of 176,392,010 lei, which were available for the eight commercial banks, the amount of 106,800,000 lei, meaning 60%, belonged to the capital of Germany, France, Austria, Hungary, England and Belgium in 1914. In industry, on the eve of the First World War of the total capital of anonymous societies, which is part of the so-called large industry and amounts to 636 556 546 lei, the foreign capital was worth 511 019 236 lei, meaning 80.2%" (Constantinescu *et al*, 1997, p. 334). It is possible to conclude the extremely important role played by the foreign capital in the economic life of Romania before the war, and this is because, as an economist of this period, Victor Slăvescu wrote in 1915, *a maximum profitability*, as he noted, which he could obtain in Romania.

The size of the First World War and the fact that, unlike other military conflicts, weapons were created in the industrial period, it generated very large funds to support it. It can be confirmed with certainty that that this war cost a great deal of money, surpassing all the costs of the conflicts from XIX century. (Saizu *et al*, 1997, p. 38). Because of this fact, the governments of the belligerent states were financially supported by their national banks in the global conflagration. The National

Bank of Romania did not make an exception to this, for which the war started in the summer of 1914, when the financial support was requested.

Since the beginning of the century, the governments of the belligerent states have triggered an unprecedented arms race, which Romania has not been able to achieve, due to its low economic and financial capacity to make such an effort. The two years of neutrality until August 1916 were not enough to recover the gaps in Romania's military training for a war of this magnitude. On the other hand, along the years of neutrality Romania concentrated its efforts for the influence on the Romanian economy by the countries which were part of the Antanta and the Central Powers intensified and it manifested by large oil and grain imports, loans granted to the Romanian state, mass purchases of shares in the banking and industrial companies. These efforts affected the inversion of the domination of the German and Austro-Hungarian capital from the beginning of the century in Romania at less than half in favor of the French, British, Belgian, Dutch and American capital.

After Romania's entry into the First World War, the economy of this young country was severely affected by the war effort.

During the war, the Romanian government obtained successive loans from the Central Bank. This aspect led to an increase in paper money, resulting in higher inflation, as British economist David Ricardo said: „The amount of money in circulation must be determined by the sum of the commodity values, each country having to use an amount of money corresponding to its national wealth” (Brailean, 1998, p. 35).

The repeated loans that were received by the state from the Central Bank led to the danger that the issued banknotes which were in circulation could not be covered by the regulations in place at that time. To foresee this risk, the Romanian state gave up a part of the gold and foreign currencies which were under administration of the foreign banks to the Central Bank of Romania.

The situation that was created along with the forecasts regarding the devaluation of the banknotes issued without coverage, determined the Central Bank to ask the Ministry of Finance that a third of the loans granted to the state to be repaid in gold by using the cashed in amounts of the state from the export taxes. Despite all efforts to increase its gold and gold reserves, it has grown more modestly compared to the nominal value of banknotes put into circulation, which demonstrates the depreciation of the leu.

Along with the increase in military spending in inflation increased due to internal circulation of civilian goods also, as most of the industry worked for the army and not for the population, and consequently the prices of the consumer products increased greatly.

The unfavorable evolution of the military events forced the Romanian authorities together with the central management heads of the National Bank of Romania to take refuge in Iași.

The National Bank of Romania and the Romanian Government have since decided to transfer the metal reserve covering the monetary issue, also called the golden treasury, first in Iasi and then in Moscow in Russia being the only allied state with which Romania had a border.

In Iași the representatives of the Romanian state, of the Central Bank signed a document with the representative of the Russian Empire, which ensured the Russian Government's transport, storage, as well as return to Romania. Thus, in December 1916, the central bank's gold was transferred to 1735 gold coin tapes, 3 boxes of gold ingots, and 2 Queen Maria jewelry, all of which was inventoried and stored in Moscow at the Russian State Bank.

In the uncertain situation from the summer of 1917, when a strong military offensive was awaited by the Central Powers, it was decided to make a second transport from the Romanian Treasure to Moscow in July 1917. This time the total value of the second transport was 7.5 billion lei, compared to the first transport of 320 million lei. The second transport contained the values of the National Bank of Romania valued at 1.5 billion lei (575000 lei representing gold) and the rest belonged to other institutions.

The two transports totaled a quantity of gold that constituted Romania's international reserve kept at the Central Bank of 91.48 tones of fine gold.

Although the gold came out of the management of the National Bank of Romania being transferred to Moscow, it remained for a long time kept in the bank's balance sheet. After the exhaustion of the remaining resources, the gold treasury bills were used by the Central Bank.

Due to the fact that the Central Bank used the gold treasury bills in its stock to cover the banknotes issued by it, as a result of the numerous authorizations given by the Government of Romania, this fact was also a cause of the strong depreciation of the leu.

In the circumstances of the heightened treasury tendencies, but also due to the intensification of speculative practices, led to almost total disappearance of metal coins in circulation, their place being taken by paper money. This resulted in suspending paper money convertibility in June 1917.

The establishment of a forced exchange rate for the leu, the use of gold treasury bills in covering stocks of banknotes issued, maintaining the non-convertibility of the leu led to a strong imbalance of the exchange rate. As C. Kirişescu also said, the growth without an economic base for the monetary mass in circulation has broken the balance created the almost spontaneously between the demand for currency of the economy and the volume of money circulation. (Kiritescu, 1996, p. 220).

Given that the volume of commodities on the internal market severely declined, the massive increase in the amount of paper money in circulation led to a strong inflation. The first inflation since the creation of the leu as a national currency made the entire Romanian society feel the negative effects of the war with the whole range of social reactions.

Between 1916 and 1917 the war has caused a great disruption in public finances, budgets have not even been drafted, state spending grew strongly exceeding the revenue several times. In order to cope with such a situation, the state has increased the taxation and made other loans from the Central Bank reaching the end of 1918, to increase by 3.5 times the pre-war period to almost 1.6 billion lei.

For the occupied territory of Romania, the authorities of the Central Powers issued occupational banknotes made in Berlin with the title of new lei, in order to be able to operate them economically as quickly as possible, and then they were put into forced circulation. This paper money was emitted on 17 December 1916 and put into circulation in early 1917 by the old Romanian General Bank, a bank with German capital, existing since 1897. New lei were considered to be covered by a fictitious cash deposit at Bank of the German Empire in Berlin.

The lei we emitted from the Romanian General Bank was a lever at the disposal of the occupation authorities with the clear purpose of economically draining Romania's occupied area by buying national goods, Romanian shares and other values. In these circumstances, Romania had a circulatory power of three coins issued by the Ministry of Finance, the Central Bank and Romania's General Bank.

Also, with the aim of ensuring domination, German occupation authorities ban undertook a forced depreciation of the leu through the huge issue of 2.2 billion lei without gold coverage. The money in circulation was twice as large as the total value of the Romanian banknotes in circulation in 1916 of 1.03 billion and more than the total value of the loans received by the Romanian state from the Central Bank until the end of the war

New *lei*, issued by the Central authorities' powers, circulating along the old lei issued by the Central Bank, deeply disorganized monetary circulation, raising inflation to quotas unseen in Romania until that moment.

The intentional devaluation by the occupying authorities of the leu had an effect over time on the inflation of the national currency after 1918.

Prior to 1918, in the territories inhabited by Romanians from Transylvania, Banat, Bucovina, which belonged to the Austro-Hungarian Empire and Bessarabia belonging to Russia, it circulated foreign money, owned by these states.

After the Great Union of 1918 it was compelling to replace the new *lei* issued by the Central Bank these currencies that circulated in these provinces integrated to Romania. This was accomplished with the monetary unification of 1920 where Austro-Hungarian crowns, Romanov and Lwow rubles, and the lei emitted by the Romanian General Bank were converted into lei that would become convertible only on February 7, 1929, with the new monetary law. It redefines the gold coverage of the new national currency: 1 leu = 10 mg. gold with the title 900 ‰. Beginning with 1920 until 1921 "during the unification process a supplementary banknotes emission of 7,5 billions lei was realized" (Stoica *et al*, 2003, p. 124). The conversion was made late, which allowed the smuggling of large amounts of money into the country, with a strong inflationary effect. In order to remedy this situation: "the measure of stamping foreign money in circulation will be taken

by the governors only to create the illusion for the people of taking some protective measures against the invasion of deprecated foreign banknotes" (Turliuc *et al.*, 2013, p. 107).

The new authorities of Russia, who took over the power after the Bolshevik Revolution in the autumn of 1917, confiscated the treasury of the National Bank of Romania. This has seriously affected Romania's monetary equilibrium during the war period.

With the monetary stabilization of February 7, 1929, the assets of the National Bank of Romania's balance sheet, the gold stock transferred to Moscow recorded as *litigious claims on foreign assets*, kept in with the hope of re-entering into possession, following the promise of pressures on Russian authorities, by the Allied Powers. However, the Central Bank's balance sheet symbolically left the *gold* account in Moscow for memory until 1943.

5. Conclusions

Efforts to support the war have diminished to full exhaustion the international reserve of the National Bank of Romania.

After the war we witnessed the attempts of the national authorities to rebuild the international reserve, to restore confidence in the national currency. but also the restoration of the disorganized public services. This was also facilitated by the new resources acquired through the new territories included in the borders of the Romanian state.

The dissolution of the Austro-Hungarian Empire, immediately after the war, led to the disappearance of a number of institutions of the empire located in the geographical area of the newly emerged states. This is the case of the Austro-Hungarian Bank, whose immovable from Banat and Transylvania were taken over and transformed into the headquarters of the National Bank of Romania.

By the end of 1918, following the inflation phenomenon, the real average salaries were a quarter from the average salary identified in the beginning of 2016. During the war the speculation of strict necessity products intensified, but also value titles from the industrial and banking sector. The destruction caused by the war in the industry was borne by the Romanian state, which in turn covered them through taxation, leading to deeper economic and social contradictions.

"The costs of preparing the army and supporting the war along with the costs needed to supply the country, impoverished after the years of occupation, the need to bring disorganized public services into operation, to resume production and to achieve monetary unification, and on June 30th, 1922, its value reached 12,339,249,230 lei" (<http://www.bnr.ro/1919---1939--1055.aspx>).

By virtue of the fact that in ancient times the regions that were to be included in Romania after the Great Union and the Old Kingdom developed favorable economic relations economic integration was very easy, so in the next period, the national economy will develop quickly, with all the losses suffered in the war.

Following the Union in December 1, 1918, Romania having a rich and varied heritage with a strategic and important economic potential of 295 thousand square kilometers, and a population of over 15 million, acquired an average position on the continent and the first place in South-Eastern Europe.

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National Accounting and the Macroeconomic Informational System

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Abstract

This paper illustrates an overview of the role and characteristics of national accounting, a "power accounting", as well as its fundamental element, the National Accounts System. National accounting measures, using numbers, the economic activity, nationally, constituting the main source of information for substantiating macroeconomic decisions, but also an answer to one of the inter-nationalization requirements.

National accounting allows the analysis of the productive process of goods and services, the formation and distribution of income, the use of income for consumption, the increase of the patrimony through the use of economies in order to accumulate economic goods.

Key words: national accounting, macroeconomic system, information

J.E.L. classification: M41

1. Introduction

The paper aims to enhance the role of the national accounting as a basic component of the informational system in order to substantiate economical decisions and to track their implications macro-economically, using the national accounting indicators.

The provision of accounting information depends on various factors of social, economic, political nature, the way to conceptualize and normalize accounting, but also on the advances of the information technologies that contribute to the optimization of the time which is necessary for processing of data and also allocating this time in order to elaborate analyses or support services for decision making. At the same time, it is the effect of propagating the call for professional reasoning in accounting that demands the relevance of information and the uniqueness of monetary relationships as economic relationships.

Inter-nationalization also entails an increase in demand for macro-accounting information. National Accounts System is the main instrument to record and to analyze macro-economically and it is used in international statistics by almost all the states of the world, with market economy. However, the community of researchers in this field is reduced nationally to a very small number of specialists from universities, within the National Institute of Statistics and National Bank of Romania. In this respect, we considered that it was pertinent to initiate a scientific endeavour which presents the role and the importance of the national accounts within the macro-economic informational system. Moreover, in the European Union, part of the financial contribution of each member (the fourth own resource of the EU) is estimated taking into account the results of the national accounting (Dragan, 2011).

2. Literature review

The promotion of the role of accounting information is well known in substantiating the decisions of the users, but it is less emphasized on how it can put its mark on national accounts, which is an indication of the economic development of a nation.

Why is this aspect also important? One of the explanations could be given by the fact that in order to obtain performance, there must be control over the economic activity, but this control is dependent on the possibility to concretely measure the facts, transactions and economic results. The accounting accuracy involves and measures the effects beyond the scope of the actors micro-economically, respectively through the national accounts.

"The national accounting systems are relatively recent; their needs were reflected by the publication of Keynes's ideas in 1936 and were internationally standardized and developed after World War II. The national accounting systems in most countries are now under the patronage of the United Nations' System of National Accounts (NAS), ... and all the member states of the European Union follow the directives, more precisely, of the European System of Accounts (ESA)" (Dragan, 2011).

National accounting ensures the presentation of macro-economic information in an accounting framework. The informed macro-accounting is a stake for all the protagonists of the economic and social life of a nation: enterprises, households, state, trade unions, financial institutions etc. (Ionascu, 1995, p. 11). It is built on the basis of economic concepts and notions, passed through the filter of statistical and accounting techniques.

National accounting represents a powerful source of information processed and synthesized macro-economically by groups of economic agents, then materialized in a series of indicators that reflect globally the economic life of a nation (Capanu *et al*, 2001).

In Gilbert Abraham-Frois's vision (Gilbert Abraham-Frois, 1992) national accounting is characterized by favoring some analyses in terms of flow in a monetary expression. The economic reality captured in national accounting is presented in a synthetic way, the author having a Keynesian view on unemployment and the use of the labor force, allowing to explain the coexistence of unemployment and inflation.

Economic aggregates are variables that optimally reflect the functioning of the economy as a whole, being abstractions used in describing certain aspects of the economic life (Burja, 2003). Burja describes the process of aggregation in economy as a combination and synthesis in a macro-economic category of economic phenomena and processes expressed through a series of indicators.

The national accounts system, the fundamental element of national accounting is based on the theory of production factors, according to which participants in multiple economic activities are rewarded in relation to the services they provide (Sandu *et al*, 1992).

3. Research methodology

The research methodology represents "the study of the methods used throughout the research, which give relevance and validity to the process of knowledge development" (Niculescu *et al*, 2011, p. 108).

"It is true that nothing comes for granted, (only exceptionally), all the achievements, especially in the scientific field, are determined by a necessity: the need to understand some mechanisms or the development of processes, the need to realize certain products, technologies that meet the demands of the moment" (Ciobotaru, 2008).

The predominant research stream used during the present research is the positivist one, so that we aim to explain the different theoretical aspects of the problem regarding the accounting accuracy reflected by the national accounting.

The concrete study methods were the *descriptive method* used in the revision of the specialized literature regarding the way of expressing the accounting truth macro-economically. And the method of participatory observation used in expressing opinions during research.

Also, to achieve this scientific endeavor, we resorted to reasoning, analysis, synthesis, interpretation. Obviously, our approach is likely to be affected by subjectivism, because each individual "perceives reality through the distorted lenses of their own attitudes and values" (Goleman, cited in Gorski, <http://stagiipractica.roger-univ.ro/wp>).

4. Findings

4.1. Characteristics of national accounting

National accounting, through its own accounts system, is the most important accounting instrument, providing information needed to perform calculations as well as macro-economic statistical analyses widely used in world statistics. National accounting is subject to an evolutionary process determined by the action of some important political factors, through the intervention of the state in the economy, constituting a powerful instrument in the application of macro-economic policies. National accounting does not have the capacity to quantify individually the effect of administrative measures in the economy, being necessary to resort to disciplines such as statistics, macro-economic analysis, this fact underlining the multidisciplinary character of national accounting. The recourse to statistics and macroeconomic analysis implies a huge multitude of statistical data, as G. Teseleanu considers that "only the multitude of observations allows the elaboration of general traces that mask the individuality of the cases under study" (Teseleanu, 2007, p. 153).

Through national accounting, an extension of the accounting knowledge from the micro-economic to macro-economic level is realized. Most of the information about stocks and flows that reach the national accounts is of an accounting nature, coming from the financial statements and the cash flows of the entities. A feasible connection would be the modification of the financial position of the entity reflected in the balance sheet and the statement of cash flows from the accounting, similar to the financial account from the national accounting, the profit and loss account from micro-accounting, resembling to the production accounts and the income accounts from the national accounting, but also the way in which the information in the company's balance sheet completes the result account, in the same way the information in the equity account adds up the flow account in the national accounting.

National accounting is viewed as applying the accounting principle of double registration, on the one hand the resources and on the other the use of them. Thus, there is a presentation of the flows from economy related on the one hand to the formation of resources and on the other, to their use through the distribution and redistribution process.

Through national accounting, the economic reality is quantitatively reflected at certain moments, or over a period of time. The result of the economic activity is constituted by the products and services which have a merchandise character, as well as those goods which are not destined to be marketed.

National accounting highlights the production of material goods and services, which is confined to the principle of "market production", that is to say those productive activities which have goods, that through market transactions pass from one economic subject to another. The productive activities are the endeavors carried out with the purpose of obtaining goods and services, by using production factors, which satisfy the consumption needs of the company, the accumulation and the export.

There are also exceptions to the principle of "market production" based on conventions, respectively:

- the capital goods which come from self-production, although not purchased from the market, are considered the result of a productive activity;
- the changes in inventories, arising from the production in the calculation period;
- the public services, even if they are not performed as a result of market transactions;
- the self-consumption of entrepreneurs from their own production, the reasoning being that if the goods were not produced by the entrepreneurs for their own consumption, they would have to be traded on the market;
- the house rentals are conventionally considered productive activities.

Regarding national accounting, Abraham-Frois asserted that, "it emphasizes the relationships between agents, economic units grouped into categories, classes or groups with homogeneous behavior. So, the exchange flows between agents are inventoried, reviewed and evaluated" (Abraham-Frois, 1992, p. 466).

Ionașcu views national accounting as a flow accounting, "because, macro-accounting quantifies and records value flows" (Ionascu, 1995, p. 23).

The flows of goods or material flows, as values of use, are important to be highlighted in order to obtain indicators achieved by aggregating them into categories of products and services.

Along with the material flows, the financial flows are also highlighted in the accounts by categories of income and expenses due to the importance they have in the process of obtaining the values of use. The material and financial flows are recorded in the national accounting on the principle of double registration, for each process of changing the value of the owner, two accounting operations are assigned.

Through national accounting, it is possible to verify all levels of the national economy, the achievement of the material and financial balance, by the equality of the material and financial flow within the economic circuit, as well as by the equality of resources and uses in all the reproduction phases and at all aggregation.

4.2. National Accounts System

The fundamental element of national accounting is the National Accounts System, which makes a great contribution to the macro-economic information system, which provides the following categories of information:

- information on the production of goods with their distribution on the production branches as well as the sectors of use;
- information regarding the distribution of these goods, from the formation of incomes to the formation and their use by different entities;
- information concerning their allocation for the purpose of creating and accumulating investment capital;
- information regarding the economic and financial operations carried out abroad.

"National Accounts System which is used macroeconomically aims to create informational conditions in order to know and explain the activity of the different groups of economic agents globally, as well as to reveal the causes that have determined the changes which have taken place, of the important indicators that characterize the state economy regarding the results that synthesize the economic activity, nationally" (Capanu *et al.*, 2001, p.102).

In order to achieve the comparability criterion of information, provided by the National Accounts System used in the market economy states, it is necessary that these systems undergo the process of normalization and harmonization worldwide. In our country, the system was implemented in 1990 following the standardized French model and it is currently in full process of alignment with the European Accounts System in accordance with the norms of the National Accounts System established worldwide. And, before its implementation, during 1945-1990, Romania had a system of material production that was based on a system of obtaining the added value directly from productive activities. Under this system, services were not seen as producing an added value, but only as material goods.

National Accounts System provides delayed information, sometimes quite large, from the national economy. This aspect questions the accomplishment of the criterion of timeliness of the information, which becomes subject to analysis or processing on time. However, the fundamental role of national accounting must be considered, so that it can reflect the past activities in order to have a better knowledge of the economic phenomena, in the interest of realizing some planning, economic policies and accurate macro-economic forecasts.

Based on national accounts, the most important indicators which illustrate results used in the economic calculations and analyses performed by international organizations are: gross global product, internal gross product, internal net product, gross national product, net national product, and the national income. These indicators are developed in compliance with the following requirements and principles:

- "their elaboration and foundation must be made in a systemic conception, taking into account the systemic character of the national economy;
- the existence of a unitary conception, methodology and area;

- ensuring the compatibility in time and space of the indicators that allow their comparison from different periods;

- reflecting economy flows from a material and monetary point of view" (Burja, 2003, p. 158).

The economic operations within the National Accounts are seen as economic flows, structured according to the institutional sectors and in relation to the nature of the economic activities in three main categories:

- operations on goods and services, such as: production, final consumption, gross capital formation, distribution of goods, storage;

- distribution operations, which include primary distribution, redistribution operations for the incomes realized within the national economy, such as: remuneration of employees, excise duties on imports, tax on production, transfers regarding subsidies on products or on production, transfers of social nature, income obtained from ownership (rents), capital (dividends), royalties, etc.;

- financial operations, regarding the creation and circulation of the means of payment, the debts and the claims of the economic entities of the national economy.

The categories of accounts included in the national accounting are the following:

- current accounts: the production account, the operating account, the primary income allocation account, the secondary income distribution account, the account regarding income using;

- accumulation accounts: the capital account and the financial account;

- heritage accounts.

For the elaboration of the national accounts in order to highlight the economic flows it is necessary that the information from the economic agents' accounts is aggregated at national level in relation to two criteria:

- aggregation on branch, by groups of homogeneous activities, according to the official classification of social-economic activities. This type of aggregation allows the analysis and detailed calculation of the production of goods and services, such as highlighting the relations of production - consumption between the branches of the national economy;

- aggregation in relation to the five major institutional sectors:

a. the non-financial economic agents' sector, which carry out activities in order to obtain profit;

b. the financial institutions sector, which are public financial, credit and insurance entities;

c. the public sector, which comprises public institutions, beneficiaries of income, goods consumers and public goods producers;

d. the private non-profit institutions sector are social organizations and private institutions serving households;

e. the household sector (household), which also includes individual businesses. Households achieve final consumption, providing primary resources, thus beneficiaries and incomes consumers.

The National Accounts System of is made up of a multitude of charts to which some refer to the production, distribution, consumption and goods accumulation, by categories of entities and as a whole.

It is known that each economic operation involves a money transfer between the producing and the consuming entities. The sum of the economic operations or the economic flows carried out over a period of one year constitute the annual economic circuit. In relation to its entirety, the National Accounts System comprises four types of accounts: the production accounts, the consumption accounts, the accumulation accounts and the abroad relations accounts.

The System of National Accounts is represented in the form of a matrix in which the credit of each account is represented on a line, respectively the debit of the account on a column. The simplified matrix separates the four accounts in the following way:

- the production accounts are divided into sub-accounts of goods and activities. The goods include the material and non-material goods distributed by types of consumers: productive entities, households, gross capital formation, export. The sub-accounts activities are those that highlight the value of the goods structured by sectors and branches which produce goods;

- the consumer accounts are distinguished from expenditure sub-accounts and income sub-accounts. The expenditure sub-accounts are structured by categories of expenditure and by the sectors they perform. Similarly, the income sub-accounts are highlighted by income categories as well as by the sectors that made them;

- the accumulation accounts present the transactions of the institutional sectors with capital or fixed funds, meaning financing of gross investments and expenses for the variation of stocks made by different sectors, as well as for the financial capital used for the purchase of land and non-material funds, by the transfer and by the consumption of the fixed capital;

- the abroad relations account, which reflects the current operations regarding imports and exports of goods, current transfers and capital transactions abroad.

Within the National Accounts System, we can distinguish the overall economic picture and the input-output chart (balance of branch connections), the table of financial operations.

In the overall economic picture, we find the resources and their use, grouped on the operations accounts and on the accounts of the institutional sectors. Thus, the overall economic picture contains all the elements of the national accounts with the presentation of the process of formation, distribution and redistribution of the economic results.

The input-output table presents the flow of goods and services produced and used by the resident entities including those exchanged with the rest of the world during one year with the presentation of the structure of the production cost for each branch of the economy.

Within this we can find the goods and services accounts, the production account and the operating account on a branch but also on the economy as a whole. It can be said that by using this chart we can perform a macroeconomic analysis of the production processes, distribution and the use of the gross domestic product or of the national income. Therefore, the model of the balance connections, as Constantin Anghelache states, offers a: "the analysis of all sectors which offers a study of the economy as a single system that quantitatively characterizes all activities at the macroeconomically, which allows a wide view of the economic mechanism regarded as a unitary system of interdependent elements" (Anghelache, 1996, p. 37). The model is composed of four charts:

- the national economy relations chart, which reflects the structure of the national economy, the internal production and the imports;

- the primary entries chart, which reflects the value added at a branch and the contribution of each branch to the realization of the gross internal product;

- the intermediate consumption chart, whose lines express the resources consumption for each branch of the national economy, and on columns the beneficiary productive branches;

- the final usage chart, which reflects the final consumption, both public and private, the gross capital formation and the exports, by each branch of origin.

The financial operations chart presents the external claims, debts and finances by types of users and by categories of providers of financial resources. Also, the chart presents, in the final part, the balance of receivables and debts, which characterizes the country as debtors or creditor in relation to the rest of the world.

5. Conclusions

National accounting, through its fundamental element the National Accounts System, makes a great contribution to the macroeconomic informational system, realizing an extension of the accounting knowledge from the microeconomic to the macroeconomic level. The information provided are used for calculations, macroeconomic statistical analyses, widely used in world statistics, which imposes the standardized character of national accounting.

Although information is sometimes provided with a delay and despite the fact that it uses subjects such as statistics and macroeconomic analysis, national accounting does not have the capacity to individually quantify the effect of administrative measures in the economy, it is still a powerful tool used in the development of appropriate planning, economic policies and macroeconomic forecasts.

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Economic Performance in Merger Operations

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Abstract

The role of mergers has grown considerably in the new economic context. Since the end of the last century, the waves of mergers have raised different questions: Why are mergers occurring, what are the reasons? Does the merger generate the growth of the economic position and performance of the companies? Who benefits and who loses from the merger? Under the conditions of an increasingly competitive environment, the application of the best strategies by each company became imperative. The analysis of the financial performance has a determining role in establishing the strategy to be followed by the absorbing companies. The research hypothesis is: the merger operation has a positive impact on the financial position of the absorbing companies. Following the analysis of the financial position of the absorbing companies, it can be said that it is improving.

Key words: mergers, economic performance, shareholders

J.E.L. classification: G34, M21

1. Introduction

The activity of mergers and acquisitions is strongly influenced by the events in the global economic scene, which makes it difficult to make a forecast regarding the evolution of the merger activity in the medium and long term. In today's business environment there is a simple rule that applies to businesses: they either grow or disappear. Maintaining and improving the performance of companies during the period of mergers and acquisitions, with proper risk management, is a major challenge for businesses in the current business environment.

Regarding the performance of the merger operations, there is a great diversity of the results obtained. This fact is due to the diversity of the results of the samples used both in terms of geographical areas, analysis periods, types of operations, as well as in the sectors of activity. While some studies show that mergers lead to an increase in performance, others reveal a insignificant change or even a major deterioration in performance as a result of the merger transaction.

The analysis of the economic and accounting performance is done to compare before and after the external growth operation, starting from the evolution of the performance indicators. Among the most used indicators are the rate of economic return, the rate of financial return, the evolution of sales or market shares.

2. Literature review

Since the end of the last century, the waves of mergers have raised different questions: Why are mergers occurring, what are the reasons? Does the merger generate the growth of the economic position and performance of the companies? Who benefits and who loses from the merger? Given the wide range of those interested in the results of this process - namely, shareholders, managers, employees, consumers, society in general - a clear answer to this problem that satisfies all parties is unlikely to be given. Mergers are the main means by which companies can increase their activity and enter new markets, national enterprises becoming multinational companies.

Studies conducted on various companies have found that the first reason for mergers to occur is to increase the position and performance of the absorbing companies.

Table no. 1. Reasons for managers to perform mergers

Objectives for the realization of mergers	Answers (in %)
Increased financial performance and position	33 %
Increased market share and faster penetration in other markets	28 %
Acquisition of new technologies and skills	22 %
Elimination of competitors	11 %
Economies of scale	6 %

Source: Mantravadi and Reddy (2008, p.193)

Despite the popularity of the merger strategy, many of them do not produce the expected benefits. Although the benefits and costs of the merger have been frequently studied, controversies remain not only about the size of the net result of the companies but also about the sign, generating questions such as: Could a loss be recorded as a result of the merger? Do shareholders actually win? Previous empirical studies have investigated the impact of the merger on the financial position and performance of companies. These empirical studies can be divided into three groups: studies that reported a positive impact on position and performance, studies that reported a negative impact, and studies that did not find a significant impact on the performance of enterprises. The latest US studies using more sophisticated techniques to measure changes in post-merger position and performance tend to show that they remain unchanged (Moeller, Schlingemann Stulz, Ghosh, 2004) or significantly improve after takeover (Heron, Lie, Linn, Switzer, 2002).

The findings of the UK studies are much more contradictory, with authors Dickerson, Gibson and Tsakalotos finding a significant decline in performance and post-merger position, while authors Powell and Stark show significant growth. Similar to UK studies, Asian studies also yield contradictory results. Empirical evidence shows that Japanese mergers have a negative impact on the financial position and performance of absorbing companies (Kruse, Park, Suzuki, 2013), Malaysian takeovers are associated with better post-merger financial performance and position (Rahman, Limmack, 2004), while mergers in Australia lead to insignificant changes in the profitability of the target company after taking over (Sharma, Ho, 1989).

For mainland Europe, researchers Gugler, Mueller, Yurtoglu and Zulehner point to a significant drop in sales but a significant increase in profit. From the study of the specialized literature it is observed that the majority of the absorbing companies have performance before the operation of the forks. The authors Jensen and Ruback, Andrade, Mitchell and Stafford, Goergen and Renneboog or Campa and Hernando revealed, following the analysis of the stock market evolution, that those who earn the most from the mergers and acquisitions are the shareholders of the target companies, while the buyers seem to escape the "fingers" gain. Table 2 provides an overview of these studies.

Table no. 2. Overview of the empirical studies on the impact of the merger on performance

Authors	Dates	Country	Sample	Indicators	Grouping by
<i>Studies that show an improvement in post-merger performance</i>					
Powell, Stark (2005)	1985-1993	UK	191	ROE	Company size
Rahman, Limmack (2004)	1988-1992	Malaysia	113	Global financial economy ROE	Industry
Heron, Lie (2002)	1985-1997	USA	859	Net profit	Industry
Linn, Switzer (2001)	1967-1987	USA	413	Financial stability rate ROE	Industry
Parrino, Harris (1999)	1982-1987	USA	197	Net cash	Industry
Switzer (1996)	1967-1987	USA	324	Net cash Net profit ROE	Industry

Healy, Palepu, Ruback (1992)	1979-1984	USA	50	Gross Cash Flow	Industry
Moeller, Schlingemann (2004)	1985- 1995	USA	2.362	Liquidity rates, ROE	Industry
Gugler, Mueller, Yurtoglu,Zulehner (2003)	1981- 1998	Mondial	2.753	Sales income	Industry
<i>Studies that did not find a significant impact on performance</i>					
Sharma, Ho (2002)	1986-1991	Australia	36	Global debt ratio	Industry Company size
Ghosh (2001)	1981-1995	Global	315	ROE	Industry Company size
Herman, Lowenstei (1988)	1975-1983	USA	56	Net profit ROE	Ungrouping
Mueller (1980)	'50, '60, '70	Belgium, Germany, UK, USA, France, Holland, Sweden	different in the country	Profit net	Industry Company size
Lev, Mandelker (1972)	1952-1963	USA	69	Financial autonomy rate	Industry Company size
MartynovaOosting,Re nnebo (2006)	1997-2001	Europe	155	Profit net EBIT	Industry
<i>Studies that show a deterioration of the post-merger performance</i>					
Kruse,Park Suzuki (2002)	1969-1992	Japan	46	Cash net	Industry Company size
Yeh, Hoshino (2001)	1970-1994	Japan	86	Financial working fund	Industry
Dickerson, Gibson, Tsakalotos (1997)	1948-1977	UK	1.443	General solvency rate	Industry
Clark,Ofek (1994)	1981-1988	USA	38	EBIT	Industry
Meeks (1977)	1964-1972	UK	223	Gross profit	Industry
Hogarty (1970)	1953-1964	USA	43	EPS	Industry

Source: own processing

The results of previous empirical studies are inconsistent because their position and financial performance cannot be measured from a single indicator, and the results are different although many of them have been performed in the same geographical regions and for comparable time periods.

3. Research methodology

The research approach has an empirical character, proposing to validate its working hypotheses through a deductive-inductive process. The study uses methods specific to the quantitative (positivist) approach.

3.1. Purpose and objectives of the research

In the research I started from the finding that, regarding the reasons for the merger, the first place is the improvement of the financial position and the performances of the absorbing company or the companies involved.. Table no.3 allows to establish a hierarchy of the reasons that determine the companies to resort to the merger, as a reorganization strategy.

Table no. 3. The reasons for the merger in Romania

Mergers motives	Percent
Increased financial position and performance	76 %
Increasing market share	60%
Simplifying the decision-making process and reducing administrative costs	55%
Increasing sales capacity	30%
Increased bargaining power with suppliers, customers	10%
Better allocation of resources	15%
Better use of existing facilities and workforce	15%

Source: own processing

Given the fact that in the top of the preferences of the Romanian companies that resort to the merger is the reason for the improvement of the performances and the financial position and that the studies undertaken at international level have led to different conclusions, we propose to analyze whether the mergers in our country of the last period have achieved this objective.

Given our research approach, we resorted to establishing the following hypotheses::

Hypothesis 1: The merger operation has a positive impact on the financial position of the absorbing companies;

Hypothesis 2: The merger operation has a negative impact on the financial position of the absorbing companies.

3.2. Population and sample

The target population used in the analysis is as follows: Companies listed on the Bucharest Stock Exchange. The sample analyzed: 61 companies; the criterion taken into account - absorbing companies that have the merger project published in the Official Gazette of Romania, part IV during the period 2017-2018.

Data source: Central University Library Iasi, where I consulted the Official Gazette of Romania part IV. Information: collection from the merger projects by absorption of the companies data from the merger financial statements.

The analysis was carried out for two years: one year before the merger and one year after the merger.

Analysis tools and procedures: data collection by observation method, data sorting and grouping, tables, graphs. The study is based on the method of economic-financial analysis that contains a set of methodological steps and procedures to establish and quantify the causal relationships between the studied indicators and the determinants: comparison of financial statements, analysis by rates (Ratios), use of the computer tool for data storage, calculating rates, determining financial balances, determining the evolution in time and space of the indicators.

4. Findings

In order to ensure the comparability of the data, we resorted to identifying the evaluation method used by the companies involved in the merger process in Romania during the analyzed period.

Table no. 4. The valuation method used by Romanian companies

	Frequencies
Valid	
Updated cash flow method	5
The patrimonial method	56
Method of comparison	0
Total	61

Source: own processing using the SPSS 19.0 statistical program

Thus, out of the 61 absorbing companies, we used to analyze the impact of the merger on the financial position and the performance of the entities, the 56 companies that used the patrimonial valuation method.

Before proceeding to the actual analysis of the impact of the merger on the financial position of the analyzed entities, we propose to present a situation of the changes undergone by the structure rates of the assets and liabilities positions for the 56 analyzed companies.

Table no. 5. The evolution of the structure rates of the assets by domains

Changes in the rate of fixed assets after the merger						
	Industry					Total
	Commerce	Production	Services	Financial service	Transport	
Number of companies where the indicator decreased	6	5	4	3	3	21
Number of companies where the indicator has grown	13	9	5	6	3	34
Total	19	14	9	8	6	56
Changing the stock rate after the merger						
	Industry					Total
	Commerce	Production	Services	Financial service	Transport	
Number of companies where the indicator decreased	10	6	8	5	3	32
Number of companies where the indicator has grown	8	9	4	2	1	24
Total	18	15	12	7	4	56
Changing the rate of money availability after the merger						
	Industry					Total
	Commerce	Production	Services	Financial service	Transport	
Number of companies where the indicator decreased	8	6	5	2	1	22
Number of companies where the indicator has grown	11	8	7	6	2	34
Total	19	14	12	8	3	56
Changing the debt ratio after the merger						
	Industry					Total
	Commerce	Production	Services	Financial service	Transport	
Number of companies where the indicator decreased	14	11	10	5	2	43
Number of companies where the indicator has grown	6	3	2	2	1	13
Total	20	14	12	7	3	56
Changing the rate of current assets after the merger						
	Industry					Total
	Commerce	Production	Services	Financial service	Transport	
Number of companies where the indicator decreased	13	9	4	3	2	31
Number of companies where the indicator has grown	6	6	8	4	1	25
Total	19	15	12	7	3	56

Source: own processing

Regarding the rate of fixed assets, it is observed that most of the absorbing companies have registered an increase. In most of the absorbing companies, the rate of inventories decreased. In terms of the availability rate, most companies have registered an increase and the Debt rate has decreased for most companies.

Most companies recorded a decrease in the rate of current assets.

As a general observation, all the companies with significant changes in the structure rates of the asset are in the trade field.

Table no. 6. The evolution of the structure rates of the liabilities by domains

Changing the share of equity in total liabilities					
		Number of companies to which the indicator			total
		Decreases	Does not change	Increases	
Industry	Commerce	5	0	17	22
	Production	4	0	7	11
	Services	4	1	5	9
	Financial services	2	0	8	10
	Transport	1	0	3	4
Total		12	1	43	56
Modificarea ponderii capitalului permanent in total pasiv					
		Number of companies to which the indicator		total	
		Decrease	Increase		
Industry	Commerce	7	12	19	
	Production	5	10	15	
	Services	4	8	12	
	Financial services	1	5	6	
	Transport	0	4	4	
Total		18	38	56	
Changing the share of long-term liabilities in total liabilities					
Count					
		Number of companies to which the indicator			Total
		Decreases	Does not change	Increases	
Industry	Commerce	3	9	7	19
	Production	4	8	2	14
	Services	3	7	2	12
	Financial services	2	4	1	7
	Transport	1	3	0	4
Total		13	35	8	56
Changing the weight of short-term liabilities in total liabilities					
		Number of companies to which the indicator		Total	
		Decrease	Increase		
Industry	Commerce	13	7	20	
	Production	9	6	15	
	Services	8	5	13	
	Financial services	5	2	7	
	Transport	1	0	1	
Total		36	20	56	

Source: own processing

Regarding the share of equity in total liabilities, it is noted that most of the absorbing companies have registered an increase. The share of permanent capital in total liabilities registered an increase in most absorbing companies.

Regarding long-term debt, it is noted that their share in total liabilities, in most companies does not change.

As a general observation, all the companies with significant changes in the structure rates of the asset are in the trade field.

Starting from the values of the balance sheet items for the analyzed companies, we proceeded to determine average values of the structure indicators, values that are presented in the following table.

Table no. 7. The evolution of the value of the financial position after the m

Indicators	Values before merger	Value after merger	Explanations
Rate of fixed assets	61%	53%	$R_{ai}=A_i/A_t$
Accepted value	60%	60%	MAXIM
Index of growth of fixed assets	100%	114	$A_i=A_{in}/A_{i_0}$
Growth index of total assets	100%	127%	$A_t=A_{tn}/A_{t_0}$
Turnover growth index	100%	206%	$CA=C_{an}/C_{a_0}$
Rate of current assets	36%	43%	$R_{ac}=A_c/A_t$
Accepted value	40%	40%	Maxim
Growth index of current assets	100%	149%	$A_c=A_{cn}/A_{c_0}$
Debt rate	8%	14%	$R_{cr}=C_r/A_t$
Debt growth index	100%	249%	$C_r=C_{rn}/C_{r_0}$
Availability rate	1,3%	2,1%	$R_{dp}=D_p/A_t$
Accepted value	2%	2%	Maxim
Availability growth index	100%	218%	$D_p=D_{pn}/D_{p_0}$
Financial stability rate	39%	59%	$R_{sf}=C_{pm}/P_t$
Mimimum value	50%	50%	Minim
Equity growth rate	100%	183%	$C_{pm}=C_{pmn}/C_{p_0}$
Growth rate of total liabilities	100%	139%	$P_t=P_{tn}/P_{t_0}$
Rate of global financial autonomy	25%	12%	$R_{at}=C_{pr}/P_t$
Minimum value	33%	33%	Minim
Global debt ratio	72%	67%	$R_{ig}=D_t/P_t$
Maximum value	66%	66%	Maxim
Growth index of total Debt	100%	115%	$D_t=D_{tn}/D_t$
Term borrowing rate	37%	43%	$R_{it}=\hat{ITML}-C_{pm}$
Maximum value	50%	50%	Maxim
Growth rate of medium and long-term loans	100%	267%	$ITML=ITML_n/ITML_0$

Source: own processing

The debt rate increases as a result of the merger, its pace exceeding the increase in turnover, which means an average duration of large and increasing receivables, will adversely affect the revenues of the company. However, the increase in the debt ratio following the merger is a favorable aspect because it is due to the increases in the availability. The availability rate shows the weight of the most liquid assets in total assets, that is the immediate liquidity degree of the current assets. The decrease in the volume of sales, the drastic decrease in the demand for products and services, the decrease of population incomes, the reduction of the number of jobs, very high increases of prices for raw materials, utilities and food, inflation, large variations of the exchange rate and the financial blockade generated by the receipts delayed caused the reduction of the availability of companies.

The availability rate improves as a result of the merger. The savings resulting from the common use of the equipment, the cost of production, the elimination of duplicate activities, the transfer of knowledge, etc. have led to an increase in the availability of companies. The turnover growth index

exceeds after the merger the index of availability increases, which means an increase of the receipts compared to the payments made and a higher speed of rotation of the current assets, with possibilities of increasing the results. The financial stability rate reflects the extent to which the company has permanent financial resources against the total liabilities. The prevalence of permanent capital in the total financial resources of the company confers a high degree of security through stability in financing. Deposits of companies below the 50% led businesses to use debt to finance current activities. Prior to the merger, the companies were characterized by an increased insolvency risk due to over-indebtedness.

The term debt ratio reflects the extent to which medium- and long-term loans participate in the formation of permanent resources. The condition that must be met is that the term debt ratio, calculated according to this formula, is less than 50%. The level of this rate is important for businesses in financial policy making and financial institutions when assessing an application for new credit from the company.

5. Conclusions

Claims rate increase following the merger, its pace exceeding the growth in turnover, which means an average Receivable large and growing, which will adversely affect the company's earnings. The turnover growth index exceeds after the merger the index of availability increases, which means an increase of the receipts compared to the payments made and a higher speed of rotation of the current assets, with possibilities of increasing the results. The preponderance of permanent capital in total liabilities confers a high degree of financial security. Net working capital growing and positive shows that all fixed assets are financed from permanent capital, which represents a favorable situation for companies. The need for working capital increases after the merger operation, so the company has current assets that are financed from permanent resources.

The ability of firms to meet their short-term obligations from current assets as well as from availability, increases as a result of the merger. The share capital covers the obligations to creditors and shareholders following the merger, which gives an optimum degree of solvency.

Permanent capitals regain their initial monetary form 12 days faster after the merger. As a result of the merger, the stocks recover their original money form in a much shorter time, by 49 days. The companies collect the value of the goods from the customers 15 days faster after the merger. The term of payment of the debts to the suppliers expires after the merger and is approaching the normal limit of 30 days.

Thus, the causes of the merger of the Romanian companies were: decrease of the volume of sales; decrease of population incomes; rising unemployment; rising inflation; large variations in the exchange rate; very large increases in prices for raw materials, utilities; sharp decline in demand for products or services; decrease of the cash availability of the enterprises; supratndatorarea; increase of debts to providers, employees and social insurance budget; late payments of receivables.

Among the effects of the merger operation on Romanian companies, we note: obtaining economies of scale; increasing the bargaining power with suppliers, which leads to lower prices for raw materials, utilities; increasing availability; short-term debt relief; financing the activity from own resources; increasing financial stability; reducing the total debt and reducing the risk of insolvency; recovering debts from turnover in 238 days faster; recovering the value of the stocks in 48 days faster; debt recovery 25 days faster; financial release.

As a conclusion regarding the impact of the merger on the financial position of the absorbing companies, it can be said that it is improving.

6. Acknowledgement

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Aspects Relating to the Perspective and Management Strategies of the Balanced Scorecard Method

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Abstract

This article aims to highlight the way in which the Balanced Scorecard management system achieves the measured performances and the strategic objectives for each perspective, together with their graphical presentation showing the relationship between cause and effect.

The performance measurement can be done using several key performance indices, namely: sales volume, market share and customer satisfaction index. The perspectives and managerial strategies within the Balanced Scorecard method included in this paper are presented theoretically.

Key words: strategic objective, balanced scorecard method, performance

J.E.L. classification: M41

1. Introduction

Balanced Scorecard represents through its evolution from managerial accounting a management system and a strategic planning tool, used both in the industry and in their business environment. (Danescu, 2012).

The BSC method comes from a study conducted by David N. Norton and Robert S. Kaplan, in 1990, on 12 renowned companies, as a result of the dissatisfaction of the companies regarding the modalities and the instruments used to measure the performances. Norton and Kaplan argue that performance development is based solely on measuring financial indices whose results are based on previous results. In the field of current affairs, this type of information may be insufficient or misleading.

In 2006, P. Niven says that "Balanced Scorecard assists organizations in overcoming three key aspects: measuring the efficiency of the organization, increasing intangible assets and challenging the implementation of the strategy". BSC is a verification system, and also a strategic evaluation system.

Balanced scorecard (BSC) can play the role of a strategic management system, whose implementation makes available to entities the way they manage their strategy and long – term operations.

2. Theoretical background. Performance achieved using the Balanced Scorecard method

Measuring success through the classic methods based on financial benchmarks led to uselessness until the 1980s when new approaches like total quality management (TQM) or the JIT (Just in time) method emerged. With the advent of new approaches, there is a lack of a classical structure regarding the indices used in the past, not offering a foresight of the future, as well as the immeasurability of elements such as product value, customer satisfaction, competitiveness, market share, staff morale, customer evolution, and they have no flexibility. (Jusoh, 2008)

The present systems of evaluation of the success include besides the financial indices and a series of non – financial indices, and the important advantages held in relation to their integrity in the organizational program are: simplicity, easy to use, adaptable format and support in order to improve the performance. (Ghalayini & Noble, 1996).

Through the BSC it is possible to extend the focus of a manager on a wider set of financial and non-financial measures, in order to define a more complete picture of the company's performance (Kaplan and Norton, 1992; 1996).The indices used to measure the performance of the BCS model, both financial and non-financial, use four perspectives related to a cause-effect relationship (Kaplan and Norton, 1992; Collis, Holt and Hussey, 2012):

Customer perspective - how do customers see themselves?

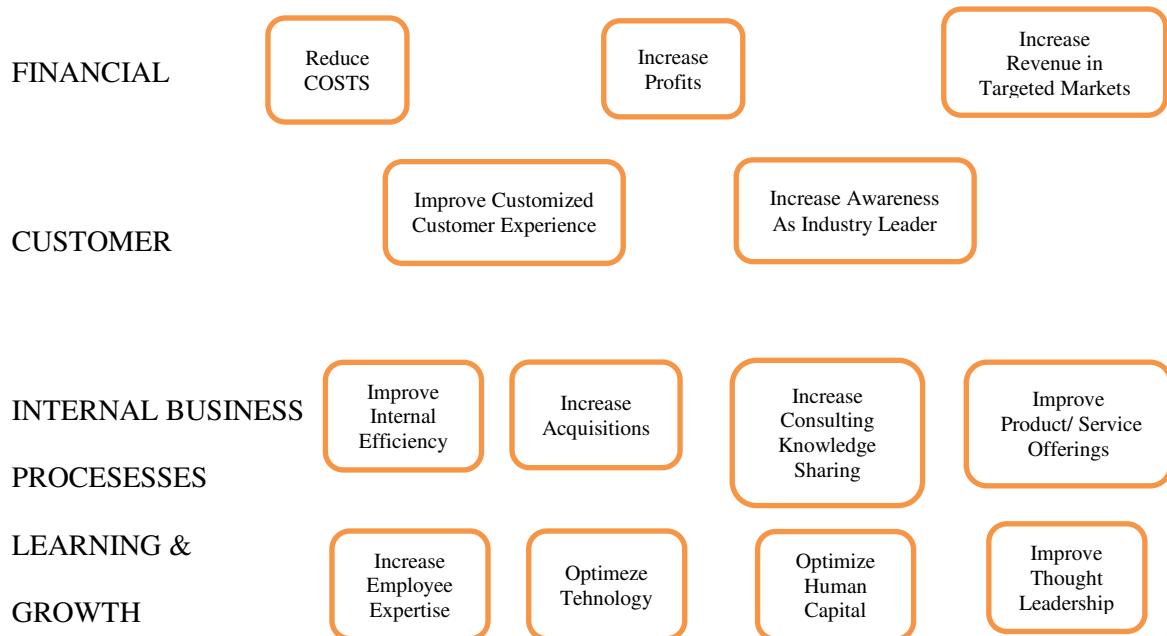
Internal Business Perspective - What should it excel at?

Learning and innovation perspective - Can we continue to improve and create value?

Financial perspective - How do we look at shareholders? (Kaplan and Norton, 1992)

Presenting perspectives in another form with the aim of achieving strategic objectives. For the first time, we can see that the general strategy of the companies is established.

Figure no. 1 – Strategy map

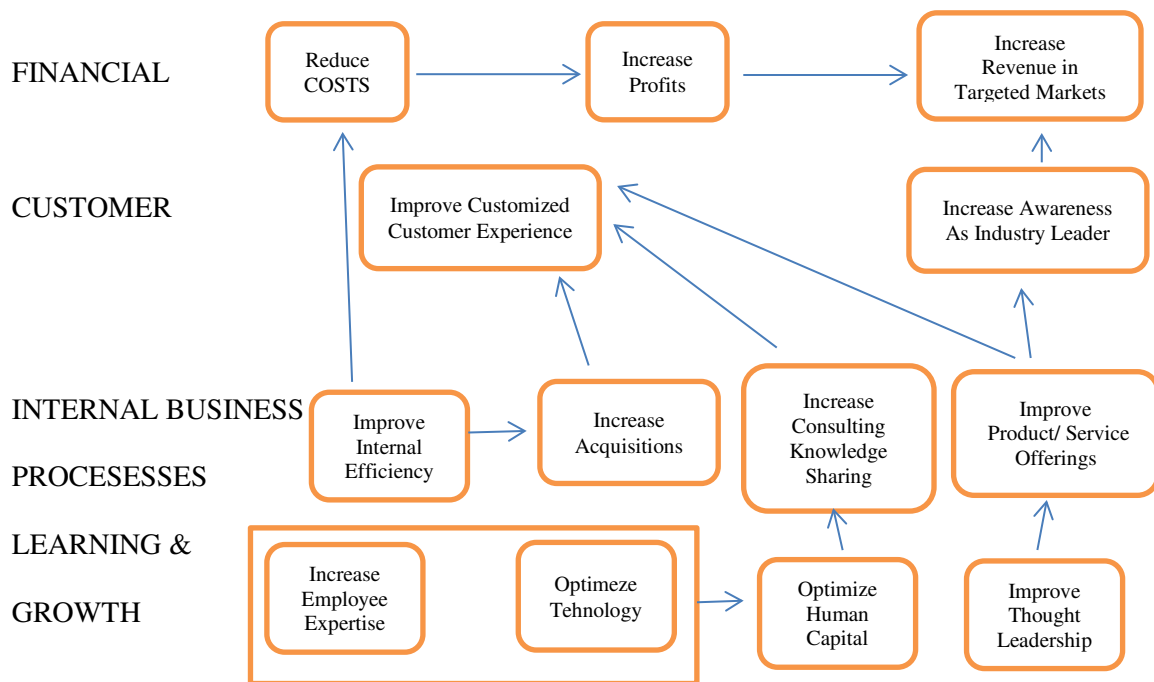


Source: <https://balancedscorecards.com/balanced-scorecard/>

The graphical presentation of the connection, also called strategic map between the strategic objectives and perspectives, is realized with the help of arrows that show us the cause-effect relationship. The last step in creating the strategic map is the drawing of arrows between strategic objectives. After drawing the arrows you can read the strategic flow starting from the bottom to the top.

Even if a lot of research has been done on the Balanced Scorecard method, there are still points of undiscovered research.

Figure no. 1 – Strategy map



Source: <https://balancedscorecards.com/balanced-scorecard/>

3. Findings

In the market it is very important to take into account the demand-supply-price relationship, where we know that when promotions take place, customer services and relationships with improved distributors lead to increased product sales, which determines a revenue growth strategy. Within an entity whose object of activity is production, it analyzes the efficiency achieved in the operational processes and the processes of management of the company.

The performance measurement is performed using several key performance indices, namely: sales volume, market share and customer satisfaction index.

a. Sales volume

The sales volume index has a special significance for measuring the company's performance in the marketing function. The determination of the sales indicators is made monthly and in the end the amount is calculated over a period of one year.

$$\text{Volume } p = (vSG1 + vSG2 + vSG3 + \dots + vSGn)$$

Volume = the volume of sales accumulated on certain parameters

vSG = sales volume of PT. Greasy Semen

b. Market share

The market share index is made annually, generally equal to the monthly target. The measurement of the market share is a comparison between the volume of sales accumulated at PT. Semen Gresik with the accumulated sales of the company and all its competitors.

$$\text{Volume } p = (vSG1 + vSG2 + vSG3 + \dots + vSGn)$$

$$\text{Volume } p = (vk1 + vk2 + vk3 + \dots + vkn)$$

$$\text{Market share} = \frac{\text{volumul } p}{\text{volumul } p + \text{volumul } k} \times 100$$

Volume p = the volume of sales accumulated in certain parameters

Volume p = the cumulative sales volume of competitors in certain parameters

Market share = market share in certain parameters

vSG = sales volume of PT. Greasy Semen

vk = sales volume of competitors

c. Customer satisfaction index

Customer satisfaction index is the main index measured from the customer's perspective. Customer satisfaction measurement is done by calculating the average of each individual index, which is done annually.

$$Kp = (iA_1 \times \frac{bA1}{100}) + (iA_2 \times \frac{bA2}{100}) + (iA_3 \times \frac{bA3}{100}) + \dots + (iA_n \times \frac{bAn}{100})$$

$$\text{Satisfaction}_p = \frac{(kp1+kp2+kp3+\dots+kpn)}{n}$$

Satisfaction_p = the average customer satisfaction index in certain parameters

Kp = calculation of the cumulative weight index

iA_n = customer satisfaction index for the sixth aspect

b = seventh aspect

In order to improve the learning and efficiency of the business, it is necessary to improve the customer perspective, which leads to financial profitability, taking into account customer satisfaction (Collis, Holt and Hussey, 2012).

4. Conclusions

The BSC method is simple to use and in the sense of a large number of people who have various economic – industrial preparations.

Improving BSC leads to the development of a strategic management system.

That is why we can notice the existence within the method of the possibility of connecting long-term strategic objectives with short – term actions, taking into account budgetary resources.

Highlighting the importance of the communication process necessary for performance measurement, we can conclude that a successfully implemented BSC in a timely manner helps organizations articulate and communicate their strategy as explicitly as possible, tracking performance levels and identifying superiority over one another;

The situations where excellent results have been achieved due to the impact of the BSC method are on the start – ups and especially on the investors. To benefit as many investors as possible, a company need a detailed financial model in order to successfully apply the strategies that bring value from the business proposal.

In conclusion, it should be mentioned that the use of BSC within the enterprise helps to ensure the right balance between growth and control, profitability, regardless of its size.

It follows from the above that the method interacts with several activities, such as: quality management, refurbishment, redefinition of products or after – sales service and the transformation of general objectives into operational objectives that can be understood by all categories of people.

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The Perspective of the Salary Changes Occurring Between 2018 and 2019 and the Impact They Have on the Entities

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Abstract

This article includes the salary changes incurred by the quota of contributions to be paid by both the entity and the staff employed on the minimum wage on the differentiated economy for the Year 2018 and year 2019.

The starting point of the salary changes with comparative analysis was differentiated remuneration, which according to the legal provisions of the Official Gazette, No. 1045 of 10 December 2018 and OUG No. 937/2018 establishes the differentiated minimum wage for those with higher education and exemption from health insurance (CASS) and income tax (IV) of staff working in construction, using strengths and weaknesses.

The purpose of the article is to highlight changes in the entities and employees' level and to compare the minimum wage per economy of 2018 with the differentiated minimum wage of 2019 under applicable laws. We also need to take into account the impact of the salary modification for both the entity and the staff employed at the workplace.

Key words: salary, entity, differentiated, employee

J.E.L. classification: M41

1. Introduction

This article includes the salary changes incurred by the quota of contributions to be paid by both the entity and the staff employed on the minimum wage on the differentiated economy for the Year 2018 and year 2019.

This study is carried out on the remuneration of paid staff from public funds, published in the Official Gazette Nr. 1045 of 10 December 2018 and OUG Nr. 937/2018 which establishes the introduction of the differentiated minimum wage for those with higher education. The OUG 114/2018 provides benefits for those working in construction, namely exemption from income tax, CASS and CAS reduction by 3.75%, i.e. at the termination of contributions to the pension pillar II.

According to the Emergency Ordinance No. 90/2017, published in the Official Gazette, Nr. 973 of 7 December 2017, institutions and public authorities financing the number of public funds posts shall be established in such a way as to ensure full payment of wage rights, with the classification of expenditure approved by the budget.

This article is based on the work of documentary and analysis of literature, as well as the investigation of changes to the minimum wage on the economy in view of the calculation and application of social contributions.

HG No. 905/2017 includes the salary changes that are operated in the Revisal programme, and which according to the law are transmitted to the entities within 20 working days of the amendment.

The increase of the minimum wage per economy is achieved at the level of small entities by the simplest way, namely the addendum to the individual employment contract, and to the large entities the simplest solution would be to develop a collective decision applied All active employees.

The Ministry of Labour and Social Justice proposes that from 1 January 2020 through a project of HG, and the provisions of art. 164 para. (1) of the Labour Code, increase the minimum wage per economy from the value of 2080, from 2019 to the value of 2262. In the year 2020.

2. Literature review

The increase of the minimum wage per economy from 1900 lei to 2080 Lei, starting on 1 January 2019 on entities leads to the increase in prices of products and services at market level, with no demand at market level, the economy of entities suffered due to stopping the disposal of goods and services, which leads to reduced profit. The impact of reducing profit on entities leads to the reduction of staff. Reducing the number of employed person leads to a decrease in the number of products and the loss of contracts at the level of entities as well as the influence of competitiveness in the labor market. Demand-Quote Relationship – Price is the main operating element of an economy.

As a result of the research on the increase of the minimum wage in the economy, information on the salary increases criteria is analyzed. The most used criterion shows us performance in the workplace and the biggest resources of dissatisfaction would be the nature of the workplace, preparation, experience. (PsycINFO Database Record © 2016 WATER)

The relationship between performance and workplace satisfaction is influenced by the level of experience assimilated with older growth. At employment, young people are less satisfied with jobs, but they have chosen me from the intrinsic of work. Older employees were much more satisfied with the extrinsic characteristics than the younger groups.

The relationship between the interaction of financial ability and general mental ability highlights the performance, personality and demographic level of an entity. Following a study on a number of people with a low level of general mental skills, it was found that they are very determined in achieving performance in workplaces and are very interested in increasing the level of qualification Personal.

The relationship between career strategies and employee staff is closely linked to the rate of salary progression and opportunities

Within the entities, the level of satisfaction of the staff employed using the information within the interior of the entities supporting certain key components of the salary model is studied. Using the Lawer Model (1971) of employee satisfaction is concentrated on relative performance and job contributions.

The purpose of the article is to highlight changes in the entities and employees ' level and to compare the minimum wage per economy of 2018 with the differentiated minimum wage of 2019 under applicable laws. We also need to take into account the impact of the salary modification for both the entity and the staff employed at the workplace.

3. Findings

“The basic salary shall mean the remuneration to which the staff paid from public funds, corresponding to the function, degree/step, of the level of the institution to which the activity is provided: Central, territorial, local, as set out in the annexes to this law, are entitled to monthly entitlement” – is the definition contained in the draft Law No. 153/2017 on staff paid from public funds.

The minimum wage per economy is the lowest amount of salary that entities must give to the employed staff, taking into account the time worked (hours) and the period (daily, monthly), according to the legislation in force.

3.1 Salary year 2018

On 29.11.2017, according to H.G. No. 846/2017, the gross minimum basic salary per country guaranteed in payment is a ' cash-in ', which does not include spores and other additions, set at 1900 Lei Monthly, for a full work programs of 166.666 hours on average per month in 2018, representing 11.40 lei/hour ".

According to the minimum wage in the economy of 2018 that is 1900 lei from which staff employed must pay their compulsory social debts to the state, namely: Social Security (CAS) = 25%, social health insurance (CASS) = 10%, personal deductions (DP), income tax (IV) = 10%. The gross salary decreases all contributions that the employee must pay and we reach the net salary in the value of 1162 lei.

The net salary is the amount of money that the employee remains in the hand.

Also in the year 2018 the salary of 1900 entities must pay and the employer to the state after the staff employed insurance contribution for work (CAM) = 2.25%.

From those mentioned above the employee must pay the state the amount of 738 and the entity must pay the state the amount of 43, where it is found that the amount of 781 lei must be paid to the state.

According to the minimum wage on economy of the same year an entity renumshates the employee with the amount of 1162 lei, and the whole entity must pay to the state after the person employed the amount of 1943 Lei.

If an entity wishes to keep the salary in the year 2018 of 1450 Lei from which the staff employed must pay social contributions to the State, namely: Social Security (CAS) = 25%, social health insurance (CASS) = 10%, personal deductions (DP), Income tax (IV) = 10%. The gross salary shall be deducted all payments to be paid to the employed person and reach the net value of 899 lei.

For the same salary the entity must pay the state after the person employed an insurance contribution for work (CAM) = 2.25%, Social Security difference (CAS) = 7.72% and health insurance (CASS) = 3.1%.

From those mentioned above the person employed must pay the state the amount of 551 and the entity pays the state the amount of 190, where it is found that the total amounts received by the State is 741 lei.

On the unchanged salary, from 2018 an entity pays the person employed the amount of 899 lei and the entire entity is obliged to pay after the person employed the amount of 1640 lei.

3.2. Salary year 2019

According to HG No. 937/2018, dated 10 December 2018, which states that ' the minimum gross basic salary per country guaranteed by payment shall be fixed in cash, without including allowances and other additions, to the sum of 2080 Lei Monthly, for a normal work programs on average of 167.333 hours per month, representing 12.43 lei/hour.

According to the HG mentioned above the minimum wage per economy of 2019 is 2080 Lei and it is mentioned that the entity must pay compulsory social contributions to the State, namely: Social Security (CAS) = 25%, social health insurance (CASS) = 10%, personal deductions (DP), income tax (IV) = 10%. The gross salary is all the debts that the hired person must pay and we find that the net salary has a value of 1263 lei.

The net salary is the remuneration with which the employed person remains in the hand.

Also to the sum of 2080 lei entities pay to the state after the person employed the insurance contribution for work (CAM) = 2.25%.

Of the above mentioned person pays the state the amount of 817 and the entities pay the state the amount of 47, where it is found that all amounts received by the State represent 864 lei.

At the minimum wage in the year an entity pays a person employed with the amount of 1263 lei, and the entire entity pays the state after the person employed the amount of 2127 lei.

3.3 Salary for year 2019 for higher education

The minimum wage on differentiated economy for higher education in the year 2019 is 2350 lei from which the entity has to pay compulsory social contributions to the State, namely: Social Security (CAS) = 25%, social health insurance (CASS) = 10%, personal deductions (DP), income tax (IV) = 10%. The gross salary shall reduce all contributions to be paid by the staff employed and reach the net salary value of 413 lei.

The net salary is the cash retainer with which the person employed in the hand remains.

Also at the same minimum wage should also pay the state entities after the staff employed an insurance contribution for work (CAM) = 2.25%.

From the above, it is found that the person employed pays the state the amount of 937 lei and the entity pays the state the amount of 53 lei, and it follows that all amounts received by the State represent 990 lei.

At the minimum wage of the year 2019 an entity shall pay after the staff employed an amount of 1413 lei, and the entire entity shall pay the state after the person employed the amount of 2403 lei.

3.4. Salary for the year 2019 for construction personnel

In the year 2019 the minimum wage on the differentiated economy for staff working in construction is 3000 lei from which the person employed must pay compulsory social contributions to the State, namely: Social Security (CAS) = 25%, deductions Personal Data (DP). The gross salary shall be deducted from all contributions to be paid to the staff of the employees we reach the net salary in the value of 2362 lei.

The net salary is the cash Rehaner with which the employee remains in the hand.

Also to the sum of 3000, i.e. the minimum salary of 2019 may have to pay the entity after the staff employed the insurance contribution for work (CAM) = 0.3375%.

It is apparent from those mentioned above that the staff employed must pay the state the amount of 638 lei and the entity must pay the state the sum of 10 lei, so all amounts received by the State represent 648 lei.

At the minimum wage in the year 2019, an entity pays 78.47% and the state proceeds 21.53%.

In July, a new payroll grid reported on the minimum wage per economy for high-education staff and staff working in construction was proposed, through a law tabled in the Senate by the Minister of Labour and parliamentarians.

This law guarantees all employees the payment of a minimum basic wage. The amount of the minimum basic salary shall be determined by applying a coefficient reported to the minimum gross basic salary per country guaranteed in payment, established by government decision, according to the Law – is shown in the proposal for a law.

Coefficients which are added to the minimum wage for each category of staff employed: unskilled worker-coefficient 1, skilled workers – coefficient 1.20; Administrative and specialized personnel in functions for which the training condition is vocational school – coefficient 1.20; Secondary education – coefficient 1.20; Post-secondary school – coefficient 1.25; Secondary education plus qualification – coefficient 1.25; School of the technicians – coefficient 1.30; Short-term higher education – coefficient 1.50; Long-term higher education – coefficient 2.20; Master – Coefficient 2.50; PhD in the field of work carried out – coefficient 2.80.

In the event that this law would have been approved, the staff with short-term higher education would have the gross salary of 3120 and the net salary with which the staff employed in the hand of 1840 and the staff with long-term higher education would have the salary Gross of 4576 and the net salary with which the employee staff remains in the hands of 2677.

If it were to be approved these wage increases would suffer the entities because payments by employee staff will be higher and will not be willing to employ staff with higher education.

Table no. 1 – Salaries 2018-2019

Employee	2018	2018	2019	2019	2019 Higher educat ion	2019 Constructi on	Iulie 2019	
							2019 Undere ngineer	2019 Higher educat ion
Gross Salary	1900	1450	1900	2080	2350	3000	3120	4576
Social Insurance (CAS) 25%	475	363	475	520	588	638	780	1144
Social health Insurance (CASS) 10%	190	145	190	208	235	0	312	458
Personal deduction (DP)	510	510	510	465	390	195	150	0
Income tax (IV) 10%	73	43	73	89	114	0	188	297
Net Salary	1162	899	1162	1263	1413	2362	1840	2677
Employer								

Insurance contribution for Work (CAM) 2.25%	43	33 CAS difference 7.72%, Val. 112 CASS 3,1%, val=45	43	47	53	Insurance contribution for Work (CAM) 0.3375% Val=10	70	103
Full Salary	1943	1640	1943	2127	2403	3010	3190	4679
TOTAL TAXES								
The employee pays the state	738	551	738	817	937	638	1280	1899
The employer pays the state	43	190	43	47	53	10	70	103
Total taxes cased by the state	781	741	781	864	990	648	1350	2002
	Emplo yee 59.8% , State 40.2%	Employee 54.82% State 45.18%	Employee 59.8%, State 40, 2%	Emplo yee 59.38 % State 40.62 %	Emplo yee 58.8% % State 41.2%	Employee 78.47% State 21.53%	Emplo yee 57.68% State 42.32%	Emplo yee 57.21 % State 42.79 %

Source: Circa (2018)

4. Conclusions

As from 1 January 2019, differentiated remuneration is introduced.

The minimum wage per economy is indexed in the year 2019 from 2018 with the amount of 180 lei for staff employed with average studies, with 450 lei for staff employed with higher education, and 1100 lei for staff employed in construction.

The positive effects of increasing the minimum wage on the economy for the year 2019 are very important for the country's economy, one of which would be the repatriation of those departing abroad. Another positive effect that the salary increase may have is the reduction of black work and the additional and differentiated proceeds to the state.

The negative effects would be that the entities would suffer as a result of the increase in salary because they should be made redundant from the staff employed, remaining in the impossibility of payment.

We can notice that differentiated remuneration is advantageous for construction personnel because they do not pay social health insurance (CASS) = 10% and no income tax.

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Is There a Correlation Between the Ease of Doing Business Index and the Haven Score?

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Abstract

The importance of FDI is increasing in the last period, due to their impact on economic growth and development, creating new jobs, increasing productivity. So, many countries are trying to implement economic, financial and fiscal rules and procedures to attract as many foreign investors as possible. Gaps and mismatches between different tax systems are followed by multinational companies, in the spirit of erosion of the tax base and the existence of a lower tax burden. By analyzing the rankings regarding taxation and doing business published periodically by international bodies, a series of correlations can be identified between the indicators considered in order to make these rankings to detect shortcomings in certain jurisdictions. For this reason, through this article we will try to identify what kind of correlation exists between the Ease of Doing Business Index and the Haven Score, taking into account the values registered by the EU Member States.

Key words: ease of doing business, Haven score, paying taxes, multinational companies

J.E.L. classification: M20, H32, H26

1. Introduction

Taking into account the fact that an important feature of the contemporary business environment is the internationalization of business, the studies and research undertaken highlight the advantages and disadvantages of this process. Thus, the following appraisals are noted: even if the performance of a company does not improve substantially in the initial stage of international expansion, internationalization accumulates positive net benefits (Contractor, 2007); the advantages and disadvantages of internationalization for the affiliated companies put their mark on the whole group of companies (Colpan and Cuervo-Cazurra, 2018); the degree of internationalization of a company is positively associated with the intensity of the R&D activity (Purkayastha, Manolova and Edelman, 2018); companies in emerging economies choose their competitive advantages in foreign markets rather than innovation in internal markets (Roelfsema and Zhang, 2018). All these appreciation, and not only have a common element, respectively the objective of the multinational companies to maximize the profit.

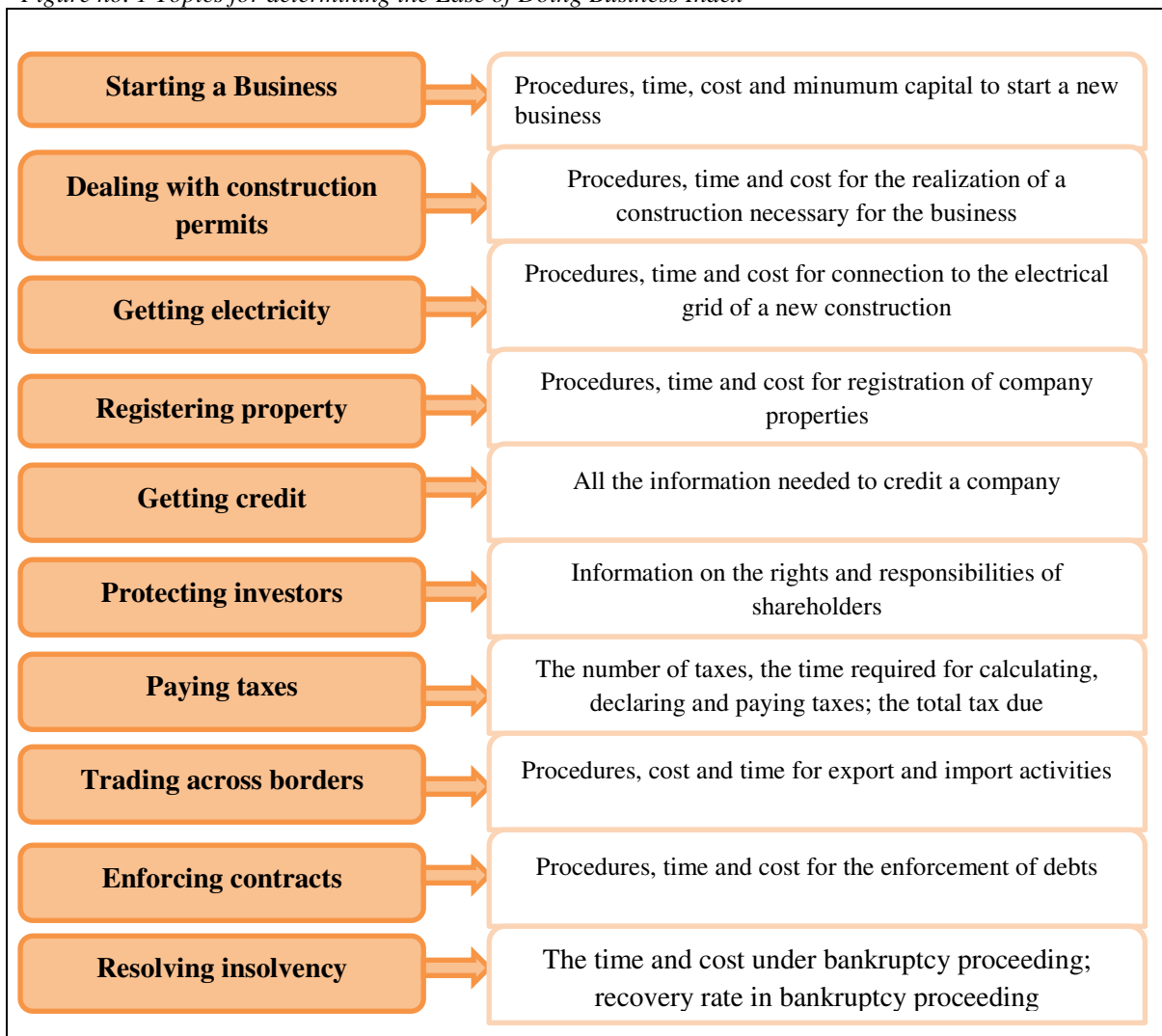
Rules and procedures for the activity, and the level of taxation of profit sometimes radically change a company's behavior. For this reason, in the last period the number of multinational companies that are looking for ways to erode the tax base has increased significantly, the damages brought to the national budgets being substantial. According to data published by the OECD, the use of domestic tax base erosion and profit shifting practices it brings losses to the countries of 100-240 billion USD, representing 4-10% of the global corporate income tax revenue (OECD, 2019).

All these aspects and international rankings that include business and taxation indicators are the main elements for this article. In this context, we have selected from the international rankings the indicators for the EU Member States and based on the statistical tool we offer the answer the question Is there a correlation between the Ease of Doing Business Index and the Haven Score?

2. Literature review

Through analyzes conducted since 2002 by The Doing Business project, the regulations applied to small and medium-sized enterprises throughout their life cycle are measured worldwide. Thus, based on the data and information from May 2019, the ranking for 190 economies was made for their ease of doing business, taking into account 10 topics: Starting a Business; Dealing with Construction Permits; Getting Electricity; Registering Property; Getting Credit; Protecting Minority Investors; Paying Taxes; Trading across Borders; Enforcing Contracts; Resolving Insolvency. The Ease of Doing Business Index is determined based on 10 topics with their structure, as shown in Figure no. 1, and measures the way in which the legal regulations improve or limit the business activity (The World Bank, 2019).

Figure no. 1 Topics for determining the Ease of Doing Business Index



Source: (The World Bank, Doing Business 2019)

World rankings made over time regarding the ease of doing business have allowed specialists to identify a number of relationships/correlations. In this regard, the following studies and research are worth noting: the decisions of multinational companies regarding the placement of investments taking into account The Ease of Doing Business Index (Pinheiro-Alves and Zambujal-Oliveira, 2012); the effect of business regulations on the level of foreign direct investment (Corcoran and Gillanders, 2015); the correlation between the level of corruption and the behavior of the business environment (Mongay and Filipescu, 2012); identifying business opportunities in different areas according to The Ease of Doing Business Index Index (Amankwah-Amoah, Osabutey and

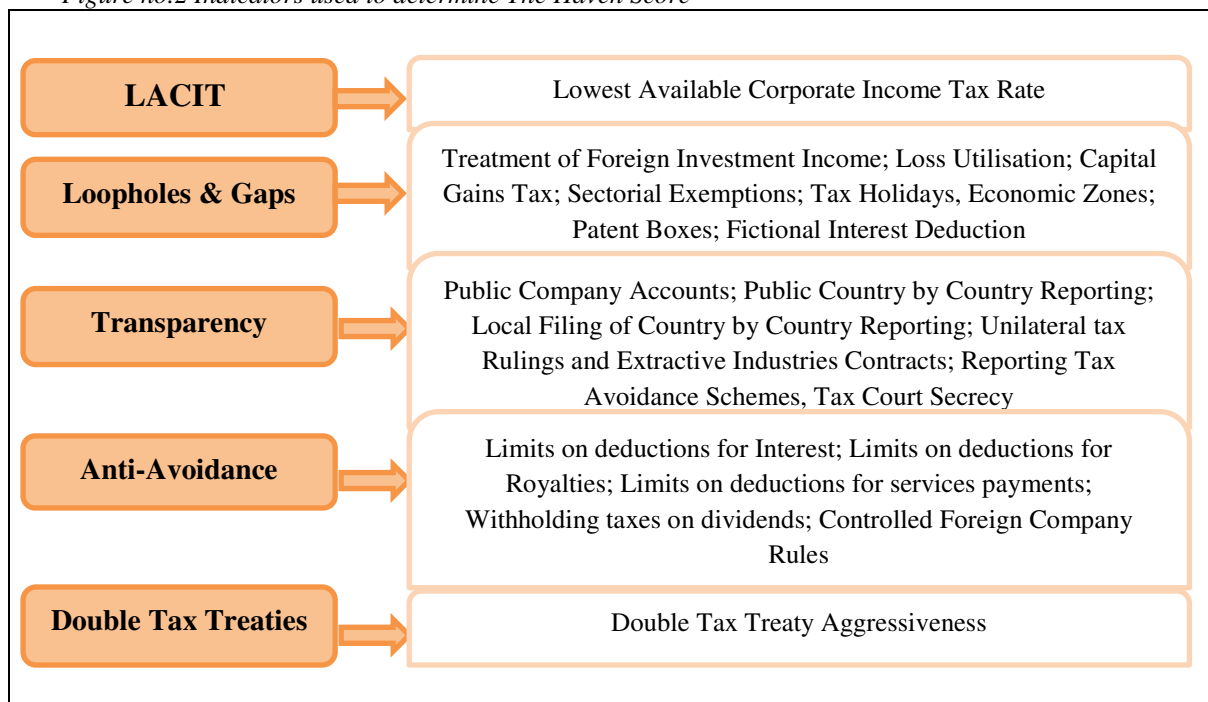
Egbetokun, 2018); the relationship between the business environment and the level of development or poverty of a jurisdiction (Djankov, Georgieva, Ramalho, 2019); the decision to relocate the capital according to The Ease of Doing Business Index (Dehghan Shabani and Parang, 2019); the impact of tax regulations on the business environment (Braunerhjelm, Eklund and Thulin, 2019).

The business environment is inevitably related to the fiscal field. Taxation has been, is and will be an essential factor in making decisions regarding the field of activity, place of activity, capital, investments, management of material, financial, human and informational resources. No one smiles when paying taxes ... So there are many taxpayers who are trying, both through legal and illegal forms, to evade taxation. In this sense, the advantages offered by tax havens are increasingly sought by legal entities.

In the last period, analyze the legislative provisions of many states highlights the aid offered by these to multinational companies to escape the tax.

On May 28, 2019, The Tax Justice Network published its first ranking on tax havens for multinational corporations, taking into account the 64 most important jurisdictions that offer a help to multinational companies to get rid of the tax. By combining two basic measures, on the one hand, 20 fiscal indicators that evaluate the aggressiveness and loopholes of the legislation regarding the taxation of multinational companies, and on the other hand, the size of the corporate investment activity, a politically neutral ranking was obtained, respectively The Corporate Tax Haven Index. The 20 indicators, grouped into 5 categories, (Lowest Available Corporate Income Tax Rate; Loopholes & Gaps; Transparency; Anti-Avoidance; Double Tax Treaties), as shown in Figure no. 2, provides the qualitative component for The Corporate Tax Haven Index, respectively Haven Scores, which measures according to the tax legislation and practice in one jurisdiction its potential risk of eroding the tax base in other jurisdictions (Tax Justice Network, Corporate Tax Haven Index 2019).

Figure no.2 Indicators used to determine The Haven Score



Source: (Tax Justice Network, Corporate Tax Haven Index 2019)

Studies and research of international bodies and specialists offer a series of analyzes on tax havens, starting from the definition of tax havens (Orlov, 2004), specifying the advantages and disadvantages of tax havens (Dharmapala, 2008), identifying the determinants of tax havens (Jones and Temouri, 2016), until the establishment of correlations, such as: corporate social responsibility - tax avoidance (Col and Patel, 2019); accounting firms - refuge in tax havens (Jones, Temouri and Cobham, 2018); manager diversion - tax avoidance (Atwood and Lewellen, 2019); tax avoidance -

tax uncertainty (Dyreg, Hanlon and Maydew, 2018); tax haven utilization - the implied cost of equity capital (Taylor, Richardson, Al-Hadi and Obaydin, 2018); tax havens - the global environmental degradation (Galaz et all, 2018); tax evasion - ethics and equity (Alstadsæter, Johannesen and Zucman, 2019).

3. Research methodology

Based on the general-particular, induction-deduction, analysis-synthesis, through this article we want to highlight the correlations between the Ease of Doing Business Index (The World Bank, 2019) and the qualitative component for The Corporate Tax Haven Index, respectively Haven Scores (Tax Justice Network, Corporate Tax Haven Index 2019) at EU Member State level. The data and information processed refer to the latest rankings published by international bodies.

Without having to claim a comprehensive approach, based on the title of this article and using empirical analysis (descriptive statistics, regression analysis, case studies) we will highlight the best practices in the fiscal field among EU Member States.

4. Ease of Doing Business Index and Tax Haven Score in EU member states

From the ranking published by the World Bank at the level of 2019 for 190 jurisdictions and based on the data in Table no. 1 it is noted that the EU Member States have a fairly high level of ease of doing business.

Table no. 1 Ease of Doing Business rankings in 2019, in EU member states

Economy	Global Rank	Ranks for topics:									
		I1	I2	I3	I4	I5	I6	I7	I8	I9	I10
Denmark	4	45	4	21	11	48	28	8	1	14	6
United Kingdom	8	18	23	8	41	37	7	27	33	34	14
Sweden	10	39	31	10	9	80	28	31	18	39	17
Lithuania	11	34	10	15	4	48	37	18	19	7	89
Estonia	18	14	19	53	6	48	79	12	17	8	54
Latvia	19	26	56	61	25	15	45	16	28	15	55
Finland	20	31	42	24	34	80	61	10	37	45	1
Germany	22	125	30	5	76	48	61	46	42	13	4
Ireland	24	23	36	47	60	48	13	4	52	91	19
Austria	27	127	49	29	31	94	37	44	1	10	22
Spain	30	97	79	55	59	80	28	35	1	26	18
France	32	37	52	17	99	104	45	61	1	16	26
Slovenia	37	41	119	23	54	119	18	45	1	112	8
Portugal	39	63	60	52	35	119	61	43	1	38	15
Poland	40	128	39	60	92	37	51	77	1	55	25
Czech Republic	41	134	157	11	32	48	61	53	1	103	16
Netherlands	42	24	88	58	30	119	79	22	1	78	7
Slovak Republic	45	118	146	54	8	48	88	55	1	46	46
Belgium	46	48	45	108	139	67	45	63	1	56	9
Croatia	51	114	150	37	38	104	37	49	1	27	63
Hungary	52	87	108	125	29	37	97	56	1	25	66
Cyprus	54	50	125	75	71	80	21	29	50	142	31
Romania	55	91	147	157	46	25	61	32	1	19	56
Italy	58	98	97	38	26	119	51	128	1	122	21

Bulgaria	61	113	43	151	66	67	25	97	21	42	61
Luxembourg	72	76	14	45	93	176	97	23	1	18	93
Greece	79	11	86	40	156	119	37	72	34	146	72
Malta	88	86	57	73	152	144	51	78	48	41	121

Classification	Rank
Very Easy	1-53
Easy	54-97
Medium	98-147
Below Average	148-190

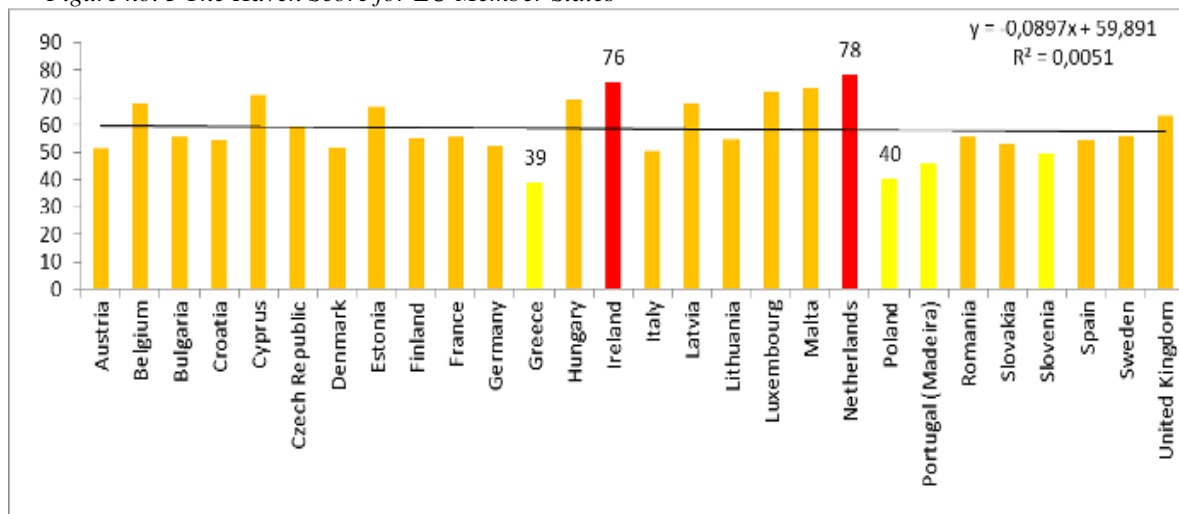
Topics
I1 = Starting a Business; I2 = Dealing with Construction Permits; I3 = Getting Electricity; I4 = Registering Property; I5 = Getting Credit; I6 = Protecting Minority Investors; I7 = Paying Taxes; I8 = Trading across Borders; I9 = Enforcing Contracts; I10 = Resolving Insolvency

Source: (The World Bank, Ease of Doing Business rankings, 2019)

Even if in the global ranking an EU Member State occupies an honorable place, the components of the index should not be neglected, as the values of each component indicate the measures that should be taken by the authorities in order to improve the business activity. In this regard, we consider that measures are required regarding: procedures, time and cost for the realization of a construction necessary for the business in Croatia and Czech Republic; procedures, time and cost for connection to the electrical grid of a new construction in Romania; procedures, time and cost for registration of company properties in Greece and Malta; the information needed to credit a company in Luxemburg.

In the ranking provided by Tax Justice Network, the 28 EU member states are also found, the highest potential risk potential to become a profit shifting destination being found in the Netherlands and Ireland, and the lowest in Greece and Poland, as shown in Figure no. 3 (Tax Justice Network, Corporate Tax Haven Index 2019)

Figure no. 3 The Haven Score for EU Member States

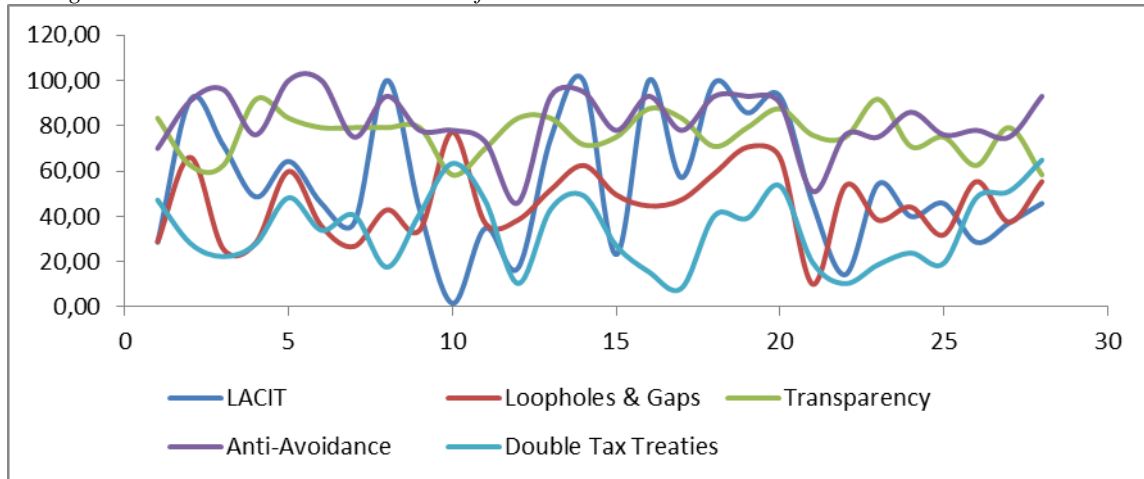


Source: (author processing based on data published by Tax Justice Network, 2019)

Considering the five levels of the potential risk of erosion of the tax base (1 - lowest potential risk and 5 - highest potential risk), with an average of 58.59, most EU Member States have values between 51 and 75 for the Haven score, corresponding to the third level.

The Haven Score structure for EU Member States, as shown in Figure no. 4, highlights the need for immediate action in all states to reduce the contribution to the so-called global "race to the bottom" on corporate taxes.

Figure no. 4 The Haven Score structure for EU Member States



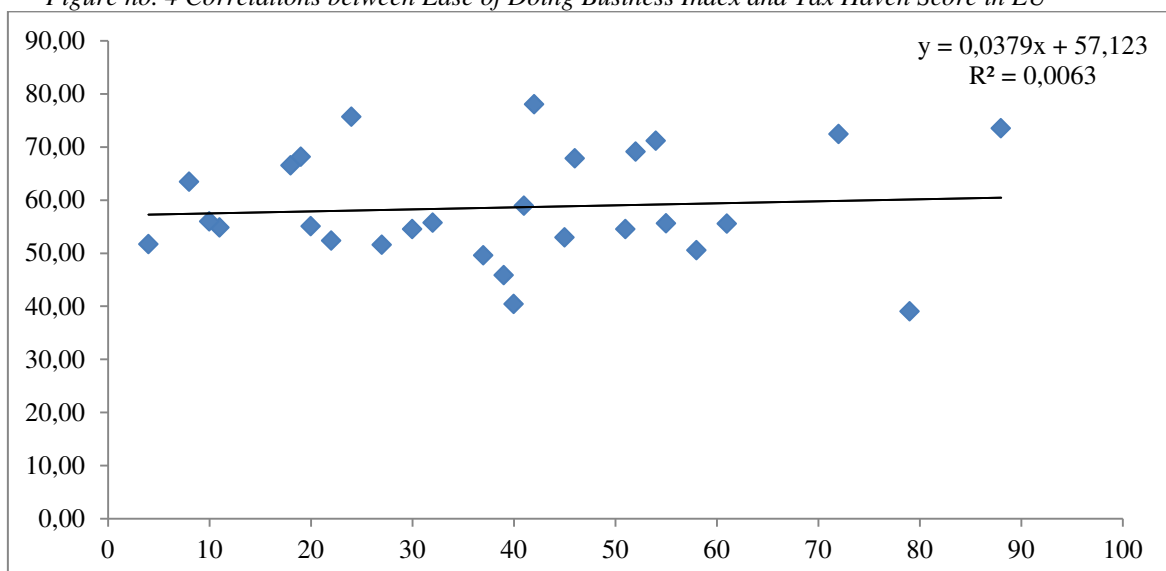
Source: (author processing based on data published by Tax Justice Network, 2019)

The average values recorded by the Member States are alarming for 8 of the 20 indicators taken into account when calculating the Haven Score, respectively: Capital gains tax (average=92); Local Filing of Country by Country Reporting (average=89); Unilateral Tax Rulings and Extractive Industries Contracts (average=85); Reporting Tax Avoidance Schemes (average=95); Limits on deductions for Interest (average=86); Limits on deductions for Royalties (average=95); Limits on deductions for services payments (average=93); Withholding taxes on dividends (average=100).

5. Establishing the correlations between Ease of Doing Business Index and Tax Haven Score in EU member states

Taking into account the values recorded by the EU Member States for the Ease of Doing Business Index and the Tax Haven Score and calculating the Pearson coefficient, it is found that there is a weak correlation between these two variables (see Figure no. 5), with $r = 0,07937$.

Figure no. 4 Correlations between Ease of Doing Business Index and Tax Haven Score in EU



Source: (author processing based on data published by the World Bank and Tax Justice Network, 2019)

If Germany and Spain are in the two rankings in the same position, there is a large gap for 12 Member States, respectively: Greece, Ireland, Italy, United Kingdom, Latvia, Estonia, Sweden, Poland, Bulgaria, Portugal, Netherlands and Croatia.

Even if there is no close correlation between the two indicators analyzed, based on the data presented in Table no. 2, we consider that in the effort made by the EU Member States to reduce the level of the Haven Score, attention must also be paid to components that at first sight are not related to this score, namely: procedures, time, cost and minimum capital to start a new business; the number of taxes; the time required for calculating, declaring and paying taxes; the total tax due; procedures, cost and time for export and import activities.

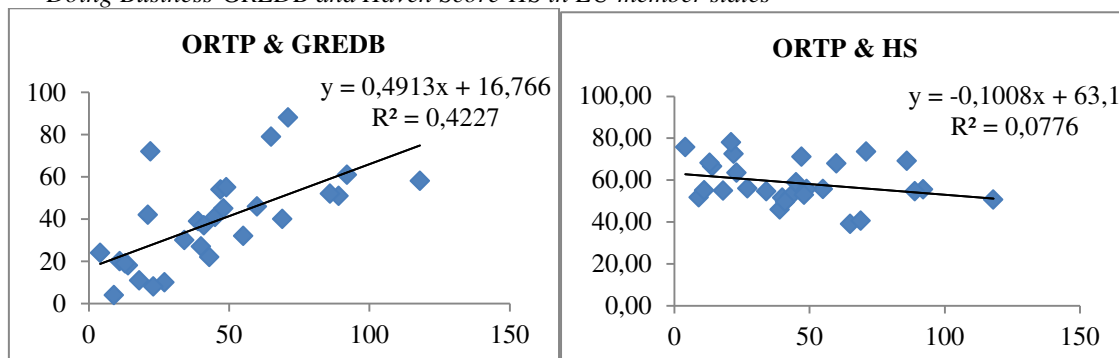
Table no. 4 Correlations between Haven Score and components of the Ease of Doing Business Index in EU

Correlation	y	r ²	r	Observation
Haven Score & Starting a Business	$y=-1,1725x+136,48$	0,0883	0,2971	an acceptable degree of association
Haven score & Dealing with Construction Permits	$y=-0,3358x+87,958$	0,0056	0,0748	correlation close to zero
Haven Score & Getting Electricity	$y=-09314x-2,7161$	0,0566	0,2379	weak correlation
Haven Score & Registering Property	$y=0,1011x+48,434$	0,0006	0,0245	correlation close to zero
Haven Score & Getting Credit	$y=0,1197x+70,057$	0,001	0,0316	correlation close to zero
Haven Score & Protecting Minority Investors	$y=0,4353x+22,673$	0,0343	0,1852	weak correlation
Haven Score & Paying taxes	$y= -1,0124x + 103,39$	0,1331	0,3648	an acceptable degree of association
Haven score & Trading across Borders	$y=0,5271x-16,059$	0,0898	0,2997	an acceptable degree of association
Haven Score & Enforcing Contracts	$y=-0,232x+63,165$	0,0033	0,0574	correlation close to zero
Haven Score & Resolving Insolvency	$y=0,6343x-0,1979$	0,044	0,2098	weak correlation

Source: (author processing based on data published by the World Bank and Tax Justice Network, 2019)

Since the strongest correlation identified is between the Haven Score and the Paying Taxes, we consider that analyzes should be extended. Thus, according to the data presented by PwC regarding the Paying Taxes 2019 Ranking (PwC, 2019), taking into account the value of the fiscal obligations of an entity in the second year of operation as a percentage of the net profit before tax, the number of hours required annually to a company for calculating, declaring and paying taxes, the number of fiscal obligations that fall to the company in the second year of operation, the modalities and frequency of payment for all taxes, the number of public bodies involved in paying taxes, the time for the VAT refund, the time required for the corrections to the income tax, can be identified the correlations between Overall Ranking for Paying Taxes - ORPT, Global Rank for Ease of Doing Business-GREDB and Haven Score-HS (as shown in Figure no. 5) .

Figure no. 5 Correlations between Overall Ranking for Paying Taxes - ORPT, Global Rank for Ease of Doing Business-GREDB and Haven Score-HS in EU member states



Source: (author processing based on data published by the PwC, World Bank and Tax Justice Network, 2019)

As can be seen, for the EU Member States there is a moderate to good correlation between Overall Ranking for Paying Taxes and Global Ranking for Ease of Doing Business ($r = 0.6502$) and an acceptable degree of association between Overall Ranking for Paying Taxes and Haven Score ($r = 0.2786$).

6. Conclusions

The purpose of this article was to identify the correlation between the Ease of Doing Business Index and the Haven Score at EU Member State level. Because a weak correlation was identified between these two indexes, we extended the analysis and identified correlations with other indicators in the fiscal field, respectively with Overall Ranking for Paying Taxes. Thus, the fiscal aspects are the ones that greatly influence the behavior of multinational companies and their desire to erode the profit tax base.

Worldwide, over 130 jurisdictions have implemented the actions established by the OECD to combat tax avoidance, in order to ensure an international tax environment as transparent as possible and with the most consistent fiscal regulations. The full or even partial implementation of these recommendations has brought substantial benefits. For example, EU Member States that have implemented the OECD recommended measures on Cross-border B2C supply of digital services and intangibles have received revenues of EUR 10.2 billion over a three-year period (OECD, 2019).

Only a real international collaboration will allow EU member states fiscal consolidation environment. The actions taken by Denmark, the United Kingdom and Sweden are worthy of consideration in terms of the Ease of Doing Business, and those taken by Greece, Poland, Portugal and Slovenia in terms of the Haven score.

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Statistical Analysis of the DiJa Index in the Period 2009-2019

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Abstract

In this paper we analyzed the Dow Jones Industrial Average (DJIA) in the period 2009-2019. The Dow Jones Industrial Average (DJIA) is one of the most popular indexes; it indicates the value of 30 large, publicly owned companies from the United States. We used a lot of relevant statistic tests; we applied the ADF and PP tests both on the series of returns and on the series of the index analyzed. While the ADF test corrects the serial correlation by adding differentiated terms (lags), the PP test corrects the coefficient of the autoregressive process of the order. There are three versions of random walk: RW1, RW2 and RW3. In our paper we analyzed RW3 model for DIJA index. In the RW3 model, the errors are serially uncorrelated which allows movement dependencies.

Key words: DIJA, statistical analysis, stationarity tests

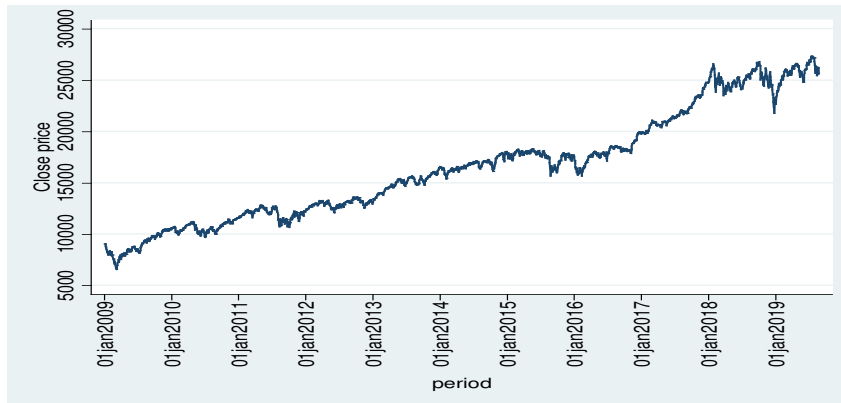
J.E.L. classification: C23, F43, O47

1. Introduction

The Dow Jones Industrial Average (DJIA) is one of the most popular indexes; it indicates the value of 30 large, publicly owned companies from the United States. All these companies are also included in the S&P 500 Index. The Index is traded on New York Stock Exchange (NYSE) and the NASDAQ since 1896. The companies included in the DJIA as of March 18, 2019 are: the "3M Company, the Amercian Express Company, Apple Inc., The Boeing Company, Caterpillar Inc., Chevron Corporation, Cisco Systems, the Coca-Cola Company, DowDuPont Company, Exxon Mobil Corporation, The Goldman Sachs Group, The Home Depot Inc., International Business Machines Corporation, Intel Corporation, Johnson & Johnson, JP Morgan Chase & Co., McDonald's Corporation, Merck & Company Inc, Microsoft Corporation, Nike Inc., Pfizer Inc., Proctor and Gamble Co., The Travelers Companies Inc., UnitedHealth Group, United Technologies Corporation, Verizon Communications Inc., Visa Inc., Walmart Inc., Walgreens Boots Alliance and the Walt Disney Company" (*Investopedia, <https://www.investopedia.com/terms/d/djia.asp>*).

We considered the daily closing price of the DIJA Index; analyzed in the period 01.01.2009-23.08.2019. The figure below shows the evolution of the DIJA Index. It can be observed that in this process ($x_t, t \in \mathbb{Z}$) starting with the date $t = 12\text{mar}2009$ a rupture is observed; so it will be a non-stationary variable (it does not fulfill the first condition, $E(x_t) = \text{constant}$). The evolution of the index fluctuated during the analyzed period. We observe a continuous increase but marked by continuous decreases at some points.

Figure no.1 - Evolution of the DIJA Index in the period 2009-2019



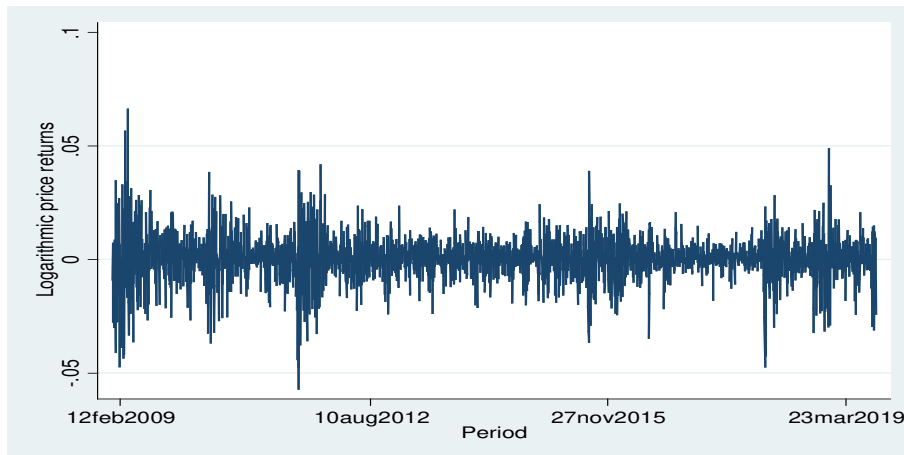
Source: Author's own calculation

The following formula was used to determine the price returns:

$$R_t^L = \ln\left(\frac{C_t + D_t}{C_{t-1}}\right) \text{ (equation 1)}$$

Based on the graph below, we can observe periods of high volatility (large fluctuations are followed by large fluctuations of the opposite direction). Volatility is due to new information coming on the market, information that influences the market as a whole. This volatility can be determined by the financial post- crisis (eg. in 2009 high values in 2012 small values).

Figure no. 2 - Logarithmic price returns for DIJA Index in the period 2009-2019



Source: Author's own calculation

The distribution of daily returns is shown in the table below.

Table no. 1 - The distribution of daily returns for DIJA index in the period 2009-2019

Skewness/Kurtosis tests for Normality				
Variable	Obs	Pr(Skewness)	Pr(Kurtosis) adj chi2(2)	Prob>chi2
Logarithmic price return	2.7e+03	0.0000	0.0000	0.0000

Source: Author's own calculation

The Jarque-Bera statistic tests the hypothesis of normality of returns. According to the obtained result the distribution of returns deviates from a normal law or the probability of the Jarque-Bera test = 0,00 <5%, therefore the returns do not follow the normal law.

2. Theoretical background

We found a lot of papers emphasizing the statistical analysis of an index. We presented below a random selection of these papers. Balan, S., Tejas and C. Sohong, C., (2018) made a time series analysis of the IT stock market during the 2007 – 2009 recession. Wang, J., and Wang, T., (2008) made a statistical analysis and data analysis of stock market by interacting particle models, Singh, P., & Thakral, A.,(2017) presented the statistical analysis of the indexes and its constituents. Bentian, L., and Dechang, P., (2018) analyzed the global stock index data during crisis period via complex network approach. Quentin, C.C, Wen-liang G., Hsieh Yiuman, T., (1999) made a analysis of the price discovery on the S&P 500 index markets. In the last years, we have seen an increase in the number of studies that take into account the impact of the stock market volatility on the economy, on the economic growth and on finding the most efficient investment strategies.

We continue to consider a range of random processes, called stationary processes. We assume a random process Y_t , where $t \in \mathbb{Z}$. For the observation related to moment t , the random variable Y_t , is defined:

- The mean: $E(Y_t) = \mu_t$,
- The variance: $Var(Y_t) = \sigma_t^2$,
- The covariance between two variables Y_t and Y_s : $\gamma_{ts} = cov(Y_t, Y_s)$.

Because we have only one observation for each variable Y_t , it is impossible to estimate these elements. The estimation becomes possible for a particular class of random processes, called stationary processes. A process is stationary when the probability distribution is stable regardless of time. In the case of stationarity in the strong sense, all the moments of the variables are constant, and in the case of stationarity in the weak sense, only the mean, the variance and the covariance are constant over time. By definition, a series whose mean, dispersion and covariance are constant over time is stationary. A stationary series tends to return to the value of the mean and to fluctuate around it (it has a finite variance). A nonstationary series has a different average at different times. The question of the stationarity of a series depends on the existence of a root.

3. Research methodology and Findings

3.1. Testing the stationarity hypothesis

In this section we will apply the ADF and PP tests both on the series of returns and on the series of the index analyzed. While the ADF test corrects the serial correlation by adding differentiated terms (lags), the PP test corrects the coefficient of the autoregressive process of the order, AR (1).

Augmented Dickey-Fuller (ADF) test detects non-stationarity. It is used to test whether a series is stationary (relative to the average or relative to the deterministic tendency), respectively to determine the order of integration. The decision on the null hypothesis is as follows:

- the null hypothesis is rejected, if the series of returns has no unit root (random walk), is relative stationary to the average or deterministic.
- the null hypothesis is accepted, if the series of returns has a unit root, is nonstationary, with stochastic tendency.

If the null hypothesis is not rejected, then the ADF test will continue to be applied to determine the unit root within the first order differences. In order to determine the integration order, the test is applied for the initial data, differentiated by order 1 and 2 respectively.

3.2. Application of the ADF test on the index series

We consider three variations of the ADF test for the index data series (Please see: http://www.econ.uiuc.edu/~econ508/Stata/e-ta8_Stata.html):

- models with intercept and trend;
- models with intercept, but without trend;
- models without both intercept and trend.

Table no. 2 - ADF models for DIJA index series in the period 2009-2019

Results	(a) models with intercept and trend		(b) models with intercept, but without trend;		(c) models without both intercept and trend	
	t-Statistic	Prob.*	t-Statistic	Prob.*	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-2.437	0.3599	-0.049	0.9543	1.575	Is not in the confidence interval
Index(-1)	-2.44	0.015	-0.05	0.961	1.58	0.115
Constant	2.49	0.013	0.56	0.578		
Trend	2.45	0.014				

Source: Author's own calculation

Based on the above results the series of index has a unit root, is nonstationary with a stochastic tendency (of a random walk type), but not deterministic (the constant and the trend have no significant coefficients). In order to determine the degree of integration we will apply the test for first differences data. The results are presented below:

Table no. 3 - ADF models for the first differences in DIJA index series in the period 2009-2019

Results	(b) models with intercept, but without trend;		(c) models without both intercept and trend	
	t-Statistic	Prob.*	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-21.262	0.0000	-21.205	Is not in the confidence interval
D.Index(-1)	-21.26	0.000	-21.20	0.000
Constant	1.42	0.157		

Source: Author's own calculation

Based on the above results, in both analyzed cases the first difference of the index series data is stationary, the process will be integrated in order 1 (I(1)).

3.3. Application of the ADF test on the return index series.

From what we have seen the ADF test supports the first order integration hypothesis of the series of the index, which leads to the conclusion that the returns are stationary, because they are determined as the difference between the logarithm of two consecutive exchange rates. The results obtained by applying the test are the following:

Table no. 4 - ADF models for DIJA return index series in the period 2009-2019

Results	(a) models with intercept and trend		(b) models with intercept, but without trend;		(c) models without both intercept and trend	
	t-Statistic	Prob.*	t-Statistic	Prob.*	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-26.297	0.000	-26.306	0.000	-26.253	Is not in the confidence interval
Index(-1)	-26.30	0.000	-26.31	0.038	-26.25	0.000
Constant	0.01	0.994	1.55	0.121		
Trend	0.77	0.439				

Source: Author's own calculation

If we apply the ADF test on the differences of order 1 and 2 we obtained the same results.

In conclusion, the series presenting the index is non-stationary and has a single unit root, ie. it is integrated by the first order, while the series of returns is stationary. In conclusion the first random walk condition is satisfied.

3.4. Martingale and the random walk model

The random walk model is very useful in studying stock exchange rates and indexes characterized by periods of stock market growth and decline, in which the stock market often changes its position. The random walk hypothesis was based on two categories of researchers - theorists and practitioners - who reached the same conclusions. In their studies Moore (1962), Granger & Morgenstern (1963) and Fama (1965) empirically demonstrate that stock price developments are random. At the same time, Samuelson (1965) and Mandelbrot (1966) demonstrate that if information is gathered at low costs, the trading of shares is performed without costs, and all participants in the capital market interpret the new information identically, then the evolution of stock prices behaves like a random walk.

In the theory of probability a martingale model is a model of a fair game where no information from past events can help predict future winnings. In particular, a martingale is a sequence of random variables (for example, a stochastic process) for which, the best forecast for the next course is today's course. It is observed that the "random walk" model coincides with the martingale model, if it is reasoned only in terms of hope. The martingale model does not make any assumptions about moments greater than one, while the "random walk" model requires that all moments are independent.

There are three versions of random walk: RW1, RW2 and RW3. RW1 is the most restrictive version and takes into account the fact that the errors are independent and identically distributed, that is, they have an average equal to zero and the variance, which indicates that the returns are uncorrelated in series so that future prices cannot be predicted based on past prices. The RW2 model has independent errors but they are not identically distributed, which allows unconditional heteroscedasticity. In the RW3 model, the errors are serially uncorrelated which allows movement dependencies.

Testing random walk model - RW3. In order to investigate the random walk hypothesis that the residues show poor white noise, ie they are dependent, but not correlated, we applied the Ljung-Box test (Q Statistic).

The Ljung-Box test (Q-statistic) for lag k has the null hypothesis: there is no autocorrelation until lag k. The Q-statistic test is used to test whether a series is a white noise. However, a problem arises in determining the number of lags. If it is too small it might not detect the serial correlations for a larger order of the lags. If the test is too high, it may be weaker, the significant correlations for one lag may be diminished with the insignificant ones for other lags.

Decision on the null hypothesis: If the calculated value of the test is greater than the value existing at a fixed significance level (1%, 5%, 10%), then the null hypothesis is rejected. When Q does not differ significantly from 0, the first M self-correlations are insignificant. In practice M is considered between 12 and 20, depending on the length of the series.

Table no. 5 - Ljung-Box Q-Statistic Test

LAG	AC	PAC	Q	Prob>Q
1	-0.060	-0.060	9.3564	0.002
2	0.017	0.013	10.093	0.006
3	-0.017	-0.015	10.843	0.013
4	0.018	0.016	11.722	0.020
5	-0.055	-0.053	19.502	0.002
6	0.002	-0.005	19.508	0.003
7	0.026	0.028	21.296	0.003
8	-0.013	-0.012	21.751	0.005

9	-0.014	-0.015	22.286	0.008
10	0.028	0.024	24.250	0.007
11	0.007	0.009	24.375	0.011
12	-0.016	-0.013	25.012	0.015
13	0.018	0.016	25.860	0.018
14	-0.054	-0.055	33.448	0.002
15	-0.041	-0.045	37.783	0.001
16	0.016	0.015	38.415	0.001
17	0.034	0.032	41.501	0.001
18	-0.033	-0.028	44.252	0.001
19	-0.030	-0.038	46.626	0.000
20	0.009	0.000	46.827	0.001

Source: Author's own calculation

For correlation (AC) and partial correlation coefficients (PAC) the null hypothesis is rejected. According to the Ljung-Box Q-Statistic test, the return series have autocorrelations, which means that the residuals have linear dependencies, the return series do not have a random walk as well.

The model for which AIC and BIC will be minimal is chosen and we estimated the parameters of the chosen model. The most attractive model is ARMA (5,1). This model is used to remove the linear structure.

Table no. 6 - AIB and BIC results

AIC								
		p						
q		0	1	2	3	4	5	
	0		-6.010278	-6.126809	-6.202760	-6.227478	-6.258950	
	1	-6.421654	-6.424373	-6.426416	-6.425666	-6.425893	-6.428763	
BIC								
		p						
q		0	1	2	3	4	5	
	0		-6.005733	-6.119989	-6.193664	-6.216104	-6.245298	
	1	-6.417556	-6.417323	-6.414296	-6.412245	-6.412835	-6.407729	

Source: Author's own calculation

For the chosen model, we will build the residuals correlogram to see if there are any autocorrelations after the linear component filtering. If the model is a valid one, the residuals should be uncorrelated, a condition that is verified in the table below. The probabilities are much higher than the acceptance threshold, which means that the null hypothesis is accepted and the residuals do not have linear dependencies.

Table no. 7 - Ljung-Box Q-Statistic Test for the residual series

LAG	AC	PAC	Q	Prob>Q
1	-0.001	-0.001	0.0010	
2	-0.001	-0.001	0.0042	
3	-0.005	-0.005	0.0596	
4	-0.002	-0.002	0.0670	
5	-0.005	-0.005	0.1380	

6	-0.004	-0.004	0.1758	
7	0.027	0.027	2.1060	0.147
8	-0.019	-0.019	3.0787	0.215
9	-0.011	-0.011	3.4054	0.333
10	0.020	0.021	4.4883	0.344
11	0.011	0.011	4.7940	0.442
12	-0.012	-0.011	5.1408	0.526
13	0.010	0.010	5.3866	0.613

Source: Author's own calculation

4. Conclusions

In this paper we analyzed the DIJA index for a period between 2009-2019. The logitmatic returns for this index were determined. In a first phase I studied the hypotheses of stationarity and unitary root through ADF and PP tests. While the ADF test corrects the serial correlation by adding differentiated terms (lags), the PP test corrects the coefficient of the autoregressive process of the order. There are three versions of random walk: RW1, RW2 and RW3. RW1 is the most restrictive version and takes into account the fact that the errors are independent and identically distributed, that is, they have an average equal to zero and the variance, which indicates that the returns are uncorrelated in series so that future prices cannot be predicted based on past prices. The RW2 model has independent errors but they are not identically distributed, which allows unconditional heteroscedasticity. In the RW3 model, the errors are serially uncorrelated which allows movement dependencies. In our paper we analyzed RW3 model for DIJA index. The rejection of the random walk hypothesis is due to the linear and nonlinear correlations we identified in the analyzed series.

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The Determinants Factors on Audit Quality: A Theoretical Approach

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Abstract

The evaluation of the audit quality is a current topic, taking into account that the increase of the information volume which can be found in the financial statements, requires a high effort to perform a quality audit mission, but also necessary. The research methodology proposed in this article is qualitative, by systematizing the most relevant scientific articles in which the issue of indicators influencing the quality of the audit services was debated. The analysis resulted in several indicators for measuring the quality of the audit services, the most relevant being regarding the characteristics of the auditor, the size of the company, the rotation of the auditors or information transparency. The main conclusion is that the quality level of the audit services provided can be influenced by many factors, both internal and external, but we consider that regardless of the factors that act on the quality of the audit, the professional judgement and the ethical actions of the auditors are the ones that can lead to a quality audit.

Key words: audit quality, factors, professional ethics, education, auditor's characteristics

J.E.L. classification: M40, M42

1. Introduction

In the last time, the role of financial auditors has become increasingly complex, regulating the audit activity is becoming more difficult, but also necessary, and education, initial and continuous training in the field of financial audit has diversified, and therefore the quality of the auditors activity has become increasingly difficult to be appreciate, despite the clear rules that regulate the quality control and the supervision in the field of insurance services.

The argument for choosing these topic is represented by the fact that the audit quality evaluation is a current topic both in Romania and also at the international level.

Also, one of the most effective ways to improve the information environment is to improve audit quality, by the efficiency of the audit committee and the selection of one quality auditor. An optimal solution for the most accurate measurement of the audit quality is the approach of a wide range of possible audit quality factors and not to focus on a single quality indicator. If is required to report several different indicators, will be obtain a large image of the quality of audit services.

According to the auditors' code of ethics, the percentage of the audit quality can be influenced by the audit mandate, respectively over a longer period, the auditor obtains a better understanding of the system, the business environment, the client's industry and internal controls, but at the same time, it may affect, its independence, as the auditor becomes familiar with the client's activity and decision-making.

The paper continue with a review of the main concepts, definitions and relevant papers, for the research methodology was focused to a qualitative method, respectively a descriptive-explanatory study of the most relevant scientific articles that debated this topic, and following that the results will be explained in details. The article is finished with a part reserved for the conclusions.

2. Literature review

In order to highlight the current state of knowledge in the chosen topic area, will present the most important concepts, elements and factors that influence the research topic.

The authors Bedard et al. (2010) consider that the purpose of the normative recommendations is to grow the market participants capacity to observe the audit quality, allowing so the differentiation between the audits companies based on publicly available data and providing incentives for companies to increase the audit quality.

According to Krauss et al. (2011), the increased process of harmonizing accounting and auditing worldwide has led to some similarities in audit practices, respectively audit regulations. First, the globalization process in the business area is accompanied by an attempt to increase the harmonization of accounting and auditing practices. Instead, harmonization and differences in audit practices appear to be under-explored.

Xhensila (2016) present us that the subject of the audit quality has been a blockbuster in the last decades. Though, there is just an evidence regarding to the company's audit quality.

The specialized literature gives us more definitions regarding to the audit quality. One way to define the audit quality is to consider the adequacy of the auditor's report: did the auditor deliver a "clean" opinion when there was a misstatement? Along this line, DeAngelo (1981) defines the audit quality as a double probability by which the auditor can discover significant distortions. Thus, were identified as receiving factors that influence the audit quality: the auditor's ability to identify distortions, the procedures used and the sample size, all of which depend significantly on the competency and endowment with technologies needed for the auditor.

Bedard et al. (2010) argue that a high audit quality is one issue in accordance with the audit standards and the purpose is to provide a reasonable assurance about the financial statements, respectively they are not materialized incorrectly, due to errors or fraud.

Elshafie et al. (2014) indicate that, despite the importance of the concept of audit quality, it is not explicitly defined by the technical standards and the researchers have not reached a consensus understanding of its meaning.

Sailendra et al. (2019) defines the audit quality as the probability of an auditor to find the client's accounting system inconsistent, if this is necessary to guarantee for the financial statements users, certifying that the audit commitment was carried out in a professional and independent manner.

Even though the concept of audit quality has been intensely debated theoretically, its evaluation remains quite problematic. Regarding to this aspect, Caloian (2007) argues that the quality control of the services provided can be carried out in two ways, respectively at the level of professional institutes, but also at the level of the financial audit company.

To measure the audit quality involves understanding how auditors perform the "guarding" role entrusted to them by investors, audit committees, regulators and other stakeholders in financial statements.

The factors that influence these decisions, as well as their consequences on the audit quality, are a great relevance for the audit companies, regulators and for the users of the financial statements (Floyd et al., 2017).

In practice we encounter different indicators used to measure the audit quality, such as: audit fees, the auditor's mandate or the size of the audit company. Fees are important in evaluating the audit quality, in some cases the presence of larger amounts may indicate greater efforts to improve the quality, and an opposite situation is also encountered, when the high audit fees indicate a dependence on certain clients.

An alternative approach for measuring audit quality advocated by Aobdia (2015) is to consider practitioners' assessments of what constitutes a high quality audit. Such assessments usually involve a detailed examination to the audit ensurance and focuses on two elements: whether an audit is performed, taking into account the audit standards and whether the evidence collected by the hiring team is sufficient to support the auditor opinion.

The deficiencies of the audit process used by the auditors and the regulatory authorities refer to: the inclination to declare the financial statements or the tendency to reach or exceed zero earning.

The authors Dao et al. (2019) believe that auditor liabilities will improve the audit transparency and ultimately lead to a higher audit quality, prior and empirical evidence provides mixed findings on the impact of disclosure of engagement partner identification mentioned that the introduction of the audit partner's signature requirement resulted in an improved audit quality.

On the other hand, we find that many factors of audit quality are beyond the control of auditors. There are rules imposed by legislation regarding to the auditors rotation and the provision of non-audit services, so that auditors can only respect them, regardless of what the researchers find out about the effect of these obligations.

One way to evaluate the quality of the audit services is the probability that an auditor can issue a qualified opinion, reaching the conclusion that it increases in the first five years of the contract after which it decreases. In this context, can be affirm that over time, the motivation of the client company for changing the auditor disappears because a quality audit, in this sense, does not benefit it. Therefore, the introduction of the rules regarding the auditor's rotation and those of reducing or eliminating the threat of familiarity can be considered a way of ensuring the audit quality.

3. Research methodology

The research methodology is focused on a qualitative part; respectively, the review of the relevant scientific papers who researched the audit quality area which approached the effect of some indicators about the audit quality.

The articles were selected from most of the ones that used the Audit Analytics database in their studies to identify research at international level, but also from Romanian journals, such as the *Audit Financiar* Journal. The chosen period was 2011-2019 and the selection criterion was the existence of the words "audit", "quality", or the phrase "audit quality" in the title. Following this filter was chosen 23 scientific articles that are the most significant in the choosen area.

4. Findings

In table no. 1 was selected for each paper, the objective, the proposed research methodology, the sample, the evaluation indicators of the audit quality, the most significant results, respectively, if it influences or not the quality of the audit services.

From the selected papers review, result that the most dominant factors of the audit quality are: the auditor's characteristics (the education and professional training, belonging to a Big4 or nonBig4 group, professional skepticism or even the auditor independence) and the audit company size (Fig. no 1). Other relevant indicators that can influence the quality level are the auditor's rotation, the auditor's mandate, information transparency both from the audited company and from the audit entities, fees, the audit report form and the opinion that an auditor issues after the analysis of the financial statements. Other factors identified belong of the corporate governance: audit committee, administrative structure and other committees.

Table no 1: The results of the scientific papers analysis

The author and the year	Objective	Research methodology	Sample	Indicators	Results
Aobdia D. (2019)	Analysis the way in which the characteristics about the audit team are associated with the audit quality.	Econometric model	3051 inspections 2578 observations	Time reserved for the pre-final stages of the audit.	Time, customer, and industry expertise are positively associated with the audit quality.
Aobdia D. (2019)	Investigating the degree of consistency between the audit quality measures used in the academic environment and two quality measures of the audit process.	Econometric model	5309 audit commitments 2286 internal inspections	Quality measures applied in the academic environment.	Seven academic representatives are significantly associated with quality measurement and five have insignificant associations.

Chersan I. (2019)	Identify the relationship between the quality of the audit services and its determinants, including the initial and continuous training of the auditors.	Descriptive study	Papers on Clarivate Analytics (Web of Science Core Collection).	The auditor's continuous training and education	Improving the quality of the audit should not remain a concern of the supervisory authority, and must become a constant concern of the audit companies, which must focus on the continuous training of the employees.
Dao M., Hongkang X., Long, L. (2019)	Impact of PCAOB's requirement to disclose the names of the engagement partners on the quality of the audit commitments.	Descriptive study	1,077 American companies period: 2013-2016	Transparency of the audit process.	Introducing the audit partner's signature resulted in improved audit quality.
Hategan C.D. (2019)	Highlighting the importance of the audit for investors, accountants and auditors.	Linear regressions	7 companies listed on Bucharest Stock Exchange period: 2013-2018	Auditor opinion Auditor rotation Audit company size Audit fee Audit report Corporate governance	Existence of a correlation between variables, but in a different Intensities depending on the chosen indicator. Increasing audit quality Leads to increase the investor confidence.
Pittman, J., Stein, S., Valentine, D., (2019)	Study the risk audit to partners and audit quality for US companies.	Econometric model	653 audit partners 1543 audit companies	auditor characteristics	The auditor's characteristics affect the company's performance and are found in the audit results.
Adams T., Zhou Y., (2018)	Find the answer to two research questions: if the audit quality is increased by the informational asymmetry existing between the top managers and the subsidiaries, respectively, if the audit quality is affected by the efficiency of the capital allocation.	Econometric model based on 2 hypotheses	Unique sample collected manually	Information transparency.	The auditors of the consolidated financial statements of a high quality improve the information management environment.
Azizkhani M., Reza D., Greg S. (2018)	Examining the relationship between audit quality and owning an audit firm on the Iranian market.	Econometric model based on 2 hypotheses	343 Iranian companies, audited by private sector auditors	auditor's mandate	A limited time audit mandate can improve an entity's performance.
Choudhary, P., Merkley, K., Schipper, K. (2018)	Providing evidence regarding the proposed adjustments of the audit and their arrangement by the client management.	Econometric model	8 big audit companies period: 2005 -	Adjustments proposed by the auditors	The adjustments proposed by the auditors are ubiquitous, at least 81% of the audit commitments receive at least one adjustment, and

			2014		managers largely disagree with the proposed adjustments. Work-life balance is associated with audit quality, but not in a strong way with the employee satisfaction and audit quality.
Krishnan J., Khavis J. (2018)	Researching the balance between work and professional life and the audit quality.	Econometric model	Employee reviews	Employee satisfaction levels.	
Mao, J., Ettredge, M., Stone, M. (2018)	Identification of the main auditors who assume responsibility for the audits performed by other auditors.	Econometric model	Employees of large audit firms in USA period: 2009 – 2013	Auditor responsibility	Current auditors who assume responsibility for previous audits perceive lower fees, but provide a lower quality of audit services, or even equal to the previous one.
Rowe S., Sivadasan P. (2018)	The way in which the audit quality increases the probability that the previously issued financial statements will be restated.	Econometric model	Restatements of the Big4 period: 2005-2014	Restatements audited by Big4 at the end of 2000.	Following the audit, Big4 companies have lower recovery rates than non-Big4 companies.
Diem T., (2016)	Examine the effect of work volume and work pressure on the overall audit quality.	Regression model Least-squares (OLS)	6.500 observations period: 2010 – 2013 source: Audit Analytics	Work volume	The pressure of the work volume affects negatively the quality of the audit services, which can also be affected by the number of companies, business or geographical segments.
Grosh, A., Xing, C., Wang I. (2016)	Highlighting the importance of audit quality on audit background tests and restructuring tests.	Econometric model based on 4 hypotheses	55.233 observations	Auditor independence.	Auditors, who recognize the prominence of testing the goodwill, provide more quality.
Robu I., Grosu M., Istrate C. (2016)	Analysis and evaluation of the auditor's rotation on the relevance of the information from the individual and consolidated financial statements audited.	Econometric model	64 Romanian companies listed la Bucharest Stock Exchange in the period 2006 - 2014.	Auditor rotation	The mandate of the auditor has a special impact and even contributes to the change of the company's performance.
Sun X. C. (2015)	Studying the quality of non-GAAP earnings and these impact from the audit quality.	Econometric model	217 companies that disclose non-GAAP earnings	non-GAAP earnings	Firms that hold high quality audits are more likely to present earnings that the companies which are not GAAP compliant.
Yanguang F., (2015)	Investigating if the interlocking between the auditors and the members of the audit committee affects the probability of dismissal when it exists and if it influences the	Econometric model	1183 observations Period: 2003-2010.	The type of auditors and members of the Audit Committee.	Further evidence suggests that the auditor's dismissals following accounting restatements affect positively the audit quality.

Guo Y. (2014)	audit quality. Positive association between audit company size and audit quality.	Econometric model based on 3 hypotheses	Companies listed in USA in the period 2004 - 2013	Company size	There is a lower quality in the case of audited companies by industry specialists at local level.
Li L., Qi B., Tian G., Zhang G., (2014)	Examining the relationship between audit failures encountered by individual auditors and the quality of other audits issued by other auditors.	Econometric model	Chinese companies	Audit failures	Auditors, who do an audit failure in a given year, are associated with a lower quality of the revenue reported for other client companies, audit at the same time, indicate a contamination of low quality audits.
Ayadi W.M. (2013)	Examine the impact of corporate governance on the quality of the external audit.	Linear regressions	18 French companies listed on the Paris stock exchange in 2004	Impact of corporate governance, audit fee, company size, international dimension.	A significant proportion of independent directors in the Board of Directors affects positively the quality of the audit services, the combination of the general director and the chairman of the Board of Directors, the existence of an audit committee, both affects positively the quality of the audit services.
Burnett B., Chen H., Gunny K., (2013)	Examines if the lobby activities of accounting firms are associated with the audit quality of their clients.	Econometric model based on 2 hypotheses	460 companies 3557 observations	Lobby activities of audit firms.	Lobby activities are detrimental to the quality of the audit engagement.
Krauss P., Quosig B., Zulch H., (2011)	Study whether and how the duration of the auditor-client relationship affects the quality of the audit.	Econometric model based on 2 hypotheses	1806 companies Period: 2005 - 2010	Differences between audit practices in Germany and USA.	From a qualitative point of view, there are not differences between the two countries analyzed.

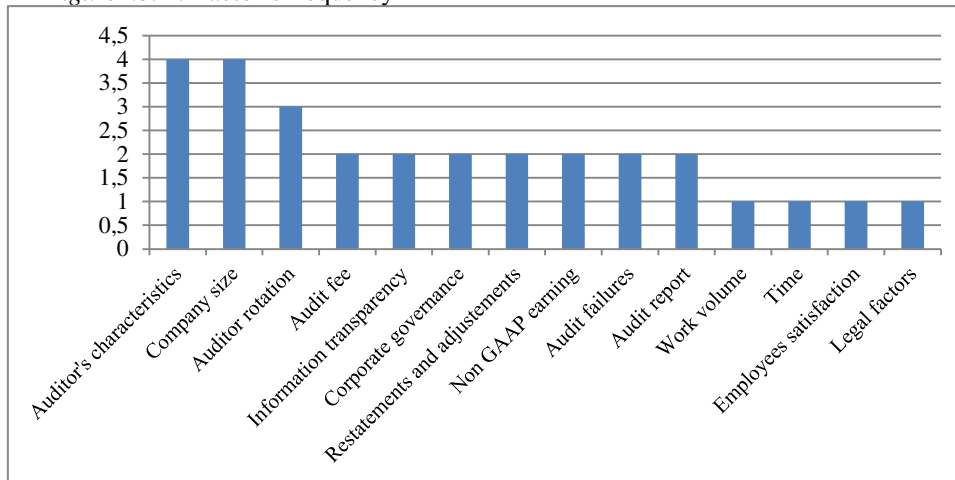
Source: own projection

Less analyzed were indicators such as the time reserved for each stage of audit, the work volume, the adjustments proposed by the auditors, the financial statements restatements, the satisfaction of the employees, but also the practice of activities that generate earnings non-GAA or lobby activities.

From the all selected indicators, only work-life balance is associated with audit quality, but does not attest a strong relationship between the audit-employee satisfaction and the quality of the audit services.

Consider that all these possible indicators can influence the quality of the audit services in a stronger or a weaker way. The significant factor in the choose of the most relevant indicators is the auditor's level of professional training, education and experience, the ethical behavior, but also the application of professional skepticism and the maintenance of independence throughout the audit process.

Figure no. 1: Factor's frequency



Source: own projection

5. Conclusions

The audit quality varies, on a continuous scale, taking into account the percentage of which the annual financial statements reflect the economic reality. Therefore, high quality audits should lead to useful information to investors and allow them to make better investment decisions.

The audit quality provided in each audit engagement may be different between the audit partners, even if the audit firms have their own quality control systems.

As a result of the literature review, national and international, we identified that the audit quality is influenced by several factors, starting from the professional training of the auditor, the experience and the skills, the assigning tasks in an equitably way for the entire audit team, the allocation of audit hours and also the audit fee.

Also, the auditor's independence, the type of auditor (Big 4 or nonBig4), the auditor's rotation, are not negligible aspects in the quality of the audit services evaluation. If an auditor respects the responsibilities imposed by the legal regulators, the chances to discover in the financial statements some accounting errors or cases of fraud are higher. Another factor that contributes to improving the audit quality is the information transparency between the auditor and the client, the information environment being an important aspect of the audit process.

Given these concerns, as well as the own findings, a first way to improve the audit quality is to provide initial and continuous quality training for the financial auditors by connecting the current economic realities in the content of the study programs and the training courses required by professionals.

Starting from the fact that the audit company size is not always an significant factor of the audit quality, the individual level of education of the financial auditors is a determinant indicator of the quality and that, for this reason, the financial auditors and the audit companies need to be concerned with ensuring the professional development for their employees, beyond the training requirements imposed by professional organizations.

In view of the above, can conclude that improving the audit quality should not remain only a concern of the supervisory authorities and professional organizations, it must also be a constant concern of the audit company's managers that need to emphasize the importance for their employee training programs. It can be assumed that a very good professional training will allow the financial auditors to make quality professional judgments at all stages of the audit process.

From the auditor's experience, the audit quality increases with the auditor's mandate while the auditor gains a better understanding of the system, the business environment, the client's industry

and internal controls. On the other hand, from the point of view of the auditor's independence, the audit quality decreases with the auditor's mandate while the auditor connects himself to the client due to economic or social obligations.

An optimal solution to approach a large range of possible audit quality indicators is to not focus on a single quality indicator and to require the reporting of several different indicators for obtain a multidimensional image of the audit quality.

The limits of the research consist in the fact that the sample of selected articles for the identification of the influencing factors is relatively small, but it was nevertheless considered relevant because a have been identified a large variety of indicators that can influence the quality of the financial audit, and in the future research the number of reviewed papers can be expanded, as well as the analysis of some official studies issued by the competent institutions in measuring and evaluating the quality of the audit services.

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The Analysis of the Private Health Insurance Market in Romania

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Abstract

Healthcare in Romania is mainly financed (around 75%) from public resources (government schemes and social compulsory health insurance), just less than 25% of total expenditure on health coming from other sources such as co-payments, informal patient payments and payments from other insurance companies. The paper aim is to analyze the evolution of the Romanian Voluntary private health insurance (VPHI) market in 2016-2018 period of time and, based on the indicators analyzed and on the opinions from literature, to provide explanations of the evolution and some ideas for future development.

Key words: financing health system, private health insurance

J.E.L. classification: G22, I13

1. Introduction

Voluntary private health insurance (VPHI) is the result of the demand coming from persons confronted with medical risks and the offer coming from insurers that mainly based on the insurance premiums award indemnization according to the medical plan agreed for the persons that have medical risks. Voluntary health insurance act on the base of a insurance policy, where all the conditions related to the insurance, the medical-sanitary institutions, the rights provided by the policy are presented.

Sagan and Thomson (2016) determine that "there is no country in Europe in which VHI is the only source of health coverage" (p. 29) In the European countries there is an important public financing of the health system, these countries offering access to health services for all or most part of the population as effect of the public financing.

Even so, not all financing of the health system is assured by public funds, a part of the financing coming from the private sources and one of the private source is represented by voluntary private health insurance.

There are different types of VPHI based on the purpose of the insurance (Done, 2012, p.12):

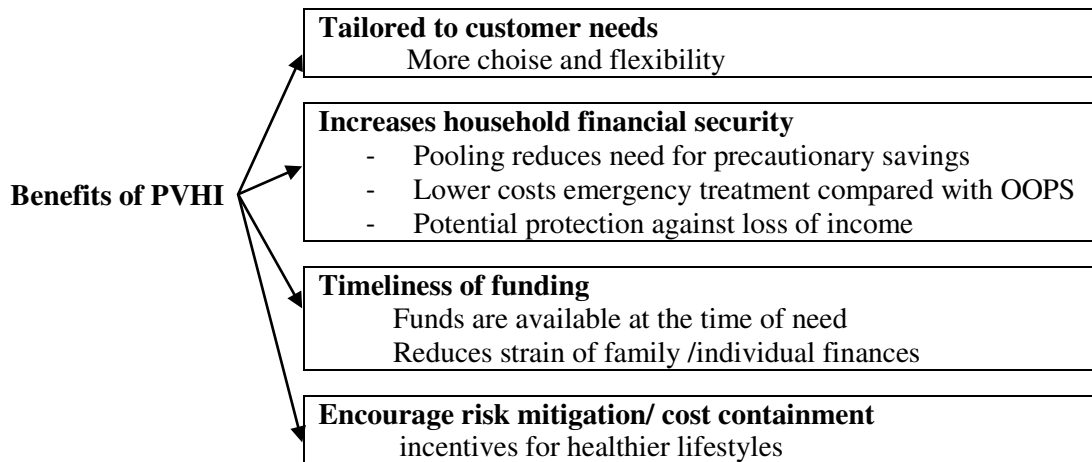
- primary, where PHI is the main mode for assuring the medical services of the persons;
- substitute, when the private health insurance is just a private alternative, giving access to the same services as the public one;
- supplementary, that is offering access to the medical services that are excluded from public coverage;
- complementary, that cover the payments that are owed by the insured because that are not covered by the public coverage or the co-payment owed by the beneficiary.

Private health insurance benefits both from the individual perspective and from the public system perspective.

From an individual perspective, private health insurance prevents the risk of a serious impact on the expenses of a family in case of a serious illness that requires substantial financial resources, by using the resources raised by insurer from all the insured to cover the expenses generated by the medical risk. Also, the coverage of the VPHI is more flexible, and by this, could be tailored easier to the insured needs, offering personalized insurance packages according to their risk profile. There are also opinions which suggest that by using VPHI, the insured also benefit from higher quality services or from reduced waiting time.

A synthesis on the role of VPHI is realized by Swiss Re (2015) and is presented by figure no. 1

Figure no.1. Benefit of Voluntary private health insurance

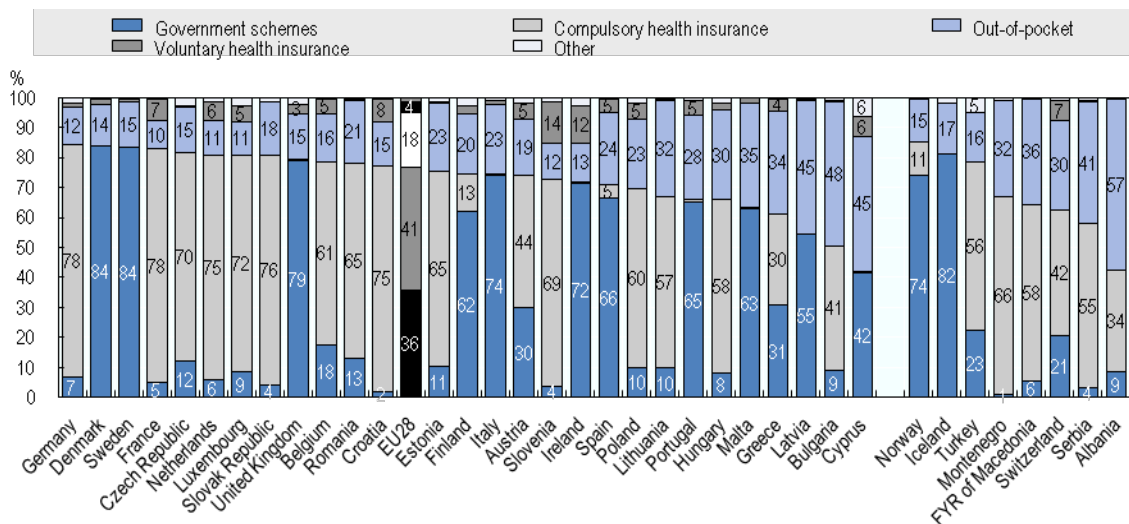


Source: The Geneva Association, Swiss Re, 2015

For the healthcare system VPHI is also beneficial because, in some cases, persons that need medical care that is not covered by the public system will not access the services needed in the absence of a VPHI because they do not have financial resources for that. In that cases, the existence of VPHI contribute to the financial sustainability of the healthcare system by relieving expenses.

Financing of the health system in Europe, as figure no. 2 show, reflects different situations: countries where government schemes are very high, countries where compulsory health insurance is the main source of financing, or countries where out-of-pocket money are very important. The situation reflected by the figure no. 2 show that there are countries where voluntary health insurance assure more than 10% of the health expenditures, but also there are countries where financing through voluntary health insurance is just marginal.

Figure no 2. Financing of the health system in Europe



Source: OECD/EU, 2018, Health at a Glance: Europe 2018: State of Health in the EU Cycle, OECD Publishing, Paris, [online] Available at: https://doi.org/10.1787/health_glance_eur-2018-en

As can be seen, healthcare in Romania is mainly financed (around 75%) from public resources (government schemes and social compulsory health insurance), just less than 25% of total expenditure on health coming from other sources such as co-payments, informal patient payments and payments from other insurance companies.

The possibility that some of the medical services could be financed through VPHI in Romania was introduced in 2006 by the legislation regarding the reform of the public health system. The law (in article 341) established that VPHI in Romania could be complementary (support the payment of the services that are not fully financial covered by public financing system) or supplementary (support the services that are not in the package of medical services covered by public financing system, the right to the second opinion, etc.).

Because of the importance of this mechanism, the law also establishes aspects that have to be put in the contract of VPHI (article 345 of the law): the list and the volume of covering the co-payments; the list of the services in the supplementary PHI; the list of the agreed providers; the way in which the contact of the agreed providers will be done; the rights and the obligations of the parties in the contract; the way in which the payments to the providers will be done; cases and modalities regarding the termination of the contract; modalities of dealing with litigations.

In an attempt to stimulate the VPHI market, the Romanian legislative stipulated in the Fiscal Code that insurance premiums for VPHI paid personally or by the employer are deductible form the income tax in the limit of 400 euro per year.

Studying the offer on the Romanian market, it is noticed a large range of services covered through VPHI, offering to the consumers multiple benefits and allowing them to tailor sufficiently the policy coverage.

Generally, risks insured by private health insurance in Romania are:

A. Outpatient services - services for which hospitalization is not required and may include different types of services, with different coverage levels:

- medical consultations requested by the insured due to a medical necessity
- medical procedures and investigations required by the insured due to the medical needs accessed based on the recommendation of a general practitioner / specialist
- laboratory tests required by the insured due to a medical need accessed on the recommendation of a general practitioner / specialist
- other outpatient services: imaging services, recovery medicine, vaccines, reductions to outpatient medical services not covered by the insurance contract, inclusion in the contract (with the same risks covered) and dependent persons (the insured's family)

B. Hospitalization services

Hospitalization costs may include: administered medication, financial losses recorded during the convalescent period, medical investigations, etc.

The risk can only be covered if there is a minimum period of hospitalization caused by the same event (eg, min 2 consecutive days)

Depending on the products of each insurer, there may still be: allowances granted for surgery and birth)

The development of the market for private health insurance is also a stimulus for investments in the health sector in Romania, for the extension and modernization of the medical infrastructure. By this, VPHI contribute to the qualitative development of the medical services and to the retention in the national system of the Romanian doctors.

The paper aim to analyze the evolution of the Romanian VPHI market in 2016-2018 period of time and, based on the indicators analyzed and on the opinions from literature, to provide explanations of the evolution and some ideas for future development.

2. Theoretical background

The analysis of the private health insurance as a method of financing healthcare system was done by many authors, for different countries or group of countries and for different use of private health insurance (as substitute, complement or supplement). In the theoretical background there will be reviewed papers that generally analyze the voluntary private health insurance used as complement or supplement to the social medical care awarded by different government schemes or compulsory public health insurance.

Drechsler and Jutting (2007), discussing the role of the private health insurance in various developing countries, argue that the role of PHI vary with the economic, social and institutional settings in a country or a region. As the authors say, "whether PHI will gain a more prominent role in Eastern Europe is above all a political decision" (Drechsler and Jutting, 2007, p. 515-516).

Most of the papers that question the VPHI problem analyze the purchasing behavior of VPHI or the medical services use. In a recent paper, Kullberg et al. (2019) studied the purchasing behavior of the Swedish population in the last years. Their findings show that about 15% of the population between 16 and 84 years have private health insurance. Because the insurance plans do not cover pre-existing medical conditions or chronic diseases, the specific weight is higher for healthier persons, but other factors like income or the political orientation matter. The motivation of buying VHI consist in „access to private health care providers, shorter waiting time as a result of waiting-time guarantee, assistance with care-coordination" (Kullberg et al., 2019, p. 745). Analyzing the situation of another nordic country (Denmark), Kill and Arendt (2015) investigate the impact of complementary PHI on the use of health care services. Their findings suggest that the impact is various for different medical services. In some cases (prescription medicine, dental care and chiropractic care) the impact is positive and significant, in other cases the impact is positive, but smaller (physiotherapy and general practice) or do not exist (the use of hospital-based outpatient). In a comparative study on the Nordic countries, Tynkkynen et al. (2018) suggest that even the VPHI market of all of the countries grow, the factors of influence are specific. The results show that for 3 of the countries (Denmark, Norway and Sweden) most of the voluntary health insurance policies are purchased by employers, but in Finland, that was more resistant to structural change of the public healthcare system, most of the VPHI policies are held by individuals, as a personal behavior to obtain better medical services. Also, their results confirm that time access to the medical services is an important factor of purchasing VPHI policies.

Artabe and Siguenza (2019) analyze the effect of the recession on the spending for HPI in Spain and find that the period of recession did not affect the contracting the PHI. They evidenced that the wealthier persons spend more on HPI, the future effects of this kind of behavior being negative for the quality and financial sustainability of the public health system.

Antohi and Cojocaru (2015), analyzing the financing mix of the healthcare system in Romania, show that "another important income source of the healthcare system is represented by the population's private expenditure" (Antohi and Cojocaru, 2015, p. 78), but the main category in that spending is represented by direct payments and not by the private healthcare insurance. In the authors' opinion, most important causes of this situation are the lack of fiscal stimulus for purchasing HPI and the lack of private suppliers.

3. Research methodology

The paper performs a literature review about health insurance importance and evolution in different countries and under various schemes, followed by a quantitative analysis of the market indicators evolution.

The indicators used for the analysis are characteristic for the insurance markets analysis:

- penetration rate of the insurance, calculated as ratio between insurance premiums and GDP, show the importance of the insurance market;
- density of the insurance, determined as ratio between insurance premiums and number of inhabitants, show the sums paid, as a mean, by one person for obtaining an insurance policy. The indicator is calculated in national currency/person, but it is also reflected in euro/person to permit international comparisons;
- written insurance premiums, claims awarded and number of contracts, as indicators that highlight the evolution of the market;
- claims ratio, calculated as ratio between claims and written premiums, as an indicator of "product value for clients" (IAIS, 2017, p. 5), reflecting how much of the written premiums return to the beneficiaries or insured persons.

The data used come from insurance and reinsurance annual reports issued by Romanian Financial Supervision Authority (FSA), and the National Institute of Statistics of Romania, statistics of European Insurance and OECD health statistics.

4. Findings

The importance of the VPHI market in 2016-2018 is studied by analyzing the evolution of voluntary private health insurance penetration degree and of density of the same insurance products. The value of the indicators are reflected in table no. 1.

Table no 1. Market penetration degree and density of private health insurance in the period 2016-2018

Indicators	2016	2017	2018
Gross premiums written on health insurance (mil. lei)	172,819942	208,645965	335,020775
GDP (mil lei)	765135,4	857895,7	944220,2
Health insurance penetration degree (%)	0,02%	0,02%	0,04%
Resident population (mil. pers)	19,760585	19,643949	19,530631
Density (lei/inhabitant)	8,75	10,62	17,15

Source: INSSE (<http://statistici.insse.ro:8077/tempo-online/#/pages/tables/insse-table> - resident population; <http://statistici.insse.ro:8077/tempo-online/#/pages/tables/insse-table> - GDP) and ASF (www.asfromania.ro Insurance and reinsurance market report, 2018)

As data in table no. 1 show, the VPHI market is not an important one in Romania, the penetration degree being much under 0,1%. In spite of that, analyzing the evolution of the market discover that both of the indicators that describe the market importance registered an ascending evolution. It worth to be noted that the health penetration degree improved from 0.02% (in 2016 and 2017) to 0.04% (in 2018) and the density, expressed in national currency, doubled in 2018 compared to 2016 (but the growth of the indicator expressed in euro/person is smaller).

In a comparison of the importance and evolution of the VPHI market in selected Central and Eastern European countries, Romania is situated on the bottom of the list, just Hungary (from the selected countries) registering smaller density and penetration. In a relatively similar position it is Poland, with the same penetration degree, but a little higher density of health insurance. With a relatively similar penetration degree are Czech Republic (0,06%) and Estonia (0,05%), but the density is much higher. On the other hand, Slovenia register the highest density of health insurance and penetration rate from the selected countries.

Table no. 2 Evolution of the VPHI market in selected Central and Eastern European countries

Country	Density of health insurance (domestic market)			Penetration of health insurance (domestic market)		
	2016	2017	2018	2016	2017	2018
Bulgaria	5.79	6.98	8.78	0.09%	0.10%	0.11%
Czech Republic	10.92	11.74	12.66	0.07%	0.06%	0.06%
Estonia	7.68	8.82	9.78	0.05%	0.05%	0.05%
Croatia	13.17	15.85	17.09	0.12%	0.13%	0.14%
Hungary	0.57	0.75	0.86	0.00%	0.01%	0.01%
Latvia	16.25	18.10	20.89	0.13%	0.13%	0.14%
Poland	3.79	4.22	5.64	0.03%	0.03%	0.04%
Romania	1.88	2.28	3.68	0.02%	0.02%	0.04%
Slovenia	238.09	249.54	264.86	1.22%	1.19%	1.19%
Slovakia	12.90	12.33	24.43	0.09%	0.08%	0.15%

Source: European insurance industry database, [online] Available at <https://www.insuranceeurope.eu/insurancedata>

So, even the density of private health insurance has doubled in 2018 compared to 2016, however, compared to the countries of the CEE, Romania is among the countries with the lowest density. These differences observed reflect to a large extent differences in national health and social security systems and the role of private insurers.

The evolution of the gross direct premiums written on private health insurance in 2016-2018 in Romania is evidenced by data in table no. 3.

Table no. 3 Evolution of Gross direct premiums written on private health insurance in 2016-2018

Gross direct premiums for	2016 - lei-	%	2017 - lei -	%	2018 - lei -	%
Total market (non- life and life)	9380935173	100%	9701743603	100%	10141233044	100%
Health insurance	172819942	1,84%	208645965	2,15%	335020775	3,30%
Non-life insurance	7711487926		7688478353		8042145685	
- of which health insurance included in non-life insurance	113381940	1,47% of non- life insurance	131876526	1,72% of non- life insurance	230012472	2,86% of non- life insurance
Life insurance	1669447247		2013265250		2099087359	
- of which health insurance included in life insurance	59438002	3,56% of life insurance	76769439	3,81% of life insurance	105008303	5,00% of life insurance

Source : ASF - Insurance and reinsurance market report, 2018

Analyzing the date, it can be seen that gross premiums written on health insurance had an increasing evolution. The increase of premiums in 2017 compared to 2016 is of 20.73% and in 2018 compared to 2017 is of 60.57%. This generated almost doubling the gross premiums written on health insurance in 2018 compared with 2016 (the increase is of 93.86%). Analyzing the structure of the insurance market and the importance of private health insurance on that, it can be observed that the health insurance share in total insurance market is small, reaching 3.3% in 2018. However, we note a slightly upward evolution of the health insurance share with 1,46% in 2018 compared to 2016. The voluntary health insurance policies are reflected in the statistical situations detailed on the components: some of the components are reflected as non-life insurance, but other as life insurance.

Analyzing the evolution of private health insurance on components, it can be observed that although the share of health insurance in non-life, respectively life insurance grow in 2016-2018 period, the component attached to non-life insurance is more than double (in absolute terms) in 2018 compared with 2016, and the evolution of the component attached to life insurance is ascending (in absolute values), but with a small coefficient of growth. As a result, over 65% of the gross written premiums in health insurance every year in the analyzed period are coming from health insurance associated with non-life insurance. But, because the Romanian insurance market is dominated by non-life insurance, the share of health insurance attached to non-life insurance (in the total non-life insurance) is smaller than the share of health insurance attached to life insurance (in the total life insurance).

A major explanation of the growth of gross direct premiums written on private health insurance is the growth of the number of contracts in the same period as reflected by data in table no.4

Table no. 4 Number of health insurance contracts in period 2016-2018

Health insurance contracts	2016	2017	2018
No of contract at the end of reporting period	231198	275904	365872
- Included in non-life insurance contracts	221913	265760	348699
- Included in life insurance contracts	8285	10144	17173
No. of new contracts issued in reporting period	271836	320329	427290
- Included in non-life insurance contracts	264323	316619	415673
- Included in life insurance contracts	7513	3710	11617

Source: ASF - Insurance and reinsurance market report, 2018

The number of contracts in force at the end of 2018 at the level of the entire health insurance market stood at 365872, being higher with 134674 than at the end of 2016 (a growth of 36,80%). Most of the contracts in force in 2018 (348,699, representing over 95% of the total number of contracts) are registered for health insurance included to non-life insurance, just 17173 contracts being attached to life insurance. This structural situation is valid also for 2016 and 2017. Looking at the evolution of new contracts, the structural situation is even more unbalanced, health insurance attached to life insurance being in 2018 less than 3% of the total new number of contracts. Such evolution, corroborated with the volume of the gross premiums written for health insurance components, reflect the fact that the mean premium for a contract of health insurance attached to life insurance is much higher than the mean premium for a contract of health insurance attached to non-life insurance

Even so, the evolution of the number of contracts in the last 3 years reflects a higher demand for health insurance. As suggested by Sagan and Thoson (2016, p. 54), the socio-economic characteristics of persons having VPHI in 2012 in Romania reflect the fact that these persons are generally under 50 years of age, better educated, have higher incomes, work in large firms or multinational and live mainly in urban areas. Based on that, some of the causes of such evolution could be the higher income of the persons as result of the economic growth or the fact that more employers offer to their employees as a benefit a private health insurance. Another factor of growth of the health insurance is the diversification of distribution channels: agents, brokers, banking institutions as well as training of insurance brokers on the terminology used in health insurance and on understanding the advantages and disadvantages of each health insurance product.

The growing number of contracts are associated with more medical problems, but also with clients that are more aware of the benefits employed by the VPHI. As a result, the value of claims also registered a growing evolution in 2016-2018 period as reflected by data in table no. 5

Tabel no. 5 Evolution of claims paid on health insurance in 2016-2018

Claims paid on (lei)	2016	%	2017	%	2018	%
Total market (non- life and life)	4311825389	100%	5075341698	100%	5941757119	100%
Non-life insurance	3601564195	83,53%	4076896562	80,33%	4915702278	82,73%
Life insurance	710261194	16,47%	998445136	19,67%	1026054841	17,27%
Health insurance	68373126	1,59%	104670974	2,06%	164564666	2,77%
- Included to non-life insurance	42955983	1,19% In non-life	72491600	1,78% In non-life	121749007	2,48% In non-life
- Included to life insurance	25417143	3,58% In life	32179374	3,22% In life	42815659	4,17% In life

Source: ASF - Insurance and reinsurance market report, 2018

As data show, the claims for health insurance increased from 68373126 lei in 2016 to 164564666 lei in 2018 (with more than 140% compared with 2016, and an increase higher than that of premiums in the same period of time). Looking at the structure of the claims between the components of health insurance, it can be seen that the biggest increase of claims is coming from health insurance attached to non-life insurance (from 42955983 lei to 121749007 lei) and less because of the health insurance attached to life insurance. This evolution could be explained by the fact that the persons who contract voluntary private health insurance prefer private clinics over state ones when it comes to Outpatient services, because they can choose in many cases service provider, have the possibility to call on a whole network of providers approved by the insurer in case of a medical problem or even can benefit from medical services in clinics outside Romania, if it has opted for such an insurance plan. But as a result of this options, the costs incurred by the insurer are generally higher, because some of the services are expensive in the private medical units.

Table no. 6 Evolution of claims ratio for health insurance

	2016	2017	2018
Gross direct premiums for health insurance	172819942	208645965	335020775
- of which health insurance included in non-life insurance	113381940	131876526	230012472
- of which health insurance included in life insurance	59438002	76769439	105008303
Claims paid on health insurance	68373126	104670974	164564666
- of which on health insurance included in non-life insurance	42955983	72491600	121749007
- of which on health insurance included in life insurance	25417143	32179374	42815659
Claims ratio for health insurance	39.56 %	50.17%	49.12%
Claims ratio for health insurance included in non-life insurance	37.89%	54.97%	52.93%
Claims ratio for health insurance included in life insurance	42.76%	41.92%	40.77%

Source: author's processing after data from ASF, Insurance and reinsurance market report, 2018

Analyzing the results obtained for the claims ratio, it can be observed that during the period the ratio become higher, as the number of the persons contracting a health insurance increased and their medical needs and expectations are higher. But the ascending evolution of the claims ratio for health insurance (from 39,56% in 2016 to almost 50% in 2018, after a higher value in 2017) is determined mostly by the evolution of the claims ratio for health insurance attached to non-life insurance (the kind of insurance most offered by the employers).

5. Conclusions

The health insurance market in Romania is still poorly developed compared to the countries of the European Union. However, in the period 2016-2018 the health insurance market had an increasing evolution. Some of the causes of such evolution could be: the higher income of the persons as result of the economic growth; more employers offer to their employees as a benefit a private health insurance; the diversification of distribution channels: agents, brokers, banking institutions as well as training of insurance brokers on the terminology used in health insurance and on understanding the advantages and disadvantages of each health insurance product; Romanians prefer private clinics over state ones when it comes to Outpatient services or even can benefit from medical services in clinics outside Romania; campaigns to promote health insurance products Romanians started to put health first if they had to choose between health insurance and a private pension.

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Solvency II Impact on the Romanian Insurance Industry

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Abstract

The article provides a quantitative evaluation in which is investigated the impact of the Solvency II on the Romanian insurance industry after three years of the implementation of the new insurance regulatory framework. The impact assessment was performed based on the main prudential indicators concerning the capital requirements (SCR and MCR) and Own Funds before and after Solvency II application. The analysis results shown that the new regulatory regime had a positive impact on the solvency position of the Romanian insurance industry. At individual level, after three years since the new framework became effective, all insurance companies that carrying out business on the local market have complied the regulatory capital requirements. Moreover can be observed a capital optimization trend among Romanian insurance companies. The aggregated structure of the eligible own funds to cover capital requirements shown a high quality of capitalization which indicates a sufficient absorbing capacity of losses.

Key words: Solvency II, Romanian insurance industry, SCR, MCR.

J.E.L. classification: G22, G28.

1. Introduction

From a regulatory perspective, a key milestone in the development of the insurance industry solvency regulation was the application of the Solvency II regime starting with January 1st 2016 within the European Single Market, after almost a decade in the making, repeatedly delay and widely criticism. Solvency II is currently one of the most sophisticated regulatory regimes in the world and represents a huge improvement over Solvency I imperfections. The most significant changes introduced by the new solvency regulation consist in: movement from a factor-based solvency framework to a risk-based capital regime, market-consistent evaluation of assets and liabilities, embedding strong risk management and corporate governance within insurers, increase the requirements on solvency and reserving and extended standards on public disclosure and supervisory reporting. The key objectives of the new risk oriented solvency framework cover: improve protection for policyholders and beneficiaries, harmonization of solvency laws and regulations within the Single Market, effective risk management and the growth of the financial system stability.

Romania, as a European Union member country implemented the rules of the new regime since the beginning of 2016 year, both at the level of insurance companies and within Financial Supervisory Authority (ASF). The new capital requirements introduced by Solvency II standards have raised a number of challenges on the local landscape of the insurance sector.

The main objective of the paper is to provide an overview of the Solvency II impact on the Romanian insurance industry. In the academic literature, most of the papers which give an evaluation of Solvency II insurance framework and its possible implications on the Romanian insurance market have been published before the Solvency II implementation, during the development solvency reforming regulation process based on the results of the quantitative impact studies (QIS). Considering that since these publications (some of the articles are presented in the second section of the paper), the solvency regulatory regime applied on the European insurance sector (and implicitly on the local market) has changed substantially since January 2016, a re-evaluation of the Solvency II impact on the Romanian insurance industry it is required after almost

four years since the new risk-based regulatory framework became effective.

This article has the following structure: the second section contains a brief overview of the literature review, the third section provides the research methodology, the fourth section presents the results of the Romanian insurance market analysis before and after implementation of the new regulatory regime and the fifth section outlines the conclusions regarding the Solvency II impact assessment on the Romanian insurance industry.

2. Literature review

In the academic literature, the issue of the potential financial impact of the new solvency framework on the insurance sector from Romania has been analyzed by many researchers. Most of the authors have concluded that the non-life insurance companies will be the most affected by the application of the new solvency regulatory regime, mainly due to the significant weight of the capital requirements for non-life underwriting risk module in the overall solvency capital requirements. Their conclusions have been derived from the results of the two surveys, QIS 4 and QIS 5 to which a number of Romanian insurance undertakings have been participated voluntarily to the simulation of the solvency capital requirements calculation in conformity with the standard approach of the new regime.

Clipici (2012) concluded that the impact of the new framework in terms of assets for most Romanian insurers will not be significant, the values of the life technical reserves will decrease which will lead to a rise of the own funds, the solvency capital requirements for non-life insurers will increase due to the high share of the non-life underwriting risk module in the total SCR, but the number of the insurers which would be forced to correct their risk profile in order to fulfill the Solvency II standards will not be significant. Casian (2013) reveal that the Solvency II will have substantial implications on the local insurance sector, thanks to the low development of the insurance industry and the complexity of this framework. Also, he emphasized the difficulty that non-life insurers could meet regarding the accuracy of the stochastic methods used in the technical reserves evaluation in order to satisfy the new regime standards. Naghi (2013) noted that the impact of the new regime will be major by increasing of the solvency capital requirements, especially for non-life insurers that accounted a higher underwriting risk. Furthermore, this increase of the solvency capital requirements will be a difficult demand to comply by medium-sized insurers which see the capitalization as a hard to led burden. Ciotină (2014) shown that the transition to the Solvency II regime will determine a growth of the capital requirements for the Romanian insurers (about 17.47% additional capital for the overall Romanian insurance sector according to the QIS 5 results) and some insurers may have difficulties in the attracting of this additional capital. Nevertheless, the financial position of the Romanian insurance industry will remain stable and Solvency II implementation will bring benefits both for insurers and insured.

3. Research methodology

This article provides a quantitative evaluation of the Solvency II impact on the Romanian insurance industry after three years of the implementation of the new insurance regulatory framework. The research was carried out based on the statistics reports published by Romanian Financial Supervision Authority (ASF) and European Insurance and Occupational Pensions Authority (EIOPA) with respect to the main prudential Solvency II indicators concerning the capital requirements (SCR and MCR) and Own Funds. The Romanian Insurance Market Pre Solvency II analysis was performed based on the two balance sheet review reports conducted by ASF in 2015 year with the goal to assess the Romanian insurance industry situation before the Solvency II regime became effective. The Romanian insurance industry Post Solvency II analysis was made based on the public reports (annually and quarterly) published by insurance regulators (ASF and EIOPA) and Romanian insurance companies over the first three financial years (Day 1 - Opening Balance Sheet Reconciliation data at 1st January 2016, 2016 year, 2017 year and 2018 year) after Solvency II application.

According to the guidelines provided by EIOPA (Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009, Commission Delegated Regulation (EU)

2015/35), the definitions for SCR, MCR and own funds are the following:

1. Solvency Capital Requirement (SCR) corresponds to the economic mandatory capital that European insurers and reinsurers are required to hold in order to withstand significant losses and ensure a prudent level of protection for policyholders and beneficiaries with a very high level of probability over the following 12 months. Solvency II applies a modular approach to determine the SCR. The overall risk exposure of the insurer is divided into five risk modules (market, default, underwriting, operational and intangible asset risk), which are split into sub risks and sub-sub risks. Firstly, are calculated the SCRs for each risk, respectively sub or sub-sub risk module and then these SCRs are aggregated into an overall SCR. Total SCR can be calculated applying standard approach provided by EIOPA or an own internal model developed by each insurer, that need to be approved by regulator.

2. Minimum Capital Requirement (MCR) is the minimum level below which the financial resources of an insurance undertaking should not fall. This indicator is determined independently of the solvency capital requirements using an accounting linear formula. MCR has an absolute floor of 3.7 million EUR and a floor, corresponding to 25% of the SCR and a cap, equivalent to 45% of the SCR.

3. Own funds. Under the Solvency II regulatory framework the equity capital is equivalent to the excess of assets over liabilities and is known as available own funds. The proportion of the available own funds which are able to cover the SCR and MCR are known as eligible own funds. The ratios of eligible own funds to cover the SCR and MCR corresponds to SCR ratio, respectively MCR ratio, which should be at least 100%. The available own funds are divided into three tiers according to both permanence and loss absorbency: Tier 1 split into Tier 1 unrestricted (shareholders' equity, future premiums expected profits) and Tier 1 restricted (Tier 1 debt), Tier 2 (reinsurance covers, subordinated Tier 2 debt and letters of credit) and Tier 3 (Tier 3 debt and net deferred tax assets). Compared to the Tier 1 that represents the highest quality class, available at all times and without restriction to cover the solvency capital requirements (both SCR and MCR), Tier 2 and Tier 3 are capped to different limits: eligible own funds to meet SCR (maxim 50% Tier 2 and Tier 3 and in addition maxim 15% Tier 3) and eligible own funds to meet MCR (maxim 20% Tier 2 and Tier 3 is not creditable).

4. Findings

4.1. Romanian insurance market pre Solvency II situation

In 2015, Romanian Financial Supervision Authority (ASF) in cooperation with European Insurance and Occupational Pensions Authority (EIOPA) carried out two balance sheet review exercises (Balance Sheet Review – BSR and Balance Sheet Review Extended – BSRE) to provide a 'high-resolution' picture of risks and vulnerabilities of the local insurance industry pre Solvency II introduction. The main objectives of the BSR and BSRE exercises were: to analyze the insurance portfolio of each insurer in order to assess the adequacy of technical provisions and to estimate the economic amount of this technical provisions in conformity with the Solvency II requirements, to evaluate the appropriateness under Solvency II framework of the recognition and valuation principles applied to all assets and liabilities, to estimate under the Solvency II regime the effectiveness of the risk transfers to third parties of risks stemming from reinsurance contracts written by the insurers including finite reinsurance contracts and to determine the prudential parameters in accordance with Solvency II regime (MCR and SCR). Also has been performed a test stress exercise to evaluate the resilience of the Romanian insurance sector under different insurance stress scenarios (five single-factor scenarios) and market stress scenarios (simultaneous six shocks), based on the adjusted Solvency II outcome from the BSR exercise. The main objective of this stress test exercise was the assessment of the capital requirements (MCR and SCR) before and after stress testing.

BSR exercise covered 13 Romanian insurers accounting for 82.04% of overall gross written premiums on the Romanian insurance market in 2013. BSR reference date was June 30, 2014. The results of the BSR exercise shown that of the total number of 13 participating insurance companies, 5 insurers hold negative own funds, 5 insurers not hold sufficient eligible own funds to cover the

MCR, 5 insurers not complied the SCR ratio and only 4 insurers have fulfilled both the SCR and MCR ratios. At aggregated level, average SCR and MCR ratios were 3.2%, respectively 3.3%. Without the largest three of the five companies with own funds negative, the aggregated SCR and MCR ratios have increased significantly to a level of 99.98%, respectively 335%. Therefore, the results of the stress testing demonstrated the vulnerability of the Romanian insurance sector (the participating insurers did not have sufficient capital), the insurance natural catastrophe stress scenario having the most significant impact and financial stress scenario are less sensitive.

The BSRE exercise has covering 21 insurers (accounting for 15.24% of overall gross written premiums on the Romanian insurance market in 2014) that were not participated to the BSR based on the financial data of December 31, 2014. The results of the BSRE exercise shown that of the total number of 21 participating insurance companies, 1 insurers hold negative own funds, 7 insurers not complied the MCR ratio, 6 insurers not fulfilled the SCR ratio and 10 insurers have meet the two level of the capital requirements (both SCR and MCR). At aggregated level, average SCR and MCR ratios were 118%, respectively 171%. Table 1 summarized the results of the two balance sheet review exercises concerning the appropriateness under Solvency II regime: eligible own funds to cover capital requirements and SCR, respectively MCR ratios.

Table no. 1 Romanian insurance industry Solvency II indicators results of the BSR and BSRE exercises (thousand RON)

Solvency II indicators	BSR	BSRE
Eligible own funds to meet SCR	174.000	700.796
Eligible own funds to meet MCR	49.000	696.950
SCR	5.444.000	595.698
MCR	1.500.000	407.090
SCR Surplus /Shortfall	-5.270.000	105.097
MCR Surplus /Shortfall	-1.451.000	289.860
SCR ratio	3,20%	117,64%
MCR ratio	3,27%	171,20%

Source: Authors' own research based on the BSR and BSRE reports published by ASF available on www.asf.ro

The results of the two exercises concluded that under Solvency II regime, the Romanian insurance sector is not sufficiently capitalized and only 14 undertakings of the total number of 34 participating insurance companies have meet the main Solvency II prudential ratios (MCR and SCR ratios above 100%). The remaining insurers have need to take actions to correct their risk profile and improve their financial and solvency position in order to fulfill the Solvency II standards. The insurance companies with shortfall of capital had submit action plans to ASF the remediate the deficiencies identified during the BSR and BSRE exercises.

4.2. Romanian insurance market post Solvency II situation

The decision makers regarding the readiness assessment of the Romanian insurance companies for Solvency II implementation have been leaned heavily on the results that have been gathered from the BSR and BSRE exercises. BSR was seen by most insurance undertakings and also by national supervisor, as a powerful tool to understand the likely effect of the new regime on the company capital position. In line with the agreed follow-up actions in the plans submit to national supervisor, the insurance undertakings whit inconsistencies identified during the BSR have taken actions in order to correct the issues that have proved difficulties in the compliance of regulatory solvency capital requirements. These companies have been closely monitored by local regulator during the implementation process of the recommendations in order to ensure the appropriateness under Solvency II standards. In the coming period, to strengthen their capital positions and optimize their risk profile some local insurers have undertaken swift measures to cover the capital deficit. In conformity with the data published by National Association of Insurance and Reinsurance Companies from Romania, capital infusion from abroad in Romanian insurance

companies was worth 90 million euro in the first three quarters of 2016. Furthermore, the injection of capital from foreign shareholders on local insurance industry have continued during the following period after the Solvency II implementation. For instance in the first quarter of 2017 year, four insurers have received capital infusion of approximately 43.12 million EUR.

As a response to the subsequent measures involving capital risk profiles correction and capital infusions which happened on the local insurance sector both prior and after the implementation of the new regulatory framework, the solvency position of the Romanian insurers has been strengthened significantly. At individual level, of the total number of 31 insurance companies which operating at the end of 2016 year on the Romanian insurance market, one insurer not meet either SCR or MCR ratios of 100%, one insurance company not achieved the SCR and one insurance undertaking not complied the MCR. To the end of 2017 year, from a number of 31 companies, only one insurer did not cover the MCR ratio of 100%, but this company at this date was in the process of transfer portfolio. On December 2018, all 29 insurance companies which carrying out business on the Romanian market have complied the regulatory capital requirements (SCR and MCR ratios above 100%). Over the all three years since the new regime became effective, at aggregated level, the main prudential Solvency II indicators have recorded changes compared to the figures of the previous years. Concerning the excess of assets over liabilities, the largest growth was registered in the first two years after Solvency II implementation, about 16% (end of year 2016 versus Day 1), respectively 15% (end of year 2017 versus end of year 2016). At the end of 2018 year, excess of assets over liabilities dropped by 5% from 2017 to 2018, mainly due to the increase of liabilities more than the assets in 2018 year (total liabilities increased by 6%, while total assets grew by 3%). Regarding the eligible own funds to meet SCR, a significant growth has occurred over the first two years, 16% - end of 2016 year versus Day 1, respectively 12% - end of 2017 year versus end of 2016 year, while at the end of 2018 year, total eligible own funds to cover SCR declined slightly by 1% from 2017 to 2018 . On the overall market, SCR recorded a similar pattern as eligible own funds to cover SCR: a more important rise over the first two years after the framework application, followed by a slightly decrease at the end of 2018 year. The aggregated MCR reached a growth in the first year post Solvency II implementation (8%) and in the subsequent years remained constant to the level of 1,2 billion RON. Over 2016-2018 period, the average SCR and MCR ratios were above the prudential requirements with an upward trend, except the last year when there was a slight reduction. Table 2 shown the results of the main prudential Solvency II indicators on the aggregated Romanian insurance industry calculated in conformity with the standards of the framework over the three years since the new regime application.

Table no. 2 Romanian insurance industry Solvency II prudential indicators results over 2006-2018 period (billion RON)

Solvency II indicators	Day 1 (01.01.2016)	Year 2016	Year 2017	Year 2018
Assets	16,36	18,85	19,94	20,60
Liabilities	12,58	14,46	14,88	15,79
Excess of assets over liabilities	3,78	4,39	5,06	4,81
Eligible own funds to meet SCR	3,97	4,61	5,16	5,10
SCR	2,62	2,83	2,99	2,98
MCR	1,12	1,21	1,22	1,22
SCR ratio	151%	163%	173%	171%
MCR ratio	354%	355%	399%	387%

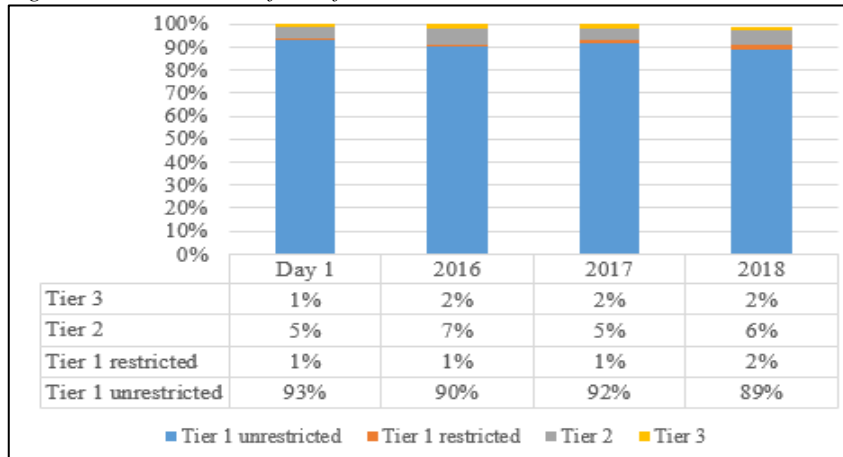
Source: Authors' own research based on the statistics published by ASF and EIOPA available on www.asf.ro

The aggregated structure of own funds (Figure no. 1) over the 2016 - 2018 period shown a high quality of capitalization which indicates a sufficient loss absorbing capacity of the Romanian insurance market. The highest quality of capital held by the Romanian insurance companies is proved by the significant weight of the Tier 1 unrestricted items (especially common shares) in the

overall eligible own funds to meet capital requirements.

During the all three years analyzed, Tier 1 capital items have covered at least 90% of the overall available own funds, followed by Tier 2 own funds and Tier 3 own funds.

Figure no. 1. Structure of own funds



Source: Authors' own research based on the statistics published by ASF available on www.asf.ro

5. Conclusions

The two Quantitative Impact Studies and Balance Sheet Review exercises carried out before Solvency II implementation have provided an excellent opportunity to test the preparedness of the Romanian insurance companies for new solvency framework compliance. The BSR and BSRE exercises have represented an important milestone in the resilience evaluation of the local insurers for new regulatory regime implementation. The Balance Sheet Review had provided a more comprehensive assessment of the potential financial impact of Solvency II framework on the Romanian insurance sector rather than the exercises testing (QIS 4 and QIS 5) ran by EIOPA whereas have covered all insurers which have operated on the local insurance market (not only which have participated voluntarily), have been reviewed all liabilities and all assets (not only those covering technical provisions) and the capital requirements calculations under Solvency standards have been performed by an independent reviewer (not own calculations). Furthermore, the Balance Sheet Review conclusions was an opportunity for most insurers to understand the likely effect of the new regime on their capital position and to take business decisions on both the quantitative and qualitative elements.

Following the successful implementation of the swift measures agreed in the actions plans submit to Financial Supervisory Authority by insurance undertakings with deficiencies identified during the Balance Sheet Review, in the coming period, the solvency position of the Romanian insurance industry has been improved substantially. At individual level, after three years since the new regime became effective, all insurance companies which carry out businesses on the local market have complied the regulatory capital requirements (SCR and MCR ratios standing at above the prudential requirements - 100%). Moreover can be observed a capital optimization trend among Romanian insurance companies. The aggregated structure of the eligible own funds to cover capital requirements shown a high quality of capitalization which indicates a sufficient absorbing capacity of losses. The results recorded by the main prudential indicators over the three years since the Solvency II became effective, shown that the new regulatory framework had a positive impact on the solvency position of the Romanian insurance industry.

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Considerations Regarding Tax Evasion and Its Implications

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Abstract

The main objective of this research article is to provide a well-founded framework regarding the concept of tax exemption and its various implications. This research article includes both a complex theoretical part, but also an empirical part based on descriptive statistics regarding the member states of the European Union. Although there are various opinions and points of view in the literature, a generally accepted conceptual approach for tax evasion has not yet been established. The shadow or underground economy is an essential factor in perpetuating the tax evasion. Fiscal regulatory bodies and tax authorities represents levers of legal intervention in combating tax evasion.

Key words: tax evasion, tax avoidance, hidden economy, taxpayers, fiscal pressure

J.E.L. classification: E62, F43

1. Introduction

Tax evasion and fiscal fraud can be much easier to detect within a national tax system, but internationally this is much more difficult to identify. Also, the legal or illegal nature of the means used to carry out the transfer of taxable matter from one state to another implies the existence of both a reference system and a system of criteria in making this assessment. At the international level, no such reference system is recognized, which generates a convergent attitude between the negative phenomenon of tax evasion and international fraud. Moreover, international cooperation indeed plays a very important role in combating these illegal phenomena.

The specific activities of tax evasion are aimed at the deduction from the payment of taxes and fees by certain economic agents based on the non-declaration or false declaration of taxable income. Tax evasion is more difficult to obtain with regard to indirect taxes, as compared to the case of tax applied on profit (standard profit tax) or income tax. From an economic and social perspective, tax evasion has important consequences for society as a whole. Prejudice regarding tax compliance also counts for employment models, as they affect the difference between regular and irregular work, but are relevant only if tax evasion is quite widespread.

The hidden economy or underground economy represents an essential element in ensuring the propagation of the negative effects of tax evasion. However, with regard to risk management, it is obvious that tax evasion is an illicit activity that involves numerous risks. On the other hand, tax evasion must also be perceived as a negative behavior chosen by the regular taxpayer. Certainly, tax authorities have a major responsibility in combating tax evasion. Bejaković (2015) argued that hidden economy includes various activities such as that particular form of production of goods and services that has legal forms but is not declared, but also that production of not legal goods and services.

2. Literature review

Although there is a broad literature on tax evasion and its effects, there is still no generally accepted definition. Tax evasion is defined as representing the way in which economic subjects respond to fiscal pressure based on the related taxation, such as: income, wealth, sales, etc. (Dinga, 2008). Maji (2017) provided an elaborate definition of the phenomenon of tax evasion by using an

interdisciplinary approach referring to certain forms of misinterpretation or concealment of the real financial situation to the fiscal authorities and legal tax inspectors.

Păcurari (2013) formulated a definition of tax evasion considering the taxpayer's behaviour, such as : "intended total or partial lack of compliance with tax obligations based on evading tax obligations altogether or dealing with them fraudulently with the purpose of reducing the amounts payable to the state budget".

In most countries of the world, the implementation of fiscal policies to reduce tax evasion has not reached a satisfactory level in the last decades, so that this phenomenon can be reduced to a reasonable level. In the specialized literature, the issue of tax evasion has been debated over time, because it is a topic of great interest. There are many ways of combating this economic-social scourge but the actual implementation involves many aspects. Zai (2014) has identified certain causes that led to tax evasion such as the lacunarity, but also the inconsistent and permissive character of the law which negatively influences the tax payer's behavior. Tax evasion is a threat to the process of collecting budget revenues, and the application of this phenomenon becomes widespread, because, in the absence of measures to prevent and combat tax evasion, it negatively affects economic stability. It should also be mentioned that reducing tax evasion can be achieved by educating taxpayers on the importance of paying tax debts, but also by developing systems and procedures that can detect this phenomenon in time and eliminate tax fraud (Pătrașc and Șerban Boiceanu , 2012).

Ferrer-i-Carbonell and Gërkhani (2016) have conducted an empirical study using a subjective measure of satisfaction (individual well-being) in 14 countries in Central and Eastern Europe and have identified on average a negative relationship between tax evasion and life satisfaction. However, this relationship has shown a clear heterogeneity between individuals, which is distinguished by their experience in the social and institutional context. However, such an inconvenience is due to a particular social and institutional context in which the subjects are analyzed plays an important role in mediating this negative relationship. The focus on the role of the social and institutional context is particularly relevant in these countries of Central and Eastern Europe, as they have undergone profound changes at the social, economic and institutional level. The authors of the study also showed that this negative relationship becomes positive for the people who have access and financially support the associations of the "looking for tenants" type. However, with regard to institutional factors, the empirical results indicated that people who believe that the government does a good job in providing public services, have developed a negative relationship between tax evasion and life satisfaction.

Williams and Franic (2016) support the strong association between participation in undeclared work and fiscal morality, as well as the need to focus on a policy approach that aims to improve fiscal morality by creating greater symmetry between formal and informal institutions. This involves significant efforts to generate a culture of taxpayer compliance. This clearly requires a fundamental restructuring of the formal institutions of the society and, above all, the fact that the ruling classes are the main tax evasionists who use legal schemes to avoid taxes, but which are not considered legitimate in the eyes of the citizens.

On the contrary, Dell'Anno (2009) argued that in certain circumstances tax evasion is ethical like the case when the local government is corrupt or does not use the public financial resources for the benefit of the citizens of the country. Moreover, Lorenz and Diller (2015) mentioned that if tax avoidance represents a prerequisite for tax evasion phenomenon then a certain algorithm must be applied that aims considering that if the total percentage of tax evaders has the possibility to increase if a higher percentage of possible taxpayers avoid paying taxes due to the increase of another tax.

Slemrod (2007) have conducted an empirical research study on U.S. federal taxes and concluded that deterrence represents a significant factor in evasion decisions considering the behavioral dynamics with respect to dutifulness and honesty which determines the evasion heterogeneity across-individual and across-country.

Schneider, Raczkowski and Mróz (2015) investigated the linkage between shadow economy and tax evasion in the European Union (EU) and concluded that the most significant pillars of the shadow economy are indirect taxes, self-employment and unemployment, while excessive interference in budget policy of given member state can have very harmful effects in certain

conditions.

Murray (1997) have conducted an interesting research study now more than two decades but with the same practical applicability regarding the impact of state and local sales tax, considering that individuals have the following legal alternatives to reduce tax liabilities, ie : change spending patterns toward favorably taxed items, make purchases and pay sales tax in low-tax jurisdictions, choose one's location of residency in a low-tax region, and self-provide otherwise sales-taxable goods and services. On the other hand, Roberts, Hite and Bradley (1994) have highlighted the fact that ordinary citizens tend to have difficulties in properly understanding the concepts of flat and progressive tax systems. Hofmann, et. al (2008) highlighted essential aspects regarding certain effective measures such as audits and fines which are useful in reducing tax avoidance. On the other hand, Feige (1990) examined sensitive topics such as shadow, underground, gray or otherwise known economy and revealed the importance of transformation sets and transaction costs.

3. Research methodology

The research methodology is based on descriptive statistics techniques. Moreover, this research paper includes both qualitative and also quantitative methods in order to provide a comprehensive analysis regarding tax evasion and its various implications. However, this research article is primarily a literature survey on tax evasion.

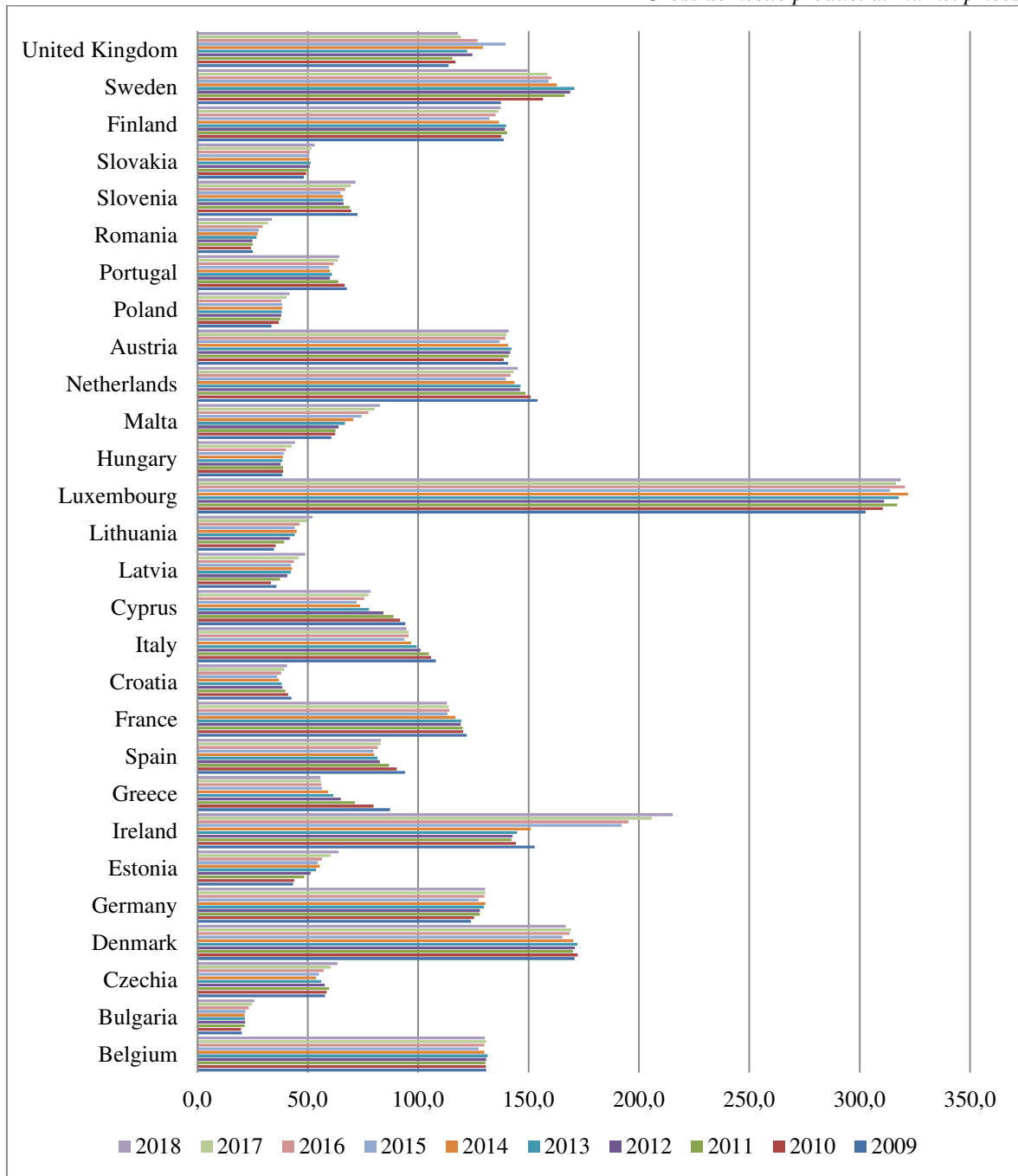
Furthermore is relevant for the research purpose to highlight that the Organisation for Economic Co-operation and Development (OECD) has made significant contributions to the foundation of international strategies to combat tax evasion. The OECD and G-20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) provided a so-called Action Plan focused on 15 main actions regarding tax planning strategies, such as:

- Action 1 "Digital economy" (Horizontal)
- Action 2 "Neutralise the effects of hybrid mismatch arrangements" (Coherence)
- Action 3 "Strengthen CFC rules" (Coherence)
- Action 4 "Limit interest deductibility" (Coherence)
- Action 5 – 1st component – "Preferential tax regimes" (Substance)
- Action 5 – 2nd component – "Exchange of information on tax rulings" (Transparency)
- Action 6 "Prevent treaty abuse" (Substance)
- Action 7 "Prevent the artificial avoidance of PE status" (Substance)
- Actions 8-10 "Aligning transfer pricing outcomes with value creation (Substance) :
 - Intangibles
 - Risk and capital
 - Other high-risk transactions
- Action 11 "Data analysis" (Transparency)
- Action 12 "Mandatory disclosure rules" (Transparency)
- Action 13 "Re-examine transfer pricing documentation" (Transparency)
- Action 14 "Dispute resolution" (Transparency)
- Action 15 "Multilateral instrument" (Horizontal)

4. Findings and empirical results

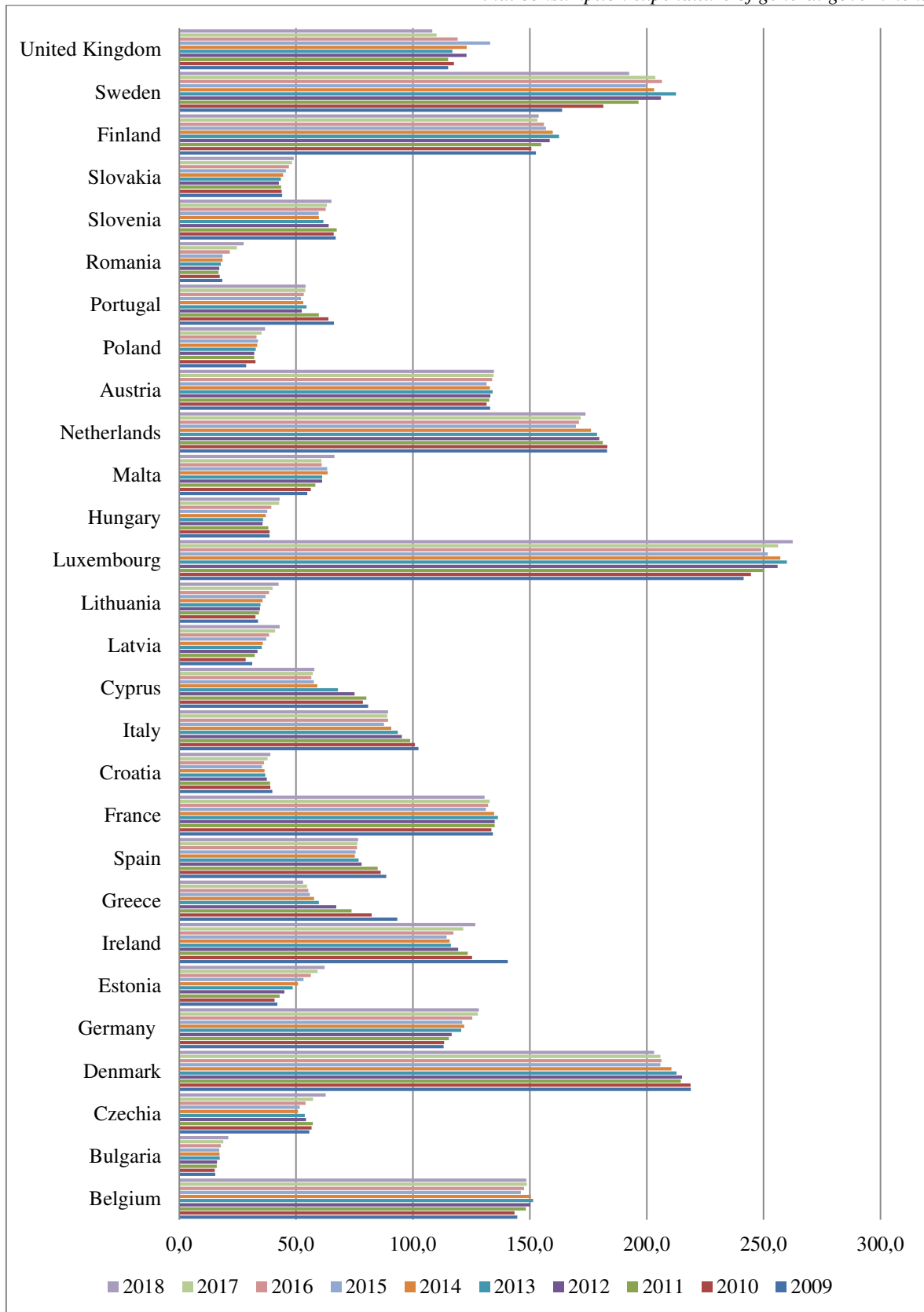
The empirical results are relevant to the research objective and focus on the member states of the European Union, ie Belgium, Bulgaria, Czech Republic, Denmark, Germany, Estonia, Ireland, Greece, Spain, France, Croatia, Italy, Cyprus, Latvia, Lithuania, Luxembourg, Hungary, Malta, Netherlands, Austria, Poland, Portugal, Romania, Slovenia, Slovakia, Finland, Sweden, United Kingdom (before BREXIT). The following figures highlight the real state of the economies of the European countries.

Figure no.1 Percentage of EU28 total per capita (based on million euro), current prices
 Gross domestic product at market prices



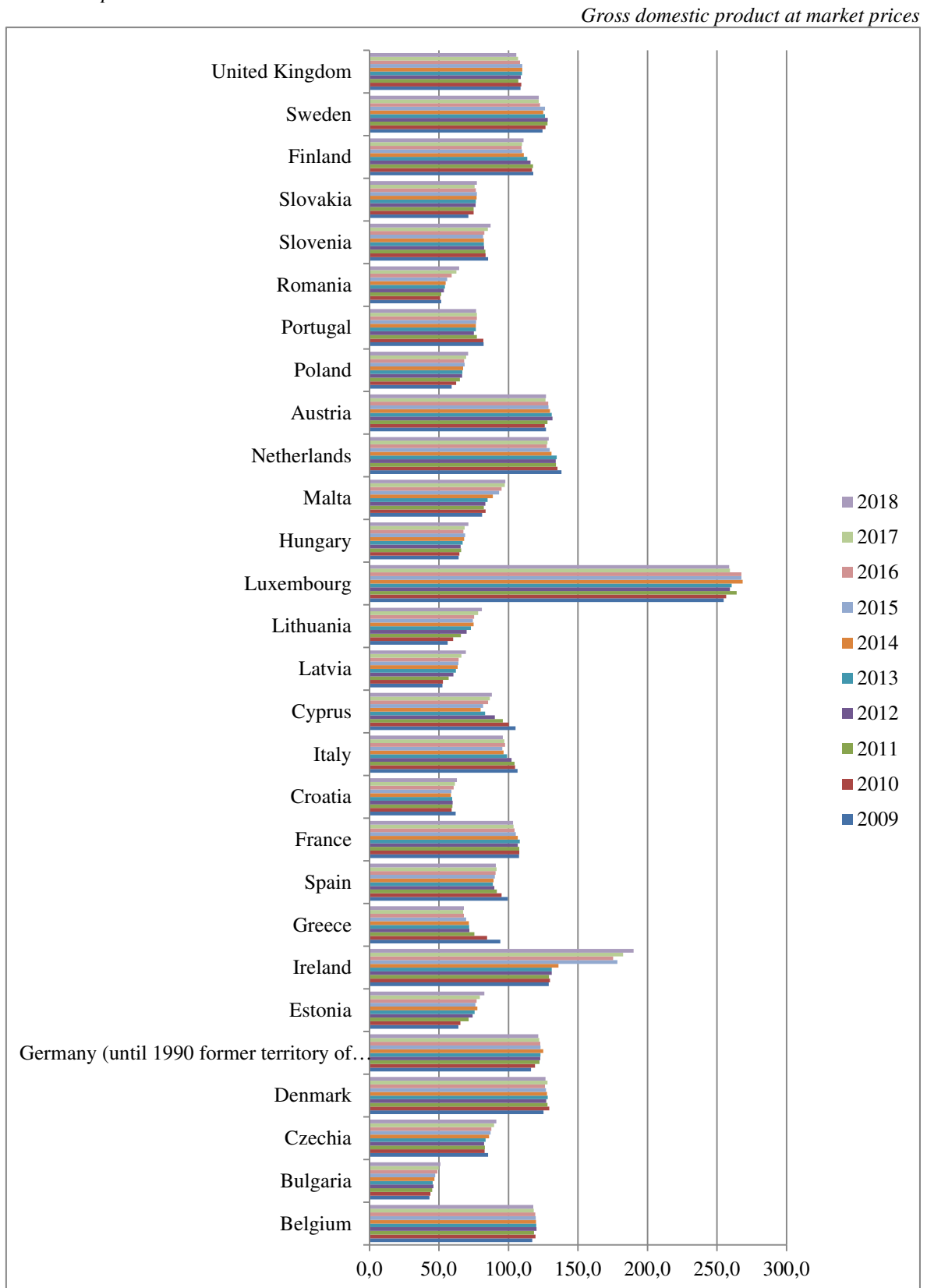
Source : Author's computations based on the primary data provided by EUROSTAT

Figure no.2 Percentage of EU28 total per capita (based on million euro), current prices
 Final consumption expenditure of general government



Source: Author's computations based on the primary data provided by EUROSTAT

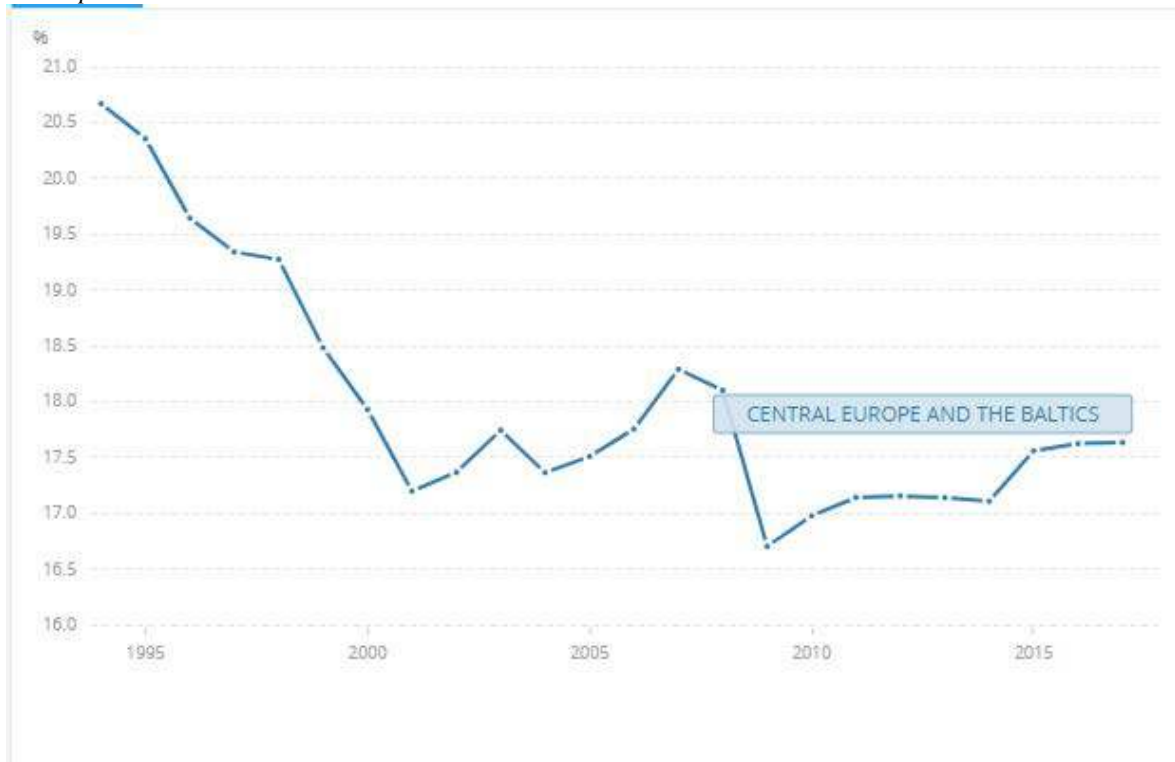
Figure no. 3 Percentage of EU28 total per capita (based on million purchasing power standards), current prices



Source: Author's computations based on the primary data provided by EUROSTAT

The following graphical figure represents evolution of tax revenue as percentage of GDP (%) in Central Europe and the Baltics for the period 1994-2017. The so-called group of Central Europe and the Baltics includes the following countries Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland,, Romania, Slovak Republic, and Slovenia.

Figure no.4 The evolution of tax revenue as percentage of GDP (%) in Central Europe and the Baltics for the period 1994-2017



Source: Author's computations based on the primary data provided by World Bank, International Monetary Fund and OECD

5. Conclusions

Tax evasion is a phenomenon with negative implications on economic growth and the standard of living. Also, the tax evasion contributes to reducing the degree of collecting the budgetary incomes and implicitly to the increase of the poverty level. Tax evasion has a direct causal linkage with the level of corruption of a country. Tax authorities and the other specialized agencies have a major responsibility in implementing effective strategies to combat tax evasion. Tax transparency has a certain contribution in the positive influence on the voluntary compliance behavior of the taxpayers, especially in the case of developing countries. The tax optimization is very important. Moreover, policymakers should ensure a stable and predictable legislative framework regarding tax evasion. For instance, Caraus et. al (2016) suggested that an optimal measure to combat tax evasion implies an efficient reduction of bureaucracy, an improvement of the IT platforms used in the fiscal inspection process and an improved implementation of risk analysis. However, a sustainable strategy to combat tax evasion should be based on efficient measures of socio-economic policy.

6. Acknowledgment

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Informational Limits of Financial Situations

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Abstract

Financial reporting plays a significant role in the business environment by providing relevant information about the work carried out over a period of time by economic entities that are a starting point in setting strategies. The detailed analysis of their content allows detailing the details that can favor the correct direction of the activity towards growth and development, and the forecasts made based on an economic and financial history reduce the degree of uncertainty in the economic activity and highlight the impact elements at the micro and at macroeconomic level.

Our conclusion leads to the fact that information supplied by financial statements must be trustworthy and accurate enough at the same time. Thus the overview of the financial statement must be in compliance with the crosspoint of these two characteristics.

Key words: financial reporting, information limits, quality, qualitative financial statements

J.E.L. classification: C49, M19, M41

1. Introduction

The enterprise's financial reporting includes a wealth of information that many users consider to be valuable in evaluating its financial performance. The advantage comes, however, within the organization, from its management for which financial data is indispensable both to build and support the firm's strategy, but in this case the information is gathered not from the published financial statements but from the more detailed internal reports, and sometimes made daily, weekly, monthly, etc. Management communicates through financial reporting with outsiders and, depending on their expectations, puts the stamp of the strategy in the content of the published financial statements and made available to the outside environment. Companies that fully understand the importance of quality financial reporting, including transparent ones, are also able to understand the needs of their investors and their business psychology. This is where strategies are born when it comes to looking for resources for new investments: knowing what potential investors need, giving them exactly the information palette, which ultimately leads to the objectives and strategy of the enterprise. If potential investors would not have all the data and the reporting would be opaque, the investment risk would increase, the end being the failure to complete the transaction.

A company's financial statements are the most important means by which accounting information is made available to decision-makers. That's why companies are publishing financial statements, as explicitly as possible, to be understood by the interested reader.

2. Literature review

In the literature, financial reporting is the subject of many books and articles. The way of presentation, as well as the content requires permanent improvements, which can be achieved by the contribution of specialists and big economists. The limits of the financial statements jeopardize

the good course of the business, but also the economy, the causes being often subjective. Eierle and Haller found that the majority of SMEs in Germany consider only to a less extent necessary or not at all to provide comparable financial information at an international level. (Eierle and Haller, 2009, p.195)

Coppens et al. (2007), analyzing data from Belgium, highlighted that adopting IFRS for SMEs will lead to the need for separate financial reporting for tax authorities by those firms applying IFRS for SMEs. In addition, both Coppens et al. (2007) and Haller (2003) noted that, according to experts, after the adoption of IFRS for SMEs, data collection and processing efforts in the company are likely to increase considerably due to the complexity of the standard.

SMEs need help from non-company accountants in implementing IFRS, increasing the cost of adopting them, says Coppens et al. (2007). The relative value of these costs will be high, especially for smaller companies, but the size effect is rather rare in assessing the costs and benefits of this particular accounting standard (Eierle, Haller, 2009, p.197).

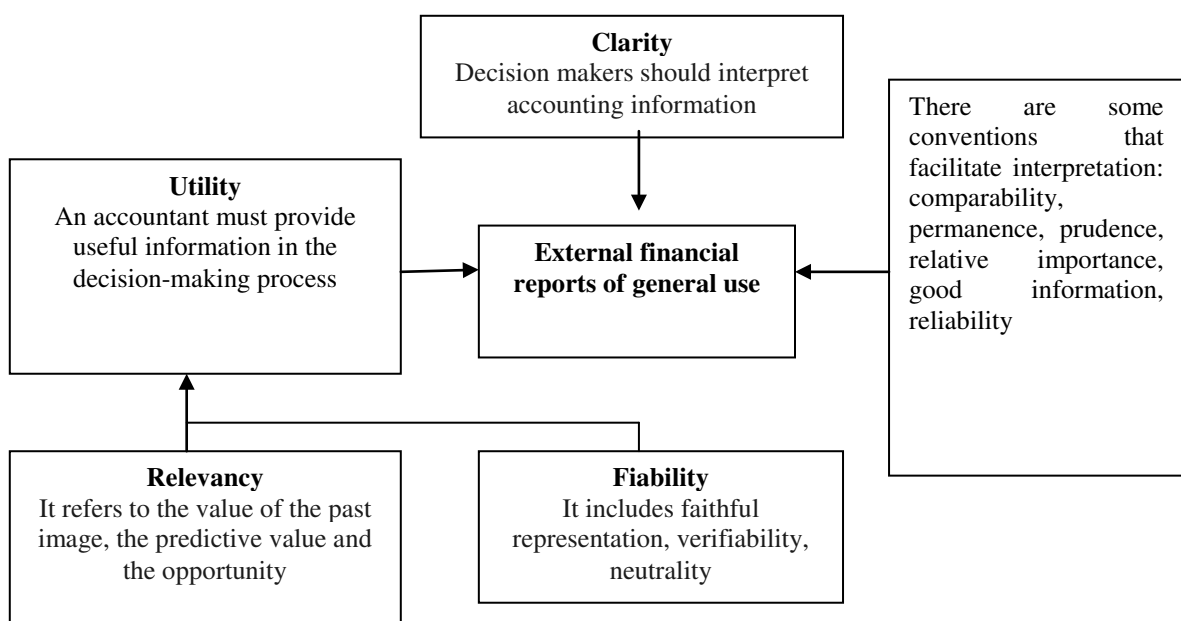
In the literature (Ikäheimo et al., 2010, p.50), it is demonstrated that financial and accounting specialists who have encountered various situations or have even developed the cash flow situation during their professional careers are more receptive to implementations of the new IFRS accounting standard for SMEs.

3. Qualitative Financial Statements (Statements of Financial Accounting Concepts)

Business partners require accurate information in order to take decisions, this information is so vital that it needs to meet certain qualities. This need for financial information can be tracked back to the Great Depression in the United States that manifested as an economic, financial and stock market crisis in 1929, because investors lacked sufficient information. One of the first steps taken as a reaction to this was to issue imposed financial rules on companies that issued tradeable securities.

The following conventions are considered as generally accepted by the FSAB: methods that are permanent and comparable, relative importance, prudence, accurate information, reliability. The relationships between the qualitative features of financial information and the conventions that are generally accepted are summarized in the following scheme (Figure 1):

Figure no.1. Relationships between qualitative characteristics of financial



Source: Own processing

The objectives of financial statements also depend on the adopted accounting system of a country. Thus the anglo-saxon accounting model focuses on the investor as a center point in formulating financial statements objectives, while the continental system the objective of financial statements is formulated in a much more general manner – supplying a faithful overview. In addition, further differences in formulating the objectives of financial statements appear if we take into consideration different categories of enterprises: small and medium enterprises, large enterprises or groups of enterprises.

Financial statements are the result of the interaction between three parts: businesses, as entities whose activities are subject to financial reporting, accounting information users and accounting experts or the accountancy profession, in general. Out of all of these parts, the role of improving the content of financial statements and improving the credibility of accounting information is attributed to the accountancy profession.

Even if enterprises would be inclined to disclose only certain information, the decision in this regard is conditioned by the expectations of accounting information users. They must be able to determine, based on received information, the metrics regarding the profitability, liquidity and solvency of the company.

4. Limits of financial statements and ways to improve their content

Financial accounting lies at the basis of financial statements; it involves information registration, classification and centralization in regards to events and transactions of an economic nature. The final product of accounting is financial statements, their quality depending in large part on the quality of the accounting processing. Three parties interact in order to produce financial statements: firms as they are subject to financial disclosure, accounting information users and accountants as well as accountancy in general. Of them all, the accounting profession is most responsible with providing an improvement in the content and credibility of financial statements. (Berheci, 2005/2006, p.56)

Hampton (1977, p.67) states in his studies that financial statements are an organized data collection according to logical and consistent accounting procedures. By default, the financial statements present the results of the management of the company's resources, which in fact means the competence and legitimacy of this structure (Horomne, 2012, p.48).

About the presentation of information at historical cost as the limit of financial statements also writes (Sihna, 2009, p.89), which starts from the premise that they are analyzed to make decisions about present and future business, and even if historical cost dependency is justified in some circumstances, for forecasts should take into account the impact of these limits. Thus, even if the presentation of assets and liabilities at historical cost provides objective measures, decisions must be oriented towards the future. Taking into account this limit, users need to look for the necessary information from other sources to make the right decisions based on real bases.

But even if the different items of the balance sheet were judged to be fair, for example, at fair value, the total amount of equity would not indicate the enterprise's overall value, balancing fragmentation at the same time as the patrimony that generated the interaction of its various elements (Colasse, 2011, p.105).

First of all, it is absolutely necessary for the users of the accounting information to also have prospective information, given that the information contained in the financial statements relates to the past and the users' decisions take into account the future. Preliminary information may be presented in the form of budgets or forecasts. By budgeting, the company plans its activity, and the forecasts refer to the company's estimates of what is most likely to take place. The question is whether the provision of predictive information should be normalized or may be optional.

Obligation to provide forward-looking information would ensure comparability between firms, but at the same time would involve a number of risks in the sense that it could affect the confidentiality of information, generating competitive disadvantages, or sometimes, given the period for which the forecast is being made, it could be affected by a lack of accuracy, which implicitly leads to less credible information. However, the normalization of the provision of predictive information remains a way to improve the supply of accounting information, which must be based on the professionalism and responsibility of issuers.

The financial reports should also contain special information for employees, to be contained in a so-called social balance sheet. There are countries where a certain balance sheet is required by some businesses (for example, in France). In addition to quantitative information, employees also need information on education and workforce experience, collective relationships, job security, etc.; all these needs have made their presence felt with the evolution of society as a whole. To improve the quality of accounting information provided by businesses, users need to know the risks that lie on them. Interestingly, it would be the company that presented the risk situation that they might encounter and their management measures, a situation attached to the financial reports.

Relevance is considered one of the most important characteristics of accounting information in regards to quality and it makes reference to the capacity of influencing investors, creditors, etc. Information that is relevant helps users in assessing events from the past, present or future. This helps in realizing and correcting potential past errors.

5. Impact of financial reporting on the business environment

Decisions at the management level can look at certain segments, depending on the analysis perspective. From the point of view of the resources to be employed to make profits, managers' decisions concern resource investment and business operations using invested resources, as well as an appropriate mix of funding (Rao, 2011, p.239). These are also the reasons why the accuracy and depth of information should be at the top level.

The priority of accounting information in the decisional system and implicitly in the economic information system derives from the following particularities (Horomnea, 2012, p.48):

- it presents a level of certainty and relevance to the other information systems;
- from the "double representation", it reveals interdependent relations between the material substance of the property and its legal abstraction, their provenance;
- ensures by specific means and procedures both a global and knowledge based analysis of the studied perimeters;
- funds the future economic strategies of the company, depending on the results achieved during the reported period;
- allows comparative analysis in time and space.

Thus, an organized information system exists at the enterprise level, which allows the strategic monitoring of the activity.

A quick and accurate decision making process, developing management skills, understanding and effectively using financial information and other information in business design and development, represent the most vital need for entrepreneurs and managers (Ghenea, 2012).

Research has pointed out the obvious role of accounting information in the decision-making process for shareholders who base their management on value.

Providing them with appropriate techniques, such as correct and complete financial statements, directs managers to decisions that aim to maximize company value.

6. Conclusions

The strategy of an enterprise is fundamentally grounded in the information that comes from financial statements. Because some countries in Europe have called for the significance of financial reporting and financial communications, imposing an increase in the information quality of mandatory financial communications in order to protect users but also to account for responsible behavior social management, would also be very useful in Romania.

The financial statements must present information on economic and financial indicators and also take into account factors of an internal and external nature that influence them, in order to represent reliable financial communication.

The privileged location of accounting information within the enterprise information system is given to it as the result of a large number of users of accounting information, even if not the entire information produced inside the enterprise after the processing of documents drawn up following the participation in various transactions economic and financial resources are available to them.

Managers, company managers are primarily responsible for complying with the accounting principles imposed by various normative bodies. In order to ensure adherence to the financial statements of the companies they represent, they can employ independent auditors to review their financial statements.

The presentation of information at historical cost rather than the real value of assets and liabilities, the exacerbated application of professional reasoning in the preparation of financial statements, the influence of taxation on the fairness of the presented accounting information but also other examples transform the financial statements into a vicious circle of informational limits that endanger the level of development of the enterprise in the first phase and the overall economic environment in the future. Effects are often irreversible and this is the main reason why steps must be taken to ensure transparency of information, valuation of balance sheet items at real value, disclosure of non-financial items in order to increase the range of information made available to users, and the inclusion of macroeconomic indicators or regionally relevant businesses for presenting and analyzing the results achieved over the set time period.

Putting into practice the solutions for reducing the information limits of the financial statements will help to reduce the gaps and uncertainties regarding the accuracy of the information presented. In future studies, we will identify the degree of influence of the breakdown of economic and financial information on the forecasting activity but also the significant variables that should be correlated with the financial indicators existing in the financial reports to increase the understanding of the company's activity and the level of comparing information in time and space.

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Treasury Flow Analysis

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Abstract

Treasury flow analysis is useful for: Linking profit (loss) with cash; the separation of activities involving cash from non-cash activities; assessing the ability of an enterprise to meet its cash payment obligations; cash flow assessment for future cash-flow activities.

The usefulness of the financial flow analysis is given by the fact that the global change in the treasury is evidenced by the treasury balance resulting from the management of the real assets (from the operating activity) and the result from the capital operations related to the investments and the financing. Thus, to ensure enterprise performance and anticipate future business activities it is essential to analyze treasury flows and treasury budget forecast, defined and detailed in this paper.

The sensitive nature of our results in regards to security features supports as a whole a segmentary or flawed substitution within the Treasury market at this time.

Key words: treasury flow, cash flow, financial statement, payments

J.E.L. classification: A10, F40

1. Introduction

The Treasury highlights the outcome of the entire business of the enterprise and its compliance the financial balance. This is an essential element and, at the same time, the main restriction of the financial management of the enterprise. Not always an enterprise that completes the profit exercise has a positive treasury (bank and house available). This is due to the gap between the accounting of income and expenditure and their maturity as receipts and payments. The statistical records show that the largest part of bankruptcies is due to weaknesses in treasury management.

The general framework for preparing and presenting the financial statements of which the "cash flow statement" is also stated is that their objective "is to provide information on the financial position, performance and changes in the financial position of the enterprise that are useful to a wide range of users in making economic decisions".

Financial statement users include prospective and potential investors, hired employees, lenders, suppliers and other commercial creditors, customers, government and its institutions as well as the public.

Regarding the "cash flow statement", IAS 7 considers that it provides useful information for assessing the entity's ability to generate cash, as well as the enterprise's needs to use cash flows, ie the timing and safety of their generation.

International Accounting Standard 7 defines cash flows (also referred to as cash or cash flows in some papers) as cash inflows or cash outflows, and is designed to make available to users of financial statements the basis for assessing the entity's ability to generate cash and cash equivalents, as well as its needs to capitalize those cash flows.

The primary objective of cash flows is to highlight the history of cash movements and cash equivalents of a firm through cash-flow. On this basis, a firm's ability to generate cash-flow and the timing and certainty of generating these cash flows are assessed. The aim of Standard 7 (IAS-7) covers both productive firms and financial institutions and, in general, any revenue generating and generating activity.

2. Literature review

The balance sheet presents the cash and cash equivalents of a patrimonial unit at the end of a reporting period and allows its increases or decreases to be measured against the level at the beginning of the period without providing information on the structure and the factors of those changes. The profit and loss account present information about the revenues, expenses, and results generated by the unit, which provides to some extent the sources and uses of cash and cash equivalents but does not explain why those items have decreased or increased.

Globally, this document is presented under the generic "flow sheet" and refers to all the drawings in which the flux concept has a determining role. (Farcaș, 2000, p. 33)

The cash flow table presents these flows, known as collections and payments, while showing the sources and uses of cash and cash equivalents, as well as the causes of its variation. (Pop and Pop, 2010, p. 407)

The Fourth Directive of the European Economic Community provides only three components of the annual accounts, namely: the balance sheet, the profit and loss account and the explanatory notes, leaving the Member States in the structure of the annual accounts and other situations.

Starting with January 1, 2010, Romanian Enterprise Accounting is based on O.M.F.P. no. 3055/2009, which brings about a series of changes in the accounting reports, does not contain any special provisions regarding the elaboration of this situation, which allows the application of the norms existing in the international practice.

Cash flow is a term of Anglo-Saxon origin, which is not found in the balance sheet of Romanian companies. It has its origins in investment project theory and practice, being ranked as a privileged notion in the US, where accounting is more responsive to investor requirements than to those of tax authorities. Here are some of these views.

Cash-flow state - Belverd E. Needles Jr., Henry R. Anderson and James C. Caldwell sustain - is a financial state that shows the sources and uses of money in a financial exercise. (Belverd et al., 2000, p. 245)

In other words, distinguished teachers equalize the cash flow and the flow of funds, a fact that from a global viewpoint can be accepted.

However, the cash flow approach to cash flow can not be accepted by us because, firstly, the movement of funds does not capture the viability of exploitation, investment and financing activities. On the other hand, in the Anglo-American view, treasury variation is a component of the sources of financing the enterprise's total activity.

University Professors Roman L. Weil, Clyde P. Stickney and Sidney Davidson think that cash-flow means the difference between "cash receipts and payments for goods sold or purchased over a certain period of time". The financial analysis often uses the term "cash-flow" to understand the sum of the following elements: net profit + depreciation "Such an understanding is in my opinion incomplete, since net profit and depreciation are only one part of the exploitation flows. On the other hand, placing the sign of equality between cash-flow and collections and payments only for goods sold or purchased is an incomplete view of flows, since there is no evidence of all components of flows in a global approach, that for example, the flows from the financing activity, and for the operating activity, all payments, being omitted payments such as those with bank interest, part of the taxes (profit tax, dividend tax). (Roman, Stickney and Davidson, 2010, p. 805)

University professors Constantin Stănescu, Aurel Isfănescu and Aurel Băicuși believe that research of the cash flow is a significant part in the analysis of the financial and patrimonial situation, in practical economics it is deemed that any activity requires the investment of money to result in a surplus of capital compared to the amount invested in the business.

A company can be cost-effective, but not workable, because of the lack of liquidity due to the gap between its earnings and payments within the financial cycle." (Băicuș, Ișfănescu, and Stănescu, 2006, p. 108). Hence the conclusion that the cash flow records the money flow in an enterprise.

Just as the cash (net treasury), the cash flow summarises the variations that result from all the operations in regards to management and capital of the enterprise.

3. Research methodology

The financial statement presenting information on cash flows, ie collections and payments made by an enterprise over a year, is the cash flow table. This picture is built from the notions of: cash and cash equivalents and cash-flows.

Enterprise Treasury means the set of liquidity and liquidity equivalents available to the entity. Cash (cash) refers to cash and sight deposits.

Cash equivalents are short-term (less than 3-month) highly liquid investments that can easily convert into known amounts and whose risk of fluctuation is insignificant.

The liquidity equivalence category includes: term deposits, deposit certificates, treasury bills issued by the government, etc., all of which have a maturity of up to three months. Liquidity equivalents need to be dissociated from other short-term financial investments, although such an operation is quite difficult, as it is practically difficult to dissociate the investment activity of a firm from what is called "Treasury management".

Bank overdraft loans, when they are redeemable at sight, can be considered as part of treasury management; therefore, they can be included as a negative component of liquidity and liquidity equivalence. Under IAS 7 (paragraph 48), if there are significant amounts of liquidity and cash equivalents held by an entity but whose use by the group is restricted, they must be presented separately, together with a management commentary explaining the circumstances of that restrictions.

Liquidity and liquidity equivalence are of the same nature, and transfers from one category to another are not considered to be payments or receipts, as they are considered to be part of treasury management. Thus, transactions such as depositing cash in cash or purchasing postage stamps are movements within the treasury and will not affect the net cash flow (IAS 7, paragraph 9). Also, in this category of transactions that do not affect the cash flow statement are all transactions that do not generate revenue or payments, such as, for example, the purchase of a commercial credit facility; increasing social capital through in-kind contributions, etc. (IAS 7, paragraph 43).

4. Results

Under the same rule, IAS 7, the cash flow statement is intended to explain the change in the cash balance (liquidity and liquidity equivalents) between two consecutive years, by detailing the cash flows classified by the activity that generated them. Namely: operating activities; investment activity; financing activity.

Table no.1 - Framework structure for the main treasury bills

The flow type	Types of paintings (legislative framework)		
	FASB	IAS 7	OMFP 1802/2014
1.Determination of the net flow	⇒ Direct method: Customer receipts +Interests and earnings +Provider and employee's payments -Payment of taxes and fees -Payment of interest.	⇒ Direct method: Customer receipts -Provider and employees payments -Interests and dividends paid -The tax on profits -Other related payments for exploitation activity ±Extraordinary elements.	⇒ Direct method Customer receipts -Payments to suppliers and staff -Interest paid -Income tax paid -Insurance receipts against earthquakes.
	⇒ Indirect method: Net income ±Depreciation and amortization of provisions ±The result of failure property ±Variation of stocks and receivables ±Debt change of exploitation +Expenses with Interest.	⇒ Indirect method Net result before tax and items extraordinary ±Depreciation and amortization provisions ±The result of failure property ±Variation of stocks and claims ±Debt Variation exploitation +Interest Expenses -Interests and dividends paid -the tax on profit ±Extraordinary elements.	⇒ Indirect method Gross profit ± Expenditure on depreciation and provisions +Revenues from provisions and adjustments for depreciation or loss of value -Financial expenses +Financial income -Expenditure on assets ceded +Income from the sale assets -Variance of receivables +Debt change ±Variation of stocks ±Cash generated from exploitation activity -Interest paid -Income tax paid.
2.Determining the net flow from the investment activity	Positive feeds of liquidity: +Receipts from the assignment Of corporate and financial assets; Negative Liquidity Flows: -Acquisitions of tangible and financial assets.	Receipts from: Assignment of Assets tangible and financial +Interest and dividends collected -Acquisition of tangible and financial assets - Equity payable for the share of the capital, for financial leasing acquisitions.	Receipts from: The transfer of tangible assets +Cash receipts of interest and dividends -Pay for acquisition of tangible assets - Payments for the purchase of shares.
3.Determining the net cash flow from financing activity	Receipts through contracting new loans on long term +Receipts from share issue -Reimbursement of the due fractions of long-term loans -Redemption of shares -The fee corresponding to the share of the capital, for the financial leasing acquisitions -Payment of dividends.	Receipts through contracting new loans on long term +Receipts from share issue -Reimbursement of the due fractions of long-term loans -Redemption of shares -Interest and dividends paid.	Receipts through contracting new loans on long term +Receipts from share issue +Receipts from share issue -Dividends paid -Payment of royalties for financial leasing.

Source: Own processing

From the table presented above, we can say that the differences between these models are not representative, even observing that the cash flow table recently introduced in Romania and planned to be part of the amended annual accounts since 2009 has been aligned with international standards.

5. Treasury budget

Given that both the positive and the negative treasury lead to management costs, the treasury function is one of the most responsible for the fate of the enterprise. More often than not, this position is accomplished by the Deputy Chief Financial Officer, the Financial Director or the

Treasury Manager. Regardless of who that person is, it must have the entire enterprise management contest to actively and efficiently develop effective treasury management as a prerequisite for the enterprise's prosperity.

The Treasury Budget has as a function the forecast of receipts and payments, starting from revenue planning, excluding non-current assets (ie stored output, credit sales, etc.) and expenditure planning, excluding non-refundable items (such as depreciation and provisioning). Treasury budgeting is the final stage of the company's budgeting process, and the treasury will naturally be the result of forecasts in other budgets: sales, supply, staffing, investment, administration, etc.

The preparation of the treasury budget implies the existence of three records and records forecast: the opening balance sheet of the management period (ie the balance sheet of the year ended), the forecast profit and loss account, the investment and financing plan, and the forecast balance sheet.

In the drafting of the Treasury budget, two are the more important phases:

1. The forecasts of receipts and payments involve the following operations:

- Determining the cash balances and the minimum permanent balance of cash prior to coverage;
- Covering, through credits, the cash deficit or placing on the financial market of the surplus of treasury;
- Defining the final treasury budget.

2. Determination and coverage of treasury bills resulting from the comparison of receipts with payments.

The treasury's forecast horizon is different, depending on the goals pursued by financial management and according to the maturities of the company's receipts and payments. Thus, a treasury budget can be completed:

- one year, if the annual profit of the treasury is pursued or if the enterprise is of a sizesmall and has maturities in receipts and payments, quarterly or over 90 days.

- within a few months (4-6 months), whether to optimize short-term funding or whethermaturities are monthly and longer than 30 days.

- from one day to one month, in which the daily schedule of receipts and payments is monitored, with maturities chenzinals, decadals and semidescads.

A pertinent forecast of the treasury is made annually, with a breakdown of months and a weekly breakdown for the first two or three months of the plan year. The forecast will be permanently reviewed throughout the year and detailed as needed. In concrete terms, the construction of a treasury budget follows successively, in each forecasting period (month, quarter, semester), the phases mentioned above.

Depending on the economic branch, between the time of sales and the corresponding receipts there is a significant gap from 30 to 90 days. The forecast of receipts must keep account being taken of the changes in the sales structure and grade the solvency of the customers of the enterprise, which will influence the gap between deliveries and receipts. The table below shows the phases of the treasury budget:

Table no.2 - Phases for determining the treasury budget

Phases	Symbol	Operations
Forecast of receipts and payments	A	INITIAL BALANCE OF TREASURY (S0)
	B	(+) Receipts from operating activities: <ul style="list-style-type: none"> • Receipts from core business • Sales from other activities • operating grants • other operating proceeds
	C	(-) Payments for operating activity: <ul style="list-style-type: none"> • Purchasing raw materials and material • taxes and fees • Staff expenditure other operating expenses
	D	EXTENT EXPLOITATION TREASURE (ETE = B-C)

	E	Other receipts: <ul style="list-style-type: none"> • financial income (interest, dividends to be cashed) • capital increases • Increase in long-term loans • Investment grants • sales of fixed assets (fixed assets) • other receipts
	F	Other receipts: <ul style="list-style-type: none"> • financial expenses (interest, commissions to be paid) • Repayment of long-term loans • fixed asset purchases • tax on profits • dividends
	G	BALANCE FROM CAPITAL OPERATIONS AND ACTIVITIES FINANCIAL AND EXCEPTIONAL (G = E-F)
Determination of the treasury balance, before covering	H	SUSPENSION COVERAGE BEFORE BALANCE H = A ± D ± G
Coverage of the treasury balances	I	Banking Contests: <ul style="list-style-type: none"> • the current account creditor balance • Treasury (new) credits • credit (new) discount
	J	Cost of credits
	K	Treasury assets: <ul style="list-style-type: none"> • placements • liquidity
Determination of final Treasury balance	L	Receipts from treasury placements FINAL SOLD (S1)
	M	M = A ± D + G - J (+ L)

Source: Own processing

6. Conclusions

The operating cash flow is a complementary information to the result mainly provided by the difference between customer receipts and accrual accounting, being a good indicator of payments to suppliers and employees, and provides investors with the measurement performance of the enterprise. The direct method is desired by investors because it allows setting the value of the enterprise on the basis of liquidity forecasts. The indirect method, in turn, is preferred by managers because it hides external users from the real picture of the company's liquidity and solvability, as well as from accountants, due to the calculation method closer to accounting reporting format.

Unlike the presentation requirements for operating flows, flows from investments and financing must be presented by the direct method without reference to the method indirect. Eliminating the effects of accounting rules and treatments for events and transactions similar, but differing from one enterprise to another, disclosure of cash flows improves the comparability of the operational performance of different businesses. The drafting of the treasury budget validates the entire budgeting process of the enterprise. Ensuring the balance between receipts and payments is mandatory, and for this, necessary adjustments are made in the provisions of other budgets.

In analyzing cash flows, account must be taken of the information that is made available to the users by the management of the enterprise. In this respect, the balance sheet records, in a global manner, the balance of cash and cash equivalents of the enterprise at the beginning and end of the period.

This information has also the effect of strengthening the comparability of operating results reporting between different economical entities by eliminating the effects in the use of different accounting treatments applied to identical transactions and events.

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Considerations Regarding the Public Budget in Romania

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Abstract

The paper presents the etymology, the legal and economic significance, and the structure of the Romanian budgetary system. At the same time, the evolution of the main indicators from 2006-2018 is presented. It is presented, how the budget flows are generated and used, but also the results obtained in the budget years from the aforementioned period.

The paper presents the evolution of macroeconomic indicators, which reflect the level, dynamics and structure of budgetary expenditures and revenues.

Mostly the objectives of the paper consist of monitoring the evolution of the general consolidated budget and analysing the way of framing the deficit within the maximum limits allowed during the reference period of the study.

Key words: public budget, state budget, public administration, indicators, decision

J.E.L. classification: H60, H61, H70, H72

1. Introduction

The historical-evolutionary description of the Romanian budgetary system is difficult to achieve, in the conditions in which the factors that generated the appearance of this type of system did not have a linear and simultaneous evolutionary action, there being differences from one period to another, from one state to another, from an economic system to another. The emergence and development of budget systems has been part of the process of public finance evolution and has been in close connection with the process of human development.

The evolution of social relations and their merging into an organized framework, of state type, it came under the impact of several factors of different nature, among which an important role certainly played by the citizens' awareness of the existence of common needs, which could not be adequately managed and provided individually. Even if some social needs, satisfied by the state through public services, they could be offered by markets or by citizens, the degree of coordination required to perform these services on a large scale, often escaping when acted individually, except for the existence of a state authority.

Defending the territory, establishing, imposing and respecting the law as well as public order, property rights, ensuring human rights, ensuring the freedom to exchange and justice, has always been based on the state. Thus, the state represents the empowered institution, which possesses the coercive capacity to enforce the law and order, the prevention of theft, fraud or abuse, as well as the ability to validate all the rights of citizens, acting as a key provider of essential public services.

The exercise of the actions of collection / mobilization and redistribution / use of public resources, having as an object the common needs of the population, synthetically reproduces the economic meaning of the concept of public budget. The public budget can be described as all financial relations to satisfy the collective needs of society.

This system of processes and financial relations, illustrates the social content of the public budget, reflecting the social links created between the state, on the one hand and society as taxpayers or beneficiaries, on the other.

2. Theoretical background

In everyday life, the use of the term budget is often encountered, as a single term or as an expression: personal budget, family budget, budget of an institution, state budget, budgetary mechanism, etc. Etymologically, this term comes from the Latin language, where it was used under the expression "*bulgo*", having the meaning of a leather bag or bag full of money. Over time, several states have borrowed this term and adapted it to their vocabulary, then using it economically. As an economic specialty term, the budget is used for the first time in official documents, at the beginning of the 13th century in England. The concept was also taken over by the French (*bougette*), who defined it as "*The act by which they are provided and authorized the expenses and revenues of the state for a fixed period*".

In the Romanian space the first forms of records written on the state resources, appear after the transformation of Dacia into the Roman province. The new Roman administration instituted written records of revenue and expenditure, in the form of parchments called "*aerarium publicum*", as well as throughout the empire.

In 14th century Transylvania, during the reign of King Carol Robert de Anjou (1308) the state resources were highlighted in the form of documents bearing the name "*Lists of Papal Tenths*" or "*Revenue and Expenditure Codes*." The Habsburg Empire, introduced in Transylvania, starting with 1699 laws and edicts reflecting the public money resources called "*patents*", which were maintained during the Austro-Hungarian Empire.

In the Romanian Country, a form of budgetary records, it bore the name "*State's vestry*" and dates from the reign of Matei Basarab (1635). A document that reflected a similar record also existed during the reign of Constantin Brîncoveanu (1694-1704) being entitled "*Condit of income and expenses*".

In Moldova, the incipient forms of budgetary records were "*Treasure banks*" or "*treasury reports*" documents that were a true account of public revenues and expenditures. This realization belonged to the ruler Nicolae Mavrocordat (1712)".

In Muntenia (1831) and Moldova (1832), the terms "*biudje*" and "*bugea*" represented the first constitutional provisions of a budgetary nature. These terms were stipulated in chapter III of the *Organic Regulations*, which dealt mainly with the public finances of the principalities. Also, based on the Organic Regulations, the separation of powers in the state and the new territorial administrative organization of the two Romanian states was established.

The political-military evolution generated by the Union of Principalities, it has been accompanied by increasingly complex economic changes and financial relationships. Thus, in 1860, the "Finance Regulation" was promulgated under the unitary leadership of Al. Ioan Cuza. Regulations that provided that the public revenues and expenditures to be made each year, had to be authorized by the finance laws, thus forming the general budget.

In the circumstance of the Union since 1918, the state had to adapt to the new realities and needs of the time and record them through reforms, provisions and changes, in the Constitution. As news, the Constitution of Greater Romania introduced the universal vote, recorded the land reform and expropriation in case of public utility. As regards the references in the budgetary field, the constitutions subsequent to that of 1866, both the Constitution of 1923 and the Constitution of 1938 accurately rendered the text of the Constitution of 1866 in regarding the provisions regarding the budget.

Establishing the communist government and changing the governing regime, made it necessary to adopt a new constitution, a fact achieved in 1948. By the adopted Constitution, at art. 39 it was foreseen that "*voting the state budget; fixing of taxes and their mode of collection and the conclusion of the budgetary exercises*" were the responsibility of the Grand National Assembly of the Romanian People's Republic.

Law no. 3/1949, issued on the basis of the prerogatives of the aforementioned constitution, is the first law dedicated in its entirety to Law no. 3/1949, issued on the basis of the prerogatives of the aforementioned constitution, is the first law dedicated in its entirety to the state budget. This law specified how the budget was drawn up and executed, and did not, in the last, specify the conclusion of the execution of the general budget of Romania. The General budget according to art. 1 of Law no. 1/1951 was made up of the budget of the State Administration (republican budget)

and the budgets administered by the local bodies.

The two laws of the public finances of the communist period (Law no.3 / 1949 and Law no 9/1972) they provided for the fact that the state budget was drawn up for each budget year and includes the centralized state revenues and their distribution in accordance with the objectives of the single national plan.

3. Research methodology

The research uses the bibliographic study method, the synthesis method, the observation method and the graphical method in order to present the evolution of the relevant indicators regarding the national public budget of Romania, between 2006-2018.

4. Findings

4.1. Legislative benchmarks on the national public budget

The transition from the centralized economy to the market economy, and the regulations that emerged after 1990, have brought major changes both in terms of the concept of budget and in the form of its organization. The term "state budget" of the communist system, was replaced by the constitutional provisions regarding economy and public finances, with the terminology of national public budget, and its structure is presented in figure no. 1.

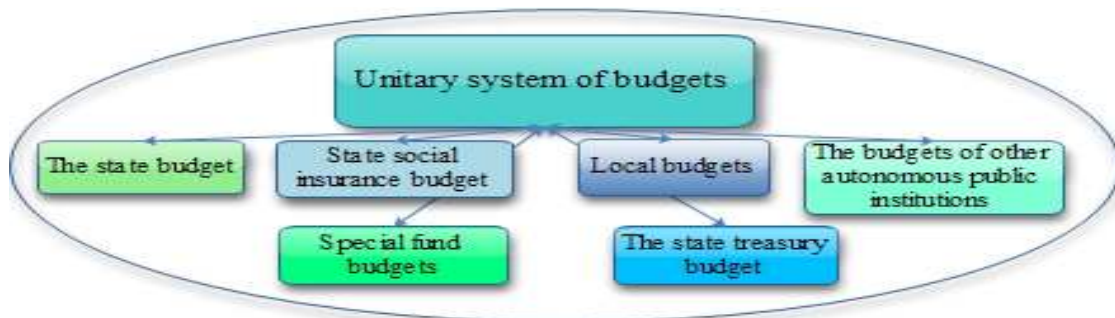
Figure no. 1 Scheme of the national public budget of Romania in 1991



Source: authors own processing

Although the law of public finances kept for a while the notion of national public budget, in 1996 by Law no. 72/1996 was introduced the notion of unitary system of budgets, having the structure presented in figure no. 2.

Figure no. 2 Scheme of the unitary system of budgets of Romania in 1996

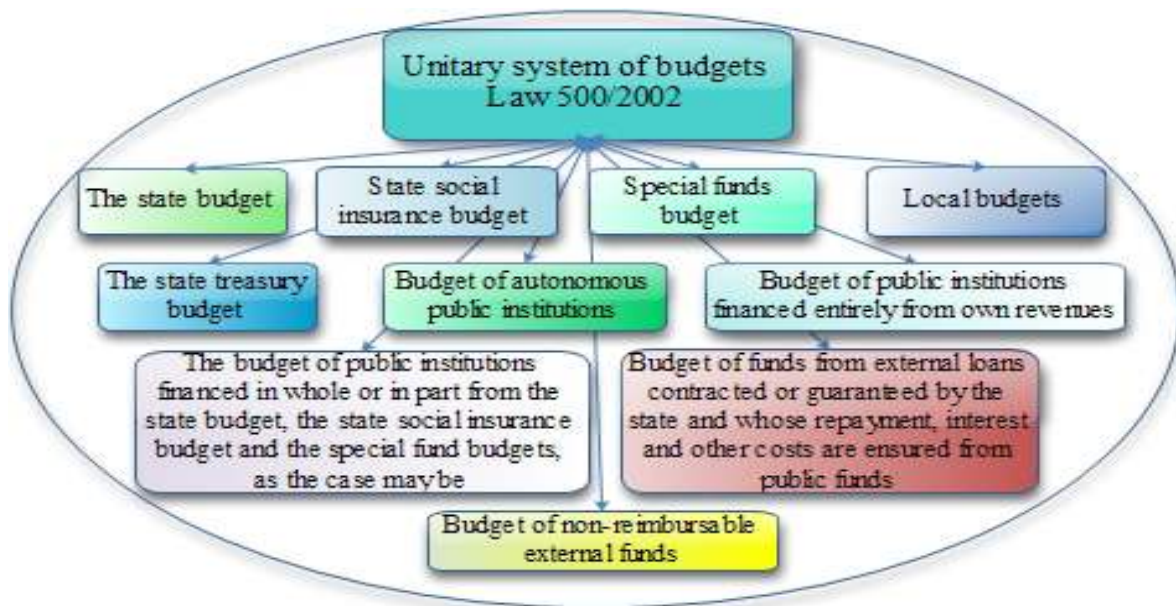


Source: authors own processing

The elaboration of Law 500/2002 on public finances, was an important moment in the evolution of the Romanian budget system. Following the principles of efficient management, through this law new provisions are introduced regarding the elaboration, approval, execution and reporting of the budget execution, the whole budget process being rethought, which would be oriented towards objectives, results and performance.

Currently, Law 500/2002 on public finances, updated with subsequent amendments and completions, redefines the concept of "unitary budget system", which comprises 9 distinct budgets, which reflect all national public funds (figure no. 3).

Figure no. 3 Scheme of the national public budget of Romania



Source: authors own processing

The national budget, reflected in an integrated manner, in the unitary system of budgets, through all its components, constitutes an instrument by which all budgetary transactions are planned and transposed into practice, in a balanced and unitary process. Public expenditure management realizes an essential relation between the incomes and the expenses, using the money as the most suitable way to reflect the preferences / needs / expectations of the population. The national budget is also a policy tool, for the efficient and effective implementation of economic and social priorities, especially for countries with limited resources.

The state budget is the main component of the Romanian budgetary system, being considered a first-rate component, due to the fact that the most important actions, considered of national social interest, are financed from it. It includes in its specific content, the financial resources mobilized and made available to the state for financing and ensuring general public services, ensuring the defence of national territory, public order and national security, justice, foreign relations, economic macro stability, social welfare, cultural financing, social spending, of public health and development services as well as financing of economic actions, all of these are considered strategic needs and are consequently managed by the central authorities.

The budget of the state social insurance, viewed from an economic point of view, is an important component of the national public budget, which represents by its specific content a financial plan through which are reflected, constituted, distributed and used, financial funds for the protection of the pensioners, employees and their family members. Social insurances have had an upward trend over time, in close correlation with the evolution of society.

Due to the growth of society and implicitly of social needs for protection, the state social insurance budget has registered increasing flows of funds, which necessitated its positioning as a stand-alone component.

What characterizes the social insurance system vis-à-vis other categories of social security services, is the fact that the principle of contributivity is based on it, according to which the insured's right is recognized only on the basis of the contributions made.

The law of public finances and the law of local public finances empower, define and regulate the **local budget**, similar to the meanings granted to the state budget, conferring on it the status of a legal act, which forms as a normative administrative act adopted by the local deliberative authorities, at the proposal of the local executive authority, by which the local revenues and expenses are foreseen, authorized and executed, for a period of one year.

The concept of local autonomy, certifies that the local authorities are responsible for managing all categories of specific interests and public needs, of local level. Based on the principle of local autonomy, it is the high degree of knowledge of the needs of the local community, known by the local authorities compared to the central authorities. As a consequence, the attribution of differentiated powers to the central authorities, compared to the local ones, as well as the delimitation on this basis of the local budgets as complementary components to the state budget, is based on the rationalization of the efficiency of the financial relations. Also in order to make financial relationships more efficient, it can be said that the local authorities know much better their financial (fiscal) potential, as well as the necessary funds to be spent to meet local needs, than central authorities could.

Depending on the hierarchy of needs in the state, needs such as local public order, roads, public lighting, local transport, sanitation, schools, are up to the local authorities.

Special funds budget. Outside the state budget and as an exception to the classic principle of budgetary unity, the incomes and expenses of the special funds that are constituted and have destinations specified by special laws are approved annually. These distinct budgets are aimed at managing specific and specific needs, and their contribution in solving these needs is to clearly delineate and size the sources of income, the necessary expenses, the period of service, the competent authorities with the implicit responsibilities, thus increasing efficiency can be ensured.

4.2. Evolutions regarding the general consolidated budget of Romania, period 2006-2018

According to the final data, published by the Ministry of Public Finance in the annual reports on budget execution, at the end of the year, cumulated on all budgets and integrated into the execution of the consolidated general budget, in table no. 1, presented the evolution of the revenues, expenses and the result of the budget year, for the period 2006-2018.

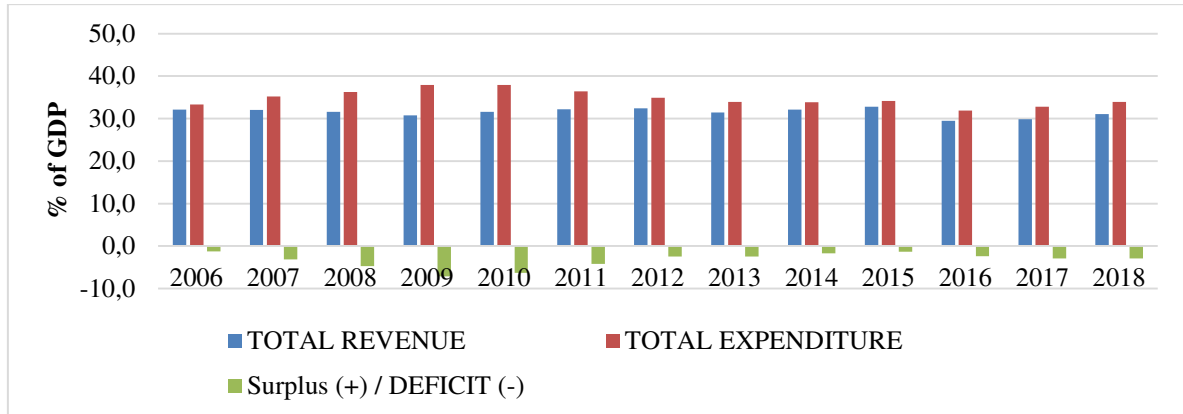
Table no. 1 Implementation of the consolidated general budget for the period 2006-2018

BUDGETARY IMPLEMENTATION OF THE CONSOLIDATED GENERAL BUDGET IN THE PERIOD 2006-2018, -mld lei-						
Years	TOTAL REVENUE		TOTAL EXPENDITURE		DEFICIT(-)	
	Sum	% of GDP	Sum	% of GDP	Sum	% of GDP
2006	111,39	32,1	115,75	33,4	-4,36	-1,3
2007	134,17	32,1	147,14	35,2	-12,97	-3,1
2008	165,55	31,6	190,34	36,3	-24,79	-4,7
2009	157,24	30,8	193,68	37,9	-36,44	-7,1
2010	168,67	31,6	202,28	37,9	-33,61	-6,3
2011	181,92	32,2	205,82	36,4	-23,90	-4,2
2012	193,15	32,4	207,92	34,9	-14,77	-2,5
2013	200,37	31,4	216,17	33,9	-15,79	-2,5
2014	214,31	32,1	225,81	33,8	-11,49	-1,7
2015	233,80	32,8	243,43	34,1	-9,63	-1,4
2016	223,72	29,5	242,02	31,9	-18,29	-2,41
2017	251,82	29,9	276,08	32,8	-24,26	-2,88
2018	295,12	31,1	322,45	34,0	-27,34	-2,88

Source: own processing based on the budget execution reports published by the MFP

During the whole period of 2006-2018, the volume of revenues of the consolidated budget of the Romanian state is lower than that of the expenditures. The budget execution, ending annually with a deficit, a deficit that was also increasing from year to year. Expressed as a percentage of GDP, the evolution of revenues, expenses and budgetary result is presented in chart no. 1.

Chart no.1 Evolution of the total revenues and expenditures of the BGC expressed as% in GDP between 2006-2018



Source: authors' own processing based on data published by INSSE-Romania

The revenues of the consolidated general budget for the period 2006-2018, expressed as a percentage of GDP, ranged from 32.1% from 2006 to 31.1% in 2018. The maximum level was reached in 2015 with 32.8 % of GDP, and the minimum level was reached in 2016 with 29.5% of GDP.

The expenditures of the consolidated general budget for the period 2006-2018, expressed as a percentage of GDP, ranged from 33.4% starting in 2006 to 34% in 2018. The maximum level was reached in the year 2009 and 2010 with 37,9% of GDP, and the lowest level of public spending was reached in 2016 with a percentage of 31.9%.

The balance of the general budget consolidated for the same period, expressed as a percentage in GDP, was between -1.3% compared to GDP in 2006 and -2.88 in 2018, with a minimum of -7.1% of GDP in 2009.

Basically, in the reference period, in terms of the balance (result) the BGC we can only talk about an evolution of the general consolidated budget deficit. The balance of result of the consolidated general budget decreased, in nominal terms, from year to year with maximum values recorded in the crisis years, between -8.6 billion lei in 2007 (compared to 2006), -11.8 billion lei in 2008, respectively -11.6 billion lei in 2019.

Between 2010-2012 it registered decreasing improvements, recording decreases of budget deficit with net values of 2.8 billion lei for 2010, 9.7 billion lei for 2011 and 9.1 billion lei for 2012. The budget deficit for 2013 increased compared to 2012 with -1.0 billion lei. The year 2014 and 2015 recorded decreases of the BGC deficit with the values of 4.3 billion lei and 1.9 billion lei. The next 3-year period shows increases in the deficit, of -8.7 billion lei in 2016, -6 billion lei in 2017 and -3.1 billion lei in 2018.

The nominal balance of the consolidated general budget of each year was influenced by the nominal balances of all the component budgets as well as the incomes, the expenses incurred, the social and fiscal-budgetary policy. In the table no. 2 can be observed, the changes in dynamics, expressed in percentage points, of the total revenues and expenditures of the consolidated general budget, from year to year in the reference period.

Table no. 2 Dynamics of BGC revenue and expenditure in p.p. between 2006-2018

Revenue and expenditure dynamics compared to the previous year 2006-2018 -p.p.-			
Year	TOTAL REVENUE	TOTAL EXPENDITURE	Surplus (+) / Deficit (-)
	p.p. of GDP	p.p. of GDP	p.p. of GDP
2006	+	-	+/-
2007	0,0	-1,8	-1,8
2008	-0,5	-1,1	-1,6
2009	-0,8	-1,6	-2,4
2010	0,8	0,0	0,8
2011	0,6	1,5	2,1
2012	0,2	1,5	1,7
2013	-1,0	1,0	0,0
2014	0,7	0,1	0,8
2015	0,7	-0,3	0,4
2016	-3,3	2,2	-1,1
2017	0,4	-0,9	-0,5
2018	1,2	-1,2	0,0

Source: Authors' own processing based on budget execution reports published by MFP

5. Conclusions

In this paper we presented the way of functioning of the Romanian financial system. The role of the consolidated general budget and its component budgets was highlighted, as well as an analysis based on indicators of the consolidated general budget, in accordance with the budget execution carried out at the end of the years from the reporting period 2006-2018.

As a proper conclusion, it is very important that in the process of budget preparation, public authorities set realistic goals, based on objective and achievable indicators. This would no longer lead to the failure to realize the estimated revenues, to exceed the level of the established expenses and especially to the end of the budget deficit exercise.

The main challenge for medium and long term public authorities, represents the further implementation of structural reforms, consolidation of public finances, and financial stability, in order to achieve the objective of budgetary sustainability, and maintaining a controlled deficit of the national public budget, thus avoiding the risks related to internal and external shocks, as well as dependence on external financial assistance.

Due to the fact that the budgets present important guidelines for the actions undertaken by the Government, and by all public institutions, this sector of public finances will always be open for future research, the elaboration of new theoretical analyses and case studies through which the budgetary activity will perform and will be improve permanently.

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- paragraph (4), art. 1, chap. I of Law 72/1996 on public finances;
- paragraph 2 art 1. cap.1 Law no. 500 of July 11, 2002 (* act *) * on public finances;
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Transfer Pricing – An Analysis from the Romania`s Perspective

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Abstract

Given the fact that through transfer pricing companies could move profits from high tax jurisdictions to low ones, world countries have begun to pay particular attention to transfer pricing subject, adopting specific legislation in this respect. The first transfer pricing concepts have been introduced into the Romanian tax legislation more than 25 years ago. This paper presents an evolution of the Romanian transfer pricing legislation, illustrating the main legislative acts in this domain. In addition, the paper presents the key concepts specific to the transfer pricing legislation, exemplifying them through case studies.

Key words: transfer pricing, arm`s length principle, related parties, transfer pricing methods, Romania

J.E.L. classification: M40

1. Introduction

Soon after the Second World War, developed countries began to make massive investments in the reconstruction of their own economies. Subsequently, more and more companies began to carry out their activity across several countries. Moreover, since then, the number of these companies has been steadily rising, leading to a significant increase in the number of transactions performed between multinationals. Therefore, in this context, more and more groups of companies are set up, and the fact that these groups set up subsidiaries in different countries has led to issues related to the group results taxation and respectively to the transfer pricing concept.

According to researchers (Mehafdi, 2000; Satapathy, 2001; Smith & Eden, 2001; Matei & Pirvu, 2011; Gao & Zhao, 2015; Liu et al., 2015), transfer prices are those prices invoiced by the parent entity to its affiliates or invoiced by the affiliates to the parent company, as well as the prices invoiced between affiliates or between divisions of the same group of entities for the transfer of goods or the provision of services.

Going forward, given that the number of companies operating on a multi-country basis is steadily rising, this leading to a significant increase in the number of transactions between multinationals, world countries have begun to pay particular attention to prices at which these transactions are performed and to be aware that through the transfer prices there could be performed a profit moving from high tax jurisdictions to low ones. In this context, there were adopted transfer pricing regulations.

Lohse et al. (2012) conducted a study to capture the international evolution of the times when countries have adopted transfer pricing regulations in their domestic legislation. The study was conducted until 2009, the results showing that most countries have adopted transfer pricing regulations after 1990, more precisely between 1990 and 2000. Romania has adopted a detailed transfer pricing legislation since 2008 (i.e. once with the adoption of Order 222/2008 regarding the content of the transfer pricing file). Consequently, the transfer pricing concept represents relatively a new concept for both Romanian specialists and Romanian tax authorities, this being the motivation for the research carried out and the preparation of the present paper.

Given all the above, the paper presents an overview of the evolution regarding the Romanian transfer pricing framework, providing practical examples for a good understanding of the basic aspects from this area. From this point of view, the work could be useful both for transfer pricing practitioners and for those who want to start in this field, as it offers the opportunity to familiarize and understand the way in which the main concepts related to the transfer pricing are working.

2. Research methodology

Regarding the objectives of this paper, they were as follows:

- identifying the main legislative acts in the transfer pricing's field in order to capture an evolution of the Romanian transfer pricing legislation;
- identifying the key concepts specific to the transfer pricing legislation and exemplifying them through case studies.

Regarding the research methodology applied for achieving the two objectives, this was a qualitative one, based on both a theoretical and a practical perspective. The qualitative research based on a theoretical perspective was applied in relation to the evolution of the Romanian legislative acts applicable in the field of transfer prices and the one based on a practical perspective when exemplifying the main concepts in the field of transfer prices.

Moreover, the qualitative research was based on a deductive approach that started from definitions and notions specific to the field of transfer pricing and turned to illustrating them in practical examples. Research methods used include document analysis (i.e. the legislative acts) and case study.

3. Evolution of the Romanian transfer pricing legislation

The Romanian transfer pricing legal framework has a history of about 25 years. The below table summarizes a chronological presentation of the main Romanian legislative acts applicable in the transfer pricing field.

Table no. 1: Evolution of the Romanian transfer pricing regulations

Period	Details regarding the Romanian transfer pricing regulations
1994	Adoption for the first time in the Romanian tax legislation of the arm's length principle concept . However, for the effective application of this concept, there did not exist a legislative framework.
2002	The first legislative provisions on transfer prices were adopted through the <i>Law 414/2002 on corporate income tax</i> .
2003	The year 2003 was marked by the publication of <i>Law 571/2003 regarding the Tax Code</i> and of the related Methodological Norms, applicable from 1 January 2004. The Tax Code included definitions for the following concepts from the transfer pricing field: related parties and the arm's length principle (referred to as the free market price principle). The Law 571/2003 also included a description of the transfer pricing methods . In this context, it is important to mention that the Methodological Norms for the application of Law 571/2003 stipulated that when applying the transfer pricing legislation, Romania follows the provisions of the OECD Guidelines, although Romania is not an OECD member state .
2005	<i>Government Ordinance no. 92/2003 regarding the Tax Procedure Code</i> has been changed in order to introduce the concept of advance pricing agreement (i.e. an agreement concluded between the tax authorities and taxpayer in order to establish the transfer pricing methodology and the conditions under which a related party transaction will be performed).
2006	<i>Government Ordinance no. 92/2003 regarding the Tax Procedure Code</i> has been amended for the purpose of introducing requirements for the provision of supporting documents for transfer prices.
2007	Through the <i>Government Decision no. 529/2007</i> the necessary legislation for the issuance of an advance pricing agreement and the preparation of the related documentation was adopted at the level of Romania.

Period	Details regarding the Romanian transfer pricing regulations
2008	By <i>Order 222/2008 regarding the content of the transfer price file</i> , regulations were introduced in Romania in relation to the preparation of the transfer pricing file.
2010	By <i>Law 76/2010 regarding the approval of the Government Emergency Ordinance (GEO) no. 109/2009 on the amendment and completion of the Law no. 571/2003 regarding the Tax Code</i> was introduced at the level of Romania the obligation to document the transfer prices also for the transactions carried out between Romanian affiliated persons, not only for transactions between non-resident affiliated persons.
2015	By <i>Law no. 227/2015 regarding the Tax Code</i> , applicable from 1 January 2016, significant changes were made in the field of transfer pricing, as follows: <ul style="list-style-type: none"> • the definition of affiliated persons has been changed; • the concepts of transfer pricing estimation and the central trend of the market were introduced. <i>Law no. 207/2015 regarding the Tax Procedure Code</i> introduced the obligation to prepare the transfer pricing documentation, even if it is not requested by the tax authorities (as previously provided in <i>Order 222/2008</i>). Also, in 2015 the <i>Decision 529/2007 for the approval of the procedure for issuing the anticipated individual tax solution and the advance pricing agreement</i> was abrogated. There was issued a new legislative act in relation to the issuance of the advance pricing agreement, namely <i>Order no. 3735/2015 on the approval of the procedure of issuing and modifying the advance pricing agreement, as well as the content of the application for issuing and modifying an advance pricing agreement</i> .
2016	The year 2016 was marked by the publication of <i>Order no. 442/2016 regarding the values of the transactions, the deadline for the preparation, the content and conditions for the request of the transfer pricing file and the procedure of the adjustment / estimation of the transfer prices</i> . This order replaced <i>Order 222/2008</i> and brought important changes related to the content of the transfer pricing file, the obligation to document the transfer pricing and the procedure for adjusting / estimating transfer pricing.
2017	<i>Emergency Ordinance no. 42/2017</i> transposed into the Romanian legislation the EU Directive 2016/881 in relation to the country by country reporting (i.e. a report from the transfer pricing area that should be prepared by a group of companies if certain conditions are met).

Source: own processing

4. Theoretical background and practical aspects regarding the transfer pricing` key concepts

In the following it will be presented the key concepts used in the field of transfer prices, namely: arm`s length principle, related parties and transfer pricing methods. There was chosen the presentation of these three concepts as they are considered the most important in terms of understanding the mechanism of transfer pricing.

As presented in the previous section, Romania applies the provisions of the OECD Guidelines on Transfer Pricing (in practice, the provisions of these Guidelines are complementary to the local provisions). Therefore, the relevant provisions of the OECD Guidelines have been detailed in the presentation of these key concepts.

A. Arm`s length principle

The arm`s length principle is defined under article 7, paragraph 33 of the Tax Code. Practically, based on the arm`s length principle, transactions between affiliated parties must be carried out under conditions/ circumstances that must not be different from commercial or financial relationships established between independent entities. The arm`s length principle is defined as the generally used tax method for attributing the profits recorded by affiliated entities (Hamaekers, 2001).

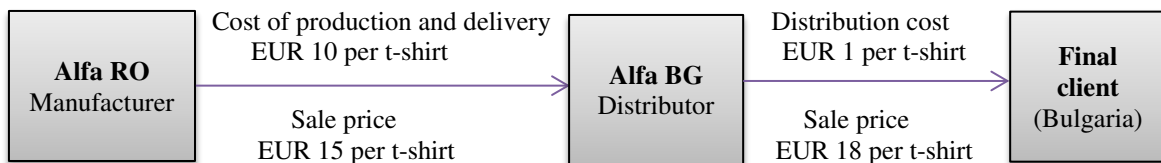
Moreover, Keuschnigg & Devereux (2013) considered that the arm's length principle was adopted by the states of the world to protect the tax base recorded by the multinational entities, and Oguttu (2006) stated that the arm's length principle is used internationally as a means of combating tax evasion.

A practical approach of the arm's length principle is presented the following example.

Case study – arm's length principle

Alfa RO manufactures t-shirts Y model in Romania and sells them to its affiliated entity Alfa BG, a Bulgarian company. Alfa RO has a cost of EUR 10 for the production and delivery of a t-shirt. Furthermore, the sale price of a t-shirt from Alfa RO to Alfa BG is of EUR 15. Alfa BG sells t-shirts on the Bulgarian market at a price of EUR 18 per t-shirt, incurring a distribution cost of EUR 1 per t-shirt. The flow of transactions could be represented as shown in Figure 1 below:

Figure no. 1: Transactions flow



Source: own processing

If independent entities which perform the manufacture of t-shirts Y model sell such a t-shirt at a price between EUR 14 and EUR 17, then the price invoiced by Alfa RO to Alfa BG (i.e. EUR 15) complies with the arm's length principle. The range of prices applied by independent entities is determined based on comparability analyses.

As a result of the above transactions, the Group of which Alfa RO and Alfa BG entities are part of has recorded a profit of EUR 7 (i.e. the profit recorded by Alfa RO (EUR 15 – EUR 10) + the profit recorded by Alfa BG (EUR 18 – EUR 15 – EUR 1)), of which EUR 5 has been taxed in Romania and EUR 2 in Bulgaria. Considering that the corporate income tax from Bulgaria is lower compared to that from Romania (i.e. 10% vs. 16%) the two entities could try to move profits from Romania to Bulgaria. In order to do this Alfa RO could invoice to Alfa BG a lower price than the level of prices applied on the market (i.e. lower than EUR 14), this meaning that transaction is not performed in compliance with the arm's length principle.

B. Related parties

Under article 7 (26) of the Tax Code, two entities are considered affiliated (i.e. related parties) if:

- one of the entities directly or indirectly owns at least 25% of the participation titles or voting rights of the other entity or effectively controls the other entity;
- a third person (an individual or a legal person) directly or indirectly owns at least 25% of the participation titles or voting rights of both entities or that person effectively controls both companies. The Law 571/2003 on the Tax Code did not contain provisions regarding the situation in which two entities are affiliated because they are owned at a minimum of 25% or are controlled by an individual, in practice being various uncertainties if this situation generates an affiliation relationship between two entities. As a result, Law 207/2015 on the Tax Code (i.e. the new Tax Code) clarified this situation.

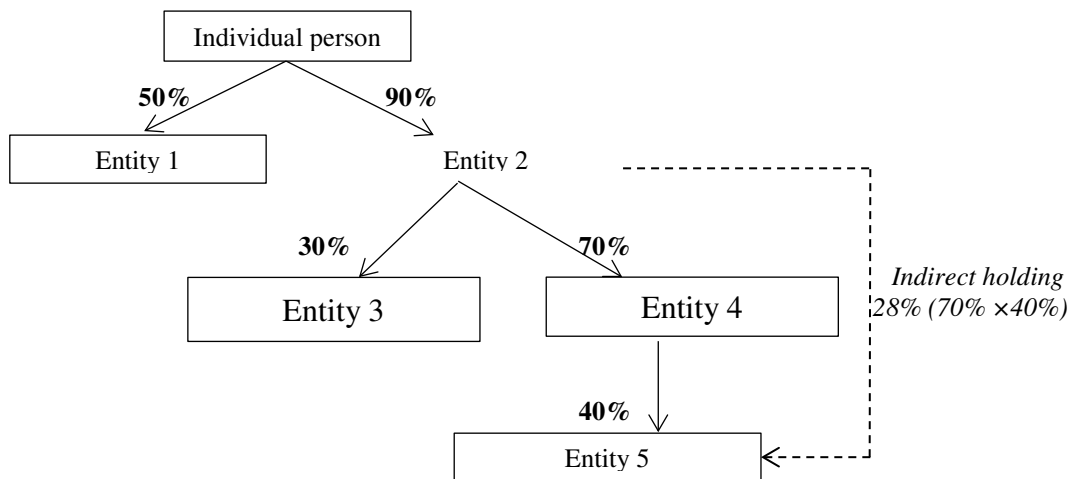
In the Methodological Norms for the application of the Tax Code, it is mentioned that a person can actually control an entity if that person is the manager / administrator of the entity, having the capacity to make decisions on the entity's activity by entering into transactions with another entity under its control (i.e. the same person is the manager / administrator of the two entities). It is also considered that effective control is exercised at the level of two entities if the management of one

of the two legal persons is a shareholder or an administrator of the other legal person. Thus, two entities may be affiliated under effective control even if the holding percentage is less than 25%. Starting from the definition of the related parties presented above, the following case study presents a practical application regarding the affiliation relationship between two entities.

Case study – related persons

Figure 2 below illustrates the percentages of ownership at the level of 5 legal persons (i.e. 5 entities).

Figure no. 2: Case study – related persons



Source: own processing

Based on the above figure, the following affiliation relationships can be determined:

- Entity 2 owns Entity 3 and Entity 4 directly, in a proportion greater than 25%, which means that Entity 2 is affiliated with Entity 3 and Entity 4. The same reasoning applies also for the determination of the affiliation relationship between Entity 4 and Entity 5;
- Entity 2 owns Entity 5 indirectly, in a proportion of minimum 25%, which means that the Entity 2 is affiliated with Entity 5;
- Entity 2 owns both Entity 3 and Entity 4 directly, in a proportion grater than 25%, which means that Entity 3 and Entity 4 are affiliated entities;
- Entity 2 owns Entity 3 directly and Entity 5 indirectly, in a proportion of minimum 25%, which means that Entity 3 and Entity 5 are affiliated entities;
- The individual owns Entity 1 and Entity 2 directly, in a proportion grater than 25%, which means that Entity 1 and Entity 2 are affiliated entities;
- The individual owns Entity 1 directly and Entity 3 indirectly, in a proportion of minimum 25%, which means that Entity 1 and Entity 3 are affiliated entities. The same reasoning applies also for the determination of the affiliation relationship between Entity 1 and Entity 4, respectively Entity 1 and Entity 5.

C. Transfer pricing methods

The Tax Code (in article 11, paragraph 4) presents five methods for determining transfer pricing as shown below. These methods apply, depending on the specific conditions of each, to determine whether the transfer prices have been established in accordance with the arm`s length principle:

- comparable uncontrolled price method;
- cost plus method;
- resale price method;

- transactional net margin method;
- profit split method.

Comparable uncontrolled price method

The comparable uncontrolled price method compares the price practiced between affiliates for the transfer of goods or the provision of services with the price invoiced between independent persons performing comparable transactions, in circumstances comparable to those from the transaction between affiliates. This method cannot be applied if there are material differences between the two transactions that are being compared (i.e. the transaction between affiliates and the one carried out between independent persons) - for example, the type of traded goods is not the same, the quantities marketed are not comparable, outlets are not similar etc. (Ondrušová, 2016).

However, according to the OECD Guidelines, in practice it is difficult to identify perfectly comparable transactions and that, in such situations, certain adjustments can be made to eliminate the impact of price differences (OECD Price Transfer Guide July 2017, paragraph 2.16: 101-102). This approach is also presented in the Methodological Norms for the application of the Tax Code. According to the Methodological Norms for the application of the Tax Code and the OECD Guidelines, the comparison of prices provided by the comparable uncontrolled price method can be done as follows:

- internal price comparison - this situation is applicable when one of the affiliated entities participating in the analysed transaction carries out similar transactions under comparable conditions with independent entities;
- external price comparison - applies when there can be determined publicly available market prices for similar transactions between independent entities, performed on a comparable basis to the analysed transaction.

The below case study illustrates how to apply the comparable uncontrolled price method.

Case study – comparable uncontrolled price method

Chocolate Production and Chocolate Distribution are two entities from the Chocolate group. Chocolate Production performs the production of chocolate candies and Chocolate Distribution carries out the distribution of candies purchased from the affiliated entity Chocolate Production. Chocolate Production sells 100 candy boxes with vanilla flavour to Chocolate Distribution at a price of EUR 10 per box. At the same time, Chocolate Production sells the same candies, in comparable circumstances, to an independent customer, but for a quantity of 50 boxes and at a price of EUR 11 per box. Given all these, there is a difference in the number of boxes sold by Chocolate Production to the two entities. According to the commercial policy, Chocolate Production grants a 10% discount for sales of more than 70 boxes.

In this case study, the sale performed by Chocolate Production to Chocolate Distribution is a deal between affiliates, and the sale performed by Chocolate Production to the independent customer is a transaction between independents. Thus, in order to apply the comparable uncontrolled price method, an internal comparison can be made between the price paid by Chocolate Distribution and the price paid by the independent customer. Since, as mentioned earlier between the two transactions under consideration, there is a difference in quantity, it is necessary to make an adjustment before the actual comparison is made to eliminate the impact of this difference on the price.

The adjustment is to apply the 10% discount (offered by Chocolate Production to sales greater than 70 boxes of candies) to the price charged by Chocolate Production to the independent customer (EUR 11 per box), obtaining a price of EUR 10 per box. As could be observed, after performing the discount adjustment, the price charged by Chocolate Production to its affiliated entity is the same with the price charged by Chocolate Production to the independent customer. Therefore, the price charged by Chocolate Production to Chocolate Distribution respects the arm's length principle.

Cost plus method

Generally, the cost plus method is used when the analysed transaction is represented by the production of goods or the provision of services. According to this method, the comparison is made at the level of the gross mark-up added by the supplier to the costs incurred for the production of goods/ provision of services (Matei & Pîrvu, 2011).

Similar to the comparable uncontrolled price method, the gross mark-up comparison can be made either on the basis of internal comparisons or on the basis of an external one. Internal comparison applies when similar products/ services are sold/ rendered to both a related party and an independent entity, in this situation being compared the gross mark-up obtained in relation to the affiliated entity with the gross mark-up obtained in relation with the independent entity. External comparison involves conducting a benchmark study to determine a range of gross mark-up applied by independent entities performing the same functions and assuming the same risks as the tested entity. If the gross mark-up applied in the transaction between independent entities falls within this range, then it can be concluded that the arm's length principle is respected.

Compared to the comparable uncontrolled price method, the cost plus method puts more emphasis on the circumstances in which a transaction takes place, without requiring the products/ services compared to be identical. However, it is recommended that the products/ services to be compared to have the same functions, being classified in the same category.

The OECD Guidelines recommend that profitability indicators (e.g. gross mark-up) to be determined as a ratio between the operating profit from the transaction under consideration and a denominator not affected by related party transactions (OECD Transfer Pricing Guidelines, July 2017, paragraph 2.94: 126). When analysing the example of a manufacturer which records revenue from sales transactions in relation to affiliates, and costs associated with production are recorded by the manufacturer as a result of transactions with independent entities, the denominator should be the amount of the cost recorded in this respect.

Furthermore, the OECD Guidelines mention that the difference between a gross and net profitability indicator is represented by the cost structure. Thus, a gross profitability indicator is based only on direct and indirect production costs, while a net profitability indicator also includes operational expenditure - for example, general administration expenses (OECD Transfer Pricing Guidelines, July 2017, paragraph 2.54: 114).

Considering the above, in general, the gross mark-up for applying the cost plus method is determined according to the formula below:

$$\text{Gross mark - up} = \frac{\text{Operating revenues} - \text{Cost of goods sold or services provided}}{\text{Cost of goods sold or services provided}} * 100$$

In addition, the application of the cost plus method requires a comparability at the level of the cost base at which is applied the gross mark-up. Therefore, if there are differences in the cost base of the transaction being analysed and conducted between affiliates and the cost base of the comparable transactions, the cost plus method cannot be applied. For example, financial statements prepared according to the Romanian accounting regulations do not allow for a separation between the cost of the goods sold / services provided and the other operational expenses, since the profit and loss account presents expenses by nature rather than by destination. In this situation, in the absence of internal comparisons, the cost plus method may be difficult to apply (Luca, 2009).

The below case study illustrates how to apply the cost plus method.

Case study – cost plus method

Chocolate Production produces two types of chocolate candies: vanilla flavoured candy and strawberry flavoured candy. The cost of production (which includes only direct and indirect costs, without the allocation of the general administrative expenses) of a vanilla-flavoured candies box is of EUR 8 and the production cost of a strawberry candies box is of EUR 3.2. Vanilla flavoured candies boxes are sold to the affiliated entity Chocolate Distribution at a price of EUR 10 per box, and the strawberry flavoured candies are sold to an independent customer at a price of EUR 4 per

box. The conditions under which the two transactions are performed are similar.

Considering that the compared products are not identical, the comparable uncontrolled price method would not be indicated to apply in this situation. However, considering that the products can be classified in the same category, the cost plus method could be applied. Therefore, in order to test the compliance with the arm's length principle by applying the cost plus method, the gross mark-up obtained by Chocolate Production from the sale to Chocolate Distribution will be compared with the gross mark-up obtained by Chocolate Production from the sale to the independent customer.

Therefore, the gross mark-up obtained by Chocolate Production from the sale of vanilla flavoured candies to Chocolate Distribution is 25% (i.e. $(10-8) / 8 * 100$) and the gross mark-up obtained by Chocolate Production from the sale of strawberry flavoured candies to the independent customer is also 25% (i.e. $((4-3,2) / 3,2) * 100$).

In view of the above, it can be concluded that the price of EUR 10 per box paid by Chocolate Distribution to the affiliated entity Chocolate Production respects the arm's length principle.

Resale price method

In general, the resale price method is used when the analysed transaction consists in the distribution to independent entities of the goods acquired from affiliated entities. According to the OECD Guidelines and the Methodological Norms for the application of the Tax Code, the analysis made to determine whether the transfer pricing complies with the arm's length principle starts from the price at which a product purchased from the affiliated entity is resold to the independent entity. Subsequently, this price is reduced with the gross margin obtained by the distributor from the resale of the products, obtaining in this way the transfer price at which the products were traded between the affiliated entities. Further, the gross margin obtained by the distributor is compared with the gross margin for similar transactions between independent persons. If this gross margin is at market level, then the price at which the goods were transferred between affiliated entities respects the arm's length principle (Hughes & Nicholls, 2010; Jain, 2015).

Similar to the cost plus method, the resale price method can be applied both by using internal or external comparables.

Starting from the provisions of the OECD Guidelines mentioned above in the cost-plus method presentation, in general, the gross margin for the application of the resale price method is determined according to the below formula:

$$\text{Gross margin} = \frac{\text{Operational revenues} - \text{Cost of goods sold}}{\text{Operational revenues}} * 100$$

Similar to the cost plus method, in case of the resale price method the comparability of the products is not an essential condition (i.e. the products should not be identical, but should have similar functions so that they can be classified in the same category of goods) but there is required a high degree of comparability for the functions performed, the risks assumed and the assets used by the entities participating in the transactions.

At the same time, taking into account the factors that may lead to differences in accounting treatment with regards to cost classification (as detailed in the presentation of the cost plus method), the resale price method may be difficult to apply in the absence of internal comparables.

The below case study illustrates how to apply the resale price method.

Case study – the resale price method

Chocolate Distribution purchases chocolate candies from the affiliated entity Chocolate Production in order to resale them to independent customers. Chocolate Distribution purchases a candy box from Chocolate Production at a price of EUR 10 and resells it to independent customers at a price of EUR 12.

Neither Chocolate Distribution purchases candies chocolate from other independent entities nor Chocolate Production sells candies to other independent entities. Therefore, the resale price method based on internal comparison cannot be applied.

After performing a benchmark study it was determined that independent distributors with a functional profile similar to that of Chocolate Distribution and which distribute similar products obtain a gross margin of 10%.

In order to test whether the transfer price of EUR 10 charged by Chocolate Production to Chocolate Distribution respects the arm's length principle there will reduced the resale price of EUR 12 with the gross margin obtained on the market by the independent distributors (i.e. EUR 12 -10% = EUR 10.8). Based on this results, it can be concluded that the transfer price of EUR 10 does not respect the arm's length principle.

Transactional net margin method

The transactional net margin method is similar to the cost plus method and the resale price method, the only difference being that the two methods operate with gross profitability indicators while the transactional net margin method operates with net ones (OECD Guidelines on Transfer Pricing, July 2017, paragraph 2.64: 117).

The transactional net margin method is the most often used in practice as companies often face a lack of information on the classification of expenditures needed to determine gross margins/mark-ups for independent comparable companies. Therefore, when applying the transactional net margin method other operational expenditures (such as general administration costs) is also considered in addition to, for example, the cost of goods sold.

Based on a functional analysis (i.e. the identification of the functions performed, the risks assumed and the assets used by each affiliated entity involved in the transaction under review), it is determined whether the transactional net margin method should be applied similar to the cost plus method or similar to the resale price method, and what profitability indicator should be computed. According to Luca (2009), the profitability indicators used in this respect can be the operational margin (used in the case of distributors, when the transactional net margin method applies similarly to the resale price method), return on assets and the net cost plus (used in case of manufactures or service providers, when the transactional net margin method is applied similarly to the cost plus method). These profitability indicators are determined according to the below formulas:

$$\text{Operational margin (OM)} = \frac{\text{Operational result}}{\text{Operational turnover}} * 100$$

$$\text{Return on assets (ROA)} = \frac{\text{Operational result}}{\text{Operational assets}} * 100$$

$$\text{Net cost plus (NCP)} = \frac{\text{Operational result}}{\text{Operational costs}} * 100$$

Where,

Operational results represents the result obtained by the distributor/ manufacturer/ service provider strictly from the transaction analysed and carried out with the affiliated entity, being determined as a difference between the operational revenues obtained from the transaction, the cost of the goods sold/ services rendered and other operational expenses.

The below case study illustrates how to apply the transactional net margin method.

Case study – the transactional net margin method

Chocolate Production manufactures and sells chocolate candies to the affiliated distributor Chocolate Distribution. The net mark-up (i.e. the net cost plus indicator) obtained by Chocolate Production from sales to Chocolate Distribution is of 8%. According to a benchmark study conducted on a sample of independent entities with a functional profile similar to that of Chocolate Production, the average net mark-up on the market is between 5% and 10%.

Therefore, it can be concluded that the transaction between Chocolate Production and Chocolate Distribution respects the arm's length principle (since the net mark-up obtained by Chocolate Production is within the comparability range).

Profit split method

The profit split method is typically used when in a transaction the activities performed by entities are interdependent so that a separate analysis of each activity cannot be performed or when affiliated entities make unique contributions to the transaction (for example, unique intangible assets are used). In this situation, it is recommended to apply the profit split method as independent companies would opt for dividing the profits generated by the transaction according to their contribution within that transaction (Chand & Wagh, 2014).

According to the OECD Guidelines, profit split can be achieved in two ways: contribution analysis and residual analysis (OECD Transfer Pricing Guidelines, July 2017, paragraph 2.124: 136). Based on the analysis of the contributions, the cumulative profit generated by the transaction and allocated to each company should reflect the functions performed, the risks assumed and the assets used by each entity. This profit is determined by reference to the conditions prevailing on the market, namely how third companies would share the profit under similar conditions. The residual analysis divides the cumulative profit into two steps. First, a profit is allocated to each entity to provide a "normal" profit margin for the analysed transaction (i.e. a profit margin that independent entities would have obtained if there were not, for example, valuable invaluable assets). Subsequently, what remains after the division according to the first step is the residual profit that is allocated according to the contribution of each entity to the transaction and in line with market conditions. For example, if one entity owns a unique intangible asset that contributes significantly to generating profit, then that entity is entitled to receive a significant proportion of the residual profit.

The below case study illustrates how to apply the profit split method.

Case study – the profit split method

Chocolate Production has a unique manufacturing recipe for chocolate candies, these candies being the most appreciated by the public. Thanks to this recipe, the chocolate candies produced by Chocolates Production are unique, superior to those made by competitors. Candies are sold exclusively to the affiliated entity Chocolate Distribution. Chocolate Distribution also owns the "Bonbon" brand under which candies are marketed, a recognized brand on the market as a leader. In addition, Chocolate Distribution owns a list of customers to whom most of the candies purchased from Chocolate Production are sold.

The cost of producing a box of candy is of EUR 10 and the resale price is of EUR 15. The marketing costs recorded by Chocolate Distribution for the promotion of candies are EUR 1 per box. The cumulative profit for the sale of a candies box is of EUR 4 (EUR 15 – EUR 10 – EUR 1). According to a benchmark study, it was concluded that cumulative profit should be allocated 60% to Chocolate Production and 40% to Chocolate Distribution. Thus, following the application of the profit split method, the transfer price for the sale of candies by Chocolate Production to Chocolate Distribution should be EUR 12.4 (EUR 10 + 60% * EUR 4).

5. Conclusions

Transfer pricing legislation in Romania has a history of more than 25 years, being gradually developed either by changes to existing regulations or by the adoption of new regulations. Although not an OECD member, from the point of view of transfer pricing legislation, Romania follows the provisions of the OECD Guidelines. The main legislative acts existing at the level of Romania governing the transfer pricing are: Tax Code, Tax Procedure Code, Order 442/2016, Order 3735/2015 and Emergency Ordinance no. 42/2017.

One of the most important moments in the history of the transfer prices in Romania was the adoption in 2008 of the Order 222/2008 regulating the issues related to the documentation of the transfer prices. Subsequently, the moments in the history of transfer prices that had the greatest impact on the business environment took place in 2016 when Order 442/2016 was adopted (which replaced Order 222/2008) and in 2017 when was adopted the Emergency Ordinance no. 42/2017. By Order 442/2016 at Romania level the obligation of annual preparation by certain categories of taxpayers of a transfer pricing file has been introduced, value thresholds have been established in order to determine which entity has the obligation to document the transfer prices, has been modified the deadline for submitting the transfer pricing file at the request of the tax authorities, was amended the procedure for estimating and adjusting transfer pricing and was supplemented the structure of the transfer pricing file. By Emergency Ordinance no. 42/2017 Romania has adopted the necessary legislation to implement at national level a CbC documentation in accordance with the Action 13 "Transfer pricing documentation and country-by-country reporting" of the BEPS Action Plan.

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Conventions to Avoid Double Taxation, Deficient Aspects

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Abstract

This paper aims to empirically analyze the transnational double taxation issue, starting from the legal framework and showing through examples and situations, the manifestations of the double taxation phenomenon. The importance of the study is of extreme importance in the current economic context, since the main concern of E.U. is to mitigate the risks of Base erosion and profit shifting (BEPS). OECD defines BEPS strategies as "exploiting gaps and mismatches in tax rules", so concerns and studies in this field are of utmost importance.

The integration of Romania into the European Union meant for the majority of taxpayers a means of perfecting their means of production as well as of their technologies, but also of increasing their economic and financial cooperation with different states.

As a result, many natural and legal persons carry out activities from which they obtain income from two or more states. Therefore, they can be in economic connection with these states that put them in unfavourable situations, because, each state having its own tax system, the taxpayer can be subjected to a double taxation having the same tax base.

Key words: double taxation, taxes, tax competition

J.E.L. classification: H26, H21

1. Introduction

The phenomenon of double taxation appears, which is characterized by subjecting the same tax base to two or more taxes, for an identical period of time. Double taxation is neither beneficial to the state nor to the taxpayer, and its elimination is necessary in order to develop economic relations and to increase the international exchanges of goods.

When two states decide to sign a double taxation convention must respect the general framework of the two baseline models which are recommended and agreed by Organization for Economic Cooperation and Development and the United Nations are considered.

The taxation of the same taxable item in two or more states within the same time frame means double international taxation.

In the conventions for avoiding double taxation, the taxes to which the convention applies are specified. In all cases, income taxes are envisaged.

2. Theoretical background

Each state, by exercising their sovereign right to impose taxes and fees, has regulated the issue of taxation not only for the citizens of the respective state, but also for non-resident individuals who obtain incomes on the territory of the respective state. All the states in this world are defining the taxes, are setting the payment terms, are establishing the tax system and are granting sanctions. The taxation can be a double taxation for non-residents: first in the state where the incomes are obtained, not being the state of residence, and the second time in the state of residence. Thus, double taxation appears, which is neither beneficial to the state of residence nor to the source state.

If this problem would not be regulated, the states would be in a permanent conflict regarding the taxes levied on the incomes obtained.

As explained by Spitz (Spitz, 1972, p.24) in the paper "*International tax planning*", double taxation is "*a problem that generates the increase of fiscal pressure and the emergence of tax evasion*", and "*occurs when the authorities of two or more states simultaneously collect taxes with the same incidence, in such a way that a person bears a heavier tax obligation than if they were subjected to a single fiscal authority*", but in a more complete definition, double taxation means "*to subject to taxation the same taxable matter and for the same period of time by 2 tax entities from different countries*" (Moșteanu, 2003, p.8). Professor George N. Leon (Leon, 1925, p.310-329) in his paper "*Items of finance sciences*" makes a complex analysis, especially for his period, of the notion of double taxation „*established by the same fiscal authority*”, „*exercised by different financial authorities*”. As a result, double taxation occurs when two tax authorities in two states at the same time collect taxes with the same tax base.

Double taxation appears only on direct taxes (income tax and wealth tax) and cannot appear on indirect taxes. This rule applies on double taxation because the citizens of one state, when they are on the territory of another state, as buyers, the same taxes are included in the prices of goods bought as citizens of the respective state.

3. Forms of manifestation of double taxation

Double economic or internal taxation and double international taxation are the two forms defined in fiscal theory and practice as double taxation.

Double economic taxation is manifested by subjecting to multiple taxes from one and the same income within the same state. When are met the conditions of different taxable subjects (different beneficiaries of income), taxed for the same taxable item (tax base) and taxed within the same country means that this is the most eloquent example of a taxation of the corporate income, as a distinct taxpayer, and the subsequent taxation of the income distributed to shareholders (taxation of dividends). This occurs when the following conditions are met (Bișa, p. 323).

Double international taxation represents the taxation of the same taxable matter two times in different states in identical periods of time. This occurs when the following conditions are met (Bișa, 2005, p. 323):

- „*Taxation of the same taxable matter (taxable item)*”;
- „*Taxation of the same tax base (income or capital)*”;
- „*The application of two or more taxes - which are similar*”;
- „*Taxation in different states*”;
- „*Taxation in the same time frame*”.

The condition of taxation of the same taxable matter (taxable item), the condition of the same tax base (income or capital), the condition of application of two or more taxes - which are similar, the condition of taxation in different states and the condition of taxation in the same time frame are met when the taxation was made for the same taxable matter two times in different *countries*” (Văcărel, 2001, p.437).states in identical periods of time.

The phenomenon of double international taxation has also been defined as a taxation on comparable taxes in two or more states of the income or assets of the same taxpayer, for a limited period of time.

The definition of the international double taxation is that the international double taxation is the collection of comparable taxes in two (or more) states from the same taxpayer for the same activity and for identical periods. The definition was made by OECD Model Tax Convention.

The natural or legal person which is obliged by law to pay taxes is defined as a taxpayer in Law no. 227/2015 regarding the Fiscal Code with the Methodological Norms of Application.

Deliberate and accidental double taxation (Mosteanu, 2003, p.13) can be the forms of double international taxation.

The deliberate double international taxation can be regarded as a taxation intended by the legislator, which tries to hinder the competition of the foreign capital in an economic branch, while the double accidental taxation meets at the coincidence of the different taxes from different states or from the same country.

Collecting the incomes obtained in the respective state by the local and foreign taxable subjects and, on the other hand, they subject to taxation the incomes obtained abroad by natural and legal persons leads to double taxation which is established by the governments of the different states.

4. Causes of the phenomenon of double taxation

As a result of the development of the means of production and of technologies, of the enlargement of the market, of the exchanges of goods beyond the borders of the state, situations arise in which the same individual is in economic connection with two or more states.

A human being can live in one state, earn income in another state and be the citizen in a third state. Therefore, a negative effect of the double international taxation on taxpayer is the taxation on the obtained income first, in the state of origin of the income and, secondly and in double extent, in the state where he has his residence. The phenomenon of double taxation can be determined by a number of causes (Moşteanu, 2003, p.11.):

- „The governments of some states apply taxes on the incomes realized in the respective territories by the local taxable subjects (their own citizens) and foreigners, and on the other hand they subject to taxation the incomes realized abroad by their own citizens”;
- „The different interpretations of the terms of resident, source of income, domicile, etc. Due to the different content (from one country to another) of these concepts, it is possible that the same taxable subject may be considered a resident in two or more states”;
- „The particularities of fiscal policy and of tax systems in one country or another. These can lead to the occurrence of double taxation and the cessation of income producing activities”.

In the Communication of the Committee to the European Parliament, the Council and the European Economic and Social Committee, Brussels, 11.11.2011 regarding the "Double Taxation on the Single Market", the notion of double taxation may "appear as a consequence of a double residence or of taxation, both the state of residence, as well as in the source state". In this situation, the Committee, illustrates two examples to explain in more detail the double residence:

Example 1. „As regards double tax residence, double taxation may be caused by the application of divergent criteria. For example, a company may be considered as a resident for fiscal purposes in the Member State in which it is legally registered and, simultaneously, in another Member State where its main activity is carried on. In this situation, the company may be obliged to pay corporate tax for the income obtained worldwide in both Member States, thus paying twice the same income tax”.

Example 2. „Member States generally tax non-resident taxpayers for the income obtained from sources located on their territory. This taxation at source may superimpose over the taxation of global income in the taxpayer's state of residence. For example, an artist resident in a Member State signs a global contract to perform concerts in several Member States, which authorizes the broadcasting of concerts and the making of a live album of the tour. The revenues obtained from the respective contract could be taxed two or more times (in the state of residence and in the states where the concerts are held), as well as the copyright received by the artist”.

In this communication is also stated: „Double taxation increases the global tax burden, thus having a negative effect on capital investments”.

The research conducted show that taxation accounts for a non-negligible impact on the decisions regarding foreign direct investments (Hajkova et al., 2006).

5. The need to avoid double taxation and the consequences of double taxation

It is necessary to introduce taxation rules, so that companies can adapt to the demands of the market, to develop their productivity and to consolidate their competitive position in order to ensure the functioning and the realization of internal markets. The double taxation strategies may also influence state owned companies and the mechanisms of performance measurement (Munteanu, 2018) when perceived as collected on economic grounds in correspondence with

foreign investments. If the fiscal framework has loopholes and sometimes leaves room for different interpretations regarding the rules applied or in cases of double taxation, companies but also citizens can solve those loopholes, eliminate barriers, so that the taxed persons will not be taxed by two or more times, or in the worst case, not to be taxed at all.

Competition is a good way for states to keep their spending under control. National systems can use the fiscal instrument, as the tax competition which is a widely used practice in an integrated market, to increase their ability to attract businesses and capital" (Monti, 2010, point 3.5).

The economic relations between the states can be slowed down as a result of perceiving taxes as stimulating levers for the economy of the states but applying them, both in the country of origin and in the foreign country, if is not avoided the double taxation or if are not created the necessary methods to avoid the double taxation.

If the instruments necessary to avoid double taxation are not created, the taxation of the income obtained from "*productive, commercial, intermediation, financial activities, those from dividends due to participation in the capital of companies, from interest on the credits granted, royalties for the use or assignment of the use of patents, manufacturing processes, know-how, trademarks and other intellectual property rights, copyright for scientific, literary and art creations, as well as of other income categories, which takes place both in their country of origin, as well as in the country of residence of the beneficiaries of income, according to the tax legislation of each country*" (Mosteanu, 2003., p.14), can lead to the stagnation of the income producing activities.

In today's economy, double taxation is a common problem for citizens of the European Union. The 2011 Annual Report, the European Parliament's Committee on Petitions found that double taxation is a problem that people face; this represents an „*impediment to the freedom of movement*”.

Having a negative effect on capital investments is due to a double taxation on the single market which increases the global tax burden.

A favourable element for the state but also a disadvantageous element for the one who incurs the tax can be the incomes that are obtained in different states, and regardless of how they are obtained can be subject to double taxation. The double taxation can be the consequence of an obstacle to the development of economic relations, thus diminishing the income of the taxpayers.

6. Purpose of the conventions for avoiding double taxation

The request of the states to clarify the tax situation of taxpayers who carry out activities of a financial, industrial, commercial or other type of income generating activity, by finding common solutions in order to avoid double taxation is concluded with purpose of the conventions for avoiding double taxation.

The first convention for avoiding double taxation with the German state was on 01.01.1972, and the last convention was concluded by Romania with Saudi Arabia on 01.01.2013. A number of 8 conventions have been modified over these years: Austria, Belgium, Canada, Finland, Germany, Morocco, Netherlands, Pakistan, 82 conventions for avoiding double taxation were concluded by Romania so far.

Description of the purpose of each convention together with the persons and taxes covered by the convention, description of the methods of eliminating double taxation, special provisions regarding non-discrimination, definition of the terms used in the convention, amicable procedure, special provisions regarding the entry into force of the conventions, exchange of information, and, finally, the denunciation by the Contracting State by sending a Notification of Denunciation to the other Contracting State is the rule of application followed by the conventions.

The persons concerned are the resident persons of both or one Contracting States (*Model Convention on Income Taxes and Capital Taxes, art. 1*) according to the Model Convention on income and capital taxes.

The subject to taxation according to his residence, domicile, place of business management or any other criterion of a similar nature is defined as a resident person.

If a person, he or she will have a permanent establishment in this Contracting State in which they will carry out their activities, they will be considered a resident in one of the Contracting States and also a resident of both Contracting States.

7. Conclusions

As a conclusion double taxation is a phenomenon caused by the diversity of the fiscal systems of the states and also is a factor of influence on the international exchanges of goods, of the movements of people, goods but also of services.

Currently, there is no formal obligation for Member States to eliminate double taxation (bilateral conventions only require the parties to do everything possible in this regard).

The cases are presented by the affected company to the tax authorities concerned when the double taxation occurs and if the respective authorities cannot solve the problem satisfactorily, they try to reach a common agreement with the authorities of the Member State where the tax is perceived from the associated company.

The authorities present their case to an advisory committee, if no agreement is reached, which suggests a way to solve the problem.

European Union has already been dealing with the issue of double taxation. The Directive on parent companies and subsidiaries, the Directive on interest and royalties, the Arbitration Convention (AC), the achievements of the European Union (EU) Joint Transfer Pricing Forum (JTPF) (mainly the Code of Conduct for the effective implementation of AC) and the Recommendation on the procedures for reducing the tax withheld at source are relevant examples in this regard.

The real mechanism to combat the double taxation situations is not sufficient. All the relevant taxes from the single market perspective (for example, registration fees), are not covered by the conventions for avoiding double taxation and they do not provide for the complete elimination of double taxation and, above all, do not provide for a uniform solution for the Member States.

The existing tools do not always work effectively for avoiding double taxation. The Member States involved, more specifically, do not consistently apply and interpret the CDI provisions. The definition of some notions as royalties, corporate income, dividends and permanent establishment are mainly related to these contradictory practices. Taxpayers may be subject to double taxation, as a result, which is contrary to the CDI objectives.

The identified problems can be solved. That is why we propose the improvement of existing tools for situations of double taxation or by proposing new tools and solutions. Another proposal for finding the best solutions would be the amicable procedure by which the states agree with each other.

To analyse the problems related to double taxation and to take the most appropriate measures for the settlement mechanism to be efficient and fast in all areas of direct taxation.

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VAT - Gap Convergence in Central and Eastern Europe

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Abstract

Tax system structure and the effectiveness of tax collection influences tax-gap. In the present research the authors analyse the improvement of tax collection practices in 26 European Union member states. The paper also explores the convergence characterizing the process of VAT-gap reduction in the Central and Eastern European region. The VAT-gap is investigated with the beta (β) convergence model developed by Barro and Sala-i-Martin (1992), initially used for the measurement of real income convergence. Beta-convergence means that countries with lower level of income grow faster than rich ones in the same period. No significant VAT-gap convergence could be identified between the 26 European countries, but a relatively strong convergence could be observed in the case of the CEE region.

Key words: tax gap, tax collection, effectiveness, value added tax, convergence

J.E.L. classification: H25, H26, G28, C18, O47

1. Introduction

Tax evasion level and the impact of invisible economy is estimated by different methods. VAT-gap can be determined using two models: indirect and direct. The direct model, namely the bottom-up approach, employs microeconomic data resulting from audits or sample surveys, while the indirect, top-down model uses the National Accounts main macroeconomic indicators and financial prognosis. The indirect method can be classified in two submodels, one of them is applying macroeconomic data, whereas the latter is using advanced econometric formulae for estimating levels of value added tax evasion and the presence of invisible economy.

Former research studies underline that value added tax gap in Romania could be decreased from the actual very high level, which situates the county in the top of tax evasion ranking within the European Union: the spread between the realizable and the certainly collected VAT was 37% in 2015. For tax collection improvement various pursuable examples can be identified inside the European Community and our region, too. These economies elaborated innovative methods and practices in order to diminish tax avoidance. Government revenues could be boosted in parallel with tax gap decrease with the adoption of tax collection best practices. The accomplishments of the CEE states – like the online cash registers – let us suppose that Romania can reduce tax gap in a concise interval through the implementation of effective VAT collection measures.

The wealth of researches investigating tax policy convergence among EU member countries could not identify any evidence of long run convergence. The present paper analyzes the VAT-gap beta-convergence which indicates that states with a high incipient level of this indicator present a quicker decrease rate than states with lower initial levels. β convergence appears during those periods when all counties are in similar steady states, so they converge in a long term to reach an absolute convergence level.

2. Literature review

Economic research offers an evidence that country heterogeneity will prevent tax systems from absolute convergence. By the way, particularities, like country size, economic development, natural resources could make plausible the conditional convergence (Becher-Elsayyad, 2009). Some researchers found that policy coordination within European Union attains higher levels of convergence. Even so De la Feria (2013) remarked that the EU countries VAT systems tend to rank below the OECD countries efficiency ratio. He concludes that since 2009 25 of the 33 OECD countries have increased their VAT rates and can be found a broad convergence of standard rate across the European Union around the twenty percent mark. D`Agosto and Pisani (2014) are testing the asymmetries in the territorial VAT-gap in EU and they found that tax gap is positively correlated with the economic conditions, business cycle and the tax moral of the geographical area. Studying the VAT-gap in East Germany Möhlmann (2014) conclude that temporary economic shocks may affect the long-term convergence trend. In a correlation analysis Redo (2019) found in CEE countries within the 2000-2016 period a strong positive interdependence between GDP's yearly nominal changes and yearly changes in value ad taxes revenue. The increased tax gap in the CEE countries situated in the lower income bracket and having higher public deficit heightens governmental debt, which in turn implies higher taxes and decreases the predictability of public expenditures and increases capital markets risk premium.

The worst performing EU countries in terms of VAT revenues collection are Lithuania, Romania, Slovakia. Nerudova and Dobranschi (2019) remarks that this countries have the largest differences between time-varying and persistent VAT-gap proving the high level of inefficiency of tax administration. Phua (2015) considered that improving tax administration would certainly reduce VAT-gap and enhance revenue yield. Tax evasion have increased in the globalization process with the mobility of capital. The complexity of cross-border transactions make it increasingly difficult for authorities to identify and monitor the collection of tax revenues.

3. Research methodology and data

In the 1990s the measurement of the disparity reduction in terms of country-level Gross Domestic Product per capita was realized using the beta-convergence model. Barro and Sala-i-Martin (1992) defined beta convergence as negative correlation between the initial level of real income and the GDP growth in time. This means that poor regions grow with a faster pace than the wealthier ones with the long term possibility for the former to catch up with the latter, supposing that all economies converge towards the same steady-state. The main formula of beta-convergence elaborated by Barro and Sala-i-Martin (1992) is the following:

$$\frac{1}{N} * \log \left(\frac{y_{i,t}}{y_{i,0}} \right) = \alpha + \beta * \log(y_{i,0}) + \varepsilon_i$$

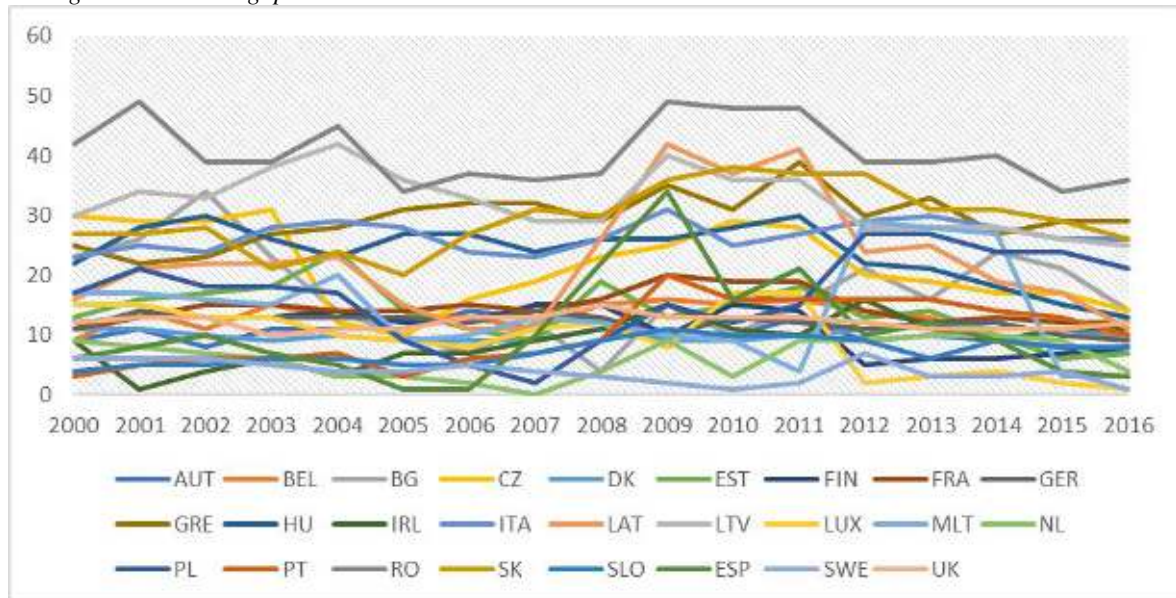
The average real income per capita in the (t) period, which figures on the left side of the regression equation, is dependent the initial GDP level ($y_{i,0}$). α is the absolute term of the regression, β is the regression coefficient, ε_i refers to unexplained variation and N represents the count of observations in the data set. We transformed the Barro and Sala-i-Martin formula, substituting the real income per capita with a country tax gap indicator. In case of convergence β becomes negative, higher initial indicator levels influence final growth negatively.

We extracted the annual data series of tax gap from the Studies and Reports on the VAT-gap in the EU-28 Member States released by the Center for Social and Economic Research and the Institute for Advanced Studies. The studied period was 2000-2016, but we could not identify complete data series for Cyprus and Croatia, so our research target consisted of the other 26 EU countries. In the second part of our study we analyzed the convergence in our region for seven CEE countries, namely Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia. A data series structural break was found for the year 2010, so we split the whole interval into two sub-periods: 2000-2010, 2011-2016.

4. Results

Studying the VAT-gap of the 26 examined EU-country for the whole period of 2000-2016 we found not a visible convergence. We can deduce that the countries VAT-gap levels are extremely different and their variation are positively correlated with the economic conditions and business cycles. At the most of the EU-countries the VAT-gap is increasing between 2009 and 2011, and decreasing after 2013.

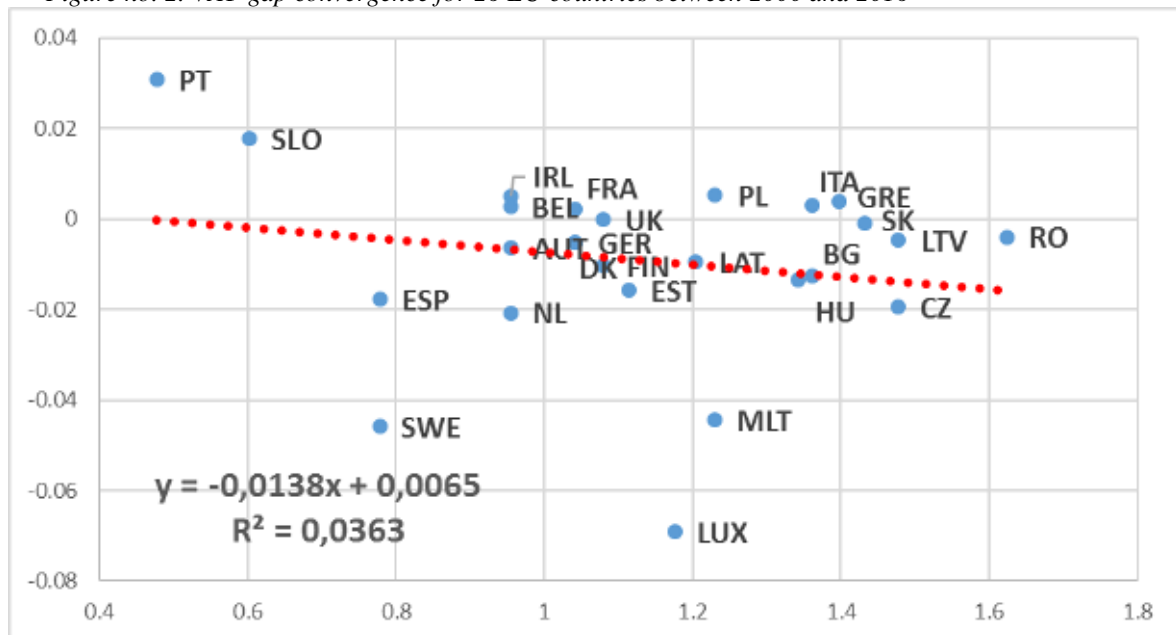
Figure no. 1. VAT-gap in the 26 EU countries between 2000 and 2016



Source: Studies and Reports on the VAT-gap in the EU-28 Member States 2012-2016

The beta-convergence analysis for the whole period (2000-2016) shows a very weak convergence for the VAT-gap and the very low R-squared value (5.93%) of the regression means that the explained variation is very small compared to the total variation.

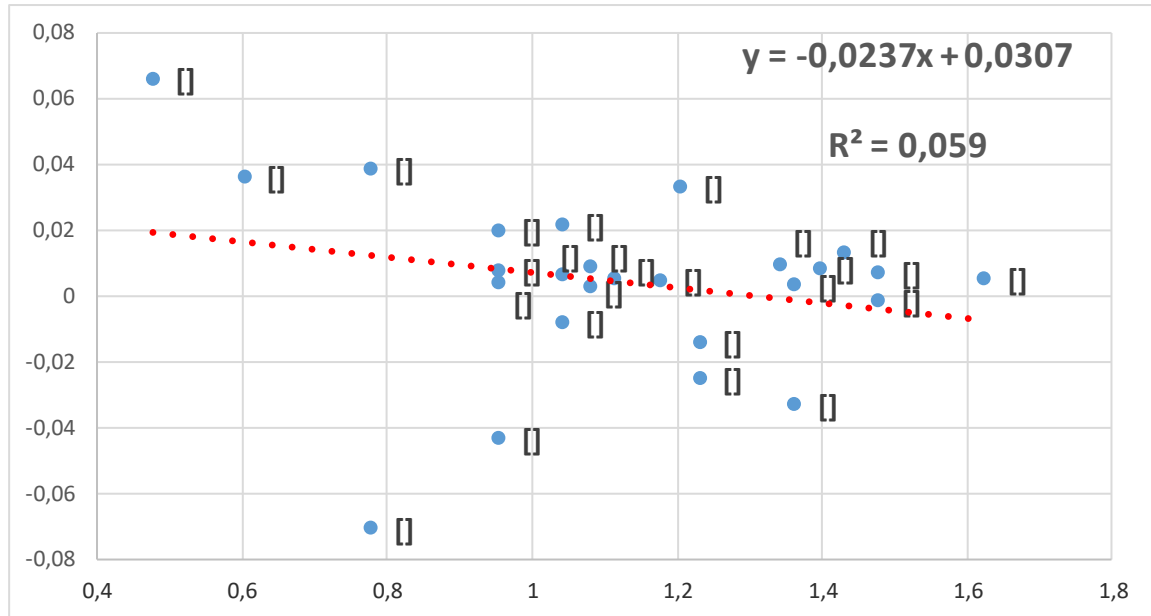
Figure no. 2. VAT-gap convergence for 26 EU countries between 2000 and 2016



Source: Own calculations

Splitting the whole period (2000-2016) in the two subperiods (2000-2010 and 2011-2016) we hope to find a little bit stronger convergence in the second phase. At the beginning of the first period the CEE countries haven't joined the EU, their VAT-gap is decreasing after the finalization of EU-accession process. Even so we found a little stronger VAT-gap convergence value for the first period (2000-2010) with a higher, but not acceptable R-squared value (5.93%), and a weaker convergence for the second subperiod.

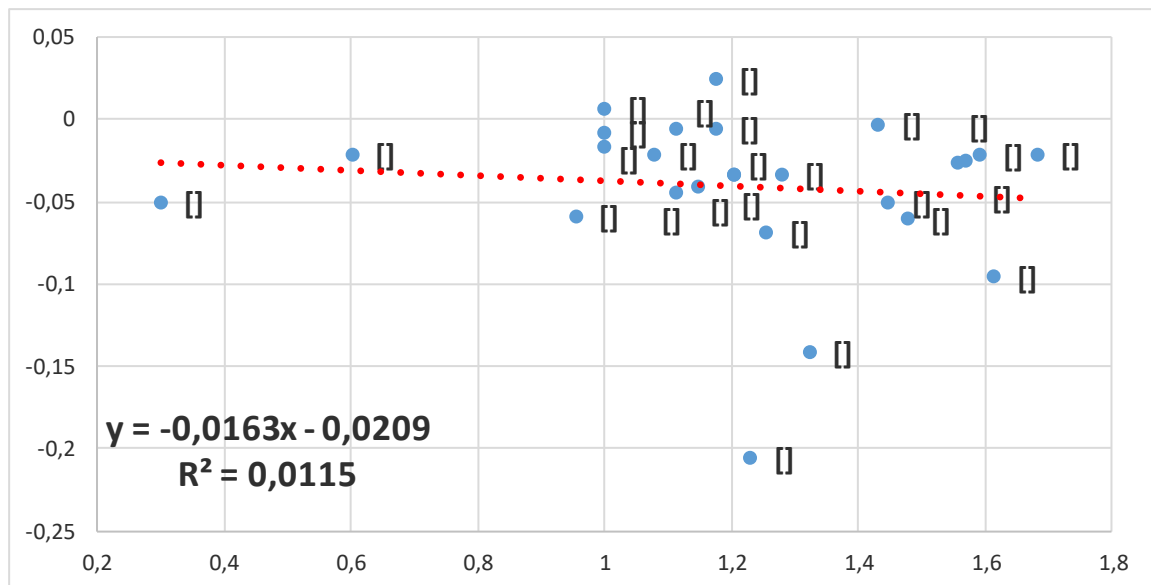
Figure no. 3. VAT-gap convergence for 26 EU countries between 2000 and 2010



Source: Own calculations

The weaker convergence in the second period can be explained with the different response of the EU countries to the 2008-2009 crisis: the developed countries with a higher income economy are quickly redressed after the crisis, but in the CEE countries, and especially in the mediterranean countries (Greece, Italy, Spain, Portugal) it were felt the protracted effects of the global crisis.

Figure no. 4. VAT-gap convergence for 26 EU countries between 2011 and 2016

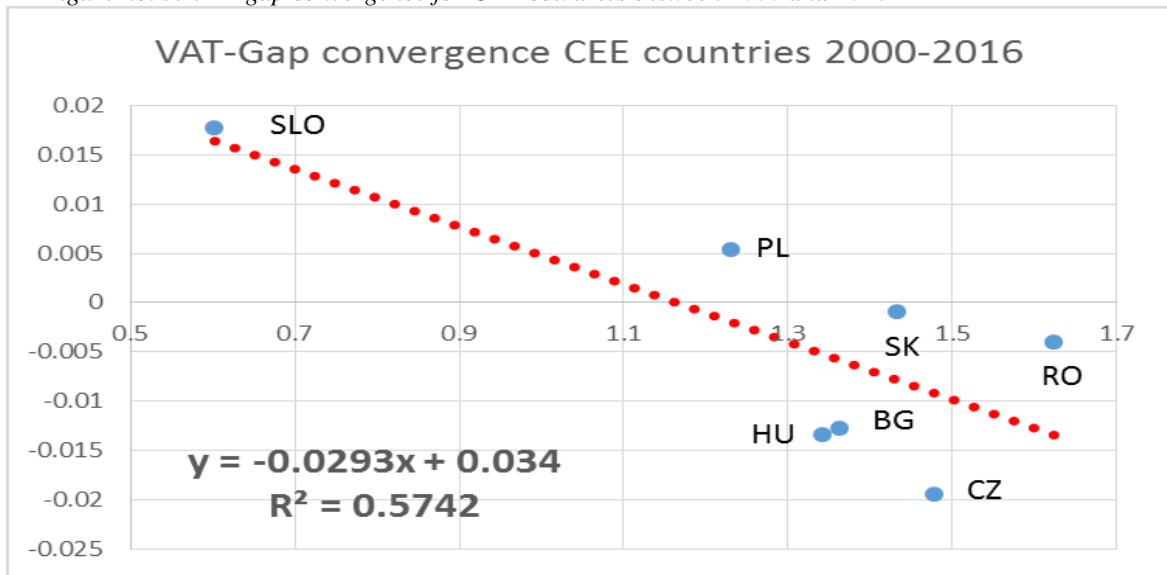


Source: Own calculations

By the way we found no remarkable convergence in tax revenue collection for the EU economies nor for the 2000-2016 period, nor for the two subperiods. On the other hand viewing the VAT-gap convergence graphs for the 26 EU countries we can remarks a convergence clubs. For the whole period we can identify a CEE countries convergence club with Romania, Hungary, Bulgaria, Slovakia, Czechia, Poland, Lithuania, Latvia (Slovenia taking not part of this club) and two mediterranean countries with a very close VAT-gap convergence level: Greece and Italy.

The second part of the research focused on the tax gap convergence of the Central and Eastern European states, especially Bulgaria, Czechia, Hungary, Poland, Romania, Slovakia and Slovenia. Five of them acceded EU in 2004 (Hungary, Slovakia, Czechia, Poland and Slovenia) and two are joined EU in the next enlargement wave (Romania and Bulgaria). The beta-convergence analysis show a strong VAT-gap convergence in this region for the whole period, with a good explanatory power of r-squared value (57.42%).

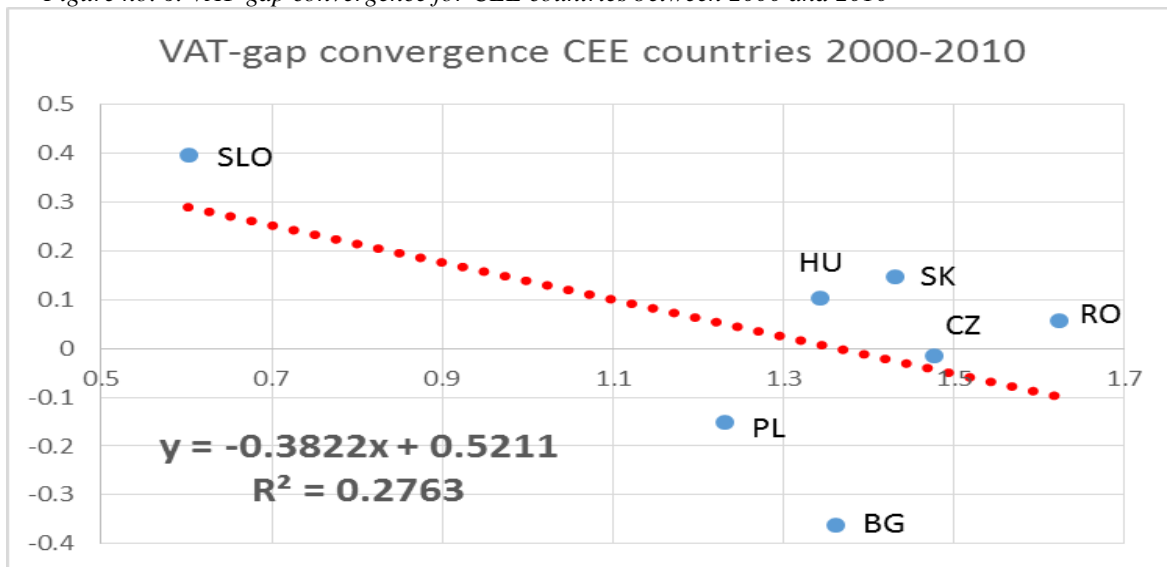
Figure no. 5. VAT-gap convergence for CEE countries between 2000 and 2016



Source: Own calculations

A stronger convergence level was found for the first subperiod (2000-2010), with a weaker coefficient of determination (27.63%)

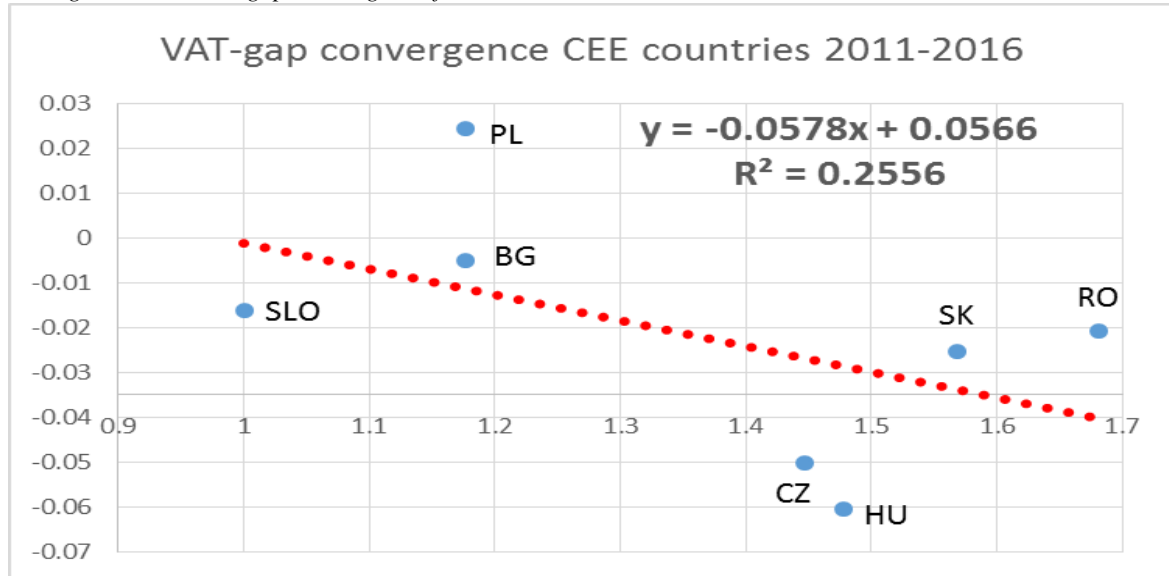
Figure no. 6. VAT-gap convergence for CEE countries between 2000 and 2010



Source: Own calculations

In the post-crisis period (2011-2016) the tax-gap convergence in our region is little bit weaker as before, with an acceptable deterministic coefficient.

Figure no. 7. VAT-gap convergence for CEE countries between 2011 and 2016



Source: Own calculations

5. Conclusion

No significant VAT-gap convergence was found for the 2000-2016 period between the investigated 26 EU countries. A data series structural break was found for the year 2010, so we split the whole interval into two sub-periods (2000-2010, 2011-2016), but no tax gap convergence could be identified neither in the first sub-period (2000-2010), nor in the second one (2011-2016).

The VAT-gap convergence in our region for the seven examined countries (Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia) differs from the same indicator calculated for the entire EU (excluding Cyprus and Croatia). In the case of the seven CEE countries a relatively high level of tax gap convergence could be observed in the first sub-period (2000-2010) and a slightly lower level in the second one (2011-2016), the coefficient of determination value for the latter being 26 percent. It may be concluded, that the VAT-gap beta convergence in our region is strong and the model we applied has a good deterministic coefficient value (57%) for the entire 2000-2016 period. This means that the seven CEE countries joining the European Union between 2004 and 2007 all made efforts to reduce the previously existing VAT-gap. The stronger convergence shows that their efforts to improving their own tax collection systems has many common feature in time and applied methodology. Unfortunately in Romania the VAT-gap remain the highest in our region, and also in European Union, and the government needs to improve a lot the tax collecting system, and in this process we can take over the experience of other countries from our neighborhood.

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Study Regarding the Obligation of Financial Accounting Reports Regarding the Merging of the Fiscal Statements of the Economic Agents

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Abstract

Accounting has a special role in the economy, and its tax implications cannot be denied by anyone. This results from the accounting and fiscal regulations applicable in Romania, although the ideal of preferences is the detaching taxation from accounting. In this situation, the integrated approach of some investigations regarding the union of some fiscal declarations is necessary.

In this article, we have analyzed a project to combine the statements D100, D300, D301, D311 and we identified the positive and negative consequences of this merger from the point of view of the economic agents. An advantage identified was the reduction of the workload by merger and a disadvantage is that the correlation of these documents requires a greater attention.

Key words: accounting regulations, financial statements, tax return, small and medium-sized enterprises

J.E.L. classification: M40, M41, C23

1. Introduction

The harmonization of national, international financial, fiscal and accounting legislation it represents a topical theme that results from the changes of the fiscal and economic legislation. On these changes were made several analyzes in the fiscal and accounting field that contributed to the improvement of the activity of the economic agents and of the specialized literature. This consisted in measuring and reporting accounting information, financial statements and accounting summary documents needed in the management and marketing of economic entities. The decision-making process of an economic entity must be based on market behavior. Fiscal research is carried out in the accounting field and is similar to accounting research, being both normative and positivist. These studies address American literature for the past 20 years.

At the global level, the connection between accounting and taxation has been determined by the two models of accounting systems: the Anglo-Saxon model and the continental model.

In the Anglo-Saxon model, the financing modalities of the entities are different: they provide the financial resources they need from the capital markets. Transparent is one of the basic criteria and is essential unlike the continental accounting model where the economic agents provide the financial resources they need.

Taxation is not subordinated to the supreme principle of the faithful image, it imposes the rules in the situations of divergence with accounting, economic and social either by collecting financial resources available to the state.

The legislation on the taxation of EU countries is not yet harmonized, although many projects have been made in this regard. This has as a consequence the problems existing in the tax administrations as well as the companies.

2. Literature review

Over time, several researchers have the two systems: the fiscal system and the accounting system. There have been studies regarding the history of accounting, the relation between taxation and accounting, the role of taxation in the activity of economic entities, studies of financial

reporting, etc.

The first researchers who have been concerned about the connection between accounting and taxation have been the Americans since 2001. In Europe, starting with 2007, there are concerns about accounting data based on IFRS, whether or not they represent tax bases. The result was affirmative.

Some research in Europe has shown that SMEs in proportion of 26.17% and large entities in proportion of 15.08% in accounting policy decisions are based on fiscal influence.

In Romania, the economic entities with a percentage of 9.54% take into account the fiscal consideration in the decision-making factors of the accounting policy. Some authors, such as Fekete and Cuzdriorean, have analyzed the influence of taxation according to the size of the entities and the evolution over time. The implications of taxation in accounting refer to the assessment of inventories, protocol, duration and method of depreciation, impairment or loss of value, interest expense, expenses with donations, expenses with pensions, provisions, etc. Large entities are based on accounting rules, and small entities are on fiscal ones.

Fiscal regulations do not influence accounting regulations. The choice between the two depends on each entity and not on the legal regulations. One thing is certain, the two are mutually conditioned. The relationship between the accounting system and the fiscal system is a set of convergent and divergent opinions that manifest daily in the accounting activity. Neamțiu (2008, pp.442-445) considers that accounting information is a priority, it has high quality. The possibility of disconnecting accounting from taxation is a wish, the origin of the fiscal influence deriving from the fact that the state is the main user of the accounting information. Bungeț & Dumitrescu (2008, pp.1039-1043), who considers that the accounting-tax relationship is rather an ensemble of convergent and divergent opinions, a debate on tolerance and intolerance, a permanent dispute over the quality of accounting information, which is manifested through the daily activity of the Romanian accountant. Neamțiu (2008, pp.442-445), approaching from an international perspective the relationship between accounting and taxation, differentiates between the Anglo-Saxon and the Continental-European vision. While, the first accounting system is seen as less tax-influenced compared to the latter, the author claims that given this fact, the accounting information has more quality. Thus, in the author's opinion, the influence of taxation on accounting leads to distortion of accounting information.

3. Data analysis and methodology

In Romania, there were several concerns regarding the consensuality between accounting and taxation, a fact that results from the legislative measures adopted. Such a measure is also the Government Emergency Ordinance no. 79/2017 for amending and supplementing Law no. 227/2015 regarding the Fiscal Code, published in the Official Gazette, Part I, no. 885 of November 10, 2017, by which the profit tax was replaced by the one on the turnover, thus, the companies with incomes between half a million and one million euros, who paid until December 31, 2017 a tax on profit in quota of 16 %, pass, from 2018, to the tax regime of micro-enterprises, where it applies either a tax rate of 1%, in the case of the existence of at least one employee, or a rate of 3%, for those who do not have employees.

A proposal that comes for the economic agents is also the possibility of combining some tax returns.

In this article we have made an analysis of this project of combining fiscal statements D100 (Declaration on payment obligations to the state budget), D300 (Statement of value added tax), D301 (Special statement of value added tax, D311 (Declaration regarding the value added tax collected, due by the taxable persons whose registration code for value added tax purposes has been canceled) identifying its advantages and disadvantages.

The data analyzed in the present research were taken from the databases of the Ministry of Finance, consulting the legislation in force (Law 227/2015 on the Fiscal Code, Law 31/1990 on Commercial Companies, Accounting Law no. 82/1991). The companies included in the study were taken from the databases of the Chamber of Commerce and Industry, but also from the archives of the Trade Register.

The method used, mainly, to achieve the objective is represented by the interview, which was applied to managers and / or chief accountants, respectively economic directors of companies with various fields of activity operating in Alba county, Romania. Thus, centralized, the data regarding the interviews carried out are found in Table 1. The total number of respondent entities is 39, out of a total of 7 fields of activity.

Table no. 1 Respondents by activity areas

Respondents	Manufacturing industry	Wholesale	Industry metallurgical	Services and tourism	Other areas
Managers	8	2	1	15	2
Economic directors	4	1	0	4	2
Chief accountants					

Source: own processing

4. Results

As a result of applying the interview to managers and / or chief accountants, respectively economic directors of companies with various fields of activity that operate in Alba county, Romania were identified consequences of this merger.

The advantage mentioned by the respondents in proportion of 90% is the reduction of the volume of work by merging and the disadvantage is that to correlate the documents in order to submit the fiscal declarations, there is a need for increased attention, and in the event of an error the consequences are not known.

5. Acknowledgement

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6. Conclusions

The need for reconciliation between the accounting and fiscal systems highlights the conflictual state between the two determined by the diversity of fiscal rules in accounting. This relationship must answer both the interests of the economic entities and the state. This is also exemplified by the draft law on the merging of tax declarations that were the object of study of this article.

The proportion of 90% of the no. the respondents is a clear answer to the agreement regarding this merger. From this, it follows that between accounting and taxation there must be independent, neutral, useful relationships.

The accounting information is the basis of any decision of an entity, and the state can capitalize through the financial reports of the entity.

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Aspects of Some Changes Regarding the Application of IFRS 16

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Abstract

As of January 1, 2019, economic entities that use as the basis the international financial reporting standards (IFRS) must apply IFRS 16 for the accounting of leasing contracts. This standard brings major changes to the accounting of the leasing contracts to the lessee. IFRS 16 standard simplifies the IAS 17 standard in which both the financial and operational leasing were provided. The lease will be operated only financially, respectively in the financial situation of the lessee. This standard has the following consequences: the value of the assets and liabilities will increase, the profit or loss will no longer be distributed linearly, which leads to the depreciation of the right of use and the financial cost depending on the payment conditions, the duration of the contract and of course, the depreciation method. of the right to use the asset, exemplified by the study carried out at an economic entity. This change has a significant impact because the market value of the invested capital will increase.

Key words: leasing contract, financial situation, financial leasing, loan value

J.E.L. classification: M40, M41, M68

1. Introduction

The International Accounting Standards Board (IASB) issued in January 2016 the IFRS 16 standard, regarding the accounting treatment of leasing contracts. IFRS 16 has replaced, starting with the year 2019, the current IAS 17. The main modification is that IFRS 16 provides for the User a single accounting treatment of the leasing contracts, eliminating the current “Operational Leasing” type registration.

Thus, for any leasing contract, the User will register assets ("right - of - use assets") and financial obligations to make future payments for leasing - similar to the current Financial Leasing. Exceptions in the case of small assets are expected in the case of short-term leasing contracts. The legislation refers to those contracts where the expiration period is less than one year. The application of IFRS 16 will require major changes in the financial statements of the user regarding the contracts that currently use the operational leasing by eliminating the off-balance sheet registration of these contracts as well as the recognition in the balance sheet and in the profit and loss account of the impairment of the assets in the new contracts.; dividing and treating separately the three components of the amounts that would currently be treated as a simple Operational Leasing cost in the profit and loss account, respectively: Principal (loan), Interest and, respectively, non-leasing Services elements ; re-processing the accounting of the Operational Leasing contracts active at the date of the transition to IFRS 16: bringing these amounts in the balance sheet, by identifying the components of Interest, Principal and other services that are not Leasing in nature.

2. Literature review

Over time, there has been more research into the accounting treatment of leases. The researchers analyzed the consequences of the impact of the value not recorded in the leasing contracts, the financial position and the financial reports of the companies.

Some authors consider that unregistered operating leases are important in terms of the profitability standard of economic agents. It is affected by the operating profit and the net profit as a result of the operational leasing contract capitalization having a significant impact on the company's revenues.

In England, in 1993, a study was conducted in which several companies listed on the stock exchange on the impact of the decapitalized operating rent were analyzed. The results of the study showed that the long-term liabilities are 6 times higher than the short-term assets, which leads to major changes in the profit margin ratio and the turnover, respectively the services sector.

Some specialists have researched the lease agreement from the point of view of liquidity and the tenant, regarding the rate of fixed assets, liquidity, profitability ratios, etc. The result was a negative and isolating one because the companies did not offer concrete answers.

In New Zealand, a study was conducted in which 38 economic entities listed on the stock exchange were analyzed and the impact of the valuations from the leasing contracts was analyzed. The result was the following: there will be an increase of liabilities by about 23%, a decrease in profitability of about 15% and an increase of about 11% of the total assets / total liabilities ratio.

Some researchers in England have analyzed the impact of the operational lease on the tenant's balance sheet. The consequence of this rent is that the situation of unrecorded liabilities is about 4 times greater than the one presented in the balance sheet, which leads to the decrease of the profit and implicitly of the taxes.

Some American studies have shown that unregistered rent represents about 30% of average reported debts and larger assets, and about 40% of reported assets.

In Stockholm, 60 companies listed on the stock exchange were analyzed regarding the way of exploiting the operational leasing at these companies. They have established that there is no negative relationship between equity and profitability, the profit margin of the company.

3. IFRS 16 treatment before modification

The (complete) approach (P. C5 (a)) consists of applying the retroactive standard, at each reporting period, applying IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The main elements are:

- the values of the assets held in the lease and of the debts related to the lease are calculated retroactively, as if IFRS 16 would always have been applied;
- in the current financial statements, the Comparative Data of the previous periods are presented, resulting from the retroactive calculation.
- an adjustment is recorded (probably in the "Reported Result") in the "oldest" period presented (example: the adjustment is recorded on January 1, 2018 and the data thus adjusted for 2018 will be comparative data for 2019, the year of initial application of IFRS 16 .

The retroactive calculation of the values of the elements of the lease is made on the basis of the interest rate involved in the lease. However, since, in general, this rate is not known for operating leases, the effective interest rate is used, this is the interest rate that the Lessor would have incurred at the date of the contract's start, if they had financed the purchase on the market of the good leased.

IFRS 16 treatment after modification

The modified approach (P. C5 (b)) consists of the retroactive application of IFRS 16, with the registration of the results only at the date of first application of the standard. This approach allows simplifications, the most important being the following:

- the comparative data for the completed reports are not retroactively restored. At the date of transition, the Lessee will record the adjustments resulting in "Retained earnings".
- at the date of the first application of IFRS 16, the current values of the outstanding lease payments are calculated by the lessee applying a discount rate equal to the lease rate.
- Initially IAS 16 applied the value of the rented property from the beginning of the contract using a discount rate equal to the interest rate for the tenant and is calculated in the tenant's accounting. Establishing the remaining value of the asset as equal to the value of the lease debts, adjusted with the leasing payments made in advance.

I will make an example, put into practice, regarding the transition to IFRS 16 an operational lease that runs from the beginning of the year, January 1, 2019.

I present the following example:

Company X has an operational leasing agreement classified according to IAS 17. The contract stipulates the payment by the tenant of the amount of RON 100,000 annually, representing rent for a machine. The contract period is 10 years starting with 2014 and the rent is paid at the end of each year. The interest rate at the contract was at the date of the conclusion of 8%, and by applying IFRS 16 it decreased to 6%

At the date of transition to IFRS 16 (January 1, 2019) and thereafter, Company L carries out the following:

1. Leasing debt calculation, using the interest rate at the transition date (6%):

Annual rate (RON)	100,000
Discount rate	6 %
Periods (years)	5

PERIOD	(1)	(2)	(3)	(4)	(5)	TOTAL
	2019	2020	2021	2022	2023	
Leasing rate	100,000	100,000	100,000	100,000	100,000	500,000
Present value	94,340	89,000	83,962	79,209	74,726	421,236

2. Preparation of the leasing rates maturity for subsequent registrations, comprising dividing the leasing rates in the Loan and Interest Rate

Table no. 1 Leasing rates due

Period	Loan value	Loan rate	Interest rate	The payment
December 2018	421,236			
January 2019	415,347	5,890	2,444	8,333
February 2019	409,423	5,924	2,410	8,333
March 2019	403,465	5,958	2,375	8,333
April 2019	397,472	5,993	2,341	8,333
May 2019	391,445	6,028	2,306	8,333
June 2019	385,382	6,062	2,271	8,333
July 2019	379,284	6,098	2,236	8,333
August 2019	373,151	6,133	2,200	8,333
September 2019	366,983	6,169	2,165	8,333
October 2019	360,778	6,204	2,129	8,333
November 2019	354,538	6,240	2,093	8,333
December 2019	348,261	6,277	2,057	8,333
TOTAL		72,975	27,025	100,000
January 2020	341,948	6,313	2,020	8,333
February 2020	335,599	6,350	1,984	8,333
March 2020	329,212	6,386	1,947	8,333
April 2020	322,789	6,423	1,910	8,333
May 2020	316,328	6,461	1,873	8,333
June 2020	309,830	6,498	1,835	8,333
July 2020	303,294	6,536	1,797	8,333
August 2020	296,720	6,574	1,759	8,333

September 2020	290,108	6,612	1,721	8,333
October 2020	283,458	6,650	1,683	8,333
November 2020	276,769	6,689	1,644	8,333
December 2020	270,041	6,728	1,606	8,333
TOTAL		78,220	21,780	100,000
January 2021	263,274	6,767	1,567	8,333
February 2021	256,468	6,806	1,527	8,333
March 2021	249,623	6,845	1,488	8,333
April 2021	242,738	6,885	1,448	8,333
May 2021	235,813	6,925	1,408	8,333
June 2021	228,847	6,965	1,368	8,333
July 2021	221,841	7,006	1,328	8,333
August 2021	214,795	7,046	1,287	8,333
September 2021	207,708	7,087	1,246	8,333
October 2021	200,579	7,128	1,205	8,333
November 2021	193,410	7,170	1,164	8,333
December 2021	186,198	7,211	1,122	8,333
TOTAL		83,843	16,156	100,000
January 2022	178,945	7,253	1,080	8,333
February 2022	171,650	7,295	1,038	8,333
March 2022	164,312	7,338	996	8,333
April 2022	156,932	7,380	953	8,333
May 2022	149,509	7,423	910	8,333
June 2022	142,043	7,466	867	8,333
July 2022	134,534	7,509	824	8,333
August 2022	126,981	7,553	780	8,333
September 2022	119,385	7,597	737	8,333
October 2022	111,744	7,641	693	8,333
November 2022	104,059	7,685	648	8,333
December 2022	96,329	7,730	604	8,333
TOTAL		89,869	10,131	100,000
January 2023	88,555	7,775	559	8,333
February 2023	80,735	7,820	514	8,333
March 2023	72,870	7,865	468	8,333
Aprilie 2023	64,959	7,911	423	8,333
May 2023	57,003	7,956	377	8,333
June 2023	49,000	8,003	331	8,333
July 2023	40,951	8,049	284	8,333
August 2023	32,855	8,096	238	8,333
September 2023	24,713	8,143	191	8,333
October 2023	16,523	8,190	143	8,333
November023	8,285	8,237	96	8,333
December 2023	0	8,285	48	8,333
TOTAL		96,329	3,671	100,000

Source: own processing

3. Calculation of the value of the leased asset

Annual payments	100,000										
Discount rate	6%										
Total period (years)	10										
Period	1	2	3	4	5	6	7	8	9	10	TOTAL
Present value	93,340	89,000	83,962	79,209	74,726	70,596	66,506	62,741	59,190	55,839	736,009

RON:

Period	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
The initial value of the asset	736,009	662,408	588,807	515,206	441,605	368,004	294,403	220,803	147,202	73,601
Amortisation	73,601	73,601	73,601	73,601	73,601	73,601	73,601	73,601	73,601	73,601
The remaining value of the asset	662,408	588,807	515,206	441,605	368,004	294,403	220,803	147,202	73,601	0

Option 1: using discount rate at the date of transition, according to IFRS 16 - C8 (b) (i):

a) The rental contract is registered at the date of transition
Debt 2131: 368,004, Debt 1176: 53,232 Credit 167: 421,236, alternatively if IFRS 16- C8 (b) is applied, the following is recorded: Debt 2131: 421,236 Credit 167: 421,236

b) Registration of depreciation of the good in leasing in case of application of IFRS 16-C8 (b) (i)

	January 2019	2019	2020	2021	2022	2023	TOTAL
Debt: 6811	6,133	73,601	73,601	73,601	73,601	73,601	368,004
Credit : 7,021	6,133	73,601	73,601	73,601	73,601	73,601	

c) Registration of the leasing invoices from the supplier, from the date of the transaction until the end of the contract:

	2019	2020	2021	2022	2023	TOTAL
Debt 167 :	72,975	78,220	83,843	89,869	96,329	421,236
Debt 666:	27,025	21,780	16,157	10,131	3,671	78,764
Debt 4426:	19,000	19,000	19,000	19,000	19,000	95,000
Credit 404:	119,000	119,000	119,000	119,000	119,000	595,000

d) Registration of payments to the supplier:

	2019	2020	2021	2022	2023	TOTAL
Debt: 404	119,000	119,000	119,000	119,000	119,000	595,000
Credit : 5121	119,000	119,000	119,000	119,000	119,000	595,000

As IFRS 16 does not provide for changes in interpretation, substance or accounting treatment for the lessor in the case of Operational Leasing, it is assumed that the Lessor will continue to issue a single invoice, for rent, with VAT applied to the entire amount.

Option 2: according to IFRS 16 - C8 (b) (ii): at the date of the transaction, the value of the asset is considered to be equal to the value of the lease debts, RON 421.236, according to the calculation from item 1. Annual depreciation for the future will be $421,236 / 5 = 84,247$

It is observed that applying to option 2 reduces an overestimation of the values of the data transition asset (421,236 against RON 368,004), at the same time with the subsequent depreciation overvaluation. The method presents, however, the advantages of eliminating the calculation of the values of the right to use the asset, based on the reduction rate and reduces the compensation of adjustments through the "Reported Result", because it can fine-tune our assets for the dissemination of the lease debt.

4. Conclusions

The IFRS 16 standard simplifies the IAS 17 standard in which both the financial and operational leases were provided. The lease will be operated only financially, respectively in the financial situation of the tenant. This standard has the following consequences: the value of the assets and liabilities will increase, the profit or loss will no longer be distributed linearly, which leads to the depreciation of the right of use and the financial cost depending on the payment conditions, the duration of the contract and of course, the depreciation method. of the right to use the asset and the default interest rate or the marginal interest rate. Although the total net cash flow, in the case of cash flows, will not be influenced the value of the net cash flow related to the operating activities will increase, while the net cash flow generated by the financing activities will decrease by the same amount. The financial statements show a change in values will influence the financial indicators determined based on them.

Thus, debt, current liquidity and turnover rate of assets will decrease, while profitability indicators EBITDA and EBIT will increase. Regarding the influence on the net result, it will they are influenced by the depreciation of the right to use the asset, the effective interest rate of the contract, the marginal debt rate, the duration of the contract, etc.

IFRS will have a significant impact as it will involve identifying all leasing quotas and extracting leasing data, changing key financial indicators, volatility of balance sheet items, changes in contractual terms and how the business is conducted. Greater attention will be needed when evaluating business, investments in other companies in order not to underestimate or over-evaluate. Regarding the impact of applying IFRS 16 the invested capital will increase, and the market value of the capital remains the same, which leads to a balance in the evaluation of the business.

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An Analysis of the Determinations of Tax Evasion from the Financial - Accounting Perspective

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Abstract

The interest for tax evasion is a perennial one with interdisciplinary approaches from the legal, economic, sociological and psychological spheres, both from a practical and theoretical point of view. Economic development have led to an adaptation of tax evasion on different levels. The economic crisis of 2009 has increased taxpayers' inclination to pay less taxes and fees. In his turn, the state sought new ways to bring money to the state budget. This is why the tax evasion phenomenon has gained new attention from theorists and practitioners, acquiring multidimensional valences.

The chosen theme has its source in the heterogeneity of the study modes, which is of current interest to all the governments of the world, always looking for solutions and ways to combat tax evasion.

Key words: "tax evasion", "tax avoidance", "underground economy"

J.E.L. classification: M41

1. Introduction

Research in the field highlights that, increased tax pressure causes the taxpayer not to pay taxes or pay less, or not to declare income, towards a black economy, towards tax evasion. In identifying the determinants that produce and maintain this phenomenon through the accounting mechanisms, the main purpose is to find the evasion behavior as a determining factor, which represents a risk factor of the financial-fiscal security of Romania like as a consequence, as well as to identify a sociopsychological interactive model for the analysis specific behaviors of tax evasion.

Inspired by the economic and social reality of Romania, the article presents the determinants, the forms of manifestation and the consequences of fiscal evasion, of the parallel economy and of the influences caused at the macroeconomic level by the underground economy.

This was achieved through a fundamental, theoretical, qualitative and quantitative research, grouped on empirical and theoretical studies with the presentation of some exemple. Following the analysis with the help of tools - criterion, were presented determinants able to show the size of the omission from the mandatory declaration.

As a ubiquitous phenomenon, we find fiscal evasion in various proportions in all states, and those with a high degree of evasion also have a weak economic.

Its universality is explained by the fact that it exists at all types of societies and social classes and is a problem in a continuous debate by all countries.

The complexity and magnitude of the phenomenon of tax evasion in the current economy requires the study at both global and national level, macro and microeconomic, justified by the fact that tax evasion under the current conditions has become a component of the economic system.

2. Literature review

Precise instruments for measuring the extent of tax evasion do not exist, although they are numerous due to practical difficulties. Some of these tools are based on approximate methods, and others use a more precise method based on sample survey.

In this sense, the specialized literature presents some contradictory results. A special contribution is made by Schneider's study, which looks at the relationship between tax evasion and the economy as being dependent on the degree of economic development of a country. For developing countries, the link between the economy and tax evasion is a negative and positive one for the countries in transition. This makes evasion potentially pro-cyclical for transition countries and counter-cyclical for developing countries.

Schneider argues this observation by the fact that in high-income countries, taxpayers are overwhelmed by taxes and tax regulations. Thus, the development of the underground economy leads to the boost of the real economy, and the revenues obtained from evasion will help in the official economy. In developing countries where incomes are lower, increasing tax evasion will shrink the tax base, and the negative effects will be reflected in the quality of public services and goods.

3. Types of tax evasion determinants

Institutional factors play a major role in influencing the tax evasion behavior of companies, this finding also has important political implications. Tax evasion not only affects the state, but imposes numerous economic costs on all companies and affects the social life by providing low social products and services (health, education, etc.). First, it slows down the economic growth that is reflected in the weak management of public institutions, in infrastructure, research, in services and public goods. Also, the money will be directed towards non-productive activities or the establishment of companies that hide the evasion. And last but not least, an injustice will be created between those who pay and those who don't pay. Fiscal burden being supported by those who comply with the legislation.

Inspired by Mirrlees's (1971) studies of taxation and risk, some authors such as Michael G. combine portfolio and policy assurance studies with studies of the economics of criminal activity or the economics of uncertainty to develop a model of a taxpayer's decision to comply voluntarily. The model assumes that the decision factor regarding the value of undeclared tax revenues manifests itself in conditions of uncertainty. Whether it risks being controlled or not or whether it will be sanctioned.

Other authors assume that the decision-maker is a rational one in the face of risks, but even in these conditions when the taxpayer must declare the income is inclined to dishonesty. That is, the decision to report is isolated from the impact on the environment, the community, the state or even regret, guilt or shame. According to these assumptions, there is a negative link between the probability of control, the degree of evasion and the degree of fine.

But, when analyzing the extent of tax evasion with the help of tax rates, the model shows an ambiguous effect on the income. As tax rates increase, taxpayers become poorer and the percentage of taxpayers who do evade it is smaller. And a substitution effect, when tax rates increase, taxpayers are more inclined towards evasion, choosing a higher risk than a safer choice. Yitzhaki (1974) argued that the ambiguous effect was as a result of an unrealistic assumption of the conforming model. He considers that the penalty is levied on the value of the income and not on the value of the report.

Some opinions relate to a "Kantian" moral, where taxpayers have feelings of "guilt" or "inferiority" if they pay less than it is right.

Within the rules and moral sentiments, several other studies have advocated for the incorporation of socio-cultural factors that show that taxpayers doing illegal activities are more inclined to disagree.

Another author presents, a small stigma effect that manifests when most taxpayers evade, but evasion is not discouraged. As the percentage of work at black increases, the social stigma weakens and more taxpayers are inclined towards evasion.

Hanousek and Palda (2004) presented tax evasion as a legitimate way of revolt of taxpayers towards the state due to the negative perception on the state.

Another opinion presents the tax evasion seen as a "vote" against the government, when taxpayers perceive government, as like irresponsible and corrupt.

Following the analyzed studies the determining factors of tax evasion are divided into traditional and non-traditional factors.

„Traditional determinants”

<i>„Tax rate</i>	<i>Ambiguu</i>
<i>Audit rate</i>	<i>Negative</i>
<i>Fine rate</i>	<i>Negative”</i>

„Non-traditional determinants”

<i>„Morality</i>	<i>Negative</i>
<i>Socio-Cultural</i>	<i>Ambiguu</i>
<i>Righteousness</i>	<i>Negative</i>
<i>Trust</i>	<i>Negative</i>
<i>Compliance costs</i>	<i>Pozitive</i>
<i>Company characteristics</i>	<i>Ambiguu”</i>

The fight against evasion is a recurring theme in many countries. The dominant method is to increase the degree of discouragement. The probability of identifying tax evasion situations is high, if more frequent and intense checks are carried out. The sanctioning of the tax evasion situations must be achieved by applying higher fines and in serious cases with the prison sentence. The objectives are for both suppliers and buyers of services and goods in the underground area.

The success of such discouragement policies is quite unsafe. In the situation of the underground sector related to drugs, prostitution and the prohibition of alcohol, the effect proved to be the weakest, if not counterproductive. Many people in the area of evasion go deeper into illegality to make detection even more difficult. As a result, illicit activities become complex, harder to observe and influence. A positive approach involves increasing the motivation to comply with the law, by improving public management, reducing the tax burden and social security imposed on work and / or by increasing civic morality. Many decision-makers doubt that these measures work, and they are only effective in the long run.

One possibility is to adapt the public (legislative) offer more closely to what taxpayers want and to reduce costs for a certain quantity and quality of services and goods. An aspect that can be improved by streamlining public sector activities (for example, a new public administration).

4. Research methodology - Qualitative and quantitative analysis of the determinants of tax evasion

The structuring of the theoretical notions regarding the fiscal evasion from the financial-accounting perspective was realized with the help of an in-depth study on the academic studies in the area of interest regarding the phenomenon of fiscal evasion. By means of the meta-analysis of the specialized works, a structuring of the theoretical notions regarding the fiscal evasion from the financial-accounting perspective was outlined.

Thus it was proceeded to:

- delimiting a sample of articles through the Science Direct and Cambridge Journals databases;
- delimitation of the analyzed period: 2008 - 2018;
- delimiting the sample of articles using the keywords: "*tax avoidance*", "*tax evasion*", and "*underground economy*";
- establishing the search criteria specific to each database.

Following the establishment of these search criteria on the databases, a number of 1.337 articles were identified that were subjected to study.

The study and analysis of articles was carried out transversally and longitudinally. Longitudinally was followed the evolution of concepts, theories, laws and definitions of tax evasion and cross-sectional, by comparing the indicators that influenced the size of tax evasion, as well as the determinants.

From the perspective of research currents of the specialized literature, the phenomenon of fiscal evasion is predominantly positioned within the critical and positivist current, following a detailed approach of the concepts, hypotheses and practices of manifesting the fiscal evasion. Analyzing concepts, studies, theories, laws and practices were also identified elements of the interpretive current, involving a particular point of view or disagreements of opinions through the empirical study.

Starting from this analysis the methodology used in this study is based on theoretical (deductive, descriptive-conceptual), fundamental, qualitative (descriptive-conceptual) and quantitative (empirical, deductive and inductive) research. In terms of qualitative research, this was done from a theoretical, descriptive - conceptual perspective, with examples from the specialized literature and the various typologies of accounting and fiscal behaviors.

5. Findings

Following the application of the search criteria, 1,337 articles from the Science Direct and Cambridge Journals databases were obtained and the following results were obtained:

- **516 articles from the Science Direct** database, respectively a 39% percentage formed of: 270 articles for the expression „tax evasion”, 131 articles for the expression „tax avoidance” and 115 articles for the expression „underground economy”;

- **821 articles from the Cambridge Journals** database, respectively a 61% percentage formed of: 143 articles for the expression „tax evasion”, 223 articles for the expression „tax avoidance” and 455 articles for the expression „underground economy”

A new grouping was made based on the search phrase:

- after the expression „tax evasion” – 413 articles, respectively a percentage of 31%;

- after the expression „tax avoidance” – 354 articles, respectively a percentage of 26%;

- after the expression „underground economy” – 570 articles, respectively a percentage of 43%.

4th the publication of articles in both databases, those that were duplicated were eliminated, respectively 209 articles. The articles was reduced from 1.337 to 1.128 articles.

The study of summaries and the search within the articles of the three search terms with the help”search” function, led to a new elimination of articles that were not relevant. The articles was reduced from 1.128 items to 409 items and a new grouping was obtained:

1. Articles after the search expression “tax evasion”: 188 articles, respectively a percentage of 45.95%;

2. Articles after the search expression “tax avoidance”: 67 articles, respectively a percentage of 16.36%;

3. Articles after the search expression “underground economy”: 15 articles, respectively a percentage of 3.7%;

4. Articles after the search expressions “tax avoidance” and “tax evasion”: 83 articles, respectively a percentage of 20.29%;

5. Articles after the search expressions “underground economy” and “tax evasion”: 35 articles, respectively a percentage of 8.6%;

6. Articles after the search expressions “tax evasion”, “underground economy” and “tax avoidance”: 5 articles, respectively a percentage of 1.2%;

7. Articles that do not contain the search expression, but are relevant to our research: 15 articles, respectively a percentage of 3.9%;

8. Articles that contain the search expression, but are not relevant to our research: 27 articles.

9. Articles that do not contain any search expressions and are not relevant to our research: 693 articles.

The grouping of articles from number 1 to number 7 totaled 409 articles and are the 4th that were used later in the study.

It was observed that most articles related to the study of the determinants of tax evasion were found after the search expression „tax evasion”, respectively 188 articles and the fewest articles after the 3 search expressions, „tax evasion”, “ underground economy” and „tax avoidance”, respectively 5 articles.

The last step in the selection of the sample of articles involved a qualitative analysis of them through their examination to ensure that they are relevant for the present study and that they have been published in representative journals. The studies dealing with the qualitative analysis of the journals, the study „Impact factor”, published on the website of UEFSCIDI (Executive Unit for the Financing of Higher Education Research, Development and Innovation) were analyzed, the latest revised list „The list of journals in based on the non-impact factor (IF), according to the JCR 2017, June 2018 edition indexed in the Science Citation Index Expanded or Social Sciences Citation Index;

According to this study, the 409 articles analyzed in detail were published in 117 journals, of which 75 are quoted according to the analyzed studies, respectively a percentage of 62%.

Table no. 1 The first three journals with the highest number of publications:

JOURNALS				IMPACT FACTOR	
No.	Name Journal	No. Articles	ISSN	Distribution of journals within ratings	TOP
1	J. of Public Economics	32	0047-2727	1	87
2	J. of Economic Psychology	29	0167-4870	2	137
3	J.of Economic Behavior & Organization	21	0167-2681	2	144

Source: own projection

Thus, the process of analyzing the specialized literature involved the following steps:

1. Selecting databases with a representative number of articles in the targeted field;
2. Delimitation of the analyzed period;
3. Defining the search keys by the three expressions;
4. Establishing the search criteria;
5. Elimination of duplicate articles;
6. Summary analysis of articles by reading abstracts and using the search function;
7. Analysis of journals and articles by reading and studying them.

The quantitative analysis and the classification of the analyzed articles was done with the help of defining the following selection criteria according to:

1. Criterion that analyzes the **author**: articles with a single author, articles with several authors, author with several articles;
2. The criterion that analyzes the **article**: the journal, the year of publication, the field, the research topic and the geographical area regarding the affiliation of the authors;
3. The criterion that analyzes the research **methodology**: the research perspective, the research current and the theory.

1. The criterion that analyzes the author includes articles that have a single author, - 111 articles, respectively a percentage of 27%; and articles with multiple authors - 298 articles, respectively 73%

The **articles that have several authors** in the analyzed sample respectively 298 articles, are grouped by the number of authors as follows:

- 144 articles with 2 authors;
- 100 articles with 3 authors;
- 11 articles with 4 authors;

- 9 articles with 5 authors;
- 3 articles with 6 authors;
- 2 articles with 7 authors;
- 1 article with 8 authors.

Multi-article author criterion: includes authors who have written several articles in the analyzed sample. 81 authors were identified from the 940 authors with several articles, of which:

- 2 authors published 11 articles;
- 1 author published 7 articles;
- 1 author published 6 articles;
- 6 authors published 5 articles;
- 5 authors published 4 articles;
- 12 authors published 3 articles;
- 54 authors published 2 articles.

According to this criterion analyzing the author it can be observed that the number regarding the study of *authors who wrote a single article* on the determinants of tax evasion is much higher (859 authors, respectively 92%), *than of the authors who wrote more articles* (81 authors, respectively 8%) regarding the two analyzed databases.

2. The criterion analyzing the article includes the year appearance of the articles, the list of journals where they were published, the field of which they are part, the topic of research in which they fall and the geographical area of affiliation.

2.1 The year of appearance - presents the number of articles published per years from the sample analyzed.

The fewest articles were published in 2009, respectively a number of 17 articles. The first 4 years of the analyzed period, 2008 - 2011 contain the smallest number of published articles (between 17 and 19 articles), following an increase of the publication of the articles until 2014 when a maximum number of 63 articles is reached. From 2015 to the end of the period in 2018, the number of publishers per year decreases to 38 articles.

2.2. The journal - the objective is to find the journals with the most articles published.

This criterion includes the journals in which the articles in this study were published. The first journals with the most number of publications are:

- "Public Economics" with 32 articles, listed "ISSN (0047-2727)", has a rating of 1 and is in the top 87;
- "Economic Psychology" with 29 articles, quoted "ISSN (0167-4870)", has a rating of 2 and is in the top 137;
- "Economic Behavior & Organization" with 21 articles, quoted "ISSN (0167-2681)", has a rating of 2 and is in the top 144;
- "Procedia - Social and Behavioral Sciences" with 16 articles;
- "Journal of Economic Analysis & Policy" with 14 articles;
- "Journal of Economics Letters" with 14 articles, quoted ISSN (0165-1765), has a rating of 3 and is in the top 279;
- "Procedia Economics and Finance" with 13 articles;
- "Journal of Economic Modeling" with 12 articles, quoted ISSN (0264-9993), has a rating of 2 and is in the top 102;
- "Journal of Financial Economics" with 11 articles, listed ISSN (0304-4058), has a rating of 1 and is in the top 9;
- "Critical Perspectives on Accounting" with 10 articles, rated ISSN (1045-2354), has a rating of 1 and is in the top 7.

According to the results of the "Journal of Public Economics" has most topics on tax evasion, 32 articles. This journal are relevant of the "Non-impact factor", published on the UEFSCIDI website according to which it is rated ISSN (0047-2727), has a rating of 1 and is in the top 87. But the journal that has the best place in the top is " Critical Perspectives on Accounting "with 10 articles, top 7 and rating 1. There are also journals that are rated ISSN according to the " Non-impact factor ", published on the UEFSCIDI website.

2.3. The field of research - from the study and analysis of the articles a grouping was carried out on the following fields:

- *economic-financial analysis* (financial and fiscal audit);
- *accounts* (empirical investigations, accounting doctrines, accounting policies, accounting and taxation - connection or disconnection);
- *taxation* (empirical investigations, legislation, fiscal doctrines, economic crime, tax evasion and underground economy);
- *evasion* (conceptual framework, theory, strategies, objectives, taxation versus accounting, the relationship between tax evasion, culture, ethics and social identity, theoretical approaches and quasi-experimental evidence, tax havens);
- *finance* (cost of loans, financing with European funds, investor protection);
- *corporate governance* (the impact of reporting real performance on large firms on the capital market and economy, the effect of the crisis on corporations);
- *general economy* (regulation and deregulation in the financial accounting of economic entities and their behavior, underground economy, taxpayer education);
- *political economy* (doctrines, corruption and anti-corruption, underground economy, tax evasion in the context of political uncertainty).

The study of the research domain of the 409 articles showed that most articles are within the scope of tax evasion, respectively 189 articles, followed by the accounting domain with 66 articles, the general economy domain with 64 articles, the taxation domain with 28 articles, the domain of finance with 16 articles, corporate governance with 16 articles, the political economy with 16 articles and the field of economic and financial analysis with 14 articles. Dominant as subjects of the research on the determinants of tax evasion are the domain of tax evasion and accounting that are closely connected with connection and influence on the functioning and applicability.

2.4. Research topic - after reading and studying the articles, these were grouped into the following main research topics:

- *manipulation of results through accounting mechanisms* (transfer revenues, non-reconciliation of accounts, deferment of taxes, concealment revenues, re-importation of goods);
- *taxation* (profit, VAT, tax planning);
- *financial-accounting evasion* (capital offenses, omission of records, fictitious operations, economic crime, tax havens, offshore companies, schemes and methods of evasion, dimensions, trends, implications, types and forms of manifestation of tax evasion, causes and effects, ways to combat tax evasion);
- *control* (internal control, tax inspections, audit, control body independence, predictability of tax evasion);
- *fiscal administration* (fiscal coordination, legislation, tax reform, voluntary declaration, taxpayers' informality, delimitation of the tax base, avoidance of double taxation, fiscal morale, economic collection and stimulation, tax amnesties, fraud detection systems and operational solutions, fiscal elasticity, stimulation of participation in taxation and fiscal pressure);
- *accounting* (connection and disconnection with taxation, fiscal resistance, illicit trade, accounting policies, non-reconciliation of accounts, income, expenses, manipulation of results, taxonomies of accounting to other fields, fictitious transactions, cost of loans);
- *information security* (computer crime and computer errors, fraud detection models).

The research topics most frequently approached were from the sphere of financial-accounting evasion, 167 articles, followed by the topic of tax administration with 81 articles, the topic of taxation with 65 articles, the topic of accounting with 36 articles, the theme of manipulating results through mechanisms accounting with 34 articles, the theme of control with 20 articles and the theme of information security with 6 articles. According to this classification, it can be observed that the determinants of tax evasion have a larger proportion in the area of financial-accounting evasion, tax administration and taxation.

2.5. Geographic area. This was done by delimiting the authors of each article at the country where each author belongs.

56 countries were identified, of which the first three countries with the highest number of affiliates are: USA with 128 affiliated authors, UK with 57 affiliated authors and Italy with 54 affiliated authors. According to the ranking *Romania ranks 10th out of 56, with 11 affiliated authors*. Even if the US is not in the top of the tax evasion ranking, it has the highest share of authors who have studied this phenomenon.

3. The criterion that analyzes the research methodology

Three criteria were identified that analyze the research methodology:

1. the current criterion: it includes the articles that fall into the three research specific currents: the *critical current*, the *interpretive current* and the *positivist current*;

2. theory criterion: delimits whether the articles in the sample refer to *an economic theory* or *do not refer to any theory*;

3. the perspective criterion: it delimits the articles according to the *theoretical* perspective and the *empirical* perspective.

The predominant research current is the *critical one (184 articles)* with *interpretative-positivist influences (64 articles - 161 articles)*, because it involves a detailed explanation of the negative, conceptual and practical aspects at national and world.

Followed by the interpretative current with 64 articles, they also present a positive part of the tax evasion. And namely, the real economy and the underground economy, support one another in the economy growth.

But this manifestation is also as a reaction to the limits of the positivist current based on the empirical research and the different hypotheses formulated.

Regarding the research perspective, the **theoretical current** prevails in a proportion of 74% (*301 articles*), compared to the **empirical current** which is 26% (*108 articles*).

Regarding the theory criterion most **articles do not present any theory**, *258 articles*, compared to *151 articles* which refer to **one or more theories**. From the analysis of these articles, there is an increasing interest for the practical cases in the field with the testing of various theories and hypotheses in the economic reality, respectively *regarding the transition from a qualitative research to a quantitative research*.

6. Conclusions

The state through the public powers which exercises can incite tax evasion in a positive or negative sense. The positive one to help the capital formation and the negative one by supporting some interest groups.

Tax evasion has always been condemned, but the manifestation of this phenomenon has not been eradicated over time, reaching only higher or lower quotas in all countries, regardless of the sanctions applied, conventions and agreements concluded. The imperfect fiscal policies that sometimes present contradictions cause the companies to abuse the legislative provisions that benefit them the most, bypassing a tax or placing this obligation in the future even until unpaid depending on their abilities or knowledge.

Placing these companies in the shelter of the law involves a good accountant or expert and a good lawyer, costs that are not to be neglected and makes this type of evasion specific to large companies with large turnover.

Over time, it has been demonstrated, studied and analyzed this scourge called evasion, how bad and harmful it is for the economy and society in general, but if it is such a great evil, for which all nations struggle, *why not a high priority was given in combating this phenomenon? Why were not well-prepared and equipped institutions built? Or is it a necessary harmful? And if so, why?*

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Empirical Research on the Utility of Financial - Accounting Information in Considering Performance for Stakeholders

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Abstract

Financial performance is appreciated through the information in the financial statements and a wide range of indicators based on them. A fair financial diagnosis involves a complex analysis of these, but on the other hand each stakeholder category and each stakeholder in turn pursues a set of relevant information for them. What are basically the main users of financial-accounting information and what is important to them in an economic entity? Do these stakeholders have the financial education needed to properly assess the performance of an economic entity? What is the most useful information and how is performance translated for each category of stakeholders? In this research, the theoretical answers combine with practical answers, giving a practical meaning to the term of financial performance.

Key words: financial reports, financial performance, financial rates, stakeholders, the usefulness of financial-accounting information

J.E.L. classification: M41, M42

1. Introduction

The term *performance* has a high degree of complexity and includes several dimensions, of which the financial dimension is of major interest. Financial performance is defined both by general clichés (such as efficiency, profitability, lucrativeness), or by means of indicators that customize earlier phrases.

According to OMFP 1802/2014, “the objective of the annual financial statements is to provide information on the financial position, financial performance and cash flows of an entity useful to a wide range of users”. In quoting this objective, the three types of information mentioned, namely financial position, financial performance and cash flows, refer to three components of the financial statements - the balance sheet, the profit and loss account and the cash flow statement.

2. Literature review

The balance sheet reflects the financial position. Financial performance, in a narrow sense, is reflected in the profit and loss account. Most economic entities consider the profit and loss account to be the most important component of the financial statements (Bragg, 2014, p. 9). In addition, there are many points of view, among the most well-known, that profit is an indicator, if not the “main indicator of measuring the financial performance of the entity”. (Chirilă, 2004, Tulvinschi, 2013). Even the general conceptual framework financial reporting claims that “profit is often used as a measure of performance”, as also evidenced by our study.

But “at least as important as a company's profitability is its liquidity”. (Moreland, 1995). The cash flow statement reports cash inflows and cash outflows over the period. Cash flow analysis has become an imperative need to complete the analysis of an entity's financial condition because it has

been proven that not always the existence of an accounting profit is also a guarantee for securing the ability to pay and thus avoiding bankruptcy risk.

3. Research methodology

In our scientific approach, we applied a questionnaire with anonymous responses among different users and producers of financial-accounting information to discover the usefulness of financial-accounting information in assessing performance for each of them. The questionnaire was developed on the surveymonkey.com online platform and sent via e-mail to professional accountants, banks, leasing companies and brokers active on the capital market but also distributed to groups of investors and accountants on the Facebook social network between February 18 and July 1, 2019.

A total of 142 recipients responded to this questionnaire, removing 24 incomplete answers, resulting in a total of 118 responses.

The questions in the first part of the questionnaire are of a general nature, referring to the profession of the respondent, the experience in the financial-accounting field, the quality in relation to the financial-accounting information published by the economic entities (producer or user of financial-accounting information), and the user category of which they are a member (shareholder, investor, manager, bank, etc.). In the second part, the questions are specific to the objective pursued. We are looking for the importance that the stakeholders give to economic and financial indicators, the usefulness of the financial information contained in the balance sheet, the profit and loss account and the cash flow situation for them and, last but not least, the importance given to them by each category of stakeholders in the economic entities.

The variants of response were of a qualitative nature and were transformed into quantitative data by assigning importance coefficients.

In the presentation of the results we used tables and charts to give a legible meaning to the description.

4. Parties interested in the entity's financial performance

Financial performance is passed on to those interested through financial statements prepared by professional accountants. The Ethical Code of Professional Accountants (2011), issued by IFAC and adopted by CECCAR, considers that "a distinctive feature of the accounting profession is the assumption of responsibility to act in the public interest". By the expression public interest, the Code of Ethics refers to users of financial and accounting information represented by "actual or potential investors, entity management, employees, creditors, suppliers, customers, state institutions and other authorities as well as the general public" (Toma, 2012).

The general conceptual framework for financial reporting refers to "existing and potential investors, lenders and other creditors" as "main users" of financial reports. Paragraph 10 of the General Framework (1989) stated that the provision of financial statements that meet the needs of investors will also meet the needs of other users. A 2010 KPMG study showed that IFRS financial statements are primarily relevant to shareholders and then to management, potential investors and various lenders (banks).

Performance is defined and perceived by each category of information users differently, with reference to their own objectives (Pintea, 2011).

Table no 1. Performance targeted by user categories

Users	Interests regarding performance
Managers	Global performance Fulfillment of targeted objectives
Actual and potential investors	Lucrativeness of their investment The entity's ability to pay dividends (Matis, 2005)
Employees	The entity's stability and lucrativeness

Creditors	Liquidity and Solvency of the enterprise
State	The entity's ability to obtain profit and pay taxes

Source: (Author's processing)

A study conducted by the Romanian Investor Relations Association (ARIR) in 2019 on a sample of 104 investors highlights the fact that 'financial reports of listed companies are the main source of information for individual investors.' With this hypothesis, we will further investigate which components of the financial statements are more relevant and, more precisely, which information in these situations.

5. Findings

For the interpretation of the collected results, we will calculate a percentage of usefulness for the components of the financial statements for each category of users by multiplying the percentages obtained with 3 for high usefulness, 2 for medium usefulness, 1 for small usefulness and 0 for futility and dividing the sum to 3. Then we will calculate a percentage of the overall usefulness for each component of the financial statements by dividing the sum of the percentages previously obtained by the number of user categories considered. Thus, these utility percentages will take values between 0 and 100% and are presented along with the raw information in the following tables.

Table no 2. Usefulness of the balance sheet for stakeholders in assessing financial performance

	High usefulness		Medium usefulness		Lower usefulness		Futility		Overall usefulness percent
Shareholders, investors	81,25%	3	16,07%	2	1,79%	1	0,89%	0	92,6%
Managers	75,00%	3	23,21%	2	0,89%	1	0,89%	0	90,8%
Employees	10,09%	3	36,70%	2	42,20%	1	11,01%	0	48,6%
Government	55,75%	3	28,32%	2	9,73%	1	6,19%	0	77,9%
Financial creditors (banks, leasing companies)	82,14%	3	16,07%	2	0,89%	1	0,89%	0	93,2%
									80,6%

Source: (Author's processing)

Table no 3. Usefulness of the income statement for stakeholders in assessing financial performance

	High usefulness		Medium usefulness		Lower usefulness		Futility		Overall usefulness percent
Shareholders, investors	91,15%	3	7,08%	2	0,88%	1	0,88%	0	96,2%
Managers	86,49%	3	12,61%	2	0,00%	1	0,90%	0	94,9%
Employees	10,00%	3	40,91%	2	40,91%	1	8,18%	0	50,9%
Government	54,46%	3	29,46%	2	8,04%	1	8,04%	0	76,8%
Financial creditors (banks, leasing companies)	79,46%	3	19,64%	2	0,00%	1	0,89%	0	92,6%
									82,3%

Source: (Author's processing)

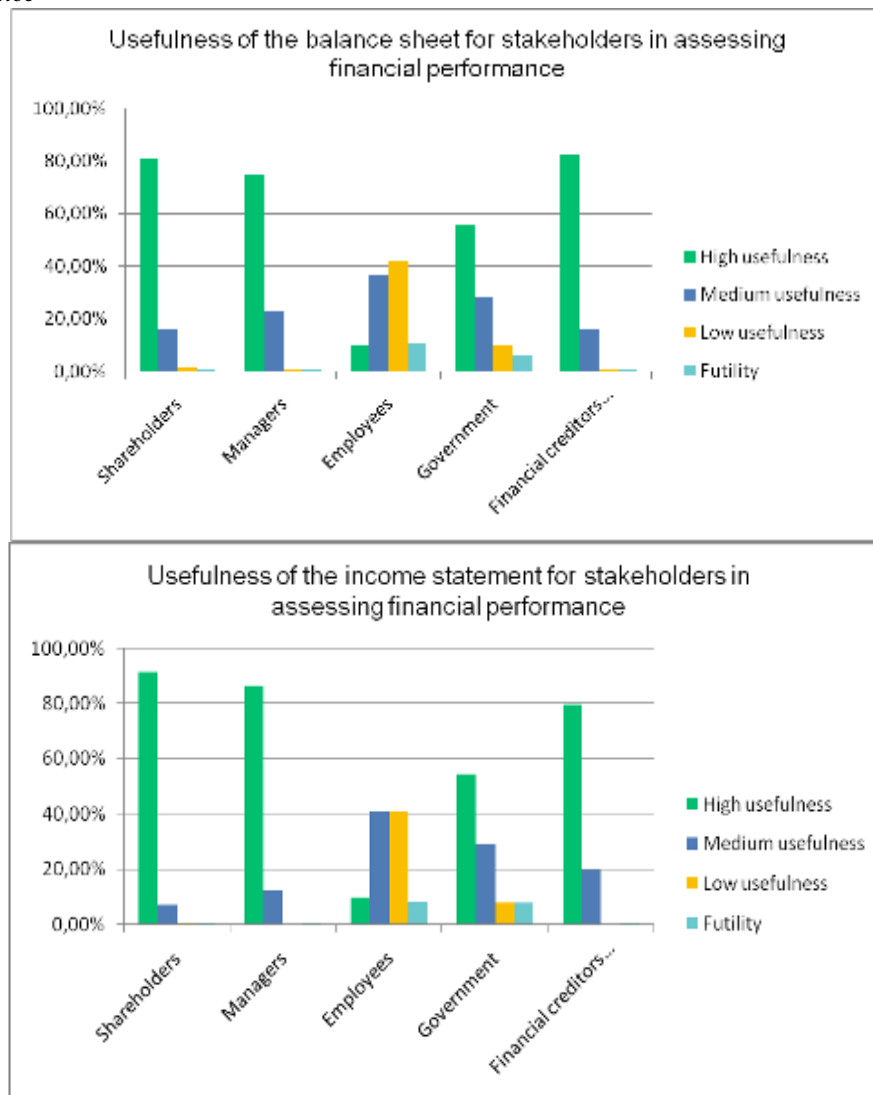
Table no 4. Usefulness of the cash-flow statement for stakeholders in assessing financial performance

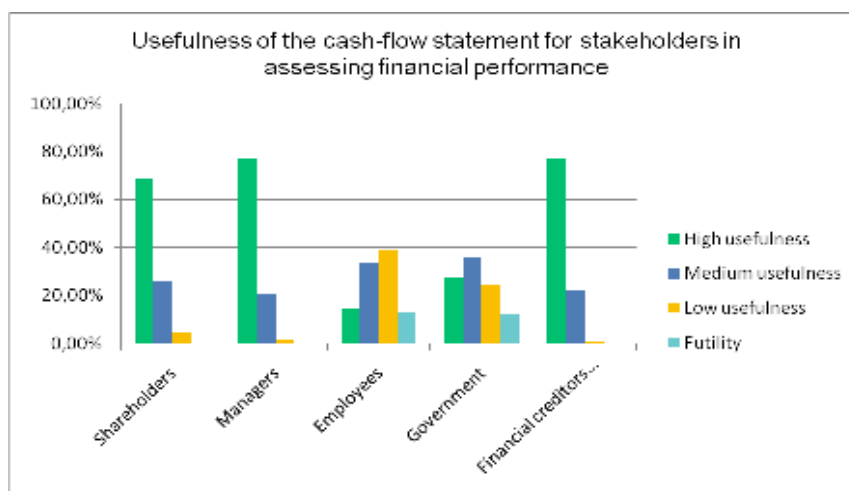
	High usefulness		Medium usefulness		Lower usefulness		Futility		Overall usefulness percent
Shareholders, investors	69,09%	3	26,36%	2	4,55%	1	0,00%	0	88,2%
Managers	77,27%	3	20,91%	2	1,82%	1	0,00%	0	91,8%
Employees	14,29%	3	33,33%	2	39,05%	1	13,33%	0	49,5%
Government	27,52%	3	35,78%	2	24,77%	1	11,93%	0	59,6%
Financial creditors (banks, leasing companies)	77,06%	3	22,02%	2	0,92%	1	0,00%	0	92,0%
									76,2%

Source: (Author's processing)

For a greater visual impact we present the data in the tables above in the following charts:

Figure no 1. Usefulness of financial statements' components for stakeholders in assessing financial performance





Source: (Author's processing)

The obtained values indicate a high usefulness of more than 90% of the balance sheet for financial creditors (banks, leasing companies), shareholders, investors and managers, followed by 78% usefulness for the tax administration and 49% for the employees.

Percentages are similar in the case of the profit and loss account that has the highest usefulness (96%) for shareholders and investors, followed by 90% utility percentages for managers and financial creditors.

The usefulness of the cash flow situation is lower by several percent. Usefulness of over 90% is registered among financial creditors and managers, followed by a 88% usefulness for shareholders and potential investors. Somewhat lower usefulness (50% and 60%) is also registered for employees and this time also for the tax administration.

The high usefulness of the financial statements for shareholders, investors, managers and financial creditors can be seen from the three graphs above where the usefulness is clearer for these stakeholders, most of the responses focusing on high usefulness, low usefulness value or futility being insignificant.

Overall, the profit and loss account ranks first with 82.3% on the usefulness scale, followed by balance sheet with 80.6% usefulness and the 76.2% of cash flow situation. These figures approve what Ștefan I.O. states in his 2016 study, namely that 'profit-based results show greater influence than cash flows' on users. However, a 'change in the users' perspective' (Ivan, 2015) is recommended, which also focuses on the cash flow situation, which is the 'modern instrument of performance measurement' (Popa et al., 2012).

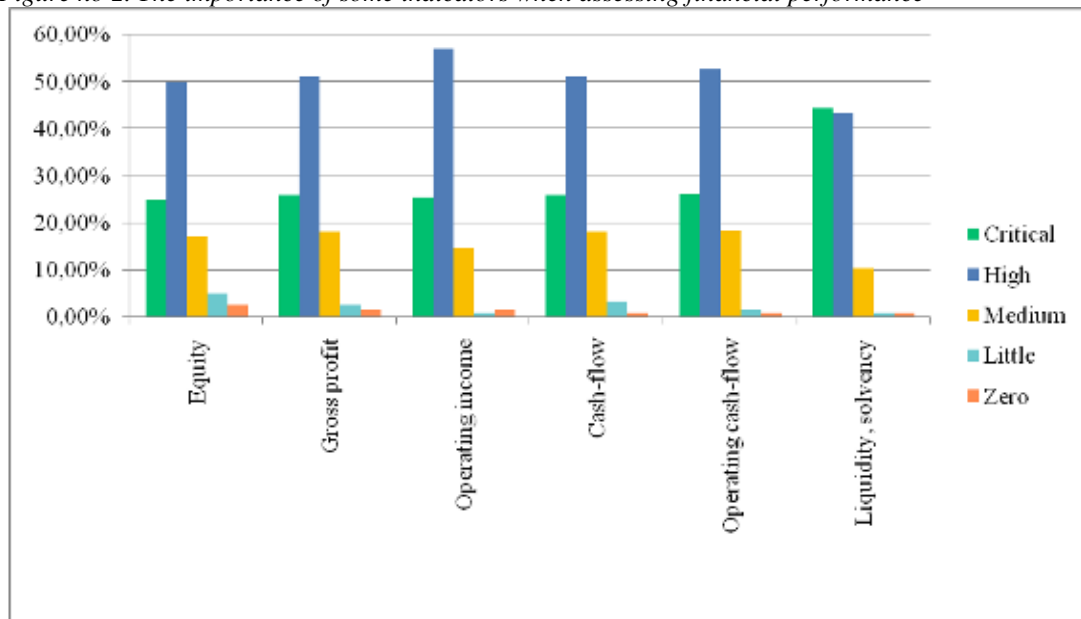
More specifically, we asked survey participants about the importance they give to indicators when assessing financial performance, and wanting to make a comparison between the profit and cash-flow outcomes, between the indicators of general and operational activity. The results and calculations made on the basis of the responses received are summarized in the following table. Values 0, 1, 2, 3 and 4 are important coefficients with which we multiplied the percentages to obtain the overall percentage of importance.

Table no 5. The importance of some indicators when appreciating financial performance

	Critical		High		Medium		Little		Zero		Overall importance percentage
Equity	25,00%	4	50,00%	3	17,24%	2	5,17%	1	2,59%	0	72,4%
Gross profit	26,09%	4	51,30%	3	18,26%	2	2,61%	1	1,74%	0	74,3%
Operating income	25,44%	4	57,02%	3	14,91%	2	0,88%	1	1,75%	0	75,9%
Cash-flow	26,09%	4	51,30%	3	18,26%	2	3,48%	1	0,87%	0	74,6%
Operating cash-flow	26,32%	4	52,63%	3	18,42%	2	1,75%	1	0,88%	0	75,4%
Liquidity, solvency	44,35%	4	43,48%	3	10,43%	2	0,87%	1	0,87%	0	82,4%

Source: (Author's processing)

Figure no 2. The importance of some indicators when assessing financial performance



Source: (Author's processing)

The figures above indicate that the most influential indicators on the market are those related to liquidity and solvency, followed by operating income and operating cash flow. Net equity is the last place in respondents' reasoning, 44% of respondents believe that the liquidity and solvency of a company is decisive in appreciating performance, compared with the 25-26% percent of the decisive importance of the other indicators.

Regarding the comparison between the profit and loss account and the cash flow situation, the main indicators in the two reports, things are roughly the same.

The accounting result is of 74.3%, a value close to the importance of the cash flow (74.6%), and the result related to the exploitation activity is of 75.9%, close to the importance of the cash flow from the operating activity (75.4%).

We observe that operating activity is slightly more important than general activity. The operating result is of 75.9% importance, more than 74.3% importance of the accounting result. Also, the share of the cash-flow in operation (75.4%) is higher than that of the total cash-flow (74.6%), which indicates that the respondents put more emphasis on the exploitation activity. Figures confirm the results of other studies. For example, a study by Jones and Widjaja (1998) among 157 Australian credit officers and financial analysts highlighted the increased relevance of cash-flow for operating activities in decision-making relative to business activity financing or investment. This is normal, the cash flows from operating activity should have the most significant weight because 'their level depends also on the company's ability to generate sustainable results' (Ivan, 2015).

In addition to the predefined indicators in the questionnaire, some stakeholders have suggested other useful performance indicators: leverage, EBITDA, total liabilities, current liabilities and long-term liabilities, turnover, net income, free cash flow, return on Assets (ROA), Price to Earnings Ratio (PER), dividend payout ratio, fixed and current assets turnover, which again highlights the fact that users have reasonable financial knowledge.

Regarding the importance of the stakeholders, on a scale of 1 to 3, shareholders, investors, managers and banks have an importance of approximately 2.7 as users of financial-accounting information issued by the economic entities, followed by the tax administration with a significance of 2.2. Employees are the least important with a score of 1.8. All users are given greater importance in listed entities compared to unlisted entities.

6. Conclusions

The usefulness of financial-accounting information is proven by their influence on stakeholder decisions. Research results show that 70% of users who are shareholders, investors and managers are aware of a complex performance approach, tracking both balance sheet and profit and loss figures and cash flow statements, as well as certain economic and financial indicators calculated on the basis thereof. The fact that the three components of financial situations have a great utility among stakeholders shows that they have a financial education that allows them a complex appreciation of the performance of an economic entity, which determines them to make informed decisions. This degree of financial education is also justified by the fact that over 70% of respondents are economists, 60% having more than 10 years of experience in the financial and accounting field.

All components of the financial statements have high usefulness, even very high for the stakeholders, less for the tax administration and for the employees. This is explained by the fact that the tax administration mainly uses the information in the tax returns and the employees are generally not remunerated on the basis of the company's financial performance.

The profit and loss account is the component of financial statements with the greatest impact on stakeholders, generally followed by the balance sheet and ultimately by the cash flow situation. This proves that there is still insufficient importance given to cash-flow, although specialized literature draws attention to and practice proves that 'not always the existence of an accounting profit is also a guarantee for ensuring payment capacity and this way avoiding bankruptcy risk'. However, liquidity and solvency ratios are considered to be most useful in assessing performance.

Shareholders, investors and managers are given the utmost importance as users of financial-accounting information, followed by banks, the tax administration and, last but not least, employees. All users are given greater importance in listed entities compared to unlisted entities.

7. Acknowledgement

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Abstract

Corporate social responsibility (CSR) refers to the strategies of corporations or companies that conduct their business in a way that is beneficial to the environment, employees and community in terms of development. The responsible companies invest in strengthening the trust of their partners, in parallel with the improvement of the economic performances. Credibility and transparency are those impressions we remain with after reading social reports. The consistency, relevance and completeness of the CSR reports are given by the extent to which they cover the relevant topics and the amounts for CSR actions are communicated. The main purpose of this paper is to analyze the degree of transparency of the social responsibility activities of a sample of companies listed on the Bucharest Stock Exchange in terms of non-financial performance indicators for the period 2017-2018. The study shows that each company presents its sustainability activities differently in their reports, with a positive evolution of the social responsibility activities presented.

Key words: non-financial reports, transparency, sustainable business

J.E.L. classification: M14, M40, M49

1. Introduction

CSR activity involves a number of activities, such as collaboration with partners with local community partners, which may have relationships with employees, customers and implications in activities for environmental preservation and sustainability.

Companies have a significant impact on social development in the areas where they operate. Therefore, these companies have a responsibility that extends beyond a simple algorithm that relates to profit. CSR is a concept that presents the social responsibilities of companies, but also how can be implemented these responsibilities. There are a multitude of companies that are profitable in financial terms but have activities that harm their own employees and the community. Thus, companies are more and more concerned with CSR as they realized that the development of their business depends also on the external environment (Hategan et. al, 2018. a).

The main purpose of this paper is to analyze the degree of transparency of the social responsibility activities of a sample of companies listed on the Bucharest Stock Exchange (BSE) in terms of non-financial performance indicators for the period 2017-2018 based on information presented in the sustainability reports, respectively the annual reports, especially the nonfinancial performance indicators.

The research methodology for this paper starts with a literature review and justifies the second part of the research. The results of case study presented the common points and the differences of reporting of the social responsibility of companies listed on BSE.

Data analysis results in the need for a standardized social reporting report so that the presentation of company activities must reflect a true image of reality, the quality of the information is necessary to present it in a transparent and credible way, the image and value of a company correctly.

The article is organized as follows. The literature review and theoretical framework are described in section 2. The section 3 presents the methodology and database used in this research. The results of the qualitative analysis are described in section 4 and section 5 contain the conclusions.

2. Literature review

Corporate Social Responsibility (CSR) is a term that brings to discussion the contribution that companies need to have on the overall development of modern society. Currently a company involved in corporate social responsibility has a competitive advantage, it contributes to sustainability, strengthens the relationship with investors, customers, suppliers and other stakeholders.

Gallardo-Vázquez et al. (2019) point out that socially responsible behavior offers many advantages, differentiates firms on the market, preferring those that contribute to sustainable development, especially under the increasing pressure of the public to carry out economic activities responsibly. Reporting contributes to the transparency of business activities and investments, which improves their reputation in front of all those interested.

According to the European Directive (Directive 2014/95), companies with more than 500 employees are required to produce a sustainability report to show the impact of the company on the economy, which is its responsibility for its own employees, for society and for the environment. The implementation of Directive 2014/95/EU will contribute to providing more consistent and comprehensive data to improve research in the field of CSR for EU countries (Manes-Rossi et al, 2018).

Under current conditions, competition on the market is not easy for businesses, without critical information or data, even impossible. Currently, for a company, information becomes one of the key factors and, therefore, the enterprise information system is a decisive factor in business competitiveness (Rajnoha et al., 2016).

Organizations report sustainability reports and social responsibility on their official pages. The main objective of the companies is to environmental, economic and social impacts. All these reports include actions and activities, progress and efforts involved. It does not exist but a specific template for these reports (Dumitraşcu and Feleaga, 2019).

Dumitru et al. (2017) consider that in practice, corporate social responsibility are interconnected with sustainability, mission, vision and values of the organization, reporting of statements and of relations with stakeholders

Feleaga et al. (2011) take into account that sustainable development is a highly debated concept in the last decade, both internationally and in Romania. Contemporary society has to face challenges unprecedented, including the reduction of natural reserves and pollution. Companies should be directly interested in promoting the concept of sustainable development.

In order to develop effective CSR campaigns, it is not only the way in which these are achieved but also the themes addressed are important. Thus, the areas of involvement must be meaningful to the public of the company and be in correlation with the field of expertise or the characteristics organization (Habek and Wolniak, 2013).

An important issue for any company doing CSR is public confidence in their transparency. This trust is vital not only to get positive effects on the company's image, but also to attract investors and collaborators.

3. Research methodology

The research methodology proposed for the realization of this article starts with a first stage of scientific documentation, aiming to deepen the existing information in the studied field. Then based on the primary data collected manually, the information presented in the sustainability reports of the companies will be analyzed in order to establish their degree of transparency.

The main indicators that companies must presents in their reporting, based on the Directive requirement are business model of the company, the applied and resulted policies, risks, some key

performance indicators, environment impact, renewable energy, gas emissions, pollution of the air and water, equality of the gender, work conditions, security at the workplace, charitable contributions, human rights, corruption, climate change, discrimination and promoting the diversity (Hategan et al., 2018. b)

The sample consist of eight companies listed on the BSE in the energy and oil field in 2017 and 2018.

4. Results

Table 1 contains the actions and activities of social responsibility that were presented in the non-financial reporting of the companies.

Table no. 1. Actions and activities of social responsibility

Employees	Environment	Relationships with the community	Innovation
<ul style="list-style-type: none"> -first aid lessons - private health insurance -training of employees -the relationship with the unions -equal opportunities -fighting discrimination -professional performance evaluation -dialogue with employees -competitions for employees (in order to promote sport, culture, etc.) 	<ul style="list-style-type: none"> -promoting a culture of environmental protection -reducing the extracted water -reducing gas emissions -reuse of waste -waste recycling -planting trees -reducing energy consumption -biodiversity -decommissioning of the operating areas -prevention of soil pollution 	<ul style="list-style-type: none"> -green spaces arrangement -reducing school dropout -managing complaints, notifications -education -infrastructure improvement -partnerships -volunteers -scholarships students -health -courses for promotion 	<ul style="list-style-type: none"> -smart energy networks -modernization / replacement of installations -modernization of technological instruments -implementation of advanced technologies

Source: own processing

Table 2 presented the indicators of corporate social responsibility and their percentage of achievement. The information contained in the reports was determined by an analysis of the material aspects that took into account the opinion of the main stakeholders of the company and focuses on these topics: environment, social, employees and innovation that are necessary for understanding development, performance and of the presence on the market of companies, as well as for understanding the impact of the activities on the company. The percentage determined by relating the number of activities included in the report of each company to the total number of possible activities accumulated from all the analyzed reports.

OMV Petrom S.A., Rompetrol, S.N.G.N. Romgaz S.A., C.N.T.E.E. Trans Electrica and the Energetica Electrica S.A. presents the activities of social responsibility in the sustainability reports (the years 2017-2018), these reports being in accordance with the provisions of Directive 2014/95 / EU regarding the presentation of non-financial information and information on diversity by certain companies and large groups.

Sustainability reports have been elaborated in accordance with the GRI Standards specific to each sector of activity, which shows the commitment of companies to communicate openly, to all stakeholders, the impact of activities on the economy, society and the environment and the actions taken to better meet their expectations. The content of the reports complies with the GRI principles for defining the content and quality of the report, as well as the requirements of Directive 2014/95 / EU. Compared with the countries of the European Union, the number of Romanian companies that have submitted sustainability reports according to GRI standards is low (Arraiano and Hategan, 2019).

Table no. 2. Analysis of sustainability reports

Indicators	Omv Petrom		Romgaz		Trans Electrica		Energetica Electrica	
	2018	2017	2018	2017	2018	2017	2018	2017
Employees (%)	88%	77%	77%	88%	77%	55%	66%	66%
Amounts	x	x		partially			x	
Environment (%)	80%	80%	70%	80%	70%	70%	50%	60%
Amounts	x	x		x	x	x	x	x
Relationships with the community (%)	100%	80%	70%	60%	60%	40%	50%	70%
Amounts	x	partially	x	x		partially	x	
Innovation (%)	75%	50%	75%	75%	100%	50%	50%	50%
Amounts	partially	partially			partially		partially	

Indicators	Transgaz		Nuclearelectrica		Conpet		Rompetrol	
	2018	2017	2018	2017	2018	2017	2018	2017
Employees (%)	55%	44%	66%	33%	77%	0%	77%	88%
Amounts								
Environment (%)	60%	60%	50%	40%	40%	50%	100%	100%
Amounts		x						
Relationships with the community (%)	50%	40%	60%	50%	0%	0%	90%	80%
Amounts	x						partially	partially
Innovation (%)	50%	25%	50%	0%	25%	0%	75%	50%
Amounts								

Source: own representation based on the social responsibility reports published by the companies on the Bucharest Stock Exchange site in 2017-2018(x - the amount for the different CSR activities is fully specified)

S.N.T.G.N. Transgaz S.A. and S.N. Nuclearelectrica S.A. transpose the information regarding the company's social responsibility for the year 2017 in the administrators' report, having a section destined for the non-financial statement. Conpet S.A. is the only company from the ones presented that in 2017 presents its activities regarding environmental protection through quarterly reports.

In the year 2018, the companies mentioned above present the sustainability actions within the annual report, finding a section for non-financial reporting.

From the table 1, it turns out that OMV Petrom proposes a strategy of sustainability having as areas of interest: employees, environment, innovation and community, which shows us that the main objective of the company is to present its ecological, economic and social impact. The sustainability report, like the other companies, is presented on the official website of the company. You can see the evolution of CSR actions and the increasing involvement of the company. In 2018 the company focuses on the relationship with the community.

In 2017 S.N.G.N. Romgaz S.A. presents the first published sustainability report on non-financial performance, then proceeds with the same way of presenting non-financial information. The two reports describe how the company integrates social, economic and environmental aspects into all its activities and operations.

With these reports, Romgaz publishes integrated data on the approach to sustainability, how it operates and the structure of operations, how to recruit team members and how it addresses equality of opportunity and professional development of employees, about the importance it attaches to protection, environment and biodiversity, but also about how local communities in the

areas where they operate are interacting and supporting. In 2018, only the costs generated by the actions with the community are specified in the sustainability report.

For the company C.N.T.E.E. Trans Electrica, the first social responsibility report was published in 2017. As the data presented in the table shows, the company presents in figures only the costs related to environmental activities, the other activities being non-communicated or are partially communicated. In 2018, the company has more social responsibility activities. The lack of a standard reporting report leaves the company's attitude to present its sustainability actions.

The company Energetica Electrica S.A presents through its sustainability report the attention it gives to the employees, the environment, the community and the innovation of the technology. In 2017, the only activity that is counted is the activity with the environment. The year 2018 brings to the company a greater interest regarding the transparency and credibility of CSR actions, this communicating the total costs generated by the activities related to the environment, employees, community and partially innovation.

S.N.T.G.N. Transgaz presents the sustainability information in the administrators' report in 2017, and in 2018 this information is included in the annual report of the company, having a separate section for non-financial information. From table 1 it can be seen that the company is growing in terms of sustainability actions.

S.N. Nuclearelectrica S.A. is the next company that presents the non-financial information in the directors report in 2017, and one year later the CSR shares are included in the year report.

As can be seen the economic indicators are not communicated in no year. In 2018, the company is also focusing on the innovative sector by increasing the reliability of equipment and systems.

In 2017, the Company Conpet S.A. presents the social responsibility activities in the quarterly reports, and in 2018 non-financial information is included in the annual report. Among its activities of social responsibility, in 2017, there are only those with the environment: monitoring of environmental factors: soil and water and the controlled storage of waste. One year later we can see the increasing involvement of the company and it is also involved in the actions regarding the employees, environment and innovation.

It is also noted that most companies do not present the amounts spent or invested in CSR activities, choosing only to describe the actions taken without being able to deduce the financial impact.

Based on the analysis made there are several issues that are highlighted in terms of the differences between financial and non-financial indicators. First, we can see that while the reporting format of the financial indicators included in the financial statements is predefined, the reporting of non-financial indicators does not present a standard form, it is necessary to identify those indicators that are relevant to the business model that the company has.

5. Conclusions

Base on the sustainability reports were found major differences in corporate social responsibility reporting, in terms of structure and content of financial and non-financial information that lead to the need for a standardized report on social responsibility activities.

Under the conditions of contemporary civilization in which real progress were recorded in all areas of economic and social life, economic activity implies not only the concern to increase the volume and quality of material goods and services, in conditions of high economic efficiency. Is needed also a permanent preoccupation in terms of environmental protection, which is, in fact, the basic condition of economic growth.

The lack of a standardized report of social reporting leads to the presentation of activities in a disorganized way: both in terms of content and values. None of the seven companies presented fully report the expenses of these activities. Social responsibility activities must be transparent and credible all the expenses presented in the report can be founded in the financial statements.

From the analyzed companies it was found that OMV Petrom is the company that presents the best example of good practices of CSR and reporting, a situation that was also identified in previous studies (Dura and Driga, 2017).

The study contribute to the literature through a comparative analysis in time of the relevance of the financial information provided by the sustainability reports of the companies included in the

sample. The limit of this paper can be consider the small number of companies included in a sample and a future direction of research can include more companies, also from other countries.

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The Impact of the Interest Rate and the Income of the Households on the Dynamics of Bank Deposits

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Abstract

The purpose of this paper is to use a linear multiple regression model to highlight the relationship between a dependent variable "Population-term deposits in lei (expressed in euros)" and two independent variables "Average total income per household (expressed in euros) and Interest rate at the deposit facility".

The paper is based on the processing and analysis of the statistical data sets between 2004-2018, also carrying out a dynamic analysis of the term deposits in lei of the households, in relation to the dynamics of the average total incomes on a household and the interest rate at storage facility.

Key words: bank deposits, average total income per household, interest rate on the deposit facility, multiple linear regression

J.E.L. classification: G21, G23, C10.

1. Introduction

The Keynesian view is that saving is, in the most general sense of the term, that part of current income that is intended for future consumption. (Keynes, 1936). The "saving paradox" would be that the attempt to save more ultimately leads to a lower level of savings.

Bank deposits are savings products that a commercial bank uses to attract customers and represent for most commercial banks the main financial resource.

The term deposit is a sum of money deposited within the bank for a certain period of time called maturity of the deposit, for which the bank pays the depositor an interest.

The bank deposit is a sure way to keep the cash and get a guaranteed profit from the interest offered by the bank. The money saved will be fine if the bank, in which we will place it, will offer us information on: what the value of the interest received will be; the interest is fixed or variable; under what conditions the deposit may be interrupted before its maturity; performance on the bank's market; the quality of the services offered.

The banks offer is very rich in order to find a product that meets the customers' requirements. On the other hand, an overly diversified offer increases the risk of choosing an inappropriate product.

Saving depends mainly on income. Theoretically, the economic growth leads to the increase of the revenues that will contribute to the increase of the saved amounts in relation to the income.

The saving process bears the imprint of some causal factors either of economic nature (inflation, passive bank interest rate, the yield of securities, the real estate market yield) or of a psycho-sociological nature (confidence in the banking system, prudence, the intention to ensure the future

of the descendants, pessimism about future income).

Considering this context, the paper proposes to use the modeling method, namely "Multiple linear regression" to highlight the influence of the average total income per household on the level of population term deposits, as well as the influence of the interest rate on the deposit facility on the level of population term deposits.

The paper also proposes a dynamic analysis of the term deposits in lei of the population households during 2004-2018, in relation to the dynamics of the average total incomes per household and of the interest rate at the deposit facility.

2. Theoretical background and methodology

We chose to use a linear multiple regression model, term used by Pearson in 1908, to highlight the relationship between a dependent variable "Population-term deposits in lei (expressed in euros)" and two independent variables "Total average income per a household (expressed in euros) and the interest rate at the deposit facility".

In most cases, the interconditions between the economic processes are complex, so that the evolution of a variable Y does not depend on a single factor, but on a number of factors, as is the case with the term deposits of the population. In general, a multifactorial explanatory model is defined by the following relation:

$$y = f(x_j) + u \quad (1)$$

where: y = endogenous variable, dependent or explained; x_j = exogenous, independent or explanatory variables; u = residual or random variable or error;

f(x_j) = the regression function by which the values of variable y, estimated only by the influence of factors x_j, considered essential, main, and decisive, except the influence of the other factors of the phenomenon y, which are considered non-essential, insignificant factors to explain the occurrence and evolution in time and space of the phenomenon y, they are treated separately using the residual variable u.

The econometric model must be interpreted as a formal expression of the econometric method of investigating an economic object:

$$\text{Reality (y)} = \text{Theory [f(x}_j\text{)]} + \text{Chance (u)}$$

As a general and fundamental rule, the specification of an econometric model is made on the basis of economic theory. The economic phenomenon y is specified on the basis of the concepts, definitions and cause-effect relationships elaborated by it and the phenomenon x_j is accepted as an essential factor, or it is rejected and passed into the category of random factors by means of the random variable u. However, the size of the package of explanatory variables x_j also depends on the statistical database of the respective variables, on their quantity and quality. (Jula, 2009)

For the variables "Population-term deposits in lei (expressed in euros) and Interest rate on the deposit facility", the work is based on the processing and analysis of the statistical data sets offered by the National Bank of Romania. This is a quick way to find information relevant to the field of research carried out.

For the variable "Total average incomes per household (expressed in euros)" the statistical series from the National Institute of Statistics - Romania (INS) were processed for the purpose of this analysis.

The total income represents the sum of the cash income, regardless of the source of origin (excluding loans and credits taken, the amounts withdrawn from the deposits set up at CEC Bank, other banks and similar institutions) as well as the value of the in-kind income that does not have a salary in nature.

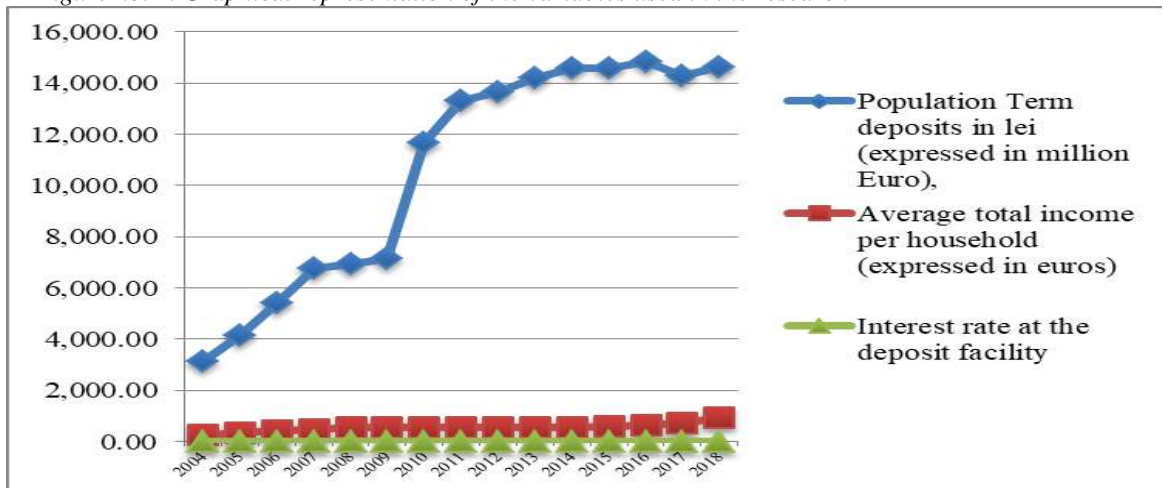
For a relevant research result, we considered it necessary to express the data in Euro as the reference currency, considering its dynamics in the analyzed time horizon, thus ensuring comparability of results over time.

Table no. 1 Value of variables used in research

Years	Population Term deposits in lei (expressed in million Euro)	Average total income per household (expressed in euros)	Interest rate at the deposit facility
2004	3,137.55	273.75	5.00
2005	4,136.16	329.66	1.00
2006	5,432.24	409.95	1.00
2007	6,773.72	467.22	2.00
2008	6,912.43	534.90	6.25
2009	7,133.06	547.75	4.00
2010	11,669.06	537.78	2.25
2011	13,329.48	559.59	2.00
2012	13,638.94	558.86	1.25
2013	14,198.25	570.62	1.00
2014	14,581.11	557.93	0.25
2015	14,597.06	593.83	0.25
2016	14,848.01	648.43	0.25
2017	14,264.35	727.87	0.75
2018	14,617.91	911.52	1.50

Source: Own processing of data taken from the website of National Bank of Romania <http://www.bnr.ro> and from the website of National Institute of Statistics) <http://statistici.insse.ro/>

Figure no. 1. Graphical representation of the variables used in the research



Source: The data presented in Table no. 1

3. Processing results

The statistical description of the analyzed variables was made using the average and standard deviation indicators. The variables introduced in the study, according to table no. 2, are: y = Population-Term deposits in lei (expressed in euros), x_1 = Average total incomes per household (expressed in euros) and x_2 = Interest rate on the deposit facility.

Table no. 2 Statistical description of variables

Descriptive Statistics			
	Mean	Std. Deviation	N
Population-Term deposits in lei (expressed in euros)	10818.549284	4327.0316596	15
Average total incomes per household (expressed in euros)	548.644167	152.6652509	15
Interest rate on the deposit facility	1.944019	1.6395534	15

Source: Table processed in the SPSS programme

The correlation coefficients, whose estimation is presented in the table no 3, are partial correlation coefficients that measure the influence of the average total income per household (x1) on the level of population term deposits (y), as well as the influence of the interest rate on the facility of deposit (x2) on the level of population term deposits (y).

Table no. 3 Calculation of Pearson correlation coefficients

		Population Term deposits in lei (expressed in million Euro),	Average total income per household (expressed in euros)	Interest rate at the deposit facility
Pearson Correlation	Population-Term deposits in lei (expressed in euros)	1.000	.803	-.614
	Average total incomes per household (expressed in euros)	.803	1.000	-.464
	Interest rate on the deposit facility	-.614	-.464	1.000

Source: Table processed in the SPSS programme

The positive value of the first coefficient and its size, $r_{y/x1} = 0.803$, indicate a strong, positive influence of income on deposits. This means that as revenues grow, deposits increase.

The correlation between the interest rate and deposits, expressed by the coefficient $r_{y/x2} = -0.614$, indicates a partial negative influence, of medium intensity.

This means that as the interest rate drops, so does the level of population deposits.

In order to measure the intensity of the connection between the dependent variable (y) and the two factorial variables (x1 and x2) included in the model, we calculated (in table no 4) the multiple correlation coefficient R (0.848) which shows the weight of the total variation of the dependent variable that could be explained by the simultaneous variation of the independent variables included in the model. The result shows a strong connection between these variables.

Table no. 4 Calculation of the multiple correlation coefficient

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.848 ^a	.720	.673	2474.6867815

Source: Table processed in the SPSS programme

- a. Predictors: (Constant), Interest rate at the deposit facility, Average total income per household (expressed in euros)
- b. Dependent Variable: Population-Term deposits in lei (expressed in euros).

Table no. 4 also calculates the ratio of multiple determination (R squared) which shows that the variation of population deposits could be explained in a proportion of 72% by the simultaneous variation of the variables "Interest rate at the deposit facility" and "Average total income per household (expressed in euros)".

The rest of up to 100% represents the influence of other factors not included in the model.

The multiple determination report does not take into account the number of degrees of freedom or the number of parameters that appear in the model. Therefore, in assessing the intensity of the link between variables, an adjusted determination coefficient is used which takes into account this number of parameters. The result (Adjusted R Square) of 0.673 indicates that 67.3% of the variation of the dependent variable could be explained by the two factorial variables.

For multiple regression models, several tests can be constructed, in order to test the model parameters, the regression model and the marginal influence of a variable.

The parameters of the multiple linear regression model were tested using the Student test (Table no. 5), considering the estimators obtained by the method of the least squares and the law of their distribution.

Table no. 5 Calculation of the parameters of the regression model and their testing

Coefficients ^a							
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	2115.533	3254.988		.650	.528		
Average total income per household (expressed in euros)	18.735	4.890	.661	3.831	.002	.785	1.274
Interest rate at the deposit facility	-810.596	455.368	-.307	-1.780	.100	.785	1.274

Source: Table processed in the SPSS programme

a. Dependent Variable: Population Term deposits in lei (expressed in euros).

In SPSS, the decision is made based on the significance of the test; if $\text{Sig } t < \alpha$, H_0 (the independent variable i has no partial linear influence on the dependent one) is rejected with the confidence level specified, and if $\text{sig} > \alpha$, the null hypothesis is accepted. It is observed that for the parameter of variable x_1 the condition $\text{Sig } t < 0.05$ is respected and for the parameter of the variable x_2 , $\text{Sig } t < 0.1$. In conclusion, with a probability of 95% the parameter of the first variable is statistically significant, while, for the second parameter, the probability is 90%.

Testing the multiple linear regression model was performed, in Table no. 6, using the F. test.

Table no. 6 Testing the multiple linear regression model

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	188635945.766	2	94317972.883	15.401	.000 ^b
	Residual	73488895.996	12	6124074.666		
	Total	262124841.762	14			

Source: Table processed in the SPSS programme

a. Dependent Variable: Population-Term deposits in lei (expressed in euros),

b. Predictors: (Constant), Interest rate at the deposit facility, Average total income per household (expressed in euros)

Since $\text{Sig} = 0.000 < 0.05$, the null hypothesis with a probability of 95% is rejected, i.e. the model significantly explains the dependence of the variable present in the model.

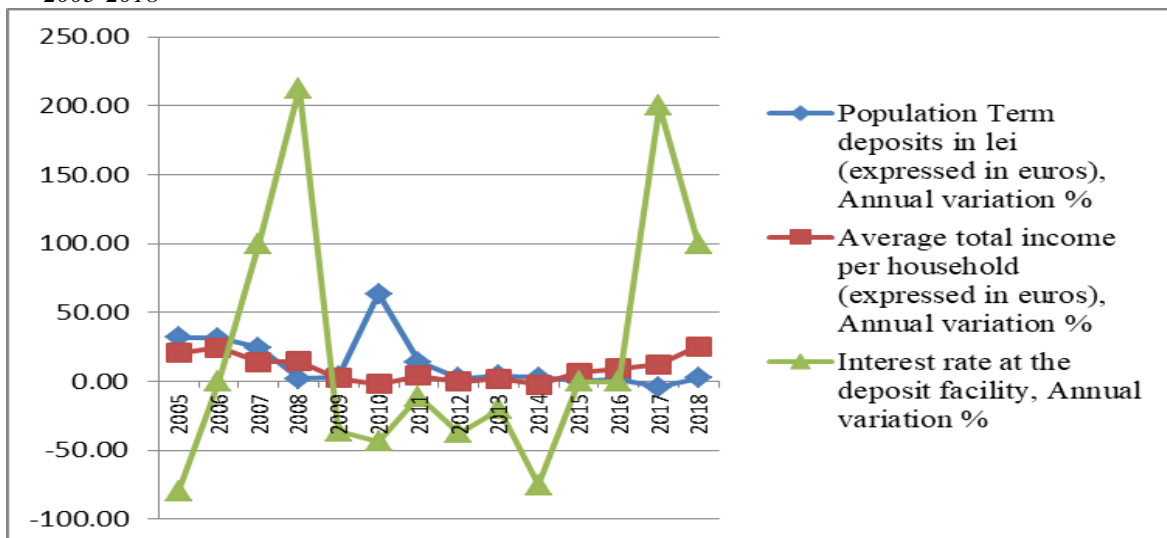
4. The dynamics of term deposits in lei of the households of the population during 2004-2018, in relation to the dynamics of the average total incomes per household and the interest rate at the deposit facility

Table no. 7 Annual evolution of the variables used in research during 2004 - 2018

Years	Popula tion Term deposits in lei (expressed in million Euro)	Annual varia tion (Δ)	Ann ual varia tion %	Average total income per house hold (expres sed in euros)	Annual varia tion (Δ)	Ann ual varia tion %	Inte rest rate at the depo sit facility	Annua l varia tion (Δ)	Ann ual varia tion %
2004	3,137.55			273.75			5.00		
2005	4,136.16	998.61	31.83	329.66	55.90	20.42	1.00	-4.00	-80.00
2006	5,432.24	1,296.08	31.34	409.95	80.29	24.36	1.00	0.00	0.00
2007	6,773.72	1,341.48	24.69	467.22	57.27	13.97	2.00	1.00	100.00
2008	6,912.43	138.70	2.05	534.90	67.68	14.49	6.25	4.25	212.50
2009	7,133.06	220.63	3.19	547.75	12.85	2.40	4.00	-2.25	-36.00
2010	11,669.06	4,536.00	63.59	537.78	-9.97	-1.82	2.25	-1.75	-43.75
2011	13,329.48	1,660.42	14.23	559.59	21.81	4.06	2.00	-0.25	-11.11
2012	13,638.94	309.47	2.32	558.86	-0.73	-0.13	1.25	-0.75	-37.50
2013	14,198.25	559.31	4.10	570.62	11.75	2.10	1.00	-0.25	-20.00
2014	14,581.11	382.86	2.70	557.93	-12.68	-2.22	0.25	-0.75	-75.00
2015	14,597.06	15.95	0.11	593.83	35.89	6.43	0.25	0.00	0.00
2016	14,848.01	250.96	1.72	648.43	54.61	9.20	0.25	0.00	0.00
2017	14,264.35	-583.67	-3.93	727.87	79.44	12.25	0.75	0.50	200.00
2018	14,617.91	353.57	2.48	911.52	183.65	25.23	1.50	0.75	100.00

Source: Own processing of data taken from the website of National Bank of Romania <http://www.bnr.ro> and from the website of National Institute of Statistics) <http://statistici.insse.ro/>

Figure no. 2. Graphical representation of the annual evolution of the variables used in research during 2005-2018



Source: The data presented in Table no. 7

The analysis of the statistical data regarding the evolution of the term deposits in lei of the households of the population during the time period 2004-2018, reveals that there are three periods of antagonistic dynamics.

The first period was between 2004 and 2007, characterized by an increase in the value of these economies and followed by a second regression trend, temporarily located in 2008-2009 and between 2012 and 2018. We should also note that the two periods are not homogeneous in terms of evolution. Thus, the growth period experienced a reversal trend from 31.83% in 2005 and 31.34% in 2006 to 24.69% in 2007; Regarding the second period, we observe an oscillating regression in the analyzed period. It is worth noting the behavior of this type of savings in 2010-2011, which was influenced by the legislation regarding the activity of the Deposit Guarantee Fund in the banking system. Although in 2008, the interest rate on the deposit facility had the highest value of 6.25%, this did not lead to increased savings.

One of the reasons for the downward trend in the volume of non-governmental deposits is that bank interest rates relative to non-bank customers have been steadily declining.

From the analysis of the dynamics of term deposits in lei of the population households, the idea emerges that banking economies have become totally unprofitable, especially due to the interest granted by commercial banks.

Although nowadays bank deposits are no longer such a great source of income, they still remain a good saving option that we must take advantage of when we have the opportunity.

5. Conclusions

The saving process bears the imprint of some causal factors either of economic nature (inflation, passive bank interest rate, the yield of securities, the real estate market yield) or of a psycho-sociological nature (confidence in the banking system, prudence, the intention to ensure the future of the descendants, pessimism about future revenue).

Theoretically, economies depend mainly on incomes. The economic growth leads to the increase of the revenues that will contribute to the increase of the saved amounts in comparison with the income.

Regarding the use of a multiple linear regression model, one can observe the influence of the variables introduced in the study, y = Population-Term deposits in lei (expressed in euros), x_1 = Total average incomes per household (expressed in euros) and x_2 = Rate interest at the deposit facility. The ratio of multiple determination (R squared) was also calculated which shows that the variation of the population deposits could be explained in a proportion of 72% by the simultaneous variation of the variables "Interest rate at the deposit facility" and "Average total income per household (expressed in euro)" The rest of up to 100% represents the influence of other factors not included in the model.

The multiple determination report does not take into account the number of degrees of freedom or the number of parameters that appear in the model. Therefore, in assessing the intensity of the link between variables, an adjusted determination coefficient is used which takes into account this number of parameters. The result (Adjusted R Square) of 0.673 indicates that 67.3% of the variation of the dependent variable could be explained by the two factorial variables.

For multiple regression models, several tests can be constructed, in order to test the model parameters, the regression model and the marginal influence of a variable.

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Aspects Regarding the Use of Information Technology Tools for Processing Accounting Information on Fair Value

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Abstract

Traditional accounting flows have proven to be efficient over time, but in the current situation, where more and more information is being generated, they have become difficult to use because they are not always able to provide the ideal way to manage volume - timely data, at an optimal cost and with a minimum level of error.

In order to be able to detail how accounting processes can be modified, to require a lower level of human intervention, it is relevant to present in advance a classic flow regarding the recording of fair values, in order to properly highlight the impact that the use generates. solutions based on artificial intelligence, along with automation and cloud computing platforms. This presentation aims to highlight the changes in the activity of accounting professionals, which require their training in the field of information technology, but also the understanding of accounting processes from this perspective.

Key words: information technology, accounting, fair value.

J.E.L. classification: M41, G32.

1. Introduction

The accounting profession is undoubtedly going through a series of changes, most of them due to the evolution of information technology, which develops the general framework necessary for professionals to meet the current needs of the business environment (www.iaesb.org).

In the current context, one can discuss the existence of an entire interconnected world in which communication and collaboration between individuals change, and technological progress generates new opportunities, with the help of which professionals in all fields can develop their working skills with information technologies, thus becoming able to turn their attention to activities that require a higher level of professional judgment and which have a significant added value.

Given the current economic environment which is becoming increasingly dynamic, future accountants need to develop a new set of skills, which combines accounting skills with technical skills in the IT solutions used. The adoption of new technologies really leads to the remodeling of the profession, because it allows the automation of several accounting processes, and in this context, professionals must improve their skills to meet current needs (www.iaesb.org).

2. Theoretical background - information technology tools for processing accounting information

In recent years, professional bodies (IASB, 2016) have started to sound an alarm signal in order to draw the attention of accountants to the difficulties of promoting and using present and future information technologies, which may have as purpose the decline of the profession, and practitioners would it could be replaced by specialists from other fields, better prepared to address the needs generated by the current highly computerized economic context, if it does not develop the skills needed to use these technologies efficiently and creatively.

Currently, the needs of organizations have changed due to the continuous flow of information, which is followed not only by investors but also by different third parties, so that large companies must present in real time the data needed to stakeholders, in order to demonstrate transparency and remain competitive. Given the magnitude of the latest financial scandals that led to the emergence of economic crises, gaining confidence is no longer an option for companies, but a necessity to remain on the market, both in terms of legal regulations and in terms of competitiveness (IASB , 2016).

The automation of accounting processes is not a new approach, but has been in use for three decades, thanks to the fact that it has a positive impact on the accounting activities (IASB , 2016), both by improving the performance and by the fact that they can provide feasible statistics and forecasts on the future costs of organizations. However, at the time of the above studies, the level of automation was much lower than the current reality, when the volume of information is much higher. In this framework, process automation allows companies to remain competitive, otherwise the costs would be too high to carry on a profit-generating activity.

Robotization of processes not only helps to reduce costs, it also brings a significant improvement in the quality of the data, reducing the risk of human error. Currently, we can talk about automating accounting records along with artificial intelligence-based technologies, such as optical character recognition (OCR), without the need for practitioners' professional reasoning to perform document recording activities. However, on the other hand, there are challenges such as the need to establish a correct strategy by companies, which will allow to achieve the operational objectives in an optimal way, but also negative aspects, such as the decrease of the number of jobs and the limitation of the possibilities of professional development (IASB , 2016).

3. Evolution of information technology tools in accounting - empirical aspects of research

The current level of digitization in the current economic context, as well as forecasts in the field of information technology, have led to the need to have better trained professionals in the digital field, regardless of the professional area.

In the last 10 years, a clear series of changes has been observed in the requirements for admission to the training stages, both from the regulatory bodies and from the prestigious international professional bodies in Europe, such as: Association of Chartered Accountants (ACCA) , The Institute of Accounting Experts in England and Wales (ICAEW) and the Institute of Management Accounting Experts (CIMA), which currently have the objective of highlighting the changes, through which the accounting profession passes due to the increasing volume of data, which is becoming more and more more difficult to process and manage in the absence of adopting optimal IT solutions (www.iaesb.org) .

In the financial-accounting field, the first reports addressing the need for development came from professional bodies, which managed to provide a complete picture of the future of the profession in the context of digitization. One of the most important articles was published in 2012 by the ACCA, which analyzes a wide range of technologies and challenges, some of them emerging at that time, which are considered to have the potential to have a significant long-term impact. medium and long on accounting processes. This is how the use of technologies such as big data, artificial intelligence and cloud computing platforms can improve accounting activities, by reducing the level of primary analysis and the time allocated to redundant processes. At the same time, the need to understand how these technologies work and what are the main challenges that can lead to the loss or theft of confidential data once exposed in the digital environment is emphasized. In new analysis (www.iaesb.org) professionals are advised not to reject the benefits that these technologies can bring and to take the leading role in improving accounting processes with the help of digitization. At the same time, the current role change is strongly promoted, by migrating to management consulting activities, by increasing the level of added value.

Mobile technologies are by definition any kind of small electronic device, such as phones, tablets and laptops, which can be used anywhere and connected to a communications network. Currently these devices are used for a wide range of activities, starting from the basic communication, to the use of socialization platforms, as support for the development and learning activities, to carry out the professional activities, the use of banking services, booking a vacation,

setting temperature in the house and the list can continue (www.iaesb.org) .

Mobile devices have surpassed the status of emerging technology, being used by most individuals every day. The existence of this high degree of acceptance and use of this technology by the majority of the population is mainly due to the socialization needs and to overcome the geographical barriers, and the specialized studies have shown that for a long time people have become much more attached to mobile devices than any other kind of technology (www.iaesb.org).

The expansion of the use of this technology can also be explained by the emergence of the Internet of Things (IoT), which represents all electronic devices connected to the Internet. Thus, with the help of the applications installed on mobile devices, the user can manipulate various objects, such as the thermostat in the house and the cars, but also to monitor various objectives, thus having practical applications in most areas: health, security, agriculture, etc. , some examples that show how organizations can use various smart devices to secure customer activities and facilitate organizational processes are: reducing fraud using bank cards, monitoring the physical location of assets (automobiles, machines, containers and other stocks), reducing the interval time from the moment of an event to the actual registration of the transaction and the verification of the goods by the use of drones (www.iaesb.org).

4. Survey of the specific developments in the in Romania

Romania, a country with an emerging economy, has started to become a point of interest for multinational companies in the case of providing services in the accounting field , due to lower labor costs, compared to the countries of origin of these companies, but also due to the sustainable economic growth and the good level of training of the practitioners. Thus, having a high level of outsourced services in Romania, the majority provided for organizations from developed countries, the need to have complete working skills with existing and emerging IT technologies is visible. The same trend can be observed in the case of other emerging or developed economies, and in this way the need to have better trained professionals to meet the needs of the current economy is emphasized (www.iaesb.org) .

In recent years, an obvious change has been observed both in the accounting profession, which has begun to place a greater emphasis on the understanding and efficient use of technologies, as well as in the accounting processes, which have begun to be simplified through solutions and applications. information. Due to this aspect, the need to have new standards and sufficient knowledge in the field of computer technologies adopted in the last years in the accounting processes has developed. Thus, it can be observed how the evolution in the IT field manages to change the way of working, as well as the area of competence in the accounting field.

In order to have a clear vision on how the profession has begun to change over the last few years, a detailed analysis of these aspects is considered necessary. As a result, this chapter will present how professional bodies in the accounting field support practitioners in accumulating the necessary knowledge in the IT field and the degree to which the academic environment in the emerging countries of the European Union supports the long-term development of accounting professionals.

The use of mobile technologies in the business environment has made it possible to overcome geographical barriers and has succeeded in improving the level of communication and collaboration between entities. Thus it can be observed that at global level there is a continuous increase in the number of remote work places, where the employees work in most cases a few days a week or even entirely outside the company. It can be observed that the traditional model of companies gradually disappears under the beneficial influence of the technological progress that has as main advantages the reduction of the costs, the improvement of the communication level and the efficiency.

In the educational process, the use of mobile technologies has brought significant benefits, due to the fact that in this way students are more involved in educational activities, given that communication is more efficient, and the results are offered in real time, compared to traditional methods. teaching that sometimes fails to hold students' attention, as has been pointed out in the internet (www.iaesb.org) .

The use of this technology in the accounting field brings a number of benefits, such as:

continuous access to information, overcoming geographical barriers, reducing costs and facilitating the process of recording accounting information. The use of mobile technologies, together with cloud platforms, brings significant advantages, because this way the communication between practitioners and clients can be made more efficient, and the quality of services will increase considerably. In the audit processes, mobile technologies are used to have a better electronic record of the supporting documents and in the processes of inventory and activity planning (www.iaesb.org).

In addition to the advantages presented, this technology also brings a number of challenges to data security. Although the majority of the population uses a mobile device, a sufficient degree of knowledge about the associated risks cannot always be identified. Users are not always alert to the risk of data transmission or theft and have limited knowledge of the methods they can use to improve data security and reduce malware attacks (www.iaesb.org).

5. The observation of the recommendations from international professional bodies

In 2016, the CGMA conducted a study whose purpose was to highlight the degree of awareness on the impact that the evolution of technologies can have on the profession. The results of the research showed that most of the members of the professional body consider that the impact will be significant as long as the adoption of technologies for process automation will have the effect of reducing the costs and the time required to carry out the activities (www.accaglobal.com).

In order to be able to align the current and medium-term skills of the professionals in the financial-accounting field with the already existing requirements of the companies, in 2014 the International Education Accounting Standards Board (IAESB) changes the structure of the International Education Standard (IES 2) in order to introduce a new section for information technology (www.iaesb.org). According to the modified version of the standard, practitioners must demonstrate through their training, an average level of competences in the field of controls for information systems and technologies, knowledge of data analysis procedures and efficient use of technologies in the decision-making process (www.iaesb.org).

Although the new standard was to enter into force starting in 2015, in 2014 the ACCA changes the structure of the evaluation plan for the P3 - Business Analysis exam in order to align with the educational requirements (www.accaglobal.com). Thus, the criteria in the chapter dedicated to information technology are modified, by adding a new section, which focuses on identifying, analyzing and evaluating controls related to information systems and technologies and general knowledge of hardware and software. Some of the most important data security controls are included in the software knowledge part: access control, data integrity, security from the perspective of IT systems architecture and physical data security.

Thus it can be observed that at the level of international professional bodies, the necessary steps are taken for the proper training of the practitioners in order to develop a sufficient set of skills to meet the demands of the companies (www.accaglobal.com).

This 2014 change in the structure of the P3 exam is the first in a long list of changes, which continues to this day. A second change occurred in 2015, when within the same module were introduced the requirements for knowledge of big data technology, as well as how it can be used to develop managerial strategies. The latest change for the 2018 exams has introduced in the documentation for evaluation, the methods by which mobile technologies and cloud computing platforms can be used to develop strategies, and information security principles, such as ways to protect against cyber attacks and the development of controls. preventive. Therefore, it can be observed that during a rather short period, the ACCA changes the structure of the exams to meet the needs of the current economy (www.accaglobal.com).

6. A case study of fair value accounting

On September 25 2019, an entity purchases 15,000 shares at the price of 1,000 m.u. (monetary unit) per share. Trading costs represent 1.75% of the value of the purchased shares (Nicolae, 2010).

Under accounting policies adopted by the entity, the target pursued by the entity is to trade the shares in the near future, aiming at achieving medium-term profit from these operations, and

classifies the shares acquired in the financial assets at fair value through profit or loss (FVTPL) category (Nicolae, 2010). The accounting account used (as proposed in the IFRS accounting plan) to exemplify the accounting records was selected based on the formulated assumptions (Nicolae, 2010).

The acquisition is quoted on a non-regulated market and the entity has concluded, according to its policies, that the market is active and that it is also the primary trading market, in accordance with IFRS 13 (Nicolae, 2015).

Accounting records

(Author processing)

Registration of the acquisition of shares :

Debit *Medium-term financial investments* 15,000,000
Credit *Payments to be made for medium-term financial investments* 15,000,000

Record of transaction costs:

Debit *Expenses on fees payable for securities trading on the non-regulated market* 262,500
Credit *Payments to be made for medium -term financial investments* 262,500

Payment of expenses:

Debit *Payments to be made for medium-term financial investments* 262,500
Credit *Bank account* 262,500

Payment of debt on purchased shares:

Debit *Payments to be made for medium-term financial investments* 15,000,000
Credit *Bank account* 15,000,000

Accounting records as at 31 December 2019

At December 31 2019, the share price dropped to 900 m.u. , and the fair value of the stake was 13,500,000 m.u. . The loss caused by keeping titles = 15,000,000 m.u. - 13,500,000 m.u. = 1,500,000 m.u. The registration is:

Debit *Losses related to medium-term financial assets and liabilities* 1,500,000
Credit *Medium-term financial investments* 1,500,000

Accounting records on May 15, 2020

On May 15, 2020 the share price increased to 1.200 m.u. . As a result, a gain of fair value differences on the share of the shares held will be recorded, amounting to = 15,000 shares x (1.200 m.u - 900 m.u.) = 4,500,000 m.u. :

Debit *Medium-term financial investments* 4,500,000
Credit *Gains on long-term financial assets and liabilities* 4,500,000

Accounting records on 31 May 2021

On May 31, 2021, the entity signs a share sale contract at a price of 1,500 m.u. . The selling price is equal to the market share quote valid for the date of sale = 15,000 shares x (1,500 m.u - 1,200 m.u.) = 4,500,000 m.u.

Recording of the valuation at fair value:

Debit *Medium-term financial investments* 4,500,000
Credit *Gains on medium-term financial assets and liabilities* 4,500,000

Registration of sale of shares = 15,000 shares x 1.500 m.u = 22,500,000 m.u. :

Debit *Debtors from transactions on the non- regulated market* 22,500,000
Credit *Medium-term financial investments* 22,500,000

Subsequent collection of due amounts:

Debit *Bank account* 22,500,000
Credit *Debtors from transactions on the non-regulated market* 22,500,000

This example illustrates the periodic update of long-term financial investments at fair market value by recording the gains or losses generated by the fluctuation in fair value on the current profit and loss for the year.

When implemented in practice, entities may also consider other accounting records alternatives as long as there is a fair presentation of the results in profit or loss and in the statement of financial position.

7. Conclusions

In my opinion, the use of information technology tools opens new paradigms regarding the information flow of modern accounting (Nicolae, 2015).

The large-scale introduction of information technology tools in the accounting decision-making process of the different categories of entities allows the exponential expansion of the accounting information field. The use of artificial intelligence tools is currently in the process of being implemented. The medium of accounting information thus developed hitherto unsuspected dimensions.

Currently processing possibilities of huge volumes of data in accounting, temporarily delocalized data applications, the use of virtual registries allow real-time analysis and decision making in the organization of accounting of different entities.

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International Comparative Studies on Fiscal Behavior

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Abstract

From the title of the paper it can be seen that the purpose of the paper was thought and elaborated in two registers: one of the theoretical approaches of fiscal behavior and another of the empirical studies carried out in different states and geographical regions of the world. The following are the proposals objected to cover the two registers:

- *Offering a conceptual framework for understanding fiscal behavior by relating it with the taxation, fiscal system, taxpayers and state authorities;*
- *Explaining the content and significance of the concept of fiscal behavior by highlighting the etymological course of the two terms of the concept;*
- *Defining and classifying the types of fiscal behavior, the way the state authorities should behave towards taxpayers and presenting the climates resulting from the taxpayer-authorities interaction;*

Key words: taxation, tax behavior, taxpayers, tax obligations

J.E.L. classification: H0, H1, H2, H3

1. Introduction

The subject of belonging and the etymological evolution of the words tax, taxation, tax and tax is dealt with extensively in the pages of many financial writings. By browsing them, we will find out that the Romanians left us with their linguistic dowry the terms of taxation and taxation, both with the sense of public obligation, and the term fiscus, having initially the meaning of basket or basket of reed or wicker used for pressing cheese, grapes, olives. Gradually, the fiscus became a basket for collecting and "pressing" the revenues of the prince and the treasurer of the state. In the seventeenth century, in a climate of French feudalism that was preparing for extinction, but which were still oppressive or absurd burdens and fiscal abuses on the peasantry, such as the waist, the capita, the gabela, the mill taxes, the fair, the passing of the river, the tax becomes an official institution with a role in collecting taxes and taxes, and the taxation becomes a conceptual whole of principles, norms and methods related to tax levies. What is not found developed in the specialized literature is the belonging and the etymological evolution of the phrase fiscal behavior. If from the Latin taxation the tax was derived, the word tax was derived from taxation, from taxus derived taxation, from behavior and fiscus derived a new concept, that of fiscal behavior. We analyze it from a triple perspective. First, the noun behavior has, in the Latin behavioral domain, the meaning of the way to act and react in certain circumstances depending on internal or external stimuli (Chihaiia, et al., 2000, p. 218). By extension, fiscal behavior will designate the way to act and react in different fiscal circumstances depending on the endogenous and exogenous factors.

Second, the noun behavior can be fragmented in the prefix com, deriving from the Latin cum, meaning together, and the verb verb, meaning to wear / carry / carry / bring / lead. From here behavior can mean to carry (with itself), to lead, to bring one's own perceptions, attitudes, motivations. Further, these verbs indicate a direction, a meaning and a place, so wearing / carrying /

bringing together may mean that perceptions, attitudes and motivations reach a place where their wearer is with at least one other person they interact with. . Consequently, we complete the meaning of the phrase fiscal behavior with the facet of the interaction: the fiscal behavior will designate the way to act, react and interact in different fiscal circumstances depending on the endogenous and exogenous factors. This meaning will be used as justification for chapter two (Ajzen, I., 1991).

Thirdly, a reaction is always expected from the interaction, even if it is just the expression of silence. Thus, the interaction creates a relationship between (at least) two parties based on a set of actions and reactions. Thus, tax behavior only makes sense in an environment of interaction with other taxpayers or tax authorities and only if it is reflected in the action of those with whom it comes into contact.

The idea of a "place", "topos" or "space" of interaction to which the behavior sends is essential, because: What purpose would the (fiscal) behavior still have in solitude? Why would he matter if there was no group of people to whom the taxpayer would manifest his perceptions, motivations, attitudes? Who would use the (fiscal) behavior if it did not affect the action of others? This will serve as a justification for the climate of interaction between taxpayers and authorities.

This type of interaction reveals the importance of the relationship on a horizontal level (trust in and from people at the same decision-making level, mutual power) and vertically (trust in and from people on higher decision-making levels, e.g. authorities). Therefore, fiscal non-compliance will be a "betrayal" of the horizontal relationship, called free-riding and the vertical relationship, called tax fraud.

Looking back, to the inhabitants of "Romei Repubblica", we will remember that they are the creators of the civil society model based on an ethical and organizational sense, dominated by full-fledged citizens (*optimo iure*) who claim their freedom against oppression and then win their equality in rights. as opposed to the "big ones", in which the public means *res populi* (Giardina, et al., 2001, pp. 24-25). If the Romanians, the inhabitants of this society, knew that a elaborate financial philosophy that would affect billions of people would be born out of the banal wine-making pan, which would affect billions of people, it would probably leave the state authorities with the language of death. to behave in a disciplined manner and to treat with respect, fairness and scrupulously all those who, on the other side of the barricade, make possible the existence of this philosophy, the taxpayers (Ajzen, I., 1993).

2. Literature review

This work was placed under the sign of a Cartesian reasoning, open with the following doubtful question: is it justified to be increasingly concerned about the way taxpayers behave, so the impact of psychology on their fiscal decisions, so that we can develop theories, models and a new scientific field? The experience of the last 5 years has invited us to witness the inability of some economic and financial thinking currents in forecasting and solving the crashes.

Joseph Stiglitz, Nobel Laureate in Economics, blames us for acknowledging the failure of free market theory. Recent studies justify us to be increasingly concerned about the impact of psychology on economic decisions, proving that part of the aforementioned paradigms is precisely because of the psychological factors that influence these decisions. Appealing to the history of economic thought, we will find that the need to study human psychology, in this case individual behavior, as a means of explaining economic reality, has cried on many other occasions, but these "cries" have not been listened to, proof being the crises global or regional challenges facing humanity (crisis of '29 -'33, mexican crisis '94 -'95, asian crisis of 1997, crisis dot.com). In the last quarter of the nineteenth century, neoclassicals, in particular the representatives of the Austrian school, build a paradigm of eminently psychological thinking (Popescu, 2002, p. 697). Carl Menger, founder of the Austrian School of Psychology, argues that the study of human psychology will lead to the decanting of laws governing economic activity. For the representatives of the institutionalism that appeared at the beginning of the 20th century, the institution will be a perimeter in which the behavior of an entire group of individuals is determined by economic and non-economic factors such as: customs, traditions, beliefs, social customs, geographical conditions (Popescu, 2002, p.878) . The concern for the study of psychology as an instrument in explaining

economic phenomena continues and is accentuated with the seventh decade of the last century, in the third stage of the evolution of the Chicago School. Through the writings of Gary Stanley Becker, timidly prefigured by Milton Friedman in 1946, economic approaches are essentially anthropocentric, focused on human capital theory, the way people's attitudes and aptitudes, feelings and knowledge influence their economic behavior.

Starting from one of the etymological meanings previously developed, a personal vision, by definition, regarding fiscal behavior will now be offered. Thus, tax behavior or taxpayers' behavior is the way in which, under the influence of endogenous and exogenous factors, they choose to act on fiscal obligations, react to fiscal policy and interact with other taxpayers and tax authorities. The definition follows from the idea that fiscal behavior manifests itself in a three-dimensional hypostasis. The way in which the taxpayer acts and reacts to fiscal obligations and fiscal policy reveals the way he manages his emotions, perceptions, attitudes and transposes them into the plan of fiscal decisions. I called this way the hypothesis of the introspective dimension of fiscal behavior. The way in which the taxpayer interacts with the other taxpayers discloses that his actions affect and are affected by their actions. This can be called the hypothesis of the horizontal dimension of fiscal behavior. And the way it interacts with the tax authorities reveals a report of the taxpayer to entities on higher floors of decision. Here we can talk about the hypothesis of the vertical dimension of fiscal behavior. This multiple hypostasis speaks to the complexity of fiscal behavior (Allingham, M.G. și Sandmo, A., 1972).

Referring again to the etymological acceptance of the concept of fiscal behavior, the question now arises: What happens when the taxpayer brings positive or negative attitudes to the "topos" or "space" of interaction with other taxpayers and with the tax authorities? The manifestation of positive attitudes towards fiscal obligations can generate fiscal compliance behavior, while the manifestation of negative attitudes means fiscal non-compliance. Franzoni (2000, p.55) teaches us that in order to comply with the tax, we must cumulatively fulfill the following four conditions: 1) Not to fully report the income obtained; 2) To determine correctly the value of the fiscal obligations; 3) Make timely tax returns; 4) And pay on time. In the literature, two types of behavior have been validated for compliance: voluntary and forced (imposed). Kirchler, Hoelzl, and Wahl (2008) explain what it means to comply voluntarily or forced.

3. Research methodology

The market economy also moves the center of gravity of attention to the needs of the consumer of goods and services, starting to operate more and more with principles of the type "our client, our master". In this historical context, the concern for the analysis of the taxpayer from the perspective of his behavioral psychology is gaining more and more interest and meaning, which has been translated by empirical studies, mathematical formalization and a new scientific field.

Fiscal behavior, indissoluble in relation to fiscal obligations, in a retrospective of this work in which he was invited to explore, visit, build and travel through different approaches, opinions, conceptions, theories, fiscal, economic, psychological paradigms. , social, political, legal, technical, neurological questions are now conclusively asked: Where do the tax obligations come from? What am I? Where are they going?

The research method used is a descriptive, comparative one that analyzes several types of fiscal behaviors, based on examples from the economic reality.

4. In search of the (behaviorist) model between rationality, egocentrism and competition

Economic models of fiscal compliance have aroused and continue to generate intense criticism. A first reason is that they portray all taxpayers as rational utility maximizers and interpret their behavior as a reaction to various financial benefits and losses. As Dean, Kenan and Kenny (1980, p. 44) state, "engaging tax studies in arid assumptions about how taxpayers would act if they were convicted of behaving rationally, like vending machines that maximize utility, does not. it may only delay the emergence of realistic fiscal theories and useful political perspectives. The second reason is to invalidate the predictions of the economic models of numerous empirical researches. In contrast to the economic theory that taxpayers defraud the state budget, empirical studies suggest

that most taxpayers are honest people (Porcano, 1988; Gordon, 1989; Erard and Feinstein, 1994b; Andreoni, Erard and Feinstein, 1998; Elffers, 2000) or that some taxpayers always comply, even when the risk of detection is low enough to commit tax fraud (Baldry, 1986).

After an intermezzo in the area of reasoning, it is time to pursue the perimeter of the psyche logic. The shortcomings of the economic models opened the door to the development of behavioral models of fiscal behavior. Built on the basis of the political and socio-psychological determinants of behavior, behaviorist models give up the prototype of the rational taxpayer and consider individuals who honor or not their obligations to the state based on attitudes, norms, beliefs, feelings, social or cultural characteristics such as age, gender, race, religion etc. (Schmoeders, 1960; Fishbein and Ajzen, 1975; Meier and Johnson, 1977; Lewis, 1978; Jackson and Milliron, 1986; Ajzen, 1991; Bordignon, 1993; Cowell, 1992; Erard and Feinstein, 1994a; Coleman and Freeman, 1997; Frey, 1997; Mumford, 2001; Wenzel, 2003; Wenzel, 2004a; Wenzel, 2004b; Wenzel, 2005a; Wenzel 2005b).

The "slippery slope" framework model. According to the "slippery slope" model created by Kirchler, Hoelzl and Wahl (2008), trust in authorities and the power of authorities are two primary factors that influence fiscal compliance.

Confidence in authorities represents "the general opinion of individuals and social groups that tax authorities are benevolent and act for the benefit of the common good", and the power of authorities is defined as "taxpayers' perception of the potential of tax agents to detect tax fraud and sanction it" (Kirchler, Hoelzl & Wahl, 2008: 212). At the same time, trust and power increase the level of fiscal compliance, but its quality differs: increasing the level of trust in authorities determines the appearance of voluntary compliance; the increase of the power level determines the appearance of the imposed or forced conformation.

When the trust in the authorities and the power of the authorities are minimal, taxpayers are tempted to maximize their income through fraud. As a result, the level of tax compliance is minimal. On the left edge of the model along the power dimension, at a minimum level of trust in the authorities, the level of fiscal compliance increases under the influence of the increasing power of the authorities that stop the tax fraud (Croson, R. și Buchan, N., 1999).

The increase of the power of the authorities therefore generates forced conformity. On the right edge of the model, along the confidence dimension, at a minimum level of power, the level of fiscal compliance increases under the influence of increasing confidence in authorities that stimulate cooperation. Thus, increasing trust in authorities generates voluntary compliance. Moreover, the maximum level of fiscal compliance - regardless of its nature is obtained under conditions of high confidence and / or high power (Richardson, G., 2008).

According to the "slippery slope" model, the interaction between taxpayers and authorities gives rise to two types of climates, one synergistic and one antagonistic. The climates vary according to the perceptions of the taxpayers on the levels of trust in authorities and the power of the authorities. An increase in power can be perceived positively by tax payers. If they see in the authorities' attempt a legitimate attempt to stop the non-compliance behavior, their confidence will gradually increase. As a result, the amount of tax revenue collected increases, and the climate becomes synergistic. The approach of the authorities to increase the power can also be perceived negatively (as an illegitimate attempt to rob the population), a situation in which the taxpayers can lose their confidence in the authorities. As a result, the amount of tax revenues decreases, the climate becoming antagonistic. The dynamics of the two climates demand the separation of the concepts of legitimate power of authorities and coercive power of authorities. The first is voluntarily accepted by taxpayers because of its positive effects, while the second is rejected because of its compelling character. Usually, the increase of power is perceived as coercive in the antagonistic climate and legitimate in the synergistic climate. In a study of trust and power, Choudhury (2008) notes that the power variable diminishes the level of trust in the situation where authorities are guided by outdated laws and rules, and increases the level of trust when the authorities act properly in the spirit and letter of the law.

5. Journey through the mosaic world of tax cultures: stops on five continents

The way taxpayers relate to the tax system is also determined by the political regime of a state. In general, democratic regimes have higher values of voluntary compliance than socialist regimes, where compliance is almost entirely enforced. A striking example of stimulating forced compliance comes from China, where the Socialist government introduced the policy of the only child in 1978 (except for the specially administered regions of Hong Kong and Macao) to control the negative natural increase (ie, one million births recorded every five years). weeks). In this respect, employers pay the contribution for family planning of 0.8%, and non-compliant citizens are sanctioned by amendment, confiscation of property and even loss of jobs. The latest data indicate a softening of the aforementioned practices in the sense that the Beijing government would allow citizens to have two children starting in 2015. The level of trust in authorities is influenced by the type of political regime and determines the climate of interaction between taxpayers and authorities. Self-confidence, as shown in the second chapter (see socio-psychological factors), can stimulate or stop the perpetuation of non-conforming behavior. In general, citizens of democratic states report higher levels in both state representatives and other citizens than non-democratic states. The sources used are Edelman Trust Barometer 2012 and Eurobarometer.

There is an ongoing debate between direct and indirect taxation regarding the advantages and disadvantages of the two systems when balancing the revenues generated and the cost of compliance. Each state determines the proportion in which it levies direct and indirect taxes. Usually, in regions that incorporate especially developed states, the share of revenues generated by direct taxation (ie, income tax, wealth, etc.) in total budget revenues is higher than the share of revenues generated by indirect taxation (ie, general or special taxes). consumption). The sources used are the 2012 Deloitte Highlights reports.

According to the "slippery slope" model, the climate of the tax-authorities interaction can be: antagonistic or synergistic. In general, traditional democracies benefit from a synergistic climate that ensures a high level of fiscal morality (e.g., see Switzerland, Austria, Germany, Australia, etc.). The underground economy (ES) and the corruption index (CI) are inextricably linked, so that states with a high level of the underground economy enjoy "widespread" corruption. For example, countries such as China Romania, Russia, where practices specific to the socialist regime of using networks (ie, *guanxi* or counter) for obtaining personal benefits, are experiencing levels of underground economy of 20%, 32.6%, respectively 41.7% of GDP and with corruption levels perceived by 39 (80th place), 44 (66th place), respectively 28 (133rd place) according to Transparency International Corruption Perceptions Index 2012 (TICPI) determined for 176 countries and territories at worldwide. The TICPI index expresses the level of corruption perceived in the public sector (ie, bribing the representatives of local and central authorities, forging public money, tricking public procurement in favor of interest groups, inefficiency of actions to eradicate corruption) and has values between 0 (very corrupt country). and 100 (very clean country). Data on these two issues will be taken from the TICPI 2012 ranking and Schneider, Buehn and Montenegro (2010). Hoanza (1997, p.238) noted that "the international geography of fraud demonstrates the global spread of the phenomenon that encompasses all countries, whether they are highly developed or developing, located to the north or south, east or west", and the differentiation of the countries consists of "the severity of the disease and the treatment applied" (Tulai, 2003, p.312). The tax authorities adopt different strategies against tax fraud, from the most common (fines, incarceration) to the most ingenious (overflowing properties for measurement, monitoring the production of alcohol by electronic devices), from frugal strategies (regular tax inspections) to extremely expensive operations (overflights, interventions with special troops), from stimulating cooperation (reductions, exemptions, tax amnesties) to capital punishments. According to Huntington (1997, p. 37), cultures change under the relentless passage of time, and their impact on fiscal behavior varies from period to period. Thus, the historical course of a state - noted economist Paul Samuelson - is reflected in its fiscal policy, because fiscal obligations and budgetary expenditures are two essential levers held by governmental power. Generally, the states that at one time had the status of a colony borrowed from the fiscal culture of the dominant power either fiscal discipline or ways of circumventing the law. The principles and norms rooted in the religious

beliefs of the different nations determine the altitude of the fiscal morality and the attitude of the taxpayers towards tax fraud.

Radiography of Tax Cultures: A Journey Around the World Through 30 Countries and Five Continents

Anticipating the most complex empirical study of the paper, I will group the 30 sampled states taking into account the typology of the fiscal culture and the components of this concept.

- **Continental (Rhine) fiscal culture: The essence of conservatism**

The continental fiscal culture is shared by countries with a high level of development, high quality public goods and a very efficient social protection system. Although the level of direct taxation is very high, totaling almost half of the income obtained by taxpayers, morality is very high, evidenced by the low level of the underground economy and the implementation of a customer-service climate. Of the countries evaluated, Switzerland is highlighted by a number of issues: it is the only sample country that has implemented direct democracy; it has the highest level of morality (Feld and Frey, 2002); it has the status of fiscal paradise due to the facilities granted to the investors and the keeping of the banking secrecy, encouraging the legal tax evasion. In order to avoid being included in the OECD list of non-cooperating states, the Swiss authorities have concluded treaties on the exchange of tax information with more than 30 countries, so far refusing to eliminate the keeping of banking secrecy.

- **Anglo-Saxon tax culture: Taxation under Union Jack and Uncle Sam**

In turn, the Anglo-Saxon fiscal culture emphasizes the importance of implementing a customer-service climate (with small exceptions) and the predominant use of direct taxation. Australia stands out as one of the first states to take steps to change the approach of taxpayers, which has brought it a leading place among the least corrupt states. By creating the ATO model, the Australian Treasury intends to replace the universal approach (e.g., "all taxpayers are criminals") with one tailored to the specific taxpayer.

- **Mediterranean fiscal culture**

Mediterranean fiscal culture is shared by states with a high level of economic development, a lower level of fiscal pressure compared to the representatives of the Rhine culture, but, surprisingly, with a stronger inclination for tax fraud (a fact highlighted by the underground economy that is catching on average. about 20% of GDP). The negative results are due to the inconsistent methods used by the authorities to reduce tax fraud and the attitude of these authorities that often seem to favor fraudulent taxpayers. An example of this is the case of the Greek authorities who declared that they had lost the list of the biggest fraudsters received from the IMF director, Christine Lagarde.

- **Scandinavian fiscal culture: Northern efficiency**

This type of fiscal culture is adopted on a small scale by the countries of the Scandinavian Peninsula and Denmark and generates a very high level of economic development, despite the highest level of fiscal pressure. The extremely high morale places these states in the first seven least corrupt countries in the world. In the case of Sweden, this result is mainly due to the "whistleblower law", whereby taxpayers are rewarded if they provide credible information about tax fraudsters.

- **East-European fiscal culture: In search of stability**

East-European fiscal culture is encountered in the states of the former communist bloc, which became independent in the early 1990s. The characteristics of the tax systems within this culture are: exclusive focus on indirect taxation (except Poland); excessive labor control (high level of social contributions) and inefficient system of social protection; high level of corruption and underground economy that generate low credibility of the authorities; predominant use of coercive measures to the detriment of stimulating cooperation; low level of fiscal morality. The Russian authorities highlight that they do not fit the tax fraud in the category of criminal acts and sanction it only by a fine. As they focus more on diminishing the level of mafia-type activities, fiscal non-compliance tends to become a widespread phenomenon.

- **Islamic fiscal culture**

The states that embrace this culture are based on the following principles, derived from the Koran: 1) Zakatul: the most important element for establishing social justice; applied only to the Muslim population and paid by it as a duty; one of the pillars of Islam, the obligation of its payment included in the Qur'an, without specifying the taxable matter; 2) The bank or camata, forbidden by the Koran, which encourages direct investments and obtaining dividends as a result of the economic activities carried out; 3) The stable currency: in accordance with the Qur'anic verse "and gives everything measured and weighed with justice", honesty and justice in all value assessments must be based on the Koran. The verse does not apply only to persons, but also to authorities. Therefore, the obligation of the state is to ensure sound currency, fiscal policies and proper control; 4) State responsibility: elaboration of an appropriate framework for the implementation of Islamic laws in society. The United Arab Emirates stands out as a tax haven (there is no income tax, except for banking and oil extraction) and a state with a free trade area (Jebel Ali port).

- **Asian tax culture**

Unlike Islamic states that, at the end of the twentieth century, made religious beliefs the spiritual, idealistic, political, economic confluence of reforming changes, Asians began to reform the state under the spur of economic growth manifested in the 1950s, when the economic boom the post-war Japanese "briefly" muffled the economies of the four "Tigers" (Hong Kong, Taiwan, South Korea, Singapore) and later those of China, Thailand, Indonesia and India. Industrialization and economic development within Asia became so much accentuated in the 1980s and 1990s that they came to surpass the growth rate of the European and American economies. States still report economic performance today, despite the fact that the position of governments vis-à-vis their own citizens has been and is a strong one. Although the methods used are sometimes improbable (e.g., the capital punishment for tax fraud in China), one explanation could be that, according to the authorities, the huge number of inhabitants can only be controlled by a high perception of power. This is because China and India alone total 2.5 billion inhabitants (one third of the planet's inhabitants). Of the sampled countries, Hong Kong stands out, having the status of fiscal paradise and being the preferred destination for the capital of western European millionaires (Tsakumis, G.T., Curatola, A.P. și Porcano, T.M., 2007).

- **Latin American fiscal culture**

Although direct taxation should generate substantial revenues, the main problem of the countries included in this type of culture is the extremely low number of registered taxpayers in relation to the total population. Thus, in 2012, in the databases of the Brazilian tax, there were 25 million taxpayers out of 190 million inhabitants (25% of the active population), and in Mexico 37 million out of 113 million inhabitants (10% of the active population). Another problem is the high level of economic crime and corruption, despite the costly efforts of the authorities.

6. Conclusions

History has taught us and answered two questions: where do the tax obligations come from and how do they evolve and evolve over time? At the first question I learned that taxes and taxes come from our inner moral springs. On the second question history has shown us the following fact: the construction of pyramids, lighthouses, domes, cathedrals, castles, palaces, statues, arenas, theaters, libraries, museums, campuses, walls, bridges, fortifications, maintenance of the army, education and the medical system. , keeping records of the state's assets by scribes, priests, customs officers, widows, visions, brides, leases, lords, sporadic, senior citizens, collectors, notaries, administrators, accountants, inspectors, governors, parliamentarians, ministers, maintaining the privileges and rights of kings, kings , presidents, princes, nobles, aristocrats, supporting the campaigns of arming, training, reforming and informing the media, territorial, spatial and scientific expansion, all of them contained and contained the pecuniary seeds of the withholdings and withdrawals from the salaries, profits and assets of the populations. led and / or subject, in the form of tax, tax, contribution, bureau, capitation, chisel, blanket, clapper, corvettes, cunts, dowry, gift, giving, desetina, tithe, goats, harac, asshole, none, patent, fish, prick, rays, rents, robots, symbiosis, quarter, subsidy, tribute, winery, tithes.

The study of fiscal behavior from an intercultural perspective has become, especially after the crisis of fiscal solutions, a primary need. The fact that the citizens of different countries have a different fiscal morality and report variously on the fiscal obligations or the fact that a change in the level of confidence in the efficiency of the authorities would lead to a change in the conformity has to think. These facts are not only the result of an existing geographical climate, of some historical changes in the customary social, moral, religious architecture, but also of economic policies and measures adopted, correctly or not, over time in those states, all creating a fiscal culture sui-generis. This is why the duty of the states in difficulty is not only to keep an eye on the "neighbor's yard" that has found more effective solutions, but even to knock on the door, to negotiate with it and eventually to ask for a "goat" loan, but in no case to wish her death, as recommended by a famous Romanian adage. In the absence of models, such as the "goat of the neighbor", who managed to perform despite the crises of money, time and patience, what chances we would have at least (more) to find what we admire when we dare to look up fence? We do not have to copy ad literate tax cultures, because neither can we and it is wrong to do so.

However, the fiscal culture of a state is unique and non-transferable. Then, history has shown us that, for the most part, attempts to copy ad literate for example economic or political systems have proved to be failures. What we can do is learn from the experience of others, borrow and then adapt. In this sense, each state must first understand its own fiscal culture, that is the accumulation of doctrines and economic, social, political, moral, religious, geographical factors that characterize it. Once they understand their fiscal culture, state authorities can answer questions such as: How much openness do countries with a communist political regime - such as China - create synergistic climates by applying strategies to advise new entrepreneurs? What financial availability is available in countries such as India, Pakistan, Morocco to increase spending on preventing and combating tax fraud? Given the low level of fiscal morality and credibility of authorities in countries such as Moldova, Romania, Brazil, can we speak of a transition from the antagonistic to the synergistic climate and, if so, at what costs? To what extent can the rate of taxpayer monitoring be reduced, and to what extent can high-pressure states, such as Switzerland, Sweden, Austria, Australia, increase their fiscal pressure, so as to generate an increase in compliance and so high? Only by looking for such answers can the fiscal culture of a country be adapted, preserving traditions and borrowing new ones.

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Romania's Budget Deficit Between 2017-2018

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Abstract

Under the current conditions, due to important changes in all the economic fields of the state, the lack of financial means creates many difficulties in its normal functioning.

The budget deficit has become a characteristic phenomenon of the contemporary world. A chronic budget deficit of large proportions can cause the rate of inflation, currency crisis, difficulties in paying off foreign debts and other unwanted phenomena that negatively influence the process of macroeconomic stabilization and economic progress, respectively.

The purpose of the paper is the generalization and analysis of the theories regarding the budget deficit, the establishment of the modes of occurrence of this phenomenon, the ways of financing the budget deficit, the evolution and the effects of the Romanian budget deficit that influence the economic situation in the country.

Key words: buget, sistemul bugetar, deficit bugetar, situatie economica

J.E.L. classification: H6, H60, H61, H62, H69

1. Introduction

The main function on which an economic mechanism is based is that of regulating and leading the economic processes, and each country carries out its economic activity according to it. In carrying out this function an important role belongs to the competitive market. Based on this and through the participation of the economic agents in the formulation of the demand and the offer, the interest ratio and the economic balance are regulated. In this situation, the state participates as an economic agent, but also as a public authority, with the help of its function to create and exercise the legislative framework. Economic processes are influenced by the state through economic-financial levers, namely customs, public spending or fiscal leverage. Other influencing factors would be the cost, interest, price, profit, etc., generated by the market. By establishing the values in monetary form, this financial mechanism reflects the economic mechanism.

Legally, the state budget is a law, a normative act with a predictive and obligatory character, which authorizes and provides for the state's revenues and expenses, for a period of one year. The state budget reflects the financial, economic and social policy options of the state, regarding a duration of one year.

A basic principle of establishing the state budget is the budgetary balance, but this is not achieved automatically, most of the times, by covering with budgetary revenues, the budgetary expenses. In such situations, it is understood that the budget is given a form of financing deficit, which takes the name of budget deficit (Auerbach, A.J.; Gokhale, J.; Kotlikoff, L.J., 1994).

A deviation from the budget balance is the budget deficit that is considered by the classical doctrine as a danger that leads to bankruptcy of the state. The public budget being used by the state as an instrument of its financial policy, at present, it is projected under a deficit.

The budget deficit is the difference between public expenditures, which are higher, and public fiscal, non-fiscal and ordinary revenues, which are smaller. The budget deficit represents the authorization of expenses higher than the income from taxes and other obligatory levies, being titled as a structural component of the budget. At the same time, we can say that the budget deficit is identified as a discovery of the expenses that will be financed by the loan application (Bistriceanu G., Văcărel I., Anghelache G.C., 2004).

2. Literature review

The classical school of finance considered that the deficits had a negative impact on the economy and regarded the budget deficit as a double danger: the danger of "bankruptcy" for the state (in which the state becomes insolvent and can no longer meet its obligations) and the maintenance of inflation - because the state commits itself to large unproductive expenses, puts into circulation additional money without the goods and services appearing on the market, resulting in inflation. The conservative concept therefore considers that reducing fiscal deficits is vital. When governments are dealing with a budget deficit, given the fact that they spend more than they produce - the national level of savings decreases, with an immediate effect on the level of investments, which, in turn, will negatively influence economic growth (Bistriceanu G., 2001).

In the meantime, the optics on these issues have changed, and in the conception of the modern school it is wrong to look only at the effects of the budget deficit, this being just a piece of a broader, more comprehensive picture of how the government chooses to raise and spend. funds. Mankiw (2008, p. 536) considers that the singular concern about the budget deficit is dangerous because it distracts attention from various other policies that redistribute income between generations.

An explanation of the effects cannot be made without identifying the link between deficit and public debt. The budget deficit is a variable of flows, while the public debt represents a variable of stocks (Liebermann and Hall, 2010, p. 736). Whenever at the end of the year the state faces a budget deficit, it requires funding for financing, thus affecting the level of public debt. The classical school saw as main negative effects of the deficit the low level of investments and the high level of interest rates, which subsequently has been transposed by the specialized literature into the so-called eviction effect (Cornescu V., Crețoiu G., Bucur I., 2001).

The neoclassical model of the effects of public debt argues that when governments start a project, whether it is funded by taxes or loans, resources are taken from the private sector. The main idea would be that when using tax financing, most of the resources are deployed to the detriment of consumption (Cioponea M.C., 2007). At the moment it borrows, it competes for funds with individuals or companies that want that money for their own investment projects (Rosen, 1998, p. 433).

However, in the contemporary period, some authors are of the opinion that the effect of crowding out is rarely so strong as to cancel out the entire expansionary effect of public spending, a net economic stimulus remaining (Baumol and Blinder, 2009, p. 695).

Another view that attempts to weigh the effects of deficits on interest rates is Rosen's (1998, pp. 431-432), who believes that because of the multitude of variables that can most likely affect interest rate levels, things are a bit more complicated. and they cannot be explained only by modifying one of them.

3. Research methodology

In Romania, six different methods are used to measure the public deficit, according to which a certain type of budget deficit is distinguished. Therefore, the paper uses as a research method the comparative analysis of the budget deficit in Romania.

Thus, the following types of deficit / surplus are identified:

- the deficit / surplus of the consolidated general budget;
- conventional deficit / surplus;
- structural deficit / surplus;
- operational deficit / surplus;
- primary deficit / surplus;

The deficit / surplus of the consolidated general budget, shows the existing imbalance on the part of the budgets component of the budgetary system, aggregated and consolidated, to form a whole. The deficit / surplus of the consolidated general budget is the most used in the analyzes regarding the imbalance between the resources gathered and the needs of the public sector. This deficit is calculated by the difference between the revenues and expenses of the consolidated general budget.

The necessary financing of the public sector is the conventional deficit / surplus, which is calculated as the difference between the receipts and the actual payments. In the method of measuring this type of deficit / surplus of the consolidated general budget, the revenues do not include the internal and external loans, and at the level of the expenditures the repayments of the public debt of that year are not taken into account, but we find the interests that are part of the public debt.

The primary deficit / surplus is defined as the difference between current income and budgetary expenses not intended to pay interest on public debt. If the primary deficit is positive, it means that we have a primary surplus and this shows us that the state contributes to the reduction of public debt and aggregate demand.

The operational deficit / surplus includes the primary deficit and the real interest paid on the domestic public debt account.

The structural deficit / surplus is highlighted and is recorded when, in the long term, the impossibility of the budgetary revenues to finance the budgetary expenses appears. The structural deficit has the tendency to become chronic, represents an imbalance of all the constituent elements of the financial structure of the state and is an error of adjustment.

If the state tries to correct the imbalance by increasing the tax quotas then the yield obtained is lower than anticipated, and the taxable matter diminishes under the effect of a high taxation. If the state takes measures to alleviate the fiscal pressure to reconcile the psychological reactions of the taxpayers, the result is not satisfactory. The structural deficit, in reality, is not the result of a chronic insufficiency of the budgetary revenues but it generates much deeper and deeper effects.

4. The causes of the appearance of the budget deficit

Auerbach, Gokhale and Kotlikoff (1994) considered that the budget deficit is an indicator with limited utility regarding the assessment of fiscal and budgetary policies. If these policies are dynamic they cannot be analyzed on the basis of short-term indicators, and any size of the budget deficit cannot show the burden induced by public policies on future generations.

The appearance of the budget deficit has now become a common phenomenon and is the opposite of the budget surplus caused by: the decrease of social production; excess monetary issues; increasing the expenses for the implementation of the approved social programs; increasing marginal costs in social production; growth of the dark economy sector.

Among the factors listed above, the decrease of social production and the growth of the dark economy sector are of particular importance.

The following structural factors determining the deficit are considered:

- political factors, which include political institutions, political instability, governmental fragmentation;
- social polarization as an inequality in ethnic incomes and divisions;
- institutional factors such as budgetary procedures and laws, bureaucratic efficiency and democracy.

In the context of economic cycles, the link between the unemployment rate and the size of the budget deficit is analyzed. The increase of the budget deficit occurs when the employment rate is reduced during the periods of economic recession, thus determining the increase of the budgetary expenditures for the social sector, the unemployment benefits (Moraru D., Nedelescu M., Stănescu C., Preda O., 2007).

If we analyze the relationship between the budget deficit and the interest rate, studies show that financing the budget deficit decides to increase long-term interest rates and thus reduce the return on equity markets.

One can also analyze the impact that the exchange rate can have, with the potential influence exerted by the interest rate and inflation on the deficit size. Devereux (1995) informs us that the budget deficit determines the appreciation of the real exchange rate, in small economies, the pessimistic forecasts regarding the size of the deficit lead to a depreciation of the real exchange rate.

In many developed or developing countries, due to the faster growth of public spending than public revenue, public budgets are being drawn up and are increasingly ending with budget deficits.

One way of intervention of the governmental management, for regulating the economic activity is the acceptance of a share determined by expenditures that exceed the public revenues, that is to say, the acceptance of a controlled deficit.

The causes can be caused by their own economy or by the international conjuncture, at the level and fluctuations of the gross domestic product, which is one of the internal causes that lead to the appearance or increase of the budget deficit, by slowing the rate of increase of the public revenues.

a) in the low developed countries, due to the low tax base, the small contribution from taxes and taxes, even if a high degree of taxation is adopted, determines the low level of budgetary revenues. In the countries in transition, it is determined by the drastic increase of the inflation rate, given that it is known that the budgetary incomes have a growth rate lower than the one of the budgetary expenditures, expressed in current prices. In contrast, with strong economic agents, with a high share of the employed population and with a population with high incomes and assets, in which the financial discipline is respected, in a developed economy the public revenues that feed the national budget will be collected in a high amount and at the stipulated deadlines, which creates the premises for covering the public expenses;

b) the degree of redistribution of the gross domestic product may lead to imbalances between public expenditure and income, as the components regarding unemployment aid and social assistance increase. On the one hand, the low degree of employment, intrigues additional efforts made to public authorities for social protection, and on the other hand, implies low budgetary receipts from income tax, social security contributions. Continuous decrease of the product gross domestic product, which takes place in the countries in transition, is determined by profound, structural transformations.

c) the continuous increase of the expenses with the repayment of the public debt (usually, a large part of this being generated precisely by the budget deficits of the previous years);

d) the increase of the budgetary expenses is determined by assuming by the Government the payment of the social costs involved by the transition process;

e) increasing public spending on arming is often one of the reasons that led to the exceeding of public revenues from public spending;

f) the influence transmitted by the international conjunctural phenomena through the exchange rate and the interest rate. Thus, in the 1970s - 1980s, several countries (developed and developing) faced severe budget deficits as a result of the oil crisis and increased arms prices.

The states have overcome the situation differently, depending on the degree of economic development, in some situations, the negative influences being transmitted from rich countries to poor countries.

5. Analysis of state budget revenues in the period 2017-2018

The constitution of the budgetary revenues is made taking into account the taxes, taxes, contributions and the rest of the payments taken from the natural and / or legal persons. Thus, the revenues mentioned in the state budget include the capital income, the current income (fiscal and non-fiscal income) and the receipts from the repayment of the loans granted.

According to the budget law and the Fiscal Code, in the category of budget revenues, we find the tax revenues that include direct taxes and indirect taxes, such as the tax on wages and income, the tax on profit, taxes and property taxes, other direct taxes, the contributions for the supplementary pension. and for persons with disabilities, value added tax, customs duties, excise duties and other indirect taxes.

According to the same regulations in force, in the category of budgetary revenues we also find non-fiscal revenues that include the revenues from sales of goods and services and the revenues from property.

The budget revenues were estimated at a level of 37,040 million lei (4.4% of GDP) in 2017, anticipating that they will register a small decrease in 2018, and will then increase in the period 2019-2020. In 2018, there is a reduction in tax expenditures related to income tax and an increase in social contributions. This is due to amendments brought by OUG no.79 / 2017 on the change of the Law no.227 / 2015 regarding the Fiscal Code, mainly from the reduction of income tax and employees' social contributions move.

The share in the gross domestic product of the main taxes, by categories, evolved as follows:

1. PROFIT TAX eg: R&D expenses - 50% additional deduction of the eligible expenses for these activities, sponsorship and / or patronage expenses, as well as private scholarships, tax exemption for the profit invested in the production and / or the acquisition of technological equipment - work installations, machines and machines.

2. INCOME TAX eg: war veterans, for allowances for maternal risk, maternity, child rearing, income tax exemption which means benefits in money and / or in kind received by the disabled, persons persecuted for political reasons and the elimination of the taxable income of the social health insurance contributions and the non-taxable ceiling of 2000 lei in the case of the pension income, personal deductions for the dependent persons.

3. VAT reduced rates of 9% and 5% VAT, especially the extension of the application of the reduced rate of 9% VAT for the delivery for restaurant and catering services, food, except alcoholic beverages, and for the supply of drinking water and water. water for irrigation in agriculture.

4. TAXES AND LOCAL TAXES Exemptions from the payment of the tax on the buildings owned by the public or private property of the state or of the administrative-territorial units, exemptions from the payment of the tax on the building in the case of the Romanian natural and / or legal persons who thermally rehabilitate or modernize the buildings residential property they own.

5. SOCIAL CONTRIBUTIONS gift vouchers and nursery vouchers, meal vouchers, gift vouchers and nursery vouchers, holiday vouchers, granted according to the law, death aids, cancellation of the employer CAS payment for pillar II for military, police and military personnel special status.

Compared with 2017, in 2018 the total revenues of the consolidated budget increased by 17.2% and the expenses by 16.8%.

VAT receipts were 11.3% higher in 2018 than in 2017, up to 59.6 billion lei. Compared to the initial budget provisions, they were 1.7 billion lei lower. Also, the excise revenues increased by 7.2% compared to 2017. But also they were lower by 1.7 billion lei compared to the program.

6. Analysis of state budget expenditures for the period 2017-2018

The constitution of the budgetary expenditures is made taking into account all the exits, that is, all the allowances for education, the allowances for the army, for the culture, for the social assistance, for the health, the unemployment benefits, the pensions, for public order that derive from the possibilities that the budget has. , according to income, capital and receipts from repayment of loans granted.

In the category of budgetary expenses related to the national sectors, respectively public authorities, national defense, public order and national security, education, health, culture, religion and actions regarding sports and youth activity, agriculture and forestry, transport and communications, social assistance, allocations, pensions, aid and allowances, services and public development and housing, environment and water, industry, scientific research and other economic actions, according to the law of the state budget, we meet: current expenses; capital expenditures; given loans; loan repayments, interest payments, loan commissions.

The share of total budget expenditures in GDP is on a downward trend in the medium term to allow the adjustment of the budget deficit.

In 2018, expenditure on goods and services was maintained at a quasi-stable nominal level compared to 2017, being influenced in this way by the restrictions applied to the main authorizing officers for 2018. The trajectory of this category of expenditure is a downward one in the medium term reported. GDP.

In 2018, the personnel expenses increase both in nominal value and as a share in GDP based on the application of the Framework Law on the remuneration of paid staff from public funds.

The expenses with the social assistance increase constantly in nominal value on the fund of the social allowance for pensioners (640 lei as of July 1, 2018) and of the increase of the pension point (1100 lei as of July 1, 2018). At the end of the programming period, this branch of expenditure will register a reduction in weight in GDP, thus facilitating the effort to adjust the budget deficit.

7. Budget deficit - forecasts for 2019-2020

In the medium term, growth is expected to remain generally stable. Real GDP is expected to remain below 4% in 2019 and 2020. The main driver of economic activity will continue to be private consumption, although slower wage growth and tightening lending conditions may hinder development. it.

The contribution of the external sector to economic growth will remain negative, according to estimates, but will improve as export growth will remain largely stable, while import growth will decline as a consequence of reduced consumption. Estimates show that investments will grow slightly more than in 2018.

The fiscal planning for the years 2019 -2020 had as source, the fiscal measures started in the period 2015-2016 in order to stimulate the economic growth (the new fiscal code and the salary increases and of some rights of the nature of the social assistance) and the normative acts from 2017, by which measures were legalized in the legislation in the field of social rights, in the field of pensions, the field of remuneration of the personnel from the budgetary sector, which had an additional impact on the personnel expenses, implemented in 2018, but also the fiscal fiscal measures taken on during 2018, which will influence the macroeconomic framework and budgetary indicators for the period 2019-2020.

By categories, the share in the gross domestic product of the main taxes will evolve as follows:

- Income from income tax will increase in nominal terms, with a share of total revenues in 2020 of 18%, with 0.8% percentage points increase compared to 2019.
- Income tax and wages will be maintained at 25.87% of total income in 2019 and 2020, and in the medium term the evolution will be determined by the moderate increase in gross earnings in line with productivity.
- Income from value added tax will increase by 2.36% percentage points in 2020
- The level of revenues from excise duties will change compared to 2019, in 2020 reaching 32.37% of total revenues, as a result of the increase of excise duties for certain excise products according to the schedule established in this regard (cigarettes, some energy products and electricity).

In 2020, all the components of the state budget revenues will have an upward trend compared to 2019. The most significant change will be that of non-fiscal revenues, which will increase by 0.4% compared to the previous year.

The estimation of the evolution of the main categories of taxes and duties for the period 2019 - 2020 is based on the projection of the macroeconomic indicators and the maintenance of the main rates of taxation at the same level, according to the legislation in force.

The approximate budgetary expenses for the year 2019 amount to MDL 368.8 billion, increasing by MDL 46.3 billion compared to the previous year 2018, in 2020 they reach approximately MDL 438.0 billion, namely 34.72% of GDP, registering a downward trend in GDP on the reference line due to the will to reduce the budget deficit. Social assistance expenditures recorded the largest increase as a share of GDP on the reference horizon, due to the measures adopted on the pension point line. The goods and services appear with a decrease in weight in GDP in 2020 compared to 2019, respectively 0.27 percentage points, concomitant with the expenses with the public debt that register a decrease during the period 2019-2020. Investment expenses reach 48.7 billion lei in 2022.

8. Conclusions

In recent years, Romania has made considerable progress in reducing macroeconomic imbalances, which together with the monetary policies and structural reforms implemented or in the process of implementation, have contributed to maintaining macroeconomic and financial stability.

Internal macroeconomic evolutions have been the basis for further implementation of economic policy measures.

Conditions in the labor market have been improved. The labor market has continued to improve. As a result of robust economic growth, the unemployment rate will continue to decline in the period 2018-2020, and the employment rate will increase, at a moderate pace.

Fiscal-budgetary policy measures have been adopted with effects on the social protection insurances for the categories of population with minimum incomes and on stimulating the business environment. In 2017, additional measures have been introduced that highlight, as a whole, the fiscal relaxation started in previous years, with the desire to stimulate economic growth.

As part of the obstacles facing EU Member States, which must focus their efforts on promoting stability-oriented macroeconomic policies and reforms that promote economic growth, Romania has set the following budgetary construction goals for 2019-2021:

- ✓ Continuing, consolidating, stimulating and maintaining an intelligent and inclusive economic growth, in order to provide the premises for the consolidation of a proactive, strong state and a balanced society, in order to increase the confidence of investments in the Romanian economy;
- ✓ Granting significant amounts of money to support public investments by prioritizing significant public investments to improve the quality of life, to ensure infrastructures and
- ✓ Making a pre-assessed fiscal policy to streamline internal processes, to help the business environment and to stimulate investments in the sectors with increased added value, to simplify the taxation and to create the premise of a sustainable economic growth;
- ✓ Measures adopted by the Government aimed at stimulating consumption by adopting wage and social measures for social protection and social security for the elderly, pensioners and vulnerable categories.
- ✓ Development and diversification of public debt management tools;
- ✓ Improving, applying and strengthening budgetary governance, increasing budgetary transparency and making public spending more efficient.

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Operational Risk Management in a Financial Institution

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Abstract

Risk is a fundamental business factor, mostly because no activity can be profitable without risk. Therefore, any business company is trying to maximize its profits by managing the risk specific to its field of activity and by avoiding or transferring the risk that it does not want to take over. A robust banking strategy should include both bank risk management programs and procedures that aim to minimize the likelihood of these risks and the potential exposure of the bank. This stems from the primary objective of these policies, namely to minimize the additional losses or costs borne by the bank, and the central objective of banking activity is to gain the most profit for shareholders.

Key words: operational risk; financial institution; banking; risk evaluation;

J.E.L. classification: G10, G32, M41

1. Introduction

The importance of bank management is not only to minimize costs. The permanent concern of the management to minimize exposure to risk has positive effects on the behavior of employees who become more rigorous and more competent in fulfilling their duties; neither should the psychological effect of discouraging fraudulent activities should be neglected.

The existence of prevention and control of financial institution risks programs also contributes to the institution's imposition within the financial community, mostly because these types of programs condition a financial admission and the participation of it in associations or the obtaining of superior ratings from the financial authorities.

However, an effective risk management bank will put its mark on the public image of the bank. Customers, as well as shareholders, want a safe bank. The solidity of a bank attracts depositors, even though deposits are not insured compulsorily.

"In banks, assets change frequently, and portfolios are shifted without the knowledge of debt and equity claimants" (Santomero, 1997, p. 85). Moreover, because bank risks are a source of unforeseen expenses, their proper management can stabilize their income while having the role of a shock absorber. At the same time, the consolidation of the value of bank shares can only be achieved through real communication with the financial markets and the implementation of appropriate banking risk management programs. All banks and financial institutions need to improve their banking risk management understanding and practice in order to manage different product ranges successfully. If the bank risk management process and global management system are effective, then the bank will be successful. Banks are able to effectively handle banking risk by recognizing the strategic function of risk management, by using the analytical and management paradigm to boost efficiencies, by taking accurate steps to adapt performance to danger, and lastly by establishing risk reporting processes to guarantee that investors know the effect of risk management on the value of prohibition.

2. Theoretical background - Conceptual approaches to operational risk

"Operational risk has always had a significant presence in a bank's business, often in connection with lending activities or market operations" (Codirlesu, 2011, p. 32). The exposure of credit institutions to this risk category is on an upward trend, in terms of diversifying and multiplying the number of banking transactions, technological development, financial innovation and generalization of merger and acquisition activities, in a financial market with a higher degree of globalization.

The inclusion of operational risk in the capital requirement of credit institutions has been an essential step in stimulating them to give greater importance to the management mechanisms of operational risk generating events. In the initial vision of the Basel Committee (Basel Committee, 2011), the operational risk was characterized by total potential loss, except the parts assimilated to credit or market risk.

The current approach is more precise and concerns the risk of recording direct or indirect financial losses as a result of (a) erroneous or inadequate internal processes; (b) persons who misbehave; (c) systems with deficiencies in execution; (d) undesirable external events. Operational risk is assimilated to legal risk, while strategic and reputational risks are considered distinct categories.

Legal risk is defined as the risk of loss due to both the fines, penalties and sanctions that the credit institution is liable of in the event of failure or defective application of legal or contractual provisions and the fact that the contractual rights and obligations of the credit institution and/or its counterparty are not duly established. Monitoring and eliminating the effects of legal risk implies the existence of effective information systems regarding the legal provisions with a banking incidence and their correct application. Perhaps more than any other field, the banking environment is the subject of highly modified, relatively dissipated legislative provisions, which amplifies the sources of risk.

Strategic risk refers to potential losses associated with inappropriate business strategies or rapid changes in working hypotheses, parameters, goals, or other factors that define the strategy of a credit institution. Therefore, strategic risk depends functionally on the bank's strategic objectives, the directions of action set for achieving these objectives, the resources involved, and the quality of implementation. In practice, this risk category is difficult to assess and is often associated with market risk.

Reputational risk concerns the possibility of significant financial losses in a credit institution as a result of the deterioration of the general public's perception of the bank's ability to effectively fulfill its functions. Often, reputational risk is associated with liquidity risk. Negative information (whether true or not) about a credit institution may trigger a wave of mass withdrawals of deposits, with significant unfavorable effects over the entities' financial stability.

3. Principles of the operational risk management system

The banking industries experience shows that the materialization of operational risk could be so severe that it would shortly lead to insolvency, and the possibilities of the anticipation are relatively limited. Thus, a prudent attitude from credit institutions towards operational vulnerabilities and a pro-active approach are required. According to best practice in the field (Basel Bank Supervisory Committee recommendations), effective operational risk management must comply with four essential principles, structured on ten fundamental requirements.

Developing a framework for operational risk management:

1. The Board of Directors sets out the strategy and principles underpinning operational risk management
2. The Board of Directors shall ensure that the structure of the operational risk framework is subject to an effective and independent audit.
3. Executive management is responsible for implementing policies and procedures.
4. Identifying and assessing risks in activities, products, processes, and systems are appropriate to the risk profile

5. Risk monitoring and reporting to the Board of Directors and Executive Management is prompt.
6. Decision-making for proper operational risk management and the implementation of corrective measures are consistently applied.
7. The contingency plan for the unplanned business is operational.
8. Ensuring that the credit institution has a useful internal framework for operational risk management
9. Regularly assess the Bank's strategy, policy, and procedures
10. The Bank provides relevant information to supervisors and the general public on the quantitative and qualitative aspects of operational risk management.

4. Responsibilities in the operational risk management process

The Board of Directors is responsible for setting and approving the operational risk management strategy and procedures.

Executive Management is responsible for implementing the operational risk management strategy and procedures established by the Board of Directors and ensuring its communication to the staff.

An important activity is the establishment of a system with a limited tolerance for operational risks, which allows the bank to carry out the activity in an appropriate manner.

Table no. 1. Key operational risk indicators

No.	Operational risk factors	Attention limit	Maximum tolerated limit
1	Annual staff turnover	5%	10%
2	Employment of qualified personnel related posts	80%	60%
3	The share of operations canceled in total operations	0.75%	1.5%
4	The average number of days per employee attending training courses	1 day	0.5 days
5	The number of disputes in which the institution has the quality of claim	15%	25%

Source: (First Bank Report, 2018)

In general, the Bank's exposure limit to operational risk events comprises two threshold values for each relevant risk factor, namely a threshold of attention and a maximum acceptable level.

Risk holders have responsibilities in line with (a) identifying the operational risks they face in conducting their current business; (b) timely and accurate reporting of identified operational risk events; (c) preparing and transmitting in time the risk monitoring reports; (d) the monitoring of operational risk losses; (e) permanent tracking of loss recovery at the level of the organizational unit; (f) implementing specific measures for the recovery of losses; (g) preventing future occurrences of operational risk events; (h) formulating and submitting notices and proposals for reducing operational risk.

The Internal Audit Department (Botea, 2006, p. 28) is responsible for reporting the operational risk events identified during the internal evaluation missions. Without involving direct action in the operational risk management process, the internal audit function should remain an independent function within a credit institution.

The Risk Management Division has the following responsibilities: (a) to establish the internal operational risk management framework; (b) centralizes, according to the validation criteria, all information received from the risk takers; (c) analyzes the information in the database identifying operational risk sources.

Traditionally, banks have accepted operational risk as an unknown cost component, which makes it difficult today to identify its multiple sources accurately. Given the interconnectivity of operational risk with other risk categories at the level of a credit institution, the process of managing exposures to this risk category begins with the extraction of information which concerns the occurrence of operational risk events from the set of financial loss events at the bank level. As general sources of operational risk, we find events to be:

- internal, which refers to elements regarding human resources, processes, systems, the structure of the institution, nature of the activities carried out, organizational changes, etc.
- external, such as natural disasters, outer fraud, terrorist attacks, changes in the banking system, technological progress, economic, political or legislative conditions that prevent strategic objectives at the level of the credit institution from being met.

5. Risk management

A significant source of risk is located at the level of the quality of the processes and their own or outsourced systems. Technological progress, such as the electronic transfer of funds, can reduce the exposure to the risk of human error, but increases the dependence on the safety of operating the information system.

At this level (Dima, 2009, p. 84) the bank has to follow in particular:

- a) safety, accuracy, and integrity of data storage and processing of relevant information;
- b) accessing banking information only by appropriately licensed users through protection filters and system entry restrictions (privacy);
- c) the degree to which the design or use of specific processes and systems allows for compliance with legislative requirements (for example, structured reports conforming to the rules of the National Bank of Romania, Basel II or the standards of the group to which the credit institution belongs);
- d) the existence of a continuity plan for operations where a process or system becomes unavailable or is destroyed;
- e) the degree of compliance of the IT system with the requirements of the supervisory authority, its development, and maintenance for the operational departments.

Another type of risk is the risks associated with bank staff. These risks are pursued:

- a) the degree of consistency between the professional qualifications of the employees and the responsibilities set out in their job descriptions;
- b) avoiding conflicts of interest in setting staff responsibilities;
- c) the correlation between the performance indicators of the staff and its remuneration;
- d) the feasibility of the business continuity plan in case of loss of key employees for the institution;
- e) the extent to which internal provisions on employee conduct are respected, and responsibilities and instructions related to internal processes are delegated.

Particular attention should be paid to documents concluded by the credit institution (contracts, trading reports, and advertising brochures) which can be used to clarify the terms and conditions of their own banking products. Any inappropriate or inaccurate information contained in these external documents may expose the institution to significant risks of a legislative or reputational nature.

Increased exposure to operational risk is also due to organizational changes, infrastructure, or business environment. Thus, a poorly trained or inexperienced and unmotivated, uneducated person in the execution of a specific activity or unclear information management processes, insufficiently integrated into the current activity.

6. Monitoring operational risk

Operational risk monitoring involves analyzing the set of synthetic operational risk reports, as compared to the thresholds set in the credit institution's risk tolerance policy. Reports reflect relevant statistics on the evolution of key risk indicators, the frequency, and severity of different types of operational risk events.

The organizational structure of the bank should facilitate adequate information flow, both vertically (in both directions, respectively ascending/descending), and horizontally (between risk entities), which would allow the substantiation of the operational risk materialization process. In a simplistic approach, the manifestation of operational risk can be considered significant when gross annual losses exceeding 1% of the relevant indicator (Gallatti, 2003, p. 224). The Basel II agreement refers to the amount of EUR 10,000 for the purpose of constructing the distribution of losses associated with operational risk, from which then the corresponding capital requirement is derived. This value of materiality threshold may be appropriate for large credit institutions with international movement, but it is improbable to small banks with activity predominantly oriented towards traditional actions, such as lending to individuals. A more pertinent approach to the definition of materiality is based on the principle of adequacy modeling the direct relationship between the nature and complexity of the activity and the manifestation of the operational risk, depending on the risk aversion of the bank.

Once the materiality threshold has been reached, the institution shall ensure that the operational risk management operational procedure is applied appropriately and effectively so that the impact on its financial position can be controlled.

7. Operational risk management / control

This stage in the operational risk management process (until the resumption of the cycle) involves the adoption of administrative control measures. The Bank adopts a different attitude in the management of operational risk according to the frequency with which it manifests, while also taking into account the financial impact it generates (Stanciu, 2010, p. 245), namely:

- taking low-risk and low severity risks;
- reducing risks with high frequency and low severity;
- risk transfer with low frequency and high severity;
- eliminating high risk and high severity risks.

Undue operational risks in the conduct of banking business, with a low frequency of occurrence and relatively small value losses, often fully recoverable, can be assumed by the bank. Concrete corrective measures are necessary in the case of events that, although of limited severity, manifest themselves with considerable frequency. Taking into account the causes that led to the manifestation of operational risk, the type of tolerance / maximum tolerance limit that was exceeded, the correlation between the various risk indicators, the consequences and the gravity of the situation, the risk class in which the event falls, the bank will undertake one or more many of the operational risk management specific measures :

- correcting risk behaviors and attitudes by applying incentives to facilitate risk awareness and thereby implementing risk control strategy;
- providing funds for anticipated (expected) losses and maintaining financial reserves for unexpected losses that may occur in the normal course of business;
- employee training at the workplace or facilitating their participation in external training;
- implementing new rules / procedures / instructions;
- restricting access to various computer modules for specific users.

An essential aspect of managing operational risk is represented by its transfer through the purchase of insurance. The Basel II Agreement (Georgescu, 2005, p.15), recognizes the role that insurance can play in reducing the financial impact of operational losses at a bank level. The conclusion of a specific assurance against operational risks may result in a lower level of the minimum necessary capital allocated to this category of risks.

The role of insurance is to transfer the financial impact of risk or combination of risks from one entity to another. By taking out insurance against a specific risk, the bank relies on the insurer's ability to provide compensation under agreed conditions.

Insurance against operational risks:

- offers a bank the ability to eliminate or diminish large fluctuations in liquidity;
- leads to limiting the impact of catastrophic situations on the viability of the institution;
- facilitates solutions to improve the process of operational risk management through corrective measures imposed by qualified insurer monitoring.

The most commonly used operational risk insurance policies are:

- the complex bank insurance policy, which protects employers against lack of honesty or failure to perform service tasks by employees, against fraud and forgery, and against loss of damages caused to the assets owned by the policyholder;
- the computer fraud policy, which protects the insured against losses caused by malfunctioning of the computer network, viruses, data transfer problems, fraudulent transactions;
- the liability policy covering claims paid to third parties due to the losses suffered by them as a result of the negligence or professional misconduct of the insured's employees;
- policies for movable and immovable property covering the usual risks that may affect the property of the policyholder (fire, earthquake, etc.).

A bank's decision to contract insurance against operational risks depends on a multitude of factors that influence both the potential benefits it will obtain and the size of the insurable risks. Among these, we can mention the size of the bank, its risk profile, the time horizon of risk coverage, the attitude of the stakeholders, the rating of the bank (Power, 2005, p. 577).

According to Basel II, an insurance policy is considered eligible to reduce exposure to operational risk only if it meets two of the following eight criteria :

1. The issuer of the insurance policy shall have a rated benefit rating rated at least one level A or equivalent performance;
2. The initial term of the insurance is at least one year, and if the residual duration of the policy is less than one year, corresponding value adjustments will apply;
3. The notice period for cancellation of the policy must be at least 90 days;
4. There is no conditionality related to the actions of the supervisory authority in the sense that the eventual insolvency of the insured credit institution does not entail the cancellation of the liability of the issuer of the policy to pay the damages covered by the contractual provisions;
5. Calculations made on the level at which the insurance diminishes the size of the operational risk must reflect the extent to which the policy covers the potential severity of the considered operational risk event;
6. The issuer of the insurance is not part of the group of the beneficiary institution, unless the insurance undertaking, the affiliated bank of the insured bank, proves that it appropriately transferred the risk to a third party by reinsurance;
7. The framework for the recognition of operational risk mitigation tools is adequately structured and documented;
8. The bank shall provide appropriate information to the general public on its policy for mitigating operational risk and the purposes for which it is applied.

8. Operational risk assessment

The operational risk assessment aims at detecting the most vulnerable operations of the credit institution through a risk scale (low, medium, high risk).

Classification of activities is based on the likelihood of occurrence of the event generating operational risk losses and the severity of the impact or on the financial position of the bank.

Operational risk assessment methods generally have a small quantitative value compared to methods of quantification of credit or market risk, expression of conceptual difficulties, and the early stage of empirical research in this risk category. The very semantics of the Basel II capital agreement suggest that operational risk measurement is less rigorous than credit and market risk.

Table no. 2. Reports on operational risk data collection

	The ratio of operational risk losses	The recovery ratio of operational risk losses
Objective	Collecting a set of information on each loss suffered by the bank as a result of operational risk;	Information on the stage of recovering losses incurred by the bank as a result of the operational risk, previously transmitted on the basis of loss reports;
Structure	The report collects data in relation to the first two categories of database information, namely general information about the operational risk event and information about the losses generated by the operational risk manifestation;	The report presents a structure similar to the last category of database information, i.e., new information discovered during the time elapsed between the two reports;
Informing periodicity	The operational risk loss ratio is completed and transmitted monthly; events involving losses that exceed the established materiality threshold are reported operative;	The operational risk recovery report is completed and transmitted on a monthly basis with the information specific to the reporting period;
Reporting term	The deadline for submitting the report is the last working day of the month for which the reporting is made;	The deadline for submitting the report is the last working day of the month for which the reporting is made;
Reporting responsibility	The risk managers are responsible for the completion and transmission of the Operational Risk Loss Report: Operations managers for the territorial units of the Bank, respectively the Serviced / Department / Division Directors of the Center;	The risk managers are responsible for the completion and transmission of the Operational Risk Loss Report: Operations managers for the territorial units of the Bank, respectively the Serviced / Department / Division Directors of the Center;
Report destination	Within the prescribed period, the operational risk loss ratio is transmitted to the person in charge of the operational risk management of the Risk Management Department.	Within the expected deadline, the operational risk loss recovery report is forwarded to the person in charge of the operational risk management of the Risk Management Department.

Source: (First Bank Report, 2018)

The risks that may arise in the Bank's current business are:

- Risks associated with credit risk - in which there are the following subdivisions:
 - Counterparty risk
 - Country risk
 - Concentration risk
 - Residual risk
 - Settlement risk

- Market risk - within which there are the following subdivisions:
 - The risk of trading book interest rate (from trading portfolio activities)
 - The bank interest rate risk (from activities outside the trading book)
 - Price change risk
 - Currency risk
- Liquidity risk
- Operational risk
- Reputational risk

For all this, as well as for other associated risks, First Bank has defined an internal process for assessing capital adequacy risk. According to their 2015-2018 Business Strategy, the Bank's mission was to strengthen its position on the Romanian financial market through high-quality services offered to its clients, promoting an environment conducive to capitalizing on human resources and protecting the interests of shareholders by creating value for them. Achieving these goals largely depends on effective risk management.

The Bank's risk strategy is based on three parameters:

I. The appetite for risk

II. Risk profile

III. Risk tolerance

I. The appetite for risk indicates the level of risk that the Bank is willing to accept.

The accepted risk level has two components:

- the level of risk associated with existing exposures
and
- the level of risk associated with future exposures.

According to the Strategy and Business Plan for 2015-2018, the Bank's management structure has set a moderate risk appetite for 2015. This level represents the level of risk that the Bank accepts for new exposures, in addition to the risk from exposures existing in its portfolio up to 31.12.2014.

Consequently, given the fluctuations in the risk profile in 2014, the level of risk arising from the existing portfolio of the Bank (especially as a result of the materialization of credit risk), the risk appetite for 2015, the general strategic objectives, as well as the market conditions (the turbulent economic environment), First Bank objectively accepts a high-risk level of 1-3 years (mainly driven by the evolution of the macroeconomic environment and international markets) and aims to reduce the risk to a medium-high level on within 3-5 years, and will continually set risk reduction targets.

These targets take into account the fact that, in conditions of economic turmoil, the Bank will objectively accept a higher level of risk from existing exposures, but will take all necessary measures to reduce the risk appetite for new (future) exposures.

II. Risk profile represents the totality of the risks to which the Bank is exposed depending on the strategic objectives and, accordingly, on the risk appetite. Assessed according to the risk matrix, the risk profile is not a static measure, but an evolutionary risk assessment with a predetermined frequency. Its role is to determine the size of each significant risk and overall risk level based on relevant indicators.

The risk profile is assessed quarterly and is monitored against the level of risk objectives set out in this Strategy. Depending on the evolution of the risk profile in relation to these objectives, as well as the temporal extent of a particular development (for example, the period in which the risk exceeds a certain level), the Bank may provide for measures to correct or control the risk factors. The risk profile evaluation methodology is detailed in First Bank Romania's risk profile.

The following risk categories define the overall risk profile:

Table no. 3 Risk profile

Significant risk	Expected risk level (1-3 years)	Risk Level Goal (3-5 years)
Credit risk	high	medium-high
Counterparty risk	medium	medium
Concentration risk	medium	medium
Market risk	medium	medium
a. interest rate risk:		
- trading book	medium	medium
- banking book		
b. currency risk	medium	medium
Liquidity risk	medium-high	medium
Operational risk	medium	medium-low
Reputational risk	medium-high	medium
Overall risk profile	high	medium-high

Source: (First Bank Report, 2018)

Considering that, in conditions of economic turbulence, the level of risk related to exposures existing in the Bank's portfolio is increasing, and may even exceed the expected risk, the Bank will limit or reduce the risk appetite for new exposures by adopting corrective or control measures to the extent that they are viable and timely. In this respect, risk profile monitoring is essential for risk management activities.

III. Risk tolerance is the ability of the Bank to accept or absorb the risks. First Bank Romania's risk tolerance has the following measurable dimensions:

- a. internal capital (available)
- b. the liquidity buffer.

a. Internal Capital (available) is the source of covering / absorbing the unexpected loss from the materialization of all the risk categories to which the bank is exposed. At First Bank Romania S.A. level, the domestic capital is limited to the amount of Tier 1 and 2 own funds. The Bank's objective is to maintain internal capital available to a level sufficient to cover capital needs internally.

Risk tolerance is up to 90% of the national capital. This level corresponds to the objectives set out in the Capital Plan 2015-2018 regarding the evolution of the solvency ratio, taking into account the regulated and internal capital requirements. Under stress conditions, the bank can accept a maximum risk tolerance level of 94% (the ratio between required and available domestic capital). The bank monitors the ratio between required and available capital, based on a warning limit set at 80%.

9. Conclusions

Banking institutions must recognize the risks of their exposure resulting from day-to-day operations, as well as from achieving its strategic goals. Efficient bank risk management is vital in order to achieve strategic objectives and to ensure the quality of the shareholders' benefits on a continuous basis. Regarding this, the banking institutions strategy concerning significant risk management provides the framework for identifying, evaluating, monitoring and controlling these risks in order to maintain them at acceptable levels depending on the bank's risk appetite and its ability to absorb those risks. Among the risks that may arise in their current activity are credit risk, market risk, liquidity risk, operational risk, and reputational risk.

First of all, banks should aim to be in a medium risk profile regarding operational risk exposure. They should adopt clear, efficient and complete strategies and processes, in order to permanently evaluate the capital requirements, as well as to maintain the internal capital at a level deemed appropriate to cover the nature and extent of the risks to which they are or might be exposed.

Second of all, (Dardac, 2010), starting from the fact that operational risks are one of the most difficult risks to quantify and monitor, banks should put forward through their risk strategy to create the premises for organizing a working framework to meet the risk profile objective, namely to maintain this risk category at an average level. As a consequence, it is necessary that the procedure for defining operational risk events should be through the Risk Profile and the operational risk management policy (in accordance with Basel II).

In conclusion, it is necessary to consider creating a risk matrix meant to ensure continuous monitoring of the occurrence of operational risk events. The main events that can generate operational risk are internal and external fraud; defective customer, product and activity practices; damage to tangible assets. Thus, it must be organized a historical database, collecting this way all operational risk events and their losses. These methods will be established within the territorial units and departments of the bank's central headquarter by those responsible for monitoring and reporting operational risk events. Reporting should be made monthly to the Risk Management Departments, and then forward them centralized to the Risk Management Committee regarding these events. If the bank risk management process and global management system are effective, then the bank will be successful.

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The Influence of the Variation of Taxes and Duties on the National Economy in the Context of Ensuring the Need for Revenues to the State Budget

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Abstract

The article aims to make an x-ray of the main taxes in Romania during the post-crisis period and to identify the interdependence between their evolution and the economic growth against the need to overcome the economic crisis from 2008-2009.

The fiscal burden influenced the evolution of the Romanian economy in the period following the economic crisis, the changes in tax rates bringing also pluses and minuses to the economy of the country.

The poor efficiency of collecting taxes to the state budget but also the evolution of the evasion phenomenon slowed down economic growth rate of Romania during the post-crisis period, generating very difficult skids to correct.

Key words: fiscal burden, taxes and duties, post-crisis period, economic recovery

J.E.L. classification: E63, H260, O16

1. Introduction

Much stronger than the economic downturn of the 1980s, the recession from 2008-2009 drastically affected the business sector and the final consumer, both "camps" taking the measure of spending reduction. The causes and effects of the global economic crisis have long been debated by the financial experts. However, Romania, an emerging country, has followed its fiscal consolidation and economic growth program in a sinuous way, based either on consumption or tax increases. The X-ray of the last 10 years of the evolution of the main taxes shows how they were part of the basic instruments used by the governments in the economic recovery of the country, post-crisis.

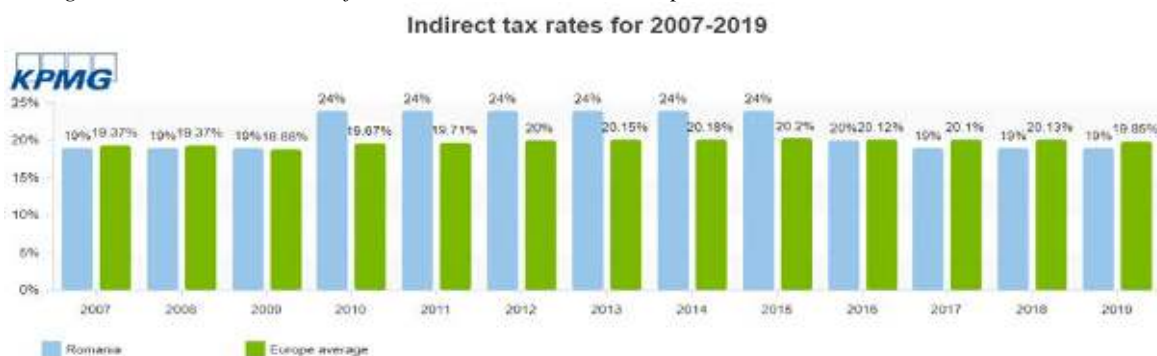
The value added tax in Romania was introduced from July 1, 1993 to the present time with the following quotas: 0%; 5%; 9%; 11%; 18%; 19%; 20%; 22% and 24%. In Romania, between July 1, 2010 - December 31, 2015 (post-crisis period), the VAT rate applied was 24%. This is among the highest standard rates of value added tax in the European Union, after Hungary with 27%, followed by Denmark and Sweden with 25%, while the average standard VAT rates applied in EU member countries were between 18% - 21%.

Frequent changes in the VAT rate are subject to the tax policy of each country and in the case of EU member states, changes are also required by the fiscal policy of the European Union. The changes in the field of VAT at EU level aim to harmonize fiscal policies in the field of this tax (standard rates, reduced rates, taxable matter, exemptions, facilities, etc.).

The evolution of the standard VAT rate in Romania compared to the European average, from the pre-crisis period to the present, can be seen in the Figure no.1. Thus, it can be observed that in Romania the standard VAT rate is at a value substantially equal to the European average before the

economic crisis and at the time of its outbreak, detaching itself from the average European percentage by about four percentage points from 2010 to 2015. This fact was due to the corrective measures taken by the Romanian Governments by which they tried to determine the positive evolution of the budget revenues (evolution initially based on an expected economic growth but that did not take place at the level of expectations), thus reducing the budget deficits generated by the poor performances regarding the receipts.

Figure no. 1 The evolution of the standard VAT rate in the period 2007-2019



2. Literature review

Starting from the idea that the public economy is not an end in itself like the private one, in 1930 in the paper *Elements of financial science*, Leon, G. 1 concluded that the attraction of income to the state budget has the final aim to satisfy the collective needs, the public economy being an important tool that "cannot leave needs unmet, due to the lack of sufficient provisions". In the Romanian specialized literature, the public finances are assigned a series of control functions, respectively control, of which the most important is the control over the economic and social activities. Thus, budgets have an important role in the evolution of society through the function of distribution of GDP, through the control of economic and social activities and not lastly through the function of determining the economic stability or regulating the economy. The latter is based on a concept based on Keynesian doctrine, which supports the influence of the state, when appropriate, of the different economic-social activities through the help of economic-financial levers, between which the public budget plays the major role.

A review of the specialized literature on this topic was made by Oprea, F. 2 in the paper *Public Budgeting Systems - Theory and Practice*.

3. Research methodology

For the brief realization of the radiography of the evolution of taxes and duties in the period after the financial economic crisis of 2008-2009, in the context of the urgent need for revenues to the state budget, at the same time of the desire for economic growth in Romania, we used statistical research methods such as static comparative analysis and dynamics, trend analysis, graphical representation of the investigated events and phenomena based on data from the Annual Reports of the Fiscal Council or databases of the European Commission and the National Office of the Trade Register.

4. Findings

4.1. The share of taxes and duties in GDP before and after the crisis and the influence of dynamics on the Romanian business environment

The global crisis of 2008-2009 was characterized by a pronounced instability, economic, political, ideological, military contradictions as well as increasing volatility and uncertainty. The economic crisis is that phase of the economic cycle in which a relative surplus of goods forms in

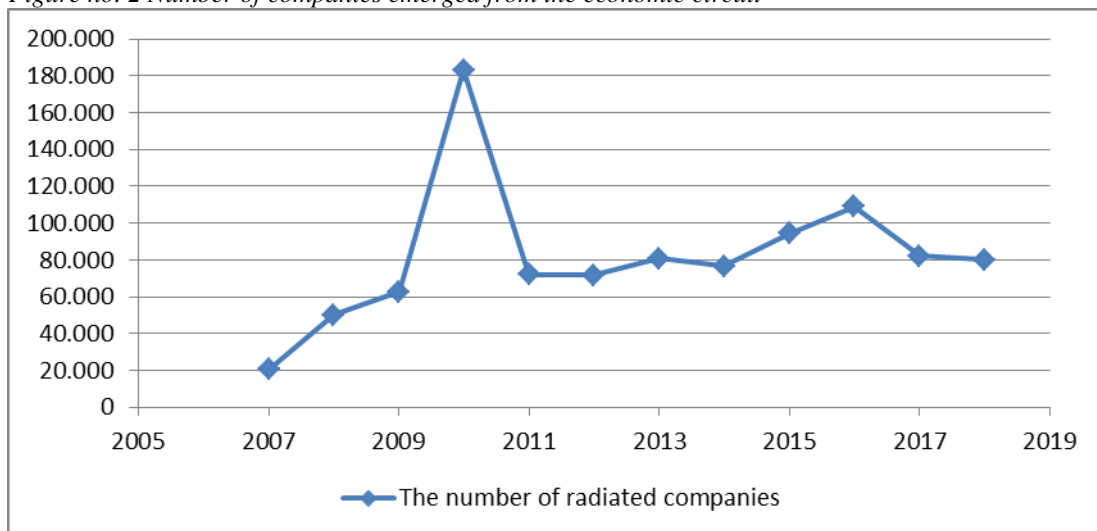
relation to the limited purchasing power of the population, which leads to a decrease in production, bankruptcy, unemployment followed by a depression or even an economic collapse.

The National Bureau of Economic Research (NBER) defines the crisis as "a significant decrease in economic activity for several months reflected in the decrease of GDP, the decrease of individual incomes, the reduction of the level of employment, the decrease of industrial production and consumption".

In making the gross domestic product, small and medium-sized enterprises have a substantial contribution. Thus, at the level of direct and indirect taxes, fiscal pressure plays a major role in maintaining or exiting the market. Also, the role of SMEs is also important in creating new jobs, in the formation of the gross added value in the economy, stimulating the competition in the market. In Romania, since the beginning of the crisis, hundreds of thousands of companies suspended their activity or they were deleted.

Beginning with 2010, the number of the companies deleted has increased significantly, according to the data from the Trade Register. Thus, following Table no. 2, we observe that the highest level of companies emerged from the economic circuit was registered in 2010. The outputs of the SMEs from the economic system had as a first cause the policy of the government of increasing the level of revenue collection to the state budget by introducing the minimum tax, but also of the differentiations in the VAT treatment, measures that made the SMEs react protectively, the economic agents in this category being already in economic difficulty.

Figure no. 2 Number of companies emerged from the economic circuit



Source: Authors' calculation on National Office of the Trade Register data - Statistical Summaries

One of the solutions to overcome the crisis was to even support the development of the SME sector, being a good way to revive the economic growth. In order to fulfill this desideratum, the governments acted through economic-social levers, in which the preponderance of the fiscal-budgetary ones is noted. As a result, fiscal policy has contributed to stimulating or stopping economic growth through significant changes such as combating negative trends in the economy, increasing tax rates to increase the amount of public spending or lowering tax rates to reduce the value of resources to the public budget or reducing the budget deficit.

Due to the economic crisis from 2008-2009, the European states resorted to the modification of the fiscal systems in order to stimulate the economic growth. Thus, it was tried, in the short term, the positive influence of the demand by reducing the tax burden. Due to the way in which the economy responded to the reduction of the fiscal burden, respectively the level of budgetary revenues was not achieved at the expected level, in the medium and long term, the fiscal recovery strategy led to the increase of the fiscal burden. Considering the importance of the fiscal burden for the economic growth and for the exit from the crisis it is necessary to analyse the share of taxes in GDP in the post crisis period as presented in Table no. 1.

Table no. 1 The share of taxes in GDP in the post crisis period

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
28,6%	27%	26,9%	28%	27,8%	27,3%	27,4%	28,1%	26,1%	25,4%	25,4%

Source: The European Commission database

According to the existing data in the above table, we can observe the evolution of the share of taxes and duties in the GDP of Romania, starting with the year of the outbreak of the crisis until present. Thus, we note that by 2016 the share of taxes and duties in GDP was around 27-28 percent, then decreasing to 25 percent, the value remaining constant over the last two years.

4.2. Evolutionary X-ray of the main budgetary sources in the post-crisis recovery period, as well as the measures adopted to ensure their optimal level

Year 2009. The evolution of the Romanian economy and the fiscal measures adopted determined that the Romanian fiscal system is based to a greater extent on indirect taxes, with a weight of 41% (with 7% higher than the EU average) than the direct ones that generated a mass of tax revenues of 24% (with 8% lower than the EU average).

Thus, in 2009, the level of tax revenues related to GDP (taxes and social contributions) in Romania was 27.1%, while the average value of EU 27 was 38.8%.

At the same time, the share of tax revenues in GDP places Romania on the penultimate place in the EU, below the level registered in Bulgaria (28.9%), Hungary (39.5%) and Slovakia (28.8%).

The share of direct taxes within the tax revenues decreased from 50% in the 1990s to 24% in 2009, the same tendency also manifesting itself at the level of the direct taxes in the total budget revenues.

In 2009, the year of economic crisis, the level of collection of tax revenues in Romania was reduced, due to the inefficiency in the administration of fiscal obligations, the underground economy reaching significant values. The year 2009 marked a decrease of VAT revenues by 1.3% of GDP compared to 2008.

The decrease in both total and fiscal revenues is explained by the effects of the economic-financial crisis on the results of the economic agents but also of the measures adopted by the government, which were not able to stimulate the private sector, especially considering the minimum tax introduced in 2009. The minimum tax was introduced from May 2009, the incidental provisions can be found in GEO no. 34/2009 and the Fiscal Code.

According to the reports of the Fiscal Council in 2009, the efficiency of taxation in the case of social contributions and VAT - calculated as a ratio between the implicit tax rate and the legal one - was among the lowest compared to the other European states - 64% in the case of social contributions, respectively 58% in the case of VAT, only Estonia and Bulgaria having a lower taxation efficiency, in Estonia being 90%, and in Bulgaria 71%, in the case of VAT.

Under these conditions, Romania can reduce the gap compared to the rest of the European states, increasing the level of budgetary revenues by reducing the tax evasion, which according to the data provided by the National Institute of Statistics in 2009 amounts to VAT at 3.8% of GDP, over time which in the case of social insurance contribution reached the percentage of 3.3%, and in the case of income tax it reached the quota of 1%.

Year 2010. Although initially the budgetary projection of 2010 was based on an economic growth of 1.3% in real terms, forecasting revenues to the consolidated general budget in the amount of 168.8 billion lei, in the first part of the fiscal year the situation deteriorated significantly partly because of the low level of revenue collection. Following this poor performance regarding the level of revenues, the government was forced to take a series of corrective measures to reduce the deficit by 2.3% of GDP by:

- temporary reduction by 25 percent of salaries in the public sector and reduction by the same percentage (25%) of social expenses;
- increasing the VAT rate by 5 percentage points from 19 to 24%.

As a result of these measures, the budget revenues evolved beyond expectations in the second part of the year. It is thus observed that the fiscal consolidation program was largely based on the increase of the VAT rate. VAT revenues increased by 14.3% compared to 2009, and excise duties increased by 11.5% in 2010 compared to the previous year. Thus, the indirect tax receipts were the

main factors that generated the positive evolution of the budget revenues. This evolution reflects the result of the increase of the VAT rate, as well as the materialization of the efforts of the government to combat the evasion phenomenon. The revenues from VAT and excise duties exceeded by 0.5% the approved budget program.

Year 2011. In 2011, according to the Fiscal Council, in Romania the share of tax revenues in GDP was 27.2% one of the lowest shares in the GDP of the EU countries, with 12.4% of the GDP lower than the European average.

Thus, in 2011, the degree of efficiency of taxation in the case of value added tax and social contributions was among the lowest in the countries of Eastern Europe, 54% in the case of value added tax, compared with 82% in the case of Estonia or 71% for Bulgaria. In the case of social contributions, the efficiency level of the taxation was 61%.

Romania collected in 2011 from VAT revenues, 8.1% of GDP. In 2011 compared to 2010, VAT receipts increased by 17.75%, more exactly 6.9 billion lei, taking into account the impact of the increase of the standard VAT rate in 2010. At the same time, this increase was due to the return of the individual consumption of the population before the economic crisis as well as the increase of prices.

Year 2012. Romania registered an almost insensible economic growth of only 0.2% in 2012, almost confusable with the margin of error that could be the result of the exchange rate. In the absence of an economic growth engine, Romania lost economically in 2012, although at the end of 2011 an increase of 3.5% - 4% was estimated for the following year. As a result of the increase of fiscal pressure, in the medium term, the level of tax evasion increased, thus, in 2012, according to National Institute of Statistics data, the Fiscal Council estimated the size of tax evasion in Romania, at high rates representing 13.8% of GDP.

If in Romania the level of collection of taxes and duties would be realized to the maximum, the budgetary revenues as a percentage of the GDP would exceed the European average, but in 2012 about 60% of the tax evasion comes from VAT, while about 24% to total tax evasion is due to social contributions, a phenomenon due to the employees in the unseen economy, undeclared work.

In the year 2012, in Romania there were about 1.45 million undeclared employees, representing about 23% of the total employees in the economy. Regarding the evasion with excise duties and the "tax on vice" on alcohol and cigarettes, according to the Fiscal Council, the main share is the illicit trade with cigarettes, which is on average about 20% of the market in the period 2003-2012. Thus, due to the low degree of collection of taxes and duties, the deep reform of the administration of taxes and duties in Romania was imposed with priority. This year marked the first visible positive evolution since the beginning of the crisis, regarding the development of the labour market, with an increase of 1.9% of the average number of employees, compared to 2011. In 2012, gross average earning increased by 5% compared to 2011, and net average earning was 1,547 lei, increasing by 4.9%. Given the average inflation of 3.3%, the level of real earnings increased by about 1.5%

The reduced excise revenues were offset by the additional VAT revenues, the VAT revenues reaching 50.51 billion lei. The increase compared to 2011 was due in large part to the additional revenues generated by the evolution over expectations of private consumption and the increase in prices. From the point of view of the efficiency of tax collection the degree of efficiency of the taxation for VAT decreased substantially in 2012 in Romania compared to the period before the economic crisis, but a common phenomenon at the level of the group of the new EU member states of Central and Eastern Europe.

The budget execution at the end of 2012 suggests maintaining the efficiency of the taxation at the same level compared to the previous year. A degree of efficiency of the unmodified collection suggests the lack of a special surplus of income possible to be achieved by reducing the tax evasion. Overall the efficiency of collection has deteriorated in 2012 compared to 2011.

The efficiency of the 57% VAT taxation is much lower than that of Estonia of 84% and much lower than that registered in Slovenia and Bulgaria 71%. Romania collected from VAT revenues in 2012, 8.5% of GDP, compared with 8.32% of GDP in Slovenia, in Estonia 8.73% and 9.15% in Bulgaria, considering the standard VAT rate in these states it was 20% in Romania it was of 24 percent.

Year 2013. In 2013, Romania registered the highest GDP after 1989, of 148 billion euros. The GDP is thus higher even compared to the level of 2008, 139.8 billion euros, the year of the crisis. The achievement of this historical level was due, on the one hand, to the investment flow and, on the other hand, to the upward trend of collection. Compared to the previous year, there is a 3.67% increase in the revenue program. The structure of the tax revenues in Romania, remained almost identical to 2012, with the revenues from indirect taxes having a high share, respectively of 46.18% of the total tax revenues, the EU average being 33.08%. At the same time, the share of income from social contributions was below the EU average respectively 32% compared to 34.56%. Direct taxes represented 21.81% of GDP in 2013, the EU average being 32.34%. Indirect taxes thus remain the main source of tax revenues, a percentage that significantly exceeds the EU average, given that the fiscal consolidation of 2010 had as main component the VAT increase. In this year, Romania was also overtaken by Estonia and Bulgaria in the efficiency of collecting VAT revenues, collecting 8.5% of GDP VAT revenues, the standard share being 24%, while Estonia collected the same percentage but the 20% standard VAT rate. In addition, Bulgaria received VAT revenues in 2013, 9.2% of GDP, having a similar structure to the economy as Romania and a standard VAT rate of less than 4 percent. In order to stimulate the individual consumption and to reduce the level of tax evasion in the milling and bakery field, in 2013 the VAT rate for the bakery products was reduced (9%).

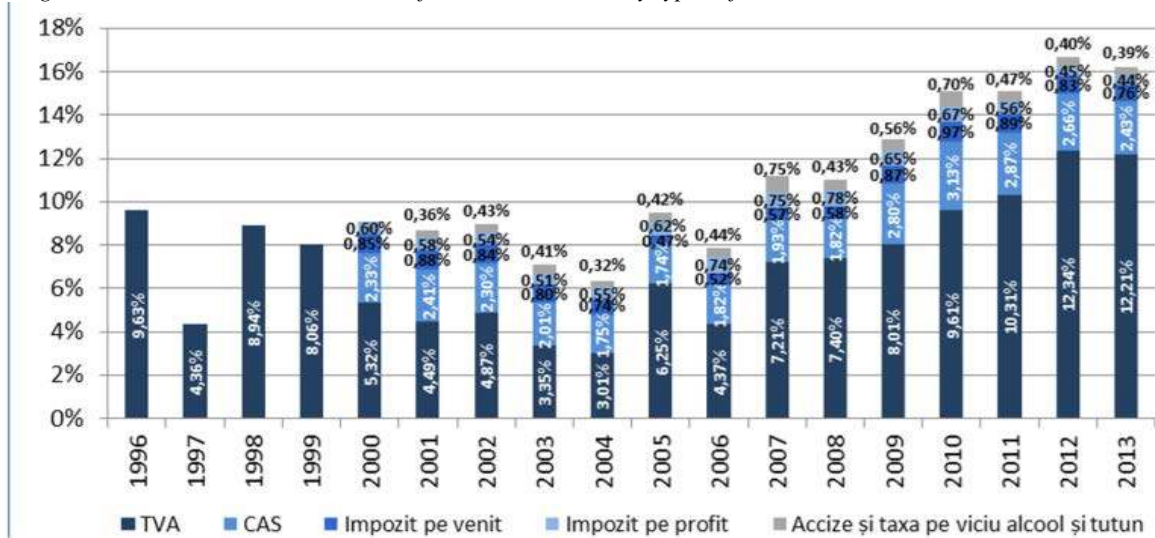
Although in 2007 the year preceding the crisis - 2013 the amount of excise duties increased at an alert rate (from 550 euro / hl pure alcohol in the case of ethyl alcohol and distilled products in 2007 to 750 euro / hl pure alcohol in 2010, and in 2013 to 1,000 euros / hl pure alcohol), the revenues collected from the excise had a very slow growth rate with only 8.7%. In the field of alcohol, evasion was 45.9% of the market in 2013, the highest share being registered in ethyl alcohol, intermediate products and distilled products being significantly lower in beer.

According to the World Bank - Paying taxes 2014 report, Romania ranks 134th out of 189 countries in the world in terms of ease of payment of taxes, the number of payments / year which a taxpayer from Romania has to make to pay taxes and duties is 39 compared to 2012 when their number was 41, but much higher than other countries analysed.

The year 2013 will remain in the history of the Romanian economy as the year of the reorganization of ANAF, a precondition imposed by the World Bank. Thus, Romania started a process of reforming the tax collection system, with the aim of increasing the collected revenues and reducing the administrative costs. The program was supported by the World Bank, on April 26, 2013 the World Bank approved the project, in partnership with Romania, "Modernization of the Fiscal Administration in Romania", which worth 70 million euros. The objectives were aimed at increasing the efficiency and effectiveness in collecting taxes and social contributions, increasing the degree of compliance and reducing the administrative burden for taxpayers, in order to comply with the declarative and fiscal obligations. According to NIS, the fiscal evasion in Romania in 2013 represented 16.2% of GDP. Tax evasion is generated by VAT, which reached in 2013 the share of 12.21% of GDP, slightly decreasing from the maximum of 12.34% of GDP in 2012.

Figure no. 3 shows that the highest share of tax evasion in GDP is the value added tax, the historical minimum being recorded in the years 2003-2004, years preceding the crisis, its share in GDP increasing considerably in the years following the crisis .

Figure no. 3 Tax evasion in Romania from 1996 to 2013 by types of taxes



Source: Report of the Fiscal Council - Romania 2013

Year 2014. Romania registered an economic growth above expectations in 2014, but not at the same rate as the one recorded in the previous year. The level of real GDP registered in 2014 was very close to that of 2008, which marked the beginning of the economic and financial crisis in Romania. The degree of compliance with the fiscal norms remained low in Romania, registering the biggest deficit of VAT collection in the EU in 2014. The VAT gap, the difference between the expected VAT revenues to be collected and the VAT actually collected, increased by 3.4% in 2014, despite the reorganization of ANAF and the introduction of anti-fraud measures (setting up an anti-fraud structure by reorganizing the operational control in the framework of the own apparatus of the National Agency for Fiscal Administration, called the General Directorate for Tax Fraud), but also of an economic environment favourable to the economic growth and payment compliance.

Romania has the lowest share in GDP of budgetary revenues (fiscal and non-fiscal revenues), it was 33.4% of GDP in 2014, below the European average, while the level of fiscal revenues related to GDP (taxes and social contributions) was 27.6%, significantly lower than in Hungary (38.5%), Slovenia (36.7%), the Czech Republic (34.0%) and Poland (32.9%), countries with similar economies. The efficiency of the taxation decreased sharply in the case of VAT, but increased in the case of social insurance contributions, the income tax and the income tax. Revenues related to VAT receipts amounting to 50.4 billion lei, down from 2013, showed negative evolutions from the perspective of the share in GDP, 7.56%.

Regarding the number of taxpayers affected by the VAT reduction on breads and bakery products, we note a decrease of VAT deductions by 1.1% in 2014 compared to the previous year, which indicates a decrease in the number of economic agents in the taxed economy, and not an increase of them as expected in the case of the effects of increasing compliance with the payment of taxes.

Starting with October 1, 2014, the impact of reducing the share of social contributions to the employer was felt by 5%, which generated a gross impact on the level of social contributions collected valued at -1 billion lei, corresponding to its incidence during two months of execution in cash based.

Year 2015. The year 2015 registered for the Romanian economy the highest annual rate of post-crisis economic growth since then. According to the Fiscal Council, the level of real GDP registered in 2015 was higher than in 2008, which marked the beginning of the economic and financial crisis in Romania, exceeding it by 3.68%. The share of GDP in the budgetary revenues placed Romania on the penultimate place in the EU (10.2% lower than the European average) - fiscal and non-fiscal revenues, reaching in 2015 only 34.8% of GDP. The level of tax revenues related to GDP (taxes and social contributions) was 28%, which is much lower than in many European states with similar economies.

In 2015, Romania again approached the expansionary fiscal policy, trying to stimulate the economy by adopting fiscal relaxation measures. In September 2015, the new Fiscal Code – Law no. 227/2015 entered into force, with changes to the variants adopted by the Government in March and to the one adopted by the Parliament in June 2015 (with the postponement of fiscal relaxation measures from 2016 in 2017, of which the elimination of the construction tax less in the case of agricultural constructions, the elimination of the fuel surcharge, the reduction of the tax on dividends to 5%; following the reduction of the VAT rate from 24% to 20% from 1 January 2016, and from 1 January 2017 to become 19%).

These measures carry the risk of deteriorating the position of public finances if no coherent measures are taken to offset the significant loss of revenues due to tax reductions. At the same time, the emergency ordinance aimed at covering the scope of the reduced VAT rate of 9% of all food and restaurant and catering services starting with June 1, 2015, whose budgetary impact in 2015 should be compensated by the amounts collected in addition to the program by ANAF. The degree of taxation efficiency, in 2015, increased in the case of VAT, social insurance contributions (CAS), the corporate income tax and the income tax, while the budgetary execution related to the excise revenue indicates a decrease. Even under the conditions in which the reduction of the standard VAT rate for food and restaurant services came into force from June 1, 2015, substantial increases in the efficiency of VAT taxation in Romania were recorded in 2015 compared to the post crisis period.

The level of revenues collected from excise duties exceeded in 2015 by 8.0% (1.9 billion lei) the level of the previous year, due to a favourable evolution of private consumption, and the fact that, in 2014, the excise duty increased on fuel by introducing the tax of 7 eurocents / liter was applied only from April 1, 2014, later with 3 months, and in 2015 it was applied throughout the year, having a positive impact. At the same time, the effect of the increase in the excise duty on cigarettes has contributed to exceeding the level of excise revenue compared to the previous year.

Year 2016. Economic growth saw an upward trend in 2016, due to expansionary fiscal-budgetary policies. In 2016, real GDP growth reached 4.9%, a new high in the post-crisis period. The increase of the GDP was mainly determined by the increase of the private consumption, supported by the wage increases, the reduction of the quotas of the indirect taxes and the decrease of the interest rates. The modification of the Fiscal Code imposed the application of the 5% quota on the income from dividends for natural and legal persons from January 1, 2016, the differentiation of the tax rates applicable to the turnover of micro-enterprises, the extension of the applicability of the reduced VAT rate of 9% in the case of drinking water and the one for irrigation in agriculture.

The fiscal-budgetary policy in 2016 became pro-cyclical, envisaging an increase in the public deficit. In 2016, the authorities enacted a series of tax reductions, including VAT rates and excise duties and eliminated the special construction tax. Also this year, the legislation regarding the registration and cancellation of taxpayers for VAT purposes was modified, and the procedures for VAT refunds were adjusted in order to combat VAT evasion and fraud.

Year 2017. The standard rate of VAT has decreased by 1 percent from As January 2017. The impact of these successive VAT reductions on global inflation has so far counteracted the pressures of rising prices exerted by rising domestic demand and rising wages. At the same time, from 2017, the turnover level for applying the tax regime for micro-enterprises has increased five times, and the tax rate has been reduced, thus extending the scope of the deviation from the standard tax regime, which can contribute even more to avoid tax obligations. The revenues collected in 2017 from excise duties amounted to 26.6 billion lei, representing 3.1% of GDP, which means a higher level than the estimates.

In 2017, two budgetary adjustments were made, which increased the projections for this budgetary aggregate. The corrections were due to the two-stage reintroduction of the fuel excise duty (on September 15 and October 1, 2017). Compared to 2016, the revenues collected from excise duties were lower by 1.3% due to the temporary reduction of excise duty on fuels. From the point of view of the efficiency of the excise collection, the revenues have remained at a relatively constant level.

The negative evolution of the income tax receipts recorded in 2017 is typical in the context of the consistent economic growth of 2017, as well as on the basis of the initial estimates regarding the income tax receipts. With the first budgetary rectification, the Fiscal Council has highlighted a factor that has contributed to this poor performance, namely the possible underestimation of the budgetary impact of modifying the micro-enterprises regime (increasing the level until a company is considered a micro-enterprise from 100,000 euros in 2016 to 500,000 euros in January 1, 2017). Alongside this factor are the wage increases throughout the economy with possible negative effects on the profit of companies, as well as applying from January 1, 2017 the specific tax for tourism and food companies that replaced the tax on profit. The year 2017 marked a share in the GDP of the budgetary revenues (fiscal and non-fiscal revenues) of 30.5%, with 14.4% below the European average which was 44.9% of the GDP. The share of tax revenues (taxes and social contributions) in GDP was 25.7% of GDP in 2017, placing Romania on the penultimate place in the EU at a considerable difference from the EU average, which stands at 39.9% of GDP.

Year 2018. In 2018, the tax revenues had the worst evolution, in the context of the fiscal relaxation measures introduced from 2018, more precisely:

- revenues from income tax decreased by 1.1% of GDP, as a result of introducing the income tax rate of 10% on January 1, 2018 instead of 16%;
- excise revenues decreased by 0.1% of GDP, as a result of legislative changes regarding the reduction of excise duties for energy products in certain categories of activities;
- as a result of the changes regarding the tax regime of microenterprises, the effect was a decrease of the income tax revenues by 0.05% of GDP.
- the incomes from social insurance contributions increased by 2.04% of GDP as a result of changing the social contributions regime, being transferred from the employer to the employee.

There is no solid evidence regarding the impact of the general level of taxation on economic growth so far. However, the fact that each one of the components of the fiscal regime influences the economic growth is self-evident. Thus, we note that the share of taxes in GDP registered, at EU level, significant variations from almost 30% percentages to maximum over 45 percent from 2010 to 2018. In Figure no. 4 it is observed that in the case of Romania, the share of taxes in GDP in 2018 exceeds the value of the same indicator at the level of 2010, like Denmark and Luxembourg, but it is below the European average although the vast majority of the states of the European Union have chosen to decrease this percentage in 2018 compared to 2010.

Figure no. 4 Total fiscal burden in EU countries, as a percentage of GDP



Source: European Commission, AMECO

5. Conclusions

From the study of the specialized literature we find that the opinions are contradictory regarding the impact of the fiscal policy on the economic growth. From the point of view of the tax on the profit and the one on the income, the impact on the economic growth and of the investments is significant. The tax on profit influences both the choice of the place of establishment of the companies - the method of territorial jurisdiction, but also the national and foreign direct investments. The most important factors underpinning the economic effects of taxation are the tax rates, the period of their application, the way in which the legislation defines the tax base and the degree of tax compliance, as well as the anti-tax measures.

In Romania, before the onset of the financial crisis, there was a period of strong economic growth with a positive fiscal momentum that contributed to the overheating of the economy but at the same time led to the accentuation of the imbalances in the economy. At the same time, the pro-cyclical fiscal policy adopted during the pre-crisis economic boom period, led to the depletion of the fiscal space so necessary to stimulate the economy during the ensuing recession. Romania maintained in the period after the crisis until 2015 a strongly pro-cyclical fiscal policy, stimulating intensely and counterproductively the economy during the periods of expansion (2008) and making it difficult for the economy to evolve even during the periods with potential (2010-2015). This policy was generated by the need to provide for the short term budgetary revenues necessary for the functioning of the state in the short term, contributing to the amplification of the fluctuations of the economic cycle and to the deepening of the existing economic imbalances.

Viewed as a whole, the post-crisis period gives us a picture of the indicators that have maintained a negative effect on the GDP growth rate. The relatively constant maintenance of direct tax quotas demonstrates the consistency of the desire to maintain direct taxation at the same level, quotas specified in the Convergence Programs. The economic growth of Romania is rather a morgana girl. A new crisis is approaching vertiginous according to extensive research conducted this year, which is based on the opinions of business people from 450 companies. According to the "Barometer on the state of the economy" - the 2019 edition, made by the consulting company Frames, the increase of inflation, the prospects of the depreciation of the national currency and the extension of the financial blockade are the main alarm signals for the Romanian economy. Although in the first part of 2019 the economy registered a growth of about 5 percent according to the NIS, in the second semester this evolution is strongly restrained. The economic reality in Romania outlines the picture of the pre-crisis period, a period of so-called economic boom from a statistical perspective, but visibly unsustainable, which is about to fall and into recession.

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Evolution of Concepts Regarding Taxation and Taxation Systems

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Abstract

The study of taxes has been an important concern of a great number of economists of all times, doctrines and currents of economic thinking. This paper presents some representative opinions of some foreign and Romanian, classic and contemporary economists regarding taxes. This study also provides a scientific selection of the opinions regarding the actual tax instruments, in order to group the main theories about taxes by author, school, thinking current. The Romanian tax system has taken more or less of them in its practice.

Key words: tax system, taxation, tax, tax reform

J.E.L. classification: H21, H22, H71

1. Introduction

The economists and the economic thinkers of the classic period concealed more or less the non-productive character of taxes and their negative consequences on production and consumption during the ascension of capitalism. They generally regarded taxes as a necessary evil, trying to formulate a series of principles of taxation and tax perception. Others provided a theoretical and scientific basis to taxes, especially those collected from the most of the population, trying to justify the increase of tax burden, motivating the problems of fiscal equity through the interests of the ruling class at the time.

In antagonism with the feudal government, the bourgeois economists criticized it and its fiscal system which forced the "third level of society" (the masses) to pay heavy taxes, while the nobility and the clergy benefited from fiscal privileges. Thus, the initial progressive bourgeoisie launched the thesis of introducing the principle of "generality and equality of taxes", the thesis of adopting a fiscal system that stimulated the creation of capitalism, the accumulation of capital and the liquidation of feudal production.

2. Theoretical background

During the evolution of fiscal instruments (taxes and fees), those who set them up tried to justify differently their application. This effort of explanation, by those in government has materialized in a permanent stratification of taxes and fees, according to more or less economic criteria, thus trying to motivate the introduction of certain taxes in time, to motivate the increase of the amount, to motivate the necessity to collect taxes and duties in a certain form (in cash or in kind, on income or on wealth, directly or indirectly).

All these efforts have generally been aimed at obtaining the taxpayers' consent to participate in taxes and duties, especially "when it comes to increasing them in the last period, the public authorities use a wide variety of strategies, which are passed through Parliament and accepted by voters". These strategies could be generalized into two:

- 1) the strategy of convincing the taxpayer citizens that a tax increase is needed;
- 2) the strategy of proving to the citizens that their money, received by the state through taxes, will not be wasted.

We are going to present the main criteria the taxes have been cataloged and classified for, trying to justify the advantages of their introduction in practice. This paper also presents a comparison of the opinions of economists and fiscal analysts from various periods.

We consider the following criteria to classify taxes and duties:

- the classification of taxes from the point of view of collection, if taxes are ordinary and extraordinary

- the classification of taxes from the paying subjects' points of view.

According to this tax classification, the payable (taxable) subjects may be designated as natural or legal persons, who directly bear the payment of taxes and fees in relation to their contributory capacity, that is, in relation to their income or wealth.

Tax classification according to their bearer has completed the stratification of taxes and fees by taxpayer: direct and indirect (the direct ones mean that the tax burden cannot be transfer to another person), and the payer and the bearer being one and the same person. Tax classification according to the practiced quotas, supposed the application of quotas that generated fixed, proportional, progressive and regressive taxes. This differentiation was due to the different contributory capacity of the payers. Tax classification according to the purpose of their collection implied the practice of financial and order taxes. The financial ones were designed with the purpose of obtaining state income, as the income tax, the turnover tax, while the order taxes were aimed at limiting an action, reaching a goal, which did not have a fiscal character, as the extra tax for those who did not have children, on the salary, in order to stimulate the increase of the birth rate.

Tax classification in relation to the institution that administers the fiscal revenues was synthesized, in the form of state taxes and local taxes, according to the destination for which they were collected. As a variant of the evolution of local taxes, Romania practiced additional taxes for a good period of time, which meant an overlap with the existing taxes, an overestimation of the tax burden, when the local taxes did not have the necessary fiscal efficiency. Tax classification of taxes in relation to the settlement method (determining their amount) establishes the following structure: the contribution taxes and the distribution taxes (quota).

In case of tax classification according to the way they are collected, the taxes should be structured in the following categories: taxes collected directly from the taxpayer, having as variants the payment on its own initiative or the presentation of the fiscal bodies to the payers to request the payment; taxes paid directly by taxpayers on the way to the source; fees paid by stamping. Tax classification according to the establishment or constitution of debt securities prior to collection has evolved, whether they are individualized by budgetary debt securities issued prior to collection. There are other possible classifications depending on the criterion of overlapping the component elements or depending on the effects produced.

The main economists in the fiscal field have stated many opinions in this regard. They are reviewed below.

William Petty devoted a number of his researches to tax issues, ruling against the burdensome and inequitable feudal taxes, proposing to reduce the expenses of the country's government, justice and the church (Marx, 1959). But he was wrong when he stated that the taxes levied and spent by the state for shows, pyramids, triumphal arches, imposing constructions do not diminish the national wealth in the sense that the money from the taxes would get into the hands of the merchants who provide materials for the respective works, and from them to the working people. In fact, the wrong assertion starts from his mistaken idea that money would be the only form of national wealth, which through the payment of taxes and their use would remain constant within a country. Correctly, although the mass of money in circulation is not restricted by the payment of taxes, their non-productive use decreases the income of a country for accumulation or productive consumption.

In Petty's conclusion, if non-productive works are financed through taxes, they will, in the future, lead to a cap and decrease of the state's income. Petty had another wrong theory on the role of consumption taxes, because he considered them to be the most equitable means of covering the state expenditure (he did not consider their indirect impact on final consumers, large masses or neglected the important effect of sliding the tax burden). But he won when he decided to establish and collect taxes on the basis of a rational system (one of the first attempts to define the tax system), because only such taxes can be beneficial. He synthesized that idea, as well as those of tax

distribution of the "wealth of the non-producing classes to pass to the producers", in the work "Treaty on taxes and duties", a work in which he listed, for the first time in the economic theory, the eight rules of taxation (we say "for the first time" because four of them belong to Adam Smith). Founder of quantitative methods, he also studied the quantitative income, defining it as a difference between the total product minus the seed and the salary, but he stopped here by denying its qualitative aspect of taxable matter (a fact completed by Marx by the notion of surplus value).

Francois Quesnay, the founder of the physiocratic school, studied taxes as well, criticizing the sphere of the direct ones, which led to the reduction of the productive capital invested in agriculture and to production reduction, but also the sphere of the indirect taxes, which, placed on the consumer goods, caused the increase of the price of goods and the level of salaries. In his opinion, both categories of taxes led to the decrease of the net income in agriculture, a situation for whose rectification he proposed the replacement of all direct taxes with a single one, placed directly and only on the net product of agriculture. But he was wrong (like all the physiocrats), considering that this surplus resulted only from agriculture, not from commerce or industry, sectors he considered "unproductive", meaning that they had to be tax exempt: "because the land rent is considered the only form of surplus value and, because of this, all taxes are thrown on it, it turns out that any taxation of other forms of income is only an indirect way of imposing the property, economically harmful, impeding production. As a result, the burden of taxes, and thereby, any intervention of the state, must be removed from industry and thus released from any state involvement"(Marx, 1959).

Quesnay divides the nation into three social classes: the productive class (cultivators), the owners' class (the king, the landowners and the tithers) and the sterile, non-productive class (industrialists and traders) and distinguishes two types of circulation between them – complete and incomplete. However, he was wrong in dividing the social classes and started from a wrong theory of the net product based on an "order". All these theses are included in the papers: "The economic picture", "The natural law and general principles of an economic governance in an agricultural country". There are some memorable maxims (regarding taxes, expenditures and the fiscal policy of the state) from his last paper (Todosia, 1992):

- the tax should not be destructive or disproportionate to the mass of the nation's income; it should be unique on the land property and its growth should be proportional to the net product;
- the tax should not diminish the sufficiency of the last classes of citizens because they could no longer properly contribute to the consumption of goods which will reduce the reproduction and the income of the nation;
- the attention of the governors should focus more on income increase than on population growth;
- the normal and rational expenditures of the state should not be confused with the excessive and abusive ones, but be correlated with the progress, stagnation or regress of the nation.

The theories of the two physiocrats also influenced the Romanian thinker Nicolae Bălcescu. He theorized the boyars' pursuit for extra work (the peasants' clash) during Romanian exchange economy: "the earth workers are robbed of everything, in the name of the state or in the name of property" (Zane, Bălcescu, 1953). Thus, Bălcescu denounces the burdensome taxation of the time, the disorder in the way of arbitrary collection of taxes and fees.

Referring to the tax reform of Mavrocordat in Moldavia, Bălcescu remarks: "the peasants had to suffer all the burden of the taxes of which they were exempted before, as slaves", "so that the immeasurable size of taxes made the peasants to be the poorest people in Europe" (Zane, Bălcescu, 1953). Bălcescu vehemently criticized the Organic Regulation - "the poverty charter of the people in favor of the boyars", due to the tripling of the direct taxes on the peasants, while the boyars were exempted from all duties to the state. Referring to the indirect taxes, he considers them "another cruelty to the people" (Zane, Bălcescu, 1953), the increase of the salt price to insure the tax revenues from the gentleman's civil list swallowed one tenth of the country's revenues. He criticizes the high rate of the feudal taxes, showing that their non-payment was the cause of peasants' land dispossession (the money dyma), but also the additional levying of taxes in kind (the labor dyma). Analyzing the tax system of the time, Bălcescu characterized it as "feudal oppression", with taxes actually paid in taxpayers' money, as well as taxes paid in kind, such as dymas or tithes (taxes paid in products) and claca (taxes paid in work).

Other economists and economic thinkers of the pre-classical period are the representatives of the classical bourgeois political economy: Adam Smith and David Ricardo, who made important contributions in tax theorizing. Thus, Adam Smith considers that taxes are payments that citizens pay for the services provided to them by the state, a non-productive levy on part of the national income. He emphasizes the negative consequences of taxes on production, due to the non-productive nature of taxes. David Ricardo completed his idea, showing that "taxes in any form offer only the possibility of choosing between several evils". "Any new tax is bad for society (Ricardo condemns the introduction of new taxes in the tax system), because the tax constitutes a new burden on the production and raises the natural price" (Ricardo, 1959). Ricardo also shows that the increase of the non-productive expenses of the state leads to the increase of taxes. He also argues that income taxes do not affect productive capital if production increased, otherwise they will affect capital "which means they will attack the fund allocated to productive consumption" (Ricardo, 1959). The consequence of this repercussion will be the decrease of production, population and state income, resulting in ruin.

David Ricardo ignores the impact of taxes, a process by which capitalists transfer to consumers the taxes that they should bear from their income. Regarding the incidence of taxes (Who is the supporter of direct and indirect taxes?), both Ricardo and Smith offer false variants, indicating that taxes would be borne by capitalists and landowners, that no tax would be charged to the working class. He distorts the problem of the supporter, pointing out that taxes on wages and consumption taxes are introduced into prices and borne by capitalists and agricultural owners from profit and rent. From here Ricardo draws the wrong conclusion and issues the idea that "a tax on wages is a tax on profit, while a tax on basic necessities is partly a tax on profit and partly a tax on wealthy consumers" (Ricardo, 1959).

Another important issue approached by Smith and Ricardo relates to the principles a rational tax system should be based on. A. Smith formulated in the "Wealth of Nations" the following maxims:

1. "the subjects of each state contribute as much as possible to the support of the state according to their possibilities, that is, in relation to the incomes they make". This maximum would be the first approach of the principle of tax justice, of fiscal equity;

2. "the amount of taxes owed by each person should be certain and not arbitrary. The terms, the method and the amounts to pay should be clear for each taxpayer". This maximum would be the first approach of the principle of tax certainty;

3. "taxes should be levied on the dates and in the manner most convenient for the taxpayer". The principle of convenience of tax collection is described here, a principle that would take into account the interests of the taxpayers;

4. "the tax system should ensure the collection of taxes with minimum expenses and be as less burdensome for the people" - Smith issues here the principle of tax yield, which in the subsequent practice was related to the well-known thesis of "cheap government" in which the tax apparatus should not be costly and tax collection should not disrupt the taxpayers' economic activity or remove them from their occupations (Smith, 1965). Adam Smith also made statements against setting high capital taxes because "they are likely to expel the capital of a country, to dry up the sources of income by lowering the capital and the rent of the land by moving it" (Smith, 1965).

He also referred to the consumption taxes, showing that although they raise the cost of living, they still provide the Government with a significant income that could not be easily found in another way. He also discussed two ways of collecting consumption taxes (through state officials or through concessions), considering that the first is better than the second. In chapter II of the "Wealth of Nations", related to the sources of general or public income of a company, Adam Smith pronounces for practicing a multiple tax system supported by each branch of income. He recommends that a state should practice the following taxes: the land tax (in kind and in money), levied in fixed amounts, the tax on houses and windows, the tax on the rent of the building, the tax on profit or on capital income, the tax on profit from certain activities (trade, agriculture, carriages, licenses for retail sale of beer and spirits), the inheritance tax, the income tax (settled on salary).

Adam Smith adds that some taxes reach any income, as the capitation and the tax on consumer goods (the capitation appears as an unfair tax when it is established in proportion to the wealth or the income of the taxpayers, while the taxes on the consumption goods seem to be ethical taxes, being borne by those who consume luxurious objects, embarrassing or discouraging them). D.

Ricardo, in his work "On the principles of political economy and taxation", during twelve chapters, deals with the following important issues related to tax theory:

- defines taxes as a portion of the product of land and labor in a country, made available to the government;
- shows that their payment is made from the capital or the income of the country (if it is paid from the income, it decreases the accumulation, forcing the taxpayer to save the amount paid by a corresponding reduction of the consumption of basic necessities and luxury);
- recommends, for the first time, that the taxes levied on income be collected from the net profit;
- seeks a delimitation of direct and indirect taxes, in real and personal taxes, on wealth and income, in kind and in money;
- considers that taxes in kind must be fixed in physical proportions, while taxes in money must be variable, increasing with income, otherwise they are burdensome and difficult to bear;
- recommends the participation of the following direct taxes: the tithe (on the net product of the land), the land tax (on the income of the lessors), the tax on houses (on the income of the owners), the tax on gold (on the gold in circulation and on the gold produced annually by the miners), the salary tax (calculated on profits);
- in the field of indirect taxes, he recommends: the tax on first-class objects, the tax on luxury goods, the tax on agricultural products, the tax on industrial goods, the tax on tea, the tax on compensation (for imports on glassware) and the protectionist taxes (the customs duties applicable only to the import of wheat).

The classical economists are in positions of premeditated defense of the capitalist system, since they seemed followers of the classical political economy, but later they become defenders of the capitalist society. Through their fiscal conceptions they sought to justify the right of taxation of the capitalist state, and therefore they were split into defenders of the theories of solidarity, equivalence, sacrifice, security and tax neutrality. The vulgar economists treated the taxes and the fiscal policy apart from any connection with the production relations, apart from the connection with the processes of distribution and redistribution of income between classes and social blankets. For example, Thomas Malthus is a supporter of the theory of solidarity. He does not distinguish between the gross income and the net income of the company, avoiding the recognition of the payment of taxes from the net income. He considers that taxes stimulate the growth of national wealth by favoring the process of making the social product.

John Stuart Mill has taken a stance against the progressive taxes, considering that they are against the love of work and the spirit of economy, pushing waste and stopping capital accumulation. He was a supporter of cooperatives, foreseeing for this purpose the fiscal confiscation of the surplus value of the lands. His opposition to progressive taxes stems from the claim that they destroy the incomes of capitalists, incomes that are the result of their work.

The economic literature presents Jean Simonde de Sismondi, Pierre-Joseph Proudhon, Adolf Wagner and Francesco Nitti as supporters of the theory of equivalence. Through the theory of equivalence, they state that taxes are justified in the services and advantages guaranteed by the state. They appear as a counterpart that the citizens owe to the state for the services provided to them by it. In this case, the amount of taxes must be determined by the cost of the services provided by the state or by the value of the benefits that come to the citizens from the services provided by the state. In the first situation, each individual owes a tax equivalent to the cost of the services provided by the state in his interest, and in the second situation the taxation should take into account the value of the services and the benefits of each individual partly from the activity of the state.

In theory, there was also an alternative according to which the tax determination should be made based on the special benefits a person would enjoy under a government authorization (this person would have a special privilege to exercise a certain profession, to benefit from a succession, to do business), which would lead to its imposition according to the value of the special advantages realized by the state's permission to do something. Jean Simonde de Sismondi considers the taxes as a compensation that the citizens pay to the Government for the defense of their person and property. Since the tax is the price "that the citizen pays for his quiet life, it will have to be asked from the one who has nothing. The tax must never reach the part of income that is necessarily to the taxpayer's life". Sismondi supports the idea of a non-taxable minimum, while the rich must bear

taxes higher than the poor, motivated by the fact that they benefit from greater benefits. The tax cost will be aligned with the cost of the service provided by the state or the value of the benefits, hence the name of tax equivalent to the value or cost of the state services. He states that taxes also bring benefits to the poor: the right to sue, the social order, the guarantee of person and property, or the comfortable roads.

His theory of equivalent brought by the state to individuals is subjective, these advantages being difficult to evaluate in money. The theory is also shaken by the fact that the state does not collect taxes from taxpayers in relation to the services they provide, but according to the contributory power of citizens. Pierre - Joseph Proudhon, another theorist of equivalence, argued that in capitalism taxes ceased to be obligatory duties to the state, without consideration, as they were in antiquity. "Tax is a form of exchange between different citizens and a specific producer such as the state, it is the price that citizens pay the state for its services" (Proudhon, 1860). He justifies taxes as means of equalizing the property of transforming the economy, of emancipating the working class (he was the representative of the French petty bourgeois socialists), of leveling the wealth, of reorganizing the capitalist society on the principles of justice, freedom, wealth. Adolf Wagner characterized the taxes as compulsory contributions of the individuals destined to cover the general expenses of the state which it perceives by virtue of his sovereignty, as a consideration and reimbursement of the expenses related to the benefits made by the state.

Apart from the purely financial role, he attributes the political and social role to the tax "the tax exercises a regulatory intervention in the distribution of national income" (Wagner, 1909). He supports the theory that the tax can serve as a means of correcting the distribution of national income, in order to distort the nature of the exploitation of capitalist workers in the sense that this would have been the unfair effect of the distribution of national income that the state could legally remove. Wagner also contributed to the theory of progressive tax justification. In this regard, he says that the income of each taxpayer can be divided into two: a part for the expenses necessary for it, and a part for the luxury expenses. This second part the state should impose through progressive taxes, in proportion to the current income of this part.

The theory of equivalence, debated by these economists, has been subjected to the criticism of the contemporary bourgeois who have departed from the thesis that is not verified in practice, that taxes represent the price of state services for the population. This is because public services cannot be measured or appreciated quantitatively, they cannot be commensurate and distributed among individuals, and in some cases only certain members of the society benefit from them. Also, the equivalence thesis is not justified in the case of tax-exempt taxpayers, because equivalent exchange relations do not work between the state and them. In addition, when these taxes are used for other non-fiscal purposes, for example, the support of the national currency rate, the state does not provide any direct service to the population. The supporters of the thesis start from the false assumption that the bourgeois state is an institution above the classes, organized for the fulfillment of the public needs, of services for the benefit of all, avoiding to notice that the same state subdues the masses of taxpayers. Therefore, we consider that the equivalence theory could justify at most the proportional imposition and not the progressive one.

Montesquieu and A. Smith are, in fact, the founders of this thesis, but they called it different, the theory of exchange or the theory of interests. In the evolution of taxation, the theory of equivalence had as a variant the theory of security, which argues that taxes are the insurance premium for the taxpayers' lives and assets, based on a "contract" between citizens and the state, for which they pay some kind of insurance premium, in the form of taxes. The measure of these premiums, therefore of taxes, is given by the size of the taxpayers' goods and the quality of the various citizens. This thesis was contradicted due to the fact that the state does not assume any formal insurance commitment towards the citizens. If it existed, the state should compensate taxpayers whenever their property is stolen or destroyed.

Emile de Girardin, is another vulgar bourgeois economist who in his paper "Socialism and Tax" states that taxes are grouped in the form of single taxes, capital tax and voluntary insurance premiums to be paid against any risk that impedes the possession and use of the insured. In this sense he recommends "giving up any tax that does not represent a guarantee against certain risks, proposes to abolish all taxes except the premiums, because the distinguishing feature of the tax is the constraint, while the insurance would be voluntary" (Marx, 1959). He also states that replacing

taxes with insurance would lead to the disappearance of commercial and agrarian crises, losses, bankruptcies, all defects of the capitalist production.

Marx criticized his thesis by saying that: "the bourgeois state is nothing more than a society of mutual assurance of the bourgeois class, both against its various members, taken individually and against the exploited class, an assurance that inevitably becomes more and more expensive; changing its name does not change the conditions of this insurance "(Marx, Engels, 1960). Girardin's theory, the theory of security, was also supported by Montesquieu, who regarded the tax as a part given by each citizen in order to be able to safely have the other and to enjoy it in peace. The vulgar bourgeois economists also launched the theory of sacrifice as a variant of the theory of solidarity. In this case, the reason for the tax lies in the very nature of the state. According to this theory, the state is a necessary product of historical development, while the tax is a necessary product of the relationship between the subject and power. As a superstructure institution, the state would have the prerogative to ask its subjects to make a sacrifice in order to cover public expenses.

In practice the theory of sacrifice had three variants:

- the theory of equal sacrifice, which states that the absolute utility sacrificed by taxes must be equal for all taxpayers;
- the theory of proportional sacrifice, a variant that considered justified a proportional loss of the individual utility compared to the total one by the payment of taxes;
- the theory of minimum sacrifice, in which it was stated that taxation must lead to a minimum burden for all tax payers.

The theory of sacrifice was based on the theoretical research of the Austrian economic school, based on the conception of the final or marginal utility (this expressed that the utility of some goods would be in inverse proportion to the volume of supplies of material goods). The theory of marginal utility was countered by K. Marx, who said that the sacrificial unit must be susceptible to measurement, so taxes cannot serve as a means of comparison. The vulgar bourgeois economists have also propagated the theory of tax neutrality, which states that taxes must be set so as not to alter the relationships between taxpayers existing before the tax is paid, so that the economic and social realities between members remain neutral. This theory defends capitalist class interests, in the sense that it does not follow the criterion by which the tax burdens are distributed on individuals and the consequences of applying the distribution.

3. Research methodology

The study was conducted through the following methods: *analysis* of data and information from books and specialized materials, the comparison between the tax doctrines of the economic schools, *deduction*, drawing conclusions based on the study.

4. Findings

The study was based on scientific abstraction and historical scope methods. The essential aspects of the economics life are defined with the help of scientific abstraction methods. The phenomenon investigated is cleansed of facts and features less important, accidental, thus reaching its core. The historical method starts from the truth that any economic phenomenon has a historical evolution, that is, it appears, develops, then disappears or transforms into something else. Based on them, were formulated the conclusions of study.

5. Conclusions

Following the theories set out above about taxes by vulgar bourgeois economists, one may say that they tried to show that the capitalist state would have a productive character called to perform services for the population. The increase of tax volume or number, justified it as a result of the development of the productive activity of the state. These economist thinkers presented the state in a pity situation, that of sacrificing all individuals to protect them.

The vulgar bourgeois economists tried to show that the capitalist state would have a productive character called to perform services for the population. The increase of tax volume or number was the result of the productive activity of the state. These economist thinkers presented the state in a pity situation, that of sacrificing all individuals to protect them.

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Bankruptcy Risk Analysis Based on the Patrimonial Balance Sheet

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Abstract

Due to the fact that the results obtained and those expected are permanently under the influence of unforeseen events that may occur at any time of the activity of an economic operator, in the competitive economy, the viability of any business is linked to risk. The risk is related to uncertainty, which expresses a state of uncertainty regarding the future. In the paper, the authors try to present by statistical methods, respectively by the method of scores and by the method of financial diagnosis, an analysis regarding the risk of bankruptcy based on the financial-accounting function, which mainly focuses on profitability and risks. Within the financial-patrimonial analysis of an economic entity, a particular place is occupied by its ability to be solvable, but without losing sight of the risk analysis of bankruptcy. The authors believe that any activity involving a consumption of capital is subject to risks that accompany profitability. The paper concludes with the authors' conclusions regarding the need for bankruptcy risk analysis.

Key words: analysis, financial balance, bankruptcy, risk, solvency

J.E.L. classification: G17, G19, G32

1. Introduction

The contemporary society is constantly confronted with a variety of risks: environmental - natural, professional, which affect health, etc., whose action can be decisive. There are a multitude of definitions given to the risk, and one of them presents the risk as a threat, a possibility of producing an event that causes damage, which is characterized either by the probability of occurring or by the severity of its consequences.

The extent of the risk cannot be known exactly, depending on the conditions under which it occurs, the risk being able to produce more or less different effects. The same type of risk can be measured, described, analyzed, in different visions and purposes, depending on the observer concerned, although another person, regarding an objective outside the situation can make a correct assessment of the potential risk. Regarding this fact, future actions will be directed by the person directly interested in managing the respective risk, depending on his degree of perception on the risk.

Risk, which originates from multiple causes and various forms, is a natural component of the economic-social life having several meanings, such as: accident, danger, uncertainty, uncertainty regarding the exposure of an economic entity to the external or internal environment, damage, a property or a person subject to a danger, probability of winning, etc. In the contemporary society the listed risks have been grouped into certain types of risk, as for example a grouping may include: country risk, insurance risk, foreign exchange risk, contractual risk, bankruptcy risk, investment decision risk, risk securities, marketing risk, etc.

In fact, each risk is composed of four components classified as follows:

- resources, assets, population or earnings (who or what is affected) that can be threatened by dangers, i.e. things on which the continuity of the operations of an activity depends;

- the factors that affect the evolution of the risk - those internal or external particularities of these resources that tend to increase or reduce the probability of the danger or the severity of the consequences, if realized; the continuity of the activity carried out by an economic entity implies substantial efforts, as well as an increased attention to the way in which the internal and external environment evolves from the branch in which it operates;

- dangers (those that trigger the risk) - a wider notion of a range of forces that can produce an adverse result;

- consequences (consequences of the occurrence of the risk) - how the effects of the danger affect the consumption of various resources.

We must emphasize that, over time, the risks have happened, are happening and will happen, affecting the assets, values, assets, life or integrity of the natural or legal persons, as the case may be.

Over time, an imperative necessity has become receiving as precise information as possible regarding the possibility of bankruptcy of an economic entity. Bankruptcy is the last stage in the economic existence of an economic entity. In the specialized literature the term of failure is considered the equivalent of bankruptcy and vice versa. Basically, bankruptcy is the last stage in the existence of an economic entity, the financial imbalance being its pre-emptive stage and represents according to the concluded financial contracts, the inability to pay off current bonds through liquid current assets.

In the last decades, many specialists in the field of finance, financial analysis, financial management, applied statistics, etc. had a major concern in developing models for risk analysis, monitoring and counteracting.

Each economic entity that performs the financial analysis aims to measure the profitability of its capital and the risks with which the respective profitability was obtained. At the level of the entire economic asset, respectively of each source of capital (equity or long-term debt), both risk and profitability are analysed.

The objective of the scoring method is to provide predictive methods of evaluating the risk of bankruptcy by an economic entity.

Scoring method aims to provide predictive methods for assessing the risk of bankruptcy of an economic entity. Its application involves observing a set of economic entities grouped into two categories, respectively with financial problems and without financial difficulties. For each category a set of ratios is applied, and then the best linear combination of ratios is determined to allow the different groups of economic entities to be differentiated.

In this context, risk analysis represents an important dimension of strategic business management, given the fact that, an economic entity does not have the certainty of future results flows and does not have complete control over them. The object of risk management which is achieved through a succession of steps, such as: identifying the type of risk, analysing and evaluating each risk, prioritizing the interventions in risk situations, etc., is given by the prevention and limitation of the risk factors, as well as by towards permanent control over the dynamics of risk.

2. Theoretical background

At the global level, starting with the 60s, the concern for forecasting the risk of bankruptcy was realized through the method of scores using statistical elements of financial analysis, starting from the ratios system. Any economic entity that tends to fit in with the demands of the market economy, regardless of the activity profile, the legal form, the size and socio-economic space in which it operates, needs to adapt permanently to the risky situations that may arise, both in current activity as well as prospective activity.

An essential role in this regard lies with the proper analysis and assessment of risks, which through the methodological approach taken ensures the identification of possible solutions to avoid, reduce or control potential difficulties that may arise during the activity of the economic entities.

The answers to the established problem were made possible by the documentary research for understanding the theoretical aspects of a series of works, both from foreign literature (as reference names F. Choi, C.A. Frost, G. Meek with the work "International Accounting", C. Nobes, R.

Parker authors of the book "Comparative international accounting", etc.), as well as within the national one.

Over time, the concept of risk and its methods of evaluation have been studied by authors such as: M. Niculescu "Strategic global diagnosis", E. Druică "Economics of risk. Theory and applications", I. Vasile "Financial management of enterprise". Also, in our country an important contribution in the economic-financial analysis was made by Mr. Pruna Petru - 2003.

With the conceptual globalization of risk, new valences gained. In our century, the scientific outlook is dominated by its uncertainty and its appeal. We live in a stochastic universe, and probabilistic thinking applies in all spheres of activity.

3. Research methodology

The study approach is, in principle, an analysis of the specialized literature in the analyzed field. The research methodology applied to the present study is based on the preliminary documentation for understanding the concepts of diagnostic analysis and bankruptcy risk.

Theoretical research describes and analyses the current state of knowledge, contributing to its completion and clarifying certain aspects necessary for the subsequent application. The starting point of the research is the theoretical documentation through the literature specific to the field, fact that allowed the authors' opinion to be expressed at the end of the paper.

The theoretical approach is complemented by an empirical study applied to an economic entity in the industrial field, starting from the following hypotheses:

H1 - risk assessment is a priority for economic entities;

H2 - certain characteristics of the accounting information have a decisive influence in the process of evaluating the risk of bankruptcy.

4. Asset balance sheet - source for static analysis of bankruptcy risk

The most well-known definition of risk is that given in 1921 by Frank Knight. In the paper entitled *Risk, uncertainty and profit*, it suggests that the terms of risk and uncertainty are revealed in the economic-financial analysis of an economic entity. He states that "the term *risk* can be used to maintain the distinction between measurable and immeasurable uncertainty."

Essentially, the financial-patrimonial analysis is a static analysis in which the solvency and value of an economic entity are priority. If in the past the patrimonial analysis was the only way of assessing the risk, and the working capital and the solvency ratios were the tools for investigating the bankruptcy risk, at present, it is analysed through three methods presented in table no. 1.

Table no.1 The correlations between the accounting information and the main methods of evaluating the risk of bankruptcy

The type of risk	Method of evaluation	Examples of information used in the calculation	Sources of information
Risk of bankruptcy	Patrimonial balance sheet - Static analysis	Equity, Short and long term debt, Permanent capital, Fixed assets	Balance sheet; Profit and loss account
	Ratios method - Static analysis	Working capital, Short and long-term debt, Equity, Current assets	Balance sheet; Profit and loss account
	Scoring method - Static analysis	Total assets, Turnover, Equity, Debts, Reserves, different types of expenses	Chart of intermediate management balances, Balance sheet; Profit and loss account

Source: authors' processing

The authors believe that coherent financial statements that faithfully represent the entire economic and financial activity of the economic entity help to increase the degree of risk management. The operational tools used in the analysis of the risk of bankruptcy are mainly the solvency ratios and the working capital.

4.1. Analysis of the working capital fund

The financial statements are intended to provide useful information in making economic decisions and to the users, regarding the performances and financial position of the economic entities. Economic decisions involve assessing the ability of the economic entity to generate cash or cash equivalents, the period and the security of their generation. The balance sheet provides the economic-financial indicators used in the static analysis. This analysis helps in the financial diagnosis of the economic entity, as well as in determining the strengths and threats of the activity of the entity.

In the patrimonial regard, the assets and liabilities are composed of two masses, such as:

- a ground with a duration < 1 year, movable, composed of the current assets C_a and short-term bonds of the STB;
- a ground with a duration > 1 year, permanent, consisting of the permanent capital CP and the fixed assets F_a .

An economic entity is solvable, according to the patrimonial theory, if it ensures the balance of the grounds of the same duration and it respects the following financial rules:

$$\text{Fixed assets } F_a = \text{Permanent capital } PC$$

$$\text{Current assets } C_a = \text{Short-term bonds } STB$$

As the assets and liabilities are from the point of view of the asymmetric risk, the realization of these requirements in practice is difficult, a perfect regularity between receipts and payments could not exist. Thus, according to the economic theory, a reserve called the patrimonial working fund is required. This fund represents the part of the permanent capital that exceeds the value of the net assets and can affect the financing of the current assets, according to the calculation relation:

$$WC = C_a - STB$$

Therefore, the working capital represents the surplus of the current assets over the value of the short-term payment bonds. It is possible to calculate an own working capital, respectively a foreign working capital, starting from the own and borrowed component of the permanent capital. The amount of the surplus of own capital over the value of the fixed assets is given by the own working capital and is determined by the following formula:

$$\text{Own working capital} = \text{Working capital assets} - \text{Long and medium term bonds}$$

The difference between the working capital fund and the own working capital represents the foreign working fund. The correspondence of the liquidity of the assets with the demand of the liabilities allows the short-term assessment of the risk of default for the bonds, therefore of the risk of bankruptcy.

Situations that may exist between current assets, such as potential liquidity and demand

$$a) C_a = STB \rightarrow WC = 0$$

In this case, the short-term solvency seems certain, but the balance is fragile due to the disturbances that may intervene in the realization of the debts.

$$b) C_a > STB \rightarrow WC > 0$$

In this case, there is a surplus of potential short-term liquidity, compared to the potential short-term demand, in which case the entity has a favourable situation in terms of solvency, being able to meet the maturity bonds, having a buffer stock of potential liquidity.

$$c) C_a < STB \rightarrow WC < 0$$

In this case, the liquidity covers the requirements, the entity has difficulties in maintaining the financial balance. There is a short-term surplus of liquidity compared to short-term demand. From the solvency point of view, the entity presents a favourable situation, being able to meet the bonds on maturity, by having a buffer stock of liquidities.

$$d) C_a < STB \rightarrow WC < 0$$

In this case, the liquidities one fully covers the demands, the entity having difficulties in maintaining the financial balance. For the financial balance, the proper assessment of the significance of the working capital requires taking into account the average duration of the assets and liabilities that in practice are not equal, but for an exception.

Therefore:

- if the current assets rotate faster than the liabilities, the entity can ensure its financial balance, this being compatible only with a working capital lower in value, but also with a negative working capital;

- if current assets rotate slower than short-term liabilities, maintaining a financial balance requires a positive working capital and a higher value.

So, there is no simple relationship between the working capital and the risk of bankruptcy within an economic entity, as long as some achieve a financial balance with a negative working capital, and others prove insolvency as opposed to obtaining a positive and respective working capital, maintaining the solvency with a low working capital vs. financial imbalance despite the very high working capital.

Financial working capital = Equity + Medium and long-term debt - Fixed assets

We consider an example on an industrial economic entity that presents the following simplified balance sheet:

Assets	Balance at the end of the financial year		Capital and debt	Balance at the end of the financial year	
	N-1	N		N-1	N
Fixed assets	367.922.117	362.099.332	Equity	302.712.358	321.819.179
Intangible assets	1.585.663	1.902.075	Provisions	1.386.000	1.386.000
Property, plant and equipment	350.407.233	352.547.167	Liability	-	194.498.687
Financial assets	15.929.221	7.650.090	Long-term debt	-	84.642.694
Current assets	111.524.084	180.424.106	Short term debts	-	109.855.993
Stocks	-	-	Providers	-	25.657.622
Claims	101.297.049	84.642.694	Other operating debts	109.297.049	84.642.694
The house and bank accounts	10.227.035	3.829.843	Short-term bank debt	66.050.794	2.419.413
Prepayments	-	838.050	Revenue in advance	-	-
Total assets	479.446.201	543.361.488	Total capital and debt	479.446.201	543.361.488

The profit and loss account of the entity under consideration is as follows:

Element	Financial year N
Fiscal value	522.962.407
Material expenses	280.967.413
Staff costs	81.905.612
Interest expenses	2.419.413
Income tax expenses	6.450.448
Net income	19.106.820

$$WCF\ 2017 = (302.712.358 + 109.297.049) - 367.922.117 = 44.087.290$$

$$WCF\ 2018 = (321.819.179 + 84.642.694) - 362.099.332 = 44.362.541$$

According to the $Ac > OTS$ rule, the working capital $WC > 0$ means that the financial balance is satisfactory as the liquidities fully cover the potential requirements. During 2017-2018 WCF is positive, the entity being able to cover the need for investments from permanent capital.

4.2. Analysis of financial quality through the ratios method

According to some authors (Ph. Avare et.al, 2002) the synthesis accounting documents are the basis of the risk determination method using ratios, transforming the raw data into useful information. The origin of the financial profitability of the economic entities derives from the profitability of the asset.

According to some specialists, the financial profitability will be equal to the economic one if the interest ratio is equal to the economic profitability, and if the cost of the debt is higher or lower than the economic profitability, the result available to the shareholders will decrease or increase as a result of the loans.

The deregulation of the cash flows and payments can lead to the insufficiency of the liquidity thus appearing the liquidity risk - practically an insufficiency of the liquidity at the terms of repayment of the credits and the related interests. The objective of the liquidity ratios is the measurement of the capacity of the economic entities to honor their financial commitments in the short term.

Liquidity rules require comparing the duration of allocations with that of resources. We present below the calculation formulas of these indicators.

Current liquidity analysis:

Current liquidity (CI) expresses the ability of an economic entity to meet its short-term bonds from current assets and is calculated as the ratio of current assets to current liabilities.

The minimum value of the indicator is 1.00, and if the resulting value is lower, it is concluded that the company is in danger of inability to pay. The maximum accepted value is 2.00, and if the resulting value is above this threshold, it is concluded that the economic entity properly uses the current assets.

$$CI = \frac{\text{Current assets}}{\text{Current debts}} = \frac{180424106}{109855993} = 1,64$$

The value obtained being of 1.64, it turns out that the considered entity properly uses current assets and is not in danger of incapacity to pay.

Rapid liquidity analysis:

Rapid liquidity (RI) means the ability of an economic entity to pay relatively quickly, short-term liabilities, from current assets, except for stocks considered to be the least liquid.

The indicator's reference values are:

- the minimum value 0.65 - below this level the entity is in danger of inability to pay;
- maximum value 1.00 - above this value it is considered that the current assets are not used properly.

$$RI = \frac{\text{Current assets} - \text{Stocks}}{\text{Current debts}} = \frac{119258604}{109855993} = 1,09$$

The value obtained by 1.09 denotes that the economic entity may cover its current bonds from current assets, but it may also mean that the entity does not properly use its current assets.

General solvency analysis:

The minimum accepted level of these ratios is 2.00 and the maximum of 3.00.

$$ISG = \frac{\text{Total assets}}{\text{Total debts}} = \frac{543361488}{194498687} = 2,79$$

The value obtained by 2.79 denotes that, the economic entity uses the current assets properly and is not in danger of incapacity to pay.

Debt ratio analysis:

If the percentage of this ratio exceeds 60%, then, the economic entity is not eligible for a new loan, the financial institutions not granting any loans in these situations.

$$Dr = \frac{\text{Borrowed capital}}{\text{Comitted capital}} = \frac{84642694}{406461873} \times 100 = 20,83\%$$

In this case, the debt ratio is 20.83%.

Analysis of the interest ratio debt

This ratio reflects the ability of the economic entity to make a profit to pay interest on loans and to remunerate shareholders in the form of dividends.

The recommended level is at least 3.

$$Ir = \frac{\text{Profit before interest payment and profit tax}}{\text{Interest expenses}} = \frac{27976682}{2419413} = 11,56$$

The economic entity considered has an interest ratio of 11.56 which is a good interest ratio.

4.3. Scoring method - bankruptcy risk analysis

The scoring method uses quantitative data on the situation of the economic entity, in order to achieve a financial score for the general financial assessment.

The most used method by the banking and financial media for their own credit ratings is the "scoring" method, based on the "Z" model, which allows for quick positioning towards the beneficiaries of loans regarding the risk of bankruptcy. This method represents a means of identifying the risk of bankruptcy and the evolution of the activity carried out by an economic entity.

The Z score seems to be a linear function with several variables characterized by weighting coefficients, determined by the method of least squares.

Concerns regarding the elaboration of forecasts regarding the risk of bankruptcy start from a grouping of ratios closely correlated with the health status of the economic entities, aiming to determine a function that allows to estimate the probability that an economic entity will register losses and consequently be unable to honor his clients and banks that gave him loans.

There are several scoring methods for early risk assessment and forecasting of bankruptcy, such as: the Conan-Holder model, the Bank of France model, the Romanian Commercial Bank model, the Agricultural Bank model, the Altman model.

The authors decided to apply the Altman and Taffler models.

Altman Model:

The following calculation relation is used in the application of the model:

$$Z = 0,717X_1 + 0,847X_2 + 3,107X_3 + 0,420X_4 + 0,998X_5,$$

where:

$$X_1 = \frac{\text{Current assets}}{\text{Total assets}} = \frac{180424106}{543361488} = 0,332$$

$$X_2 = \frac{\text{Reinvested profit}}{\text{Total assets}} = \frac{19106821}{543361488} = 0,0352$$

$$X_3 = \frac{\text{Gross profit}}{\text{Total assets}} = \frac{25557269}{543361488} = 0,047$$

$$X_4 = \frac{\text{Equity}}{\text{Long-term obligations}} = \frac{321819179}{84642694} = 3,802$$

$$X_5 = \frac{\text{Fiscal value}}{\text{Total assets}} = \frac{522962407}{543361488} = 0,9625$$

It is known that, for different values of Z, in practice the following situations are encountered:

$Z < 1,8$ - bankruptcy in one year;

$1,81 \leq Z \leq 2,675$ - area of uncertainty with a high risk of bankruptcy;

$2,675 \leq Z \leq 2,99$ - area with low bankruptcy risk;

$Z > 2,99$ - area without the threat of bankruptcy.

$$Z = 0,717 \times 0,332 + 0,847 \times 0,0351 + 3,107 \times 0,047 + 0,420 \times 3,802 + 0,998 \times 0,9624 \\ = 0,238 + 0,0297 + 0,146 + 1,5968 + 0,96 = 2,97$$

The value obtained is 2.97 - which indicates that the economic entity is in an area with a low risk of bankruptcy.

Taffler Model:

The minimum threshold for this model is 0.2. If the minimum threshold is lower, then the economic entity is on a direct path to bankruptcy.

The following calculation relation is used in applying this model:

$$Z = 0.53X_1 + 0.13X_2 + 0.18X_3 + 0.16X_4,$$

where:

$$X_1 = \frac{\text{Profit}}{\text{Short term debts}} = \frac{19106821}{109855993} = 0,1739$$

$$X_2 = \frac{\text{Current assets}}{\text{Amount of debts}} = \frac{180424106}{194498687} = 0,9277$$

$$X_3 = \frac{\text{Short term debts}}{\text{Total assets}} = \frac{109855993}{543361488} = 0,2022$$

$$X_4 = \frac{\text{Profit}}{\text{Total assets}} = \frac{19106821}{543361488} = 0,0352$$

$$Z = 0,53 \times 0,1740 + 0,13 \times 0,9277 + 0,18 \times 0,2022 + 0,16 \times 0,0352 = 0,0922 + 0,1206 + 0,0364 + 0,0057 = 0,2560$$

The resulting value is 0.2560 which indicates that the economic entity has low chances of reaching bankruptcy in the near future.

5. Solvency ratios analysis

The solvency ratios make a report of the liabilities required and of the assets obtainable in order to evaluate the risk of bankruptcy. In this regard, the most used ratios are:

a) The general solvency ratio (GSR) - compares all the bonds due under one year, with all the potential liquidities associated with the current assets and is calculated according to the following calculation relation:

$$\text{GSR} = (\text{Current assets})/(\text{Short-term bonds})$$

This ratio allows the appreciation by the current asset, of the degree of coverage of short-term bonds. The unitary size of the ratio shows the full correspondence between the current assets and their sources. The supra-unitary size of this ratio shows a higher level of current assets than short-term liabilities and respectively the use for financing the exploitation of part of the permanent capital. This ratio is also called the ratio of the working capital WCR which is determined by the following calculation relation:

$$\text{WCR} = (\text{Permanent Capital})/(\text{Fixed Assets})$$

When the coverage of current assets competes for permanent capital, in addition to short-term bonds, the working capital ratio is superunit. The significance of the general solvency ratio has a large margin of approximation due to the large number of variables, such as: the intensity of the seasonality of the activity of the economic entities, the structure of the current assets, the nature of the activity sector, the ratio of rotation of the assets and stocks.

b) The partial solvency ratio PSR is characterized by excluding stocks from current assets due to the high degree of uncertainty in terms of liquidity and their value. It is determined by the following calculation relations:

$$\text{PSR} = (\text{Current assets} - \text{Stocks})/(\text{Short-term bonds}) \text{ or:}$$

$$\text{PSR} = (\text{Receivables} + \text{Investments} + \text{Availability})/(\text{Short-Term Bonds})$$

PSR reveals the ability of the economic entity to pay its short-term bonds, from availability and from receivables. A sub-unit size of this ratio indicates the need for a high degree of prudence regarding the structure of the receivables, respectively the number of clients and their weight in the total receivables. The ratio between 0.8 and 1, according to some specialists in the economic field, represents an optimal situation regarding the solvency.

c) Immediate solvency ratio ISR corresponds to the most liquid elements of the asset, with short-term bonds:

$$\text{ISR} = (\text{Investments} + \text{Availability}) / (\text{Short-term obligations})$$

In economic theory it is estimated that ISR must be greater than 0.3.

A good interpretation of the ratio must also contain information on the conditions of the activity of the economic entity, since, although a high level of this ratio indicates a high solvency and a good liquidity, it can have various meanings, including a less performant usage of available resources. On the one hand, a high size of the ratio does not represent a guarantee of solvency if the other assets have a low degree of liquidity, and on the other hand, a low size of the immediate solvency ratio can be compatible with maintaining the financial balance in the situation in that the economic entity would greatly reduce the value of the receipts, under the conditions of holding stocks, receivables, investment values, in full agreement with the exigibility of the bonds within the stipulated term.

In order to assess the risk of bankruptcy, the financial institutions in the market economy countries also resort to other types of ratios, such as the Raf financial autonomy ratio. This ratio is calculated with the following calculation relation:

$$\text{RFA} = (\text{Medium and long term bonds}) / (\text{Equity})$$

The size of the ratio is preferred by the creditors to be sub-unitary, and for the assessment of the solvency degree of an economic entity, the net accounting asset is compared with the total of the liabilities, the net accounting asset preferable to be greater than one third of the liabilities.

In practice, the solvency of an economic entity by the ratio method is less significant, the emphasis being placed on the appreciation of the overall liquidity of the entity.

6. Conclusions

The manifestation of the general financial balance at the level of the economic entity is revealed with the help of the analysis for the financial-patrimonial position.

A positive working fund reveals the long-term achievement of the financial balance. During the analyzed period, the positive size of the working capital reflects the long-term economic entity independently from the creditors. Taking into account the fact that the potential liquidities fully cover the potential exigencies, it follows that the considered economic entity does not present difficulties regarding the financial balance, and the need for investments can be covered by the permanent capital.

The authors conclude that the scoring method is an accuracy method for conducting bankruptcy risk analysis within an economic entity.

Therefore the two hypotheses stated at the beginning of the study, respectively the first hypothesis that the risk assessment is a priority for the economic entities is verified and valid, and with regard to the second hypothesis that certain characteristics of the accounting information they have a decisive influence in the process of evaluating the risk of bankruptcy, it can also be said that it is a verified and valid statement.

Therefore, the economic entity in this case, knows very well the problems related to risk management and therefore manages them very well, being an example to be followed for other entities. Following the application of the scoring method, the economic entity proved to be solvable and is very knowledgeable about the mechanism of securing and using potential liquidities to meet their potential needs.

Through the balance sheet it was found that, the permanent needs for the allocation of the money funds are covered by the permanent capital, especially from the equity, and the temporary needs are financed from the temporary resources.

Thus, the economic entity carries out a profitable activity and has a stable situation on the economic market. Its vision for the future is to attract new customers and expand its activity in other areas of our country.

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Risks and Opportunities in the Cryptocurrency Market

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Abstract

The financial industry is subject to a new technological age through the evolution of the cryptocurrencies, people exploring a continuous rise of interest in investing on alternative basis mechanisms. This paper aims to give an overview of the blockchain technology and its potential, with its applicability on the cryptocurrency market. We illustrate the main challenges that the cryptocurrencies must overcome in order to achieve the customers' approval, which is strongly related to trust and cybersecurity issues. A comparative analysis of the two major cryptocurrencies emphasizes the risks and the opportunities offered by the cryptocurrency market, but also the main threats that must be addressed. Moreover, the consequences of the cryptocurrencies development for both national and international financial systems are evaluated, leading to the idea of a freedom-associated concept, where the lack of a third-party financial authority requires a significant change of perceptions and has the premises to fundamentally transform the traditional payment methods.

Key words: blockchain, cryptocurrency market, trust, cybersecurity

J.E.L. classification: G11, G15, E42

1. Introduction in the blockchain technology

The blockchain structure is based on a set of transactions stored in a publicly viewable database, where every block is linked to the previous one ("the parent block") and is generated by a cryptographic hash algorithm. The sequence of hashes has the function to link the blocks into the chain and ensures the blockchain security, as a block cannot be modified or altered. The existing nodes always have a local copy of the entirely blockchain, including "the genesis block", which is represented by the first block from the blockchain. A new block is added through the mining process, consisting in data validation by solving mathematical problems related to the cryptographic hash algorithms, followed by recording the new transactions on the global ledger.

Blockchain has the potential to transform the economies and to revolutionize the traditional payment methods, but this will be a long-lasting process due to the potential barriers to its development: technological, societal and governmental. First of all, the blockchain technology led to a change of the mindset, which claims a complete understanding of the mechanism and its application to different economic areas. Moreover, there will be a need to create the organizational infrastructure to deal with blockchain from its foundations, the adoption of such technology for the business environment being gradually due to the strategic implications of the blockchain adoption.

On the other hand, the blockchain architecture must be sustained by people, which are the core stakeholder for any organization. In order to reshape the economy, the novelty of the technology requires sustained efforts to a proper understanding of the advantages in terms of costs and value created through the blockchain technology. The users' response to the blockchain technology develops the framework for businesses to manage their own capabilities, suggesting the necessary regulations to be taken in order to facilitate the transition and revealing focused solutions for the identified limitations of the technology.

Blockchain also needs an institutional change and its application on the cryptocurrency market is often related to illegal activities as money laundering (Bryans, 2014) or tax evasion (Slattery, 2014). Even the risks generated by the cryptocurrency market volatility, there is a lack of consensus regarding the necessity of a regulatory framework, from those opinions that claim the complete ban of the cryptocurrency market, to those that argue the lack of interventionism (Swan, 2015) or a flexible regulatory structure (Atzori, 2017).

"With blockchain, we can imagine a world in which contracts are embedded in digital code and stored in transparent, shared databases, where they are protected from deletion, tampering, and revision." (Iansiti and Lakhani, 2017, p. 4) Blockchain has the advantage to significantly reduce the final cost of transactions, the data being publicly distributed and shared between the nodes of the network, while the identity details remain anonymous. There is no third-party intermediary which verify the data; instead, when changes are made to the ledger, it is replicated to the entire network and all the copies are updated. Each party of the network can access the entire database and no one controls the recorded information. The central node functions are replaced by a peer-to-peer transmission mechanism, where the communication is fulfilled through peers.

2. Theoretical background - The fundamentals of the cryptocurrency market

In her book entitled "Blockchain: Blueprint for a New Economy", Melanie Swan (2015) divide the blockchain revolution into three main categories: (i) Blockchain 1.0, related to the currency and the emerging cryptocurrencies on the financial market; (ii) Blockchain 2.0, related to the contracts which are more extensive transactions than the previous category (smart contracts, loans, bonds, stocks, futures); (iii) Blockchain 3.0, which refers to the Blockchain applications across markets, finance and currency (health, science, arts). This paper is focused on the Blockchain 1.0 analysis and Bitcoin as the major leader on the cryptocurrency market. The Bitcoin generation is related to the paper of an anonymous person using the name Satoshi Nakamoto (2008) that described the blockchain mechanism able to create units of currency in a decentralized way and to record the transactions in a public ledger which can be stored on many users' computers. In this system, money is mined in a controlled procedure, depending on the computational power and the Proof-of-Work algorithms.

The cybersecurity solutions offered by the blockchain technology are related to the encrypted data and to the use of the hashing functions in order to prevent the cyber-attacks, which are more sophisticated in the recent years. The cyber criminals are focused on advanced technics of stealing personal identification data or other valuable information, such as intellectual property or financial keys. Cybersecurity helps maintain the data integrity through the blockchain using the encrypted infrastructure and the public-private system of keys, which have a positive role in the authentication and authorization processes, data protection and its confidentiality. The exposure at cyber risks is higher due to the possibility to access data from multiple devices, but the blockchain is based on advanced quantum computing system that is difficult to be broken.

3. Bitcoin

According to the Figure 1, there is a high volatility of BTC/USD compared to the USD/EUR and USD/GBP volatilities, suggesting a particular market which is more exposed to experience bubbles and significant crashes as a result of the immature nature of the market and the contagion effect between Bitcoin and other cryptocurrencies (Ferreira and Pareira, 2019). Despite these figures, the total volume of Bitcoin trading has grown more and more from its conception. In the same time, Bitcoin has also experienced some cyclical trends with a peak of the price in December 2017, followed by a deep downturn across the next year and a new robust recovery to the local maximum level achieved in July 2019. Measuring how much the BTC price has varied in 2019, it can be noticed a dramatically fluctuation scheme with substantially risky consequences.

While the beginning of the year lead to a BTC price of \$ 3.689,56 (01.01.2019), the end of the same year revels a high progress to the value of \$ 7.251,28 (31.12.2019). These evolutions are in line with the economic principle of demand and supply, being also influenced by other contextual factors such as speculation or the regulatory framework. Speculation has the capacity to overcome

emotional barriers, being also a firm enemy in periods of decline, due to the financial news that can rise the public' enthusiasm or attract a major instability. The novelty of the blockchain technology and the still unpredictable features of the cryptocurrency market lead to a more emotional market rather than rational. In this context, it must be stressed the importance of trust in cryptocurrencies and the cybersecurity issues raised by the new-entered financial instruments in the system.

Figure no. 1. BTC/USD volatility compared with USD/EUR and USD/GBP volatilities in 2019



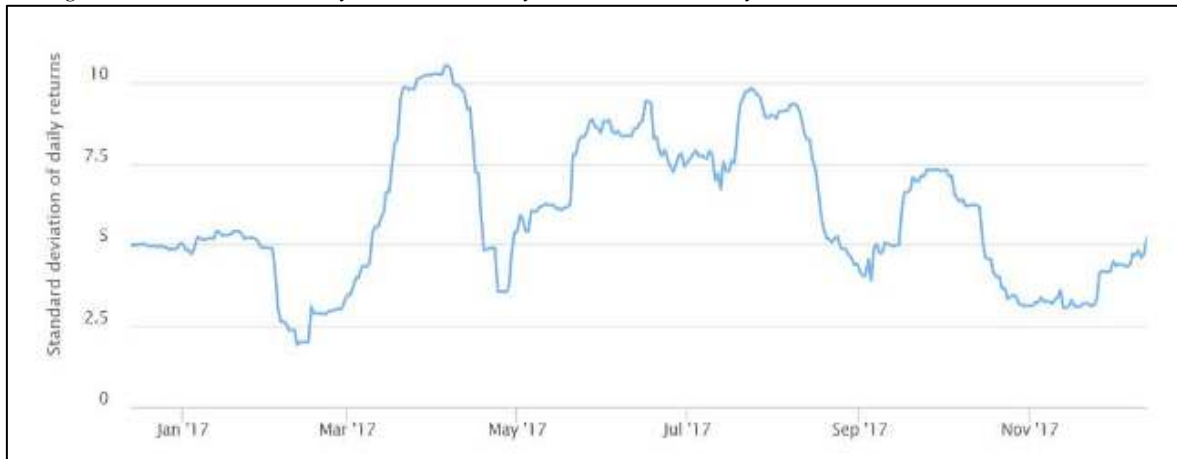
Source: <https://www.buybitcoinworldwide.com/volatility-index/>

The Bitcoin technology requires trust between peers and across various stakeholders: Governments, users, miners, exchanges and merchants (Sas and Khairuddin, 2015). First of all, there are the regulatory framework characteristics associated with a still young technology, subject that was treated in the previous section. Moreover, there is the supporting role of both miners and exchanges for the BTC usability, influencing the merchants' and the users' trust in such technology. Finally, it is necessary to mention the users' own trust in BTC transactions, their limits towards risks and the merchants' availability to involve in the trading process, exploring the whole set of challenges derived from the trading decision mechanism.

4. Ethereum

Ethereum was launched in 2015 and permanently runs "smart contracts" through a decentralized platform. Ethereum is an open blockchain and the cryptocurrency "ether" (ETH) constitutes a medium of exchange, the second cryptocurrency by popularity after Bitcoin. On the one hand, the Ether evolution suggest a correlation with the Bitcoin volatility, as a contagion effect of the cryptocurrency market. On the other hand, there is also an influence from the Ethereum platform, which periodically has "a hard fork", with direct consequences on the demand. While the Bitcoin has a limited offer to 21 mil. BTC, the Ethereum offer is unlimited on the long run. Another important difference is related to the processing time, which variates from 10 minutes (Bitcoin) to 15 seconds (Ether) and significantly influence the Ether volatility (Figure 2).

Figure no. 2. Ether Volatility in 2019: 30-Day ETH/USD Volatility



Source: <https://www.buybitcoinworldwide.com/ethereum-volatility/>

The Ether price was experienced a sharp decrease from its peak (1.107 USD, January 2018) to 132 USD in December 2019, with a market capitalization of USD 14,34 billion. After the bubble on the cryptocurrency market, Bitcoin and Ethereum, the most suitable alternative of the first, entered into a shadow cone due to the speculative basis of their mechanisms. In fact, the cryptocurrencies development is linked to the media interest on the subject, attention that was rapidly replaced in the public view. Without such an advantage, over 2.000 cryptocurrencies remain only speculative tools of the financial markets with high associated risks and extreme volatility levels.

5. Conclusions

The cryptocurrencies have multiple advantages that can be transformed into feasible opportunities, mainly due to the technology features: cybersecurity, cryptography, trust, decentralization and transparency. Blockchain solves the double-spending issue, passing the verifying function of one authority to the entire network. In this context, the premises of the cryptocurrency market are based on the users' mistrust in the traditional financial methods, the peer-to-peer consensus being an efficient alternative for the third-party financial authority. But one of the main threats of the cryptocurrency market is related to its own foundations, reclaiming the public nature of the blockchain which may lead to abuses in the absence of a well-designed regulatory framework.

The use of cryptocurrencies may be associated to the illicit activities as result of the anonymity of the owner and the lack of a third-party intermediary. The governmental involvement is still a controversial topic, arising the challenge of maintain the freedom-associated concept while fighting to the terrorism acts, drugs supply or money laundering. The lack of a financial institution that can provide the necessary information to the police and control the transactions seems to be an acute problem, but also a basic principle of the blockchain technology that cannot be ignored.

Another potential threat is directly linked with the cryptocurrency market volatility and the contagion effect which can expose the entire financial system to a disruptive process, revealing a substantial risk for the global economy. On the other hand, the low cost of transactions represents a valuable argument for a more modern national and international payment system, once the stability problem will be solved. However, in Romania are still few merchants that accept cryptocurrency. There are also several limitations of the cryptocurrency development, from losing the currency due to the hacking incidents to the loss of the identification keys or the bankruptcy of the account manager.

The Initial Coin Offering (ICO) is also considered extremely risky by several institutions or countries, due to the vulnerability of ICOs to illegal transactions, the unregulated framework, the reduced possibility to convert cryptocurrencies to other currencies and the high volatility of the market. The last feature make cryptocurrency unsuitable for value preservation purposes, being

more associated with the speculative actions. The unregulated transaction area rises serious risks for the users, since no authority protects consumers' rights. From another point of view that cannot be neglected, the mining process is an expensive practice for the planet, due to the environmental damage, the Bitcoin energy consumption equating with electricity consumption of many countries.

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Investing Trust in Blockchain Technology: Bitcoin Case Study

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Abstract

The present paper explores the current development of cryptocurrencies, emphasizing the concept of trust related to the blockchain technology and the digital currency market. The study offers a fundamental review of relevant research papers on Bitcoin, examining the main issues of trust among five categories of stakeholders: Governments, users, miners, exchanges and merchants. The results highlight the trust challenges on Bitcoin, revealing a unique perspective of risks on the cryptocurrency market, contagion effects, decentralisation systems or cryptocurrency regulation. The blockchain features are explained in order to better understand the Bitcoin mechanism, presenting the advantages of using such technology, concluding that Bitcoin is a product of the mistrust in financial institutions and an attempt to use alternative payment systems in a more secure way.

Key words: blockchain, cryptocurrency, Bitcoin, trust

J.E.L. classification: G11, G15, E42

1. Introduction

Bitcoin, the first cryptocurrency developed in 2009 after the scheme introduced by Satoshi Nakamoto (2008), is a product of time, where financial institutions were perceived as unable to manage economic imbalances. Thus, the cryptocurrency market is a response to the financial uncertainty and crisis effects, a proper alternative to the central banks' functions in a time of mistrust of handling the recession period. Bitcoin is designed to be trustworthy, replacing those parties that one may mistrust with a decentralized system logged to a publicly viewable blockchain. The Bitcoin bases are more computational rather than human, being linked with mathematical algorithms that make the structure safer, as an intrinsic need of Bitcoin functionality.

This paper exploits trust as a contributing factor for cryptocurrency market growth, considering the level of trust invested by the users in a new technology as a very important factor of the cryptocurrencies' adoption, especially in the crisis circumstances of financial distress. Bitcoin, as a result of the blockchain technology, can be associated with a speculative investment, which is by its very nature, extremely risky. In the same time, Bitcoin security has particular capabilities as the bitcoin wallet can be backed up in different ways and customers are not exposed to fraudulent actions due to its decentralized model. This approach relies on the independent validation of transactions by miners through consensus, which is a completely decentralized security architecture.

The blockchain technology improves the efficiency, removing the system incompatibilities and speeding up the payments in a real time view of all transactions. The data is stored in multiple nodes of the system, feature that increases the resilience of the data through a replicated database. But, the most important, Bitcoin is sustained by a more honest mechanism, where questionable changes are immediately detected, function that requires a deep investigation of trust in the blockchain technology. According to this view, the computational algorithms are used as authenticity certificates for the uneditable trading records, being a relevant explanation for the investors' behavior on the cryptocurrency market. This paper contributes to the growing economic literature on this subject, treating trust as a single point of disrupting financial third parties' monopolistic actions and potential source of agreement in an unknown environment.

2. Theoretical background - Blockchain impact in terms of trust

Blockchain is a technology that increases transparency by its decentralized mechanism, reduces costs and have significant influences for various economic sectors in terms of efficiency, enabling solutions to issues that otherwise could have not be solved. Innovative blockchain initiatives were provided in health system, financial inclusion, energy, climate and environment, followed by philanthropy, democracy, governance, agriculture and land rights. One of the most popular benefits of blockchain is related to trust as blockchain is perceived as a proper method to reduce risks and fraud – 38% (Galen et al., 2018, p. 4). Blockchain is the underlying technology that advanced cryptocurrencies, being a secure record book of transactions organized in “blocks” of data, which form a “chain” linked to other “blocks”. The blockchain technology has revolutionize the markets by using smart contracts, creating trust without a intermediary-party, through three main elements: (1) identity, which is referenced to the digital signatures; the transactions are authorized by a set of public – private keys that are similar to the password and the account number of a traditional transaction. (2) ownership, through the cryptographic hashing; each block contains hashed representations of data from the previous block, which makes the system reject all fraudulent attempts to manipulate the information which is already stored into the chain; (3) verification, through the distributed consensus; it makes the verification process more feasible replacing the trusted intermediary with a group of people that can publicly verify the truthfulness of a specific transaction.

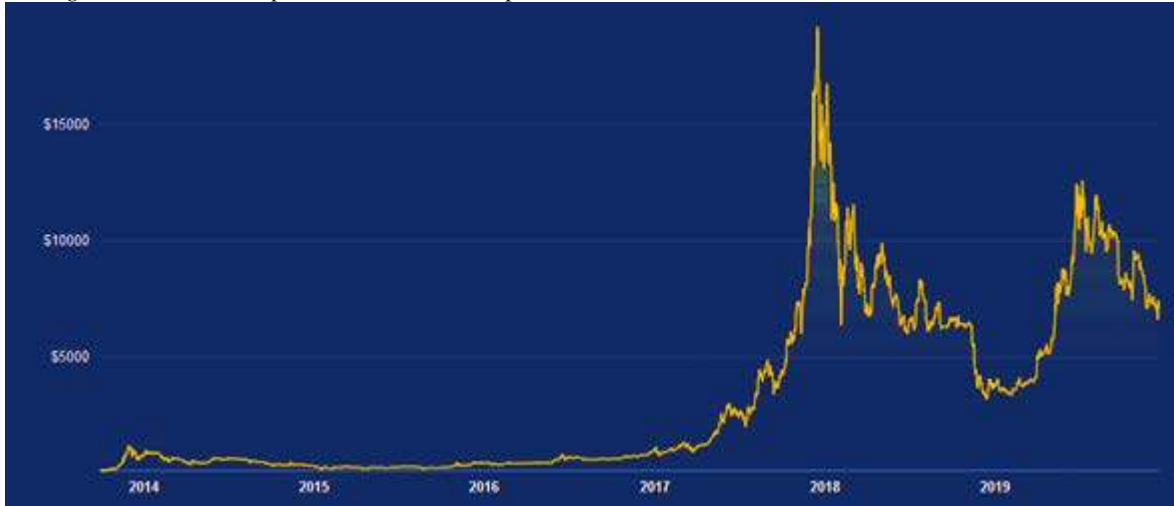
Blockchain has no single controller of the data, which makes impossible to alter the data without the consensus of the other participants of the network. Furthermore, blockchain has the advantage of real time transactions and no need to reconcile the trades by a third party, increasing efficiency and transparency. Every piece of data is added to the final blockchain after the consensus of the parties, which aligns the participants to a single version of the event. Data concentration has a potential risk from external attacks to internal disruptions, while trusted third parties are expensive and often quasi-monopolistic. A study conducted by DBS Asian Insights in collaboration with DBS Innovation Group suggested a three-scale trust evolution: (1) first level is a mutual distrust, which leads to minimal business opportunities; (2) the second stage use the third party and is associated to some business opportunities, but also risks, complexity and more expenses; (3) the final stage is correlated with high levels of trust and the use of blockchain; it reduces the complexity and risks and increases the business cohesion (Lewis et al., 2016, p. 11).

3. The cryptocurrency market: Bitcoin

The Bitcoin background starts with the Satoshi Nakamoto paper entitled “Bitcoin: A Peer-to-Peer Electronic Cash System” (2008) and its decentralized system without a central authority that validates the transactions. Instead of the third party, the system uses a Proof-of-Work algorithm to arrive to the consensus. In fact, Bitcoin was essentially a product of mistrust, in a time when “mistrust of the handling of this crisis by financial institutions, central banks and governments was growing” (Craggs, 2017, p. 13). Bitcoin has the advantage to unify the markets to a digital economy, where the Governments must adjust to the new conditions, more competitive and responsible. Bitcoin was the starting point for some important technologies that have the potential to transform the global economy through its informational features.

According to the Figure 1, the Bitcoin market is still in its infancy and has some cyclical trends of evolution, with an explosion of price in December 2017 (19.166,98 USD – 17.12.2017). Since then, the Bitcoin price has slowed down, tried to recover in 2018, but has been clearly declining at the end of the year. Until march 2019, there has been a low level of volatility of the prices, suggesting an accumulation phase before the next strong decrease. In the period April 2019 – June 2019, there was a soft increase of the Bitcoin price, reaching the maximum point in July (12.335 USD – 09.07.2019). This local peak emphasized the decreasing trend which was very similar with the one observed throughout almost the whole of the year 2018.

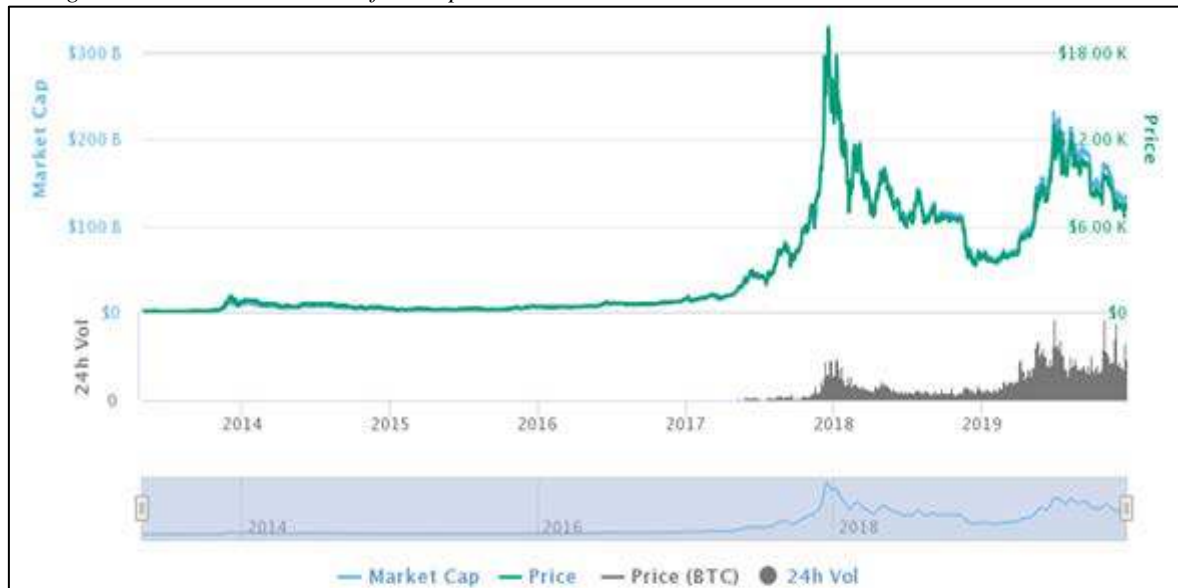
Figure no. 1. Bitcoin price evolution in the period 2014-2019



Source: <https://www.coindesk.com/price/bitcoin>

The BTC price fluctuates around the level of USD 7.000, while the total market capitalization of Bitcoin totalizes over USD 132 billion. The Bitcoin price at 26.12.2019 was USD 7.323,18 and the 24-hour volume was over USD 21 billion (Figure 2). Given the repeatability of the two cycles, it can be assumed a continuity of the decreasing trend under a limited volatility, followed by the next wave of boom which may reach the psychological barrier achieved in 2017. On the other hand, the BTC dominance is about 68,7% and Ethereum, the second most important cryptocurrency after Bitcoin, has a market capitalization of USD 14.045.977.871, which is approximately ten times less than Bitcoin.

Figure no. 2. Bitcoin statistics for the period 2014-2019



Source: <https://coinmarketcap.com/currencies/bitcoin/>

Bitcoins are produced by computers and use a system that enables payments based on cryptographic methods. The Bitcoin system is composed by users, miners and the authoritative ledger of all transactions. The “wallet” holds the private and public keys that allows the Bitcoin investors to access the addresses. The miners add new Bitcoins to the money supply through consensus, validating new transactions and including them in the blockchain, according to a peer-to-peer network. Miners solve mathematical problems in order to validate the transactions, using algorithms and being rewarded for their work. Bitcoin is more than a computing innovation, designing a powerful mix of bitcoin protocols – distributing mining – blockchain technology.

4. Results and discussions

Starting from the Bitcoin evolution during 2017, when it experienced a kind of bubble, followed by a sharp decrease of prices, Ferreira and Pereira (2019) evaluate the contagion effect between Bitcoin and other major cryptocurrencies using different time-scales, concluding that there is a more interconnected market at present than in the past. These results are in line with previous works of Beneki et al. (2019), which emphasize a correlation between Bitcoin and Ethereum, or Silva et al. (2019), which identified a contagion effect of Bitcoin in almost all cases of the sample (50 cryptocurrencies with greater liquidity).

The Bitcoin technology rises multiple issues in terms of trust, its architecture being based in the same time on scrutiny and anonymity. While the transactions are publicly archived on the blockchain, the identity of the users is undisclosed, due to the cybersecurity models and cryptography. Trust is seen as a subjective belief in the truth or honesty of someone/something (Grandison and Sloman, 2000), being emphasized the distinction between three forms of trust (Misiolek et al., 2002; Leppanen, 2010): (1) technological trust, which is related to the usage benefits, usability and individual perceptions of user's skills; (2) social trust, referring to the disposition towards trust and the dependence on the others and (3) institutional trust, which is influenced by the power relationship and organizational trust based on hierarchy.

Sas and Khairuddin (2015) propose a symmetry between the two frameworks for exploring levels of trust in the Bitcoin technology and across various stakeholders: Governments, users, miners, exchanges and merchants. In this respect, users are those people which use Bitcoin in their transactions and are subject to security risks, having limited knowledge about the blockchain technology. Merchants are those businesses which accept risks due to the unknown identity of their buyers, being engaged in positive transactions with the Bitcoin's owners. Both exchanges and miners are essential for supporting the merchants' and users' trust in Bitcoin transactions, providing the trading platforms for Bitcoin and recording new transactions through solving crypto-puzzles. The regulatory international framework of the cryptocurrency market is becoming increasingly relevant in the current global debate, dominated by a lack of consensus on the topic. The fundamental link of Bitcoin with the Governments designs a sophisticated mechanism without a central authority, where disputes are solved through peer-to-peer protocols.

5. Conclusions

The cryptocurrency market is based on a fundamentally novel mechanism, which has the potential to fulfill various functions for its users. We formulate the main advantages for the blockchain technology in terms of trust, investigating its role compared with the traditional groups of assets. We construct our hypothesis related to five major categories of stakeholders (Governments, users, miners, exchanges and merchants), investigating the security risks associated and reporting trust as a crucial point of the analysis. Bitcoins are mined through public distributed nodes of the blockchain network, while miners have a catalyst role on the market. The core of the mining process is the trustless mechanism of transactions in a transparent way, due to the cryptographic features of the system and sophisticated algorithms. Once the transactions are verified, they are added on the blocks and recorded in the blockchain ledger. The unregulated nature of transactions, the lack of a financial third-party authority and the consensus protocols that are used are features of the Bitcoin technology that significantly differ from the e-commerce systems. Future research can be directed to exploring security threats for each category of stakeholders, with a special focus on the miners' practices and their involvement in the process.

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Analyzing Short Term Momentum Effect on Stock Market of Hong Kong. An Empirical Case Study

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Abstract

Existence of short-term momentum effect is a widely disputed topic. This paper aims to solve the dispute and examine the presence of short-term momentum effect in the stock market of Hong Kong. Empirical results of 16 monthly price momentum investment strategies suggest that short term momentum effect has been found in Hong Kong's stock market and it is overwhelmingly strong. Future research should focus on investigating momentum effect using weekly and daily price momentum strategies.

Key words: momentum strategy, zero cost momentum portfolio, above average return, winner portfolios, loser portfolios

J.E.L. classification: C22, G11, G17, O16, Q01

1. Introduction

Short term momentum effect has long been discussed in financial literature soon after its discovery by Jegadeesh and Titman (1993). It is regarded as a stock market phenomenon that articulates that stocks with highest returns in recent past, called winners, will keep on producing higher returns in future and stock with lowest returns (called losers) in recent past will yield poor returns in future. In short, winner will outperform the losers. According to Jegadeesh and Titman (1993) momentum effect remains in stock returns from 3 to 12 months (stages of 3 months, 6 months, 9 months and 12 months).

Short-term momentum effect has remained a subject matter of numerous empirical studies since 1993. Jegadeesh and Titman (2001), for instance, investigated U.S. stock markets by extending sample period as compared to their previous study and reaffirm the presence of momentum effect. However, they also confirm that momentum effect vanishes when momentum strategy's time expires. Momentum effect is not confined to only U.S. stock markets but also present in 12 European and 20 Asian stock markets (Rouwenhorst 1999, 1998). Likewise, Griffin, Ji and Martin, (2005) also investigated short-term momentum effect in 39 countries all around the globe. Furthermore, Griffin, Ji and Martin, (2003) examined momentum effect under different economic conditions such as down and up state of economy and find momentum effect can be profitable. However, they emphasis that profitability lasts for 3 to 5 years. In short, substantial number of researchers nearly confirms the existence of momentum effect in stock markets around the world. Nevertheless, financial literature on momentum carries number of studies that also refute the existence of momentum effect. Such contradictory studies lead to a horsrace among researchers to further investigate the phenomenon.

The major problem being reflected in financial literature is the conflicting finding of researchers over the presence of momentum effect even in the same stock market. Some prominent studies are of Hameed and Yuanto (2002) and Chui, Titman and Wei (2000) who do not identified momentum effect in 6, and respectively 8 different Asian stock markets including Hong Kong. Moreover Griffin, Ji and Martin (2005) confirm the presence of momentum effect in some of the Asian stock markets including Hong Kong. Momentum effect is also not unanimous in Chinese stock market as Li, Qiu and Wu (2010) find momentum strategies are non-profitable but, conversely, Kang, Liu and Ni (2002) establish momentum effect profitable in Chinese stock market. Momentum effect is also controversial in Hong Kong considering that Chui, Titman and Wei (2000) find minimal momentum effect. However, Chui Titman and Wei (2010) argued that momentum effect is not present in Hong Kong.

It is also important to investigate the existence of momentum effect as it is a violation of the basic principles of efficient market hypothesis (EMH). The existence of momentum effect strengths the viewpoint of opponents the theory of market efficiency. Momentum effect suggests that stock's future prices can be predicated through its past prices own past prices and it is possible to investors to achieve abnormal profit by beating the market. Nevertheless, efficient market hypothesis articulate that investors cannot use information based on securities' own past prices to make an abnormal profit because stock future prices are random in nature and are not affected by previous events (Malkiel, 2003; Malkiel and Fama, 1970).

The paper structure is organised as follows : section 2 discusses literature review, section 3 defines methodology, section 4 highlights the empirical findings of the research analysis and section 6 give concluding remarks.

2. Literature review

Although momentum effect has long been studied and recognised in many stock markets around the world, but its existence and significance have still been subject to many empirical disagreements. The literature review discusses two groups of authors who establish the presence and significance of momentum effect in some emerging and developed stock markets, whereas other group of authors completely deny the existence of momentum effect in the same stock markets. Short-term momentum effect has long been remaining a debating issue in the literature of finance ever since its inception. Jegadeesh and Titman (1993) study the U.S. stock market from 1965 to 1989 and confirm the presence of momentum effect producing 1.49% average monthly momentum returns. They construct winner and loser stock portfolios based their six months cumulative returns. These momentum investment strategies include formation and holding periods where both can be of 3, 6, 9 and 12 months. For example, winners and losers can be formed based on past six months cumulative average returns and held for next six months to earn momentum profits. Jegadeesh and Titman (1993) stated that there are 16 momentum investment strategies producing different level of profitability, but they only calculated J6K6 momentum strategy. As Jegadeesh and Titman(1993) study focus only U.S. stock markets which raises a concern whether same returns continuation effect exists outside the U.S stock market or not.

Momentum effect is also present in Asian and European stock markets since Rouwenhorst (1999,1998) studied this aspect based on several empirical cases. Rouwenhorst (1998) analysed 2,190 firm from 1978 to 1985 and documents that short-term momentum effect also exists into European stock markets such as Austria, Belgium, Denmark, France, Germany, Italy, Netherlands, Norway, Spain, Sweden, Switzerland, and United Kingdom. Author also find that past winner out perform past losers by almost 1% per month in all 12 stock markets and this effect lasts for 12 months. Moreover, these momentum returns are negatively related, but not limited, to small firms. Although Rouwenhorst (1998) study is considered the main evidence of momentum effect but author completely ignore the emerging markets. Rouwenhorst (1999) observe 20 emerging markets such as Argentina, Brazil, Chile, Colombia, Greece, Indonesia, India, Jordan, Korea, Malaysia, Mexico, Nigeria, Pakistan, Philippines, Portugal, Taiwan, Thailand, Turkey, Venezuela and Zimbabwe and confirms the existence of momentum returns in 1,750 firms across 17 out of 20 countries.

Despite of many studies have provided the ample amount of evidence of existence of momentum effect but, on the other hand, there are also numerous studies that contradicts such findings. Chui, Titman and Wei (2001) examined eight Asian stock markets, ie Hong Kong, Malaysia, Indonesia, Taiwan, Korea, Thailand, Japan and Singapore. They find short-term momentum effect in Malaysia, Singapore and Thailand but momentum effect was not present in Hong Kong, Indonesia, Japan, Taiwan and Korea. Due to unavailability of data, they use difference time period for each country such as Japan data starts from 1997 to 2000, data for stock market in Korea starts from 1995 to 2000 and similarly other countries data start from 1998 to 2000.

The existence of short-term momentum effect is further challenged by Hameed and Yuanto (2002) who study almost 1000 firms in six Asian stock markets, comprising of Hong Kong, Malaysia, Singapore, South Korea, Taiwan and Thailand. They find winner minus loser portfolio is not producing significant momentum returns. They concluded that all 16 momentum strategies are consistently insignificant in six Asian stock markets. Moreover, Hameed and Yuanto (2002) stated that momentum effect is the result of data snooping bias. Similarly, momentum effect is not present in Brazil, Indonesia, Australia, Pakistan, Poland, Romania and Turkey (Ornelas and Fernandes, 2008). They re-examine the existence of momentum effect by applying Jegadeesh and Titman (1993) methodology with the exception of taking 25 percent losers and 25 percent winners to form winner minus loser portfolio rather than only 10 percent. They conclude that improvement in information technology and use of internet help information spread across investors with greater speed which wipe out the effect of momentum. But this contradicts the previous studies as previous literature establishes higher momentum effect in developed countries. If higher information technology and use of internet is wiping out the momentum effect, then developed counties should have lower momentum effect as compared to developing countries due to higher use and excess to internet and information.

Momentum effect is not found in Australian stock market (Huynh, Henker and Henker, 2010). Authors study the market from 1993 to 2008 and include listed and delisted companies. The study criticizes the momentum methodology that underestimates the implicit assumption that leads to bias towards momentum effect. Study further finds that momentum effect is not even robust to different sampling periods and establishes momentum effect may be the result of look-ahead bias during sampling process. Although substantial amount of literature on momentum favors existence of significant momentum effect in many countries around the world but there are also many studies that contradict the previous finding specially in the context of emerging markets. The existence of momentum effect in emerging market is not unanimous in research area. Our study aims to reaffirms the existence of momentum effect in Hong Kong stock markets. It is important to reaffirm the existence for Hong Kong because the presence of momentum effect is highly controversial.

3. Research methodology

Hong Kong has one of the fastest and highest growth economies in the world. Moreover, it is one of the Four Asian Tigers along with Singapore, Taiwan and South Korea. Hong Kong is mainly considered an attractive global financial center. According to Hong Kong Exchange, at 31 December 2018 official statistics indicated a number of 2,315 listed companies and \$29.9 trillion total market capitalization which provided a very attractive investment framework.

This research paper includes an empirical analysis applied on an emerging capital market, such as HKEX Stock Exchange of Hong Kong. The selected time period is based on monthly data from 01 December, 2013 to 01 December 2018. Our empirical analysis includes more than 1.500 companies listed on HKEX Stock Exchange of Hong Kong.

The applied mathematical framework used for calculating stock returns based on monthly prices is the following :

$$Returns = (Price_t - Price_{t-1})/Price_{t-1} \times 100$$

where

$$Price_t = \text{Closing Price}_t$$
$$Price_{t-1} = \text{Opening Price}$$

The empirical approach based on short term momentum effect includes the concepts of winner portfolios (W) and loser portfolios (L).

4. Empirical results

This section includes the empirical findings. It also presents the discussion on results and their interpretation. Table 1 below shows returns results of monthly short-term price momentum investment strategies.

Table no. 1: Returns of Monthly Price Momentum Strategies

Returns of Monthly Price Momentum Strategies						
		Holding Period (K)				
Formation period (J)		3	6	9	12	
Winner (w)	3	68.69437	68.84897	68.67768	68.12286	
Loser (l)		-27.7405	-28.0851	-28.3808	-28.6241	
Winner- Loser (w-l)		96.43482	96.93404	97.05849	96.74693	96.79357
(t-stat)		27.1797	31.2338	33.1968	34.6436	
Winner (w)	6	49.84397	50.69533	50.96529	50.9294	
Loser (l)		-20.1162	-20.6657	-21.1006	-21.426	
Winner- Loser (w-l)		69.96021	71.36099	72.06584	72.35536	71.4356
(t-stat)		21.1882	21.4092	21.9561	22.386	
Winner (w)	9	41.08131	42.15737	42.66672	42.75842	
Loser (l)		-17.1469	-17.8238	-18.3482	-18.8301	
Winner- Loser (w-l)		58.22826	59.98113	61.0149	61.58851	60.2032
(t-stat)		16.89718	16.6151	16.7928	17.01	
Winner (w)	12	36.19192	37.44487	38.09013	38.41374	
Loser (l)		-15.5032	-16.1906	-16.7869	-17.295	
Winner- Loser (w-l)		51.69515	53.63546	54.87698	55.70872	53.97908
(t-stat)		14.7641	14.4084	14.4906	14.6486	

Source: Authors' computation

It is extremely important to explain the table before discussing its findings. The second row of Table 1 displays the holding period (K) where third row shows the number of months for holding period of a portfolio i.e. 3, 6, 9 and 12 months. Table 1 exhibits seven columns as well. First column from the left shows formation period, winners (w) portfolio, losers (l) portfolios, winners minus losers (w-l) portfolios and t-stat. winners minus losers (w-l) portfolios are also called zero cost momentum portfolios. Second column shows the number of months for formation period (J) i.e. 3, 6, 9 and 12 months. It shows that how long it takes to form a portfolio. Column 3 to column 6 shows the returns of winners (w) portfolio, losers (l) portfolios, winners minus losers (w-l) portfolios and t-stat whereas last column shows that average return of all w-l portfolios with respect to its formation period.

This paper aims to find the existence of short-term momentum effect in the stock market of Hong Kong. Table 1, mentioned above, displays the results of 16 monthly price momentum strategies. It is very evident from the table that all 16 price momentum investment strategies are posting momentum returns which are economically and statistically significant which leads to the finding that price momentum strategies are profitable and the presence of short term momentum effect has been found in the in the stock market of Hong Kong. This finding is in line with the findings of previous literature and nullify the opposing results of previous researchers. For instance, Griffin, Ji and Martin (2005) found the existence of short-term momentum effect in the

stock market of Hong Kong and Chui, Titman and Wei (2000) found that short term momentum effect is extremely weak in Hong Kong's stock market. However, Chui, Titman and Wei (2001, 2010) found no presence of short-term momentum effect in the stock market of Hong Kong. Similarly, Hameed & Yuanto (2002) could not find the presence of short-term momentum effect phenomenon in the financial market of Hong Kong. Therefore, this finding lends its support from the works of Griffin, Ji and Martin (2005) and Chui, Titman and Wei (2000) and negates the findings of Chui, Titman and Wei (2001, 2010) and Hameed & Yuanto (2002).

The results of the return of price momentum investment strategy in the stock market of Hong Kong suggest that monthly price momentum strategies are overwhelmingly profitable and offer abnormal above average risk adjusted returns to the potential investors who want to invest funds in the stock market of Hong Kong. The cornerstone of short-term momentum investment strategy is to go long in winner portfolios and sell short loser portfolios. Monthly price momentum strategy provides opportunity to investor to maximize his/her portfolio wealth by leveraging the loser portfolio.

There are total 16 monthly price momentum strategies. All strategies are posting positive returns which are statistically significant. It is clear from the table that short term momentum effect is very strong in the stock market of Hong Kong. All momentum investment strategies are providing above average return. Highest momentum returns are posted by J3 formation period. For instance, w-1 portfolio of J3K3 monthly price momentum strategies are posting a return of 96.43% which is also statistically significant. It is clear from the results of J3K3 that investor can earn a return of 68.69% by going long in winner portfolio and can maximize the wealth of the portfolio by 27.74% by going short in loser portfolio. This trend is observable through out the table. Highest return is posted by J3K9 momentum investment strategy which is 97.05%. Lowest return is posted by J12K3 which is 51.69%. Short term momentum effect states that winners outperform losers in short run. This short run period lasts for 6 to 12 months. This trend is observable throughout the table. J3 formation portfolios have posted highest return whereas as time period tends to touch 12 months, momentum effect starts to get weaken which is evident the results of J12 formation portfolios because these portfolios are posting lowest returns. As time period tends to get longer, short term momentum effect will no longer be significant and tends to dissipate. This finding is in line with the findings of Jegadeesh and Titman (1993), Rouwenhurst (1997, 1998), Griffin, Ji and Martin (2005).

4. Conclusions

Short term momentum effect is an interesting phenomenon which states that in short run winners outperform losers. This short run period can last from 3 to 12 months. However, its existence in several different stock market is disputed. For instance, Griffin, Ji and Martin (2005) found the existence of short-term momentum effect in the stock market of Hong Kong whereas Hameed & Yuanto (2002) could not find momentum in the same stock market. This paper seeks to find the answer to this question. Results suggest that short term momentum effect has been found in the stock market of Hong Kong. Short term momentum investment strategies have posted overwhelming returns. Momentum effect has an extremely strong presence in Hong Kong stock market. Investors can maximize their portfolios by going short in loser portfolios. Future research should focus on investigating Hong Kong financial sector with weekly and daily price momentum strategies.

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The Corporate Governance Code of the Bucharest Stock Exchange: Comply or Explain

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Abstract

The companies in Romania which have their titles traded on the Bucharest Stock Exchange (BVB), must operate in a transparent manner, based on the rules established by the Corporate Governance Code (CGC) of the Bucharest Stock Exchange. The implementation of these rules will be based on the "comply or explain" principle that aims to provide the market with correct and up-to-date information on how the listed companies comply with the corporate governance rules. The BVB monitors the degree of implementation of the CGC provisions by the companies listed through the "comply or explain" statement, a statement that includes a self-assessment of how the "provisions to be respected" are met and the measures taken to comply with the provisions that are not fully fulfilled yet. The objective of the work is focused on the analysis of the compliance of the provisions of the CGC, respectively of the level of implementation by the Romanian companies listed on the Main Market of the Bucharest Stock Exchange during 2016-2018. The companies analyzed in the study must comply with a set of principles and recommendations set out in the Corporate Governance Code, based on the fact that these shares are traded on a regulated capital market. The purpose of the CGC is to create an attractive capital market internationally and to increase the confidence in the listed companies, based on best practices, transparency and trust.

Key words: corporate governance, corporate transparency, Stock Exchange Bucharest
J.E.L. classification: G30, M40, M41

1. Introduction

In a world full of uncertainty, there is an increasing need for transparency and accountability. This need is also found in the relationship between the organization and the stakeholders, respectively investors, with the objective of presenting an overview of the entity, how it creates value in the short, medium or long term.

The complexity of the economic activities of today means that the overall image of a business is no longer analyzed only from the point of view of the financial results. In addition, information on sustainable development, social responsibility, environment, as well as corporate governance elements should be evaluated, transparency being closely linked to this concept.

This research concerns the companies listed on the Bucharest Stock Exchange and we considered it necessary to present the BVB Corporate Governance Code with justification of the importance of the declaration of conformity known as "Apply or explain". The BVB Corporate Governance Code was based on the OECD Principles and contains 34 principles. Analyzing the composition of these principles we find that the transparency of economic and financial information occupies a central place, being the essence of the entire act of government.

For listed companies, transparency can also be determined by analyzing the indices and indicators specific to the capital markets. Based on the data presented on the official websites of the analyzed companies and the Bucharest Stock Exchange, we will analyze the main indices and indicators of the companies included in the sample. As the volume of the information obtained from the research is large, we considered it of real importance to incorporate them into an

aggregate index, through which we quantify the degree of transparency of the information. Starting from a study by Standard Poor's, we will develop an index that includes all the elements analyzed in the research. The Excel spreadsheet software provided by the Microsoft Office application will be used for data processing

The paper is structured as follows: the first section offers a review of the specialized literature, summarizing the previous studies on corporate transparency. The second section describes the research method used, population selection and data collection, this section also describes the variables and the proposed model. The third section presents the results of the statistical analysis, and the last section presents the conclusions and contributions of the study.

2. Literature review

Crowther and Seifi (2010), subscribing to the OECD's principles of corporate governance, place transparency in the first place among the eight principles required for good corporate governance. The two authors consider that transparency is primarily useful for external users, thus the economic entity is responsible for how its actions are perceived in the external environment. The other six principles refer to the consistency with the rule of law, regarding the regulatory framework of the activity of the entity, the participation of all parties involved in the governance act, the prompt reaction in the service of all users, the equity through which the opinions of all parties involved are taken into account, efficiency and effectiveness, with which the costs are minimized in favor of increased profits, sustainability, which ensures the long-term viability of the business and not least, the entity's responsibility for its decisions and actions.

Bunea et al. (2012), considers that information transparency is a relative concept, influenced by cultural elements and the accounting model specific to each country or region, as well as by the qualities, education and character of the accounting professional in charge of reporting.

Transparency involves the transmission of economic and financial information effectively, equality in terms of access and timeliness. Information can only be effective if user access to it can be done in an easy way. Regardless of the quality of the information, if it does not reach the users when they need it or the way of transmission and presentation is cumbersome, its value is significantly reduced. We consider that the decision of the investors depends largely on this attribute of information, being the main deciding factor towards the capital markets.

Reporting non-financial information, without proper regulation, can be assimilated to voluntary reporting. The research carried out (Cotter et al., 2011) led to the conclusion that the managers who opt for voluntary reporting of some information have brought great economic benefits to the companies they manage, well above the costs of drawing up and reporting. These benefits are observed at the level of company credibility, increasing the value of companies, facilitating access to low cost capital or increasing the number of investors. Voluntary reporting can also have the role of self-regulating capital markets by achieving an optimal level of financial transparency that contributes to supporting investor confidence.

Transparent financial communication, supported by sound corporate governance, represents the prerequisites for developing capital markets. An optimal level of transparency ensures economic stability and sustainability, with positive effects on the economic level.

Reporting on corporate governance practices is compulsory at the level of listed companies and must include a self-assessment of how the provisions regarding compliance or non-compliance with the principles of corporate governance are met. If initially there was a reluctance to implement, due to the high costs and, above all, the lack of an adequate culture in the field, time convinced that the report offers users transparent information through which they gain or increase their confidence. We further propose to analyze the need for the implementation of corporate governance and to present the principles of the Corporate Governance Code of the Bucharest Stock Exchange from the perspective of the transparency of the information leading to their implementation.

3. Research methodology

Research has led to the conclusion that transparency is an attribute of corporate governance. In support of this assertion the Corporate Governance Codes represent a real help as these are based on the recommendations necessary to obtain the transparency and trust of the listed companies.

The first Corporate Governance Code in Romania was published in 2001, being drafted by the Bucharest Stock Exchange, through the transposition into the national regulation of the provisions of the OECD Report. Companies that have decided to partially or totally adopt it are required to submit annually a declaration of compliance or non-compliance with the provisions of the Code (the "Apply or Explain" Statement). This statement mentions what recommendations have been implemented and how to implement them, and in case of a negative answer it must be accompanied by explanations. The purpose of the code is to create in Romania an attractive capital market internationally, based on best practices, transparency and trust. The promotion of high standards of governance and transparency aims to increase confidence in listed companies.

As we have presented above, the objective of the work is focused on analyzing the compliance of the CGC provisions, respectively of the level of implementation by the Romanian companies listed on the Main Market of the Bucharest Stock Exchange. The sample is composed of 73 companies listed on the Main Market of the Bucharest Stock Exchange in 2016-2018. We believe that based on the data obtained we will be able to come to an eloquent conclusion and we will be able to anticipate the trends on corporate governance for 2019.

Considering Romania, it is expected that the companies will adopt and present information regarding corporate governance practices (Feleagă, Feleagă, Dragomir and Bigioi, 2011). This practice is similar to the practices applied in other studies conducted on listed Romanian companies, especially for those who have investigated corporate governance or information disclosure practices (for example, Caloian, 2013).

The companies analyzed in the study must comply with a set of principles and recommendations set out in the Corporate Governance Code (CGC) of the Bucharest Stock Exchange (BVB), since their shares are traded on a regulated capital market. The purpose of the CGC is to create an attractive capital market internationally and to increase the confidence in the listed companies, based on best practices, transparency and trust. CGC recommends listed companies and not only to build a strong relationship with shareholders and stakeholders, through efficient and transparent communication.

In this regard, BVB monitors the degree of implementation of the CGC provisions by the companies listed through the "apply or explicit" statement, a statement that is part of the annual report of the companies, which includes a self-assessment of how the provisions are met, this must be respected, as well as the measures taken to respect the provisions that are not yet fully fulfilled.

The Declaration of Conformity is a specific section of the Administrators' Report through which the following information must be reported, and contains 4 sections and 34 principles:

- references regarding the responsibilities of the Council;
- description of the main characteristics of the internal control and risk management systems in relation to the financial reporting process;
- description of the management reward and motivation mode;
- the disclosure of information to shareholders and market participants, respectively the devolution of the relationship with investors, available on the websites of companies.

In order to evaluate the compliance or non-compliance of companies with the principles of corporate governance, the data published by the companies included in the sample were centralized and we evaluated them based on the scores given, as follows:

Apply	1
Do not apply	0

The first element considered was the preparation and reporting of the declaration of conformity. Following the centralization of the data, we selected a sample made up of 73 companies that prepare and report the statement "Apply or explain" throughout the analyzed period, respectively the period 2016-2018. Companies that did not draw up and report the "Apply or Explicit" statement during the entire analyzed time period were excluded from the sample.

The second element considered in the analysis of the degree of compliance was the elaboration of a corporate governance score through which the quality of the corporate governance system at the level of the companies selected in the sample is determined. We considered in establishing the scores of the methodology adopted by Standard & Poor's and applied at national level by Achim, Borlea and Mare (2016). The 34 recommendations of the "Apply or Explain" statement are divided into four sections, as follows:

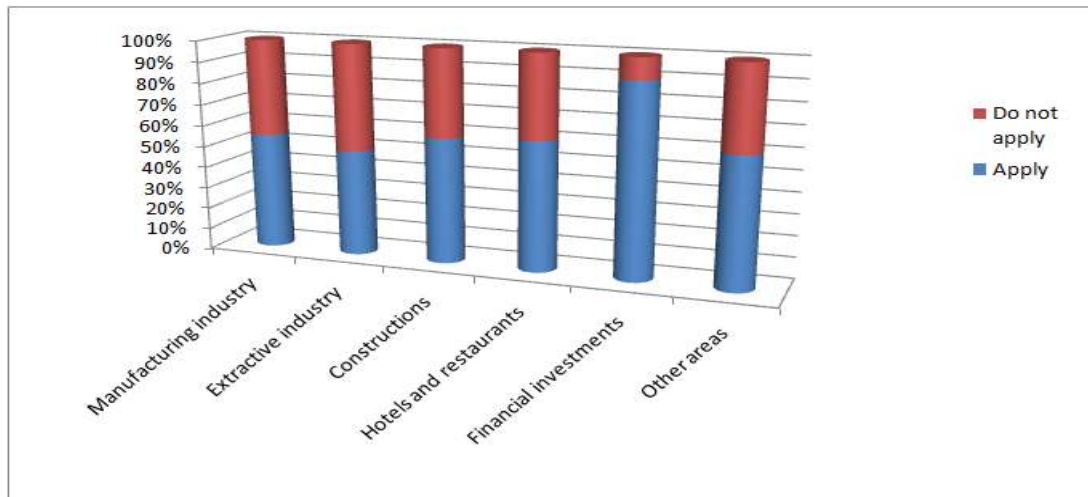
- responsibilities of the Council (section A);
- system of risk management and internal control (section B);
- just reward and motivation (section C);
- adding value through investor relations (section D).

Section A has assigned 11 questions, section B - 12 questions, section C - 1 questions, and section D - 10 questions, the issuers' answers to these questions may be YES or NO. In the case of a negative answer there is an additional heading, in which the reason for the non-compliance must be argued and justified. For each positive answer one point is awarded and for the negative answers zero points, a company can register a maximum of 34 points.

4. Analysis and Results

Our study is represented by the determination of the corporate transparency, respectively of the level of compliance with the provisions of the CGC based on the scores obtained, for year 2016 the situation is presented as follows:

Figure no. 1. The situation of the corporate governance score at the level of 2016



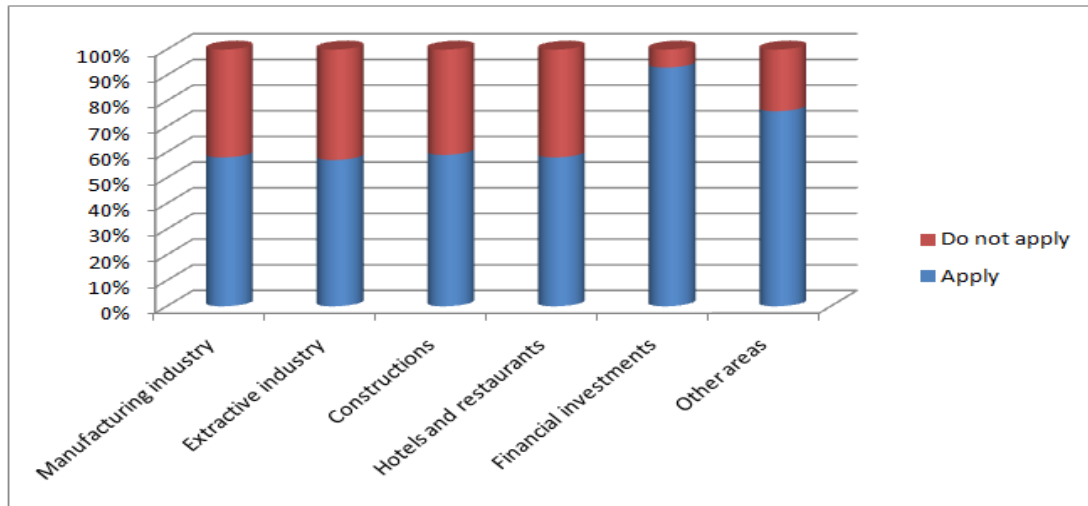
Activity Field	Apply	Do not apply
Manufacturing industry	55	45
Extractive industry	50	50
Constructions	59	41
Hotels and restaurants	61	39
Financial investments	90	10
Other areas	61	39

Source: author processing based on data published by listed companies, available on the websites of companies

For 2016, the best corporate governance score was registered in the field of financial investments and the banking sector (90%), followed by hotels, restaurants and companies from various fields of activity (61%), and the lowest score was obtained by companies from the extractive industry (50%). This year the average corporate governance score was 62.66%, a value considered reasonable, considering that the number of principles applied is higher than those that are not applied, or are partially applied.

In 2017, the situation is presented below:

Figure no. 2. The situation of the corporate governance score at the level of 2017



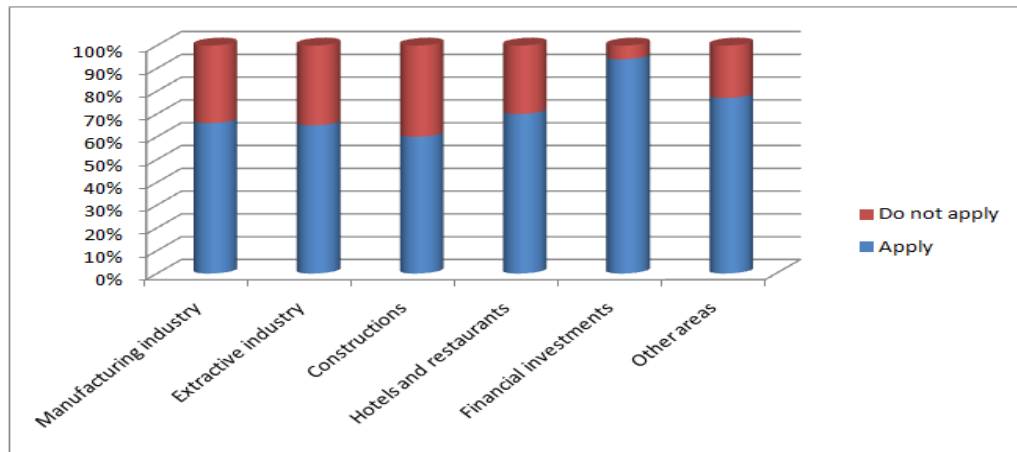
Activity field	Apply	Do not apply
Manufacturing industry	58	42
Extractive industry	57	43
Constructions	59	41
Hotels and restaurants	58	42
Financial investments	93	7
Other areas	76	24

Source: author processing based on data published by listed companies, available on the websites of companies

Compared with 2016, in 2017 we observe a level of compliance in the field of Construction (59%), an alarming situation was registered in the area of Hotels and restaurants where there was a decrease of three percent compared to 2016 (58%). On the other hand, companies from other fields registered an increase of 15% compared to the previous year. The average annual corporate governance score increased compared to the previous year by 3.63%, the average score being 66.83%, which means that listed companies comply with a higher number of principles of the Corporate Governance Code.

In 2018, the situation is as follows:

Figure no. 3. The situation of the corporate governance score at the level of 2018



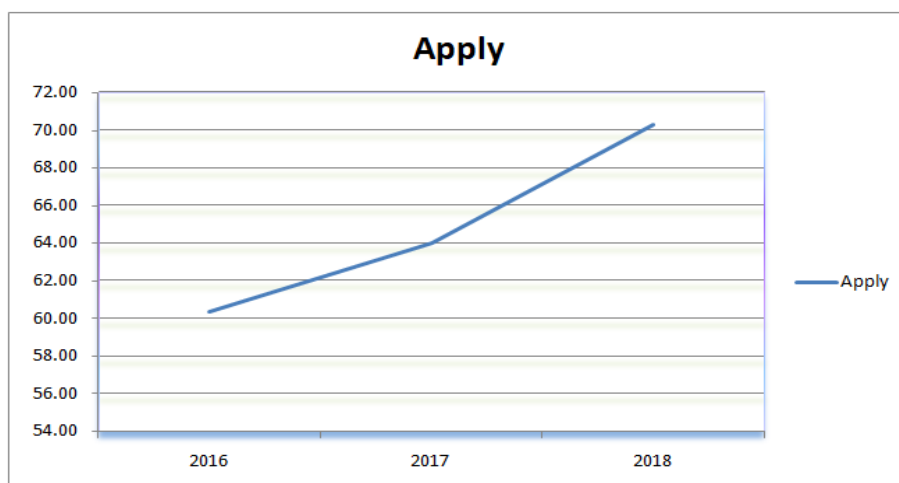
Activity field	Apply	Do not apply
Manufacturing industry	66	34
Extractive industry	65	35
Constructions	60	40
Hotels and restaurants	70	30
Financial investments	94	6
Other areas	77	23

Source: author processing based on the data published by the listed companies, available on the websites

In 2018 there is an increase in the level of compliance in all fields of activity, the largest increase during the three years analyzed is recorded by companies in the extractive industry field of 15%, the score obtained is 65%, and at the other extreme is located the companies in the field of constructions that register an increase of only 1 percent (60%). The average annual corporate governance score for 2018 is 72%, registering an increase compared to the first year analyzed by 9.91%, which indicates that the company listed on the BSE has a behavior that aims to increase the level of compliance with the provisions of the Corporate Governance Code.

For the period analyzed the evolution of the average corporate governance score of the companies included in the sample is as follows:

Figure no. 4. The situation of the average annual corporate governance score



Apply	60,35%	63,98%	70,26%
Do not apply	36,65%	36,02%	29,74%

Source: author processing based on data published by listed companies, available on the websites of companies

Analyzing the data presented we observe an evolution of the level of compliance for the listed companies on the main market of the BSE. The high degree of compliance indicates a favorable perception of the company by the investors, which is why the last section of the Declaration of Conformity analyzes the "Investor Relationship". We consider that this evolution generated by the increase of the market value of the companies, as a result of a fair and complex reporting from the point of view of the corporate governance. Involving the management of companies in reporting the declaration of compliance may be another reason for increasing the scores obtained by the analyzed companies, the data provided by this declaration being an element of transparency of reporting.

5. Conclusions

The purpose of this paper was to analyze the transparency of information from the perspective of the reports made by the issuers and its evaluation based on the conditions of good corporate practices. In order to achieve the proposed objective, we performed the analysis of the declarations of compliance of 73 companies included in the sample for the period 2016-2018 and we tried to draw an eloquent conclusion based on the analysis of the trend of the companies in the three years analyzed.

The declaration of compliance is a separate section of the directors' report and contains elements regarding the overall relationship between the entity's management structures and the other stakeholders, how the company's objectives are met and how to quantify the results and how to give the incentives of the management structures for the fulfillment. objectives.

For the evaluation of the results, a corporate governance score was determined, which was applied to each of the companies included in the sample, and the average score per field was subsequently made. The corporate governance score includes the average of the answers regarding: CA responsibilities, risk management system, investor relations, structure and production process and financial transparency and information dissemination.

After analyzing the 219 declarations of conformity of the companies included in the sample, we conclude the following:

- ✓ The number of companies publishing the declaration increased from 60.35% in 2016 to 70.26% in 2018;
- ✓ All the companies maintained a relatively balanced situation regarding the average annual corporate governance score, except for the hotels and restaurant companies, which in 2016 registered a decrease of the average score;
- ✓ The extractive industry recorded the lowest corporate governance score for the analyzed period (50%) and the highest evolution of the degree of compliance with the principles of the Corporate Governance Code, at the end of the analyzed period (an increase of 15%);
- ✓ The financial institutions registered the highest value of the average annual governance score among all the analyzed areas, respectively 92.33%;
- ✓ The causes of increasing the degree of compliance are various, targeting both the responsibilities of the CA, the relationship with investors, and the remuneration and motivation system of the management.

Based on the above, we believe that transparency is an indispensable prerequisite for the quality of corporate reporting that offers openness and credibility on capital markets. Reporting non-financial items contributes to achieving an optimal level of transparency that contributes to supporting investor confidence.

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The Financial Performance Impacted by Corporate Governance

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Abstract

Corporate governance is the notion that has become more and more contoured in today's corporate world, so addressing the relationship between the quality of the system or the process of corporate governance and the size of the performance, no matter how it materializes, brings it back to the forefront. financial and accounting information. Both the impact of the informational asymmetries and the way in which the entities are managed and controlled on the performance are highlighted using financial and/or non-financial indicators that can be determined considering the different hypotheses and circumstances of the activity carried out by to an entity. Starting from these desires, the objective of the research carried out is oriented towards identifying the methods by which the corporate governance contributes to the improvement of the financial performance of the companies.

Key words: Corporate governance, financial performance, market value

J.E.L. classification: G30, M40, M41

1. Introduction

The concept of financial performance is frequently approached within the framework of corporate governance, being closely related to the achievement of the objectives pursued by both the entity and the system through which it is managed. This connection is based on the idea that the existence of adequate control mechanisms and well-designed and efficiently implemented corporate governance structures lead to an increased level of profitability. In turn, these performances can be the guarantee of a high level of financial return of the capital and, implicitly, an increased stock market value of the securities held by the owners of the capital.

Therefore, the link between corporate governance and financial performance is extremely complex both theoretically and empirically, as this is not just a "means of survival" and continuity, it is in fact a "strategy to prosper" through which the entities attract investments and increase their economic performance and competitiveness (Feleagă et al., 2011).

Numerous research and studies have shown that well-governed entities perform better compared to those where corporate governance is not adequate. Relevant in this regard are the empirical research that has shown that ensuring good corporate governance influences the performance and market value, Ball et al (2001), Bushman & Smith, Klapper& Love (2006), Abidin et al. (2009).

The research paper has a theoretical as well as an empirical approach, which analyzes the impact of corporate governance mechanisms on the financial performance of companies. The paper is structured in three sections, in the first section presented a review of the literature, being presented the elements that identify and present the link between corporate governance and financial performance. In the second section the research methodology is presented, which brings to the fore the methods by which the main elements of the corporate governance mechanism that influence the financial performance of companies are identified. The last section presents the conclusions based on the results of the analyzed data, bringing to the reader current, relevant and comparable information on corporate governance as a factor contributing to the improvement of financial performance.

2. Literature review

In the specialized literature and the norms regarding accounting, governance and management, the concept defined by the phrase "global performance" is frequently used. Like the analyzed concepts it has different approaches and, implicitly, dimensions. One of the most relevant approaches is the one formulated by Reynaud (2003), with the view that the global performance is represented by the performance of an entity viewed from three perspectives. The first focuses on the economic performance, the second on the social one, and the third refers to the performance that addresses the environmental issues. The three dimensions of performance are expressed through the financial results obtained by the entity; thus, it highlights a new side of it - "financial performance". In the context shown are surprised both the actions taken to maximize the value of the entity or those generically focused on value creation, as well as actions aimed at protecting employees and the environment.

Viewed from the perspective of the dimensions outlined within the theories specific to corporate governance, in the analyzed works were highlighted different relationships and assumptions of financial performance in the specific context of the management and control system of an entity. On the one hand, the effects of the system or the different components on the performance were instrumented, and on the other hand the performance imprints on the quality of this system. In this sense, the works that surprise the assurance of good corporate governance have effects on increasing the performance and market value of the entities (Klapper&Love, 2012), identifying the relationship between the growth of the economic performance and the competitiveness of the entities through the application of the corporate governance system (Feleagă et al., 2011) and the ways in which corporate governance contributes to improving the quality of accounting information and determining the real size of financial performance.

Corporate governance can have a significant impact on the financial performance of the entity through the capital structure. This impact on performance can be exemplified on the one hand by measuring the performance starting from the degree of capital concentration, a large dispersion or dilution of capital between many shareholders determines the consolidation of the manager's position and, implicitly, their rooting. In this case, the owners of capital cannot or do not want from economic reasons to maintain the control cost, respectively the agency cost of the managers (Shleifer&Vishny, 1989), and on the other hand by researching the impact of the control that different shareholders have on the performance. Compared to the first approach, the concentration of capital in this situation is high, as a rule it is owned by a small number of shareholders, an aspect that allows the monitoring and control of the managers more intensely. As a result, the agency costs generated by potential conflicts of interest are greatly reduced, and in this way the impact of corporate governance is reflected in the improvement of the performance of the entities in these situations (Shleifer&Vishny, 1997).

Another approach found in the specialty literature concerns the relationship between diversification, performance and corporate governance. In this perspective, diversification plays an important role in the elaboration and implementation of the corporate strategy. According to the investment theory, diversification reduces the risk of an investment without affecting the expected income. In this context, diversification contributes to improving the competitive advantage either by involving different business entities with the objective of creating added value for shareholders, or by integrating a new business within an existing one.

Another study based on the idea that in the presence of certain corporate governance structures, the impact of the diversification strategy is focused on one of the two extreme sides and can have positive or negative effects, highlighted the following aspects: agency conflicts are one of the main causes of declining value of the entity as a result of diversification; the corporate governance structures determine the entity's orientation towards diversification, as a consequence of reducing the value; agency conflicts are the motivation for maintaining the diversification strategy, even if the effects of diminishing the value of the entity are very obvious (Ileana, 2008).

All these approaches help us to understand the concept of corporate governance, respectively how an organization makes the decisions necessary to achieve its objectives and respectively their achievement through financial performance.

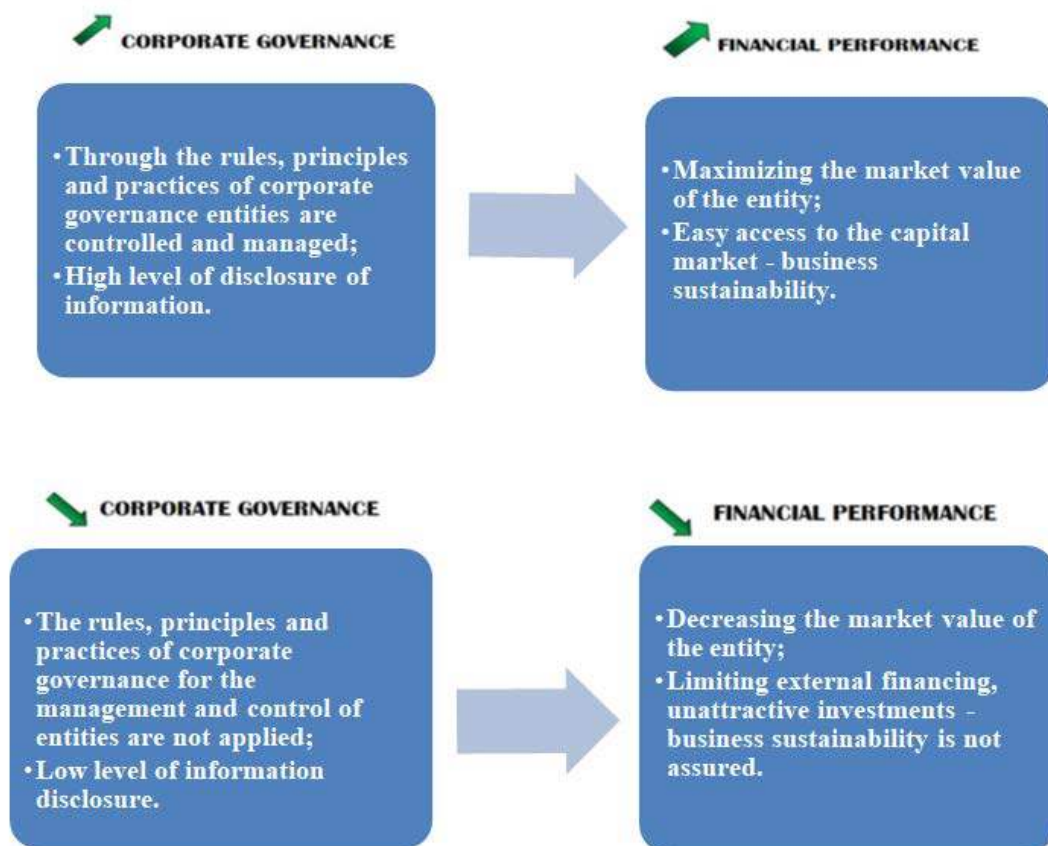
3. Research methodology

Regarding the present paper, the positioning of the research area can be framed within the scope of corporate governance research, namely the identification of the relationship between the mechanisms of corporate governance and the financial performance of the companies listed on the capital market. The choice of the research methods used is closely related to the proposed objectives, thus, the research methods and tools used throughout the paper are generally based on a deductive approach, from general to particular, mainly used at the level of theoretical / qualitative research. From a methodological point of view, the research includes a qualitative approach. The qualitative approach consisted of scientific documentation, in order to deepen the information held so far on the concepts of corporate governance and financial performance, by identifying the benefits brought by the financial indicators for an organization.

4. Analysis and Results

Synthesizing the most important aspects of the relationship between governance and performance, it is apparent that, by applying clearly defined and applied corporate governance principles, rules and practices, the following aims: increasing the credibility of entities in relation to investors by providing useful information; reducing the cost of capital; more efficient use of the increasingly limited resources available to entities through the implementation of adequate management control; a sustainable and sustainable development of entities in which risk control can play an essential role in ensuring business continuity; an appropriate competitive environment and other such effects. In Figure 1, the relationship between the quality of the management system and the size of the financial performance is presented.

Figure no. 1. The quality of corporate governance vs. the level of financial performance



Source: Own processing

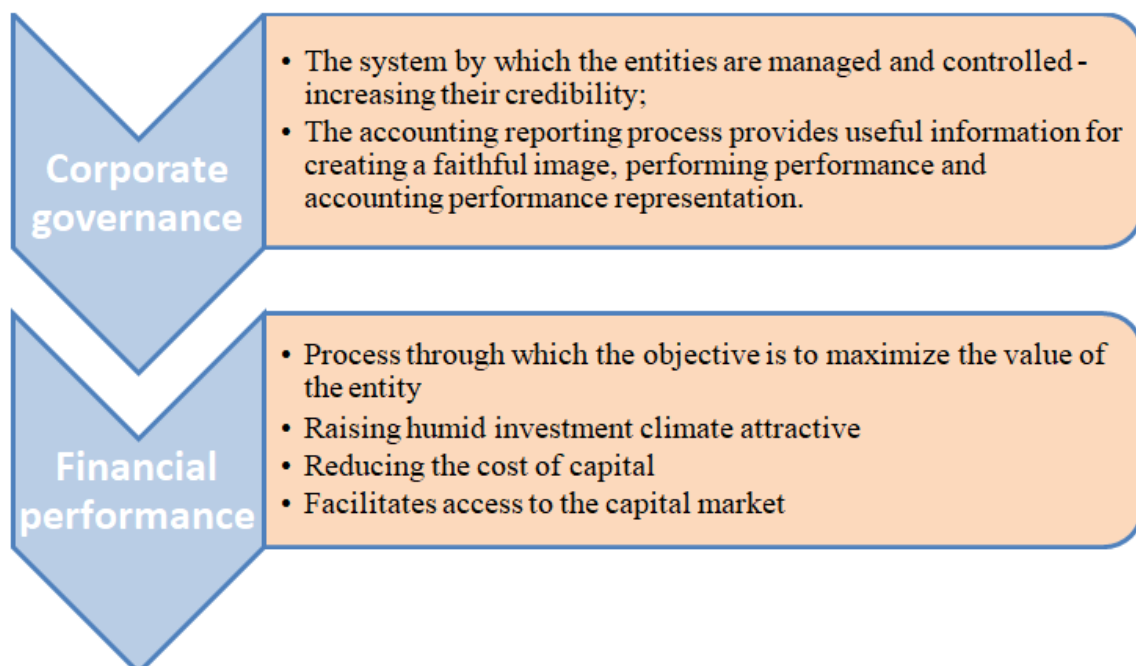
The aspects highlighted emphasize that between the transparency of information and the quality of the corporate governance system, as well as between it and the size of the financial performance, there is a causal and interdependent link. As a result, a high level of transparency is associated with high quality corporate governance practices, which in turn are the guarantee of good transparency and credibility of the information provided by the entities to which it applies. Moreover, good corporate governance can have positive effects on the size of financial performance, which in turn is reflected in maximizing the entity's market value for shareholders and other stakeholders.

While the achievement of the above objectives implies good corporate governance, the opposite pole is located the weak corporate governance, which is directly reflected in the size of the performance of the entities concerned and conversely The relationship between the size of the financial performance and the quality of the corporate governance system is mediated by ensuring the usefulness of accounting information.

Therefore, the research carried out emphasized the need and importance of having reliable information in order to reproduce the faithful image of the represented performance, but also the relationship of dependence between it and the existing level of governance. In the context shown, the objectives pursued by the accounting system must be the integration and synchronization with those of the management and control system, as well as with the risk management system of the entity concerned, and in this way credibility, relevance and comparability can be ensured. the accounting information provided by the elaborated reports.

The graphical illustration of the relationship between corporate governance and the performance of entities in the context of ensuring the usefulness of financial accounting information can be reflected as in Figure 2.

Figure no. 2: The relationship between corporate governance and economic performance



Source: Own projection

As a result of the research carried out it can be said that, the financial performance of an entity bears the imprint of the performance of the management and control system implemented. Among these, from the perspective of accounting representation, there is a causal relationship, by which good or poor governance will put its mark in the accounting representation of the performance achieved, and this in turn will be able to influence the quality of the governing act.

5. Conclusions

The research underlined that the risks of non-compliance of information regarding the performance achieved with the represented reality can affect the internal and external decision-making processes in which this information participates. Therefore, there is a dependency link between the decision-making act within the management and governance system and the quality of the processes through which the usefulness of the information is ensured, which in turn can be monitored and influenced by the governance and control actions implemented to achieve the qualitative characteristics that inform them. give value.

Implementing a general strategy for achieving global and, implicitly, financial performance, stimulating sustainable development as the basis of a competitive business environment or satisfying the public interest, requires a complex approach to corporate governance and the processes and systems with which it interacts. In this context, in addition to a high degree of transparency, good corporate governance also has a positive effect on the financial performance of the entities in which such systems are implemented, and consequently in protecting the divergent interests of the different stakeholders.

In conclusion, it has emerged from the research conducted that a decisive role in ensuring a high financial peer performance has the mechanisms of corporate governance. On this basis, as a condition of sustainable and sustainable development, in the empirical research it was stressed the need to implement the principles and rules of corporate governance and in the case of smaller or public economic entities.

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Audit Committee Dimension and Firm Profitability in Central and Eastern European Countries

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Abstract

The aim of the paper is to analyze the association between audit committee dimension and firm profitability, using a sample of listed companies from Central and Eastern European countries. In order to conduct the analysis, the data regarding the audit variable is hand-collated data from the Annual Reports of the companies, data regarding the financial characteristics of companies is from Orbis database, and data regarding the macroeconomic variables is from World Bank database. Using OLS model we found that audit committee size positively influences firm profitability through better monitoring operating performance of the company providing higher authority and extensive knowledge base reflected in increased profitability. Our results benefit corporate practices as evidence in straining the role of audit committees, support shareholders and managers by providing evidence and solutions to improve credibility and compliance of financial statements, as well as investors and creditors in sustaining efficient allocation and monitoring of their capital.

Key words: Internal Audit Committee, firm profitability, CEE countries.

J.E.L. classification: M42, L25

1. Introduction

Verifying and assuring financial statements by auditors is fundamental for the reputation of listed companies but also for those that are not required to publish the financial statements but want to attract capital at a lower cost and to ensure long-term development. The audited financial statements are important for investors, creditors and regulatory authorities in ensuring the credibility, fidelity and compliance of the entity's activities.

Audit missions have an important role in assuring faithfulness of the financial statements reported by firms and influences the credibility of investors, shareholders and creditors in the firms' activity. Therefore, audited financial statements contribute to corporate reputation and credibility.

Audit committee members play an important role in influencing the reputation of the company as a result of their responsibility in monitoring the corporate performance and assuring the integrity of the company's financial statements (Fama & Jensen 1983). Larger audit committees are associated with the ability of committing boards in providing more resources that improve the financial reporting quality (DeFond & Francis, 2005). In this way, having larger audit committee can improve the audit quality by higher information resources accessed by the auditors and thus improving audit missions reflected in higher assurance of the financial statements compliance and reduced fraudulent reporting that can determine increased shareholders, investors and creditors or other interest parties credibility in company activities. Furthermore, assuring company good reputation by increased credibility of shareholders, investors and creditors could determine lower capital costs for the company and higher profitability. Therefore, the purpose of this paper is to assess the implications of audit practices, especially audit committee dimension, on operating performance expressed through return on assets ratio (ROA) in listed companies from Central and Eastern European (CEE) countries.

The research complements the literature in the field using hand-collected data set on audit committees, being important to academics, students, professors and researchers. We consider that the analysis support shareholders and managers by providing evidence and solutions to improve the credibility, compliance and faithfulness of financial statements, as well as for investors and creditors in sustaining efficient allocation and monitoring of their capital. Furthermore, the analysis is important for corporate practices in assuring lower capital costs by increasing their reputation and credibility in the market.

The paper is organized as follows: Section 2 provides theoretical background and hypothesis development; Section 3 delivers research method and data used in the analysis; Section 4 offers results of the analysis and Section 5 provides conclusions.

2. Theoretical background and hypothesis development

Internal audit characteristics have been analyzed in the literature from different perspectives. Further, we present previous studies that reported results regarding the audit committee size and its effects on firm profitability. For example, using a sample of Australian listed companies from 2001, (Baxter & Cotter, 2009) analyzed audit characteristics influences on earnings quality using OLS regression model. They found that large audit committees are considered more effective because of the varied experienced members that determine higher monitoring of financial practices (Baxter & Cotter, 2009).

Among others characteristics of the internal audit committee, there are studies that consider the audit committee size as an important issue in fulfilling the audit mission effectively (Cadbury, 1992) and that a large audit committee provides higher authority (Braiotta, 2000) and extensive knowledge base (Karamanou & Vafeas, 2005). The latest authors also consider that larger audit committee can harm firm processes and disperse responsibility among the company (Karamanou & Vafeas, 2005).

Larger audit committees are associated with increased meeting frequency and higher effectiveness in monitoring the company that contributes to improved firm performance (Raghunandan & Rama, 2007). Using a sample of 319 firms from the S&P SmallCap600 for the year 2003, they found that there is a positive and statistical significant influence of audit committee size and frequencies of meetings. Thus larger audit committees are associated with higher frequency meetings and more viewpoints that must be discussed (Raghunandan & Rama, 2007).

Bedard *et al.* (2004) found that audit committee size have a higher probability in uncovering and resolving potential problems regarding the financial reporting processes.

Aldamen *et al.* 2012 argue, among other corporate governance characteristics, that the audit committee size and meetings have a positive impact on firm`s accounting performance analyzing 120 of firm observation from S&P300 form 2008 to 2009. Their results suggested that high quality performance is negatively associated with audit committee members. Moreover, they found that larger audit committees are positively associated with accounting performance, expressed through return on assets ratio (ROA), but there was no statistical significance (Aldamen *et al.* 2012).

Al Matari *et al.* 2012 analyzed, among other corporate governance variables, the audit committee size and the association with firm performance of Saudi Arabian listed companies. They found a negative relationship between firm performance, measured by Tobin Q, and audit committee size.

Hamdan *et al.* 2013 analyzed among other audit characteristics, the effects of audit committee size on corporate performance using a sample of 106 Jordan corporations in the financial sector. Their results, regarding the OLS regression, suggest that audit committee size has a positive and statistical significant sign on corporate performance express through return on equity ratio (ROE) and earnings per share (EPS) and a positive but not statistically significant sign on ROA (Hamdan *et al.* 2013).

Afza & Nazir (2014) analyzed, using 124 listed firms from KSE-100 Pakistan for year 2011 using multiple regression analysis on panel data, the effects of audit committee size on return on assets ratio (ROA) and Tobin Q. Their results suggest that audit committee size has a positive effect on ROA (Afza & Nazir, 2014).

Alqatamin, 2018 analyzed on 165 listed companies from Amman Stock Exchange the audit characteristics effects on firm performance, measured by ROA, from 2014 to 2016, using panel regression random effect method. The results suggest that audit committee size has a positive and statistically significant sign on firm performance (Alqatamin, 2018).

Zhou *et al.* 2018 analyzed, among other corporate governance characteristics, the effects of audit committee size on firm performance, measured by ROA. They found positive association, but not statistically significant, between audit committee size and firm performance, measured by ROA (Zhou *et al.* 2018).

Rahman *et al.* 2019 analyzed among other audit characteristics the impact of audit committee size on return on assets ratio (ROA), profit margin and earnings per share on 503 firm observation from Dhaka Stock Exchange for a period from 2013 to 2017. Their results suggest positive and significant effects of audit committee size and firm profitability. Therefore, they suggest that larger audit committees have diverse skilled resources that help the company in resolving the issues more efficiently and determine higher profitability (Rahman *et al.* 2019).

In relation with the theoretical background regarding the impact of audit characteristics on firm performance, this study aims to examine the impact of audit committee size on firm profitability, measured by return on assets ratio, (ROA). In order to describe the relationship between audit committee size and firm profitability we conducted the following hypothesis:

H1. There is a positive association between audit committee size and firm profitability.

3. Research design

In order to achieve our purpose, we analyzed the relationship between audit committee size and firm profitability, measured by ROA, by conducting OLS regression model on panel data in accordance with Zhou *et al.* 2018; Hamdan *et al.* 2013 and Baxter and Cotter, 2009.

The criteria in selecting the data was that the companies had to be listed companies, considered large companies, and to have at least ten year-observation on Orbis. Initially there was 1071 large firm observation from listed companies from Central and Eastern European (CEE) countries. Due to the lack of accessing some Annual Reports of the companies in our dataset, the data was restricted to 552 large firm observation from CEE countries.

Regarding the financial variables, described in Table no. 1 at the independent control variables sections, the data was retrieved from Orbis database and World Bank database, for a ten-year period (2004-2013). The data regarding internal audit variable (our interest variable) was hand-collected from the Annual Reports of the companies from our dataset.

Detailed variable description is presented in Table no. 1.

Table no. 1 Variable description

Variable	Description	Data Source
<i>Dependent variables</i>		
ROA	Return on assets ratio, computed as net income divided by total assets.	Orbis
<i>Internal audit variable</i>		
AlnSIZE	The interest variable measured as logarithm of the number of members in the audit committee (Perez-Cornejo <i>et al.</i> 2017)	Hand- collected data from Annual Reports
<i>Independent Control Variables (Company Financial Characteristics)</i>		
LIQ	Liquidity, measured as logarithm of liquidity ratio	Orbis
ST	Stocks, measured as natural logarithm of stocks	Orbis
Debt	Debt, measured as total liabilities divided by total assets	Orbis
Fsize	Firm size, measured as the natural logarithm of Sales	Orbis
OIM	Operating income margin, measured as operating revenue divided by net sales	Orbis

FATR Fixed assets turnover ratio, measured as net sales divided by net assets. Orbis

<i>Independent Control Variables (macroeconomic characteristics)</i>		
INFL	Inflation rate	World Bank
GDP	Annual GDP growth (%)	World Bank

Source: Author's calculation

As dependent variable, we used the return on assets ratio (ROA), a measurement of the operating performance of companies, in accordance with other studies (Rahman *et al.* 2019; Zhou *et al.* 2018; Aldamen *et al.* 2012).

Our independent variables were used in accordance with the literature in the field (Cornejo *et al.* 2019; Zhou *et al.* 2018; Narwal & Jindal, 2015; Abbott & Parker 2000).

In the model, we used six independent variables that express companies' financial characteristics such as: liquidity ratio, coded as LIQ, stocks, coded as ST, debt, coded as Debt, firm size, coded as Fsize, operating income ratio, coded as OIM and fixed assets turnover ratio, coded as FATR. In addition, we used two macroeconomic variables inflation rate, coded as INFL and annual gross domestic product, coded GDP. Calculation of variables are presented in Table no.1.

The interest variable, audit committee size, coded AInSIZE, is measured as the natural logarithm of the members of the audit committee in accordance with (Rahman *et al.* 2019; Zhou *et al.* 2018) and in our dataset there are committees composed by 1 and up to 7 members.

Descriptive statistics of the full dataset is presented in Table no.2.

Table no. 2 Descriptive Statistics

<i>Variable</i>	<i>Obs</i>	<i>Mean</i>	<i>Std. Dev.</i>	<i>Min</i>	<i>Max</i>
ROA	1071	5.076304	10.47368	-85.118	82.942
AInSIZE	552	1.281338	0.3414751	0	1.94591
Fsize	1071	12.98582	1.210359	8.434435	17.1954
LIQ	1053	1.173141	2.904984	0.027	91.064
Debt	1074	0.472764	0.2695152	0.000545	2.899931
FATR	1071	0.775814	2.473955	1.87E-06	65.71594
OIM	1071	1.028566	0.1976766	0.526453	6.938534
ST	1047	10.40814	1.47493	1.085106	15.11992
GDP	1075	3.112628	3.732012	-14.814	11.62113
INFL	1075	2.994041	2.115827	-10.1487	19.5234

Source: Author's calculation

As it can be seen from Table no.2, the dataset is an unbalanced panel data, varying from 552 to 1075. This is explained by the lack of accessing some data regarding the members of the audit committees of the companies.

In order to control for possible correlation problems we conducted Pearson Correlation Matrix, presented in Table no.3.

Table no. 3 Correlation Matrix

	ROA	AInSIZE	Fsize	LIQ	Debt	FATR	OIM	ST	GDP	INFL
ROA	1									
AInSIZE	0.0388	1								
Fsize	0.1713	0.0748	1							
LIQ	0.1023	0.0216	0.0855	1						
Debt	-0.4177	0.0199	-0.2109	-0.1822	1					
FATR	-0.0748	0.0390	-0.2217	-0.0321	-0.0873	1				
OIM	-0.0082	-0.0781	-0.1881	-0.0138	-0.0456	0.387	1			
ST	0.0442	0.1363	0.6714	0.019	-0.0495	-0.0742	-0.0096	1		

GDP	0.1039	-0.0451	-0.0874	-0.0155	0.0478	-0.003	-0.0002	-0.0432	1
INFL	0.0917	-0.1124	-0.1133	-0.0202	-0.0169	0.0087	-0.0075	-0.0822	0.3817

Source: Author's calculation

Pearson Correlation Matrix suggest that there is no correlation problems between the variables used in the model. The largest correlation is 0.6714 between the independent variable stocks (ST) and the independent variable firm size (Fsize).

In order to verify the model condition we conducted some tests presented in table no. 4, and 5.

Table no.4 Variance Inflation Factor test (VIFs)

Variable	VIF	1/VIF
Fsize	2.28	0.43835
ST	2.19	0.456276
FATR	1.33	0.750363
OIM	1.31	0.761162
GDP	1.18	0.847641
INFL	1.18	0.848122
Debt	1.13	0.881266
LIQ	1.05	0.948218
AlnSIZE	1.05	0.952151
Mean VIF	1.41	

Source: Author's calculation

According to Variance Inflation Factor test, presented in table no.1 there are no multicollinearity issues as the higher VIF is 2.28 regarding the control variable Fsize and is below 5 as the literature suggest (Zurr *et al.* 2010).

Table no. 5 Additional tests

Test name	statistic	Prob
Hausman	chi2(9) = (b-B)'[(V_b-V_B)^(-1)](b-B) = 16.51	0.0000
Ftest	F(9,517) =16.60	0.0000
Breusch-Pagan test	chi2(9) =543.21	0.0000

Source: Author's calculation

Additional, as Table no. 5 suggest we conducted Hausman test, F test and Breusch-Pagan test. The tests suggest that fixed effects regression model is more appropriate for the data. Thus, the fixed effects equation is:

$$ROA_{it} = \beta_1 AlnSIZE + \beta_2 Fsize + \beta_3 LIQ + \beta_4 Debt + \beta_5 FATR + \beta_6 OIM + \beta_7 ST + \beta_8 GDP + \beta_9 INFL + u_i + e_{it}$$

Where:

u_i represents the unknown intercept for each entity

e_{it} represents the error term (idiosyncratic errors)

α – constant

ROA is the dependent variable and represents the return on assets ratio, a measure of firm profitability;

AlnSIZE represents the interest variable and is the audit committee size composed from 1 to 7 auditors

Fsize represents a control variable and is the firm size

LIQ represents a control variable and is the liquidity ratio

Debt represents a control variable and is debt

FATR represents a control variable and is the fixed assets turnover ratio
 OIM represents a control variable and is the operating income margin
 ST represents a control variable and is stocks
 GDP represents a control variable and is the annual growth
 INFL represents a control variable and is the inflation rate.

The results of the Ordinary Least Squares, OLS fixed effects regression with cluster standard errors at firm level are presents in the next section.

4. Results and discussions

To test the robustness of the results we conducted, both, fixed and random effects models. The results are robust as analyzing both models suggested. In this paper is presented only the fixed effects model as Hausman test for the implied equations suggest.

Table no. 6 presents the OLS regression results regarding the association between audit committee size and firm profitability, measured by return on assets ratio, coded ROA. The results are presented considering the effects of audit committee size (AInSIZE) on operating firm performance, measured by ROA. The first area of the results table describes the details of the fixed effects model and number of observations, while in the second part of the table are presented the effects of the interest and control variables on the dependent variable.

Table no. 6. Results on audit committee size and firm profitability

<i>Fixed-effects (within) regression</i>	<i>Number of obs</i>	=	527
<i>Group variable: comp</i>	<i>Number of groups</i>	=	69
<i>R-sq: within = 0.2218</i>	<i>Obs per group: min</i>	=	3
<i>between = 0.1185</i>	<i>avg</i>	=	7.6
<i>overall = 0.1405</i>	<i>max</i>	=	10
	<i>F(9,68)</i>	=	16.04
<i>corr(u_i, Xb) = -0.4234</i>	<i>Prob > F</i>	=	0.0000
<i>(Std. Err. adjusted for 69 clusters in comp)</i>			

Robust

ROA	Coef.	Std. Err.	t	P>t	[95% Conf. Interval]	
AInSIZE	5.169569	3.058744	1.69	0.096	-.9340584	11.2732
Fsize	4.708456	2.523293	1.87	0.066	-.3266973	9.743609
LIQ	.0375054	.0330387	1.14	0.260	-.0284223	.103433
Debt	-11.77357	6.196256	-1.90	0.062	-24.138	.5908715
FATR	-5.246896	1.574402	-3.33	0.001	-8.388566	-2.105226
OIM	49.71864	23.08559	2.15	0.035	3.652057	95.78523
ST	-5.915013	2.437471	-2.43	0.018	-10.77891	-1.051115
GDP	.2427042	.0783449	3.10	0.003	.0863693	.399039
INFL	.4590345	.1360538	3.37	0.001	.1875433	.7305257
_cons	-44.95258	26.85346	-1.67	0.099	-98.53782	8.632661

Panel Data: YES

Cluster: Company

Method: Fixed-effects (within) regression

Source: Author's calculation

As Table no. 6 suggests the variable of interest audit committee size (AInSIZE) has a positive and statistically significant sign on firm profitability measured by return on assets ratio (ROA). Therefore, the hypothesis H1. There is a positive association between audit committee size and firm profitability is accepted at 0.1 level, being in line with (Alqatamin, 2018).

Our results suggest that larger audit committee size in companies from Central and Eastern European countries, determine higher effectiveness in monitoring the company that contributes to improved firm profitability, increasing ROA with 5.169569. Thus, firms with larger audit committees have better profitability, measured by ROA, than firms that do not have larger audit committees.

Our results are consistent with Raghunandan & Rama, 2007, in which audit committee size determine higher effectiveness in monitoring the company. Moreover, our results are in line with Aldamen *et al.* 2012 and Rahman *et al.* 2019 in which larger audit committees have varied skilled resources that help the company in resolving problems more efficiently and are positively associated with accounting performance, expressed through return on assets ratio (ROA). Furthermore, we consider that larger audit committees have the ability of committing boards in providing more resources that improve the financial reporting quality in accordance with DeFond & Francis, 2005.

Regarding the control variables, firm size (Fsize), operating income margin (OIM), annual growth (GDP) and inflation rate (INFL) have a positive and statistically significant influence on dependent variable ROA. In contrast, variables debt, fixed assets turnover ratio (FATR) and stocks (ST) have a negative and statistically significant influence on dependent variable ROA.

5. Conclusions

This paper analyzes the relationship between audit committee size and firm profitability expressed through return on assets ratio (ROA) on a 527 firms observation from listed companies in Central and Eastern European countries.

Our findings suggest that larger audit committee in companies from Central and Eastern European countries positively influence firm profitability. Our results imply that there is a positive and statistically significant association between audit committee size and firm profitability, expressed by ROA. Therefore, we consider that larger audit committee determine higher authority in committing boards in providing more resources that improve the financial reporting quality, hence, improve firm profitability. Moreover, we consider that larger audit committees contribute through better monitoring the operating performance of the company reflected in increased profitability.

We agree that larger audit committees have diverse skilled resources that help the company in resolving problems more efficiently contributing to higher profitability expressed by ROA.

We believe that the audit committee size represents an important issue in achieving the audit mission effectively and that a large audit committee provides higher authority and extensive knowledge base that conducts to higher profitability.

We consider that our findings are important for corporate practices by showing audit practices that could influence investors, shareholders and creditors credibility in the faithfulness of audited financial statements reported by the company as well as for sustaining efficient capital allocation and higher monitoring operating performance.

The main limitation to the study is the lack of accessing all data regarding the audit committee size, as more data will be available further research will be conducted.

6. Acknowledgement

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General Consideration Regarding the Insurance Field in the Financial Perspective

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Abstract

This article provides a qualitative analysis of the data on the insurance fund studied at the economic level.

This approach allows us to take into account the functions of insurance with elements of a social order, such as the distribution function, which is defined in culture as something beyond financial.

In the early stages of the insurance industry, the idea of monetary evaluation of human life was rejected by many, since it saw the profanity that transformed a holy event of insurance into ordinary goods. By the end of the 19TH century the economic definition, the values became more acceptable, which ensured legitimacy in the insurance sector.

Key words: insurance, economic, financiar, functions

J.E.L. classification: M10, M20, M21, M31

1. Introduction

Insurance Notes a branch of activity, a field of financial services developed by insurance that have a complex economic meaning (natural, legal persons insured and for the generation of both objective and subjective factors, The insurance sector is a necessary and objective economic-social process, as it has measures as a means of protection, indemnifies financial losses covered by impediments secured, instructs the continuity of economic activity that are Temporarily flashing. (Văcărel, 1968)

2. Theoretical background

According to Iulian Vacarel and Florian Bercea teachers, insurance is closely linked to the existence of common risks whose production can cause significant damage to the national economy and the population. (Bistriceanu,2002)

Professor Gheorghe Bistriceanu considers that: "Insurance is a system of economic and social relations, a necessary objective process of economic and social development arising from objective economic laws, which consists in the joint creation by the population and economic operators at risk of certain risks of a fund to compensate for damage and other likely economic and financial requirements, unforeseeable. (Le Petit Larrousse Dictionary, 1996)

The 1996 Dictionary Le Petit Larrousse States that: "The insurance is a guarantee given by an insurer to his insurer to compensate for any damage, against a premium or levy. (Law no. 32/10.04.2000)

According to Law no. 32/10.04.2000: "Insurance is the operation whereby an insurer, on the principle of mutuality, constitutes an insurance fund, through the contribution of a number of insured persons exposed to certain risks, and gives compensation to those who suffer damage on account of the fund made up of premiums earned, as well as the other revenues resulting from the activities carried out. (Văcărel, 1998)

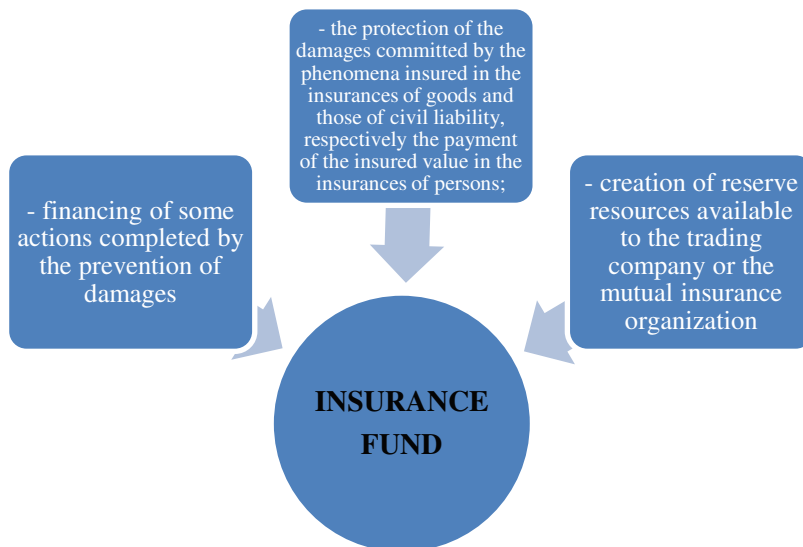
From an economic point of view, insurance requires the setting up, under separate conditions, of an insurance fund in connection with which a number of aspects can be distinguished:

- insurance is monetary;
- the assurance is drawn up in a decentralized manner, at the level of each insurance undertaking, in the light of the insurance premiums received from the natural or legal persons concerned to remove the damage they would incur as a result of events;
- the creation and use of the insurance fund require economic relations between the sections through the cash flows involved in receiving premiums, and then the payment of the damages awarded. (Bistriceanu, 1991)

3. Findings

The insurance fund is constituted with a view to cover the damage caused by forward-looking and uncertain phenomena (Popescu, Constantin 2003). In principle, the losses defined by the normal use of goods, their use in the production process or in households are not permitted, to reduce their value from various perspectives.

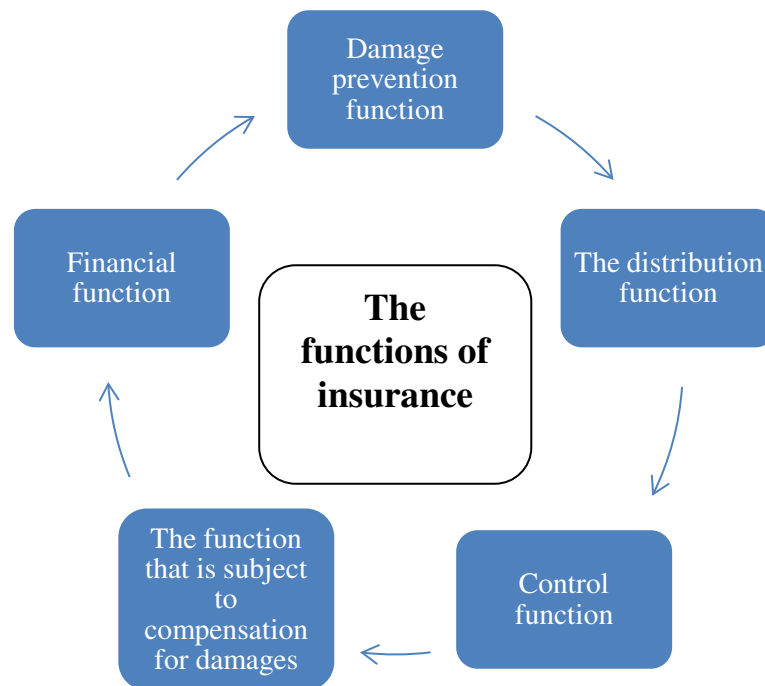
Figure no.1. The insurance Fund



Source: own processing

Therefore, "the assurance expresses the split and redistribution of the gross added values, relationships that would spread in the process of carrying out and using the insurance fund for the uninterrupted pursuit of economic activity, the complete leaving of insured goods, the protection of natural persons, against certain experiences that could affect their lives or incorruptibility, and the honoring of civil redemption obligations that are natural and legal persons toward third parties" (Bistriceanu, 1991).

Figure no. 2. Insurance functions



Source: own processing

The notion of insurance is used in relation to the activity of insurance companies and mutual and social insurance organizations.

From a financial point of view, it can be observed that insurance is in financial 'transitional' instead of the insured natural persons who pay successively the insurance premiums and natural or legal persons who need additional financial resources.

This approach does not show that insurance is evidenced by insurance companies, operating in a competitive market (Văcărel, 1998). This is why some experts highlight certain values of insurance, which is a characteristic of service providers, financial midfielder, financial transaction.

Insurance as a form of financial mediation notes that, more specifically in life insurance, the insurance undertaking pores not only insurance protection but also the solution of saving and recovering cash. The function of a financial intermediary shall be more specifically performed by life insurance communities, although all insurance of goods and civil liability decrees certain financial funds it pores for placing on the market.

Behind the insurance undertaking, as a financial intermediary, are natural persons who have drawn up dual-purpose life insurance: to protect themselves against certain future events, to make use of the savings entrusted to the insurance company.

For individuals who are components of life insurance contracts, insurance is valuable financial assets with a longer or shorter recovery term. According to the provisions of Article 5 of the 2006 Regulation "by insurance contract, the insured person is obliged to pay a bonus to the state Insurance Administration, and this assumes that the risk of an event occurring, requiring that, when the event occurs, he or she claim to the insurer or a third person, called the beneficiary, an indemnity — reward or insured amount — in agreed ends' (Popescu, 2003).

The arrangement entered into between an insured and an insurer may be called 'insurance contract' or 'insurance policy'. In the legal aspect, it presents the characteristics of an understanding.

It is a consensual arrangement that is only closed by the agreement of the parties, that contract is convenient when the insurer and the insured have given their consent to the quantity, the written structure is of the legislator's own desire to take account of the interests of insured persons and of third parties.

The synalagmatic contract by the idea that each party assumes certain bonds. Due to this, the insured requires accurate risk statements to be made, in the insurer's records, both at the end of the contract and at the end of the disaster, as the insurer must pay the insurance premiums due the duty to cover the risk of the insured, in the event of his being committed, with due consideration.

The random contract, i.e. when the insurer is entrusted, is not known for its effects, advantages or losses. This event, called those, involves, for each side, a chance of winning or a risk of loss.

A successive contract due to its validity for a long period of time, the premium may be paid in several installments, the protection being always on the part of the insurer. The fact that the term of validity of the insurance contract is over a certain period of time makes it possible to sort out the payment of the insurance premium and highlights the sequential nature of the commitment of the contract.

The contract of good faith which admits that its execution is knowingly executed by the parties. The insurer therefore accepts taking over a risk, on the basis of information provided by the claimant to an insurance or establishes the amount of the indemnity to be granted to the policyholder on the basis of information from the insured without having access to check it each time, where it is found that the information available to the insurer has not been true, a negative belief of the insurer is highly penalized.

Contract of adherence: The wording and establishment of contract terms are held by insurance companies, with the option of accepting or not in full. In the case of property insurance, the insurance undertaking shall call into question a draft contract, the completion of which shall take place with the agreement of both parties (Decree of the State Council no. 471-2006). It should be noted that the relevant regulations differ from country to country, but within the national framework, the supervisory bodies of insurance undertakings require that the insurance contract be classified in terms of content and structure, in some legal background and form.

Unique in relation to the entire insurance period, even if the payment of the insurance premium takes place by way of a division. In fact, the uniqueness of the contract generates the legal consequence, among which the fact that the insurance contract is governed by the initial conditions laid down, throughout the period of performance. The establishment of the annual premium shall take into account the entire duration of the insurance contract.

The ex-law insurance is based on the principle of compulsory insurance, refers to natural and legal persons, holders of goods subject to insurance being compulsory (e.g. households and other housekeeping, private property) (Văcărel, 1998), they are obliged to insure them against the risks required by law and insurers who have been legally authorized to practice such insurance are obliged to give effect to it under the conditions laid down by the public authority, but also to issue a documentary evidence of insurance.

4. Conclusions

A lot of specialists in the field embrace the traditional way of dealing with insurance, according to which insurance is a means of selecting, on a large number of natural and legal persons, the damage caused by a small number of them (Sorocovschi, 2002). This damage, unbearably, in the absence of insurance by the natural person or undertaking who has suffered it, becomes, under the conditions of insurance, bearable by the mass of those who make up the risk community, because the insurance technique is based on the law of large figures. If the insurance premium has been calculated with consideration of the loss likely to be incurred by the spread risk, it is expected that the obligations of the insured and those of the insurer will necessarily be in balance.

From the above, we can conclude on the place of insurance in the general knowledge system, consisting of four levels of functions: The financial function (that is, that insurance is considered to be one of the levers of the financial system); control function (as an additional function of insurance, is intended as a means of collecting); the function of specific distribution (is demonstrated by the process of allocating part of the gross domestic product); the function which underperforms the compensation of the damage (the commission is the main function of the insurance and is of interest to both the insured) and the last function is to prevent damage (it is the second important function and is performed in two ways).

That is, all these five functions, in particular the control function and the financial function, are reflected at the scientific level, i.e. in the insurance methodology.

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The Bidirectional Relationship Between Human Development Index and Economic Growth in Romania

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Abstract

Human development aims at expanding freedoms so that all human beings can live according to the choices they value. These freedoms have two fundamental aspects: freedom of well-being, represented by functionalities and abilities and freedom of mandate, represented by expression and autonomy. Human development has made tremendous progress in the last quarter of a century. Globalization has played an important role in this direction - it has integrated people, markets and the workforce, and the digital revolution has changed people's lives. This paper analyses the literature that deals with the subject, as well as a methodology of calculating the Human Development Index and Economic Growth, and an econometric analysis wishing to highlight the bidirectional correlation between HDI and Economic Growth, using data recorded in Romania during 2000-2018.

Key words: Human Development Index, Economic Growth, Human Resources, GDP, Per Capita GDP

J.E.L. classification: E60, O00, O11, C19

1. Introduction

Human development aims at expanding freedoms so that all human beings can live according to the choices they value. These freedoms have two fundamental aspects: freedom of well-being, represented by functionalities and abilities and freedom of mandate, represented by expression and autonomy.

In the last quarter of a century, the world has changed - and with it the development landscape. New countries have emerged and our planet is now home to over 7 billion people, one of four young people. The progress in human development has been impressive over the last almost 30 years. People are living longer, literacy has increased, and more people have access to basic social services. However, human development has been uneven, and human deprivation persists. Progress has bypassed groups, communities, societies - and some people have been left out. Some human have only touched on the basic elements of human development, and others have not even done so. And new development challenges have emerged, from inequalities to climate change, epidemics to desperate migration, from conflicts to violent extremism.

Since its launch in 1990, the Human Development Index (HDI) has been an important element / factor in attempts to expand progress measures. Published annually in the UNDP Human Development Reports (HDR), HDI serves several functions for both university staff and decision makers as well as activists. It has been recognized, from the beginning, as an ongoing activity, as well as an element of confidence for all those who seek inclusive and human societies, by evaluating past trends and models and assessing our current state (Sacchidananda M., Debashis C. 2010).

Many studies in the literature lead to the conclusion of a two-way relationship between economic growth and human development. At national level, this can mean either a virtuous circle of economic growth and human development, or a vicious circle of reductions in both areas. (Ranis, 2004). A high level of human development also has a positive impact on institutional

quality and, indirectly, on economic growth. (Costantini and Salvatore, 2008).

How a country is government and its institutions can play an important role in strengthening the relationship between HDI and EG. The role of the institutions in the economic growth of a country is to expand the capacities and to create an environment that ensures a normal functioning of the social, political and economic life of the respective society. The results of the study by Grubaugh S.G. (2015), lead to the same conclusion that good governance explains more HD results than EG, per capita investments or per capita income do. This study also noted that, although there are positive relationships between HD and EG, they may not be automatic in either direction.

The relationship between GDP (in USD PPP) and the level of the human development index, from an inter-country perspective, shows that, as per capita income, HDI scores increase to a level and then reach a plateau. The result indicates that in a multi-country setting, per capita income is necessarily an important element for achieving a higher level of human well-being. Cross-border analysis by Mukherjee and Chakraborty (2010) showed that HD is positively and linearly linked to both democracy and income level, indicating that countries characterized by higher levels of income and better democratic establishment are likely to witness greater HD achievements.

Also, the results of the regression on the relation between human development and corruption confirm the presence of non-linearity and suggest that, as corruption decreases, the level of human development increases, but marginally decreases for some countries characterized by a less corrupt regime (Mukherjee and Chakraborty, 2010).

The present article aims to analyse the bidirectional relationship between the economic growth and the human development index in Romania, between 2000 and 2018, using the regression technique. The article is divided into four sections, presenting one by one the existing studies in the literature related to the correlation between HDI and EG, the calculation methodology of the indicators taken into account (HDI and EG), the results of the econometric model regarding the nature of the correlation between the two variables and the measure in which they influence each other, and at last, but not least are presented both the conclusions and the limits of the study.

2. Research methodology

2.1. Human Development Index

The Human Development Index (HDI) is a summary measure of the achievements in three key dimensions of human development: a long and healthy life, access to knowledge and a decent standard of living. HDI is the geometric mean of the normalized indices for each of the three dimensions (Human Development Indices and Indicators: 2018 Statistical Update, 2018).

$$HDI = \sqrt[3]{I_{Education} * I_{Health} + I_{Income}}$$

Following the principle of the NHDR 2001 methodology, for the calculation of the Human Development Index (HDI) for Romania, the current work considers three variables, namely - per capita income; the composite index of the level of education and health respectively. The normalization of the indicators is done by dividing the difference between any variable (X_i) in these categories and the minimum value of the variable (X_{min}) respective to the difference between the maximum value (X_{max}) and its minimum value (X_{min}).

$$I_{xi} = \frac{X_i - X_{min}}{X_{max} - X_{min}}$$

The composite health indicator is calculated by taking into account two variables, namely the life expectancy at birth (LE) and the inverse infant mortality rate (IMR).

The composite indicator of the level of education is obtained by taking into account two variables, namely: expected years of schooling (EYS) and mean years of schooling (MYS). Both the expect years of schooling indicator and the mean years of schooling indicator are normalized by taking into account the minimum (in this case 0) and maximum (18 years) values. This indicator is calculated as an arithmetic mean between the two indicators, as follows:

$$I_{Education} = \frac{I_{EYS} + I_{MYS}}{2}$$

For the calculation of the human development indicator, the real value of GDP per inhabitant in PPP USD was taken into account for the determination of the standard of living. The calculation formula used is:

$$I_{Income} = \frac{\ln(GDP_{ti}) - \ln(GDP_{min})}{\ln(GDP_{max}) - \ln(GDP_{min})}$$

Where,

GDP_{ti} – is the value of per capita GDP in PPP USD in year t_i in USD PPP (constant 2011 international \$)

The human development indicator was calculated for Romania using data series for the 2000-2018 periods.

2.2. Economic Growth

The present article aims to determine the bidirectional correlation between the human development index and the economic growth in Romania for the period 2000-2018. Therefore, the second variable considered is the economic growth quantified by the growth index of the gross domestic product. The absolute value of the variable is expressed in USD PPP billion.

The growth index was determined according to the formula:

$$I_{GDP} = \frac{GDP_{t1}}{GDP_{t0}}$$

Where,

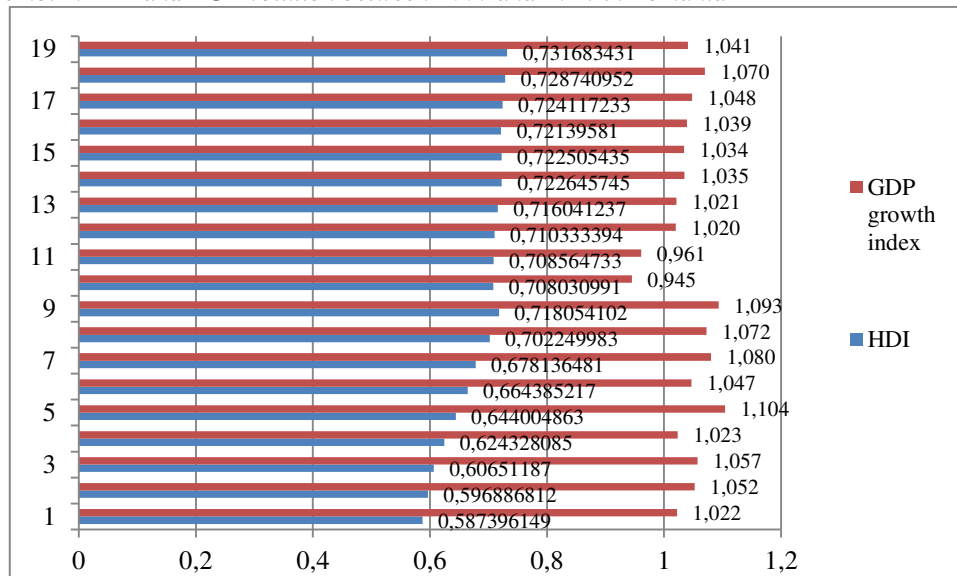
GDP_{t1} – is the value of GDP in PPP USD in year t_1 in USD PPP (constant 2011 international \$)

GDP_{t0} – is the value of GDP in PPP USD in year t_0 in USD PPP (constant 2011 international \$)

The growth index was used to make the analysis more relevant.

The figure below shows the evolution of the human development index and that of the GDP growth in Romania, between 2000 and 2018. The values of the indicators have been established, applying the above methodology to the empirical data related to our country.

Figure no. 1. HDI and EG Evolution between 2000 and 2018 in Romania



Source: Calculated by the author

As shown in the graph above, HDI experienced a relatively constant growth in the period 2000-2009, after which in 2010 it experienced a slight decrease from 0.72 to 0.71, followed by a subsequent period of one another constant growth, but not as spectacular as in the first analysis interval. The GDP growth index had a fluctuating evolution in the 19 analysed periods, registering smaller or greater growths, but only in two periods (2009 and 2010) it was characterized by negative growths.

3. Correlation between Human Development Index and Economic Growth

In order to understand the bidirectional correlation between Human Development Index and Economic Growth, in Romania in 2000-2018 we used an econometric study with a linear regression equation of the form:

$$Y = c(1) + c(2) * X$$

Where:

Y - is the dependent variable; X - is an independent variable; c(1),c(2) – are the regression equation parameters.

In order to understand the relationship between EG and HD Index, a regression analysis was performed, which involves the HDI level as a dependent variable and the GDP growth index as the independent variable. The regressions are estimated for the period 2000-2018.

$$HDI = c(1) + c(2) * EG$$

From the results presented in Table 1 it is observed that the process of HDI formation of Romania is positively influenced by the level of growth index of the gross domestic product, as reflected by the positive value and the significance level of the coefficients of the regression equation (c (1) = 0.68 ; c (2) = 4.73) for the analysed period.

Table no. 1. Correlation between HDI and EG in Romanian 2000-2018

Dependent Variable: HDI				
Sample: 2000 2018				
Included observations: 19				
	Coefficient	Std. Error	t-Statistic	Prob.
C(1)	0.682414	0.011565	5.900.863	0.0000
C(2)	4.73	4.84	0.977323	0.3421
R-squared	0.053197	Mean dependent var		0.685053
Adjusted R-squared	0.002497	S.D. dependent var		0.048954
S.E. of regression	0.049015	Akaike info criterion		-3.094.074
Sum squared resid	0.040842	Schwarz criterion		-2.994.659
		Durbin-Watson stat		0.114440

Source: Calculated by the author

The result implies that the growth index of the gross domestic product (as an indicator of economic growth) directly influences the human development index, meaning that when modified with one unit, HDI will change in the same direction with 4.73 units. However, as shown in the table, this influence is not strong enough (Adjusted R² = 0.002497), the HDI change being explained only in 0.2% of the economic growth index change and this is explained by the fact that human development it depends on many more factors than those taken into account (those of social, institutional nature, etc. should not be neglected).

Regarding the impact of HDI on EG, a second set of regression was used involving the GDP growth index (to highlight the economic growth in Romania between 2000 and 2018) as a dependent variable and the HDI level of Romania as an independent variable, to understand the inverse dependency model.

$$EG = c(1) + c(2) * HDI$$

From the results presented in table 2 it is observed that the level of growth index of the gross domestic product is negatively influenced by the HDI formation process in Romania, as reflected by the negative value and the significance level of the regression equation coefficients (c (1) = -7142.75) for the analysed period.

Table no. 2. Correlation between EG and HDI in Romania in 2000-2018

Dependent Variable: EG				
Sample: 2000 2018				
Included observations: 19				
	Coefficient	Std. Error	t-Statistic	Prob.
C(1)	-7.142.751	7.898.209	-0.904351	0.3784
C(2)	1.124.073	1.150.155	0.977323	0.3421
R-squared	0.053197	Mean dependent var		5.577.489
Adjusted R-squared	0.002497	S.D. dependent var		2.385.832
S.E. of regression	2.388.809	Akaike info criterion		1.388.911
Sum squared resid	970089.2	Schwarz criterion		1.398.852
		Durbin-Watson stat		1.111.012

Source: Calculated by the author

The results presented in the table show that there is a directly proportional correlation between the growth rate of the gross domestic product (as an indicator of the economic growth) and the HDI level. However, as shown in the table, this influence is not strong enough (Adjusted $R^2 = 0.002497$), the EG change being explained only by 0.2% of the EG change. This is explained by the fact that economic growth depends on many more factors than those taken into account when determining the index of human development. During the period analysed, the gross domestic product had inelastic growths (period 2008-2010), and for the greater relevance of the analysis results, the period analysed should have been divided into two sub-periods, as follows: 2000-2008 (before global down-turn) and 2008- 2018 (after global down-turn).

4. Conclusions

Economists have studied GDP, GDP per capita and GDP growth per capita for a long time. Alternative development measures, such as the human development index, are available for a much shorter period of time and accumulate a sufficiently complete set that we can begin to compare the behaviour of these measures with the behaviour of traditional economic measures of GDP. This study is an attempt to show the extent to which the two variables influence each other for a short time. However, the results show us that HDI does not provide too much additional information for GDP nor does it influence the other waters to such an extent, at least for the study conducted in Romania between 2000 and 2018. However, there is indeed a bidirectional relationship between the two indicators, as is shown in the previous section study.

The study presented in this article has its limits, in the sense that the process of formation and the level of human development is influenced by a multitude of factors of different natures - economic, social, political, institutional, and the economic growth of a state does not depends only on the level of human development, although there are studies in the literature that have shown that HD is positively and linearly linked to both democracy and income level, indicating that countries characterized by higher levels of income and better democratic establishment are likely to witness greater achievements of HD.

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The Determining Factors of Creative Accounting

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Abstract

The present article is a structural analysis performed on a set of specialized articles on the topic of creative accounting, an analysis carried out in order to identify the factors that determine the use of accounting engineers and the most important measures that can be taken into account for combating or little minimization of accounting engineers.

The analysis was performed by coding the key words and expressions and grouping them on the most important factors that determine the application of the creative accounting: the professional accountant's profile, accounting rules, ethical principles, pressures and the financial economic crisis.

Structural analysis was also performed to identify how creative accounting is perceived, respectively the positive and negative aspects of using accounting practices.

Key words: creative accounting, true and fair view, fraud, legal, illegal.

J.E.L. clasification: M41

1. Introduction

Taking into account IAS 1 standard "*Presentation of Financial Statements*," the financial statements of an entity must present clearly and concisely the financial position, performance and treasury of the entity. To achieve this objective, it is necessary to faithfully represent the effects of transactions, other events and conditions in accordance with the criteria for recognition of assets, income and expense.

The truth of accounting is a truth built in accordance with a set of principles, basis of assessment, rules, conventions and specific practices. Often, however, accounting truth appears at the intersection of a compromise between information producers, financial auditors and information users. From this compromise, the construction of accounting truth outlined the "*problem of the approach between creative accounting and regulatory (normative) accounting, between a principle-based accounting and a rule-based accounting, between accounting innovations and accounting manipulation, between regulatory truth and the desired truth, between virtuous accounting and perverse accounting*" (Ristea M., 2008).

Financial situations are often transformed from what they need to be to what they are doing, in order to get benefits from existing principles or rules, or by knowingly ignoring some of them. In order for the accounting information to be true, it must comply with two principles, the principle of compliance with accounting rules and the principle of sincerity. The first principle implies that accountants comply with all general principles and regulatory provisions, while honesty is the application in good faith of rules and procedures based on the knowledge that accountants need to have on the reality of events and transactions.

The principle of sincerity implies the application of the principle of relative importance in accounting. Only the good faith of the accountant can certify in such cases the fidelity of the image. Due to the optional nature of recommendations from national and international regulatory bodies, there is a margin of uncertainty. The fidelity of the enterprise image is the qualitative criterion of normalization. It can not be said that the image captured by accounting is the "correct" because this word also has the "precise" connotation, whereas the accounting information still depends on the appreciation of the accountants and auditors, an appreciation that has a certain degree of subjectivity. In accounting, the expression "true image" has the expression "true and fair view" in English.

Michael Capron has accredited the idea that reality can be presented through several faithful images, as there may be more photographic representations of the same subject depending on the angle of view, light, distance, and consequently to choose what is to the greatest extent according to the law or according to the given situation. It is the problem that users of less experienced accounting information do not confuse the image with reality due to lack of accounting experience, and be perfectly aware of the distance that exists between the two in order not to generate an accounting illusion themselves. (Ristea M., 2008).

The main source of information needed to make decisions within a company is accounting. The accounting information presents the factual status of an entity, the performance and changes in the financial position of an entity. It is the starting point in making managerial decisions. Through the creative accounting techniques implemented, accounting information is modified in the desired sense precisely to mislead aspects regarding the performance and financial position of an entity.

The management of the economic entity is the one that, using the accounting engineers, respectively the creative accounting, transforms the financial statements from what they should reflect into what they want to present.

According to International Accounting Reporting Standards, the accounting information, in order to be of the respective quality and to present the financial position of an entity, must be real and correct, respectively comparable, intelligible and verifiable.

If an economic phenomenon can be described in several ways, the auxiliary characteristics of an information such as verifiability and comparability are those which help to choose one way to the detriment of another, increasing the usefulness of the accounting information.

2. Literature review

The first mention of creative accounting belongs to Luca Paciolo (Balaciu Diana, 2010). In his famous "*Summa of Arithmetic, Geometry, Proportion and Proportionality*" he presented the first creative accounting techniques. In Venice, in a highly developed foreign trade, economic relations between traders were recorded in accordance with the principles of double-entry bookkeeping and were recorded in main and secondary registers. When there were inconsistencies between the two registers, ink was poured over the registers, but not by accident but willing to make the records illegible.

Lainez and Callao (Lainez & Callao, 1999.p.20) consider creative accounting as the accounting generated by the use of techniques such as the options, subjectivism and gaps in the norms provided by the accounting legislation in order to present financial statements reflecting a desired image and not an objective picture of reality.

Gowthorpe and Amat (Gowthorpe & Amat, 2005) consider that "*those who prepare the financial statements can manipulate the image of the economic reality presented to those interested through these documents.*"

According to another opinion developed by Blake and Bond (Blake & Amat, 2000) accounting professionals are those who, based on the necessary experience, manipulate in the desired sense the figures published in the accounting reports of a company

Another definition of creative accounting is that stated by StahAtul (Stah, 1998) that "*creative accounting is the process by which management takes advantage of the shortcomings or blurring in the accounting rules to present a modified image of financial performance.*" *It respects the letter, but obviously not the spirit of the law*".

Raffourinier (Raffournier, 2003) understands by creative accounting "*the use of flexibility and gaps in accounting regulations to present the financial statement of the enterprise in a manner different from that which would result from the normal application of existing rules.*"

A detailed definition of creative accounting is given by Naser (Naser, 1993) which brings to the fore the idea that accounting engineers are violations of the rules, they are accounting manipulations that allow the transformation of summary documents into accounting reports desired by managers. The flexibility of the accounting rules is what allows the accounting professionals to structure the information in such a way that they allow to produce the desired result.

According to Stolowy (Stolowy, 2009) creative accounting departs from two aspects: tracked goals and procedures used to manipulate information. According to this author, the objective of creative accounting is to modify accounts in the sense of improving or "deteriorating" them when the goal is to reduce or minimize the results and implicitly reduce the tax. Use of creative accounting techniques can also be achieved when there is no precise objective or when the accounting rules do not provide solutions for the situations in practice.

The term creative accounting in Romania was first approached by Professor Nicolae Feleagă who provided information on the dimensions and limits of creative accounting. He stresses that accounting engineers have contributed to the rise of the contemporary crisis.

Another author Malciu (Malciu, 1999) in his book entitled "*Creative Accounting*" emphasizes the challenges of creativity by looking for solutions to limit its use.

An important contribution in defining the concept of creative accounting belongs to the authors (Feleagă, 2002). They are the ones who highlight both positive and negative aspects generated by practicing creative accounting. His book is structured in two sections, the first part highlights the benefits of using the accounting options and policies correctly, the second part reflects the negative aspects of accounting engineering accounting, also indicating reasons for the emergence and development of creative accounting providing solutions for fighting it.

In his paper, Cernusca (Cernuşcă, 2004) emphasizes that the pessimistic or optimistic attitude of the accounting professional is the one that contributes to the foundation of the accounting policies by determining the content of the annual financial statements and the desired result.

In Diaconu's view (Diaconu, 2004) the creative accounting phenomenon derives from managers' desire to further increase wages, managers will always be interested in exerting pressure on them.

In Patroi's view (Pătroi, 2006) the creative accounting techniques are accounting manipulations, they present negative aspects because they contribute to the distortion of the accounting result being a threat to the application in good faith of the accounting rules.

Ristea and Dumitru (Ristea M., 2008) define creative accounting according to the principle of prudence, presenting creative accounting techniques and practices regarding the assessment of tangible and intangible assets, problems regarding the evaluation of financial instruments, the measurement of inventories, the impairment of debts, etc

Dumitrescu (Dumitrescu, 2014) also highlights the positive and negative aspects of creative accounting. According to this author, creative accounting is a deceptive practice because it does not present the real situation and the economic-financial performance of a company. However, it is also regarded as a positive and beneficial technique as it proposes solutions to the financial crisis problems.

Balaciu (Balaciu Diana, 2010) conducts an empirical research on the Romanian area that seeks the perception of auditors and managers' attitudes about creative accounting practices. It uses creative accounting practices to ensure a positive image of the economic entity through the financial presentation. A more complex vision is Groşanu (Groşanu, 2011) who argues that creative accounting is the result of flexibility, which exists in the accounting regulations and if applied in good faith, allows to ensure a true image of the financial position and performance of the economic entity. Each user of accounting information pursues certain interests, and the flexibility of accounting regulations is often used to satisfy private interests to the detriment of the public interest.

3. Research methodology

This research highlights the way in which creative accounting is perceived by different authors, is a structural analysis performed on specialized articles that deal with the problem of creative accounting. The analysis was carried out on the concepts of creative accounting, accounting engineers, faithful image, fictional image, perceptions of accounting professionals, managers, auditors on creative accounting practices. The research allowed to identify the factors that determine and influence the creative accounting techniques and the grouping according to their importance and degree of influence.

Through the analyzed articles, through the accounting scandals we identified, I tried to highlight the problems of applying accounting engineers, to propose the most effective solutions to minimize the practice of creative accounting, and to emphasize that accounting engineers have several negative aspects. than positive ones, and only an accounting professional could understand the true value of accounting.

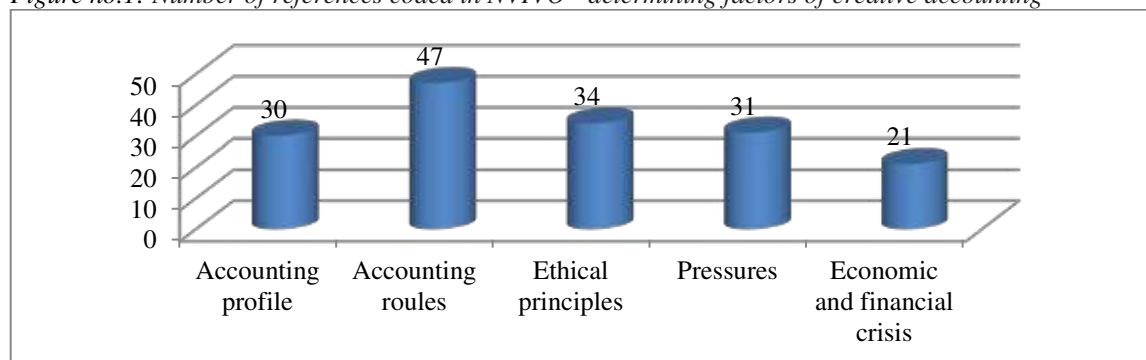
The research method used was the meta-analysis carried out on a set of 60 articles, from which we selected 10 specialized articles by the following keywords: creative accounting, , fraud, legal and illegal, true and fair view.

Following the meta-analysis, in order to identify the determinants of creative accounting practices, we established the following research directions:

- Identifying how creative accounting is perceived by accounting professionals, auditors, managers,
- What is the definition given to creative accounting and what are the factors that determined its appearance,
- What is the link between creative accounting and tax fraud, ethics and ethics?

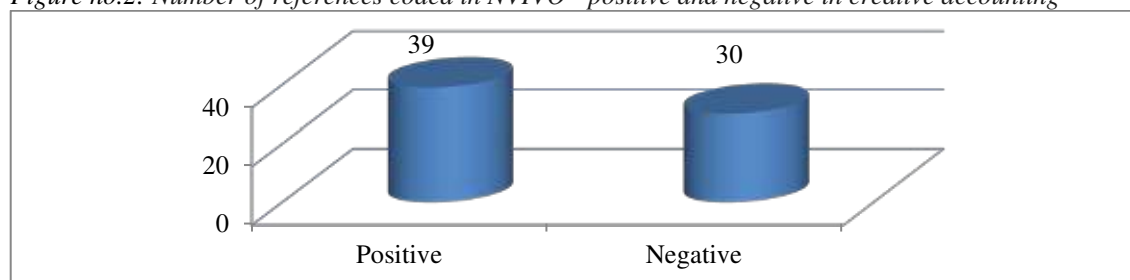
In order to identify the determinants in the application of creative accounting techniques, we have introduced the 10 articles analyzed in the NVIVO Qualitative Analysis Program in order to identify keywords and the frequency of their use. The content analysis of the articles was carried out by coding the keywords on the main topics of interest: identifying the factors that determine the use of creative accounting techniques and the positive and negative perception regarding the accounting engineers:

Figure no.1: Number of references coded in NVIVO - determining factors of creative accounting



Source: Authors' design

Figure no.2: Number of references coded in NVIVO - positive and negative in creative accounting

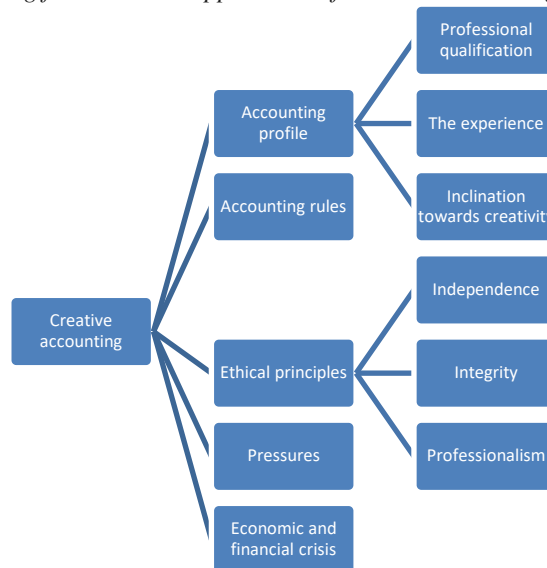


Source: Authors' design

4. Findings

The content analysis performed on the specialized articles was aimed to identify the factors that cause professional accountants to practice creative accounting techniques. Taking into account the professional accountants' responses according to the established objectives, we can identify the following determinants in the application of creative accounting techniques.

Figure no.3 :The determining factors in the application of creative accounting techniques



Source: Authors' design

The role of the accountant in finding creative accounting techniques is essential.

A good professional accountant, with experience, with the skills and knowledge required in the field can at any time detect creative accounting techniques.

Managers prefer accounting professionals with **experience**, open to creativity and innovation, respectively those accounting professionals for whom creative accounting techniques do not represent a violation of the law or an unethical activity, but a set of optimized solutions and decisions designed to increase the profitability of the company.

Accounting professionals who practice creative accounting techniques fall into two categories: either they are inexperienced and they act in ignorance or they are accounting professionals with extensive experience practicing the profession for at least 10 years, usually women, with seniority in the company, with the necessary skills and knowledge and with a dose of ingenuity necessary to find solutions without violating the legal provisions.

The accounting and fiscal legislation in force is an important factor that influences and determines the application of accounting engineers. The creative accounting techniques are practiced in the highest weight due to: the insufficiently regulated accounting rules that allow room for interpretations, the gaps and inconsistencies in the accounting and fiscal legislation. The freedom to choose the accounting policies, the possibility to make estimates and forecasts, the permanent change in the social and fiscal environment determines the accounting professionals to practice creative accounting techniques. The existence of operations that are not fully regulated, complex situations arising in practice for which there are no regulatory norms, cause the accounting professionals to resort to their own reasoning in order to bring benefits to the company, respectively to the private interest at the expense of the public interest.

The biggest **pressure** comes from the managers, as they are the ones who decide whether or not to capitalize the interest expenses, how to calculate the costs of production, acquisition, what fixed assets are re-evaluated, what types of depreciation are approved. The decisions taken by the management of the company are brought to the attention of the professional accountant for their implementation, most of the times without the prior request of a qualified and competent opinion. The interests of the manager to maximize the profit, to transform the financial statements from

what they should be in what they want to reflect are priority. Other pressures come from investors looking for consistent earnings growth, so they are interested in "financial performance". The pressures are exerted both on the professional accountants and on the auditors. Above the auditors are manifested pressures of time, fees, competition, reputation. In conclusion, 37% of the respondents stated that they practiced creative accounting techniques taught by the management of the employer.

The notion of creative accounting has developed and accentuated in times of **crisis and economic and financial instability**, when many companies to overcome the difficulty, to be able to face the competition, have sought solutions, using mostly creative accounting techniques. Both creative accounting and tax fraud appeared under conditions of financial difficulty as a result of the volatility of some of the market elements, the interest rate increase, the inflation rate rise.

The **conduct, the compliance with good faith** of the accounting norms, the **morality** of the accounting professional, the auditor, the manager is an element that determines the application of the creative accounting techniques. Given that the temptations are high, the pressures are multiple, only professional ethical conduct, independence, integrity and professionalism are the qualities that cause the accounting professionals not to resort to creative accounting techniques. Ethics is absolutely necessary for the very existence of the profession, the auditors are those who must guarantee the observance of the law itself, but also of its spirit.

5. Conclusions

From the analysis of the references we can conclude that the main reason for resorting to creative accounting comes from the desire of managers to present a performing company, to improve the financial results of the company, to attract as many investors as possible. In the second plan we use creative accounting techniques for reducing taxes and fees, reducing fiscal pressure. Thirdly, creative accounting techniques are used to attract new sources of financing to cope with financial difficulties.

Creative accounting presents many **positive and negative aspects**, but meta analysis has highlighted more negative than positive elements.

As **positive elements**, creative accounting is a combination of methods and techniques, options and freedoms allowed by applicable accounting and tax regulations, without violating the law or accounting requirements that allow managers to improve their financial result or financial statements. Creative accounting is also a means used by companies to adapt, develop and become more competitive in an ever-changing environment. Creative accounting intelligently exploits legislation, so we do not have to deal with tax fraud.

In terms of **negative aspects**, creative accounting is the one that has led to numerous frauds, evasion, breach of accounting and tax regulations. Fraud is a synonym for accounting engineers, as both aim to create a distorted image of the company, showing it more prosperous, more attractive, misleading investors. Most organizations resort to such techniques for negative purposes, respectively to conceal reality or to present it in a modified form.

The truth said in half and the lie can be considered as susceptible to possible frauds, both have the ultimate purpose of misleading the external users of the synthesis documents from where the conclusion that fraud and creative accounting are similar notions.

Creative accounting practices will only disappear with the disappearance of the causes that have generated them, so the desire of professional accountants to restrict creative accounting should take into account the circumstances that allow it to emerge.

The most important measure for limiting or reducing the frequency of manipulations in the financial accounting activity is the presence of the audit within the companies. The audit and the control means remain clear elements for combating or limiting distortions in the level of financial-accounting information. The role of the audit is to express an informed opinion on the information publicly disclosed by companies, it must take a clear and firm position when there are signs of creativity.

On the second level, another measure to combat creative accounting is to remove the gaps in the norms, interpretations, limit the options, reduce the number of accounting processes allowed or clearly establish the circumstances in which each processing must be applied. All particular situations must be analyzed and interpreted separately on the basis of specific rules.

An important measure for combating creative accounting is creating accounting standardization bodies, competent bodies for arbitration and / or interpretation would also contribute to reducing creative accounting techniques.

From the references analyzed we can conclude that sanctions are not a measure for reducing creative accounting. Each time new laws are drafted or existing laws are amended, companies are looking for new solutions to avoid the system in order to minimize the impact.

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The Interaction of Economic Decision

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Abstract

Any economic action shall take place on the basis of a succession of domain-specific decisions. In fact, economic decisions are made on two stages, with a strong interaction and correlation between them. The first level of importance is given to investment and financing decisions, backed by two other decisions, namely savings and consumption. In real activity, it is not possible to research each of the decisions separately.

In theory, however, the perfect capital market model was created, based on a set of criteria considered durable over time. It should be noted that even if the basis of decisions is made under pre-established assumptions, they are of good practical application. The authors' intention is to explain to the economic environment the characteristics of each decision and the importance of their practical compliance.

Key concepts: consumption decision, saving decision, investment decision, financing decision financial capital, physical capital

J.F.I. classification: F30, G01

1. Introduction

In Economics, from the strategic point of view, two important decisions are taken: *the investment decision and financing decision*. Supporting these decisions depends primarily on the existence of a capital, as a result of the savings and *consumption decisions made by the economic agents*, population and state. At their turn, saving and consumption are influenced by the prospect of increasing the individual budgets through the profitability ensured by the equity investments.

Therefore there is a close interaction between financial capital - physical capital, beneficial for all the components of economic activity and for the capital owners. To prove this interaction and the causal relationship of the economic decisions it is used the concept of the definite economic environment or perfect capital market comprising the following assumptions:

- The interest rate and the future cash flows of the investment projects are a priori and surely known; the interest rate on banking investments is equal to the credits because there are no transaction costs; the financial analysis focuses on the concepts of interest rate as the return risk-free rate and of a net present value;
- The market is perfectly competitive, none of the participants can influence in a sensitive manner its functioning (atomizing the market);
- The possibility of interest rate fluctuations and the risk of improper activity are excluded;
- The movement of capital is not affected by taxation and therefore there is no tax savings and there is a sole price.

To these assumptions should be added the assumption that people have a *rational economic behavior*, meaning that they want to gain the maximum possible profit from their investment activities. Perfect capital market, by its nature, makes possible for the investment decision to be analysed independently of the financing decision and to be understood in that way, and then to be reconsidered independently of the real economic environment. Although purely explanatory, the

analysis of the definite environment has certainly proved its utility in the substantiation of the practical decision making and it is increasingly used to the detriment of purely intuitive methods.

In conclusion, the theoretical model of the "definite economic environment" leads to:

- ✓ the possibility of separating the investment decision from the financing decision;
- ✓ to the demonstration of the most important objective for the finance function: to maximize the value of the final equity
- ✓ and to a fundamental decision rule: net actuarial value.

2. Theoretical background - Consumption decision and saving decision

Having a capital aims to satisfy the individual consumption needs assigned on a temporal distribution. A rational investor manifests "care of tomorrow" which means that he will pursue the best possible combination between the pace of capital growth and the pace at which it is consumed.

The analysis of the interaction between economic decisions highlights the following causal stream: the creation of the capital – direction it towards the most profitable and safest destinations - capital growth through investment.

Temporal distribution of consumption is possible only through its alternation with saving, which means giving up the present consumption (C_0) for a larger future consumption (C_1) or the other way around. Investing or attracting capital can be achieved through the financial markets for some attractive interest rates.

For a loan, the present value of capital (W_0) is determined on future estimations is:

$$W_0 = V_0 + \frac{\sum CF}{(1+Rd)^n}$$

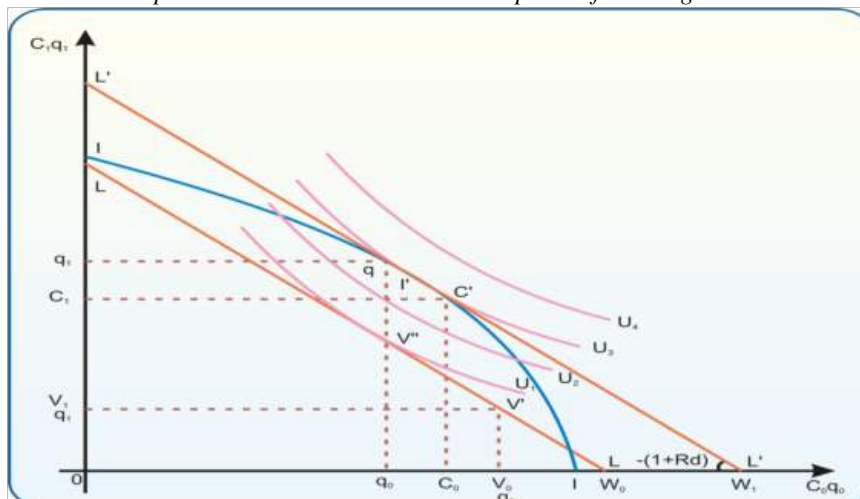
From the position of the debtor, the amount of the capital results from the return of the investments made in relation to the amount of the loan and its costs

$$W_0 = -V_0 + \frac{\sum CF}{(1+Rd)^n}$$

Graphically, the alternation saving - consumption is represented by the capital market line for a constant interest rate and equal for investments and loans. As saving means diminishing the present consumption for the future growth, the slope of the market line is negative: $-(1 + Rd)$. The increase in capital may be represented by straight lines parallel to the market line. Postponing – outrunning the consumption requires moving on the market line:

- moving up the LL line represents a **credit** because it is equivalent to a reduction of the current consumption at t_0 for another higher at t_1 .
- moving down represents a **debit** because it produces an increase in consumption at t_0 because of the decrease of the potential consumption at t_1 .

Chart no.1. Optimal ratio: Investment - consumption - financing



Source: (Vlad, 2015)

where: II - the curve of investment opportunities; LL (L'L') - market line; $U_{1,2}$ - indifference (utility) curves; W - individual budget; q - investment opportunities; I' - optimal investment

The impulse for the present or future consumption besides from the profit (market interest rate) it is given also by the satisfaction the offer produces to the equity holder. The analysis of the financial practice reveals that an investor focuses on each invested unit (marginal profitability), often disregarding the absolute volume of the capital gain. Moving on the market line allows obtaining the maximum utility of the present capital without allowing its growth. Point C' of the chart represents the marginal rate of consumption (U_3) and is equal to the marginal rate of exchange substitution (L'L').

Because for the financial markets, the interest rate is an exogenous factor determined by the developments in the real economy, it means it is limited to the distribution of consumption over time, but to increase the capital it is necessary to turn them into investments.

So for the capital market account must be taken into account the function of distribution of consumption, the possibility of savings and loans and of efficient investment of the capital.

3. Investment decision and financing decision

Investing represents the way of capital growth and the motive for savings for a larger future consumption.

In the broad sense, investments are of two types:

- productive investments;
- financial investments known as "investments".

Productive investment is made through investment opportunities, while others occur due to exchange opportunities. Investment possibilities are plotted by a concave curve which indicates that the marginal rate of return is decreasing. Logically, the subject will seek to increase his revenue, up to a maximum point, namely to L'L', which is as far as possible from the origin (LL).

To achieve this there must be taken two steps that can ensure to an individual both the optimal investments and the optimum consumption.

- Moving on the curve of investment opportunities (II) as long as the marginal rate of substitution of investment opportunities $\left(\frac{\Delta q_1}{\Delta q_0}\right)_i$ will be greater than the marginal rate of substitution from exchange $\left(\frac{\Delta C_1}{\Delta C_0}\right)_L$ or than the market interest rate which represents the slope - $(1 + R_d)$ of the line L'L' (market line). When these two rates reach the balance point (point I') it means the optimum investment has been reached;
- After achieving the optimum investment possible, the subject pursues the optimum consumption. This is possible through the exchange that distributes the consumption over time. Graphically, this is represented by the utility curve U_3 , only one which may be tangential to the furthest market line that can be reached (L'L'). The position of I' point (optimum investment) from the point of tangency C' ($L'L' \cap U_3$) indicates a downwards "shift", more specifically the individual must take a loan in order to achieve the optimal consumption (C'). At this point there occurs the following relationship: $\frac{\Delta C_1}{\Delta C_0}\bigg|_{U(1)} = \frac{\Delta C_1}{\Delta C_0}\bigg|_{L(2)}$ where (1) and (2) represent the marginal rate of substitution of consumption, namely into exchange.

From the completion of the two stages it results that:

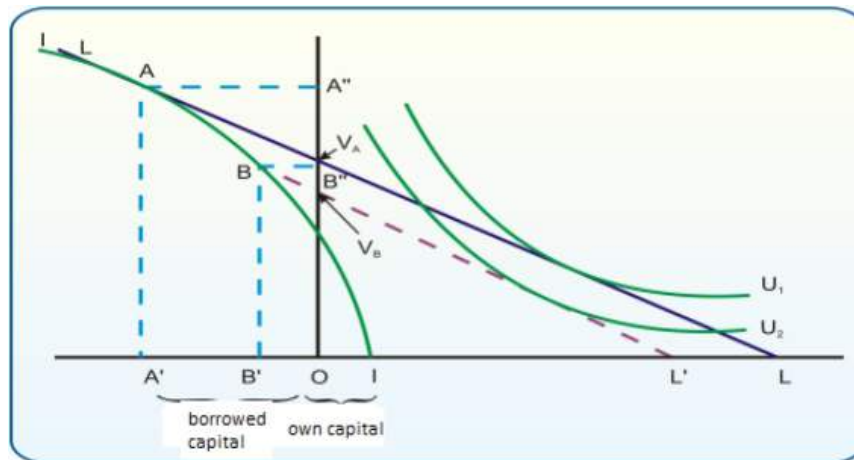
- for optimum investment: $\frac{\Delta q_1}{\Delta q_0}\bigg|_I = \frac{\Delta C_1}{\Delta C_0}\bigg|_L = -(1 + R_d)$
- for optimal consumption: $\frac{\Delta C_1}{\Delta C_0}\bigg|_U = \frac{\Delta C_1}{\Delta C_0}\bigg|_L = -(1 + R_d)$

Thus, the optimum investment which supports the investment decision and the optimum consumption which supports the financing decision, are related to the same interest "Rd" and therefore they can be the subject to a separate analysis. The separation which is possible in the economic environment certainly raises the question whether it can have a practical application. In this regard there can be performed a demonstration by analysing the loan of capital, which is a frequent case in the real economy. The market Line L'L' will move due to the constraint imposed by the capital loan limits. The distance between various points in which investments can be made on the curve of possibilities (I.I) and the new position of the line represents the maximum loan for each case. The mentioned constraint influences the investors' consuming preferences (utility curves). In this manner are created two dependency relationships:

- between the investment decision and the consumer decision;
- and between optimum investment and individual preferences.

These dependency relationships cancel the possibility of separating the economic decisions.

Chart no.2. Loan constraint



Source: (Vlad, 2015)

How to proceed in such a situation? If the consumption preferences are for the optimum investment A, then there will be allocated capital IA' consists of own capital (OI) and borrowed capital (OA'). The impossibility of lending the volume of the capital (OA') and its limitation to (OB') will move the optimal investment point to B which will move the individual preferences to U₂. Thus, between the lack of coercion assumption and the one that there is coercion is created a value difference ($V_B < V_A$) generated by the loan repayment and its costs. The decision that may be taken in the presence of coercion is to maximize the actuarial value of returns and risks specific for the new optimal investment.

4. Conclusions

Understanding the decision-making mechanism is essential for the management of economic activities. It should be noted that there is no succession in decision making process, but there is an interactive system through which they influence each other and interact to one another. The investment decision, as the most important economic act, is based on market opportunities in terms of capacity sizing and what needs to be produced. The aim is to mobilize the necessary capital, which in turn can lead to the phenomenon of financial constraint, which may limit or distribute over time the implementation of the investment. In essence, it is necessary to establish the optimal rate between the rate of capital accumulation and the rate at which it is consumed so as to increase it by generating new production capacity. The 'secondary' decisions, i.e. consumption and savings, play their part in the creation of the funds needed for investment. Depending on the needs of the moment, the two decisions can be advanced or brought forward to achieve the essential economic objective of increasing capital through investment.

The consequences of capital investment are not only related to its holders but to the entire company as a beneficiary of economic activities. The theoretical exposition presented, even if it is carried out in the theoretical economic environment, has the advantage that it allows for separate analysis of the decisions in order to identify the characteristics of each of them. The assumption taken above is that of rational behavior of capital investors. The submitted economic model has demonstrated its practical applicability and it is an incentive for investors to abandon using the empirical unstudied methods in the effective capital placement.

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Optimizing a Portfolio Depending on the Attitude Towards Risk

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Abstract

The risk is associated with the profitability of any security as well as with any economic activity. The actors of the financial market are differently placed in front of the risks, according to a series of criteria such as trading experience, the available capital, real time information possibilities, the ability to interpret the data, the intuition, etc. The psychological factor always had an essential role in taking certain risk doses. The analysis of the period prior to the recent financial crisis showed that an important number of the investors deliberately omitted the risk exposure considering wrongly that the level of the present financial market eliminates the possibility of a crisis to appear. The reality proved the opposite, reason for which we considered it necessary to present a few mathematical models to appreciate the attitude in front of risk. With this paper, the authors aim to point out that reality has proven the opposite, which is why we considered it necessary to present some mathematical models for assessing the attitude towards risk.

Key words: coefficient β , portfolio of risky actions, risk-averse portfolio, variation of the return and the risk in relation to the weight of securities

J.F.L. classification: F30, G01

1. Introduction

Selecting the securities to be included in the portfolio was based on coefficient β , on the previous return and individual attitude towards risk. Both portfolios contain ATB security bond and there have been taken into account the same possibilities for the manifestation of the possible stages, so in the end to be able to compare the returns and risks of the different attitudes towards risk. The expected return of the security bonds for each possible stage of the economic environment has been established pursuant to the return and the standard deviation for the three possible stages of the market: stagnation (\bar{R}); growth ($\bar{R} + \sigma$); recession ($\bar{R} - \sigma$) [1]. There has been ruled out the possibility of new information for regarding the activity of the issuers, analysis being done by extrapolating historical data. The manifestation probabilities of the possible event stages are subjectively determined, based on personal assessment of the impact on the stock market given the fact that Romanian has entered the European Union. Using other pairs of probabilities will change the levels of return and portfolio risk and also its structure. In order to demonstrate it we have taken into account two extreme portfolios depending on their attitude towards risk, with specific selection criteria, among which you can make an infinite number of optimum combination with the traded securities.

2. Theoretical background - Portfolio of risky actions

The highest average return was the selection criterion, and we have taken into consideration ATB and OLT securities. Both security bonds have a supra-unitary volatility of 1.25, namely 1.14, which allows a multiplication of return in terms of market growth, but also an increased risk if the

trend is reversed. The correlation with the market of the two securities is positive and of high intensity (0.75 for ATB and 0.66 for OLT), which indicates a dependence on the market conditions.

Table no. 1. The calculation of the dispersion and covariance

The possible stages of the market	(P)Probability	ATB (i)			OLT (j)			$(R_i - \bar{R}_i) \cdot (R_j - \bar{R}_j) \cdot p$
		R _i	$(R_i - \bar{R}_i)$	$(R_i - \bar{R}_i)^2 \cdot p$	R _j	$(R_j - \bar{R}_j)$	$(R_j - \bar{R}_j)^2 \cdot p$	
Growth	0,5	11,55	4,32	9,33	8,58	1,95	1,90	4,21
Stagnation	0,2	6,17	-1,06	0,22	4	-2,63	1,38	0,55
Recession	0,3	0,79	-6,44	12,44	-1,58	-8,21	20,22	15,86
Total	1	x	x	$\sigma^2 = 21,99$ $\sigma = 4,69$	x	x	$\sigma^2 = 23,50$ $\sigma = 4,84$	$Cov_{ij} = 20,62$

Source: (Vlad, 2015)

$$\bar{R}_{ATB} = 11,55 \times 0,50 + 6,17 \times 0,20 + 0,79 \times 0,30 = 7,23\%$$

$$\bar{R}_{OLT} = 8,58 \times 0,50 + 4 \times 0,20 + (-1,58) \times 0,30 = 6,63\%$$

To calculate the return portfolio and the risk is necessary to determine the optimal weight of each security:

$$X_{ATB}^* = \frac{\sigma_j^2 - cov_{ij}}{\sigma_i^2 + \sigma_j^2 - 2cov_{ij}} = \frac{23,50 - 20,62}{21,99 + 23,50 - 2 \times 20,62} = 67,76\%$$

The other OLT security bond will have a weight of 100 to 67.76 = 32.24%.

$$E_{(Rp)} = 7,23 \times 0,6776 + 6,63 \times 0,3224 = 7,03\%$$

$$\sigma_{(p)}^2 = (0,6776)^2 \times 21,99 + (0,3224)^2 \times 23,50 + 2 \times 0,6776 \times 0,3224 \times 20,62 = 21,54$$

$$\rho_{ij} = \frac{cov_{ij}}{\sigma_i \times \sigma_j} = \frac{20,62}{4,69 \times 4,84} = 0,90$$

To understand the changes induced in the portfolio structure by different assessments regarding market developments we must compare the obtained results with real previously recorded ones.

Table no. 2. Comparison of the portfolios

Portfolio	Securities weight		Rp	σ^2	ρ_{ij}
	ATB	OLT			
Real	55%	45%	5,19%	24,26	0,63
Risky	67,76%	32,24	7,03%	21,54	0,90

Source: (Vlad, 2015)

Improving market conditions, as predictions, is reflected in the substantial increase of expected return from 5.19% to 7.03% while there is a reduction of 2.72% of the portfolio risk. The positive influence of the predictions has manifested on return and risk by changing the weight of the two securities in favour of ATB shares, which on the optimum portfolio level is of 67.76%. Increase of the intensity correlation from 0.63 to 0.90 gives a warning about the risk of the portfolio. The

proximity with the strictly positive correlation ($\rho_{ij} = 1$) characterizes the risk portfolio as it contains, to a very large extent, dependent on each other securities. Changing the intensity of the

correlation between securities question whether it is necessary to maintain in the portfolio both securities or only one of them. The return per unit of assumed risk and the expected return deviation can give relevant answer.

$$\begin{aligned} \frac{R}{\sigma^2}(p) &= 0,328; & \sigma_p &= 4,64 \\ \frac{R}{\sigma^2}(\text{ATB}) &= 0,328; & \sigma_{(\text{ATB})} &= 4,69 \\ \frac{R}{\sigma^2}(\text{OLT}) &= 0,282; & \sigma_{(\text{OLT})} &= 4,84 \end{aligned}$$

Portfolio's expected return and standard deviation are very close to those of ATB security, practically creating indifference point for risk-seekers: ATB portfolio or security.

3. Risk-averse portfolio

The selection criteria took into account the association of ATB security bond, the most profitable in the market, with a ALR security bond characterized by negative market correlation and volatility ($\rho = - 54$; $\beta = - 0.66$). Such securities highly valued by the risk-adverse investors because they have the greatest effect for the decrease of the risk in an optimal combination.

Table no. 3. The calculation of the dispersion and covariance

The possible stages of the market	(P)Probability	ATB (I)			ALR (j)			$(R_i - \bar{R}_i) \cdot p$ $(R_j - \bar{R}_j) \cdot p$
		R _i	$(R_i - \bar{R}_i)$	$(R_i - \bar{R}_i)^2 \cdot p$	R _j	$(R_j - \bar{R}_j)$	$(R_j - \bar{R}_j)^2 \cdot p$	
Growth	0,5	11,55	4,32	9,33	-4,89	-4,70	11,04	- 10,15
Stagnation	0,2	6,17	- 1,06	0,22	0,98	1,17	0,27	- 0,25
Recession	0,3	0,79	- 6,44	12,44	6,85	7,04	14,87	- 13,60
Total	1	x	x	$\sigma^2 =$ 21,99 $\sigma = 4,69$	x	x	$\sigma^2 =$ 26,18 $\sigma = 5,12$	$Cov_{ij} = -24$

Source: (Vlad, 2015)

$$\bar{R}_{\text{ATB}} = 7,23\% \quad \bar{R}_{\text{ALR}} = -0,19\%$$

Due to the two securities opposite evolution regarding the market, their covariance is negative.

$$X_{\text{ATB}}^* = \frac{\sigma_j^2 - cov_{ij}}{\sigma_i^2 + \sigma_j^2 - 2cov_{ij}} = \frac{26,18 - (-24)}{21,99 + 26,18 - 2(-24)} = 52,18\%$$

The ALR security will have the weight $100 - 52.18 = 47.82\%$.

$$E_{(Rp)} = 0,5218 \times 7,23 + 0,4782(0,19) = 3,68\%$$

$$\sigma_{(p)}^2 = (0,5218)^2 \times 21,99 + (0,4782)^2 \times 26,18 + 2 \times 0,5218 \times 0,4782(-24) = 0$$

$$\rho_{ij} = \frac{cov_{ij}}{\sigma_i \times \sigma_j} = \frac{-24}{4,69 \times 5,12} = \frac{-24}{24} = -1$$

The comparison with previously recorded real portfolio gives the following results:

Table no. 4. Comparison of the portfolios

Portfolio	Securities weight		Rp	σ^2	ρ_{ij}
	ATB	ALR			
Real	53	47	3,73	7,25	-0,54
Risk aversion	52,18	47,82	3,68	0	-1

Source: (Vlad, 2015)

Forecasting the improving of the economic environment has not led to significant changes in the weight of the securities within the optimal composition of the portfolio. Diminishing the weight of the title with the highest return (ATB) of only 0.82% and increasing the security by the same percentage with a negative correlation (ALR) has resulted in:

- eliminating the portfolio risk by sacrificing only 0.05% of the expected return;
- achieving a strictly negative correlation between the two securities.

We have to note that such correlation is very rare in the market. The interpretation of this correlation is that 1% increase of the ATB bond return is accompanied by the same percentage decrease in the return of ALR bond and vice versa. Applying again the logic of the portfolio risk we have to see whether it is advisable to maintain in the portfolio both securities or only one of them.

$$\frac{R}{\sigma^2}(p) = 3,68; \quad \sigma = 0 \quad \frac{R}{\sigma^2}(\text{ATB}) = 0,328; \quad \sigma_{(\text{ATB})} = 4,69$$

$$\frac{R}{\sigma^2}(\text{ALR}) = -0,007; \quad \sigma_{(\text{ALR})} = 5,12$$

From the manner in which data is presented results that for risk-averse investor there is no question of eliminating a security; the elimination of ALR security would lead to excessive risk-taking characteristic for ATB security; ATB elimination would mean giving up a minimum of return, which again is not possible. We have to retake two if the previous observations:

- negative correlations are rare, the market being dominated by positive correlations of different intensities. In this case no correlation can be considered strictly negative, simple change of the calculation methodology with 2, 3 or 4 decimal would determine deviations.
- being risk-averse does not mean to completely eliminate the risk, which is taken up to a certain level, usually in conjunction with the return.

4. Variation of the return and the risk in relation to the weight of securities

Market may require a level of risk below or above the limit accepted by the investor, regardless of the possible combinations. In the first case one can assume a higher risk if the return justifies the optimum portfolio, and in the second case, the investment of capital is aborted. From the data inserted into the table results different influences of the amendment of the securities over the return and risk; the return increases more if more ATB securities are introduced, while the risk decreases up to the ratio 60/40, which is also near to the optimal level of the portfolio, for which the risk is zero, then beginning to rise. The maximum return per risk unit corresponds all the same weights of 60/40. Return variation is constant for each change in composition of the portfolio of 1.48 while the risk variation is nonlinear and negative to the same ration of 60/40, then begin to grow exponentially. Comparing the portfolio which has the composition 60/40 with the optimum one (52.18 / 47.82) previously determined, it results that taking a minimal risk (0.584) leads to the increase of the unitary return with 3.61 (7.297 - 3.680), almost doubling it. Between the two extremes of the table (portfolio consisting of one title) can be made an infinite number of combinations having as landmarks the level of risk the investor is willing to assume and the return per unit of risk. At the same time we have demonstrated the earlier assertion that the weight is one of the most important factors determining the return and the risk of the portfolio

Table no. 5. Variation of the return and the risk in relation to the weight of securities

Weight (%) ATB/ALR	$E_{(Rp)}$	σ_p^2	$\frac{E_{(Rp)}}{\sigma_p^2}$	ΔE	$\Delta \sigma^2$	$\frac{\Delta E_{(Rp)}}{\Delta \sigma_p^2}$	Minimum risk Maximum of return on the risk unit
0/100	-0,190	26,180	-0,070	-	-	-	
20/80	1,294	9,954	0,129	1,484	-16,226	-0,091	
40/60	2,776	1,422	1,952	1,482	-8,532	-0,173	
60/40	4,262	0,584	7,297	1,486	-0,874	-1,700	
80/20	5,746	7,440	0,772	1,484	+6,856	0,216	
100/0	7,230	21,990	0,328	1,484	+14,550	0,102	

Source: (Vlad, 2015)

5. Conclusions

The applied methodology in handling the attitude towards risk considered in the first stage the establishment of the extreme limits, respectively the analysis of risk actions portofolio and another one with risk aversion. Later on, there was performed a simulation of the securities share mentioned in the portofolio in order to determine the optim minimal risk combination – maximum profitability for each risk unit. In the first case, the portofolio of risk actions, there was noted that the average profitability obtainedis supraunitary, but during a high volatility whichsignals taking a high risk. There is also the high addiction to market conditions. If we speak of risk aversionthere is noted a diminishing level of the concomitrent risk eith the same tendency of the profitability. The share securities in a portofolio was proved to be extremely important in establishing the maximum profitability on the accepted risk unit. The adopted position at a certain moment by the investor is mostly influenced by his foreseeing ability regarding the evolution of the economic environment and in the field of activity of the company. The financial crisis presented in foreground another type of risk, the systemic one which mostly means that the insolvency of a company/financial institution determines the falling as a chain reaction of all business partners

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Management Strategies in Circular Economy

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Abstract

In order to assure a green future, the humanity must think that the environment is at risk. Commonly, environment is illustrated by circular phenomenon with unified ecological relationships in a sustainable ecosystem. We must re-learn to living in communion with environment and with one another. As circular economy encourages change and develops opportunities to do business according to the principles of circular entrepreneurship, that ensures the use of resources continually, thus avoiding large quantities of resources from floating and converting to waste. The present work intended at improving awareness of the efforts, opportunities and accomplishments of circular economy and assessment of present literature regarding the definitions, necessities and implications of circular economy. As now, a theory specifically centered on circular economy is yet in discussions, the method used was the literature examination and establishing some main principles outlining the specifications that illustrate the circular economy. In the results the authors acknowledged among the features that the circular economy must close, reduces and tightens the loop of resources and should covers the different entrepreneurial practices, from consideration to development of opportunities.

Key words: circular economy, waste, circular entrepreneur

J.E.L. classification: L26

1. Introduction

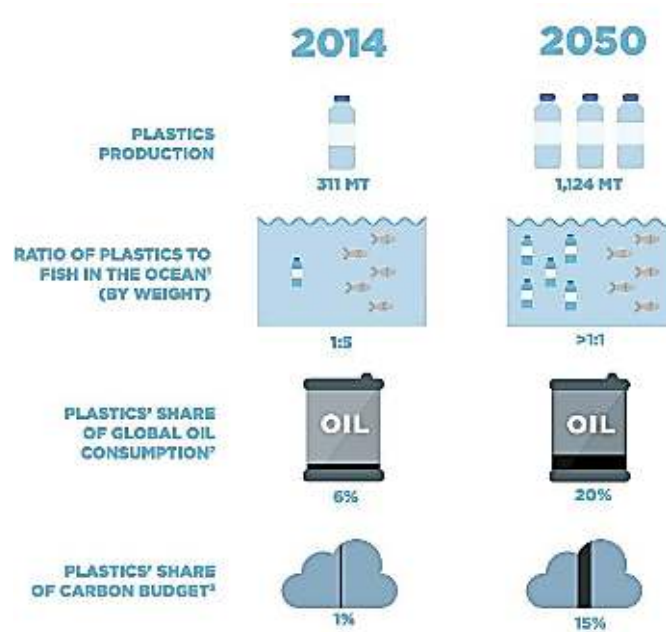
Growth off the global economy is based on rise of consumption and of demands of resource like fossil fuels, minerals, metals, forestry, biomass, fishery, etc. However, the resources are ending in the same time with the human place of living are expanding, the resource exploitation heightens, and the waste amounts are increasing. Additionally, the climate quick transformation includes a new threat to human existence by forcing the weather further unpredictable and more extreme as phenomenon, as a result of business growth centered on consumption without bearing in mind the long-term impacts on the environment.

The developments are obvious. We have shifted to an economy of disposability where the vital resources we extract are going to waste and trigger damage to people and planet. The damaging consequence determined by single-use plastics are now well known, with an estimated truckload being dumped into the ocean every minute; about 25% of food produced for human use is, also, dumped to waste; and, clothing making has folded, yet consumers wear their outfits for half as long, to remind just few examples (Gawel, 2019).

2. Literature review

The mining and processing of the natural resources that run more rapidly through our economies enriches to half of planet's greenhouse gas emissions. At The Same Time, the economic value of these lost resources is enormous. A yearly approximate value of \$62.5 billion is lost in the form of waste (Figure no. 1). This is three times more than the yearly production of the earth's silver mines and more than the GDP of the majority states.

Figure no. 1. The projected increase in plastics production.

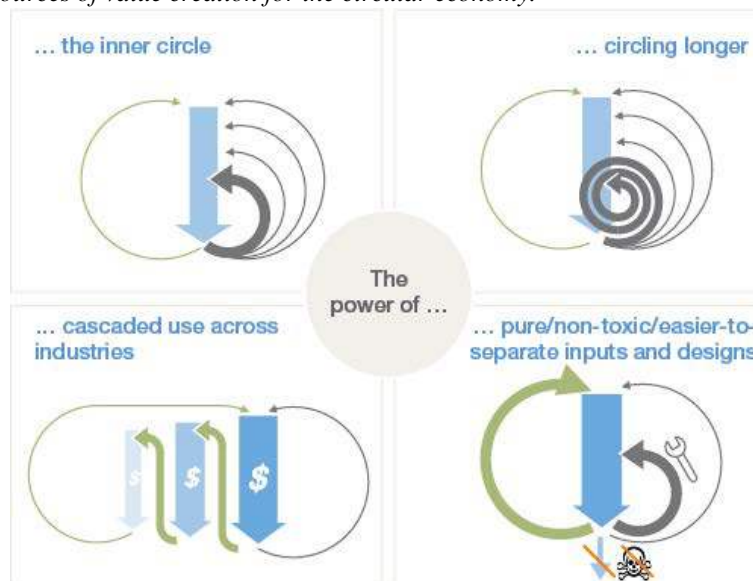


Source: World Economic Forum, 2019, <https://www.weforum.org/agenda/2019/10/innovation-entrepreneurship-waste-circular-economy/> .

These are a some of the realities that consider into shifting the way people are thinking, not only about how to consume he resources, but also how to make the life cycle of a product further sustainable to the point that the know-how should not create any waste, but include the product in everyday life by recycling it endlessly.

As is defined by the European Parliament (European Parliament, 2018) ” The circular economy is a model of production and consumption, which involves sharing, leasing, reusing, repairing, refurbishing and recycling existing materials and products as long as possible. In this way, the life cycle of products is extended.”

Figure no. 2. Sources of value creation for the circular economy.



Source: Ellen MacArthur Foundation circular economy team
(<https://www.ellenmacarthurfoundation.org/our-story/the-team/team>)

A more inclusive definition/ presentation is showed by World Economic Forum and it sounds like this: „A circular economy is an industrial system that is restorative or regenerative by intention and design. It replaces the end-of-life concept with restoration, shifts towards the use of renewable energy, eliminates the use of toxic chemicals, which impair reuse and return to the biosphere, and aims for the elimination of waste through the superior design of materials, products, systems and business models. (Figure no. 2).

3. Findings

This is the turn from the linear model of “take-make-dispose” to the circular model of recycling, re-use, and designing for recyclability. (Figure no. 3).

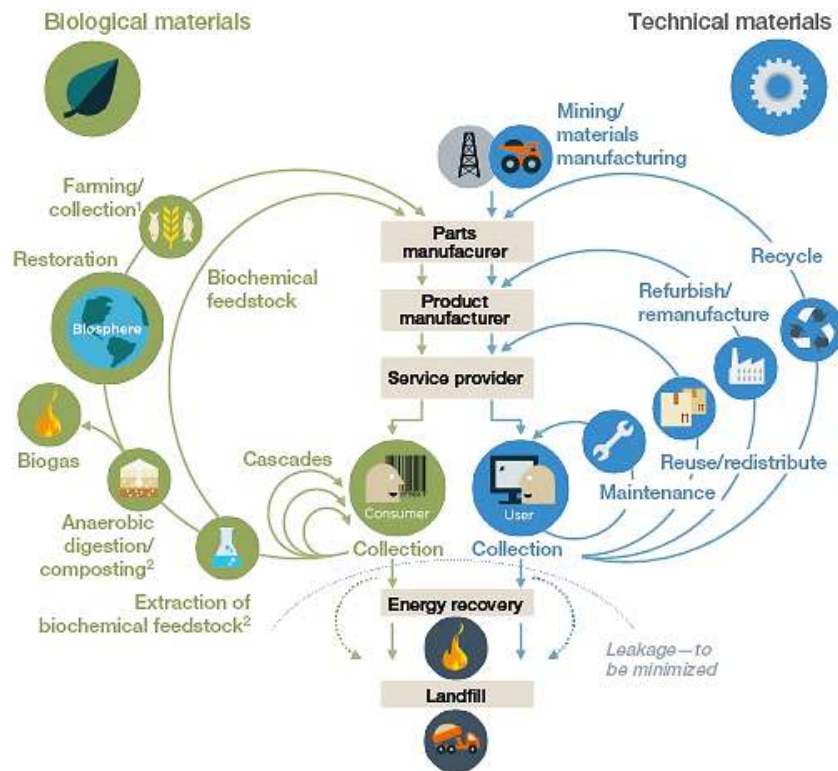
Figure no. 3. The circular economy



Source: World Economic Forum, 2019, <https://www.weforum.org/agenda/2019/10/innovation-entrepreneurship-waste-circular-economy/> .

Thinking about the above definitions and explanations, the circular economy aims to keep on using the products and material values as long as possible. The main difference is that at the end of the product life, it is utilized yet again in order to generate further value. So, the consumption of resources and the waste are cut. (Figure no. 4)

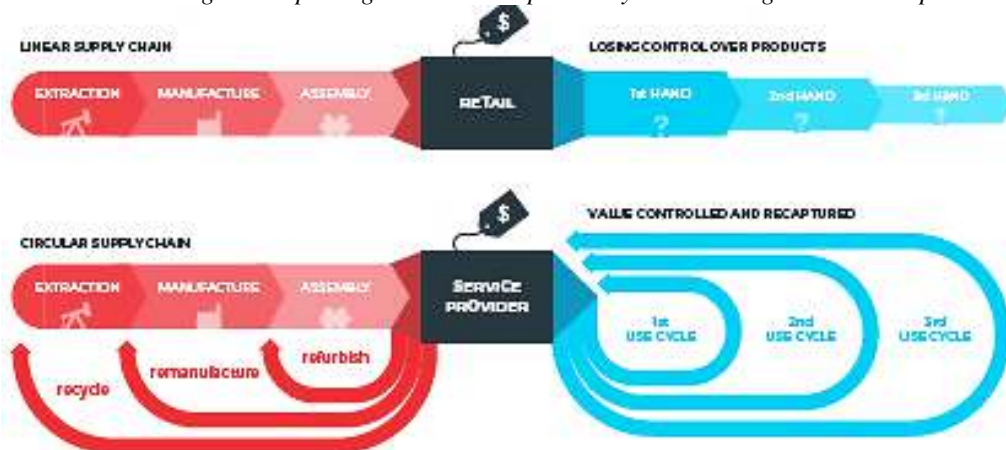
Figure no. 4. The circular economy—an industrial system that is restorative by design. The butterfly model.



Source: ellenmacarthurfoundation.org (<https://www.ellenmacarthurfoundation.org/our-story/the-team/team>)

The profit will be earned through several usage cycles. Also, the earnings can grow considerably when circular activities facilitate a second and third product use stage (Figure no. 5).

Figure no. 5. Controlling & recapturing value in multiple use cycles vs losing control over products.



Source: Fischer, A. 2016, p. 8, <https://www.circle-economy.com/wp-content/uploads/2016/12/finance-white-paper-20161207-EN.pdf>

The present principles of applied economy determined negative influence of human life, such as (Tonelli, 2019):

- Diminishing the biosphere – the rate of extension is 10 to 1000 extinct species per year. The most affected industries are tourism and agriculture, as the natural ecosystem is negatively affected in its function;

- Water shortage – the water withdrawals have tripled in the last 50 years. The results in water shortage will affect industries like food and beverage, pulp and paper, textiles, steel production, first by the cost and then by the absence of water;
- The biome areas are shortening (Biome – is an area of the planet that can be classified according to the plants and animals that live in it, National Geographic). The results of using (exploitation) large area of land affects industries important for human life, like agriculture, where governments strengthen regulations to control the escalating crisis of biome surfaces;
- Releasing new types of materials/substances in the world atmosphere – the new materials/substances, such as GMO (Genetically Modified Organisms) in agriculture, nanomaterials in electronics, micro-plastics in consumer goods, they turned out to be malicious for human life. The risks implied for the companies operating in these industries it comes out from the adoptions by the governments of regulations aimed to cut the use of dangerous substances;
- The Atmospheric Aerosol Overloading - Aerosol (“Aerosols are minute particles suspended in the atmosphere. When these particles are sufficiently large, we notice their presence as they scatter and absorb sunlight. Their scattering of sunlight can reduce visibility (haze) and redden sunrises and sunsets. Aerosols interact both directly and indirectly with the Earth's radiation budget and climate. As a direct effect, the aerosols scatter sunlight directly back into space. As an indirect effect, aerosols in the lower atmosphere can modify the size of cloud particles, changing how the clouds reflect and absorb sunlight, thereby affecting the Earth's energy budget.” According to NASA (<https://www.nasa.gov/centers/langley/news/factsheets/Aerosols.html>). The effects are not really understanding or predicted, but is for sure the results of burning tropical forest, coal and oil. The risks for companies come from the adoptions by the governments of regulations aimed to limit or ban these activities;
- The Ocean Acidification – According to National Geographic: “The oceans are growing more acidic, and scientists think the change is happening faster than at any time in geologic history.”. the marine ecosystem is affected by the sinking of the carbon in ocean, which developed over-acidification of the ocean with drastic negative modification of marine ecosystems. The main industries heavily altered are fishery, fish processing and food industry;
- Loss of Stratospheric Ozone – the Chlorofluorocarbons (CFCs) are substances that are depleting the ozone layer. The CFCs are still using in refrigeration, air-conditioning, solvents, cleaning products medicinal aerosol, growing agents in foams. The companies with manufacturing in this area are obliged to innovate in order to remove CFCs from their products. The results of negative effect over the human life already determined mass movements, where the people are reacting against the intensified used of local resources: in 2014 Coca-Cola was forced to shut down bottling plant operations in northern India (The Guardian, 2014).

The concept of circular economy is a relatively new paradigm in Management and the model is still being built and outlined in management area of science. The range and number of approaches and styles of management indicate that circular economy is a concept, wherein model solutions play an essential part. However, the nowadays management models and methods do not cover all characteristics of circular economy and they are mainly targeted at decreasing the negative impact of economic activities instead of solving their core roots in a holistic way (value-based decision-making framework that integrates all aspects of planning for social, economic, and environmental considerations).

Circular economy is founded on the next principles (Skawińska, 2018, p. 220):

- Waste is a resource;
- Diversity is an advantage;
- The energy used should stem from renewable sources;
- Management should be based on systemic thinking;
- Prices and feedback mechanisms should reflect real costs.

Circular economy as a management model can be effectively employed by means of (Skawińska, 2018, p. 228):

- Strengthening social capital (trust, customs and values, solidarity, cooperation, etc.) that require investment in order to improve;

- Creating a system of first choices for managing resources in a circular way, in order to diminish the competitive benefit of the linear management models;
- Stimulating collaboration among suppliers and receivers and manufacturers and consumers in the direction of a cooperative sharing economy;
- Creating and implementing rules to protect the environment, recycling measures of a variety of waste and product quality standards.

4. Conclusions

In a resource-constrained world, future have no need for waste. Developing innovativeness with how we obtain, exploit and dispose of resources is vital for a thriving and sustainable world economy. Enterprises and sustainability experts from everywhere are stepping to change the business by executing improved processes for sustainable inputs, enhancing product design and closing raw material loops. This is the basis of the circular economy.

A circular economy delivers to businesses the means to a fresh form of development and prospects to resolve some of the major questions of present-day. Even that some businesses profitably employ the circle economy requirements, the transfer has only started. It is one of the biggest business chances of our generation.

The industry must change from linear to circular to regenerative business models. The trend, obliged by the climatic alterations and the reduction in the direction of the absence of resources, is to introduce in business models actions that will reuse resources in the cycle of the nature, which will lead to environment regeneration. Therefore, the entrepreneurship is essential to push further this transformation, thinking that governments will only act just if citizens request it.

The circular economy would close, reduces and tightens the loop of resources and should covers the different entrepreneurial practices, from consideration to development of opportunities.

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