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The Relation between Corporate Social Responsibility and Bank Reputation: A Review and Roadmap

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Abstract

Over the past decades, scholars have paid greater attention to relation between Corporate Social Responsibility (CSR) and corporate reputation. However, despite a growing interest in this area, such linkages have remained relatively unexplored in the banking industry and the precise relationship is not clear. Moving from these considerations, this study proposes a systematic review of peer-reviewed scientific literature aiming to: 1) list, 2) classify and 3) compare existing studies. The review was carried out using the following databases: ISI Web, Google Scholar, and SSRN. I investigate a number of publishing academic works, summarizing main approaches, results and insights. I also provide a roadmap for future study and offer research questions about critical areas of this stream of research. The paper contributes to the ongoing international debates, and the preliminary results are encouraging.

Keywords: Corporate Social Responsibility, reputation, bank

1. Introduction

Over the past decades, scholars have paid greater attention to the relation between corporate social responsibility (CSR) and corporate reputation (Forcadell & Aracil, 2017). Recently, an increasing number of financial institutions are accepting the idea that there is room to increase their social and environmental responsibilities. The banking sector's commitment to more sustainable practices has interesting implications. The relationships between CSR and reputational risk in the banking sector can be interpreted via social-political theories, which recognize CSR as a tool available to companies to increase their legitimacy toward stakeholders and to improve their transparency toward investors (Carnevale & Mazzuca, 2014). Diverse stakeholders are requiring financial institutions to improve their social and environmental performance. As a result, some banks are developing CSR programs, corporate environmental responsibility (CER) policies, and management systems to reduce potential social and environmental risk, and improve their reputation and performance (Jo et al., 2015). However, despite a growing interest in this area, such linkages have remained relatively unexplored in the banking industry and the precise relationships are not clear (Lee et al., 2016). Moving from these considerations, this study proposes a systematic review of attempts in peer-reviewed scientific literature to analyze and synthesize past studies on the relationships between CSR and reputation in the banking sector. The aim of this study is to provide a complete picture of the research on these relationships by listing, classifying, and comparing existing studies. The review was carried out using the following databases: ISI Web, Google Scholar, and SSRN. I investigate a number of published academic works, summarizing the main approaches, results, and insights. I also provide a roadmap for future study and offer research questions about critical areas of this stream of research. The paper is structured as follows: in section 2 methodological details are provided; section 3 show a descriptive analysis; section 4 provides a discussion on the findings of the literature review; and in section 5 conclusions and future research directions are provided.

2 - Research methodology

A good systematic review should make it easier for practitioners to understand the research by synthesizing the extensive primary research papers from which it was derived (Tranfield et al., 2003). According to Mulrow (1994), “Systematic literature review is a fundamental scientific activity. Researchers use the review to identify, justify, and refine hypotheses. Its aim is a conceptual consolidation of a fragmented body of research. A systematic review can be seen as especially appropriate to conceptually assess and map the state of the art of a nascent field (Hoon, 2013). My review was carried out following Tranfield et al.’s (2003) three-stage procedure: planning, execution, and reporting.
2.1 - Planning

During the planning stage, primarily I identified key data sources, keywords, and search terms; finally I defined the initial selection criteria. The academic contributions were identified on the three most relevant existing databases: ISI Web of Knowledge, Google Scholar, and SSRN. The ISI Web of Knowledge database was chosen as a database of record, as it is one of the most comprehensive databases of peer-reviewed journals in the social sciences (Crossan & Apadyn, 2010). ISI Web of Knowledge is widely recognized as the most reliable, from a scientific point of view, for research scholars and academics (Paunescu, 2014). According to Harzing (2010), ISI Web of Knowledge is most often used to search for publications and citations for individual academics and has a complete coverage of citations in the more than 11,000 journal that are listed in it, going back to 1900. Furthermore, the study was carried out by integrating two further “open access” databases (SSRN and Google Scholar), with the explicit aim of providing better coverage of the research topics. Due to the fact that my research topic is fairly young, I also searched the SSRN for recent working papers. The review was undertaken using the following search strings: “corporate social responsibility and bank and reputation”; “CSR and bank and reputation”; “corporate social responsibility and reputation and banking industry”; “CSR and reputation and banking industry”. For all databases, the search options are provided in Table 1.

<table>
<thead>
<tr>
<th>Database</th>
<th>Search options</th>
</tr>
</thead>
<tbody>
<tr>
<td>ISI Web of Knowledge</td>
<td>Search in: topic</td>
</tr>
<tr>
<td></td>
<td>Document type: article</td>
</tr>
<tr>
<td></td>
<td>Citation databases: all</td>
</tr>
<tr>
<td></td>
<td>Date range: all years to March 2018</td>
</tr>
<tr>
<td></td>
<td>Language: English</td>
</tr>
<tr>
<td>Google Scholar</td>
<td>Search in: anywhere in the article</td>
</tr>
<tr>
<td></td>
<td>Date range: all years to March 2018</td>
</tr>
<tr>
<td>SSRN</td>
<td>Search in: title, abstract &amp; keywords</td>
</tr>
<tr>
<td></td>
<td>Limit to: all SSRN Networks</td>
</tr>
<tr>
<td></td>
<td>Date range: all dates to March 2018</td>
</tr>
</tbody>
</table>

2.2 - Conducting a review and reporting

The last stage of my systematic review process, execution and reporting, consists of three steps: (1) data collection: list and group the academic publications by databases and keywords; (2) reporting and descriptive analysis; (3) data extraction and data synthesis. First, all databases were searched using combinations of the selected keywords. The initial sample of all databases was of 44,463 results. Then, the titles and abstracts of the articles found were reviewed for an initial analysis of their relevance to the research questions, and those that were not relevant were excluded. All duplicate articles, within and across databases, were discarded. The results of these initial steps are reported in Table 2 with keyword combinations and databases. After this process, 131 potentially relevant articles were retained and included in the full-text research.

<table>
<thead>
<tr>
<th>Keywords</th>
<th>SSRN</th>
<th>ISI Web</th>
<th>Google Scholar</th>
<th>SSRN + ISI Web + Google Scholar</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR Reputation Bank</td>
<td>5</td>
<td>13</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Corporate Social Responsibility Reputation Bank</td>
<td>7</td>
<td>16</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>CSR Reputation Banking Industry</td>
<td>1</td>
<td>8</td>
<td>35</td>
<td></td>
</tr>
</tbody>
</table>
The aim of this last step was to identify the main articles that deeply investigate the relationship between CSR and corporate reputation in the banking industry. To ensure a comprehensive list, the cited references in the identified academic papers were screened as a secondary source, but did not yield many additional papers. At the end of the process only 33 papers remained, constituting the final list of works analyzed in this study.

In the second stage, I provide a descriptive analysis of the final sample relating to distribution across the time period and journal, year of publication, and research methodologies applied. Lastly, the different studies were grouped and listed as in Appendix 1. The studies have been synthesized and categorized according to the research methodology applied. These data included author(s), year of publication, title, research methodology (quantitative, qualitative, or mixed methods), purpose of the study, and results. The works that stood out from the extraction process were used to sum up the main approaches, results, and insights.

3 - Descriptive analysis

3.1 - Distribution across time and main journals

Table 3 reports the names of the publications where the reviewed studies have been published. The journals where most studies included in the review have been published are Journal of Business Ethics, Journal of Corporate Social Responsibility and Environmental Management, and International Journal of Bank Marketing. All other journals contain one article each. The remaining works, five articles, are published as book chapters or papers given at international conferences.

Table 3

<table>
<thead>
<tr>
<th>Publication name</th>
<th>Number of articles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Journal</td>
<td></td>
</tr>
<tr>
<td>Journal of Business Ethics</td>
<td>4</td>
</tr>
<tr>
<td>Journal of Corporate Social Responsibility and Environmental Management</td>
<td>3</td>
</tr>
<tr>
<td>International Journal of Bank Marketing</td>
<td>2</td>
</tr>
<tr>
<td>Social Responsibility Journal</td>
<td>1</td>
</tr>
<tr>
<td>Journal of Transnational Management</td>
<td>1</td>
</tr>
<tr>
<td>Stanford Journal of Law, Business &amp; Finance</td>
<td>1</td>
</tr>
<tr>
<td>Journal of Customer Behaviour</td>
<td>1</td>
</tr>
<tr>
<td>Journal of Business &amp; Finance</td>
<td>1</td>
</tr>
<tr>
<td>Corporate Communications</td>
<td>1</td>
</tr>
<tr>
<td>Journal of Financial Services Marketing</td>
<td>1</td>
</tr>
<tr>
<td>Service Business</td>
<td>1</td>
</tr>
<tr>
<td>BRQ Business Research Quarterly</td>
<td>1</td>
</tr>
<tr>
<td>International Marketing Review</td>
<td>1</td>
</tr>
<tr>
<td>Management Sciences Letters</td>
<td>1</td>
</tr>
<tr>
<td>Economic Modelling</td>
<td>1</td>
</tr>
<tr>
<td>International Journal of Corporate Finance and Accounting</td>
<td>1</td>
</tr>
<tr>
<td>Public Relations Review</td>
<td>1</td>
</tr>
<tr>
<td>International Journal of Economics, Commerce and Management</td>
<td>1</td>
</tr>
<tr>
<td>International Journal of Economics and Financial Studies</td>
<td>1</td>
</tr>
<tr>
<td>World Academy of Science, Engineering and Technology</td>
<td>1</td>
</tr>
<tr>
<td>Liberec Economic Forum</td>
<td>1</td>
</tr>
<tr>
<td>uwf Umwelt Wirtschafts Forum</td>
<td>1</td>
</tr>
<tr>
<td>Books</td>
<td>4</td>
</tr>
<tr>
<td>International conferences</td>
<td>1</td>
</tr>
</tbody>
</table>
Table 4 depicts the number of studies over time. The first study that analyzes the relationship between CSR and reputation in the banking sector dates back to 2005. Since then, there has been a fluctuating, but overall growing, trend in the number of studies published each year, with a quite rapid increase over the past four years. The peak of growth was reached in 2013 and 2015, with seven publications.

Table 4

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of articles</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>1</td>
</tr>
<tr>
<td>2009</td>
<td>2</td>
</tr>
<tr>
<td>2011</td>
<td>2</td>
</tr>
<tr>
<td>2012</td>
<td>2</td>
</tr>
<tr>
<td>2013</td>
<td>7</td>
</tr>
<tr>
<td>2014</td>
<td>2</td>
</tr>
<tr>
<td>2015</td>
<td>7</td>
</tr>
<tr>
<td>2016</td>
<td>5</td>
</tr>
<tr>
<td>2017</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>33</td>
</tr>
</tbody>
</table>

3.2 - Research methodologies applied

Table 5 reports the partitioning of studies based on research methodologies applied, divided into qualitative, quantitative, and mixed methods (employing both qualitative and quantitative methods). The results show that 5 studies (corresponding to 15%) are quantitative in nature and 15 (corresponding to 46%) are qualitative, whereas 13 (corresponding to 39%) are mixed methods. All quantitative studies used linear regression analysis. Most of the qualitative studies (7, corresponding to 47%) adopted case studies, whereas 5 of them (corresponding to 33%) adopted a literature review; content analysis (2, corresponding to 13%) and interview survey (2, corresponding to 7%) are the less adopted forms. Most of the mixed methods (7, corresponding to 54%) adopted a questionnaire and structural equation modeling, whereas 4 of them (corresponding to 31%) adopted a survey and structural equation modeling. Among these studies there are other mixed methodologies adopted, survey and maximum likelihood estimation and questionnaire and linear regression analysis, which correspond to 7.5% each.

Figure 1. Percentages of studies using different types of methodology

- **Quantitative** = 15%
- **Mixed** = 39%
- **Qualitative** = 46%
Table 5

<table>
<thead>
<tr>
<th>Research methodology</th>
<th>Number of articles</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Quantitative methodology</strong></td>
<td>5</td>
</tr>
<tr>
<td>Linear regression analysis</td>
<td>5</td>
</tr>
<tr>
<td><strong>Qualitative methodology</strong></td>
<td>15</td>
</tr>
<tr>
<td>Case study</td>
<td>7</td>
</tr>
<tr>
<td>Literature review</td>
<td>5</td>
</tr>
<tr>
<td>Content analysis</td>
<td>2</td>
</tr>
<tr>
<td>Interview survey</td>
<td>1</td>
</tr>
<tr>
<td><strong>Mixed methods</strong></td>
<td>14</td>
</tr>
<tr>
<td>Questionnaire and structural equation modeling</td>
<td>7</td>
</tr>
<tr>
<td>Survey and structural equation modeling</td>
<td>4</td>
</tr>
<tr>
<td>Survey and maximum likelihood estimation</td>
<td>1</td>
</tr>
<tr>
<td>Questionnaire and linear regression analysis</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>33</strong></td>
</tr>
</tbody>
</table>

4 - Discussion

This concluding section will point out the most important findings of the research and some directions for future research. To sum up, the different studies were grouped and listed as in Appendix 1. The analysis of these works reveals interesting aspects that are discussed below.

4.1 - Quantitative research methodologies

The most-used methodology was quantitative, with five studies looking at the relations between CSR, reputation, and performance. According to the reputation-building hypothesis, good environmental management may provide firms with better reputations that subsequently help increase firm performance (Konar & Cohen, 2001). Dell’Atti et al. (2017), adopting a multiple econometric approach, highlighted that bank reputation is positively related to accounting performance and is negatively related to leverage and riskiness. The authors show positive relationships between reputation and social performance and negative relationships between reputation, corporate governance, and environmental performance. This last result is due to the fact that in the banking sector there is still no strong focus on the environmental impacts of banking activity. On the other hand, Sneekes et al. (2016) show that banks that perform highly on CSR indicators behave more transparently with regard to the presentation of earnings. Banks that engage in CSR activities to improve their reputation use managerial discretion to show socially desirable earnings numbers. For banks that value their reputation, pursuing societal trust is more important than the fulfilling of self-interest. In addition, bank managers should pursue CSR practice as a long-term survival strategy to enjoy different benefits, including enhanced reputation (Shen et al., 2016). Forcadell and Aracil (2017) show that banks’ efforts to build a reputation for CSR benefits performance. Nevertheless, in periods of crisis, these efforts do not contribute to improved returns. According to the authors, investments in CSR can be justified as a way to boost both corporate reputation and firm performance, because CSR is a mechanism that contributes to restoring a tarnished reputation. In line with the reputation-building hypothesis, Jo et al. (2015) highlight that good environmental management provides firms with a reputational advantage that leads to increased marketing and financial performance. A major contribution of these quantitative studies is empirically testing the relationship between CSR and reputation and its impact on economic performance in the banking sector. In addition, these studies look at managerial behavior and its impact on banks’ reputation.

4.2 - Mixed research methodologies

All studies in this section were developed by subjecting customers or employees to a survey, interview, or questionnaire, validating the results with specific statistical models. Studies that apply mixed methodologies firstly show that the relationships between CSR and reputation depend mainly on the perceptions that customers and employees have toward the socially responsible policies implemented by banks (Pérez & Del Bosque, 2013; Ruiz et al., 2014; Pérez & Del Bosque,
2015). Among these, five studies show the same results but on five different areas of the world, respectively India, Chile, Iran, China, and the Basque Country (Mulki & Jaramillo, 2011; Saeednia & Sohani, 2013; Fatma et al., 2015; Zhao et al., 2016; Aramburu & Pescador, 2017). Banks not developing a CSR strategy in the current competitive scenario will surely face serious difficulties in recovering from the financial crisis and will quite surely undermine their own corporate image and reputation (Pérez & Del Bosque, 2015). According to Shen et al. (2016), "CSR is one of the approaches that can enhance the reputation of banks and acquire a greater sense of trust from customers. CSR is particularly important for the banking industry because banks sell intangible products to individuals who may not be equipped with financial knowledge. Banks sell financial products that mostly have similar risk and returns, resulting in difficulty distinguishing these financial products from one another. Brand recognition among banks helps differentiate financial products, particularly in wealth management." From the analysis of the studies presented in this section, it emerges that the aforementioned positive relations between CSR and the degree of loyalty and customer satisfaction exist also in relation to the maintenance and retention of employees. Mushtaq (2013), in a study on Pakistani banks, revealed that there is a positive impact of CSR on employee retention and corporate reputation. Encouraging employees to remain in the organization for a long period of time can be termed employee retention. It is a process in which employees are encouraged to remain with the organization for the maximum period of time or until the completion of a project (Das & Baruah, 2013). Engiz et al. (2017) focus on the relationships among corporate social responsibility (CSR), overall service quality, company reputation, and affective commitment. The authors show that both CSR and overall service quality influence affective commitment through the mediating role of company reputation. Affective commitment refers to the psychological attachment of an individual to an organization. It is the desire reflecting the extent to which an individual wants to be involved in an organization. It includes a sense of belonging and connection (Gozukara & Yildirim, 2015). In addition, according to Ruiz et al. (2014), CSR is a positive antecedent of bank reputation. Traditional corporate reputation models have principally focused on cognitive antecedents, but emotional aspects such as satisfaction and trust have also been shown to be important antecedents of reputation among customers (Raihthel et al., 2010). These results have direct implications for CSR and reputation managers, since it has been demonstrated that customers care particularly about all corporate concerns that most directly benefit these stakeholders. These ideas should motivate companies to strengthen their bonds with customers so that the latter are less sensitive to market changes and competitive strategies (Pérez et al., 2013).

4.3 - Qualitative research methodologies

Most of the qualitative papers show that socially responsible conduct gives rise to positive reputational outcomes that contribute to increasing performance (Decker & Sale, 2009; Ostalecka & Swacha-Lech, 2013; Yen, 2014). Among these, four studies show the same results but on four different areas of the world: Italy, Peru, India, and the USA and Australia (Bihari & Pradhan, 2011; Bowman, 2013; Lambrogia & D’onza, 2015; del Brio & Lizarzaburu, 2017). From these studies it emerges that banks operate within a social environment. The fact that banks are sensitive to the social environment in which they exist leads to increased reputation, and sensitivity to the social environment takes place in the form of supporting activities that benefit the public and are sensitive to the physical environment. Reputation that has emerged in this way contributes greatly to the intangible assets of the business (Okur & Arslan, 2014). With regard to other qualitative papers, three studies explicitly rely on relations between CSR reporting and reputation. According to legitimacy theory, CSR reporting is aimed at providing information that legitimates a company’s behavior by intending to influence stakeholders’ and eventually society’s perceptions about the company in such a way that the company is regarded as a “good corporate citizen” and its actions justify its continued existence (Guthrie & Parker, 1989). Among these studies, Arshad et al. (2012) examine the effect of Islamic CSR disclosure and corporate reputation as well as performance. The authors argue that CSR activities communicated in corporate annual reports are significantly positively related to corporate reputation as well as firm performance, while Bartlett (2005) demonstrates that adoption of CSR reporting is linked to higher reputation indices in a sample of Australian banks. The literature review presented by Pérez (2015) demonstrates that CSR reporting and corporate reputation are positively correlated. These results highlight that banks are proactively implementing and disclosing CSR activities that meet and strengthen the needs of multiple stakeholders. Other qualitative studies confirm a positive relationship between CSR and reputation in the banking industry (Xifra & Ordeix, 2009). In addition, Xifra and Ordeix (2009) illustrate Banco Santander’s management of reputation and propose the bank as a paradigmatic case for the importance of dialogue and reputation during a crisis. Finally, in contrast to the methods and results described so far, I have found works that show conflicting opinions with respect to the results of the field under study. These studies reveal that the motivations behind CSR programs remain driven by profit-led strategies, defining the relationship between CSR and reputation as a paradox and a moral trap (Bowman, 2013; McDonald, 2015; Vogler & Gisler, 2016).
5 - Conclusions and future research directions

This study provides in-depth analysis and synthesis of the body of knowledge so far produced in field of the relations between CSR and reputation. From the analysis of the works of this present review, it stood out that CSR is a multidimensional construct. CSR is of particular relevance in the banking sector because it promotes several competitive advantages, the most important of which is the enhancement of the bank's reputation, which is a determining factor in attracting and retaining customers, increasing employee retention, and yielding better financial results. For the banking sector, CSR practices become a relevant reputation driver that can add value over time. This study has important implications for banks and managers, as well as for scholars. With regard to banks aiming at successfully developing CSR policies, this study highlights the positive relationships between CSR and reputation. Indeed, by developing CSR practices, a bank sends signals aimed at meeting stakeholders' expectations and thus increasing the value of its corporate reputation. From this review it emerges that CSR reporting and corporate reputation are positively correlated. Banks that engage in CSR activities to improve their reputation use managerial discretion to show socially desirable earnings numbers. When investigating how CSR impacts reputation, an important element is managers' ethical integrity. Zhu et al. (2014) conclude that when ethical leadership is weak, an increase in CSR will not be associated with an increase in reputation or performance. Regarding implications for scholars, this study provides a picture of the state of the art that can be a useful starting point for future research in this field. Nevertheless, this study presents some limitations. In this work I used three of the most important databases available (ISI Web of Knowledge, Google Scholar, and SSRN). The latter probably does not intercept all the most important works in the literature. Future studies may use other databases not queried in this paper and at the same time expand the keywords.

Appendix 1

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<tr>
<th>Author, Year, Title</th>
<th>Research Methodology</th>
<th>Purpose</th>
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<tr>
<td><strong>Mixed methodology</strong></td>
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<tr>
<td>Aramburu, I. A., &amp; Pescador, I. G. (2017). The effects of corporate social responsibility on customer loyalty: The mediating effect of reputation in cooperative banks versus commercial banks in the Basque Country</td>
<td>Survey and structural equation modeling (SEM)</td>
<td>“This study seeks to contribute to the literature by examining the mediating role of corporate reputation on the relationship between perceived corporate social responsibility and customer loyalty. The study also takes into consideration the role played by bank type in mediation effect.” (p. 1)</td>
<td>“Corporate reputation partially mediated the relation between corporate social responsibility and customer loyalty. Bank type is shown not to moderate the mediation effect.” (p. 12)</td>
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<tr>
<td>Engizek, N., &amp; Yasin, B. (2017). How CSR and overall service quality lead to affective commitment: Mediating role of company reputation</td>
<td>Survey and SEM</td>
<td>“The paper aims to focus on the relationships among corporate social responsibility (CSR), overall service quality (OSQ), company reputation and affective commitment. It investigates whether service quality or CSR is the prime driver of affective commitment. Also, the mediating role of company reputation was examined.” (p. 111)</td>
<td>“CSR and OSQ influence affective commitment through the mediator role of company reputation.” (p. 111)</td>
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<td>Author(s)</td>
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<td>Fatma, M., Rahman, Z., &amp; Khan, I. (2015).</td>
<td>Building company reputation and brand equity through CSR: The mediating role of trust</td>
<td>Survey and SEM</td>
<td>“The purpose of this paper is to investigate the effect of corporate social responsibility initiatives on the two marketing outcomes – corporate reputation and brand equity, based on the perception of consumers regarding banks in India.” (p. 841)</td>
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<tr>
<td>Mulki, J. P., &amp; Jaramillo, F. (2011).</td>
<td>Ethical reputation and value received: Customer perceptions</td>
<td>Survey and SEM</td>
<td>“The authors explore the role played by ethical reputation in amplifying the positive impact of customer value on satisfaction and loyalty.” (p. 358)</td>
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<tr>
<td>Mushtaq, N. (2013).</td>
<td>Paramount role of corporate social responsibility in retaining employees and corporate reputation: An extract from Pakistan’s banking sector</td>
<td>Questionnaire and regression analysis</td>
<td>“This study is aimed at finding relationship of CSR with employee retention and corporate reputation.” (p. 127)</td>
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<tr>
<td>Pérez, A., &amp; Del Bosque, I. R. (2015).</td>
<td>How customer support for corporate social responsibility influences the image of companies: Evidence from the banking industry</td>
<td>Survey and SEM</td>
<td>“First, this paper is aimed at identifying a classification of customers according to their support for CSR activities in the banking industry. Secondly, the authors analyze how diverse levels of customer support for CSR initiatives influence the way customers process their CSR perceptions.” (p. 158)</td>
</tr>
<tr>
<td>Pérez, A., &amp; Del Bosque, I. R. (2013).</td>
<td>Measuring CSR image: Three studies to develop and to validate a reliable measurement tool</td>
<td>Survey and SEM</td>
<td>“Literature regarding the measurement of CSR image from a customer viewpoint is revised and areas of improvement are identified.” (p. 265)</td>
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<tr>
<td>Pérez, A., &amp; Del Bosque, I. R. (2015).</td>
<td>Customer values and CSR image in the banking industry</td>
<td>Survey and SEM</td>
<td>“The authors of this paper aim to describe and test a reliable casual model to understand the way in which customers construct their perceptions of CSR image in the Spanish banking industry.” (p. 50)</td>
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“CSR activities can help banks in building corporate reputation and brand equity directly as well as indirectly. The mediating role of trust is found to be significant between CSR and CR [corporate reputation] and CSR and BE [brand equity]. Finally, CSR activities build consumer trust in a company which in turn positively impacts CR and BE.” (p. 840)
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<th>Authors</th>
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<tr>
<td>Pérez, A., Martínez, P., &amp; Del Bosque, I. R. (2013).</td>
<td>The development of a stakeholder-based scale for measuring corporate social responsibility in the banking industry</td>
<td>Survey and maximum likelihood estimation</td>
<td>In this paper a new scale based on stakeholder theory is developed to evaluate customers' perception regarding the CSR performance of their banking service providers. (p. 459)</td>
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<tr>
<td>Saeednia, H., &amp; Sohani, Z. (2013).</td>
<td>An investigation on the effect of advertising corporate social responsibility on building corporate reputation and brand equity</td>
<td>Questionnaire and SEM</td>
<td>“Empirical survey to measure the impact of CSR on increasing reputation as well as creating brand equity through customer satisfaction.” (p. 1143)</td>
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<tr>
<td>Arshad, R., Othman, S., &amp; Othman, R. (2012).</td>
<td>Islamic corporate social responsibility, corporate reputation and performance.</td>
<td>Content analysis</td>
<td>“This study examines the effect of Islamic Corporate Social Responsibility disclosure and corporate reputation as well as performance.” (p. 643)</td>
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<td>“CSR activities communicated in corporate annual reports are significantly positively related with corporate reputation as well as firm performance.” (p. 643)</td>
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<td>“CSR includes corporate responsibilities toward customers, shareholders, employees, society, and all legal and ethical requirements of banking institutions.” (p. 459)</td>
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<td>“Banks should focus their reputation strategies to convey reliability and to reinforce the leadership of their managers, paying special attention to consumer satisfaction and trust in order to achieve the maximum optimization of their reputation resources.” (p. 259)</td>
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<td>“The most important cognitive antecedent of banks' reputation is reliability/financial strength. The positive effect of bank reputation on consumer behaviour (loyalty and word of mouth) and the existence of cross-country differences as regards loyalty were also confirmed.” (p. 781)</td>
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<td>“There is a positive impact of CSR on customer satisfaction (β=0.84), a positive relationship between customer satisfaction and firm reputation (β=0.70), and between customer satisfaction and brand equity (β=0.98).” (p. 1143)</td>
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<td>“A commercial bank's CSR orientation is significantly correlated to its reputation and customer loyalty, and that its reputation mediates CSR orientation's impact on its customer loyalty.” (p. 1)</td>
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<td>Author(s)</td>
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<td>Bartlett, J. L. (2005).</td>
<td>Case study</td>
<td>“This paper investigates the relationship between social responsibility reporting and reputation at an industry rather than organisational level through a case study of the Australian banking industry.” (p. 2) “The findings suggest that while the adoption of CSR reporting is linked to higher reputation indices, it is not necessarily adopted as a strategy by members of the entire industry to address questions of legitimacy.” (p. 7)</td>
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<tr>
<td>Bihari, S. C., &amp; Pradhan, S. (2011).</td>
<td>Case study</td>
<td>“This article maps the corporate social responsibility practices of major players in the Indian Banking sector and their impact on performance and image.” (p. 20) “Banks in India have increased their CSR activities, which also have a positive impact on performance of the business, apart from improving their image and goodwill.” (p. 20)</td>
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<tr>
<td>Bowman, M. (2013).</td>
<td>Case study</td>
<td>“The authors investigate whether and how voluntary corporate action on climate change presents a redemptive opportunity for banks; and consider the implications for effective government intervention.” (p. 2) “The data reveal that the overarching lever for corporate change is business case logic, not ethical conceptions of corporate social responsibility. In particular, a new conception of ‘corporate reputation’ reveals important and subtle implications for how and why banks are motivated to change their behavior.” (p. 1)</td>
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<td>Decker, S., &amp; Sale, C. (2009).</td>
<td>Interview survey</td>
<td>“The aims of this work are twofold. Firstly, it explores bankers’ understanding of and approach to CSR in a global environment and in a variety of contexts. Secondly, bankers’ involvement in CSR is analysed from a variety of sociological perspectives.” (p. 136) “Trust, reputational and regulatory risks have made some advancement in embedding CSR through reporting initiatives and at a firm strategic level. Such an approach has shortcomings when the role and place of the banking profession is considered from a wider sociological perspective.” (p. 135)</td>
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<tr>
<td>del Brio, J., &amp; Lizarzaburu, E. R. (2017).</td>
<td>Case study</td>
<td>“This research seeks to study the influence of Corporate Social Responsibility (CSR) on the reputation of a corporation from a strategic point of view.” (p. 91) “CSR could affect both CR and investor confidence. In addition to this, it has been found that CR could act as a moderating variable between CSR and investor confidence.” (p. 91)</td>
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<td>Lamboglia, R., &amp; D'Onza, G. (2015).</td>
<td>Case study</td>
<td>The relationship between CSR communication and corporate reputation in the credit lending process: A qualitative study based on Italian banks</td>
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<tr>
<td>McDonald, L. M. (2015).</td>
<td>Literature review</td>
<td>Corporate Social Responsibility (CSR) in banking: What we know, what we don't know, and what we should know</td>
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<td>Ostalecka, A., &amp; Swacha-Lech, M. (2013).</td>
<td>Literature review</td>
<td>Corporate social responsibility in the context of banks’ competitiveness</td>
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<tr>
<td>Pérez, A. (2015).</td>
<td>Literature review</td>
<td>Corporate reputation and CSR reporting to stakeholders: Gaps in the literature and future lines of research</td>
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<td>Pérez, A., &amp; Del Bosque, I. R. (2012).</td>
<td>Case study</td>
<td>The role of CSR in the corporate identity of banking service providers</td>
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<td>Vogler, D., &amp; Gisler, A. (2016).</td>
<td>Content analysis</td>
<td>The effect of CSR on the media reputation of the Swiss banking industry before and after the financial crisis 2008</td>
<td>“Finding commonly accepted definitions and generally established metrics of corporate reputation and corporate social responsibility in the banking sector is still problematic.” (p. 1)</td>
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<tr>
<td>Xifra, J., &amp; Ordeix, E. (2009).</td>
<td>Case study</td>
<td>Managing reputational risk in an economic downturn: The case of Banco Santander</td>
<td>“CSR got more important in the media coverage of the banks during the crisis and had a negative effect on media reputation. This research therefore strengthens the notion of the relationship of CSR and reputation as a paradox or moral trap.” (p. 201)</td>
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<tr>
<td>Yen, T. T. H. (2014).</td>
<td>Literature review</td>
<td>CRS in banking sector: A literature review and new research directions</td>
<td>“Banko Santander offers evidence of a paradigm shift in action that offers a model for effectively addressing the economic downturn. The article concludes by suggesting the key role for public relations in managing reputational risk under contemporary conditions.” (p. 353)</td>
</tr>
<tr>
<td>Dell’Atti, S., Trotta, A., Iannuzzi, A. P., &amp; Demaria, F. (2017).</td>
<td>Regression analysis</td>
<td>Corporate Social Responsibility engagement as a determinant of bank reputation: An empirical analysis</td>
<td>“Bank reputation is positively related to accounting performance and is negatively related to leverage and riskiness profiles. However, while a positive relationship between reputation and social performance exists, relationships between reputation, corporate governance, and environmental performance are always negative.” (p. 589)</td>
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**Quantitative methodology**

  - The aim of this study is to empirically test such relationships regarding the banking sector and for the sub-prime crisis period (2008–2012). (p. 589)

**Summary:**

- The paper explores the nature of the relationship between corporate reputation and corporate social responsibility in the banking industry.
- Finding commonly accepted definitions and generally established metrics of corporate reputation and corporate social responsibility in the banking sector is still problematic.
- CSR got more important in the media coverage of the banks during the crisis and had a negative effect on media reputation. This research therefore strengthens the notion of the relationship of CSR and reputation as a paradox or moral trap.
- Banco Santander offers evidence of a paradigm shift in action that offers a model for effectively addressing the economic downturn. The article concludes by suggesting the key role for public relations in managing reputational risk under contemporary conditions.
- Bank reputation is positively related to accounting performance and is negatively related to leverage and riskiness profiles. However, while a positive relationship between reputation and social performance exists, relationships between reputation, corporate governance, and environmental performance are always negative.
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<tr>
<td>Forcadell, F. J., &amp; Aracil, E. (2017). European banks’ reputation for Corporate Social Responsibility</td>
<td>Regression analysis</td>
<td>“The aim of this study is to analyze the link between performance and reputation for CSR (RCSR) in European banks listed in DJSI.” (p. 1)</td>
<td>“Banks’ efforts to build a reputation for CSR benefits performance. Nevertheless, in period of crisis, these efforts do not contribute to improved returns.” (p. 1)</td>
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<tr>
<td>Jo, H., Kim, H., &amp; Park, K. (2015). Corporate environmental responsibility and firm performance in the financial services sector</td>
<td>Regression analysis</td>
<td>“The authors examine whether corporate environmental responsibility (CER) plays a role in enhancing operating performance in the financial services sector.” (p. 257)</td>
<td>“The reducing of environmental costs takes at least 1 or 2 years before enhancing return on assets. The authors also find that reducing environmental costs has a more immediate and substantial effect on the performance of financial services firms in well-developed financial markets than in less-developed financial markets.” (p. 257)</td>
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<tr>
<td>Shen, C. H., Wu, M. W., Chen, T. H., &amp; Fang, H. (2016). To engage or not to engage in corporate social responsibility: Empirical evidence from the global banking sector</td>
<td>Regression analysis</td>
<td>“This study examines whether or not banks engaging in CSR can bring profits and reduce non-performing loans.” (p. 207)</td>
<td>“Regardless of the methods used, CSR banks overwhelmingly outperform non-CSR banks in terms of return on assets and return on equity.” (p. 207)</td>
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<td>Sneekes, A., Georgakopoulos, G., Sikalidis, A., &amp; Rodosthenous, M. (2016). Do bankers use managerial discretion with regard to CSR and earnings management to rebuild their reputation in the aftermath of the financial crisis?</td>
<td>Regression analysis</td>
<td>“The authors expect that when bank managers recognize the importance of societal trust they use their discretion to regain trust and to rebuild reputation.” (p. 14)</td>
<td>“Banks that engage in CSR activities to improve their reputation, use managerial discretion to show socially desirable earnings numbers.” (p. 14)</td>
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References


Ecological Transformation in Bulgaria – New Challenges to the Businesses and the Government

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Abstract

The ecological transformation of the economy poses a number of challenges to the businesses and the government, whilst environmental responsibility in recent decades has been increasingly taken up by a growing number of companies, regardless of their size, business activities, or sector of operation. The objective of research is to analyse what incentive policies the government should set up to promote the ecological transformation of Bulgaria’s economy and what environmental business practices and environmental management systems the firms operating in the Bulgarian market have in place. The analysis is based on an empirical study conducted with 200 business organisations. The results show that the low level and limited scope of the environmental responsibility applied in Bulgaria are associated with the absence of a clearly defined macroeconomic framework for encouraging investments in innovative sustainability and energy efficiency technologies. The conclusions indicate that in order to intensify ecological transformation, a targeted, systematic and rapid macroeconomic reform and policy reform is required (promoting development and deployment of innovative resource and eco-friendly technologies; changing the logics of eco-fiscal policy; ensuring more efficient funding of the ecological transition; activating the financial markets by introducing new instruments of public-private partnership, etc.). The added value of this paper is not only in the analytical examination of the new challenges, but also and above all, in outlining the direction and deriving recommendations for implementing future actions. The methodology employed is based on primary and secondary investigations, statistical and analytical methods of interpreting data, and identifying the major dependencies and issues.

Keywords: ecological transformation, eco-fiscal policy, ecoinovations, environmental responsibility. JEL: Q50, Q51, Q56, Q58

Introduction

Ecological transformation of the economy is a possible alternative for future development and dealing with crises in most countries around the world. There is potential for development of this type of economy in Bulgaria. It should become a priority axis. Not just because this transition is necessary, but also because it is part of the concept for a competitive, dynamic economy which meets European standards. Evolving towards a new, viable, resource-efficient and environmentally friendly development model is a prerequisite without which not only long-term but also the mid-term development of our economy would become more and more difficult. This makes the need for funding a new model of social and environmental development so pressing today. The challenge is mostly in the national context, but it is also part of our country’s European and international commitments in this direction. This means using the restrictions related to environmentally friendly production as leverage for economic and social development on the one hand, and as a catalyst of the process related to income growth and reducing social inequality, on the other.

The green transformation of the economy is also a way to obtain future prerequisites for growth. The reason for this is that the transition from a production based on extraction and consumption to more complex development regimes would lead to long-term growth strategies. Future competitiveness will be a function of energy efficiency and resource management (Ivanova et al., 2016). Although to present date Bulgarian companies are under serious threat of growing costs and losing competitiveness relative to the rest of the world, undertaking stable environmental commitments represents a serious investment in the future (Gechev et al., 2013).
The environmental transition requires a change in the development model. It affects all sectors – from transport and energy to construction and industries. Environmentalization leads to the emergence of new technologies and new actors, changes the status quo of traditional industries and imposes deep changes in the legislative, fiscal and social framework. Last but not least, such a transformation requires unprecedented reallocation of investment flows towards sustainable projects which meet the new needs of future development.

Ecological transformation of the economy poses a number of challenges for the businesses and the government, and environmental responsibility in the last decades has been turning into a more and more widespread practice among a growing number of companies, regardless of their size, activity and the sector of operation.

The application of environmental practices and business decision-making regarding the forms of corporate environmental responsibility to be undertaken by companies are affected by the political measures for encouraging it. A number of empirical studies in academic literature show that the nature and type of corporate socially responsible practices can be interlinked with the national and regional policy (Albareda, L. et al. 2008, Steurer, R., 2011, Matten and Moon 2008, Slavova, I.2013) in the respective country where they are implemented.

The aim of the study is to analyze what environmental business practices and environmental management systems are applied by companies operating on the Bulgarian market, and what incentive policies should be applied by the government to encourage the ecological transformation of the Bulgarian economy.

Review of literature

Although serious interest towards this problem has emerged in the past fifteen years, it is not something new for the academic circles. In the 80s of the 20th c., many researchers focused on the tendency for technologization and economization of ecology (Lockie et al., 2013; Charles et al., 2014). While the analyses initially focused on studying public policies and company strategies (Mol et al., 2009), today the focus is more on the usual practices applied in production. In order to reduce the negative impact on the environment and the pollution effect related to the production activities of companies and household behaviour, public authorities traditionally use tools which regulate the activity of economic entities (Ivanova, 2013). They intervene directly on the market – through the price system (introducing taxes, fees, contributions) and the use of emission permits.

The most credible hypothesis regarding the ecological transformation of company behaviour holds that this gives rise to both economic and environmental advantages. From an economic perspective, such a transition provides companies with a number of opportunities (Boiral and Croteau, 2001; Lanoie and Tanguay, 1999). Prerequisites are created for reduction of part of the company costs, product diversification and better market positioning, as well as compliance with the high number of institutional requirements (Bansal and Roth, 2000; Preston and Sayin, 2000; King and Lenox, 2001). The application of circular economy principles related to waste management and reuse, for example, offers efficient alternatives to the problems deriving from the rapid increase of production-generated waste (Fricke, 2003; Boiral and Croteau, 2001). Environment-related issues are coming out of their belligerent and imperative phase, and are turning into high tech ecology, dominated by economic rationality (Harvey, 1996). Ecological transformation is to some extent provoked and implemented in parallel with market changes (Rudolf, 2013), which leads to the mutual benefit for both companies and the society.

The opinion that has been established in theory and practice for decades is that through the implemented CSR initiatives integrated in the company activities and linked with its strategic goals, they can create benefits for the businesses and the society (Husted and Allen, 2007; Porter and Kramer, 2006). Corporate environmental responsibility, as one of the subconstructs of “the responsibility of enterprises for their impact on society,” according to the new definition of corporate social responsibility (CSR) of the EC (EC, 2011, p.6), has its own identity and defining role for business sustainability and ecological transformation of the economy. The additional efforts of companies which integrate environmental considerations into their business operations and interactions with stakeholders (Williamson et al., 2006) can reduce the environmental consequences of implemented business activities, created products and used facilities. Among the various definitions of corporate environmental responsibility found in academic literature (Rahman, N., and Post, C., 2012), we take the view that it is “…a set of initiatives aimed at mitigating a firm’s impact on the natural environment. The initiatives can include changes to the firm’s products, processes, and policies, such as reducing energy consumption and waste generation, using ecological sustainable resources, and implementing an environment management system. The concept of corporate ecological responsiveness refers not to what a firm should do, but to the initiatives that reduced the firm’s ecological footprint” (Bansal, P. and Roth, K. 2000, 717).
The various initiatives undertaken by committed companies in relation to environmental issues and integrating environmental considerations in their business operations can be summarized in three, not mutually exclusive, widely adopted approaches: (1) process-oriented approach, through which environmental considerations are embedded in company activities; (2) market, results-oriented approach, embedded approach; (3) community-oriented approach, non-embedded approach (Maon, F. et al. 2017).

Corporations which adopt the process-oriented approach direct their efforts towards the development and implementation of initiatives for measuring and limiting the negative environmental impact of their activities through technical improvements and innovations, risk mitigation programmes, pollution prevention schemes (Moon, J., 2007), accountability reports and codes of conduct for employees and suppliers. This approach covers the processes related to mitigating environmental problems, which are integrated at different levels of the organization and aim mainly to reduce costs and risk (Carroll A., and Shabana, K., 2010).

In the market-oriented approach, whereby companies integrate environmental considerations in their business activities, the focus is on results and not on processes. Corporate participants focus on the development of products and services with an explicit or implicit environmental responsibility dimension in order to meet the expectations and wishes of specific stakeholders, mainly consumers (Pivato, S. et al., 2008). The aim is to maintain continuous interactions with external stakeholders, as well as their trust in corporate activities, products and services (Venhoeven, A. et al. 2016).

Companies allocate corporate resources for actions (supporting different environment-related causes) which aim to contribute to the local communities, improving the quality of living, promoting and improving human welfare and achieving environmental management. Environmental responsibility is directed towards the implementation of practices, mainly peripheral to the main business processes and activities. Companies implement environmental initiatives through employee volunteer programmes, philanthropic donations or sponsorships supporting environment-related causes. Corporate environmental responsibility offers them a means for enhancing their corporate license to operate (Porter, M., and Kramer, M., 2006), and is not viewed as an opportunity to create or strengthen their business value in the long-term perspective.

Focusing on one community-oriented approach, where environmental responsibility as a sub-construct of CSR is not embedded in company activities and business operations, or the adoption of only two approaches (process and community-oriented) seems insufficient for overcoming the complex challenges which emerge in the interaction between the business, society and the environment (Maon, F. et al. 2017).

In order to achieve the ambitious goals of the EC underlying the updated CSR strategy for creating “shared value”, sustainable growth (European Commission, 2011, p. 5) and ecological transformation in company behaviour, it is necessary to develop and implement innovative actions directed towards the processes embedded in companies’ business activities, creating environment-friendly products and services, as well as environment-related causes. It is necessary to encourage the introduction of measures and policies which represent a solution of this type, win-win (Rumpala, 2003).

**Methodology**

The research tasks underlying the implementation of the aim of the study can be summarized as follows:

First, present the state of environmental responsibility implemented by business organizations operating on the Bulgarian market by uncovering the motives and obstacles for the implementation of various forms of environmental practices and environmental management systems;

Second, analyze the capacities of the government to encourage and facilitate the ecological transformation of the Bulgarian economy, through public resources, eco-fiscal measures and suitable incentive policies.

The following hypothesis and sub-hypotheses correspond to the research tasks:

Hypothesis: The ecological transformation of the Bulgarian economy requires the implementation of incentive policies by the government, which would encourage business participation in the implementation of environmental practices.

H 1.1 The environmental responsibility of the businesses in Bulgaria is characterized by a low degree of implementation and limited scope.

H 1.2 Changing companies’ environment-related behaviour requires incentive public policies, which imposes the need for measures for their intensification.
Confirmation of the hypothesis thus formulated is based on the results of an empirical study of the CSR of 200 business organizations, the predominant part of which were small and medium-sized enterprises. Their structure in terms of number of employees is shown in Figure 1, using the EC classification of small, medium and large enterprises. The companies which took part in the study operate on the Bulgarian market in the industrial sector and services sector, and have different main subjects of activity: Production – 43%, Trade – 26 %, Services – 13%, Construction – 11%, other – 7%.

![Figure 1. Number of employees in the companies which took part in the study](image)

Only results related to one CSR subconstruct – environmental responsibility – are reviewed here. This part of the study comprises three main groups of questions: general information about the companies/ profile of studied companies (5 questions); the second group of questions relates to the attitudes towards environmental responsibility (8 questions). The questions related to the implementation of environment-related initiatives form the third group – a total of 10 questions. Since the answers are not mutually exclusive, the respondents could select the responses freely (often, more than one response).

The research method used is based on structured personal interviews with leaders from the respective companies, believed to be suitable for obtaining a deeper understanding in social studies. The respondents are at different positions in the hierarchical structure of the companies. The predominant part are leaders at the highest management level - managers (36.2%), owners (29.2 %), as well as human resources specialists (25.3 %) and other employees (9.3 %).

Analytical and statistical methods for data analysis were used, including descriptive statistics and correlation analysis, as well as a comparative method in the interpretation of the obtained results.

**Results and Discussion**

In order to obtain a better picture of the business behaviour, it is necessary to analyze the ways and reasons why companies assume environmental responsibility, on the one hand, and the degree, scope and characteristics of the types of implemented initiatives, on the other.

Table 1 shows, through indicators of descriptive statistics, how the companies participating in the study view the various aspects related to environmental responsibility.

Table 1 Attitudes towards corporate environmental responsibility

<table>
<thead>
<tr>
<th>Attitudes towards corporate environmental responsibility</th>
<th>Number Respondents</th>
<th>Mean</th>
<th>Stnd. Dev.</th>
<th>Min</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supporting environmental conservation initiatives /donations, voluntary work/</td>
<td>200</td>
<td>3.94</td>
<td>1.77</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Attitudes towards additional environmental requirements to supplier</td>
<td>200</td>
<td>3.51</td>
<td>1.68</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Attitudes for the use of environmental management systems (ISO 14 001, EMAS)</td>
<td>200</td>
<td>2.85</td>
<td>1.59</td>
<td>1</td>
<td>5</td>
</tr>
</tbody>
</table>
Attitudes for the application of environmentally responsible practices (energy efficiency, improving business processes, etc.)

<table>
<thead>
<tr>
<th>Source: Authors own work</th>
</tr>
</thead>
</table>

Note: The Likert Rating Scale was used (5 – Very suitable; 4 – Somewhat Suitable; 3 – Somewhat unsuitable; 2 – very unsuitable; 1 – I cannot say).

The results show that companies rather approve the implementation of environmental responsibility. Assuming environmental responsibility is related to knowing the benefits, managers’ motives in taking decisions for their implementation, as well as the obstacles before its implementation. The attitudes towards implementation of environmental practices related to improving business processes have the highest mean (4.02) and are derived from the beliefs of the businesses that activities related to improving processes for reducing environmental pollution, enhancing energy efficiency, waste reduction and recycling, etc., will contribute to achieving long-term success for the business (47.5 % of respondents, with more than one response given). Managers’ ethical considerations and values regarding the environment (51.5 % of respondents list care for the environment as a motive) form their positive attitude towards participating in initiatives supporting environmental conservation causes (mean - 3.94). The application of additional environmental requirements to the supplier (mean – 3.51) and implementing environmental management systems (mean - 2.85) are not largely approved by businesses in Bulgaria. According to 56 % of all companies participating in the study (112), it is appropriate to introduce additional environmental requirements to the supplier, and only 58 respondents (29 % of all companies) believe that it is appropriate to apply environmental management through certification under standards ISO 14 001 and / or EU Eco-Management and Audit Scheme (EMAS). To a certain extent, these two aspects are related, taking into account the existing tendency worldwide that it is mainly MNCs that set requirements for their suppliers, often related to being certified under international standards (Boeva, B., 2015). This tendency has not yet manifested as an established practice in Bulgaria.

Assuming environmental responsibility predetermines decision-making for its implementation and reflects on the degree and scope of implemented environmentally responsible initiatives. The state of corporate environmental responsibility of business organizations operating on the Bulgarian market is shown in a systematized way on the basis of the study (Table 2).

Table 2 State of corporate environmental responsibility

| Attitudes towards implementing environmental responsibility | 170 | 85 |
| Degree of implementation of environmental responsibility | 140 | 70 |
| Applied types of environmental responsibility (implemented environment-related initiatives)* | | |
| Initiatives supporting environmental conservation (donations, voluntary work, etc.) | 141 | 77,5 |
| Reducing environmental pollution by improving production processes | 43 | 21,5 |
| Energy efficiency | 86 | 43 |
| Waste recycling and reduction (use of recycled materials) | 45 | 22,5 |
| Environmental products / environmentally friendly products and services | 16 | 8 |
| Degree of knowledge about environmental conservation systems (ISO 14 001, EMAS) | 74 | 37 |
| Degree of application of environmental management systems (ISO14 001) | 34 | 17 |

*Multiple choice

Table 2 shows that the degree of application of practices is not high. The most preferred type of initiatives carried out by the business organizations participating in the study is in support of environmental causes (educational initiatives), donations of funds, products, technical assistance in the event of disasters, and employee participation in voluntary programmes. These initiatives are usually one-time (65% of respondents), not related to the main activity of the company, which does not enable the integration of environmental considerations in the company’s business activities.

Activities directed towards enhancing energy efficiency are among those most frequently implemented by companies (43 % of respondents, with more than one response given), knowing the benefits for the business and the environment. The determinant factor here is mainly the access provided to the business to funding for energy efficiency measures from EU funds under the Operational Programmeme for the two Programmemeing periods 2007-2013 and 2014- 2020.
In order to carry out the transition to a “green economy”, it is necessary to have several basic preconditions in place. Some of them are:

**National legislative framework** – introducing a strict legislative framework in the field of the environment;

**National policy** directed towards a “green economy” – changes in the fiscal policy; increasing “green” public procurement;

**Subsidies and other material incentives** for the private sector – subsidies only for “green” sectors and avoiding funding of production which is harmful for the environment;

**Private investments** for “green economy” – encouraging the private sector to increase investments;
Appropriate infrastructure – creating conditions for quick, easy and environmentally friendly production;

Predictability of the policy in this field is extremely important for investors and represents a factor for the efficiency of their investments. One indisputable obstacle is the lack of security in institutional regulation, i.e. the consistency with which different governments in the country develop (and in the ideal situation – apply) legislative measures fostering the development of such sectors.

Several directions can be formed to mobilise resources for the implementation of such a transition and launching a new social and environmental development model.

1. Long-term transparency and predictability of the macroeconomic policy in the field of ecological transformation

Improving the predictability and guaranteeing consistency in the applied regulatory (normative) and economic measures is the first step towards the sustainability and effectiveness of such a policy. Since this is a long-term strategy that requires a long process of adaptation and behavioural change, the investment intents and capabilities of companies, the state’s commitment with specific long-term goals will to a large extent facilitate companies and "hint" at sustainable and serious intentions.

In this sense, a long-term strategy relating to the priority sectors, commitments in the field of scientific research, innovations and support for companies with interests in the field of a green economy would be additional guarantees for the state’s serious ambitions in this direction. In this respect, the focus could be both on eco-fiscal measures (increasing already existing and introducing new green taxes) and restructuring public investments and creating a favourable economic environment for SMEs engaged in the process of transition towards green production.

2. Expanding the number of applied financial instruments

The mobilization of new private and public financial resources is of special importance in the process of coordinating efforts for redirecting this resource towards new products and technologies related to green production and environmentally friendly methods. This public private partnership can be realized both through already existing institutions (BDB) and the establishment of new ones. In addition to offering new alternatives for private investors (with higher guarantees), such instruments would facilitate access (at better conditions) to fresh financial resources for SMEs engaged in the transition to green economy.

A significant breakthrough in this direction could come from the development, promotion and fostering of socially responsible investments, including encouraging those through purely economic instruments on the financial markets.

3. Change in the information environment

The promotion of good practices, training experts in the field of impact assessment, risk identification and profitability of green investments, creation of fund management experts and financial intermediaries in the field of environmental investments would favour not just increasing interest, but also the effectiveness of the use of this resource.

The country has significant green potential. In order to master it, however, it needs to act strategically, systematically and on a large scale. This can lead to diversification of the export basket and emergence of new jobs in sustainable sectors.

The environmental approach and establishment of a green economy is a new paradigm which requires a number of changes. In order to assist this transformation, public authorities have a number of impact levers:

The eco-fiscal policy with the whole range of negative and positive instruments;

Allocating serious public resources for scientific development and innovations in order to increase the R&D capacity;

Assistance for the development of various financial products and instruments to mobilize private sector investments and facilitating small and medium-sized enterprises (SMEs) to get access to funding;

Improving information support in order to facilitate decisions of economic entities (investors, savers and consumers) – of decisive significance here are the declaration and commitment by the state, introduction of statistical indicators for assessment of the green sectors’ activity, lobbying for the concept of company environmental responsibility;

Promoting “green professions” and the skills for the needs of relevant sectors.

This paper focuses on the first three levers.
The eco-fiscal policy aims to make national production more rational from an environmental point of view, while encouraging technological innovations. Eco-taxes not only lead to less pollution, but also create an opportunity for encouraging innovations related to the introduction of new production methods or products, which, in turn, reduces the tax burden for companies. Such innovations lead to less damages to the environment and lower production costs.

**Eco-fiscal policy**

Bulgaria applies a set of tools for integrating the environmental policy in the sectoral and regional policies as the basis for sustainable development. For the time being, compliance with environmental standards is mainly achieved via control and prohibitory measures. In this sense, attention should be focused on a transition from the currently predominating negative measures (eco-taxes, eco-fees, penalties) towards an eco-fiscal policy that shapes and inspires responsible environmental behaviour.

The share of eco-taxes in the total tax revenues and social insurance instalments in the EU is growing, although not at the desired rate. Bulgaria is following this general tendency, and the percentage for the country is 9.57(2016), which ranks it among the countries with the highest share of eco-fiscal revenues as a percentage of the total revenues (Figure 2). The reason is the fuel excise tax and transport taxes, which rank high and are relatively easy to collect. These taxes, however, do not lead to an effective and permanent change in the company environmentally responsible behaviour or a serious motivation for change.

![Environmental tax revenues in EU](image)

Source: Eurostat

**Fig.2 Environmental tax revenues in EU (as % of total revenues from taxes and social contributions), 2016**

Meanwhile, taxes on income from labour amount to 51 % of the total revenues from taxes. Redirecting taxes on income from labour to environmental taxes and taxation of unsustainable goods and services has significant potential for improving the state of the environment and natural resources preservation.

First in the implementation of such an eco-fiscal transformation comes the need to define, within each of the main directions of the environmental policy (climate change, resource consumption, countering pollution), those fields where the measures for “greening” the eco-fiscal policy can be a driver for change in the behaviour of economic entities. Thus, together with regulatory instruments and in close cooperation with local authorities, better results should be required.

Making the eco-fiscal policy more dynamic requires compliance with several conditions:

All eco-fiscal measures should be directed towards the implementation of clearly defined environmental goals

The eco-fiscal policy should be clear and comprehensible

It should closely integrate the economic interests of companies and the public interest

Eco-taxes should not be used as a tool for budget revenues

It would be useful if revenues from eco-taxes were allocated to a separate dedicated fund for financing environmental projects
Positive eco-fiscal policy is preferable to a negative one

The eco-fiscal policy measures should lead to visible and quantitatively measurable results

All of the above justify more general recommendations for an eco-fiscal reform directed and motivated by the need for environmental conservation. This reform should be based on several clear and simple principles:

1. The government should suspend subsidies (including through fiscal advantages of activities leading to environmental pollution (transport, energy sectors))

2. Eco-taxes encouraging behavioural change should be applied as a priority, i.e. high tax rates based on strictly defined specific tax base. Pollution should be reduced at the source ("the polluter pays") rather than expanding tax revenues with a potential reallocation effect.

3. Eco-fiscal measures should promote the production of environmentally clean products, implementation of environmental technologies and the development of the eco-industry as a whole.

4. Restoration of the market principle that the price should accurately reflect incurred costs, and environmental effects should be internalized therein via eco-fiscal instruments.

5. Progressive and gradual expansion of the tax base, including new types of activities subject to eco-taxation (water and soil contamination related to agricultural activities – application of pesticides, phosphates and other chemical fertilizers, air pollution).

6. A change in the overall philosophy of the fiscal policy and introduction of new laws binding the fiscal and the environmental policy more closely. One such example is the law for prevention and remedying of environmental damages, adopted in Bulgaria in 2008 in response to European laws on environmental responsibility.

It should be taken into account that the eco-fiscal policy is not separate from the fiscal policy as a whole, and even less – from the budget and social ones. It should be viewed as an integral part of the fiscal system whose main goal is the consistent and progressive reduction of social and environmental inequality.

Support for eco-innovations and “green” entrepreneurship

At the national level, any “green economy” strategy presupposes a review of the environmental conservation policies in the wider context of innovations and economic results. From this perspective, state policy plays a major role in the economy for encouraging and increasing eco-innovations and growth.

Undoubtedly, budget costs for R&D in the environmental field are a significant indicator of the degree of priority of the sustainable development policy. In Bulgaria, these costs are too low (under 1% of GDP), with a slight increase after 2014, but still far behind the target rate of 3%.

Source: Eurostat

Fig.3 R&D expenditure (as % of GDP)
Data show that the costs for scientific research in the environmental field are still not of the required priority. In 2015, their share was 0.96%, the average EU indicator being 2.03%, and that of the Eurozone – 2.12%. Mechanisms for attracting more private investors in these projects and establishing adequate co-financing mechanisms are still not applied to the required degree. Implementation of these investments means allocating about 6% of the country’s GDP for many years to come.

One possible and necessary direction of action on the part of the state is to reallocate existing national resources and allocate additional funds for national research and applied programmes related to the accelerated development of eco-technologies and technological upgrade of companies. Naturally, this takes place within the restrictive context of budget restrictions imposed by the Stability and Growth Pact. This is why it is important to focus on the promising and competitive sectors with export capacity, even though they are not necessarily those with the fastest and highest rate of return in the short-term and even in the mid-term perspective.

The transformation is still in its beginnings and the process is slow and cumbersome. Among the main obstacles are the following: insufficient awareness of the managers and entrepreneurs; conservative attitude on the part of the businesses (fear of the new and unknown, wish to bet on what has been tried and tested); the lack of will for radical changes; insufficient resources for technological upgrade and application of new environmentally friendly and resource-saving technologies; insufficient motivation; lack of qualified staff.

The following table summarizes one possible set of measures aimed at encouraging eco-innovations.

<table>
<thead>
<tr>
<th>Reason</th>
<th>Potential measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insufficient demand for eco-innovations</td>
<td>Application of “green taxes” and other market instruments for valuation of external effects and creating incentives for demand; Application of supply-related instruments, such as public benefits, norms, regulations, etc.</td>
</tr>
<tr>
<td>Lack of innovative capacity</td>
<td>Actions of a general nature aiming to strengthen the innovative capacity</td>
</tr>
<tr>
<td>Technological obstacles and absence of radical innovative ideas</td>
<td>Investments in research and development in the relevant fields, priority funding for research projects by the Scientific Research Fund; International technological exchange</td>
</tr>
<tr>
<td>Little interest from the research community towards eco-innovations</td>
<td>Support and incentives (including fiscal ones) for R&amp;D; Financial support measures; Setting up awards for scientific achievements in the field of eco-innovations</td>
</tr>
<tr>
<td>Insufficient funding</td>
<td>Establishing dedicated co-financing funds; Public private partnership; Expanding the possibilities for European funding</td>
</tr>
<tr>
<td>Administrative obstacles and barriers to starting a new business</td>
<td>Simplification and facilitation of procedures; Using the competitive policy leverage in these fields</td>
</tr>
<tr>
<td>Lack of capacity in the small and medium-sized business for green investments</td>
<td>Access to funding; Information services and enhancement of competences; Integrating SMEs in technological parks (centers); Reduction of costs related to the process administration.</td>
</tr>
</tbody>
</table>

Encouraging environmentally effective innovations is obviously one possible activity which is beneficial for all participants and should be fully used with view of implementing the Europe 2020 goals. Innovations which contribute to reducing environmental pollution, deployment of products whose production consumes less resources, and more efficient resource management, all contribute to and accelerate growth and increase employment, while also creating opportunities for overcoming the dependence of economic growth on resource consumption and pollution.

The measures related to restricting negative secondary effects, low carbon production and environmentally friendly activities are a social commitment, but are also new economic opportunities for the companies offering environmental goods and services. Support for the SMEs, through the creation of a favourable economic environment for development, funding and production of similar products, is of special significance.

**Support for SMEs**

Financial support for SMEs could be provided in three directions: innovations, guarantees and co-investment. There is a great diversity of incentive measures – preferential interest rates, simplified regime of granting loans for “green investments”, financial support for innovative projects of environmental and social significance, support in export, etc.
These functions can be implemented with a certain provisionality from the Bulgarian Development Bank, or perhaps better, by a newly established special institution in close collaboration with the “Investments for the Future” Fund. This is the European practice in a number of countries. The support of such a state institution goes through a wide range of activities – project engineering, reimbursable advance payments or zero-interest loans, guarantees for loans from other financial institutions, co-financing with private banks, etc.

SMEs need:

Preferences and additional guarantees by a dedicated fund for “green” loans, as well as specialization of certain banks in such funding;

A step in the right direction would be mobilizing BSE to support smaller eco-industrial companies for which it would be difficult to enter stock exchange markets with small bond issues, since investors prefer big, ranked nominals. In this sense, potential grouping of the issues of several eco-innovative companies into a joint collective fund would be an alternative to the present practically blocked access to stock exchange markets. Thus SMEs would have another way, rather than turning to banks, to fund their eco-investments, and investors – a new form of diversifying their portfolio.

Mobilizing public private partnership to fund the “green economy” also provides good opportunities.

In order to encourage growth and improve the prospects for economic development while “environmentalizing” this growth, it is necessary to change the structure of investment flows in parallel with significant investments in suitable infrastructure, transport, energy and environment, in particular. To this end, the obstacles hindering and discouraging institutional investors (pension and insurance funds) to invest in the infrastructure required for the development of a “green economy” should be identified and removed. These obstacles vary in nature – lack of traditions and experience in such investments, lack of sufficiently reliable statistics (on results, profitability, costs, risk) to allow clearer and stricter determination of the profitability and benefits from such an investment, lack of innovative financial instruments and products (including from the stock exchange) as an attractive alternative to traditional forms of investments.

Conclusion

Despite the numerous evidence of the priority significance and key role of green production for the future economic development, including those put forward by the European Commission in recent years, in Bulgaria the potential of the green economy is groundlessly underestimated and is still not fully recognized or utilized for achieving “eco-growth” and growth in employment rates.

The ecological transformation of the behaviour of businesses can be carried out by increasing the number of companies which implement corporate environmental responsibility, as well as their wider participation in the diverse range of environmental protection initiatives. Companies integrate environmental considerations in business operations and company strategy by applying a process-oriented and market results-oriented approach to corporate responsibility. The analysis showed that the business organizations operating on the Bulgarian market face a number of restrictions in their application, including inadequate support from the government. On the other hand, the Bulgarian government is not utilizing the potential of different instruments of macroeconomic policies to encourage environmental behaviour.

This leads to the conclusion that the main hypothesis put forward has been confirmed – the ecological transformation of the Bulgarian economy poses challenges for the government to undertake incentive policies for a more effective and large-scale approach to environmentally responsible behaviour of the businesses.

In order to intensify the ecological transformation, the following is required:

Targeted, systematic and expedient reform in macro policies (encouraging the development and implementation of innovative technologies – resource and environmentally friendly, changing the logic of the eco-fiscal policy, more efficient funding of the environmental transition, activating financial markets by introducing new instruments of public private partnership, etc.). The businesses want security and would invest more and more in technologies for sustainability and energy efficiency only if they have a common framework outlined in advance to foster this activity.

Large-scale and regular policy, not just campaigns, for raising awareness of the resulting benefits for society and the economic entities from green sectors development, promoting good practices in the field and new opportunities for development of such production;
Better utilization of the opportunities offered by European Structural funds and the “Science and Education for Smart Growth” operational programme, in particular, for encouraging the development of environmental innovations on the one hand, and meeting the new educational needs of the businesses, on the other;

To look for new and improve the current forms of partnership between the public and private sector for funding the transformation of the current model. The European funds should not be the only sources of funding, the businesses and public-private partnerships need to become more active.

References


Occupational Burnout as a Consequence of Workaholism – An Outline of the Problem Based on Studies of Polish Women Running Their Own Business Activity

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Abstract
The paper presents selected studies using structured in-depth psychological interviews conducted in 2017 among n=72 women undergoing therapy for managers, who complained about ailments related to workaholism and simultaneous occupational burnout. The sample was selected by quota sampling, and running one’s own business was the criterion. The characteristic problem areas declared by the patients were divided into twelve categories, in accordance with the literature presented and with results of research conducted so far into workaholism and occupational burnout. The authors believe that occupational burnout is the principal consequence of workaholism, and the most serious one affecting occupational activity.

Keywords: occupational burnout, workaholism, women, female entrepreneurs, qualitative research

Introduction
It needs to be emphasised that, just like in the case of any addiction, workaholism is also characterised by the possibility of finding fulfilment in only one area of life, with prejudice to all the other areas (Mieścicka, 2002). The following aspects distinguish workaholics: a low degree of interest in their own family, breaking off ties unrelated to work, lack of a sense of control over the time spent on work-related activities, feeling discomfort outside the workplace, taking work home, staying after hours, inability to rest, to enjoy one’s free time or to relax, not feeling the need for any changes, permanent fatigue, excessive work engagement, the need to bring work to completion, being passionate about work, feeling the compulsion to do it, identifying time with self-fulfilment, the sense of wasting one’s free time, rationalising the time dedicated to work, increased vulnerability to other addictions, and simultaneous involvement in multiple tasks (Bortkowski et al., 2001; Scott et al., 1997; Barika 2002; Kalinowski et al., 2005; McClelland, 1985; Fassel, Schaef, 1989; as cited in: Szpitalak, 2012, p. 41).

The four symptoms of workaholism according to Wojdyło (2004) are the following: excess expenditure of energy on work, permanent repetitiveness of actions and activities, setting increasingly high operational standards, compulsion to engage in work and inability to cease the relevant activities.

Obviously, one could quote at this point many authors describing diverse symptoms that are key and that accompany workaholism. The core symptom of workaholic behaviour, however, which nobody challenges, is the compulsion to work. The fundamental compulsion to work based on fear accompanies the pleasure derived from the completion of the goals one sets oneself (Golińska 2008). Compulsion is understood as inner pressure. External compulsion described by Wojdyło (2003) does exist, but as a result of the difference between the two, workaholism can only be described in terms of the situational compulsion to work, unlike pathological workaholism, based on an inner compulsion to work. Compulsion, in her opinion, is the constant involvement in work or in another activity without the possibility of controlling or ceasing such activities. Workaholism, on the other hand, is diagnosed in the case of work overload consisting in the specific manner of doing work under an uncontrollable compulsion, without the possibility of ending the activity (p. 33).
Workaholism as the basis for occupational burnout – an outline of the problem

Many researchers believe the compulsion to work to be the necessary, but at the same time also a sufficient condition to be met in order to diagnose workaholism (Taris, Schaufeli, Verhoeven, 2005), because it makes even low engagement in work lead to excessive strain on the organism (Wojdylo, 2010a). Research has also demonstrated the relationship between the development period and the experienced compulsion to work, correlated positively with younger subjects experiencing the compulsion more strongly (Johnstone, Johnston, 2005).

Oates (1968) describes three stages of developing an addiction to work, since workaholism is a dynamic phenomenon, extended over time. In the initial, prodromal phase, the individual starts to increase the amount of working time, focusing more strongly on work-related activities, increasing the amount of work, which most often leads to typical symptoms accompanying fatigue, to exhaustion, impaired concentration, anxiety, fear, depressed mood, and somatic pains. The second stage, referred to as the critical one, involves an intensification of the addiction symptoms and of the compulsion to work, which affects social relationships, causing interpersonal problems. The third stage may lead to extreme emaciation, or even death, and is the stage of extreme, chronic dependence. Everything in the individual’s life is centred around occupational activity, while all the other areas cease to have any importance.

The compulsive mechanism of regulating emotions provides another way of describing the dynamics of workaholism. In the first stage, positive and pleasant emotions are experienced, with a reduction of aversive states. The individual starts to be permanently busy as a consequence (Mellibruda, 2003; Fassel, 1990). This association of pleasant sensations experienced during work intensifies engagement in professional activity which regulates emotional states. The second stage involves abandoning all other forms of activity in favour of a single one, namely occupational activity, and consequently social relations deteriorate. The ability to cope with stress starts to be compromised, and the only way of coping with difficulties is by devoting oneself to occupational activities. The last stage consists in alternating cycles of compulsive occupational behaviours with a total loss of control over one’s behaviour; the compulsion to work develops that is typical of the actual process of developing an addiction, and the psychophysical and emotional symptoms of addiction also become more pronounced.

Exceptions include individuals with what is referred to as situational workaholism caused by external compulsion, i.e. at the initial stage, excessive engagement in work is caused by new duties, economic reasons, delegation of duties by the superior, etc. The key thing, however, is that during the subsequent stage, the individual continues such excessive activity without the external factors that motivate them to act, until the typical third stage, when they lose control over their behaviour (Kalinowski et al., 2005).

Consequently, their workaholism causes a number of negative consequences for the individual in relation to the symptoms experienced. Workaholism affects nevertheless all spheres of life: the somatic sphere (e.g. Burke, 2000; Shimazu, Schaufeli, 2009), the mental sphere (e.g. Hormowska, Paluchowski, 2007; Robinson, Flowers, Ng, 2006; Spence & Robbins, 1992), the occupational sphere (e.g. Retowski, 2003), and the social sphere (e.g. Bakker et al., 2009; Brady et al., 2008) (as cited in: Szpitalak, 2012, p. 45)

Workaholism has a destructive impact on social relations, including in particular the disruption of family life, through negligence (Robinson, 1998), and on other relations outside work, with friends and one’s nearest and dearest, by abandoning the relationship altogether (Schaufeli, Taris, Van Rhenen, 2008). The feeling of alienation as a result of excessive occupational activity increases (Kalinowski et al., 2005).

Research into the negative social consequences of workaholism analysed relationships between partners (McMilan et al., 2004; Robinson, 1998, 2000; etc.), in which the inability to solve problems was demonstrated, as well as ineffective communication in workaholic families, poorly defined social roles, and a poor degree of emotional involvement in the family (Robinson, Post, 1995). Codependency and addiction to psychoactive substances may develop as a result of living with a workaholic partner (Kalinowski et al., 2005). The typical emotional experiences of workaholics’ partners include being ignored, disregarded and underrated, the sense of being manipulated, the sense of inferiority, the feeling of guilt, and doubting one’s own psychological condition. Additionally, workaholics tend to transfer behavioural patterns from work-related situations to family situations, which leads to the development of high aspirations concerning their children, to perfectionism, and to constant controlling and criticising of their spouses (Robinson, 1998).

Workaholics’ children experience many negative emotions: the sense of being left alone, of being unloved and isolated, and the experience of emotional and physical abandonment (Robinson, 1998). This may lead to psychopathological consequences consisting in feeling the inadequacy of one’s achievements, self-criticism, excessive responsibility, reluctance to delegate duties, as well as other symptoms similar to those presented by alcoholics’ children. Recognising this similarity, the term “Adult Children of Workaholics” is used (Golińska, 2006). Oates (1971) names four disadaptation symptoms of workaholics’ relations with their children: preoccupation, haste, irritability, and depression. Parents showed impatience towards their children, they seemed to be absorbed by other, so-called “more serious” matters, and lacked a sense of humour.

The relationship was also demonstrated between the gender of the workaholic parent, the child’s gender and its specific way of functioning. Sons of authoritarian workaholic fathers find it difficult to identify with the social role of men, while daughters deny their
femininity in favour of traits desired by the father, related to resourcefulness. Another model, that of lenient, “eternal boy” workaholic fathers, leads to their daughters feeling lost, lacking self-confidence, and being frigid towards their partners, while sons demonstrate obsessive-compulsive disorders, depression, strong anxiety, and learned helplessness. The third workaholic father type includes those who neglect their families and isolate themselves from family life. Such fathers’ children most often demonstrate rebellious behaviour, they seek to attract attention by demonstrative, self-destructive or overly ambitious behaviour to earn love and attention (Killinger, 2007).

Workaholism also leads to disrupted relations in the workplace, including in particular negative influence exerted on the employee group, by imposing haste, setting high requirements, failing to respect other people’s needs, poor empathy, treating others with contempt, and failing to understand the lack of engagement in work. Characteristic traits of workaholics are rigidity in thinking, reluctance to delegate tasks to other workers, the feeling that one will complete tasks best on one’s own and focusing on insignificant details, permanent dissatisfaction with the result of one’s activities, the work of one’s subordinates and that of the whole team, rivalry and suspicion, lack of trust in others, reluctance to collaborate, and fear of judgment (Kalinowski et al., 2005).

According to Schaufeli et al. (2006), workaholics work hard, but they do not work smartly. As a result of low self-esteem, workaholics focus on confirming their worth, and on their own aspirations which are more important that the group’s success, consequently performing worse, with the focus on work being surpassed by the concern about the result (Porter, 1996).

As far as the emotional functioning of the workaholic is concerned, this is accompanied by: weakness, depressive states, anxiety disorders, overactive intellectual processes (Kalinowski et al., 2005), the inability to relax, hyperactivity, impatience, nervousness, becoming quickly bored by the task (Robinson, 2007) (as cited in: Szpitalak, 2012, p. 56).

Killinger (2007) describes the fears characteristic of a workaholic: fear of failure, fear of boredom, fear of laziness, fear of discovery, fear of self-discovery, and paranoia. There are also three emotion regulation mechanisms: denial, control (over one’s own life; work provides a sense of security and control over the situation), and power. Denial consists in not confronting problems, while acquiring power entails the workaholic’s striving to be the best, in terms of status and prestige within the group.

As far as the cognitive sphere is concerned, memory problems, disruption of thought processes, attention concentration difficulties, and reduction of mental activity are typical of the workaholic (Kalinowski et al., 2005). Workaholics think in binary terms, they are characterised by telescopic thinking based on overrating, pessimistic thinking, helpless perception of oneself as a victim, wishful thinking, blurring boundaries, and experiencing constant struggle (Frączczak, 2002).

Robinson (1998) names the typical dysfunctional beliefs workaholics have: that only hard work ensures happiness, hard work is what society expects, one needs to do one’s duties perfectly, because only then can one be a satisfied and fine human being, one must not be average, being the best is what counts, free time is a waste of time, one can only feel good with other people’s approval. All this makes workaholics become stuck in a loop of their own beliefs, which makes it easier to gradually develop the addiction.

**Workaholism versus occupational burnout. Qualitative research presentation**

The study was carried out using structured in-depth psychological interviews conducted in 2017 among n=72 women undergoing therapy for managers, who complained about ailments related to workaholism and occupational burnout at the same time. 100% of the women in the sample had completed higher education, all of them lived in big cities, and all were running their own business activity in the area of service provision or trade.

The characteristic problem areas declared by the patients were divided into the twelve categories indicated below, in accordance with the literature presented in the previous section and with results of research conducted so far into workaholism and occupational burnout:

- Experiencing the compulsion to work making even low work engagement lead to excessive strain on the organism. Examples of responses obtained in the in-depth interviews: “I am permanently tired and exhausted, even if I don’t do much, I get up in the morning and I’m already knackered, is this depression or something?”, “after several minutes at work I feel as if I’ve been toiling away for several days”, “I can’t skip work, I’m unable to detach myself, I’m tied by some ropes”, “I can’t remember the last time I’ve rested”; “I’m so tired that I feel as if I were going to die”, “I have to keep doing it, I don’t know why, but I have to, if I’m not working, I’m not there, I’m not alive”; “I don’t see people, but prospective customers, I don’t even know who they are, I don’t remember them, they’ve been objects for me for some time now”.

The presence of the three stages of developing the work addiction by increasing the amount of working time, focusing on work-related activities, increasing the amount of work, the presence of typical symptoms accompanying fatigue, exhaustion, concentration disorders, anxiety, fear, depressed mood, somatic pains; intensification of addiction symptoms and of the compulsion to work, which affects social relations causing interpersonal problems; extreme emaciation, or even death, chronic dependence.

Examples of responses obtained in the in-depth interviews: “Everything in life is centred around my occupational activity, these symptoms, the family ceases to have any importance”, “Initially, there was more work, I used to work longer hours, it was even nice, a bit of fatigue and that’s all… later, it was a shambles… everything hurt, even my bones, fingernails and hair… (laughter)”; “I didn’t feel like doing anything, the point came when I was at work from 8 a.m. to 8 p.m.”; “it would take me an hour to get to the
places where I worked. I was absent from home for the whole day, I didn’t see my family. I didn’t see myself, I was extremely emaciated and I still am… I’m unable to rest…”; “I can’t skip work, I’m addicted to that damned cake shop like a drunkard is to wine”; “I sometimes think I’m going to die… but I’m unable to put an end to it, I don’t know how to change it – but I have to, do you understand… I have to…”.

The compulsive emotion regulation mechanism of workaholic dynamics, from experiencing positive emotions, through being permanently busy, to compulsive work-related behaviours with a total loss of control over one’s behaviour, the compulsion to work typical of the actual process of developing an addiction, and the presence of psychophysical and emotional symptoms of dependence.

Examples of responses obtained in the in-depth interviews: “when I wake up, I think about work”; “I’m totally unstable, when I’m not at work, I can’t focus, I don’t know how to replace the obsessive thinking with something else”; “I am and I have to be busy all the time”; “I’m afraid that what I’ve got inside is what I’ve got at work”.

Situational workaholism caused by external compulsion, excessive engagement in work is caused by new duties, economic reasons, and delegation of duties by the superior.

Examples of responses obtained in the in-depth interviews: “initially, I simply had more duties, more things to do, nothing strange about that”; “I didn’t see anything wrong in that – more work meant more cash”; “I liked to look busy, swag, the job, the cash, the recognition”; “I had the vision of new points of sale, new customers, a new cash injection, what’s wrong with that, I thought, the kids have grown up, they are teenagers, I thought the whole fatigue thing wasn’t a threat for me, everything was going well”, “I had to stay there longer, I opened another place, it was rational, how to do it, who’s going to replace me in business, who’s going to run my company?”.

The consequences of workaholism affect all spheres of life: the somatic, mental, occupational, and social spheres.

Examples of responses obtained in the in-depth interviews: “I went too far… after a year I knew I wouldn’t be able to go on like that – I started to have sleep problems, I was losing weight, I had the impression that my mind was ceasing to function as a result of the number of duties”; “the family… my children ceased to count for me, literally, I know it’s impossible, but I would think only about work after getting up in the morning, the rest was simply unimportant for me”.

Workaholism has a destructive impact on social relations, family life is disrupted through negligence.

Examples of responses obtained in the in-depth interviews: “no, it’s not true that only some relations, in my case no relations outside work, with friends or family, existed”; “I don’t have anyone, just work”; “I neglected my home, my family, my children, I have a guilty conscience, but I don’t know how to change it…”; “I haven’t gone on holiday for 8 years, I don’t know how to do it, my husband does it…”; “I used to see the children one hour a day, sometimes only during weekends, and more precisely on Sundays, it was convenient for me that they spent the whole week with their grandparents”; “sometimes, I would prefer not to have had a daughter, I wouldn’t have had pricks of conscience, and she wouldn’t have suffered”.

Workaholics’ children experience many negative emotions: the sense of being left alone, of being unloved and isolated, and the experience of emotional and physical abandonment.

Examples of responses obtained in the in-depth interviews: “my son keeps telling me that he hates me, that my work ruined his life, that I’m a workaholic, that I shouldn’t have had children”; “my children may bear a grudge against me, oh yes, I would have felt unloved too”; “I wasn’t there with my daughter, whether mentally or physically”.

Workaholism leads to disrupted relations in the workplace, including negative influence exerted on the employee group, by imposing haste, setting high requirements, failing to respect other people’s needs, poor empathy, treating others with contempt, and failing to understand the lack of engagement in work. Characteristic traits of workaholics are rigidity in thinking, reluctance to delegate tasks to other workers, the feeling that one will complete tasks best on one’s own, perfectionism.

Examples of responses obtained in the in-depth interviews: “the staff at work criticise me that I impose haste, that I require superhuman efforts from them and from myself”; “I sometimes feel sorry for all those who work with me, I don’t have empathy at all, I don’t tolerate lack of commitment”; “I remember when I shouted at the secretary who asked for leave before Christmas, to prepare for the holiday”; “I prefer to do things myself, but if I assign them to someone, I check performance all the time”; “oh yes, I’m totally a perfectionist”.

Workaholics work hard, but they do not work smartly. As a result of low self-esteem, workaholics focus on confirming their worth, and on their own aspirations.

Examples of responses obtained in the in-depth interviews: “I simply need to slog away, sometimes I go to fetch the goods several times which doesn’t make sense, I don’t plan”; “I’m constantly dissatisfied with myself”, “my ambition is to have about a dozen outlets in town, I need to have them, it’s not a goal, it’s a compulsion”; “I sometimes catch myself doing the same things several times, which takes up my times and makes me stay at work even longer”; “I don’t know, I sometimes think that it’s all because I have to constantly prove something to myself”. 

...
Presence of the fears characteristic of a workaholic: fear of failure, fear of boredom, fear of laziness, fear of discovery, fear of self-discovery, and paranoia, presence of mechanisms of denial, control (over one’s own life, work provides a sense of security and of controlling the situation).

Examples of responses obtained in the in-depth interviews: “denial, that’s right, this is what we call the mechanism with the therapist, not confronting problems”; “striving to be the best, it’s about status, prestige”; “I know it’s silly, I’m paranoid”; “I’m afraid that I’ll be nobody without work, I’ll have nothing”; “I’m afraid I won’t succeed”; “what if I’ll bore myself to death?”, “I know it’s stupid, but I’m afraid things will get out of hand”.

In the cognitive sphere: memory problems, disruption of thought processes, attention concentration difficulties, reduction of mental activity.

Examples of responses obtained in the in-depth interviews: “my memory is getting worse, I thought it was old age, but to deteriorate so much in several months…”; “I have a slight problem with focusing my attention, as if I were constantly in a dream”; “there’s something wrong with my mind, my thinking capacity is deteriorating, I’m exhausted, I fail to remember simple tasks”.

Work overload leading to exhaustion, one of the components of occupational burnout, emotional and psychophysical exhaustion, depersonalisation and reduced satisfaction with occupational achievements.

Examples of responses obtained in the in-depth interviews: “there’s this mix I’ve got… I’m extremely exhausted, my self-judgment is getting worse, everything seems to be going well, but I’m constantly dissatisfied with myself, and the customers I loved… I don’t know, it’s as if I… as if they weren’t there, although they are, but worthless for me”.

Conclusion

Occupational burnout as a consequence of workaholism

The relationship between the two variables included in the title is presented in the conclusion. In fact, untreated workaholism may lead to the occupational burnout syndrome (Fassel, 1990; Mieścicka, 2002). Work overload may entail in each case exceeding adaptation capabilities, and thus lead to exhaustion, which is one of the components of occupational burnout (Bańka, 2005). Apart from emotional and psychophysical exhaustion, this syndrome also includes depersonalisation and reduced satisfaction with occupational achievements (Maslach, 1986).

Difficulties in interpersonal relations, avoiding people, lowered self-esteem, permanent stress and fatigue, and decreased work-related satisfaction may be experienced (Sęk, 2000; Retowski, 2003).

The essential difference between workaholics and individuals suffering from occupational burnout consists in the case of the latter, their jobs involve contact with other people and helping, while workaholics’ jobs do not involve such activities. The most important difference, however, consists in the reduced activity in the case of experiencing psychophysical exhaustion by the individual suffering from occupational burnout, and in the increased activity in the case of the workaholic, whose engagement in occupational activities intensifies (Schultz, Schultz, 2002).

At this point, another aspect should also be recalled, namely the Type A behaviour pattern, diagnosed when one strives to achieve and keep control over the external environment (Glass, 1977, Wrześniowski, 1993). A significant stressful situation occurs whenever the individual is unable to gain such control; in the initial phase, is it characterised by increased vigilance and excitability, and in the subsequent stage by more intense aggression, followed by a sense of helplessness.

Another approach assumes that this disorder is related to three erroneous beliefs the individual has: that they need to prove themselves constantly to confirm their social position; that no moral principle exists within which punishment and reward are received by the people who deserve them; and that in order to achieve self-fulfilment, one must strive to achieve ambitious goals. This is the achievement-oriented workaholic model (Price, 1982). Despite the numerous similarities, the etiology of the two disorders differs: the Type A behaviour pattern is to a certain extent genetically determined or results from environmental impacts, while addiction is a consequence of educational methods and socialisation (Robinson, 1996); additionally, the obsessive-compulsive nature of the symptoms makes addicts differ from individuals with the Type A behaviour pattern (Wojdyło, 2003).

As far as workaholism goes, in terms of habit and impulse control disorders, according to the DSM-IV-TR classification, it can be classified as an “impulse-control disorder not otherwise classified” (code 312.30), while in the ICD-10 classification, it falls in the category of “habit and impulse disorders”. This category makes it possible to diagnose persistently repeated maladaptive behaviours that are not secondary to a recognised psychiatric syndrome, and ones in which the patient may cease the behaviour, with a prodromal period of tension and a feeling of release at the time of the act (Szpitalk, 2012, p. 29).

Workaholism and one of its potential consequences, i.e. occupational burnout, are work-related problems faced by individuals on contemporary labour markets which set tasks before workers that exceed their capacities, often causing them to make superhuman efforts, promoting excessive occupational activity, requiring perfect task performance, and leading to exhaustion, or even loss of health.
Bibliography


Is the Marginal Effect of Education on Income Diminishing?

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Abstract
This study seeks to determine the effect of education on income for wage workers in Israel, for the years 2005 – 2015. The hypothesis of this study is that the marginal effect of the number of years of education on income will be declining, such that at a certain point, it will be zero or even negative. The results of the study show that until 2012, the marginal effect of the number of years of education on income is linear. However, beginning in 2013, the marginal effect of the number of years of education on income is declining.

Keywords: Education; Income; Wage; Israel; Age. JEL: j3

1. Introduction
Regarding the size of the effect of education on income, there are practical effects that occur both on a personal and national level. On a personal level, acquiring an education is a process which is expensive, both because of tuition costs and the opportunity cost of not working, or working less. Therefore, it is important to know what the return on this investment is. This is true, even on a national level. Education in general, and academic education in particular, require large expenditures. Similarly, to lose the labor force of the students while they are studying has an impact at the national level. Over the years, in most countries, an academic degree is considered to be of higher quality than professional certification, and that the holder of an academic degree is considered in society as being of higher quality, relative to a person who holds only professional certification.

According to Maclean and Wilson (2009), many colleges have been established in the last few years. This has led to a dramatic rise in the number of academic degree holders. As such, the integration of academic degree holders into the work force has become more challenging. In order to distinguish among all of the candidates, the quality of an academic degree is judged not only according to field of study and type of degree, but also by the quality of the institution where the degree was earned. Bosch and Charest (2009) posited that due to technological, societal, and economic changes, an academic degree is no guarantee of a job. There has been a recent increase in the demand for specifically tailored vocational training and not necessarily a protracted liberal arts education, which is available at many academic institutions. Today, firms (and even governments) encourage young people to focus on professional certification. The student receives a partial academic education, yet benefits from an improved and refined professional proficiency by working at companies as part of the learning process. Moreover, many companies even commit to hiring these students after they finish their certification while they are still in school. Therefore, it seems that in today’s world, professional certification has become an important element that aids in joining the labor force.

1.2. review of the literature
While professional certification may be an important way for many people to enter the labor force, Ben-David (2010) shows that people with academic degrees enjoy higher incomes and earn promotions at a higher rate than people with professional or vocational certifications. Iannelli and Raffe (2007) show that despite significant changes in the labor market, with the market flooded with educated people during a time where there is a specific demand for those with professional training, society still places the academic degree at the top of the occupational pyramid, especially if that degree was earned at a top institution. Therefore, it is expected that degree holders will be considered higher quality employees and will benefit from more promotions and higher salaries. People in society maintain a perception which is no longer valid regarding the demands of the labor market. An academic degree may be a reasonable proxy for personal characteristics like diligence, work ethic and broad knowledge of a subject. However, all these traits come with a low level of expertise. Therefore, the individual must also undergo professional certification for more efficient assimilation into the labor force. It may be that, to
a certain extent, an academic degree and a professional certificate are complementary goods and not necessarily substitutes. Clarke and Winch (2007) suggest that in order for integration into the labor force to be more efficient, academic institutions must institute reforms in order to meld academic degree programs with professional training. Change in the socio-economic perception of society is required in order for those with professional certification to earn promotions and better work conditions. Certain countries have begun applying these reforms (for example, the US, Germany, and Australia). However, some have questioned whether the slow process and amount of oversight are having a negative impact on the education people are receiving from these programs.

When examining the topic of education, we must look to the academic literature regarding human capital. Human capital is a composite mixture of an individual’s traits and skills which raises or lowers the individual’s value in the eyes of society. Human capital includes age, sex, level of health, professional experience, education level, and other qualitative factors. Despite this, most of the professional literature links human capital to education and proficiency, in a way that is statistically significant. In practice, education is considered the main and most important factor when weighing human capital. However, according to Becker (2009), changes in education that were begun decades ago have led to changes in the way that human capital is measured in a number of countries (though mainly in the US). If in the past the value of human capital was measured primarily by way of the number of years of education, today this value is also measured by the educational institution, such that an increase in the importance of attending college in the United States has led to a sharp increase in the number of academic degrees (which has turned the American public into one that is, allegedly, better educated). As a result of the excess of academically qualified citizens, companies and organizations began to look at the type of educational institution attended as it pertains to measuring human capital.

Iannelli and Raffe (2007) claim that the increase in the supply of education has led to a more accurate re-examination among people and companies that want to measure human capital. Take for example the idea that an academic education is considered better than professional training, and a university is considered of higher quality relative to private colleges. The reasons for this are rooted primarily in social views and less in factual basis. For instance, there is a social stigma that graduates of professional training courses, and not academic institutions, are people with a low level of individual ability, poor motivation and poor discipline when compared to academic graduates. According to Modood (2004), the increase in academic proficiency and the greater accessibility to academic institutions led to significant social changes such that today, women as well as other minority groups are taking part in institutions of higher education. The ability of groups who are targets of prejudice, to integrate into the academic world, has led to cultural changes. Minority groups continually increase their human capital by enrolling in academic institutions with the motivation to complete their studies because they want to make up for other forms of discrimination such as racism or social status. Similarly, many women also join institutions of higher education because they want to change their social status.

Within the concept that an individual can get either certification or a degree, and that a person who chooses certification is somehow “less worthy,” there is no discussion of the areas of interest of the individual, economic resources available, and other demographic aspects which must affect the decision to pursue (and earn) professional certification instead of an academic degree. If so, we can see that the differences in education are not necessarily proof of the degree of human capital, since academic graduates do not necessarily possess the experience and skill to exploit the knowledge they have acquired. Therefore, Raffe (2003) raises the idea that the merging of academic education and professional training constitutes the ultimate solution which should significantly increase the human capital of society. This process can be tailored by looking at three components. The first component is based on building a new study program that combines professional training with a suitable field of academic study. In this way the individual benefits from a broad academic education and the development of practical skills. The second component encourages organizations to get rid of the distinction (and flawed notion) that exists between a person with an academic degree and one with professional certification. Most of an individual’s practical training happens in the work place as a part of one’s job and not necessarily outside of the place of employment (such as in the lecture halls). The third component seeks to reduce the amount of time required to study. In most cases, academic programs last for three or four years and sometimes there is a focus on subjects that are not relevant to any job one is likely to do once one enters the workplace. Or, there are changes in society or technology that no longer match the curriculum.

In contrast to pursuing an academic degree, professional training is considered shortened and focused, in order certify the individual for specific expertise within a short period of time and to integrate that individual quickly into the workforce. Oketch (2007) claims that the influence of education is not limited to the career area of a single individual. The general level of education in a country has a greater influence over the whole society, including scientific and social development. The discussion of education is usually related to how developed the country is and the character of the society that makes up
the country. At the end of the day, higher education and professional certification greatly develop every aspect of society. For example, the concentration on academic or practical education decreases the crime level simply by reducing the number of young people on the streets. Education allows for the development of technology and the development of social perspectives, while professional training increases the chances of the individual to join the labor market, even if one doesn’t have the resources to acquire an academic degree.

Another claim raised by Baum and Lake (2003) postulates that education makes possible the shaping of a society with liberal and democratic perspectives. The choice to pursue professional training or an academic degree allows for the expression of differing views and opinions. The existence of differing viewpoints is likely to create dilemmas when searching for solutions to various social issues where a moral solution is required. In a similar vein, Halliday (2000) claims that the significant difference between an academic education and practical training difference is mainly in the realm of critical analysis (which is more prevalent in an academic education). Despite this difference, both types of education help to develop a more friendly, fertile, and progressive society. Both types of education encourage teamwork, self and organizational management, interpersonal communication, problem identification and management, and personal development. Education influences society in ways that are not only economic, but also in the development of friendly relationships, communication, ethics, and general social outlook. Studies by Toolsema (2004) and Bosch and Charest (2012) show that, in the last four decades, the demand for academic expertise portrayed above remained the same while the demand for professional expertise changed significantly. Therefore we can understand why, recently, there is a reduced demand for general academic elements and a greater demand for concentrated technical knowledge, which professional training emphasizes. This change forms the basis of the discussion of the question “what is the proper education for the economy and the business world?”

Diverse societies specifically demand to employ people with professional certification. Academic education is no guarantee of finding a job because the supply of students with academic degrees is, in many instances, outpacing the supply of jobs in the graduates’ professions. Viewing the world as if higher education guarantees a quality job creates a situation such that the market for graduates with academic degrees is saturated. These graduates’ ability to integrate into the labor force is uncertain.

According to Ben-David (2010), in Israel in the 1980’s a person with 16 years of education or more could expect to find a job with 95% certainty. By 2010 the level of certainty fell to 85% and the number of university graduates is significantly higher. In addition, during the 1980’s the number of students attending university was 54,000, but only a decade later this number had doubled. By 2012 the number of students was estimated to be about 250,000. However, a person with only 12 years of education or less has a significantly reduced ability find a job in today’s world relative to a person with an academic degree. Therefore, we can argue that education and cognitive skills in general guarantee personal and economic development across all countries, whether developed or developing (Hanushek and Wobmann, 2007).

According to Harris, Handel, and Mishel (2004) one of the more difficult problems regarding education is the need to identify future challenges. The educational standard of society must be maintained at a suitable level so as to address challenges that are, supposedly, to be expected. Acquiring education which is not suitable for the realities of the real world may very well lead to difficulties adapting to different challenges. Therefore, acquiring education in a given field which is supposedly seen as “prestigious,” could very well be inefficient (if not irrelevant) regarding social, economic, and political realities that the individual and society must face in present times. In spite of the understanding that one must match one’s educational field with the demands of the marketplace, there still exists the viewpoint that an academic degree from a prestigious university will help the individual enter the labor force, irrespective of the field in which the degree was earned or the employment prospects upon graduation. Similarly, according to Brown (2003), prestigious universities pull in students from all over the world. Acceptance and completion of a degree program from a prestigious university is a way of bearing witness as to the quality of the person, regardless of what degree was obtained. Similarly, the level of the degree, and not necessarily the field of study or even the grades achieved, is considered important, and in many cases, advanced degrees are a requirement for entry level work in certain fields. In Brown’s study of 100 students in the United States, 99 said they would prefer to have a Master’s degree with average grades, and only one student would prefer to have a Bachelor’s degree with perfect grades. Students seem to be of the opinion that a Master’s degree constitutes a significant advantage relative to other certifications in the pursuit of a career.

While it may be that society places a value on the level of a degree earned, Leitch (2006) suggests that in terms of the economy, there is no import to level of certification, only to level of expertise. In his report on careers and education published in Britain in 2006, Leitch maintains that universities, colleges and schools are required to bring changes and reforms to their educational programs such that the programs will concentrate more on developing expertise among the
students, and less on the amount of education, which at times is not effective for the economy in general, or the individual in particular. The report notes that people other than university heads need to recognize technological and economic changes and to adopt them. This requires individuals to change traditional social attitudes that they may harbor whereby professional certification is viewed as having lesser value than an academic degree. In an era where expertise is important and not necessarily the type of degree, an outdated view such as this must change. Professional training, at the end of the day, matters just as much as an academic degree for the economy as well as employment. In light of the above, various countries have begun enacting reforms whose goals are to integrate broad academic education with practical training that directly meets the demands of industry. Take for example Maclean and Wilson (2009) who show that students in the US and Germany enjoy broad educations, but there is a strong emphasis on professional training and these students take an active part in the workplace during their studies. Integrating work with school can certainly benefit the students later in their career path when they are looking for work, when asked to demonstrate tangible skills. This is an accepted practice in Germany that has proven itself over time. This method has been received with much criticism in the United States. With this method, courses of study in Germany allow for professional study in the classroom and in the workplace, such that companies will often adopt and support students and, in many cases, reserve a job for them upon graduation. On the one hand students who undergo professional certification benefit from academics in the classroom, but on the other hand they spend most of their time in the workplace where they acquire expertise suitable for the industry in which they work. This process guarantees that the students who choose this course learn less academically and don’t receive a degree, but they receive critical professional training and the promise of a job when they finish their programs.

One of the problems raised by the integration of work training and studies is the need to establish regular study which doesn’t suffer from pressures related to work. According to Maclean and Wilson (2009) in countries such as Germany, Australia, and England there is strict supervision by the government regarding the certification and field of study. The length of study is estimated to be between a few months to two years and the students must meet a certain standard in order to obtain certification. A similar level of study to an academic curriculum in terms of content, but not in terms of scope, and therefore most countries rate the certificates by level instead of degrees. That is, first, second, or third level certification is not the same as a Bachelor’s, Master’s, or Ph. D. At the end of the day, students who choose to learn a high level of certification, for instance level three, benefit from being able to integrate into the job force more quickly and with higher wages, such that many times their integration into the work force and their career advancement is higher than those with academic degrees. In Australia and Germany, this method has been shown to be highly successful such that with each year, students are demanding more professional certification and most of them already work in jobs in their given professions before having finished their studies. Take for example the state of Victoria in Australia where the number of students enrolled in professional certification programs was estimated to be around 5,000 in 2003. By 2006 the number was estimated at 12,000, whereby most of the students were already working before they finished their course of study.

The relationship between education and wage level

The social viewpoint in existence today in Western countries is that in places where the work is technologically intensive, the workers are required to hold advanced academic degrees in fields like engineering, or other degrees whose terms of study are three years or more. Despite this, Maclean and Wilson (2009) suggest that in the United States, most of the technology companies employ workers who are professionally certified and only slightly less than a quarter of the employees are degree holders. The reality is that there has been a prolonged shortage of qualified professionally certified workers. At the end of the day the shortage of qualified workers increases the demand and increases the level of wages significantly for suitable employees. Companies do not have difficulty recruiting university graduates and engineers, whose numbers have increased consistently and accordingly with the market demands. However, companies have great difficulty recruiting professionally certified workers. Therefore, companies offer their professionally certified employees incentives like higher wage packages, comfortable job conditions and other such benefits. However, Neuman and Ziderman (2003) claim that at the end of the day, a person who acquired an academic degree has a greater overall ability than a person who acquired professionally certified training. The period of study and investment in an academic degree is prolonged and broader in scope, and this is expressed in most cases by the higher wage levels of holders of academic degrees as opposed to those with only professional certification.

A study by Ben-David (2010) in Israel shows a consistent trend, over a span of years, of a significant gap in wages between educated workers (including skilled workers) and uneducated workers. This study maintains that jobs which require high levels of expertise command higher wages. In addition, most workers with higher education enjoy faster promotions and an increase in wage levels, relative to workers with lower education levels. Other findings from the Israeli report show that
there is a direct connection between the quality of the degree and wage levels. That is, the level of certification is measured by the certificate (professional training or academic degree) and also by which institution (university or college). In general, it seems that college graduates earn up to 30% less than their colleagues from universities in professions like economics, accounting, law, computer science and engineering. Similarly, professions which require expertise and higher levels of intellectual skills like mathematics or sciences raise the wage level of these graduates even higher. However, when looking at the wage levels according to level of education, it seems that holders of Master’s degrees earn more than holders of Bachelor's degrees, as well as holders of a Ph. D (Navon, 2004). A possible explanation is that a person holding a Master’s degree has more expertise and experience than a Ph. D (because the pursuit of the Ph. D “wasted” more time learning), and therefore commands a higher wage. Studies done in other countries yielded similar results, such as Domínguez and Gutiérrez (2013), who found that holding a Ph. D doesn’t bring with it better working conditions or benefits relative to holders of lower ranked degrees. One of the reasons for this is that, frequently, holders of Ph. D’s work for government institutions and in the public sector. Also, there is a lot of temporary work relative to the private sector, which is also true of workers who have a Ph. D.

1.2. Gender Wage Gaps

When looking at gender differences we see that women earn less than men, even when both are equally qualified. This is nothing new and only strengthens the idea and old truth that women face prejudice in the workplace, even when they have the same expertise and skills as men. For example, a woman with a Master’s degree in the private sector may very well earn up to 50% less than a man who does the same job and has the same expertise. In practice, in most countries in the world, women earn less than men. For example, Navon (2004) found that in Israel women earn 17% less than men when both hold the same academic degree and work in the same profession.

Materials and Methods

From reviewing the available literature we see that higher education allows for quicker integration into the job market. Similarly, an academic degree is still considered to be more prestigious (especially in the eyes of the employers), makes possible a wider range of promotions, and commands a higher salary. Therefore, we expect that an increase in the number of years of education will translate into an increase in income. On the other hand, we see that in the last few years, the issue of professional expertise has become important. As is known, professional certification (which requires fewer years of study) delivers more professional expertise than an academic education (which requires more years of study). Therefore, the professional certification process is expected to reduce the amount of time that the increased education requires in order to be reflected by income. The hypothesis of the study which comes out of these two questions is that the marginal influence of the number of years of education on income is a decreasing function, such that at a certain point the effect will be negligible or negative.

Description of the Data

The research was based on surveys regarding household income, from the Central Bureau of Statistics. Until 2011, the relevant survey was “The Combined Income Survey.” Beginning in 2012, the Bureau of Statistics combined the income survey with an expenditures survey called “The Household Expenditure Survey” (which includes income as well). The research was done for the period spanning 2005 – 2015. The goal of the research was to determine whether or not there was a change in the structure of household income, over that period. The database for the empirical study includes only employees who worked full time, over the period. The self employed, those who did not work at all, and those who worked part time have been eliminated from the sample population. The following have also been eliminated from the sample: those who have had fewer than 8 years of schooling (no high school) or more than 22 (number of years to receive a Ph.D); those over 66 (retirement age) or under 25 (in Israel, the overwhelming majority of people under 25 have yet to fully integrate into the workforce); those whose last year of education was in a Yeshiva (religious Jewish school). A Yeshiva education is generally irrelevant to the work force, and therefore the number of years of education is not expected to have any influence on income. Also, a portion of the Yeshiva students have many, many years of education (sometimes more than 40), and this is an extreme case.

Separating the sample into Jews and Arabs

The population in Israel is divided into two main ethnic groups: Jews and Arabs. Jews make up the majority and Arabs constitute the minority. There are enough differences between the two groups such that the Arabs have a more difficult time integrating into the workforce, and it is reflected in income disparity (see Table 1) and work force participation.
Table 1: Wage by ethnicity and gender

<table>
<thead>
<tr>
<th>Year</th>
<th>Arabs Women</th>
<th>Arabs Men</th>
<th>Jews Women</th>
<th>Jews Men</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>5,578</td>
<td>7,715</td>
<td>7,500</td>
<td>12,579</td>
</tr>
<tr>
<td>2006</td>
<td>5,351</td>
<td>7,076</td>
<td>7,747</td>
<td>12,847</td>
</tr>
<tr>
<td>2008</td>
<td>5,193</td>
<td>7,304</td>
<td>7,968</td>
<td>13,318</td>
</tr>
<tr>
<td>2009</td>
<td>5,193</td>
<td>7,274</td>
<td>7,992</td>
<td>12,779</td>
</tr>
<tr>
<td>2010</td>
<td>5,569</td>
<td>6,783</td>
<td>7,943</td>
<td>12,731</td>
</tr>
<tr>
<td>2011</td>
<td>5,469</td>
<td>6,814</td>
<td>7,879</td>
<td>12,711</td>
</tr>
<tr>
<td>2012</td>
<td>5,793</td>
<td>7,392</td>
<td>8,659</td>
<td>13,946</td>
</tr>
<tr>
<td>2013</td>
<td>5,745</td>
<td>7,297</td>
<td>8,541</td>
<td>13,940</td>
</tr>
<tr>
<td>2014</td>
<td>5,773</td>
<td>7,979</td>
<td>8,808</td>
<td>14,082</td>
</tr>
<tr>
<td>2015</td>
<td>5,938</td>
<td>8,269</td>
<td>9,270</td>
<td>14,881</td>
</tr>
</tbody>
</table>

This is shown by the following two variables: “income disparity” and “work force participation.” Income disparity can be gleaned from Table 1. In 2016 68.1% of Jews participated in the work force, as opposed to 45.3% for Arabs.

In addition, the education levels in the workforce, for Arabs, is very different than in the workforce for Jews. The data for education, by ethnicity, is listed in Table 2.

Table 2: the distribution of workers by years of education, according to ethnicity

<table>
<thead>
<tr>
<th>Years of education</th>
<th>8</th>
<th>12</th>
<th>15</th>
<th>22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
<td>Arabs</td>
<td>Jews</td>
<td>Arabs</td>
<td>Jews</td>
</tr>
<tr>
<td>2005</td>
<td>0.10</td>
<td>0.02</td>
<td>0.53</td>
<td>0.37</td>
</tr>
<tr>
<td>2006</td>
<td>0.11</td>
<td>0.02</td>
<td>0.53</td>
<td>0.35</td>
</tr>
<tr>
<td>2008</td>
<td>0.12</td>
<td>0.02</td>
<td>0.55</td>
<td>0.36</td>
</tr>
<tr>
<td>2009</td>
<td>0.09</td>
<td>0.02</td>
<td>0.52</td>
<td>0.36</td>
</tr>
<tr>
<td>2010</td>
<td>0.09</td>
<td>0.02</td>
<td>0.54</td>
<td>0.35</td>
</tr>
<tr>
<td>2011</td>
<td>0.09</td>
<td>0.02</td>
<td>0.52</td>
<td>0.35</td>
</tr>
<tr>
<td>2012</td>
<td>0.08</td>
<td>0.01</td>
<td>0.50</td>
<td>0.35</td>
</tr>
<tr>
<td>2013</td>
<td>0.06</td>
<td>0.01</td>
<td>0.53</td>
<td>0.34</td>
</tr>
<tr>
<td>2014</td>
<td>0.06</td>
<td>0.01</td>
<td>0.53</td>
<td>0.33</td>
</tr>
<tr>
<td>2015</td>
<td>0.06</td>
<td>0.01</td>
<td>0.54</td>
<td>0.33</td>
</tr>
</tbody>
</table>

According to the data in the table, the level of education among Arabs is much lower than that among Jews. Because of these differences, this study will deal with each of the above groups separately. This separation allows for comparison between groups.

Description of the Model

The dependent variable in the model is the real income of employees, designated “Income.”

The independent variables are:
Number of years of education, designated “school.” As previously stated, the goal of the study is to determine the hypothesis which states that as the number of years of education increases, income does as well, but at a decreasing rate. Therefore, it may be that at a given level of education, additional schooling will not further increase income, and may even reduce it. Therefore this variable appears twice in the model: once linearly, and once squared.

The age of the employee is denoted as “age.” The accepted hypothesis regarding this variable is that as one gets older, income increases, but the rate of increase decreases over time. It may be that at advanced ages, further aging will lead to a decrease in income. Therefore, this variable also appears twice: once linearly and once squared.

A dummy variable for men (which takes a value of 1 for men and 0 for women), denoted as “man.” Also, in order to determine the effect of number of years of education for men as opposed to women, this variable appears a second time in the model as “man*school,” denoting the product of “man” and “school.”

A dummy variable for single individuals takes a value of 1 for single, 0 for married. This variable is denoted as “single.”

Accordingly, the model is as follows:

\[
\text{Income} = \beta_0 + \beta_1 \text{school} + \beta_2 \text{school}^2 + \beta_3 \text{age} + \beta_4 \text{age}^2 + \beta_5 \text{man} + \beta_6 \text{man*school} + \beta_7 \text{single}
\]

**Results and Discussions**

The results of the regression for Jews appear in the table 3:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Year 2005</th>
<th>Year 2006</th>
<th>Year 2008</th>
<th>Year 2009</th>
<th>Year 2010</th>
<th>Year 2011</th>
<th>Year 2012</th>
<th>Year 2013</th>
<th>Year 2014</th>
<th>Year 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>School</td>
<td>836</td>
<td>805</td>
<td>813</td>
<td>931</td>
<td>904</td>
<td>860</td>
<td>1,780</td>
<td>1,701</td>
<td>1,891</td>
<td>1,596</td>
</tr>
<tr>
<td>school^2</td>
<td>***</td>
<td>***</td>
<td>***</td>
<td>***</td>
<td>***</td>
<td>***</td>
<td>-27</td>
<td>-27</td>
<td>-32</td>
<td>-21</td>
</tr>
<tr>
<td>Age</td>
<td>627</td>
<td>564</td>
<td>772</td>
<td>798</td>
<td>835</td>
<td>876</td>
<td>880</td>
<td>909</td>
<td>5,922</td>
<td>4,444</td>
</tr>
<tr>
<td>age^2</td>
<td>-6.5</td>
<td>-5.5</td>
<td>-7.8</td>
<td>-8.1</td>
<td>-8.4</td>
<td>-9.0</td>
<td>-8.6</td>
<td>-8.9</td>
<td>-283</td>
<td>-197</td>
</tr>
<tr>
<td>Man</td>
<td>***</td>
<td>-2.038</td>
<td>-3.120</td>
<td>***</td>
<td>***</td>
<td>***</td>
<td>***</td>
<td>-3,093</td>
<td>***</td>
<td>-2,723</td>
</tr>
<tr>
<td>Man*school</td>
<td>387</td>
<td>528</td>
<td>619</td>
<td>368</td>
<td>367</td>
<td>359</td>
<td>396</td>
<td>608</td>
<td>393</td>
<td>600</td>
</tr>
<tr>
<td>Single</td>
<td>-1,670</td>
<td>-1,494</td>
<td>-1,418</td>
<td>-1,440</td>
<td>-1,747</td>
<td>-1,471</td>
<td>-1,621</td>
<td>-1,555</td>
<td>-1,761</td>
<td>-1,925</td>
</tr>
<tr>
<td>R^2 adjusted</td>
<td>0.24</td>
<td>0.25</td>
<td>0.24</td>
<td>0.24</td>
<td>0.23</td>
<td>0.25</td>
<td>0.22</td>
<td>0.21</td>
<td>0.23</td>
<td>0.26</td>
</tr>
</tbody>
</table>

*** The coefficients for these variables were not statistically significant and were removed from the regression

The data from Table 3 shows that for the years from 2005 until 2011, the coefficient for the number of years of education is positive, while the coefficient for the number of years squared is not statistically significant. For these years, the number of years of education and income have a linear relationship. However, beginning in 2012, the picture changes since the coefficient for the number of years of education squared becomes negative and statistically significant. The implication is that the marginal impact of the number of years of education on income decreases as the number of years of education increases. Until 2015, there is still no relevant region over which the increase in the number of years of education reduces the income, since the absolute value of the coefficient is relatively small. As a result, the number of years of education where income begins to decline (that is, the point at which the product of $\beta_1 \text{school} + \beta_2 \text{school}^2$ begins to decrease) is above 30, which is not in the relevant region. The conclusion is that for Jews, for years after 2011, an increase in education increases income. However, the rate of increase is decreasing as education increases.

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1 This was also the result when the regression was run using the transformation of the natural log instead of the squared regression.
Another interesting result is that the coefficient for the variable “age” is positive, while that of “age squared” is negative. The implication here is that as one gets older, income increases. However, it increases at a decreasing rate, until at a certain point an increase in age causes a decrease in income. These two variables, together, show that for Jews, the maximum income is reached at age 49 (as of 2005) to 52 (as of 2015).

Another result that comes out of the regression demonstrates the wage gap between men and women. The coefficient for “man*school” is positive for all the years. This means that among Jews, the gap between income for men and women grows as the number of years of education increases.

In some of the years, the coefficient for “man” was statistically significant and negative. It would appear that this result implies that men earn less than women. However, this conclusion is faulty. In the model, the effect of gender on income is composed of “man” as well as “man*school.” If we look at both of these effects together, it seems that for both variables, in all of the years, for eight years of schooling or more (the minimum education level in the study), the gender effect is positive. If we look at the year 2006, for example, the coefficient for man is -2,038 and the coefficient for man*school is 528. For a man with 8 years of education, the combined effect is: -2,038 + 528*8 = 2,186, which is of course positive.

One possible reason for this is the difference in career choices between men and women. Table 4 contains data for the percentage of workers in various academic professions in 2011 according to gender, for Jews. Column 2 displays the percentage of men, column 3 displays the percentage of women, column 4 displays the difference between them, and column 5 shows the average wage (of both men and women together) for the given professional field.

Table 4: The percentage of Jewish workers, by gender, in academic professional fields in 2011

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Men</th>
<th>Women</th>
<th>Difference between men and women</th>
<th>Average Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Chemists, physicists, and mathematicians</td>
<td>2.0%</td>
<td>1.0%</td>
<td>1.0%</td>
<td>19,873</td>
</tr>
<tr>
<td>Engineers and architects</td>
<td>7.3%</td>
<td>1.8%</td>
<td>5.4%</td>
<td>18,144</td>
</tr>
<tr>
<td>Doctors, veterinarians, and pharmacists</td>
<td>1.0%</td>
<td>1.8%</td>
<td>-0.8%</td>
<td>14,626</td>
</tr>
<tr>
<td>Judges and lawyers</td>
<td>0.9%</td>
<td>1.2%</td>
<td>-0.3%</td>
<td>14,661</td>
</tr>
<tr>
<td>Biologists and pharmacologists</td>
<td>0.3%</td>
<td>0.4%</td>
<td>-0.1%</td>
<td>13,220</td>
</tr>
<tr>
<td>Economists, accountants, and psychologists</td>
<td>2.5%</td>
<td>3.4%</td>
<td>-0.9%</td>
<td>13,127</td>
</tr>
<tr>
<td>Social scientists</td>
<td>0.3%</td>
<td>0.4%</td>
<td>-0.1%</td>
<td>9,157</td>
</tr>
<tr>
<td>Academics working in academic institutions</td>
<td>0.8%</td>
<td>0.7%</td>
<td>0.1%</td>
<td>13,476</td>
</tr>
<tr>
<td>Teachers</td>
<td>1.8%</td>
<td>4.5%</td>
<td>-2.7%</td>
<td>9,901</td>
</tr>
<tr>
<td>CEOs</td>
<td>2.6%</td>
<td>0.7%</td>
<td>2.0%</td>
<td>23,918</td>
</tr>
<tr>
<td>Executives</td>
<td>6.9%</td>
<td>3.8%</td>
<td>3.1%</td>
<td>17,031</td>
</tr>
<tr>
<td>Total</td>
<td>26.4%</td>
<td>19.7%</td>
<td>6.8%</td>
<td>15,832</td>
</tr>
</tbody>
</table>

Column 4 shows that the percentage of men employed in the exact sciences, engineering, and management is larger than for women. Column 5 shows the incomes of the various professions. Men are more highly represented in the professions that pay higher wages. This may be a reason why men have a higher return on education.

Regression results for the model for the Arab population

In the following table are the results of the regression for the Arab population

1For the years after 2011 there is no specific data on occupations, so only the distribution for 2011 was calculated.
Table 5: regression results for the Arab population

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>***</td>
<td>***</td>
<td>***</td>
<td>***</td>
<td>***</td>
<td>***</td>
<td>-2,896</td>
<td>***</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>School</td>
<td>-612</td>
<td>***</td>
<td>-337</td>
<td>-957</td>
<td>-356</td>
<td>-332</td>
<td>***</td>
<td>***</td>
<td>***</td>
<td>-480</td>
</tr>
<tr>
<td>(\text{school}^2)</td>
<td>48</td>
<td>13</td>
<td>35</td>
<td>58</td>
<td>36</td>
<td>37</td>
<td>23</td>
<td>23</td>
<td>23</td>
<td>45</td>
</tr>
<tr>
<td>Age (\text{age}^2)</td>
<td>121</td>
<td>80</td>
<td>87</td>
<td>288</td>
<td>86</td>
<td>73</td>
<td>97</td>
<td>***</td>
<td>***</td>
<td>438</td>
</tr>
<tr>
<td>Man</td>
<td>3,145</td>
<td>***</td>
<td>2,948</td>
<td>2,950</td>
<td>2,198</td>
<td>2,351</td>
<td>2,672</td>
<td>4,357</td>
<td>3,033</td>
<td>3,283</td>
</tr>
<tr>
<td>Man*school</td>
<td>***</td>
<td>188</td>
<td>***</td>
<td>***</td>
<td>***</td>
<td>***</td>
<td>-143</td>
<td>***</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td>Single</td>
<td>***</td>
<td>-903</td>
<td>-755</td>
<td>-962</td>
<td>***</td>
<td>-641</td>
<td>***</td>
<td>-1,096</td>
<td>-1,141</td>
<td>-977</td>
</tr>
</tbody>
</table>

*** The coefficients for these variables were not statistically significant and were removed from the regression.

In all of the years the coefficient of \(\text{school}^2\) is positive, signaling that the marginal effect of education is not decreasing, but rather increasing. In some of the years, the coefficient for school is negative (in other years it was not statistically significant), but in most of the years (except for 2005 and 2009) the breakeven point is fewer than 12 years of education. That means that in most of the years, the twelfth year of schooling already increases one's income. It appears as if the difference between the effect of education on Arabs and the effect on Jews is derived from the number of years of education, for each group. Looking at the data from Table 2, there are fewer Arab employees with many years of education. Therefore, the phenomenon of having “extra” years of education simply doesn’t come into play.

An interesting finding from the data shows that, among Arabs, an increase in age always increases income. Unlike among the Jews, the Arabs seem to have no specific age whereby income begins to decline. One possible explanation for this is the way in which employment is structured among each population. There is a hypothesis (which was not checked as part of this study) which states that the decline in income after age 50 is mainly in the fields of technology, exact sciences, and management. Table 7 shows the percentage of Arabs and Jews that work in these fields.

Table 6: percent of Arabs and Jews that work in the fields of technology, the exact sciences, and management for 2011

<table>
<thead>
<tr>
<th>Professional field</th>
<th>Percentage of Arab workers in the given field, out of the entire Arab population</th>
<th>Percentage of Jewish workers in the given field, out of the entire Jewish population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>4.62%</td>
<td>11.00%</td>
</tr>
<tr>
<td>Executive management</td>
<td>0.85%</td>
<td>3.24%</td>
</tr>
<tr>
<td>CEO</td>
<td>0.00%</td>
<td>1.23%</td>
</tr>
<tr>
<td>Doctors, pharmacists, and veterinarians</td>
<td>1.08%</td>
<td>0.48%</td>
</tr>
<tr>
<td>Engineers and architects</td>
<td>1.23%</td>
<td>3.40%</td>
</tr>
<tr>
<td>Chemists, physicists, and mathematicians</td>
<td>0.08%</td>
<td>0.96%</td>
</tr>
<tr>
<td>Biology and pharmacology</td>
<td>0.00%</td>
<td>0.12%</td>
</tr>
</tbody>
</table>

The table shows that the occupation rate in these fields for Arabs is smaller than that for Jews, except for one. This may explain why, among Arabs, there is no decrease in income as age rises.

There is also a difference between Arabs and Jews regarding men and women. The data showed that, among Jews, the difference in income between men and women favored men, and increased with the number of years of education. Among Arabs, the income difference between men and women is steady and uninfluenced by education.

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1 There is no detailed data for professions after the year 2011, so only the distribution for the year 2011 was calculated.
Conclusion

The goal of this study was to determine the connection between education level (expressed as years of education) and income, for employees in Israel between the years 2005 – 2015. The study distinguished between Jews and Arabs because each group integrates into the labor market in markedly different ways, as Jews represent the majority and Arabs the minority. From the literature arose the claim that in the last few years, the influence of an academic education has declined somewhat, as the market has shown a preference for professional training. Therefore, the hypothesis of the study states that the marginal influence of the number of years of education will decrease, such that at a certain point it will be very close to zero, and might even be negative. The study used a squared regression that examined the influence of the number of years of education on income for wage workers.

The results of the study show that there are large differences between the Jewish and Arab populations. Over the time period of the study, there was a change in the character of the influence of education on income, among Jews. From 2005 – 2011, the effect was linear. However, beginning in 2012, the situation changed. During this latter period, the marginal effect of the number of years of education decreased, even though over the relevant region of up to 22 years of education, the effect is still positive. It is reasonable to conclude that for Jews, the hypothesis of the study is partially correct in that the effect of education on income (through 2015), though decreasing, it still positive.

Another important result regarding the Jewish population is that the effect of education on income for Jewish men is higher than for Jewish women. This result demonstrates that the wage gap between Jewish men and Jewish women comes about because women are over represented in occupations that simply don’t pay as much as the occupations in which men are over represented. Therefore, as a group, women simply earn less than men, despite having the same amount of education. Among the Arab population, wage gaps between men and women still favor men, but don’t depend on education.

Additionally, the way in which age affects income is different for Arabs and Jews. Regarding Jews, income reaches a maximum around age 50, and then begins to decline. Regarding Arabs, the effect of age on income is positive up through the retirement age of 66. Differences between Jews and Arabs seem to stem from differences in education levels, as well as occupational differences between the two groups.

References


The Impact of Accounting Reforms in Financial Reporting- Case of Albania

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Abstract
In the line with Albania's membership in the European Union, as in many other countries, we have been implementing reforms in the accounting field, which have had an impact on financial reporting. These reforms have also affected the accounting profession. The establishment of a full set of National Accounting Standards (NAS) in accordance with IFRS was the main basis of these reforms. Through our study, following a review of the literature and focusing on the National Accounting Council's objective in updating national accounting standards in the context of harmonization with European Parliament Directive 2013/34 / EU (hereafter referred to as the "Directive"), we will highlight if this harmonization in itself is essential and effective for the economic unit, or it is simply an update. Based on the analysis of the primary data through the fuzzy logic analysis method, the effect of the accounting reform in the financial reporting will be studied by observing the relationship that may exist between these two indicators, as well as measuring the convergence level and making the difference between the adjusted NAS and the previous set of them.

Keywords: financial reporting, accounting standards, legal framework, formal harmonization, Measurement.

Introduction
What is being massively required by all countries is the creation of accounting practices and financial reporting that use a universal language. There are several factors that have encouraged and do still urge the process of a worldwide harmonization of financial reporting. Among others, the fast-paced development of information technology, has led to the ease of electronic movement of funds beyond national borders and has increased the readiness of the investors to invest within these borders. One reflection of the movement towards the international harmonization of financial reporting is the spread of International Financial Reporting Standards usage worldwide. In this context the improvement and reform making in the accounting area is aimed to increase the level of transparency and reliability of the financial information, as well as to fulfill the needs of market and protect the interests of the public and the state in the best way possible. In Albania the choice to use International Financial Reporting Standards does in line with the conditions of our economy, the goals set to bring our legislation closer with European Union member countries and by keeping in consideration the national accounting practices and traditions. The economic and social environment, the level of development and the ways in which the economy is organized have increased step by step the need to improve accounting standards. These improvements in general have ameliorated accounting and the accounting information system of businesses. The continuous evolving provided several information for its users, among which the primary basis of gaining information is the full set of financial statements that aim to give true and fair information regarding the activity developed by the company. These efforts have made possible the approval of Law no. 9228 on 29.04.2004 “For accounting and Financial Statements” that abolished Law no. 7661 on 19.01.1993 “For accounting”. This law predicted the creation of the National Accounting Council as a public and independent professional establishment that designs National Accounting Standards. This follows article 100 of the Constitution and articles 20 and 24 of Law no. 9228 on 29.04.2004 “For accounting and Financial Statements” that states this major goals:

The continuous perfection of accounting legislation
The processing of the accounting system in accordance with the Law for Accounting
Designing National Accounting Standards
The urge to use NAS and IFRS.

Financial Statements in Albania from the 1st of January 2008 to present are prepared according to the requirements of this new Law no.9228 “For accounting and financial statements” that has been modified several times until nowadays. Not only because they were firstly prepared based on a set of 14 national accounting standards, that were designed in line with national accounting standards and are to be used by all profitable private and public enterprises since January 1st 2008 with the exception of those large companies that will be included in an approved list by the Council of Ministers and will fully apply international accounting standards. Then, due to further economic development and adjustments made in the area of accounting, there was another standard added to the set of 14 standards. The national Standard no. 15 “On accounting and financial reporting principles applied on micro enterprises” that was implemented from January 1st 2009 that was obviously in accordance with the IFRS published by IBFR, (IFRS for SMEs).

Another novelty of the reforms undertaken in Albania was the creation of NAS for Non Profit Organizations, which was made possible by the adoption of 14 NAS as required for the issues related to NGOs. It began its implementation on January 1st 2016. Applying the NAS represents a core change regarding the preparation and reporting of the financial statements. Although it has faced many obstacles, it represents an indispensable step in Albania’s path towards the European Union. The reforms undertaken in the accounting area did not stop with the creation of the NAS or the Law for accounting but was enriched with further changes in other additional areas such as: practicing independent professions in accordance with Law no. 10091 on 05.03.2009 “For legal auditing, management of the Accounting Expert Profession and certified accountant.” which aims to improve and reinforce the public surveillance of the auditor’s profession and for the certified accountants as well. Furthermore the accounting laws were followed by the legal adjustment of the cases related to it. On April 14th 2008 in support of the articles 78 and 83 point 1 of the Constitution, was approved Law no. 9901 “For traders and trading companies”, that abolished Law no.7632 on 04.11.1992 “For the general part of the Trade Code” Law no. 7638 on 19.11.1992 “For trading companies” and Law no.7512 on 10.08.1991 “For sanctioning and protecting private property, free incentives, independent activities and privatization.” Through this law many important reforms were undertaken, related to traders, establishing and managing trading companies, the rights and duties of the founding businessmen, their partners and shareholders, reorganization and liquidation of trading companies. This period’s legislation established the foundations of accounting and market economy.

The reforms continued again, so in 2012, the National Accounting Council undertook the incentive to review and improve the full set of the NAS (a total of 15 standards) aiming to harmonize them with the requirements of the new standard for financial reporting in small and medium enterprises, published by IASB on July 2009. This reform was successfully completed in 2014 and the improved NAS in accordance with the Order of the Minister of Finance no.64 on 22.07.2014 “For the announcement of the improved National Accounting Standards and their mandatory implementation” are being applied since January 1st 2015. Once again the full set of the financial statements is composed by 14 applicable standards for SME one NAS for micro enterprises and one NAS for NGOs so a total of 16 national standards. The undertaken reforms have had several main goals:

- The improvement of the regulatory framework related to financial reporting
- The creation of stable structures to produce standards with high quality in the area of accounting and auditing.
- Creating monitoring and surveilling mechanisms that guarantee the application of standards in this area
- Increasing the professional level of accountants and auditors while preparing the financial statements and auditing reports.

Keeping in mind the aspiration to be part of the UE the Albanian government is approaching its legal and institutional framework with the EU’s acquis communautaire.

In this context, the improvement of the responsibility and transparency in the field of financial reporting is an important goal. (Fino D. 2016)

**Methodology**

It is often stated that establishing national accounting standards must comply with IAS/IFRS. In this study will be elaborated the compliance of this final harmonization. Many studies related to harmonization have used the factorial analysis for the similarities between accounting practices in countries that follow the same rules (Doupnik 1987; Doupnik and Taylor 1985, McKinnon & Janell, 1984, Frank, 1979; Rahman, Perea, and Ganeshanandam 1996). Garrido, Leon, and Zorio 2002) presented an index in their study that provides the measurement of the harmonization of formal accounting in the course
of time. Others have tried to indicate the level of accounting harmonization, by analyzing specific measurement methods applied by companies in Europe (Emenyonu & Gray, 1992, 1996; Herrmann & Thomas, 1995, 1996; Murphy, 2000; Van der Tas, 1988). In these studies the annual financial reports have been analyzed by companies with different residencies in order to define the level of the compliance between different accounting practices and the impact of adopting international standards in the process of accounting harmonization.

Even though several improvements are made in terms of measuring the harmonization and mainly the formal one, the core question of this study is applying the Euclidian distances. Being an absolute distance, the Euclidian distance can only indicate the differences between the compared cases/articles, but it cannot reflect the similarities or differences between them. This flaw makes it inappropriate to be applied while analyzing the formal harmonization (convergence) between different standards or the progress made within a standard (material harmonization).

Conscious about these existing flaws Fontes et al. (2005) proposed the Jaccard coefficient and the Spearman coefficient in order to estimate the progress of formal harmonization between every two groups of accounting standards. They estimated the formal harmonization between the Portuguese accounting standards and IFRS in the three phases of accounting convergence, using the Euclidian distance, Jaccard coefficients and the Spearman coefficient.

Based on the analysis and estimation of the existing methods used to measure the level of harmonization (convergence) between every two groups of the accounting standards, in this study will be presented a method that fits the fuzzy clustering analysis (Qu X. & Zhang G. 2008). Firstly in 1965 Lotfi A. Zadeh published his work “Fuzzy Sets” that describes the mathematical theory of fuzzy clustering, where the fuzzy logics is expanded. This theory provided that the function on membership (or the true and false values) could be applied on a range of real numbers between [0.0, 1.0]. Through this it is evaluated the progress of national accounting standards convergence with IFRS. The essence of the fuzzy clustering analysis is to build the fuzzy matrix in accordance with the features of the object being studied. The classification is made according to a specific scale of membership based on the fuzzy matrix. If A is function of x that takes its values from [0, 1], A is considered a fuzzy set, and it’s marked:

\[ A(x) = \begin{cases} 1 & x \in A \\ 0 & x \notin A \end{cases} \]

The scales of membership are between a tight section [0, 1].

The procedures of the fuzzy clustering analysis applied in this study are as it follows:

**Step 1: Choosing the indicators for the fuzzy clustering analysis**

X = \{x_1, x_2, \ldots, x_n\} it is designed to represent general classified objects, where the characteristics of each object x_i are named by a group of data (x_{i1}, x_{i2}, \ldots, x_{im}).

**Step 2: Transforming the original data in the way that it eliminates the effects of different dimensions.** The idea and the methods of transformation are the same being used in other fuzzy analysis for example in systematic clustering analysis that include standardization, classification and logarithmic etc.

**Step 3: Calculating the fuzzy matrix of similarity. Calculating the statistical size**

That represents the similarities between the classified objects. While ‘n’ is referred to the number of the classified objects.

\[ R = \begin{bmatrix} r_{11} & r_{12} & \cdots & r_{1n} \\ r_{21} & r_{22} & \cdots & r_{2n} \\ \vdots & \vdots & \ddots & \vdots \\ r_{n1} & r_{n2} & \cdots & r_{nn} \end{bmatrix} \]  

\( r_{ij} \) can be calculated by methods such as Euclidian distances, relator coefficients , Max-Min method, arithmetic mean, geometric mean, the absolute value index , mutual absolute values and the cosine method.

**Step 4: If the fuzzy similarity relationship \( R \) is also an equilibrium fuzzy relationship, the fuzzy clustering analysis can be elaborated directly.** Otherwise, the fuzzy matrix of similarity must be remodeled into an equilibrium fuzzy matrix that will be analyzed by the following criteria:
Let’s suppose that $\mathcal{R}$ is a group in $X \times Y$, if $\mathcal{R}$ meet simultaneously the following pre-conditions:

1. Reflexivity: $(x_i, x_j) \in \mathcal{R}$; and
2. Symmetry: if $(x, y) \in \mathcal{R}$

Then $(x, y) \in \mathcal{R}$, where $\mathcal{R}$ has a fuzzy similarity relationship.

If $\mathcal{R}$ fulfills the criteria (1) and (2), and also temporarily criteria (3):

3. if $(x, y) \in \mathcal{R}$ and $(y, z) \in \mathcal{R}$, then $(x, z) \in \mathcal{R}$

Where $\mathcal{R}$ is in an equal fuzzy relationship then it is the case of equilibrium fuzzy matrix.

The definition of different $\mu$ to be part of the $\mathcal{R}_\mu$ matrix, giving thus a different scale of membership to the matrix, defines the kind of the group gained. If $\mu = 1$, each case is a unique category. With the diminution of $\mu$, the categories start to become closer and at last are merged into one.

**Step 5: Designing the histogram** (Clustering groups graphic).

This method was firstly used during the comparison of the first NAS set in Albania with IFRS where it was indicated that the full set of accounting standards was a novelty for Albania and it complies with the IAS/IFRS (Ujkani M, Dhamo S 2013).¹

What this paper elaborates using the same mathematical method if the ongoing reforms led to the further improvement of NAS in accordance with IFRS-9 for SME do still represent a novelty or just a simple necessity to fulfill the UE’s requirements. In this context we came up with the hypothesis:

**Hypothesis;** The Improved National Accounting Standards are a novelty and do fully comply with IFRS;

The source of data that will serve to test the hypothesis will be the full set of the respective IAS and IFRS that are the basis of the NAS establishment in Albania. Furthermore, a more detailed analysis and methodology of hypothesis confirmation will be elaborated.

**Literature Review**

The European Union’s strategy to continuously create and improve IAS/IFRS might offer new knowledge for enterprises that operate in different legal and accounting systems by approving a unique package of accounting standards. The presence of a unique package will provide that equal transactions have equal accounting treatment no matter where they happen. This will continue with the presentation of the financial statements on the same principles, accounting policies bringing a high quality and true information. However the improvement in changing the information of IAS/IFRS is conditioned by at least two factors:

Firstly: the improvement is based on the hope that the changes on IAS/IFRS represent a change on a GAAP that induces a higher quality financial reporting.

Secondly, the accounting system is a component of the general institutional system of the country and it is set even with incentives coming from the enterprises when it comes to financial reporting.

Based on this even the undertaken reforms in Albania in terms of accounting, have had the same focus. Some researchers for example Meeks (2002) are highly suspicious if an international accounting standard will produce a more comparable accounting worldwide. However, the changes in accounting practices through different countries might lead to similar transactions being registered differently in terms of financial reporting. This lack of comparability makes the international financial analysis and investments even more complicated. Regardless how similar the accounting system are in different countries, they will not be easily comparable due to the big changes in the way the standards have been applied by companies due to differences in terms of economic, political and cultural environment.

Adhikari and Tondkar (1992) have observed that “Reporting, accounting and the standards for giving information as well as the practices are not developed in vain, but represent the specific environment in which they are developed” (pg.76).

Accounting principles and practices are generally affected not only by environmental factors such as values, history and culture but furthermore by the phase of the economic development of the society and the accounting system. There are different studies related to matters concerning the issues of accounting harmonization in Europe and its impact in the comparability and transparency of the financial statements. A study by Street and Shaughnessy (1998) has indicated that at the beginning of the 90’s there were far more changes between international accounting standards among English-American countries.

In Albania on the study made by Ujkani M. and Dhamo S. in 2013, it was indicated that the creation of the full set of NAS was a novelty for the country and would provide an improvement in the quality of financial reporting in accordance with IFRS. The latest developments of the European Union offer a chance to investigate the impact of the rules set by the IAS/IFRS on the national accounting standards. The previous studies have investigated the cases related to the possible outcomes of the NAS regulation including the costs and possible problems related to the approval of IFRS (Stolowy and Jeny-Cazavan, 2001; Bradshaw and Miller, 2003; Cairns, 2003; Mazars, 2003; Haller & Eierle, 2004; Nobes & Parker, 2004; Street & Larson, 2004; Delville, Ebbers, & Saccon, 2005; Epstein & Mirza, 2006; etc.)

The accounting researchers indicate that IAASB is the main factor in the international harmonization of Accounting Standards. The compliance with IAASB is not mandatory and cannot be enforced to be applicable (Muller et al., 1991).

Now we are aware of the advantages that the process of harmonization and standardization gives, however these processes might be criticized.

Many studies have indicated that NAS are part of the national environment, which is different for any country. Among others, Wagenhofer, (2002) and Nobes (1994) think that the IAS are not compatible with the specific national environment. It is still uncertain if the IAS can elaborate differences that derive from different national backgrounds such as economic environments and traditions. This due to the fact that global standards are not equally involved in the national environment as the national ones and thus cannot react alike to national circumstances. Another declaration from Goeltz states that the global capital markets can be developed even without the IAS (Goeltz, Choi et al., 2002). Even though researchers agree with Goeltz, on the other hand they think that the need to comply or to prepare the financial statements according to the foreign accounting standards is an obstacle for the free competition of capital movement.

A major challenge for the IAASB is the need for a global applying in order to promote the equal application of IAS/IFRS. This requires that all the parts involved in this process (companies, auditors, governments, regulatory parts etc.) work together. We believe that it is firstly the process of harmonization (convergence) of Accounting Standards that will lead to a group of globally approved and unified accounting rules. Also all researchers must agree on a unique and high quality answer on accounting information.

To reach this goal, the preparers and users of the financial statements must be ready to accept that the process of harmonization of the accounting standards will include changes or reforms on all existing systems. Thus, an authentic and harmonized form of the international accounting system might create that business language that will provide comparing any accounting information from all countries.

Analysis and its indicated findings

Before starting the analysis and the indication of its findings firstly a brief methodology for testing the hypothesis will be described. According the theory of the fuzzy clustering here mentioned before, the general standards are categorized in a unique group. Each pair of the compared standards represents a group. Comparing the groups of standards based on 6 elements that include: the object of the area covered by the standard, the main definitions, the recognition criteria, the measurement criteria, the methods of measurement, and the measurement at the end of the period that are specific indicators (variables) of the cases. Based on a specific μ membership scale, the levels of the convergence standards are divided in four categories: It is set the coefficient $1$ for cases that do completely converge, $0.7$ for cases that do essentially converge, $0.3$ for cases that do essentially not comply and $0$ for the cases that are totally different. These coefficients fit with each group and form the core data for the fuzzy clustering analysis.

In order to keep the same base of comparison and as the focus is on the National Accounting Standards and the expression of the indispensable need for them to represent a novelty, in this study it was followed the same structure while comparing NAS to IFRS. Thus the detailed steps for the calculation are followed as in the first evaluation of the convergence between NAS and IFRS (Ujkani M, Dhamo S 2013) as it follows.
Step 1: The definition of the case groups and their index specified in variables.

Firstly, it is required to set the goal of our calculations.

From the full set of the standards in this study are not included: Accounting standards no 1, no 15, and no. 16, being specific accounting standards. The core accounting standard no 1 in the set of NAS is equivalent with the Framework for Preparation and presentation of Financial Statements of IAASB. This is the conceptual basis to make specific accounting standards and that is why it is not part of the study and the comparison. NAS no 15 “On Accounting Principles and Financial Reporting from micro enterprises” and NAS no 16 “Accounting for NGOs” are not included to be compared with IFRS. These three standards are excluded so 13 standards are compared to IFRS and actual IAS, which will be referred as cases.

Secondly, it is necessary to define the pairs to be compared in each NAS and IFRS. For example 13 cases (NAS) are defined in a group and each of the cases of NAS is paired with the paragraphs of the respective IFRS on which they are based. It is stated as \( S = \{ s_1, s_2, \ldots, s_{13} \} \) where \( s_i \) represent the “i” number of the standards’ case, \( i = 1,2, \ldots, 13 \).

In order to have a possible comparison, the compared articles of each part of the standards (functional indicator) 6 factors have been indicated based on the content of the standards. Those include: the object of the area covered by the standard, the terminology that is part of it, the recognition criteria, the measurement criteria, the methods of measurement, and the re-measurement at the end of the period. The requirements considering giving explanatory information that are quite different from the recognition criteria as well as the measurement, and that do not affect the accounting treatment and the comparison, but can improve the utility of the financial information.

All 6 factors of comparison are marked with \( D = \{ d_1, d_2, d_3, d_4, d_5, d_6 \} \). The feature of no j in the standard of no “i” can be indicated by \( x_{ij} \), where \( i = 1,2, \ldots, 13 \), and \( j = 1,2,3,4,5,6 \).

Step 2: The definition of the value for comparison cases in any unique case and the effects of the elimination coming from different dimensions.

It is set the value 1 for cases that do completely comply and 0.7 0.3 and 0 for cases that do essentially comply, do essentially not comply and are totally different. While comparing a unique case there might be several other sub-issues of comparison for which the same coefficients are used and are calculated in accordance with the definition of the compared sub-articles in order to evaluate any case of comparison and to eliminate the effects coming from different dimensions. The data for the 13 comparison cases and their compliance coefficients are stated in Table 1 (Annex). Based on Table 1 we can use the method and the coefficient of compliance to calculate the overall level of convergence for 13 cases, that concludes that the overall level of convergence for NAS compared to IAS is

\[
= \frac{(163 \times 1 + 55 \times 0.7 + 11 \times 0.3 + 16 \times 0)}{163 + 55 + 11 + 16} = 0.8359
\]

Step 3: Calculating the fuzzy matrix of similarity

In this study it is applied the method of Cosine similarity to calculate \( r_{ij} \), and to build the fuzzy matrix of similarity:

\[
R = \left[ r_{ij} \right]_{n \times n}
\]

indicated in equation (1). (Table no 2 Annex)

Step 4: The elaboration of the R matrix to get a fuzzy matrix equivalent

After applying the method of Cosine similarity, the Max-Min method and the Max it is calculated the equilibrium fuzzy matrix. In this case, the second step (Max-Min method) has the same coefficient with the third step (Max method). So mathematically it can be stated: \( R \circ R' \circ R'' = R \circ R' \). The equilibrium fuzzy matrix is stated in equation (2) (See Table 3 Annex)

Step 5: Clustering and technical design of fuzzy clustering

Different membership scales of \( \mu \) are given to take different types of the \( R\mu \) groups.

According to the Histogram no. 1.1 it is indicated:

If \( \mu = 1 \), each of the 13 cases is a unique category
If $\mu = 0.99$, all 13 cases are categorized in 5 different categories, in which convergence is reached. No 2, 7, 8, 11, 12, 4, 5, 6, 14 represent a unique category while cases no. 9, 10, 13, and 3, are categorized separately.

$$\{S_2 \cup S_3 \cup S_4 \cup S_5 \cup S_6 \cup S_7 \cup S_8 \cup S_9 \cup S_{10} \cup S_{11} \cup S_{12} \cup S_{13} \cup S_{14}\} \cup \{S_{15}\}$$

If $\mu = 0.98$, all 13 cases are categorized in 2 different categories. Cases no 2, 7, 8, 11, 12, 4, 5, 6, 14 and 9, 10, 13 are combined and merged in this category, while no. 3 is a unique category.

$$\{S_2 \cup S_7 \cup S_8 \cup S_{11} \cup S_{12} \cup S_4 \cup S_5 \cup S_6 \cup S_{14} \cup S_9 \cup S_{10} \cup S_{13}\} \cup \{S_3\}$$

If $\mu = 0.97$, all 13 categories are merged in a unique one.

$$\{S_2 \cup S_7 \cup S_8 \cup S_{11} \cup S_{12} \cup S_4 \cup S_5 \cup S_6 \cup S_{14} \cup S_9 \cup S_{10} \cup S_{13} \cup S_{13}\}$$

Histogram 1.1 “For the convergence of the improved NAS with NAS/IFRS”

The results analysis based on the coefficient’s calculation and the fuzzy clustering analysis, indicates that the full set of the improved NAS continue to have a quite notable convergence with all IAS/IFRS and IFRS for SME, on which they are based. The overall level of convergence between NAS and IFRS calculated with a compliance coefficient is 0.8359 thus greater than 0.7 which means that a notable convergence is achieved between NAS and IAS/IFRS. However, on the first study made (Ujkani M. and Dhamo S 2013) this level of convergence was defined 0.8377. This indicates the fact that the level of convergence based on compliance coefficients between the improved set and the first set of NAS shows no notable difference (it can be said that they stay on the same levels). Based on the fuzzy clustering analysis the lowest membership scale of $\mu$ is set on the level of 0.97, because on this level all the cases were able to be categorized in one. So it results that the smallest step of the membership scale is 0.01 and the biggest step of the membership scale is 0.03 the case of $\mu = 1$, and it defines the fact that each case is a unique category and when $\mu = 0.97$ all the cases are categorized as one. This also means that the level of convergence between the improved NAS and IAS/IFRS and IFRS for SME is much higher and NAS have converged. The very small interval of the membership scale indicates small differences between the convergence of any case of the NAS and IAS/IFRS. While based on the previous study made by Ujkani M and Dhamo S 2013 it is stated that the membership scale is lower than $\mu$ on a level of 0.96 and that the smallest step of the membership scale is 0.01 and the biggest step of the membership scale is 0.04. Once again, the comparison between the two phases, the phase when the first set of NAS was created and the phases of the reforms that continued the improvement of NAS indicates a quite small difference (0.97 + 0.96).
This analysis rejects this study’s hypothesis that “The improved NAS are a novelty and in full compliance with IFRS” So based on the fuzzy clustering analysis it is indicated that the improved set of NAS has almost the same convergence levels and μ membership scale levels as it follows:

**Overall level of convergence**

<table>
<thead>
<tr>
<th>Overall level</th>
<th>Membership scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>The first set of NAS</td>
<td>0.8377 &gt; 0.70.96</td>
</tr>
<tr>
<td>The improved set</td>
<td>0.8359 &gt; 0.70.97</td>
</tr>
</tbody>
</table>

However the analysis continues, focusing on the elaboration of these changes between the two sets and the overall level of convergence as well as evidencing the determinative factors of these differences. The data is shown graphically on Graphic 1 (see Annex 4)

**Graphic no 1 “Comparison of the level of convergence of first and improved NAS”**

![The convergence level of NAS with IFRS](image)

Source: Authors based on this study’s data and the study made on 2013

From the graphic and the comparison of the coefficients’ data it is concluded that NAS no. 2, 6, 9, 11, 12, all have the same compliance coefficients in their creation fazes as well as during further improvement. This result tells that the reforms undertaken in order to improve these standards have no effects in their level of convergence continue to be the same, and it can be surely stated that it refers only to a compliance of the IFRS elements and to fully converge. NAS no 3, 4, 5, 7, 8, 10, 13 and 14 do have changes on their level of convergence. These changes might be divided in two categories- the category where reforms related to their improvement have had an impact on increasing their level of convergence that includes NAS 3, 4, 5, 13 and 14. These reforms are related to the accounting treatment of financial instruments, inventories, long term tangible and intangible assets, biological assets and controlled companies as well as participations. Some specific topics that may be included and that represent a novelty for NAS are the evidencing of the way concessionary agreements are treated (NAS 13) considering that may activities of this type are being developed in Albania. The other category NAS 7, 8, 10 includes those standards that the reforms for their improvement have given a lower convergence level compared to the first set created in these areas. This includes the accounting treatment of revenues, leasing and government grants. The most visible effects of these reforms are related to the evidencing in the respective NAS of the accounting treatment of the revenues generated from construction contracts, revenues from ordinary rent and leasing and indicating the forgivable debts that according to the NAS are to be treated as a grant only in the cases when there is sufficient assurance that the enterprise will fulfill the predestined conditions to forgive the debt. These changes in NAS emphasize that Albania in its respective reforms aims not only to comply with IFRS but also with the country’s development conditions.
5. Conclusions

Albania’s choice to apply National Financial Reporting Standards meets the necessities and conditions of its economy, the goals of bringing its legislation closer to the legislation of European Union member countries and is in line with the national accounting practice. The socio-economic conditions, the level of development and the way the economy is organized have urged the need and will continue to step up the need for reforms in the accounting field.

Based on the fuzzy clustering analysis this paper concludes that the improved NAS have reached their goal of sufficient convergence with all IFRS and IFRS for SME. The overall level of convergence between NAS and IFRS is calculated with a 0.8357 compliance coefficient, thus greater than 0.7 which means that a quite important convergence between NAS and IFRS has been achieved. On the other hand the lowest membership scale is set on the level of 0.97. These do not represent a novelty in the first set of NAS but represent an effort of Albania towards the improvement of responsibility and transparency the area of financial reporting, as a major goal to join the UE. These changes underline the fact that Albania in these particular reforms aims not only compliance with IFRS but also with the country’s conditions.

The official convergence measurement of accounting standards through fuzzy clustering analysis is still on an exploratory faze. Due to the fact that it still includes personal judgements in solving of the cases compared and in the determination of the values, it is to be considered that there might be one-sided thoughts among researchers and readers.

However, it is hoped that this study gives a contribution in studying the measurement of formal harmonization and gives the chance for others to do further research in this area.

Reference


[25] Law no. 10091, datë 05.03.2009 “Për auditimin ligjor, organizimin e profesionit të Ekspertit Kontabël të regjistruar dhe të kontabel i miratuar”,

[26] Law no. 9228, datë 29.04.2004, “Për kontabilitetin dhe pasqyrat financiare”,

[27] Law no. 9901 “Për tregëtarët dhe shoqëritë tregtare”,


[40] Urdhërit te Ministrit të Financave nr. 64, dt. 22.07.2014 “Për shpalljen e Standardeve Kombëtare të Kontabilitetit të përmirësuar dhë zbatimin e detyrueshëm të tyre”,


Website:
http://www.kkk.gov.al

Jorgji Bollano, Kryetar i Këshillit Kombëtar të Kontabilitetit – “Vizione të bëra realitete të prekshme - një histori suksesi”

Keler Gjika, Përfaqësuesi i Bankës Botërore – “Mbështetja e Bankës Botërore për reformën në raportimin financiar-Thjeshtimi i kërkesave për NVM-të në driftn e Direktivës së BE”

http://www.ieka.org.al/

http://www.wikipedia.org


ANNEX

Table no 1. “Measurement of convergence coefficients for 13 NASs with IFRS / IFRS for SMEs”

<table>
<thead>
<tr>
<th>NAS / IAS</th>
<th>Coefficients</th>
<th>Scope</th>
<th>Terminologies</th>
<th>Recognition</th>
<th>Measurement</th>
<th>Accounting methods</th>
<th>Re-measurement</th>
<th>Measurement coefficient</th>
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<td>2 0</td>
<td>2 1.00</td>
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Table 2: Fuzzy matrix of similarity to NAS - IAS / IFRS (Matrix γt)
Table no. 3 “Fuzzy matrix of balance for NAS - IAS / IFRS (Matrica $\mathbf{U}_1$)”

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<td>0.98</td>
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</table>

Histogram 1.2 ”For the Convergence of First NASs with IAS / IFRSs”

<table>
<thead>
<tr>
<th></th>
<th>NAS 2</th>
<th>“Presentation of financial statements”</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>NAS 7</td>
<td>“Accounting for leases”</td>
</tr>
<tr>
<td>3</td>
<td>NAS 8</td>
<td>“The income”</td>
</tr>
</tbody>
</table>
Table no. 4 "Convergence measurement coefficients for the first and improved NAS Set"

<table>
<thead>
<tr>
<th>NAS / IFRS</th>
<th>Measurement coefficient</th>
<th>First Set</th>
<th>Amended Set</th>
<th>Differences</th>
</tr>
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<tbody>
<tr>
<td>NAS 2</td>
<td></td>
<td>0.91</td>
<td>0.91</td>
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<tr>
<td>NAS 3</td>
<td></td>
<td>0.73</td>
<td>0.76</td>
<td>0.03</td>
</tr>
<tr>
<td>NAS 4</td>
<td></td>
<td>0.76</td>
<td>0.79</td>
<td>0.03</td>
</tr>
<tr>
<td>NAS 5</td>
<td></td>
<td>0.79</td>
<td>0.83</td>
<td>0.04</td>
</tr>
<tr>
<td>NAS 6</td>
<td></td>
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<td>0</td>
</tr>
<tr>
<td>NAS 7</td>
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<td>0.99</td>
<td>0.97</td>
<td>-0.02</td>
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<tr>
<td>NAS 8</td>
<td></td>
<td>0.91</td>
<td>0.87</td>
<td>-0.04</td>
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<td>NAS 9</td>
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<td>NAS 10</td>
<td></td>
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<td>-0.13</td>
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<tr>
<td>NAS 11</td>
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<tr>
<td>NAS 12</td>
<td></td>
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<td>0</td>
</tr>
<tr>
<td>NAS 13</td>
<td></td>
<td>0.59</td>
<td>0.62</td>
<td>0.03</td>
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<tr>
<td>NAS 14</td>
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<td>0.79</td>
<td>0.81</td>
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</table>
The Role of Human Resources Motivation in the Development of Hotel Enterprises in the Ferizaj Region (Republic of Kosovo)

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Abstract
The main purpose of this research is to describe and sift the overall level of motivation of the employees of hotel enterprises in the region of Ferizaj, in the Republic of Kosova regarding the factors affecting it as well as measuring the relationship between motivation and quality of service. The first objective of this study is to measure and describe work relationship among the employees of hotel enterprises in the Ferizaj Region, while the second objective is to measure and describe payroll and bonuses among the employees of hotel enterprises in the Ferizaj Region. Part of the study were 467 workers of the hotel enterprises of which 36% (n=171) were women, and 63.4% (n=296) men. Analysis of empirical data is performed using the Statistical Package for the Social Sciences (SPSS) system. From the findings of this study it has been founded that the employees of hotel enterprises in Ferizaj region are above average motivated in their work. Salary is the most important factor that has an impact on motivation, followed by the work-related relationships. However, comparing level of motivation among different places, we can see that the workers in Ferizaj and Shterpce were more motivated because more motivational techniques were used by their managers, whereas employees in Shtime and Kaqanik were less motivated. The variance analysis identified significant statistical differences in terms of motivation at work. Regarding the quality of service from the statistical data, we see that the quality of service is in right proportion to motivation. Clients were satisfied with the hotel services in general but the citizens of Ferizaj and Shterpca were more satisfied whereas citizens of Shtime and Kaqanik were less satisfied. Finally, it can be asserted that the findings of this study can help the structures of hotel establishments to use efficient techniques to motivate their employees, which could lead to the increase of the quality of service provided.

Keywords: Hotel enterprises in the region of Ferizaj, motivation, quality of service

Introduction
Until recently, enterprises in Kosovo to increase their profits were devoted to capital investments, which was the strategy of almost all businesses, without paying attention to investment in human capital, which is key to business development. According to research, the world's enterprises are particularly concerned about the factor of man from where we can imply that they use different strategies for motivating at work such as: various staff training, rewards, better working relationships, enjoyable pay, better working conditions, and other factors that can be seen as motivational incentives.

This trend of human resources management through various motivational factors has begun to be applied evenly in our country. This is best demonstrated by this research by which we understand that the leading structures of enterprises attach great importance to work relations, such as wages and rewards, as the most influential factors in motivating workers.

So the main purpose of this study is to describe and analyze the overall level of motivation of employees of hotel enterprises in Ferizaj Region, in the Republic of Kosovo in relation to factors affecting it and to measure the relationship between motivation and quality of service. The situation resulted such that the motivation was in proportion to the quality of the service, so with the growth of the one increasing the other.
The importance of this study is great because, apart from smoothing the motivation of employees, we also analyze its impact on quality. Given the natural beauties of the Republic of Kosovo, tourism is expected to develop even more, as the Municipality of Shtërpcë has a suitable ski area. Therefore, the quality of service is of great interest.

The study was built based on a hypothesis and two under the hypothesis:

H: Motivation of employees affects the quality of hotel services

   NH1: Employment relationships affect worker motivation

   NH2: Wages and bonuses affect employee motivation

Methodology

Primary and secondary data are used in this research. When it comes to primary data, it is about those data that we have received from the survey of workers of hotel enterprises, while secondary data included relevant literature that corresponded to research from scientific works and from various contemporary literature.

The population of this study was 1551 hotel enterprises (based on data from the Ministry of Trade and Industry), while the sample was selected as 30% of the total, ie 467 surveyed employees.

This paper will contain descriptive research that will describe the characteristics of different phenomena and exploratory research which sets the research relationships by showing the cause between the variables.

Questionnaires were created through Google Forms, distributed across e-mails and across web pages, then data processing was done through the Social Science Statistical Package (SPSS).

By means of econometric models, the validity of independent variables (working relationships, wages and bonuses) is verified on the dependent variables (motivation of employees).

Literature review

Every business is intended maximizing profit. For the company to achieve this, it must, among other things, have in place and develop the human resource department (Hashani M et al. 2015). HRM deals with the human dimension in managing an organization, so organizations through man manage human resources, selecting them, developing those skills, motivating them to the highest levels of achievement and success, and ensuring the maintenance of their level of engagement in all important activities (Ismajli N et al. 2015).

Motivation is defined as the will to exert high levels of effort to achieve organizational goals, conditioned by the ability of these efforts to satisfy some individual needs. The motivating factors are: wages, career advancement, job security, work contracts, working conditions, organizational culture, level of responsibility at work (degrees), bonuses etj. (Ismajli N et al. 2015)

A motivated employee positively influences the achievements and productivity of the job. However, this result is often influenced by working conditions, organization strategy, management practices or rewarding forms. Interventions, bonuses or other incentives increase our internal motives to better perform the work that is being charged (Plantinga M. 2006). Also, great importance in the literature is devoted to the necessity of staff training, to be in trend and adequate flow of technological, logistical and business development (Hashani M et al. 2015).

Kosovans are recognized as very optimistic and also as strong workers, but as we all need motivation to do a better job and we can say we lack motivation (Ismajli N et al. 2013).

Benefits and revenues are complex and multifaceted factors. Salary does not only serve to help people achieve their basic needs but is also important in meeting the needs of a higher level. From the results it is seen that employees are motivated, when their pay is in line with workload, have health benefits, rewards and professional growth, security for retirement, work contract, and workplace sustainability. The greater the financial reward, the less worrying employees about their financial status, increasing their impression of the value they have in the organization, complying with community pay standards, the productivity is most likely to be the result (Igalens J et al 1999). Samariha suggests that the degree of motivation at work is linked to the employees' ability to interact with others, the function of personal characteristics and the characteristics of the group to which he or she belongs. (Samariha et al. 2012). Such social relationships form an important part of the
"social climate" within the workplace and provide an environment within which employees can experience meaning and identity (Aydin, T. O. 2012).

Employees need to be assessed and admitted unconditionally. The higher the level of cooperation and support, the more motivated they will be. Studies have shown that employees who feel valued by superiors, attach particular importance to the relationship and cooperation with them, tend to meet their expectations and accept any comment or suggestion given to them. Managers who allow employees to participate in decisions that impact the work will stimulate higher levels of satisfaction, motivation, dedication and performance, specifically in higher education. Meanwhile, relations with colleagues have also been considered extremely important. They bring a desire to work and increase results (Brady P.R, 2008).

Data and analysis

After collecting data from 467 employees of hotel enterprises in Ferizaj Region we have the following results. We initially start with some demographic data to see who the target group was.

If we refer to gender in this research, then we see that 36.6% (n = 171) were females and 63.4% (n = 296) were male from the total of 467 respondents. The age of 18 to 25 was 31% (n = 145), the age of 26 to 33 was 52.2% (n = 244), the age 34 to 41 was 15.4% (n = 72), and at the age of 50 a percentage of 1.3 (n = 6).

As for the factors through which we measured the motivation at work, we have the following results:

Working relationships are an important category that plays a role in employee motivation and as such it is measured through the Likert scale where the minimum response was 1 to 5.

After calculating through the SPSS program we see that the average of this category was x = 3.9 and the standard deviation ds = 1.10.

Table 1. Relationships at work

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Average</th>
<th>Standard deviation</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>The manager supports the professional development of employees</td>
<td>467</td>
<td>1.00</td>
<td>5.00</td>
<td>3.4325</td>
<td>.88214</td>
<td>.778</td>
</tr>
<tr>
<td>The manager treats employees fairly and impartially</td>
<td>467</td>
<td>1.00</td>
<td>5.00</td>
<td>3.4411</td>
<td>.88760</td>
<td>.788</td>
</tr>
<tr>
<td>The manager constantly gives me information about the work he does</td>
<td>467</td>
<td>1.00</td>
<td>5.00</td>
<td>3.3362</td>
<td>.94961</td>
<td>.902</td>
</tr>
<tr>
<td>My manager is efficient in delegating and distributing tasks at work</td>
<td>467</td>
<td>1.00</td>
<td>5.00</td>
<td>3.3619</td>
<td>1.11548</td>
<td>1.244</td>
</tr>
<tr>
<td>My manager is available when I have questions and I need help</td>
<td>467</td>
<td>1.00</td>
<td>5.00</td>
<td>3.4069</td>
<td>1.19252</td>
<td>1.422</td>
</tr>
<tr>
<td>My manager hears and takes into account my suicide</td>
<td>467</td>
<td>1.00</td>
<td>5.00</td>
<td>3.4069</td>
<td>1.26923</td>
<td>1.611</td>
</tr>
<tr>
<td>I'm pleased with the management skills of my manager</td>
<td>467</td>
<td>1.00</td>
<td>5.00</td>
<td>3.4004</td>
<td>1.21870</td>
<td>1.485</td>
</tr>
<tr>
<td>I get praised and rewarded when my performance is good</td>
<td>467</td>
<td>1.00</td>
<td>5.00</td>
<td>3.4283</td>
<td>1.21538</td>
<td>1.477</td>
</tr>
<tr>
<td>I get the deserved respect from my colleagues</td>
<td>467</td>
<td>1.00</td>
<td>5.00</td>
<td>3.3876</td>
<td>1.24374</td>
<td>1.547</td>
</tr>
</tbody>
</table>
This means that employees are supported by managers for their professional development, treated equally, receive information and guidance on the job they are performing, rewarded for their performance and what is most important is mutual respect among employees because such a convenient environment makes them more comfortable with their workplace, making them more motivated.

Another important indicator that approves the aforementioned script is the degree of compliance for this set of questions, resulting in 20.2% disagreeing that work relationships are level, 26.1% volatile for the assertions of this group, so they clicked the option "I'm not sure", and finally with a percentage of 53.48 are declared to be satisfied with interpersonal reports and reports with executives, respectively with their managers. This is an enviable and over average percentage that makes you understand that the workers of the Ferizaj Region have a positive tendency to be motivated, and on that basis give good performance.

### Table 2: Wage and Benefits

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Average</th>
<th>Standard deviation</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>I am satisfied with my current salary</td>
<td>467</td>
<td>1.00</td>
<td>5.00</td>
<td>3.5161</td>
<td>1.15032</td>
<td>1.323</td>
</tr>
<tr>
<td>I'm delighted with the benefit package</td>
<td>467</td>
<td>1.00</td>
<td>5.00</td>
<td>3.9079</td>
<td>1.39053</td>
<td>1.934</td>
</tr>
<tr>
<td>I am delighted with the recent salary increase</td>
<td>467</td>
<td>1.00</td>
<td>5.00</td>
<td>3.8758</td>
<td>1.38105</td>
<td>1.907</td>
</tr>
<tr>
<td>I am delighted with the payment structure of the company</td>
<td>467</td>
<td>1.00</td>
<td>5.00</td>
<td>3.8223</td>
<td>1.39608</td>
<td>1.949</td>
</tr>
<tr>
<td>I am satisfied with the amounts my company pays for my benefits</td>
<td>467</td>
<td>1.00</td>
<td>5.00</td>
<td>3.8158</td>
<td>1.44288</td>
<td>2.082</td>
</tr>
<tr>
<td>I am satisfied with the wage growth interval in the company</td>
<td>467</td>
<td>1.00</td>
<td>5.00</td>
<td>3.7923</td>
<td>1.54396</td>
<td>2.384</td>
</tr>
<tr>
<td>I reward for the quality of my efforts</td>
<td>467</td>
<td>1.00</td>
<td>5.00</td>
<td>3.5268</td>
<td>1.28746</td>
<td>1.658</td>
</tr>
<tr>
<td>I experience personal financial growth in this company</td>
<td>467</td>
<td>1.00</td>
<td>5.00</td>
<td>3.5846</td>
<td>1.23557</td>
<td>1.527</td>
</tr>
<tr>
<td>Performance evaluation impacts on salary increases</td>
<td>467</td>
<td>1.00</td>
<td>5.00</td>
<td>3.5803</td>
<td>1.24278</td>
<td>1.545</td>
</tr>
<tr>
<td>Here is the opportunity for advancing the career</td>
<td>467</td>
<td>1.00</td>
<td>5.00</td>
<td>3.5803</td>
<td>1.27853</td>
<td>1.635</td>
</tr>
</tbody>
</table>

So surveyed workers are satisfied with pay, benefits package, are satisfied with the payment structure, are satisfied with the wage growth interval, and have career promotion opportunities.

Another important indicator is the degree of compliance where we see that 20.97% are not satisfied with the pay and bonuses given to the company, 19.32% were unsure if the claims submitted corresponded to the situation in the company, and finally with the highest percentage of compliance by all groups of questions was here with 59.05%.
Table 3 Linear Regression

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
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<td></td>
<td>B</td>
<td>Std. Error</td>
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<tr>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>.336</td>
<td>.084</td>
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<tr>
<td>WAGE</td>
<td>.487</td>
<td>.029</td>
</tr>
<tr>
<td>REWARD</td>
<td>.275</td>
<td>.059</td>
</tr>
<tr>
<td>RELATIONSHIP WITH WORKERS</td>
<td>.094</td>
<td>.052</td>
</tr>
</tbody>
</table>

a. Dependent Variable: MOTIVATION

Linear regression was used for the analysis of results, where correlation is measured from data and anova for finding the influence of independent variables and dependent variables.

The dependent variance in this paper is the motivation of human resources, while independent variables are payouts, rewards, and magnitudes at work.

\[ y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \ldots + \beta_n X_n + e \]

\( y \) - Motivation
\( \beta_1 - \text{wage} \)
\( \beta_2 - \text{Rewards} \)
\( \beta_3 - \text{magnitudes at work} \)

\[ y(m) = .336 + .487(wage) X_1 + .275(reward) X_2 + .094(mw) X_3 + e \]

From the formula of the model we see that despite the independent variables (influencing factors), the workers are motivated .336, while with the growth of one, a motivation payment unit rises to .487. with the growth of 1 reward unit (activity) of bonuses increased motivation for .275 and from all these less influential variables have emerged from work relations.

The values given in the model are expressed on the basis of activities and have positive links, so independent variables have a direct impact on the independent variables. From the table are taken non-standardized coefficients since the unit of measurement for all variables is the same.

Conclusions and Recommendations

Quantitative methods were used to give answers to questions and objectives. Part of the study were 467 hotel hotel workers, 36% were women and 63.4% males.

The first set of questions that maths at work consists of 9 statements, found that relationships were on a satisfactory level, with an average of 3.9 from a minimum of 1 to a maximum of 5.

The workers were in agreement with a sufficiently high degree of compliance to support their professional development by managers, treated fairly and impartially, assessed and rewarded when performance is high, etc.

In addition, it is worth pointing out that work relationships have positively influenced the motivation of employees, thus increasing the quality of service.
The second group had 10 statements that motivated the job. From previous statistics we see that the group's average was 3.7 and standard deviation 1.33. According to this we came to the conclusion that employees are satisfied with their salary, benefits bonuses, and many other points mentioned in the questionnaires. So the level of compliance was quite high at 59.05%, which means that the salary positively affects the motivation of the workers, thus affecting the increase of the quality of the service. So both of them are in fair proportion, with the growth of one increasing and the other and vice versa

Recommendations are attributed to enterprise hotel managers because these factors that influence motivation are internal factors, and as such should be applied to employees.

Although the statistical data resulted in a high level of motivation, the recommendations help to improve the situation even further. Because a motivated worker is worth treasure.

Since the subject matter of the study was labor relations as well as wages and bonuses, it is recommended that work relationships improve even more at those points where they have been poorer, also, countries such as Kaqanik and Shërme need much attention to work relations. As for the salary and rewards, it is recommended that wages are even higher, because this factor was the one with the greatest weight affecting the motivation of workers.

For other researchers who want to deal with motivational factors, it is recommended to address other factors influencing motivation at work because it was impossible to examine all who are mentioned in the literature, which are: institution policies, competence, success, achievement, professional growth, environment and working conditions, training, career promotion etc.

References


Financial Institutions and Chinese Investment: The Review of China Pakistan Economic Corridor (CPEC) Policy

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Meezan Bank Pakistan

Abstract

China Pakistan Economic Corridor (CPEC) initiates different energy projects, infrastructure ventures and business economic zones within Pakistan. The extensive Chinese investment, worth $62 billion, have long-term impacts on the economy as well as financial institutions of Pakistan. The banking economy are probable to generate an innovative stream of revenues, in the future outlook under CPEC projects. This study is significant in gauging the financial institutions performance and value creation, under CPEC policy. It will enables the institutions in realizing their future planning strategies and achieving their corporate goals. This study contributes in estimating the performance of financial institutions through shareholder value creation, under the CPEC policy in Pakistan. The analyses of this study was furnished by incorporating panel data techniques. The time span of the study is taken since the inception of CPEC agreement i.e. 2012 to 2016. The identification of financial institution`s value creation dynamics, is also one of the major contribution of this study. The paper analysis demonstrates that leverage, dividend policy, and return on equity has statistically significant effect on financial institution`s shareholder value. Moreover, the study results reveals that CPEC does have significant effects on the Pakistan`s financial institutions value creation.

Keywords: Shareholders value creation, Leverage, Dividend policy, and Return on equity, CPEC.

Introduction

The imperative relationship and the geological propinquity between Pakistan and China and increases their economic and ecological significance to the notorious friendship. (Ghulam, 2015). China under the China Pakistan Economic Corridor (CPEC) agreement, assured to invest approximately $46 billion to developmental projects in Pakistan. It is analogous to 20% of Pakistan annual GDP (Stevens, 2015). The prevailing progresses in Pak China Corridor make Pakistan a notable shipment heart for the world, approaching the major economies of South Asian nations.(Memoona et al., 2014). China through its investment under China Pakistan Economic Corridor, not only consider its short term economic compensation but more noticeably long-term deliberate care of Pakistan needs to be considered. (Li and Sun, 2015). In the first phase of CPEC, the early harvest projects with the cost of $46 billion, designed to develop Gwadar port, mitigate energy crises and upgrade infrastructure in Pakistan. The colossal economic activity leads to the diminution in unemployment and improvement in the real aggregate demand of the economy.

The statistics published by the State Bank of Pakistan, forecasts 39 % boosts in the economy of Pakistan in physical year of 2015-16, with the total influx of $600 million foreign direct investment (FDI). China has ascended as the largest contributors to Foreign Direct Investment (FDI) in 2015-16. Pakistan has realized a prominent increase in FDI, in the category of power, oil and gas explorations, telecommunications and beverage industry. Foreign direct investment is not only a starting place of foreign capital but a start-up to technological shift, enhancement in decision-making capacities, all are imperative for a eminent economic growth. World Bank & International Monetary Fund affirms the vital role of FDI in increasing economic growth and poverty contraction in developing countries, particularly in the perspective of globalization and liberalization. CPEC is a way forward towards the generation of Pakistan employment prospects and business opportunities in the country. It enables banks to expansion in their clientele, extension in new loans and engagement in new business activities. Certainly, CPEC will increase FDI which will result in higher revenues by the banks.
The Banking Sector is backbone of trade and commerce which provides major source of finance to the industries. The increasing phenomenon of globalization and regional connectivity has increased the importance of financial sector across the world. The financial system of Pakistan is dominated by the commercial banks which plays a crucial component in country economic engagements. The glowing operation of financial structure is an important attribute in economic development of several countries, which expedites economic trades and establishes an investor friendly environment (Arshad & Khan, 2007). It is also necessary for enhancing effectiveness of intermediation through mobilization of reserves and financing the profitable industry opportunity (Khalid, 2006). Financial segment contributes to economic expansion and fruitfulness of the country. Financial zone working as the strength of character of the economy that control the money supply. The financial possessions of the country can be correctly utilized through banks as they provide a backbone to financial sector. The banking sector has strained in a vast sum of investments and extended to a great amount. Nowadays banks not only forced to financial intermediary services but also illustrated in providing particular services to their clientele, in order to meet their innovative needs, (Dang, 2011). According to Pakistan and Gulf economist on Jan 9th, 2016, the total numbers of banks in Pakistan are 54 which consist of 17 private banks, 5 public banks, 5 foreign banks, 5 Islamic banks, 8 development financial institutions, 4 specialized banks and 10 micro finance banks.

Presently, the vast business globe is persuading towards high transparency and greater corporate governance system. Value creation for a company is a technique of managing and identifying values driver, which have the maximum collision on values creations. Value creation assessment is an assertive device in financial investigation. Organization which make long terms value in terms of shareholders wealth, are predictable to generate capital for all stakeholder. From economists point of view, wealth is formed when revenue go beyond the economic cost. Business organization should emphasis on strategy that creates surplus values ascribed to market values in contrast to the book values of equity. The firms enhances values for shareholder if Market Value (MV) is higher than Book Value (BV).

In the nearby era of the aggressive globe, the big business goal has tainted from prospect of profitability to values creation of shareholders and businesses are face new-fangled confront like instability in financials market technical developed and a lot more. Such numerous changes has amplified the load on manager and re-defined the responsibility of manager to develop performance and transport values related to their shareholder (Bhasin & Shaikh, 2013).

Izadiniya (2005) in a learning, analyze traditional accounting norm for to examine financial information of business unit and establish a scenario tainted circumstances due to comprehensive economies, most of major confront for manager nowadays in companies are shareholder values creations, particularly maximization of wealth are the major catalog related to values creations as well as assessment of performance in the economics values added also norm related to free cash streams.

Bacidore et al, (1997) investigate business since 1982-92 in America. They accomplished that a special form of method for shareholders values computation, using change in dividend and in price of shares for a given period to obtain profits. As well suggested the appropriate techniques for estimating and analyzing value of share holders are economics values added.

One of the techniques used for common stock return is debt to equity ratio. The increase in risk of common stock is due to the higher flow in debt ratio. The company having common stocks facing high debt ratios will forever facing high risk because risk varies with time. Finally the find positive association between debt to equity and risk of company having common stocks.

Bartram (2001) suggested a wide spread evaluation theory and their experimental finding concerning to the involvement of organizational risk to shareholders values. And suggested that in a realistic environment where there is no transaction cost, agency cost, tax free zone and no additional charges on financing at such condition risk management of firm will represent wealth which will increase and give advantages to values of share holders.

Samy et al. (2002) studied determinant of shareholder values creations by using random probit model evaluation process by considering listed companies on Tunisia stocks exchanges. The findings of the paper show that there is strong association between profitability and values creations of investors.

Jalaja (2010) investigated value creations by considering old and new companies and selected a sample of 50 companies which consist of 10 industrialized sector since 2006 to 2006 mean data collected for five years. The outcome illustrate that firm with high age are making more value for investor as compared to new firms they have create low. There was originate to be no correlation among size and share holders values.
Abdoli et al. (2012) considered the connection among every independent variable, take account of Economics Values Added and residual incomes as the representative of economics model with shareholders value creation. The sample size of the statistics is 85 companies. The studies employ simple and multi-variable regression methods to analyze the data. The outcome show that both residual income and the economic value added (EVA) has a significant relationship with the shareholder created wealth. Though, in relation to created shareholder value, the residual income criterions appear to be more important. The differentiation among the impact of the two variable raise as result of accounts adjustment during which the outcome of accruals accounts is being eliminate, thus, considering as a significantly enhanced measure for the appraisal of performance and enhance in shareholder’s values.

Further to this, Fiordelisi and Molyneux (2010) examine the matter since 1998 to 2005 with considering a section of Europeans banks highlight that bank and industry and macroeconomic specific determinant of values factor mostly comprise of positive and negative influence on SHV creations. One of the vital judgment is that incomes diversifications, costs and revenues efficiencies are exposed to enclose a positively relationships on SHV, while a consequent positively association between credits risks captivating and SHV confirm the superior fortune hypotheses as banks took additional credits risks they also enhance their interests revenue.

likewise, Gross(2006) examine determinant shareholders values creations considering bank structure costs managements credits risks and diversified income, for a trial of 139 retail bank in Germanys since1998 to2003. finally conclusion imply that only costs managements and credits risks taker are important driver for SHV in bank in the logic to facilitate an enhance in credits risks captivating destroy values whereas an boost in costs efficiencies create that.

Tian et al. (2013) finished an endeavor to determine the values creations capability of the enterprise. EVA be apply to evaluate the values creating capability for the blue portion by utilizing financial reports since 2009 to 2011, considering economic zone registered companies. Subsequently, keeping in view the economic zone for companies in such a way as view of industry. And concluded that there is the raise in value creation take place in recent years but they also suggested that EVA issued as index and representing advocacy of capital shows continuous increase in recent years and start falling as will.

Bhasin (2013) explore to the major objective of “financial management is to maximize the shareholder value”. The key purpose belong to this paper is inspect shareholders values by mean of the given sample and same to investigate the usefulness of EVA in excess of conventional and traditional procedures of business performances. a variety of arithmetic tackle similar to ANOVA, regressions analyses and drift investigation be use for analyze the figures The studies indicate to EVAs is better to the long-established performances procedures in its relationship with Market Value Added MVAs.

Vijaylakshmi and Manohran (2013) examine shareholders values creation by analyzing manufacture scoter in India For business growths, shareholders values creations has turn into a spotlight spot. Since the shareholder is the final owner of the enterprise, each company has to build capitals structures keep in brainpower the purpose of shareholders values maximizations. Various industrialized zone is supposed to be a investment concentrated zone, wherever a larger importance is lay leading conniving the investment arrangement. The phase used for the paper be conduct in 1995to96 to 2009to10. To examine the figures a panel loom have be functional. Final outcome of the paper is the leverages have an important pressure on the shareholder values creations.

Radic (2015) confirmed for Japanese banking industry that costs efficiencies, credits risks and banks size are originate to exist the mainly significant factor in amplification the values creations in Japan, whereas incomes diversifications, liquidities and market risks experience seem to issue for shareholders values creations in the concentrated model. Fascinatingly, there outcome point out that the smaller banks come into view just before a high values creations. It is also originate to facilitate the high numbers of workers make no hold back values creations for Japan bank.

Perera & Morawakage (2016) examine the cause of credits risks managements on the shareholders values in scheduled commercial bank in Sri-Lanka. Study employ returns on share to establish the shareholder value while Loans to deposits ratio, Capitals adequacy ratios (CAR) and none performing loans ratios (NPLR) have been use as the indicator of the credits risks managements of the bank. The conclusions disclose that credit risk management has a important negative effect on shareholder value in each and every eight bank. Along with the three credit risk management indicator, NPLR and CAR has the mainly significant negative effect on the shareholders return. Loans to deposit ratio and ROS has positive and significant association guide to increase the shareholder value.

Nyiramaharo and Shoshina (2001) offered her a common manner how shareholders values are shaped, while a conditions to the evaluation method being use for shareholders values creations measurements. The experimental component in the
paper show so as to even though the company in this paper enclose implement lots of traditions to generate shareholders values, slight attempt is being prepared to calculate it from the time when the greater part of them are stills employ the customary bookkeeping procedures. The reason used for this might be conservatisms and require of demands from both the stocks markets and shareholder. They suggested company to employ “value based method” when measure shareholders values creations, because they are extra consistent.

Fernandez (2001) analyze 582 companies in America as well as use figures seeing as economics values added, markets values added, net operating earnings after tax, and weighted average costs of capitals obtained as of S Stewarts and search to this, if monetary values added and cash values added compute values creations for shareholders. It be considered in support of every of the 582 corporation, the association between increase market values added for every years and economics values added, net operating earnings later than tax and weighted average costs of capitals for each one years in the most recent 10 year. He accomplished that amongst 582 corporations, for 296 businesses the association among rising markets values added annually and net operating earnings later than tax is additional than the relationship among rising markets values added and economics values added. Here are 210 businesses which clutch negatively association by economics values added and then the relationship among the shareholders returns throughout 1994 to 1998 and come to pass of cash values added since 100 money-making corporations be 1.1%.

Fernandez (2001) identify as well as analyze shareholders values creations. To assist us enhanced be aware of this thought, he employ the instance of a scheduled companies, General Electric, flanked by 1991 and 1999. He accomplished to facilitate in organize to get the formed shareholders values, primary it should be define the boost of equity markets values, the shareholder values added, the shareholders returns, and the required returns to equity. He also calculate the shaped shareholders values of 142 American company throughout the three years’ time 1997 to 1999 and throughout the eight years time 1992 to 1999.

Harmsen and Jensen (2004) conduct a research at the ending of which they establish a association among markets demands and business capability. The technique be base on the thought of executive cognitions. through utilization of two method, 27 character of the marketplace and 28 companies ‘capability be determine and after that, by a cognitive re-display method, by major manufacturing informer, connected to business proficiency, which exaggerated values creations in the markets.

Hejazi and Maleki (2007) paying attention procedures on which here might be appreciated shareholder wealth. They analyze the relationship among cash values added and price to earnings ratios to prospect returns on stocks of 85 businesses in Tehran Stocks Exchanges throughout 2005 to 2007. The outcome of research indicate that instructive perspective prices to earnings ratios is high than cash values added related to future returns.

Haque et al. (2013) made an challenge to examine the association among dividends payouts and Economics Values Added (EVA), a sign to shareholder wealth creations, introduce through United State base consultant S Stewarts and corporation, New York’s, in 1990s, use figures of Square Pharmaceuticals Limited (SPL), solitary of the major pharmaceuticals company in Bangladesh, in support of the period 2004-05 to 2010-11. The study accomplished with the aim of here is an opposite association between dividends payouts and EVA, using the simple regression equation method, and also suggested that SPL should maintain the accessible dividends strategy of retains huge part of earning relatively than higher payouts ratios.

Mistry et al. (2013) considered the association among Shareholders values, that is residuals incomes measure and financials variable, which is residuals incomes component, conventional values measures and cash flows measure. According to the consequences of the corporation, the greater part of the chosen variable for the research be different significant amongst chosen pharmaceuticals company, apart from conventional values measure, that is, price to earnings ratios. The research initiate that shareholder values can be predict by the preferred financials variable.

Bhadeshiya B Hardik. (2015) In his study an effort was made to examine the relationship between the accounting profitability procedures and shareholder value measure for measuring the financial performance of chosen private sector banks of India. And recommend that there is significant positive relationship between EVA & EPS.

Aghababaei et al., (2013) in his article explain, total loans and advance ratio is a superior indicator to determine the credit risk which belonging on shareholder value. He has investigated the cause of credits risks indicator on shareholder values of commercials bank in IRAN by by means of six listed commercial banks from 2005 to 2010. In this study, researchers have used ROE (net profit before tax to the equity) as the shareholder value indicator but as per the researcher.
Arif, et al., (2012) give details of the objective is to estimate the impact of credit risk on shareholder wealth, which is calculated by ROE (return on equity) and ROS (return on shares). The study restrictions itself to the banking system of Pakistan. The fallout of this study disclose that credit risk do not have a significant relationship with the shareholder value in Pakistani banking system. The results confirm that banks relying seriously on interest income may face a reduction in their ROE but ROS may practice an increase loan loss provision (LLP) has a negative relationship with ROE, high CAR help the banks to increase their ROE, and the outcome disclose that investors are giving preference to the banks having large advances in their portfolio. LLP has a positive association with ROS, The advances are positively associated with ROS, CAR acquaintances negatively with ROS.

Damagum Y. M. et al.(2015) base on the conclusion and revelation, the research has endow with approaching interested in the forecaster variable that contain significant impacts in explanation the creations of shareholders values that here is a important positive connection among the shareholder value with the dividend payment and size and not significant relationship with performing loan and age.

Kumar B. Rajesh (2015) his study supported on a example of 61 UAE scheduled companies examine the determinant of values creations. He find out size, earnings to price, leverage as a positively associated to value creation.

Akani et al., (2016) conclusion show that capital structure is significant to the commercial banks and determine the shareholder value. It also confirm that capital structure exaggerated more on Return on Investment than Equity prices and Earnings per share, therefore capital structure have significant positive association with shareholder value of commercial banks in Nigeria.

Pooja & Abhay (2015) suggested that shareholder values creations in Indian corporation as calculated by EVA as well as taken dividend and capital structure as independent variable and EVA as dependent variable. The study discloses that both Dividend and Capital structure have positive influence on the Shareholder Value Creation.

Oladele (2013) try to find to recognize the determinant of value creation in the Nigerian banking sector. It was originated that profitability and dividend strategy have important positive relationship through the creations of shareholders values whereas provide confirmation that financial policy is an irrelevant factor.

Fiordelisi (2007) presented an innovative appraises of shareholders performance, wherever banks produce the utmost promising Economic Value Added is defined as “shareholder value efficient” these study characteristically center on the association among shareholders values and immediately solitary sort of bank specific determinants (i.e. bank efficiencies), however do not state a great deal regarding additional factor that might manipulate shareholders return (such as banks size, customers satisfactions, employees satisfactions, financials structures, banks nature and operational and credits risks).

Gounder & Venkateshwarlu (2017) select Market value added (MVA) as the dependent variable which is the pointer of shareholders values plus Earning Per Share (EPS), dividend Per Share (DPS), Return on equity (ROE), Economic Value added (EVA) be the independent variables judgment show that In folder of privates sectors bank EVA has negatively important relations while in Publics sector generally it have positive important relations with MVAs.

Thomas Korankye (2013), the outcome of the study demonstrates that leverages, dividends policies, and returns on equities correspondingly are significant positively determinant of shareholders values. This make known that boost (or reduce) in leverages, dividends payouts and profitability correspondingly enhance (or attenuate) the value of shareholder. The outcome also discloses that banks size is a important determinants of shareholders values, however it is negative connected to the later. In conclusion this dissertation is motivated by all the above consideration. The endeavor is to expand the literature through investigating the effect of China Pakistan Economic Corridor on Pakistani banks shareholder value creation by analyzing through its determinants form 2012-2016.

The present literature on shareholder value creation and its determinate in banks comes into a lime light and fairly inadequate. More specifically in the context of Pakistan, the “shareholder value creation” logic has seldom griped the interest of financial researcher. This research paper is an attempt to empirically examine the aspects of shareholder’s values creations of commercial banks in Pakistan since 2012 to 2016. The other important feature of this study is capturing the impact of CPEC policy on shareholder value creation in the financial sector of Pakistan.
Research Objectives

Keeping in view the above literature gap and the policy analysis of CPEC, following are the main objectives of this research paper:

To recognize the dynamics, determining shareholders’ value creation.

To scrutinize the effect of CPEC policy on shareholders’ value creation.

Study Significance

The well administered financial organization is an imperious feature in the county’s development. It makes possible financial transactions and developed friendly environment for investors. The ability of the banking institution to generate and exploit shareholders value has been a huge concern these days. This study will be

Supportive for Government to know about the effect of CPEC on financial institutions of Pakistan and its contribution towards economy.

This paper provides a fundamental platform to investors to analyze the financial sector of Pakistan in terms of its present positions, income and abilities which leads to value addition and subsequently affects the shareholder wealth.

Theoretical Framework & Research Methodology

The theoretical model of this research is based on previous research by Kumar B.Rajesh (2015), Pooja & Abhay (2015), Korankye (2013) and Adusei (2011). The effect of market to book value i.e. shareholder wealth, on leverage, return on equity, dividend payout is analyzed in this research study. The effect of CPEC policy on the shareholder value creation has been analyzed by the use of logit model. The binary logit model is predominantly recognized for the assessment of the economic policies and decision science.

The prime focus of this research study is on the financial institutions of Pakistan. There are 54 banks that comprise of 05 public sector banks, 17 private bank, 05 islamic bank, 08 developmental financials institution, 05 foreign bank, 10 micro finance banks and 04 specialized banks. (Pakistan and Gulf economists, 2016). This study comprises of twenty one (21) listed commercial banks of Pakistan which are listed on Pakistan Stock Exchange (PSX). The selected sample comprises of sixteen (16) private sector banks, three (03) public sector bank and two (02) Islamic banks. Quarterly data of these financial institutions are taken for the period of five years i.e. (2012-2016).

Econometric Model

The following econometric models for are incorporated for the achievement of study objectives. The first study objectives that identifies the dynamics of shareholder wealth has been estimated by the panel data analysis. The general form of the model is given as:

\[ y_{it} = \alpha + \beta_1 x_{1it} + \beta_2 x_{2it} + \beta_3 x_{3it} + \ldots + \beta K x_{Kit} + \varepsilon_{it} \]

where \( y_{it} \) is the dependent variable of Market to Book ratio and \( x_{i}`s \) represents the independent variable of leverage, return on equity, firm size, dividend payout and the dummy variable for CPEC.

where \( i \) represent the cross-sectional dimension of the data which signifies Banks (i=1-21).

where \( t \) represent the time series measurement of the data which signified time period (t=2012-2016).

Binary logistic regression estimates the probability that CPEC policy is effective for shareholder wealth and financial institutions profitability. The predictor variable \( X_{it} \) gives the impact on CPEC policy. (Fiordelisi & Molynieux, 2007)

Let \( Y \) be a binary response variable

\[ Y_i = 1 \text{ if the set attribute is present in observation (i.e. in the years of CPEC agreement)} \]

\[ Y_i = 0 \text{ if the attribute is NOT present in observation i} \]

\( X = (X_1, X_2, \ldots, X_k) \) are set of explanatory variables \( x_i \) is the observed value of the explanatory variables for observation \( i \).

The mode in its general form is given below:

\[ \Pi_i = \Pr(Y_i = 1 | X_i = x_i) = \exp (\beta_0 + \beta_1 x_i) / \left[ 1 + \exp (\beta_0 + \beta_1 x_i) \right] \]

or,
Results and Discussion

The research study after the analysis of the various econometric models give rise to various results shown in the table section of this paper.

Table. No.1 shows the results of the CPEC policy analysis through the logistic model. The results signifies the negative effect on shareholders wealth. The probable explanation might be the lack of cliental trust on the government in taking the CPEC policy initiative, which results in the inverse relationship. It shows the lack of local financial institutions competencies and streamlining the foreign investment strategies in dealing with CPEC. Meanwhile, return on equity shows highly significant impact in the presence of CPEC agreement. It means that financial institution equity grows along with the maturation of CPEC policy. This indicates the increase in the bank’s deposits due to FDI. It Return on Equity (ROE): Returns on equity is defined as the total of net incomes returned as a percentage of shareholder equity. These ratios evaluate companies’ profitability by illuminating how much profit a company earns with the amount invested by shareholders. (Korankye, 2013)

Table No. 2 shows the various determinants of shareholder wealth. The analysis of the model shows mixed results i.e. both positive and negative. The proxy for estimating shareholder wealth is given by market to book ratio. It computes the value of a business by judging them against the market values of a company to its book values. The firm’s book values are computed by its historical cost or accounting values. Market values is calculated in the stocks markets by markets capitalizations. (Kumar B. Rajesh 2015). The higher the MVBV ratio the higher the market worth of the firm or vice versa. The results of the second model also shows negative relationship i.e. the smaller value of shareholder wealth. It means, high book value, but low in market standing.

This table indications the significance of firm size. The greater the size of the firm the stronger will be the impact of CPEC on it. It means high accounting firms attract significant cliental from the Chinese investment. These reminded us “bigger the better” belief which communicate a positive relationship between bank size and value creation (Asogwa, 2009, Damagum.Y M et al, 2015). This confirms that bigger size does essentially decode into creating wealth for shareholder of these banks and hence we accept our hypothesis here.

Conclusion and Recomendation

The Banking Sector is backbone of modern trade and commerce which provides major source of finance to the industries. The increasing phenomenon of globalisation and regional connectivity has increased the importance of financial sector across the world. The financial system of Pakistan is dominated by the commercial bank which plays a pivotal responsibility in country’s economic activities such as China-Pakistan Economic Corridor (CPEC).at present, the commerce world is going towards superior transparency and greater corporate governance system. For bank value creation is a function of recognizing and managing value driver which have the furthermost impact on value creation. Analysis of value creation is an imperative instrument in financial analysis. Those businesses which build long term value in conditions of shareholder wealth are predictable to create value for every stakeholder. From the perception of economist, value is shaped when revenue surpass the entire cost. Value is formed when organization produce revenue in excess of its economic costs. In a nutshell, the study investigates statistically significant negative relationship between shareholder value and CPEC. The other closer form the analysis affirms the positive relationship of firm size with shareholder equity. These results shows supports the economies of scale for financial institutions with the influx of Chinese investment. The positive significant association between CPEC and return on equity depicts the huge influx of foreign investments through banks. Banks are capable of exploiting its resources at the full but the deficiency in long-term investment strategies and survival stratagems, might descend the financial sector of Pakistan toward diseconomies. The overall conclusion drawn from this research affirms that the long-term impact of CPEC must be ripen to its full extent, through proper well planned strategies, improving shareholder credence and business executive confidence.

Based on the conclusion above, government strategy or program should be expected at improving or creating shareholder value through the upgrading of profitability in the Pakistan banking industry. Thus, strategies maker and business regulator and practitioners should give confidence the chase of the profitability objective and do additional to put up the policy around other performance development indices in addition to profitability. On these bases, government should pursue Pakistan financial institutions to emphasize on the development and implementation of sound dividend policies. Secondly, individual banks should identify the ways for the creation of value for their shareholders. Thirdly, industry regulator and practitioners should articulate expansion policies and get deeper understanding of the non-securities arm of the capital market, for future
confidence building in economical borrowing on long-term basis. Lastly, prospect policy be supposed to spotlight on the strategy that support expansion, performance development and long-term economic objectives.

References


[12] between Dividend Payout and Economic Value Added: A Case of Square Pharmaceuticals


[14] Companies in Shandong Island Blue Economic Zone Using EVA', Finanzas y Política


[26] India Commerce Conference, Goa University.


TABLES

Table No. 1. CPEC Policy Analysis

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Standard. Error</th>
<th>z-Statistic</th>
<th>Prob.</th>
</tr>
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<tbody>
<tr>
<td>Leverage</td>
<td>-0.063303</td>
<td>0.263704</td>
<td>-0.240054</td>
<td>0.8103</td>
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<tr>
<td>Market to Book Value</td>
<td>-3.363925</td>
<td>0.385317</td>
<td>-8.730274</td>
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<td>Dividend Payout</td>
<td>0.242944</td>
<td>0.295170</td>
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<tr>
<td>Return on Equity</td>
<td>1.710715</td>
<td>0.258162</td>
<td>6.626513</td>
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</tr>
<tr>
<td>Variable</td>
<td>Coefficient</td>
<td>Std. Error</td>
<td>t-Statistic</td>
<td>Prob.</td>
</tr>
<tr>
<td>------------------</td>
<td>-------------</td>
<td>------------</td>
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<td>--------</td>
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<tr>
<td>Leverage</td>
<td>0.012281</td>
<td>0.023954</td>
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<td>CPEC</td>
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<td>Return on Equity</td>
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<td>0.033024</td>
<td>0.099523</td>
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<td>Firm Size</td>
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<td>C</td>
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<td>R-squared</td>
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<td>Mean dependent variable</td>
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<td>Adjusted R-squared</td>
<td>0.306705</td>
<td>S.D. dependent variable</td>
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<tr>
<td>F-statistic</td>
<td>8.336244</td>
<td>Prob(F-statistic)</td>
<td>0.000000</td>
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</tr>
</tbody>
</table>
Perception of Limitations by Individuals Threatened with Social Exclusion upon Entering Employment: Report on a Study of Individuals with Chronic Mental Illnesses

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Abstract
The paper presents the results of qualitative research involving a group of 30 disabled persons, suffering from chronic mental conditions, and in most cases staying at residential care homes. The authors conducted targeted free interviews with an interview outline, i.e. a list of the required information. The research was conducted among occupationally active but unemployed individuals, i.e. ones who declared the willingness to work. The sample for the study was selected using purposive sampling: all the subjects were using the services of an employment counsellor at the time. The aim of the free interviews was to identify the barriers making it difficult for disabled persons to find employment. The research questions for the subjects were the following:
1. How important is it for you to enter employment?
2. What knowledge of your own occupational skills do you have?
3. What knowledge do you have about the possibilities of finding employment for someone with your qualifications?
4. What barriers do you see that make employment difficult and result from your own limitations?
5. What barriers do you see that make employment difficult and result from the specificity of the labour market?
6. What hindering barriers do you see that result from provisions of the law?
The idea behind all the research questions that were asked was to attempt to answer the question concerning the importance of entering employment for the study subjects. It turned out that entering employment was a priority for most of the respondents.

Keywords: disabled persons, individuals with chronic mental illnesses, barriers, entering employment

Introduction. The labour market today
Problems with the activation of disabled persons are inextricably linked with changes in the labour market. One could give numerous examples of the changes at this point, involving both the nature of work itself and the market structure, including for instance the transnationalisation of labour markets, meaning that today’s careers tend to be planned and pursued in a cross-border, international and intercultural context (Bańka, 2003), as well as the development of non-traditional forms of employment. The aim of this rapid development of flexible employment, as an organisational solution, is to reduce labour costs, and it entails a radical change of the HR policy. The mass-scale introduction of alternative forms of employment has led to the subordination of the way in which employees function to a different discipline, as well as to different requirements.
and regularities than the ones described in the existing literature in the field of psychology and sociology of labour, concerning regularly employed workers. These descriptions, based on analyses of workers employed on a traditional basis, i.e. with what is referred to as a “full-time” or “permanent” job, cease to be of use under the new conditions.

Disability is a social problem. The reasons for low occupational activity among disabled persons are complex. The most difficult target group, in the authors’ opinion, consists of individuals with chronic mental illnesses who, due to the nature of the condition itself (relapse/remission), are burdened by the limitation of episodic presence on the market during the “recovery” phase, and of the inability to perform work-related duties in the “recurrence” phase. An additional problem which is not analysed in this paper is related to the aversion and stereotypes among co-workers.

**Selected psychosocial limitations of disability vs. occupational activation and threats of marginalisation**

The following barriers to the activation of disabled persons are emphasised most often in the context of changes in the labour market, as perceived by the disabled themselves:

- failure to accept one’s limitation,
- perception of the limited possibilities of choosing one’s occupation freely,
- low occupational and spatial mobility,
- difficulties with regard to interpersonal relations,
- low level of motivation to undertake occupational activity,
- low resourcefulness and being convinced about one’s helplessness,
- low personal flexibility.

Disabled persons are one of the groups threatened with social marginalisation. This is the case even though social campaigns and occupational activation projects intended for the disabled and for employers have recently been appearing. It is no consolation that in the past, the problem of marginalisation affected, and continues to affect all kinds of societies, or that it is an endemic phenomenon, characterising virtually every social order. Even though the phenomenon of marginalisation (including marginalisation among disabled persons) has been broadly discussed and studied both by historians and by sociologists, it continues to exist as a social problem. This is because, as sociologists point out, social marginality is in a way embedded in the logic of how social systems function. Thus, social marginality is not a new phenomenon and has existed in every society in history.

According to the concept of “social exclusion”, the individuals who are most vulnerable to marginalisation processes are those who lack appropriate defence against the mechanisms triggering such processes, due to certain deficits they have (whether cultural, income-related, or qualification-related). In other words, the individuals and groups doing worst in contemporary societies are those who find it most difficult to defend themselves against exclusion. Disabled persons constitute such a group.

What should be emphasised in the case of disabled persons is the fact that the barriers causing marginalisation and at the same time making it impossible to exercise the status-related entitlements may lead to the acceptance of their marginalised status on their part, i.e. to self-marginalisation. Disabled persons who succumb to self-marginalisation become passive and deprived of motivation to change their situation. Acceptance of one’s marginalised status entails social isolation. This attitude on the part of the disabled individual is already in itself a barrier to full participation in social life. The mechanism of self-marginalisation can be considered in light of numerous concepts in social sciences. A. Ostrowska and J. Sikorska refer to the theory of social stigmatisation, among other things. This makes it possible to consider the self-marginalisation

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3 The following, among others, study the problem of marginalisation: University of Warsaw: Institute of Sociology (K.W. Frieske, P. Poławska), University of Warsaw: Institute of Social Prevention and Resocialisation (J. Kwaśniewski), University of Silesia: Institute of Sociology, Polish Academy of Sciences: Institute of Philosophy and Sociology.
4 Ibid., p. 28
mechanism as an effect of a label applied to the individual. In conformity with that label, the disabled person is expected to behave in a specific manner, determined by the social image. This social image identifies the disabled person with traits such as weakness, withdrawal and dependence on others. Social control institutions exist in order to make sure that disabled persons’ conduct conforms to the stereotype. As a consequence of the labelling process, the expected behaviours are accepted by the disabled persons, who create their social identity on that basis. Apart from imposing a certain role, the effect of the process is a certain social perception of the disabled that conforms to the stereotype.¹

It needs to be pointed out that there is a large dissonance between the negative stereotype of a disabled person that continues to function in the public awareness and the image created by mass media and social campaigns. This dissonance concerns the declared equality of rights, the life chances of disabled persons versus the numerous difficulties that exist in practice, or actually manifestations of discrimination against disabled persons. Some individuals may attribute themselves learnt helplessness and perceive it as a result of their own powerlessness, or of the operation of external factors, i.e. objective difficulties, such as inadequately functioning regulations of the labour law, or lack of accessibility for the disabled in buildings and streets.

The phenomenon of self-marginalisation results most often from the process of accumulation of various kinds of barriers which prevent disabled persons from full social participation. The most important aspect for the researchers is to identify the various kinds of barriers constituting factors that make it difficult for disabled persons to exercise their status-related entitlements to a full extent. It needs to be pointed out that studies of barriers are present in the research practice of psychology and sociology, and the aim of this paper is to extend knowledge about them, from the disabled persons’ point of view. The authors realise that this is merely a small contribution to the identification of the barriers disabled persons encounter. It has to be pointed out, however, that the dynamically changing social reality, and the consequent changes in the labour market (both favourable and unfavourable ones) actively influence the emergence of new barriers and strengthening of old ones, or vice versa contribute to the elimination of some that existed earlier.

4. Analysis of barriers – presentation of selected research findings

Targeted free interviews with an interview outline, i.e. a list of the required information, were conducted in a group of 30 disabled persons, suffering from chronic mental conditions, and in most cases staying at residential care homes. The selection of that particular research method was dictated by the specific nature of the problem. The interview addressed personal matters, and it would have been impossible to obtain such information using methods with a higher degree of standardisation, in the authors’ opinion. In a free interview targeted with regard to its specificity, the research questions tend to be open-ended ones, and not all questions need to be resolved. The interviewer is therefore to a large extent free to formulate the questions at their own discretion, as well as to adapt the contents and the language to the respondents’ traits and capacities² (consequently, this interview type was considered to meet in the best way the goal which the authors had set themselves).

The research was conducted among occupationally active but unemployed individuals, i.e. ones who declared the willingness to work. The sample for the study was selected using purposive sampling: all the subjects were using the services of an employment counsellor at the time. The group included individuals of working age: nineteen women and eleven men. The study subjects were a group living in the Silesian Province in Poland, with moderate and severe disabilities, including: 2 subjects with motor disabilities, 3 subjects with mental disabilities, 2 subjects with intellectual disabilities, and 23 subjects with sight disabilities. The majority of study subjects had completed upper secondary education (n=13) and higher education (n=6), and some had completed only elementary education (n=3).

The aim of the free interviews was to identify the barriers making it difficult for disabled persons to find employment. The research questions for the subjects were the following:

1. How important is it for you to enter employment?
2. What knowledge of your own occupational skills do you have?
3. What knowledge do you have about the possibilities of finding employment for someone with your qualifications?

¹ Ibid., p. 171
² I. Przybyłowska, Wywiad swobodny ze standaryzowaną listą poszukiwanych informacji i możliwości jego zastosowania w badaniach socjologicznych, “Przegląd Socjologiczny” vol. XXX, p. 65.
4. What barriers do you see that make employment difficult and result from your own limitations?

5. What barriers do you see that make employment difficult and result from the specific nature of the labour market?

6. What hindering barriers do you see that result from provisions of the law?

The idea behind all the research questions that were asked was to attempt to answer the question concerning the importance of entering employment for the study subjects. It turned out that entering employment was a priority for most of the respondents. Three main attitudes towards work were distinguished among the answers:

1. **Work as a source of income.**

The study subjects pointed to the basic function of work, namely earning money. It should be pointed out, however, that they connected it with other aspects of employment, for instance: work as a self-esteem enhancer and as a confidence-boosting factor.

“I can’t imagine going on without working… At work, one simply feels differently, more appreciated, without being at anyone’s mercy…”

“I have a family, and to support them, I need to earn money somehow, especially now they’ve taken my disability pension away; my wife is also disabled, we have a child, and you have to cope in some way.”

2. **Work as a place for interpersonal contacts**

The study subjects emphasised most often the aspect of work related to interpersonal contacts. Those were mostly people who did not have too much knowledge about their skills, about the potential job they could specifically do, or even about their potential scope of duties. What motivated them to make attempts to enter employment was the willingness to be with others, to go outside, to fill their time.

“I want to work with people, find employment, to break away from home, so as not to sit there all the time… to finally do something, to meet new people. The financial aspect doesn’t interest me, because I don’t even know how much money I can earn if I’m getting my pension at the same time.”

“I want to go to work, to be with people, I don’t want to stay home. I don’t have any friends from school, there’s only my sister. I watch TV all day along, I go for a walk sometimes. I would like to get to know some new people, so that they like me.”

3. **Work as a self-esteem booster**

Most of the study subjects emphasised precisely that aspect of work, related to self-affirmation and boosting one’s self-esteem. They emphasise the satisfaction with well-performed duties, resulting from the good rating given to their work by their supervisors, and from their co-workers’ acceptance.

“I like working with people, I had my own association apart from my job. I miss that contact with others, but I also have the feeling of not being good for anything. You know, when I used to work, I had the feeling of doing it well, of helping others, of showing my skills. Now I’m the one who needs help – that’s what I miss the most.”

**Barriers to entering employment**

The study subjects consciously declared only one barrier, the one resulting from their disability. However, after analysing the collected material, one may distinguish as many as six categories of barriers that make it difficult for the study subjects to find employment, and often also constitute factors hampering their activity. Although all the study subjects declared their willingness to enter employment, many of them did not make attempts to look for a job, and if they did, the attempts were sporadic.

1. **Disability-related barriers**

When naming these barriers, the disabled subjects pointed to limitations resulting from the specific nature of their disabilities. For example, they pointed to problems related to commuting on their own.

“If someone helped me, I’d get there, but I’d need a guide or a co-worker who would accompany me.”

The study subjects also pointed to health limitations which narrowed down their employment potential to a significant extent.
“I worked as a maintenance person for eight years. It was a good job and the boss appreciated me, but then my health issues started. I can’t make any permanent declarations or plan anything right now, or do hard physical work, and it’s impossible for me to resume that job.”

Some study subjects were concealing their disability, thinking that they would be discriminated against on the labour market as a result of it.

“I’ve always had two versions of my CV on my computer. I most often used to send the one that didn’t mention my disability, because I know that it would instantly ruin my opportunities.”

2. Barriers related to labour market specificity

Certain sub-groups can be distinguished among the barriers resulting from the specificity of the labour market. The first one involves the disabled subjects’ unfamiliarity with the labour market. The study subjects mostly pointed out that they were largely unfamiliar with the labour market. This was related to the fact that few of them had been actively seeking employment.

“I don’t know the companies around here too much. This job should be something appropriate for disabled people, something to do with the office, with the computer, only I’d need someone to help me with the computer.”

On the other hand, those who were moving actively in the labour market emphasised two things: the small number of jobs actually adapted to the capacities of disabled persons, often located far from their place of residence, and the lack of adaptation of the working hours and conditions to the provisions of the law and to the capacities of disabled persons.

“I don’t know the companies around here too much. This job should be something appropriate for disabled people, something to do with the office, with the computer, only I’d need someone to help me with the computer.”

3. Barriers resulting from the lack of knowledge about one’s own skills, capacities and qualifications.

The study subjects were incapable of defining their skills and of describing their qualifications clearly, especially in the case of those who had not gone beyond secondary education, who had not worked in the past or worked for a short time, or worked a long time ago at a disabled workers’ co-operative. Often, those subjects were also unable to determine the kind of activities they could perform at work, or the specific job they wanted to do. Barriers related to lack of knowledge about one’s own potential have serious implications: since I don’t know what I can do, I don’t know which direction I would like to develop in, I don’t know what positions to apply for, so consequently my activity as far as seeking employment is concerned is negligible or non-existent.

“I don’t know what I could do, definitely something to do with computers, maybe copying some documents or something. Definitely something connected with people.”

“Well, what I can do is what I used to do in my previous job as a maintenance person. Cleaning the machines, changing the oil, and that seems to be about it.”

“I finished school as a cook, but I can’t cook. I can wash pans, sweep floors, do the cleaning…”

“What kind of job am I looking for? Any job that’s for me, whatever is available. However, I can’t tell you precisely what job, I’m just looking around.”

4. Barriers related to low self-esteem, lack of faith in one’s own capacities

A group of people was distinguished among the study subjects for whom low self-esteem and lack of faith in their own capacities constituted a clear barrier. The group included individuals who had completed only elementary education, as well as people with higher education. What they shared was the lack of faith in their own strengths, the fear of failure, excessive self-criticism, and failures that discouraged them from further activity.

“I went to work for one day as a kitchen help, to try my hand at a normal job. They didn’t want me, however, because I was too slow. Now, my dad has been driving me around various places, but they don’t want me anywhere. It’s because I’m so slow, I’m ashamed of that time, and I haven’t told anyone about it.”

“I’ve been visiting various schools, meeting with the headmasters and headmistresses, but to no avail. It seems to me that they don’t like me, that I’m unable to make a good impression during these meetings. I’m starting to lose hope that I’ll manage to get my dream job with children.”
5. Barriers resulting from the lack of family support

Another group of barriers includes ones that result from the lack of support for disabled persons on the part of their families. The pension rights that are often granted constitute a source of income for the other family members, so the latter discourage the disabled person from seeking employment, because they are afraid of losing the regular income from the pension. Sometimes the family members also discourage the individual from activity out of “concern” for them, to protect them against working for little money and losing their pension.

“My parents tell me not to look for a job, because I’ll lose my disability pension. It would be better if I got married.”

“My mum sought to have them grant me a severe disability certificate and a pension. Now, she judges any attempts of seeking work on my part unfavourably. She says that the best thing I could do is work illegally.”


Most of the study subjects complained about the “absurd” regulations governing the granting of pension and the possibilities of earning specific amounts. The study subjects emphasise that work under a contract is often unprofitable in their case, because as a result they will exceed the amount they are allowed to earn, and they will be deprived of the pension. Such regulations encourage some disabled persons to work in the informal sector, without a contract.

“I spend nearly three hundred zlotys a month on my medications, and if I go to work, it may turn out I’ll earn more than my pension, but so what if they deprive me of the latter and it turns out that I have three or four hundred more working full-time.”

“Many companies agree with the workers, put an appropriate amount in the contract so as to prevent them from losing their pension, and give the rest to them unofficially. However, this is always less than what one would make as an ‘able-bodied’ person.”

Conclusion

To recapitulate, the barriers identified on the basis of the targeted free interviews can be divided into two fundamental groups: the study subjects’ internal barriers and barriers of external nature.

It is worth pointing out that the study subjects who were supported by their families in their efforts to enter employment perceived fewer barriers, were more optimistic, and often better-educated. This means that a friendly social environment, including in particular the closest one, namely the family, is a factor that contributes to the surmounting of barriers. Internal barriers were identified more often among subjects with elementary and vocational secondary education: barriers resulting from the lack of knowledge about one’s own skills, capacities and qualifications, which is reflected in the low cultural capital of the study subjects. All the subjects emphasised most strongly and were capable of identifying on their own a single barrier, namely the one resulting from their disability. That barrier, combined with other internal ones, was often the main determinant of status for the study subjects, it attributed a role to them, and at the same time stigmatised them and made them differ from the rest of the population of able-bodied people. In this sense, the assumed role of a disabled person conformed to the stereotype of someone who is relatively passive and not very flexible, who believes that the sole fact of being disabled places them outside the margin of society, and who at the same time accepts this status quo. It seems therefore that the barriers referred to as internal ones here, which are rooted most strongly in the study subjects, constitute factors that contribute to their self-marginalisation. Helping disabled persons to overcome such barriers should therefore be strongly stressed in the work of employment counsellors, personal trainers and psychologists in the process of occupational activation.

References

[17] Przybyłowska I., Wywiad swobodny ze standaryzowaną listą poszukiwanych informacji i możliwości jego zastosowania w badaniach socjologicznych, “Przegląd Socjologiczny” vol. XXX,
The Economics of Waste Recycling in Iraq: Wasted Resources and Lost Opportunities

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Abstract

The issue of remediation and recycling wastes in contemporary civilization is of paramount importance economically, this is because the human leaves behind him a huge amount of waste in various types through his consumption and his daily life practices and these wastes are handled incorrectly around the world. This has led to the destruction of many components of the environment as well as the tremendous waste of available resources in the recycling and re-processing operations of different types of wastes, such as reuse it as raw materials again or reuse it in production of electric power through flammable types. In Iraq, especially after 2003, this problem takes serious trends, with increasing human consumption and with great economic openness, which led to a complex problem through pollution of the environment, waste of resources and lack of vision and mechanisms to deal with the huge quantities of waste and inability of the private sector to contribute in solving this problem as it fits with the size of the daily flow of inhabitants of large and small cities, as well as inhabitants of the suburbs and countryside. As this requires a clear path to activate the business sector related to recycling in an integrated way with other economic sectors, and this is can be done through backward and forward connections by creating an economic sector with the participation of governmental and private efforts that rise to the scale of the problem and find the correct way to the proper solution to this economic path in a way that provides opportunities and invests resources and limit their waste.

Keywords: Waste, Waste recycling, Wasted resources, Lost opportunities

Introduction

Waste is one of the things that raise human fears since the beginning of the history, where the human was always thinking about the proper way to get rid of his waste, especially, when it began to accumulate in his living area, for that he started thinking about innovative and appropriate mechanisms to solve this dilemma that has threatened his existence on this planet. Thus, he began throwing his waste away from the areas of his residence, but for many reasons he was not skilled in getting rid of his waste, especially, after the industrial revolution due to increasing rates of waste production associated with the economic growth and the changing of human life into more complex forms.

Therefore, many contributions have emerged, including the recycling of waste and the hypotheses of the recycling economy, which aims to eliminate the risk of pollution through the recycling of waste and work to preserve the forces of nature from the constant loss as these forces is one of the rulers of the ability of people to continue to live on the planet.

The problem of waste in Iraq has grown in a way that is related to the patterns of economic, social and political development, taking into consideration the jump in this phenomenon after 2003.

Importance of the study: It is an attempt to show the dangerous of the growing waste in the Iraqi economy, which is indicates a serious environmental disaster.

Objective of the study: The study aims to explain the behavior of the phenomenon of waste production and its growth rates, as well as clarifying the economic feasibility of waste recycling processes and proposing mechanisms to deal with this dangerous phenomenon.

Hypothesis of the study: There is a possibility and economic feasibility of waste recycling processes according to the profit standard and through the indirect benefit within the framework of sustainable development in the Iraqi economy.

Study Approach: The study was based on the inductive method through starting from the explanation of the part to the whole and through the use of comparative historical, statistical and analytical methods to reach the desired results.
Methodology: The study organized in three sections, an introduction, a conclusion, and a list of sources. The first section dealt with the nature and history of the problem of waste in Iraq and explain the historical background of this problem from the historical references. The aim of this section is to show the historical development of the phenomenon of waste production in Iraq according to historical sequence. So that the reader can take an idea of it as a basis for understanding the problem phenomenon. The second section dealt with the sizes and types of waste in Iraq after 2003 it aims explain the sizes and types of waste produced by the Iraqi civil communities using the digital tables for this purpose and to analyze these figures, the most important sources of the second section and its information are governmental statistics. The third section dealt with the economic feasibility of waste recycling in Iraq. The third part aims to demonstrate the economic feasibility of the waste recycling sector in Iraq and the possibilities of profitability by analyzing this possibility and trying to prove that, the most important sources of the third part is the factual information from the field of application of small projects that are currently working in Iraq in waste recycling operations as well as lessons from successful international experiences in this sector.

Section One: the nature and history of the problem of waste in Iraq

The problem of waste in Iraq consists mainly of basic components, which are the waste of urban and peri-urban populations as well as the remnants of factories and farms. This problem has been greatly exacerbated during the last decades of the last century and the beginning of this century and it’s become a serious problem threatening the environment in Iraq.

In Iraq, this phenomenon is linked to the complexity of life and civil development, the expansion of human settlements and a steady increase in population growth rates in general, the population growth rate in Iraq from 1958 to 2009 was relatively high (the growth rate in this period ranged from 3.4% to 3%)².

In depth, if we want to trace the history of this phenomenon, we must return to the beginning of the Ottoman rule of Iraq (the middle of the sixteenth century) specifically in 1534, as major cities began to form according to the measurements of that time, and the Ottoman states of Iraq were formed from three states: Baghdad, Mosul, and Basra, and each state is a city with a high population concentration at that time, and we can say, that these cities were the oldest generation of waste in Iraq in the modern era, through what these three cities generated from the waste of the daily lives of the population, and the evidence is that the Ottoman administration has established municipal service units to collect and remove these wastes from these cities and move them out, and special landfills were allocated to those waste. Taking into consideration that the wastes in that period were not highly diversified nor large quantities, as it consisted of leftovers and some other wastes that are characterized as a natural sources and is not manufactured and don’t causes any environmental pollution.

Municipal units involved in the collect and carry garbage and clean alleyways and streets were composed of laborers using primitive means consisting form Horse-drawn carts, as available at that time, and this activity was a part of the duties of the municipal council in the Ottoman era.³ In general, if we look at the issue from the point of view of the population, we will find that the population of Iraq from the sixteenth century to the last quarter of the nineteenth century did not exceed one million and two hundred and fifty thousand, and they are distributed according to the patterns of residence, for example, nomadic tribes constituted 35% of the population, 41% of the population were rural tribes and 24% of the population were urban dwellers. ⁴ According to this population concentration, we can see that the urban population in that period did not represent a large proportion of the total population in Iraq, noting that the lifestyle and consumption pattern at that time is characterized as non-generation of waste and does not constitute a cause of pollution or source of raw materials. In addition, waste recycling techniques were not known at that time.

We move sequentially to the period followed the Ottoman rule of Iraq, the period of British occupation of Iraq after 1918, where the circumstances changed radically after this year, especially, after the entry of British troops into Iraqi cities including the three largest cities (Baghdad, Mosul, and Basra). By the end of the second decade of the twentieth century, the patterns of life in Iraq had changed radically with its openness on Western culture in general and English in particular, specifically after the submission of Iraq under British mandate. In this period, the consumer pattern moved to a wider

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commodity lists and Iraqis looked to new types of goods and headed towards purchasing and consumption its, this has greatly increased the quantities of waste in Iraqi cities, taking into account that the proportion of the population began growing, and the proportion of urban residents increased compared with the other patterns of life in the countryside and the nomads, where the proportion of urban population exceeds 25% of the total population of Iraq and this continued until the beginning of the fifties of the last century. (1)

Hence, this population growth in Iraq led to produce the waste in huge quantities and the government departments began over five decades to deal with it unevenly, depending on the outputs of the general situation economically and politically but the process was not within the recycling strategies, but it was a part of collecting and loading the waste and then landfill it in customized areas, and various means have been used in terms of their efficiency. Those processes included collecting and loading the waste and then landfill it under many layers of soil to ensure that they do not pollute the environment as planned, but the reality of the case included several cases of massive violations of the waste landfill rules and regulations, especially with the increasing quantity of waste associated with population growth in major cities such as Baghdad. It went on like this for a long time without mentioning a real problem, but at first sight, by observing the data of Table No.(1), which shows the general population growth in Iraq after the seventies of the last century and with the increasing rates of oil wealth and nationalization of oil by the Iraqi government at that time and the high rates of consumer spending, we can clearly see the seriousness of the waste problem.

Table (1)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Population</th>
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<tbody>
<tr>
<td>1917</td>
<td>2.421</td>
</tr>
<tr>
<td>1927</td>
<td>2.953</td>
</tr>
<tr>
<td>1937</td>
<td>3.845</td>
</tr>
<tr>
<td>1947</td>
<td>4.816</td>
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<tr>
<td>1957</td>
<td>6.398</td>
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<tr>
<td>1967</td>
<td>8.487</td>
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<tr>
<td>1977</td>
<td>12</td>
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<tr>
<td>1987</td>
<td>18</td>
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<tr>
<td>1997</td>
<td>22</td>
</tr>
<tr>
<td>2007</td>
<td>31.22</td>
</tr>
<tr>
<td>2017</td>
<td>37.2</td>
</tr>
</tbody>
</table>


Data.worldbank.org.population.iraq.19may2018

We can follow the data in Table (2), which shows the percentages of urban residents by governorates after the seventies of the last century, which confirms what we have talked about earlier that the problem of waste began seriously in this time period due to high levels of income and increased the tendency of consumption significantly and this has been one of the main causes of high quantities of waste in the cities and urban gatherings. These rates declined after 1991 after the Iraqi economy was subjected to the economic sanctions after the Second Gulf War, and continued to decline until the US occupation of Iraq in 2003. After the change of the Iraqi political system, the level of per capita income increased significantly, which led to an increase in consumption and consequently the waste problem has grown. Here, this phenomenon has taken a new direction that we will address it in the second part of this study, which illustrates the picture of this phenomenon in its current form, on which our economic calculations will be based on the economics of waste recycling, which is the main subject of this study.

Table (2)

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage of urban population</th>
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<tbody>
<tr>
<td>1970</td>
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<tr>
<td>1980</td>
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<td>1990</td>
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<td>2000</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td></td>
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</tbody>
</table>

* Until 1947, the population data were mere estimates. In 1947, the Iraqi state conducted the first reliable census by using foreign and Iraqi experts on this matter.
Governorate | Percentage of urban population (%)
--- | ---
Baghdad | 60
Babylon | 50
Qadisiyah | 75
Nineveh | 75
Anbar | 50
Diyala | 50
Dhi Qar | 68
Basra | 80
Maysan | 75
Muthanna | 40
Karbala | 70
Najaf | 75
Salahaddin | 45
Kirkuk | 80
Wasit | 70
Erbil | 70
Dohuk | 70
Sulaymaniyah | 70


Section Two: sizes and types of waste in Iraq after 2003

In this phase of the phenomenon we will deal with the sizes and types of waste resulting from the economic behavior of the Iraqi society after 2003 in terms of types and sizes of consumption and the components of the commodity list which became a part of the normal daily pattern of the Iraqi consumer after 2003 and the subsequent years of the American occupation of Iraq and the beginning of the political and governmental formation of the country and not only the wide economic openness, but also the anarchism at the global economic level. As noted in Table No.(1), the population of Iraq after 1997 witnessed a significant increase, the population of Iraq at that time reached 22 million, according to official estimates, and in 2003, Iraq's population was 27 million, according to the same estimates. Here we can note that the population of Iraq has doubled more than a dozen times during the twentieth century and the first decade of the twenty-first century.\(^1\)

First, we must list the main types of waste that generated by the civil activities in Iraq, which are not very different from the relevant international classifications. We will list these items in table No.(4) according to the types and sources generated in the current situation in order to observe this diversity. The vast amounts can be seen with 37 million people living mainly in cities and other gatherings. The real size of the problem can be realized by observing the quantity of waste removed by the municipal units from each governorate in Iraq. As shown in table No.(4) of the waste volumes for each governorate by its categories, we note the huge amounts of waste. There are more than 14 million tons per year of waste in Iraq, with a daily rate of 93308 tons, removed from all governorates of Iraq and a high concentration of Baghdad governorate with its municipality (the center of the capital and its outskirts). The Municipality of Baghdad registers (4118259) tons per year and the outskirts of Baghdad governorate (321237) tons annually with a daily rate of (11282) tons in the center and (880) tons in the outskirts of Baghdad governorate. These rates are similar to the quantities of waste in many cities in the world, and may exceed it, so give us the actual path of this phenomenon in order to discuss the economic feasibility of recycling activities for possible waste according to these calculations, which will be address in the next part of this study.

Table (3)

Wastes in Iraq according to the types and sources that generate them

<table>
<thead>
<tr>
<th>Type</th>
<th>Source</th>
<th>Waste components</th>
</tr>
</thead>
<tbody>
<tr>
<td>House waste</td>
<td>buildings and other types housing</td>
<td>Food, cardboard, plastics, textiles, leather, garden waste, wood, glass, metals, ash, special waste, electronic devices, batteries, oils, tires, hazardous waste.</td>
</tr>
</tbody>
</table>

\(^1\) National Population Policy Committee, Analysis of the Demographic Situation in Iraq 2012, Baghdad, June 2012, p. 24
Industrial Light, heavy, manufacturing, industrial sites, chemical plants, power plants Destruction waste, Food stuffs, Packaging, Household waste products, Non-standard products, Construction waste

Commercial Stores, hotels, restaurants, markets, office buildings Paper, Cardboard, Plastic, Wood, Food residues, Glass, Metals

Institutional Schools, prisons, governmental centers Such as commercial type

Hospitals Health care centers, hospitals, medical clinics, maternity centers Non-hazardous waste consisting of paper and food

Rubble of the buildings New construction sites, road repair, restoration sites, destruction of buildings Wood, Metals, Concrete

Waste of municipal services Street cleaning, parks, beaches, recreational areas, water treatment sites Street cleaning, garden waste, general waste from parks and recreational areas

Agricultural waste Orchards, farms, dairy plants, waste of animal slaughter Musty food and agricultural waste


Table No.(4)

<table>
<thead>
<tr>
<th>Governorate</th>
<th>Number of Municipal Units</th>
<th>Ordinary Waste (Ton / Year)</th>
<th>Rubble (destruction and construction waste) tons / year</th>
<th>Scrap (ton / year)</th>
<th>Quantity of removed waste (ton / year)**</th>
<th>Quantity of removed waste (ton / day)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mosul</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Kirkuk</td>
<td>9</td>
<td>369343</td>
<td>7482</td>
<td>328</td>
<td>377155</td>
<td>1033</td>
</tr>
<tr>
<td>Diyala</td>
<td>22</td>
<td>322550</td>
<td>26243</td>
<td>5511</td>
<td>354306</td>
<td>970</td>
</tr>
<tr>
<td>Anbar</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Baghdad Municipality</td>
<td>14</td>
<td>3495860</td>
<td>538890</td>
<td>38507</td>
<td>4118259</td>
<td>11282</td>
</tr>
<tr>
<td>The outskirts of Baghdad</td>
<td>16</td>
<td>306016</td>
<td>15001</td>
<td>255</td>
<td>321237</td>
<td>880</td>
</tr>
<tr>
<td>Babylon</td>
<td>16</td>
<td>259186</td>
<td>73182</td>
<td>14928</td>
<td>347298</td>
<td>951</td>
</tr>
<tr>
<td>Karbala</td>
<td>7</td>
<td>344560</td>
<td>214255</td>
<td>4818</td>
<td>563633</td>
<td>1544</td>
</tr>
<tr>
<td>Wasit</td>
<td>17</td>
<td>395796</td>
<td>61320</td>
<td>6898</td>
<td>364015</td>
<td>997</td>
</tr>
<tr>
<td>Salahaddin</td>
<td>12</td>
<td>243126</td>
<td>22520</td>
<td>3832</td>
<td>269480</td>
<td>738</td>
</tr>
<tr>
<td>Najaf</td>
<td>9</td>
<td>615353</td>
<td>285101</td>
<td>1642</td>
<td>902098</td>
<td>2471</td>
</tr>
<tr>
<td>Qadissiyah</td>
<td>15</td>
<td>299300</td>
<td>134247</td>
<td>18797</td>
<td>452345</td>
<td>1239</td>
</tr>
<tr>
<td>Muthanna</td>
<td>11</td>
<td>163739</td>
<td>184982</td>
<td>255</td>
<td>349877</td>
<td>956</td>
</tr>
<tr>
<td>Dhi Qar</td>
<td>20</td>
<td>555639</td>
<td>60663</td>
<td>10694</td>
<td>626997</td>
<td>1717</td>
</tr>
<tr>
<td>Maysan</td>
<td>15</td>
<td>507167</td>
<td>126742</td>
<td>11643</td>
<td>645284</td>
<td>1767</td>
</tr>
<tr>
<td>Basra</td>
<td>15</td>
<td>1198696</td>
<td>433547</td>
<td>15403</td>
<td>1647647</td>
<td>4514</td>
</tr>
<tr>
<td>Kurdistan Region</td>
<td>198</td>
<td>8976262</td>
<td>2228090</td>
<td>133517</td>
<td>11338698</td>
<td>31065</td>
</tr>
<tr>
<td>Dohuk</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Al- Sulaimaniya</td>
<td>39</td>
<td>620427</td>
<td>2336</td>
<td>4599</td>
<td>627362</td>
<td>1718</td>
</tr>
<tr>
<td>Erbil</td>
<td>70</td>
<td>949657</td>
<td>84534</td>
<td>53509</td>
<td>1087700</td>
<td>2980</td>
</tr>
<tr>
<td>Total</td>
<td>62</td>
<td>1085072</td>
<td>202246</td>
<td>8395</td>
<td>1295714</td>
<td>2549</td>
</tr>
<tr>
<td>Iraq's total</td>
<td>171</td>
<td>2655156</td>
<td>289080</td>
<td>66503</td>
<td>3010739</td>
<td>8248</td>
</tr>
</tbody>
</table>

*Except Mosul and Anbar governorates due to their special circumstances.
** Means regular waste such as (Waste and scrap and construction debris).

Source: Department of Environmental Statistics, Iraq Environmental Statistics, 2015

Can be perspective from the data contained in the tables (3-4) type of materials contained in waste produced by cities and gatherings in Iraq by reviewing the contents of tables (5-6) below. Where we can see the basic components and the rates of change in two decades extend to periods before 2003 and after 2003 till 2017, we note that the waste consists of (food, cardboard, glass, plastic, food wrappers, metal, textiles of all kinds, diapers, garden waste, wood, rubber, leather and other items). Therefore, we can see clearly the great development in the volume of waste as mentioned earlier in this study. For example, the rate of growth in aluminum cans was 300% which higher than the base year in 1988 and the other types also had growth rates higher than 400% as shown in below tables (5-6). We note also, that other types were not available in 1988 within the generated waste from the consumption processes in the cities and other civil urban gatherings which are smaller in terms of urbanization and population such as villages and suburbs.

**Table (5)**

Main components of waste in Iraqi cities and its weight proportions

<table>
<thead>
<tr>
<th>No.</th>
<th>Components</th>
<th>Range (weight ratio)</th>
<th>Percentage change from 1988 to 2017</th>
<th>General Average %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Food waste</td>
<td>20 – 80</td>
<td>400</td>
<td>68.17</td>
</tr>
<tr>
<td>2</td>
<td>Paper and cardboard</td>
<td>3.3 - 10</td>
<td>303</td>
<td>9.6</td>
</tr>
<tr>
<td>3</td>
<td>glass</td>
<td>1.8-8.2</td>
<td>455</td>
<td>2.61</td>
</tr>
<tr>
<td>4</td>
<td>Plastic and nylon</td>
<td>2.0-7.6</td>
<td>380</td>
<td>5.29</td>
</tr>
<tr>
<td>5</td>
<td>Aluminum cans</td>
<td>1.4-4.2</td>
<td>300</td>
<td>2.27</td>
</tr>
<tr>
<td>6</td>
<td>Food wrappers</td>
<td>1.0-3.8</td>
<td>271</td>
<td>1.65</td>
</tr>
<tr>
<td>7</td>
<td>Metals</td>
<td>0.5-2.1</td>
<td>420</td>
<td>0.88</td>
</tr>
<tr>
<td>8</td>
<td>Textiles of all kinds</td>
<td>2.8-12</td>
<td>428</td>
<td>2.01</td>
</tr>
<tr>
<td>9</td>
<td>Diapers</td>
<td>0-17</td>
<td>400</td>
<td>3.47</td>
</tr>
<tr>
<td>10</td>
<td>Residues of gardens</td>
<td>0-4.8</td>
<td>200</td>
<td>1.13</td>
</tr>
<tr>
<td>11</td>
<td>Wood</td>
<td>1.1-2.8</td>
<td>254</td>
<td>0.85</td>
</tr>
<tr>
<td>12</td>
<td>Rubber</td>
<td>0.7-2.5</td>
<td>357</td>
<td>1.0</td>
</tr>
<tr>
<td>13</td>
<td>Leather materials</td>
<td>0.8-3.4</td>
<td>425</td>
<td>0.48</td>
</tr>
<tr>
<td>14</td>
<td>Other things (not mentioned above)</td>
<td>0-3.3</td>
<td>200</td>
<td>0.59</td>
</tr>
</tbody>
</table>


**Table (6)**

The changed of the composition of solid waste between 1988 and 2017 in Iraqi cities

<table>
<thead>
<tr>
<th>No.</th>
<th>Components</th>
<th>1988 (%)</th>
<th>2017 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Food waste</td>
<td>81.0</td>
<td>68.17</td>
</tr>
<tr>
<td>2</td>
<td>Paper and cardboard</td>
<td>5.0</td>
<td>9.6</td>
</tr>
<tr>
<td>3</td>
<td>glass</td>
<td>1.0</td>
<td>2.3</td>
</tr>
<tr>
<td>4</td>
<td>Plastic and nylon</td>
<td>3.0</td>
<td>5.29</td>
</tr>
<tr>
<td>5</td>
<td>Food wrappers</td>
<td>not available</td>
<td>1.42</td>
</tr>
<tr>
<td>6</td>
<td>Aluminum cans</td>
<td>not available</td>
<td>1.4</td>
</tr>
<tr>
<td>7</td>
<td>Metals</td>
<td>5.2</td>
<td>0.98</td>
</tr>
<tr>
<td>8</td>
<td>Textiles of all kinds</td>
<td>1.4</td>
<td>5.09</td>
</tr>
<tr>
<td>9</td>
<td>Diapers</td>
<td>not available</td>
<td>1.9</td>
</tr>
<tr>
<td>10</td>
<td>Residues of gardens</td>
<td>2.4</td>
<td>0.93</td>
</tr>
<tr>
<td>11</td>
<td>Wood</td>
<td>0.4</td>
<td>0.85</td>
</tr>
<tr>
<td>12</td>
<td>Rubber</td>
<td>not available</td>
<td>1.0</td>
</tr>
<tr>
<td>13</td>
<td>Leather materials</td>
<td>0.2</td>
<td>0.48</td>
</tr>
</tbody>
</table>
Section three: The economic feasibility of waste recycling in Iraq

The concept of economic feasibility has many frameworks, the most important of them is the direct profit with digital accounts of the funds that can be earned when conducting any profitable economic activity. Other trends of feasibility relate to standards that going to other paths, the most important of them is the sustainable development of natural resources and preserving the natural resources of the environment from destruction.

The study will address the economic standard, which is to achieve profits for investors and businessmen in the field of recycling assumed in Iraq and the study showed without doubt the existence of the main supplier of this type of works, which is the huge quantities of waste that can be recycled in order to make the Iraqi economy among the economies that depend on the recycling of waste according to successful international models such as recycling model in Amsterdam(1), Others in Europe and other global regions.

First, we will address the direct economic feasibility of waste recycling processes, which can be practically done by the Iraqi economy for most of the waste in Iraqi cities and turn it into products that can be used as raw materials or intermediate inputs in profitable economic activities. As we have seen from the data in Table (4) that Iraq produces (14349414) tons of waste of various kinds, and the waste that can be recycled represents more than (25%) of this amount, while the rest can be landfill and the other half can be used as profitable uses. The estimated cost of collecting all kinds of waste in Iraq per ton is about 80 US dollars. With the estimated cost of sorting and recycling for most types of waste such as aluminum and other light metals, the cost per ton can range from 300 to 500 US dollars, taking into consideration, the laborers costs and the equipment used. These figures can be compared to those of developed countries in the field of waste recycling such as Sweden, Germany, China, the United States and the Netherlands(2). From this point of view, and the basis of the economic analysis of the economic feasibility of the possibility of establishing a profit sector for the waste recycling in Iraq, we see that it is a profitable sector, which can accommodate more than 60 thousand of technical and non-technical workers according to the estimates of the Iraqi Ministry of Planning for available labor, which can take its course to such a sector(3), and according to the quantities of waste generated annually in Iraq and the density of labors required in the production patterns in the sectors of waste recycling in the activities of final sorting and recycling. This is a matter of direct feasibility, which can be measured in terms of financial measures.

The other type of profit is the indirect profit or so-called social profit, which can be measured by several criteria, most important of them the conservation of natural resources and use them more than once in economic processes(4). If we apply this feasibility criterion to the Iraqi case, we should know the source of the waste as a commodity and import source, because most of the goods that produce the total waste in Iraq are originally imported and its import costs are covered by the oil export revenues. Therefore, the orderly waste recycling will reduce the financial encumbrance on the Iraqi economy, as well as reduce the impact of pollution, especially when throwing non-biodegradable wastes such as plastic and other

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1 The city of Amsterdam and its municipality launched a project with a high level of success, which its economy be based on the waste recycling, and this meaning (not throw anything), but the recycling of everything from waste even the remaining ash from the burning of waste which is retained from the process of producing electricity or any other burning processes, where ash contains quantities of minerals that can be used. From this example, we can conceive the model of economy based on waste recycling of the city of Amsterdam which is still growing to confront activities that do not correspond to this idea, where these activities are called linear economy, which does not depend on the system of waste recycling.

2 These costs were derived from interviews with owners of small and individual waste recycling projects in Iraq, and these costs could change to better figures and more economically feasible when these projects in this field shift to large scale projects.


4 For more information Ministry of Planning, Central Bureau of Statistics, Statistical Series 2016, population statistics and labor forces

5 For more information on the indirect economic profitability of recycling processes see: Salah Mahdi Abbas, Analysis of the Problem of Waste Transport in Baghdad Using Linear Programming, Unpublished Master Thesis, Faculty of Management and Economics, Baghdad University

The contribution of thermal waste treatment to climate change mitigation, air quality and resource management]. For: Interessengemeinschaft der Betreiber Thermischer Abfallbehandlungsanlagen in Deutschland (ITAD). Öko-Institut, Darmstadt 2002 [In German].
waste\(^1\), as these wastes are not biodegradable for very long periods of time. Therefore, waste recycling processes will save the Iraqi environment from the potential hazardous pollution of contaminated waste types and preserve the Iraqi natural resources (water and soil) from destruction. Therefore, the development of the waste recycling sector achieves economic and social profits, especially, if the facilities were provided for businessmen to invest in this filed, as discussed earlier in this study. Also, should be noted that it is not possible to neglect the effect of cleaning the environment of waste on public health, because this will affect the level of productivity and labor activity that can be built in the future and building a successful developmental track with significant impact on the country within sustainable development framework, as well as, the backward and forward linkages of the recycling sector with other economic sectors as raw material supplier as well as the recycling sector inputs from other sectors in the context of productive reliability in the case of flourishing processes of the recycling sector, then it is a compensatory feasibility and the feasibility of sustainable development.

Conclusion

Finally, concluding phrases must be place within the framework of the conclusion and proposals related to the subject of the study.

The study concluded the following:

The problem of increasing waste production and non-recycling it, is a dangerous problem due to the high rates of population growth and the increased consumption processes which generating waste in huge quantities and this is a major cause of environmental pollution.

There is no clear system for handling and recycling large amounts of waste, but the efforts are limited in collecting waste and landfill it.

The Iraqi consumer is not concerned with the processes of waste recycling because of the absence of an integrated system that gives the consumer a key role in the processes of waste recycling, so the consumer acts very random in dealing with the waste generated by the activities of his daily life and this complicates the problem more.

The unscientific dealings with waste and the use of means belong to the past centuries, lead to the waste of raw materials contained in the wastes, which can be used through recycling it for many times, and the second direction of waste is the pollution of the forces of nature through the processes of landfill the waste underground and this generate gas emissions, as well as, waste dumped in rivers. As well as, the financial waste of oil sales, which offset by more imports of consumer goods and raw materials that can be offset by waste recycling processes.

The missed opportunities from the Iraqi economy because of non-recycling of waste in a scientific and systematic form, is represented by the inability to compensate the lost initial resources in the waste and the loss of the labor opportunities and the intertwining of economic sectors and the loss of sustainable development opportunities by making the economy circular not linear in use the resources of all kinds.

The study recommends:

The government should provide a strategic legislative framework with a clear vision to start waste recycling operations immediately as a national goal. This framework includes legislation that encourages and motivates the national and foreign business sector to invest in this sector and the national government's permanent announcement on the profit of this sector, as well as, providing tax and financial facilities for this sector if it grows in the right direction.

Utilizing the experiences of developed countries in the field of waste recycling such as Sweden, Germany, Holland and China and attracting businessmen from these countries to invest in Iraq.

Providing governmental funding to support this sector and provide all the necessary supplies to maintain its sustainability because of its great importance of the preservation of the environment.

Establishing of a national institute specialized in the management of researches, studies and consulting in the field of innovation in waste recycling processes and sustainable development and the provision of databases on the growth of waste problem and its danger to public life, both healthily and economically.

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\(^1\) There are a total of 73 landfill sites designed and approved by environmental protection departments and 163 sites not designed and approved by environmental protection departments
Adopting a national public opinion campaign to demonstrate the extent and seriousness of the continuation of the absence of an integrated sector for the recycling according to scientific visions and try to make the citizens and institutions an active part in the system of waste recycling.

References


Risk Responsiveness Based Organizational Change Management

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Budapest Business School

Abstract

Risk management, and in particular, risk analysis is a dynamically developing area of strategy management. Its necessity is validated by several business strategies, or rather by the failure of their execution. Besides the exploration and prognosis of uncertainties originating from the outer environment and the inner operation, the role of risk management in strategy management — including organization development — is to make these uncertainties calculable, and to compose action plans to avoid or reduce the occurring negative effects. In terms of risk analysis it is analysis which types of change management actions are matching with environment and internal resources and capabilities. In the paper it is examined how the company strategy and operational environment determine the effectiveness of organizational development philosophies, and culture, size, profile, partnership of the enterprise. Based on diagnoses is proposed an optimal organizational development goals helping the successful change management.

Keywords: organizational development, change management, strategy, project, risk

Introduction

Risk management, and in particular, risk analysis is a dynamically developing area of strategy management. Its necessity is validated by several business strategies, or rather by the failure of their execution. Besides the exploration and prognosis of uncertainties originating from the outer environment and the inner operation, the role of risk management in strategy management — including organization development — is to make these uncertainties calculable, and to compose action plans to avoid or reduce the occurring negative effects.

The process of risk management can be broken down into these recurring phases:

- Mapping the endangered values and activities that are liable to risks
- Exploration, registering and prioritizing the risk factors and sources of danger
- Analyzing the effects of the risk factors
- Determining action tasks to manage the risks
- Executing the chosen risk management methods
- Monitoring and improving the program

Phases i-iii of risk management are related to risk analysis, and phases iv-vi are related to risk handling. The risk management's general and typical functions in organization development mean decisions, procedures and methods described below.

Taking the result of the preliminary survey in consideration I focused my research to improve the methodology for strategy evaluation and underpin change management. It is presented the risk assessment steps that lead to the determination and evaluation of strategic options. The business mission as the basic policy of the company is connected to the values and expectations, and the determination of vision as a strategic direction is the starting point of strategic planning. The analysis of the company's internal and external environments should be subordinated to the contents of the mission and the vision. After an environmental and company diagnosis (for example, an SWOT analysis) the strategic directions can be determined (by Porter's Competitive Strategies, for example) along with the strategic alternatives (by TOWS Matrix). The development methods and resources can be determined by a company value chain and resource analysis.
Endangered Valuables, Resources at Risk, Mapping of Activities

Risks related to the realization of strategic goals arise from the elements and processes of organization development, and from the quality and usage of resources. Above all, the identification of risks needs the identification of such threat categories and typical blocking factors that can generate the unexpected effects. On the one hand, risky threats and blocking events can arise from the usual course of business, and on the other hand, damages that cannot be planned may cause significant losses. From another approach, unfavorable effects on the realization of the company’s business goals may be derived from the weakness or insufficiency of strategic resources and competencies as well as from the changes in the outer factors and the regulatory environment. A change management project is threatened by factors such as:

- Uncoordinated or ineffective (elements of) company operation.
- Low quality or insufficient usage of material resources, assets and information.
- Insufficient human resources, lack of knowledge.
- Bad relationship with stakeholders.

The methods described below may help the company in making a "risk map".

The assessment of the organization through questionnaires give a full map to the tasks determining organization development. The evaluation of the factors by their ranks sheds light on the uncertainties and weaknesses behind each subtask. As a matter of course, this method of assessment can be used for mapping any resource and competency of the organization. One of the best-known methods of assessment is the so-called EFQM (European Foundation for Quality Management) model (Mullins, 2007). According to this, there are factors and abilities (so-called enablers) that basically defines the operation of an organization, such as:

- Leadership
- People
- Strategy
- Resources
- Processes

The evaluation of other factors include an examination of the successes that determine the competitiveness of the company. Such success factors or success gauges are:

- Company behavior qualifying the customer relationships
- Key indicators showing the financial situation
- Advancement of the employees, learning skills
- Public relationship, social responsibility

In structure this method of assessment is similar to the so-called Balanced Scorecard method in several respects (David, 2011). In the first phase, the components of the organization are evaluated, then the strategic elements indicating the success of competitiveness are examined.

The change management is on one side a method to change the people’s behavior to achieve the organizational goals, from the other side it is project management point of you to manage the execution procedures.

Drawing a decision tree is reasonable in the case of a complex, multiphase organizational development, when at the end of each chapter of the project there are more than one imaginable ways (decision variant) to continue. While planning the project we can add probability levels reflecting the expected outcome of each variant. Of course, after a decision there will be only one way the project continues. For that we must have a proper scenario. In organization development this method is basically used by project managers for making project plans.
The exploration, analysis and sorting of risk factors and threats are based on both the evaluation of factors examined by the method of questionnaire and the analysis of the radar chart (Figure 1) drawn after the weights of the factor groups were given.

**Figure 1: Results of Evaluation (example). Source: Compiled by author**

The figure shows which areas are underestimated, and on which areas it is needed to examine both the need for organization development and the method thereof. In this example, the treatment for the employees and the public relationships justify further audit and analysis.

**Analysis of the Risk Factors’ Effects**

During the analysis, the set of independent variables is made of the characteristic elements — discovered during the identification of risks — of blocking factors or threats (macro level, market, technical, technological, financial, etc. risks). The consequences of these risks are expressible as changes in the dependent variables (such as implementation time, implementation cost, slippage caused by employee dissatisfaction, etc.). The measure of the caused change shows the danger level of each risk factor (Turner, 2009).

By doing a risk analysis we should examine all dangers and risks, and determine their possible combinations. The probability of damages and various damage combinations have to be analyzed. At the same time, determining the possible financial requirements is an equally important element of the examination. During risk assessment it is not to be neglected that what areas of the company are affected by the risk events. It is also a question if the negative effect would make an impact on the whole company or just a part of it?

In the practice of organization development projects the probabilistic sensitivity analysis gives the most information for risk analysis. This method shows the measure of impact the change in the incidence rate of each risk factor (independent variable) has on the success of organization development (implementation time, implementation cost, pace of change).

First, each variable must be identified by determining the areas getting relatively bad or critical values during the evaluation of the organization elements. (Figure 1.)

We have to explore the connection between cause and effect to see what further troubles the growth of an organization level problem may cause in the life of the company. Professional estimates can accompany this method of examination in a way that even the probability analysis calculations can be based on probabilities derived from the estimated incidence rate of each risk factor.
Thus, the above-described risk analysis methods complement each other. As a first step, the sensitivity analysis selects the "most dangerous" risks, then the probability analysis shows the combined effects thereof. In some cases an estimated-losses calculation may accompany the analysis of the risk factors, but this method’s usability and value in use is limited in organization development.

**Determining Risk Management Action Tasks by Risk Types**

In this phase we examine the possibilities of preventing the damages, dangers and risks to the organization, and by this we determine the possible direction of organization development. The risk-related solutions, the tools for risk control are (Mulcahy, 2010).

Avoiding risks

Reducing risks

Transferring risks

Sharing risks

The various types of action presume different organization development and so change management methods as well. These may be the following.

**Avoiding Risks**

If an event having adverse effect upon the operation of the company has a high probability of occurrence, then a solution is to withdraw from the very risky activity leading to that event. Organization development procedures opening a way before foreseeable, regulated and significant changes are needed (Child, 2008). It is achievable by certain strategic decisions, or it may need a reorganization of the procedures or the whole company. These kinds of projects are mostly covered by the BPR (Business Process Reengineering).

For example, reconstructing the sales department may be such a project, in which the company switches from the specifications of a product based operation to the allocation of procedures and resources by customer types.

**Reducing Risks — Risk Management**

In some organization development projects it is unexpected to get sudden, shock-like events. These projects aim to reduce the impact of damage, dangers and risks. Risk management includes foreseeable activities that have continuous effects on the long term, such as Six Sigma-type quality-assuring projects that includes procedure reorganization and aims to reduce the production error percentage.

**Transferring and Sharing Risks**

The company may transfer its risks related to its activities and the resources thereof. In organization development, the common “transfer direction” is an outer (sub)contractor. Characteristically, there are lots of uncertainty factors, the management should expect everyday problems, and it is hard to plan any internal improvement, but following the necessary management decisions this method can achieve significant results. A typical form of transferring risk is the outsourcing, which means that after laying down certain conditions in the contracts, the company outsources its non-strategic activities.

**Adoption of Risks, Exploitation of Opportunities**

If significant risk to the organization cannot be identified, or if the risk is manageable in the usual course of business, the company applies indirect risk management. The company environment is changing continuously, the pressure to adapt is constant, so the recognition of possibilities makes it a necessity to formulate the strategic goals and actions. In these cases risk management basically consists of project (development) risks that is not within the scope of this article.

**Choosing the “Best Strategy”**

During the process of the evaluation of strategic options supported by the result of a situation reading, the drawn planning scripts are compared to each other and evaluated.

First of all, I compare the company’s mission and vision with strategic options that was set in concord with the former situation evaluation. By this I examine the coherency, and filter out the options that do not meet the requirements. After this
I examine if the requirement of completeness is fulfilled; the options that contain goals in accordance with the predefined set of premises can be compared to each other. After selecting the “best strategy” the examination of acceptability gives answer to the question; Could we find the best organizational development objectives to achieve the strategic goals? In the case of negative answer the strategy creation process starts from the beginning.

**Summary**

By using the organizational risk assessment we can choose one from the possible solutions, or find a combination of solutions that corresponds to the general goals of the company, and most effectively serves the execution of the company’s strategic goals. The specific organization development tasks and measures can be distributed among the levels of senior and middle management in accordance with the division of labor in the management.

During organization development the results should be continuously monitored and assessed to always keep the applied evaluation procedures improved and updated. The results and derived conclusions serve to strengthen and enrich the learning skills of the organization.

After I evaluated the environment and the inner resources, I had to designate the possible “roads” on which the vision of the company can be realized. Considering the consistency requirement for the planning process the steps are building on each other. The strategic directions, as planning options, are connecting status quo with the company’s vision, thus creating a bridge between present and future. Besides the designation of a strategic direction, a frame for the task supporting the realization of the strategy, namely the action plan, also has to be defined. In this respect, keeping the requirement of consistency in mind I determine the possible set of strategic instruments by using the methods below.

During the evaluation and quantification of the risk exposure I review the cases in which the strategic factors revealed formerly are “flying away”, unexpected events do happen, company resources erode, or the internal shortcomings are not eliminated entirely. This kind of approach helps to think about actual risks for each strategic factor. The risks revealed this way are standardized by the expected events' financial, organizational, market or environmental nature.

**References**

Role of Analysis CVP (Cost-Volume-Profit) as Important Indicator for Planning and Making Decisions in the Business Environment

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Abstract

This research intends to know how much the Cost-Volume-Profit Analysis is used to planning and making decisions in the business environment. The research has been done in manufacturing and service enterprises, using the combination of econometric models in order for the research to be as accurate and to have positive effect. The data are realized through structured questionnaires, using the Mann-Whitney U test, Brunner Munzel test, p-value, BootStrap, DF-degree of freedom, percent confidence interval, with the dependent and independent variables etc. In whom case the hypotheses are verified, which are raised .The results of this research showed that amount of product produced has positive effect on sales value to service companies and raising profit to the manufacturing business environment, also exists an important relationship between production and sales, and CVP analysis contributes to growth profitability and break-even in the business environment. So, as conclusion based on the results found from research, cost-volume-profit analysis should be used for making decisions, because the risk threshold evidently decreases by doing such analysis. The great demand from service companies for products it significantly increases profit and producing to manufacturing enterprises.

Keywords: CVP analysis, break even, costs, production, decision making, margin of contribution, risk threshold etc.

Introduction

Managerial accountants, in the business environment should to calculate as: expenses, income, future profits etc. To help in planning and monitoring operations, they use it cost-volume-profit analysis (CVP), by identifying the necessary levels of operational actions: to avoid losses, to increase target profit, to planning future operations, to monitor the performance of the enterprise. They also analyze the operational risk of how to choose the appropriate costs for producing or service a product or more products.

Purpose of Research

The purpose of this research is to see whether applied or not applied the cost-volume-profit analysis during planning and decision making, so what the effects in break even. Another important purpose in this research is to explore the relationship between the CVP analysis and the profitability analysis, in the business environment of the manufacturing and service, then to determine whether the CVP principles are being met and practiced in manufacturing and service enterprises in Kosovo. Which means: basically, the functioning of the CVP analysis is the principle which emphasizes "the lowest level of costs during the activities, and the revenue increases with the growth of activities in the business environment".

Methodology

As a case study we have chosen the manufacturing and service environment business in the Kosovo, namely the sale a product or more products affects the realization of profit for manufacturing enterprises, then what is the demand of the service companies and what is the demand of the consumers from the service companies ( a product or more products). For the most accurate realization of this research, we have used several econometric and statistical models during the observed period such as: Mann-Whitney U test, Brunner Munzel test, Degree of Freedom, Bootstrap including dependent
and independent variables. The test is realized with: manufacturing enterprises, service enterprises, and finally with consumers. Qualitative data during the observed period have been verified through raised hypotheses. The econometric and statistical model is processed through the SPSS and R program. Found results will help for planning and effective making decisions through CVP analysis.

The Hypotheses

Main hypotheses:

H1: Exists significant relationship between manufacturing enterprises, service enterprises and customers?

H2: Cost-Volume-Profit Analysis is closely related to planning and decision making in the business environment?

Ancillary hypotheses:

H01: Selling more products (increased service) affects profit growth if the contribution margin covers the fixed costs?

H02: The quantity of products produced has positive effect on sales value in service enterprises, and increased profits of manufacturing enterprises in the business environment?

H03: Selling more products or mixed products (or offering more services) realizes the greatest profit than sale only one product (or offering only one service)?

Literature Review

Cost-Volume-Profit Analysis is management tool with which employees as managerial accountants help in making decisions convincing, which have volume of cost depending on activity within the business and implications in profit. But if the management of the enterprise does not apply the CVP analysis during the decision making process, it will result in low performance and profitability. About the definition, for the CVP analysis have given contribution many authors: According to Gautier Et al 20011 the CVP analysis shows the relationship between sales prices, production volume, costs, expenses and income, target profit. According to Drury (2000), the CVP analysis determines performance, measurement, control, stock evaluating, costs that need to be planned for production or service, the creating sales prices etc. 2 The definition of the CVP analysis according to the Accounting Institute's rules in the official terminology is "Calculating the predetermined cost as sum, should be under the special conditions of work in the enterprise (business environment). 3 According to Hilton R.W4 according to mathematical approach, CVP shows the relationship between revenue and cost.

What is Cost-Volume-Profit Analysis?

Cost-volume-profit analysis is a technique that examines changes in profits, in sales volume, costs, and prices. CVP analysis can be valuable tool in identifying the stretch and size of the economic problems with which the company facing, this analysis helps locate these problems. The CVP analysis is used to ensure information for planning and decision-making such as: choosing problems during planning of products for sale, expanding or narrowing the production line, exploitation of production capacities during the expansion or recession economy of the country. So that managerial accountants to make planning for the future, they should take it information about:

Products or services that affecting in profit maximizing?

Sales volume to reached target profit?

The necessary income to avoid losses?

The contribution margin should cover fixed costs in order to avoid risk?

Should a firm invest in highly automated machinery and reduce its labor force?

1 Scientific paper, volume third pg. 2. 
2 Drury 4 the.Chapter 9 
3 Accounting institute regulations 
4 Hilton R.W
Should a firm advertise more to improve its sales?

**The Purpose of CVP Analysis?**

The purpose of the CVP analysis is to create a question that can be used to predict the profits of the enterprises, change in profit or any other element within the question that enterprise managers take into account by expressing the relationship between: sales price, sales volume, variable and fixed costs etc., by adhering this question as a powerful tool for the budgeting process, making decisions, controlling the production that the managers do. So in other words, management accountants should focus on this analysis at the beginning of the production or service process, because there is no time for successive changes.¹

**The Assumptions of CVP Analysis**

Total costs based on business activity are divided into fixed and variable costs,

Selling price is constant,

Costs are linear and can be divided into variable and fixed elements,

In multi-product companies, sales mix is constant,

In manufacturing companies, inventories do not change etc.

These assumptions help CVP analysis for the exact profit forecasting, but sometimes business operations cannot match all assumptions, in such cases the analysis results in approximation with these assumptions that help in making decisions.

**Methods of Cost-Volume-Profit Analysis**

There are two main methods that used in the CVP analysis:

Graphic approach - This method is very useful, because it highlights relations between the cost-volume-profit in a wider aspect of business activities (manufacturing and service). In this case it enables managers, greater perspective to planning and making decisions for the future². The steps included in the graphical method are three: the profit area, the loss zone, the equilibrium zone. Based on three areas, managerial accountants should to planning production quantity, sales price, target profit, risk threshold.

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¹ Cost accounting chapter 17 cost volume profit analyses, pg.590
² Gautier et al 2001 accounting theory and practice
Algebraic approach - This approach helps to incorporate marginal contribution, income statement, and estimation of several cost-volume-profit factors such as: sale price for unit, variable costs for unit, fixed costs of sales, target profit, marginal contribution for unit etc.

**Contribution** = sales – variable cost \(^1\)

Profit = contribution – fixed cost \(^2\)

Sales – variable cost = fixed cost + profit \(^3\)

Sales (in units) = fixed cost + target net income / contribution margin per unit \(^4\)

Targeted operating income = target net profit / 1 - tax rate \(^5\)

Quantity of products to be sold = Fixed costs + Targeted operating income / contribution margin per unit \(^6\)

Risk threshold = Fixed costs / Margin of contribution per unit \(^6\)

Expressed in monetary units (€)

**Risk Threshold** = Fixed Costs / Contribution Margin Report \(^7\)

Where:

**Contribution Margin Report** =Contribution Margin per Unit/ Revenue from sale per Unit \(^8\)

For sale:

**Risk Threshold** = Fixed Costs * Value of Sales / Margin of Contribution \(^9\)

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1 The contribution margin equation - the margin of the contribution must cover fixed costs, thus the revenue exceeds fixed costs. The unit contribution margin is the ratio between the sales price and the variable cost per unit (Horngren 2006)

2 Ibid

3 This difference helps the business to know whether it is in the risk threshold or not. The level of sales in which operating income is equal to zero, sales above the risk threshold result in profit, while sales below the risk threshold result in losses.

4 Based on this formula, can be calculated incomes from operations.

5 If we want to see the impact of profit tax on CVP analysis, we use this formula

6 Using the contribution margin method, with the purpose of determining the target operating income according to the formula
CMR (unit) = selling price - variable cost per unit/ selling price (10)
CMR (Total) = Total Sales - Total Variable Cost / Total Sales (11)
CMR = fixed cost + profit / contribution + cost variable (12)
Notes:
CMR = change in profit / change in sales volume (13)
Operating leverage rate = Margin of contribution / Net operating income (18)

When and for What CVP Analysis Will Be Used
CVP analysis used to provide general information on relations Cost-Volume-Profit for business environment. Accountants also use it to provide the necessary information: for sale, for planning , for control, decision making problems, budget control, sale price decision , product replacement, distribution channel selection, sales volume setting, performance measurement, product quality , customer requirements (Meigs, 1996).

The profit forecast- First, the firm decides on its sales, the costs before the profit calculation, and then decides on the production.

Decision-Making for Mixed Products
Decision and planning which ones products will be produced and which ones will abandoned, will helps the business environment (manufacturing enterprises and service enterprises) to maximize profit. This will realized by taking into consideration of the sales and production that has been made in the previous years, all this depends on the demand of consumers what to produce or what to serve, and what to be abandoned.

Budget Control
Budget control is the creation of a budget regarding the responsibility of the manager, the policy requirements, and the continuous comparison of the production and service process (J.O.Kalu). Budget control has to do with using the budget to control operational activities or to secure individual actions, as well as to provide a basis for its re-scrutiny. Cost-volume-profit analysis can be used in the budget control field to compare the sales budget, volume, cost, and actual profit.

Decision-Making on Prices
The price decision affects the quality of production and sales, revenue = cost. Managers need to understand patterns of behavior, the product cycle chain, to reached profit (Horngren 2006). According to Horngren (2006), great influences on the price decision have customers, competitors and cost. Consumers influence the price, through their demand for products or services, based on the features of the product, quality, etc. The cost also affects the price decision, because the cost affects the supply. The lower the cost of producing a product the greater is the opportunity to supply the consumer with the product or service, thus affecting the growth of operating income. The use of cost-volume-profit analysis in this field is necessary to examine the cost of manufactured products and the planned profit before making the price decision.

Case Study in Manufacturing and Service Enterprises
This research makes the combination of analysis during the design of the length of the research, determining if the principles of CVP analysis used in the business environment. The purpose of this analysis is to test the credibility of the data from the hypotheses raised, and from the questionnaire realized with the consumers, manufacturing and services enterprises.

1 Security margin report - Shows discounts in possible sales ,that may occur before we have operational loss
2 ibid
3 Security margin report - Shows discounts in possible sales ,that may occur before we have operational loss
4 This happens when the sales price is left out altogether.
5 This happens when the sales price is left out altogether.
6 J.O.Kalu
7 CVP analysis
8 Horngren 2006).
9 Horngren 2006).
\[ r_{xy} = \frac{n \sum xy - (\sum x)(\sum y)}{\sqrt{(n \sum x^2 - (\sum x)^2)(n \sum y^2 - (\sum y)^2)}} \] -(19)

or

\[ r_{x'y} = \frac{\sum xy^2}{\sqrt{(\sum x^2)(\sum y^2)}} \] -(20)

T-Is calculated = \[ \frac{\sqrt{n-2}}{\sqrt{1-r^2}} \] -(21)

<table>
<thead>
<tr>
<th>Product</th>
<th>Product x</th>
<th>Product y</th>
<th>Product z</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales price per unit</td>
<td>10€</td>
<td>7€</td>
<td>5€</td>
</tr>
<tr>
<td>Variable cost per unit</td>
<td>5</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Margin of contribution per unit</td>
<td>5</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Report for mixed sale</td>
<td>3</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Fixed costs for the observed period 150 euros</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income for the observed period 700 euros</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table .1.Sales for mixed products

Point of profitability:

Step 1: \[ NI^0 = (P_1 Rm_1^0) + (P_2 Rm_2) + (P_3 Rm_3) \] -(22)

\[ (10€*3)+(7€*3)+(5€*2)= 30+21+10=61€ \]

Step 2: Total price for three products / mixed sales ratio -(23)

\[ Step 2: 61 euro \div 8 = 7,625 \]

Step 3: Difference from MK\(^1\) to Mixed Sales * Variable X - Fixed Costs=0 -(24)

\[ Step 3: 7.63euro*X variable -150 euro =0 \]

7.63euro * X variable = 150 euro

Variable X=150/7.63

Variable X = 19.66\(^2\)

Step 4: Total variables X * MSR / MSR for three products -(25)\(^3\)

---

1. n-number of years or months
2. x-dependent variables
3. y-independent variables
4. Correlation coefficient
5. Model elaborated by the authors for the auxiliary hypotheses H0\(_1\) and H0\(_3\)
6. Net income
7. Sales price per unit
8. Report for mixed sale
9. 61€ the total for the ratio between sales and sales prices for mixed (mixed)
10. 7,625 -The average difference from the contribution margin for mixed sales
11. Margin of Contribution
12. Total units that included in three products from mixed sales
13. For reason, partial units cannot be sold until to the final product
Step 4:
Products x: \(19.66 \times \frac{3}{3} + 3 + 2 = 58.98 / 8 = 7.373 \approx 7\) units
Products y: \(19.66 \times \frac{3}{3} + 3 + 2 = 58.98 / 8 = 7.373 \approx 7\) units
Products z: \(19.66 \times \frac{2}{3} + 3 + 2 = 39.32 / 8 = 4.915 \approx 5\) units

Step 5: Testing for business environment for the sales of three products

Step 5: \((\text{MC}_1 \times \text{Unit sold per product X}) + (\text{MC} \times \text{Unit sold per product Y}) + (\text{MC} \times \text{Unit sold per product Z})\) \((26)\)

\((5 \times 7 \text{ units}) + (2 \times 7 \text{ units}) + (1 \times 5 \text{ units}) = 35 + 14 + 4 = 53 \text{ euro}^2\)

**Units sold for target profit = FC}^3 + \text{TP}^4 / \text{MC}^5 (27)**

\(\text{UsTp}^6 = 150 + 700 / 8 = 850 / 8 = 106.25^7\)

Sales \(106.25 \times 22 \text{ euro} = 2337.5\)

\(-\text{V.C} \quad (106.25 \times 14 \text{ euro}) = 1487.5\)

\(\text{MC} \quad (106.25 \times 14 \text{ euro}) = 850\)

\(-\text{FC150}\)

**Operating income** \(700 \text{ euro}^8\)

<table>
<thead>
<tr>
<th>Variable</th>
<th>The quantity of products produced has positive effect on sales value in service enterprises, and increased profits of manufacturing enterprises in the business environment (mixed products , fixed costs , margin of contribution , purchase price, selling price, offerings of manufacturing and service enterprises , requests from customers and service enterprises etc.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Co-efficient</td>
<td>P-value</td>
</tr>
<tr>
<td>Constant</td>
<td>817248.3</td>
</tr>
<tr>
<td>(T)</td>
<td>1.240</td>
</tr>
<tr>
<td>sales value of GB and PB</td>
<td>.146</td>
</tr>
<tr>
<td>(T)</td>
<td>5.233**</td>
</tr>
<tr>
<td>(R)</td>
<td>.856**</td>
</tr>
<tr>
<td>(R^2)</td>
<td>.732</td>
</tr>
<tr>
<td>F.ratio</td>
<td>27.380</td>
</tr>
</tbody>
</table>

Table 2. The results obtained from the regression analysis

---

1 Margin of contribution
2 Margin of contribution per units
3 Fixed costs
4 Target profit
5 Margin of contribution per units
6 Units sold for target profit
7 Target profit
8 Hypotheses H01 and H03 are confirmed, where with the sale of some products when the contribution margin covers fixed costs, then the enterprise will realized profit, so statistically the Ho1 and H03 are important.
9 Explanation: important at 5% level. The second auxiliary hypothesis is confirmed
<table>
<thead>
<tr>
<th>MANUFACTURING ENTERPRISES</th>
<th>SERVICE ENTERPRISES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumers 1</td>
<td>Evaluation</td>
</tr>
<tr>
<td></td>
<td>Consumers 2</td>
</tr>
<tr>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>6</td>
<td>6</td>
</tr>
</tbody>
</table>

Table 3. Customer assessment for service companies, and evaluation of service companies for products produced by manufacturing enterprises.

Evaluation for the manufacturing enterprises and the service enterprises

S1: T1 = 4+1.5+5.5+7.5+1.5+3 = 23
S1: T2 = 5.5+10+9+7.5+3+12 = 55
S3: N=6
\[
\mu = n_1 n_2 + n X (nx+1)/2
\]
S4: \(\mu = 6*6+6(6+1)/2 = 55\)
\(\mu = 36+21 = 55\)
\(\mu = 2\)
S5: Use of critical values U for test M-W. The significance level 5%
N1 =20
N2= 20
Total 127
S6: Use of critical values U for test M-W. The significance level 1%
N1 =20
N2= 20
Total 105
For n1=6 and n 2=6 critical value per U is 5% evaluation for both enterprises.

For n1=6 and n2=6 critical value per U is 1% evaluation for both enterprises.

---

1 Explanation, numbers 1-6 have to do with 600 consumers in both companies for the observed period.
2 Explanation, numbers 1-6 have to do with 600 consumers in both companies for the observed period.
3 Explanation: The assessment of this test was done by the service companies and consumers, taking into account all the variables (dependent and independent).
4 Explanation: Mann-Witney test for both enterprises
5 Significance 5% level
6 M-W test
7 Significance 1% level
8 M-W test
\(\mu = 2^2\)

Testing .05 significance level = 5

Testing .01 significance level = 2

Data analysis through other tests such as: Brunner Munzel test and Bootstrap Method for confirmed (substantiate) the auxiliary and main hypotheses.

We Analyzed the Questions for Both Enterprises:

Questions \((6, 10, 22, 25, \text{manufacturing enterprises})\) and \((3, 6, 7, 9, 10, 13, \text{service enterprises})\) for confirming the first auxiliary hypothesis \(H_0^1\).

Questions \((1, 3, 6, 7, 9, 12, 13, 14, 21, 25, 27, 29, \text{manufacturing enterprises})\) and \((3, 6, 7, 9, 13, 7, \text{service enterprises})\) for confirming the second auxiliary hypothesis \(H_0^2\).

Questions \((15, 16, 22, 27, \text{manufacturing enterprises})\) and \((15, 16, 21, 22, \text{service enterprises})\) for confirming the third auxiliary hypothesis \(H_0^3\).

Questions \((6, 12, 14, 17, \text{manufacturing enterprises})\) and \((6, 7, 8, 17, 21, 27, \text{service enterprises})\) for confirming the main hypothesis \(H_1\).

Questions \((1, 2, 4, 5, 11, 13, 18, 19, 20, 21, 23, 24, 25, 26, 27, 28, 29, 30, \text{manufacturing enterprises})\) and \((1, 2, 4, 5, 11, 12, 13, 14, 18, 19, 20, 21, 23, 24, 25, 26, 28, 29, 30, \text{service enterprises})\) for confirming the main hypothesis \(H_2\).

Since our data originates from a Likert-Scale questionnaire ranging values from 1 to 5, the usual one sample t-test is inappropriate. Hence, we select the advanced method proposed by Brunner-Munzel, which compares two groups for stochastic equality. In doing so, we combine the Brunner-Munzel test approach with a Bootstrap Method, in order to generate a second group, which results from a completely randomized synthetic sample. Mathematically, this corresponds in testing:

\[H_0: p = P(X < Y) + 0.5P(X = Y) \leq 0.5 \quad \text{vs.} \quad H_1: p > 0.5 \quad (28)\]

\[T = \sqrt{n} \frac{X_{n1}-X_{n2}}{\sqrt{\frac{S_1^2}{n_1} + \frac{S_2^2}{n_2}}} \quad (29)\]

\[n_1=n_2\]

\[p = P(X_1 < X_2) + \frac{1}{2}P(X_1 = X_2) \quad (30)\]

\[p = P(X_1 < Y_1) + \frac{1}{2}P(X_1 = Y_1) \quad (31)\]

Using the Brunner.Munzel.test function in R. Using \(B = 10,000\) bootstrap replicates, we approximate the p-value of the Brunner-Munzel test by using the strong law of large numbers, which guarantees the convergence of the sample mean p-values to the true p value to confirm the first auxiliary hypothesis \(H_0^1\) for two enterprises. The results can be obtained in the following table 4:

<table>
<thead>
<tr>
<th>MANUFACTURING ENTERPRISES</th>
<th>SERVICE ENTERPRISES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variable</td>
<td>Brunner-Munzel Test, BootStrap</td>
</tr>
<tr>
<td>P6</td>
<td>0.063*</td>
</tr>
<tr>
<td>P10</td>
<td>0.08*</td>
</tr>
</tbody>
</table>

1 Hypothesis is confirmed
2 Data realized by the interview
3 Brunner Munzel test, Bootstrap method
4 Mathematically testing the hypotheses for manufacturing enterprises and service enterprises
The first auxiliary hypothesis is proved 95%, but only two variables show no satisfactory result. Explanation below:

Using the Brunner.Munzel.test function in R. Using B = 10,000 bootstrap replicates, we approximate the p-value of the Brunner-Munzel test by using the strong law of large numbers, which guarantees the convergence of the sample mean p-values to the true p value to confirm the second auxiliary hypothesis $H_0^2$ for two enterprises. The results can be obtained in the following table 5:

<table>
<thead>
<tr>
<th>Variable</th>
<th>MANUFACTURING ENTERPRISES</th>
<th></th>
<th>SERVICE ENTERPRISES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>P22</td>
<td>0.16</td>
<td>0.10</td>
<td>19.7</td>
<td>95%</td>
</tr>
<tr>
<td>P25</td>
<td>0.022**</td>
<td>0.01</td>
<td>22.4</td>
<td>95%</td>
</tr>
<tr>
<td>P7</td>
<td>0.042**</td>
<td>0.269</td>
<td>17.6</td>
<td>95%</td>
</tr>
<tr>
<td>P10</td>
<td>0.027**</td>
<td>0.001</td>
<td>20.1</td>
<td>95%</td>
</tr>
<tr>
<td>P13</td>
<td>0.041**</td>
<td>0.203</td>
<td>27.3</td>
<td>95%</td>
</tr>
</tbody>
</table>

Table 4: Bootstrap p values of the one–sided Brunner Munzel test using 10000 replicates based on n= 15 observations.

The second auxiliary hypothesis is proved 95%, but only four variables show no satisfactory result to manufacturing enterprises. Explanation below:

1 Based on data analysis through methods and econometric tests, for the first auxiliary hypothesis $H_0^1$, for manufacturing and service enterprises, we can conclude: In the manufacturing enterprises from 30 compiled variables, for the first auxiliary hypothesis are adapted 4 variables, of which 3 are confirmed at the level of significance 5% (or 95%), while 1 variable not indicates neither results. So, the variable that has given the most satisfactory result for this hypothesis is Q25 (0.01% - 0.05%), while the one that has not given any positive result is Q22 (0.005% - 0.1%). In the service enterprises from 30 compiled variables, for the first auxiliary hypothesis are adapted 6 variables, of which 5 are confirmed at the level of significance 5% (or 95%), while 1 variable it shows result but not very good. So, the variable that has given the most satisfactory result for this hypothesis is Q7 (0.01% - 0.05%), while the one that has shown result but not very good is Q6 (0.005% - 0.1%)

2 Based on data analysis through methods and econometric tests, for the second auxiliary hypothesis $H_0^2$, for manufacturing and service enterprises, we can conclude: In the manufacturing enterprises from 30 compiled variables, for the second auxiliary hypothesis are adapted 12 variables, of which 8 are confirmed at the level of significance 5% (or 95%), while 4 variable have shown result, but not very
Using the Brunner.Munzel.test function in R. Using B = 10,000 bootstrap replicates, we approximate the p-value of the Brunner-Munzel test by using the strong law of large numbers, which guarantees the convergence of the sample mean p-values to the true p value to confirm the third auxiliary hypothesis $H_0_3$ for two enterprises. The results can be obtained in the following table 6:

<table>
<thead>
<tr>
<th>VARIABLE</th>
<th>MANUFACTURING ENTERPRISES</th>
<th>SERVICE ENTERPRISES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Brunner-Munzel Test , BootStrap P-Value</td>
<td>Df</td>
</tr>
<tr>
<td>P16</td>
<td>0.022**</td>
<td>0.002</td>
</tr>
<tr>
<td>P15</td>
<td>0.041**</td>
<td>0.203</td>
</tr>
<tr>
<td>P22</td>
<td>0.057*</td>
<td>0.759</td>
</tr>
<tr>
<td>P27</td>
<td>0.043**</td>
<td>0.267</td>
</tr>
</tbody>
</table>

Table 6. Bootstrap p values of the one -sided Brunner Munzel test using 10000 replicates based on n= 15 observations.

The third auxiliary hypothesis is proved 95%, but only two variables show no satisfactory result. Explanation below.

Based on the three auxiliary hypotheses elaborated above, we now will confirmed or not, the main hypotheses.

Mathematically this corresponds with testing:

$$T = \sqrt{n} \frac{X_{n1} - X_{n2}}{\sqrt{\frac{S_1^2}{n_1} + \frac{S_2^2}{n_2}}}$$ (32)

$$n_1 = n_2$$

$$p = P(X_1 < X_2) + 1/2P(X_1 = X_2)$$ (33)

$$p = P(X_1 < Y_1) + 1/2P(X_1 = Y_1)$$ (34)

$$H_1: p = P(X < Y) + 0.5^*(X=Y) <=0.5 \text{ vs. } H_1 : P>0.5$$ (35)

Using the Brunner.Munzel.test function in R. Using B = 10,000 bootstrap replicates, we approximate the p-value of the Brunner-Munzel test by using the strong law of large numbers, which guarantees the convergence of the sample mean p-values to the true p value to confirm the third auxiliary hypothesis $H_0_3$ for two enterprises. So, the variable that has given the most satisfactory result for this hypothesis is Q3 (0.01% - 0.05%), whereas the one that has shown result but not very good is Q12 (0.005% - 0.1%). In the service enterprises from 30 compiled variables, for the second auxiliary hypothesis are adapted 6 variables, of which 6 are confirmed at the level of significance 5% (or 95%). So, the variable that has given the most satisfactory result for this hypothesis is Q27 (0.01% - 0.05%), whereas the one that has shown result but not very good is Q16 (0.005% - 0.1%).
Values to the true p value to confirm the main hypothesis H1 for two enterprises. The results can be obtained in the following table 7:

<table>
<thead>
<tr>
<th>MANUFACTURING ENTERPRISES</th>
<th>SERVICE ENTERPRISES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variab le</td>
<td>Brunner-Munzel Test Bootstrap</td>
</tr>
<tr>
<td>---------------------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td>P8</td>
<td>0.022**</td>
</tr>
<tr>
<td>P12</td>
<td>0.033**</td>
</tr>
<tr>
<td>P14</td>
<td>0.01*</td>
</tr>
<tr>
<td>P17</td>
<td>0.025**</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 7. Bootstrap p values of the one-sided Brunner Munzel test using 10000 replicates based on n= 15 observations.

The main hypothesis is proved 95%, but only one variables show no satisfactory result at manufacturing enterprises. Explanation below.1

Using the Brunner.Munzel.test function in R. Using B = 10,000 bootstrap replicates, we approximate the p-value of the Brunner-Munzel test by using the strong law of large numbers, which guarantees the convergence of the sample mean p-Values to the true p value to confirm the main hypothesis H2 for two enterprises. The results can be obtained in the following table 8:

<table>
<thead>
<tr>
<th>MANUFACTURING ENTERPRISES</th>
<th>SERVICE ENTERPRISES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variab le</td>
<td>Brunner-Munzel Test Bootstrap</td>
</tr>
<tr>
<td>---------------------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td>P1</td>
<td>0.022**</td>
</tr>
<tr>
<td>P2</td>
<td>0.045**</td>
</tr>
<tr>
<td>P4</td>
<td>0.032**</td>
</tr>
<tr>
<td>P5</td>
<td>0.020**</td>
</tr>
<tr>
<td>P11</td>
<td>0.028**</td>
</tr>
</tbody>
</table>

1 Based on data analysis through methods and econometric tests, for the main hypothesis H1 for manufacturing and service enterprises, we can conclude: In the manufacturing enterprises from 30 compiled variables, for the main hypothesis are adapted 4 variables, of which 3 are confirmed at the level of significance 5% (or 95%), while 1 variable not showing any results. So, the variable that has given the most satisfactory result for this hypothesis is Q8 (0.01% - 0.05%), while not showing any results is Q14 (0.1%). In the service enterprises from 30 compiled variables, for the main hypothesis are adapted 6 variables, all are confirmed at the level of significance 5% (or 95%). But, the variable that has given the most satisfactory result for this hypothesis is Q7 (0.01% - 0.05%).
Table 8. Bootstrap p values of the one-sided Brunner Munzel test using 10000 replicates based on n= 15 observations.

The main hypothesis is proved 95%, but only one variables show no satisfactory result at manufacturing enterprises. Explanation below.

1 Based on data analysis through methods and econometric tests, for the main hypothesis H2, for manufacturing and service enterprises, we can conclude: In the manufacturing enterprises from 30 compiled variables, for the main hypothesis are adapted 18 variables, of which 17 are confirmed at the level of significance 5% (or 95%), while 1 variable has shown result, but not very good. So, the variable that has given the most satisfactory result for this hypothesis is Q5 (0.01% - 0.05%), whereas the one that has shown result but not very good is Q24 (0.01%). In the service enterprises from 30 compiled variables, for the main hypothesis are adapted 18 variables, of which 14 are confirmed at the level of significance 5% (or 95%), while 4 variable has shown result, but not very good. So, the variable that has given the most satisfactory result for this hypothesis is Q23 (0.01% - 0.05%), while the one that has shown result but not very good is Q14 (0.1%).
<table>
<thead>
<tr>
<th></th>
<th>Service enterprises</th>
<th>27</th>
<th>/</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>The auxiliary hypothesis H03</td>
<td>16</td>
<td>22</td>
</tr>
<tr>
<td>A</td>
<td>Manufacturing enterprises</td>
<td>22</td>
<td>16</td>
</tr>
<tr>
<td>B</td>
<td>Service enterprises</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 8: Analysis of results between the two companies for the three auxiliary hypotheses and the 2 main ones
Conclusions and Recommendations

Based on the research carried out during this scientific study, we conclude that cost-volume-profit analysis is an important measure during planning and decision making for business environment in manufacturing and service enterprises. We can further emphasize that this analysis has important role in the decisions taken by management of manufacturing and service companies. During the course of this research, an examination of the effect of cost-volume-profit analysis on competitive enterprises, we can conclude for following findings:

The purpose of this research was to review the effect of the CVP analysis in the planning and decision making process, because in previous periods for reasons inefficiency has awakened ignorance by enterprises and in this case the CVP analysis was ignored during making decision.

The study found that CVP analysis is considered and plays a major role in the decision-making process in the production environment, influencing decisions made by management for the products to be produced, costs, and sales, CVP analysis plays an important role in service companies, influencing decision-making by management for: the products to be served, to be purchased by manufacturing companies, and customer requirements.

Also, this research shows that production and service enterprises pay particular attention to this analysis during the planning process based on the previous years,

Further, this study revealed that applying of techniques cost-volume-profit analysis, to during the decision-making process increases management efficiency to a large extent,

In addition, it was found that the benefits derived from the application of this analysis include: effective cost control, high production and service capacity, and increased profitability,

The research also found that the value of product sales and the quantity produced has a positive effect on the profit realized by the manufacturing and service companies, in coordination with market and consumer demand, so there is a link between production, service and consumers,

Also exists a link between cost of production, service costs and realized profit,

This study, it has concluded that CVP analysis is a tool used to provide useful information for making important and reasonable decisions for efficient management,
In conclusion we can emphasize that the CVP analysis needs to be applied even more in all businesses, because the managerial effect will be more profitable and risk management will be greater, given that the contribution margin should always cover fixed costs. Because in the moment when fixed costs are greater than units produced and sold, then we will result in a negative result.

Each of these elements; cost, volume and profit should be taken into account in the process of making managerial decisions and planning , in both as manufacturing and service enterprises ,

Manufacturing enterprises in the business environment needs to explore the market in order to produce those products that have biggest sales, and they must also report the results of the past years to CVP analysis, by making the right innovations during planning and decision making,

Service companies in the business environment need to explore the market in order to serve with the products that have the biggest sales, and they must also report the results of the past years to CVP analysis, by making the right innovations during planning and decision making,

High production and servicing capacity, as and profit growth will only if the cost-benefit analysis is applied correctly,

Manufacturing and service enterprises, in the business environment should employ well-known experts who will make the correct application of the CVP analysis,

This research is of great importance, and all the hypotheses were verified through econometric models, serving all researchers for further or more extensive analysis.

Biography for authors:


[2] Prof.Dr.Etem Iseni , punon në Universitetin e Tetovës , Shteti i Maqedonisë . Mban mësim për lëndët e Kontabilitetit dhe Financave , Ka dhe publikime të tjera nga lëmia e financave dhe kontabilitetit .

[3] This section in the bibliography will be written in Albanian:

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[15] Questionnaire realized in manufacturing and service companies


Characterisation of the Average Worker Employed Under Flexible Forms of Employment – Report on the Study of Individual Differences in the Context of Sociodemographic Data Concerning Polish Workers

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Silesian University of Technology

Mariola Paruzel-Czachura
University of Silesia

Marta Stasiła-Sieradzka
University of Silesia

Jagoda Sikora
University of Silesia

Abstract

The paper presents the sociodemographic data obtained as a result of an empirical study carried out on a group of n=2118 workers employed under what is referred to as flexible forms of employment, within a more extensive research project entitled “Occupational problems of individuals working under flexible forms of employment – the psychological perspective”. The inspiration to focus on this particular part of the research was provided by a trend observed in the international literature, analysing the profile of an average flexible worker in highly developed countries. An analysis of the study sample of flexible workers shows that the group included rather young people, with a similar share of women and men, living in big cities, and with a rather short length of service; they were well-educated, married people with children, with a small number of previous employers, and mostly working in the private sector. The Polish study sample matches the descriptions of the average flexible European worker.

Keywords: workers employed under flexible forms of employment, sociodemographic data, worker profile, individual differences.

Introduction

The aim of the paper is to present the sociodemographic data obtained as a result of an empirical study carried out on a group of n=2118 workers employed under what is referred to as flexible forms of employment, within a more extensive research project by the first author, entitled “Occupational problems of individuals working under flexible forms of employment – the psychological perspective”. The inspiration to focus on this particular part of the research was provided by a trend observed in the international literature, analysing the profile of an average flexible worker in highly developed countries due to a fixed percentage of the employer market being filled with flexible solutions.

The research was conducted among people living in southern Poland. Participation in the research was entirely voluntary and anonymous. Out of the 2,500 questionnaire sets given to the study subjects, 2,118 completely filled out research tools were selected, and this is how the final sample size was determined. 136 questionnaires were rejected as having been filled out incorrectly, and 246 subjects refused to participate in the research, even though they had been informed about it earlier, or interrupted the research in the process of filling out the questionnaires.

2,118 respondents participated in the survey, of whom 44% were women and 56% were men. One can very well assume that, due to the size of the sample, no disproportion was revealed between the flexible contracts concluded among women and men.
The study subjects were adults of various ages (but all of working age), 18–60 in the case of the women, and 18–65 in the case of the men. 7% of the study subjects were aged 18 to 24. The most numerous group (42%) consisted of subjects aged 25–34. 34% of the respondents were 35 to 44 years old. Another 12% of the respondents were subjects aged 35 to 44, while 5% were aged 55–65. The mean age in the studied sample was 36, and the media age was 35. The youngest study subject was 18, and the oldest one 65.

The result distribution on the Polish sample matches the European characterisation of flexible workers, describing them as rather young people with an average length of service with the organisation, of up to five years (Nollen, 1996).

The flexible workers who participated in the study were well-educated. Over half of the study subjects (56%) had completed higher education. A substantial group of the subjects (34%) had completed upper secondary education. 6% of the respondents had completed vocational education, while only 4% were people with elementary or lower secondary school education. People without any education accounted for only 0.3% of the sample. The result is interesting in that the social
perception of flexible employment is related to the stereotypical and pejorative image of employment under the relevant forms, described as “junk jobs”, or jobs for people with low qualifications. It turns out, however, that the vast majority of the individuals entering such forms of employment are educated people.

Figure 3. Sample distribution by education (N=2118).

Source: own compilation.

Most of the study subjects were urban dwellers, with 50% living in towns, and 29% in cities. Respondents living in rural areas accounted for 21% of the sample. The distribution obtained may result from the difficult access to job agencies and organisations applying flexible staffing solutions in rural areas.

Figure 4. Sample distribution by place of residence (N=2118).

Source: own compilation.

28% of the study subjects were single. 64% were married. 7% were divorced, and 1% were widows or widowers. Juxtaposing these results against the distribution of the results in terms of the age of the study subjects, one may assume that the majority are people for whom a characteristic stage of life is represented by forming a family or by having a typical
family life, which makes them no different from the descriptions of workers employed under traditional forms. The results presented below supplement this interpretation.

Figure 5. Sample distribution by marital status (N=2118).
Source: own compilation.

The study subjects were mostly people with children (65%), including: 32% with 1 child, 26% with 2 children, and 7% with 3 or more children. Childless individuals accounted for 35% of the sample.

Figure 6. Sample distribution by number of children (N=2118).
Source: own compilation.

The study focused mainly on work-related aspects. The respondents, i.e. workers hired under flexible forms of employment, were divided into 9 job groups, each composed of over 200 people. The following groups were distinguished:

- fixed-term workers;
- part-time workers;
contract workers;
self-employed workers;
teleworkers;
workers hired under a replacement employment contract;
temporary workers;
seasonal workers;
social economy workers.

The distribution of the study subjects with regard to legal regulations is illustrated by the following flexible forms of employment provided below:
replacement employment in accordance with Article 25 § 1 of the Labour Code;
temporary employment as defined in the Act of 9 July 2003 on the employment of temporary workers (Polish Journal of Laws Dz.U.03.166.1608);
self-employment, running one’s own business activity as defined by the Act of 2 July 2004 on freedom of economic activity;
telework in accordance with Article 675ff. of the Labour Code;
fixed-term employment in accordance with Article 25 § 1 of the Labour Code;
part-time employment in accordance with Article 292 § 1 of the Labour Code;
work under a civil-law contract on the basis of the freedom of contract principle, i.e. Article 3531 § 1 of the Labour Code;
seasonal work in accordance with Article 25 § 1 of the Labour Code;
employment in the social economy, including: social cooperatives, worker cooperatives, disabled and blind cooperatives, non-governmental organisations and entities indicated in Article 3, paragraph 3 of the Act of 24 April 2003 on public benefit activity and volunteerism (Dz. U. of 29 May 2003, as amended).

The detailed sample distribution with respect to the groups that were distinguished in relation to the employment form is presented in the chart below.

Figure 7. Sample distribution by employment form (N=2118). Source: own compilation.
The selection to the individual employment groups did not demonstrate a significant disproportion.

Flexible workers pursue various occupations. They were grouped into the following categories:

- company officers, directors and presidents;
- independent professionals;
- engineers/technicians;
- lower-level officials;
- business owners;
- retail and service employees;
- skilled workers;
- labourers doing simple jobs.

The chart below shows the distribution of the studied sample with respect to the current job position, acquired profession and actual occupation.

![Figure 8. Sample distribution by job position (N=2098), acquired profession (N=2102) and actual occupation (N=2118).](image)

**Source:** own compilation.

The length of service of the flexible workers participating in the study ranged from several months to several dozen years (41 years was the maximum), with the mean length of service being 8.5 years. Length of service of the largest group of study subjects (42.6%) was up to 5 years, while the smallest number of respondents had worked for a long time, which also corresponds to the already mentioned *European characterisation of the average flexible worker* (Nollen, 1996).
Figure 9. Sample distribution by length of service (N=2118).

Source: own compilation.

The flexible workers who participated in the study had mostly had 2–3 employers (47%). 13% of them had had only one employer. The remaining respondents had changed their job slightly more often. 28% had worked with 4–5 employers, while 12% had had over 5 employers. The results obtained demonstrate relatively low migration between employers, which one might have expected in relation to flexible employment.
Figure 10. Sample distribution by the number of employers so far (N=2118).

Source: own compilation.

The flexible workers who participated in the research had been working for 5.5 years on average under their contract in force at the time of the study. The detailed distribution of the answers in a breakdown by time category is shown in the chart below. Paradoxically, the group with the highest percentage figure comprised individuals working not only under short-term contracts, under the same contract up to one year (19.3%) and up to two years (19.0%), but also ones with long-term employment relationships, of more than 10 years.

Figure 11. Sample distribution by employment time under the current contract (N=2118).
Source: own compilation.

As far as their place within the employee structure was concerned, the largest share of the respondents were subordinates (62%). Flexible workers also included specialists (29%), but less often managers (7%) or company officers/directors (2%).

Figure 12. Sample distribution by position in organisational structure (N=2118).
Source: own compilation.

Over half (54%) of all the flexible workers who participated in the study were working in the private sector. 34% were people employed in the public sector, and the remaining 12% were working in the social sector. The private sector used flexible staffing solutions to a much larger extent than the public sector.

![Sample distribution by employment sector (N=2118).](image)

Source: own compilation.

The largest number of the study subjects worked in the public administration sector (31.8%) and in the service sector (28.5%), the least of them in health care and education. The detailed distribution is presented in the chart below.

![Sample distribution by employment sector (N=2118).](image)

Source: own compilation.

Conclusion

An analysis of the study sample of flexible workers shows that the group included rather young people, with a similar share of women and men, living in big cities, and with a rather short length of service; they were well-educated, married
people with children, with a small number of previous employers, and mostly working in the private sector. Therefore, the study sample matches the already mentioned description by Nollen (1996) of the average flexible European worker. In the individual 9 employment forms, study groups were distinguished of over 200 subjects, and the whole sample consisted of 2,118 subjects on the basis of whom the analyses presented above were performed.

References:


Decision Analysis Framing and Motivation Application in Business and Tourism

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Abstract

This article examines the implications of framing in decision analysis and proposes a tool under rationality that incorporates attributes of behavioral models. The proposed approach suggests that decision agents make an overall assessment of their state-conditional alternatives in association with exogenous environmental and social factors, resulting in an overall score of urgency that can be considered as the resource pool of motivation. The process is formulated as a state-contingent input-requiment set and it is able to explain behavioral biases such as the certainty and pseudo-certainty effects, issues of Knightian uncertainty, risk management and innovation. A Data Envelopment Analysis (DEA) formulation is also presented and an application of case analysis on business and tourism.

Keywords: decision, analysis, framing, motivation, application, business, tourism

Introduction

Rationality is an idea that one could hardly separate from mainstream economics and it has been crucial in the establishment of an orthodox approach compared to which all other schools of economic thought would be discussed. More than a supportive concept, rationality has been the philosophical benchmark upon which the ideology of Homo Economicus has been developed and affected the way people are viewed as decision makers. Regardless of the uniqueness and complexity of human behavior, an average individual is considered to make rational decisions, always being able to balance between personal preferences and resource restrictions with reason, coherence and consistency, achieving the ultimate goal of optimization. Any discrepancies between theoretical and observed human behavior was initially attributed to the entanglement of uncertainty in an otherwise robust decision framework, with Expected Utility models providing an apparently analogous stable framework for decisions under imperfect information.

However, as analysis grows deeper into the secrets of decision making and contemporary life becomes more complex, repeatable observed anomalies have challenged many of the classical hypotheses and led to the development of important alternatives. Behavioral Economics stand as the study of psychology over economic decision processes, and they have been called to support or even substitute orthodox approaches in many cases. Daniel Kahneman and Amos Tversky challenged mainstream economic ideas through a series of papers that proposed intuitive and testable behavioral assumptions, most notably with the development of Prospect Theory (Kahneman and Tversky 1979) and later on with Cumulative Prospect Theory (CPT, Kahneman and Tversky 1992), a work awarded with the Nobel Prize of Economics in 2002. This set of theories focused on decision processes under risk, acknowledging that risk preferences are influenced by the context of questioning, a type of decision bias and possibly manipulation that is called framing (Kahneman and Tversky 1981). On the other hand, alternatives have also been proposed in support of the orthodox point of view, extending the classical assumptions into inclusive frameworks. Utilizing an idea of Arrow (1953) and Debreu (1952) about "Nature's states", Chambers and Quiggin (2000) have developed the "State-Contingent (SC) approach" to decisions under uncertainty.

This article is incorporating elements from both of the approaches above, in an effort to bring new insight in the analysis of the framing bias, develop a decision structure for motivation and bring together classical and behavioral aspects to an inclusive framework. A primary benefit of this method is the incorporation of behavioral analysis results into a rational decision framework, providing robust explanation for the observed evaluation imbalance of losses over gains and the witnessed empirical patterns of certainty and pseudocertainty. Moreover, this method makes a clear distinction between risk management and Knightian uncertainty, providing a particularly useful framework of analysis for issues of unquantifiable risks, as in the process of innovation and entrepreneurship, the social impact of A.I. development, and
optimal reaction decisions of societies and communities towards prevention or adjustment to climate change. The model is applied in the sectors of business and tourism, producing valuable results about innovation and risk management in these areas.

Framing, heuristics and bounded rationality

Framing and heuristics are two prevalent themes in behavioral economics, arising as deficiencies of the orthodox approach that produce several decision biases. Framing is the process of decisions being affected by the context they are presented in, as decision agents may lack the cognitive resources to analyze the implications of their assumptions in detail. Kahneman (2003a, 2003b) explains that framing effects in his work with Tversky (Kahneman and Tversky 1981) are defined as "discrepancies between choice problems that decision makers, upon reflection, consider effectively identical". Hence, framing is essentially perceived as a negative process that may lead to suboptimal solutions and it should therefore be avoided by decision agents. Heuristics on the other side are decision rules of thumb that find applications in cognitive psychology and artificial intelligence, as shown in Groner et al. (1983) and Dixon (2001). Heuristics act as mental shortcuts leading to faster and often preferred results to those of thorough decision analysis, thus retaining a positive aspect despite its interference as a bias in rational decision making.

Herbert A. Simon in Models of Man (1957) attributed these biases to problems of tractability, time restrictions and cognitive limitations, defined with the term of bounded rationality (BR) that was later used extensively in literature, including the work of Kahneman and Tversky. On one hand, BR can be viewed as the result of introducing decision analysis costs into the classic framework, which makes agents proceed to decision under imperfect information based on inferences, if the expected results are close to optimum and further costs of analysis would not pay-off. Dixon (2001) considers this approach of approximate optimization as a positive generalization to strict optimization that retains simplicity and coherence without the need of behavioral formulations. On the other hand, suboptimal behavior can generate critical discrepancies from optima that cannot be explained as an intentional risk-preference result. For example, an individual could indeed benefit from a heuristic habit of dressing behavior that saves time and resources from daily decision making, even in exchange for an imperfect appearance, but a heuristic of negligent driving behavior that leads to a potentially fatal road accident could not be reasonably compensated by any small everyday benefits.

The main proposition of this article is that decision agents follow an initial path of low or merely spontaneous analytical process, that can then be decided to be further analyzed for potential decision change, or be left to proceed to straightforward results avoiding further analytical costs. We can rank potential results by preference and depict the possible alternatives of this process in graph 1. We see that the decision process results in a range of available options, that can be altered by the inclusion of an additional analytical step. The final range of options is now expressing the decision frame that can focus, widen or shift to represent the effects of psychological framing, heuristics and biases. This two-step process of "decision before the decision" is very similar to the BR process, however it is based in a different set of relaxed assumptions:

The inference procedure is not divided into heuristics (positive) and framing (negative) alternatives. Instead, a single neutral framing procedure is assumed, where agents decide on further analyzing their decisions based on conditions, needs and expectations.

The decision process is adjusted to the classical framework and it does not bear any behavioral assumptions.

This process incorporates the analysis of biases and uncertainty decisions under a unified framework, including aspects of Knightian uncertainty.

In order to achieve this strengthening of analytical power together with the relaxation of behavioral assumptions, we need to substitute the latter with a tool that explains how the framing process works. This is achieved with the introduction of a motivation process that was much needed in the decision analysis and it can be based in basic classical assumptions.

Motivation and urgency

Behavioral economics most often covers deficiencies of the classic approach, using input from psychology and other social sciences as axiomatic assumptions. Most popular theories in economic decisions analysis are the axiomatic response to incentives, with empirical support in literature (Gibbons (1997), Lazear (2000)), or alternatively a differentiation of intrinsic and extrinsic motivation supported by advances in psychology and sociology since the 1970s (Ryan and Deci 2000). These approaches are usually in contradiction, but there has been effort for reconciliation of these views (Bénabou and Tirole...
2003). In order to produce results for decision analysis avoiding the use of axiomatic assumptions, we need to create a tool describing motivation in classical terms of rationality.

This article proposes that individuals at any given time of decision making, possess a bounded set of cognitive ability that they can focus or distribute among decision problems at hand. We can call this cognitive resource urgency, that is translated through the decision process into motivation about specified choices. Urgency expresses a general concept of how prompt and eager a person is to deal with an issue and it is associated with the amount of cognitive resource consumption. A first important result from this relaxed formulation is that it allows for customized analysis, since different individuals can bear a personalized potential of urgency depending on their specified attributes. It is also compatible with both intrinsic and extrinsic approaches, as it allows for interpretation of the sources of this cognitive resource. In order to produce useful results with this tool, one should prefer to view urgency in terms of percentages instead of absolute values. Hence, even if we are not aware of detailed characteristics of an agents urgency, we can produce an estimation of the percentage of cognitive resource dedicated to the decision problem. In a simplified rational framework urgency and motivation coincide, because the classic framework axiomatically accepts as straightforward the connection between preference and action. Even in this case the proposed tool is useful for measures of motivation and efficiency, while in the distinct urgency-motivation form it allows for more complicated formulations, where individuals are not always able to perform their full potential, even when they are adequately motivated. A useful application could be the performance distinction between trained and untrained employees, with the second group presenting low performance rates even in the case of provided incentives.

In figure 2 we observe a concave function of marginal motivation that responds to total motivation function of s-shape. We see that we can measure the percentage of motivation produced or a maximum percentage lower than 100% in case of maximum motivation not met. More types of functions are applicable, following the orthodox formulations, or behavioral types as well. In CPT the s-shaped value function is similar to the one above, but it is asymmetrical. Hence, such a formulation can also be used for purposes of decisions under uncertainty. In cases of symmetrical functions, the middle area is characterized by a critical point, where dedication of urgency results in increasing levels of motivation. The latter can be then transformed into productivity using a linear function of performance, or diminishing returns in the case of accumulated fatigue. Then, a decision agent who is highly motivated could be underperforming because of exhaustion.

**State-Contingent and DEA formulation**

For a mathematical formulation we can follow the State-Contingent approach of Chambers and Quiggin (2000) which transforms non-stochastic inputs through states of conditions into stochastic outputs. First we define a state space Ω, that is a finite set of S conditions that are mutually exclusive and affect the transformation from urgency to motivation.

\[ Ω = \{1, 2, \ldots, S\} \]  

(1)

Decision makers are motivated according to which of the states occurs or the one they expect to occur. In the second case, expectations are also entered into the analysis. The set of states theoretically includes all possible states of our environment, but since this can be infinite we use Ω to index only the exogenous factors that may have an effect in our decisions. Decisions are made over a set of N non-stochastic inputs \( x \in \mathbb{R}_+^N \) and produces a set of M results \( y \in \mathbb{R}_+^M \), which combined with the set of states, it produces \( M \times S \) state-contingent results \( y \in \mathbb{R}_+^{M \times S} \). Then, the SC transformation can be modeled by either an input requirement set of the resources needed to produce the desired results:

\[ X(y) = \{ x \in \mathbb{R}_+^N : x \text{ can produce } y \in \mathbb{R}_+^{M \times S} \} \]  

(2)

This representation of technology is free from behavioral assumptions and it can be adapted to all the aforementioned frameworks. Moreover, with the help of distance functions it can be treated in a formulation of Data Envelopment Analysis that produces measures of efficiency and productivity.

We can use either an input oriented:

\[ I(y, x) = \sup \left\{ \theta > 0 : \frac{x}{\theta} \in X(y) \right\} \]  

(3)

or an output oriented distance function:

\[ O(y, x) = \sup \left\{ \theta > 0 : \theta \cdot y \in Y(x) \right\} \]  

(4)
Let $D(y, x)$ represent the distance of a bundle $(y, x)$ from its potential frontier, without any specification of input or output orientation. Following the state-contingent approach we can include factors of imperfect information, that transform a bundle of certainty into a state-contingent bundle of uncertainty. Then, $D(y, x; s)$ can be used for the distance function of a bundle $z$ under a vector of exogenous conditions $s$, while $D(y, x; \varepsilon)$ can be used to include factors of uncertainty $\varepsilon$, on which the decision maker has imperfect information or control. Using this representation we can produce Malmquist productivity measures:

$$P_{s_0,s_1}(y_0,x_0; y_1,x_1) = \frac{D(y_1,x_1; s_1)D(y_0,x_0; s_0)}{D(y_0,x_0; s_1)D(y_0,x_0; s_0)}$$

that can be decomposed into efficiency and heterogeneity components, with the latter being the effect of different exogenous conditions:

$$P_{s_0,s_1}(y_0,x_0; y_1,x_1) = E_{s_0,s_1}(y_0,x_0; y_1,x_1) \times H_{s_0,s_1}(y_0,x_0; y_1,x_1)$$

$$E_{s_0,s_1}(y_0,x_0; y_1,x_1) = \frac{D(y_1,x_1; s_1)}{D(y_0,x_0; s_0)}$$

$$H_{s_0,s_1}(y_0,x_0; y_1,x_1) = \frac{D(y_0,x_0; s_0)D(y_1,x_1; s_0)}{D(y_0,x_0; s_1)D(y_1,x_1; s_1)}$$

We can empirically implement this formulation with the help of DEA, calculating input or output distance functions directly from a dataset. If decision makers were considered as producers of state-contingent decision outputs, for $K$ number of agents, $N$ number of inputs and $M$ number of outputs, the input distance of agent $i$ from the technology frontier is computed as follows:

$$I(y_i, x_i) = \min \left\{ \theta : \theta x_{ni} \geq \sum_{k=1}^{K} \lambda_k x_{nk}, \quad y_{ni} \geq \sum_{k=1}^{K} \lambda_k y_{nk}, \quad \lambda_k \geq 0, \quad k = 1, \ldots, K, \quad n = 1, \ldots, N, \quad m = 1, \ldots, M \right\}$$

The above represents a CRS technology that can easily be extended to a VRS technology.

**Model implications**

Competition between classical and behavioral economics has leaned towards two extreme approaches, that judges individuals making suboptimal decisions as either rational but unlucky optimizers, or as feckless carriers of naturalistic impulses. Considering two biases explained by CPT, certainty effect is the extreme valuation of small changes in probability when this is subtracted from absolute certainty, and pseudo-certainty is the same behavior expressed against illusive apparitions of certainty. CPT is able to identify this preference for absolute certainty, however it attributes both effects to psychological tendencies without making any distinction between efficient and inefficient behaviors. On the same problems, classical approaches can neither identify these effects, nor explain the reasons for deviations from optimum.

The new approach proposed in this article incorporates elements from CPT into a classical structure, thus being able to identify the certainty and pseudo-certainty effects, while also making a distinction between efficient and inefficient behavior through the urgency information requirement set. The preference for certainty is established through the incorporation of an $s$-shaped valuation function as in the CPT. However, when an individual receives an illusive certainty offer, he would either be deceived if the cost-to-benefit ratio is too high to further explore the problem, or if the urgency pool is depleted to other problems demanding attention. Finally, in the case of complete focus on this problem and inadequacy of solving, external factors like education or cognitive support can expand the existent urgency pool to meet the requirements.

Furthermore, the proposed model is able to provide insight to problems on Knightian uncertainty, as it does not need probability information, especially for marginal cases. For example, a patient deciding on participating in a trial over a new untested medicine is more probable to participate if he hopes to cure a serious disease than a minor one. The reason is that patients facing serious health issues are situated very low on the valuation function with much to gain from risk and almost nothing to lose, while urgency for results is immediate. Similar results can prove useful in the analysis of innovation,
as it is usually characterized by significant levels of Knightian uncertainty. An established company holding a high market share would reasonably avoid investing in groundbreaking innovation plans that would put the established success in risk, while many revolutionary ideas are produced by small pioneering businesses. However, even an established firm would consider significant and risky investment decisions, if potential innovation of competitors could challenge their position and put in prospect the lower levels of their valuation function.

Case analysis on business and tourism

Heuristics and framing are based on acquired experience, since they need collected information to produce inferences that may assist or bias decisions respectively. Therefore, decision inferences should be related to areas of interest, affected by their environment and experiences as they form their information basis. In business, diversification of decision analysis can be made by several inter-sector and intra-sector factors. Kumar and Van Dissel (1996) examined how IT affected the transition from inter-firm competition to cooperation, pointing that IT-enabled cooperation should be nurtured in order not to degenerate into conflict. This results come in support of the proposed analysis, as factors transform the decision environment, but agents also bear the potential of responding to these changes. Nevertheless, Carr (2003) proposed that the effect of IT as it becomes more widespread and easily available, it would turn from gaining a strategic advantage to an investment that gives firms a cost disadvantage. This result reflects the different way an innovation enters the urgency set at its early adoption stages, compared to late adoption.

Sector differentiation also plays a role in the decision making process and overall management of risk. For example, the tourism sector presents unique characteristics associated with the nature and purpose of traveling, developing a related decision and risk management. Lepp and Gibson (2003) examined tourists' risk aversion over several sources of risk, detecting that the purpose of traveling, seeking familiarity over novelty, is the primary factor of risk aversion. Using the methodology of this article, familiarity seekers focus their decision frame on narrow options avoiding risk, since the purpose of vacation tourism demands lower rates of urgency. Following this reasoning, literature detects a significant effect on tourism from the risk factors of terrorism (Sönmez and Graefe 1998, Sönmez et al. 1999) and climate change. The proposed model offers extended analytical power over risk preferences, with distinct features over Knightian uncertainty. Analysis of cases in business and tourism validates initial results through the existent literature.

Conclusions

This article examines the role of framing in decision analysis and proposes a new tool that introduces framing and heuristics results into a classic framework. Relaxing the behavioral assumptions of Cumulative Prospect Theory and using the mathematic formulas of State-Contingent analysis we get intuitive results under rationality, supported by contemporary literature, and a formulation of efficiency and productivity measures that can be used with Data Envelopment Analysis. The mechanism of urgency as a step towards decision making provides an explanatory process of motivation that was missing from classical economics and incorporates behavioral economic results.

References


Figures

Figure 1: Comparative results of adding an analytical step in the decision process.
Figure 2: Percentage marginal and total motivation associated with analogous percentage of urgency.
Factors for Sustenance of Livelihood Entrepreneurs

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Abstract

It is estimated that by 2030 nearly 50% of India’s population will live in cities. Consequently 70% of the employment will be generated in the cities. In such a scenario it is important to look at how cities can help businesses. This paper focuses on understanding sustainability of livelihood entrepreneurs in Chennai, capital city of Tamil Nadu, and one of the largest Urban Agglomerations in India. The study is situated in one of the densely populated business districts in the city that is home to diverse businesses and accounting for revenues of nearly Rs.200,000 million annually. The specific objective is to look at the food-vendors with the objectives: (i) to understand the viability and sustainability of the business; (ii) to enumerate risk elements of the business and see how they are addressed; and (iii) to recommend the scope for improvement and opportunity from a policy perspective. The findings are based on field work done in the business district and gains importance in the context of the Sustainable Development Goal 8 which looks at promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all; and Sustainable Development Goal 16 which works to promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels. The paper helps in gaining a perspective of how livelihood entrepreneurism can be promoted – helping in using an opportunity that is sustainable as also pursuing one’s passion.

Keywords: livelihood entrepreneurs, SDGs, employment, food-vendors, sustainability, opportunity

Themes: Social services and support for vulnerable categories

Introduction

Factors for Sustenance of Livelihood Entrepreneurs

Livelihood entrepreneurs are life stream of many low and middle income consumers in developing and emerging economies and in a few developed economies as well. They serve customers and thereby address a critical demand segment. Livelihood entrepreneurs also create impact on employment as many of them take this as the main stream income generation and further provide substantial number of jobs to many others who help livelihood business which are small shops and similar economic units. With increasing population and urbanization, livelihood entrepreneurs’ role would assume high significance in economies like that of India where there are a number of urban poor employed in informal sector and dependent on low cost products and services for their sustenance.

As per the World Bank estimates of 2016, South Asia’s urban population grew by 130 million between 2001 and 2011 – more than the entire population of Japan – and growth is poised to rise by almost 250 million by 2030. It is estimated that by 2030, nearly 50% of India’s population will live in cities. As per Census 2011, out of the total population of 1210.2 million as on 1st March, 2011, about 377.1 million were in urban areas. The net addition of population in urban areas over the last decade was 91.0 million. The percentage of urban population to the total population of the country stood at 31.6, with an increase of 3.35 percentage points in the proportion of urban population in the country during 2001-2011. The number of million plus cities/urban agglomeration (UA) increased from 35 in Census 2001 to 53 in Census 2011. In percentage terms,
urbanization has been relatively slow in India, with the share of the population living in officially classified urban settlements growing at a rate of just over 1.15 percent a year from 2001-2011, however the forecasted change over the next ten years is expected to be much speedier.

It is seen that in India, a large proportion of the workforce is still dependent on the agricultural sector (48.9 per cent employment share in 2011-12, which reduced to 47.3 per cent in 2015-16. The agricultural sector still accounts for 62.7 per cent of India’s rural employment, although this share has fallen significantly, from 77.6 per cent in 1993-94. At the same time, agriculture’s share in gross value added has fallen rapidly, from 18.5 per cent in 2011-12 to 15.2 per cent in 2016-17. Indian economy is dominated by the services sector, which accounted for 53.7 per cent of GVA in 2016-17. In terms of employment, the share of the services sector in urban areas was 58.7 per cent (2011-12), compared to just 16.1 per cent in rural regions. The share of industry consisting of both manufacturing and construction stood at 31.2 per cent of GDP in 2016-17, as compared to 31.5 per cent in the previous year. (ILO, 2017)

What is disconcerting is that the majority of workers in India are in informal employment. The share of workers in the unorganized sector fell from 86.3 per cent in 2004-05 to 82.2 per cent in 2011-12, but at the same time, the share of informal workers in the organized sector (i.e. workers without access to social security) increased significantly because of a greater use of contract and other forms of casual labour. Because of the two opposite trends, the overall proportion of informal workers in total employment (e.g. unorganized sector workers plus informal workers in the organized sector) has remained relatively stable, at around 92 per cent. Within the overall category of informal workers, the largest group is own-account workers (32.2 per cent), followed by informal employees in the informal sector (30.0 per cent) and contributing family workers (17.9 per cent). (ILO, 2017)

With regards to the informal sector in the urban areas, some of the key findings relating to workers in informal sector (defined to cover proprietary and partnership enterprises) as per the NSS Report No. 539: Informal Sector and Conditions of Employment in India, 2014 shows the following:

In urban areas, AGEGC (agricultural sector excluding only growing of crops, market gardening, horticulture (industry group and growing of crops combined with farming of animals) and non-agriculture sectors together shared 94 per cent (AGEGC:1.6 per cent and non-agriculture: 92.5 per cent) of the workers. Among all workers in AGEGC and non-agriculture sectors, nearly 71 per cent were engaged in the informal sector. More than 93 per cent of workers in urban areas engaged in AGEGC belonged to the informal sector.

In the non-agriculture sector, nearly 67 per cent of the workers in urban areas were engaged in the informal sector. Of which self-employed in non-agriculture sector were nearly 95 per cent worked in the informal sector. Among casual labourers engaged in works other than public works in the non-agriculture sector, nearly 73 per cent in urban areas worked in the informal sector and regular wage/salaried employees formed nearly 40 per cent.

Construction, manufacturing and wholesale and retail trade activities together was the main providers of employment for the informal sector enterprises and ‘all’ enterprises in both the rural and urban areas. Out of all workers in the non-agriculture informal sector, 72 per cent in urban areas belonged to construction, manufacturing and wholesale and retail trade provided. Proportions of informal sector workers in the activities which provided majority of employment included manufacturing (78%); construction (72%); wholesale or retail trade, etc. (92%) and transport, storage and communication (68%).

In urban areas, 69 per cent of the workers in informal sectors were engaged in smaller enterprises (enterprises with less than 6 workers) compared to 53 per cent of ‘all’ workers, respectively. The regular wage/salaried employees engaged in the informal sector enterprises earned nearly half the salary earnings (per day) of the employees considering all types of enterprises- Rs. 321 for ‘all’ types of enterprises and Rs. 177 for informal sector enterprises. In the case of casual labourers, it was Rs. 115 in the informal sector enterprises and Rs. 112 for ‘all’ enterprises.

Among the female workers in informal sector, nearly 47 per cent in urban areas were in manufacturing activity. In the manufacturing activity, a higher proportion of female workers (87%) were employed informally than males.

In urban areas, nearly 52 per cent of females and 15 per cent of males employed in informal sector was working in any of the following types of workplaces: (i) own dwelling, (ii) structure attached to own dwelling unit, (iii) open area adjacent to own dwelling unit and (iv) detached structure adjacent to own dwelling unit. Only 52 per cent of all workers engaged in manufacturing in the informal sector were employed in enterprises that used electricity for production purposes.

With respect to conditions of employment, among all the employees (regular wage/salaried employees and casual labourers) in the nonagriculture, sector, nearly 42 per cent in the urban areas had temporary nature of employment while
nearby 74 per cent in urban areas had no written job contract. Among the regular wage/salaried employees in the non-agriculture sector, nearly 65 per cent had no written job contract. Among all the employees in the non-agriculture sector, nearly 60 per cent in urban areas were not eligible for paid leave; nearly 46 per cent among the regular wage/salaried employees were not eligible for paid leave.

Among all the employees in the non-agriculture sector, nearly 64 per cent in urban areas were not eligible for any social security benefit; nearly 53 per cent among the regular wage/salaried employees in the non-agriculture sector were not eligible for any social security benefit. Further, among all workers of age 15 years and above nearly 79 per cent had no union/association in their activity; it was nearly 85 per cent among casual labourers, nearly 81 per cent among the self-employed persons and nearly 58 per cent among the regular wage/salaried employees.

This in India brings to focus the underbelly of the informal economy in the urban areas. It is of particular interest in the context that a key trait of urbanization is that so-called agglomeration economies improve productivity and spur job creation, specifically in manufacturing and services. These two areas now account for more than 80 percent of the South Asian region’s GDP (World Bank, 2016). Inadequate provision of housing, infrastructure and basic urban services, as well as a failure to deal with pollution constrain the potential of cities to fully realize the benefits of agglomeration. The World Bank study clearly identifies that the struggle to deal with these congestion pressures is a failure of both the market and policy.

Keeping in mind that 70% of future employment will be generated in the cities, it is important to look at how cities can help businesses. This paper focuses on understanding sustainability of livelihood entrepreneurs in Chennai, capital city of Tamil Nadu, and one of the largest Urban Agglomerations in India. The study is situated in one of the densely populated business districts in the city that is home to diverse businesses and accounting for revenues of nearly Rs.200,000 million annually. The specific objective is to look at the food-vendors with the objectives: (i) to understand the viability and sustainability of the business; (ii) to enumerate risk elements of the business and see how they are addressed; and (iii) to recommend the scope for improvement and opportunity from a policy perspective. In short the paper seeks to understand the informal job economy in food business in an urban agglomeration.

Food and beverage industry

The Indian Food and Beverage service industry has seen an unprecedented growth in the recent years owing to the changing demographics, urbanization and growth of cities, migration and increase in disposable incomes. Under the organized sector, the Gross Value Added (GVA) by hotels and restaurants has witnessed an annual increase in both absolute and relative terms. It contributed nearly 1.1 percent to India’s overall GVA in FY 2015. The restaurant industry is expected to contribute about 2.1 percent to the total GDP of India by 2021.

Retailing in food business has come into prominence and evolved rapidly over the past few years. The retail industry is primarily constituted by the unorganized retail accounting for more than 85 per cent of the total retail value. Indian people love their food. Food and grocery retail constitute 60-65 percent of the total retail market in India of which nearly 70 percent is unorganized. According to the India Food Report 2016, released by the Ministry of Statistics and Programme Implementation (MOSPI), the Indian food retail market is the sixth largest globally and further expected to grow from a value of INR25.1 trillion in 2014 to INR61 trillion by 2020, at a CAGR of more than 15 per cent over the six year period, 2014-20. It is also estimated that the retail consumption category in India has been growing at an average annual rate of 12-13 per cent over the years, in value terms. The contribution share of total household expenditure toward food stood at 43 per cent in FY2015 and is expected to be more than twice its current value by 2025.

The food services industry in India is broadly made of four major segments, Full-service restaurant (56.6%), Fast food (16.3%), Street kiosks stalls (14.6%) and Cafes and Bars (12.5%). Although the organized share of food services is growing, it currently constitutes one-third of the total food services market, as unorganized segment dominates the food service industry. (KPMG, 2016)

Literature Survey

Now it is well recognized that the informal sector has a very important role to play in the economy of the urban areas. Increased migration adds to this phenomenon. One of the most important ways which helps in keeping the services low-cost as also providing employment is street-vending. Street vendors form a very important segment in the low income self-employed group of workers. In India, the National Policy on Urban Street Vendors, May 2006 recognised three basic categories of Street Vendors. First, those Street Vendors who carry out vending on a regular basis with a specific location;
second, those Street Vendors who carry out vending not on a regular basis and without a specific location, for example, Vendors who sell goods in weekly bazaars during holidays and festivals and so on; third, the Mobile Street Vendors.

Historically also, street vending has been the cornerstone of many cities’ cultural heritage. In India too the concept of street food vending has existed for hundreds of years in India. In India there are about 10 million street vendors. About two percent of the population of metropolis in India is constituted by street vendors and street hawkers. According to a study conducted during 1999 – 2000, by the National Association of Street Vendors of India (NASVI), Mumbai has the largest number of street vendors numbering around 250,000 (Bhowmik, 2005). Kolkata had more than 1,50,000 street vendors. Ahmedabad and Patna had around 80,000 each and Indore, Bangalore and Bhubaneswar had around 30,000 street vendors. For urban areas alone, the total would range between 17 to 25 lakh. As per the 55th Round of National Sample Survey, workers who describe themselves as street vendors in urban areas working in all locations is around 17 lakh, while workers engaged in retail trade without a fixed place or working in urban streets is around 25 lakh. Urban vending is not only a source of employment but provide ‘affordable’ services to the majority of urban population.

So can street vendors be considered as entrepreneurs? According to Stevenson (1985), entrepreneurship is the pursuit of opportunity beyond resources controlled. Here, pursuit implies relentless focus on the goal. Entrepreneurs have a sense of urgency to achieve their goal and dream. They go after it on “do or die” basis. Achieving the goal is critical and important to them. Stevenson adds that ‘Opportunity’ implies an offering that is novel in one or more of four ways. The opportunity may entail: (1) pioneering a truly innovative product; (2) devising a new business model; (3) creating a better or cheaper version of an existing product; or (4) targeting an existing product to new sets of customers. These opportunity types are not mutually exclusive.

The extant literature from the start of the 21st century has seen a dualistic depiction of entrepreneurs as either necessity-driven, pushed into entrepreneurship because all other options for work are absent or unsatisfactory, or opportunity-driven, pulled into this endeavour more out of choice to exploit some business opportunity (Benz 2009; Bosma and Harding 2006; Bosma et al. 2008; Bridge et al. 2003; Devins 2009). This approach has come in for criticism. It is understood that in transition economies the lines tend to blur between the necessity-driven to opportunity-driven entrepreneurship. However, this dichotomous classification has been in the centre-stage because of its usage in the Global Entrepreneurship Monitor (GEM), the predominant global survey of the degree and nature of entrepreneurship which covers 35 countries (Bosma and Harding 2006; Harding et al. 2005). GEM aims to explore the link between entrepreneurship and economic development. GEM has found that the prevalence rate of necessity entrepreneurship is positively associated with national economic growth, and is strongest when countries highly dependent on international trade are excluded (Reynolds et al. 2001).

The Global Entrepreneurship Monitor (GEM) Report 2017 found an increase in the rate of entrepreneurial intention to 14.9% in 2017 compared to 9% the previous year for India. Also unlike before, the fear of failure rate has decreased to 37.5% from 44% in 2016. According to the report, a comparison of India with its peers in BRICS economies suggests that perceived opportunity is the highest and perceived capability is the second highest among all. Also, there is an increase in the rate of entrepreneurial intention to 14.9% compared to 9% in 2015-16, whereas simultaneously the fear of failure rate decreased from 44% in 2015-16 to 37.5% in 2016-17.

This paper focuses on the necessity-driven model of livelihood entrepreneurship. The definition of livelihood used is as follows: ‘a livelihood comprises the capabilities, assets (including both material and social resources) and activities required for a means of living. A livelihood is sustainable when it can cope with and recover from stress and shocks and maintain or enhance its capabilities and assets both now and in the future, while not undermining the natural resource base’. (Chambers & Conway, 1991)

UNDP International Recovery Platform while looking at the sustainable livelihood framework views livelihoods as systems and provides a way to understand: (1) the assets people draw upon; (2) the strategies they develop to make a living; (3) the context within which a livelihood is developed; and (4) those factors that make a livelihood more or less vulnerable to shocks and stresses (UNDP, 2005).

The definitions of entrepreneurs and livelihoods as discussed above form the basis of this paper. According to the authors here, livelihood entrepreneurs are those who ride entrepreneurial and risk taking streaks to make a living with available resources and capability on a sustainable basis. But unlike corporate or other types of firms who have dedicated resources and capabilities to create larger entity, livelihood entrepreneurs look at sustainability of holding business through customers, resources and capabilities.
Methodology

The findings are based on field work done in the business district of Chennai, one of the four largest urban agglomerations in India.

The initial survey identified non-moving cart food and fast food vendors in the business district. The random sample was drawn based on type of food served namely: vegetarian; non-vegetarian; meals; snacks; fast food and a combination of a few. A total of 36 vendors were interviewed over a period of eight weeks. Care was taken not to select vendors who were located adjacent to each other. Interview questions focused on the business idea, services offered, resources and assets available, people management and most importantly, customers.

Vendors included: (i) those who operated only at certain time periods in the day, (ii) those who worked the whole day serving food for breakfast, lunch, snacks in the evening and dinner.

135 Customers who had food in this vending spots were also interviewed. These were primarily students and office-goers (staff working in offices in the surrounding areas).

Findings

Most of the entrepreneurs were migrants who had come to the city searching for a livelihood. Of the 36 vendors interviewed about 31 were first time adaptors to livelihood entrepreneurship. This included five women.

The factors that play a key role in the business as stated by the entrepreneurs are as follows:

**Genesis:** The entrepreneurs came to Chennai in 1970s searching for a livelihood. A few were second generation who got it into business after the earlier generation had moved on. Out of the 36 vendors interviewed, 31 were first time adaptors of livelihood entrepreneurship. There were five women. The finding confirms that the livelihood entrepreneurs were migrants who settled into an urban setting and were driven by necessity to start a business.

**Years of growth and success:** It seems to be that among those in the fray, early entrants stabilized demand. They were able to adequately estimate demand for every stock-keeping unit (SKU) and were able to make profits. Customers’ loyalty and “word of mouth” marketing became significant factors contributing to their growth.

The growth was further accelerated in the central areas by ambitious shoppers and mobile population in the area. The early entrants started full-fledged service on the cart. The business model started with only breakfast items being served between 7 am and 10 am. Later the business expanded to include service at noon during lunch time. The items were a choice of variety rice and chapathis (flat bread) and so on. The businesses closed by 3.30 pm. The evening service was from 5 pm till late midnight.

The food was mainly vegetarian in nature. A few vendors served non-vegetarian namely biryani which was rice mixed with spices and meat. However, this was not common or very popular among non-moving cart vendors as the segment as the business was dominated by retail food outlets which was extremely competitive.

On an average, about 1500 to 2000 people dined in a single day at a popular cart vending station. But these numbers need to be analyzed and seen in the context of operating focus and challenges. It was observed that the entrepreneurs focused on 200-300 plates during a meal time. Those operating for a shorter period of having selective business time made smaller earnings.

Those who were established and in the business for a reasonably longer time employed 7 to 10 people directly. They made a decent living and provided opportunities for the employees as well.

**Location:** All of the entrepreneurs stayed in the busy part of the business district. They saw opportunity in the growing and increasing commercial complexes, showrooms selling clothing and jewelry and shopping malls which had a large footfall. Further, increasing apartments and density of living population near the business district led to growth in the retail food business. All these phenomenally increased foot print of low and middle income people. There were also a few movie theatres which exhibited movies featuring popular film stars and actors within a kilometer radius. Looking at these, livelihood entrepreneurs started selling and later preparing snacks for these customers. They were selling quick snacks which were of good quality and priced reasonably.

Choice of location to place the cart for vending food was an important decision for the livelihood entrepreneurs. The road where it was located and specific location of the non-moving cart at the last mile had a lot to do with the success of the
business. The vendors had to take note of the zone where food vending could be taken up as per the City Corporation’s rules and regulations.

Some of the criteria apart from foot falls in the vicinity of 500 metres to one kilometer were as follows:

1. Must be a zone where the Corporation of Chennai or any other department has not prohibited from setting up food vending in open area on a non-moving cart. Local rules and guidance by regulatory authority was a key factor. Though some entrepreneurs resorted to unauthorized vending, they were not long time players and could not sustain in the business over a period of time. This happened because of the rivalry among fragmented operators to cannibalize an unauthorized player which could further reduce the margins in the business. Authorized operators had an informal understanding and collusive power to ensure fair operations of the business in a chosen location.

2. The micro site location from where business operations took place needed to have a clear focus on hygiene. The customers placed a lot of importance that there should not be an open sewerage or any manhole which leaked sewerage or foul gases. The vending cart had to be located in a place where there was no dumping area or garbage collection point in a 100 metres radius. Or else such points could become a source for rodents and flies to move around affecting the business.

3. The cart had to be placed in a bylane which would allow customers stand and eat without affecting the traffic. However, a fairly large livelihood entrepreneurs having business in non-moving carts had customers who came by two wheelers and cars. They now needed to find location which would have adjoining streets where cars could be parked or have an authorized parking lot. These were loyal customers who had started to eat in these vending spots as students or earlier times and returned satisfied for a slice of the old taste. They were in the word-of-mouth ambassadors to these businesses. The entrepreneurs in such cases showed the acumen in choice of location.

Between 2007 and 2012, there were a number of national and state level regulations on street vending. This included the need for licenses. This led to cannibalization of ownership or selloff or deserting of the location and so on. However, quickly a new set of ecosystem emerged and entrepreneurs were able to thrive either with revived interest or with young entrepreneurial talents being brought in. The vendors realized that regulations were important, but stressed that there was a need for regulatory support for street vending as it provided livelihood to a segment of society who were entrepreneurial in nature and made the best use of available resources. Government’s initiatives in giving directives and setting guidelines such as surveillance for food quality, hygiene of eateries, sanitation and traffic congestion was welcomed. The entrepreneurs looked up to a more conducive business environment.

Logistics of the business: In the street food vending business, on the one end of the chain were the largely satisfied customers longing for fast food on carts, while there were business limitations affecting the livelihood entrepreneurs. These included cash management, revenue drain, cannibalization, volatile nature of business and seasonality.

Those of the entrepreneurs, who got dislocated during the period of changed regulations as mentioned, took over two years to restart the business. They had to show a higher level of flexibility and work on the durability of the business and its model. Looking at this kind of risk to livelihood entrepreneurship, some of the research questions emerge. These are:

Were they right in running the business the way they were doing for so long? Could they have not pursued a different model for stability? What are key success factors in this business? Is there somewhere the role agents were in comfort zone offered as being small, road side and livelihood driven rather than panning out into a robust business model of different scale?

These questions require a larger full scale study. The paper tries to answer some of the intricate aspects relating to the business.

Street vending retail food business entailed an understanding of the ownership of the capital for the business. While the capital needs were low, it was not paltry. The assets of the businesses cannot be securitized as they are of small value, common articles used for preparation of food, like number of plates, cooking stove, grinder / mixer, etc. Nearly 21 of the 36 vendors interviewed did not have even this extent of livelihood assets. They had a table and they brought in cooked food in vessels. They kept a window of four hours for business and closed the vending after they exhausted stock or felt that time had lapsed! Nearly 85 per cent of those vendors took to informal lenders for capital both for buying livelihood assets and working capital needs.
Demand estimation is dynamic, based on a number of localized factors including that of daily weather conditions. A standard demand is estimated and where possible the supply is topped up as the business progresses in a short time window. Quality cannot be compromised. So such food preparations are chosen that need less preparation time.

Vendors operate on a split location concept. All of them had their kitchen elsewhere. Most sell precooked food, while some do serve hot snacks by applying concept of postponement to fast food servicing. How does postponement work? When a dish is served, there is a base and fillings. Further, there are add-ons. Generally the base, add-ons and filling are kept separately. Variants are kept ready and served as per order. As business during the day progresses, the variants are reduced while watching the footfalls keeping the customers satisfied. The split location helps for handling variability as even base and fillings can be had in lots so that a cart vendor can handle more variability in demand by conservatism and coordination with production unit. Some of the vendors ensure that their kitchen is close by. This is critical from different standpoints namely: cost savings, reduction of wastage of cooked food and freshness of stock at the sale counter. On an average, there is a seasonality of four months of low demand spread over two times in a year. Also there are week day versus week end variations. Though the business is suited for chase strategy in terms of workforce, they have a fixed number of workforces, as they are keen to provide livelihood to associates! (Chandrasekaran and Rajan, 2017).

Employees and team play a crucial role. The business requires every one of the employees to be truly carrying the shared vision of serving quality food that is hygienic and sold at a reasonable price. Given the ‘hands-on’ nature of the business, unless all employees take ownership the business would fail. Customers are presumably taking a risk by eating at a roadside cart. The customers also are from different strata like children of low and middle income groups. There is no commonality among the various customers in the economic and social status. The food served needs to meet the high standard and follow hygiene. To avoid losses due to wastages, employees need to be ever vigilant and conscious of ensuring that no spoilage or foreign particles remain in the vessels where food is stored on the cart. Night service requires two persons at the cart’s cash counter for collecting payments when more number of plates is sold. This is true throughout the day and night in the weekends. Given the hands on nature of the business, unless all employees take ownership the business would fail.

It is estimated that there is likelihood that 10 per cent of the revenue is lost by customers under reporting their consumption especially at peak serving time. It is next to impossible to track orders and consumption especially of group orders. Trust is what holds the business together. Hence employees must ensure that there are no leakages in revenue (Chandrasekaran and Rajan, 2017).

Further any kind of roadside eatery would have inebriated customers during late evening. They may also be impatient. This is a problem in any eatery which attracts families wherein men with their family eat alongside all other customer groups. Hence the counter needs workmen who can handle customers with patience.

Another important responsibility for the operating team is respect among the local community. Business needs that the place is clean and ensure food is not littered around. Further all wastes are to be disposed carefully.

Profit margins: Generally, most of the vendors have a low mark up so that prices are cheap compared to regular restaurants. For the quality sold, the price could be benchmarked to about 30 – 40 per cent of what is sold in a decent restaurant. Other issues that remain are the inability to transfer cost of inputs and material to the customers as they expect steadiness of price. Second, markup for risk of revenue leakage by under reporting of consumption is not possible as customers can be lost by word-of-mouth. Third, provision for risk coverage by way of natural calamities and vagaries of nature is impossible.

Working capital and cash management: Most of the vendors buy inputs on cash and daily basis. They neither have any bank facility nor storage system to carry on the stock based on demand estimate. They have a simple principle of buying for cash on daily basis so that they get the best price. The end-of-day profit statement is done intuitively and business is carried keeping in mind the customer orientation. Those vendors, who handle business badly, take personal loans with high interest rates and end up in debt.

Disruptions: Apart from the business risk, street vending faces loss of revenue days of four to six days in a year because of severe disruptions due rain and flooding, socio – political factors like strikes by hawkers, parties and so on. Agility to get back to routine immediately after any disruption is critical. Otherwise, the vendors may lose customers to retail food chains and among themselves as well. Nowadays vendors do have whatsup group and active “word of mouth” campaign to come back after any disruption.
Some of the key observations from customers were as follows:

Road side food cart is affordable for low income groups. There is faster turnaround time for serving and better fill on a lower budget. Eating on the go is critical given the time constraint and ability to have ‘take-away’ food to work.

Preference to eat on a particular eatery is driven by convenience, referral, cumulative experience and quality of food. The choice is almost driven by the same order of preference.

Threshold factors include: compatibility of food, taste and hygiene under a given circumstances.

Stickiness to a particular joint happens as there is a conviction about food suiting health and emptions. Stickiness is high. Further, there is a tendency nowadays to connect with vendors through mobile phone and group in apps. Vendors also create a personal touch by enquiring “no show” and bondage is created.

Eating at non-moving cart happens only at on-site dining which is place of sale and consumption being the same. A small percentage of customers prefer to “carry” for others to dine at their location. Vendors prefer on location dining as it helps to connect better unless it is a peak service time. Hence “to carry” food is not generally encouraged. But when customers “carry” after eating to serve another customer, vendors generally do not mind such a service as it shows patronage to their business. Hence predominantly, “to carry” business goes for those who order while they eat out at the place.

Quality of other customers while dining is an important factor. As the customers want to eat quickly and be trouble free, they do not want other customers who are insensitive. Role of operating team in this is important, according to the customers.

**Conclusion**

Street foods defined as “ready-to eat foods and beverages prepared and/or sold by vendors and hawkers especially in street and other similar public places”, was first agreed upon in FAO Regional Workshop on Street Foods in Asia, held in Jogjakarta, Indonesia in 1986. The informal retail food sector has been recognized as one of the important poverty alleviation programs in many countries.

India is one of only three Asian countries, other than Philippines and Malaysia to have a formal national level policy on street foods. However, as street food vending is largely associated with low-income groups, an understanding of the sector has largely been related to issues of ‘access to public space’ and ‘rights to livelihoods’, in terms of policy and advocacy terms. This paper helps in gaining a perspective of how livelihood entrepreneurism can be promoted – using training and development for managing businesses, helping in using an opportunity that is sustainable as also pursuing one’s passion.

Livelihood entrepreneurs lead an asset light but intense customer centric and demanding environment business as far as food retailing is concerned. Hence they need to be people centric person with strong acumen for sustainability. The business is seasonal. Upward spikes happen on week ends and certain days. Ability to manage such volatility is important. Such skills come by practice. Agility in day to day affairs and in disruptions is important. It can take away profits made over weeks in a single incident.

Providing basic managerial skills in planning, buying and demand management would improve efficiency of operators. Providing infrastructure support like an area for cooking would improve their business. Instead of expecting local government to provide space for cooking and parking of carts, a new class of promoters may emerge with offering of shared services. After initial success, it can be taken up as a large umbrella brand. Funding happens through informal sector as this business does not qualify for formal sector lending. Self Help Groups and Micro Finance companies have an opportunity to establish a structured approach with affordable cost.

To conclude, it seems livelihood entrepreneurism has a future for engaging semi-skilled and unskilled urban labour. Every outlet creates about 7 jobs across activities. Capital required for the same is as low as INR 25,000/- to 100,000/- . There cannot be any other business which has such a low capital intensity and high capital output ratio. Importantly, it helps growth of agglomeration. An interesting problem society would face is: as foot falls increases and space becomes a constraint, will there be a sense of urgency in handling and rationalizing scope of livelihood entrepreneurism?
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Investigating the Impact of Organizational Policy Towards Quality of Work Life on Employee Engagement in Manufacturing Company Nigeria

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Abstract
This paper is devoted to study of organizational policy towards the impact of quality of work life on employee engagement. It is important to investigate the factors of organizational policy that have impart to influence quality of work life on employee engagement antecedent variables directly and indirect through organizational policy role. The practice in the past by organizations was for the management level staff to formulate policy for the smooth running of the organizations. While this approach is working in its own way, it is equally important to consider a novel idea of involving all employee staff in policy formulation or in the reviewing of the existing policy. Against this backdrop, this study presents findings of the three variables: organizational policy, quality of work life and employee engagement This study tends to investigate how organizational policy (OP) can have influence on employee Quality Work Life (QWL) on Employee Engagement (EE). Linkage between these three factors will be established and various levels of each of the factors will also be identified. In the paper, four major stages of organizational policy are identified namely: the policy formulation, adoption, implementation and evaluation. Policy formulation is normally embedded in the minds of individuals and it is difficult to capture or communicate to others. On the other hand, adoption, implementation and evaluation policy is formal, typically documented and easily communicated and shared with others. The study assume that the focus of organizational policy and quality of work life should be placed on the employee engagement, thus the importance of organizational policy and employee quality of work life on employee engagement should be given greater attention

Keywords: Organizational policy, Quality of work life, Employee engagement, Management level, Literature review, Conceptual framework

Introduction
organization is considered as a system having integrated parts that must be coordinated for efficiency and effectiveness when developing policy. The integrated parts of organizational policy control the ways policy are formulating, implementing, adopting and evaluating, however, it is important for management to involve the employee contribution when formulating this integrated parts of the organization policy to avoid conflicts that may arise between management and employee. However, employee want to be effectively involved and committed to the organization when they are considered when making or reviewing existing Organizational policy. However, researchers have overviewed that employee participation improve their attitudes towards work function. Consequently, attitudes have been identifying as a systems or norms embeds into employee that direct employee on how to function. Employee contributes more to organization when their attitudes is right with Organizational policy impact into their quality of work life. Employee display their performance base on the reservoir of the articulate attitude they have, practically, employee attitudes contribute more than prior traditional factors such as land and capital. However, conflicts or resistance of organizational policy spring up in organizational when the management assume employee understand and cleared about the organization policy and norms. Furthermore, proper orientation of Organizational policy norms such as: Role Clarity, Organizational Culture, Organizational Learning, and Organizational Support. However, several researchers have postulated that organization that have their employee engage are most likely to gain substantial competitive advantage than those with less engage. However, when employee enjoys
participation in organization this will improve their quality of work life, in fact it is plausible to assume that the more employee enjoys organizational participation improve their quality of work life the more employee engagement to the organization.

This paper presents the findings of review on how organizational policy will have impact to quality of work life on employee engagement.

One of the ways to heighten employee engagement is through effective quality of work life, researchers Gillet, Fouquareau, Bonnaud-Antignac, Mokounkolo, and Colombat (2013) have earlier claimed that quality of work life positively related to their work engagement. However, researcher like Celik and Oz (2011); (Chiedu, Long, & Ashar, 2017a) agree that quality of work life perceptions affected turnover intentions and absenteeism directly. Furthermore, employee attitude is a perception embedded waiting for the day of explosion, with positive impacts of organizational policy to employee quality of work life on employee engagement, employees are expected to show high commitment and positive attitudes to organizational conditions, practices and also with employees’ perceptions that they are safe. Organizational policy that considered employee participation will satisfy and able to grow and develop as human capital. Policy that accept employee participation will give employee the opportunity to grow and enjoys their wellbeing, improve employee will have derived quality work life and their engagement to work. Dickson, Howe, Deal, and McCarthy (2012) the studied advocate the need to include some aspects of their employee beliefs and culture into policy interventions. Furthermore, Dickson et al. (2012) stress that management need to be aware of employee concern about the organizational policy process that may involve a strong relationship with certain problems or conditions that has effect to employee work condition. Fapohunda (2013) suggested that for Nigeria manufacturing company to gain competitive advantage, organizations must be concerned about the policy that encourage employee quality of work life which is the most important assets that take consistent and steadfast measures use to improve employ high-quality of work-life experiences. It has become pertinent to organizational to acknowledge the important of employee contribution to organizational policy because it has been proved to straighten relationship between management and organization, positively effect on employee quality of work life and achieve employee engagement. Chib (2012) stated that QWL is a wide term covering an immense variety of programmes, techniques, theories and management styles through which organizations and jobs are designed to grant employees more autonomy, responsibility and authority than is usually done.

However, with the perpetual changes in global economy where by inflation rises, organization need employee participation to reviewed the existing policy in other to address such financial problem and to streamline their potential solutions. S. Ahmad (2015) suggested that To implement any corporate environmental program several units of an organization HR, Marketing, IT, Finance, and so on, work together to put forward a positive joint effort and among them. No doubt, the corporate world is a major stakeholder in the discussion about employee team effort, joint goal setting and problem solving technics through direct participation, performance based reward, transparency in communication, prompt grievance redress. Lasrado, Arif, Rizvi, and Urdzik (2016) suggested that The knowledge possessed by individual employees can only lead to a firm, competitive advantage if employees have the motivation and opportunity to share and utilize their individual knowledge in ways that benefit the organization. In this day’s Organizational policy has been overviewed and tag to personalities differences, this is more challenging in practical aspects concerning QWL and EE, to think of these measures for industrial peace, progress and prosperity. Follow the theory of (Diamond, 1992) advocated that expectations of whichpolicies will succeed are dependent on understanding people’s motivations, or the positive and negative as determined by their values psychological forces that affect their behavior relative to those policies. Similarly, management’s expectations of which organizational policies will succeed is likely to be dependent on understanding the positive and negative psychological forces acting on employee QWL on EE with regard to those policies. Lasrado et al. (2016) advocated that the human characteristics such as personality, attitude, perceptions, credibility and intrinsic motivation are mainly cited as necessary individual attributes that foster success.

The central thrust of every organizational is to make profit, however, it is equally important for organization to allow employee to participate in suggesting their remuneration, such as: their adequate and fair compensation, safe and healthy working condition, immediate opportunity to develops and opportunity for continued growth and security. This will massively enhance organizational development plan which will transform the organizational into employee engagement and high-income organizational. Thompson, Lemmon, and Walter (2015) advocate that higher levels of employee engagement lead employees to perform work of higher quality. No doubt, for quality of work life to occur, something more than the generation of a creative ideas or insights is essential. However, it is imperative for management to understand the value of employee contribution to organizational policy because it help management and employee to agree on common goal towards achieving organizational vision, Consequently, the creative ideal of employee is required to champion organizational
performance. S. Ahmad (2013) suggested that a better understanding of the interrelationship of various aspects of quality of work life (QWL) provides an opportunity for improved analysis of cause and effect in the workplace. (S. Ahmad, 2013) stated that employees believe that they have a high QWL when there is a clear sense of openness and trust between management and employees and no fear of being short-changed or misguided in task performance in discharging their action. Tella, Ayeni, and Popoola (2007) stated that One way managers can stimulate motivation is to give relevant information on the consequences of their actions on others. In today’s competitive, complex and global environment, employee participation towards organization policy will play a key role in all phases of new policy creation towards their work environment, a conducive work environment will postulate employee commitment. Yousef (2017) stated that Organizational commitment, on the other hand, has impacts on job satisfaction. However, affective commitment refers to identification with, involvement in, and emotional attachment to the environment. However, for employee to be competent and engage to contribute towards sustaining the sustainability and attracting global attention towards desire to build an organization performance employee need equitable and caring organization that have cognizant of the need for work environment for all conciseness about employee quality of work life which increase employee engagements.

Research methodology
The researcher used a university library, with access to 10,000 journals, to search for relevant material. As the library had subscriptions to main databases such as SCIENCE DIRECT, EMERALD, Google Scholar and European Journal of Multidisciplinary Studies a search was performed on these databases using the key terms. Based on the highlighted issues, it would not be wrong to logically deduce that policies are not just contained in laws and regulations is people that formulate policy and implement policy therefore who put policies into effect make decisions about who will benefit from policies and who will shoulder burdens Birklad (2015). Therefore, this is why this paper need to consider a novel idea of involving all member’s staffs in making policy or in the reviewing of the existing policy for the betterment of the organization and to solve employee grievances and to postulate employee quality work life on employee engagement.

A number of previous studies investigating organizational policy Foote, Seipel, Johnson, and Duffy (2005) stated that the purpose is to propose new construct-policy to examine the attribute of policy and their norms such as: employee attitude, role clarity, and role conflict and policy commitment. In this regard, the reason for organizational to appraise organizational policy is to know the behavior of employee towards a design policy. However, knowing this will determining if the organizational is democratically functioning or not Diamond (1992) advocated that expectations of whichpolicies will succeed are dependent on understanding people’s motivations because employee do the work. However, organization policy need to formulate a strategy policy which aim is to contribute towards quality of work life on employee engagement. The motive is to allow workforce to be participative in contributing their ideal to build the capability and capacity in order for the organization policy to have affect in employee quality of work life on employee engagement. Birklad (2015) and Fapohunda (2013) their studied suggested that employees who have positive perceptions and experiences in their workplaces willincreased desire, willingness and ability to go the extra mile, will speak more positively of the organization and encourages quality of work life, promote employee engagement in the organization.

Measurement of Items of this paper

<table>
<thead>
<tr>
<th>Variables</th>
<th>Dimensions</th>
<th>Results</th>
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<tbody>
<tr>
<td>Organizational Policy</td>
<td>Role clarity</td>
<td>My duty and responsibility is clear employee are aware of company culture and human capital</td>
</tr>
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<td></td>
<td></td>
<td>Work learning/ direction is clear and make sense organizational policy support employee suggestion for amendment</td>
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<td></td>
<td>Organizational Culture</td>
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<td>Organizational learning</td>
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<td>Organizational support</td>
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<tr>
<td>Employee Quality of work life</td>
<td>Adequate and fair compensation</td>
<td>I feel I am being paid a fair amount for the work I do. Considering to my skills and level of education, I am satisfied with policy pay and benefit structure</td>
</tr>
<tr>
<td></td>
<td>Safe and healthy working conditions</td>
<td>I am satisfied with my immediate work environment</td>
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<td></td>
<td>Immediate opportunity to develops</td>
<td>I am satisfied with policy chances for development</td>
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<td></td>
<td>opportunity for continued growth and security</td>
<td>Organizational policy is fair for me to grow</td>
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<tr>
<td>Employee Engagement</td>
<td>participation Leadership Team work</td>
<td>I feel a strong sense of belonging by my participation to organizational matters in this organization.</td>
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<td></td>
<td>Rewards</td>
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Consequently, to propel this measurement the new economic model need to be drawn as well as the organizational policy which outlined several policies such as role clarity. Foote et al. (2005) suggested that Role clarity refers to the extent to which employees possess a precise understanding of their fit and function within a given context. Organizational policy that is made up by employee and management should be cleared enough to accept employee contribution towards their quality of work life. Fapohunda (2013) suggested that Quality of Work Life is now an important issue in the management of employee engagement in an organization, arising from the force of technological advancement and working conditions, definitely, work cultures are changing to human capital where employee decide or determines what needs to be applied. Yousef (2017) stated that organizational change is defined as an attempt or series of attempts to modify an organization’s structure, goals, technology, or work task. Furthermore, this implies that the old systems where management make all decision concern organizational policy must be reviewed for organization policy to have impact towards quality of work life which require learning process. Curado (2006) suggested that researchers consider that organizational learning is the product of organizational members’ involvement in the interaction and sharing of experiences and knowledge. Kanten and Sadullah (2012) suggested that when employee are engage with their work there is congruence between the employees priorities and the organizational goal. Kanten and Sadullah (2012) stated that engagement has many positive consequences, such as dedication to an organization better work task performance, initiative and innovative behavior. (Teryima et al., 2016) concurred that quality of work life encompasses working conditions, working time, mode of wages payment, health hazards, adequate fair compensation, opportunity to grow, employee development, in a nutshell financial and non-financial benefits and management behavior towards workers.

Organizational policy is a vital tool for the sustainability competitiveness of both nations and organizations alike Kiran (2017). Importantly, quality of work life should not be perceived as a complex venture that stems the inventions and technological advancement, because it is emerges from day-to-day activities in the workplace channeled towards organization’s survival and prosperity S. Ahmad (2013). Therefore, the chief concern for many organizations is their policy how to organize and stimulate it to balance employee and organizational demands. Quality of work life improve employee engagement potential that has a pool of embodied in actualizing organizational vision. Foote et al. (2005) stated that production processes, product designs, and organizational function achieve workplace performance with high returns on investments depends on organizational commitment that encompass openness, role clarity, attitude and consciences. Drawing from Foote et al. (2005) conceptual model

The research model.

![Organizational Attribute to Employee Foote et al. (2005)](image)

**Figure 1: Organizational Attribute to Employee Foote et al. (2005)**

To illustrate the key terms. Organizational policy plays important role by postulating Attitude, Role Clarity and Role Conflict management applied to employee quality of work life while employee relies heavily on organizational commitment, the effectiveness of organizational commitments depends on organizational policy which accept employee contribution towards their quality of work life and employee engagement. Organization policy need to maintain a central focus on employee contribution as a channel to build their attitudes as the key engine of organizational commitment. Yousef (2017) stated that employees with strong continuance commitment remain with the organization because they have to do so, either because of low perceived alternatives or because of high personal sacrifice associated with leaving the organization. Kanten and Sadullah (2012) suggested that when organization offers quality of work life to their employees, it is a good indicator to boosts its image in attracting and retaining employees. There are several reasons that influence organizational policy to support employee quality of work life, the depicted illustration used policy commitment as a point to analyze the synonyms resulted in the identification of employee strings, such as employee conscientiousness and idea management policy. Conscientiousness is the results of employee contribution to policy, furthermore, Employee civic virtue has to led the...
development of employee quality of work life on employee engagement. The statement highlights the importance and influence of organizational policy on employee contribution and reaction. Moreover, organization policy should provide a support system on how employee will fully contribute to organizational policy towards their employee quality of work life, this will help employee to do their work with easy which postulate employee engagement. Calantone, Cavusgil, and Zhao (2002) suggested that contemporary organizations require a strong learning orientation to gain competitive advantage. With organizational policy support systems employee would be able to learn new idea in order to attain competitive advantage. However, new ideal is closely related to organizational learning, this implies that for organizational policy supporting new ideal will improve employee quality of work life. Calantone et al. (2002) suggested that learning orientation is conceived as composed of four factors: commitment to learning, shared vision, open-mindedness, and intra organizational knowledge sharing, therefore organizational policy that postulate this characteristics to their employee will positively employee contribution and impact towards employee quality of work life because learning cannot occur unless an organization has an effective and efficient system moderate by organizational policy, which allows a reexamination of past decision strategies and implementation activities.

This paper draw the theory of Lewin (1951) field theory, in which the proximity and salience of environmental elements play a substantial role in determining individuals’ reactions to their policy. Field theory has found applications in such diverse disciplines as physics, psychology, and business Douglas and Nekrasov (2001); Riordan and Riordan (1993). In sociology field theory is described environment as a conceptual frame work within which the psychological forces that impact social actors at any point in time can be better understood. However, organizational policy that allow employee to contribute towards environment will improve employee quality of work life. furthermore, researchers have identified great important of environment how it determines employee quality of work life towards the organization. Razak, Ma’amor, and Hassan (2016) suggested that healthy and harmony work environment is important to retain and develop high quality work and life of employees. Lewin (1951) theory suggested that individual’s values environment determine which forces have a positive or negative utility, and the combination of positive and negative forces impacting on employee quality of work life yields a net utility for any prospective behavior. Moreover, employee quality of work life is affected only by those forces that are present and active for individuals at any given moment. Diamond (1992) notes that expectations of which policies will succeed are dependent on understanding people’s motivations, or the positive and negative as determined by their values psychological forces that affect their behavior relative to those policies. Similarly, management’s expectations of which organizational policies will succeed is likely to be dependent on employee contribution because the positive and negative psychological forces acting on employees QWL with regard to those policies affecting their EE.

This paper suggested that we are in the era of organizational policy determinants, because employee quality of work life and how employee engage to their work is control by the organizational policy. This implies that for organizations to achieve a high level of organizational productivity as well as to attain and sustain competitive advantage in the global marketplace, organization need to reexaming their existing policy that comprises thier traditional belief and culture that only the management formulate and implement policy for employee to work. Horst, Broday, Bondarick, and Filipe (2014) suggested that substantial loss of productivity was related with lack of employee presentisms and several work-problem, consequently lack of employee quality of work life decreasing the health and welfare of employee’s. In order to achieve this mission successfully organization need to pay close attention to employee contribution which improve their quality of work life nearly every organization relies on their employees. It is the workforce that champions the ideas that can be utilized to manage organizational performance processes, services, methods and operations.

Some studies Chib (2012); Valizadeh and Ghahremani (2012); Van der Berg and Martins (2013) have emphasized the link between organizational policy, culture, and citizenship behavior impact to quality of work life. However, Edwards Jr (2017) expressed a concerned about the link of organizational policy. Chib (2012) suggested that QWL has gained deserved prominence in the organizational behaviour as an indicator of the overall of human experience in the work place. Edwards Jr (2017) suggested that the application of the multiple perspectives framework to explain the process of policy formation first requires a clear understanding of the events and sub-processes that transpired. This implies that organizational policy literature has not extensively attempted to bridge the gap between important of employee contribution towards employee quality of work life. Quality of work life is an important factor that affects job satisfaction at work. Chib (2012) advocated that many factors contribute to QWL which includes adequate and fair remuneration, safe and healthy working conditions and social integration in the work organization that enables an individual to develop and use all his or her capacities. Therefore, Chib (2012) holds the notion that people are the most important resource in the organization as they are trustworthy, responsible and capable of making valuable contribution and they should be treated with dignity and respect. However, organizational policy must attempt to shape the context constraining policy more generally, consequently, organizations policy may try to jumpstart the policy formation process through the believe and contribution of employee.
Edwards Jr (2017) suggested that one can expect organizations to drag their feet and hamper through familiar courses of action the construction of a new policy. Argument put forward by Hagerty et al. (2001) indexed suggested that from both organizational policy perspectives and employee quality of work life, there is a lack of theoretical and empirical support on how organizational policy can impacts employee quality of work life. However, none of the indexes distinguish among the concepts of input, throughput, and output that are used to actualize organizational objective and vision which this paper has done.

In the context of linking quality of work life on employee engagement, it is important to emphasize that there are many extant researchers that examined the relationship between quality of work life and employee engagement. Kanten and Sadullah (2012); Saks (2006) researches examined the relationship between quality of work life and employee engagement while Razak et al. (2016); R. E. Walton (1973) studies linking quality of work life and employee engagement, highlighting the support and the importance of quality of work life on employee engagement. These existing paper have maintained a positive relationship between organizational policy, quality of work life and employee engagement. For instance, Birdi (2005) postulation that new things that accelerates creative solutions depend greatly on the accumulation of new employee engagement systems in an organization is in agreement with the commentary of others scholars. N. E. A. Ahmad (2017); Baird and Wang (2010); Kaliananan and Adjovu (2015). Quality of work life is the most essential component in employee engagement. This paper also suggested the need to maintain that operational transfer of quality of work life between groups and individuals is required to solve complex problems and crucial in developing employee engagement ideas for new products and services.

Therefore, this paper incorporates the impact of organizational policy, quality of work life on employee engagement. This is to help management and employee to work as a team and to avoid employee resisting against organizational policy not to function effectively. Burnes (2015) suggested that resistance does not arise from the individual, but from the context in which the change takes place, furthermore, this paper maintained that employees are the prime source of such resistance to charge. The necessity of incorporating these variables is based on the argument of past practice were management level staff formulate policy for the smooth running of the organizations without the novel ideal of considering employee contribution.

**Literature review**

When Organizational policy which is designed with usability of employee contribution this will improve employee quality of work life. This is important to management because through democratic policy organizational can improve their productivity by maximizing employee competency to achieve organizational vision. Maxwell (2005) suggested that policy which bring employee and managers apparently play a pivotal role in translating work life balance policies into practice and in ensuring there are appropriate checks and balances in the management of such practices. The more comfortable employees are with the organizational policy design, the more good suggestions organization will received and the more money will be saved base on employee commitment. Koc and Ceylan (2007). As far as the goal of organizational is to make profits, policy should foster the factors that promote employee contribution to the existing policy and to make policy in other to motivate employee quality of work life this will encourage employee to be engage and follow the implemented policy. However, management that setting up organizational policy programs might take advantages of every support system that encourage employee contribution which transformed employee impact to quality of work life. Schalock, Verdugo, and van Loon (2018) suggested that Organizations receptive to transformation typically view themselves as a social enterprise that combines the effectiveness and efficiency of a business mind-set. Employee engagement are essential in organization transformation since they form the basis of mental models that are the deeply ingrained assumptions, generalizations, and images organization personnel have for understanding and action. Mental models form the vision and culture of an organization, including the belief that organizations can evaluate themselves and change their culture to achieve different result. Policy programs must be expertly administered and the ideas gathered must be promptly and rapidly processed to balance employee and management role clarity, ambiguity and openness (Arrey, 2014; Foote et al., 2005); Maxwell (2005).

Moreover, the use of a management/catalyst from the same line function, and with sufficient skills is a vital ingredient for organization to achieve employee quality of work life on employee engagement, however, good ideas can come from anyone, at any level, anyplace and anytime. In the meantime organization that allow every employee to participate in policy contribution achieve positive different result that balance work life (Maxwell, 2005) (Arif, Aburas, AlKuwaiti, & Kulonda, 2010); McConville (1990). Organizational policy should guide employees in give a definite structure or shape to their suggestions, such will help and encourage employee’s quality of work life and improve employee engagement and forward their ideas and reduce grievances. Therefore, it is equally important for management to streamline organizational policy information from the first stage of formulation through check and balance to avoid ambiguity of policy and information (Maxwell, 2005).
Quality of work life

Quality of work life influence employee to be supportive to their jobs, there is need for strong and effective support at various levels of employee depends on their quality of work life (Beauregard & Henry, 2009) Managerial support and the work-life climate of an organization moderate the link between work-life balance practice provision and both employee use of practices and perceptions of organizational support. (Beauregard & Henry, 2009) If management is unsupportive of employees’ efforts to balance work and personal responsibilities, organizations may find that perceptions of organizational support are not enhanced and outcomes such as behaviour and organizational performance are thus unrealized. Fear of harming their career prospects may discourage employees from using the work-life practices offer by organizational policy, which in turn may nullify some of the intended beneficial effects of employee quality of work life.

Organizational Policy

The success of organizational policy lies not only in accepting employee contribution but also re-examine the contribution for implementation. Therefore, main important is to encourage employee commitment Danaefar, Gharaei, Hasani, Mirzaei, and Abangah (2016). Organizational policy support and committed resources are required to enhance employee quality of work life at four stages of organizational policy such as: formulation, adoption, implementation and idea evaluation. When employee contribution requirements are met, a transfer will take place from employee creativity to practicable ideas, giving organizations a large and constant supply of relevant project ideas Okoroma (2006); Van Dijk and Van Den Ende (2002). An approved employee contribution will reduce management costs such as: labour cost, and other miscellaneous cost attributed to employee negligent to work commitment. (Amabile, Conti, Coon, Lazenby, & Herron, 1996; Griffiths-Hemans & Grover, 2006); Tella et al. (2007); (Van Dijk & Van Den Ende, 2002) employee are important resources consistently cited and closely related to organizational development through their contribution. Draw from Lasrado et al. (2016) model

Figure 2: Lasrado et al. (2016) Employee Contribution Review Process

Base on Edwards (2017); Lasrado et al. (2016) the policy formulation in the context of global governance employee support system might also involve in employee involvement association (EIA) also known as team building. To illustrated this great contribution, employee suggested systems which might contributed greatly to the increase in formulation, adoption, implementation and evaluation through team building. This is done through group discussion to create an ideal bar of best practices in the encouragement, evaluation, development and contribution of ideas that add value to their organizations. However, employee involvement policy programs, was also founded as a prime purpose to assist organizations to develop employee quality of work life which encourage employee engagement by means of employee participation through their contribution (Lasrado & Arif, 2014).

Employee engagement

Employee engagement are another key element identified for the success of organizational policy. An employee engagement clearly is a money saver in organizations Crawford, LePine, and Rich (2010). However, there is needs to introduce various strategies in place to avoid employee boredom and to consider the life cycle of the system. Employees must be rewarded not only with tangible but also with intangible benefits Ali and Ahmed (2009). Employee engagement are important for organization. Employees need to feel that the submission of their usable contribution will be rewarded Ali and Ahmed (2009). Employees should be emotionally rewarded and recognized both in-house and external to the organization.
in an appropriate way. The rewards should reflect the value of the employee engagement (Blessing, 2005). However, employee engagement is important because employees that are not fully engaged may lead to people feeling ignored and dissatisfied; employee engagement can also help in error discovery where staff can further improve the organizational policy ideas based on the quality of work life they receive (Sajjad and Abbasi, 2014). If employees do not receive rewards based on their effort contributed to improve organizational policy then they may feel that management is taking credit for their work (Mishra, 1994). However, Organizational policy must ensure that employee suggestions are processed within and communicated within timescales to ease employee nagging and improve their employee engagement as well as. The benefit is to keep employees motivated and being engaged in their organizational policy (Welbourne, 2007).

Finally, organizational policy should be detailed enough to aid employee in knowing the status of their idea and how it is valued by the organization and the relationship of their contribution to their quality of work life improvement programs. Narehan, Hairunnisa, Norfadzillah, and Freziamella (2014). Moreover, Organizational policy providing employee engagement to employees on their ideas should demonstrate thus facilitating sustained participation and committed Crawford et al. (2010). Employee engagement improves when job-related feedback from supervisors and managers focuses on the strengths not the weaknesses of employees (Attridge, 2009).

Synthesis of the Literature

Many researchers (El Badawy, Chinta, & Magdy, 2018) (Danaeifar et al., 2016) (Abbah, 2014; Afful, 2018; Chow & Tsui, 2017) have pointed at organizational policy systematically playing a significant role in impacting employee quality of work life in across different industries and sectors. Existing studies conducted by Su, Wright, and Ulrich (2018) explored the factors affecting employee using multistage sampling technique. They found that more than 337 firms show that quality of work life approach is linked with significantly higher organizational policy impact than alternative approaches. This implies that organizational policy needs employee contribution to know their ideal and opinion towards the existing policy. The main parts of organizational policy are to affect employee wellbeing and work commitment-based practices in compliance with positive organizational collaboration with employee before formulating policy, therefore, it is equally important to their quality of work life when actualize

Based on (Lasrado et al., 2016); Narehan et al. (2014) significant contribution, participation in quality of work life programs; quality of work life improved employee commitment and accountability as employees attempt to improve work-related issues and conditions. Job factors, in particular, when organizational policy can give employees freedom and flexibility to contribute towards the existing policy or policy making, employees will perceived it imperatively as their quality of work life improvements. This in turn can influence employees’ sense of security and confidence in the organization. Organizational policy could create an opportunity to employees by giving employee chance to contribute towards creativity at work place, this will help employees feel secure about their job role and increase their confidence in their employee engagement to the organizations Lasrado et al. (2016). Employee that feel valued and empowered are likely to remain with the organization for longer time Chiedu, Long, and Ashar (2017b). Because of the improved sense of security, employee productivity would also be enhanced. Another important outcome of employee contribution to organizational policy is to give employee confident, employee confidence is fostered when they see their contribution accepted and implemented this will foster their employee quality of work life, perceived as implemented quality of work life programs.

Researches have unpinned Crawford et al. (2010); Saks (2006); Shuck and Wollard (2010); Thompson et al. (2015); Vaziarani (2007); Welbourne (2007), the good manner from organizational policy inculcating the contribution of employees in formulating organizational policy as way of payback to their employee engagement. Employees tend to decide whether or not to engage themselves in relation to the organizational policy depends what they get from their organization. This perception shows a reciprocal relationship between the organizational policy supports to employee engagement, involving employee to contribute towards formulation or re-examining the existing policy will improve employee’s willingness to make the most of their individual and organizational performance (Lasrado et al., 2016).
Figure 4: Review Policy and Engagement

Anitha (2014)

This studies of Anitha (2014) advocate that organizational policy has an impact to employee engagement, apart from quality of work life factors that have great impact to employee engagement. Employee engagement programmes objectives is to enhance the productivity. In this study organizational policy is the policy of the content of relationship between employee’s engagement that influence employee engagement work, therefore, the relationship of employee sub variables are the factors that impact employee engagement such as: Employee participation, Leadership, Team work and Rewards. However, organizational policy need to value employee effort by considerable level of support for job-related factors, such as giving employee the autonomy to contribute to organizational policy to impacts towards quality of work life and improve employee engagement. Attridge (2009); De Jong and Den Hartog (2007); Martín Cruz, Martín Pérez, and Trevilla Cantero (2009) in the literature of past decades. Given today that employees seem to demand more involvement in decision-making and want to be better utilized across their full range of talents, job factors seem to be influential as noted in recent research.Anitha (2014); Anyim, Chidi, and Badejo (2012); Ariani (2014); Axtell et al. (2000); Brad Shuck, Rocco, and Albornoz (2011); Czarnowsky (2008); Fairlie (2011).

Organizational policy implemented towards the quality of work life might help employee quality of work on employee engagement to reduces both transaction and implementation costs. However, as far as the employee participated in contribution to the organizational policy they understand the cost of transaction and implementation method used. This is important when evaluate their ideas in terms of a cost-benefit, analysis implement, employee policy development program as a way of rewarded effort, this will reduce a number of ineffective ideas and eliminate the gap that delays and balance the cost of management programs Wynder (2008). Chang, Kaltani, and Loayza (2009); Foote et al. (2005); (Greasley et al., 2005).

The effectiveness of organizational policy contributions toward new and useful knowledge for the company is dependent on their perception of the organization Greasley et al. (2005) The perceived work environment does make a difference in the levels of creativity in organizations Amabile et al. (1996). Therefore, organizations policy should display an attitude toward employees by allowing employee contribution in formulating organizational policy and make managers responsible not to misinterpreted employee contribution. this will postulate different levels of accountabilities by using the policy to balance organizational performance. Babajide (2010); Batistič, Černe, Kaše, and Zupic (2016) Clarke and Robertson (2008)Curado (2006); Kanten and Sadullah (2012).

Discussion and Conclusion

To sum up the arguments of the link between these three streams of variables, this paper realizes that the role of people who engage in organizational policy processes that sprout quality of work life in the organization is very important and hence there is need to pay greater attention to it in research and in practice. Based on these arguments, this paper believes that the focus of organizational policy and quality of work life should be placed on the employee engagement thus the importance of organizational policy in employee quality of work life on employee engagement should be given greater attention. In the literature, aspects of organizational policy management examined in relation to quality of work life is essentially focus on recruitment and selection, training, performance appraisal, reward and compensation Baird and Wang (2010); Kanten and Sadullah (2012); Kaur (2016); R. Walton.

The second reason emanates from the findings of the review of the available literature. Previous researchers (Bullen, 2013; Foote et al., 2005; Van der Berg & Martins, 2013; Yousef, 2017) have acknowledged that the success of a firm’s quality of
work life capability depends greatly on organizational policy but did not look at quality of work life at the perspective of employee engagement. Previous studies essentially focused their discussion on quality of work life at the firm level. To the knowledge of the researcher, no particular study on the relationship between organizational policy and employee quality of work life currently exists in the literature. Therefore, there is a need to study employee quality of work because it is the individual employee’s engagement in particular that possesses the knowledge that sprouts the overall organizational policy (Baird & Wang, 2010; Foote et al., 2005). Another reason that prompted this paper’s keen interest is that this paper related to the contextual issue. Nigeria is one of the postindustrial societies has continually shown commitment to innovativeness in order to ensure that manufacturing firms strive to transform itself from labor-intensive to knowledge-intensive. To achieve this goal, Nigeria has launched economy models which aims in transforming the manufacturing sector from the product based towards the knowledge based (Anif et al., 2010); Oburota and Ifere (2020).

Aligned with this move, understanding the necessary antecedents influencing the individuals in the manufacturing firms to innovate new ideas, practices and products is the third reason for conducting this study. Bearing in mind that it is the individual employees that have this ability to innovate products in the organization, it is important to examine what motivates the employee’s quality of work life or their employee engagement consecutively lead to organizational innovation in general.

To address these issues, several research agenda will be proffered by this current study. First, the researcher has mentioned that there is a need to incorporate other essentially organizational policy variables that could influence quality of work life. Second, the researcher has pointed out earlier on the need for extrinsic motivational factors. Arguably, these extrinsic factors could enable employees to decide whether to pay back their organization in form of participating in discretionary activities such as employee engagement.

Further justification for incorporating organizational policy, quality of work life and employee engagement is evident established in this paper which provide strong support that employees could probably contribute to organizational policy design for purposes of balance attention between management and employee in concern to improve employee quality of work life as well as their employee engagement, this will postulate employee satisfaction. Kaur (2016) found that Those who enjoy their careers are said to have a high quality of work life, while those who are unhappy or whose needs are otherwise unfilled are said to have a low quality of work life. Chiedu et al. (2017a) concurred that Job satisfaction can also be portrayed as a feeling of pleasure that stems from an employee’s impression of his or her job. Organizational rewards are significant to employee engagement. Meaning that attitudinal and behavioral variables (like enjoyment in helping, job satisfaction, and organizational commitment) could be more important to boost the willingness of employees to contribute to organizational policy other than the financial reward.

Based on the discussion in this paper, the organizational policy which determines the two variables, quality of work life and employee engagement, also sub variables are introduced and incorporated into a research model. This paper’s research framework is hence presented in Figure 5.

**Research Framework**
Figure 5: the conceptual framework study of this paper

References


An Empirical Analysis of Customer Experience in E-Business Supply Chain

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Abstract

From being a buzzword, E-business has become a norm in today’s globalized economy. The advent of computers and mobile phones have acted as effective enablers in information sharing and improving efficiencies while allowing companies to cut costs. (Brown, 2004) defines e-business as “the use of inter-organisational electronic networks to transact, process and collaborate in business markets – it incorporates e-commerce”. Today, success of an e-business fundamentally relies on effective e-commerce implementation (Chiu, 2014). While the strong growth of e-business is a welcome sign, this growth along with almost infinite propositions that are under offer for customers also brings along with it undue pressure on supporting logistics functions (Agatz, Fleischmann, & Van Nunen, 2008), (Auramo, 2002). This has led the e-business supply chains to shift their focus from cost efficiencies and to embrace responsiveness.

Keywords: empirical, analysis, customer, experience, e-business, supply, chain

Introduction

Although in a conventional sense, responsiveness is a term which indicates the agility of an e-business to accommodate and successfully fulfil customer orders on-time, the ambit of definition today includes agility of multiple e-tail channels of fulfilment and related logistics support functions (Muffatto, 2004). For instance, Brand-fulfilled and Seller-fulfilled, Cash-on-Delivery, Order Cancellations, Tracking facilities, Convenient return policies have all been introduced by the e-businesses in the recent years as a response to the customer requirements. This agility calls for a responsive supply chain at the backbone of the e-business with all the information networks with real-time inventory status, demand schedules and shipment schedules in place that can both fulfil orders and replenish inventory in a seamless fashion (Agatz, Fleischmann, & Van Nunen, 2008).

Also, the dynamics of the e-business supply chain would be different for alternate channels. For example, Brand-fulfilled items like FMCG goods may be served from the warehouse of the e-business whereas the seller-fulfilled items like electronics would be directly served by the seller to the customer. But the needs of the customer and satisfaction of the customer could be different for these two channels. Therefore, it is important to look at the customer perceptions towards the physical, information and financial flows through these emerging multiple channels of fulfilment in e-businesses to throw light on the needs of different channels of distribution. This paper attempts to address this research question.

The paper is organized as follows: Section 2 covers related literature and impact of e-business on logistics support functions, Section 3 provides conceptual model, Section 4 descriptive analysis of the model, Section 5 research questions, Section 6 hypotheses and its testing, Section 7 predictors of satisfaction level, Section 8 Discussion and scope for further research.

Impact of E-business on Logistics Support functions

Proliferation of internet technologies and advancement in telecommunications helped for business advancement and connected various processes across globe through virtual space. This gave quick adopters to develop new products and services that can widen opportunities of growth and reach out larger market. Furthermore, adoption in financial services and payment gateway enabled firms to transact in many ways like business to business and business to customers. Such advancement galloped new opportunities, improved valuations and enabled better business processes and models.
Customers became fulcrum for new e-business as they saw value creation and reduction in cost and improvement in service levels.

Globally, countries have embraced and adopted the concept of e-business in varying degrees of diffusion (Kshetri, 2007). Ability to seamlessly link processes for physical flow, information flow and financial flow helped for evolution of supply chain. Service providers and people capability reached new levels of growth in certain markets. While pioneers like US and China are early adopters, countries like India have been late entrants to the market. This is evident from the fact that the revenue from e-businesses account for about 20BN USD by India as compared to over 150 BN USD for both US and China (PWC). Previous research also points out to fact that e-commerce adoption in India is low (Sharma & Gupta, 2003).

The difference in the penetration rates of the e-businesses in the countries could be due to a multitude of factors: technology infrastructure, telecommunications infrastructure, efficiency (Lawrence, 2010) and Logistics infrastructure (Matopoulos, Vlachopoulou, & Manthou, 2007). Technology infrastructure was more to do with adoption of internet technologies and the financial platforms enabling e-business transactions. Service companies can build technology in operations of distribution centres and other support systems which also facilitates growth of e-business.

The next area which is discussed in literature as important aspect is that of telecommunications infrastructure. A communications network is a collection of transmitters, receivers, and communications channels that send messages to one another. Such an infrastructure describes availability of bandwidth, regulatory guidelines and service providers who help to connect devices through signals.

In a country like India which is still developing and heterogeneous in terms of multiple stakeholders, such infrastructure may follow a slow progression. Further, priorities like setting up telephone connections across the country becomes critical even before pushing public policy for adoption for e-business. One may also note Indian economy and social system faced an unprecedented challenges in spectrum allotment (Sukhtankar, 2019) and this possibly delayed advancement of the telecommunications industry and those derived based on its growth which include e-business.

Another factor which is discussed in literature is that of efficiency in e-business process maturity for enabling e-business operations. This factor is largely related to people capability in support functions like logistics and third party supply chain service providers, financial transaction gateway and user industry capability and efficiency in order processing, delivery and configuration of new products and services. For instance, one of the earlier works (Matopoulos, Vlachopoulou, & Manthou, 2007) argues that logistics processes is one of the most important areas to focus in order to understand impact of e-business and also is an area which is least understood. It may be useful here to note that e-business order management require handling of nodes namely distribution centres (DC), inventory, effective inbound transportation to DCs and outbound transportation to customers and efficient management of supply network design for optimizing cost of service for any desired service level. Thus, logistical features play a significant role.

With respect to the logistics infrastructure, India still remains at the weak end of the spectrum, with a major part of logistics infrastructure focusing on the metro cities while the rural areas which account for more than 90% of the population have poor infrastructure. However, this situation is starting to change. India’s leading e-businesses have started to expand their base organically by setting up regional warehouses which can be used for brand fulfilment (PWC). They are also tying up with local third party sellers who directly serve the customers from their location. This trend is sustainable only if this organic growth is augmented by strong distribution channels in order to ensure proper service level.

The efficiency of the distribution channels can be gauged from understanding the customer perceptions towards each of the physical, information and financial flows happening in the e-business supply chain. This is mainly because ultimately customer perception of such logistical support is what determines success and growth of e-business. Hence, in this study, we focus on these aspects.

In order to understand the customer perceptions, we conducted a survey among 284 respondents who have transacted through e-business were selected. The sample size was determined by the fact the respondents must be large and widely spread. They should have done at least one routine purchase and one non-routine purchase. Routine purchases are those which are repetitive in nature and is more like a consumable product or service which is purely transactional in nature. This could be buying of grocery or buying of an insurance product for vehicle or health and so on. Consumer need not necessarily perceive high risk and must be familiar of repetitive nature of buying. He would not be dependent for a large during the sale or post sale support for the product or service. On the other hand, non-routine purchases can include buying of an asset or a durable whose use can spread across years like that of an LED television, refrigerator or an air-conditioner and so on. Consumer validates a number of parameters like user feedback, understanding of product specification, post-sale service
or a financial or credit support tie up and so on. When we examine the sample, effectively we have a representative group having a minimum of 284 multiplied by an average of more than four transactions. Thus, the sample brings out a large size experience and would be useful for inference.

First, the questionnaire was spread electronically and respondents were contacted and explained of the context of the study. Second, every response was checked for quality and replaced if required by a suitable sample representative. Third, respondents were from different groups by way of geographic location, employment, educational background and salary levels to have a comprehensive understanding of the problem.

**Conceptual Model**

Our conceptual model of the customer experience is based on the structural and other aspects of the e-business supply chain which may be manifested in different ways of interaction with the customer. As mentioned earlier, channels of fulfilment is a fundamental characteristic of the e-business supply chain. Drawing upon this idea, we include aspects of physical flow namely delivery mode and promise of delivery.

Information flow is a natural medium in e-business supply chain. Adequate information for customer, interaction of e-business with the customer, delivery tracking are all important aspects. In this study, we capture this.

Financial flow overarches the other flows at least in Indian context. The choice of mode of payment include such things as cash on delivery which is a contemporary phenomenon. Also, ease of payment methods is an equally responsible one. Our study includes this aspect as well (Fig. 1).

**Figure 1 Three supply network flows leading to customer satisfaction**

Further, the study also focuses on one of the key aspects in e-business where e-platform may provide its own stock or product as a private label or it can direct the brand owner to deliver and the platform merely facilitates the transaction. This is going have serious consequences on future of e-business as these platforms increasingly are taking inventory of brand owners and also introducing their own private label.

Possible physical flows are depicted in Fig 2 and 3. When customers become conscious about the same it may have repercussions in business.

**Fig 2 Brand Fulfillment Model**
Descriptive Analysis of the Survey

In this section, we give a descriptive analysis of the survey conducted. Broadly, this section covers the following analyses:

Respondent profile for purchases made in routine vs non-routine transactions

Delivery interaction summary

Information adequacy summary

Satisfaction level summary

Summary of Purchases Routine Vs Non Routine

Respondent Profile

Table 1 presents a summary of Non-routine purchases made by the respondents. In this study, majority of the non-routine purchases were less than 4. Next, higher level of transactions that happened was between 4 and 6. This shows a good adoption rate of e-business for non-routine purchases.

Table 1: Number of non-routine purchases Count:

<table>
<thead>
<tr>
<th>Row Labels</th>
<th>Count of Sno</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>48</td>
</tr>
<tr>
<td>Less than 4</td>
<td>133</td>
</tr>
<tr>
<td>Between 4 and 6</td>
<td>55</td>
</tr>
<tr>
<td>More than 6</td>
<td>45</td>
</tr>
<tr>
<td>(blank)</td>
<td>3</td>
</tr>
<tr>
<td>Grand Total</td>
<td>284</td>
</tr>
</tbody>
</table>

Since the study aims at comparing the perception of customers between routine and non-routine transactions, a summary data would provide an overview of the characteristics of the purchases. From Table 9 (Section 6A), we can see that 162 respondents have made 6 transactions on a routine basis. The next majority transactions happen to be less than 9 where 70 respondents have made these many number of routine transactions. It is also interesting to note that respondents tend to make more than 12 transactions if they have crossed 9 transactions in a year.

Summary of Delivery Interaction

Supply chain functions efficiently only if the information flow augments the other flows effectively. Customer interaction during delivery is a key aspect of an e-business. Constant interaction with customer with necessary delivery related clarifications help build a loyal customer. Thus, in this study, we captured extent of delivery interaction by the e-business.
Table 2: Average Delivery Interaction Satisfaction for non-routine items

<table>
<thead>
<tr>
<th>No. Non-routine Transactions</th>
<th>Average of Delivery interaction</th>
<th>No. Routine Transactions</th>
<th>Average of Delivery interaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2.50</td>
<td>6</td>
<td>3.06</td>
</tr>
<tr>
<td>&lt;4</td>
<td>2.75</td>
<td>12</td>
<td>3</td>
</tr>
<tr>
<td>4-6</td>
<td>3.34</td>
<td>&lt;9</td>
<td>3.25</td>
</tr>
<tr>
<td>&gt;6</td>
<td>3.20</td>
<td>&gt;12</td>
<td>3.23</td>
</tr>
<tr>
<td>Grand Total</td>
<td>2.94</td>
<td>Grand Total</td>
<td>3.13</td>
</tr>
</tbody>
</table>

From Table 2, it is evident that there is not much difference in the perception of respondents with regards to delivery interaction. The overall average remains at 2.94 for non-routine transactions and 3.13 for routine transactions. This may indicate there is a scope for improvement with respect to regularity of information flow as we would expect it to be close to 5 as customer satisfaction level needs to be benchmarked to the highest level. This has to be the standard maintained by the e-business.

**Summary of Information Adequacy Routine items**

Information flow can also be measured with regards to extent of delivery interaction. Majority of respondents who have made 6 routine transactions were incrementally satisfied with the delivery interaction. The Table 3 presents another important information in that the respondents who have rated e-business on sufficient quantum of interaction also feel that the extent of information provided is more.

Table 3: Summary (Average) of Information Adequacy of E-business on Routine and Non-routine transactions

<table>
<thead>
<tr>
<th>No. of Routine Transactions</th>
<th>Information Adequacy</th>
<th>Information Adequacy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>6</td>
<td>2.00</td>
<td>3.17</td>
</tr>
<tr>
<td>&lt;9</td>
<td>3.85</td>
<td>3.12</td>
</tr>
<tr>
<td>&gt;12</td>
<td>2.33</td>
<td>3.47</td>
</tr>
<tr>
<td>12</td>
<td>3.00</td>
<td></td>
</tr>
<tr>
<td>Grand Total</td>
<td>2.73</td>
<td>3.19</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>No. of Non-Routine Transactions</th>
<th>Information Adequacy</th>
<th>Information Adequacy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>1</td>
<td>2.77</td>
<td>2.43</td>
</tr>
<tr>
<td>&lt;4</td>
<td>2.80</td>
<td>2.75</td>
</tr>
<tr>
<td>4-6</td>
<td>3.64</td>
<td>3.31</td>
</tr>
<tr>
<td>&gt;6</td>
<td>3.00</td>
<td>3.21</td>
</tr>
<tr>
<td>Grand Total</td>
<td>3.07</td>
<td>2.88</td>
</tr>
</tbody>
</table>

**Summary of Satisfaction Levels**

**Satisfaction level for non-routine items**

Table 4 illustrates the satisfaction level of respondents for the transactions made for non-routine items. The respondents who purchase rarely tend to have a lower satisfaction level compared to customers who purchase frequently. This may be due to unsatisfactory products delivered by the e-business. This needs to be explored.
Summary of satisfaction levels of respondents for routine items:

Since one of the objectives of the study was to compare market place fulfilment versus brand fulfilment, an overview of satisfaction level is desired. Table 5 highlights that with respect to routine transactions average satisfaction level is 3.14 overall. This seem to slightly lower compared to the 3.29 overall for non-routine items. This may indicate that there is a scope for improvement in any of the physical, information and financial flows of the e-business.

Summary of Payment Information

Summary of Ease of Payment Routine Items

Financial flow forms the key component of an e-business supply chain. Hence, in this study we also collected data on ease of payment. We found that majority of the customers were happy with the choice of payments offered (Table 5). This goes to show that one of the key aspects of indian e-businesses that they are responding the needs of the indian consumer effectively.

Table 5: Summary of Ease of payment for routine items

<table>
<thead>
<tr>
<th>Count of Payment</th>
<th>Column Labels</th>
</tr>
</thead>
<tbody>
<tr>
<td>Row Labels</td>
<td>No</td>
</tr>
<tr>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>12</td>
<td></td>
</tr>
<tr>
<td>&lt;9</td>
<td>3</td>
</tr>
<tr>
<td>&gt;12</td>
<td></td>
</tr>
<tr>
<td>Grand Total</td>
<td>9</td>
</tr>
</tbody>
</table>

Research Questions

Previous research has highlighted that customer trust is an important influencer for purchase decisions especially with respect to B2C e-commerce (Slyke et al.). Our research relates to this idea and studies the perception of customers towards different fulfilment channels of e-business. In accordance with this, we postulate the following research questions for the e-business supply chain:

Does the perception of customers differ with respect to different channels of fulfilment in an e-business supply chain?

If there is a difference in perception for these channels, what are the supply chain factors (physical, information and financial) which influence these perceptions?

Hypotheses

To answer the first research question, we need to look at customer perceptions towards physical, information and financial flows and their satisfaction level in brand-fulfillment and market-fulfillment channels.

Customer Behaviour in Different Channels
To answer the first research question, we need to look at whether the customer perceptions towards purchasing routine items vs non-routine items are same. Thus, we postulate the following:

**H1:** Customers perceive that the transactions of routine and non-routine items equally.

In order to test this hypothesis, we use a chi-square test. The results of the chi-square tests are given in Table 6.

Table 6: Crosstabulation of Number of purchases in routine and non-routine items

<table>
<thead>
<tr>
<th>Number of Non-routine transactions</th>
<th>Number of purchases which are routine in the last 12 months (Count)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>&lt;9</td>
<td>12</td>
</tr>
<tr>
<td>&lt;4</td>
<td>22</td>
<td>19</td>
</tr>
<tr>
<td>&gt;6</td>
<td>15</td>
<td>18</td>
</tr>
<tr>
<td>1</td>
<td>12</td>
<td>3</td>
</tr>
<tr>
<td>4-6</td>
<td>21</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>43</td>
</tr>
</tbody>
</table>

Table 7: Results of Chi-Square Tests for number of purchases made

<table>
<thead>
<tr>
<th>Value</th>
<th>Value df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>79.855</td>
<td>.000</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>77.929</td>
<td>.000</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>284</td>
<td></td>
</tr>
</tbody>
</table>

a. 8 cells (40.0%) have expected count less than 5. The minimum expected count is .10.

From Table 7, we see that the results are of Chi-square tests are significant at 5% level. This indicates that the customer perception towards the number of purchases made in routine and non-routine items are not the same. These results indicate that the necessary supply chain factors need to be probed further. Our interaction with respondents chosen randomly indicate that customers expect better information adequacy for non-routine transactions.

**Customer Perception Towards Fulfillment Channels**

As mentioned earlier, this study addresses the different fulfilment models. With regards to this, we postulate the following hypothesis:

**H2:** Customer perception towards the Physical flow (as characterised by Marketplace stock, Delivery Mode and Delivery when promised) for routine and non-routine items are the same.

**Transactions Made Through Seller-Fulfilled Stock**

In order to address this question, the customers were asked about whether the items were served from the seller-fulfilled stock or brand fulfilled stock.

**H2a:** Customer perception towards the Physical flow (as characterised by Marketplace stock) for routine and non-routine items are the same.

Then we look at whether the fulfillment happened in the same way for both routine and non-routine items. This data is then analysed using Chi-square test. The results are presented in Table 8 and 9.

Table 8: Crosstabulation of Brand vs. Seller Fulfilment Stock

<table>
<thead>
<tr>
<th>% of Total</th>
<th>Was it a buy from market place stock (Routine)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No</td>
<td>Not aware</td>
</tr>
<tr>
<td>Was it a buy from market place stock (Non-routine)</td>
<td>4.2%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Not aware</td>
<td>6.7%</td>
<td>29.9%</td>
</tr>
</tbody>
</table>
Table 9: Chi-Square Test results of Fulfillment Channels

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>159.416</td>
<td>4</td>
<td>.000</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>171.433</td>
<td>4</td>
<td>.000</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>284</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. 1 cells (11.1%) have expected count less than 5. The minimum expected count is 4.65.

The Table 9 highlights the fact that both the channels had a different way of fulfilment. Thus, it is worthwhile to explore further using the other physical flow variables. It can be observed that a large number of respondents were not aware whether the stock was fulfilled from stock of brand or the seller. This requires further probing because it can become a business challenge for the e-businesses in a longer term.

Perception Towards Delivery Promise Time for Routine and Non-Routine

We expect that the perception of delivery promise time for routine items to be different from the delivery promise time for non-routine items. Thus, we conduct a chi-square test to see if there is a difference in perception towards the delivery time.

H2b: Customer perception towards the Physical flow (as characterised by Delivery Promise Time) for routine and non-routine items are the same.

Table 10: Crosstabulation of Delivery time perception

<table>
<thead>
<tr>
<th></th>
<th>Delivery when promised_routine</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Ahead of time</td>
<td>Delayed</td>
</tr>
<tr>
<td>Delivery when promised</td>
<td>Count</td>
<td></td>
</tr>
<tr>
<td>Routine</td>
<td>38</td>
<td>0</td>
</tr>
<tr>
<td>Non-routine</td>
<td>0</td>
<td>19</td>
</tr>
<tr>
<td>On time</td>
<td>14</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>52</td>
<td>22</td>
</tr>
</tbody>
</table>

Table 10 highlights that majority of the e-businesses have understood the importance of delivery time and promise deliveries on-time. In fact, for some respondents they were able to make promises ahead of time.

Table 11: Results of Chi-Square Tests for Delivery promise

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>445.988</td>
<td>9</td>
<td>.000</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>266.939</td>
<td>9</td>
<td>.000</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>284</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. 10 cells (62.5%) have expected count less than 5. The minimum expected count is .13.

Table 11 indicates that the perception towards different delivery promises are different for routine and non-routine items. Our probing again indicates that customer value information quality as critical for non-routine purchases.

Customer Perception Towards Information Flow in E-Business Supply Chain

Information flow is another metric that forms a critical component of an e-business supply chain. In fact, the success or failure of an e-business can be solely judged by the ability of the e-business to handle information effectively and also act accordingly. Thus, we postulate the following hypothesis:

H3: Customer perception towards the information flow (as characterised by information adequacy, delivery interaction and tracking facility) for both routine and non-routine transactions are the same.

Customer Perception Towards Information Adequacy
Adequate information on services provided for the customer can represent the extent of visibility of the entire supply chain. Thus, we postulate the following with respect to information adequacy:

H3a: Customer perception towards the information flow (as characterised by information adequacy) for both routine and non-routine transactions are the same.

Table 12: Crosstabulation of Information Adequacy

<table>
<thead>
<tr>
<th></th>
<th>Was Information given adequate</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>routine</td>
<td></td>
</tr>
<tr>
<td>Was Information given</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>adequate_nonroutine</td>
<td>10.9%</td>
<td>13.0%</td>
</tr>
<tr>
<td></td>
<td>73.9%</td>
<td>66.8%</td>
</tr>
<tr>
<td>Total</td>
<td>13.0%</td>
<td>87.0%</td>
</tr>
</tbody>
</table>

The Table 12 results indicate that nearly 76% of non-routine transactions and 87% of the routine transactions have adequate information provided for. Although, this number is high, there is a scope for improvement for non-routine items.

Table 13: Results of Chi Square test for Information adequacy

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>33.653a</td>
<td>1</td>
<td>.000</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>284</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 13 indicates that the perception of customers towards information provided is not the same for routine and non-routine transactions. This supports the hypothesis H3a.

**Customer Perception Towards Delivery Tracking**

Another dimension of information flow is delivery tracking. Ability of e-business to connect with logistics partners to provide timely tracking for the customer may improve the customer satisfaction. Thus, we propose the following hypothesis:

H3b: Customer perception towards Information flow (as characterised by delivery tracking) for routine and non-routine items are the same.

We test the hypothesis, using the crosstabulation.

Table 14: Crosstabulation of Delivery tracking

<table>
<thead>
<tr>
<th></th>
<th>Did you receive SMS / Mail (Routine)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No</td>
<td>Not aware</td>
</tr>
<tr>
<td>Did you receive SMS / Mail (Non_routine)</td>
<td>No</td>
<td>4.6%</td>
</tr>
<tr>
<td></td>
<td>Not aware</td>
<td>1.1%</td>
</tr>
<tr>
<td></td>
<td>Yes</td>
<td>3.5%</td>
</tr>
<tr>
<td>Total</td>
<td>8.1%</td>
<td>3.2%</td>
</tr>
</tbody>
</table>

As Table 14 provides, 93% of customers who purchased non-routine items were provided tracking facility and 89% of customers who transacted routine items were provided tracking facility. Thus, routine items need some attention by the e-business supply chain.

Table 15: Results of Chi-Square Tests

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>Df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>214.347a</td>
<td>4</td>
<td>000</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>80.547</td>
<td>4</td>
<td>000</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>284</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Results from Table 15 indicate that the customer perception towards tracking facility is not the same. This supports our hypothesis H3b. Customers expressed that they need more information pertaining to routine purchases.

**Customer Perception Towards Satisfaction Levels**

Our expectation is that frequent buyers tend to have higher satisfaction levels. Hence, for a routine item we would expect satisfaction level to be more compared to a non-routine item. So we postulate the following:

**H4:** There will be significant difference in the variance of satisfaction levels of customers buying in the routine versus the non-routine transactions.

The satisfaction level of the customers is measured in a Likert scale of 1 to 5 with 5 being the highest satisfaction level. This hypothesis is tested using ANOVA method.

Table 16: Results of ANOVA for satisfaction level.

<table>
<thead>
<tr>
<th></th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>207.791</td>
<td>4</td>
<td>51.948</td>
<td>105.828</td>
<td>0.000</td>
</tr>
<tr>
<td>Within Groups</td>
<td>136.952</td>
<td>279</td>
<td>.491</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>344.743</td>
<td>283</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 17: Robust Tests of Equality of Means

<table>
<thead>
<tr>
<th>Statistic</th>
<th>df1</th>
<th>df2</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Welch</td>
<td>103.373</td>
<td>4</td>
<td>.9563</td>
</tr>
</tbody>
</table>

From Table 16 & Table 17, we can conclude that the variance of the satisfaction levels between routine and non-routine transactions are not the same. Thus, it supports our hypothesis H4.

**Predictors of Satisfaction Level**

Our analysis from the previous sections point towards that all the variables considered were perceived to have different effect on the satisfaction. However, one of the limitation of the analyses from previous section is that it does not analyse the impact of multiple variables on the satisfaction levels. Hence, in this section we provide an analysis to overcome this limitation.

We had used number of variables to capture the perceptions:

- Customer research on willing to buy an item
- Delivery interaction
- Delivery promise time
- Mode of payment
- Ease of payment
- Satisfaction level
- Mode of delivery
- Delivery tracking
- Brand fulfilled or Seller fulfilled

It should be noted here that apart from delivery interaction and satisfaction levels, all the other variables are categorical variables. Thus, using a tool like multiple linear regression may not yield desired results. Hence, it is decided to undertake a classification model with a forced target variable.
Since our objective is to analyse the impact of the variables on the dependent variable which is satisfaction level, we use this variable as a forced target variable in the classification model. The classification model used for this purpose is KNN (K Nearest Neighbors) algorithm. This method is robust enough to accommodate categorical variable at the same time providing inference on the influence of multiple variables.

We undertake this analysis in two parts with first one being for routine items and the second one for non-routine items. The results of the KNN model run with 9 predictors is presented in the Figure 4 for routine items.

Figure 4: Predicting Satisfaction Level of Routine Items Using Knn Model:

The Fig. 4 provides 3 predictors which were found to be significant with overall error being 104.6. Specifically, the analysis tells us that Customers willingness to research before buying, Number of purchases made in the last 12 months, Information adequacy can explain the satisfaction levels of customers for routine transactions. The model provides insights for the e-business. Number of purchases made along with willingness to research tends to give a higher satisfaction score. Similarly, If the information provided is not adequate, the satisfaction level tends to be low. Hence, it is important the e-business ensures timely information for the customer and also encourage customers to buy more of routine items by designing suitable loyalty programs and/or promotional offers.

A similar analysis was run with 9 predictors but this time for non-routine items. The results of the analysis is presented in Figure 5. The model had an overall error of 127.6.

The KNN model this time provides us with different insight. Apart from the number of purchases made in the last 12 months, mode of payment and channels of fulfilment awareness turn out to be significant. This model provides e-business different insights. For a customer who purchases non-routine items, mode of payment is a significant variable. Ability of an e-business to provide multiple payment modes is thus justified. Also, customers who bought fully understanding that they are buying from marketplace tend to have higher satisfaction levels compared to those customers who are buying brand fulfilled stocks.
This insight has a significant impact on e-business supply chain. This may indicate that the sellers who are fulfilling the customer orders are able to provide better customer service compared to brand fulfillment items. Although brands may have their own warehouses, since they must deal with almost infinite number of items their service level may suffer. Whereas, since the seller serves limited stocks, he may be able to focus on the aspects of supply chain better. However, this observation may need further examination.

Figure 5: Predictors of Satisfaction Level for Non-Routine Items

**Discussion**

The most important finding from this study is customers’ perception of routine and non-routine transactions in e-business supply chain differ. This has a significant implication in which the e-businesses may need to perform. While it may be natural to expect that customer experience in e-business is indeed important, our study highlights this from a supply chain perspective providing different insights. The backbone of e-business supply chain namely physical flow, information flow and financial flow need to align with the customer interests. Some of the implicative insights from this study are:

- Repeat customer purchases may result in a higher customer satisfaction level
- Channels of fulfillment and hence marketplace stock is an important driver of customer satisfaction level for non-routine items
- Mode of payment is an important contributor for customer experience for the non-routine category.
- The information provided for non-routine items are less compared to routine items. Hence, there is a need to look into more customer interaction through information flow.

From an e-business supply chain perspective, it is imperative to look at how to attract customers to come back for repeat purchases. From this angle, it may be worthwhile to look at customized loyalty programs for routine items and/or to engage in promotional offers for these customers. One of the limitations of the study could be that the sample may have sampling...
and respondent bias as authors have intervened with respondent’s quality. To this extent, this may be treated as judgemental and convenience sampling which is important for this kind of problem.

This research can be further extended by suitably including the effect of mediation and/or any other suitable supply chain constructs.

Acknowledgement

We like to thank and acknowledge the work of Ms. Chitra Bari, Full-time PGDM student of LIBA, 2016-18 batch for helping us in creating soft copy of the questionnaire and also collecting data for pilot study.

Bibliography


Comparative Review of Tax Systems in the Republic of Albania and Great Britain

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Abstract

The taxation system is most certainly one of the main pillars of economic development towards sustainable growth. The aim of this paper is to critically assess the importance of an effective Tax System, its impact on the Albanian economy. Furthermore, we shall outline a comparison of the Albanian Tax system to that of the United Kingdom. At this time a number of very important reforms are being undertaken by the government of Albania in light of future integration towards the European Union. The overview on the United Kingdom has the aim to enlighten the path on what should be our focus while building a Tax System that can help economic growth, to that effect Great Britain as a country of a stable and strong economy can be of example. Many differences can be noticed between the United Kingdom tax system and the Albanian one. This fact is simple to be accepted as Britain is one of the world superpowers, while the Albanian economy is a developing one. The tax systems in these two countries, the development history, application of VAT or Income Tax have had very different processions. The United Kingdom has one of the most voluminous Tax Acts in the world. The international company of legal research "LexisNexis" discovered that the Acts of Parliament on Taxation in the United Kingdom have more than doubled since 1997. The annual amendments to taxation are part of the Finance Act which has the power to change norms and principles of taxation as previously defined. Taxation in the United Kingdom usually includes payments for central government agencies called Her Majesty’s Revenues and Incomes and local councils. Local Councils collect a tax called business norms from businesses. The Albanian Taxation System consists of a packet of laws, regulations, guidance and tax agreements, on the procedure of application, measure, amendment and removal of taxes. Taxes are the main source of income in the state budget and the local government budget and the foundation of the whole Albanian tax system. In conclusion, we shall analyze the impact of the frequent changes to Taxation Law within the Albanian system and the challenges faced in light of this changes in terms of implementation and application.

Keywords: Tax system, economy, growth, development

Introduction

Foundations of Tax Systems

Everything United Kingdom or Albania represents nowadays comes as a result of history. As far as history of tax system in United Kingdom is concerned, we see that it is a system dating back to its origin far earlier than the Albanian system.

The Tax revenue was initially implemented in Great Britain by William Pitt the Younger in his December 1798 budget in order to pay weaponry and equipments in preparation for Napoleonic wars. On the other hand, the tax revenue until the end of 1928, in our country has failed to apply as a tax denominated as tax on revenues. A similar kind of taxation can be considered the progressive tax, established since 1922 based upon the law on roads dated 26-11-1921, a tax that continued to be collected until the entry into force of the revenue tax. Despite the revenues increased during this period, the tax increase policy and especially the monopoly on several kind of important items aggravated the fiscal burden on the

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population. The inheritance tax upon special law has been established with the law dated 26-03-1929, which was collected previously in a different fashion through mortgage tax.

Thus, while Great Britain laid the foundations of a genuine tax system our country at a time distance of roughly 130 years began to operate with similar policies, which could not be denominated “tax system” based on what we implement nowadays.

It is worth mentioning that the revenue tax in Britain was updated by Sir Robert Peel in the Revenue Tax Act in 1842. He requested only the taxation of those people with revenues above £ 150, a period where the Albanian government had not yet won independence. This explains that history has been the cause for time distance and difference between the two tax systems and their development. During that period, under the Ottoman invasion a reform was established. The first centralized reform was announced on November 3, 1839 and continued until 1855. The Ferman (reform) was denominated as the honorable reform of Gjylhane.

In view of the measures to be envisioned there existed also the tax collection. The aim of their collection stood at the increase of fiscal revenues, confrontation of huge expenditures that requested the keeping of state and military apparatus, payment of interest on international loans. We notice that while Britain updated the tax revenue reform, Albanian under Ottoman invasion imposed the first centralized reform.

**Development During 1914-1918**

During World War One (1914-1918) the treasury rejected proposals on a severe capital tax that the Labour Party wanted to use in order to debilitate capitalists. Instead, there was a profit tax of 50% of profits above the normal rate of the pre-war period and the norm was increased to 80 percent in 1917. The main increase of revenues came from revenue tax, which in 1915 amounted to 17.5%, and individual exemptions were reduced. The revenue tax norm was increased to 25% in 1916 and 30% in 1918. In total, the taxes provided at most 30% of national expenditures, whereas the remaining part came from loaning. The inflation was escalated to such extent that in 1919 it would be able to buy one third of the fiscal basket that was bought in 1914. The salaries remained low and especially the poor class and retirees were seriously dealt a blow.

The year 1912 marked the independence of Albania. The new state after the proclamation of country independence inherited a backward tax system especially from World War One. Despite all efforts to improve and change the tax system, it failed to reform the previous system of the Ottoman Empire due to non-transformation of economy and non-possesion of a strong administration. Several measures were taken in the tax field, easing the peasantry from their heavy burden. In this regard, it was removed the overtaxation that dealt with one tenth and the addition of the war tax, which was imposed on the tax on salt as an effort to reduce the burden of direct taxes that were the main budget revenues. During this period, particular importance was paid to collection of revenue tax in the coffer of the new Albanian state, putting an end to their transfer and robbery by the Ottoman government.

The main basis of new Albanian state revenues was the direct taxes. These taxes were inherited by the previous system and affected directly the product or the revenues of producers at the moment of their production and creation.

While Britain was in continuous efforts to improve economic reforms and tax system, Albania had just won independence, therefore it was a newly established country, which duty was initially to separate from Ottoman economy.

**Development During Modern Period**

The revenue tax in Britain has changed in the course of the years. It initially taxed the revenues of a person, regardless of whose was the right for these revenues, but now a person is subjected to revenue tax for which he/she has the right to benefit.

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The overwhelming part of companies has been taken from net revenue tax in 1965 when corporate tax was introduced. These changes were consolidated by the Revenue Act and Corporations in 1970. In 1974, up to 750,000 people were forced to pay the highest revenue tax.

Margaret Thatcher who favored indirect taxes reduced the personal revenue tax norm in 1980. In the first budget after her election victory in 1979, the high norm was reduced from 83% to 60% and the basic norm from 33% to 30%.

The succeeding governments further reduced the basic norm to the current rate 20% in 2007. Thus, we see the introduction of modern rules of the tax system in United Kingdom. The biggest source of revenues for the government of United Kingdom is personal income tax. The second biggest source is national social insurance contributions, the third is the value added tax (VAT) and the biggest fourth is the corporate tax.

In our country from 1977-1990, the role of tax system was the undo of private property. The tax policy of Albanian government was based on principles of socialist classics on taxes and imposts. According to this concept, the tax power was initially used as a political and economical instrument to implement very high progressive taxes on rich people (up to 80%) aiming at their economic debilitation.

The Albanian Parliament approved in January 1992 a legal tax package that laid the necessary legal foundation in the field of taxes and imposts. It created a new indispensable fiscal instrument that provided opportunities on public receipts and the stoppage of crisis the country was living through. The tax legislation that began to be implemented in 1992 can be considered as the corner stone of the modern tax system. Recently, until 2012 the fiscal policy on collection of budget revenues has been based on levels of administration as to central level with two main agencies that are; the central tax administration and customs administration and the local level with the establishment of local tax administrations.

At the time when Britain worked on reduction of personal tax to the mutual benefit of people and government, Albanian under the communist influence remains once more backward, where the main goal of this government was to harm the rich people in order to undo the classes. Thus, the real legal basis on the tax system in Albania can be considered in 1992.

Nowadays, the biggest source of revenues in Britain are the tax on personal incomes, national social insurance contributions, the value added tax and corporate tax, whereas in Albania unlike Britain, the main role is played by central taxes and customs.

**Comparison of Value Added Tax**

VAT, an indirect taxation that determines value added tax as a general tax on consumption of goods and services proportional to their prices and imposed at any stage of production and the process of price distribution without impost. VAT is implemented as a percentage tax on prices of goods and services. VAT in United Kingdom is regulated by Added Value Tax Act 1994 and other acts such as Finance Act, which imposes annual VAT norms. There are three VAT norms: standard norm (20%), reduced norm (5%) and zero norm (0%). Apart from that, several goods and services are exempted from VAT or outside VAT system.

In 1995 in Albania it was imposed the Value Added Tax that was announced upon decree No.1096, dated 12.05.1995, replacing in this way the tax on circulation. On October 1, 1997, after the crisis triggered by pyramid schemes and indispensable legal amendments, there began to be implemented the standard tax rate 20% from 12.5% that was previously. The main purpose was to curb economic decline and increase the revenues in order to pull the country out of economic and financial crisis. As we notice, VAT application in Albania has had a very serious purpose, given that pyramid schemes caused a huge damage to Albanian people. The dating of establishment of acts that regulate their application pertains to the very year even though with respective amendments in its norms.

The compulsory registration threshold on businesses in United Kingdom is £ 83,000 of revenues exempted from VAT for the fiscal year. The registration threshold on distance sale in Great Britain is £ 70,000. Businesses may wish to register on voluntary basis in order to request VAT on purchases made prior to the expiration of VAT registration threshold. There is a time limit on reimbursement of VAT that has been paid prior to registration. The time limit is 4 years on goods and 6 months on services purchased prior to VAT registration date. The reimbursements of VAT are submitted every three months, those periods are denominated “VAT accounting period “. This three month VAT reimbursements must be submitted only through internet. Businesses can choose VAT accounting period when they register for VAT with HM Revenue & Customs. It is possible to file VAT in internet even though it is safer to allow qualified accountants to do that.
In January 1998 in Albania, the registration threshold was increased from ALL 2 million to ALL 5 million. In January 1, 2001, the registration threshold was increased from ALL 5 million to ALL 8 million. In January 2010, the registration threshold was reduced from ALL 8 million to ALL 5 million. The taxable person requires reimbursement of surplus of VAT tax crediting if the taxable person has carried deductible VAT surplus for 3 months in a row. The requested VAT to be reimbursed is above ALL 400 000 lekë. Reimbursement is carried out when exporters have the right to request it, if their surplus exceeds ALL 400 000 lekë, thus, needing not to request the first condition. Within 60 days from the filing of the taxpayer’s request and within 30 days from the filing of exporting taxpayers’ request, the regional tax office verifies the tax situation. The payment of reimbursable crediting surplus takes place within 5 days from approval through the treasury system.

It is clear that the registration threshold figures are different and apart from that the Albanian figures have suffered a visible fluctuation in years. Britain on the other hand practices voluntary registration and distance sale. Likewise we have also the time limit on VAT restitution, reimbursement. Despite both of them have various applications, they merge at the point where they help the person in the role of the taxpayer to benefit something in his favour from the sale and purchase process. Despite the Value Added Tax is a broad sector within the tax system field, from the analysis of some of its elements it appears clearly that both countries applies different applications. Nevertheless, VAT purpose is to increase country revenues in order to create a solid state economy.¹

**Comparison of Personal Income Tax**

The personal income tax is a compulsory fee that is collected based on personal incomes of every person. The personal income tax in United Kingdom is regulated by Tax Act² in Incomes and other acts. The personal income tax rate that a person must pay depends on how much of their benefited incomes exceeds their personal allowance in the fiscal year. The current tax year goes from April 6, 2016 until April 5, 2017. The personal payments of most people are £11,000 per tax year. This is the no-tax payment for all inhabitants of Great Britain. Personal assistance goes down from £ 1 for every £ 2 that benefited incomes exceed £ 100,000. It means that personal compensation is zero if the benefited incomes are £ 120,000 or above.

For incomes benefited from £ 0 to £ 32,000 on personal compensation, that is £11,000 until £43,000 of benefited gross incomes, the basic tax rate on incomes is 20%. The highest rate 40% can be applied when benefited incomes are £32,001 until £150,000 over personal payment. There is an additional norm 45% on gross incomes exceeding £150,000. There are various tax norms on incomes from dividends and savings.

As to foreign entrepreneurs it is worth mentioning that independent tradesmen, partners in business partnership and directors of companies must be registered for tax reimbursements of self-assessment. After their registration, they will receive a letter in April or May by HM Revenue and Customs explaining them to file a tax restitution until January 31. The submission of tax restitution of self-assessment is necessary even if there are no taxes to be paid. For the tax restitution in paper, the time limit is the last day of October and for tax restitution online is the last day of January. The final payment of each certain tax is the last day of January. In our country, the personal income tax is regulated by Law No.8438, DATED 28.12.1998 ON INCOME TAX. Individuals residing in Albania are subjected to personal income tax during the tax period for all income sources. Non-resident individuals are subjected to personal income tax during tax period for income sources realized in the territory of the Republic of Albania.

Procedures of personal income tax are stipulated upon instruction of Minister of Finance that pays to the employee a salary or bonus, retains the personal income tax and depositist the retained personal income tax to tax bodies, no later than 20th day of the succeeding month when payment was made. Salary 0 - 30,000 tax 0, salary 30,001-130,000 tax 13% of the amount above ALL 30,000 lek, Salary 130,001 tax 13,000 lek + 23% of the amount above ALL 130,000 lek. Every employer deposits the retained tax to the tax bodies no later than the 20th day of the succeeding month when payment was made. The tax period starts on January 1 and ends on December 31 of each calendar year.

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In both systems we see a regular tax collection defined with respective dates and time limits for deposit. We notice that the class with minimum salary in Albania is not liable to pay revenue tax while Great Britain has imposed a respective price even for that category of salary. Given that the revenues are higher, and those given as minimum salary cover an important part of monthly expenditures.

Based on this factor we see that the tax percentage is dependant and as a result, Britain taxes with higher percentage.

Conclusions

The tax system is a broad field with huge study opportunities in all sectors it involves. Comparing accordingly the history of the course of creation and functioning of British and Albanian tax system, the application fashion of Value Added Tax (VAT) and Tax on Personal Incomes as well as their functioning, we come to the conclusion that both systems differ largely from each-other.

The establishment time comes to the assistance of their comparison. The analysis of factors leading to the establishment of tax systems and their development shows that the basis of differences between them is attributed to history. Time, place and influence of various external factors brought about a non-similar creation in tax systems. While Great Britain laid the foundations of a genuine tax system, our country at a time distance of roughly 130 years began to operate with similar policies that could not be denominated “tax system” based on what we have today in implementation.

While Britain was in ongoing efforts to improve economic reforms and tax system, Albania had just won independence, therefore it was a newly established country which duty was initially to separate from Ottoman economy.

Based on substantial original discrepancies, the two above mentioned sectors got developed (Value Added Tax (TVSH dhe Tatimi mbi të Ardhurat Personale). Given that the entire tax system is based on the economy of the country and that British economy is far more advanced, cultivated and organized than Albanian economy, then the collection of taxes and imposts will be higher where even receipts, expenditures and revenues will be higher.

It would be wise for our country to follow up in a similar fashion the policies used by Great Britain for future and efficient development of the entire tax system package. Apart from increase of standards, I believe we shall encounter a marked economic growth. It cannot be an easy way of change, given that it is a many-year long path with continous improvements observed by British personalities who had an impact on the establishment of current nowadays tax system, but the approach effort to their organizational fashion would bring about positive consequences.

References

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Financial Literacy and Level of Financial Competence in Pre-University Students: a Comparison by Academic, Personal and Family Profile

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Abstract
The aim of this paper is to diagnose the level of personal financial knowledge of to date pre-university students in the Valencian Community, Spain. This is carried out by means of a double measure, one of which is a novel approach. First, we analyze their level of financial literacy, using the Basic Financial Literacy Test designed by the World Bank in 2012. Second, we determine their level of financial competence, enhancing the abovementioned test to a total of 17 questions, in order to provide a comprehensive view of their understanding of personal finance concepts. Both instruments were fully completed by a total of 1283 pre-university students of the Valencian Community during the 2017/2018 academic year. In both cases, comparisons were made by academic (level of studies, subjects studied and results to date) and personal profile (gender, influence level of their main role model and its activity as entrepreneur). We applied descriptive and inferential analysis techniques, such as Test t, Chi-square, Anova and Krustal Wallis. Obtained results show how groups with different academic background and achievement obtain significantly different results in both financial literacy and competence tests; however, when breaking down different measures of the former academic profile, results are heterogeneous. Finally, we find, with little exceptions, no significant differences between different personal profiles.

Keywords: financial literacy, financial competence, pre-university education, personal finance

Introduction
How transcendental financial decisions are can be denied, as our lives are highly influenced by them in our roles as workers, consumers, investors, savers, entrepreneurs or taxpayers. Everyday matters such as the purchase of an article, require of an analysis of the conditions of sale given by the price, the possible discounts, the relationship between cost and quality and its comparison with competitive products, among other factors, in order to make the most rational decision. All this justifies the need for population to resolve their financial ignorance gaps that have prevented them from making the best decisions.

The adoption of financial decisions requires the possession of a series of skills and the deployment of a certain set of behaviors by the consumer or the investor, in order to obtain satisfying results. The most frequently used concept to appoint the activity or process carried out to achieve these requirements, the resulting product or the level of instruction achieved, is generally that of financial education.

According to what the OECD (2005) outlines in its “Recommendation on principles and good practices for education and financial awareness”, financial education is conceived as "the process by which financial investors and consumers improve their understanding of products, concepts and financial risks and, through information, teaching and / or objective advising,
develop skills and confidence required to achieve the highest level of awareness of financial risks and opportunities, make informed decisions, know where to turn up for help and carry out any effective action to improve their financial wellness”.

However, financial competence reaches a greater magnitude, to the extent that citizens considered financially literate can exhibit different levels of financial knowledge.

The analysis of the existing literature on the impacts of financial education on knowledge and behavior in finance, as well as the contingent variables that influence its effectiveness, allow us to gather the factors that must be taken into account when explaining the level of both literacy and financial competence among citizens.

This paper analyzes several of these personal and academic factors as generating elements of a mayor financial knowledge, measured as financial literacy and financial competence, for pre-university students of the Valencian Community, Spain in the academic year 2017-2018.

Conceptual framework

Both the European Commission (2007d) and the OECD (2008), as well as a flood of subsequent studies (eg, Gnan, Silgoner & Weber, 2007, Stango & Zinman, 2009, Lusardi & Mitchell, 2011a, Caballero & Tejada, 2014, Hospido, Villanueva & Zamarra, 2015), share the enumeration of personal benefits (for all ages and income levels), as well as benefits for the economy as a whole, that emerge from an adequate level of financial education.


These personal benefits are materialized as financial education helps youth developing their savings, investment, critical reasoning and problem-solving skills (Varcoe, Martin, Devitto & Go, 2005, Lusardi & Mitchell, 2009). In addition, it helps to plan savings necessary to cover future needs (for example for retirement) or unexpected situations (Lusardi & Mitchell, 2009, 2011b, Xu & Zia, 2012).

Greater financial knowledge is also associated with prudential behaviors such as the diversification of the investment portfolio or the prevention of over-indebtedness (Christelis, Jappelli & Padula, 2010, Van Rooij, Lusardi & Alessie, 2011, Lusardi & Tufano, 2015), even in young people (Brown, Van der Klaauw & Zafar, 2013). It does also help obtaining products such as mortgages and loans with lower interest and commission costs (Disney & Gatherwood, 2013, Lusardi & Tufano, 2015).

In addition to the abovementioned personal benefits, financial education brings important general economic benefits, which can be spilled in the four classical aspects of economic analysis: allocation of resources, economic stability, economic development and distribution (Domínguez, 2017).

With regard to the allocation of resources, financial education has been recognized as a public good because of its specific characteristics: joint consumption (non-rivalry in consumption) and the impossibility of avoiding its enjoyment by anyone within the territorial scope where the service is offered.

Regarding economic stability, financial education favors greater protection for users of financial services, because greater financial education induces the providers of such services to respect ethical practices and to discard bad practices that reduce the creation of value (Caballero & Tejada, 2014: 120). Research on the effectiveness of previous professional advising for house purchasing among low-income citizens in the United States shows that the consumers of this service have a 13% lower level of delinquency on average (Hirad & Zorn, 2001).

Economic development is enhanced by stimulating the approach of viable business projects by investors better prepared financially and with an entrepreneurial vocation that can result in greater entrepreneurship, in promoting innovation and in higher economic growth (OECD INFE, 2015, Lusardi, 2015). From a macroeconomic point of view, the development of complete, advanced and transparent financial markets stimulates the aggregate growth of the economy. It is well established in the economic literature (Greenwood & Jovanovic, 1990, Levine, 1997, 2005, Beck, Kunt & Levine, 2007) that financial development produces faster growth by improving the capital allocation.

Finally, regarding distribution, financial education helps eliminate or mitigate another market failure: the problems of financial exclusion (Villasenor, West & Lewis, 2016; 18 Atkinson & Messy, 2013, Sánchez & Rodriguez, 2015, Chakrabarty,
Ignorance of basic financial issues considerably reduces the probability of people’s participation in financial markets (Van Rooij, Lusardi & Akessie, 2011). Financial education collaborates in mitigating the high financial costs associated with illiteracy in this area (Lusardi & Mitchell, 2014: 24) and is therefore crucial to the development of more complete, advanced and transparent financial markets, resulting in the reduction of poverty and income inequality among families (Lusardi, Michaud & Mitchell, 2013).

The evaluation of the positive impact of financial education initiatives is, however, extremely complicated because the variables that can measure their effects (such as the delinquency rate or the volume of financing available) are influenced by a broad amount of forces whose individualization is not an easy task. The analysis of the effectiveness of financial education has served to illustrate the factors associated with the acquisition of financial knowledge, which include, together with the educational system, other factors related to the family environment and the personal profile of the students, which may explain 80% of the total variance of the results (Moreno, Campillo & Salas-Velasco, 2015).


The type of school (public versus private or concerted) has also been investigated without finding, after considering the specific profile of the students for each center, significant differences in the results achieved in the financial knowledge tests (Mancebón & Pérez, 2014, Cordero & Pedraja, 2016a).

The social environment both in and outside the school has been similarly analyzed because from this environment arises valuable social and cultural capital. The peer effect has been identified as highly explicative of the student's financial knowledge (Cordero & Pedraja, 2016a), increasing the intensity of the effect when the school is below the average performance (Albert, Neira and García-Aracil, 2014). On the other hand, other contextual factors such as the group of friends seem to be less important (Pinto, Parente & Mansfield, 2005).

Finally, the level of financial literacy is influenced by the socioeconomic characteristics of the population, including the level of GDP per capita (Klapper, Lusardi & Oudheusden, 2015). There is a positive relationship between per capita income and financial education, but only for the 50% economies with the highest standard of living. In these economies, 38% of the variation in the financial literacy rate is explained by per capita income.

The debate about the correlation between the degree of financial knowledge and certain practices in the management of personal finances has even led to recognizing problems when establishing the sense of causality (Lusardi, 2011: 45). Hastings, Madrian & Skimmymhorn (2012: 15) and question whether it is financial education that leads to behaviors that generate better economic results, or on the contrary, certain financial behaviors are the ones that leads to a better instruction in the field, as a manifestation of the well-known learning by doing effect. However, Lusardi & Mitchell (2014: 34) reaffirm the thesis that causality flows from financial education to financial behavior, relying on studies based on instrumental variables and experimental-type ones.

Another criticism is done against the early introduction of financial education in the school curriculum based on its limited usefulness, since its distance from the moment of real application will lead to this knowledge to be diluted when its actually needed (McDermott, 2014, Eley, 2014). The supporters of this thesis believe that it would be more fruitful to divert the resources allocated to financial education towards mathematical training (Webb, 2014).

Database

The universe of the empirical study are young people living in the Valencian Community who have completed compulsory and non-compulsory secondary education or a Vocational Training cycle of basic or higher education.

To accurately diagnose their educational level, this students group has been divided into five segments: (a) students who have completed compulsory secondary education (ESO); (b) students who have completed the secondary school cycle through Baccalaureate; (c) students who have completed an cycle of basic Vocational Training; (d) students who have completed a cycle of higher Vocational Training; (e) students who have completed the first two years of a university degree in Social and/or Legal Sciences. This last group of undergraduate students, despite not being studied in this paper, gives
We have a balanced sample that allows, in future work, to analyze the evolution of financial education for young people who are taking degrees university students in the field of economic, business or legal sciences.

The selection of the sample has responded to criteria of representativeness in order to achieve a selection proportional to the existing population level by educational cycles and territory. The sample has been stratified taking into account the student population in each training cycle and the weight of them in each of the provinces, as well as the specific weight of each province on the autonomous total.

The size of the sample representative of the population to be studied has been fixed with the following formula, which is the one commonly accepted when the population size is known:

\[ n = \frac{k^2 \cdot N \cdot p \cdot q}{e^2 \cdot (N - 1) + (k^2 \cdot p \cdot q)} \]

being:

- \( n \): sample size.
- \( N \): size of the universe.
- \( k \): constant that depends on the confidence level (probability of results of the study to be true). This level has been established at 95% (which means that the probability of erring is 5%), corresponding to a value of \( k \) equal to 1.96.
- \( e \): desired sample error. It represents the difference between the result obtained by asking a sample of the population and the one that would be obtained by asking the total of the universe. The desired margin of error is 3%.
- \( p \): proportion of individuals within the population that possess the property investigated. This data is generally unknown, taking as a convention the safest option that is: \( p = q = 0.5 \).
- \( p \): proportion of individuals who do not possess this characteristic, which will be: \( q = 1 - p = 0.5 \).

Table 1: Students who completed training cycles of primary, secondary and university education in social and legal sciences degrees in each province of the Valencian Community, 2014-15 academic year (Source: Valencian Institute of Statistics, from the Ministry of Education, Culture and Sport. Statistics of non-university and university education)

<table>
<thead>
<tr>
<th>Province</th>
<th>Number of students who finished the cycle</th>
<th>% of the total students who finished a cycle</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ESO</td>
<td>Baccalaureate *</td>
</tr>
<tr>
<td>ALICANTE</td>
<td>11.620</td>
<td>8.247</td>
</tr>
<tr>
<td>CASTELLÓN</td>
<td>3.658</td>
<td>2.609</td>
</tr>
<tr>
<td>VALENCIA</td>
<td>17.410</td>
<td>11.847</td>
</tr>
<tr>
<td>VALENCIAN COMMUNITY</td>
<td>32.688</td>
<td>22.703</td>
</tr>
<tr>
<td></td>
<td>ESO</td>
<td>Baccalaureate</td>
</tr>
<tr>
<td>ALICANTE</td>
<td>12.84%</td>
<td>9.11%</td>
</tr>
<tr>
<td>CASTELLÓN</td>
<td>4.04%</td>
<td>2.88%</td>
</tr>
<tr>
<td>VALENCIA</td>
<td>19.23%</td>
<td>13.09%</td>
</tr>
<tr>
<td>VALENCIAN COMMUNITY</td>
<td>36.11%</td>
<td>25.08%</td>
</tr>
</tbody>
</table>

* Students who have completed these cycles by distance mode are not included.
** Given that data is not available for students enrolled or graduates according to the year of the degree they are studying or have finished, we have taken as data the students graduated in undergraduate studies of the branches cited in public universities.

According to the information provided by the Ministry of Education, Culture and Sports, the number of students who completed their studies at each level in the 2014-15 academic year (the last one for which complete data was provided on the date of consultation) by provinces is indicated in Table 1.

Therefore, the population under study is 90,530 young people who had completed some secondary or higher education cycle of the type cited in centers of the Valencian Community. The representative sample size of this universe with the established reliability parameters (95% confidence level with a sampling error of ± 3%) is 1,055 people.

However, it is also desired the sample to be representative of the population distribution by province and training cycle, that is, that corresponds to the specific weights of the students of each cycle on the total of students in each province and with the proportion between students of the different cycles and between the three provinces. Table 3 already gives us that distribution of the universe in percentage terms. Applying these percentages to the chosen sample size, we have obtained the number of surveys to be carried out for each group in total and in each province of the Valencian Community (Table 2).

Table 2: Number of surveys to be carried out according to the sample size and the desired stratification by province and training cycle (Source: own elaboration)

<table>
<thead>
<tr>
<th>Province</th>
<th>ESO</th>
<th>Baccalaureate</th>
<th>Basic Vocational Training</th>
<th>Higher Vocational Training</th>
<th>University Studies Social and Legal Sciences</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALICANTE</td>
<td>135</td>
<td>96</td>
<td>52</td>
<td>45</td>
<td>33</td>
<td>362</td>
</tr>
<tr>
<td>CASTELLÓN</td>
<td>43</td>
<td>30</td>
<td>20</td>
<td>16</td>
<td>13</td>
<td>122</td>
</tr>
<tr>
<td>VALENCIA</td>
<td>203</td>
<td>138</td>
<td>82</td>
<td>98</td>
<td>51</td>
<td>571</td>
</tr>
<tr>
<td>VALENCIAN COMMUNITY</td>
<td>381</td>
<td>265</td>
<td>153</td>
<td>159</td>
<td>97</td>
<td>1.055</td>
</tr>
</tbody>
</table>

If we also want the sample size for students who follow each training cycle in each province to have a level of significance and a margin of error similar to those of the total sample, in order to compare each segment with the same levels of exigence, it is necessary to increase the number of surveys to be completed by those levels with a lower initial surveys objective. Given this objective, there has been an increase in the number of surveys to be carried out to students in the vocational training cycles in the intermediate and higher levels and to those who study in the social sciences and legal sciences in the three provinces, as well as to the students of the province of Castellón. In order to maintain the significance of the total sample, without the representativeness in each segment deteriorating, it will be necessary to carry out 1,448 surveys, with the sample distribution established in Table 3.

Table 3: Number of surveys to be carried out according to the sample size and the desired stratification corrected by province and training cycle (Source: own elaboration)

<table>
<thead>
<tr>
<th>Province</th>
<th>ESO</th>
<th>Baccalaureate</th>
<th>Basic Vocational Training</th>
<th>Higher Vocational Training</th>
<th>University Studies Social and Legal Sciences</th>
<th>Studies Social and Legal Sciences</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALICANTE</td>
<td>135</td>
<td>98</td>
<td>90</td>
<td>76</td>
<td>90</td>
<td>90</td>
<td>490</td>
</tr>
<tr>
<td>CASTELLÓN</td>
<td>43</td>
<td>31</td>
<td>34</td>
<td>27</td>
<td>35</td>
<td>35</td>
<td>170</td>
</tr>
<tr>
<td>VALENCIA</td>
<td>203</td>
<td>140</td>
<td>142</td>
<td>164</td>
<td>138</td>
<td>138</td>
<td>788</td>
</tr>
<tr>
<td>VALENCIAN COMMUNITY</td>
<td>381</td>
<td>269</td>
<td>267</td>
<td>267</td>
<td>264</td>
<td>264</td>
<td>1.448</td>
</tr>
</tbody>
</table>

The empirical study has required the design of a survey that serves as the basis for the collection of information and the measurement of the variables on which the diagnosis is desired. The questionnaire consists of 71 questions and the average time to complete it was 45 minutes. For the present work, however, only part of this questionnaire has been used.
In particular, certain questions regarding the personal, academic and family profile, as well as the questions related to the finance knowledge test. This abbreviated version of the questionnaire can be found in Annex 1.

The questionnaire also incorporates several questions aimed at shaping the personal, familiar and academic profile of the students, as well as their learning strategies and their motivations and expectations. The selection of this group of variables has been inspired by the results of previous research on the determinants of educational performance, as has been done in previous studies (Molina, Marcenaro & Martín, 2015, Cordero & Pedraja, 2016a, b). The characteristics of the educational center (type of school -public or private-, location, size, etc.) have been captured directly from information provided by the institution itself.

The number of valid surveys finally received and processed has risen to 1,607. The sample collected is important and highly significant, if we take into account that the PISA 2012 report was developed on a sample of 1,050 students belonging to 170 educational centers. After the data collection, the database was cleaned, eliminating those observations in which the amount of unanswered questions was greater than 20%. The total number of surveys available after this purification is 1,571, of which 1,282 correspond to pre-university education and are therefore subject to empirical exploitation in this report.

This sample guarantees compliance with confidence levels and established error margins, both for the whole population studied and for the differentiated segments by type of study and province. As can be observed in the sample distribution indicated in Table 4, the number of surveys obtained for each stratum of the sample has exceeded the minimum size preset. The results can then be considered a faithful and statistically significant reflection of the universe studied.

Table 4. Number of surveys that make up the final sample and its distribution by level and province (Source: own elaboration)

<table>
<thead>
<tr>
<th>Province</th>
<th>ESO</th>
<th>Baccalaureate</th>
<th>Basic Training</th>
<th>Vocational Training</th>
<th>Higher Vocational Training</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALICANTE</td>
<td>194</td>
<td>207</td>
<td>98</td>
<td></td>
<td>499</td>
</tr>
<tr>
<td>CASTELLÓN</td>
<td>106</td>
<td>87</td>
<td>40</td>
<td></td>
<td>233</td>
</tr>
<tr>
<td>VALENCIA</td>
<td>312</td>
<td>377</td>
<td>150</td>
<td></td>
<td>839</td>
</tr>
<tr>
<td>VALENCIAN COMMUNITY</td>
<td>611</td>
<td>671</td>
<td>288</td>
<td></td>
<td>1,571</td>
</tr>
</tbody>
</table>

Variables and segmentation

Financial literacy: financial literacy is a dichotomous variable that takes the value 1 when the student has answered correctly, at least, 3 out of the first 5 questions of the test, while taking the value 0 when the number of correct answers is 2 or less.

Financial competence: the level of financial competence corresponds to the percentage of correct answers over the total number of questions, resulting from the division of the number of correct answers between 17.

For the analysis of the data, the database has been segmented based on various criteria. The groups generated have been carried out taking into account two criteria. On the one hand, different groups have been drawn up based on the student's academic profile, being segmented by level of studies to date (compulsory studies / intermediate studies), results obtained to date (excellent / high / medium / low / poor) and for having completed or not each of the subjects presented in the
curricula in ESO, Vocational Training and Baccalaureate. On the other hand, the study has been segmented based on the personal profile, by gender, income level of the family, level of influence of the role model and business activity of the latter.

The answers are therefore segmented based on 7 criteria, which constitute the basis for the subsequent analysis of the results obtained, for which the following criteria have been taken into account:

Students with a compulsory level of education are those who have completed Compulsory Secondary Education or a module of Basic Vocational Training, while those with higher education are those who have completed the Baccalaureate or a module of Higher Vocational Training and have therefore gained access to the University.

The study of each of the subjects corresponds to a dichotomous variable that takes value 1 when the student has taken the course and value 0 when this same subject has not been taken.

The level of academic results to date corresponds to the student's response to this same question in the questionnaire, so that it is a subjective variable.

To obtain the level of influence of the role model, students have been asked about the level of implication of their role model in various aspects of their academic life. From the sum of the responses to each of the dimensions, the variable level of influence is constructed. When ordering from highest to lowest, students located in the first tercile are those with a high level of influence, those located in the second correspond to a medium level of influence and those present in the last tercile imply a low level of influence.

The gender, family income level and role model activity as an entrepreneur or not are direct answers of the student in the questionnaire.

Analysis of data and results

The descriptive analysis of the results allows us to obtain the financial literacy level of the surveyed students, which is shown in Table 5: 67% of the students have answered 3 or more questions and are therefore financially literate. Thus, 17% of students have answered all the questions, while 22.4% and 27.6% have answered 4 and 3 questions respectively. With regard the non-literate, 19.3% have answered 2 questions, while 10.1% and 3.7% have scored 1 and no questions respectively.

<table>
<thead>
<tr>
<th>Number of right answers</th>
<th>Students (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>48  3.7%</td>
</tr>
<tr>
<td>1</td>
<td>129 10.1%</td>
</tr>
<tr>
<td>2</td>
<td>247 19.3%</td>
</tr>
<tr>
<td>3</td>
<td>354 27.6%</td>
</tr>
<tr>
<td>4</td>
<td>287 22.4%</td>
</tr>
<tr>
<td>5</td>
<td>218 17.0%</td>
</tr>
<tr>
<td>Financial literacy (3/4/5)</td>
<td>859 67.0%</td>
</tr>
</tbody>
</table>

When analysing the results of the questionnaire as a whole, obtaining the results of financial training, a clear decrease in the performance of the students is observed. In fact, only 612 of the 1283 students have appropriately responded more than half of the questions, which would imply passing the evaluation, in an assessment from 0 to 10. This result leads to a level of average financial training of the students of 47.7%, less than 50%. Table 6 shows the distribution of students by number of correct answers and allows to observe that only one of the 1283 students was able to respond correctly all the
questions, while 60 students answered correctly 2 or fewer answers, which implies a score barely higher than 1 in the best case.

Table 6: Distribution of students by number of correct answers in questions 1 to 17 of the test and level of financial competence (Source: own preparation)

<table>
<thead>
<tr>
<th>Number of right answers</th>
<th>Students</th>
<th>Level of Financial Competence (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>21</td>
<td>0,0%</td>
</tr>
<tr>
<td>1</td>
<td>12</td>
<td>5,9%</td>
</tr>
<tr>
<td>2</td>
<td>27</td>
<td>11,8%</td>
</tr>
<tr>
<td>3</td>
<td>57</td>
<td>17,6%</td>
</tr>
<tr>
<td>4</td>
<td>75</td>
<td>23,5%</td>
</tr>
<tr>
<td>5</td>
<td>85</td>
<td>29,4%</td>
</tr>
<tr>
<td>6</td>
<td>118</td>
<td>35,3%</td>
</tr>
<tr>
<td>7</td>
<td>139</td>
<td>41,2%</td>
</tr>
<tr>
<td>8</td>
<td>137</td>
<td>47,1%</td>
</tr>
<tr>
<td>9</td>
<td>126</td>
<td>52,9%</td>
</tr>
<tr>
<td>10</td>
<td>127</td>
<td>58,8%</td>
</tr>
<tr>
<td>11</td>
<td>121</td>
<td>64,7%</td>
</tr>
<tr>
<td>12</td>
<td>74</td>
<td>70,6%</td>
</tr>
<tr>
<td>13</td>
<td>72</td>
<td>76,5%</td>
</tr>
<tr>
<td>14</td>
<td>53</td>
<td>82,4%</td>
</tr>
<tr>
<td>15</td>
<td>29</td>
<td>88,2%</td>
</tr>
<tr>
<td>16</td>
<td>9</td>
<td>94,1%</td>
</tr>
<tr>
<td>17</td>
<td>1</td>
<td>100,0%</td>
</tr>
<tr>
<td><strong>Average level of financial competence</strong></td>
<td><strong>612</strong></td>
<td><strong>47,70%</strong></td>
</tr>
</tbody>
</table>

Regarding the success rates by questions, the results allow us to observe how certain aspects of personal finances are widely understood and internalized by the majority of the students, while other concepts present certain success rates that are certainly worrisome. Inflation and the calculation of total and unit costs rise as the best understood concepts, while savings planning, the determination of the risk profile and the hierarchy of financial obligations are the least understood concepts.

Table 7: Success rates by concepts associated with questions (Source: own elaboration)

<table>
<thead>
<tr>
<th>Concept</th>
<th>Success Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inflation and purchase power</td>
<td>80%</td>
</tr>
<tr>
<td>Total costs</td>
<td>74%</td>
</tr>
<tr>
<td>Unit costs</td>
<td>69%</td>
</tr>
<tr>
<td>Simple interest rate</td>
<td>68%</td>
</tr>
<tr>
<td>Diversification and risk</td>
<td>60%</td>
</tr>
<tr>
<td>management</td>
<td></td>
</tr>
<tr>
<td>Insurances</td>
<td>57%</td>
</tr>
<tr>
<td>Payrolls</td>
<td>55%</td>
</tr>
<tr>
<td>Compound interest rate</td>
<td>53%</td>
</tr>
<tr>
<td>Financial market investment</td>
<td>48%</td>
</tr>
<tr>
<td>Capitalization</td>
<td>44%</td>
</tr>
<tr>
<td>Saving planning</td>
<td>42%</td>
</tr>
<tr>
<td>Obligations prioritization</td>
<td>42%</td>
</tr>
<tr>
<td>Risk profile</td>
<td>39%</td>
</tr>
</tbody>
</table>
To deepen the results, a multivariate analysis of the financial literacy and competence rates of the students has been carried out. Using the generated segments, inferential analyses have been carried out to compare the levels of financial literacy and capacity of the students. The analysis of differences of means has been used to compare the different groups and subjects taken. The assumption of normality was verified using the Shapiro-Wilk test and the assumption of homoscedasticity using the Levene test. A Kruskal Wallis test was carried out to analyse those variables that did not meet the normality condition. For those variables that did meet this condition, an Anova test was carried out, with the subsequent Tukey post-hoc tests. We have worked with Stata 14.2, both for descriptive and inferential analysis, always considering a level of statistical significance of 5%.

This analysis has allowed us to obtain relevant conclusions as well as helps to understand what the particularities and characteristics of the academic and personal environment of the student that are generate groups with significant differences in their level of financial literacy and competence.

The analysis of our results reveals a high degree of heterogeneity in the differences found among groups. While on the one hand, the academic profile appears to be a clear determinant of results at the level of financial literacy and competence, on the other hand robust differences between students for different educational levels, subjects taken, or results obtained have been found. Conversely, virtually no significant differences by personal profile have been found, but only by gender. In any case, there are no differences by income levels, role model influence or businessman role. This gives special relevance to the work in the classrooms and the academic training as determinants of the financial literacy and competence of Valencian youth.

However, this variability is not relegated to the differentiation between academic profile and personal profile. There is still evident heterogeneity within the academic profile. Thus, compulsory education students (those who have completed compulsory education or basic vocational training) have literacy and competence rates of 56.7% and 41.4% respectively, while students with intermediate studies (high-school and higher vocational training), increase their results to rates of 76.6% and 55.4% respectively. (8)

Table 8: Descriptions and results of the Kruskal Wallis tests among groups by level of studies (Source: own elaboration)

<table>
<thead>
<tr>
<th>Observations</th>
<th>Financial literacy</th>
<th>Financial competence</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>Standard deviation</td>
</tr>
<tr>
<td>Compulsory studies</td>
<td>612</td>
<td>0.566</td>
</tr>
<tr>
<td>Intermediate studies</td>
<td>671</td>
<td>0.763</td>
</tr>
<tr>
<td>Differences among segments</td>
<td>-0.196***</td>
<td>-0.139***</td>
</tr>
</tbody>
</table>

Asterisks indicate the statistical significance at 0.01 (***) , 0.05 (**) and 0.10 (*) levels.

This heterogeneity is also present among subjects taken (9), allowing us to obtain certain conclusions and draw future lines of work. While students who have completed the subjects of high-school (Economics in the first year and Business Economics and Fundamentals of Administration and Management in second year) present significantly higher results than those who have not completed these subjects, when analysing the level of compulsory education (ESO) and higher-basic vocational training, certain contradictions arise: some subjects present differences in favour of the students who have taken them, while others present them in favour of those who did not. Additionally, in most cases, these differences are not significant. This heterogeneity leads us to think that there are certain factors associated with students in lower-level education that contaminate the analysis by subject. Differences that can be associated with the lower age and therefore the maturity of the students or the lower interest given to the studies, given that certain of the students surveyed will surely not intend to continue their studies or, in any case, access to the University. A future analysis should introduce these particularities as potential moderating variables.
Table 9: Descriptions and results of the Kruskal Wallis test among groups that have taken or not each subject (Source: own elaboration)

<table>
<thead>
<tr>
<th>Observations</th>
<th>Financial literacy</th>
<th>Financial competence</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>Standard deviation</td>
</tr>
<tr>
<td><strong>Economy (1st year high-school)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>0.624</td>
<td>0.484</td>
</tr>
<tr>
<td>Yes</td>
<td>0.744</td>
<td>0.436</td>
</tr>
<tr>
<td>Differences between segments</td>
<td>-0.119***</td>
<td>-0.088***</td>
</tr>
<tr>
<td><strong>Business Economics (2nd year high-school)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>0.593</td>
<td>0.491</td>
</tr>
<tr>
<td>Yes</td>
<td>0.777</td>
<td>0.416</td>
</tr>
<tr>
<td>Differences between segments</td>
<td>-0.183***</td>
<td>-0.129***</td>
</tr>
<tr>
<td><strong>Fundamentals of Administration and Management (2nd year high-school)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>0.646</td>
<td>0.478</td>
</tr>
<tr>
<td>Yes</td>
<td>0.801</td>
<td>0.400</td>
</tr>
<tr>
<td>Differences between segments</td>
<td>-0.154***</td>
<td>-0.113***</td>
</tr>
<tr>
<td><strong>Business and Entrepreneurship (vocational studies)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>0.672</td>
<td>0.469</td>
</tr>
<tr>
<td>Yes</td>
<td>0.586</td>
<td>0.497</td>
</tr>
<tr>
<td>Differences between segments</td>
<td>0.085</td>
<td>0.004</td>
</tr>
<tr>
<td><strong>Initiation to Entrepreneurial and Business Activity (1st level ESO)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>0.669</td>
<td>0.470</td>
</tr>
<tr>
<td>Yes</td>
<td>0.656</td>
<td>0.482</td>
</tr>
<tr>
<td>Differences between segments</td>
<td>0.013</td>
<td>0.085***</td>
</tr>
<tr>
<td><strong>Initiation to Entrepreneurial and Business Activity (4th year ESO)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>0.678</td>
<td>0.467</td>
</tr>
<tr>
<td>Yes</td>
<td>0.553</td>
<td>0.499</td>
</tr>
<tr>
<td>Differences between segments</td>
<td>0.125***</td>
<td>0.074***</td>
</tr>
<tr>
<td><strong>Economy (4th year ESO)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>0.681</td>
<td>0.466</td>
</tr>
<tr>
<td>Yes</td>
<td>0.626</td>
<td>0.484</td>
</tr>
<tr>
<td>Differences between segments</td>
<td>0.054*</td>
<td>0.061***</td>
</tr>
<tr>
<td><strong>Financial Education (ESO)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>0.669</td>
<td>0.470</td>
</tr>
<tr>
<td>Yes</td>
<td>0.7</td>
<td>0.483</td>
</tr>
<tr>
<td>Differences between segments</td>
<td>-0.030</td>
<td>0.017</td>
</tr>
</tbody>
</table>

Asterisks indicate the statistical significance at 0.01 (**), 0.05 (*) and 0.10 (**) levels.
From the analysis of the differences in the results among groups by academic results obtained to date (Table 10 and Table 11) two main conclusions are obtained. First, there are significant differences globally and among the different groups analysed. Thus, the tests carried out show that the level of financial literacy and competence of students is significantly different for distinct levels of academic results (p-value 0.00 in both cases). However, when performing a post-hoc analysis by pairs, the differences obtained are concentrated in few cases. This gives us the second conclusion: in general terms, we observe how significant differences are shown in favour of students with exceptional results compared to all others and, to a lesser extent, for certain comparisons between students with high results and the rest with lower performance. However, these differences are not exhibited when analysing the results between students of medium and low performance, which indicates that only when the student has a performance significantly higher than the average in their general studies and is, therefore, extraordinary, is able to transfer it to its performance in the financial literacy and competence tests carried out.

### Table 10: Descriptive for groups with different levels of academic results to date (Source: own elaboration)

<table>
<thead>
<tr>
<th>Observations</th>
<th>Financial literacy</th>
<th>Financial competence</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>Standard deviation</td>
</tr>
<tr>
<td>Excellent</td>
<td>0.795</td>
<td>0.405</td>
</tr>
<tr>
<td>High</td>
<td>0.729</td>
<td>0.445</td>
</tr>
<tr>
<td>Medium</td>
<td>0.617</td>
<td>0.486</td>
</tr>
<tr>
<td>Low</td>
<td>0.666</td>
<td>0.474</td>
</tr>
<tr>
<td>Poor</td>
<td>1</td>
<td>0</td>
</tr>
</tbody>
</table>

Asterisks indicate the statistical significance at 0.01 (***) and 0.05 (**) levels.

### Table 11: Results of the post-hoc tests among groups with different levels of academic results to date (Source: own elaboration)

<table>
<thead>
<tr>
<th>Financial literacy</th>
<th>Financial competence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contrast</td>
<td>Std. Err. S.d.</td>
</tr>
<tr>
<td>Medium vs Excellent</td>
<td>-0.177***</td>
</tr>
<tr>
<td>Low vs High</td>
<td>-0.062</td>
</tr>
<tr>
<td>Medium vs High</td>
<td>-0.111***</td>
</tr>
<tr>
<td>Poor vs Excellent</td>
<td>0.204</td>
</tr>
<tr>
<td>Medium vs Low</td>
<td>-0.049</td>
</tr>
<tr>
<td>Poor vs High</td>
<td>0.270</td>
</tr>
<tr>
<td>Excellent vs High</td>
<td>0.066</td>
</tr>
<tr>
<td>Poor vs Medium</td>
<td>0.382</td>
</tr>
<tr>
<td>Poor vs Low</td>
<td>0.333</td>
</tr>
<tr>
<td>Excellent vs Low</td>
<td>0.128</td>
</tr>
</tbody>
</table>

Asterisks indicate the statistical significance at 0.01 (***) and 0.05 (**) levels. S.d. means Standard deviation.

However, this conclusion could be certainly risky, since from an analysis of the distribution of the answers in question number 5 of the questionnaire (How would you rate your school results so far?), which has been used for the segmentation of the answers, a high bias is observed to indicate high results. Thus, while only 3 students have indicated that they had poor results, a total of 88 have indicated "excellent" results. Moreover, while 417 students have identified their results as "high", only 69 consider them "low". It is logical to think, then, that the measurement of results, of a purely subjective nature, generates a certain bias in the analysis. It is highly probable, in view of the results, that a large part of the students consider that they have obtained results superior to those indicated by reality. Future research to this publication should address this discrepancy using an objective measure of results, such as the average note of the academic record or the university access note.
Just as the student’s academic profile has generated significant differences in each of its segmentations, the personal profile points in an opposite direction, showing only significant differences in the groups generated based on the student’s gender. In this sense, the results show a level of financial literacy of 63.5% in women and 70.5% in men. This difference is also showed in the level of financial competence, which is reduced to 46.7% in the case of women and 50.9% in the case of men (Table 12). Although it is evident that the capacity of men and women does not present significant differences at the cognitive level, this difference is explained by the traditionally greater interest shown by the male gender in the financial sector. In fact, this difference in the level of knowledge in finance between men and women has already been found recurrently in the literature (Bucher-Koenen et al., 2014, Lusardi & Mitchell, 2008, Mandell, 2008, Lusardi & Mitchell, 2009, Lusardi, Mitchell & Curto, 2010, INEE, 2014a, b, 2017, Cordero & Pedraja, 2016a).

Table 12: Descriptive and results of the means tests according to gender (Source: own elaboration)

<table>
<thead>
<tr>
<th>Observations</th>
<th>Financial literacy</th>
<th>Financial competence</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>Standard deviation</td>
</tr>
<tr>
<td>Women</td>
<td>0.635</td>
<td>0.481</td>
</tr>
<tr>
<td>Men</td>
<td>0.705</td>
<td>0.456</td>
</tr>
<tr>
<td>Differences between segments</td>
<td>-0.069***</td>
<td></td>
</tr>
</tbody>
</table>

Asterisks indicate the statistical significance at 0.01 (***) , 0.05 (**) and 0.10 (*) levels.

When we continue with the analysis of the differences between the different levels of monthly household income (Table 13 and Table 14), we observe how, in no case, there are significant differences. Likewise, when contrasting the influence or implication of the role model (Table 15 and Table 16), which has been classified as high, medium and low depending on whether the student was in the upper, middle or lower third in the distribution of responses to the scale proposed in the questionnaire, no significant difference has been found.

Table 13: Descriptive by groups according to the monthly income level of the household (Source: own elaboration)

<table>
<thead>
<tr>
<th>Observations</th>
<th>Financial literacy</th>
<th>Financial competence</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>Standard deviation</td>
</tr>
<tr>
<td>From 1000 to 1999 Euros</td>
<td>0.656</td>
<td>0.475</td>
</tr>
<tr>
<td>From 2000 to 2999 Euros</td>
<td>0.658</td>
<td>0.474</td>
</tr>
<tr>
<td>From 3000 to 3999 Euros</td>
<td>0.771</td>
<td>0.421</td>
</tr>
<tr>
<td>From 4000 to 5999 Euros</td>
<td>0.680</td>
<td>0.468</td>
</tr>
<tr>
<td>Less than 1000 Euros</td>
<td>0.6</td>
<td>0.492</td>
</tr>
<tr>
<td>More than 6000 Euros</td>
<td>0.634</td>
<td>0.485</td>
</tr>
<tr>
<td>DK/NA</td>
<td>0.642</td>
<td>0.481</td>
</tr>
</tbody>
</table>

Table 14: Results of the ANOVA and Kruskal-Wallis test by groups according to the monthly income level of the household (Source: own calculations)

<table>
<thead>
<tr>
<th>Levels of monthly household income</th>
<th>Financial literacy</th>
<th>Financial competence</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>Prob&gt;F</td>
</tr>
<tr>
<td>Levels of monthly household income</td>
<td>2.01</td>
<td>0.062</td>
</tr>
</tbody>
</table>

Asterisks indicate the statistical significance at 0.01 (***) , 0.05 (**) and 0.10 (*) levels.
Table 15: Descriptive by groups according to the level of implication of the role model (Source: own elaboration)

<table>
<thead>
<tr>
<th>Observations</th>
<th>Financial literacy</th>
<th>Financial competence</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>Standard deviation</td>
</tr>
<tr>
<td>High</td>
<td>481</td>
<td>0.681</td>
</tr>
<tr>
<td>Medium</td>
<td>415</td>
<td>0.669</td>
</tr>
<tr>
<td>Low</td>
<td>387</td>
<td>0.655</td>
</tr>
</tbody>
</table>

Table 16: Results of the ANOVA test by groups according to the level of implication of the role model (Source: own elaboration)

<table>
<thead>
<tr>
<th>Level of implication of the role model</th>
<th>Financial literacy</th>
<th>Financial competence</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>Prob&gt;F</td>
</tr>
<tr>
<td>Level of implication of the role model</td>
<td>0.35</td>
<td>0.7028</td>
</tr>
</tbody>
</table>

Asterisks indicate the statistical significance at 0.01 (***) , 0.05 (**) and 0.10 (*) levels.

Finally, the level of financial literacy and competence is analysed based on the activity as a student entrepreneur role model or not (Table 17). It is curious how, both in financial literacy and competence, students with a non-entrepreneur role model have obtained better results. This difference, however, is not significant.

Table 17: Descriptive and results of the Kruskal Wallis tests according to activity as a role model entrepreneur (Source: own elaboration)

<table>
<thead>
<tr>
<th>Observations</th>
<th>Financial literacy</th>
<th>Financial competence</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>Standard deviation</td>
</tr>
<tr>
<td>Entrepreneur role model?</td>
<td>No 935</td>
<td>0.683</td>
</tr>
<tr>
<td>Yes 341</td>
<td></td>
<td>0.636</td>
</tr>
<tr>
<td>Differences between segments</td>
<td>0.047</td>
<td>0.016</td>
</tr>
</tbody>
</table>

Conclusions and practical and academic implications

The analysis carried out shows relevant conclusions regarding the level of financial literacy and competence of the students of the Valencian Community, adding additional empirical evidence on determining factors in juvenile financial education.

Firstly, it is shown that there are very significant differences among students according to their academic profile. This materializes both in the simpler group division (compulsory studies or intermediate studies) and in the division according to whether or not they have taken certain subjects. Within this second distinction, it is extracted how the students who have taken high-school subjects show a behaviour far superior to those that have not taken them. However, these differences are not always observed among students who have completed ESO or vocational training courses, which leads us to conclude that certain aspects of high-school students, essentially age, maturity and incentive, enable them to absorb from most successful way in terms of finance treated in the classroom.

This conclusion is in full agreement with a critical current against the early introduction of financial education in the school curriculum, which refers to its limited usefulness, since its distance from the moment of real application will lead to the dilution of knowledge acquired when it is going to be used (McDermott, 2014, Eley, 2014). The performance of financial education is also considered in this sense conditioned by the attitude of the student before the subject. Thus, both the self-confidence (Arellano et al., 2014) and the effort (approximated by indicators of perseverance) (Fernández de Guevara, Serrano & Soler, 2014) of the students have been identified as moderating variables of the effect of the instruction on Financial knowledge in the PISA 2012 tests in Spain.

With regard to the academic results of the student, it is only verified that those with extraordinary results obtain better results than the rest. When going down to high levels of results, there is still some significant difference, but it disappears in the middle and low levels. This makes us think that we may have to obtain results that are much higher than the average to be able to transfer these more global results to specific financial tests.

With regard to the personal profile, a greater performance is observed in male students. These results point in the same line as the existing literature to date, in which gender has stood out as a discriminating variable, with men achieving better
results both among the adult population (Bucher-Koenen et al., 2014, Lusardi & Mitchell, 2008) and the juvenile (Mandell, 2008, Lusardi & Mitchell, 2009, Lusardi, Mitchell & Curto, 2010). We converge to the Spanish evidence in this issue (INEE, 2014a, b, 2017, Cordero & Pedraja, 2016a). We believe that this may be due to the traditionally greater interest of the male sector in the field of finance, both personally and professionally and we believe that it is necessary to enhance the female interest in this field through activities both inside and outside the educational curriculum.

Finally, the family environment, as we have measured it, does not generate groups with significant differences among them in terms of results. Thus, the different segments generated based on the family income level have not shown different results. Likewise, those groups with a higher level of implication in the role model have not done so, nor those in which this role model was an entrepreneur.

In general terms, we detect a great significance of classroom training for the acquisition of financial competences. This has important practical implications for the teachers of both public and private pre-university institutions, since they reinforce the role of formal education as a key determinant for the development of university students with high literacy rates and high levels of financial competence.

Bibliography


Options for Overcoming Seasonality in Bulgarian Tourism

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Abstract
For the longest time tourism has been an economic and social phenomenon in the everyday life of hundreds of millions of people. Not only does it encompass their free movement, it is also an essential form of utilizing spare time and a primary means of creating connections between them – for political, economic and cultural contacts. Additionally, tourism is one of the main factors that improve people’s quality of life. For these reasons, over the past few decades its size has increased significantly and its scope of influence continues to expand. Data from recent years has indicated an unprecedented growth in the number of travels, profits, tourism objects and jobs. The economic significance and development of tourism predetermines the topicality of the investigated problem. In view of the establishment of the primary parameters of this development, the object of study is the tourist industry worldwide and in Bulgaria, and the subject of analysis will be the options for overcoming seasonality. Determining the significance of tourism for Bulgarian economy gives us reasons to presume that the discovery of effective mechanisms for minimizing seasonality will further expand the role of the tourist industry.

Keywords: tourism, economic development, seasonality, alternative tourism, decisions, event tourism. JEL Codes: E32, P00, R11, L83

1. Introduction
In specialized literature, tourism is often categorized as a leisure activity that tourists perform in a place that is different compared to their residence. In the modern world, however, this definition is no longer valid, hence why it should be given a new meaning. First of all, tourism is not necessarily different from everyday activities. Every day, we walk, try to feel good, engage in various programs, exercise, have fun – things that are typical for a holiday. Also during our tourist experience we may have started an activity that needs to be continued when we go home (for example sports, fitness, diet, health programs, etc.)

Consequently, tourism activities may increase the number of duties typical of everyday reality instead of reducing it. Secondly, these obligations define tourism not as a passive activity but as a unifying experience. For modern tourists, the “tourist experience” is partially or solely motivated by their health and well-being or by the perception of their health or well-being. As a result, tourism can involve hard work and it is not necessarily limited to time and place – the impact of the provided services remains and travels with tourists even to their residence. In reality, the long-term recovery and benefits of tourism occur at a stage when the tourist has already returned home. This development defines tourism as an activity that takes place not only during the holidays but is increasingly intertwined with everyday life. Searching for opportunities to increase the duration of tourist activities outside the main seasons will increase the efficiency of the operation of tourist sites and hence the overall positive effects of the industry.

It is also important to note that tourism stimulates the development of other related sectors in the economy, in particular trade, transport, communications, agriculture, household goods, etc. Along with its high economic potential, it also plays an important social role, having a significant impact on the population’s employment. This gives us reasons to claim that increasing efficiency in the tourism industry will have additional multiplier effects in other economic activities with which tourism interacts directly or indirectly. Analyzing the dynamic of the main economic indicators for tourism development, it
can be concluded that in the past 25 years it has developed at a rapid rate. Even in conditions of unfavorable conjuncture and periods of economic crisis in the world economy, tourism has retained its positive growth tendencies.

The transformation of tourism into a dominant sector in Bulgarian economy is hindered by the seasonality factor. Finding effective approaches and mechanisms to overcome it will increase the expansion of the industry, improve the supply and demand structure, increase employment and pay levels, which will contribute to the sustainable development of tourism towards improving its quality and competitiveness. Based on the analysis of the state of tourism, the purpose of this article is to offer effective solutions and guidelines for its effective economic development, leading to overcoming or at least minimizing seasonality. In order to achieve this goal, the state and development of the tourism industry as a whole and in Bulgaria is studied, seasonality is analyzed as a factor that hinders tourism development and sets the directions for overcoming it. On this basis, the future directions for the development of Bulgarian tourism are defined.

2. State and Development of the Tourism Industry

Tourism as an industry is accompanied by a number of activities that have a direct and indirect impact on its development and trends. Nowadays, it has been recognized as the world’s largest service area. The tourism industry generates 9% of global GDP, 6% of world exports and 30% of exports of services. In spite of political and military conflicts, as well as terrorist attacks, international travel has shown a 7% growth compared to trips in 2016 and has reached the pre-estimated volume of 1,322 billion tourists (UNWTO, 2018).

The number of overnight stays has grown by 3%, with average spending rising by 4% per night. The direct economic consequences of the industry, including accommodation, transport, entertainment and attractions, amount to roughly $2360 billion in 2015. The number of international outbound travel trips has increased from 528 million in 2005 to 1,322 billion in 2017, according to data from a World Travel Monitor study and IPK International results (IPK International, 2016/2017).

The evidence shows the significant expansion that provides the industry with new challenges and new opportunities for expansion. The development of modern, global tourism, the introduction of new technology that provides opportunities for virtual travel and the emergence of new and unique in essence destinations influence the general culture of the individual, contribute to the formation of aesthetic attitude, sense, taste for the beautiful and the expedient; at the same time, it is one of the new strands in the competitive struggle for attracting as many visitors as possible. Yordanov (2013) points out that the trends in the development of tourism on an international scale are related to the new needs and the new attitude of tourists towards the motives and the preferences for the model of organizing and conducting tourist trips (Yordanov, 2013), pp. 189-190. Planning and building modern tourist destinations requires an emphasis on innovation to a very large extent and the monitoring of current and significant trends in the industry. As a result of the analyses carried out in the present scientific research, we will ultimately outline the main trends that will determine the tourism industry’s scale of development in the future.

The data for 2017 is extremely encouraging and exceeds the 4% growth forecast per year identified by the World Tourism Organization. European countries and Africa have marked the largest growth in the number of visits – 8%. About 671 million tourist trips were made in the countries of Europe in 2017, while Africa was visited by 62 million tourists – a record for this region. The number of tourists is increasing all the time in almost all other parts of the world:

• in the Asia-Pacific region by 6% - up to 324 million tourists;
• in the Middle East (+ 5%) – 58 million and 207 million tourists;
• in North and South America (+ 3%) (UNWTO, 2018).

The growth of tourist traffic in 2017 is linked to the global economic recovery as well as the revival of tourist markets in countries like Brazil and Russia after a period of long decline. What’s more, the tourist industry recovered in extremely short time after the 2008 crisis; the only year in which travel was reported was 2009. The upward trend of tourism development has been observed since the 1950s when official tourism statistics were officially put into practice.

In order to further illustrate the economic importance of tourism, we will provide some extra details of its development. The number of citizens traveling outside their countries for a period of 67 years is as follows: 25 million in 1950; 278 million in 1980; 674 million in 2000, and 1,322 million in 2017. The World Tourism Organization's projections envisage an increase in international travel by about 3.3 % per year by 2030, with the number of tourists reaching 1.8 billion. Revenues from
international tourism worldwide have also risen many times: $ 2 billion in 1950; $ 104 billion in 1980; $ 495 billion in 2000 and $ 1260 billion in 2015.

WTO surveys also show that the purpose of about half of the trips is recreation and entertainment. Relaxing or other recreational trips amount to about 53% or 632 million. Only 14% of all international tourists indicate business and professional duties as the purpose of their trips. Another 27% travel for other reasons, such as visiting friends or family, religious motives, medical treatment, and more. The purpose of visit of the other 6% is not specified. Tourism holds third place in the export of goods and services after fuels and chemical products, surpassing food and automobile products (Institute for Development and Sustainability of Tourism, 2018). And this is just the data for international travel, disregarding the domestic travel data reported by the national statistical institutes of each country.

The development of tourism in our country is also interesting. According to Gatovski (2013), Bulgaria’s favorable geographic position is a key factor in the development of tourism and determines its importance for the country's economy (Gatovski, 2003, p. 377). The statistics on the state of tourism in Bulgaria in 2017 show that Bulgarian citizens have made a total of 6,227,623 trips abroad for all types of purposes. The growth compared to 2016 is 15.5%. 8.883 million foreign tourists have visited Bulgaria in 2017. Compared to 2016, the total number of tourists over 15 years has increased by 11.5%. The purpose of the majority of tourist trips in the country and abroad is rest. Regarding expenses, the biggest share in the country is for food – 40.3% and for foreign countries – the ones for transport – 32.7%. In 2016, the average cost of traveling for personal purposes was 176 leva in the country, and 502 leva abroad. At the same time, the average cost of one person for professional travel is 160 leva in the country and over 1000 leva abroad (NSI, 2017).

Over the past year 3331 places of accommodation with over 10 beds have been working in Bulgaria – hotels, motels, campsites, chalets and others. The number of rooms in them is a little over 140 000, and the beds – 328 000. Compared to 2016, the total number of the places of accommodation has increased by 4% and the number of beds – by 1.8%. The total number of overnight stays in all places of accommodation in 2016 is 25.2 million, or 17.7% more than the previous year. The trend for more overnight stays in high-end hotels is confirmed. In 2016 hotels with 4-5 stars have accounted for 66.2% of the total number of overnight stays by foreign citizens and 31.5% for Bulgarians. 3-star places have reported a 25.1% of overnight stays for foreigners and 29.1% for Bulgarians. For the previous year, only accommodation revenues have reached 1.22 billion leva, or 18.9% more compared to 2015 (Marinova, 2017). 2016 has reached a peculiar peak, with summer tourism still in the lead due to the peculiarities of our country; however, winter tourism has also been booming, especially in the last couple of years (see Table 1, 2 and 3). The data in the tables clearly shows the increasing development in tourism during the summer months (over three times more than the worst months – January and February). Another point of interests is the fact that during the first quarter of 2018, an increase in overnights stays has also been reported, compared to the same period for the previous year.

**Table 1:** Indicators for tourism development in Bulgaria by months for 2017.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accommodation places - number</td>
<td>1797</td>
<td>1832</td>
<td>1884</td>
<td>1965</td>
<td>2240</td>
<td>2771</td>
</tr>
<tr>
<td>Beds - number</td>
<td>109472</td>
<td>109760</td>
<td>111805</td>
<td>148650</td>
<td>228223</td>
<td>294925</td>
</tr>
<tr>
<td>Overnight beds - number</td>
<td>3275103</td>
<td>2984206</td>
<td>3319324</td>
<td>3793643</td>
<td>6221189</td>
<td>8596360</td>
</tr>
<tr>
<td>Realized overnights</td>
<td>802008</td>
<td>907497</td>
<td>782648</td>
<td>907959</td>
<td>1310088</td>
<td>3889525</td>
</tr>
<tr>
<td>Overnight people</td>
<td>334639</td>
<td>381171</td>
<td>382036</td>
<td>435536</td>
<td>503540</td>
<td>926888</td>
</tr>
<tr>
<td>Overnight income - leva</td>
<td>41602823</td>
<td>45842442</td>
<td>39829780</td>
<td>44243661</td>
<td>61500829</td>
<td>188034651</td>
</tr>
</tbody>
</table>

Source: Systematization of the author by dates from NSI.

**Table 2:** Indicators of tourist development in Bulgaria by months for 2017
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accommodation places - number</td>
<td>3114</td>
<td>3145</td>
<td>2729</td>
<td>1959</td>
<td>1787</td>
<td>1946</td>
</tr>
<tr>
<td>Beds - number</td>
<td>320846</td>
<td>313039</td>
<td>285492</td>
<td>154450</td>
<td>106315</td>
<td>116586</td>
</tr>
<tr>
<td>Overnight beds - number</td>
<td>9569051</td>
<td>9547718</td>
<td>8280116</td>
<td>4315241</td>
<td>3106346</td>
<td>3459206</td>
</tr>
<tr>
<td>Realized overnights</td>
<td>6009519</td>
<td>5946368</td>
<td>3089259</td>
<td>864659</td>
<td>711284</td>
<td>833262</td>
</tr>
<tr>
<td>Overnight people</td>
<td>1219459</td>
<td>1256599</td>
<td>797630</td>
<td>422165</td>
<td>371626</td>
<td>430357</td>
</tr>
<tr>
<td>Overnight income - leva</td>
<td>31697719</td>
<td>323729497</td>
<td>15257683</td>
<td>44804976</td>
<td>37465642</td>
<td>44288098</td>
</tr>
</tbody>
</table>

Source: Systematization of the author by dates from NSI.

Table 3: Indicators for tourism development in Bulgaria by months for 2018

<table>
<thead>
<tr>
<th></th>
<th>I, 2018</th>
<th>II, 2018</th>
<th>III, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accommodation places - number</td>
<td>1894</td>
<td>1883</td>
<td>1942</td>
</tr>
<tr>
<td>Beds - number</td>
<td>113473</td>
<td>110690</td>
<td>114904</td>
</tr>
<tr>
<td>Overnight beds - number</td>
<td>3420127</td>
<td>3016690</td>
<td>3452659</td>
</tr>
<tr>
<td>Realized overnights</td>
<td>910011</td>
<td>939410</td>
<td>832903</td>
</tr>
<tr>
<td>Overnight people</td>
<td>372966</td>
<td>389090</td>
<td>400398</td>
</tr>
<tr>
<td>Overnight income - leva</td>
<td>50009574</td>
<td>50224683</td>
<td>44955261</td>
</tr>
</tbody>
</table>

Source: Systematization of the author by dates from NSI.

This data eloquently shows the exceptional development of tourism worldwide and in Bulgaria. Holiday sea tourism plays a dominant role among the reported trends the dominant role of holiday is sea tourism, which continues to be among the most popular and most sought after types of tourism. In recent years there has also been a significant increase in demand for ski vacations during the winter season. This outlines the development of another tourist season in our country, albeit with a smaller scale than the summer season. Although the supply of tourist products has diversified over the years, in our opinion, tourism demand will continue to be dominated by these trends.

3. Analyzing Seasonality as a Factor Hindering Tourism

Tourism is not a panacea or a solution to all the problems of economic development in underdeveloped or developing countries, with our country falling into the latter category. The cited data indisputably shows the exceptional economic importance of tourism. The figures also indicate that the largest and most preferred types of tourism continue to be the sea recreational and winter ski tourism for recreation or vacation. Over half of all trips worldwide are subject to this purpose. Bulgaria is no exception to world trends (see Figure 1). However, these types of tourism are largely hampered by the seasonality factor. The question arises: What would be the economic impact of tourism in the world if we could reduce seasonality or increase the possibilities for extending the tourist season, regardless of the weather conditions?
Seasonality is a defining trait and a major problem for tourism industry. The necessity for its study is determined by: the complex influence of the natural and climatic conditions on the pricing process of tourist services, the characteristics of the tourist flow (volume, structure, direction) and the profit of tourist companies; the major economic consequences on all levels (national, regional, company); opportunities for developing strategies to limit negative effects and extend the season. Seasonal fluctuations hold important economic significance and are the result of a variety of factors. Their influence determines the length of the tourist season (Kazandzhieva, 2016).

According to Eurostat data, one in four European trips takes place in July or August. For 2015, tourist demand for EU tourists is concentrated in the third quarter, mostly in August (12.7%) and July (11.1%). The number of trips in August is 2.4 times larger than the number of trips in the worst month of January. The seasonal model is even clearer when examining the length of trips – the number of overnight stays in August is 3.8% higher than the number of overnight stays in the worst month – November (Eurostat Statistics Explained: Seasonality in tourism demand, 2017).

The situation analysis of the Bulgarian tourist product, made by the Ministry of Tourism in the Annual Program for National Tourist Advertisement, points out that one of its weakest aspects is its highly pronounced seasonality and dependence on sea and winter tourism, as well as the supply of a uniform and seasonally dependent product (Annual National Tourism advertisement, 2018). Surveys conducted among foreigners about their motives for visiting to Bulgaria also indicate that Bulgaria is popular as a cheap tourist destination for summer sea and winter ski tourism (Operational Program "Regional Development" 2007-2013).

Although our country has the potential to develop year-round tourism such as cultural and spa tourism, we are still competitive precisely with the two aforementioned types of seasonal tourism. For this reason, we believe that it is economically appropriate to explore the possibilities of extending the tourist season in the traditional, well-known and enjoyable types of tourism. Exploring and studying the approaches to extending the tourist season will increase the competitiveness of Bulgarian tourism, increase the efficiency of Bulgarian tourist companies and improve employment and wages in the field of tourism. These are effects that will support state policy in the field of tourism and the successful development of the business.

A frequent criticism of tourism is that it provides only a low level of income, and a seasonal one at that. It is well known that the majority of jobs in tourism are of low qualification. The employees are mostly women and young people. The job is inconsistent and inconvenient in terms of work schedule. The rate of pay of the majority of employees is low. It is necessary to improve working conditions and ensure the development of human resources (Ivanova et al. (2013), p. 150).

The development of effective mechanisms that will lead to the extension of tourist stays will have a beneficial effect on the level of pay in tourism. This will considerably reduce turnover and improve the opportunities for attracting and retaining well-qualified and efficient human resources in our country, which will greatly improve the quality and competitiveness of Bulgarian tourism.
The seasonal fluctuation of tourism demand has a negative impact on national economy. The fact that the material base and the staff are employed for only a few months per year is the reason for the high share of the conditional and permanent costs in the cost of the tourist product. This reduces the possibility for a flexible pricing policy, impedes the activity of tourism enterprises and reduces their competitiveness. Seasonality leads to a concentration of road vehicles to leisure areas during the high season. Travel comfort and quality of service are reduced (Rakadzhyska, 2007, p. 101).

Tourism development, in contrast to the development of service activities, influences the growth of travel needs. Moreover, the development of international and domestic tourism has become one of the chief factors that influence the growth of the population’s transport mobility and the volume of passenger freights in the last decade (Tsvetkova, 2009). These growing needs provide the basis for looking for opportunities to increase tourism supply, which is also the name of recreational tourism. Finding effective solutions to extend the tourist season would contribute to increasing the efficiency of tourism and meeting consumer preferences more fully.

According to Ivanova (2013), the negative consequences of seasonal inequality in demand require a thorough study of this phenomenon and the adoption of appropriate organizational, economic and social measures. For this purpose, tourist organizations employ seasonally differentiated prices (increased prices during the active season, moderate prices in-between seasons and discounts during the “dead season”), stimulating the development of the types of tourism that are impervious to seasonal fluctuations (business, congress, etc.) (Ivanova, 2013, p. 151).

Reducing prices in the wings of the season or raising them during the active season is a well-established practice that has proven its effectiveness. As we pointed out earlier, our country has the capability to offer a number of year-round tourism types. However, our country is still perceived as a destination for cheap sea tourism and holds second place for ski tourism. Therefore, the possible decisions to extend the summer or winter tourist season are subject to research interest.

4. Potential for Extending the Tourist Season

In relation to the Bulgarian Presidency of the Council of the European Union, a meeting of European and Balkan tourism ministers was held in our country. It was announced that tourism has a leading role in the economic growth and regional integration between the countries. To achieve sustainable tourism development, a shared economy and implementation of EU regulatory policies in the sector is needed. Besides, the statistical data is also evidenced by the significance that tourism holds for the Bulgarian economy. According to the World Tourism and Travel Council in 2016, in this sector and all related economic activities Bulgaria’s gross domestic product is worth over BGN 11.6 billion, which is approximately 13% of the country’s indicator. For this period, the number of employees in the sector and all related branches was 363,000 people, which is approximately 12% of all employees in Bulgaria.

All this proves the leading role of tourism in our economy. As mentioned earlier, the most developed and most visited types of tourism in Bulgaria are the summer sea and winter ski tourism, which, however, are limited by the seasonality factor. Moreover, according to consumer surveys, expert assessments and on the basis of our own studies, we can say that these are also the most competitive types of tourism in Bulgaria. For this reason, the purpose of the present scientific paper is to determine the possibilities for improving the economic development of tourism in our country, based on an analysis of the current situation and expert assessment of the future development or identification of desired development directions to be taken into account in the national tourism policy.

In our opinion, the Bulgarian tourist product will be improved significantly through the development of effective mechanisms for extending the tourist season for the most competitive and perspective for development types of tourism in Bulgaria – summer sea and winter skiing. Other authors point out that mass development models of those types of tourism can be resisted through cultural tourism and diversification of the product (Yordanov, 2012, p. 56).

Alternative forms of tourism are of interest for overcoming seasonality. These “new” forms of tourism made their appearance in developing countries between the 1970s and early 1980s, in order to tackle the hard mass tourism. These forms of tourism served a more sensitive approach giving priority to natural and cultural resources at the front line of planning and development of the destination. They appeared in different names and various models to improve situation and to preserve the original rural appeal of the tourist destination (Triarichi, Ei., Karamanis, K. (2017). The same authors indicate ecotourism, cultural and creative tourism as forms of alternative tourism. Most authors support the standpoint that alternative tourism unites those types of tourism that differ from the mass ones, which, for their part, are marine recreational tourism and winter ski tourism.
According to the Statute of Bulgarian Association of Alternative Tourism (BAAT) alternative tourism involves travel that is personal and authentic and encourages interaction with the local environment, people and communities. Alternative tourism includes package tours and individual tourist services in the following areas:

Nature-based tourism - tourism in natural environments, ecotourism, outdoors and adventure including biking, horseback riding, skiing, snow shoeing, rafting, diving, caving and hiking;

Culture tourism - rural, cultural heritage, ethnic, religious, wine, cuisine, music and crafts (BAAT’s Statute, 2018).

The classification of alternatives forms of tourism made by Ö. Özer, M. Avci and N. Karakuş is indisputably the most exhaustive one. It can be studied thanks to Table 4.

Among the types of alternative tourism indicated in the table, astronomical tourism and cruise tourism are not as widely covered in Bulgaria. The rest are represented well and have significant chances for further development. Among them, the ones with the highest potential and opportunities are ecological, rural, cultural tourism as a whole and health tourism. Bulgaria has a total of 942 protected territories, 35 of which are well-kept reserves and 55 preserves, 3 national and 11 natural parks, 346 natural monuments and 492 protected areas, covering a total of 578 484 hectares (The Law for Protected Territories). They are an essential prerequisite for the development of ecological and rural tourism, the latter of which is also developing well in the multiple country houses scattered across the country’s mountainous and hilly territories.

Table 4. Alternative Tourism Types

<table>
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<tr>
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<tbody>
<tr>
<td>Astronomy tourism</td>
<td>Horse riding and tourism</td>
<td>Silk road</td>
</tr>
<tr>
<td>Steam train tourism</td>
<td>Cycling sport and tourism</td>
<td>Ancient cities and historical places</td>
</tr>
<tr>
<td>Marine aquariums and tourism</td>
<td>Mountain climbing sports and tourism</td>
<td>Shooting areas</td>
</tr>
<tr>
<td>Bird watching tourism</td>
<td>Golf tourism</td>
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<tr>
<td>Speleological tourism</td>
<td>Skiing and winter sports tourism</td>
<td></td>
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<tr>
<td>Landscape tourism</td>
<td>Underwater sports and tourism</td>
<td></td>
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<tr>
<td>Eco tourism</td>
<td>Water sports and tourism</td>
<td></td>
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<tr>
<td>Auto-caravan tourism</td>
<td>Trekking</td>
<td></td>
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<tr>
<td>Rural tourism</td>
<td>Hang gliding and tourism</td>
<td></td>
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<tr>
<td>Tableland tourism</td>
<td>Hunting tourism</td>
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<tr>
<td>Camping and tourism</td>
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<tr>
<td>National Parks</td>
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<tr>
<td>Botanical tourism</td>
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<td>Photo safari tourism</td>
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Bulgaria has the third largest cultural heritage in Europe (behind Greece and Italy). Over 40 000 historical, ethnographic and cultural objects have been identified in the country. Over the past 4000 years seven civilizations have undergone an intense development within today's Bulgarian lands – prehistoric, Ancient Greek, Roman, Ancient Thracian, Byzantine, Bulgarian and Islamic. The advantages of health tourism in Bulgaria involve primarily the natural potential's high competitiveness. There are over 600 mineral water sources in the country, grouped in about 240 beds. Their total debit is about 270 million liters per day. Over 75% of them are warm and hot, with a temperature of 37-101°C. Almost all types of mineral waters found around the world can also be found in Bulgaria.

Thanks to its natural and historical variety, Bulgaria has significant potential for developing both mass and alternative types of tourism. The serious, still untapped, potential of natural and cultural resources is a prerequisite for the development of practically the majority of the so-called “alternative forms” of tourist activities which could have a significant impact in terms of changing the currently existing image of Bulgaria as a “destination for mass tourism”, as well as help destroy the clear seasonality in consumption outside of the active summer and winter seasons.

There are also other positive effects that could counter the negative economic consequences of seasonality. One possibility is to create prerequisites in our country for the development of year-round types of tourism – cultural, spa, wellness, business and others. While there are sufficient resources in Bulgaria for the development of these species, there is still a long way to go. The starting point in popularizing this type of supply is the development of an effective advertising campaign to demonstrate the country’s capability for offering these types of tourism in an attractive and appealing way. Combining recreational with year-round types of tourism would become one of the most profitable strategies for developing our
economy. However, such an advertising policy would require significant resources which, unfortunately, are inseparable from the budget. Therefore, other, more feasible options and solutions that would require fewer resources should be sought.

Literature overviews, personal observations and analyses and personal interviews with business representatives give us reason to conclude that **event tourism can be an effective form for extending the tourist season in Bulgaria.** The organization and conduct of **attractive events** can have effects in a number of directions: extending tourist stays, engaging the available base outside of peak seasons, enhancing the appeal and image of the area where it takes place, as well as a number of other effects.

The organization of tourism events has a positive impact on a given location or region, generating an **economic profit** based on revenues from the sale of products and services from various activities related to the event and increasing tourist turnover, which improves service quality and infrastructure. Since event tourism is a **key area for the image and economy of destinations**, its value has two viewpoints. On one hand, event tourism supports the progress of scientific knowledge in an area with great opportunities for research and development. On the other hand, it could prove important for managers, as it gives them a better understanding of the importance of being a host of unique events in shaping the image of the destination and the development of a sustainable tourism economy (Velikova E., St. Dimitrova, 2017, p. 8-17).

**Events** are increasingly seen as an **integral part of tourism development and marketing planning**. Although the majority of events have occurred with non-tourist purposes such as religious festivals, sports competitions, traditional festivals and cultural celebrations, there is a clear tendency for them to be used by the tourism industry or for the industry itself to create them as a kind of tourist attraction.

The prospects for turning Bulgarian tourist regions into **destinations throughout all seasons** are good. The development of more unpopular specialized tourism types, including event tourism, is limited, mainly due to a lack of information. It would be appropriate to seek options for organizing various events to build an image of our mountain and sea areas as destinations for "non-mass" tourism.

A survey conducted by Toneva has found that the measurement of the impact of event tourism in Bulgaria is applicable in the following more important directions:

- knowledge of market conditions and their use;
- adopting measures for improving event tourism in the future;
- implementing innovations;
- clarifying the strengths and weaknesses and their appropriate interpretation;
- connecting the received information to external systems, etc. (Toneva P.I. 2017)

According to the business, the seasons affect the visits of the tourists both in the sea and mountain resorts. A major problem for hotel-keepers is the strong influence of seasonality in the summer. Despite the fact that a significant number of them study the needs of tourists and the season during which they want to rest, as well as the preferences for various entertainment programs, there is a **lack of essential information from local authorities and communication between event organizers, tour operators and hotel-keepers.** Gatovski (2013) also points out that the current transport infrastructure does not have the necessary parameters and qualities to create the best conditions for transport services for tourism (Gatovski, 2013, p. 596). This further hinders accessibility to destinations in organizing large and significant events in the wings of the season.

In order for the bases of hotel-keepers to be more fully used, it is necessary to design **plans and programs for organizing all kinds of events, mainly during seasons with the least amount of visitors.** Most managers use tourist attractions and organize events in more than one season, but not all year round. The year-long employment of our tourist enterprises can be guaranteed through a more thorough analysis of the tourist market, available investments and good organizational structure.

5. Conclusion

In conclusion, an event can help overcome seasonality in tourism, as well as distribute evenly the cash flow in the region and increase full-time opportunities. The lack of year-round employment is one of the reasons why people are reluctant to start working in tourism in Bulgaria. Moreover, the high turnover of staff forces entrepreneurs in the tourism sector to pay
low wages, thus closing the circle. Therefore, creating conditions for year-round employment will improve not only the wages in tourism, it will also minimize the outflow of staff, which will, in turn, increase the quality of the tourist product.

This is only a small part of the positive effects of tourism. It has the ability to achieve a significant multiplier effect on the other economic sectors with which it is closely interconnected – transport, agriculture, commerce, light and construction industries. Improving tourism development through overcoming seasonality by developing year-round types of tourism or organizing attractive events to lengthen tourists’ stay could revive Bulgarian economy wholesale and contribute to its stable development. For this purpose, integrated tourist policies for encouraging tourism development through the aforementioned mechanisms should be implemented.

In our opinion, the **trends that will dominate the tourism market over the next few years** are expected to be in the following directions:

- further differentiation of the supply of the tourist product, aiming at a wider range of clients with diverse needs and opportunities;
- the process of concentrating capital, creating large international companies and corporations;
- Maintaining the integration process in the field of tourism both horizontally and vertically.

It is only in recent years that efforts have been made for diversifying the national product through the development of analyzed alternative forms of tourism combining the interest of smaller, but more solvent market segments with the stable consumption of tourist (natural and anthropogenic) resources. At this stage, however, alternative forms of tourism have more of a supplementary position in regards to its place in the national tourist product, meaning that the significant potential of a large portion of Bulgaria’s territory remains untapped or scarcely used and businesses and local municipalities there cannot make use of the advantages of tourism.

Besides taking into account the dominant trends, it is important to reduce the impact of seasonality and increase the number of visits by tourists outside the peak season by developing exemplary models to integrate into the concepts of development of the resorts or even areas. Carrying out a quality event requires the coordination of many stakeholders.

In recent years a good example of integrating mass ski tourism with alternative forms of tourism and organizing a number of events in Bulgaria is **the town of Bansko**, which, aside from holding a number of world sports competitions during the winter season, provides excellent options for hiking, rural and ecotourism during transitional seasons, and hosts multiple music festivals and folklore events in the summer.

Combining traditional mass tourism with natural, climate, historical and socio-cultural conditions allows for the creation of a complex, resource-based product that best suits the needs of tourists and is crucial for overcoming seasonality.

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Expert Evaluation of the Expression of Personal Competencies in Professional Activities

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Abstract

The analysis of scientific literature provides basis for the relevance of personal competence, focusing on the development of individual’s opportunities in professional activities. A new modern approach to personal development is associated with learning and development; health, wellness and safe workplaces; human resources measurement, reporting and financial management and empowering competencies/individual skills, comprising critical thinking and analysis; technology knowledge; research capabilities; quantitative and critical legal thinking capabilities. For the purpose of identifying the relevance of personal competencies in professional activities, an expert evaluation of the energy and environmental sectors was conducted. Summary results of the research of personal competencies in professional activities is presented in an expert evaluation model, distinguishing between the most significant and the least significant components. Non-parametric tests and calculation of the concordance of expert opinions by means of the Kendall concordance coefficient W and H hypothesis tests determine good and very good concordance of expert opinions in all cases.

Keywords: competencies, expert evaluations, expression of personal competencies, personal competence, professional activities.

Introduction

Relevance. Most of the examined scientific works highlight relevance and distinction of personal competence (McClelland, 1973; Spencer and Spencer, 1993; Laužackas, 2005; Viitala, 2005; Lustri, Miura & Takahashi, 2007; Boyatzis 2008, 2011; Pukelis, 2009; Adamonienė & Rubytė, 2010; Atkočiūnienė, 2010; Campion, Fink, Ruggeberg, Carr, Phillips & Odman, 2011; Gražulis, 2013; Diskienė, Stankevičienė & Korsakienė, 2014; Martinkienė, 2014; Niculescu, 2015; Raudeliūnienė, 2016; Zubrickienė & Adomaitienė, 2016; Kaur & Singh, 2016; Bharwani & Talib, 2017; et al.).

The analysis of scientific literature justifies the relevance of competence in the emphasis of the development potential in the activities of an individual, including work, learning and improvement. The relevance and improvement of personal competence is associated with constant scientific and technical change, increasingly complex human activities in all areas. The following features are relevant to personal competence: applicability, continuity, flexibility, accessibility, transposition. Therefore, education and development of competence is an unceasing process for a person to continuously acquire new skills and improve available personal qualities and capacities (Adomaitienė and Zubrickienė, 2011, p. 89).

The study of the relevance of competence in professional activities states that competencies are personal qualities that encourage activities of higher level (Spencer and Spencer, 1993; Lustri, Miura & Takahashi, 2007; Boyatzis 2008, 2011; Martinkienė, 2014; Rekašienė & Sudnickas, 2017). These qualities are a natural talent, susceptibility to improvement/selfimprovement, talent adaptation and knowledge (Lustri, Miura & Takahashi, 2007, p. 186).

In the innovative world, the employees, their knowledge, skills and values are the main resources of an organization's development, rather than the capital, manpower or natural resources. The knowledge employees possess is beneficial to the company's welfare (Mačerinskienė & Bartuševičienė, 2012, p. 98).

The society of the future is an intelligent society, a dynamic, rapidly changing society of educated, mobile, open, creative, responsible and constantly learning people. Therefore, contemporary professional activities require well-educated, highly intelligent, intelligence, creative and self-sufficient employees with full-fledged competencies, rather than higher professional specialization (Adomaitienė & Zubrickienė, 2011, p. 87). Organizations undergo rapid changes, thus, in addition to contemporary requirements to personal competence, the focus should also be on the competencies that will be a success in the future. Constant change causes new requirements to competence, its relevance and development.
throughout life. This becomes a precondition to personal self-expression. This means the need to develop and use effectively relevant personal qualities, constantly improve competence, working capacity and adaptability, to be capable of living and working actively in the ever-changing, complex social, economic, cultural and political life. Competence is an important factor for an individual in implementing a successful career on the one hand, and for an organization on the other. The competence of the staff and its development enables organizations to realize their goals and to adapt to changing circumstances. The emphasis is on expediency to encourage independent learning and opportunities for personal competence development and improvement (Adamienė & Ruibytė, 2010).

Knowledge, competence, personal qualities of people develop in the process of working, creating their own value and value of their products. As stated, “yesterday’s competencies may no longer be relevant tomorrow, thus flexibility and self-improvement (development)” is to be emphasized in the context of “future competencies” (Gražulis & Markuckienė, 2013, p. 143). Competencies change due to changing environment and this affects the realized activities, leads to continuous development of person’s competence as an element of continuous professional development.

Problem. The acceleration of globalization processes affects changes of the organization's environment, thus organizations face increased competition, new products and services (Stonienė, Martinkienė, Šakienė and Romerytė-Šereikienė, 2009, p. 92). According to researchers, a few appreciate the need to improve their existing competencies due to constantly changing environment. The acceleration of change and increasing environmental uncertainty require both, competent staff and continuous improvement of their competencies (Atkočiūnienė, 2010, p. 14).

Future prospects are not targeted by widespread training systems with prevailing traditional methods of teaching that are not effective. A new modern approach to competence improvement is associated with concepts such as new learning, self-learning and learning organization. It is learning from the experience of colleagues, exchange of personal knowledge and self-understanding (Paloniemi, 2006).

In the meantime, some of the knowledge could be documented and stored, thus ensuring their continued use. The other part was the entirety of tangible resources, such as employee experience, knowledge, skills and abilities, values and other intellectual property. The methods for evaluation of personal competence are alienated from individuals, their interaction and its integration into the organization. Little consideration is given to personal competencies as the main source of knowledge potential. As a result, the evaluation of personal competencies in professional activities becomes a complex and difficult problem.

The goal: expert evaluation of the relevance of personal competencies in professional activities.

The research methods and the stages of research organisation:

The analysis of scholarly literature, which serve as basis for the presented concept of personal competency in the context of professional activities (Spencer & Spencer, 1993; Lustri, Miura & Takahashi, 2007; Boyatzis 2008, 2011; Martinkienė, 2014; Melnikas, Jakubavičius, Strazdas, Chlivickas, Lobanova & Stankevičienė, 2014; Human Resources Professional Competency Framework, 2014; Bharwani & Talib, 2017; Tsimba, Mathuva & Mwenda, 2017; OECD Competency Framework, 2017; et al.). The analysis of scholarly literature enabled sampling of experts and elaboration of a structured questionnaire which includes identified blocks of personal competence and their components, individual skills (Human Resources Professional Competency Framework, 2014, p. 8). The opinion of energy and environmental experts on the relevance of personal competencies in professional activities can be attributed to expert knowledge. Experts logically analyze the problem raised, quantify and formally process the data. According to expert evaluations, the degree of compliance between their opinions on the research subject and the objectivity of expert conclusions are determined, which is affected by the essential, real facts and the interaction of phenomena (Kardelis, 2016). Therefore, the research included the approach of perception and knowledge.

The stages of research organisation:

Sampling of experts.

Elaboration of the questionnaire to experts.

Expert evaluation, encoding data by means of the SPSS statistical program.

Identification of concordance of expert opinions by means of Kendall concordance coefficient $W$ and the test of $H_0$ hypothesis, as well as data analysis and summary.
Expert evaluation is perceived as an aggregated opinion of an expert group, which is acquired by means of adapting the knowledge, experience and intuition of professionals/experts. This is a procedure enabling harmonization of the opinions of individual experts and formulation of a common solution. This is one of the most trusted data checking or justification methods that require specialized expertise and experience in a particular area that is not available with many professionals (Kardelis, 2016). An expert is defined as a specialist with specific knowledge and experience in a particular field (lot. expertus – experienced) (Sėrikovienė, 2013, p. 26). The professional competence of an expert that is relevant to the solution of the problem under consideration, which in the expert research is referred to as the expert’s competence.

From the point of view of V. Podvezko (2005), the assistance of professionals (experts) is indispensable for the purposes of solving economic and social problems, the comparison of different technology or innovation projects, forecasting the development of the process, evaluation of various operational strategies or the strategic potential of the object. An expert assessment method enables the improvement of quality and rationality of the decision-making process, since professionals (experts) can be included in all stages of the decision-making process (Sėrikovienė, 2013, p. 29).

Experts may often have different, controversial opinions and attitudes to the problem, thus it is important to establish the concordance of expert opinions (Podvezko, 2005, p. 101; Podvezko & Podviezko, 2014, p. 112). However, the results of expert evaluations may be applied in practice if a sufficient level of concordance of expert opinions is determined (Podvezko, 2005, p. 101). The credibility of expert assessments depends on the size of the expert group, composition of experts according to their specialties, personal qualities of experts.

The choice of experts was determined by the following:

1. The need to assess the level of relevance of personal competences in professional activities;
2. Peculiarities of sectors: the sectors of energy and environment are among the most important sectors of the economy both in economic and social and political terms, thus their peculiarities determined the choice of experts in energy and environment who are practitioners daily dealing with individual elements and processes of management and knowledgeable of sector’s activities "from the outside" and "from within".

10 experts were selected for expert evaluation according to the following selection criteria:

- Position held;
- Higher university education;
- Expert work experience in the energy or environmental sectors (at least 3 years).

The expert survey was conducted in April 2018.

The level of compatibility of experts evaluation was established choosing the Kendalls’ coefficient of concordance (W), which is calculated ranking the assessed criteria (Kendall, 1962). The closer the value of the concordance coefficient W is to one, the higher is the level of compatibility of evaluations. If evaluations differ significantly, the value W approximates to zero (Čekanavičius & Murauskas, 2002, pp. 40–42, 2008, p. 40; Podvezko, 2005, pp. 101–102; Podvezko & Podviezko, 2014, p. 112). The identification of the level of concordance of expert’s evaluation of the criteria with the value m > 7 was conducted using the value of the distribution χ² (chi-square).

Statistical hypotheses are formulated (Čekanavičius & Murauskas, 2008, p. 41):

H₀: Expert evaluations are controversial (i.e. concordance coefficient equals 0);
H₁: Expert evaluations are similar (i.e. concordance coefficient does not equal 0).

The results of the conducted nonparametric statistical test show the mean rank of all the evaluated criteria, the sample size (N-10), the value of Kendalls’ coefficient of concordance (W), the value of Chi-square, the number of degrees of freedom (df) and the p-value (Asymp. Sig.).

Research ethics. The research was conducted without violating the rights of research subjects and observing the ethical principles of the research, i.e. the research guaranteed the principle of volunteering, right to be heard without giving personal questions that could harm the subjects, anonymity and confidentiality. The experts were informed that participation...
in the research and the information provided would not be misused in the future. The experts were introduced to the purpose of the research and the results of the research.

The analysis of the data of the experts questionnaire survey was conducted with the help of the specialised statistical programme IBM SPSS Statistics for Windows 22.0 and the programme Microsoft Excel 2010, which provided basis for the distribution of experts participating in the survey based on gender, age, education, qualification, work experience, sector of activity, work area, length of experience, number of employees and positions held.

A group of 10 experts was selected on the basis of non-probability targeted sampling: 5 experts worked in the energy sector, the other 5 in the environmental sector. The survey included 6 females and 4 males. All experts had higher university education (8 acquired Master's degree, 2 were Doctors of Science) and at least 3 years of work experience: 1 expert worked as director, 4 experts worked as project managers, 1 was the head of the energy efficiency group, 1 was senior researcher, 2 were product managers, 1 was project development expert. All experts indicated that they had at least 3 years of professional experience, including 5 with 6–10 years, 3 with 16–20 years and 2 with 3–5 years. The age range of experts is 31–40 years of six experts, up to 30 of three experts and 41–50 of one expert. The length of activities on the labour market was 16-20 years, of the 2 interviewed and up to 5 years of the other 2 interviewed. One expert pointed out that his work experience was over 20 years. The work of the experts involved in the survey relates to energy management, 2 experts are related to environmental management and administration, and the other 2 are related to the preparation of investment plans. The main activities of the remaining 3 experts are related to energy production, transmission, distribution, supply (1 person); waste management and management (1 person); air pollution, noise calculation, simulation (1 person).

Research results
For the purpose of finding out the relevance of personal competencies in professional activities, experts were asked to evaluate the components of personal competence presented on the basis of the structure of professional competence of the human resources (Human Resources Professional Competency Framework, 2014, p. 8, 26).

<table>
<thead>
<tr>
<th>Learning and Development</th>
<th>Health, Wellness and Safe Workplaces</th>
<th>Human Resources Measurement Reporting and Financial Management</th>
<th>Empowering Competences/Individual Skills</th>
</tr>
</thead>
<tbody>
<tr>
<td>Learning culture W=0.513</td>
<td>Health and safety W=0.590</td>
<td>Competent business decisions W=1.000</td>
<td>Critical thinking and analysis W=0.840</td>
</tr>
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<td>Learning priorities W=0.612</td>
<td></td>
<td>Human resources audits W=0.722</td>
<td>Technological knowledge W=0.790</td>
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<tr>
<td>Ensuring continuous development opportunities W=0.977</td>
<td>Health, safety and wellness policy and procedures W=0.360</td>
<td>Human resources information systems W=0.840</td>
<td>Research capabilities W=0.640</td>
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<td>Implementation of learning and development program W=0.596</td>
<td>Wellness W=0.840</td>
<td>Human resources information W=0.614</td>
<td>Quantitative capabilities W=0.810</td>
</tr>
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<td>Evaluation of learning and development priorities W=0.945</td>
<td>Psychological health and well-being W=0.490</td>
<td>Human capital investments W=0.740</td>
<td>Critical legal thinking W=0.812</td>
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<td>Mentoring and coaching W=0.754</td>
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Figure. The values of expert evaluation components of relevance of personal competencies in professional activities

Personal competence was structured in the following 4 blocks: Learning and Development; Health, Wellness and Safe Workplaces; Human Resources Measurement, Reporting and Financial Management and Empowering Competences/Individual Skills: Critical Thinking and Analysis; Technological Knowledge; Research Skills; Quantitative Skills; Critical Legal Thinking.

The summary results of the research of personal competence in professional activities is presented in the expert evaluation model (see Figure), where the components of the highest and the lowest relevance are distinguished. The expert evaluation may be considered reliable, since, after calculating the Kendall concordance coefficient W, the expert opinion on all research issues was in good (W=0.612, W=0.590, W=0.614, W=0.640, W=0.754, W=0.840, W=0.712, W=0.722, W=0.840,
W=0,740, W=0,856, W=0,840, W=0,790, W=0,810, W=0,812, W=0,810) and in very good concordance (W=0,977, W=0,945, W=0,928). The concordance of expert opinions was excellent on one of the matters which points that W equals to one. The least concordance of the expert opinions is pointed by the Kendall concordance coefficient lower than 0,600 (W=0,513, W=0,596, W=0,360, W=0,490).

The research results point at the value of W being statistically significantly different from zero in all cases which is also confirmed by p-values, in all cases lower than the chosen level of relevance α (0,05).

**The values of expert evaluation components of relevance of personal competencies in professional activities:**

The most relevant **component of the learning culture** is the capability to anticipate learning opportunities in daily activities as related to the clear identification of knowledge gaps in work activities; review of work plans with the possibility to insert new trainings; identification of the most common errors in work activities. The least relevant component of the learning culture is the capability to define possible strategies for introducing learning and development into organizational culture associated with monitoring day-to-day tasks in order to identify potential opportunities for learning and education; with the implementation of the so-called "brainstorming" in the team to create ideas for integrating learning and education into organizational culture; attending training on effective learning and development programs.

The **most relevant component of training priorities** is the capability to select learning priorities of an organization enabling the maximization of return on investment and their alignment them with the business strategy related to the identification of organizational learning priorities that are most in line with the business strategy. The **least relevant component of learning priorities** is the capability to develop organizational learning priorities in consultation with key stakeholders in identifying future learning priorities; collection of information on gaps in employee skills.

The most relevant **component of continuous improvement** is the capability to develop learning objectives, maximizing employee development potential associated with data capture on learning objectives for employees; tailor-made learning goals for employees; drawing up of staff development plans; identification of directions for learning goals; the promotion of education and training for all staff. The least significant component of continuous improvement is the ability to assess the potential of employees to develop the competencies required for the organization's strategic goals in relation to the assessment of employee competence gaps arising from the organization's new strategies; to assess the ability of individual employees to develop the skills necessary for their success in the organization.

The most relevant **component of the implementation of the learning and development program** is the capability to implement relevant and effective learning and development programs related to tracking and applying advanced learning goals and development programs; changing education and training programs based on data on effectiveness. The least significant component of the implementation of the learning and development program is the introduction of recognized adult education and training programs in relation to training; registration of feedback on learning and development programs; recurring, reinforcing knowledge, training; the application of an appropriate education method throughout the organization.

The most relevant **component of the assessment of learning and development priorities** is the capability to assess the effectiveness of learning and development programs associated with the development of a tool for assessing the effectiveness of learning and development programs; assessing whether the learning and development program will be effective in the future; analysis of changes through the implementation of a learning and development program; progress in the implementation of the learning and development program; establishing or continuing or modifying a learning and development program based on analysis. The least significant component of the assessment of learning and development priorities is the capability to document the progress made to achieve learning and development goals associated to reporting on achievements, outcomes following learning and development outcomes.

The most relevant **component of mentoring and coaching** is the capability to inform managers about staff learning and development priorities in the preparation of reports on learning and development priorities; coordination of information on learning and development goals; providing and updating information for managers about the priorities of employees in learning and development goals; preparing tailored reports and presenting them to executives. The least significant component of mentoring and coaching is the capability to follow the latest mentoring and coaching principles associated with mentoring in learning and coaching; participation in conferences and mentoring lessons; reading articles, searching on mentoring; publishing articles on effective mentoring and coaching.
The most relevant component of health and safety is the capability to ensure the compliance of an organization with health and safety regulations and regulations on workplace associated with the assistance to health/safety inspector auditing health and safety matters; periodic inspection of compliance with health and safety standards; observing health and safety regulations for workplaces; responsibility for health and safety at work places; assuming responsibility for health and safety at work places. The least significant capability is following and understanding the laws, regulations and standards related to workplace health and safety associated with the compliance to laws, regulations and standards governing workplace health and safety aspects; participation in training in health and safety at work places; tracking information on upcoming changes in health and safety regulations at workplaces.

The most relevant component of health, safety and health policies and procedures is the capability to implement measures reducing the risks to workers' health and safety associated with the provision and assuring of safe equipment; reducing health and safety risks; health and safety training at the workplace. The least relevant component of health, safety and health policies and procedures is the capability to draw attention to environmental issues raised by employees associated to solutions of environmental issues; creation of procedures and mechanisms associated with environmental issues; the development of business culture by drawing the attention of employees to environmental issues and choosing appropriate measures to address emerging environmental issues.

The most relevant component of wellness is the capability to develop programs and initiatives that encourage employees to participate in wellness programs associated with the coordination of wellness programs; development of wellness programs; encouraging employees to use wellness programs. The least significant component of health is the capability to explain to managers and employees the benefits of healthy workforce associated with the promotion of healthy lifestyle; the promotion of a balance between work and personal life.

The most relevant component of psychological health and well-being is the capability to explain to employees and managers the significance of mental health and psychological well-being and their impact on the results of their work associated with assistance to the manager in collecting quantitative and qualitative research data on the impact of good mental health of workers on the performance of the organization; the development of information brochures on the significance of mental health and psychological well-being in the organization; the preparation of reports on the importance of the proactive approach to mental health and psychological well-being in the organization; the accumulation of quantitative and qualitative research data on the benefits of a good mental health and psychological well-being for the organization; providing evidence of the positive impact of good mental health on organizational performance indicators; the formulation of information on the negative impact of employees' stress and fatigue on organizational performance indicators. The least relevant component of psychological health and well-being is the capability to explain to managers and employees the benefits of an innovative approach to mental health and psychological well-being, associated with the assistance in collecting quantitative and qualitative research data on the benefits of employees of good mental health and psychological well-being for the organization's performance; the accumulation of quantitative and qualitative research data on the importance of the proactive approach to the benefits of psychological well-being in the organization; the preparation of reports on the importance of the proactive approach to mental health and psychological well-being in the organization.

The most relevant component of competent business decisions is the capability to align human resources decisions with the overall organizational strategy to ensure that all human resources decisions are made in accordance with the organization's strategy; the definition of the human resources organization's policy in accordance with changes in the organization's strategy; making decisions that promote the changes required for the implementation the organization's strategy. The least relevant is the capability to evaluate how the organization's financial and managerial information affects the human resources strategy associated with reviewing the organization's financial statements; identifying opportunities and obstacles; the definition of a human resources strategy within the organization's financial capacity.

The most relevant component of human resource auditing is the capability to assess the results of human resources audits by defining strengths and areas to be improved with the accumulation of human resources audit data; identification of non-compliances after human resources audits; identification of improvement options. The least relevant is the capability to create an audit program that analyzes human resources policies, procedures, programs and systems associated with the assistance to managers searching for an external service provider to audit human resources.

The most relevant component of the human resource information system is the capability to track changes in the development of human resources information systems associated with reading and tracking the human resources information system material. The least relevant is the capability to create a list of specifications and requirements for inputs
and outputs of the human resources information system associated with the development of the list for specifications and requirements; assisting managers in collecting information; data accumulation.

The most relevant component of human resources information is the capability to define the human resources information required for decision-making in an organization associated with the collection of human resources information; proposal of organizational solutions. The least relevant component of human resources information is the capability to use efficient and effective tools for storing information on human resources associated with the identification of effective human resources tools; improvement analysis; the implementation of human resources information storage.

The most relevant component of human capital investment is the capability to identify key performance indicators to measure the efficiency of investment in human capital associated with the identification of the desired results of human capital investment; formulating human results; the evaluation of the efficiency of human capital investment. The least relevant component is the capability to report on the efficiency of investment in human capital, associated with the assistance to reporting on the efficiency of investment in human capital; reporting on the return on investment in human capital; the preparation of recommendations on the modification of investment in human capital based on analytical data.

The most relevant empowering competencies/individual capabilities are critical thinking and analysis related to solving day-to-day problems; understanding of key issues; presentation of problems and opportunities; formulating effective solutions and strategies; situations considered in order to make rational decisions and rulings; addressing complex human resource challenges. The least relevant are quantitative skills related to the analysis of simple data/information; accumulation and analysis of important data groups; carrying out complex studies and their inclusion in the wider application.

Conclusions

The concept of competence is based on a combination of human knowledge, capabilities, skills, personal qualities, experience and other characteristics that determines the professional and efficient performance and the ability to successfully and responsibly act in a variety of changing situations. Scientific literature presents a variety of competency typologies, in which personal competence is recognized and distinguished. The relevance and exclusiveness of personal competence is emphasized in all the research works under the study. The analysis of typology of competences was performed, which enabled revealing the concept and structure of personal competence. Personal competence is related to the capability to know, analyze, improve personal qualities, learn from experience, thinking skills, analysis, ability to find solutions in difficult situations. Personal competence, as an integral part of the professional competence, is relevant and required for the development of other competencies.

Structural components of personal competence are defined as knowledge (formally recognized capabilities), capabilities and skills, concept of self-perception (associated with human personality, person's attitudes, values, attitudes, including their own identity and self-confidence), personal characteristics (associated with human personality, personal qualities), motives (associated with the employee's behavior).

Non-parametric tests and calculation of the concordance of expert opinions by means of the Kendall concordance coefficient W and H₀ hypothesis tests show that expert opinions were in good or very good concordance in all cases.

The evaluation of the entirety of personal competence in the competencies block of learning and development associated with the optimisation of the capability of organizations, teams and individuals to acquire and apply new competencies, determines that, as listed by experts, the competence of the learning culture is the most relevant in professional activities, while the competence of assuring continuous improvement opportunities is the second by relevance.

The entirety of personal competence in the block of health, wellness and safe workplace associated with the creation and maintaining of healthy and safe workplaces determines the competence of health and safety as one of the most relevant in the professional activities. The competence of psychological health and well-being is the second by relevance. The wellness competence is the least relevant.

Competent business decisions are determined as the most relevant personal competencies in the block of the human resources measurement, reporting and financial management competencies associated with the ability to collect, manage and process information related to human resources management and the ability to include financial analysis data into the process of making decisions on investing in human resources. The competence of the investment of human capital is the second by relevance. The least relevant competencies are human resource information system and human resources audits.
The evaluation of relevance of empowering competencies/individual skills in professional activities ranks critical thinking and analysis as the most relevant. Research capabilities are the second by relevance, quantitative skills are the least relevant.

An expert evaluation model is a set of personal competencies associated with a particular job, the performance of a particular work group or the execution of work in a functional area, which is relevant to professional activities.

The conflict of interest
The authors declare that there is no conflict of interests regarding publication of this article.

References


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Abstract

When New Zealand based developer Grinding Gear Games (GGG) announced that Chinese investment company Tencent acquired a majority stake in its company, the news quickly spread across interrelated multimedia spheres. GGG was founded in 2006 as an independent games developer whose sole product, the action role playing game (ARPG) Path of Exile, was released using a free-to-play model. From the beginning, players contributed to the economic stability of the company by engaging in microtransaction purchases (MTX) which allow for cosmetic changes to the game (e.g., addition of an in-game pet or new coloring for a piece of armor). GGG’s fan base has grown steadily. Company members have earned a reputation of openness and accessibility. Owner and lead developer Chris Wilson, for example, continues personally responding to community members via email or by posting and replying to gamers on the popular news aggregation site Reddit-- where, in late May 2018 he announced the expanded partnership with Tencent. In less than twenty-four hours, almost 6500 replies were made to Wilson’s original post. Other reaction threads were created. Popular gamers (streamers) broadcasting on their Twitch.tv channel devoted hours to discussing the ramifications of the deal. Through discourse analysis, the authors examine the top five hundred Reddit comments and interpret the results through an interdisciplinary theoretical framework. The resulting case study sheds light on consumption and production; more specifically, how consumer perception might impact the economic model of the company.

Keywords: PWYW, gaming, case study, discourse analysis
Workaholism and Its Manifestations in Individuals Running Small Family Businesses – Selected Qualitative Research Results

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Abstract

The research into workaholism in individuals running small, family-owned businesses, among microentrepreneurs, i.e. individuals conducting business activity and employing up to 9 people, was inspired by the relatively high number of persons seeking assistance at a psychotherapy centre, classifying the ailments as workaholic issues, with n=64 respondents interviewed. The paper presents selected manifestations of workaholism, categorised into several key data areas as a result of qualitative research. Quota sampling was used to select respondents who were microentrepreneurs and who had been running family businesses for at least two generations. The results presented in the paper are part of a more extensive research project supervised by the first author, concerning the psychological aspects of running family businesses.

Keywords: workaholism, microentrepreneurs, small family business owners

Introduction

Origin, causes, course, symptoms and consequences of workaholism

The origin of workaholism can be described very extensively, but an excellent synthesis was provided by M. Szpitalak (2012, p. 31). The following approaches are distinguished: firstly, the cognitive approach (e.g. Burwell & Chen, 2002); secondly, the psychoanalytical approach (e.g. Pietropinto, 1986); thirdly, the personality approach (e.g. Wojdyło, 2003); fourthly, the neurobiological approach (e.g. Feuerlein, 1989); and finally the behavioural approach (e.g. Klimański, 2000, Robinson, 1998). Each of these approaches underscores a different aspect when analysing the phenomenon of workaholism: the cognitive approach emphasises the dysfunctional assumptions concerning goal-directed activities, the psychoanalytical approach emphasises the defensive mechanisms and unconscious drives, the personality one emphasises the specific set of traits contributing to excessive occupational activity, the neurobiological one emphasises the chemical compounds responsible for certain body reactions, and the behavioural one emphasises the specific pattern of behaviour and conduct.

Our centre, where the research was conducted on n=64 patients, represents the psychodynamic approach, hence the typologies of ailments recorded in in-depth interviews. This may be particularly significant for the results of qualitative
research obtained, focusing on specific work with the patient embedded in the psychoanalytic trend.

There are three models that explain workaholism. The first one describes it as an addiction which brings the individual profits in the initial period, while only later do costs start to appear and to prevail. The second group of theories is based on learning theories, comprising classical conditioning, instrumental conditioning (fear of losing one’s job or of poverty), and social learning. The third category includes theories of personality traits emphasising the specific configuration of a workaholic’s traits that cause the pathology in occupational activity (McMillan et al., 2001, as cited in Szpitalak, 2012, p. 31).

The main source of workaholism is the innate human predisposition related to the lack of control and lack of detachment from intensified occupational activity and, similarly as in the case of other addictions, the physiological dependence mechanism making individuals derive more satisfaction from work than from other activities in life (Bortkowski et al., 2001), as well as feel the need to achieve and set themselves very high standards, also caused by family influence (Robinson, 1998), the personality type and temperament (with cholic and melancholic individuals being most at risk), the strong inner compulsion to work and the experience of discomfort when occupational activity is ceased (Spence, Robbins, 1992), fears, lack of a sense of security, permanent anxiety (Schultz, Schultz, 2002) and low self-acceptance (Chamberlin & Zhang, 2009) (as cited in: Szpitalak, 2012, p. 32).

Oates (1968) considered “social irresponsibility” to be the principal cause of workaholism, making it impossible to establish social relations and providing a substitute for any social relations.

The overwhelming satisfaction with work, causing individuals to lose themselves in it, is suggested by Bonebright et al. (2000), together with another reason, namely the compulsion to work, and a third one, namely positive reinforcement as an effect of that activity.

Coming back to the role of work in human life, work satisfies a number of basic and higher needs, and contains a number of hidden functions: it structures the day, it gives one a sense of identity and self-esteem, and makes it possible to establish relations with other people. All these aspects may constitute, to a greater or smaller extent, triggers of behaviours related to excessive involvement in occupational activities.

McMillan et al. (2001) propose a medical and psychological approach. In the former, neurostimulators are important that cause excitement and satisfaction, preventing fatigue. Repetitiveness leads to addiction. The psychological mechanism of addiction consists in becoming stuck in the conviction that without the excessive occupational activity, the workaholic is unable to function in an optimal manner (Szpitalak, 2012, p. 33).

When one analyses the causes of workaholism, there is no doubt that a huge role is played by the human personality, and in particular by personality structure and by the styles of coping with stress. The risk factors are as follows: low self-esteem, the need for self-confirmation, perfectionism, the need for social approval and dependence on other people’s judgments, high ambitions, the tendency to escape into work in difficult life situations (Minirth et al., 1981).

The issue of low self-esteem seems to be of key importance when discussing workaholism. People with low self-esteem compensate for it by engaging in excessive occupational activity or other goal-directed activity (Porter, 1996).

This vicious circle making unbiased self-assessment impossible for the individual is described by Wojdylo (2003): the individual thus experiences permanent dissatisfaction due to the constant raising of self-expectations, which makes it impossible for them to assess their achievements in an objective manner. Setting high standards protects the individual against the potential confirmation of their low worth by those around them.

**Qualitative research analysis – presentation of in-depth interview findings**

**Study sample**

The study was conducted at a large psychotherapy centre in southern Poland, on a sample of n=64. The subjects sought assistance there in 2016–2017 due to ailments they classified as excessive tiredness with work and full subordination to work, which the patients referred to as workaholism. The first criterion for sample selection was the conscious declaration of workaholic symptoms determining day-to-day functioning. Quota sampling was used to select respondents who were microentrepreneurs (employing up to 9 people) and who had been running family businesses for at least two generations. 32% of the patients were members of Stowarzyszenie Firm Rodzinnych [Family Business Association]. Only 27% of the respondents were women. Over half of the subjects (54%) declared to have alcohol abuse issues, as they treated alcohol...
as an ad hoc means of solving work-related problems. Of the businesses, 36% were service providers, 16% manufacturers, and 48% trading enterprises.

Qualitative research method

The research was conducted using the structured in-depth interview method, focusing on the subjects’ biography, on the work-home/home-work conflict, and on experiencing the negative consequences of running one’s own business in the form of a family microenterprise. Only open-ended questions were asked. The research was carried out by the authors who hold a degree in psychology (specialising in psychology of labour and organisations). The full range of the research will be presented in the study report, supervised by the first author, concerning the psychological aspects of running family businesses.

Data from in-depth interviews, review of existing research into workaholism and discussion of the findings

As far as the causes of workaholism are concerned, the literature lists: personality traits, social and cultural influences, as well as social impact (Ng et al., 2007). These are exactly the three groups of answers obtained in the in-depth interviews, in which the main reasons for workaholism-related ailments were quoted: “pressure from my family”; “my father is putting pressure on me, after all we took over the business from his father, and this means something, it’s my duty to keep it up to an appropriate standard”; “I have no choice, I have to carry on with this… my family would probably kill me if I quit”; “that’s just my nature, that’s the way I am”; “these are my traits”; “I can’t imagine a different life”; “what will the others say?… it’s always been like this, we’ve had this cake shop… what else?…”

It has been proven in the research that the following factors are connected with the development of workaholism: personality traits, including in particular compulsion, perfectionism, conscientiousness, the need to achieve, secondly: treating work as a value, i.e. personal incentives, thirdly: impact, family modelling and organisational incentives such as rivalry, and finally: peer modelling (Liang, Chu, 2009), and this is what results also from the in-depth studies, quote: “I’m an extreme perfectionist”; “if I get up and my day is totally full, I’m super conscientious”; “I have to do it, I have to be good at it, I constantly invent new recipes”; “I can’t sleep unless I go to the market… I constantly get the impression that I won’t be able to live otherwise”; “what would I tell my family, and how… that I won’t be able to support them, that I’m closing down what our whole family has been working so hard for – my grandfather, my father, me, and what will I hand down to my son?…”; “my grandfather handed the business down to my father, he handed it down to me, so what am I supposed to do, fail?…”

The following results were obtained during the review of the existing research with regard to the personality-related correlations of workaholism with the Big Five concept by Costa & Mc Crae (e.g. 2000): a positive correlation with neuroticism; extraversion with workaholism factors from the classification by Spence & Robbins (1992): work engagement, satisfaction and compulsion (Burke, 2006). A positive correlation has also been demonstrated between conscientiousness, openness to experience, extraversion and the components of workaholism named before (Andreassen, Hetland & Pallesen, 2010); the relationship between the conscientiousness variable and the agreeableness variable with work engagement, and the relationship between conscientiousness and openness to experience with the work compulsion variable, the conscientiousness variable, the agreeableness variable, and the openness to experience variable – this variable also correlated positively with work satisfaction, as demonstrated by Aziz, Toronzo (2011). Golirska (2008), a Polish researcher, obtained similar research results among women in the work satisfaction and conscientiousness variable, and additionally confirmed the negative relationship with neuroticism. Among men, on the other hand, there was a positive relationship between openness to experience and the degree of work satisfaction. Other Polish research demonstrated the relationship between temperamental traits: avoiding negative reinforcement, perseverance, and workaholism (Paluchowski, Hornowska, 2003). During the research, confirmation has been obtained in the subjects’ answers, for instance, quote: “when making these bouquets, I don’t think about anything, I switch myself off completely”; “time flies so quickly at work that I realise all of a sudden that it’s 9 p.m., and I started at 8 a.m.”; “I’m so immersed in these websites that I don’t know when I create them”; “I don’t know how to stop”; “I fidget around on Sunday, I’d prefer to be at work”; “I’ve always got itchy feet, I’m unbearable when I’m not working”; “I constantly think if I’ll be able to make ends meet, there’s a lot of it, I could reduce employment by half, the problems, etc., but I continue to be stressed out about whether I’m developing or winding up”; “if I’m to do something in a sloppy way, I prefer not to do it at all, and since I can’t be idle, I have to keep up the standards all the time, it’s burning me out, but it gives me a kick”.

The role of motivation in the development of workaholism is emphasised by Baumeister, Heatherton, Tice (2000, p. 13) referring to the disruptions in the process of self-regulation related to the development and maintaining of workaholic behaviours. In their opinion, individuals attempt to cease to act in that way, but are unable to do so. Only some stronger
stimuli such as weakness, pain and weariness are capable of stopping this. The patients provided the following accounts to their therapists during the study, quote: “I don’t know how to stop, I know I have to… I understand it, I really know that it’s burning me out, but I don’t know how to withdraw from it…”; “I’m extremely tired, I don’t have time for anything, for life, for my family, for running, for food, I’m constantly at work, it sometimes hurts me, generally, my whole body…”; “I’ve recently fainted at work, I slept 4 hours on the couch in the corridor… I didn’t care about anything, sleep overcame me so strongly that I didn’t make it home, even though I live just next to the company’s headquarters”; “my body hurts, my head aches, my bones ache, I feel bad, and I still go to work, I don’t understand it, what am I supposed to do?”

According to McClelland’s trichotomy of needs theory (1985) the need for achievement is more connected with the will to be successful than the need for power and the need for affiliation. Such persons work individually better than in a group to earn their own professional success, and these needs are acquired in one’s childhood, hence the gender differences (Czarnota-Bojarska, Łada, 2004). The need for power is the striving to achieve a high status in the social hierarchy, and prestige. In workaholics, these two needs prevail, while the intensity of the third one is low (McClelland, 1985). The study subjects declare as follows, quote: “this business is my life, I don’t have anything else, any other prospects, any alternative, I need to have a good car, a house, good clothes – that’s what I’m known for, so that people don’t say that I haven’t coped, poor thing, went bankrupt…”; “I prefer to work for my success than to be employed regularly somewhere and work for someone else”; “I don’t want to be average, I never wanted to, my father left me this business, so if it’s not me, who else can do it… I’ll work my guts out, but I’ll cope”.

Adler (1986) assumes all actions are driven by the overcoming of one’s weaknesses, of the sense of inferiority one experiences. Work engagement is one such way of compensating for low self-esteem (Frąszczak, 2002, p. 224), which has been presented in an interesting manner also in this research, quote: “at school, I was the last kid chosen for the team in PE classes, I was red-haired and freckle-faced, and now I drive a Mercedes, I’ve got my own employees, a secretary, if you’re rich, you can do anything, can’t you…”; “I know it’s not worth it, because my health is a mess and my nerves are shattered, I know it won’t do me any good, but at least people respect me”; “maybe I’m paying too high a price, but after all I’m not Mr Nobody”; “they didn’t believe in me in the family, neither my father nor my brother, and now look who I’ve become”.

Wojdylo (2004) emphasises two motives: that of avoiding failure and that of achieving success. The two motives are mutually contradictory because every attempt to succeed entails the risk of failure. An additional need is social recognition leading to enhanced self-esteem, therefore workaholics continue to stubbornly strive to achieve the goals of their activities despite failures.

The role of motivation and personality in the development of workaholism has been presented above, but family also plays an important role. According to McMillan, O’Driscoll, & Brandy (2004), it is a problem of the unhealthy family-relationship dynamics (just like in anorexia, by the way). The control-based parenting style seems to be an extremely significant factor: there, another source of frustration is provided by the constant comparing to other, meaning “better”, children (Price, 1982). The usually high parental expectations, the acquired conviction that one must prove themselves, the development of consequently unstable self-esteem that depends on other people’s judgments and on one’s own achievements, lead to extreme perfectionism and workaholism (Robinson, Post, 1994), quote: “I still feel this, namely that I have to deserve my father’s praise, his respect”; “mother always made me account for what I had managed to achieve”; “I’ve never had a good opinion of myself, this job makes me feel better about myself”; “I prefer to be at work than to be home”; “I don’t have a close relationship with my wife and children, I provide them with cash, I sometimes think she has a lover and that the children have a different father, odd, isn’t it?”; “there’s no love in me, it’s always been like this, no hugs, no nice and funny family dinners”; “I’m absent from the family, it’s somewhere aside”.

The style of communication in workaholics’ families is also peculiar: it is based on avoiding conversations about problems. It is important not to show emotions that may be considered as signs of weakness and of the inability to control oneself. On top of that, conditional love, with children learning from the very start that they have to deserve positive reinforcement from their parents or guardians, strengthens workaholic behaviours (Killinger, 2007).

**Conclusion**

To sum up, the compulsion to repeat the trauma is visible in the place and in the atmosphere of the chosen occupational activity that reflects family experiences. Workaholics choose occupational activities in which they have the opportunity to repeat unprocessed family problems. Obsessive work engagement is related to the sense of inferiority, to fear of failure and defence against unresolved family problems that also cause strong anxiety (Robinson, 1998). Obviously, it is significant
for such conclusions that the therapeutic centre that was selected followed the psychoanalytical approach, which oriented the patients’ thinking and influenced data collection, but on the basis of the in-depth interviews with the studied subjects, confirmation has been obtained of the classic progress described in the literature, as well as of the origins, causes, course, symptoms and consequences of workaholism also in the analysed sample.

A safe attachment style developed in childhood makes it possible to put interpersonal relationships above occupational activities. A safe attachment style does not use work or the satisfaction derived from work to satisfy unsatisfied needs or to escape from social relations. Workaholics, i.e. individuals characterised by an anxious-ambivalent attachment style, are dominated by the need to obtain recognition and admiration from those around them, as well as by compulsive occupational activities. The creation of a safe attachment style is therefore the only direction to follow in the treatment and prevention of workaholism.

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Freedom of Information and Citizens’ Perception in Albania

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Abstract

Transparency and the right to information are among the most important components of good governance, strong and stable democracy, citizen’s participation and the fight against corruption. The right to information is a constitutional right that is guaranteed not only by freedom of information law but also from the Albanian constitution. This legal framework is ranked 6th in the world and guarantees not only citizens right to access public information but also obliges institutions to proactively disclose information. Beside the fact that the Albanian legal framework is a very good one, it is very important to know citizens perception regarding the necessity of this right. For this reason a survey was conducted and the data show that citizen education and their contact with the law are not enough for the proper implementation of this law. Public awareness is needed not only to explain how to exercise the right to access information but especially to explain the importance of this law in the fight against corruption.

Keywords: transparency, information, access, citizen’s perception

Introduction

An important element of transparency that directly affects the fight against corruption is access to public information. Lack of access to public information deprives citizens from the possibility to control government’s activity and undermines comprehensive and democratic decision-making process. A transparency-based governance is easier to be control by citizens and accountability is better accomplished. Through transparency and various ways of its implementation, public administration is able to understand what the needs and interests of the public are. In this way government has the opportunity to provide proper services to citizens. Public administration can absorb citizen’s opinion regarding transparency through various mechanisms and should react when it comes to concerns or suggestions from their side. This increases the rationality, maturity and effectiveness of the decision-making process. This also improves public trust towards public authorities. In order to have a successful public administration, transparency is a must but also the legal framework is a basic condition that should be fulfilled.

Access to information brings benefits not only to citizens but also to the government (Dunion 2011). This access is provided by the freedom for information law and serves as an instrument for citizens to exercise their right to seek information held by public bodies (Holsen, 2007).

Worthy, B., & Hazell, R. (2013) argue that the law on information should aim to achieve six main objectives:

Keywords 1. Increase transparency
Keywords 2. Increase accountability
Keywords 3. Improving government decision-making
Keywords 4. Increase public understanding of government decision-making
Keywords 5. Increase Civic Participation
Keywords 6. Increasing public trust in the government

While other researchers argue that transparency and access to public information are considered as the main tools in preventing corruption (Lidberg, 2002). The prevention of corruption is achieved not only by having a good legal framework but the most important is how this framework is being implemented by all stakeholders like public bodies, civil society actors, citizens and also by the media. As democracy is based on the power of people, then citizens have the right to access the information that is produced and maintained by public authorities. Access to information enables citizens to better understand and judge government decisions and also to increase the accountability of public institutions (Michener, 2011, Vleugels, 2010). But this theory was objected by Lord (2006) that in his study argues that transparency can bring
negative effects. The case of Singapore illustrates how a government can control public information by using different and soft techniques, or by weakening the links between information and political change. The findings of his study are in contradiction of the perception that people have about transparency.

Indeed, many countries have adopted the freedom of information law. Sweden is the first country that adopted the law in 1766. Then in 1951, Finland adopted the law and it was followed in 1970 Norway and Denmark. The United States implemented the freedom of information law two centuries later than Sweden (Darch & Undearood, 2005). Australia, Canada and New Zealand followed the same example in 1982-1983. The law encountered a bit more resistance in the UK and continental Europe. Initially, the right to information was envisaged as part of the Code of Administrative Procedures. After 1990 many European States adopted the freedom of information law, such as Hungary (1992), Portugal (1993), Ireland (1997), Latvia (1998), Czech Republic (1999), Kingdom United Kingdom (2000), Estonia (2000), Lithuania (2000), Poland (2001), Romania (2001), Slovenia (2003), Germany (2005), and the European Union (2001). This delay in adopting the freedom of information law showed strong political resistance to provide citizens the right to access information. Other countries such as Austria, France, Italy or Spain have aligned the administrative procedural legislation further with the requirements of transparency.

Albania has taken important steps towards adopting an advanced legal framework for the right to information. Also the adoption of an anti-corruption strategy as well as the implementation of a good action plan are considerable steps for the Albanian public administration. The right to information is guaranteed by Article 23 of the Constitution of the Republic of Albania and Law 119/2014 "On the Right to Information". This law is among the best laws in use of its kind and is ranked 6th¹ in the world. But is it enough just to have a good legal framework? Is the freedom of information law massively recognized by the public? What is the perception of the public regarding this phenomenon? These are just some of the issues that will be addressed in this research paper.

**Freedom of information in Albania**

The right to information in Albania is guaranteed by article 23 of the Constitution of the Republic of Albania, which provides that: The right to information is guaranteed. Everyone has the right, in accordance with the law, to obtain information on the activity of state bodies as well as people exercising public functions. Everyone is given the opportunity to attend meetings of elected collective bodies. In addition, Law 119/2014 "On the Right to Information" was adopted to guarantee this constitutional right as well as to determine citizens’ rights and obligations of the institutions. The main purpose of this law is and should be to provide information to the public. Also institutions are and should be in continuous correspondence with citizens, should demonstrate in front of them accountability, willingness to provide information regarding their everyday activity, performance and also should contribute to increase citizens trust.

This law regulates the right to access information that is produced or maintained by public authorities, being so a regulatory framework that enables transparency of government activities and public authorities. In this context, the law provides a broad understanding of the term ‘public information’ which means any data recorded in any type of form or format, in the course of assuming the public function, regardless whether it has been worked out by the public authority or not. The assessment that an information is public means that it is not subject of possible restrictions therefore it should be present to the public.

The freedom of information law has expanded the circle of the institutions that are subject to this law and have the obligation to receive and respond to the requests for public information. Institutions that should implement this law are: a) all administrative bodies provided for in the current legislation with regard to the administrative procedures, law-making, judicial and prosecution bodies of every level, bodies of local government, state bodies and public entities, created by the Constitution or by law; b) commercial companies where: i) the state holds the majority of shares; ii) and exercises public functions, (c) any natural or legal person who is provided by law, sub-legal act or any other form provided by the legislation in force. The law has not only regulated the issue of the right to access information but also the procedural aspects by establishing an institutional mechanism to monitor the implementation of this law.

The right to information law provides two main categories of public information:

Information that should be public without request that includes transparency programs

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¹ [http://www.rti-rating.org/country-data/scoring/?country_name=Albania](http://www.rti-rating.org/country-data/scoring/?country_name=Albania)
Information that should be public with request

Information that should be public without request or the proactive transparency should be in accordance with the following principles:

**Make available to citizens** all the information produced from the activity of the institution, beginning with the budget, public procurements information, legal or regulatory framework, concession contracts, CV’s of employees and subjects declaring their assets, organogram etc.

**Legality, transparency and anti-discrimination.** Access in information is secured in conformity with all the legal framework, giving precedence to the freedom of information law and non-discriminating none of the requesters of information.

**Offering free of charge information.** The tariffs imposed for making available public information are considered an impediment to obtain access in information. For this reason proactive transparency secures that a large part of the information becomes public on web pages securing thus free of charge access for all citizens. While, in the cases when the requested information is large it can be offered to the requester through a cost oriented tariff.

**Access for anyone.** Access on information must be offered to anyone, a special focus granted to the vulnerable segments of the society.

**Offering of information** must be done as soon as possible and not later than 10 working days, except the cases when the specific legislation has foreseen it differently

**Quality of information.** Every information available to citizens must be:

- complete;
- precise;
- updated;
- easy to review;
- understandable;
- easily accessed;
- in conformity with the original documents of the respective institution;
- easily used.

The information which becomes public following a request is related to every document produced or administered by public authorities, which the citizens reserve the right to request it and public authorities to make it available within 10 working days. It is true that the freedom of information law has had a very positive impact following the increase of transparency in public institutions, it even serves as an instrument to fight corruption, but the question stands whether this law is indeed known well by citizens? Do they know the importance and impact of this right? These are some of the topics dealt with in this study.

**Methodology**

In order to evaluate which is the perception of citizens in connection to the right of information a survey was organised and answered by 697 individuals in 7 days. According to the outcome of the survey, it can be easily understood that more women than man answered it, specifically 63% of the responders were female and 37% male, but all positioned inside the age interval (70-30). The age variable offers an interesting insight into the understanding of the results, where it can discerned that the majority (77%) who answered the survey belongs to the age group 25-50 years old. It is important to underline that the survey aimed to target the able for work group age, which are presumed to have the most contacts with the public authorities. The other age groups are under 25 years old, 18% and over 50 years old 5%. The large majority of the respondents have higher education, specifically 59% have an MA degree, 13% have a PhD and only 5% have high school as their stated education. Analyzing the answers given by the majority of the respondents, it results that 38% of them is employed in the private sector while 35% in the public sector. Students/in process of education/in training represent 10% of the respondents list, entrepreneurs 9%, jobless 5% and 3% did not answer this question.

**Findings**

In relation to the question regarding the understanding people had on the term ‘right of information’, it resulted that 88% of the respondents had knowledge about it and only 12% did not have any knowledge on this term.
But when citizens were asked on the knowledge of the freedom of information law, 56% of them responded positively. While 44% of the respondents were not aware of the law, as graphic 2 below shows. This result may seem as a paradox, since it leads to the conclusion that the understanding of the term on the right to information confuses citizens. It should be underlined that given this apparent confusion the purely statistical output may not be entirely true when it comes to some kind of knowledge the respondents may have had prior to answering the survey, nevertheless the way the survey question was framed did not provide a third alternative, with the aim of understanding as much as possible the confidence with the law every respondent had.

At the graphic below are shown the results on the question related to the content of the freedom of information law. The majority of the respondents, specifically 83%, expressed that this law means access to public information. While the protection of personal data and instructions for civil society perceptions of the law, are represented by respectively 10% and 7% of the respondents. Despite the fact that the % of citizens having knowledge regarding the freedom of information law (graphic no. 2), is lower than the % of people showing a large understanding of the law aims (graphic no.3), the alternative answer (graphic no.2) still shows their orientation towards access to public information.

The respondents mainly did not have any contact with the freedom of information law, where 59% have answered negatively. The other part of the respondents as represented at graphic no.4 below, have had previous experiences with the law, which perfectly correlates with those having knowledge regarding the law (graphic no.2).
In relation to the importance of the law, 43% of the respondents have expressed their opinion that this law is important since it serves to inform citizens. The strengthening of democracy and prevention of corruption have been specifically chosen by 30% and 21% of the respondents. Only 6% of the respondents did not know the importance of the law. Thus, from the citizen’s perception it results that they do not perceive freedom of information law and transparency as one of the main tools which prevents corruption.¹

97% of the respondents believe it is necessary for citizens to be informed on the contents of the law. Only 3% of the respondents have answered negatively on the importance of the law in informing citizens.

Furthermore, the importance given to this law is reflected on the answers of the last question where 62% of the respondents think the administration must be fully transparent, 37% think that administration should be more transparent while only 2% are not interested in the transparency of the administration.

¹ Graphic no.2 is the best comparison basis to understand this %.
Apart from the descriptive analysis of the survey question it was deemed necessary to analyze if various question have a correlation with each other. For this reason, the education level and perception connected to the fact how transparent should the administration be were analyzed.

**Correlations: Education and Transparency**

<table>
<thead>
<tr>
<th></th>
<th>Education</th>
<th>Transparency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Correlation Coefficient</td>
<td>1.000</td>
<td>.004</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.</td>
<td>.924</td>
</tr>
<tr>
<td>N</td>
<td>697</td>
<td>697</td>
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<td>N</td>
<td>697</td>
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</tr>
</tbody>
</table>

From the above table, it resulted that: Sig. (2 tailed) is 0.924 which indicates that the variables don't correlate with each other. Thus, regardless of the increase of education level, this has no connection to the perception of citizens on the transparency level of the administration.

Moreover, the use of freedom of information law by citizens with their perception regarding the importance of this law was analyzed.

**Cross tabulation: Contact with the law and the importance of the law**

<table>
<thead>
<tr>
<th></th>
<th>Prevent corruption</th>
<th>Strengthen democracy</th>
<th>Informs citizens</th>
<th>Don't know</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contac t No</td>
<td>70</td>
<td>75</td>
<td>118</td>
<td>24</td>
<td>12</td>
</tr>
<tr>
<td>Yes</td>
<td>33</td>
<td>71</td>
<td>99</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>103</td>
<td>146</td>
<td>217</td>
<td>27</td>
<td>17</td>
</tr>
</tbody>
</table>

Source: the author
It results that only 15.6% of those who used the freedom of information law think this law is important to prevent corruption while 23.4% of the people who made no use of the law think the same. In total, 21% of the citizens who took part in the survey, think this law is important to prevent corruption. The majority think this law is important to inform citizens. This shows that awareness raising is needed.

As Albania is divided in four regions, it is important to know citizens’ perception all over the country. The data below shows that in region no.4 (Fier, Gjirokastër, Vlorë) citizens are more informed compared with other regions. Given the short time of the existence and functioning of the current law (less than 4 years), the numbers simply show a relatively slow progress, and would be interesting to compare again against these figures through a similar survey in the next 2 and 4 years. Such periodicity may offer another insight into the distribution of knowledge, both nationwide and region wide.

### Cross tabulation: Regions and the knowledge of the law

<table>
<thead>
<tr>
<th>Regions</th>
<th>Knowledge of the law</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>R1(Kukës, Lezhë, Shkodër)</td>
<td>47.7%</td>
<td>53.3%</td>
</tr>
<tr>
<td>R2(Tiranë, Durrës, Dibër)</td>
<td>43.3%</td>
<td>56.7%</td>
</tr>
<tr>
<td>R3(Berat, Elbasan, Korçë)</td>
<td>54.9%</td>
<td>55.1%</td>
</tr>
<tr>
<td>R4(Fier, Gjirokastër, Vlorë)</td>
<td>36.8%</td>
<td>63.6%</td>
</tr>
<tr>
<td>Total</td>
<td>44%</td>
<td>56%</td>
</tr>
</tbody>
</table>

Source: the author

### Conclusions

Despite the fact that the freedom of information law in the case of Albania is ranked 6th worldwide with regards to the legal provisions, still lots of work should be undertaken to increase public understanding regarding the legal framework. The aforementioned legislation is one of the most important for preventing corruption in public administration and it’s perceived in the same way even by the respondents of this nationwide survey. It should be also mentioned that it’s the first time a perception survey regarding freedom of information in Albania has been conducted at such scale, including all regions of the country, various age groups, different level of education and professions alike. The fact that the participation of respondents from the private and public sphere was almost even, indicates that the distribution of awareness and understanding of the law aims is the same. Still, the percentage of knowledge is relatively low, and as discussed above, it may be interesting that this question is included into another perception survey at least in the next 2 and 4 years, in order to offer some kind of periodicity as well as broader understanding of the path that the law is now taking into the Albanian reality.

### References


