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FINANCIAL INCLUSION

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***Abstract:** Economic development of a country, but also the living standards of its citizens can be analysed through financial services offered. For over five years the availability of financial services is included in a category called financial inclusion and, in the broadest sense, it would mean access to the use of financial services by households and firms (current account, deposit, loan, investment, insurance, etc.). The relevance of financial inclusion for economic development of a country or its reverse, underdevelopment of a country, made organizations such as World Bank, International Monetary Fund, Bank for International Settlements or forums supranational institutions such as the G20 or simple private initiative but international visibility regard this concept and have the targets in this regard. We have noticed a valence evolutionary concept. Thus, from an understandable initial basic measured only by a few indicators, it was currently a very complex concept, measurable by a large number of indicators that allow assessment multilateral levels (access to financial services, their use, and their quality). Finally, it is important to follow the level of financial inclusion in Romania and its evolution.*

***Keywords:** financial inclusion, economic development, Romania.*

***JEL Classification:** G20, O10.*

1. Introduction. The concept of financial inclusion

At its most general, financial inclusion means access to financial services for the population and companies, and their utilization by the respective categories (GPFI, 2016).

A more evolved opinion on financial inclusion is "the process of ensuring access to appropriate financial products and necessary services by all members of society in general and vulnerable groups in particular at an affordable cost in a fair and transparent way through institutional mass actors" (Chakrabarty, 2012). The National Bank of Romania also has a similar opinion. Thus, in the Financial Stability Report 2016, financial inclusion is defined as the "level of access to financial services (payments, insurance, credit and savings, investments) by all segments of households and companies, under reasonable costs. More broadly, financial inclusion refers not only to access of financial services, but also their quality" (NBR, 2016). World Bank publishes a report with a series of indicators (the report already has two editions, the first in 2011 and the second in 2014) on financial inclusion, considers that financial inclusion "means people and businesses have easy access and affordable financial products and services that meet their needs - transactions, payments, savings, credit and insurance services - delivered in a responsible and sustainable manner" (The World Bank, 2017). Also, the International Monetary Fund, which also published a report entitled Financial Access Survey, which is already six editions, the last in 2016, believes that financial inclusion is "access and use of official / formal financial services" (Sahay, 2015).

In conclusion, we note that the term financial inclusion can range from "access to and use of services provided in a responsible and sustainable way" to "providing affordable financial services for disadvantaged segments of society, with low income".

2. Study of specialized literature

The concept of financial inclusion has been in recent years under the attention of forums which aim to debate the world financial situation. Firstly there must be mentioned the efforts of the G20 (composed of ministers of finance and governors of central banks from the 8 economies, G7 + 1, the 11 largest emerging economies, EU, representatives of the World Bank and IMF) towards recognizing the essential role of financial inclusion, considering that this is the key element that allows the fight against poverty. Thus, the G20 leaders gathered in

summit in Pittsburgh in November 2009, were committed to improving access to financial services for the poor and created for it a Group of Experts on Financial Inclusion (FIEG) to analyze expansion of access to finance for households and SMEs. FIEG has developed a series of new principles of financial inclusion, based on experiences and lessons learned from policymakers worldwide. These principles were approved at the Toronto Summit of the G20 in June 2010 (The World Bank, 2012). Financial leaders of the world, gathered at G20 agreed at the summit in Cannes in 2011, a Global Partnership for Financial inclusion (GPMI) to support the global and national financial inclusion and which subsequently approved at the G20 summit in Los Cabos in 2012 a set of indicators - prepared by GPMI – through which to assess financial inclusion. The following year, under the Russian chairmanship of G20 GPMI developed a more comprehensive set of indicators of financial inclusion, which included indicators on financial education, and also the quality of assurance of financial access which was approved at the 2013 St. Petersburg Summit of G20. Under Turkish presidency of the G20 in 2015, the milestones of financial inclusion were: financial inclusion for youth, access to finance for SMEs, increasing the role of private sector in financial inclusion. Under the Chinese presidency of G20, from 2016, members of this forum and their partners in GPMI proposed new indicators to measure also the use of financial services, but especially set new objectives in terms of availability and quality of digital financial services as well as consumer protection in the financial domain (Sahay et al., 2015).

At European level, the issue of financial inclusion has a dichotomous character, because EU members in Western Europe have high access to financial services, while new members, those in east, have more modest access. However both at the level of EU Commission and the European Parliament are initiatives to increase financial inclusion in this regard a directive being adopted to increase access to payment accounts with basic services (EU Directive 2014/92 of the European Parliament and of the Council July 23, 2014 on the comparability of charges for payment accounts, change payment accounts and payment accounts with access to basic services). Also to be mentioned that, based on this directive, the European Banking Authority adopted a guide that lists basic financial services in the European Union. Romania is still working on the transposition into national law of the directive mentioned above, existing, in this respect, an initiative of the National Authority for Consumer Protection, yet not adopted. It should be added that the National Bank of Romania introduced in late 2015 as intermediate objective of monetary policy to ensure financial stability, the increase of the degree of financial inclusion (NBR, 2016).

3. Significance of financial inclusion

Access to an account transaction is a first step towards broader financial inclusion, because it allows people to store money, send and receive money. A transaction account may also serve as a gateway to other financial services, which is why access to a transaction account for people around the world is the focus of the "Universal Financial Access 2020", promoted by the World Bank Group. The reason for this initiative is that access to financial services facilitate everyday life, helps families and businesses, enables long-term planning of objectives and coverage of unexpected emergencies. Also, a wider financial inclusion allows people to use financial services such as credit and insurance to start or expand businesses, to invest in education or health, to better manage risk, to better absorb financial shocks and improve their overall quality of life.

The issue of financial inclusion was based on answers to questions such as why some people or some enterprises have no access to financial services or call to them rare and very rare. The answers are: low income, lack of financial intermediaries or services of financial intermediaries are not adjusted to demand.

Although there are numerous studies on financial inclusion, they do not entail any

direct link: Financial Inclusion - economic development - increases of living standards. But surely there is a link between, on the one hand, economic development and increases of living standards and, on the other hand, financial inclusion. The more developed is the economy, the higher the standard of living is increased, the higher will be the demand of financial services of households and firms. It is possible that an increase in the financial intermediation of the population and businesses to contribute to the pluses of GDP, but if people's incomes and businesses is not enough to consume some of them for financial services, they will not do anything but avoid them.

In time, statistics indicate that there has been progress in terms of financial inclusion, but significant challenges remain.

Thus, certain groups are more financially excluded than others: women, the rural poor and other isolated groups, who hardly access financial services. Also, access to financial products is relatively difficult for most small businesses. As there is a large gap between developed and developing countries in terms of financial inclusion.

Countries that have achieved the greatest progress toward financial inclusion have implemented policies that enable and encourage competition, allowing banks and other non banking financial enterprises to innovate and expand access to financial services. However, creating this innovative and competitive space should be accompanied by rules and measures of consumer protection to ensure responsible provision of financial services.

It should also be noted that digital technology, materialized also in the financial field ("FinTech" in the language of the World Bank, G20 or the Global Partnership for Financial inclusion) and in particular the global spread of mobile phones has helped expand access to financial services, low costs and risks, for populations from remote areas, and small businesses. FinTech makes it easier than ever before, the process of opening an account and digitizing payments. mobile phone based financial services allow convenient access to them even in remote areas, and greater availability of customer data enables suppliers to design digital financial products that better suit the needs of non-banked individuals.

4. Indicators for measuring financial inclusion

G20, through the Global Partnership for Financial Inclusion believes that financial inclusion must be measured in three dimensions: (i) the use of financial services, (ii) access to financial services and (iii) quality of products and the provision of such services. Note that the indicators are permanently adjusted, adding new ones, because the concept of financial inclusion has seen continuous development. Regarding sources of data for the indicators to measure financial inclusion, they are: database Global Findex World Bank, IMF Financial Access Survey, Gallup World Poll, the World Bank Enterprise Surveys, OECD National Financial Literacy and Financial Inclusion Surveys OECD Financing SMEs and Entrepreneurs Scoreboard, World Bank Doing Business, World Bank Global Survey on Consumer Protection and Financial Literacy, World Bank Financial Capability Surveys, World Bank and Global Payments Systems Survey (GPFI, 2017).

Table no. 1. Indicators that G20 believes that financial inclusion could be measured

	Category	Indicator	Source	Freq.
USAGE INDICATORS: ADULTS				
1A	Adults with an account	Percentage of adults who report having an account (by themselves or together with someone else) with a formal financial institution or a mobile money provider	Global Findex	triennial
1B	Number of accounts	Deposit accounts per 1,000 adults	FAS	annual
1C		E-money accounts per 1,000 adults	GPSS	annual
1D		Number of mobile money transactions per 100,000 adults	FAS	annual
2A	Adults with credit at	Percentage of adults with at least one loan outstanding from a bank or other formal financial institution	Global Findex	triennial

	Category	Indicator	Source	Freq.
2B	regulated institutions	Outstanding loans per 1,000 adults	FAS	annual
3	Adults with insurance	Insurance policy holders per 1,000 adults Disaggregated by life and non-life insurance	FAS	annual
4	Cashless transactions	Retail cashless transactions per 1,000 adults Includes: number of cheques, credit transfers, direct debits, payment card transactions (debit cards, credit cards) and payments by e-money instruments (card-based e-money instruments, mobile money products, and online money products)	GPSS	annual
5	Adults using digital payments	Made or received digital payments (% age 15+) Percentage of adults using a transaction account (with a bank or other formal financial institution or mobile money provider) to make or receive a digital financial payment Includes: Use the internet to pay bills or make purchases online; Use a phone to pay bills, make purchases, or send or receive money from an account (with a bank or other formal financial institution or mobile money provider); Use a debit or credit card to make a direct payment from an account; Send or receive remittances to/from an account; Receive wages, government transfer payments, or agricultural payments to an account; Send utility or school fees from an account	Global Findex	triennial
5A	Payment using a mobile phone (from an account)	<Sub-indicator>Made payment using mobile phone (% age 15+) Percentage of adults using a mobile phone to pay bills, make purchases, or send or receive money from an account (with a bank or other formal financial institution or mobile money provider)	Global Findex	triennial
5B	Payments using the internet	<Sub-indicator>Made payment using the internet (% age 15+) Percentage of adults using the internet to pay bills, make purchases, or send money online	Global Findex	triennial
5C	Payment using a bank card	<Sub-indicator>Made payment using a debit card (% age 15+) Percentage of adults using a debit card to directly make a payment from an account (with a bank or other formal financial institution)	Global Findex	triennial
5D	Payment using account	<Sub-indicator>Received wages or government transfers into an account (% age 15+) Percentage of adults who receive wages or government transfers into an account (with a bank or other formal financial institution or mobile money provider)	Global Findex	triennial
6	High frequency of account use	High frequency of account use (% age 15+) Percentage of adults with high frequency use of an account. "High frequency" is defined as having taken money out of a personal account(s) at a bank or other formal financial institution 3 or more times in a typical month, including cash withdrawals, electronic payments or purchases, checks, or any other type of payment debit, either by account owner or third parties.	Global Findex	triennial
7	Saving propensity	Saved at a financial institution (% age 15+). Percentage of adults that saved at a bank or other formal financial institution in the past year	Global Findex	triennial
USAGE INDICATORS: ENTERPRISES				
8A	Formally banked enterprises	SMEs with an account at a formal financial institution (%) Percentage of Small or Medium Sized Enterprises (SMEs) with an account at a bank or other formal financial institution	WB Enterprise Surveys	3-5 years
8B		SME deposit accounts (as a % of non-financial corporation borrowers) Number of SME deposit accounts (as a % of non-financial corporation borrowers)	FAS	annual
9A	Enterprises with outstanding loan	SMEs with an outstanding loan or line of credit (%) Percentage of SME with outstanding loan or line of credit from a bank or other formal financial institution	WB Enterprise Surveys	3-5 years
9B	loan or line of credit at regulated	SME loan accounts (as a % of non-financial corporation borrowers) Number of SME loan accounts (as a % of non-financial corporation borrowers)	FAS	annual

	Category	Indicator	Source	Freq.
	institutions			
10	Digital payments to or from enterprises	SMEs that send or receive digital payments from an account (%) Percentage of SMEs that send or receive digital payments from an account	WB Enterprise Surveys	3-5 years
ACCESS INDICATORS: PHYSICAL POINTS OF SERVICE				
11A	Points of sale	Branches per 100,000 adults Number of branches per 100,000 adults	FAS	annual
11B		ATMs per 100,000 adults Number of ATMs per 100,000 adults	FAS	annual
11C		Agents of payment service providers per 100,000 adults Includes: agents of banks and other deposit-taking institutions, as well as specialized entities such as money transfer operators and e-money issuers	GPSS	annual
11D		Mobile agent outlets per 100,000 adults Number of mobile agent outlets per 100,000 adults	FAS	annual
11E		POS terminals per 100,000 adults Number of POS terminals per 100,000 adults	GPSS	annual
11F		Access to a mobile phone or internet at home (% age 15+) Percentage of adults with access to a mobile phone or device or internet access in the home	Gallup World Poll	triennial
12	Debit card ownership	Debit cards per 1,000 adults Number of debit cards per 1,000 adults	GPSS	annual
13	Enterprise points of service	SMEs that have a POS terminal (%) Percentage of SME's that have a point of sale (POS) terminal	WB Enterprise Surveys	3-5 years
14	Interoperability of Points of Service	Interoperability of ATM networks and interoperability of POS terminals (0-1) Takes the value 1 if most or all ATM networks (/POS terminals) are interconnected and 0 if they are not interconnected	GPSS	annual
QUALITY INDICATORS: FINANCIAL LITERACY AND CAPABILITY				
15	Financial Knowledge	Financial knowledge score: Arithmetic score which sums up correct responses to questions about basic financial concepts, such as: (A) Inflation, (B) Interest rate, (C) Compound interest, (D) Money illusion, (E) Risk diversification, (F) Main purpose of insurance.	WB Financial Capability Surveys	Periodic
16	Financial Behaviour	Use of savings for emergency funding: Percentage of adults that respond "savings" in response to the question: If you had an emergency that required [\$10, or 1/25 of GDPPC] urgently, where would you get the money? a) borrow from friends/ relative; b) work more; c) sell assets; d) savings; e) loan from savings club; f) loan from bank; g) would not be able to find it	Global Findex	triennial
QUALITY INDICATORS: MARKET CONDUCT AND CONSUMER PROTECTION				
17	Disclosure Requirements	Disclosure index combining existence of a variety of disclosure requirements: (1) Plain language requirement (e.g. understandable, prohibition of hidden clauses) (2) Local language requirement, (3) Prescribed standardized disclosure format, (4) Recourse rights and processes (5) total rate to be paid for a credit (basic costs plus commission rates, fees, insurance, taxes)	WB Global Consumer Protection Survey	annual
18	Dispute Resolution	Index reflecting the existence of formal internal and external dispute resolution mechanisms: (1) Internal dispute resolution mechanism indicator: law or regulation setting standards for complaints resolution and handling by financial institutions (including timeliness, accessibility, requirements to implement complaints handling procedures) (2) External dispute resolution mechanism indicator: System in place that allows a customer to seek affordable and efficient recourse with a third party (supervisory agency, a financial ombudsman or equivalent institution)	WB Global Consumer Protection Survey	annual
QUALITY INDICATORS: BARRIERS TO USE				
19	Credit Barriers	Percentage of SMEs required to provide collateral on their last bank loan	WB Enterprise	3-5 years

Category	Indicator	Source	Freq.
		Surveys	
	Getting credit: the strength of credit reporting systems and the effectiveness of collateral and bankruptcy laws in facilitating lending.	WBG Doing Business	annual

Source: GPFI, 2015. *G20 Financial Inclusion Indicators, Global Standard-Setting Bodies and Financial Inclusion – The Evolving Landscape*. [online] Available at: <www.gpfi.org> [Accessed 5 February 2017].

Note, yellow colored indicators are indicators that were included in the index in 2016, under the Chinese chairmanship of the G20.

The first category of indicators measuring the use of financial services are 20 in numbers, of which 15 refer to the use of financial services by the population, and the other five relate to the use of financial services by enterprises. Indicators measuring the use of financial services by the population (accounts, loans, deposits, insurance policies issued etc) since 2016 increased with 5 new indicators which are considering the use of electronic payment services by the population: via mobile phone, Internet, debit cards, digital payment or receipt of income or government transfers into the account.

The second category of indicators consider the access to financial services, and there are nine of them. Specifically, they allow a complete view of physical access to financial services: banking agencies, ATMs, POS, cardholders, and also the interoperability of the remote access network. Six of the nine indicators are introduced in 2016, with regard to those measuring access to digital financial services: access to POS, debit cards, companies equipped with POS, physical points which allow making payments, agencies selling mobile phones or internet access.

The third category of indicators measures the quality of financial services, are six in number and are divided into three categories. First subcategory allows the analysis of financial education of the public, following financial literacy and financial behavior. The second subcategory contains two indicators on the relevance of Financial documents (plain language, easily understandable, prohibition of hidden clauses, use of the local language, the use of standardized documents, specifying therein the rights and obligations, if the total rate to be paid for credit is mentioned, including basic costs plus commissions, fees, insurance premiums and other fees) and how to resolve conflicts. The third subcategory aims at barriers in using financial services, especially credit, and refers only to enterprises: guarantees requested to SMEs or credit conditions.

5. Financial inclusion in Romania

To assess the level of financial inclusion in Romania I have used data from the Global Findex, a database managed by the World Bank, based on surveys in the adult population (over 15 years) and a series of information in the Financial Access Survey, database managed by the International Monetary Fund, but based on official statistics.

Table no. 2. Number of accounts of the adult population at financial institutions

Indicator	Bulgaria		Czech Rep		Euroland		Hungary		Moldova		Poland		Romania		USA	
	2011	2014	2011	2014	2011	2014	2011	2014	2011	2014	2011	2014	2011	2014	2011	2014
% of adults over 15 years old with account at a FI, of which	53	63	81	82	91	95	73	72	18	18	70	78	45	61	88	94
a women	55	63	81	79	89	94	73	72	17	19	68	73	41	57	84	95
men	50	63	81	85	93	96	72	72	19	16	72	83	49	65	92	92
b Income below 40%	40	50	75	79	90	92	68	71	9	12	62	71	32	46	81	87
Income over 60%	62	72	85	84	91	96	76	73,4	24	21	76	83	53	71	93	98

c	over 25 years old	54	67	85	85	93	97	76	76	18	19	76	80	46	62	91	95
	youth (15-24 years old)	45	33	56	65	77	80	51	51	17	12	48	64	37	55	76	88
d	With primay education	26	32	..	..	..	..	46	45	4	2	..	..	27	34	..	..
	Secondary education or higher	68	77	..	..	..	..	84	84	22	22	..	..	51	72	..	..
e	Rural areas	45	54	79	80	89	95	70	71	15	15	69	75	37	56	87	93

Source: The World Bank, 2014. *Global Findex 2014*. [online] Available at: <<http://datatopics.worldbank.org>> [Accessed 5 February 2017].

The World Bank, 2011. *Global Findex 2011*. [online] Available at: <<http://datatopics.worldbank.org>> [Accessed 5 February 2017].

Romania has a disappointing performance in respect of persons who claim to have an account at a financial institution (Table no. 2), only 61% of adults answered yes to this question. Thus, our country ranks last in the European Union, 2 percent below the indicator registered in Bulgaria and at a distance of 34% compared to the EU average. It can also be noted that men who have a bank account are more numerous than women, also those who have higher incomes have a bank account at a higher proportion than those with low incomes. Likewise, the owners with bank account are more frequent among adults than young people and bank account holders increase with the level of education. Is notable also the increase by about 33% of bank account holders between 2011 reporting (first Global Findex) and 2014 (second Global Findex). In rural areas the account holders in 2014 represented 54%, more with about 50%, compared with the previous value.

Call for financial services (Table no. 3) indicates the following situation:

- in the year before the latest Global Findex, 2014 1 of 8 Romanian adults act as the borrower of a financial institution, the value below that of the US, France or Germany, but around values in the Czech Republic and Bulgaria and higher than in Hungary. Initially men borrowers were more often than women borrowers in the last reporting both for men and women, 12% of them (one of eight) declare themselves debtors at a financial institution;

- saving is an operation much rarer for the Romanians. Thus, in countries like France, Germany, the US, more than half of the population saves at a financial institution, in Romania, the process is currently at about 13% of the adult population, a value that is below the level of all other former socialist states. As with other indicators, the process is significantly more frequent in men than women and among adults than youth;

- the situation is repeated also with regard to the "high" frequency of use of the account (at least three times a month). Thus, in Romania, the indicator registered a value of 13%, below the range of 60-75% in financially advanced countries, but at the level of Bulgaria and Hungary. To this indicator to observe a value of 15% for the 'young people who use the account more than 3 times per month';

- in the category of digital payments for Romania amounts rise up to levels of 40-50%, but unfortunately, they are half of the values registered in the US and Western Europe and a few percentage points below that of the former socialist EU countries;

- broken down by categories of digital payments, rankings do not change. Thus, Romanians use for payments, mainly, debit cards, receive money in their accounts to some extent the Internet, when the mobile phone is rarely used for payments. Note the relatively high percentage of young people, over national values, who use the Internet or the mobile phone for payments;

Table no. 3. The degree of coverage of financial inclusion

Indicator	Year	Bulgaria	Czech R.	France	Germany	Poland	Hungary	Romania	Moldova	USA
% adults over 15 years old who have borrowed in the las year from a FI, of which										
total, of which	2011	8	9	19	13	10	9	8	6	20
	2014	13	13	15	19	19	9	12	7	23
women	2011	7	9	17	11	8	10	7	7	18
	2014	14	13	15	16	16	9	12	6	21
men	2011	8	10	20	14	12	8	10	6	22
	2014	12	13	16	22	22	9	12	7	26
% adults of over 15 years old who save at an FI										
total, of which	2011	5	35	50	56	18	17	9	4	50
	2014	14	38	52	58	21	19	13	7	54
women	2011	5	33	46	55	16	17	9	3	48
	2014	13	36	46	58	19	18	11	7	53
men	2011	5	38	54	57	20	18	9	4	53
	2014	16	39	58	58	22	21	16	6	55
adults	2011	4	39	50	54	17	17	9	3	51
	2014	16	41	50	56	22	21	14	7	54
youth	2011	7	28	51	63	21	19	8	4	50
	2014	10	31	58	65	19	15	11	7	54
% adults over 15 years old who frequwntly use the account										
total, of which	2014	11	38	61	74	42	12	13	3	70
women	2014	11	34	57	73	41	12	11	2	70
men	2014	12	42	65	76	44	12	15	4	71
adults	2014	12	37	63	76	41	12	11	4	74
youth	2014	10	40	55	72	44	14	16	2	62
% adults over 15 years old who make or receive digital payments										
total, of which	2014	52	80	93	96	65	67	43	15	92
women	2014	51	77	91	96	60	65	39	16	94
men	2014	52	83	94	95	70	69	48	14	90
adults	2014	52	81	96	97	62	67	40	16	93
youth	2014	51	79	82	93	71	66	50	13	90
% adults over 15 years old who make payments using a debit card										
total, of which	2014	35	52	76	79	40	47	24	7	67
women	2014	33	51	72	81	36	46	21	7	68
men	2014	36	54	80	78	44	48	28	7	66
adults	2014	34	50	79	80	35	45	22	7	65
youth	2014	37	57	67	79	48	52	31	7	73
% adults over 15 years old who make payments using the mobile phone										
total, of which	2014	2	14	12	13	6	10	3	0	32
women	2014	2	15	15	14	8	11	4	0	32
Men	2014	2	13	9	11	3	9	1	0	31
adults	2014	2	12	11	9	3	9	2	0	25
youth	2014	2	18	15	25	11	13	5	0	47
% adults over 15 years old who make payment using the internet										
total, of which	2014	16	46	44	56	43	22	12	10	65
women	2014	14	44	39	50	39	21	11	10	61
men	2014	19	48	51	63	47	24	12	10	68
adults	2014	12	38	45	52	34	20	7	7	59
youth	2014	29	62	45	70	60	28	21	14	77
% adults over 15 years old who use savings as main source in case of emergencies										
total, of which	2014	17	43	48	56	28	20	16	10	40
women	2014	14	38	47	56	24	19	11	9	38
men	2014	21	47	50	56	33	22	21	11	42
adults	2014	20	50	53	57	31	24	18	11	44
youth	2014	10	28	36	52	23	10	10	8	30
% adults over 15 years old who receive income or transfers in their accounts										
total, of which	2014	39	59	56	52	41	43	29	12	57
women	2014	40	57	50	52	35	43	24	13	58

Indicator	Year	Bulgaria	Czech R.	France	Germany	Poland	Hungary	Romania	Moldova	USA
men	2014	38	61	62	53	47	44	34	10	55
adults	2014	39	58	54	50	37	41	26	13	57
youth	2014	38	61	61	62	47	50	35	10	57

Source: The World Bank, 2014. *Global Findex 2014*. [online] Available at: <<http://datatopics.worldbank.org>> [Accessed 5 February 2017].

The World Bank, 2011. *Global Findex 2011*. [online] Available at: <<http://datatopics.worldbank.org>> [Accessed 5 February 2017].

- The Romanians also used in a small percentage savings to cover emergency situations, perhaps turning to alternatives: Loans from friends / relatives, work more, sales of goods, loans from financial institutions.

Table no. 4. Dynamics of accessibility of financial services

Country	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Number of ATMs to 1.000 km²												
Bulgaria	16	21	33	41	48	52	53	55	54	54	52	67
Czech Republic	36	39	42	43	44	46	48	51	53	57	58	59
France	80	87	87	95	97	100	103	106	107	107	107	106
Germany	NA	NA	NA	217	223	228	237	241	237	237	249	246
Hungary	37	39	43	48	52	52	53	54	53	53	54	53
Moldova	7	9	11	14	18	21	23	26	28	31	33	30
Poland	26	29	32	38	45	51	54	57	59	62	67	72
Romania	14	19	26	32	40	42	44	48	48	47	48	50
United States	42	43	43	45	44	46	NA	NA	NA	NA	NA	NA
Number of ATMs to 1.000.000 adults												
Bulgaria	26	34	54	68	80	88	91	94	93	94	91	118
Czech Republic	32	35	38	38	38	40	42	44	46	49	50	51
France	86	93	92	100	102	104	106	109	109	109	108	107
Germany	NA	NA	NA	107	110	112	117	119	118	116	123	121
Hungary	39	41	45	50	54	56	57	58	56	57	58	57
Moldova	8	11	13	15	20	23	26	29	31	34	36	32
Poland	25	27	31	36	43	49	51	54	56	58	63	69
Romania	18	24	34	42	53	57	59	65	65	64	65	69
United States	165	168	166	173	167	173	NA	NA	NA	NA	NA	NA
Banking agencies to 1.000 km²												
Bulgaria	52	52	51	53	55	55	54	35	36	35	35	34
Czech Republic	24	24	25	25	26	26	26	27	28	28	28	27
France	20	21	43	43	43	40	40	40	38	38	38	37
Germany	43	41	34	33	33	32	32	32	28	30	29	29
Hungary	13	14	15	16	17	17	16	15	15	14	14	14
Moldova	6	7	7	8	10	9	9	10	10	11	11	9
Poland	28	28	29	31	34	35	34	34	36	35	35	33
Romania	NA	NA	NA	NA	28	27	26	26	24	23	22	21
United States	8	8	9	9	9	10	10	10	10	9	9	9
Banking agencies to 100.000 adults												
Bulgaria	84	85	83	88	92	92	92	60	61	61	60	60
Czech Republic	21	21	22	22	23	23	23	23	24	24	24	24
France	22	22	46	45	45	42	42	41	39	39	38	38
Germany	21	20	17	16	16	16	16	16	14	15	15	14
Hungary	14	15	16	17	18	18	17	16	16	15	16	15
Moldova	7	8	8	9	11	10	10	11	11	12	12	10
Poland	27	27	28	30	33	33	32	32	34	33	33	31
Romania	NA	NA	NA	NA	37	36	35	35	33	32	31	29
United States	33	33	34	35	35	36	35	35	35	33	32	33

Source: International Monetary Fund, 2015. *Financial Access Survey*. [online] Available at: <<http://data.imf.org>> [Accessed 5 February 2017].

Availability of financial services can be analyzed also through the physical locations where their performance takes place and which are reduced to classical banks counters (branches, agencies, workstations) and ATMs, increasingly sophisticated, turned into real virtual counters, served by virtual personnel, or where the consumer usually provides his own financial services by himself. Romania has made significant progress in increasing the number of ATMs and physical bank agencies, but are at an important distance related to the founding countries of the EU (Table no. 4). Let us note that at some indicators Romania has better indicator values than former communist EU states (for example, has more bank agencies to 1000 square kilometers or to 100,000 inhabitants, compared to Hungary).

Table no. 5. Dynamics of using financial services

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Number of loans from comercial banks for the population to 1.000 adults												
Hungary	NA	NA	NA	NA	NA	NA	NA	NA	638	542	505	464
Moldova	8	20	32	52	58	40	35	35	39	42	46	45
Poland	NA	NA	NA	NA	406	416	421	472	452	448	453	450
Romania	NA	NA	NA	NA	239	237	231	224	226	217	208	210
USA	325	NA	NA	331	NA	NA	314	NA	NA	305	NA	NA
Number of commercial bank loan accounts for SMEs (thousand)												
Hungary	NA	NA	NA	NA	159	153	161	167	164	192	197	186
Poland	NA	NA	NA	NA	NA	NA	NA	NA	631	745	845	918
Romania	NA	NA	NA	NA	225	197	185	184	183	176	186	193
Insurances issued (million)												
Hungary	14,06	12,20	12,67	12,72	12,71	12,46	12,22	12,04	11,75	11,76	11,99	12,68
Moldova	NA	NA	1,33	2,01	1,19	0,75	0,70	0,74	0,75	0,85	0,75	0,75
Poland	52,71	54,85	65,15	70,28	72,52	58,84	61,50	60,61	58,62	59,04	61,83	63,37
Romania	9,03	11,63	14,01	14,99	14,82	16,31	13,00	15,36	16,33	16,17	15,26	14,67

Source: International Monetary Fund, 2015. *Financial Access Survey*. [online] Available at: <<http://data.imf.org>> [Accessed 5 February 2017].

From Table no. 5 we can note that also in respect to the actual use of services Romania is below values recorded in other former socialist countries. Thus the number of loans per 1,000 adults indicator has a value of about 40% from the values in Poland and Hungary, and regarding the number of loans for SMEs, banks in Romania granted less than one quarter of bank loans in Polish for this destination. The situation repeats itself in the case of insurance policies issued by companies in the field.

6. Conclusions

The term of financial inclusion can range from "access and use of services provided in a responsible and sustainable manner" to "providing affordable financial services for disadvantaged and low-income segments of society." The concept of financial inclusion has been in recent years the attention of some forums which aim to debate the world financial situation. First of all we must mention G20 efforts towards recognizing the crucial role of financial inclusion in the fight against poverty. In recent years the issue of financial inclusion was extended also towards categories as: availability and quality of digital financial services and consumer protection in the financial sector. The issue of financial inclusion was based on answers to questions such as: why some people or some enterprises have no access to financial services or call to them rarely and very rarely. The answers could be: low income, lack of financial intermediaries or services of financial intermediaries that are not adjusted to demand. There is a link between, on the one hand, economic development and increasing living standards and, on the other hand, financial inclusion. G20, through the Global Partnership for Financial Inclusion believes that financial inclusion must be measured in three dimensions: (i) the use of financial services, (ii) access to financial services and (iii) quality of products and of the provision of such services. Regarding financial inclusion in

Romania, our country has a disappointing performance, people who say that they access financial services are relatively low and makes our country rank as last in the European Union.

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INCLUZIUNEA FINANCIARĂ

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Rezumat: Dezvoltarea economică a unei țări, dar și nivelul de trai al locuitorilor acesteia, pot fi analizate și prin intermediul serviciilor financiare destinate operatorilor economici. De mai bine de cinci ani, accesibilitatea serviciilor financiare este inclusă într-o categorie mai largă, numită incluziune financiară și care, în sens foarte larg, ar însemna accesul la utilizarea serviciilor financiare de către gospodăriile și firmele (cont curent, de depozit, credite, investiții, asigurări etc). Relevanța incluziunii financiare pentru dezvoltarea economică a unei țări sau, inversul acesteia, subdezvoltarea unei țări, a făcut ca organizații importante, precum Banca Mondială, Fondul Monetar Internațional, Banca Reglementelor Internaționale sau foruri supranaționale, precum G20 sau simple inițiative private, dar cu vizibilitate internațională, să aibă permanent în vedere acest concept și să își propună ținte în acest sens. Mai trebuie remarcată și valența evolutivă a conceptului. Astfel, de la un înțeles inițial, de bază, măsurat doar prin câțiva indicatori, s-a ajuns, în prezent, la un concept foarte complex, măsurabil printr-un număr mare de indicatori, care permite evaluări multilaterale ale acestuia (accesul la serviciile financiare, utilizarea lor, dar și calitatea acestora). În sfârșit, este important să urmărim și nivelul incluziunii financiare în România și evoluția acestuia.

Cuvinte-cheie: incluziune financiară, dezvoltare economică, România.

Clasificare JEL: G20, O10.

1. Introducere. Conceptul de incluziune financiară

La modul cel mai general, incluziunea financiară înseamnă accesul la servicii financiare al populației și firmelor, dar și gradul de utilizare a acestora de către categoriile respective (GPFI, 2016).

O opinie mai evoluată referitoare la incluziunea financiară este ”procesul de asigurare a accesului la produse financiare adecvate și servicii necesare de către toți membrii societății, în general, și grupurile vulnerabile, în special, la un cost accesibil, într-un mod corect și transparent, prin actori instituționali de masă” (Chakrabarty, 2012). O opinie asemănătoare are și BNR. Astfel, în Raportul asupra stabilității financiare 2016, incluziunea financiară este definită ca fiind ”nivelul de acces la servicii financiare (de plăți, asigurare, creditare și de economisire, investiții) de către toate segmentele sectorului populației și companiilor, în condiții de costuri rezonabile. În sens mai larg, incluziunea financiară se referă nu doar la accesarea de servicii financiare, ci și la calitatea acestora” (BNR, 2016). Banca Mondială, care publică un raport însoțit de o serie de indicatori (raportul are deja două ediții, primul în 2011 și, cea de-a doua, în 2014) asupra incluziunii financiare, consideră că incluziunea financiară ”înseamnă că persoanele și întreprinderile au acces facil și la prețuri rezonabile la produse și servicii financiare care răspund nevoilor lor - tranzacții, plăți, economii, credit și de asigurare - livrate într-un mod responsabil și durabil” (The World Bank, 2017). De asemenea, Fondul Monetar Internațional, care, de asemenea, publică un raport, intitulat Financial Access Survey, care are deja șase ediții, ultima din 2016, consideră că incluziunea financiară reprezintă ”accesul și utilizarea serviciilor financiare oficiale/formale” (Sahay et al., 2015).

În concluzie, observăm că termenul de incluziune financiară poate varia de la "accesul și utilizarea serviciilor furnizate în mod responsabil și durabil" la "furnizarea de servicii financiare la costuri accesibile pentru segmentele dezavantajate, cu venituri mici ale societății".

2. Studiul literaturii de specialitate

Conceptul de incluziune financiară a fost, în ultimii ani, în atenția unor foruri care își propun să dezbată situația financiară a lumii. În primul rând, trebuie menționate eforturile G20 (format din miniștri de finanțe și guvernatori ai băncilor centrale din cele opt economii dezvoltate, G7+1, cele mai mari 11 economii emergente, U.E., reprezentanții Băncii

Mondiale și Fondului Monetar Internațional) în direcția recunoașterii rolului esențial al incluziunii financiare, considerând că aceasta este elementul-cheie care permite lupta împotriva sărăciei.

Astfel, liderii G20, reuniți în Summitul de la Pittsburgh, în noiembrie 2009, s-au angajat să îmbunătățească accesul la servicii financiare pentru săraci și au creat pentru aceasta un Grup de Experți în Incluziune Financiară (FIEG), care să analizeze extinderea accesului la finanțare pentru gospodăriile și IMM-uri. FIEG a dezvoltat o serie de noi principii ale incluziunii financiare, plecând de la experiențele și lecțiile învățate de la factorii de decizie politică din întreaga lume. Aceste principii au fost aprobate la Summit-ul de la Toronto al G20, din iunie 2010 (Banca Mondială, 2012).

Liderii financiari ai lumii, reuniți în cadrul G20, au convenit, la Summit-ul de la Cannes, din 2011, asupra Parteneriatului Global pentru Incluziunea Financiară (GPFI), pentru a sprijini la nivel mondial și național incluziunea financiară; ulterior, s-a aprobat, la Summit-ul G20 de la Los Cabos 2012, un set de indicatori - pregătiți de către GPFI - prin care să fie evaluată incluziunea financiară. În anul următor, sub președinția rusă a G20, GPFI a dezvoltat un set mai cuprinzător de indicatori ai incluziunii financiare, care includea indicatori privind educația financiară, dar și calitatea asigurării accesului financiar și care a fost aprobat la Summit de la St. Petersburg din 2013 a G20. Sub președinția turcă a G20, în 2015, reperatele incluziunii financiare au vizat: incluziunea financiară pentru tineret, accesul la finanțare al IMM-urilor, creșterea rolului sectorului privat în incluziunea financiară. Sub președinția chineză a G20, din 2016, membrii acestui for și partenerii lor din GPFI au propus noi indicatori pentru a măsura și gradul de utilizare a serviciilor financiare, dar, în special, au stabilit noi obiective în ceea ce privește disponibilitatea și calitatea serviciilor financiare digitale, precum și protecția consumatorului în domeniul financiar (Sahay et al., 2015).

La nivel european, problematica incluziunii financiare are un caracter dihotomic, pentru că membrii U.E. din vestul Europei au un acces ridicat la servicii financiare, pe când noii membri, cei din est, au un acces mult mai modest. Cu toate acestea, și la nivelul Comisiei U.E. și a Parlamentului European există inițiative pentru creșterea incluziunii financiare, în acest sens fiind adoptată o directivă care să lărgescă accesul la conturi de plăți cu servicii de bază (Directiva UE 2014/92 a Parlamentului European și a Consiliului din 23 iulie 2014 privind comparabilitatea comisioanelor aferente conturilor de plăți, schimbarea conturilor de plăți și accesul la conturile de plăți cu servicii de bază). Mai trebuie menționat că, plecând de la această directivă, Autoritatea Bancară Europeană a adoptat un ghid, care enumeră serviciile financiare de bază în Uniunea Europeană.

În România, încă se lucrează la transpunerea în legislația națională a directivei anterior menționate, existând, în acest sens, o inițiativă a Autorității Naționale pentru Protecția Consumatorului, încă neadoptată. Mai trebuie adăugat că Banca Națională a României a introdus, la sfârșitul anului 2015, ca obiectiv intermediar al politicii monetare de asigurare a stabilității financiare, creșterea gradului de incluziune financiară (BNR, 2016).

3. Semnificații ale incluziunii financiare

Accesul la un cont de tranzacție este un prim pas spre incluziunea financiară mai largă, deoarece permite oamenilor să stocheze bani, să trimită și să primească bani. Un cont de tranzacție poate, de asemenea, servi ca o poartă de acces la alte servicii financiare, motiv pentru care accesul la un cont de tranzacție pentru oamenii din întreaga lume este punctul central al inițiativei "Accesul Financiar Universal 2020", promovată de Grupul Băncii Mondiale. Explicația acestei inițiative este aceea că accesul la servicii financiare facilitează viața de zi cu zi, ajută familiile și întreprinderile, permite planificarea obiectivelor pe termen lung și acoperirea unor situații de urgență neprevăzute. De asemenea, o incluziune financiară mai largă permite oamenilor să utilizeze serviciile financiare, cum ar fi cele de credit și de

asigurare, pentru a iniția sau extinde afacerile, să investească în educație sau sănătate, să gestioneze mai bine riscul, să absoarbă mai bine șocurile financiare și să își îmbunătățească viața, calitatea generală a acesteia.

Problematika incluziunii financiare a pornit de la răspunsurile la întrebări, precum: de ce unii oameni sau unele întreprinderi nu au acces la serviciile financiare sau apelează la acestea rar și foarte rar. Răspunsurile sunt: venituri mici, lipsa unor intermediari financiari sau servicii ale intermediarilor financiari, care nu sunt adaptate cererii.

Deși sunt numeroase studiile legate de incluziunea financiară, din acestea nu rezultă o legătură directă: incluziune financiară – dezvoltare economică – creștere a nivelului de trai. Dar, cu siguranță, există o legătură între, pe de o parte, dezvoltarea economică și creșterea nivelului de trai și, pe de altă parte, incluziunea financiară. Cu cât economia este mai dezvoltată, cu cât nivelul de trai al populației este mai ridicat, cu atât populația și întreprinderile vor cere mai multe servicii financiare. Este posibil ca o creștere a gradului de bancarizare a populației, dar și al întreprinderilor, să contribuie și la plusuri de PIB, dar dacă veniturile oamenilor și firmelor nu sunt suficiente pentru a consuma o parte din ele pentru servicii financiare, aceștia nu vor face altceva decât să le evite.

În timp, statisticile indică faptul că s-au înregistrat progrese în ceea ce privește incluziunea financiară, dar rămân provocări semnificative.

Astfel, anumite grupuri sunt mai excluse financiar decât altele: femeile, săracii din mediul rural, precum și alte grupuri izolate, care accesează greu serviciile financiare. De asemenea, accesul la produsele financiare este relativ dificil pentru cele mai multe dintre firmele mici. După cum este o mare discrepanță între țările dezvoltate și cele în dezvoltare în ceea ce privește incluziunea financiară.

Țările care au obținut cele mai mari progrese spre incluziunea financiară au pus în aplicare politici care să permită și să încurajeze concurența, care să permită băncilor și celorlalte întreprinderi financiare non-bancare să inoveze și să extindă accesul la serviciile financiare. Cu toate acestea, crearea acestui spațiu inovator și competitiv trebuie să fie însoțită de măsuri și de reglementări de protecție a consumatorilor pentru a se asigura furnizarea responsabilă a serviciilor financiare.

De asemenea, trebuie menționat că tehnologia digitală, materializată și în domeniul financiar ("FinTech", în limbajul Băncii Mondiale, a G20 sau a Parteneriatului Global pentru Incluziunea Financiară) și, în special, răspândirea globală a telefoanelor mobile, a facilitat extinderea accesului la servicii financiare, la costuri și riscuri reduse, și pentru populațiile din zone greu accesibile, dar și întreprinderilor mici. FinTech face mai ușor, decât oricând înainte, procesul de deschidere a unui cont și digitizarea plăților. Serviciile financiare bazate pe telefonie mobilă permit un acces convenabil la acestea chiar și în zonele îndepărtate, iar o mai mare disponibilitate a datelor despre clienți permite furnizorilor să proiecteze produse financiare digitale, care se potrivesc mai bine nevoile indivizilor nebancarizați.

4. Indicatori de măsurare a incluziunii financiare

G20, prin intermediul Parteneriatului Global pentru Incluziunea Financiară, consideră că incluziunea financiară trebuie măsurată în trei dimensiuni: (i) utilizarea serviciilor financiare, (ii) accesul la serviciile financiare și (iii) calitatea produselor și a furnizării de astfel de servicii. De menționat că indicatorii sunt permanent ajustați, adăugându-se alții noi, pentru că și conceptul de incluziune financiară a cunoscut permanente evoluții. În ceea ce privește sursele de date pentru indicatorii prin care se măsoară incluziunea financiară, acestea sunt: baza de date Global Findex a Băncii Mondiale, IMF Financial Access Survey, Gallup World Poll, World Bank Enterprise Surveys, OECD National Financial Literacy and Financial Inclusion Surveys, OECD Financing SMEs and Entrepreneurs Scoreboard, World Bank Doing Business, World Bank Global Survey on Consumer Protection and Financial

Literacy, World Bank Financial Capability Surveys, and World Bank Global Payments Systems Survey (GPFI, 2017).

În Tabelul nr. 1 sunt prezentați indicatorii prin care G20 consideră că trebuie măsurată incluziunea financiară.

Tabelul nr. 1. Indicatorii pe care G20 consideră că ar putea fi măsurată incluziunea financiară

Cod	Categorie	Indicator	Sursă	Timp
Indicatori de utilizare. Adulți				
1A	Adulți cu cont bancar	Procentul adulților peste 15 ani care declară că au ei însăși sau împreună cu altcineva un cont la o instituție financiară sau instituție emitentă de monedă electronică	Global Findex	3 ani
1B	Număr de conturi	Conturi de depozit la 1000 de adulți	FAS	anual
1C		Conturi de monedă electronică la 1000 de adulți	GPSS	anual
1D		Număr de tranzacții electronice la 100,000 adulți	FAS	anual
2A	Adulți cu credite la instituții oficiale	Procentul adulților (peste 15 ani) care au cel puțin un împrumut încă nerambursat, obținut de la bănci sau instituții oficiale	Global Findex	3 ani
2B		Credite încă nerambursate la 1000 adulți	FAS	anual
3C	Adulți cu credite la instituții oficiale	Deținătorii de polițe de asigurare la 1000 de adulți (separat polițe de viață și non-viață)	FAS	anual
4	Tranzacții fără numerar	Operațiuni fără numerar la 1000 de adulți. Se includ: numărul de cecuri, transferuri de credit, debite directe, tranzacții de plată prin card (carduri de debit, carduri de credit) și plăți prin intermediul instrumentelor de e-money (pe bază de card de e-money, instrumente, bazate pe e-money și plăți on-line cu e-money)	GPSS	anual
5	Adulți care utilizează plățile digitale	*Plățile digitale efectuate sau primite (%15+). Procentul adulților care au folosit un cont (la o bancă sau o altă instituție financiară oficială sau instituție emitentă de monedă electronică) pentru a face sau a primi o plată financiară digitală Include: folosirea internetului pentru a plăti facturile sau de a face achiziții online; utilizarea telefonului pentru a plăti facturile, a face achiziții, sau pentru a trimite sau primi bani dintr-un cont; utilizarea unui card de debit sau de credit pentru a face o plată directă dintr-un cont; trimiterea sau primirea de remitențe în / dintr-un cont; primirea salariilor, plăți de la guvern sau plăți agricole într-un cont; plata taxelor școlare sau a utilităților dintr-un cont	Global Findex	3 ani
5A	Plăți utilizând telefonul mobil	*<Sub-indicatorul> Plăți efectuate utilizând telefonul mobil (% +15 ani): Procentul adulților care cu ajutorul unui telefon mobil au plătit facturile, au făcut achiziții, au trimis/primit bani dintr-un cont (la o bancă sau o altă instituție financiară oficială sau instituție emitentă de monedă electronică)	Global Findex	3 ani
5B	Plăți utilizând telefonul mobil	*<Sub-indicatorul> Plăți utilizând internetul (% +15 ani): Procentul adulților care utilizează internetul pentru a plăti facturile, a face cumpărături sau a trimite bani online	Global Findex	3 ani
5C	Plăți utilizând telefonul mobil	*<Sub-indicatorul> plată folosind un card de debit (% +15 ani): Procentul adulților care utilizează un card de debit/credit pentru a face direct o plată dintr-un cont (la o bancă sau o altă instituție financiară oficială)	Global Findex	3 ani
5D	Plăți în cont	*<Sub-indicatorul> Primirea de salarii sau transferuri guvernamentale în cont (% +15 ani): Procentul adulților care primesc salarii sau plăți de la guvern transferuri într-un cont (la o bancă sau o altă instituție financiară oficială instituție emitentă de monedă electronică)	Global Findex	3 ani
6	Frecvența utilizării contului	frecvență utilizării contului (%+15 ani): Procentul adulților care utilizează frecvent contul. Prin "frecvență înaltă" se înțelege folosirea de 3 sau mai multe ori într-o lună obișnuită a contului personal la o bancă sau altă instituție financiară oficială pentru retragerii de bani, cumpărături, plăți electronice, trageri de cecuri	Global Findex	3 ani

Cod	Categorie	Indicator	Sursă	Timp
		sau orice alt tip de plată, fie din contul proprietarului sau a unei părți terțe.		
7	Înclinația spre economisire	Economii la o instituție financiară (%+15 ani): Procentul adulților care a economisit de la o bancă sau altă instituție financiară oficială în anul trecut	Global Findex	3 ani
Indicatori de utilizare: Întreprinderi				
8A	Întreprinderi bancarizate	IMM-uri cu cont la o instituție financiară oficială (%): Procentul IMM-urilor cu cont la o bancă sau la o instituție financiară oficială	WB Enterprise Surveys	3-5 ani
8B		conturi de depozit ale IMM-urilor: Numărul de conturi de depozit pentru IMM-uri (ca % din debitori corporații non-financiare)	FAS	anual
9A	Întreprinderi cu credite sau linii de credit încă nerambursate	IMM-uri cu un împrumut sau linii de credit încă nerambursate: Procentul de IMM-uri cu împrumut restante sau linie de credit încă nerambursate la o bancă sau altă instituție financiară oficială	WB Enterprise Surveys	3-5 ani
9B		conturilor de împrumut pentru IMM-uri: Numărul de conturi de împrumut pentru IMM-uri (ca % din debitori corporații non-financiare)	FAS	anual
10	Plăți digitale primite sau făcute de întreprinderi	IMM-uri care primesc sau efectuează plăți digitale dintr-un cont: Procentul IMM-uri care primesc sau efectuează plăți digitale de la un cont	WB Enterprise Surveys	3-5 ani
Indicatori de acces: puncte fizice de prestare a serviciilor financiare				
11A	Puncte fizice de prestare serviciilor	Agenții la 100000 adulți: Numărul agențiilor la 100.000 adulți	FAS	anual
11B		ATM-uri la 100000 adulți: Numărul ATM-urilor la 100.000 adulți	FAS	anual
11C		*Agenții ale furnizorilor de servicii de plăți la 100.000 de adulți, incluzându-se agenții ale băncilor și ale altor instituții de atragere a depozitelor, precum și entități specializate, cum ar fi operatorii de transferuri de bani și emitenții de monedă electronică	GPSS	anual
11D		*Puncte de vânzare de telefonie mobilă la 100.000 de adulți: Numărul de puncte de vânzare ale agențiilor de telefonie mobilă la 100.000 de adulți	FAS	anual
11E		*POS-uri la 100000 adulți: Numărul POS-urilor la 100.000 adulți	GPSS	anual
11F		*Accesul la un telefon mobil sau la internet de la domiciliu (%+15 ani): Procentul adulților cu acces la un telefon mobil sau un alt dispozitiv sau care au acces la internet acasă	Gallup World Poll	3 ani
12	Deținători de carduri	*Carduri de debit la 1000 adulți: Numărul cardurilor de debit la 1000 adulți	GPSS	anual
13	Întreprinderi cu puncte de servicii financiare	*IMM-uri care au instalate un terminal POS: Procentul IMM-uri care au instalate un terminal POS	WB Enterprise Surveys	3-5 ani
14	Interoperabilitatea punctelor de servicii financiare	Interoperabilitatea rețelelor ATM și a terminalelor POS (indicatorul ia valoarea 1 în cazul în care toate rețelele de ATM-uri POS sunt interconectate și 0 în cazul în care acestea nu sunt interconectate	GPSS	anual
Indicatori de calitate: educația și experiența financiară				
15	Cunoștințele financiare	Scorul cunoștințelor financiare: Suma punctajelor care rezumă răspunsurile corecte la întrebări cu privire la conceptele financiare de bază, cum ar fi: (A) Inflația, (B) Rata dobânzii, (C) Dobânda compusă, (D) iluzia monetară, (E) Diversificarea riscurilor, (F) Scopul principal al asigurărilor.	WB Financial Capability Surveys and OECD National Financial Literacy and Inclusion Surveys	Periodic
16	Comportamentul	Utilizarea de economiilor pentru finanțarea de urgență: Procentul	Global	3 ani

Cod	Categorie	Indicator	Sursă	Timp
	financiar	de adulți care dau răspunsul "economii" la întrebarea: "Dacă ați avut un eveniment neprevăzut și urgent de 10 \$ sau 1/25 din PIB pe locuitor, de unde ați obține banii? a) împrumuturi de la prieteni / rude; b) muncă mai multă; c) vânzări de bunuri; d) economii; e) împrumut de la CAR/cooperativă de credit; f) împrumut de la bancă; g) nu aș putea să îi găsec.	Findex	
Indicatori de calitate: conduita pieței și protecția consumatorilor				
17	Relevanța cerințelor	Indicele de relevanță: combină existența unei varietăți de cerințe de relevanță: (1) Cerința limbaj simplu (de exemplu, ușor de înțeles, interzicerea clauzelor ascunse) (2) Cerințe de limbă locală, (3) Sunt prevăzute formate standardizate, (4) Recursul la drepturi și procese (5) rata totală care trebuie plătită pentru un credit (incluzând costurile de bază plus comisioane procentuale, onorarii, asigurare, taxe)	WB Global Consumer Protection Survey	Anual
18	Soluționarea disputelor	Un indice care să reflecte existența unor mecanisme oficiale, interne și externe de soluționare a litigiilor: (1) mecanism intern/ghid de soluționare a litigiilor: o lege sau reguli standard reglementate pentru tratarea și soluționare a plângerilor lor de către instituțiile financiare (incluzând de la graficul, accesibilitatea, oportunitatea și până la procedurile de tratare a plângerilor) (2) mecanism extern de soluționare a litigiilor: un sistem care permite unui client să caute, la prețuri accesibile, rezolvarea eficientă a plângerii la un terț (agenție de supraveghere, un mediator financiar sau instituții echivalente)	WB Global Consumer Protection Survey	Anual
Indicatori de calitate: bariere în utilizare				
19	Bariere/Frâne ale creditului	Procent de IMM-uri cărora li s-a cerut să ofere garanții la ultimul lor credit bancar	WB Enterprise Surveys and OECD SME Scoreboard	3-5 ani
		Obținerea creditului: condițiile de creditare, eficiența garanțiilor și legislația falimentului	WBG Doing Business	Anual

Sursa: GPFI, 2015. *G20 Financial Inclusion Indicators, Global Standard-Setting Bodies and Financial Inclusion – The Evolving Landscape*. [online] Disponibil la: <www.gpfi.org> [Accesat 5 februarie 2017].

Notă: Indicatorii marcați cu * reprezintă indicatori care au fost introduși în index în anul 2016, sub președinția chineză a G20.

Prima categorie de indicatori, cei care măsoară utilizarea serviciilor financiare, sunt în număr de 20, dintre care 15 se referă la utilizarea serviciilor financiare de către populație, iar ceilalți cinci se referă la utilizarea serviciilor financiare de către întreprinderi. Indicatorii care măsoară utilizarea serviciilor financiare de către populație (conturi, credite, depozite, polițe de asigurare emise etc.), începând cu anul 2016, au crescut cu 5 noi indicatori, care au în vedere utilizarea de către populație a serviciilor electronice de plăți: prin intermediul telefonului mobil, a internetului, a cardurilor de debit, a plăților digitale sau primirea de venituri sau transferuri guvernamentale în cont.

A doua categorie de indicatori are în vedere accesul la serviciile financiare și sunt în număr de nouă. Concret, ei permit o vedere completă asupra punctelor fizice de acces la serviciile financiare: agenții bancare, ATM-uri, POS, deținători de carduri, dar și interoperabilitatea rețelei de acces la distanță. Șase dintre cei nouă indicatori sunt introduși în 2016, fiind vorba de cei care măsoară accesul la servicii financiare digitale: accesul la POS-uri, cardurile de debit, întreprinderile dotate cu POS-uri, punctele fizice care permit efectuarea de plăți, agențiile care vând telefoane mobile sau accesul la Internet.

A treia categorie de indicatori măsoară calitatea serviciilor financiare, sunt în număr de șase și sunt divizați în trei categorii. Prima subcategorie permite analiza educației financiare a publicului, urmărind cunoștințele financiare și comportamentul financiar. A doua subcategorie conține doi indicatori referitori la relevanța înscrisurilor financiare (limbaj simplu, ușor de înțeles, interzicerea clauzelor ascunse, folosirea limbii locale, folosirea unor documente standardizate, menționarea în acestea a drepturilor și obligațiilor, dacă se menționează rata totală care trebuie plătită pentru un credit, incluzând costurile de bază plus comisioane, onorariile, primele de asigurare, alte taxe) și modul de soluționare a conflictelor. A treia subcategorie vizează barierele existente în utilizarea serviciilor financiare, în special a creditului, și se referă doar la întreprinderi: garanțiile cerute IMM-urilor sau condițiile de creditare.

5. Incluziunea financiară în România

Pentru aprecierea nivelului incluziunii financiare în România am folosit date din Global Findex, o bază de date gestionată de Banca Mondială, care se bazează pe sondaje la nivelul populației adulte (peste 15 ani) și o serie de informații din Financial Access Survey, bază de date gestionată de Fondul Monetar Internațional, dar care se bazează pe statisticile oficiale.

Tabelul nr. 2. Număr de conturi al populației adulte la instituții financiare

Indicator	Bulgaria		Cehia		Euroland		Ungaria		Moldova		Polonia		Romania		SUA	
	2011	2014	2011	2014	2011	2014	2011	2014	2011	2014	2011	2014	2011	2014	2011	2014
% adulților peste 15 ani cu cont la o IF, din care	53	63	81	82	91	95	73	72	18	18	70	78	45	61	88	94
a femei	55	63	81	79	89	94	73	72	17	19	68	73	41	57	84	95
b bărbați	50	63	81	85	93	96	72	72	19	16	72	83	49	65	92	92
b venituri mai mici de 40%	40	50	75	79	90	92	68	71	9	12	62	71	32	46	81	87
venituri mai mari de 60%	62	72	85	84	91	96	76	73,4	24	21	76	83	53	71	93	98
c peste 25	54	67	85	85	93	97	76	76	18	19	76	80	46	62	91	95
d tinerilor (15-24 ani)	45	33	56	65	77	80	51	51	17	12	48	64	37	55	76	88
d cu educație primară	26	32	..	..	..	..	46	45	4	2	..	..	27	34	..	..
educație secundară ori mai mare	68	77	..	..	..	..	84	84	22	22	..	..	51	72	..	..
e mediul rural	45	54	79	80	89	95	70	71	15	15	69	75	37	56	87	93

Sursa: Banca Mondială, 2014. *Global Findex 2014*. [online] Disponibil la: <<http://datatopics.worldbank.org>> [Accesat 5 februarie 2017].

Banca Mondială, 2011. *Global Findex 2011*. [online] Disponibil la: <<http://datatopics.worldbank.org>> [Accesat 5 februarie 2017].

România are o performanță dezamăgitoare în ceea ce privește persoanele care declară că au cont deschis la o instituție financiară (Tabelul nr. 2), doar 61% din adulți răspunzând afirmativ la această întrebare. Astfel, țara noastră ocupă ultimul loc în Uniunea Europeană, cu 2 procente sub valoarea indicatorului înregistrat în Bulgaria și la distanță de 34% de media U.E. Se mai poate remarca faptul că bărbații care au cont bancar sunt mai numeroși în raport cu femeile, la fel persoanele care au venituri mai mari au cont la bancă într-o proporție mai mare față de cei cu venituri scăzute. Tot la fel, posesorii cu cont bancar sunt mai frecvenți în rândul adulților în raport cu tinerii și deținătorii de cont bancar cresc odată cu nivelul studiilor. Notabilă ar fi creșterea cu circa 33% a posesorilor de cont bancar între raportarea din 2011 (primul Global Findex) și cea din 2014 (al doilea Global Findex). În mediul rural, posesorii de cont reprezentau, în 2014, 54%, mai mult cu circa 50% în raport cu valoarea anterioară.

Apelul la servicii financiare (Tabelul nr. 3) indică următoarea situație:

- în anul de dinaintea ultimului raport Global Findex, 2014, 1 din 8 români adulți avea calitatea de debitor al unei instituții financiare, valoare sub cea înregistrată în SUA, Franța sau Germania, dar în apropierea valorilor înregistrate în Cehia sau Bulgaria și peste cea din Ungaria. Dacă, inițial, bărbații erau mai frecvent debitori în raport cu femeile, în ultima raportare, atât în cazul bărbaților, cât și al femeilor, 12% din ei (unul din 8) se declară debitori la o instituție financiară;

- economisirea este o operațiune mult mai rară în cazul românilor. Astfel, dacă în țări precum Franța, Germania, SUA, mai mult de jumătate din populație economisește la o instituție financiară, în România, procesul este prezent la circa 13% din populația adultă, valoare care este sub nivelul înregistrat de toate celelalte state foste socialiste. Ca și în cazul celorlalți indicatori, procesul este semnificativ mai frecvent în cazul bărbaților, în raport cu femeile, și în rândul adulților, față de tineri;

- situația se repetă și în ceea ce privește frecvența „ridicată” a utilizării contului (cel puțin de trei ori pe lună). Astfel, în România, indicatorul înregistrează o valoare de 13%, sub valorile cuprinse între 60% - 75% din țările avansate financiar, dar la nivelul din Bulgaria și Ungaria. La acest indicator se remarcă o valoare de 15% pentru categoria „tineri care folosesc de peste 3 ori pe lună contul”;

- la categoria plăți digitale valorile pentru România urcă la niveluri de 40%-50%, dar, din păcate, ele sunt la jumătate din valorile înregistrate în S.U.A. sau în vestul Europei și cu câteva procente sub cele înregistrate de țările U.E., foste socialiste;

- defalcate pe categorii de plăți digitale, clasamentele nu se modifică. Astfel, românii utilizează pentru plăți, preponderent, cardurile de debit, primesc sume în cont, folosesc, într-o oarecare măsură, Internetul, pe când telefonul mobil este folosit extrem de rar pentru plăți. De remarcat procentul destul de ridicat al tinerilor, peste valorile naționale, care folosesc internetul sau telefonul mobil pentru plăți.

Tabelul nr. 3. Gradul de cuprindere al incluziunii financiare

Indicator	An	Bulgaria	Cehia	Franța	Germania	Polonia	Ungaria	România	Moldova	SUA
% adulților peste 15 ani care s-au împrumutat în ultimul an de la o IF, din care										
total, din care	2011	8	9	19	13	10	9	8	6	20
	2014	13	13	15	19	19	9	12	7	23
femei	2011	7	9	17	11	8	10	7	7	18
	2014	14	13	15	16	16	9	12	6	21
bărbați	2011	8	10	20	14	12	8	10	6	22
	2014	12	13	16	22	22	9	12	7	26
% adulților peste 15 ani care economisesc la o IF										
total, din care	2011	5	35	50	56	18	17	9	4	50
	2014	14	38	52	58	21	19	13	7	54
femei	2011	5	33	46	55	16	17	9	3	48
	2014	13	36	46	58	19	18	11	7	53
bărbați	2011	5	38	54	57	20	18	9	4	53
	2014	16	39	58	58	22	21	16	6	55
adulți	2011	4	39	50	54	17	17	9	3	51
	2014	16	41	50	56	22	21	14	7	54
tineri	2011	7	28	51	63	21	19	8	4	50
	2014	10	31	58	65	19	15	11	7	54
% adulților peste 15 ani care utilizează frecvent contul										
total, din care	2014	11	38	61	74	42	12	13	3	70
femei	2014	11	34	57	73	41	12	11	2	70
bărbați	2014	12	42	65	76	44	12	15	4	71
adulți	2014	12	37	63	76	41	12	11	4	74
tineri	2014	10	40	55	72	44	14	16	2	62

Indicator	An	Bulgaria	Cehia	Franța	Germania	Polonia	Ungaria	România	Moldova	SUA
% adulților peste 15 ani care fac sau primesc plăți digitale										
total, din care	2014	52	80	93	96	65	67	43	15	92
femei	2014	51	77	91	96	60	65	39	16	94
bărbați	2014	52	83	94	95	70	69	48	14	90
adulți	2014	52	81	96	97	62	67	40	16	93
tineri	2014	51	79	82	93	71	66	50	13	90
% adulților peste 15 ani care fac plăți folosind un card de debit										
total, din care	2014	35	52	76	79	40	47	24	7	67
femei	2014	33	51	72	81	36	46	21	7	68
bărbați	2014	36	54	80	78	44	48	28	7	66
adulți	2014	34	50	79	80	35	45	22	7	65
tineri	2014	37	57	67	79	48	52	31	7	73
% adulților peste 15 ani care fac plăți folosind telefonul mobil										
total, din care	2014	2	14	12	13	6	10	3	0	32
femei	2014	2	15	15	14	8	11	4	0	32
bărbați	2014	2	13	9	11	3	9	1	0	31
adulți	2014	2	12	11	9	3	9	2	0	25
tineri	2014	2	18	15	25	11	13	5	0	47
% adulților peste 15 ani care fac plăți folosind internetul										
total, din care	2014	16	46	44	56	43	22	12	10	65
femei	2014	14	44	39	50	39	21	11	10	61
bărbați	2014	19	48	51	63	47	24	12	10	68
adulți	2014	12	38	45	52	34	20	7	7	59
tineri	2014	29	62	45	70	60	28	21	14	77
% adulților peste 15 ani care folosesc economiile ca principala sursă în caz de urgență										
total, din care	2014	17	43	48	56	28	20	16	10	40
femei	2014	14	38	47	56	24	19	11	9	38
bărbați	2014	21	47	50	56	33	22	21	11	42
adulți	2014	20	50	53	57	31	24	18	11	44
tineri	2014	10	28	36	52	23	10	10	8	30
% adulților peste 15 ani care primesc venituri sau transferuri în cont										
total, din care	2014	39	59	56	52	41	43	29	12	57
femei	2014	40	57	50	52	35	43	24	13	58
bărbați	2014	38	61	62	53	47	44	34	10	55
adulți	2014	39	58	54	50	37	41	26	13	57
tineri	2014	38	61	61	62	47	50	35	10	57

Sursa: Banca Mondială, 2014. *Global Findex 2014*. [online] Disponibil la: <<http://datatopics.worldbank.org>> [Accesat 5 februarie 2017].

Banca Mondială, 2011. *Global Findex 2011*. [online] Disponibil la: <<http://datatopics.worldbank.org>> [Accesat 5 februarie 2017].

- de asemenea, românii utilizează într-un procent scăzut economiile pentru acoperirea unor situații de urgență, probabil apelând la variante alternative: împrumuturi de la prieteni / rude, muncă mai multă, vânzări de bunuri, împrumuturi de la instituții financiare.

Tabelul nr. 4. Dinamica accesibilității serviciilor financiare

Țara	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Numărul ATM la 1.000 km²												
Bulgaria	16	21	33	41	48	52	53	55	54	54	52	67
Cehia	36	39	42	43	44	46	48	51	53	57	58	59
Franța	80	87	87	95	97	100	103	106	107	107	107	106
Germania	NA	NA	NA	217	223	228	237	241	237	237	249	246
Ungaria	37	39	43	48	52	52	53	54	53	53	54	53
Moldova	7	9	11	14	18	21	23	26	28	31	33	30
Polonia	26	29	32	38	45	51	54	57	59	62	67	72

Țara	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
România	14	19	26	32	40	42	44	48	48	47	48	50
Statele Unite	42	43	43	45	44	46	NA	NA	NA	NA	NA	NA
Numărul ATM la 1.000.000 adulți												
Bulgaria	26	34	54	68	80	88	91	94	93	94	91	118
Cehia	32	35	38	38	38	40	42	44	46	49	50	51
Franța	86	93	92	100	102	104	106	109	109	109	108	107
Germania	NA	NA	NA	107	110	112	117	119	118	116	123	121
Ungaria	39	41	45	50	54	56	57	58	56	57	58	57
Moldova	8	11	13	15	20	23	26	29	31	34	36	32
Polonia	25	27	31	36	43	49	51	54	56	58	63	69
România	18	24	34	42	53	57	59	65	65	64	65	69
Statele Unite	165	168	166	173	167	173	NA	NA	NA	NA	NA	NA
Agenții bancare la 1.000 km²												
Bulgaria	52	52	51	53	55	55	54	35	36	35	35	34
Cehia	24	24	25	25	26	26	26	27	28	28	28	27
Franța	20	21	43	43	43	40	40	40	38	38	38	37
Germania	43	41	34	33	33	32	32	32	28	30	29	29
Ungaria	13	14	15	16	17	17	16	15	15	14	14	14
Moldova	6	7	7	8	10	9	9	10	10	11	11	9
Polonia	28	28	29	31	34	35	34	34	36	35	35	33
România	NA	NA	NA	NA	28	27	26	26	24	23	22	21
Statele Unite	8	8	9	9	9	10	10	10	10	9	9	9
Agenții bancare la 100.000 adulți												
Bulgaria	84	85	83	88	92	92	92	60	61	61	60	60
Cehia	21	21	22	22	23	23	23	23	24	24	24	24
Franța	22	22	46	45	45	42	42	41	39	39	38	38
Germania	21	20	17	16	16	16	16	16	14	15	15	14
Ungaria	14	15	16	17	18	18	17	16	16	15	16	15
Moldova	7	8	8	9	11	10	10	11	11	12	12	10
Polonia	27	27	28	30	33	33	32	32	34	33	33	31
România	NA	NA	NA	NA	37	36	35	35	33	32	31	29
Statele Unite	33	33	34	35	35	36	35	35	35	33	32	33

Sursa: Fondul Monetar Internațional, 2015. *Financial Access Survey*. [online] Disponibil la: <<http://data.imf.org>> [Accesat 5 februarie 2017].

Accesibilitatea serviciilor financiare se poate analiza și prin intermediul locațiilor fizice unde are lor prestarea acestora și care se reduc la ghișeele de bancă clasice (sucursale, agenții, puncte de lucru) și la automatele bancare, din ce în ce mai sofisticate, transformate în adevărate ghișee virtuale, deservite de personal virtual sau unde consumatorul de regulă își prestează el însuși serviciile financiare. România a făcut progrese semnificative în ceea ce privește creșterea numărului de ATM și agenții bancare fizice, dar se află la distanță importantă față de țările fondatoare al UE (tabel nr. 4). Să mai, remarcăm că la unii indicatori România are valorile indicatorilor mai bune în raport cu statele din UE foste socialiste (de exemplu are mai multe agenții bancare la 1000 kmp sau la 100.000 locuitori față de Ungaria).

Tabelul nr. 5. Dinamica utilizării serviciilor financiare

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Număr de împrumuturi de la bănci comerciale pentru populație la 1.000 adulți												
Ungaria	NA	NA	NA	NA	NA	NA	NA	NA	638	542	505	464
Moldova	8	20	32	52	58	40	35	35	39	42	46	45
Polonia	NA	NA	NA	NA	406	416	421	472	452	448	453	450
România	NA	NA	NA	NA	239	237	231	224	226	217	208	210
SUA	325	NA	NA	331	NA	NA	314	NA	NA	305	NA	NA
Număr de conturi de împrumut la bănci comerciale pentru IMM (mii)												

Ungaria	NA	NA	NA	NA	159	153	161	167	164	192	197	186
Polonia	NA	NA	NA	NA	NA	NA	NA	NA	631	745	845	918
România	NA	NA	NA	NA	225	197	185	184	183	176	186	193
Polite de asigurare emise (mil.)												
Ungaria	14,06	12,20	12,67	12,72	12,71	12,46	12,22	12,04	11,75	11,76	11,99	12,68
Moldova	NA	NA	1,33	2,01	1,19	0,75	0,70	0,74	0,75	0,85	0,75	0,75
Polonia	52,71	54,85	65,15	70,28	72,52	58,84	61,50	60,61	58,62	59,04	61,83	63,37
România	9,03	11,63	14,01	14,99	14,82	16,31	13,00	15,36	16,33	16,17	15,26	14,67

Sursa: Fondul Monetar Internațional, 2015. *Financial Access Survey*. [online] Disponibil la: <<http://data.imf.org>> [Accesat 5 februarie 2017].

Din Tabelul nr. 5 mai putem observa că, și în privința utilizării efective a unor servicii, România se află sub valorile înregistrate de alte țări foste socialiste. Astfel, indicatorul ”numărul de împrumuturi la 1000 adulți” are o valoare de circa 40% față de valorile din Polonia sau Ungaria, iar la numărul de împrumuturi pentru IMM, băncile din România au acordat mai puțin de un sfert din creditele acordate de băncile poloneze pentru această destinație. Situația se repetă și în cazul polițelor de asigurare emise de întreprinderile de profil.

6. Concluzii

Termenul de incluziune financiară poate varia de la "accesul și utilizarea serviciilor furnizate în mod responsabil și durabil" la "furnizarea de servicii financiare la costuri accesibile pentru segmentele dezavantajate și cu venituri mici ale societății". Conceptul de incluziune financiară a fost, în ultimii ani, în atenția unor foruri care își propun să dezbată situația financiară a lumii. În primul rând, trebuie menționate eforturile G20 în direcția recunoașterii rolului esențial al incluziunii financiare în lupta împotriva sărăciei. În ultimii ani, problematica incluziunii financiare s-a extins și asupra unor categorii, precum: disponibilitatea și calitatea serviciilor financiare digitale și protecția consumatorului în domeniul financiar. Problema incluziunii financiare a pornit de la răspunsurile la întrebări, precum: de ce unii oameni sau unele întreprinderi nu au acces la serviciile financiare sau apelează la acestea rar și foarte rar. Răspunsurile pot fi: venituri mici, lipsa unor intermediari financieri sau servicii ale intermediarilor financieri care nu sunt adaptate cererii. Există o legătură între, pe de o parte, dezvoltarea economică și creșterea nivelului de trai și, pe de altă parte, incluziunea financiară. G20, prin intermediul Parteneriatului Global pentru Incluziunea Financiară, consideră că incluziunea financiară trebuie măsurată în trei dimensiuni: (i) utilizarea serviciilor financiare, (ii) accesul la serviciile financiare și (iii) calitatea produselor și a furnizării de astfel de servicii. În ceea ce privește incluziunea financiară în România, țara noastră are o performanță dezamăgitoare, persoanele care declară că accesează serviciile financiare sunt relativ reduse și face ca țara noastră să ocupe ultimul loc în Uniunea Europeană.

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ENVIRONMENTAL SUSTAINABILITY - INTERNALIZATION OF ENVIRONMENTAL EXTERNALITIES

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Abstract: *Economic assessment of environmental damage and estimate the negative externalities are of particular importance aimed assigning monetary values to use. In economic terms, using produce cost environment where there is conflict between uses, and / or quality of a good is affected beyond measure considered tolerable. This means that the environmental good in question is a rare good economic sense. However, in addition to the direct costs of use, there are also indirect costs - negative environmental externalities that are highlighted in particular the phenomenon of pollution, when appearing as economic damages are not compensated financially. Monetization externalities should be performed when there are external benefits or costs, and they are not included in the financial analysis, or can be highlighted by using conversion factors.*

Keywords: *industrial ecology, internalization, environmental externalities, environmental equity, reducing emission, damages.*

JEL Classification: *Q52, Q53, Q57.*

1. Introduction

When inventories savings / resources are limited, income level can influence the level of investment to internalize externalities. Natural resources, climate, genetic and psychological constitution of the population can also influence the opening of the company by tolerating externalities.

Therefore, in a competitive market, the price does not reflect the total cost or full benefits of production / consumption of products / services, so we hypothesized that both the use of resources and generation of waste or producing an environmental impact are issues to be taken into account in all economic calculations: that should be included in the costs and prices of products / services provided.

Neo-classical economy expanded by concerns of "growth" and "equity", but so far has not found a solution to harmonize between these goals. If global environmental degradation is carried out on behalf of consumption, the market mechanism can not be the correct path. Therefore the company needs to establish a set of explicit limits the level of exploitation of the environment as a "social minimum" or "limited ecological opportunities." Once this limit can explore, through market mechanisms, the most appropriate solutions to internalize externalities.

2. Environmental externalities at global level

Recognized and established economic theory shows that any voluntary exchange of raw materials, products, services, ideas etc. is a mutual benefit for both parties instead. From the perspective of those affected by the exchange, the effects can be negative (pollution) or positive. Economists who launched the "laissez-faire" (Friedrich Hayek, Milton Friedman) made a number of references to outsiders watching them as "effect on its neighbors" or "abundance", although externalities were neither necessary nor localized for that period.

When not exploited all the gains from trade (gains from trade) shows what neoclassical theory is called market failure. Market fails because it does not produce optimal results. Because externalities, it is said that markets fail, since production deviates from the optimum level, so there ineffectiveness. Specifically, the production of too few goods or too little information is considered a market failure if the total cost of production is less than the benefit of all those who consume them. The classic case of negative externality is pollution.

Too much pollution is a market failure when the cost to the firm of pollution reduction is less than the benefit to the population.

Marketing rights tradable pollution permits or environmental policy instruments are increasingly used for pollution control. They are considered as additional mechanisms for just outside the traditional framework of order and control measures that establish mandatory requirements for operators of industrial installations explicit through licenses. Additional mechanisms may be used successfully to meet industrial performance with sustainable development requirements. They allow companies to trade the right to emit specific pollutants pollution.

An economic instrument imposes a financial incentive (a tax) in proportion to the "undesirable activities" (quantities of pollutants emitted or quantities of resources used).

3. Evaluating the effectiveness of policies in terms of environmental externalities

There is considerable support for encouraging such instruments granted by the EU Council, which seeks to integrate sustainable development into EU policy in the industry. Examples include: energy and carbon taxes, fees for waste disposal in landfills, taxes on Climate Change. Economic instruments can have a simpler scope, such as differentiated charges for unleaded petrol and the lead. Such economic instruments integrate very well the 'polluter pays' favoring any industrial process generates less pollution. However, for reasons of political acceptability, such charges cannot be excessive and as a result, there may be a limit to the scope of activities that may apply.

A common solution, however extreme, is the tacit acceptance of environmental costs through political processes. Governments are elected to represent the citizens and find political compromises between various interests. Laws and regulations may take the form of rules of "command and control" (as well as setting standards, objectives or procedural requirements) or price reforms ambient (environmental levy, tradable pollution permits or creating markets for products / environmental services). Sometimes internalization of externalities can be achieved by agreement between the parties.

Such agreements have been formalized in a market for offsets - in fact, the compensation became mandatory for us major sources of pollution in areas with high pollution. Pollution allowance trading means that existing firms in an area with high pollution, can reduce their emissions voluntarily; Instead they would get "credits" for reducing emissions. These credits can then be sold to companies wishing to settle in the area. Firms us can buy credits for reducing emissions for each unit of emissions they will produce.

However, such compensation is not sufficient to reduce pollution to acceptable standards and policies are needed to supplement the so-called "political bubble" that have been introduced to meet the major industries.

The concept of marketing bubble rarely applies outside a company. However, the concept can be expanded from an industrial society to an entire region and several companies. Standards are set, and companies are encouraged to reduce their pollution beyond the standards required to create emission reduction credits. Such credits are stored for later use (in a bank emission), when a company wants to expand, they can be sold to another company which does not meet the standard set.

If global environmental externalities, the relative roles and responsibilities of developed countries and developing gains importance because they are in different stages of development and importance associated with the development of environmental protection varies.

States should cooperate to promote a supportive and open international economic system that would lead to economic growth and sustainable development, a more adequate

framework for the problems of environmental degradation. Exchange policies measured as environmental purposes should not constitute a measure of arbitrary or unjustifiable discrimination or a disguised restriction on international trade.

Responsibilities of common but differentiated recognized in multilateral trade-related agreements (Uruguay Round), ozone depletion (the Montreal Protocol), climate change (Framework Convention on Climate Change) and biodiversity (Convention on Biodiversity). There are also special programs for providing financial support and building capabilities for developing countries by agencies such as United Nations Development Programmer United Nations Environment Programmer and Global Environment Fund.

But there is limited success in terms of technology transfer supportive environment to developing countries. Many developing countries are concerned about the use of environmental standards by certain developed countries and non-tariff barriers. Such trials would erode the comparative advantage of developing countries in exports of labor-intensive manufactured products in processed food such as skin, leather and textiles.

The main responsibility of the regulator to the environment is to decide how to allocate responsibility for control between sources, to design ways to implement these decisions, to monitor compliance with the results of regulations and establish enforcement action and / or coercion if they are not respected.

The fundamental problem in addressing the mismatch between the command and control capabilities and responsibilities is. These, along with stimulating the allocation of responsibility for the profitability cost control (control authorities) have too little information available to achieve the objectives. Although there may be the best information in the determination of cost-benefit, business managers have little incentive to voluntarily accept responsibility for their actual costs or pass impartially costs related information to the responsible authorities; Under these conditions they can assume only the actual costs. In addition, managers of enterprises are encouraged to accept responsibility at a reduced level of control if there is a possibility to maintain or strengthen its competitive position.

In this type of environment policy does not seem surprising if the allocation is not command and control, and by itself cannot become a form of return on actual cost. What may really surprising in light of the complexity of the topic, is that this form of return on cost is not an unreasonable target for further action.

In essence, this problem is reduced to the analysis, strategic and tactical measures needed to be implemented in the world to reduce pollution levels, taking into account the differentiated Pollution produced by the world states.

There are some countries where aspects of emission allowances, their marketing and the principles and practices of application is a field of study and analysis already experienced, which caused many controversies in order to clarify financial and monetary problems ambient.

Evaluating the effectiveness of policies tradable permits is an inexact process and ongoing. However, it is essential if the design program of tradable permits will improve in the future. His analysis here is nuanced and emphasizes that the success of the program depends, among other things, the regulation of existing programs, the cost structure of industries involved interaction with other markets, and program design. It believes that marketing programs tradeable permits, generally leading to reduced emissions and lower costs. There was, however, a wide variation in savings from program to program and cost cutting shows that price is negotiable permits very sensitive industry involved.

In principle, permits traded information and solve problems that are represented stimulation controls addressed so as to allow each participant to play the role that suits him best. Regulators appear certain that these sources benefit from incentives by setting goals and enforce their pollution. By leveraging the flexibility inherent characteristic of marketing

issues pollution permits, in order to obtain the lowest cost, whose limits are set by regulating authorities responsible, collective sources of pollution causes lower total costs from all sources of pollution. In principle, the incentives are compatible determined by self-interest, in this case, with cost effectiveness.

Although the operating principle of tradable permits is generally valid for all categories of polluters, some of the implementation details (such as the design permits communicable) depends mainly on the type of pollutant to be regulated. Defining profitability tradable permits and trading system design that is compatible with their allocation varies depending on the class of pollutants. The feature that distinguishes a class different is the relationship between individual sources of emission of pollutants and pollution target.

Through cyber models by indicating subsystems components, linkages between them and control loops occurring, ecosystem analysis can be done in their interdependence with economic systems. Thus, we cannot talk today about a harmonious, sustainable, without state intervention, public authority, the regulatory system in the relationship between economy and environment.

Through cyber proposed model can estimate the costs it has on the environment and on various pollutants can be adopted from the energy industry - for which it was designed - to any company producing externalities. Once calculated these costs, they must be deducted for those who have contributed to pollution, in other words to internalize the externality costs.

Highlighting links between producers and the environment is via a cybernetic model. It will be structured at two levels, namely at the microeconomic level, the manufacturer and the level Aggregates, regional.

Externalities control can be done by imposing bans, isolation and government regulations. These actions vary from one economy to another and within the same country, from one to another externality because the legislation is different and in addition, different location and type of externality producers, as groups affected by them.

The criteria underlying the control externalities are: efficiency, flexibility, ethics and public agencies spending. These four criteria allow intervention in micro or macroeconomic externalities manifestation.

4. Conclusions

In conclusion, the developed countries with potential in terms of financial, economic, human and technological have multiple opportunities to design and sustainable development. At the same time and, at a certain threshold of endurance environment, the issue arises as to the survival of the planet, making it essential globalization sustainable development actions.

But how easy is the national application of the principle polluter - payer for businesses subject to the same jurisdictions on the same territory and who may apply sanctions provided by law, the more problematic is that this principle applies internationally.

In fact, if there is no cross-border pollution mechanisms or motivations that lead states to apply the polluter - payer.

The trend would soon reverse: if nothing determines dimensional externality polluting country to pay (out of possible sanctions under international law). If externality mutual will be numerous those "free riders" (free riders), for no one is inclined to pay for the public good unless all are convinced that the net benefit of overall cooperation will be higher than that of a policy "every order itself".

The fact that the principle of polluter - payer rests on sound economic logic does not exclude some ambiguities and difficulties in interpretation, confirmed by international

issues. These difficulties require more rigorous definition of the principle of polluter - payer and its field of application.

Even if it becomes a fundamental principle, the principle of polluter - payer should not remain unchanged, but must evolve to become perfect, even to reform for solving specific problems, such as global pollution on the planet. The economic fundamentals of the principle of polluter - payer are solid and directly contribute to the search for a sustainable development process which involves, inter alia, the implementation of devices for evaluation of natural resources to ensure better management and their transmission to future generations.

The principle of polluter - payer should remain a reference, a landmark, the numerous situations in which it will be used for cross-border pollution. A whole set of economic and non-economic motivations may lead to other forms of cost sharing ("principle victim - payer" and "principle of reciprocal compensation").

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CONCEPTUAL APPROACHES ON SUSTAINABLE DEVELOPMENT IN PUBLIC ADMINISTRATION IN ROMANIA

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***Abstract:** Sustainable development in public administration in Romania prioritizes on temporal level the general interest by satisfying the needs but without harming the chances of future generations. The concept of sustainability is the symbiosis between the natural environment and rational use of natural resources which increase efficiency on medium and long term perspective based on three fundamental pillars : economic sustainability, social sustainability and environmental sustainability. By implementing reform measures at the level of central and local public administration, sustainable development in public administration in Romania will exceed the abstract conceptualization. Thus, sustainable development in public administration pursues the optimization of the social system as a whole by focusing on public interest and ensure quality public services for citizens. Currently, the theory and practice of public administration in Romania must also consider the systemic risk caused by scarcity of natural resources that is required to ensure a balance between the needs of natural systems and social systems, and between the needs of present and future generations. Unequal distribution of natural resources at the global level is a reality so that it is fundamentally necessary to develop sustainable public administration as intrinsic resort which can lead to increased efficiency and effectiveness in promoting public interests.*

***Keywords:** economic sustainability, social sustainability, environmental sustainability, public administration, natural resources, social system.*

***JEL Classification:** Q01, Q5, M1, M38, O1, O38.*

1. Introduction

The concept of sustainable development is a challenge for the present considering both local and global prospects for humanity. In literature, there is no universally agreed definition on sustainable development. Sustainability requires integrated management of economic, social and environmental aspects. Natural resources are finite and exhaustible while human demands are infinite and inexhaustible. Practically, the major challenge for all countries, both developed and developing is to achieve a sustainable development level in accordance with the rigors of the present reality. Sustainable development is a priority interest especially in the context of globalization. Sustainability can be achieved based on a focused effort and well-documented strategies. In any case, the implications for the environment should not be ignored because side effects could attain dramatic effects. However, the negative implications of not prioritizing environmental issues, especially the limited and exhaustible natural resources requires urgent identification of potential solutions. Moreover, in order to protect the natural environment it is essential to provide proper environmental laws.

Sustainability is a profound challenge for low-and middle-income countries given their prevailing characteristics, such as population growth, poverty, migration, environmental degradation, poor quality education or social inequality. An overview of the possible implications, both positive and negative, of global environmental changes leads inevitably to the great necessity of implementing sustainable strategies.

A better understanding of sustainable development is based on an exhaustive analysis of particular areas. Thus, public administration represents an area in which sustainable development has gained increasing importance in recent past. Consequently, sustainable development in public administration in Romania highlights an aspect of great current interest. The reform of public administration is an essential condition for the progress of Romania. Public administration is a very important area so that the implementation of sustainable strategies is essential for present and future generations.

2. Literature review

The Brundtland Commission “Our Common Future” was convened by the United States in 1987 to establish the level of global environmental degradation, used for the first time the concept of sustainability. The term sustainability or sustainable development has been defined by the The Brundtland Commission “Our Common Future” such as “a development that meets the needs of the present without compromising the ability of future generations to meet their own needs”.

Leuenberger (2016) investigated the issue of sustainable development in public administration and suggested that : “In considering long-run planning, intergenerational equity, reduction of risk, and conservation of resources in administrative planning, sustainability may have a significant contributory role.” Hopwood, Mellor and O'Brien (2005) investigated the issue of sustainable development and concluded that “it needs more clarity of meaning, concentrating on sustainable livelihoods and well-being rather than well-having, and long term environmental sustainability”. Fiorino (2010) discussed the subject of sustainability as a conceptual focus for public administration based on three fundamental systems ie environmental, economic and political/social systems and concluded that : “the challenge of governance, and thus of public administration, is to sustain each of these systems on its own while maintaining an appropriate balance among them”. On the other hand, Martin and Steele (2010) argued that “government, employees, investors, customers and the general public increasingly demand improved corporate sustainability and transparency.”

3. Framework of sustainability in public administration in Romania

Administrative law is a fundamental embranchment of public law and thus the concept of public administration occupies an essential place with profound social implications. Public administration is a very important area in the proper implementation of sustainable development in Romania especially with regard to the relationship with the taxpayer. Public administration is the bond between the state and the taxpayer, between government and the citizen. Implicitly, sustainable development in public administration in Romania aims to prioritize the public interest by providing quality public services in accordance with European standards. A better understanding of sustainability in public administration in Romania can lead to considerable administrative performance.

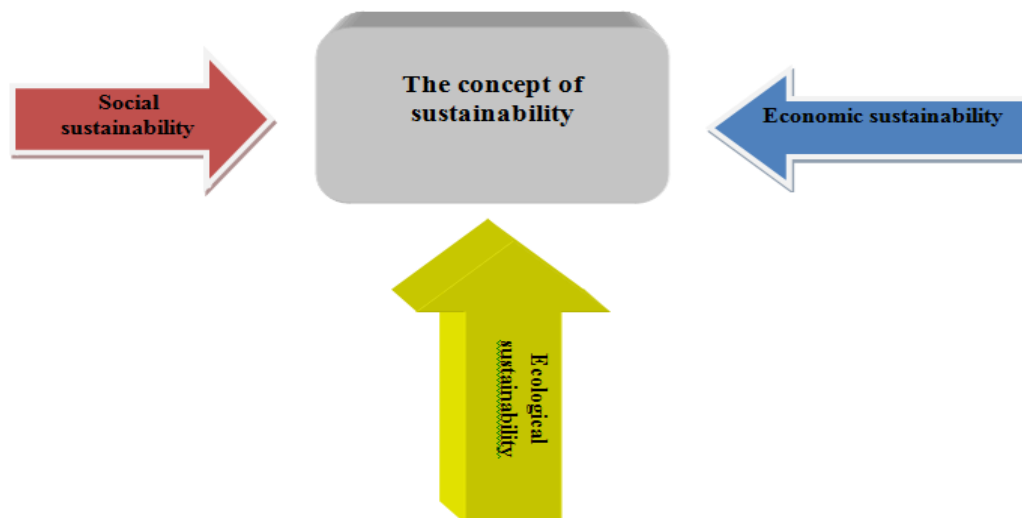


Figure no. 1 The three pillars of sustainability

In general terms, the definition of economic sustainability includes the ability of an economy to support a certain level of economic output for an indefinite period of time. An epistemological approach to the concept of economic sustainability involves a complex approach with significant implications over the medium and long term interval. Thus, with three pillars, sustainable development seeks to achieve, in a balanced way, economic development, social development and ecological sustainability. A major role is played by the economic sustainability, with multiple implications for developed or mainly for underdeveloped countries.

Social sustainability is the capacity of a social system, such as a country, family or organization, to function at a predetermined level of balance and social harmony for an indefinite period. An unsustainable social system is defined by negative aspects such as: war, endemic poverty, generalized social inequity, widespread injustice, precarious education and strong labor migration. It is relatively easy to identify which are the symptoms of a socially unsustainable system, precisely because of its extremely dramatic impact. Environmental sustainability is the ability of the environment to support a certain level of environmental quality and unreachable natural resource extraction rates. At present, environmental issues and the preservation of existing resources are a major challenge in the current context of globalization, being also a priority for the all the countries.

Public administration is an essential factor for sustainable development in all aspects of the general interest, especially in the conditions of belonging to the European Union. Despite the acknowledged importance of sustainable development, emerging countries like Romania are not characterized by very rigorous implementation strategies, including on the field of public administration. In this regard, government and public administration are very important fields for sustainable development. The efficient public administration system highlights a new dimension in the context of globalization and economic and financial integration. Moreover, in order to protect natural resources is required an exhaustive approach based on numerous complementary factors. Public administration is a key link in balanced and stability-oriented governance.

Regarding the improvement of the perspectives for the increase of the decisional transparency, respectively the expansion of the institutional capacity and visibility, sustainability focuses on achieving a balance between economic development, social development and environmental protection. Technically speaking, the systemic risk generated by the shortage of natural resources needs to be seriously considered in order to minimize structural disparities and make consumption more efficient. The public administration reform should include the implementation of sustainable development strategy in order to achieve the set objectives. Future prospects of public administration include implementation of government policy in close connection with sustainable development. Despite the fact that the concept of sustainable development is widely used globally, there is still no generally accepted definition. Thus, in the literature there are many perspectives and points of view, which together form a complex conceptual structure. In addition, sustainability represents above all an attempt to harmonize growing concerns about environmental issues with social and economic-financial challenges. Also, the innovation process, as a social process itself has a significant importance for the extension of the concept of sustainability, especially in terms of economic and financial implications. In fact, economic sustainability has multiple implications for both developed and developing countries.

In fact, sustainability is a fundamental objective in the European Union's approach. However, the “needs” vary widely in different parts of the world, depending on the degree of development. Developing sustainability generates increased attention in both and practice and theory of public administration. This triggered praiseworthy reactions by promoting

growth in the welfare of the environment while improving the welfare of citizens. Inefficiencies in public administration require restructuring based on an alternative view, including competitiveness and innovative solutions that are characteristic of sustainable development. The role of public administration reform is fundamental for well-functioning societies covering essential areas. Significant challenges are indispensable for obtaining economic growth and natural environment protection.

4. Conclusions

Sustainable development is the complex concept used to describe changes in modern society in order to highlight the intense need for effective management of scarce natural resources so as to avoid ruining chances to normal life opportunities for future generations. Moreover, sustainable development in public administration aimed at prioritizing the public interest by providing quality public services based on the reduction of bureaucracy and corruption. In the future, environmental circumstances will lead to the urgent need to efficiently manage and optimize limited natural resources.

Sustainable development is the modern term used to describe the perceived changes in society that bring to the forefront the acute need to efficiently manage limited natural resources so as to avoid hitting the chances of a normal life for future generations. Sustainable development aims to promote a system based on fairness in the distribution of environmental resources. Sustainability seeks to achieve ambitious goals in terms of social justice, equity between present and future generations, and poverty alleviation. Obviously, sustainable development is an increasingly used concept in the field of public administration.

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SCIENTIFIC MANAGEMENT VERSUS EMPIRICAL MANAGEMENT

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Abstract: Education management can be defined as the science and art of preparing human resources to form personalities, according to some finalities accepted by society, community, individuals. Educational services is a set of specialized activities carried out by methods and techniques developed and deployed within public institutions or belonging to a community, which aims to solve various categories of issues concerning education and training of different categories of beneficiaries within the community. Performance management, where is inserted correctly, can be a significant factor contributing to the success of the organization. If used incorrectly, it can lead to resentment and frustration, the starting point of the failure of many organizations. Most managers believe that more accurate performance goals, identify problems which have led to a reduction in yield are the responsibility of those responsible for human resources. The quality of management is crucial to achieve the objectives set to achieve performance or newer, excellence in any type of collective action, regardless of this organization. Neglecting to implement an high quality efficient management, generates a large part of the failures of organizations.

Cuvinte-cheie: managementul educațional, management științific, management empiric.

Clasificare JEL:I20, I21.

1. Introduction

Education management is a segment of the general theory of management, but it has additional, particular aspects that define and differentiate it in relation to other sectoral approaches of management.

In terms of management, Romanian education has its own structure and levels of organization. Therefore, according to I. Jinga (2001), it is an institutional system of education management that includes "hierarchical and / or cooperation relationships in relation to the functional responsibilities established by law and other regulations" among its components.

The underlying principle of the institutional system of education management is the combination of unitary education management with local and institutional autonomy. I. Jinga believes the role of education management is to ensure the proper functioning of the system, both as a whole and for each individual component, while "continually adapting and connecting it to society's requirements of economic, scientific and cultural development, timely revealing and removing drawbacks and impediments that occur in the process of achieving its objectives".

2. Management concept

In a broad sense, the term *management* expresses a set of rules and principles of governing activity under specific conditions and effectively managing existing resources to achieve certain finalities / pre-set goals. Management science and theory are the primary conditions of practicing qualitative, efficient, rational, creative, success and development-oriented management. In other words, management, as a practical application of management science, consists of "all processes whereby all the theoretical and methodological knowledge provided by management science are operationalized in social practice" (Nicolescu, 1993, p.52).

Management is an activity that requires specific skills, technical and relational knowledge employed within a frame: on the one hand, the economic, political and social environment characterized by restrictions and / or opportunities, and, on the other hand, the cultural background, attitudes, traditions, i.e. the organizational culture of an institution. At the same time, management implies responsibility for jointly achieving the mission and

goals of an organization; in other words, managing in a given context a group of people who achieve a common goal, according to the purpose of the organization.

The complexity of these dimensions of management in theory and practice, on the background of its tendency to become qualitative, efficient, effective, democratic, humane, reflects even in the specific language that is being used. Although the term has Latin roots, its current meaning comes from English and characterizes the activity that consists in coordinating and leading a service, an institution, or an organization.

Management correlates with other related terms: *administration* (a set of still operations to monitor / manage resources, goods, things), *management* (part of management, storage, handling goods, entrusted resources), *organization* (part of management, aimed at structuring work, resources, and relationships), *governance*, *guidance*, *training*.

Some authors highlight a number of examples of confusing terminology with important consequences in practice. Thus, Romiță B. Iucu (2000, pp.41-42) differentiates between *administration* and *management*, following some defining criteria (objectives, success criteria, resources, decision structure, roles, attitudes, skills):

♦ *administration* is characterized by: formulating objectives in general terms, achieving success by preventing errors, placing resources in the background, deciding less and for a large number of people, ample hierarchies and areas of responsibility, specifying the administrator's role of arbiter, emphasizing the role of procedures, conformism, passivity, prudence, regular reporting;

♦ *management* is characterized by: formulating strategic and operational objectives, seeking conditions for measurable performance, approaching resources with priority, decisions of various types and degrees of complexity, delegating authority, considering the manager as the protagonist of an organization, activating and creative attitudes, focusing on results and their complex analysis.

One of the conditions that characterize the consolidated science of management is given by the existence of rules and specific principles. Although it has long dominated the leadership practice, which outlined rules and regulations, by extension, it was still possible to define a system of guiding principles grouped around the issue of attaining performance when achieving the objectives of the organization:

- *the principle of efficiency;*
- *the principle of using the entire system with maximum efficiency* (theoretical elements, processes, relationships, resources, effects);
- *the principle of effectiveness* (performance and quality);
- *the principle of the central role of objectives;*
- *the principle of specific and responsible participation of all stakeholders;*
- *the principle of ensuring a dynamic management, of promoting participatory rules of conduct* (responsibility, initiative, authority, motivation, discipline, cooperation, etc.);
- *the principle of balanced involvement of elements in a rational organization* (goals, actions, means, methods, factors, relationship, results);
- *the principle of adapting the management system to the specific characteristics of the organization;*
- *the principle of motivating all those involved in the management of the organization.*

Being a conscious process of influencing and coordinating individual and group actions in order to achieve the goals and objectives of the organization, management encompasses two areas: *human resources management and material resources management*. These two areas correspond to two forms of management: *strategic management* (drafting

the long-term action plan of the organization) and *operational management* (planning the short-term strategy and activities of the organization).

By combining these elements, we can highlight four separate sectors, which are in close correlation:

- strategic management of human resources, i.e. the *mobilization of energies* (strategic management of skills, encouraging change, optimizing communication within the organization, capitalizing human potential, etc.);
- strategic management of material resources, i.e. *identification and selection of strategic options* (inter-institutional partnerships, strategic tools of context analysis and of planning fundraising/ resource strategies, etc.);
- operational management of human resources, i.e. *relationship management* (motivating organization members, animating teams, managing work meetings, negotiation, time management, daily communication in the organization, etc.);
- operational management of material resources, i.e. *instrumental management* (decision-making, delegation of responsibilities, defining activities for each component / position in the organizational chart, project coordination, etc.).

To understand the importance of each element of the management process of an organization, we can compare management with a chain of a certain number of links; the overall quality of the chain depends not on the quality of the strongest link, but on that of the weakest link. Much of the information found in general management literature have practical applications in the management of educational services; this is especially true for elements of the processes within small groups and of the interactions established between beneficiaries and education services personnel. To implement them effectively one must consider developing systematic and coherent strategies on changing and adopting action-oriented attitudes. A first step in this direction is to *specify a clear and articulated set of values* that reflect the particularities of the profession, but also emphasize the importance of human resources in education services. The next step is to *involve everyone from all levels of the organization in decision-making*, as well as in promoting the values included in specific activities of the organization. It is also useful to initiate programs that establish a less formal system of teamwork. Opportunities to analyse the activities and to debate on work improvements should be developed within these teams. An important element is *the need for a consensus on the objectives* starting from lower levels of management (two key elements are communication and participation of members of the organization).

3. Performance management and “The 4 C Rule”

In scholarly literature, achieving performance management is accompanied by an emphasis on the role and importance of the "four C rule" in the conduit and practice of each manager. According to this rule, the common characteristics of any performance management are: consistency, courage, clarity and consideration.

➤ *Consistency relates to the following aspects:*

- *consistency of words and actions* – a manager cannot discuss or promise certain changes in the organization without doing anything about it. Here are some examples of inconsistency related to subordinates: requiring compliance with the schedule, but starting meetings fifteen minutes later; stating that everyone has the right to make mistakes, but sanctioning the first mistake in taking an initiative, forgetting that only those who do not take any initiative do not make mistakes, etc.;
- *consistency of decisions* – contradicting decisions can lead to: exemption of earlier rulings, destabilization of a whole process that involves several employees, a new system of delegation, etc.;

- *consistency of objectives and allocated resources* – this is a critical aspect of management (the allocation of resources is an important instrument in the management process and should be done according to the priorities of each, whereas these priorities must be clearly defined).

When a manager or a leader watches the consistency of his activities, his legitimacy is rarely challenged, whatever style he adopts, even if subordinates and employees do not always agree with his decisions; conversely, a lack of coherence often leads to complaints and even rebellion of subordinates and employees.

- *Courage* – defines the first quality of a manager, along with intelligence. Paradoxically, in management, too much analytic intelligence can be a disadvantage because, when a decision has to be made, this intelligence takes into account all the inherent risks of the decision, leading to the impression that, in fact, no decision is being made. In this context, the term doesn't refer to physical courage, but to the intellectual and moral courage of a manager.
- *Clarity* - requires clear communication with staff and transparency in the relationship between leaders and subordinates. In addition, members of an organization will not be able to take initiatives without knowing from their manager what criteria to observe and what objectives are to be achieved by the organization. Clarity means:
 - *Clarity of organizational mission and of the "rules of the game"* (i.e. establishing the principles underlying the existence of a service, the values to be observed in implementing the service and the assessment criteria for the results of each member of the organization);
 - *Specifying strategic options and objectives* to be pursued in each phase of activity;
 - *Regular communication* regarding results, progress that has been made, difficulties and obstacles to be overcome, decisions regarding the organization's activity as a whole (this requires optimum transparency and the existence of trust relationships between manager and subordinated staff).
- *Consideration*, includes giving attention to subordinates, listening and respecting them, greeting each collaborator, reserving the time required to meet and, above all, listen to, respect for the private life of each employee, showing interest in their concerns, avoiding any manifestation of contempt for less valuable work, valuing ideas and proposals of subordinates (the best ideas can come from those who are in constant contact with reality).

Performance management must take into account:

- The 4C rule;
- General factors: economic, sociological and political context;
- Factors specific to each organization: the best use of own resources;
- Personal factors: style and personality of the manager.

The most important concern of an organization should be for the available human resources, in terms of its quality, professionalism, efficient distribution and satisfaction. One of the defining elements of this last component is the relationship between managers and subordinates. Considerable staff fluctuation is, in most cases, management's fault. Frustrating work environment and poor human relations, mainly with professional managers, generate employee dissatisfaction and can lead to the decision of leaving the organization, which can create long-term damage. Therefore, human resource strategies should aim at optimizing the relationship between managers and their subordinates.

Stephen E. Kohn and Vincent O'Connell (2011, p.46) identified six habits of the most efficient managers, which, in their opinion, are intertwined and form a set of skills that facilitate relations with subordinates:

a. developing human consciousness: this must be an ongoing process, as stimulating self-awareness (by affirming a personal creed, soliciting feedback, consulting external experts, periodical psychological assessment tests) is essential in enhancing personal power and improving overall efficiency of a manager;

b. nurturing empathetic spirit, i.e. the ability to understand and respond effectively to the subjective experience of others: it allows the manager to understand situations and the others, to make their emotional and psychological presence felt and to inspire comfort to employees; it relates to the so-called "emotional literacy" (Winget, Hyken and Silverstein, 2012, p.74), through which managers come to excel in understanding people, both intellectually and emotionally;

c. applying the golden rule: treat others as you would like to be treated;

d. complying with the limits of common sense: in the development of relations with subordinates, managers should use judgment and self-control to allow setting limits to them as a way to keep a position of healthy authority;

e. the ability to make astute critiques: that is an inescapable component of management; criticizing employees can be done tactfully by finding a balance between the importance of the message conveyed (the need to improve performance) and the submission of the critique in a way that does not affect the employee's motivation and self-control, and by addressing the situation with self-control, without personal attacks or under the influence of emotional impulses;

f. adjusting to personality: managers should permanently consider the employees' interpersonal communication styles and seek to understand their predominant motivation in order to develop different strategies according to the characteristics of each person.

The essence of human relationships can be summarized in the famous quote "Treat others how you want to be treated". We all engage in human relations and adopt different communication styles, but if we want to be really effective we must keep in mind the importance of treating others as we would like to be treated. Therefore, every manager must continually ask himself: "If I were the employee, what would I want in this situation, what would I consider appropriate and how would I want to be treated?".

As Stephen E. Kohn and Vincent O'Connell (2011, pp.115-118) show, the main values of this rule are:

- treating people with respect by: displaying courtesy, politeness, empathic listening; accepting the opinions of others; respect of others entails respect for oneself by others; respect shown by managers is an important component because it is essential in retaining the most competent people who will choose to leave the organization in the absence of respect;

- the accuracy of steps taken starting with assessing the situation when the roles would be reversed; this "placing oneself in others' shoes" is an important part of the decision-making process, as it helps anticipate the other person's reactions and creates a feeling of satisfaction in relation to the decision that was made; this rule should also be applied when rewards must be granted and when certain sanctions must be applied, so that the employee may not question the correctness of the decision, as that would be an undesirable situation that could generate frustrations and dissatisfaction leading to demotivation;

- honesty in words and deeds, as people appreciate honest treatment so that they can, in turn, be honest with those who lead; this builds mutual trust and managers know that this is petrol for the car: its level must be constantly monitored and refilled; people have confidence when managers understand their problems (Molden and David, 2013, p.136);

- acceptance of cultural, social, sexual, familial, and ethnic diversity by practicing empathy and maintaining an open attitude to understanding others, the elements that differentiate them and make them react in a specific way to specific situations.

We can say that effective human relations at work are built on the principle of mutual respect, fairness in decision-making, on honest communication and an attitude of acceptance of diversity.

Managers who have productive relationships at work focus on contributing with their own work and on relationships with others (Drucker, 2008, p.75). When employees feel oppressed, when they see that the boss does not listen, when they see they are not involved in decision-making, when they feel as if they are regarded as subordinates, they become really unhappy about the working environment and the manager who leads them.

The role of a manager is to create an environment where motivation occurs naturally. The best way to entice people to performance is when the manager manages the human resources as he would like his contribution to be managed were the roles reversed. When managers appreciate progress, people feel appreciated and behave as if they are owners and they give their best (Blanchard and Ken, 2013, p.239).

One of the most important measures adopted by a manager is to build and maintain a work environment based on trust. This confidence is also reflected by proxy or delegation that "empowers people". Thus, they are allowed to have initiative, to use their heads, to use their knowledge, experience and motivation in an effective manner to achieve results they know should be achieved.

Also, maximum confidence is shown by managers through tolerance to normal, inevitable errors. Thus, employees feel that they can take professional risks and can be more creative without being criticized and feeling embarrassed for the smallest error that can occur. And this unpleasant experience is essential to be dealt with in a constructive manner so that, together with the manager, the employee identifies and understands the necessary lessons.

The task of a manager is to ensure that every lesson learned will be applied by the employee in a manner that will enable him to evolve and succeed. If a manager will invest energy in trying to make people feel comfortable in their role, he will help them show the highest levels of creativity, positive energy, cooperation, commitment and dedication for the successful fulfilment of tasks (Tracy and Brian, 2010, p.131).

Any employee likes to feel valued, appreciated, to see the support of the manager to constantly improve professionally. And the ability to delegate tasks is essential for the professional development of people, so that they feel that they are vested with authority and freedom of action for the task they received.

The task of every manager is to help people grow and develop their skills. One person holds the position of manager because he has qualities and abilities that are superior to those of others.

Thus, the manager is obliged to share the knowledge and skills to the people he leads so that they become more productive and more valuable.

A manager's task is to get things done through others. Achieving the desired results is directly dependent on the manager's ability to organize work, delegate tasks to the right people and supervise staff so that they complete the task on time. And, the golden rule of management is found along with:

- total responsibility for own staff;
- monitoring staff with the same patience and understanding;
- courtesy towards staff;
- activity in the service of employees.

Results of several studies unequivocally show that people do not quit jobs, but the managers who lead them. Rudeness and condescension at work cause hurt and anger and resentment.

The main instrument for improving a manager's relation with those he leads is their own behaviour. Thus, managers should apply the golden rule for several reasons:

- it provides a consistent reference framework in situations where they are not sure how to relate / behave with others;
- it improves self-control by proactively anticipating the impact of spoken words and actions;
- it increases their decision-making consistency;
- it helps them make fewer decisions they will regret later;
- it improves their ability to communicate empathically;
- it incentivises them to be better and more efficient in their management activity;
- it makes them more concerned about building a trust based environment that is favourable for performance.

4. Conclusions

Regardless of their field of work, managers must set goals, select and train personnel to form teams with specific skills, to develop mechanisms to monitor and coordinate activities, evaluate results and carry out coordination activities and necessary changes.

Management, where applied correctly, can be a significant factor contributing to the success of the organization. If used incorrectly, it can lead to resentment and frustration, as the starting point of failure for many organizations.

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MANAGEMENTUL ȘTIINȚIFIC VERSUS MANAGEMENTUL EMPIRIC

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Rezumat: Managementul exprimă un ansamblu de reguli și principii de conducere a unei activități în condiții specifice, de gestionare eficientă a unor resurse existente, pentru atingerea unor finalități /obiective prestabilite. Știința/teoria managementului reprezintă condiția primară pentru practicarea unui management de calitate, eficient, rațional, creativ, orientat spre succes, dezvoltare. Managementul este o activitate pentru exercitarea căreia sunt necesare abilități specifice, cunoștințe tehnice și relaționale, care se exercită într-un cadru, adică: pe de o parte, mediul economic, politic și social, caracterizat prin restricții și/sau oportunități, și, pe de altă parte, mediul cultural, mentalitățile, tradițiile-astfel spus, cultura organizațională a unei instituții. În același timp, managementul presupune responsabilitatea pentru realizarea în comun a misiunii și a obiectivelor unei organizații-altfel spus, conducerea, într-un context dat, a unui grup de persoane care au de atins un obiectiv comun, în conformitate cu finalitățile organizației din care face parte. Managementul corelează cu alți termeni conecși: administrare (ansamblu de operații statice pentru evidența/gospodărirea resurselor, bunurilor, lucrurilor), gestionare (parte a conducerii-păstrarea, mănuirea bunurilor, a resurselor încredințate), organizare (parte a managementului, vizând structurarea activității și resurselor, relațiilor), conducere, îndrumare, antrenare. Multe dintre informațiile întâlnite în literatura managerială generală își găsesc aplicare și în cadrul managementului serviciilor educaționale; este vorba îndeosebi de elemente privind procesele din cadrul grupurilor mici și interacțiunile care se stabilesc între beneficiari și personalul serviciilor educaționale.

Cuvinte-cheie: managementul educațional, management științific, management empiric.

Clasificare JEL: I20, I21.

1. Introducere

Învățământul românesc, din perspectiva conducerii lui, are o anumită structură sau niveluri de etajare. Putem vorbi, așadar de un sistem instituțional al conducerii învățământului, între elementele acestuia existând, potrivit lui I. Jinga (2001) "legături de subordonare și /sau de conlucrare în raport de atribuțiile funcționale stabilite prin lege și prin alte acte normative."

Principiul care stă la baza sistemului instituțional al conducerii învățământului este acela al îmbinării conducerii unitare a învățământului cu autonomia locală și instituțională. Vorbind despre rostul conducerii învățământului. I. Jinga crede că acesta are drept scop realizarea funcționării corespunzătoare a întregului sistem, atât în ansamblul sau, cât și la nivelul fiecărui element "adoptându-l și racordându-l neconținut la cerințele dezvoltării economice, științifice și culturale ale societății, dezvoltând și înlăturând la timp neajunsurile, obstacolele care apar în procesul realizării obiectivelor propuse."

Managementul educațional este un segment din teoria generală a managementului, dar are în plus și aspecte particulare care-l definesc și-l diferențiază în raport cu alte abordări sectoriale ale acestuia.

2. Conceptul de management

În sens larg, termenul de *management* exprimă un ansamblu de reguli și principii de conducere a unei activități în condiții specifice, de gestionare eficientă a unor resurse existente, pentru atingerea unor finalități /obiective prestabilite. Știința/teoria managementului reprezintă condiția primară pentru practicarea unui management de calitate, eficient, rațional, creativ, orientat spre succes, dezvoltare. Altfel spus, managementul, ca aplicație a științei manageriale, reprezintă „ ansamblul proceselor prin care toate elementele teoretico-metodologice furnizate de știința managementului sunt operaționalizate în practica socială” (Nicolescu, 1993, p.52).

Managementul este o activitate pentru exercitarea căreia sunt necesare abilități specifice, cunoștințe tehnice și relaționale, care se exercită într-un cadru, adică: pe de o parte, mediul economic, politic și social, caracterizat prin restricții și/ sau oportunități, și, pe de altă parte, mediul cultural, mentalitățile, tradițiile-astfel spus, cultura organizațională a unei instituții. În același timp, managementul presupune responsabilitatea pentru realizarea în comun a misiunii și a obiectivelor unei organizații-altfel spus, conducerea, într-un context dat, a unui grup de persoane care au de atins un obiectiv comun, în conformitate cu finalitățile organizației din care fac parte.

Complexitatea acestor dimensiuni ale managementului teoretic și practic, în tendința lui de a deveni de calitate, performant, eficient, democratic, uman, se reflectă chiar și în limbajul specific utilizat. Deși termenul are rădăcină latină, sensul său actual vine din limba engleză și caracterizează activitatea ce constă în coordonarea și conducerea unui serviciu, a unei instituții, întreprinderi sau organizații.

Managementul corelează cu alți termeni conecși: *administrare* (ansamblu de operații statice pentru evidența/gospodărirea resurselor, bunurilor, lucrurilor), *gestionare* (parte a conducerii-păstrarea, mânuirea bunurilor, a resurselor încredințate), *organizare* (parte a managementului, vizând structurarea activității și resurselor, relațiilor), *conducere*, *îndrumare*, *antrenare*.

Unii autori subliniază o serie de confuzii terminologice cu consecințe importante în practică. Astfel, Romiță B. Iucu (2000, pp.41-42) face distincție între termenii *administrație* și *management*, urmărind unele criterii definitorii (obiective, criterii de succes, resurse, decizie, structură, roluri, atitudini, aptitudini):

♦ *administrarea* se caracterizează prin: formularea în termeni generali a obiectivelor, obținerea succesului prin prevenirea erorilor, plasarea resurselor în plan secundar, adoptarea de decizii puține și pentru un număr mare de persoane, ierarhii și domenii de responsabilitate ample, precizarea rolului de arbitru al administratorului, accentuarea rolului procedurilor, conformismului, pasivității, prudenței, raportărilor periodice;

♦ *managementul* se remarcă prin: formularea de obiective strategice și operaționale, căutarea condițiilor de obținere a performanțelor măsurabile, abordarea prioritară a resurselor, adoptarea deciziilor de diferite tipuri și grade de complexitate, practicarea delegării de autoritate, considerarea managerului drept protagonist al organizației, atitudini activizante, creative, punerea accentului pe rezultate și pe analiza lor complexă.

Una dintre condițiile ce caracterizează știința consolidată a managementului este dată de existența unei legități, a unor principii specifice. Deși a dominat atât timp conducerea practică, în care s-au conturat norme și reguli, s-a putut totuși formula, prin generalizare, un sistem de principii coordonatoare, grupate în jurul problemei atingerii performanței în realizarea obiectivelor organizației:

- *principiul eficienței;*
- *principiul utilizării cu maximum de randament a întregului sistem* (elemente teoretice, procese, relații, resurse, efecte);
- *principiul eficacității* (al performanței și calității);
- *principiul rolului central al obiectivelor;*
- *principiul participării specifice și responsabile a tuturor factorilor din cadrul organizației;*
- *principiul asigurării dinamismului conducerii, al promovării unor norme de conduită participativă* (răspundere, inițiativă, autoritate, motivație, disciplină, cooperare etc.);
- *principiul antrenării echilibrate a elementelor într-o organizație rațională* (scopuri, acțiuni, mijloace, metode, factori, relații, rezultate);

- *principiul adaptării sistemului de management la caracteristicile concrete ale organizației;*
- *principiul motivării tuturor persoanelor implicate în procesul managerial al organizației.*

Fiind un proces conștient de influențare și coordonare a acțiunilor individuale și de grup în scopul realizării misiunii și obiectivelor organizației, managementul cuprinde două domenii: *managementul resurselor umane* și *managementul resurselor materiale*. Acestor două domenii le corespund două forme: *managementul strategic* (elaborarea planului de acțiune al organizației pe termen lung) și *managementul operațional* (se referă la acțiunea de planificare pe termen scurt a strategiei și activităților organizației).

Prin combinarea acestor elemente pot fi evidențiate patru sectoare distincte, aflate în strânsă concordanță:

- managementul strategic al resurselor umane, adică *mobilizarea energiilor* (gestionarea strategică a competențelor, încurajarea schimbării, optimizarea procesului de comunicare în cadrul organizației, valorificarea potențialului uman etc.);
- managementul strategic al resurselor materiale, adică *identificarea și alegerea opțiunilor strategice* (parteneriate interinstituționale, instrumente strategice de analiză a contextului și de planificare, strategii privind atragerea de fonduri/resurse etc.);
- managementul operațional al resurselor umane, adică *managementul relațional* (motivarea membrilor organizației, animarea echipelor, conducerea reuniunilor de lucru, negociere, gestionarea timpului, comunicarea cotidiană în organizație etc.);
- managementul operațional al resurselor materiale, adică *managementul instrumental* (se referă la decizie, delegarea responsabilităților, descrierea funcțiilor și activităților pentru fiecare componentă/poziție din organigrama instituției, coordonarea proiectelor etc.).

Pentru a înțelege importanța fiecărui element din cadrul procesului managerial al unei organizații putem compara managementul cu un lanț compus dintr-o sumă de verigi; calitatea lanțului pe ansamblu nu depinde de calitatea celei mai puternice verigi, ci de cea a verigii celei mai slabe. Multe dintre informațiile întâlnite în literatura managerială generală își găsesc aplicare și în cadrul managementului serviciilor educaționale; este vorba, îndeosebi, de elemente privind procesele din cadrul grupurilor mici și interacțiunile care se stabilesc între beneficiari și personalul serviciilor educaționale. Pentru aplicarea lor în mod eficient trebuie să se aibă în vedere dezvoltarea unor strategii sistematice și coerente privind schimbarea și adoptarea unei atitudini orientate către acțiune. Un prim pas în această direcție constă în *specificarea unui set clar și articulat de valori* care să reflecte specificul profesiei, dar să sublinieze și importanța resursei umane în cadrul serviciilor educaționale. Următorul pas va urmări *implicarea tuturor membrilor organizației, de la toate nivelurile, în procesul de adoptare a deciziilor*, ca și în promovarea valorilor incluse în activitățile specifice ale organizației. Este utilă și adoptarea unor programe care să stabilească un sistem de lucru în echipă, mai puțin formal. În cadrul acestor echipe este necesară dezvoltarea de oportunități de analiză a activităților pe care le desfășoară ele, precum și crearea unui cadru de dezbateri privind îmbunătățirea activității. Un element important îl constituie *necesitatea unui consens asupra obiectivelor urmărite* plecând de la nivelurile inferioare ale managementului (două elemente - cheie în acest sens sunt comunicarea și participarea membrilor în cadrul structurilor organizației).

3. Managementul performant și “Regula celor 4 C”

În literatura de specialitate, atunci când se vorbește despre realizarea unui management performant, se subliniază rolul și importanța “regulii celor 4 C” în conduita și practica fiecărui manager. Conform acestei reguli, caracteristicile comune oricărui management performant sunt: coerența, curajul, claritatea și considerația.

➤ *Coerența* are în vedere următoarele aspecte:

- *coerența între vorbe și fapte* - un manager nu poate discuta sau promite mult timp anumite schimbări în organizație fără să facă nimic în acest sens. Iată câteva exemple de incoerență în raport cu subordonații: a cere respectarea programului, dar a începe ședințele cu cincisprezece minute întârziere; a afirma că dreptul la greșeală există, dar a sancționa prima greșeală în luarea unei inițiative, uitând că doar cei ce nu au nicio inițiativă nu fac greșeli etc.;
- *coerența între decizii* – deciziile contradictorii pot duce la: derogarea unor hotărâri anterioare, destabilizarea unui întreg proces care antrenează deja mai mulți angajați, instituirea unui nou sistem de delegare etc.;
- *coerența între obiectivele propuse și mijloacele alocate* - este ceea ce putem numi punctul sensibil al managementului (alocarea resurselor este un act important în procesul managerial și trebuie efectuată în funcție de prioritățile fiecăruia, iar aceste priorități trebuie să fie foarte clar definite).

Atunci când un manager sau un lider veghează la coerența activităților sale, legitimitatea sa este rar contestată, indiferent de stilul pe care îl adoptă, chiar dacă subordonații și colaboratorii nu sunt întotdeauna de acord cu deciziile luate de el; din contră, absența coerenței duce adesea la contestare și chiar la revoltă din partea subordonaților și colaboratorilor.

➤ *Curajul* - alături de inteligență, definește prima calitate a managerului. În domeniul managementului, paradoxal, prea multă inteligență analitică poate constitui un dezavantaj deoarece, în momentul în care se ia o decizie, această inteligență ia în calcul și toate riscurile inerente deciziei, conducând la impresia că, de fapt, nu se decide nimic. În acest context, termenul de *curaj* nu se referă la curajul fizic, ci la curajul intelectual și moral al managerului.

➤ *Claritatea* - presupune informarea clară a personalului și practicarea transparenței în raporturile dintre conducători și subordonați. În plus, membrii unei organizații nu vor putea să aibă inițiative fără să știe de la managerul lor care sunt criteriile ce trebuie respectate și obiectivele ce trebuie atinse de către organizație. Claritatea înseamnă:

- *Claritatea misiunii organizației și a “regulilor jocului”* (adică stabilirea principiilor care susțin existența unui serviciu, a valorilor care trebuie respectate în aplicarea serviciului respectiv și a criteriilor pe baza cărora se vor evalua rezultatele fiecărui membru al organizației);
- *Precizarea opțiunilor strategice și a obiectivelor* care trebuie urmărite în fiecare etapă de activitate;
- *Comunicarea periodică* în ceea ce privește rezultatele obținute, drumul parcurs, dificultățile întâlnite și obstacolele care urmează a fi depășite, deciziile luate în ceea ce privește activitatea organizației în ansamblul ei (aceasta presupune o transparență optimă și existența unor relații de încredere între manager și personalul din subordine).

➤ *Considerația* - presupune acordarea de atenție personalului din subordine, ascultare și respect - salutarea fiecăruia dintre colaboratori, rezervarea timpului necesar pentru a-i întâlni și, mai ales, pentru a-i asculta, respectarea vieții personale a fiecăruia dintre colaboratori și manifestarea de interes față de preocupările lor, evitarea oricărei manifestări de dispreț pentru o activitate mai puțin valoroasă, valorizarea ideilor și

propunerilor venite din partea subordonaților (cele mai bune idei pot veni de la cei ce sunt în contact permanent cu realitatea).

Un management performant trebuie să țină cont de: regula celor 4 C; Factori generali: contextul economic, sociologic și politic; Factori specifici fiecărei organizații: valorificarea optimă a propriilor resurse; Factori personali: stilul și personalitatea managerului.

Grija cea mai importantă a unei organizații ar trebui să fie cea pentru resursa umană de care dispune din perspectiva calității, profesionalismului, repartizării eficiente și satisfacției acesteia. Iar unul din elementele definitorii ale acestei ultime componente este relația dintre manageri și subordonați. Apariția unor fluctuații mari de personal este, în cele mai multe cazuri, vina managementului. Mediul de lucru frustrant, relațiile umane deficitare, în principal cu șefii profesionali, generează nemulțumiri angajatului și îl pot determina să ia decizia părăsirii organizației, aspect care poate crea acesteia prejudicii pe termen lung. De aceea, strategiile de resurse umane trebuie să vizeze optimizarea relației dintre manageri și subordonații acestora.

Stephen E. Kohn și Vincent O'Connell (2011, p.46) identifică 6 obiceiuri ale celor mai eficienți manageri care, în opinia lor, se întrepătrund și formează un set de aptitudini care facilitează relațiile cu subordonații:

a. dezvoltarea conștiinței de sine: trebuie să fie un proces permanent, întrucât stimularea conștiinței de sine (prin afirmarea unui crez personal, solicitarea feedback-ului, consultarea unor specialiști externi de încredere, efectuarea periodică de teste de evaluare psihologică) este esențială pentru intensificarea puterii personale și pentru îmbunătățirea eficienței generale a unui manager;

b. cultivarea spiritului empatic, adică a capacității de a înțelege și reacționa eficient la experiența subiectivă a celuilalt: permite managerului să înțeleagă situațiile și pe ceilalți, să își facă simțită prezența emoțională și să le insufle angajaților un confort psihologic; aceasta este legată de așa-numita „alfabetizare emoțională” (Winget, Hyken și Silverstein, 2012, p.74), prin care managerii ajung să exceleze în înțelegerea oamenilor, atât la nivel intelectual, cât și emoțional;

c. aplicarea regulii de aur: tratează-i pe ceilalți așa cum ți-ar plăcea să fii tratat;

d. încadrarea în limitele bunului simț: în contextul dezvoltării relațiilor cu subordonații, managerii trebuie să facă uz de judecată și autocontrol care să le permită stabilirea unor limite față de aceștia ca modalitate de a păstra o poziție de autoritate sănătoasă;

e. capacitatea de a face critici în mod abil: ca o componentă inevitabilă a activității de conducere, criticarea angajaților poate fi făcută cu tact prin identificarea unui echilibru între importanța mesajului transmis (necesitatea îmbunătățirii performanțelor) și cea a transmiterii lui într-o manieră care să nu afecteze motivația angajatului, precum și prin abordarea situației cu autocontrol, fără atacuri la persoană sau sub imperiul impulsurilor emoționale;

f. plierea pe personalitatea omului: managerii trebuie să analizeze permanent stilurile de comunicare interpersonală ale angajaților și să caute să înțeleagă motivația predominantă a acestora pentru a putea dezvolta strategii diferite în funcție de particularitățile fiecăruia.

Esența relațiilor interumane poate fi sintetizată în celebrul citat: „Ce ție nu-ți place, altuia nu-i face!”. Cu toții ne angajăm în relații umane, adoptăm diferite stiluri de comunicare, dar dacă vrem să fim cu adevărat eficienți trebuie să avem în vedere importanța tratării celorlalți așa cum ne-ar plăcea nouă să fim tratați. De aceea, orice manager trebuie să își pună în permanență întrebarea: „Dacă eu aș fi în locul angajatului, ce mi-aș dori în această situație, ce aș considera a fi corect și cum aș vrea să fiu tratat?”.

După cum evidențiază Stephen E. Kohn și Vincent O'Connell (2011, pp.115-118), principalele valori ale acestei reguli sunt:

- tratarea oamenilor cu respect prin: afișarea curtoaziei, exprimarea politeții, ascultarea empatică, acceptarea opiniilor celorlalți; respectarea celor din jur atrage după sine respectarea propriei persoane de către ceilalți; respectul arătat de manager este o componentă extrem de importantă, pentru că este esențial în păstrarea celor mai competenți oameni și în lipsa căruia aceștia vor alege să părăsească organizația;

- corectitudinea demersurilor întreprinse pornind de la evaluarea situației în condițiile în care rolurile ar fi inversate; această „punere în locul celuilalt” este o parte importantă a procesului decizional, întrucât permite intuirea reacțiilor celorlalte persoane și creează sentimentul de mulțumire în raport cu decizia luată; această regulă trebuie să fie aplicată și în situația în care trebuie acordate recompense, cât și în cea în care trebuie aplicate anumite sancțiuni, astfel încât angajatul să nu pună la îndoială corectitudinea deciziei luate, situație nedorită care ar fi de natură să-i genereze frustrări și insatisfacții care conduc la demotivarea lui;

- onestitatea în vorbe și fapte, întrucât oamenii apreciază un tratament cinstit, pentru ca, la rândul lor, să poată fi sinceri cu cel care îi conduce; astfel se construiește încrederea reciprocă, iar managerii știu că aceasta este ca benzina pentru mașină: trebuie permanent monitorizat și reumplut nivelul acesteia; oamenii oferă la rândul lor încredere atunci când sesizează că managerii le înțeleg problemele (Molden și David, 2013, p.136);

- acceptarea diversității culturale, sociale, sexuale, familiale, etnice prin practicarea empatiei și menținerea unei atitudini deschise în vederea înțelegerii celorlalți, a elementelor care îi fac diferiți și îi determină să reacționeze specific unor situații concrete.

Putem afirma că relațiile umane eficiente la locul de muncă sunt construite pe principiul respectului reciproc, bazat pe corectitudine în luarea deciziilor, pe o comunicare onestă și pe o atitudine de acceptare a diversității.

Managerii care au relații productive la locul de muncă se concentrează asupra contribuției proprii lor munci și a relațiilor cu ceilalți (Drucker, 2008, p.75). Când angajații se simt asupriți, când văd că șeful nu îi ascultă, când văd că nu sunt implicați în luarea deciziilor, când sesizează că sunt tratați ca și cum ar fi subordonați cu adevărat, aceștia vor fi cu adevărat nemulțumiți de mediul în care activează și de managerul care îi conduce.

Rolul unui manager este acela de a crea un mediu în care motivația să apară natural. Cea mai bună manieră de a-i motiva pe oameni să fie performanți este ca managerul să gestioneze resursa umană așa cum i-ar plăcea acestuia să-i fie gestionată contribuția în situația în care rolurile ar fi inversate. Când managerii apreciază progresele, când oamenii se simt apreciați, aceștia se comportă ca și cum ar fi proprietari și își pun mințile la contribuție (Blanchard și Ken, 2013, p.239).

Una dintre cele mai importante măsuri ale unui manager este de a contrui și menține un mediu de muncă bazat pe multă încredere. Această încredere se manifestă și prin împuternicire sau delegare prin care „managerul dă putere oamenilor”. Astfel, acestora li se permite să ia inițiativă, să își pună mintea la contribuție, să își folosească într-o manieră eficientă în activitatea depusă cunoștințele, experiența și motivația pentru a atinge rezultate de care sunt conștienți că trebuie atinse.

De asemenea, încrederea maximă este arătată de manager prin toleranța sa față de greșelile normale, inevitabile. Astfel, angajații simt că pot să-și asume riscuri profesionale și, astfel, să fie mai creativi, fără să fie criticați și să se simtă stânjeniți pentru cea mai mică eroare care poate să apară. Iar această experiență nedorită este esențial să fie tratată într-o manieră constructivă, astfel ca, împreună cu managerul, angajatul să identifice și să tragă învățămintele necesare.

Sarcina unui manager este să se asigure că fiecare lecție învățată va fi aplicată de către angajat într-o manieră care îi va permite acestuia să evolueze și să aibă succes. Dacă un manager își va investi energia în încercarea de a-i face pe oameni să se simtă bine în rolul lor, îi va ajuta să-și manifeste la cel mai înalt nivel creativitatea, energia pozitivă, spiritul de cooperare, angajamentele și dedicarea față de îndeplinirea cu succes a sarcinilor (Tracy și Brian, 2010, p.131).

Fiecărui angajat îi place să se simtă valorizat, să se simtă apreciat, să conștientizeze că este sprijinit de către manager să își îmbunătățească constant capacitățile profesionale. Iar capacitatea de a delega sarcini este esențială pentru dezvoltarea profesională a propriilor oameni, astfel încât aceștia să simtă că sunt investiți cu autoritate și libertate de acțiuni în sarcina care le-a fost trasată.

Sarcina fiecărui manager este să-i ajute pe oameni să se dezvolte, să își dezvolte abilitățile. O persoană ocupă funcția de manager pentru că are anumite calități și abilități superioare celorlalți.

Astfel, acesta, din poziția deținută, are obligația să-și împărtășească cunoștințele și deprinderile celor pe care îi conduce pentru ca oamenii pe care îi conduce să devină mai productivi și mai valoroși.

Sarcina managerului este de a realiza lucrurile prin intermediul celorlalți. Obținerea rezultatelor dorite este dependentă direct de abilitatea managerului de organizare a muncii, de delegare a sarcinilor oamenilor potriviți și de supraveghere a personalului pentru ca acesta să îndeplinească sarcinile la termenul stabilit. Iar, regula de aur a managementului o regăsim alături de: asumarea responsabilității totale pentru propriul personal; urmărirea personalului cu aceeași răbdare și înțelegere; amabilitatea cu personalul; activitate în serviciul angajaților.

Rezultatele mai multor studii arată fără echivoc faptul că oamenii nu renunță la joburi, ci la managerii care-i conduc. Grosolănia și condescendența la locul de muncă rănește și cauzează mânie și resentimente.

Principalul instrument pentru îmbunătățirea relațiilor managerului cu cei pe care îi conduce este propriul comportament. Astfel, aplicarea de către manageri a regulii de aur este importantă din mai multe motive: le oferă un cadru de referință consistent în situații în care nu sunt siguri cum să se raporteze/comporte cu ceilalți; le îmbunătățesc capacitatea de autocontrol, prin evaluarea în mod anticipativ a impactului cuvintelor spuse și acțiunilor întreprinse; le sporesc consecvența în deciziile luate; îi determină să ia mai puține decizii pe care să le regrete ulterior; le îmbunătățesc capacitățile de comunicare empatică; îi stimulează să fie mai buni și mai eficienți în activitatea de conducere; îi determină să se preocupe pentru construirea unui climat de încredere, favorabil performanței.

4. Concluzii

Indiferent de domeniul în care activează, managerul trebuie să stabilească obiective, să selecteze și să pregătească personalul, să formeze echipe de lucru cu anumite competențe, să elaboreze mecanisme pentru monitorizarea și coordonarea activităților, să evalueze rezultatele și să procedeze la coordonarea activităților și la schimbările necesare în anumite momente.

Managementul, acolo unde este introdus corect, poate fi un factor semnificativ ce contribuie la succesul organizației. Dacă este utilizat incorect, acesta poate conduce la resentimente și frustrări, punctul de plecare al eșecului multor organizații.

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NECESSITY TO IMPLEMENT THE „ZERO WASTE” POLICY AT THE EU LEVEL

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Abstract: *The research aims at the necessity to transition to the circular economy which has an opposite effect of linear economy, with increased prosperity and the future of human existence. The analysis shows and outlines that to be competitive means not only to properly use resources and the ensure their productive reuse, as well as the assuring the reduction/ elimination of waste deposits, the encouraging and supporting the current european policy - “zero waste” policy. By joining to the effects of pollution reduction and reduce the demand for raw materials increasingly limited, the new objectives concerning the waste will bring substantial economic benefits: the recycling stimulation, ensuring the access to materials needed in industry, job creation and economic growth. It is a primordial and major necessity, but it will not happen without correct policies. EU intends to transform circular economy into reality and it is necessary to limit the environmental impact, improving, at the same time, the economic well-being. Targets are imposed to analyze the importance of innovation on the recyclable market of materials and measures to ensure new business models, ecologic projection and industrial symbiosis, that can sustain and support the building an economy and society zero waste.*

Keywords: *sustainable development, circular economy, waste, challenges, measures.*

JEL Classification: *Q56, Q57.*

1. European policy on waste – a „zero waste” policy

Encouraging and supporting “zero waste” European policy and, implicitly, sustaining the necessity of circular economy switching, take into account the following ideas:

- the setting up of an outlet market for the secondary materials recuperated from waste, so creating a legal and unitary framework, as well as ensuring equality of chance to all those who make full use and reintegrate in the economic circuit all these materials;
- the setting up and financing of infrastructures for waste treatment and storage, and operational management of waste streams – one of the biggest challenges;
- the fact that waste energy recovery is not sufficiently emphasized (in the case of non-recyclable waste), as a final stage of the waste recovery process; this would allow the fulfillment of the ambitious objectives all member states are being attributed, and at the same time consolidate the energetic independency of the European Union;
- sustaining the systematic and accelerate introduction of economic instruments in waste management by all member states, local and regional authorities.

The potential of these instruments to generate revenue is very important for the local and regional authorities, that can use it to compensate (a part of) the administrative costs that follow the application and application surveillance of waste objectives, as well as the allocation of funds for garbage collection, recycling and other environment projects.

Parliament’s Committee on the Environment supported mandatory measures to stimulate repairing, reuse, recycling, waste reduction and the dependence on resources, as part of the revised package.

- compulsory proposals for measurement the indicators of "footprint" for land, materials, water and carbon until 2018 – the first step towards resource efficiency;
- mandatory objectives concerning the prevention of waste generation until 2025;
- the necessity of establishing additional compulsory objectives for reuse, separated and specific to each waste flux, especially for furniture, textiles, as this type of objectives already exist in some countries at a national/ regional level;
- 70% recycling targets for municipal waste; they will be prohibited until 2030, and storage of waste on/in soil/ incineration will be subject to a severe legislation;

- objectives to increase the recycling volume of packaging waste, 70% plastic, and in the case of glass, metal, paper, cardboard, and wood – up to 80% until 2020;
- 50% reduction of marine waste until 2015;
- measures taken to massively reduce non- recyclable waste incineration after 2020, as well as removing any type of incineration subsidies (with/ without energy recovery);
- implementing a new recycling objective for bio-waste, in the perspective of a development of this sector and the establishment of a number of compulsory criteria concerning compost quality, the promotion and support of the bio-waste recycling market, environment protection guarantee;
- prohibiting the storage of recyclable and biodegradable waste up to 2020, or, at least, starting with 1st January 2025;
- analyzing the potential of construction and demolition waste recycling (CDW - construction and demolition waste); establishing specific targets for rare materials in constructions and demolitions, for, a singular objective in this domain is not sufficient to stimulate the collection, sorting and recycling of construction materials.

Again, as a major necessity, the idea of “sustainable buildings” must amend and improve, adding to energy consumption objectives, the life cycle of the materials used in buildings construction. The 40% percentage of the energy used in the EU is due to residential and office buildings, that represent 36% of CO₂ emissions at European level. At the moment, the construction field is dominated by costs, that, unfortunately, is primordial to sustainability and environment protection necessities (both by the way in which resources are obtained and waste growth). Basically, in construction, cheap products are being used, products that highly affect the environment when produced. The building renovations are rare, and often, leave aside energetic sustainability/ efficiency, and construction waste storage is much easier (especially in demolitions) compared with their recycling– things that lead to a penalty policy and creating a Europe-wide recycling infrastructure.

To joining to the effects of pollution reduction, the reduction of more and more limited raw materials demand, the new objectives concerning the waste will bring substantial economic benefits. The purpose is to sustain Europe’s transformation into a circular economy, recycling stimulation, ensuring the access to materials needed in industry, job creation and economic growth.

Unfortunately, the existence of incentives and the infrastructures in linear economy hold down an efficient resource usage. Objectives were imposed, analyzing the importance of innovation on the recyclable market of materials, new business models, ecologic projection and industrial symbiosis, that can sustain and support the rising of an economy and a society without waste.

The innovation and the research are two of the basic elements of circular economy, due to which recommended a common approach:

According to EU officials, there are the following underlying key elements:

- *cascade usage of resources*

The concept underlies an efficient usage of resources. It is considered that, resources exploitation must be made for products with high added value and by all the recycling processes, the resources must be utilized as many times as possible in other product categories.

- *the hierarchy of waste*

The objective is to sustain and reach the level of economy-type “zero waste”, one that would not generate waste and all materials and products shall be recyclable. Insuring this hierarchy involves maximum efficiency for all processes, both from production cycles and recycling.

- *the growth of responsibility in production*

Despite the fact that, the producers will be held responsible for the obsolescence management, the waste production should be avoided, one that does not benefit from the possibility of reintroduction it in the circular economy cycle. Even currently, the products tend to have low life cycles, becoming waste in a relatively short period of time, at the same time accelerating the growth of the demand of new resources for new products.

A specific study concerning the extended responsibility of the producers, the - so called – EPR programs, they examine the best practices and cost effectiveness.

- *industrial symbios*

The concept implies producers' collaboration for utilizing secondary products derived from the main production activity; the waste from the production process becomes raw material for another process or can share a limited supply of the rare and expensive catalysts between the companies that employ them. A complementary dependency develops, with the role of waste elimination, one that will bring substantial intake for the producers 'sustained development.

- *new business models*

As, the current business models determine the accelerate exhaustion of resources and the growth of waste quantities, like a necessity is to impose completely new strategies, so that resource efficiency to record high levels.

Leasing type economy, from the point of view of EU specialists, is an example of business model that favors resource efficiency, in which the client does not buy the product, but he/she pays a right to use, allowing specialized firms to carry out the sale of the utilization service and but also of all the maintenance and the repair of the product. At the end of the life cycle of the product (eliminating the hypothesis in which the client "throws away" the product that would become waste), the leasing firm has management responsibility of disposal of the product and to recycled it, in order to avoid waste.

In the case of leasing economy, the companies benefit from a constant income flow, but also increases the interest of both parties to the contract (the leasing company and the user) to keep the product in a good functioning state.

On the one side, the necessity of switching to circular economy is emphasized, on the other, the clarity of the proposals reduces uncertainty – encouraging the right climate for investments - and determining an active involvement of both companies and consumers.

These measurements could generate for European companies, net economies of more than 600 billion Euros, at the same time reducing greenhouse gas emissions. Additional measures of increase resource productivity with 30% until 2030, would lead to a GDP increase with approximately 1%, creating 2 million additional work places.

2. Challenges and measures taken to support "zero waste" policy

2.1. Challenges

A. Waste definition

1. to preserve a unique and clear definition of municipal waste that can be used by all member states, and local and regional authorities;

2. the existence of a common base by the use of which a comparison can be made, so that it would not be based on "who" collects waste, but on "what" is collected;

3. a change of the definition for what is considered ready for reuse and recycling concerning; to establish a unique calculation method of recycling performances and actual quantities recycled;

4. revision of definitions for collection and the selective collection revising, because they have various interpretations in the member states; it is recommended to define the sorting concept as well, due to statistic and reporting ground and also quality of materials –

because many of the member states collect and report waste quantities containing up to 30% impurities delivered to sorting facilities.

B. An unique measurement unit

1. “output-oriented method” will support a better comparison of different results in EU, and will insure waste change to useful resources; a series of questions regarding the methods still persists;

2. achieving the targets can be a very difficult process with nowadays techniques.

In the given situation, The European Commission must:

- to expose clarifications concerning the definitions used/ calculation method;
- to propose adjustments for the method of calculation.

C. Prevention of waste generation

1. including specific measures of lowering food waste in national waste prevention programs, by all states and according to the new objectives;

2. mandatory targets must be proposed in order to prevent waste generation, accompanied by financial incentives, but also a full implementation of the principle “the polluter pays”;

3. to seek an objective that will introduce an obligation to prevent/to reduce the municipal waste at the European level, because, until 2020, the recorded municipal waste/per inhabitant to decrease 12% compared to 2010.

D. Extended Producers Responsibility_(EPR)

1. promoting ecologic products development and spreading of few to none waste technologies;

The necessity of switching to a circular economy does not concern only waste management, but also other domains relied to design and manufacture of the products;

2. to compel, not just invite the member state to encourage eco-efficiency and ecologic projection of products, including technical durability and recycling capacity and also take into account the impact of the entire products life cycle;

3. the introduction of an objective what would stipulate the integration of a quota of at least 50% of the recycled materials in goods put on the market;

4. measures to ensure that the induced costs are not felt by the final consumers and that the profit is reinvested in waste management process.

It is granted that the principle of extended producers responsibility will be an efficient lever of the promotion policy for measures to prevent waste.

2.2. Measures taken to support “zero waste” policy

As part of a series of propositions meant to underline the necessity of a circular economy in Europe, that aims to maximize the value of resources we all use, the European Commission introduced a series of measures concerning the waste:

a) implementing and monitoring an adequate waste management

Even though the main waste objectives have compulsory juridical features, passivity until 2030 is not recommended, as we may then find that some members state did not achieve their goals.

Establishing clear objectives is a way of showing long term interest in Europe. Also, it should also contribute to avoiding situations in which EU investments would be blocked in infrastructures overtaken by a poor waste management. A better implementation and monitoring would help the EU countries reach their goals – waste be brought back in economy, as a valuable resource.

A monitoring and early warning mechanism has been introduced in proposals. In agreement with European Environment Agency, it developed a warning system that evaluate

if the legal objectives of EU concerning the waste are being respected; it will help planning and evaluation of national strategies for waste prevention and management.

The first assessments appeared mid-2013. In every member state, the progress will be evaluated every five years. If they fall behind, the countries will prepare a “conformity plan” in order to improve the implementation based on best practice, to help them recover.

Also, the revised objectives include clearer definitions – in order to make sure the recycling rate improvements are being measured – as well as harmonized methods of calculation, so that they compare the results for the entire Europe.

b) the use of financial instruments to reduce waste

Europe’s objectives include the elimination of the term “waste”, maximum recycling and reuse and also a limited energy recovery for non-recyclable waste. In the case of EU experience, the combination of economic instruments will need a larger area of implementation, in order to ensure implementation of existing legislation and fulfillment of these objectives.

Three main routes can be identified:

- prohibition/taxation concerning landfills and incineration, proved to be highly efficient in lowering these practices by an increase in cost;
- payment schemes depending on waste generation (pay-as-you-throw – PAYT) prevent waste generation and encourage the citizens to reduce waste and take part in selective collection;
- schemes concerning extended producers responsibility (EPR), a way of collecting and redistribute funds in order to develop separate collection and recycling programs. There are already on in 24 member states for packaging waste.

c) the removal of illegal transport of the waste

In the European Union, the common objectives refer to the handling of waste.. The evolution is clearly uneven. Six member states: Belgium, Denmark, Germany, Austria, Sweden and the Netherlands – throw in the city dump less than 3% of municipal waste, but the worst percentage for nine of the member counties is of more than 75%.

A great importance are the EU Waste Shipment rules, whereas, in recent years, the national inspections have proven that they are systematically broken.

The Commission presented a package of measures to address this problem and to stop illegal transportations. The inspections made in ports, on roads and companies have shown that almost 25% of EU’s waste transports do not follow the Shipment Regulation of the waste.

The problem is even bigger for dangerous waste, illegally exported in the developing countries in Asia or Africa, where they are discharged, they are treated more cheap than in Europe and in a less efficient manner. If only 1% of the waste shipments were illegal, that means 2.8 million tonnes annually.

Currently, all dangerous waste exports to the non-member countries and all refusal waste, outside Europe, are illegal and must be stopped when they are discovered. The member states must run checks on shipments of waste, being free to choose the manner of doing it. As a result, some countries developed inspection systems with positive results, whereas others run indulgent controls – attracting illegal waste exporters. For a gradual growth of general standards and illegal trade elimination, the Commission suggested the strengthening of the present legislation.

The proposition asked for member states to create annual inspection plans. These will be based on risk evaluations that cover specific types of waste and illegal transfer sources, helping the national authorities to target areas with the highest degree of danger.

The new law of the European Parliament and the governmental authorities (2014) ensures that operators of waste from EU are not affected by the illegal competitors. By this

law, general environmental standards grew, offering a more powerful protection for third countries. Many good quality raw materials contained by waste could be recuperated and the member states will make great savings with the costs of returning and cleaning.

d) the benefits and opportunities of an adequate waste management

The reaching new EU waste targets also bring a series of advantages, such as:

- reducing greenhouse gas emissions with 443 million tonnes, thing that would lower the damages brought to fragile habitats and biodiversity – including oceans;
- fulfilling the objective of diminishing food waste by 30%, thing that would lower the agricultural land demand, energy and water, it would reduce fertilizers and nitrates pollution;
- improving productivity from the point of view of the resources used, and so, increasingly abandon costly imports and leading to new ecologic working places under circular economy.

Estimations show that successful implementing of waste legislation would ensure 400 000 work places and by its revision and the revision who it was proposed would create another 180 000 new work places.

Nonetheless, with all estimations, work places' potential for an economy with improved materials flux is higher; a lowering by 20% of the total demand for materials in industry at EU level, would ensure a GDP rising up to 3% and 2 million additional employment.

The purpose is to reduce waste, to encourage the recycling, bringing back to the circuit resources that were used, thus increasing competitively the European economy.

3. Conclusions

The main causes of waste are: unsustainability of production and consumption habits, inadequate waste management and the lack of public awareness and civic consciousness.

By ensuring the transition to the circular economy which has the opposite effect to linear economy will ensure a greater prosperity, but primarily, the future existence of the human society, it is not only possible, but also a primordial necessity – but it does not mean it will happen without the right policies.

The implementation of the circular economy requires the necessity and manifestation of a buffer period that, for sure, will record and negative effects at the beginning.

It notes the importance of avoiding waste production – the principal imperative that underlies of necessity to transition to the circular economy – which imposes with a higher importance than recycling and reuse.

A responsible policy in the waste hierarchy must have as a main target, first - restricting the negative impact of waste generation and their management on human health and on environment, as well as, reducing the consumption of primary resources and reintegration of the secondary resources in the circuit, who are contained in waste.

In present conditions, EU allocates large sums on technologic subventions and pollution sources, thing that imposes the redirection towards research and initiatives ensuring sustainability.

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THE EVOLUTION AND FUNCTIONS OF PUBLIC FINANCE

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Abstract: *Public finances are a very important part of economic and social life and political conditions in each country, both in terms of its importance to the national economy and on functions that must meet state required for driving socio-economic and administrative and ensure the independence and sovereignty of the people. Public finances have evolved and diversified the social order to another and even within the same order, from one stage to another, so today we speak of public and private finances, a sizing of public expenditure in depending on their destination.*

Keywords: *public expenditure, loans, gross domestic product.*

The existence and the development of the public finances is indissolubly connected with the emergence and development of the state and of the use of money and the value of the forms in the distribution of the gross domestic product (or national income). In all oranduirile social-economic (oranduirile of state), finances have come forward that social relations, of an economic nature, occurring in the distribution of the social product, in connection with carrying out the functions assumed by the state in the evolution of his historic(Cioponea, 2014).

Conceptually, the word "finance has its origin in Latin. In the early centuries the XIII-XIV, were handled by the expression, "finantio", "financias", "financia pecuniaria", with meaning "payment in money". It is to be assumed that their origin derived from the word finis commonly used in the direction of "payment deadline". In the current speech, as well as in the specialized literature, use more expressions of the word finance, of meanings similar or different, as the case may be: finance, public finance, finance private, etc.. Meaning of the word has expanded gradually and has acquired in time, a very broad sense, including the state budget, credit, banking operations, those scholarship. etc (Cioponea, 2014).

Unanimously recognized that the science, relatively new, public finance gears have close links with the economic, the right administrative and constitutional at, as well as with the political one.

The concepts of public finances have evolved continuously over the years and has been in close connection with the evolution of the state and of the role assumed by it in different stages. In this production is shaping up two distinct phases: the first corresponds to, in general, the dictatorship of machine lives, capitalism ascendant (17TH-XX), and the two - the development of monopolies (20th century and after the great economic downturn world). The concepts in the very first stage are considered classics or liberal and those in the next step, intervention policy with numerous shades intermediate (Cioponea, 2014).

As an expression of generalized a particular group of processes and economic relations, public finance have to achieve a certain social mission in the sense that through them be attained certain economic and social processes and plays an important role by contribution brought to the attainment of the objectives of the private or of the general development of the company, including the administration of the various economic and social activity (Vezure, 2011).

The concept of functions assigned public finance shall designate their ability to mediate (in optimal considered) direct achievement of certain economic processes expressed in the form of payment and carrying out the appropriate relations between participants, that and influencing how to complete them. Most often, the functions of public finance shall be geared in training, distribution and use of the funds of monetary resources (financial)

available to the public in the context of the activities of the economic and social situation in which they are involved public authorities (Vezure, 2011).

In the market economy, by means of public finances, Member shall place at the disposal of the individuals a wide and varied range of public utilities; this implies a vast process for the redistribution of income and wealth of natural and legal persons, after the criteria to be set by the decision-making bodies politics (Gherghina and Cretan, 2012).

The public finances meet the following three functions:

- the hash function of resources;
- The function of the allocation of resources;
- the function to stabilize the economy.

The hash function of the financial resources appears as an element of the employment and implies the mediation by the public finances mechanisms for redistribution and distribution of resources between the natural persons and legal entities with the active involvement of the public authorities.

This function is carried out by the collection out of public funds, the parts of the income or the wealth of natural or legal person in the form of taxes, fees, etc., following that, later to achieve their distribution in the form of public expenditure carried out in the spirit of the criteria of equity or social justice. By default, the accomplishment of this function can be geared in the redistribution of a part of the GDP between the members of the society.

Allocation (distribution) public funds beneficiaries (natural person or legal person) is preceded by the inventory and evaluation of the needs of the social security.

Due to the fact that the demand for financial resources is higher than the offer, it is necessary that the public authorities to classify and to prioritize applications the organs of central or local authorities with regard to the establishment of certain objectives and to establish some priorities, depending on the concrete conditions of each stage. The distribution of the financial resources involved setting destinations for public expenditure, such as: education, health, social security and social protection, the communal household and housing, defense, public order, economic activities, public debt, etc. Both phases of the plenum (the Constitution and the allocation of public funds) shall be carried out in the process of distribution and redistribution of wealth national, which takes place between the various natural or legal persons, via the Member. The constitution and the routing of public funds means a process unitary and uninterrupted, having a role in adopting social breeding widened (Cioponea, 2014).

The need to be certain financial funds made available to the member, in order to achieve by the public authorities of the tasks incumbent, can be found in all Member of the world, irrespective of the level of development, which makes that the function of the distribution of public finances have a character objective.

But the fact that the mode of formation of the monetary funds depends on the capacity of the factors of liability to embrace the needs of the Community makes it, the function of the distribution of public finances to have a subjective character. On the occasion of the collection of the financial resources through taxes, fees and contributions levied and the financing of public expenditure on the various destinations, there is a vast process for the redistribution of income and wealth to individuals and legal persons.

Specifically, this redistribution dressed various forms, such are:

- the granting of aid, indemnities, pensions, scholarships for the persons belonging to certain social categories;
- Subsidizing from the state budget to the production and marketing of certain goods and services (e.g.: heating);

- The complimentary offer of public goods (public order, social protection, national defense, education up to certain degrees, the protection of health, etc.) via the transfer of purchasing power achieved by the public finances takes place a change of social relations, which may influence the: the process of breeding social, economic potential of undertakings, income and the wealth of citizens, the standard of living of the population and, in general, the quality of life. The public finances are used, also, and in order to ensure the social and economic development of the country within a balanced framework (Văcărel, 2007).

By means of the instruments the tax and budget public authorities influence the economic processes and removes the economic imbalances which arise, as follows:

- the reduction of taxes to stop the inflationary phenomena or stimulating economic activity ;

- increasing taxes for a reduction in the consumption of certain or activities;

- the financing of certain activities to create new jobs, retraining and reorientation of unemployed;

- the contracting of foreign loans guaranteed by the state for the completion of the internal resources or guarantee by the state of the loans contracted private undertakings in order to achieve the objectives of the national interest (Dascălu, 2009).

The function of allocation (alocativa) mostly expressed by the public finances of the satisfaction of social needs by offering public utilities, created on account of the financial resources available to the public authorities. It implies, in the main, the allocation of resources necessary for the operation of the public entities and the carrying out of the various objectives of the socio-economic and, on that basis, the provision of services or the supply of goods by the members of the company or for free, either at prices considerably lower than their value real. Through the finance ministry are routed so the resources devoted to public consumption of goods and services in relation to the needs of society and in correlation with the quote, according to the criteria for optimal the Economic and Social Committee (Vezure, 2011).

In the framework of the stabilisation of the economy in view of the mediation by the public finances of the anti-roll current on the economic and social environment, with the role to contribute to ensuring price stability, a higher degree of ocupabilitate of labor force, thus creating a high rate of economic growth.

According to an opinion, the public finances and a function of control; the control function of public finances is closely linked to the function of the distribution, but it also has a sphere of manifestation wider, as it concerns both the formation and the breakdown of the funds public and how to use them.

The necessity of control function arises from the fact that the financial resources made available to the member, belong to the entire society, and they represent a significant part of the gross domestic product. Components for financial control of the State aimed at the regular collection and in the amount provided for of the state income, the establishment and maintenance of financial discipline, limitation of tax evasion worth, their consumption for the objectives of which they are intended, the use of the financial resources in conditions of maximum efficiency, etc. having regard to those presented shows that by means of public finance is carried out a large redistribution of income and wealth between the members of the company, with the aim of reducing poverty and to ensure, as far as possible, of the means of the existence of the necessary for a decent living standard for the whole population (Cioponea, 2014).

In Romania, financial control shall be exercised by the following institutions:

- the components of the Court of Auditors;

- components of the Ministry of Finance;

- specialized components of control of ministries;

- specialized components of the departments and public institutions;
- Components of control of the state-run companies to the state ;
- general directorates of the Public Finance County;
- The Financial Guard.

The powers of control and the parliament and the government (Macarie, 2012).

According to a other views expressed in the specialized literature, public finance fulfill social mission through the basic functions which they carry:

- the function of the distribution;
- the control function ;
- the function of the distribution: comprises two distinct phases but organic related between them:

a) phase of the constitution of the Funds has as the following:

- the companies irrespective of the form of ownership (private, joint venture, or state) or of the manner of formation;

- public institutions and units subordinated to them,
- the population of a country;
- the natural and legal persons residing abroad.

Their participation in the formation of public funds put the following forms:

- taxes;
- taxes;
- contributions to the welfare fund (CAS);
- fines;
- penalties;
- payments from the revenue of the public institutions;
- royalties (type of rent on which the lessee pays to the lessor is the owner of a particular good) and rent of concessions and the leasing of land and other goods state-owned company.

Other Resources (forms) which they put their participation in the formation of public funds:

- revenue from the sale of goods by the state and the goods without the master;
- loans by the state received from the natural and legal persons;
- accrued interest on loans granted;
- donations;
- Other transfers between institutions of the rule of the budget.

In the formation of public funds involved all sectors: public sector, the private sector, joint committee and the population in different proportions depending on the financial capacity.

b) phase for the distribution of funds - consists in the distribution of the funds of public financial resources to the beneficiaries natural or legal persons. The distribution itself is preceded by an inventory of the needs of the existing in the reference period (Macarie, 2012).

Therefore, the budgetary system is open and transparent manner, they-faceted by:

- a) the public debate on the projects of the budget, on the occasion of their approval;
- b) the public debate on the general accounts of the annual implementation of budgets, on the occasion of their approval;

c) following its publication in the Official Gazette of Romania, Part I, of normative documents for the approval of the budgets and the annual accounts of execution of them;

d) the means for the provision of information in the earth, for disseminating information on the content of the budget, except for the information and documents nepublicabile, as provided by law.

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RIGHT OF A PERSON TO OBTAIN AN INJUNCTION SOLUTIONS, THE EXAMINATION OF THE CASE BY THE COURT IN A FAIR AND PUBLIC HEARING WITHIN A REASONABLE TIME

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***Abstract:** The second component of the right to a fair trial is to examine his cause fair and public and within a reasonable time by a court as an independent and impartial, established by law, which will decide either on the infringement of the rights and obligations of civil, either on an acceptance of any charges in criminal matters directed against it. The right to a court to try the case is the right surprise to obtain an injunction solutions, the examination of the case by the department on which has referred the matter to a, an independent body, neutral and established by the law.*

***Keywords:** fair trial, reasonable period of time the prosecutor.*

***JEL Classification:** K1, K14.*

The requirement

According to the art. 14 of the Code of civil procedure, the court may not decide on an application only after the summoning or appearance of the parties if the law does not provide otherwise.

The Parties shall make known to each other and in good time, directly or through the court, as the case may be, the pleas of fact and law to substantiate his claims and defenses as well as the means of the sample which I understand to be used in such a way that each of them to be able to organize his defense.

The parties have the obligation to present the situation in fact to which it relates claims and their defenses correctly and completely, without distorting or omits the facts which they are known.

The parties have the obligation to present the situation in fact to which it relates claims and their defenses correctly and completely, without distorting or omits the facts which they are known. The parties have the obligation to expose a point of view of their own with the statements to the opposing party with regard to the circumstances of the relevant fact in question.

The parties shall have the right to discuss and show any question in law or in fact invoked during the process by any participant in the process, including by the court of its own motion.

The Court shall be obliged, in any process, to submit to the discussion of the Parties all applications, exceptions and circumstances in law or in fact invoked.

The Court shall establish the judgment only on grounds of fact and law on the explanations or on the means of the sample which have been the subject of, in advance of the debate contradictory.

The principle of the requirement assumes that any aspect with regard to the dispute to be put into the discussion of the parties, and the acts of the procedure and the entries f ie communicated between them, in accordance with the law, in such a way as to have the opportunity to express an opinion in connection with matters of law substantially or procedural document whenever the fact in the debate. Between the principle of contradictorialitatii, the principle of the right to defense and the principle of equality between the parties in the civil process there is a relationship indissoluble, first constituting a guarantee of compliance with the other two principles.

The requirement is the principle which permit the parties of the process to participate in active mode and equal to the presentation, argumentation and proof of their rights in the course of the progress of this process, more precisely to discuss and to combat restitute made by each of them and to express their opinion on initiatives of the court in order to establish the truth and of the pronouncement of a judgment legal and stubborn things.

By virtue of the requirement, the parties shall mutually to the attention of the claims, her defenses and samples which I understand to be used in the process by applications written submissions before the court, the judgment can only be made after their legal citation during the process all parties are listened to evenly, including of the circumstances in law or in fact put in

question by the court in order to bring to light the truth in question, the approval of the samples shall be made in the public meeting after their prior discussion by the parties and the judicial decisions shall be communicated to the parties for the purpose of pursuing the legal ways of attack.

The concept of a fair trial includes the right to a contradictory, which implies the right of the parties to make known the elements that are necessary for the success of their claims, but also to take note of and discuss any document or observation of the judge presented in order to influence its decision and to put them in question.

Consecration of the manifestations of the principle of the requirement, respecting the meaning of Article 6 point 1 of the Convention are to be found and in national legislation, more precisely in regulating the article 194 on the content of the application for the nurse call in judgment, Article 200 on the verification of the application and the reconciliation, Article 205 on the purpose and achieve the contents, Article 209 on the application or counterclaim, Article 216 on the powers of the president of the board of judgment, Article 217 on the police of the meeting of the court, Article 107, of the Code of civil procedure.

Do not exist, therefore, differences of significance to the legal representative of the requirement between the provisions of the Convention and the provisions of the national law and the guarantees which the latter establishing them to ensure the requirement, are all premises that, by judgments handed down, national courts should not make a guilty of violations of the right to a fair trial, through its disregard of the principle of the requirement:

- The right to defense. The right to a fair and reasonable opportunity of any party to expose to the trial court, in conditions that not a dezavantajeze from the opposite, what is achieved by ensuring the right to defense.

The right to defense has in the Romanian right has the value of the constitutional principle, taking into account that by Article 24 paragraph 1 of the Constitution stipulates that the right to defense is guaranteed, and by paragraph 2 of the same Article provides that throughout the trial the parties have the right to be assisted by a lawyer of his own choosing or appointed "ex officio".

In a material, this right includes all the rights and illegally seizing guarantees, which provides the parties an opportunity to protect their interests and in the end he formally includes the right of the parties to hire a lawyer.

The achievement of the right to defense is guaranteed and in the way of organization and functioning of the courts, on the basis of which are the principles of legality, equality between the parties, about intruding free, pardoning, advertising, control the judiciary, imutabilitatii and active role of the court.

The legality of the signifies the administration of justice in the name of the law by the courts, within the limits of the powers of which they have been conferred by the communists and the obedience of the judges only to the law, so, Article 7 of the Code of civil procedure provides that civil process shall be carried out in accordance with the provisions of law. The Judge has the duty to ensure compliance with the provisions of the law on the rights and the fulfilment of the obligations of the parties from the process.

The obligation of compliance with the law arising out of the constitutional provisions. Thus, according to Article 1(5) of the fundamental law, in Romania, the observance of the Constitution, of its supremacy and of the laws is binding and Article 124(1) and (3) of the Constitution provides that justice shall be rendered in the name of the law and judges shall be independent and subject only to the law.

Also according to Article 16(2) of the Constitution, no one is above the law. Also mention the provisions of Article 22(1) of the Code of civil procedure according to which the judge settlement of the dispute in accordance with the rules of law that are applicable to it.

The principle of the legality of it is essential in respect of both the judgment and phase forced execution.

The principle of the legality of it is essential and in the case of the exercise of the ways of attack, so, in accordance with Article 457(1) of the Code of Civil Procedure judgment it is only subject to the ways of attack provided by law, under the conditions and limits laid down by this, regardless of the particulars of the them.

The word inaccurate from the content of the judgment with respect to the path of the open attack against it has no effect on the right to exercise the appeals provided for by law.

If the department reject as inadmissible the path of unexpected attack by law, exercised by the party concerned in the light of the mention of inaccurate from the content of the judgment with regard to the way of attack, a judgment given by the judicial control instance will be notified of its own motion to all parties who took part in the trial in which the judgment was attacked. From the date of such communication begins to flow, if appropriate, the date for the exercise of the remedies available under the law.

When the Court has the retraining of the path of attack, from the date of the conclusion, for the parties to the present, or from the date of the communication of the conclusion, for the parties which was lacking, will flow a new time limit for the declaration or, as the case may be, the motivation of the path the remedies available under the law. And as regards enforcement the code of civil procedure provided for in Article 625 that enforcement shall be subject to compliance with the provisions of the law and the rights of the parties and other persons concerned.

Equality of the parties means their full equality in the reports on Thursday met with the court, but also in the relations between them by recognizing the same rights illegally seizing and imposing the same obligations so according to Article 8 of the Code of civil procedure in his civil parties is guaranteed the exercise of the rights illegally seizing equally and without discrimination.

In accordance with Article 30 of the Civil Code, race, color, nationality, ethnic origin, language, religion, age, sex or sexual orientation, opinion and personal beliefs, political affiliation, trade-union, at a social category or to a disadvantaged category, their wealth, the social origin, the degree of culture, and any other similar situation have no influence on the ability of the civil society.

Equality resulting from the idea that all human beings are equal in respect of the application of the provisions of the Romanian law. In this respect, Article 16 of the Constitution provides that "citizens are equal before the law and public authorities, without any privilege or discrimination".

The principle of equality is provided and in Article 124(2) in the Constitution, so that the justice system is unique, fair and equal for all. The principle of equality has been stated and in the content of the article 7 of the Universal Declaration of Human Rights, according to which all men are equal before the law and are without any distinction, the right to equal protection of the law. All are entitled to equal protection against any discrimination which would be in breach of the Declaration and against any incitement to such discrimination. According to Article 7 of the Law no. 304/2004, all persons are equal before the law, without any privilege or discrimination.

Justice shall be administered in equal way for everyone, without any discrimination on account of race, nationality, ethnic origin, language, religion, gender, sexual orientation, opinion, political affiliation, wealth, origin or social condition or any other discriminatory criteria. The significance of this principle is that the parties shall have the right to be heard by the same court of appeal after the same legal provisions in relation to the question deduced from the trial.

In the case law of the European Community is devoted to the principle of equality of arms that signify the equal treatment of the parties for the entire duration of the progress of this process, without that one to be favored in relation to one another. This principle requires that each party to be given the opportunity to support the question and may not be at a disadvantage in relation to its opponent, "equal" weapons to ensure a fair balance between the parties in both the processes in civil and criminal proceedings.

However, the principle does not have a scope of absolute. Equality can only be relative and must be assessed in the reasonable way (Renucci, 2009).

- Free means the obtaining of an amicable judicial authorities unconditionally pay any taxes;
- the judicial control means the possibility of verifying, by a court superior in degree, legality and an acceptance of the judgment handed down by lower courts;
- imutabilitatea signifies the impossibility of the principle of the amendment to the frame of the dispute, under the aspect of the parties, the object and the merits of law;
- The active role of the court is not a about interference in the interests of the parties, but a guarantee of respect for the rights and interests of the completion of their faces, because has the sole purpose of finding out the truth in question.

Judgment in public

The requirement according to which any person shall have the right at the trial in the public of the case, provided for by Article 6 point 1 of the Convention, advertising means the debates, which is carried out on the one hand by ensuring access to the parties to the discussions as a

condition of the exercise of the rights of their illegally seizing, the right to defense and the right to a debate contradictory.

In national law advertising is regulated by Article 127 from the Constitution of the "proceedings shall be public, except for the cases provided by law", Article 12 paragraph 1 of the Law no. 304/2004 "proceedings shall be public, except for the cases provided by law" and Article 17 of the Code of civil procedure stipulates that "the proceedings shall be public, except for the cases provided by law", cases of the exception to the rule of advertising shall be laid down by the law, with an indication of the criteria for the appraisal, on the basis of which the Court decides or on its own initiative the court may provide that the meeting to be held in whole or in part without the presence of the public (Article 213 of the Code of civil procedure).

In order to ensure the advertising the meeting of judgment this takes place at the headquarters of the court, during the days and at the times fixed by the court, according to the list with the processes which are discussed in that day, which will be displayed to the portal of the court and at the door of the room of the meeting at least one hour before the start of the journey. The list shall also include the hourly intervals indicative fixed for their gardens causes (Article 212 and Article 215 of the Code of civil procedure).

Advertising is a guarantee of the correctness of the impartiality of the judges and their independence, the parties may not be prevented to participate in the debate on the causes of its own, even if it has declared the secret meeting (Article 213 paragraph 3 the Code of civil procedure).

Publicity of debates do not influence, judgment the Court, which is always in the public meeting, which is expressly provided for in Article 6 point 1 of the Convention of the "judgment must be pronounced in public", but also in Article 402 of the Code of Civil Procedure "The judgment shall be delivered in open court, at the place where the were conducted the debates, by the President or by a judge of the Court of First Instance, a member of the board of judgment, which will read the original, indicating the way of attack that can be used against the decision"¹.

Reasonable period of time

Trial within a reasonable period of time has as its objective to forestall the uncertainty in which they are found the parties by re-establishing the, as soon as possible, of the rights violated and by the resumption of the legality of, which must govern all gears legal persons in a right state, what constitutes a guarantee of a fair trial.

In accordance with Article 21(3) of the Romanian Constitution, "the Parties shall have the right to a fair trial and to the solving of the causes within a reasonable period of time", in the same sense is and Article 10 of Law No 304/2004, "All persons shall have the right to a fair trial and to the solving of the causes within a reasonable period of time", reasonable time limit is provided for in Article 6 point 1 of the European Convention for the protection of human rights and fundamental freedoms".

The requirement referred to in Article 6 point 1 of the Convention that examining the case to be carried out within a reasonable period of time, you must do away on a case-by-case basis, taking into account the length of the proceedings, the nature of the claims of the parties, the behavior of the parties and the authorities, the complexity of the process, the difficulty of the discussions and the exercise of the ways of attack.

Celerity judging processes is not defined in national legislation but according to the provisions of Article 6 of the Code of civil procedure shall provide that any person has the right to the judgment of the case in its fair, within optimal and predictable, by an independent and unbiased judgment and established by law. To this end, the instance is obligated to provide for all measures are permitted by law and to ensure that the connected with a judgment, the provisions to be applied

¹ Subject to the provisions of Article 396 (2), the judgment shall be delivered in open court, at the place where the were conducted the debates, by the President or by a judge of the Court of First Instance, a member of the board of judgment, which will read the original, indicating the way of attack that can be used against the decision. Article 396(2), in the case of delay, the president, once with the announcement of the deadline by which has been delayed delivery, may lay down that judgment will be done through the implementation of the solution at the disposal of the Parties through the mediation of the registry of the court.

and in phase forced execution¹, and Article 241 of the Code of civil procedure governing to assure the celerity provides that, for the research of the process, the judge secure short terms, even from one day to another.

The trials of the process

According to the art.97 of the Rules of Procedure of the courts², the dossiers to be distributed on complete in random mode will be taken over by the Chairman or one of the judges of the panel of judgment, which will take the necessary measures in order to prepare the judgment, in such a way as to ensure the settlement of the connected with the proceedings.

In the situation in which the judges are unable to take the measures needed for the preparation of judgment, in such a way as to ensure the settlement of the connected with the causes of, they will be arranged by the president of the court or of division or by judge of service.

In accordance with the provisions of Article 5(2)(g) of the Rules of Procedure the courts, judges, among the duties of the judges is and "to solve within a reasonable period of time the causes of judicial executors", and Article 26 paragraph 1.h) provides that the president has the powers, and "pursues the solving of the causes within a reasonable period of time".

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¹ The code of civil procedure. Article 627 - The active role of the of the bailiff in the whole course of enforcement, judicial executor he is obliged to have an active role, and by any means permitted by law, in order to achieve the four - wheel drive and connected with the obligation laid down in the executory title, subject to compliance with the provisions of the law, of the rights of the parties and other persons concerned.

² The decision no. 387/2005 of the CSM for the approval of the Rules of the courts, published in M. Of. no. 958/28.10.2005.

CAPITAL STRUCTURE AND FIRM FINANCIAL PERFORMANCE IN NIGERIA: EMPIRICAL EVIDENCE OF THE CAUSAL LINK

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Abstract: *The paper examines the link between capital structure and firm financial performance in Nigeria on basis of panel research design with secondary data spanning 2010-2014 financial year for seventy (75) sampled companies quoted in the Nigerian Stock Exchange was analysed. The data estimation technique was the 2SLS which is suitable in study perceived not be devoid of endogeneity. The result revealed that leverage as proxy by ratio of noncurrent liability to equity (NCLEQ) seems not to exhibit causality with financial performance (RETOA) vice-versa. However, there seems to be the presence of bidirectional causality between current liability expressed as a ratio to equity (CULEQ) and RETOA. Also, there is simultaneous causal link between Equity express as a ratio to overall assets (EQTTA) and RETOA. The study therefore concludes that capital structure (CULEQ and EQTTA) determines financial performance (RETOA) while simultaneously, financial performance determines capital structure in Nigeria. The study recommends that firms should have apposite capital structure mix, specifically ratio of NCLEQ to CULEQ and a good spread of both institutional and insider shareholdings.*

Keywords: *Leverage, equity, financial performance, bidirectional causality.*

1. Introduction

Corporate financing is an imperative decision made in financial management because it ultimately affects wealth of shareholders. One of the ways financial managers can maximize the financial performance of firms is by using lower cost of capital in its capital structure (Shah and Khan, 2007). Capital structure refers to the various sources of fund, debt or equity firms used in financing its operations. It is the proportion of debt and equity used by firms in financing their operations (Alfred, 2007).

A reasonable proportional use of both sources reflects sound financial fitness which enhances financial performance, thus having a ripple effect in the economy. Financial managers strive to find the optimal capital structure, both in the short and long run (Tong and Green, 2005). The task of maximizing the firm financial performance can be achieved to a large extent once financial managers identify the determinants of its capital structure, i.e. the cost associated with each class of fund. Debt holders have contracts (bonds) that have fixed interest charge in the future in exchange for their cash invested while equity holders provide retained earnings (internal equity provided by existing shareholders) or procurement of new shares (external equity provided by new shareholders) in return for claims on the residual earnings of the firm in the future.

Each of these investors is faced with varying degree of risk and as such expect different rate of return on fund provided. Knowledge of cost of capital and how it influence some key variables like financial leverage is useful in designing the firm's debt policy/capital structure. An optimum capital structure mix enhances financial performance and shareholders wealth. For instance, a firm with high debt capital structure enjoys tax shield although with a fixed interest charge compared to capital structure with high equity base which does not enjoy tax shield.

Giving the argument that optimum capital structure drives financial performance, it follows therefore that financial performance could also drive capital structure mix. For instance, retained earnings from a huge profit base in successive boom period becomes a key internal source of fund for companies thus alleviating interest on debt financing and a charge

on earnings (external equity provided by new shareholders) that would ordinarily had occurred from an external source of fund.

To the best of our knowledge, few studies have attempted this simultaneous approach but however restricted to equity ownership, and some were developed nation based (AL Farooque et al., 2014; Loderer and Martin, 1997; Demsetz and Villalonga, 2001; Cho, 1998). Generally, prior researches do not take into account the possibility of financial performance impacting capital structure mix. If an optimal capital structure drives financial performance, failure to take the reverse causality into account may result in simultaneous-equations bias.

The study seeks to evaluate the nature of causal link between capital structure and firm financial performance in Nigeria. The specific objectives are to: examine the existence of causal link between financial leverage and financial performance in listed firms in Nigeria; and to investigate the existence of causal link between equity ownership and financial performance in listed firms in Nigeria. Hence, we hypothesized *absence of causal link between financial leverage and firm financial performance in listed companies in Nigeria and also absence of causal link between equity ownership and firm financial performance in listed companies in Nigeria*.

The paper proceed as follows: preceding the introduction is section 2 which is on literature review; Section 3 is on the methodology of the study, section 4 is on estimation of results, hypotheses testing and discussion of findings while section 5 concludes the study.

2. Empirical Review of Literature

Several studies exists for both in the developed and developing economies in identifying optimum capital structure determinants (Amah and Ken-Nwachukwu, 2016; Ameen and Shahzadi, 2017; Banafa and Ngugi, 2015; Graham and Harvey, 2001; Khan, 2012; Khalaf, 2013; Lawal et al., 2014; Mazur, 2007; Mwangi and Birundu, 2015; Umar, Tanveer and Aslem, 2012; Shah and Khan, 2007; Tong and Green, 2005; Uwuigbe and Olusanmi, 2012; Wellalage and Locke, 2014; Zakaria and Purhannudin, 2014). These potential drivers of capital structure mix have a ripple effect on the firm financial performance, thus a nexus between capital structure and firm financial performance.

Capital Structure

Capital structure means the proportionate use of debt and equity in financing organization operation (Kennon, 2010). These sources of fund include equity and liabilities which are presented in the statement of financial position. Huang and Vu Thi (2003) classified these sources of fund into: retained earnings (internal equity); issuing new shares (external equity); and borrowing through debt instruments (debt capital). The proportion of each of these components has enormous impact on the success of the firm.

The impact of this capital structure mix on firm financial performance can be evaluated on the basis of the benefits and cost associated with each component of fund. Premised on this, managers are often saddled with a daunting task of designing appropriate capital structure mix which will maximize the firm financial performance. According to Myer and Majluf (1984), management often takes into consideration all means of financing available having in mind the least expensive source.

The relevance of an optimum capital mix was also emphasized by Chowdhury and Chowdhury (2010) when they opined that in order to maximize the firm value, profitability and shareholders wealth, suitable mix between debt and equity financing cannot be undermined. The findings of empirical research on the impact of these capital structure components on firm financial performance have been mixed, however each of these findings have implication for policy formulation.

Firm Financial Performance

A firm remains in operation because it is expected to make profit (financial performance). Thus, the excess of income generated over expenses incurred in a given period could be construed as financial performance (Banwo, 1997; Sanni 2006) as cited in Aremu, Ekpo, Mustapha (2013). The fundamental requirement is that the income and expenses must occur during the same period of time (matching concept) and such income must be a direct consequence of the expenses.

It is not immaterial whether or not the income has been received in cash nor is it compulsory that the expenses must have been paid in cash. For a profit-oriented organisation, profit is the "soul" of a business. The importance of profitability therefore stems from its being the "raison d'être" (purpose) of business.

According to Aremu et al. (2013), Ongore and Kusa (2013), Alper and Anbar (2011), there are several indicators of profitability: return on asset (ROA), return on equity (ROE) and net interest margin (NIM) etc. However, there exist conflicting views among scholars on the acceptability of one indicator over the other as a good measure of profitability. For instance, Flamini, McDonald and Schumacher (2009) used only ROA while Sanni (2009) used Earnings per share (EPS).

Ogunleye (1995) did not believe that one performance indicator constitute a good measure of profitability, therefore used ROA and ROE. According to Akinola (2008), profitability measures include profit before tax (PBT), profit after tax (PAT), ROE, rate of return on capital (ROC) and ROA. Having given a list of profit indicators by previous researcher, it becomes clear that their choice of profitability measures could be determined by several factors.

For instance, ROA as defined by Golin (2001) cited in Ameer and Mhiri (2013) is the ratio of net profit to total assets and it measures the managerial ability of firms' management to generate income by utilizing company assets at their disposal, i. e. it shows how efficiently the resources of the company are used to generate income. It reflects how efficient the management of a company in generating net income from all the resources of the institutions (Khravish 2011) as cited in Ongore and Kusa (2013).

Wen (2010) stated that a higher ROA shows that the company is more efficient in using its resources. However, many factors can influence ROA such as firm's degree of capitalization. ROA favours highly capitalized institutions because it treats equity capital as free funds-there is no cost associated with them. Premised on this limitation, ROA could be combined with other measures of financial performance.

Return on equity (ROE) is profit earned compared to the total value of shareholders equity (Ongore and Kusa, 2013). According to Ameer and Mhiri (2013), ROE is the ratio of net profit to total equity; it represents the rate of return earned on the funds invested in the firm by its shareholders. It reflects how effectively a firms' management is using shareholders fund; it is what the shareholders look in return for their investment.

A business that has a high return on equity is more likely to be one that is capable of generating cash internally. However, it should be noted that ROE is not flawless because a disproportionate amount of debt in a company's capital structure would translate into a smaller equity base. Thus, a small amount of PAT could still produce a high ROE off a modest equity base. Due to its inherent defect, this profit measure should be used in combination with other profit measure. Having enumerated the various profitability measures used in previous studies as mentioned above, this study will adopt three measures of financial performance: ROA, ROE and Tobin Q.

The choice of Tobin Q is that it is a forward looking market/hybrid measure of financial performance. The justification for the combination of three proxies is to avoid the pitfalls associated with only one financial performance indicator.

Leverage and firm financial performance

Financial leverage is level operating assets are financed with debt versus equity (Penman, 2001). Debt financing has a mandatory call on firm's cash by means of interest payment and principal repayment. The mandatory call on debt financing is represented by cost of borrowed fund which should be adequately covered by the firm earnings capacity.

The greater a firm's leverage, the greater the bankruptcy risk in down times thus the greater the profits in good time for equity provider. The findings of leverage on financial performance is mixed. Specifically, the study of Rehman (2013) indicated that as debt financing increases, there is a corresponding rise in fixed interest cost, thus undermining profit. In same vein, the study of Rajin (2012) corroborates the findings of both Rehman (2013) and Akhtar et al. (2012).

Using shareholders return and market capitalization as performance indices, the study revealed that leverage and shareholders return exhibit positive relations while leverage and market capitalization had a negative relationship. Other studies that corroborate positive relationship between leverage and financial performance are: Hadlock and James (2002), Ghosh and Jain (2000), Berger and Bonaccorsi (2006). The reason adduced to this unexpected result is that as debt level increases due to the introduction of new capital by borrowings, firms are able to utilize these borrowed funds to the extent that the gains exceed the expected cost of such fund (Hutchinson, 1995).

However, to Hadlock and James (2002), flexibility at which firms adjust its debt usage in down time also determines the impact it will have on earnings. For instance, when a capital structure is over burdened with long term borrowings, it may become difficult to adjust its debt usage within a relatively short time should there be decline in its earnings power, thus interest cost exhibiting a constrain on earnings.

Conversely, if there is moderate debt mix over a relatively short period, decline in earnings power during down time will only short-lived because most of these firms will fully come to terms with the need to properly position by adjusting its debt usage, thus restoring the balance between cost of debt and earnings power.

The study by Male and Mukra (2015) revealed that leveraged exhibits significant negative impact on both ROA and Tobin's Q while insignificant negative impact of ROE. Other studies that affirms this association are: Vito and Badu (2012); Zeitun and Tian (2007). From the review, it is well observed that most studies have not examined if a firm financial performance can as well determines its capital structure mix (financial leverage).

Equity and Firm Financial Performance

The effect of equity on financial performance could be likened to the effect of ownership structure on firm financial performance. Equity financing refers to share ownership which is atomistic in nature. It could be highly dispersed or concentrated i.e. in the former, there are many owners with few holding few unit of shares unlike the latter in which there are few shareholders with each having large unit of shareholdings (institutional shareholdings).

Gursory and Aydojan (2002) also gave two dimensions to this type of ownership: ownership concentration which refers to the share of the largest owner and it is influenced by absolute risk and minority cost (Pederson and Thomsen, 1999); and ownership mix which refers to the identity of major shareholder's. Irrespective of the nature of equity ownership, prior studies have linked firm financial performance to it though their findings seem not to be in tandem with one another.

Studies such as Loderer and Martin (1997), Demsetz and Villalonga (2001), Bohren and Odegaard (2000), Cho (1998) have examined ownership structure and financial performance from bidirectional approach. Specifically, the study of Loderer and Martin (1997) address the causality between firm value and managerial ownership and the result from the two stage least square (2sls) regression revealed no significant evidence of

managerial ownership on performance, in contrast performance exhibits a negative effect on executive stockholdings.

Demsetz and Villalonga (2001) also address this issue, financial performance and ownership relationship using the 2sls estimation technique. The result revealed no statistical association between managerial ownership and performance, on the other hand performance exhibit significant negative impact on managerial ownership. In same vein, Bohren and Odegaard (2000) lay claim to the findings of Loderer and Martin (1997) and Demsetz and Villalonga (2001).

The study employed secondary data sourced from the Norwegian Stock Exchange. The 2SLS result reveals that financial performance drives ownership structure but not vice versa. Other studies of similar result were Fernandez and Gomez (2002), Firth, Fung and Rui (2002), Agrawal and Knoeber (1996).

Other studies such as Aburime (2010), Kiruri (2013), Raji (2012) appraised the link between equity ownership and financial performance from an exogenous perspective. For instance, Aburime (2010) investigated the impact ownership structure has on bank profitability in Nigeria. Data set of 478 observations consisting of 98 commercial and merchant banks spanning (1989-2000) were evaluated using the ordinary Least Square estimation technique. The finding revealed that the composition and spread of ownership has no significant impact on bank profitability in Nigeria.

Kiruri (2013) study revealed that both ownership concentration and state ownership had significant negative impact on bank profitability while both foreign ownership and domestic ownership had positive and significant effect on bank profitability. Raji (2012) investigated the impact of ownership structure on the performance of listed companies on the Ghana Stock Exchange and results indicate that ownership concentration exhibits significant negative association with firm performance while insider ownership exhibits positive relationship on performance.

3. Theoretical Framework

There are many theories that help explain the relationship between capital structure and financial performance such as the Modigliani-Miller (MM) proposition on capital structure in 1958, the trade-off theory by Myers (1984), the Pecking Order theory as first proposed by Donaldson (1961) and later modified by Myers and Majluf (1984). Arguments exist over the years as to the superiority of these theories; however, there is no universal theory of the debt-equity choice, and no reason to expect one reoriented research to the level of empirical analyses (Myers, 2001).

Modiglianni-Miller Theory

This theory holds that capital mix does not impact firm value under perfect capital market condition i.e. without taxes, transaction cost and information asymmetry (Modiglianni and Miller, 1958). However, to ignore these assumptions in reality is not flawless, hence with these assumptions, capital structure decision affect firm financial performance (Sheikh & Wang, 2010).

According to Danso and Adomako (2014), these assumptions are only theoretical and do not hold in reality. Premised on the above, Miller and Modiglianni (1963) and Miller (1977) further addressed this issue when they opined that under some conditions such as preferential treatment of debt to equity, an ideal capital structure can be achieved, hence their new stand is called the realist theories of capital structure. This realist theory led to the trade-off, pecking order and market timing theories.

The Trade-Off and Pecking Order Theories

To Trade-off theory an optimal capital structure is attained when the present value of tax shields from debt usage is more than the present value of cost of financial distress

associated with debt usage, hence firm value is improved. According to Shahar, Bahari, Ahmad, Fistal, Rafdi (2015), firm value is given thus: $V(\text{firm}) = V + PV(\text{interest tax shields}) - PV(\text{cost of financial distress})$. This position is supported by Chen (2011) who upholds that firm with more tax shields will issue more debt to finance its business operation and that they tend to be trade-off between the benefit from tax shields and the financial distress risk resulting from debt usage.

The pecking order theory states that companies prioritize their sources of financing (from internal financing to equity) according to the principle of least effort, or of least resistance, preferring to raise equity as a financing means of last resort (Danso and Adomako, 2014; Sheikh and Wang, 2010). With this theory, firm first choose to employ internal finance like reserves and retained earnings, debt, equity and that company maximize their value by choosing to finance new investment with cheapest available sources of fund (Sheikh and Wang, 2010).

To Myers and Majluf (1984), the choice of internal sources of financing is also to resolve the issue of information asymmetry. This position was supported by Mostafa and Boregowda (2014) that firm rely on internal sources because of likely absence of information asymmetry compared to debt and equity usage that has higher cost of information asymmetry.

Model Specification

The models for this study are based on the study of Al Farooque, Zijl, Dunstan and Karim (2007). The models for this present study are specified below:

Financial Performance Equation

$$\text{RETOA/RETOE/Tobin's Q} = f(\text{financial leverage, equity, firm-size}) \quad (3.1)$$

Financial leverage is further decomposed into debt to equity ratio and was captured in two forms in line with Tong and Green (2005): noncurrent debt liabilities (NCLEQ) and current debt liabilities (CULEQ) both expressed as a ratio to total equity. Equity was taken as a ratio of total equity ownership to total assets (EQTTA).

$$\text{RETOA/RETOE/Tobin's Q} = f(\text{NCLEQ, CULEQ, EQTTA, FIRM-SIZE}) \quad (3.2)$$

The Pooled econometric form of the model is stated thus:

$$\text{RETOA}_{it} / \text{RETOE}_{it} / \text{Tobin's Q}_{it} = \beta_1 + \beta_2 \text{NCLEQ}_{it} + \beta_3 \text{CULEQ}_{it} + \beta_4 \text{EQTTA}_{it} + \beta_5 \text{FIRM-SIZE}_{it} + \mu_{it} \quad (3.3)$$

Apriori signs: $\beta_2 > 0$; $\beta_3 > 0$; $\beta_4 > 0$; $\beta_5 > 0$. The justification for the apriori signs is based on the findings of prior empirics on capital structure and financial performance. Financial performance is proxy by RETOA, RETOE and Tobin's Q while capital structure is proxy by financial leverage and equity ownership while firm size is a control variable. Hence, RETOA/RETOE/Tobin's Q is RETOA means return on asset expressed as a ratio of net profit after tax to total asset while RETEO means return on shareholders' expressed as a ratio of net profit after tax to equity ownership (Ameur and Mhiri, 2010).

Tobin's Q' expressed as ratio of the sum of market value of equity, preference share and debt to total assets (Lindenberg and Ross, 1981); β_1 is mean value of the intercept of the entire cross sections; NCLEQ is noncurrent liability as a ratio of equity ownership; CULEQ is current liabilities as a ratio of equity ownership; EQTTA is equity ownership as a ratio of total assets Ameen and Shahzadi, 2017); FIRM-SIZE is firm size proxy by total assets; i^{th} is cross section; t is time; μ_{it} is error time considering both cross section and time dimension.

Capital Structure Equation

$$\text{NCLEQ/CULEQ/EQTTA} = f(\text{RETOA, RETOE, Tobin's Q, FIRM-SIZE}) \quad (3.4)$$

The Pooled econometric form of the model is stated thus:

$$\text{NCLEQ}_{it} / \text{CULEQ}_{it} / \text{EQTTA}_{it} = \beta_1 + \beta_2 \text{RETOA}_{it} + \beta_3 \text{RETOE}_{it} + \beta_4 \text{Tobin's Q}_{it} + \beta_5 \text{FIRM-SIZE}_{it} + \mu_{it} \quad (3.5)$$

Apriori signs: $\beta_2 > 0$; $\beta_3 > 0$; $\beta_4 > 0$

Research Methodology

The study made use of the panel research design. It is suitable for study of this nature because it has both cross section and time series research design properties. Secondary data spanning 5 years (2010-2014) for seventy five (75) sampled non-financial companies was sourced from the Nigerian Stock Exchange (NSE) as at December, 2014. The population consist of all one hundred and nine (109) nonfinancial quoted companies in the NSE as at December, 2014.

A sample size of eighty five (85) was derived using the Yamane (1967) formula as cited in Israel (1992). However, the sample sizes of eight five (85) companies were reduced to seventy five (75) companies due to accessibility annual report. The data set was analysed using two stage least square (2sls) estimation technique.

The 2SLS is best suited for this study because of the structural equation nature of the model i.e. existence of feedback loops in the model which could lead to the dependent variable's error term correlating with the independent variables making the OLS estimates biased. Premised on this, the 2sls is favoured ahead of the OLS estimation technique.

4. Estimation Results and Discussions

Table 1 shows the descriptive statistics for variables. In financial performance equation, three proxy Tobin Q, RETOA and RETOE were all used as the dependent variables. The descriptive indicators for each is as follow: Tobin Q mean is 2.133889, STD is 3.833206 which shows weak dispersions of some observations from the mean and less considerable variations reflecting the heterogeneity of our sample cutting across industrial groupings with max and min value of 50.37000 and 0.340000 respectively.

RETOE mean is 9.925667, STD is 90.27259 which shows strong dispersions of most of the observations from the mean and a considerable variations reflecting the heterogeneity of the sample data cutting across industrial groupings with max and min value of 905.4200 and -981.3700 respectively; and RETOA mean is 4.629333, STD is 13.46295 which shows weak dispersions of some observations from the mean and less considerable variations reflecting the heterogeneity of the sample data cutting across industrial groupings with max and min value of 89.54000 and -101.4200 respectively.

Table no. 1 Descriptive Statistics

Variables	TOBIN	RETOE	RETOA	NCLEQ	CULEQ	EQTTA	FISIZE
Mean	2.133889	9.925667	4.629333	49.95081	144.7880	42.50678	4.058000
Std. Dev	3.833206	90.27259	13.46295	108.6256	413.1178	29.35900	0.736622
Maximum	50.37000	905.4200	89.54000	1021.300	3908.300	353.1500	5.990000
Minimum	0.340000	-981.3700	-101.4200	-542.0600	-4024.570	-124.110	2.64000
Jarque-Bera	165865.1	98325.07	5256.159	12626.45	58799.13	21096.32	10.48963
Probability	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.005275
Observations	360	360	360	360	360	360	360

Source: Authors' Results from E-view 7

In capital structure equation, three proxy were used (NCLEQ, CULEQ and EQTTA), the descriptive measurements for each as presented above is explained thus: NCLEQ mean is 49.95081, STD is 108.6256 which shows strong dispersions of some observations from the mean and a considerable variations reflecting the heterogeneity of the sample data

cutting across industrial groupings with max and min value of 1021.300 and -542.0600 respectively.

CULEQ mean is 144.7880, STD is 413.1178 which shows strong dispersions of most of the observations from the mean and a considerable variations reflecting the heterogeneity of the sample data cutting across industrial groupings with max and min value of 3908.300 and -4024.570 respectively; and EQTTA mean is 42.50678, STD is 29.35900 which shows weak dispersions of some observations from the mean and less considerable variations reflecting the heterogeneity of our sample data cutting across industrial groupings with max and min value of 353.1500 and -124.1100 respectively.

Firm size (FISIZE) and the descriptive statistic shows: FISIZE mean is 4.058000, STD is 0.736622 which shows weak dispersions of some observations from the mean and less considerable variations reflecting the heterogeneity of our sample cutting across industrial groupings with max and min value of 5.990000 and 2.640000 respectively. The variables were normally distributed as reflected in the Jackque-Bera statistical probability values being less than 0.05.

Table no. 2. Correlation Matrix

Dependent Moment	TOBIN	RETOE	RETOA	NCLEQ	CULEQ	EQTTA	FISIZE
Correlation	1.000000						
t-Statistic	-----						
TOBIN							
RETOE	-0.057435	1.000000					
	-1.088521	-----					
RETOA	0.042474	0.444990	1.000000				
	0.804376	9.401753	-----				
NCLEQ	-0.065550	-0.218214	-0.051507	1.000000			
	-1.242930	-4.230762	-0.975857	-----			
CULEQ	0.008113	-0.583119	-0.054316	0.310000	1.000000		
	0.153512	-13.58111	-1.029218	6.169397	-----		
EQTTA	0.028174	0.015515	0.498515	-0.219509	-0.148529	1.000000	
	0.533287	0.293595	10.88077	-4.257136	-2.841815	-----	
FISIZE	0.080425	0.018733	0.139553	0.239680	0.073184	-0.116288	1.000000
	1.526660	0.354509	2.666554	4.671120	1.388422	-2.215306	-----

Source: Authors' Results from E-view7

Table no. 2 is the correlation matrix of the dependent and explanatory variables in the two equations. Included observations are 360 after adjustments with a balanced sample. In both equations, proxies correlate with each other as follows: NCLEQ (Tobin=-0.066; RETOE=-0.218; RETOA= -0.052); CULEQ (Tobin=0.008; RETOE= -0.583; RETOA=-0.054); and EQTTA (Tobin= 0.028; RETOE= 0.016; RETOA=0.499).

However, the direction of correlation were not the same for all as some exhibit positive while others negative. A careful observation of the correlation among these set of proxy seems not to be high (less than 0.8) which implies that the problem of multicollinearity seems to be unlikely. The study now proceeds to estimate the 2sls regression.

Analysis of Regression Result

Result of estimation from the 2sls for both financial performance equation and capital structure equation is presented below:

Table no. 3. Results of Financial Performance Equation

	ROA	Comment	ROE	Comment	Tobin Q	Comment
NCLEQ	-0.001836 (0.7633)	Absence of causality	-0.043852 (0.2587)	Unidirectional causality	-0.001901 (0.3401)	Absence of causality
CULEQ	-0.00545* (0.0007)	Bidirectional causality	-0.114441* (0.0000)	Bidirectional causality	0.000401 (0.4334)	Absence of causality
EQTTA	0.250633* (0.0000)	Bidirectional causality	-0.239855 (0.0672)	Unidirectional causality	0.008413 (0.2207)	Absence of Causality
R-squared	0.427142		0.356421		0.013831	
Adjusted R-squared	0.418911		0.347175		0.228208	
Durbin-Watson stat	2.146559		1.999317		1.784805	
Instrument Rank	12		12		12	
J-statistic	166.1625* (0.000000)		189.3257* (0.000000)		7.098632 (0.311822)	

*sig at 5% level of significance

Source: Authors' Results from E-view 7

Table no. 3 above shows the result of financial performance equation. Specifically, it shows the impact of capital structure on firm financial performance. Three proxy of financial performance were used and the result revealed: the R-squared (RETOA= 0.43; RETOE=0.36; Tobin Q=0.014) which indicate the extent of variation in the dependent variable due to changes in the independent variable. However the Adjusted R-squared values differ slightly (RETOA=0.419; RETOE= 0.347; Tobin Q= 0.228).

The Durbin-Watson statistic values indicate the presence or absence of autocorrelation in the model. According to Durbin and Watson (1951), DW statistic of approximately 2 indicate that the presence of autocorrelation is unlikely and result attest to this claim RETOA=2.14; RETOE=2.00; Tobin Q= 1.78).

The instrument rank is 12 while the J-statistical probability values for both RETOA and RETOE indicate significant relationship between the dependent variable and the independent variable, however for Tobin Q, it appears insignificant. On the specific performance of the explanatory variables, NCLEQ is negatively related to all the performance indices and also insignificant at 5% level of significance (RETOA=0.7633>0.05; RETOE=0.2587>0.05; Tobin Q=0.3401>0.05).

CULEQ is significantly related with RETOA and RETOE with negative relationship (RETOA=0.0007<0.05; RETOE=0.000<0.05) while it exhibit insignificant positive impact with Tobin Q (0.433>0.05). Finally, EQTTA a positive significant influence on RETOA (0.000<0.05) while insignificant impact with both RETOE and Tobin Q (RETOE=0.0672>0.05; Tobin Q=0.2207>0.05) with both negative and positive relationship respectively.

Table no. 4. Capital structure equation

	NCLEQ	Comment	CULEQ	Comment	EQTТА	Comment
ROA	0.013831 (0.9761)	Absence of causality	5.088557* (0.0000)	Bidirectional causality	1.559392* (0.0000)	Bidirectional causality
ROE	-0.30036* (0.0000)	Unidirectional causality	-2.66409* (0.0000)	Bidirectional causality	-0.07525* (0.0000)	Unidirectional causality
Tobin Q	-2.113346 (0.1501)	Absence of causality	-2.004752 (0.6058)	Absence of causality	0.276040 (0.4158)	Absence of causality
R-squared	0.300883		0.643774		0.479990	
Adjusted R-squared	0.290692		0.638581		0.472582	
Durbin-Watson stat	1.990474		1.921410		2.095145	
Instrument Rank	10		10		10	
J-statistic	7.047576 (0.133395)		3.474470 (0.481771)		7.386848 (0.116804)	
*sig at 5% level of significance						

Source: Authors' Results from E-view 7

Table no. 4 above shows the result of capital structure equation. Specifically, it shows the impact of financial performance on firm capital structure decision. Three proxy of capital structure were used and the result revealed: the R-squared (NCLEQ= 0.301; CULEQ=0.644; EQTTA=0.480) which indicate the extent of variation in the dependent variable due to changes in the independent variable. However the Adjusted R-squared values differ slightly (NCLEQ=0.291; CULEQ= 0.639; EQTTA= 0.473).

According to Durbin and Watson (1951), DW statistic of approximately 2 indicate that the presence of autocorrelation in unlikely and result attest to this claim NCLEQ=1.99; CULEQ=1.921; EQTTA= 2.095). The instrument rank is 10 while the J-statistical probability values for the three capital structure indices indicate absence of significant linear relationship between the dependent variable and the independent variables.

On the specific performance of the explanatory variables, RETOA is significantly and positively related to both CULEQ and EQTTA (CULEQ= 0.000<0.05; EQTTA=0.000<0.05) while insignificantly related to NCLEQ (0.9761>0.05). RETOE is significantly and negatively related to NCLEEQ, CULEQ and EQTTA (0.000<0.05) in all the three cases. Finally, Tobin Q does not have significant impact on NCLEQ, CULEQ and EQTTA (0.1501>0.05; 0.6058>0.05; 0.4158>0.05) respectively with differing nature of relationship.

Hypotheses Testing and Discussion of Findings

Measuring financial leverage was measured by two proxy: noncurrent liabilities and current liabilities, the results in both table 3 and 4 were used for the hypotheses testing and discussion of findings. Specifically, giving that the RETOA results seems better in both cases of equation, it form the basis of the hypotheses testing and discussion of findings. On the impact of capital structure on financial performance (RETOA), there appears to be the absence of causality between NCLEQ and financial performance in both directions. This is evidenced by the significant statistic value of 0.7633 and 0.9761 being greater than 0.05 for both cases of NCLEQ on RETOA and RETOA on NCLEQ in table no. 3 and no. 4 respectively.

This implies that noncurrent liabilities have no significant impact on RETOA likewise RETOA having no significant impact on noncurrent liability. Using the second proxy of capital structure (CULEQ), there appears to be bidirectional impact between CULEQ and RETOA. This is evidenced giving that the significant statistic values of 0.0007

and 0.0000 being less than 0.05 for both cases of CULEQ on RETOA and RETOA on CULEQ in tables no. 3 and no. 4 respectively.

In effect, that current liabilities have significant impact on RETOA likewise RETOA having significant impact on CULEQ. The result of the two proxy of financial leverage used in this study seems to be conflicting, however not unlikely. This could be explained against the backdrop that the flexibility of firms to adjust to its debt usage in downtime is very germane. For instance, a firm with high debt usage of noncurrent in nature will find it difficult to adjust in period of downtime thereby the interest fixed charge continues to exert pressure on the already deteriorating profit margin.

However, in case of current liability, there is relative short period for the firm to adjust its debt usage in downtime period thereby restoring the shock associated with poor profit. In essence, the nature of the debt usage is germane for management to act in response to downtime period. This corroborates Hadlock and James (2002) who opined that the flexibility at which firms adjust its debt usage in down time also determines the impact it will have on earnings.

Measuring equity ownership by the ratio of equity holdings to total assets and using EQTTA as proxy for capital structure, there is also the presence of bidirectional impact between equity ownership and financial performance. This is evidence by the significant statistic value of 0.000 and 0.000 being less than 0.05 for both cases of EQTTA on RETOA and RETOA on EQTTA on tables no. 3 and no. 4 respectively.

This infers that equity ownership have significant impact on financial performance likewise financial performance having significant impact on EQTTA, thus the stated null hypothesis cannot be accepted. This study seems to be contrary to prior findings of Loderer and Martin (1997), Demsetz and Villalonga (2001), Bohren and Odegaard (2000) of unidirectional causality. These prior studies opined that performance determines equity ownership; on the contrary, equity ownership does not determine performance. The result of this study points otherwise and it is not unlikely because robust financial performance of firms can have impact on whether firms need to raise additional fund by subscription or not.

A high profit margin of firms implies that there could be reasonable amount of internal source of fund (retained earnings) which could be used for any expansionary drive. This tends to mitigate the further charge on retained earnings if such funds were to be raise from new issues. In same vein, equity ownership drives performance because shareholders specifically institutional shareholders may have invested in the investee for the sole purpose of growth and expansion and as such may not be interested in dividend payment.

Similarly, a firm with reasonable number of insider ownership in the light of aligning the interest of shareholders and management may also crave for firm financial performance which could also account for the impact equity ownership has on performance as revealed by this study. In essence, the bidirectional impact between financial performance and equity ownership is not unlikely as opposed by findings of prior studies cited above.

5. Conclusion and Recommendations

The study evaluated the direction of causality between capital structure and financial performance in Nigeria using the 2 SLS. Financial leverage was proxy by ratio of noncurrent liability to overall assets (NCLEQ) and ratio of current liability to overall assets (CULEQ) while equity ownership was proxy as a ratio of equity shareholdings to total assets (EQTTA). Financial performance indices used in the study were RETOA, RETOA and Tobin Q. However, the study restricted its hypotheses testing to RETOA which appears better. The result revealed that NCLEQ seems not have causality with RETOA likewise RETOA not having causality with NCLEQ.

Nevertheless, CULEQ exhibits causality with RETOA likewise RETOA having causal link with RETOA. In essence, there is simultaneous causal link between CULE and RETOA. EQTTA exhibits simultaneous causal link with RETOA, i.e. EQTTA determines RETOA and RETOA determine EQTTA. The reason for impact of CULEQ on RETOA hinge on the short time period for which firms can adjust its debt usage to restore deteriorating profit during downtime. Result of EQTTA on RETOA reveals a simultaneous causal link between both.

In the light of this, we recommends that firms should endeavour to have appropriate mixture of debt (noncurrent and current liabilities) usage in order not to have difficulty in adjusting during downtime period. In line with this, the study recommends that firms with high expansionary drive should have more of institutional shareholdings and insider shareholdings which further drive firm financial performance as opposed to heterogeneous equity ownership. Also, internal sources of fund from prior boom period should be plough back rather than holding them as idle fund which could eliminate the additional cost of new issues.

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A LOW-COST INTERVENTION FOR REDUCING COSTS FROM HIGHER EDUCATION DROPOUT: THE DROPOUT REDUCTION MODEL

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Abstract: National investment in education improves national economic prosperity and contributing to development. In countries where there is significant investment in higher education at the national level, student dropout from higher education represents a major source of financial loss. There are also losses at the institutional level. Although the high cost of dropout is understood, institutions have failed to take responsibility for dropout reduction, owing in part to the additional cost associated with dropout prevention. To address this issue, we present, on the basis of theoretical and empirical literature, the Dropout Reduction Model. The Dropout Reduction Model focuses on institutional responsibility for (a) student commitment, (b) social support, and (c) institutional support and provides strategies for the improvement of each of these three values. Additionally, we propose a concrete intervention based on the Dropout Reduction Model, by which institutions can effect reductions in dropout rate without incurring significant costs. The intervention focuses on policy and pedagogy changes with minimal required inputs, thereby enabling institutions to reduce sunk costs from dropout without significant budgetary strain.

Keywords. Higher education, student dropout, educational intervention, Dropout Reduction Model, social support, institutional support, student commitment.

1. Introduction

National investment in education, especially higher education, brings about reduced unemployment and higher earnings over entire working lives, thereby improving national economic prosperity and contributing to development (Aina, 2013). In past generations, the existence of a pool of uneducated or undereducated citizens was tolerated, and individuals with little or no formal schooling provided what was perceived as an essential unskilled labor pool for industrially and agriculturally fueled economies. Today, changes in the labor market make an inadequately prepared workforce a growing concern and contribute to global inequality (Irby, Mawhinney and Thomas, 2013).

In countries where there is significant investment in higher education at the national level, student dropout from higher education represents a major source of financial loss. There are also losses at the institutional level, in terms of funds used for recruiting dropped-out students, tuition losses, and opportunity cost from students who were turned away but who, if admitted in place of dropped-out students, may have persisted to graduation. When dropout rates are relatively low, these losses may be of minimal concern. However, in areas with problematically high dropout rates, the adverse financial impact of student dropout can be significant.

In Israel, for example, the Committee for Planning and Budgeting of the Higher Education Council subsidizes every student with 20,000 ILS (just over \$5,000) on average (Israel Central Bureau of Statistics, 2012). There are 240,000 students presently studying in Israeli colleges and universities, and approximately 25% of these students will drop out, never graduating. Therefore, Israel invests in students approximately \$300 million annually (about 0.1% of Israel's GDP) without return. Loss of tuition accounts for an \$80 million annual cost to Israeli Institutions (Israel Central Bureau of Statistics, 2012). Therefore, reducing dropout is of economic importance at both the institutional and national levels.

Although the high cost of dropout is well understood, many institutions focus their dropout prevention efforts on prospective students, attempting to recruit and admit students who are likely to persist to graduation. Indeed, a large body of research demonstrates that many of the factors that predict dropout are student factors such as financial difficulty, age,

and personality characteristics (Alarcon and Edwards, 2013; Gairín et al., 2014; Murray, 2014; Padgett et al., 2010; Silvernail et al., 2011). This may lead institutions to avoid efforts to reduce dropout among current students, under the assumption that dropout is primarily predicted by factors outside the institution's control. Such an assumption leads to the conclusion that any costs toward preventing dropout among admitted students are not likely to result in returns, owing to the limited capacity of institutions to influence the personal variables that relate to dropout.

Less research has examined the effect of institutional factors on dropout in higher education. However, important theoretical work has begun to establish a potential link between institutional structure (i.e., administrative policy, curriculum, and faculty) and dropout prevention. Drawing on this theoretical work, we developed the Dropout Reduction Model (DRM), which emphasizes institutional responsibility in dropout reduction. To address institutional concerns about the cost of dropout prevention strategies, a low- or no-cost intervention is also presented that has the DRM as its foundation. The remainder of the article is organized as follows: first, we present a background of higher education dropout and review theoretical models and empirical research on dropout prevention. Next, we present the DRM and justify each of its three dimensions: student commitment, social support, and institutional support. Finally, we propose in detail an intervention based on the DRM that can be implemented with little or no additional budget. A conclusion section follows.

2. Background and Literature Review

In this section, we present a brief background of higher education dropout, including the antecedent factors of dropout and existing models and approaches to dropout reduction.

Defining Dropout

The complicated nature of dropout makes accurate definitions both necessary and difficult. There is no consensus on the definition of a higher education institution dropout, nor is there a standard method for computing of dropout rate (Rodríguez-Gómez et al., 2014; Stratton and Wetzel, 2013). Dropout is defined by Larsen et al. (2013) as withdrawal from a university degree program before it has been completed. Common terms used to describe university dropout from a student perspective are: dropout, departure, withdrawal, failure, non-continuance, and non-completion (Larsen et al., 2013:32).

According to Rodríguez-Gómez et al., (2014) the dropout rate is an indicator of a complex phenomenon, and there is no consensus on its significance. Because universities lack systematized, univocal methods for collecting student dropout data, measuring the dropout rate is problematic (Rodríguez-Gómez et al., 2014). Formulas used for analysing dropout differ among countries, and it is therefore quite difficult to perform comparative studies between them (Rodríguez-Gómez et al., 2014). Furthermore, the concept of dropout is conceived differently in different countries, where terminology is assigned with varying connotations depending on the context (Rodríguez -Gómez et al., 2014).

Since the 1990s, the student dropout rate has been quantified and used as a performance indicator, and has been a widely discussed topic among academic authorities in the European Union (EU), within each country and institution (Gairín et al., 2014). The dropout issue has broad dimensions, such as the economic cost of university studies available to the majority of students and the inefficient use of resources (Gairín et al., 2014). Additionally, it should be remembered that reaching a conceptual definition of university dropout is a complex task (Gairín et al., 2014). It should also be remembered that a conceptual definition of university dropout is hard to measure because it requires having suitable and precise institutional data, collected systematically over a certain period of time (Gairín et al., 2014). To fully understand the phenomenon of dropout, it is necessary, to

consider the different types of dropout: voluntary, involuntary, temporary, permanent, initial, provisional, definite and the relationship (or lack of one) between dropping out and academic failure, or dissatisfaction with the quality of the student's experience (Gairín et al., 2014). As we will see in the following sections, institutional responsibility for social and institutional support can provide students with the integration required to prevent dropout of all types.

Theoretical Models of Dropout and Retention

This section reviews the main models proposed in this field: the Student Integration Model (Tinto, 1975) and the Student Attrition Model (Bean, 1980). The latter builds on the former. Next, we review institutional support models of dropout. The Dropout Reduction Model combines the strengths of each model and attempts to overcome the weaknesses. The Dropout Reduction Model is described in a later section.

Tinto's Student Integration Model. One of the most commonly cited models in student retention literature is the Student Integration Model (Tinto, 1975). Tinto divided the student's institutional experiences into two components: an academic component, consisting of academic performance and interaction with faculty or staff members in the university, and a social component, consisting of extracurricular activities and peer group interactions. The author determined that the extent that these forces successfully integrated with each other could determine whether students persist with their studies or leave the university (Tinto, 1975). Therefore, attrition is concerned with a decision-making process that fits into a competing risks paradigm, where a variety of socioeconomic forces pull the student towards one or another mutually exclusive set of possible outcomes (Murray, 2014).

According to Tinto, the tendency to leave higher education before graduating is due to lack of involvement. Indeed, research supports that lack of involvement is a major cause leading to failure (Jenkins-Guarnieri et al., 2015). Gray, Vitak, Easton, and Ellison (2013) made a similar claim, stating that the smaller are the chances for a successful integration in society, the bigger is the failure in schooling processes.

According to Tinto's model, coping with the problem of dropping out from the educational system requires the right synthesis between students' involvement and the routine of an academic institution. This synthesis reduces a student's chances of leaving higher education and increases his chances of staying and graduating (Danielak et al., 2014). Gray et al. (2013) have maintained that academic and social integration contributes, not only to persistence, but also to the quality of learning.

Tinto's model has generated many empirical studies (for a review see Braxton, Doyle, and Hartley, 2013). Though it has had a significant influence on retention strategies in several countries (Lindsay and Williams, 2015), the model has also been widely criticized and subjected to many revisions. In a seminal work, Barefoot (2004) delineated three points of criticism. First, the relative importance of academic integration as compared to social integration for different types of students is not addressed. Secondly, the model does not incorporate all the factors required to understand why students drop out, particularly those pertaining to non-traditional students. A third important question is whether today's students can be expected to achieve integration. It may be argued that it is both unrealistic and unreasonable to expect many of today's students to break from their culture and families of origin in order to achieve conformity with college norms and expectations (Rissanen, Tirri, and Kuusisto, 2015).

Although the Student Integration Model provides many useful insights, a significant drawback is its lack of attention to external factors. This is particularly important in the Israeli context, in which many forces affect students' motivation and ability to persist and pursue non-compulsory education to completion. Extrinsic factors also influence a student's

integration in higher education. This means that, although the model can determine a student's success, social support is not limited to a student's institutional surroundings, but also is provided by a student's personal surroundings, which affect academic achievements.

Several revisions of Tinto's (1975) model have been suggested. One of the most prominent revisions, offered by Bean (1980), emerged as an alternative model. Nevertheless, Tinto's model has been accepted as the most empirically tested model, and has become recognized as being most useful for explaining the causes of student departure from higher education (Alhassan, 2012).

Bean's Student Attrition Model. The Student Attrition Model (Bean, 1980) suggests that variables such as a student's higher education experience, future educational goals, and financial ability affect how a student will integrate into the college community. Tinto (1975) did not recognize the importance of factors outside of university. Bean's (1980) model, by contrast, expands Tinto's model by focusing on the importance of integration into the student community. Bean's model is different in that it includes both environmental variables and a student's intentions.

Bean's Student Attrition Model is more comprehensive than Tinto's Student Integration Model in that it explicitly incorporates external factors, such as employment opportunities. Bean's theory also stresses the importance of behavioural intentions (whether a student intends to stay or leave) as predictors of persistence (Bean, 1980). Bean (1980) assumed that behavioural intentions are shaped by a process in which beliefs shape attitudes, and attitudes, in turn, shape behavioural intents. Students' beliefs are affected by their own experiences with the different components of an institution (e.g., academic quality, courses and friends). Bean's model has also acknowledged that attitudes and decisions may be largely affected by factors external to the institution (Bean, 1980).

While adding important elements to the dropping out model, the Student Attrition Model is not without flaws. Indeed, useful insights and thinking directions can be drawn from both theories. Both Tinto's and Bean's models lack an emphasis on the responsibility of institutions to prevent dropout by creating environments conducive to student retention. In the next paragraphs, we discuss institutional responsibility for dropout from a theoretical perspective.

Institutional responsibility. In support of Tinto's (1975) approach, psychological models emphasize that dropping out is primarily related to a student's specific personality, as well as to his interest and skills for coping with academic and social tasks of the higher education institution (Omidi et al., 2012). Thus, a student's integration in the academic institution is a sole responsibility of the student, while social models stress the influence of an academic institution on human behaviour.

Tierney (1992) explained that the dropping out phenomenon does not depend completely on the student, but is largely and directly related to the way an academic institution functions. For this reason, a student's success or failure becomes part of a social process (Lindsay and Williams, 2015). Tierney (1992) claimed that Tinto's and Bean's models ignore one of the major roles of the academic institution: to assist an individual's integration. Tierney suggested that higher education management or faculty members involved in campus remediation efforts need to act less like emergency room paramedics and more like preventive medicine physicians. Approaching the problem of student dropout from a cultural point of view, Tierney suggested a framework in which students hold onto, and affirm, their own identities, while simultaneously functioning and succeeding within the dominant culture of schooling.

Tierney (1997) maintained that colleges and universities need to modify the cultures of their institutions to accommodate individuals or groups of students who are at risk of dropping out. In this way, Tierney's model is one of institutional responsibility. Institutions

can take responsibility for dropout either by supporting student integration in the campus or through isolation and neutralization of negative forces relates to factors that prevent a student from investing most of his energy in learning and persistence in higher education. These factors include emotional detachment, fear of failure, boredom, financial problems, workload, family commitment or social rejection (Braxton et al., 2013).

Chen (2012) identified the causes of failure in academic institutions specifically in the structural factors of the academic system. According to him, causes for failure include higher education systems support passive learning methods that do not motivate students to learn; irrelevant curricula that do not let students progress as they would like to; and inappropriate screening and overcrowded classrooms that do not support active participation.

Nwogu and Esobhawan (2014) claimed that teachers with the right established qualifications will improve academic performance and bring about a reduction in student dropout, and that it is worthwhile to properly equip teachers with the new ideas and methods. In most studies, however, institutional factors are pushed to the margins, and the elements included in it are not ascribed great significance in terms of students' learning ability and persistence in higher education. Such instructor development is an important component of the DRM intervention proposed below. Before describing the Dropout Reduction Model, however, we turn to a brief review of empirical literature related to dropout and its antecedents.

3. Empirical Research on Dropout and its Antecedents

Researchers explain dropout using internal factors (e.g., motivation, success or failure in school) and external factors (e.g., economic status, organizational characteristics). The primary student factors found to influence dropout (Alarcon & Edwards, 2013; Anderson, 1985; Bean, 1982; Gairín et al., 2014; Lum, 2002; Murray, 2014; Padgett et al., 2010; Reyhner, 2006; Silvernail et al., 2011; Tierney, 1992; Tinto, 1975) are summarized as follows:

- dissatisfaction with the quality of the academic experience
- family and work responsibilities
- economic difficulties
- demographic characteristics: age, gender, race, financial status
- cultural background
- level of academic integration
- living conditions
- personal motivation and self-confidence
- lack of academic preparedness
- incorrect choice of course
- pursuit of a more attractive opportunity

Only a few studies have addressed the organizational aspects under the responsibility of the higher education institutions and their responsibility for preventing dropping out. Institutional factors antecedent to dropout are as follows:

- pedagogical style;
- school and class size;
- instructor relationships;
- institutional openness;
- curriculum relevance;
- interaction with staff and faculty.

Research on the key factors related to student dropout, especially as they pertain the institutional responsibility, are reviewed in the following paragraphs.

Academic factors. A considerable extent of student difficulties in higher education is due to inadequate preparation in high school. Raviv (2009) reported that, in one college in Israel, the average score of students in the first semester of first year in reading academic papers and writing was extremely low, indicating a lack of significant learning tools with which students begin their higher education. Research indicates that one of the important factors of students' dropout rate is the subject studied at university, as well as the secondary school grades; the dropout rate is higher among students in engineering (Paura and Arhipova, 2014).

Several studies, such as those conducted by Meyer and Marx (2014) and Aguiar, Chawla, Brockman, Ambrose, and Goodrich, (2014), identify having to repeat courses as a significant predictor of engineering students dropping out from higher education. The conclusions of these studies are that poor academic achievement, low self-expectations, low grades, low test scores, and course failure all contribute to dropping out from higher education.

Furthermore, it was found that students' performance during the first year affects their decision to continue studying (Chies et al., 2014). Relatedly, an inadequate learning climate may lead to dropout (Pocock, 2012). Negative learning climates create alienation and prevent students from calmly focusing on their studies. While students are preoccupied with the negative learning climate, they cannot advance in their studies and are discouraged to the point of considering leaving higher education either or moving to another institution (Pocock, 2012).

Student integration. Making students feel more involved and emotionally secure is essential for high retention rates in higher education. It has been found that empowerment of students contributes to the completion of a college or a university and the fulfilment of educational aspirations (Beauvais, Stewart, DeNisco, and Beauvais, 2014).

The decision to drop out is a complex one involving a set of personal and contextual circumstances (Gairín et al., 2014). Being a part of an academic environment and the social status associated with this environment can be a very important component that influences a student's attitude regarding learning and working options. Such an environment entails civic engagement and familiarity with current environment (Jenkins-Guarnieri et al., 2015).

Studies (e.g., Walker, 2012) have revealed that one of the important factors in students' successful coping with higher education challenges and their completion of their studies is their involvement in an institution's activities. This activity, carried out on a voluntary basis and linked to a student's fields of interest, creates a greater interest in studying. For this reason the graduation rate among involved students is higher than among students who are not involved in the academic institution beyond lessons per se.

Student-teacher interaction. Learning style influences to a great extent student attrition and dropout rates. Their preferences for a specific learning style is in many cases related to the reason students attend a higher education institution. Baker and Robnett (2012) have demonstrated the importance of social support for student retention. Jenkins, Belanger, Connally, Boals, and Durón (2013) provided support for this assertion. In their study, Jenkins et al. (2013) showed that students at-risk of dropping out had less social support than those with less risk.

Success in higher education of at-risk students has been found in several studies to depend largely on the educational staff. For example, in a study conducted in Israel, higher education dropping out has been found to be the outcome of problematic interactions between students and teachers (Kav-Lahinuch, 2007). Relatedly, Baker and Robnett (2012) have found that approaches that engage and build relationships with students early in the

semester may assist in raising student confidence levels and reduce dropout risks. Njoroge, Wang’eri, and Gichure (2016) concluded that the quality of student-faculty interaction inside and outside of classroom has a great effect on a student’s decision to stay or leave the institution.

The research reviewed in this section forms the background and basis of the Dropout Reduction Model, which we present in the next section.

The Dropout Reduction Model

The foregoing background and literature review demonstrates the need for a concrete theoretical model of dropout reduction that is based on emerging research and theory related to institutional responsibility. To address this need, we developed the Dropout Reduction Model (DRM), with the goal of conceptualizing higher education dropout from a perspective of institutional responsibility. The DRM consists of three main theoretical values proposed to reduce dropout: personal commitment, social support, and institutional openness. Each of these three values is associated with a concrete strategy that institutions can use to reduce dropout. Figure no. 1 presents the values and strategies of the DRM.

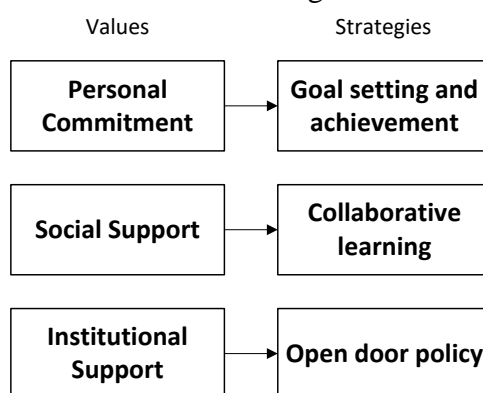


Figure no. 1. Values and strategies in the Dropout Reduction Model

The following subsections present detailed discussions and justifications of each of the three values of the DRM.

Personal Commitment

The literature describes three types of commitment. One is commitment to personal objectives. This type of commitment relates to the strength of a student’s desire to complete his studies and receive the degree or certificate (Beck and Milligan, 2014). The second type is commitment to the future career and profession the student is going to acquire through his education (Meyer and Marx, 2014). The third is commitment to a specific educational institution in which the student studies (Tinto, 1975).

Providing students with guidance for an effective and timely learning process for the first written assignments they submit can promote better integration and adaptation to an institution’s standards (Brinkworth et al., 2009). Therefore, the focus is not on assignments’ grades *per se*, but rather on the learning process they represent and on the gradual improvement promoted by appropriate feedback, which, in turn, is linked to a modular teaching system, pedagogy, preferred learning styles and structure of the college.

This process, as it applies to adult education, is termed *andragogy*, which is defined as an approach to adult education rooted in problem solving, rather than subjects (Ozuah, 2016). This definition expresses the philosophical differences between pedagogy and andragogy and their extensive applications in educational settings. The pedagogy model, as it has been traditionally perceived, comprises two basic assumptions about learning, meaning that the educational system, including management and teachers, identifies the need to learn, but not the learner. The latter term means that the educational system

identifies the learner's self-concept as one of dependency. As explained, andragogy is holistic and focuses on all student's needs in the college, while traditional pedagogy focuses mostly on learning methods.

Social Support

All the models presented in the Background section are compatible with the theory that social integration plays an important part in the student retention problem. The extent of its impact, and the degree to which we should expect students to depart from their family and culture in order to integrate in the new social environment, are an important topic for debate among different theoreticians.

Cobb (1976) defined *social support* as social interaction over long periods of time between individuals who share the same values, who can be trusted, and who can offer emotional encouragement, help, and financial resources. According to Cobb, social support is defined as belongingness, which provides information, and this information leads a person to believe that there are those who love him, care for him, and respect him, and that he belongs to a network of co-committed relationship. Cohen and Wills (1985) saw social support as providing four major types of support: the option to consult and share with another individual, the social support that is sometimes needed, support of self-esteem and a sense of belonging.

As in the models reviewed above, social support is a fundamental value in the DRM. Various studies have indicated the importance of social support for improved mental welfare. A link has been found between social support and a person's success when coping with tasks and challenges in general and specifically under stress. Social support from the close environment provides an individual with support and feedback, especially in states of confusion, distress, or crisis (Gray et al., 2013).

A study that has examined the link between crisis and change in students who cope with their academic studies has found that psychological welfare during higher education depends on social support of the staff, which includes the student having a sympathetic ear of both the academic staff and the administrative staff, resulting in full satisfaction and willingness to stay in the educational institution (Ong and Chan, 2012). The study divided psychological welfare into a cognitive component and an affective component. Psychological welfare was found to be higher in an institute in which students have enjoyed social support and lower among students in an academic institution in which they have not enjoyed social support and have had to cope alone with the pressures of higher education (Ong and Chan, 2012). This study shows that social support is a vital resource, and that stress and negative feelings arise in students who lack it, as compared with students who have many social support resources, since it moderates the link between crisis and negative feelings (Ong and Chan, 2012).

Social support is a significant component for individuals under pressure to achieve a goal. A high level of welfare can be retained among students, even when they are in stress or distress, if they receive social support as an environmental resource (Ong and Chan, 2012). Social support is an environmental resource that can change an individual's behaviour when it is integrated in a student's life and thinking patterns (Gray et al., 2013).

Moreover, social support contributes to the development and enhancement of feelings of ability, self-value, or self-capability. This enables an individual to cope successfully with the challenges of life, with educational requirements, and with social and personal crises, and it creates a sense of self-value. Social support also contributes to decreasing the negative physiological responses caused by stress (Gray et al., 2013).

Students perceive social support as very helpful to their academic achievements. Most students, especially during their first year in higher education, and a little less during their undergraduate studies, are interested in joint social activities, for making social

connections as well as for receiving practical assistance with their studies (Gray et al., 2013).

Groups, especially small groups, are very valuable for creating a sense of belonging and involvement (Noroge et al., 2013). Discussions within a group, between members who share similar backgrounds and goals, assist the group members in raising personal problems, getting advice from members who are not personally involved, talking about experiences they share in common, receiving social support, and seeing the contexts or links between an individual's life and the community or the organization's life (Noroge et al., 2013).

Institutional Support

The third variable included in the Dropout Reduction Model is an institution's approach. It is important that the students feel they can approach faculty members with any question or problem they encounter. If student dropout is not a single event, but rather a process in which students become increasingly disaffected and alienated from higher education (Bask and Salmela-Aro, 2013), then increasing a teacher's awareness of students' situation and the difficulties which they face may enable the institution to prevent dropout early.

The *open door policy* is one of the means of improving communication in the organization as well as improving the administration, by using prompt feedback (Gabbard and Mupinga, 2013). This policy aims to prevent disagreements between a student and the administrative staff, or competition due to dissatisfaction regarding certain benefits an institution offers (Gabbard and Mupinga, 2013). The open door policy has been found to have a positive influence on student achievement. It specifically allows a student to express his feelings in the higher education institution and outside of it, and to talk about difficulties and frustrations while suggesting improvements (Gabbard and Mupinga, 2013).

When there is an open door policy, students are allowed or even required to approach any person who may help them once a problem arises or when something is unclear. Therefore, when the open door policy is maintained, it is part of the system that supports the student (Shah and Whannell, 2016). Hence, the open door policy means that any student in an academic institution can approach the academic staff, even if there is no direct student-teacher or student-administrator interaction, and present them with his problem, expecting their help (Gabbard and Mupinga, 2013). Moreover, the open door policy is not only an approach that expresses openness, but its goal is also to allow an opportunity to discuss major approaches to solving the problem and even to change the coping strategy, if needed (Bergman, 2016).

According to Thompson et al. (2012), the open door policy has four major advantages. The first is a positive contribution to the institution's climate and population. The second is that it creates effective relations with the board of directors of the educational institution. The third is that it makes it possible to make strategic decisions to promote the institution, and the fourth is that it allows better and more efficient ability to cope with budget challenges (as compared to when no open door policy is in place). An open door policy may decrease dropout, even in cases where a student experiences personal difficulties that are not related to the institution's policy.

Model Integration

The three values of the model integrate with one another, and support each other. Personal commitment contributes to the formation of a student's academic interaction, from which evolve social interaction, enhanced self-esteem, and social support. Social support helps to strengthen a student's relationship with both his environment and the educational institution, and also helps him cope with difficulties that may arise in higher education. The open door policy of an institution helps a student overcome the obstacles he encounters in his academic studies, as well as in his personal involvement and even personal problems, if

they transcend the social support he receives. Thus, the three values of suggested model support each other and may become integrated in the academic environment, the internal environment (inside the academic institution and on campus), and the external environment (relations with friends and support when coping with various tasks).

The suggested model may help deal with other problems that lead to student dropout, such as reading comprehension difficulties and difficulties in accessing study materials. The open door policy, which allows all students to approach faculty members with their problems, may shorten the time needed for getting help in different subjects, while referring to the specific problem of each student, whether a social problem, or a problem of coping with the academic material, teaching style, learning style, or coping with the tasks ahead of him.

Using strategies to improve the three values of the DRM could lead to a reduction in dropout, particularly among at-risk students and nontraditional students. Concrete implementation of the DRM will be necessary for practitioners to take advantage of this theoretical model. Therefore, in the next section, we propose an intervention based on the DRM.

A Dropout Reduction Intervention

The following intervention is based on the principles of the Dropout Reduction Model and is targeted at small colleges with large populations of nontraditional students. The model has been tested empirically and has proven to reduce dropout significantly; however, publication of these results is forthcoming. The purpose of this section is to present a detailed description of the intervention, which practitioners can use to implement the DRM in their own institutions.

The DRM Intervention includes a training program for faculty and staff and a prevention program for dealing with absences and student distress. Thus, the DRM Intervention targets the student level, class level, lecturer level, and institution level. Table 1 summarizes the activities involved in each level of the intervention.

Table no. 1. Model Dimensions

	Activities for implementation of the intervention	Resources for implementation of the intervention
Student level	Personal target program for improvement of competitiveness and meeting attendance targets. Practice and personal experience throughout two semesters.	Tools: continuous attendance log of a student, grades sheet. Personal meeting with a student that includes support, consulting and guidance by the following college factors: secretaries, lecturers, department head and college principal.
Class level	2 workshops that include: Collaborative learning and peer instruction workshop. Target management workshop through supplying tools for time management and planning. Practice and personal experience throughout two semesters.	Allocation of hours for the workshop in each class by professional factors (department heads).
	Feedback conversations on learning experience and intervention results.	Class/personal conversations
Lecturer level	Collaborative learning workshop that instills a lecturer with teaching skills.	Scheduling department meetings Supplying support and instruction for lecturers by the department head.
College level	Open door workshop that provides the management level and the administrative level a change in attitude and behavior regarding the treatment of a student.	Scheduling board meetings, supplying explanation and updates regarding the intervention process and its results.

The following subsections describe the workshops and the prevention program.

Workshops

The goal of the staff workshops is to provide college staff with a theoretical framework based on the Dropout Reduction Model. Higher education institutions often do not instill a student, in the first semester of his studies, with tools and/or training. Therefore, a student must begin his studies with the tools he has acquired and adopted in the previous framework. Such tools do not always exist, and, occasionally, the acquired tools do not fit present framework. Out of this deprivation, the intervention emphasizes instilling a student in the first year with skills in order to be able to meet the required targets, through time management and planning.

The college staff includes two levels: pedagogical staff and administrative staff. Pedagogical staff are further divided into two categories: pedagogical-managerial and pedagogical-teaching staff. The intervention consists of workshops for each of the three levels.

Staff workshop 1: Pedagogical-managerial workshop. The pedagogical-managerial workshop describes implementation of the open door policy in a college. As part of the workshop, management are given tools for implementation of policies for giving personal treatment to students. The model's purposes and the three main values of the model are presented. Early in this step, the intervention facilitator emphasizes that the department heads will be qualified to be "dropout managers" and will be responsible for this matter in their departments. During the management workshop, the facilitator explains the open door policy through simulations and examples. The facilitator clarifies that the managers have the responsibility to transfer the principal parts of the policy to the administration office.

Staff workshop 2: Pedagogical-teaching workshop. The pedagogical-teaching workshop instructs teachers in the implementation of collaborative learning (during the class workshop) for improvement of teaching skills, and in contributing to institutional openness by personally addressing the distresses of a student. The training for department heads is delivered in three meetings.

After the managers and principal of the study institution accept and approve the model, including the open door policy, a convening of department heads is held to stress the great responsibility that is laid on their shoulders in application and implementation of the intervention. They are asked to be committed to the open door policy in the college, and are were told that it is their responsibility to present the lecturers with this policy and apply it in practice.

It is emphasized to them that they are supposed to deliver a workshop of collaborative learning, both to lecturers and students in their departments, and they must present the required study skills for students, in a general framework of personal commitment, and implement the intervention program.

The first meeting reviews the components of the model, and the facilitator explains the tools required for enhancing personal commitment and setting personal targets. During the workshop, a variety of effective tools are presented for time management, management by targets, and priority management, simulation, problems and solutions.

In the second meeting, the advantages of collaborative learning are presented to the department heads, including how group practice or group assignments might increase social support. In this meeting, the facilitator explains the advantages of peer instruction, and the contribution of such instruction to all those involved in the process.

The third meeting takes place according to demand of the study institution, in which the facilitator addresses the difficulties or problems of the transition from theory to practice. At the end of third meeting, the department heads are qualified as dropout managers in each department. They are told that, if any problem arises, the facilitator would be happy to assist

and guide them in the process. The department heads have a direct communication channel with the facilitator throughout the first semester for supplying solutions and recommendations.

Department heads are responsible for ensuring that the lecturers, together with the department's administrative staff, are aware of the Dropout Reduction Model and are equipped for studying and practicing in small groups. Additionally, the dropout managers have the responsibility to train students for collaborative learning and supply them with the managerial tools for improvement of study skills.

Staff workshop 3: Administrative workshop. The administrative workshop provides administrative staff with tools for creation of a student personal support system, following which they are expected to exhibit warm and personal relations with each student. Additionally, administrative staff are told that, as part of the feedback conducted at the end of first semester, students will award them a score on kind and professional service.

Workshop follow up. Two months after the first workshop, another meeting takes place, in which the principals and department report on the progress of the process. Further meetings with the dropout reduction program manager are held according to request of the institution.

The dropout managers are asked to maintain a log to provide information on how the model works in practice. In addition, it is recommended to the department heads to hold feedback talks with students and with department secretaries. At the end of the first semester, a final discussion is held, and the department heads are asked to present intermediate findings before the institution's principal.

Prevention Program

The purpose of a prevention program was isolation, recognition, diagnosis, and treatment of behaviours that characterize hidden dropout, through initiated reporting of the administrative staff and initiated reporting of a student. This aligns with the institutional support dimension of the DRM. The program was based on two stages, presented in the following paragraphs.

First stage: Initial prevention. The first stage relates to regulations regarding cessation of studying and an opening talk intended for new students. As part of the first stage of the prevention program, the college implements the following regulation pertaining the staff. In all matters of opening talk with students by a department head, the following procedure should be maintained:

Department heads must make sure that the opening talk with first-year students takes place on the first day of study prior to beginning study. Students should be encouraged to review the study program for next year in general, and the study program for the first semester in particular. Additionally, the essence of the program should be distributed to the students in writing.

The purpose of this regulation is to reduce the uncertainty of a new student at the beginning of the school year.

Second stage: Secondary prevention. The second stage relates directly to the college staff and includes personal support and following up on a student's attendance. This stage consists of the university adopting the following policy, pertaining to staff:

Any staff member who discovers a student in difficulty or distress should report it immediately to a college official. On any appeal to a college official, when a student informs the official of his desire to leave, the meeting shall be documented, and its main parts forwarded to the department head for decision on further treatment of the student.

Staff are required to maintain close follow up on a student's attendance in various courses, to be performed both by lecturers, through an attendance log, and by the department

office, through crosschecking multiple attendance logs. After two unjustified absences, a student is sent a letter of warning. A third absence in a row would call for a summoning for conversation with the department head, to clarify the absence and provide personal counselling. A concentration of the data and the follow up on a student are conducted consistently and consecutively by the administrative staff, and the department head receives frequent updates, including a weekly report from the department office, during the first semester.

4. Conclusions

The study contributes to literature on dropout reduction by presenting an integrative, person-centred model of dropout reduction and an associated intervention. By providing detailed information on the nature of the intervention, its structure, and its contents, the researcher hopes to inspire other researchers to test and build on the Dropout Reduction Model. It is the belief of the researcher that the tools that compose the intervention might have a contribution in students' lives after the intervention itself. Development of study skills might improve students' managerial abilities and contribute to work life and personal life. Team building in class, allows for creation of social relations outside the study framework as well. Therefore, this study has practical implications from a humanistic perspective as well as a business perspective.

This study contributes to practice by providing a model of a dropout reduction intervention that is not resource-intensive and that can be implemented with minimal resources. The intervention described in this study may have additional cost-saving benefits for institutions, who do not have to pay for additional academic support and tutoring, thanks to the implementation of peer instruction. Usually, open door policies are pertinent to management strata only; the innovation in current model is that the administrative staff are responsible for the policy, as well. This supports practice by providing a model of the potential benefits of involving administrative staff in open door policies and other institutional support policies.

By proposing an effective, low-cost intervention for reducing dropout among first-year college students, the researcher hopes to contribute to cost savings for higher education institutions, as well as to national governments. By saving costs sunk into dropped-out students, institutions and the government will benefit from the widespread implementation of this intervention. Nevertheless, before the intervention is ready for widespread implementation, it needs to be expanded and researched further.

Student dropout is a complex problem, and a single program or model is unlikely to fit all students. However, the model proposed by the researcher offers useful guidelines, and promotes an atmosphere of student empowerment and involvement that can advance student retention in different institutions. The unique characteristics of each population should be taken into account, and modification of the model can be accomplished while maintaining the three central values.

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PERFORMANCE IN SERVICES MARKETING. THE CASE OF TWO OF THE WORLD'S BEST RESTAURANTS

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Abstract: *Worldwide, there is a consistent increasing tendency of the predominance of services for GDP growth, as they are the main contributor. Thus, one cannot deny the majority of white collars over blue collars. Whilst products have tangible assets on which consumers can judge and decide what is better for them, dealing with services imply the prevalence of soft variables. Combining services with the base of Maslow's pyramid, there is no denying the fact that the art of crafting food and the way an individual feels this basic process, thus, enhanced through the experience of dining, is critical. In an activity where the quality of the services provided play a decisive role in the success of a business, restaurants' management needs to know learn from the best practices examples in the field, track their activity and never quit their desideratum of reaching greatness through client satisfaction. The purposes of this paper are to provide an overview of the situation of the first two of the world's best restaurants and to present the role played by services marketing in their performance. Our research is based on a literature analysis.*

Keywords: *services marketing, restaurant, performance, El Celler de Can Roca, Osteria Francescana.*

JEL Classification: *M10, M31, M39.*

1. Introduction

Companies in all fields of activity aim at satisfying customers, understanding that profits are generated by them. It is a matter of understanding the context and the variables and it is up to “their” abilities the extent to which they manage to achieve their goals. The economic environment thrusts towards efficacy, efficiency and gaining a “sustainable competitive advantage” (Ranjith, 2016, p.2013). These concepts are related to performance but for restaurants, it is about a mix of components so specific and subtle, “that in addition to providing fine cuisine, more attention is attached to service quality” (Cheng et al., 2012, p.1156). Now, the eyes are turning towards “perceived performance (e.g. service, food, beverage, facilities, and atmospherics) influence” customer behavior in terms of recurrence” (Peng and Chen, 2015, pp.180-181), thus making it much more difficult for an entrepreneur to juggle with such soft variables. In such an environment, applying “logic for creating and capturing value, and also its approach to constant renewal” (Svejenova, Planellas and Vives, 2010, p.409) is the key for success.

Considering passion as “the main driver behind chefs’ commitment” (Surlemont et al., 2005, p.289), understanding that clients’ “both gustatory and metaphorical taste are about the immediacy of pleasure or displeasure attending experience” (Lane, 2013, p.41), integrating “their cuisine perfectly with the restaurant’s atmosphere is a critical aspect of customers’ perceptions of chefs’ innovativeness and creativity” (Liu et al., 2015, p.579).

In an economy of experience, the responsibility of services marketing is to transform a particular place into a scene where customers become an audience to your food show.

2. Performance: the case of two of the world’s top restaurants

The relevance, importance given by food critics, notoriety and stringency that World’s Best 50 Restaurants list has nowadays, stands a testimony of great performance in their field of activity for those that manage to reach its peak. Osteria Francescana is voted and validated as the leader in the industry, followed by last year’s former winner, El Celler de Can Roca. Given this incontestable vote of trust from the experts, these restaurants serve as

examples of best practices in the field. Taking into account that customers are the focal point of businesses, the volatility of the markets and a current shift in business practices towards creating an unforgettable experience, besides relevant performance metrics such as cash flow, percentage of repeat customers, staff turnover and other field specific economic indicators (break-even point, food cost percentage, gross profit, etc.), a company that provides services and activates in the hospitality industry should also (and it is of utmost importance) measure its performance from a services marketing point of view. It is essential to understand the services marketing components and other elements that both define and contribute to achieving performance for the first two of the world’s restaurants (Table no. 1-7).

Table no.1. Place: an important element in achieving performance for the first two of the world’s restaurants

Name of element	El Celler de Can Roca	Osteria Francescana
Place	<p>- Girona, Catalonia, Spain, a gastronomy-oriented country. The three brothers that own the restaurant are proud of their origins/birthplace (the same as the restaurant’s placement). The restaurant itself surpasses the traditional barriers, being described through their vision as a style of living.</p> <p>- They have multiple locations (or “planets of the Roca Universe” [VI]:</p> <ul style="list-style-type: none"> • Bar restaurant Can Roca: the restaurant from the parents (carretera de Taialà, 42 - 17007 Girona), • Mas Marroch: space for celebrations (Mas Marroch - 17180 Vilablareix), • Roca Barcelona: Roca Moo, one michelin star gastronomic restaurant, and Roca Bar, the lobby bar of hotel Omm (Rosselló 265 - 08008 Barcelona), • Rocambolesc: artisan ice cream (Santa Clara 50 - 17001 Girona), • La Masia (I+R): farmhouse they co-opted to become a research / training centre [VII] 	<p>- Modena, Emilia-Romagna, Italy, a gastronomy-oriented country, especially the region. It is the region that defined Massimo Bottura’s “taste”.</p> <p>- They have a main location placed on Via Stella 22, Modena, Italia and a cousin, Franceschetta 58 (strada Vignolese 58, 41124 Modena): a lighter, more informal version of the above mentioned gourmet restaurant [XXII]</p>

Both restaurants are situated in places that have a great tradition in gastronomy and whose inhabitants respect the gastronomical culture.

Table no. 2. People: an important element in achieving performance for the first two of the world’s restaurants

Name of element	El Celler de Can Roca	Osteria Francescana
People	<p>- Owners: The iconic figures of Joan Roca (head chef), Josep (sommelier), Jordi (pastry chef). They promote work specialization and highly developed skills specific for their field of interest. They influence the restaurant’s activity through their experience (achieved through their work in the field and by experiencing new cultures, scenery/countries, people that are leaders in their field – not always gastronomy related). In 1989, Joan spent a season at now-shuttered El Bulli, which greatly informed his creative thinking. [XXXI]</p> <p>- Employees: Use staff from around the world [IV]. The owners live among their employees and spend time together. For example, they serve lunch daily at their mother’s house (approximately 200 meters away from the restaurant). The owners offer therapy to restaurant’s staff conducted through weekly sessions by Inma Puig, a therapist specialized in “teamwork morale” [V]. The need emerged because “a kitchen has high temperature and a lot of people working at high speed” [Puig, I., XV].</p> <p>- Customers: They expect innovation and come for a daring experience.</p>	<p>- Owner: A vanguard in the food revolution, Massimo Bottura. He cooks food as a tribute to his birthplace, family and art, all these ingredients being the subject of transformation and creation of his unceasing mind. His is “the first Italian restaurant to be named the world’s best”. [XXXVIII]</p> <p>- Employees: The owner lives among his employees and spend time together, eating, playing soccer [XVIII] or going weddings [XI]. They have small team compared to other top restaurants (10 chefs) [XXXIV].</p> <p>- Customers: according to the owner, his clientele is divided into two main categories: the ones that want to live and enjoy an experience but ordering “à la carte” are the people that follow the Michelin Guide. They usually choose a couple of bottles from the wine list. On the opposite side, the clients that follow the 50 Best Restaurant list want to live the experience permitting the waiter/chef choose whatever he considers, not even opening the menu.</p>

An important element refers to the fact that people (the owner(s), employees and customers) relate to and aim at high quality, regarding the business unit as a family unit.

Table no. 3. Products: an important element in achieving performance

Name of element	El Celler de Can Roca	Osteria Francescana
Products (Cuisine specifics of the region)	<p>- Xuixo pastries, botifarra sausage, salsifies and wild mushrooms, cured meats, Ratafia (liqueur) [II]. Famous dishes: Paella, fried milk (“leche frita”), gazpacho (or salmorejo, a tomato soup).</p>	<p>- Parmesan cheese (Parmigiano Reggiano), balsamic vinegar (Aceto Balsamico di Modena), prosciutto (crudo and cotto), salame, tortellini (in brodo) and tortelloni, pasta (Bolognese / ragu – Bologna is also part of Emilia-Romagna). Famous dishes: “zampone” or “cotechino modena” [III, X] – part of the New Year’s traditional dinner</p>

		(together with lentil – that symbolizes good luck for the upcoming year / fortune, money).
Products (Restaurant's specific dishes and other products)	<ul style="list-style-type: none"> - Focus on products of the region, respecting tradition yet creating avant-garde dishes. - Lobster parmentier with black trumpets – a tribute to “the clients that remain faithful to El Celler over its history” [XXXI]. Another signature dish is deconstructed Palamós prawn, a dish that embodies a modern twist on a combination of two traditional Spanish and Catalan dishes. - They also sell books (where they provide some of their recipes), perfumes and courses. 	<ul style="list-style-type: none"> - Particular focus on the traditional products of the region and managing to create revolutionizing modern dishes. - Dishes usually tell a story, it's chapters being comprised of it's name and visual stimulus. Some pay tribute to certain people (e.g. Artists such as Damien Hirst - “Beautiful, Psychedelic Spin-painted Veal, Not Flame Grilled”, Ai WeiWei - “Oops! I Dropped the Lemon Tart”) [XXX] - Clients can also choose to buy products such as their signature artisanal balsamic vinegars and extra virgin olive oils. - Another product sold is the book Massimo Batura wrote, entitled “Never Trust a Skinny Italian Chef” stating “I wrote the book like I cook. I wrote a million things, and then cut them to their essence. It says everything I wanted to say.” [XX]

The products promoted have a strong visual impact, respect the tradition of the region, are meticulously created and usually have a strong symbolism incorporated.

Table no. 4. Products and services: important elements in achieving performance

Name of element	El Celler de Can Roca	Osteria Francescana
Products and services	<ul style="list-style-type: none"> - Products combined with the services provided tell a story and create a unique experience (they often use nostalgia in their activity – business conduct, dishes), thus creating an indefinite lasting memory. - Their products fit into the category of haute cuisine after two of the brothers (Joan and Josep) dined at Pic (Valencia). - They create avant-garde cuisine, placing “familiar tastes in unfamiliar forms” [XVII] - Some products are deceitful and created in such a way as to induce the idea to the consumer that he is about to eat a particular dish and what he tastes in reality is something different, thus creating a wonder effect. - They change the story told 	<p>Products combined with the services provided tell a story (often regarding nostalgia in a critical yet constructive manner in order to achieve a great execution) and create a unique experience.</p>

	<p>through food by using variables such as the seasonable change of nature and when a dish finishes naturally. New dishes undertake a process of testing and, when they pass and their creative process is accepted as done, they move onto the permanent menu.</p>	
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The way products are created and served, every process created is incorporated in such a way as to create an exceptional, unique experience.

Table no. 5. Services: an important element in achieving performance

Name of element	El Celler de Can Roca	Osteria Francescana
Services	<p>Online reservations are made via their own website – bookings are accepted for as long as eleven months in advance, and each new month becomes available for reservations on the 1st day of the month, at midnight. Due to the fact that it is hard to find an available date, a customer usually has to wait for, waiters explain the dish.</p>	<p>Online reservations are made via their own website – Bookings begin three and a half months in advance, on the 1st of the month at 10 a.m. local time. [XXII]</p>

Clients seek the services of the two restaurants with such devotion that it is hard to find an open spot. Reservations are made in advance.

Table 6. Promotion and communication: important elements in achieving performance

Name of element	El Celler de Can Roca	Osteria Francescana
Price	Average cost: €165-€195	Average cost: €180-€200
Promotion and communication	<p>- Stakeholder direct communication: interviews conducted with specialists (food critics), clients, researchers and they involve in projects aimed at improving both their cuisine and the industry, in general. Such a venture is represented by the world they take together with BBVA bank, promoting best practices in world gastronomic destinations (innovation, responsibility, etc.). They were also part of a project conducted by BBC (World News), Collaboration Culture, where Jordi worked side to side with Gaston Acurio, a chef and ambassador of the Peruvian cuisine.</p> <p>- They also tell the story they have created through by using the online</p>	<p>- Stakeholder direct communication: interviews with food critics, press, suppliers, customers. He is dedicated to “finding, supporting and promoting artisan producers and local products”. [XXXVI] He keeps in touch with the local community, supporting local industry efforts.</p> <p>- The restaurant has online covering through its own website, social media account and other specialized websites.</p> <p>- Massimo also partakes in different projects, such as the Universal Exposition in Milan where he is „bringing all the best chefs in the world to cook with the leftovers from the other pavilions”. [XXXVIII]</p>

	environment (their own website, blog and social media accounts and other specialized websites)	
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The owners of both restaurants are focused on the way society perceives high-quality gastronomy and communicate directly with stakeholders. Their activities have a global reach and impact.

Table no. 7. Other relevant elements that contribute to achieving performance for

Name of element	El Celler de Can Roca	Osteria Francescana
Fidelity policy	They do not aim at reputation to attract customers, but making everything for the customer's satisfaction. This is what drives them to return.	High quality of execution and creativity inserted in their products.
How they define success	"Family, work, health, hospitality and generosity." (Juan Roca, 2016) [XXXI]	When he was 18 years old (1980), he defined his culinary success when "he would use a megaphone to call out to his friends on the beach near Salerno from the camp where they were staying and ask what they wanted for dinner: carbonara or amatriciana?" [XXXV]
Core know-how	Owner's minds: Juan (salt mind), Josep (liquid mind) and Jordi (sweet mind). They are also called „three heads and one hat” [XXXI]	Owner's mind: Massimo's brain called "Emilia-Romagna", also his secret ingredient. [XIII]
Other intangibles	<ul style="list-style-type: none"> - Culture, tradition and memories are key intangibles that define the brother's cooking. - Recognition: Three Michelin Stars since 2009 - Passion for cooking born (since childhood) from within the family: mother and grandmother. Josep used to help the waiters and was in charge with "refilling the wine bottles at Can Roca's basement cellar" [Roca, J. as cited in XII] 	<ul style="list-style-type: none"> - Culture, situations that make up a good story. - Recognition: Three Michelin Stars since 2011 - Passion for cooking born (since childhood) from within the family: mother, grandmother, aunt and older brothers. It was also born from a "land of fast cars and slow food": where Lamborghini, Ferrari and Maserati are made [VIII, X]. His French technique was developed under Alain Ducasse, the famous Monégasque chef, and "the molecular gastronomy he took from his mentor, Ferran Adrià". [XXXVII]
Physical evidence that help create the experience	The classic tangible components specific for a dinner table are unique and especially created in such a way as to stimulate the „feel” of the dishes served. For example, an amuse bouche (an appetizer that is traditionally free, served strictly based on the chef's choice and has the purpose of stimulating the appetite) is	The restaurant portrays a significant number of works of art hanging on the walls. The dining area the design is simple, usually using a restricted number of predominant colors in mild tones (a combination between white, light blue, gray and dark brown – the wooden ceiling in the dining area). The plates are simple, usually white, acting as a canvas for

	presented in the form of a bonsai tree. These tangibles may be described as simple yet complex because they help contour the experience in a synergistic manner. - The restaurant has huge glass panels and a secluded garden.	the food (the actual art).
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All tangibles and intangibles convert towards creating a gastronomical synergy, an exceptional dining experience.

Based on the tables above and the fact that Osteria Franciscana is currently ranked as being the most important restaurant in the world in 2016 according to The World's 50 Best Restaurants list, some elements emerge as key success factors (and create a recipe for success) that paved the road for Osteria in achieving high performance and differentiation. They are formulated as a set of rules, as following [I, VIII, IX, XIII, XVIII, XIV, XXI, XXIII, XXV, XXVI, XXVII, XXVIII, XXIV]:

- Break every single day the gastronomical past (tradition), respect and rebuild it using a contemporary mind

- Become a laboratory of ideas that are inspired by knowledge through culture

- Be conscious when using the poetry of creativity

- Highlight intellectual gestures in creating recipes using ingredients, technique and memory, thus compressing them into a dish that are bites of edible culture with your passions as flavor (the magnificent three: food, music – Massimo uses his obscure reflections that come out of his creative process, jazz being both about unique improvisation and technical execution [XXIII, XXV, XXVI], art – he transposes in his dishes the ideology of Joseph Beuys, art being an essential communication metaphor for humans [XXIII, XIV], his food being the canvas of the extraordinary artistic Pablo Picasso [XXVIII] that has a story to say, bringing “together confluences of talent” [XXVII] within each dish – Gertrude Stein [XXV]) . Creating a recipe is an intellectual act!

- Your motivational force should be art as it is the highest point of human thought

- Your ideas should be edible in a way that they would not only encompass technique but paint in abstract slow passages of time

- Live the moment, be absorbed in it but never forget the past and it's origin. It is like driving a car: through your windshield you see the future and through your rearview mirror - the past

- Use the best elements from around the world but always catch the spirit of the origin where you belong from. Use the expression of the area where you live!

- The most important ingredient you can use is your mind

- Maintain tradition in evolution

- Renew tradition! Both respect (preserve) the “grandmother's recipe” and also renew it!

- Using simple, plain, basic products may create astonishing dishes rather than using exquisite ingredients. Sometimes, a potato is better than a truffle!

- Make your customers think only about the food and how they can enjoy it!

- Impress with your palette of taste, satisfy the taste buds first, then the mind. Use reality, concreteness, actual quality to tell a story! Make it taste, look and feel a certain way!

- You can take out from traditional dishes the most important parts (usually emotional parts, what you loved to eat first out of a dish when you were a child) and use them into recreating that specific dish just relying on those attributes. Even play around with perfection (such as lasagna)!

- Give value to the artisans (the cheese makers, farmers etc.) by creating star dishes
- Understand your clientele!
- Think fast but do it slowly!
- Employees must interpret and know what you are thinking!
- Necessity may be the mother of invention!
- Your restaurant becomes your child!
- Love your staff!
- Cooking requires patience and time (also regarding the aging of the ingredients you use)!
- Rebuild imperfection in a perfect way (as in the case of the “Oops! I’ve dropped the lemon tart!” when one of their pastry chefs, Takahiko “Taka” Kondo was preparing two lemon tarts and one fell on the table breaking both the tart and the plate) [XIX, XVIII]
- Use the sense of playfulness, irony, and unexpectedness!
- Create iconic dishes!
- Don’t take yourself too seriously! Have a little irony, a laugh about yourself!
- Bring the best part from the past into the future!
- Look at the world from under the table (from a critical point of view, not a nostalgic one)! Just as he did in his childhood, growing up under the kitchen table, escaping his older brothers. He felt safe and found „peace at his grandmother’s feet as she rolled out the dough for tortellini”. [XXI]
- The surface of things is not enough, reach their core! [XXIX]
- Have an intimidating work ethic!

3. Conclusion

Achieving performance in services marketing is a formula of success specific to each business unit. Judging from the lessons learned from the two best restaurants in the worlds, Osteria Francescana and El Celler de Can Roca, we can say that it is about a mixture of elements such as favorable placement (originating in cuisine traditionalist countries), a rich offer of avant-garde products (and traditional ones with a modern twist) and a great quality price ratio, a leadership that identifies itself with the restaurant (workplace), that do not sell but live their business. All these create an appetizing mix that attract customers and surpass expectations, creating unforgettable moments.

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THE PARADIGM OF COMMUNICATION BARRIERS

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Abstract: *Given all the criteria used, it can synthesize the next paradigm of communication barriers: infrastructure barriers; structure barriers; superstructure barriers; system barriers. On the message, which can be identified barriers coincide with the structure of language barriers. Their identification is to optimize the communication process by transforming them into benchmarks of efficiency.*

Key words: *infrastructure barriers; structure barriers; superstructure barriers; system barrier.*

JEL Classification: D83.

1. Introduction

It happens almost always things, phenomena and concepts known to be the most difficult to define. So it is with the communication that is all around us and that is the essence of human relationships. The diversity that has defined this concept does not only increase the variety of areas in light which is addressed: psychological, sociological, pedagogical, organizational, political, administrative etc.

In these circumstances, the question arises: is there anything left unsaid about communication? What area of human activity appears to be harsh trials, regarding this process?

From their own professional activity, which requires a reading specialist in this field, we found that there are still many question marks about teaching effective communication. Each communication situation is unique, which makes it impossible preparation of "recipes best practices" in teaching approach.

Therefore, we decided to initiate this research, which aims to identify the factors, especially linguistic, hindering effective teaching communication, starting from the analysis of concrete educational situations. To achieve this, we start from the structure of classical rhetoric of the speech, after the ancient theorists admit three questions: "is it?", "What?", "How is it?" [Quintilian, *Institutio oratoriae*, III, 5, 6].

There are factors that prevent optimum communication in general?

Suppose they do not exist. It follows that any instance of communication is carried out in perfect conditions, meeting all objectives. Unfortunately, the surrounding reality shows there is ineffective communication situations, most often resulting in unpleasant endings.

In conclusion, we hold that there are certain factors that disturb, damage or partially prevent total communication situation, facts which we will call "communication barriers".

2. Typology of communication barriers

To achieve a typology of communication barriers, we generally use the information we presented in subchapter "State of research" in which we presented classifications identified in the literature published to date.

Given all the criteria used in those classifications, we could synthesize the next paradigm of communication barriers:

Infrastructure barriers (concrete deployment possibilities, the conditions for accepting a communication process):

- Jams education;
- The personal characteristics of speakers;
- The availability heuristic;
- Effect of false consensus;

- Theory perseverance;
- Representativeness heuristic;
- The complexity of the idea.

Structural barriers (reality conducting communication phenomena):

• Language barriers - different communication repertoires (speakers use different words, but they give the same meaning; speakers use the same words but different meanings given to them); transmitter inability to speak properly; absence demonstration and repetition; explanatory distortion; explanatory failure; overcharging; the ambiguity of the intended message; common patterns and differences of that message; incompatible views belonging to source and receiver; abuse of neologisms; the use of jargon elements; excessive simplification of the message; speed of speech; noise (exterior and interior).

- Barriers language - independent: nonverbal; paraverbal.
- Superstructure barriers ("entry barriers"): technical results.
- System barriers:

- At the transmitter: lack of communication skills; during the communication and transmission channel; personal characteristics; dissonant behaviors; attitudes and opinions; beliefs and values; memory and the level of acceptance; uncertainty about the message.

- When the receiver: listening skills; knowledge of the message; semantic problems; concentration; prejudices; receptiveness to new; attitudes; opinions and prejudices; beliefs and values; storage capacity; the level of acceptance; flexibility to change attitudes and behavior; the limited absorption capacity of the message; preconceptions; egotism; emotional baggage; the trend towards polemic; resistance to transformation.

In the message, which can be identified barriers coincide with the language barrier structure. Their identification is to optimize the communication process by transforming them into benchmarks of efficiency.

This phenomenon should be treated in future act Steliana Toma stating the following: "[...] Be able to resolve that problem type offense, either one type optimization, the teacher should not neglect the fact that in the coming period will be faced with potential problems, ie problems that occur after taking a decision" (Thomas, 1994, p.62).

3. Typology of didactic communication barriers

Didactic communication is conducted usually in an organized, institutionalized. We therefore believe that the efficient conduct of the process of teaching communication may possibly be especially disturbed by ergonomic factors, primarily.

Thus, taking classifications teachers and psychologists, we consider also the communication barriers:

- *The arrangement of furniture in the classroom in neergonomic, stiff, he can not be moved.* One solution would be the purchase of a simple furniture, functional, which can be grouped / organized according to the needs of the type of lesson (in (semi) circle, square, groups etc.).

- *The minimum visibility of students who must interact with the teacher and classmates.* This barrier can be the source of confusion both in furniture and in the physical characteristics of students. So, settling them in banks should be based on height and any vision or hearing problems of students.

- *Arrange the classroom inadequate, meaning that information materials are either insufficient or excessive or unrelated information with classroom taking place.*

• *The environment in which takes place in the classroom should be a suitable one group of students, and in terms of information, advocate for arranging cabinets specialized laboratories.*

For example, it is very difficult to motivate and mobilize a classroom to analyze a poem lyrical romantic when the course is conducted in a laboratory chemistry / physics, whose tables are covered with tiles, and the walls illustrates's table Mendeleev and chemical formulas.

Classroom is a social group. At this level, we believe that there may be encountered:

- The large number of students belonging to the group;
- Incompatibility group members, meaning that they can not interact;
- adapting the goals (short term and long term) requirements and particularities of the students;
- Ignorance of these goals by the students;
- Lack of cohesion;
- not identified leaders (formal and informal);
- prompt-solving conflicts;
- Lack of involvement of students in extracurricular activities.

As a reflection in miniature of a company, its construction class is based on some set of rules that will regulate the entire course of daily school work. Without this normative dimension analysis, we can identify communication barriers as the following factors:

- The lack of explicit rules (prescriptive known, clearly stated);
- Lack of knowledge by the teacher and the student has explicit rules.

To mitigate conflicts that may arise therefrom, suggest that the formation of a class of students studying must be accompanied by rules imposed by school rules and negotiating and establishing new internal rules unanimously accepted.

Normative dimension involves the operational dimension, practice. A good example is the divergence between teacher culture, and culture.

A communicational barrier in this area can arise from trying the teacher to exclude pupils culture, attitudes that can generate antischool intent. For its removal, A. Geulen propose the following solution: "[...] The integration of normative culture elements involved in fostering and strengthening explicit normative culture" (Geulen, 1994, p.89).

From the perspective of innovation, it can disrupt the communication process teaching, where the teacher adapts the content and innovative strategies employed in the requirements of society and the students, but also in innovation where students consider the negative influences of the society they live.

Regarding the educational process itself can identify barriers to system level design at the system level teaching-learning-assessment.

In general, the barriers identified in the general communications are also included in the process of teaching communication. For this reason, we will not reiterate this typology.

4. Linguistic communication barriers

What interests us especially in this study were developed at linguistic communication barriers.

Based on the concept of "the communication barrier," whose defining boundaries we have done above, we call "language barrier" communication teaching any linguistic phenomenon that damage or disrupt scholarly discourse of any kind. Thus, we try to realize a typology of this phenomenon, which we will use to further study the corpus of texts.

A first classification criterion is language barriers in view of analyzing speech. From this point of view, there are:

- a) structural-formal language barriers;

b) logical language barriers;

From a structural viewpoint, language barriers may appear in the: interrogations; explanation; conversation; repetitive structures.

In terms of logic, language barriers are generated by the following phenomena: the ambiguity; ellipse.

The second criterion in the typology of this phenomenon derives from the structure of didactic speech (interrogation/explanation/dialogue etc.) and the structure of language system are identified. Nivelurimului language barriers occur at the following: typologically; compositionally; phonetic; lexico-semantic; morpho-syntactic; rhetoric and style.

Combining the two criteria, we find that language barriers in scholarly discourse are the following phenomena:

❖ **At the typological interrogations:**

- disproportion between standard and nonstandard situations to address the questions. Training in communication, standard situations are the questions of students the teacher in order to fill gaps in a particular field. The teacher asked students questions to verify awareness of emotions characterizing information or creating nonstandard situations.

Characterized interaction, speech DIACT should combine evenly with the nonstandard standard situations to address the questions.

- Exclusive use one kind of question;
- Excessive use one kind of question.

Starting from the question-answer adjacency pairs, it is known that certain types of questions to determine the wording of certain types of answers. Therefore, during the speech, the teacher should use as many types of questions to give students an opportunity to ask questions in turn.

For example, the exclusive use / excessive debt causes formulating answers questions closed, "yes / no", which restrict the operations of thought. The phonetic structure of the interrogative statements leads to the appearance of the following language barriers:

- The emphasis on the word inadequate to the logic of the statement;
- Variations dissonant intonation of the importance of a statement.

Emphasizing a word in a sentence is to attract students' attention to the term. Or, emphasizing random words decoding determines the incorrect message to the learner. In the same way it works and intonation variations which are not adapted to the importance of the statement. At the semantic level of the interrogative statements:

- Unfairness semantics (questions that can not receive a response);
- Failure semantics;

Using speech utterance modalizate teaching can be a language barrier only to the extent that the speaker's opinion thus transmitted influence in formulating their own opinions.

Syntax interrogations generates the next language barriers: connections wrong; excess of subordination; excess parataxis; disagreements logical syntactic relationships; popular topic.

- At the pragmatic level of interrogations: overloading entropic.

We all know that the wording of questions is based on the response that should receive it. When the required response requires a large amount of information presentation, the speaker is forced to choose one that does not fully meet the demand of the inquirer. Therefore, especially in scholarly discourse, questions should aim at an optimum amount of information.¹

Typology determines explanation identifying the following deviations:

¹ Este aici un alt mod de a vedea respectarea maximelor calității și cantității din teoria lui P. Grice.

- The disproportion between the explanations given by the students and those of the teacher;
- Exclusive use of a single type of explanation;
- Excessive use of a single type of explanation.

These types of barriers are also found in interrogative statements, which we have presented above.

Compositional analysis of the explanation led to inventory the type of language barriers:

- Absence of explanation;

Didactic communication requires an explanatory approach of scientific truths, which are conducted according to the particular students. Situations may arise when some students do not understand the explanation, acquiring the wrong concepts. In this case, the teacher should intervene resume explanation or further explanation to clarify the information withheld wrong by students. The absence of these moments impair the efficiency of didactic speech.

- Explanation tree, incoherent;
- Illogical structuring content;

Teaching content involves a process of teaching through teacher adapts to the specific scientific truth classroom. The lesson should integrate new information system information already held and this objective can not be achieved without a logical structuring of the content.

- Psychological structuring inappropriate content.

Organizing educational activities shall be in accordance with the collective psychological peculiarities of students, providing teacher capture their attention throughout the lesson.

At the level of phonetic explanation:

- Driving too fast / too little speech throughout the lesson;

Speech rate should vary depending on the importance of the moment in the lesson. Thus, at times explanatory, the teacher must speak less to enable students to understand and retain new information. Instead, at times "connection" speech speed can be higher, providing more vigorously lesson that will not bored students.

- Accelerating the pace inappropriate speech at certain points of the lesson;

Inefficient management of time can lead to the exclusion of certain stages of the lesson. Wishing to carry out all stages, Professor accelerating rhythm of speech in key moments, where should speak slower to allow students to focus.

- The tone and volume of voice misfit;

We all know that "The tone makes the music" and the communication staff, the tone and volume of voice teacher creates educational atmosphere that should arouse students' desire for knowledge. A tone too high can inhibit student participation in the dialogue, while one that is too low may tire auditors.

Lexical-semantic structure of the explanation is the source language barrier:

- Erroneous association of terms.

Morphological and syntactic analysis determines explanation identifying the following types of language barriers: using ambiguous syntactic structures; the absence of specific connectors.

At the level of conversation typological:

- Excessive use of a function.

Depending on the type of lessons, conversation fulfills a main function, but there are steps that are valued and others. Optimal involves combining all functions during a teaching.

The compositional structure of the conversation led to the addition of new types of language barriers. Our typology:

◆ **Macrostructure:**

- The absence of dialogue moments of standard structure;

Effectiveness of didactic speech implies respect all stages of the standard structure of dialogue.

- The sudden transition from a conversation to another topic.

◆ **Microstructure:**

- Communication flow interruption offer - satisfaction - rejection - counter - reoffertare;

- Excessive use of a particular type of speech act.

At the typological repetitive structures:

- The abundance of involuntary repetitions (hesitation);
- Abundance unconscious repetitions (verbal tics).

Language barriers can be identified from the perspective of logical discourse analysis teaching.

From the point of view of clarity / ambiguity discourse it can be identified following types of language barriers:

- The use of words not found polysemantic that explanation in the context generates lexical ambiguity;
- Using homonyms and grammatical - morphological ambiguity;
- Expressions constituents dual structure determines syntactical ambiguity.

Elliptical expression can generate, in turn, language barriers in the following situations:

- Formulation of proper elliptical utterances;
- Suspension (interruption) complete their sentences until then;
- Suspension unwarranted statements by teacher students.

5. Conclusions

Although these elements are in complementary relationship, we believe that the approach in reverse, the negative pole, will have a much more practical and thus more effective in communication analysis teaching Tampa Bay being addressed both fellow teachers and our students.

In conclusion, the communication barrier is any factor that deteriorates or prevents efficient communication.

So there are many sources that generate bariele language, which we have associated criteria for a typology of which may be identified in the scholarly discourse, especially in the oral, on the assumption that any deviation from the norm influence the effectiveness of interaction communication.

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MONETARY INDICATORS OF THE FINANCIAL STABILITY OF THE REPUBLIC OF MOLDOVA

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Abstract: *The greatest threat to the financial stability of the Republic of Moldova's transition economy are considered the shocks in the banking sector which could destabilize fiscal and payment system, leading to higher inflation and demonetization of the economy. This can cause a detrimental impact on the rate of the national currency and exacerbate the political situation within the country. An analysis of the international practice concerning monetary system regulation for financial sustainability has been conducted by the authors. In order to assess financial stability on the money market of the Republic of Moldova the following indicators have been used: monetary aggregates; level of monetization of the economy; the level of ensuring the monetary base level of international reserves (gold & external reserves - GER); level of inflation and exchange rate.*

Keywords: *financial stability, monetary indicators, inflation targeting, banking crisis, financial soundness indicators.*

JEL Classification: *D53, E51, G01.*

1. Introduction

Crisis episodes due to imbalances in the financial market of Moldova are associated not only with significant direct losses of financial institutions, but also with a slowdown in economic growth, a decrease in public confidence in the financial system, difficulties in implementing monetary policy and other issues. In a developing market economy, any shocks in the banking sector are the greatest threat to financial stability, since they are able to destabilize the fiscal and payment system leading to high inflation and demonetization of the economy, disastrously affecting the exchange rate of the national currency and aggravate the political situation.

In order to achieve a certain level of financial stability for the Republic of Moldova it is important to study and to know the international experience for taking best practices and adapting them to the conditions of Republic of Moldova.

2. Analysis of financial stability of the Republic of Moldova

According to the definition of the European Central Bank (ECB), financial stability occurs when:

- The economy is characterized by the presence of monetary stability (stability of the value of money, maintaining inflation at an acceptable level);
- Economy is formed close to the "natural" level of employment;
- The economy has confidence in the operations of key financial institutions and markets;
- Within the economy, there are no relative changes in the prices of real or financial assets that would violate the first two conditions (Central Bank of Bahrain, 2008).

A significant number of works by such authors as: J. Tobin, F. Mishkin, M. Demirgöç-Kunt, E. Detragiache, S. Lysondo, G. Kaminski, K. Reinhart, and others are devoted to the study of the causes of crises, the analysis of the money market and the

determination of financial stability indicators. By monitoring the indicators of financial stability it allows to determine the level of future risks and threats, to identify the sources of their spread. The approach proposed by G. Kaminski, S. Lizozondo and K. Reinhart became the most common one in identifying crisis factors. Several studies show that all indicators denote the approach of the financial crisis approximately 1 - 1,5 years before its beginning. Thus, banking instability leads to instability in the financial market in 19 months; Change in the national currency rate in 17 months; Growth of M2 in 16 months; Decrease in gold and foreign exchange reserves, Change in balance M1, Outflow of depositors' funds from banks in 15 months; Reduction of M2 (M3) to the level of reserves after 13 months; The growth of domestic credit relative to GDP in 17 months after the appearance of the first signal (Kaminsky, Lizondo and Reinhart,1998, p.22).

Economists of the IMF and the Bank for International Settlements summarized the available data on the crises and concluded that in nearly all cases the over-production of money, the credit boom and poor regulation of the financial sector led to the economic downturn (IMF, 2010).

Based on empirical research, the best monetary indicators of financial stability in the banking sector were identified:

- The growth rate of monetary aggregates,
- Dynamics of money supply and demand in the economy;
- Inflation rate;
- Exchange rate volatility;
- The level of providing the monetary base with gold and foreign reserves (GER);
- Other.

Analysis of international practice shows an increase in the nominal value of monetary aggregates for a year and a half before the crisis.

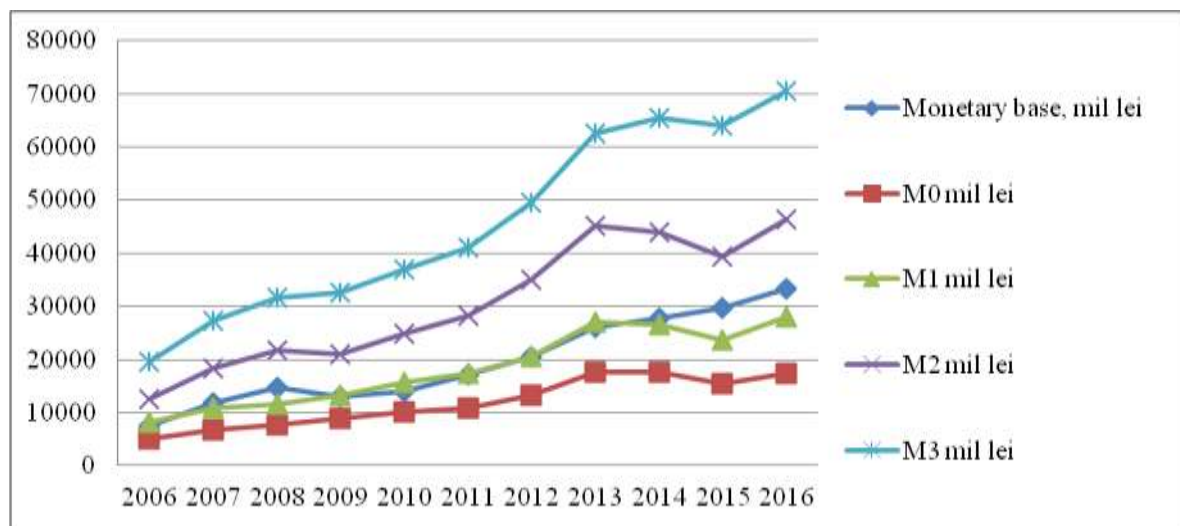


Figure no.1. Dynamics of monetary aggregates growth, mil. Lei

Source: elaborated by the authors based on the NBM data (National Bank of Moldova, 2017)

In Moldova, there was a significant increase in the money supply in 2013 (two years before the country's 2015 financial crisis). With the growth of the monetary base, the money supply in the country increases, and vice versa. In the crisis of 2015 there was a sharp decline in the amount of money in circulation and the growth of reserves in commercial banks and

other financial assets. Nevertheless, anti-inflationary measures did not lead to inflation curbing, but caused the economic recession.

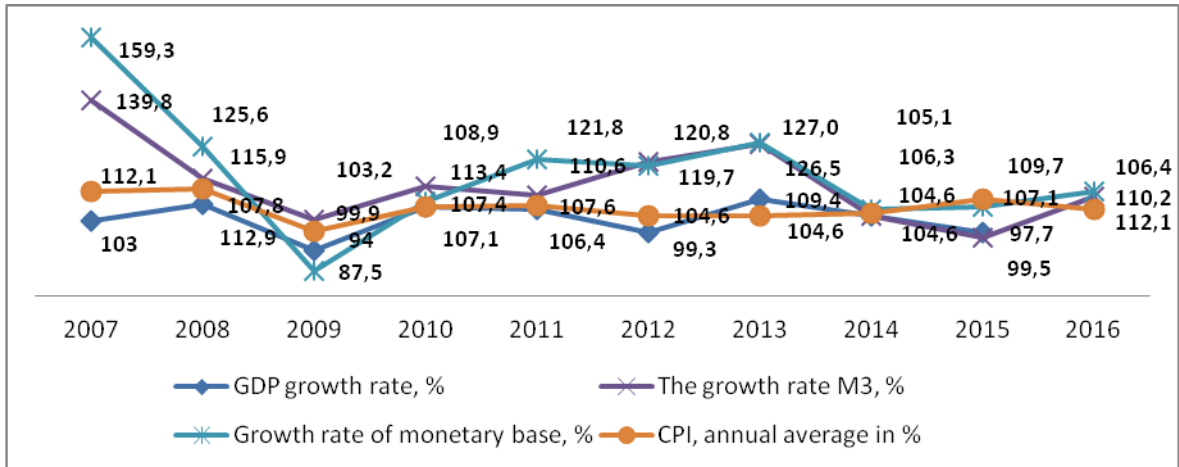


Figure no. 2. Dynamics of changes in money supply and demand in the economy of the Republic of Moldova, %

Source: elaborated by the authors based on the NBM data (National Bank of Moldova, 2017)

Changes in money supply and demand in the RM economy are caused either by excessive expansion of the money supply, or, on the contrary, by its contraction. Contraction of the money supply has a depressive effect on the economy of the Republic of Moldova. **If the absolute value of the relative deviation of the money supply is more than 10%, then this is an indicator of a significant change in the volume and structure of money supply and demand in the economy** (Senchagov, 2005). Before the economic crisis in 2009 and in the pre-crisis period of 2014 there was a contraction in the broad money supply. In the crisis year 2009, the GDP fell by 13.8 pp, - the money supply M3 - by 25.6 ppt, inflation fell to 0%. In 2015, the economic decline in GDP was accompanied by a contraction of the money supply by 32.7pp and a significant increase in average annual inflation, by 9.7%.

As the level of economic development increases, the level of monetization of the economy by monetary aggregates should grow. The countries with developed or rapidly developing financial markets are characterized by a liberal regulatory regime (100% or more) and have the highest level of monetization by broad money. The theoretical threshold level of monetization for a broad money supply in a transition economy should be at least 60% of GDP (Pelikh, 2011).

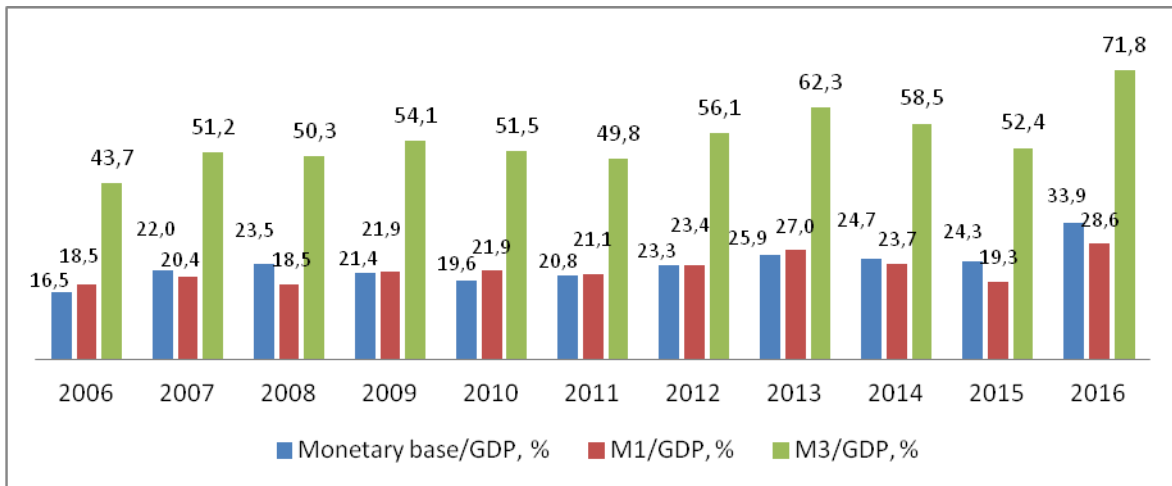


Figure no.3. The level of monetization of the economy (in % of GDP)

Source: elaborated by the authors based on the NBM data (National Bank of Moldova, 2017)

In Moldova, the level of monetization of the economy rose to the edge by 2013, which is considered necessary and sufficient for the effective development of economy, but fell back to 53.1% of the GDP in 2014. Practice shows that the level below 60% of GDP leads to a situation where it is impossible to conduct expanded reproduction. Nevertheless, comparative indicators of the level of monetization of the economy by monetary aggregates (M3 / GDP above M1 / GDP) indicate the unrealized financial potential for the development of the Republic of Moldova economy.

On the recommendation of the IMF, the state should maintain the growth rate of the money supply at the level of the average growth rates of real GNP, then the price level in the economy will be stable (Adaptive rule¹). At low inflation rates, inflation and GDP growth are positively correlated. In some countries, the adaptive rule is better able to perform work on stabilizing the economy and avoiding inflation rather than policy based on forecasts.

Inflation is closely connected with the dynamics of money supply growth in circulation and devaluation of the national currency. To assess financial stability, it is necessary to take into account that in the banking system, the sharpest drop in inflation, with its subsequent growth, is the first indication of the future crisis. The IMF estimates "the threshold level of inflation, above which inflation significantly slows growth, at 1-3% for industrialized countries, and 11-12% for developing countries". In turn, the dynamics of the exchange rate and the money supply are determined by the fluctuations of each other and the previous dynamics of inflation.

¹ "Adaptive rule", proposed by monitors, provides the adjustment of the growth of the money supply in relation to the average of the recent changes in the growth rate of output and the demand for money.

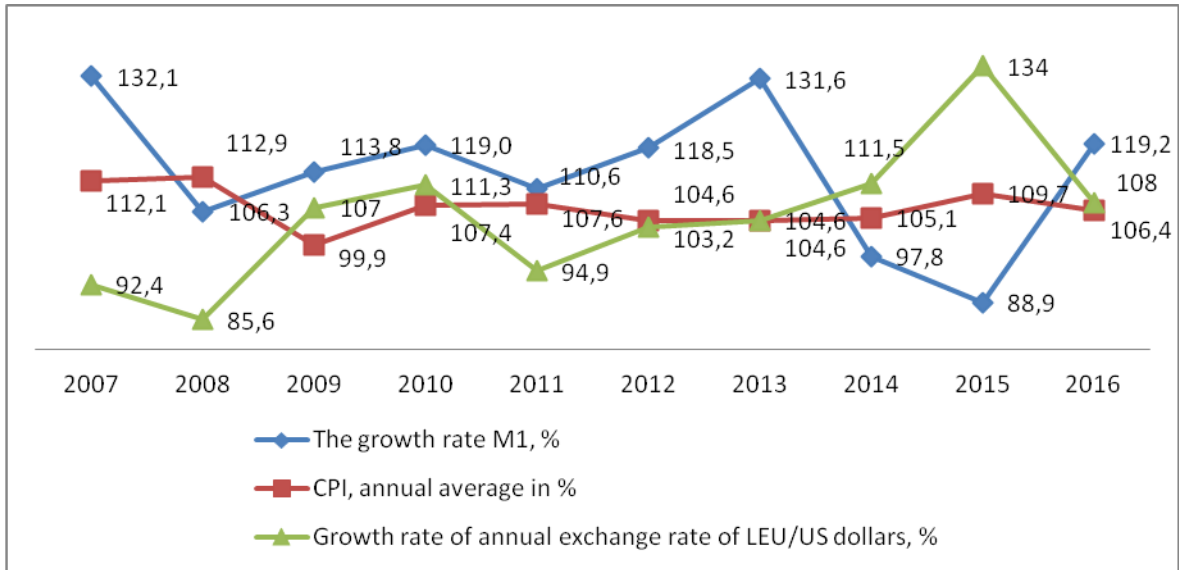


Figure no. 4. Dynamics of inflation, money supply and exchange rate of leu to US dollars (2006-2016), %

Source: elaborated by the authors based on the NBM data (National Bank of Moldova, 2017)

The dynamics of the real exchange rate of the Leu against the US dollar has, since 2013, increased dramatically in the run-up to the currency and financial crisis of 2015. During the period under review, the Leu depreciated against the US dollar by 54.7%. The dependence of the national economy on the external economic situation makes it difficult to regulate and predict the demand for money.

Cash-money issue (increase in the monetary base) should be provided with a corresponding increase in gold and foreign exchange reserves (Senchagov, 2005). Since 2009 NBM buy up foreign currency that are coming in large volumes from those working abroad and in this way actively increased international reserves and money supply.

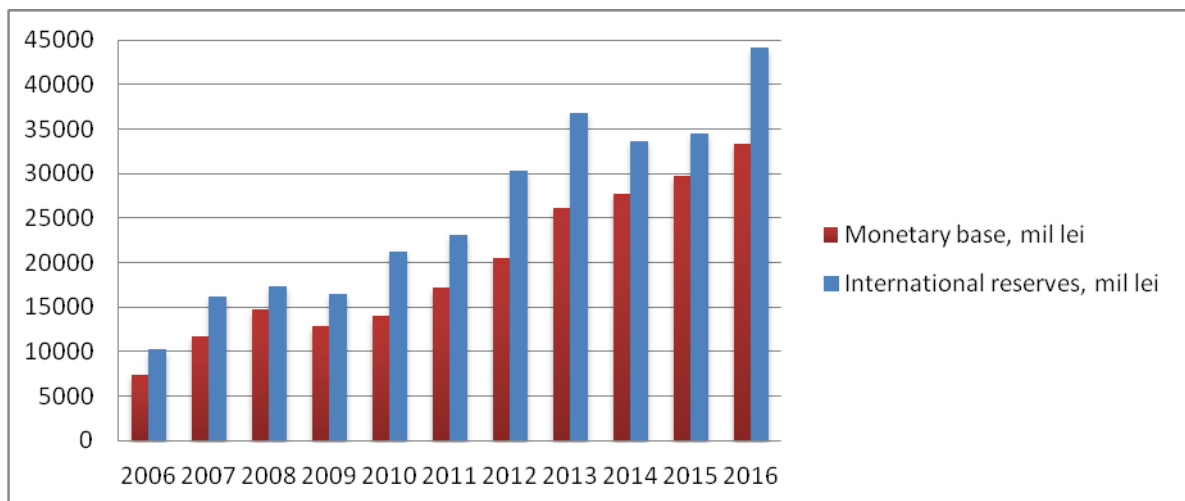


Figure no. 5. Dynamics of growth of official reserves in comparison with the short-term monetary base, mil. Lei

Source: elaborated by the authors based on the NBM data (National Bank of Moldova, 2017)

The indicator of the level of providing the monetary base with gold and foreign reserves (GER) assesses the adequacy of reserves for ensuring a stable exchange rate, regulating inflation and financial stability.

Two indicators of the banking sector's activity can testify the high probability of a banking crisis: the amount of loans to the private sector and the growth of the ratio of broad money reported to gold reserves (IMF, 2010).



Figure no. 6. Dynamics of the ratio of money supply reported to gold reserves, %
 Source: elaborated by the authors based on the NBM data (National Bank of Moldova, 2017)

In Moldova, the growth of the money supply outpaces the growth of official international reserves, but during the crisis of 2009 and before the currency and financial crisis of 2015 this indicator was much higher than its average value in the calm period.

Reducing the level of coverage of gold and currency reserves of broad money (M3) leads to a risk increase of financial crisis.

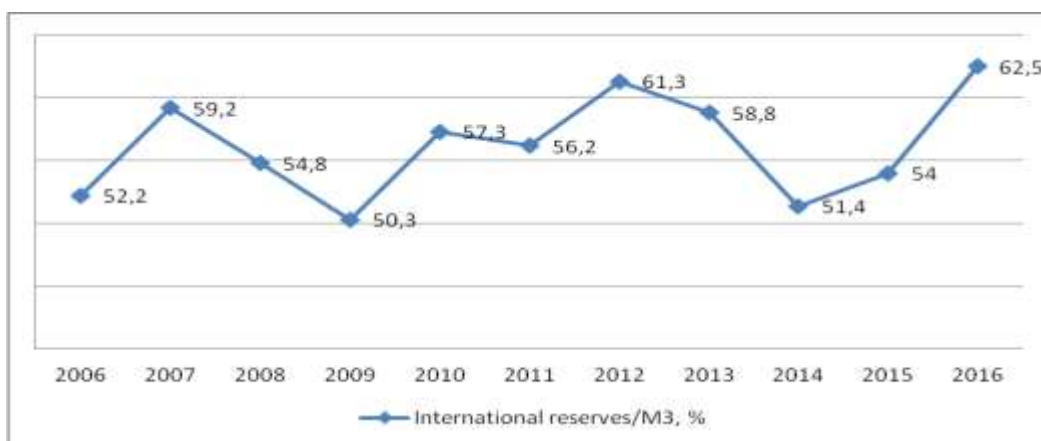


Figure no.7. The level of coverage of gold reserves with broad money, in %
 Source: elaborated by the authors based on the NBM data (National Bank of Moldova, 2017)

Decrease in the level of gold reserves coverage of broad money indicates a financial imbalance that in 2009 and in 2014 became a signal for foreign investors to reduce the solvency of borrowers and led to an outflow of capital from Moldova.

An important factor affecting fluctuations in the real sector of the economy, especially in adverse periods, is the amount of loans to the private sector.

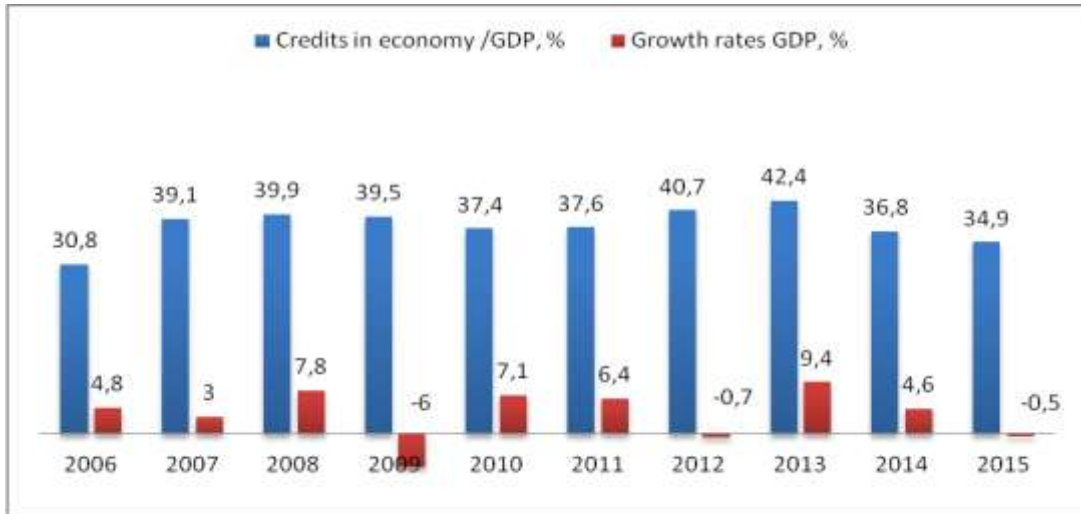


Figure no. 8. Dynamics of growth of loans to the private sector in comparison with GDP growth, in %.

Source: elaborated by the authors based on the NBM data (National Bank of Moldova, 2017)

In Moldova, the growth rate of lending is much faster than GDP growth. The growth of credit twice of GDP growth can be considered a signal of a potential threat of a banking crisis (IMF, 2010). The active growth of the money supply and the volume of the lending capacity of the banking market were not aimed at funding the ultimate borrowers and economic growth. As a result, the financial resources are not used for investment in the real economy, leading to the breakdown of the financial system and economy of financial instability.

3. Conclusions

Thus, the analysis of indicators of the financial market shows that a sharp change in the growth rates of the analyzed indicators indicates the transition of the financial system to an unstable state. Thus, the monetary and financial crisis of 2015 in the Republic of Moldova is manifested in the fall of economic growth, in a significant devaluation of the national currency; Decrease in the level of official foreign exchange reserves of the country; Decrease of trust in state institutions and banks.

Monitoring of financial stability indicators for the purpose of early detection of vulnerabilities allows the timely identification of policy measures to mitigate risks and prevent the onset of a systemic crisis. For more accurate forecasts, you need to track a much larger list of financial stability indicators. In this regard, in international practice is used risk modeling based on simulation and *crisis early warning systems (CEWS)*. The introduction of CEWS is a necessary basis for minimizing risks and implementing anti-crisis measures and measures to strengthen the financial stability of the Republic of Moldova.

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MANAGEMENT MODELS AND SCHOOL LEADERSHIP

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***Abstract:** The researchers in the pre-university education system are highly interested in identification of a leadership model which should contribute to streamlining school organizations. The article introduces a synopsis of the six school management models (formal model, collegial model, political model, subjective model, ambiguity model and cultural model) and their relating leadership models (managerial, transformational, transactional, emotional, circumstantial and moral). The leadership models reflect the special characteristics of the management models. In school organizations, management relies on the power functions, whereas leadership is based on the conscious influence process and the interactions between the members. The dimension of leadership in schools includes vision, values and transformational aspects which focus on the human resource.*

***Keywords:** management models, formal models, leadership models, transformational leadership.*

***Classification JEL:** M12.*

1. Introduction

The approach of an innovative leadership style in the Romanian pre-university education imposes a brief iteration of the complementarity between management and leadership.

The school management is the field which aims at the manner in which schools are managed. This field derives from well-known disciplines: management general, sociology and political sciences.

School management is defined as „an executive function meant to implement the policies approved” (Bolam, 1999, p.194)

The definition of management mentions leadership as one of the five functions of management (Vagu and Stegăroiu, 2006).

The tendency towards the concept of management in a decentralized system has determined an increasingly higher esteem of the managerial skills possessed by leaders in the domain of education.

What makes the leadership of an educational institution difficult is the complexity of the variables involved: pupils, teachers, school programs, educational technologies, school partnerships.

The leadership style is „the concrete mode of playing a role, i.e. the actual translation of the leader-status-related requirements on a behavioural level”, which means that the attitudinal-motivational aspect and the behavioral aspect are reunited in the leadership style that is interpreted situationally (Zlate, 2004).

“Management involves a series of activities oriented towards effective and efficient use of organizational resources in order to meet organizational objectives“ (Sapre, 2002).

To give a functional definition of school leadership three dimensions have been identified: influence, values and vision (Bush, 2015, p.18).

2. Management and Educational Leadership Models

In essence, leadership and management are often considered practical activities. Establishing the vision, articulating the goals, allocating the resources and evaluating the efficacy, they all involve action.

Globalization has also attracted many other important elements such as analytical thinking, appreciation of cultural diversity, formation and development of the technological competences, partnerships and sharing the knowledge and abilities of a leader. An essential quality of a leader in the Romanian school system is the vision, the image of the future which boosts and energizes the involvement and the participation of the entire work team

The main theories are classified into six main models: formal, collegial, political, subjective, ambiguous and cultural.

The formal models presume organizations to be hierarchic systems within which framework the managers use rational methods to meet goals set. School institutions are oriented towards objectives established by leading teams. The managers have an authority legitimated by the formal position they hold within the institution. Their power is exerted provided that they secure these positions.

The formal models are made up of:

The structural models which express the manners in which people interrelate to meet the goals set for the school institution. Five organizational levels have been identified: central, local, institutional, chairs/boards, individual.

The systemic models emphasize the unity and the coherence of the institution. The teaching staff and the pupils may have the feeling that they belong to such a place.

The bureaucratic models suggest a division of work; each teacher is specialized in a certain domain.

The rational model emphasizes the decision-making process.

The hierarchic model refers to responsibilities of the leaders in relation to local authorities.

In the formal models, leadership is attributed to the person on top of a complex power pyramid. Managerial leaders focus therefore on their attributes and tasks, on the management of the successful activities already in place, and exclude the vision of a better future for the school institution (Bush, 2015). The formal leader establishes the goals and formulates the policies of the school organization.

The collegial models imply that organizations determine their policies and make their decisions following a discussion process which leads to a consensus. Power is shared among some or all members of the organization (Bush, 2015). These models have the following major features: they are normative (the Administrative Boards are granted credit), the teachers have the authority of expertise. They are entitled to participate to the decision-making process and the decisions are made by consensus. The organization members have a common set of educational values and objectives. The authority of expertise prevails over the official authority.

The leadership styles (transformational leadership, participative leadership and distributed leadership) influence and are influenced by the decision-making process and the decisions taken.

The political models characterize the decision-making process as being a negotiation and understanding process. The stakeholders from leading coalitions pursue particular objectives. These models focus on the group activities of some chairs and boards and not on the school as a whole. The individuals pursue a variety of interests: personal and professional. The professional interests focus on a certain curriculum, a certain method to group pupils, a certain method to teach. The personal interests focus on issues such as status, promotions and work conditions (Ribbins et al., 1981).

The leaders have their own interests and values that they pursue and promote as appropriate; these leaders exert influence and control over the procedures of the committees who make decisions. The model closest to micropolitics is the transactional leadership. To develop acceptable results in terms of policies leaders are both active participants to the

negotiation process which characterizes the decision-making process and mediators of groups (Bush, 2015).

The subjective models concern the persons in the school institution. Each person has a subjective perception of the school institution. These models include phenomenological and interactionist approaches and do not explain the similarities between different schools.

Emotional leadership refers to the individual motivation and interpretation of events; emotions are socially built within school organizations.

The ambiguity models concern the uncertainty and unpredictability at the school level. The principle of such theories is that, in their attempt to prioritize, schools are forced to cope with various issues. The ambiguity models have been inspired by educational contexts. The participation in decision-making is a fluid process. The members fail to make sufficient use of their rights related to the decision-making process.

In relation to these models the concept of leadership has undergone alterations: there is an ambiguity of the goal, an ambiguity of power, an ambiguity of experience and an ambiguity of success.

Cultural models rely on values and norms of the people in the school institution; these models do not manifest themselves by formal structure but by symbols, which become shared traditions. Most of the scholarly literature on the social component of education focuses on the school's organizational culture. The main features of the organizational culture in the pre-university education system are norms and values shared by the organizational members, use of conceptual or behavioral symbols, logistics or school uniforms (Bush, 2015).

The leaders' responsibility is to generate culture, to communicate values at both school and community level. The leadership model closest to the organizational culture is the moral leadership, focused on ethics and the convictions of the leaders themselves.

Major characteristics of the six models are significantly different (Table no. 1):

Table no. 1. Characteristics of management models by leadership style and model

Management Elements	Model					
	Formal	Collegial	Political	Subjective	Ambiguity	Cultural
Leadership Style	The manager sets the goals and initiates the policies	The manager tries to promote consensus	The manager is both participant and mediator	Problematic	Tactical or not involved	Symbolical
Leadership Model Related	Managerial	Transformational	Transactional	Emotional	Circumstantial	Moral

Source: Bush, 2015, p.222.

The relevance of these six school management models varies depending on the organizational context.

The applicability of models varies depending on event, situation and participants.

The validity of the models depends on the following considerations: size of the institution, structure of the organization, nature of the leadership process, availability of the resources and external environment (Bush, 2015, p.228).

3. Transformational Leadership

The theory of transformational leadership states that leaders need to use a behaviour which is more complex than the initiation of the characteristic structure and consideration. Based on the observations of several leaders, conclusion has been made that these two dimensions cannot justify the whole array of behaviours attributed to many leaders. Transformational leadership also claims that most leaders focus on the exchange and the transaction between the leader and his or her supporters. A new conception of leadership was necessary, a leadership to inspire supporters and to enable them to trigger substantial changes.

„Transformational leadership is a style of leadership where the leader is responsible for identification of the change needed, creation of a vision, guidance of such change through inspiration and implementation of the change in line with the group members committed” (Sergiovanni, 1984).

Transformational leadership comprises the following elements – charisma, intelligence and inspiration, intellectual motivation and individual consideration. They all give the leader the possibility to operate the necessary changes within the organization (Figure no. 1):

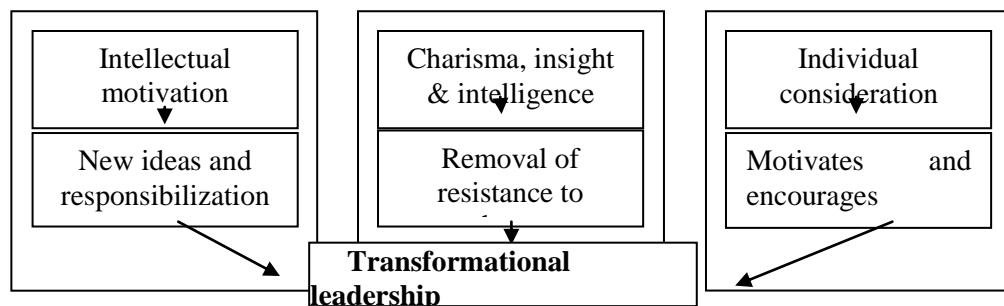


Figure no. 1. Factors of transformational leadership

Transformational leaders motivate people, stimulate their awareness on how important their work results are, teach them to consider the welfare of the whole organization as a team. They cultivate the adhesion and the commitment of subordinates to completion of the organizational projects. They tend to increase the level of expectations for the people they lead and to promote radical changes in individuals, groups and organizations (Vagu and Stegăroiu, 2006).

In addition to the leader being a model of energy, intelligence and motivation, he or she will also play the role of facilitator, since, by his or her specific skills and behaviours, he or she will facilitate both the group harmony and the progress towards the goals desired (Conger, 1991).

„A good leader perceives the presence of what is new, discovers means of overcoming obstacles, is flexible and confident, is open to a permanently perfectible effort. Animated by the idea of success, he or she is aware of the specifics of the education environment and intervenes in changing rigid mentalities which are so present in the school environment” (Johnson and Craig, 2009).

Yet, transformational leadership also has some disadvantages: leaders can manipulate their supporters on an emotional level; they may dangerously surround themselves with opportunists whereas some transformational leaders are known for their autocratic leadership style.

4. Conclusions

Educational leadership is essential in fulfilment of a diversified array of objectives established for the educational environment.

Leaders and managers need to be tactful, skilled and flexible in supporting the institution they lead, as they are the ones who have to improve the educational standards.

Managerial leadership is an essential component of successful schools. However the managerialism devoid of values is inappropriate.

The collegial models imply that all members should agree on objectives set, that teaching staff should have a common vision on the goals of the institution.

In the political models, the groups form an alliance which demands that policies should reflect certain interests. These models are anchored in the language of power and manipulation and neglect other standard aspects of the school institution.

The subjective models offer very few guidelines for the managerial activity. These models are linked to the emergent, yet vaguely defined notion of postmodern leadership and the subdomain of emotional leadership.

The importance given to the predictability of school institutions is a significant response to the idea that problems can be solved by means of a rational process. Within the ambiguity models, leaders choose therefore the best solutions out of an array of alternatives. Everything relates to their ability to anticipate the consequences of certain actions.

The cultural model provides the framework inside which school leaders should carry out their activity and offers a dimension which is inexistent in the subjective perspective. By adopting this model, the managers will have in their attempt to innovate the support of a considerable number of members within the organization.

The models presented offer different perspectives on pre-university education. Each and every of the models offers pertinent observations, yet not a complete image.

There is no unique perspective that could depict a general framework of the educational institutions.

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FINANCIAL STRATEGIES OF ENTERPRISE VALUE MANAGEMENT

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Abstract: *The fundamental purpose of business activity is to maximize enterprise value. In conditions of widening the market is constantly seeking the most rational and effective methods of organizing financial activity in order to maximize enterprise value. In the scientific research it has been established that the value of a company is determined to a large extent by changes in domestic financial environment. The article studies existing value management concepts and models, where the financial factor has a significant impact. There are highlighted five principles of enterprise value management: the basic model of Damodaran; model T. Copeland, J. Murrin and T. Koller; Walsh's classic model; Egherev's models and Mordashev. Each of these models allow to change enterprise value from various angles and define appropriate instruments of value creation. We believe that these models can be applied to achieve an express-diagnostic of enterprise value. The principle of maximizing enterprise value can be implemented by regularly monitoring financial indicators, to timely detect negative deviations impact and avoid them.*

Keywords: *enterprise value, value-based management, financial diagnosis, cash-flow, investments, cost of capital.*

JEL Classification: G32.

1. Introduction

The enterprise management process aims at achieving a fundamental goal - maximizing its value. Economic developments in recent years have shown that the value of an enterprise correlates with the existence of a healthy domestic financial environment within the enterprise. Therefore, searching for the most effective methods of organizing financial activity is a serious call for the native business environment.

The global economic crisis, the fragility of the value of the enterprise in the current economic context, and the continuing diversification of value-creation sources served as a basis for research into internal value creation reserves, namely financial ones, detached from the macroeconomic environment in which the enterprise operates. Next, we propose to analyze from a methodological point of view the financial aspects of the enterprise's value.

2. Researching the impact of financial factors on the value of the enterprise

The analysis of the existing concepts of enterprise value management outlined the following key determinants of the value: the expected monetary flows, investment risk, value of capital attraction and service, the expected growth potential of the business, the possibility of the emergence and existence of beneficial effects in the future.

Currently, there are some theories on value management, which we will continue to examine.

2.1. Damodaran's fundamental model

One of the fundamental theories is that of A. Damodaran (2012). According to this theory, using the discounted cash-flow methodology gives us four ways to create value:

- the increase in cash-flows generated by existing assets by increasing post-tax revenues or by reducing the need for investment in fixed capital and working capital;
- increase of the cash-flow growth rate due to the increase in the share of the reinvested profit or increase of the return on invested capital (the quality of investments);
- increasing the duration of the intensive growth period;

- taking measures to reduce the operational risk of invested capital, change the funding ratios of long-term capital, or change the financial conditions for attracting loans.

Thus, in line with the discounted cash-flow method, in order to influence the value of the enterprise, it is necessary to influence the current cash-flows and / or future growth and / or the duration of the intensive growth and / or rate update.

In order to increase the cash-flows generated by the company's assets, it is necessary to tend to reduce production costs, liquidate unused assets, reduce the tax rate, maximize the capabilities of previous investments, manage inventories and implement a tighter lending policy. In order to increase the duration of intensive growth it is necessary to create and support the competitive advantages of the company.

The division of shares and dividends does not change the value of the enterprise (after Damodaran), because it does not change the cash-flow, growth rate and risk. Accounting decisions influencing the financial performance report also do not influence cash-flows and therefore do not act on the value of the company.

Decisions on the placement of securities on the basis of the existing assets of the enterprise also do not create value, if only the result will not change the structure of the liability (the ratio between own and attracted means).

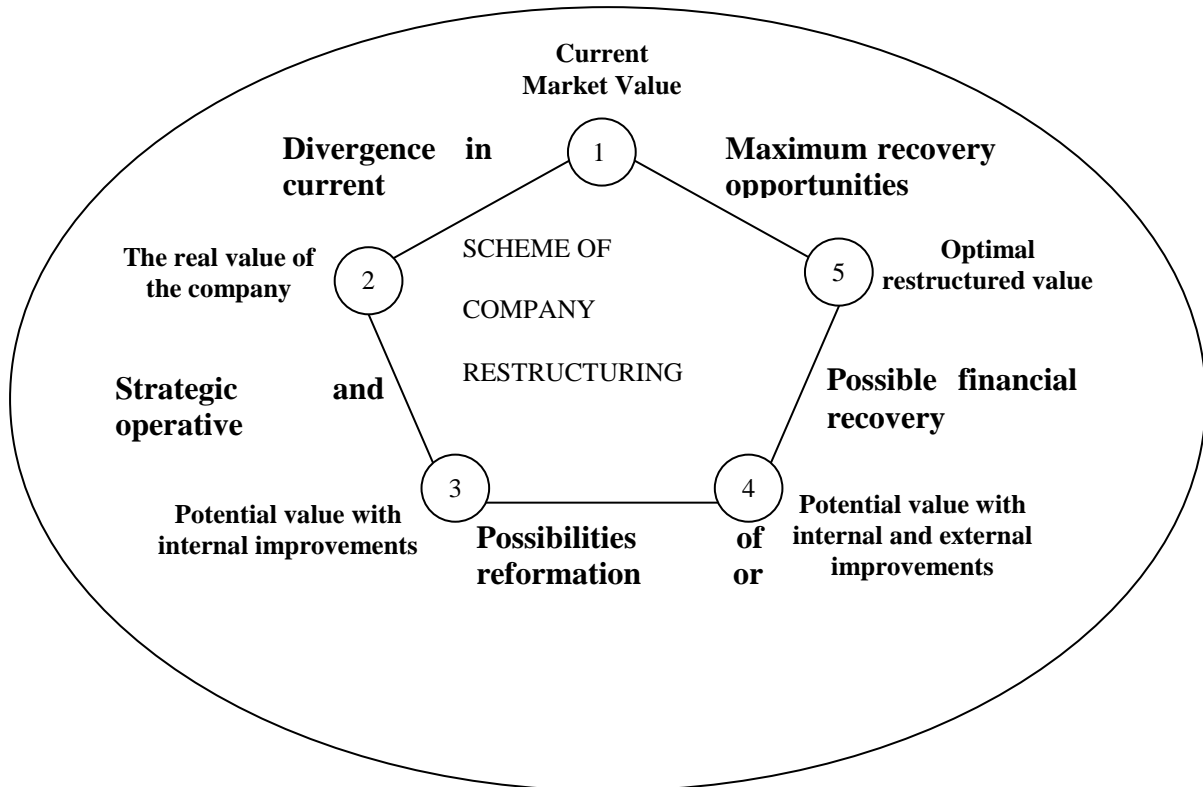


Figure no. 1. Pentagram to determine the possibilities for restructuring

Source: Copeland, Murrin and Koller, 2014.

2.2. Model of scholars T. Copeland, J. Murray and T. Koller

The same ideology is, with a slight difference, accomplished by T. Copeland, J. Murrin and T. Koller (2014). They consider that when deciding on the rationality of the company's restructuring (especially after the discovery that the value of the net assets of the enterprise is higher than the share capital, determined by the discounted cash-flow method) and for the analysis of possible consequences, it is reasonable to use the classic pentagram of the possibilities of restructuring.

From figure no. 1 we note that the starting point of the pentagram analysis must be the detailed investigation of the current market value of the investigated enterprise. Then, the de facto and potential value of the enterprise will be determined, taking into account internal improvements based on the expected cash-flows and the possibilities to increase the value of the enterprise through financial reengineering. All the above-mentioned values must be compared to the value of the enterprise on the securities market in order to assess the potential gain of the shareholders from the reorganization of the company. This comparison should help to highlight the divergences between investors and managers regarding the company's prospects.

When such an analysis is completed, the state of the company's projects and the possibilities available to it to build up the value must be outlined.

2.3. The classic model of Ciarian Walsh

Another theory of value management was created by C. Walsh (1996).

The scientist researched another important aspect of managing the company's business, namely the balance between profit, assets and growth (Figure no. 2).

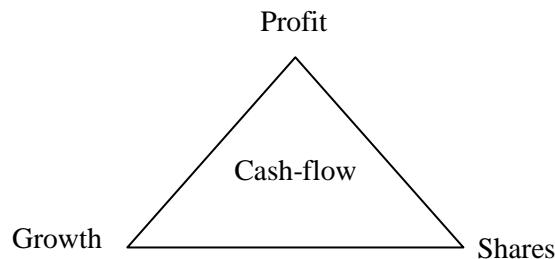


Figure no. 2. Growth and need in balancing

Source: [4]

It is necessary to look for a balance between these indicators, because breaching the balance may worsen the company's activity. Taking into account all the growth pros and cons, the managers of the enterprise are advised to previously determine the maximum growth rate that the company will bear without any difficulty, taking into account the other aspects of its activity.

The equation of balanced growth, deduced by C. Walsh, is as follows:

$$\frac{R}{G \times T} = E, \quad (1)$$

where: R - undistributed profit (sales receipts); G - revenue growth rate; T - current assets; E - the numerical size of the left ratio.

According to this equation, if $E = 1$, then the cash-flow is neutral, if $E > 1$ then the cash-flow is positive, and in case $E < 1$ - negative. Based on this theory, for the growth rate given, the cash-flow of the core business must be in balance. This model allows managers to focus on the fundamental factors, on which the overall state of the enterprise depends. They are related to profit, current assets and growth rate.

The most effective business worth buying is the one that grows fast and has high profits. On the contrary, the acquisition will be unsuccessful if the company grows slowly and generates small profits. Such an enterprise costs less, but presents no case of worry. The most dangerous case occurs when high growth rates are combined with low profits. If at such a company the "assets / receipts" ratio is high then this acquisition will be like a delayed "bomb" that will lead to a financial catastrophe.

2.4. Analytical model of S. Mordashev

Another analytical aspect for leadership decision-making is the aspect based on the analysis of the sensitivity coefficients of factors influencing the value proposed by Russian economist S. Mordashev (2001). In order to get the factorial model, one has to get the differential of one of the value formulas (for example, Gordon's formula). If each member of the differentiation is brought into a sizeless form, then it will be possible to determine the changes in the value of the enterprise to the change in a certain size of one of the factors.

In the general case, when the cash-flow increases, determining the share capital value is as follows (Gordon's formula):

$$V = \frac{FCF}{(r - g)}, \quad (2)$$

where: FCF - free cash-flow; r - expenses related to the acquisition and servicing of the share capital; g - cash-flow growth rate.

Regarding the components falling within the formula (1) the following will be noted.

First, the rate of capital spending is considered for a long time.

Secondly, the basic components of the free cash-flow are:

$$FCF = (S - Cc)(1 - T) - I = EBIT(1 - T) - I, \quad (3)$$

where: S - receipts from sales; Cc - the cost of sales exclusively interest on credit; T - income tax rate; I - permanent investments minus depreciation; EBIT - earnings before interests and taxes.

It is not difficult to see that the components of the free cash-flow correspond to the data in the financial results report.

Thirdly, expression (2) makes sense only with the condition $r > g$.

Thus, provided the propositions and completions of relations (2) and (3) can be deduced from the basic factors of value:

- sales receipts;
- production cost;
- profit tax;
- permanent additional investments higher than depreciation used to support the given sales level and cost of sales;
- the growth rate of the cash-flow;
- the cost of capital attracted.

To address the question of effective leverage on enterprise value, it is necessary to assess the sensitivity of the value to the change of its components. For these purposes, we will examine the value elasticity of these variables.

The term "elasticity" shows how many percent will change the value of the enterprise if the surveyed factor changes by 1%.

In this way, the elasticity of the enterprise's value after cash-flow shows with how many percent the company's value will change, if the cash-flow size will change by 1%. The elasticity of the value after cash-flow is determined as follows:

$$EL_{FCF} = \frac{FCF}{V} \times \frac{\partial V}{\partial FCF} = \frac{FCF}{\frac{FCF}{r_{WACC}}} \times \frac{\partial \left(\frac{FCF}{r_{WACC} - g} \right)}{\partial FCF} = \frac{r_{WACC} - g}{r_{WACC} - g} = 1, \quad (4)$$

From formula (4) follow:

- when changing the cash-flow amount by 1% (the other conditions remain the same) the value of the enterprise will also change by 1%, as a result of the increase of the cash-flow will lead to the increase of the value;

-the elasticity of the enterprise's value after the free cash-flow does not depend on the rate of change of this flow, ie the company's value changes by 1% in the change of the free cash-flow by 1%, independent of the growth rate of this flow.

Analogously to the expression (4), the expressions of elasticity of enterprise value after the other factors are shown.

The elasticity of value by the rate of capital expenditure is determined in the following way:

$$EL_r = -\frac{r}{r-g}, \quad (5)$$

Formula (5) shows us the following:

-the negative sign of elasticity shows that the increase of the capital expenditures (the other conditions remain the same) leads to the reduction of the value of the enterprise;

-the percentage change in value based on capital expenditure depends on the rate of change of that flow.

The elasticity of the value of the business by cost of sales is as follows:

$$EL_{Cc} = \frac{-1-T}{\frac{FCF}{Cc}}, \quad (6)$$

The relationship (6) follows:

- increasing the cost of production (the remaining conditions remain the same) leads to a reduction in the value of the enterprise. When reducing the production cost of products made with 1%, the value of the company will increase proportionally to the increase of the profitability of the production. However, the higher the share of the cost of production in sales revenue, the stronger in percentage terms its influence on the change in the value of the company;

- the percentage change in the value of the company to the change in production cost does not depend on the rate of change of the free cash-flow, ie the percentage value will change equally for both the flow and the constant flow;

- provided the relation (3), the expression (6) to additional investments $I = 0$ can be transformed into the following expression:

$$EL_{Cc} = -\frac{1-T}{\frac{FCF}{Cc}} = -\frac{1}{\frac{EBIT}{Cc}}, \quad (7)$$

From the above relationships it can be concluded that the higher the share of the production cost in the sales proceeds (the lower the profitability of the production), the more effective will be the measures to increase the value of the enterprise based on the cost reduction of production.

The elasticity of cash-flow based on revenue will look like this:

$$EL_s = \frac{1-T}{\frac{FCF}{S}}, \quad (8)$$

Equation (8) shows the following:

- the increase in sales revenue (the other conditions being the same) leads to an increase in the value of the enterprise (the dependence is not linear), ie the lower the profitability of sales, the stronger the influence of collections on the value of the enterprise in percentage terms;

- the percentage change in the value of the enterprise's change in earnings does not depend on the rate of change of the free cash-flow g ;

- if the additional investments $I = 0$, then the expression (8) takes the following form:

$$EL_s = \frac{1-T}{\frac{FCF}{S}} = \frac{1}{\frac{EBIT}{S}}, \quad (9)$$

The elasticity of the value by profit tells us how many percent the company's value will change if the profit is changed by 1%.

$$EL_{EBIT} = \frac{1-T}{\frac{FCF}{EBIT}}, \quad (10)$$

The relationship (10) follows:

- the profit increase leads to a proportional increase in the value of the enterprise;
- the percentage change in the value of the enterprise's change in earnings does not depend on the growth rate of the free cash-flow g ;
- the elasticity of establishing the value of the enterprise on a profit basis will never be less than 1.

The elasticity of the value in relation to the growth rate of the cash-flow is determined in the following way:

$$EL_g = \frac{g}{r-g}, \quad (11)$$

From this relationship follows:

- increasing the growth rate of the cash-flow (the other conditions remain the same) leads to an increase in the value of the enterprise;
- the smaller the difference between capital expenditure (r) and the growth rate of the free cash-flow (g), the greater the influence of the percentage change in growth rate on the value of the enterprise.

Elasticity of the enterprise's value after additional investments higher than depreciation shows how many percent of the company's value will change if the size of these investments will change by 1%.

$$EL_I = \frac{-1}{\frac{FCF}{I}}, \quad (12)$$

The conclusion of the relationship (12) is as follows: the reduction of additional investments to support the given level of the free cash-flow leads to an increase in the value of the enterprise.

2.5. Model of production cycles of I. Egherev

Another method of value management was proposed by the Russian scientist I. Egherev (2003), which researched the impact of the production and financial cycles on the value of the business.

The notion of cycle is used to characterize the continuous flow of economic operations. The cycle of any production includes the following processes:

- purchase, which leads to an increase in stock of commodities and commercial debts;
- production, which involves increasing production and finished products in warehouse;
- the realization, which leads to the increase of receivables and money in the house and in the settlement account.

In practice two basic cycles are examined: production and finance.

The production cycle begins from the moment the raw material enters the warehouse of the enterprise and ends when the buyer's goods are delivered.

The financial cycle starts from the moment of payment to the suppliers of raw materials (payment of the advance for the supplier, payment of the debt on the commercial invoices) and ends when the money is collected from the buyers of the finished goods (payment of the receivables, receipt of the advance).

The time period, during which the money and assets circuit is being carried out, presents the duration of the cycle. The rotation indicators (in days) are used to estimate the duration.

The production cycle is characterized by the period of rotation of stocks of raw materials and materials, the rotation period of the production under execution and the period of rotation of the finished goods stocks. Financial cycle - through the period of rotation of advances granted and received, the period of rotation of creditor debt and the period of rotation of receivables (see formula 14).

$$D_{CP} = D_{SMP} + D_{PC} + D_{PF}, \quad (13)$$

$$D_A = 0 \Rightarrow D_{CF} = D_{CP} + D_C - D_{DC},$$

$$D_A > 0 \Rightarrow D_{CF} = D_A + D_{CP} + D_C,$$

where: D_{CP} – production cycle length; D_{SMP} duration of rotation of stocks of raw materials; D_{PC} – the duration of rotation of production in progress; D_{PF} – duration of finished production rotation; D_{CF} – duration of the financial cycle; D_A – the duration of the advances granted rotation; D_C – the duration of receivables rotation; D_{DC} – the duration of commercial debt rotation.

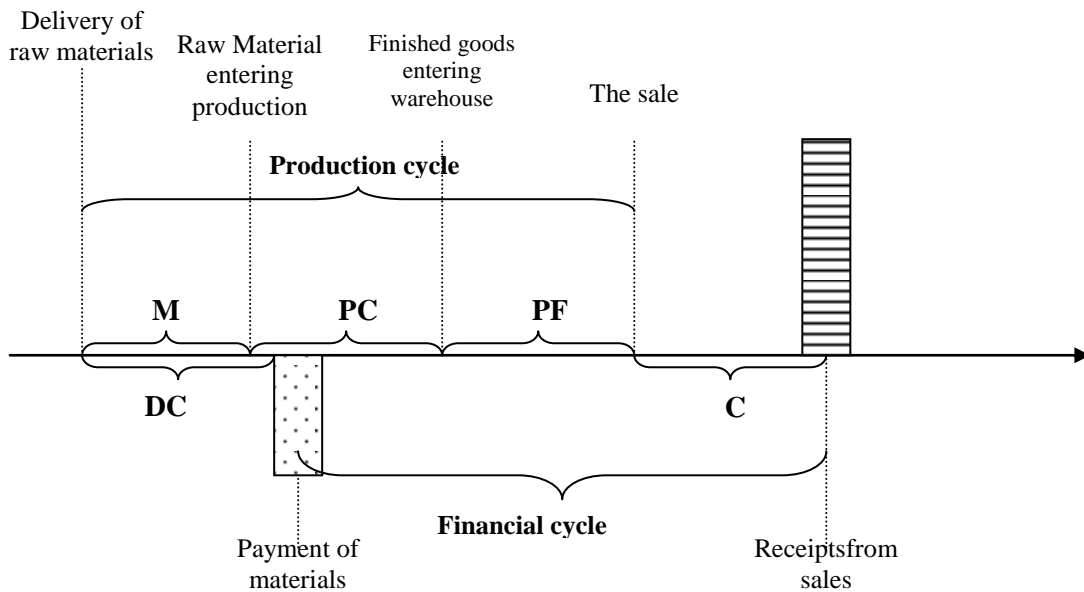


Figure no. 3. The financial and production cycle (without advances)

Source: Egherev, 2003.

Let's examine in more detail the case when the advancement of economic operations is not carried out. In other words, the enterprise does not pay any prepayment to suppliers for the purchase of raw materials and materials, and buyers do not pay in advance for the company's finalized output.

As can be seen from Figure no. 3, notwithstanding the fact that there is an uninterrupted flow of assets within a cycle, from one stage of the production cycle to another stage, the actual change in the size of the cash-flow takes place only twice: at the

time of payment To the enterprise of commercial debts and when the payment for the delivered output is received.

$$E_t^c = \frac{1}{R^t} \left\{ \frac{-CF_{DCt}}{R^{D_{DC}}} + \frac{CF_{Ct}}{R^{D_c+D_{CP}}} \right\} = \frac{1}{R^{t+D_{DC}}} \left\{ -CF_{DCt} + \frac{CF_{Ct}}{R^{D_c+D_{CP}-D_{DC}}} \right\} =$$

$$= \frac{1}{R^{t+D_{DC}}} \left\{ -CF_{DCt} + \frac{CF_{Ct}}{R^{D_{CF}}} \right\}, \quad (14)$$

where: t - the period for which the influence of the cycle is examined; R – unit plus discount rate; E^c – cycle value; CF_{DCt} – cash-flow for the payment of commercial debts; CF_{Ct} - cash-flow for the collection of receivables.

The discount rate must include the components necessary to offset the risks associated with the delivery of raw materials and materials, production manufacture, retention, disposal and collection of receivables.

If we exclude the formula from the formula, as a factor that does not influence the sequence of thoughts, and leave only the lasting characteristics of the cycles we will get:

$$E_t^c = \frac{1}{R^{D_{DC}}} \left\{ -CF_{DC} + \frac{CF_C}{R^{D_{CF}}} \right\}. \quad (15)$$

From the analysis of the formula (15) we can deduce some aspects of the current assets management. First, business value influences all aspects of the financial cycle, many of them acting in opposite directions. This influence is both linear and non-linear. The increase in value influences the size of receivables while keeping the duration of the financial cycle constant. This is equivalent to reducing the duration of commercial credits to buyers, as well as increasing immediate sales and / or increasing receipts. From another point of view, the increase in the duration of commercial credit from suppliers in the tendency to reduce the prices of purchased raw materials, provided the volume of production is not reduced, will positively influence the value of the business. Formula (15) allows us to make a quantitative assessment of the influence of various strategies for the management of commercial debts and debts on the value of the enterprise in general.

Since the production process at any enterprise is the primary source of cash inflows, the inequality of positive input generated by flows from asset rotation to the final value of the business must be respected. Otherwise, we will observe the situation when the inputs of money from the sale of fixed assets will be used to offset the negative value of the production activity, or the depreciation will be "exhausted". Theoretically, for cash-flow offsets in the production business, financial resources can be infinitely infinite but then the value of the enterprise will be lowered for creditors, and high prices will be required for the new credits or will be refused for them . The infinite financial supply of the enterprise by the founders is ruled out, because rather the founders will place their resources in a more efficient business.

After a series of changes, we will get the criterion of keeping the value of the business in the context of doing the current operations.

$$E^c \geq 0 \Rightarrow \frac{1}{R^{D_{DC}}} \left\{ -CF_{DC} + \frac{CF_C}{R^{D_{CF}}} \right\} \geq 0 \Rightarrow \frac{CF_C}{R^{D_{CF}}} \geq CF_{DC} \Rightarrow CF_C \geq CF_{DC} \times R^{D_{CF}}, \quad (16)$$

If the inequality (16) breaks down, then, ultimately, not modifying existing purchasing, production, and disposal policy, the enterprise will go bankrupt because of the permanent decline in value.

In practice, the use of inequality (16) can look like this:

From the reports for the previous period the debtor and creditor debt amounts will be taken, the duration of the financial cycle will be calculated and the equality of the required

profit will be met by the formula (16). Next, we will conclude on the efficiency of the enterprise's economic activity and the "liquidation" of value.

De facto, inequality (16) gives us another criterion to assess the influence of managerial decisions on the outcome of the company's current business. If, as a result of the decision, inequality is breached, then it is sensible not to adopt such a decision or postpone its adoption until the conditions are more favorable.

Analyzing the influence of cycles on the value of the business, I. Egherev investigated the issue of managing the value of enterprise cycles.

Determining the value of cycles is of special significance in the context of managerial procedures. Within these procedures, particular attention should be paid to solving the problem of the value of cycles.

Let's examine in more detail the influence of changes in particular parameters of the financial and production cycle on the change in the value of the business.

In order to determine the basic direction of the management action to increase the value of the cycles, the method based on the value sensitivity analysis may be used based on other factors taken separately. The method is based on the calculation of the sensitivity coefficients and the choice of all factors with greater influence on the value (factors with higher sensitivity coefficients).

The model of cycle value management by sensitivity analysis will be described in relation (17), relationships through which the link between factor change and the value of the business is ensured.

$$\frac{\Delta \tilde{E}}{E} = \sum_n K_F^n \frac{\Delta \tilde{F}_n}{F_n}, \quad (17)$$

where: \tilde{E} - the value of the enterprise (random size); E - the expected value of the enterprise; $\Delta \tilde{E}$ - increase in the value of the enterprise; \tilde{F}_n - the factor n size (random size); F_n - the expected factor n value; $\Delta \tilde{F}_n$ - factor n increase; K_F^n - the coefficient of sensitivity of the value of the enterprise to the factor n.

Interpretation of the content of the sensitivity coefficient can be as follows: the sensitivity coefficient shows how many percent the business value will change when changing the factor by 1%. Correspondingly, the higher the coefficient, the more the value of the enterprise will change.

It should be noted that as the factors change, the sensitivity of the value to the totality of factors will change, practically regardless of whether one or more factors have changed.

3. Conclusions

The analyzed financial models are a tool for quantifying the impact of one or more factors on the increase in the value of the enterprise. Based on them, procedures for financial management of the value of the enterprise may be developed, which may include:

- the duration of commercial debt rotation - the measures to increase the repayment term of commercial debt on the basis of revision of the terms of the contracts, carried out in accordance with the cash-flow management measures for commercial debts;
- the duration of claims rotation - measures to timely and integrally collect receivables on the basis of the review of the terms of the contracts, carried out in accordance with the cash-flow-related receivables management measures;
- the production cycle length - measures to reduce the production cycle length by implementing advanced technology and technologies in production, optimizing the delivery schedule of raw materials and materials, employees' qualification and level of their involvement;

- cash-flow related to trade debts - measures to reduce the purchase costs of raw materials and materials, including the reduction of payment terms, the search for new suppliers. Replace raw materials and materials purchased with cheaper materials;
- cash-flow related to receivables - measures to increase the attractiveness of the manufactured production on the market, the introduction of flexible payment conditions, the search for reliable partners, the timely and full collection of receivables;
- discount rate - measures to reduce production process risks as well as supplier and customer risk.

Summarizing the issues examined, it must first be noted that the list of issues presented is not complete, and second, each of these models has a unique value, yet the most fundamental one can be considered as Damodaran's model. Walsh's model is appealing by its simplicity and can be recommended for the company's express diagnosis. Egherev and Mordashev's models are more complete, they can be considered as a development of Damodaran's ideas and other specialists in analyzing the sensitivity of business value components.

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PRUDENTIAL REGULATION OF THE BANKING SECTOR IN THE CONTEXT OF ENSURING ECONOMIC SUSTAINABILITY

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***Abstract:** Regulating banking activity is an integral part of the regulation of financial sector and the economy in general. The banking sector's prudential regulation main objective is to ensure the stability of the banking sector under the circumstances of fulfillment bank's functions and their contribution to the economic growth. The purpose of this article is research and evaluation of current prudential regulation of the banking sector in order to ensure a sustainable economic growth. In this context were analyzed prudential regulation elements and their approach to economic literature. To evaluate the effectiveness of prudential regulation are recommended quantitative and qualitative indicator, which are calculated on the basis of financial stability indicators.*

***Keywords:** banking activity, prudential regulation, banking stability, banking performance.*

***JEL Classification:** G21.*

1. Introduction

Research into the current situation and state of banking sector regulation highlights the need to assess prudential regulation to ensure a sustainable growth in the economy. The regulation in the field of prudential supervision was imposed by a necessity in order to ensure a banking system, which, through the capitalization, the quality of the shareholders and the administrators, the ability to cover the risks specific to the banking activity, does not endanger the stability of the financial and banking sector in Moldova. For this purpose, in the development of banking prudential regulations, their alignment with international standards was pursued, based on the principles established by the Basel Committee on Banking Supervision, according to the specificity and the economic and financial framework characteristic of our country.

2. Description of the problem

Prudential banking supervision means regulation that involves a system of limits and restrictions imposed on banks to ensure their stability and to protect the interests of depositors. It is always intended to protect the interests of the system and is therefore of a macroeconomic nature.

Prudential regulation on the one hand represents a complex system of interdependent relationships between different components: the regulator - the National Bank of Moldova (hereinafter NBM) and the licensed banks, and on the other hand it has its own structure with a set of elements to which we can attribute:

- systemic elements (ensuring the financial stability of the banking sector and harmonizing the interests of the banking sector and the needs of the national economy);
- functional-organizational (subject, object and infrastructure regulatory elements);
- regulatory (methods and tools, impact on the state of the banking system);
- resource items (appearing as initial operating conditions for the entry system);
- reactive elements, which provide the results of the operating system, transmitted in the external environment (outputs).

The regulatory model for the banking sector can be represented by two interconnected subsystems: control and management, for each of them can be defined efficiency criteria evaluation, including assessment of infrastructure elements, regulatory methods and tools. In our opinion, the basic criteria for assessing the efficiency of prudential regulations in the banking sector of the Republic of Moldova are: functional efficiency, operational efficiency and social and economic efficiency. Both qualitative and quantitative

indicators may be recommended for each of these criteria, the modification of which may be used to assess the effectiveness of prudential regulation.

The normative acts in force on the basis of which the banking system functions effectively ensure the prudential supervision of financial institutions by establishing rules and indicators of banking prudence and monitoring compliance with them and other requirements laid down by law and applicable regulations in order to prevent and limit specific banking activity risks, especially credit risk.

By reviewing legislative acts that directly address to credit risk regulation and bank prudence limits to assess the existence of the national credit risk regulatory framework, we seek to find reasoning that could allow us to implement in the future new financial instruments in order to reduce the losses of the banking sector in general and of the banks in particular.

Table no. 1. Identify the existing regulatory framework for credit risk in the Republic of Moldova

Regulatory scope	Regulatory subjects	Impact mechanism
The Law of Financial Institutions no. 550-XIII of 21.07.95 (republished: Official Gazette of the Republic of Moldova No. 78-81 / 199 of 13.05.2011), art.28	The amount of risk assumed by TRG	a) the maximum indices and positions to be respected by the bank in respect of its assets, risk-weighted assets, off-balance sheet items and different capital and reserves; b) the maximum amount of credits granted and contracted, related to the regulated capital, which a bank is entitled to give to a person or a group of persons in special relations with the bank; c) the maximum amount of loans granted and contracted, based on the total amount of bank loans, to which 10 largest debtors (including groups of persons in special relationship with the bank) can benefit.
Regulation on Classification of Assets and Conditional Engagements "(Official Gazette of the Republic of Moldova No. 216-221 of 09.12.2011)	Credit risk	Formation and maintenance of write-downs / provisions for asset losses / contingent liabilities in the following amounts from the sum of assets / contingent liabilities in each class of classification: 1. Standard - 2%; 2. Supervised - 5%; 3. Substandard - 30%; 4. Doubts (doubtful) - 60%; 5. Compromise (loss) - 100%.
Regulation on Bank Transactions with its Affiliates "(Official Gazette of the Republic of Moldova, 27-28, art.102 of 19.02.2010)	The amount of credit risk possible to the transmission	- the bank's total exposure to an affiliated person and / or a group of persons acting jointly with the person affiliated to the bank must not exceed 10% (ten percent) of the bank's total regulatory capital; - the total amount of the bank's exposures to affiliated persons and / or groups of persons acting jointly with the affiliated persons of the bank shall not exceed the amount of the bank's first-tier capital.
Regulation no. 3/09 on "large" exposures (Official Gazette of the Republic of Moldova No. 70/31 of 14.12.95)	The amount of potential credit risk for transmission	- the bank's net exposure to a person or group of persons acting jointly must not exceed 15% of the total regulatory capital of the bank; - the amount of net debt on loans granted to ten persons, including joint-venture groups, which represent the first net credit amount by size less losses for loan losses, and the provisioning for those conditional commitments shall not exceed 30% of the total portfolio of Bank loans;

		- the sum of all "large" exposures shall not exceed five times the total regulatory capital.
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Source: elaborated by the author based on sources listed in the table.

Table no. 1 suggests that banks are fully dependent on the NBM to determine the credit risk assessment method and customer credit analysis. Thus, in order to create an effective credit risk assessment system in the Republic of Moldova it is necessary to:

- review the methods of credit risk assessment imposed by the NBM, reduce the degree of independence of banks in choosing the method of financial analysis of borrowers, assessing the credit risk of consumer loans;

- develop new methods of credit risk assessment for protection vendors, ie those methods that will not require specific information on the debtor's financial situation. The ability of the NBM and of banks to adapt to the current requirements under the conditions of EU integration has played a decisive role in assessing the role and effects of the recent financial crisis and has allowed the avoidance of bankruptcies and other disastrous consequences.

3. Methodology and evaluation

Generally speaking, prudential regulation is one of the important mechanisms by which regulators of the activity within the banking sector contribute to ensuring financial stability, implicitly banking sector. Regulatory activity, in other words, has the role of preventing insolvency risk, as well as ensuring the stability and viability of banks through the adoption of security strategies.

Prudential constraints of prime importance greatly influence the banking strategy and balance sheet management. From a strategic point of view, the most obvious effect of prudential regulation was the creation of a strong constraint on the size of the balance sheet, leading to banks' focus on objectives such as profitability and risk control.

In recent years, banking regulation has become less comprehensive and has been geared to structurally regulating banking activity towards other forms of regulation geared towards the banking sector in essence. Thus, the main normative provisions are related to the aspects mentioned in Figure no. 1.



Figure no. 1. Influence aspects of new prudential regulations

Source: elaborated by the author.

So from a methodological point of view, prudential regulation has always sought to protect the interest of the system and in this respect has a macroeconomic character. The objectives of prudential regulation determine its functions, which ultimately will act as a form of implementation of operational objectives. In this context, taking into account the above, and summarizing the point of view, the following three prudential banking regulatory functions are described in the literature:

- the preventive function, designed to minimize the risk from banking activities;
- a protection function designed to protect the interests of depositors in the event of the liquidation of a particular bank;
- the support function called to provide financial support to certain banks in the event of a crisis provided by the central bank as a lender of last resort.

According to the legislation in force, imposed by the NBM, the system of restrictions on the bank's activity provides:

- restrictions on capital adequacy, the value of which must not be less than 16% [3];
- restrictions on the liquidity limit that includes 2 principles:
 - a) principle I - the long-term liquidity coefficient ≤ 1 ;
 - b) principle II - current liquidity factor $\geq 20\%$ [2];
- restrictions on assumed risk (limitation of credit risk);
- restrictions on involvement in fraudulent operations (money laundering) [3];
- general (fiscal, judicial) restrictions, etc.

Taking into account the performance criteria recommended in the study revealing the actions of the regulator (NBM) and the state of the banking sector both in terms of financial stability and social and economic efficiency, we intend to analyze the effectiveness of prudential regulations based on financial stability indicators According to the data presented in Table 2.

Table no. 2. Evaluation of financial stability indicators

Indicators	The analyzed period				
	2012	2013	2014	2015	2016
Risk-weighted capital adequacy, %	24,4	23,02	13,92	26,16	28,34
Non-performing loans/TRG, %	25,9	16,59	14,26	15,05	19,04
Tier I capital/Risk-weighted assets, %	24,0	22,34	13,41	25,36	27,94
Long-term liquidity, points	0,7	0,71	1,54	0,7	0,62
Current liquidity, %	32,9	33,76	22,48	41,55	50,36
Balance of deposits of individuals/Total deposits, %	64,1	60,41	52,84	69,75	68,48
Non-performing loans/Total credits, %	14,5	11,6	11,73	9,95	16,82
Discounts for loan losses/Total credits, %	10,7	9,7	10,37	8,5	13,54
ROA, %	1,1	1,6	0,9	2,1	2,92
ROE, %	5,6	9,4	6,4	12,78	17,61

Source: *elaborated by the author based on:*
www.bnm.md/md/financial_indices_of_bank_system (visited on 25.02.2017)

According to the data presented in Table no. 2 we can note the following:

- the financial stability indicators calculated on the basis of bank capital decrease during the period 2012-2014 under conditions of banking instability and in response to the delayed world banking crisis in the Republic of Moldova. The situation is changing for the end of 2016 when all indicators are growing;

- the liquidity ratios evolve differently from the previously analyzed indicators because of the existence of rigorous prudential limits in this chapter. Thus, long-term bank

liquidity per banking sector is rising from 0.7 points to 1.54 points in 2012-2014, after which it suddenly drops to 0.7 points due to the "exit" of the billion euro, continuing The trend of decreasing in 2016 to the value of 0.62 points. The current liquidity presents a non-uniform evolution during the period under investigation due to the unstable economic situation and the deficiencies found in 3 banks in the banking system "Banca de Economii" JLC, "Banca Sociala" JLC and "Unibank" JLC. However, for the end of 2016, current liquidity is 50.36%, which is about 2.5 times more than the 20% norm;

- the balance of deposits of individuals relative to total deposits is decreasing in the years 2012-2014 due to the decrease in the population's confidence in the banking sector and low interest rates. For the year 2015, the situation is improving, explaining the rise in the basic interest rate, which has conditioned the increase of the interest on the deposits of individuals;

- the credit risk indicators show an oscillatory trend during the analyzed period due to the changes in the banking sector, but for the year 2016 the situation is more dangerous, as there were considerable increases for both the non-performing loans ratio and the total loans And reductions for loan losses on total loans;

- performance indicators are positive in the 2012-2013 period, indicating a favorable situation in the banking sector, while in the years 2013-2014 we are witnessing a reduction due to the theft. For the years 2014-2016, the situation is improving, with an increase in both indicators being confirmed.

Thus, the results show that the banking sector complies with the prudential rules, with values meeting the limits imposed by the NBM, but there is a possibility to improve the financial stability indicators calculated on the basis of CNT by reducing the risk-weighted assets and the portfolio Of non-performing loans in the banking sector.

In our opinion, the level of financial stability of the banking sector as a target is purely formal, but it is not clear what steps the NBM will take in unpredictable cases. The functional efficiency of the regulations, where part of the financial stability of the banking sector appears, is reached at a macro level with an impact on the level of inflation and the ability of the banking sector to maintain financial stability.

The events at the end of 2015 to close 3 licensed banks invoke the need for a more in-depth study of the effectiveness of micro-prudential regulation by the NBM. Thus, the NBM did not prevent the closure of Banca de Economii JLC but, on the contrary, created favorable conditions for this bank to be closed.

Theft at the end of 2014 and the banking crisis of 2015 point to a pressing need to create the Financial Stability Fund. The funds of this fund are to be formed on account of the contributions of the licensed banks, and in the perspective of the funds of the private pension funds or the CNT account. Such an approach will allow:

- ensuring the protection of taxpayers;
- demonstration of bank solidarity;
- increasing depositors' confidence in the banking sector.

The evaluation of the micro-prudential instruments indicates a permanent development of these instruments in response to the new risks and phenomena that arise in the banking field. The implementation of the BASEL III provisions in the banking sector of the Republic of Moldova will lead to a weakening of the macro-prudential supervision based on the diminution of the prudential indicators observed by the licensed banks. Under these circumstances, small banks may be struggling to attract new customers with a negative impact on performance indicators.

4. Conclusions

The fundamental issues that are in the banking sector concern both the development and the increase of its efficiency, as well as the restructuring and resolution of the identified deficiencies. Thus, all these limits set forth the establishment of restrictions that come to solve the specific problems of the banking sector, the violation of which can affect the activity of the bank and ultimately serves as a threat to the banking sector of the Republic of Moldova.

Acknowledging the particular importance of establishing a robust legal framework can have on the emergence of viability and confidence in the banking system, the banking regulators continue to introduce new rules specific to banking activity in line with international legal provisions. At the same time, the implementation of these rules also seeks to pave the way for convergence in the field of prudential supervision, in order to guarantee a transparent and competitive framework for all internationally active banks. An important criterion for assessing the effectiveness of prudential regulations is the socio-economic criterion, which is quantified through GDP, the volume of credits granted and the investments made. For Moldova, the dynamics of GDP is not a positive one, because economic growth still has ground. A better situation is in terms of loans granted, as there has been a reduction in the interest rate on loans in recent years.

During the last 15-10 years, the NBM has continued and continues to pursue a prudent policy in the field of domestic banking activity, placing a special emphasis on the qualitative side of this process, following the adherence to the international prudential rules specific to the banking sectors in Europe and America, in order to ensure the existence of an efficient sector that can compete not only at the regional level but also at the international level. In order to be more closely aligned with the Community requirements and to address the problems specific to the domestic banking system, these prudential rules will be further improved to allow market risk control, the issuance of internal control rules for banks, the issuance of accounting regulations on consolidation Accounts and balance sheets, etc. It follows that one of the objectives pursued by the NBM is the achievement of a higher efficiency, in which purpose the prudential norms were aimed at encouraging competition in the domestic banking system.

So the underlying purpose of any prudential regulation is to ensure the protection of the banking system against risks and unpredictability that may affect the national economy in general. In other words, the optimum level of protection is ensured by the early absorption of any unforeseen losses that may occur during a bank's lending activity, which will allow for a decrease in bank probability of bankruptcy and an implicit increase in the degree of Population confidence in the national banking system.

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COMPETITIVENESS THROUGH QUALITY IN THE HOSPITALITY INDUSTRY - THEORETICAL ASPECTS AND MEASUREMENT METHODS IN THE INTERNATIONAL PRACTICE

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Abstract: *In an increasingly competitive market, ensuring the quality of tourism and of hospitality industry services is very important for preserving or increasing the number of visitors. This is why companies in this industry are becoming increasingly aware of the importance of quality as a source of competitive advantage. The present paper attempts through a theoretical but pragmatic approach to identify the quantifiable elements taken into account in the tourism competitiveness and hospitality industry and the measurable elements of the quality level in this industry. The paper reviews the ways to quantify the competitiveness of tourism and of the hospitality industry based on the World Economic Forum's tourism competitiveness and hospitality industry index, as well as the main methods of quantifying the quality of services in this industry, with a focus on the SERVQUAL method. The main conclusions of the paper refer to the fact that due to the particularity of the hospitality industry and especially of the subjective factors that determine the qualitative level of the tourists' level, it is still difficult to standardize the quantification of quality in this industry. Also, even if we have identified in the literature a proposal to quantify tourism competitiveness and the hospitality industry including the Satisfaction of Visitors indicator, we have not yet encountered this indicator quantified globally.*

Keywords: *competitiveness, economic development, hospitality, services, tourism, business administration.*

JEL Classification: *O1, Z30, M1.*

1. Competitiveness in tourism and the hospitality industry

The hospitality industry is much wider and more complex than ever, because we are often talking about a variety of sub-industries that encompass and on which it depends. *Hospitality* may include hotels, spas, resorts, restaurants, conference rooms and associated services, may include airlines or cruises, etc., a wide variety of companies that are really producing goods and services for very different markets.

Therefore, what is particularly important is that this industry generates a multitude of jobs, from waiter to transport operators, such as airlines and railways, buses, car rental, etc. Although investment in this industry is extremely diverse and complex, a key component is the service and human resources component (IGHM, 2015). Worldwide, about 1 in 11 people work in businesses with tourism and travel profile. In the US, over 14 million people are employed in tourism and the hospitality industry, and over 272 million worldwide, and the demand for hospitality services is rising at an unprecedented rate (IGHM, 2015).

In Romania, in 2015, the tourism activities turnover was only 9.3% of the total turnover. In 2016, investments in tourism amounted to 14,700,000 thousand lei, representing 8.1% of the total investments at national level, decreasing compared to the previous year. Tourism investment is projected to increase by 3.5% in 2017 and to increase by 2.6% per year in the next ten years to 19.800.000 thousand lei in 2027, which would represent 8.4% of total investments in Romania (WTTC, 2017). The investments made generated 197,500 jobs in the tourism industry, or 2.4% of the total number of jobs at national level. The WTTC report forecasts a total of 219,000 jobs in tourism in 2017, with the same percentage share (WTTC, 2017) and The Tourism & Travel Competitive Report 2017 counts 189,769 jobs accounting for 2.2% of the total workplaces (T&TCR, 2017).

Now, more than ever, the hospitality industry offers opportunities to use new technologies, customer services and offers evolve, and competition is high, including competition to attract talented employees. Success in hospitality requires a solid background

in business management and a deep understanding of the services in this industry (IGHM, 2015).

Competitiveness in tourism is the ability to optimize the attractiveness of a tourism destination for both residents and non-residents in order to offer quality, innovation, specific tourism services to increase market share in the domestic and global market, while ensuring effective and sustainable use of available resources (Dupeyras, A. and N. MacCallum 2013).

To quantify competitiveness, the World Economic Forum, analyzes and prepares biannual reports on *The index of competitiveness in tourism and hospitality industry* (Travel & Tourism competitiveness Index - TTCI). It aims to measure the factors and policies implemented in different countries to increase the attractiveness and development of the Travel & Tourism sector (T&T). TTCI is based on **three major categories of variables** that facilitate the analysis of competitiveness in this sector, thus (T&TCR, 2017): The Regulatory Framework Index for the T&T Sector - captures those elements that are related to policy and, in general, activities within the government's sphere of action; Business environment in T&T, including infrastructure; Human, natural and cultural resources in the T&T sector.

Each of these three indexes is in turn composed of a number of pillars of competitiveness T&T (T&TCR, 2017): Policy rules and regulations; Environmental sustainability; Safety and security; Health and hygiene; Travel & Tourism Prioritization; Air Transport Infrastructure; Ground transportation infrastructure; Tourism infrastructure; ICT infrastructure; Price competitiveness in the T&T industry; Human resources; Affinity for tourism and travel; Natural resources; Cultural resources.

Table no. 1. The Travel & Tourism Competitiveness Index for Romania in 2013 – 2017

The Travel & Tourism Competitiveness Index	2011	2013	2015	2017
Position/place of Romania	63 (from 139 countries analyzed)	68 (from 140 countries analyzed)	66 (from 141 countries analyzed)	68 (from 136 countries analyzed)

Source: data collected by the author on the basis of:*****The Travel & Tourism Competitiveness Report** 2013, 2015, 2017.

It can be noticed that Romania between 2011 and 2017 shows a depreciation of the Travel & Tourism Competitiveness Index, from position 63 in 2011 to 68 in 2017. Although the overall score is the same in 2015 (66th place) score 3.8 and in 2017 (place 68) general score 3.8, we note that the number of countries analyzed is different respectively 141 in 2015 and 136 in 2017.

For OECD member countries and partner countries, Dupeyras, A. and N. MacCallum have proposed a guide to quantify tourism competitiveness. This document proposes quantifying tourism competitiveness on the basis of key indicators to address the challenges of tourism competitiveness in OECD and partner countries. Thus, 11 basic indicators are proposed to measure competitiveness in tourism (Dupeyras and MacCallum, 2013): Gross Domestic Product in Tourism; Travel revenue per visitor on the market; Overnight stays on all types of accommodation; Exports of tourist services; Labor productivity in tourism - the main dimension of competitiveness; Purchasing power parity in tourism and price level; Costs and price levels of tourist services are among the most important factors of competitiveness; Obligation of entry visas in the country; Natural resources and biodiversity; Cultural and creative resources; Satisfaction of visitors - is an important

qualitative indicator on the demand side; National Tourism Development Plan - a Competitiveness Indicator that recognizes the existence and quality of the implementation, effectiveness and evaluation of tourism sector at national level.

As can be seen from the two large categories of indicators used or proposed to quantify competitiveness in tourism and the hospitality industry, only within the indicators for quantifying the competitiveness of a tourism destination, proposed for the OECD member countries, we explicitly identify the indicator - *Visitor satisfaction*, which we consider to be relevant in quantifying the quality from the perspective of the travel services client. Regarding this indicator, the authors point out that the main challenges in the quantification of this fundamental demand-side indicator and extremely important in terms of understanding consumer preferences, the value of future experiences and intentions, is how to collect visitor satisfaction and intent repeating visits (Dupeyras and MacCallum, 2013).

2. Quality in the hospitality industry as a competitive advantage

In an increasingly competitive market, service quality assurance is very important and is increasingly influenced by a number of factors such as the expansion of consumers' rights and the alleged emergence of a growing number of quality conscious tourists. In addition, greater competition provokes firms in this industry to become more and more aware of *the importance of quality as a source of competitive advantage* (Kapiki and Soultana, 2012).

Globally, there are national strategies or transnational strategies, especially for corporations, which require certain standardizations applicable in several countries to ensure consistency in management and quality. However, at the local level there are a lot of small business, for which management can not necessarily apply a standardized model, it needs to be very personalized according to needs and local specifics.

If we look at growth and growing opportunities in developed countries, we notice marked differences in developing countries. In these countries, investments and investors, capital owners, create opportunities, create jobs, develop, but become interested only if governments invest in infrastructure: they invest in airports and roads and other networks and actually support their investments domain and not only (IGHM, 2015). Creating infrastructure often generates multiples for an economy. In many developing countries, hospitality has not been understood as strategic, more importance has been given to extractive or processing industries, but it should be aware that not all countries have resources, and hospitality and tourism could be the engine of development for the whole community.

3. Quality measurement in the hospitality industry

Quality in the hospitality industry is a complex notion that can be defined as an expression of the degree of social use of a service and reflects the extent to which the service satisfies the need for which it was created by all its features, respects the society's constraints on efficiency economic and environmental protection (Miclăuș, 2006).

The concept of quality is widely discussed in hospitality management. Quality in the hospitality industry is defined as the consistent delivery of products and services to guests according to the expected standards. More and more, guests are willing to pay more when they visit locations that offer services that meet or exceed their expectations. The quality of the service is an important factor in the visitor experience during the stay visits (Hayes, Ninemeier and Miller, 2011). Managers must recognize the importance of keeping customers, as attracting a new customer is considered to be more expensive and time consuming (Reyad, 2005).

At present, the quality of products and services addresses systemically the customer relationship, using the Total Quality Management (TQM) concept, which aims to optimize processes throughout the chain of creation and provision of services or products, starting with market studies to identify needs, to after-sales services (Saunders and Graham, 1992). The quality of services can be analyzed by addressing the following issues (Plumb and Ionescu, 2004): the quality of the result, the quality of the process, the quality of the conformity, the quality of the contact, the affective quality.

Therefore, the quality of tourism services and the hospitality industry implies the ability to provide complex, standards-based services to have control over the activity at any given time, the ability to solve the problems that may arise during the course of the service.

In the literature, there are several criteria for determining the quality of services such as: professionalism and proper qualification of the company's employees; the attitude and behavior of the staff, the interest in solving consumer problems; accessibility of the company headquarters and flexibility of the operating program; safety and confidence that the service will be performed according to the firm's commitments; the ability of the firm to solve unforeseen problems; the reputation and credibility of the firm, the conviction of the consumer that the firm provides valuable services (Cetină, 2001).

The quality of services depends on a number of factors that *influence the quality of the service provided* whether we refer directly to services offered in tourism or those offered in the hospitality industry in general (Berry and Parasuraman, 1991): *credibility* - involves delivering as accurately as possible the service, honoring promises and executing it in the best conditions; *the tangible quality feature - or tangibility* - is the visible parts of the service: buildings, equipment, appearance of contact personnel, ambience, equipment, etc. which are physical indicators that express the nature of the service itself; *maximum responsibility on the part of the providers; kindness; empathy*.

For tourism services and the hospitality industry, quality measurement can be done from two perspectives: from the perspective of the company and from the customer perspective.

From the company perspective, are used: objective quality measurement methods (statistical control method, cause-effect analysis) and subjective methods of measuring the quality of tourism services and the hospitality industry (analysis of error possibilities, survey questionnaires to measure expectations and customer claims).

From the perspective of the client of tourism services and the hospitality industry, for measuring the quality of services, we use: *objective methods of customer assessment* (silent shopper method or mystery shopping) and *subjective quality assessment by customers methods* (the method of measuring service characteristics - consists of interviewing clients in relation to the appreciation of the quality of the service as a whole).

Companies concerned with quality of service use various methods of research on quality (Cetin, 2001): selective post-transaction research; total selective research; analyzing consumer satisfaction; focus groups, employee reports, selective employee research, complaints management (Someșan, 1998).

Although there is no unit in measuring service quality, there are several tools or measurements, such as SERVQUAL, SERVPERF, INTSERVQUAL and INSQPLUS. To measure the quality of services in the hospitality industry, there are several methods, such as DINESERV - used in restaurants, CASERV - is used in the casino sector, HOLSERV and LODGSERV are used in the accommodation sector. Other measurements, such as INTQUAL and INTERSERVQUAL, are used to measure employees' perception of service quality (Al-Ababneh, 2017).

Due to the specificity of the hospitality services, a specific model for measuring the quality of services called SERVQUAL has been introduced. The SERVQUAL scale has

become the most popular tool for measuring the quality of tourism and hospitality services. The SERVQUAL model assesses customer perceptions of service quality based on discrepancy between customer expectations and perceptions. SERVQUAL has different features to evaluate both customer perceptions and expectations regarding service quality in the hospitality industry.

Most experts agree that customer expectations rarely depend on a single aspect of the service package but rather on several aspects (Berry, Zeithaml and Parasuraman, 1985; Johnston and Lyth, 1988; Sasser, Olsen and Wyckoff, 1978). Studies conducted on focus groups with service providers and their customers have highlighted the following determinants of service quality (Parasuraman, Zeithaml and Berry, 1985; Berry, Zeithaml and Parasuraman, 1985): access, communication, competence, courtesy, credibility, reliability, reaction, security, understanding and tangible. These have been reviewed and revised, and five dimensions of service quality are now established: tangible, reliable, responsive, assurance and empathy - dimensions underpinning the SERVQUAL method (Parasuraman, Zeithaml and Berry, 1988; Zeithaml, Parasuraman and Berry, 1990).

The SERVQUAL method involves measuring the expectations and perceptions of consumers by using five assessment dimensions, which include about 4-5 evaluation items (Parasuraman et al., 1988; Parasuraman et al., 1994). This tool is implemented twice, the first time to measure customer expectations and the second time to measure customers' perception of service. The SERVQUAL method is the most commonly used and quantifies quality aspects such as (Bruhn, 2001): acceptability of the tangible environment; reliability, trust, sincerity; availability and receptivity; competence and certainty; empathy (**The Basis of the Servqual Model).

The SERVQUAL method is based on the following three major issues (**SERVQUAL Model Presentation): *The five loopholes (GAPs)* - which create a gap between customer expectations and services delivered by the bidder; *Causes and resolution of the 5 GAPs* - identify the causes and find the best ways to fix them; *Essential dimensions of the service* - identifying those issues that ultimately enable a quality service to be delivered to the targeted target group. SERVQUAL offers the possibility to identify the 5 gaps (gaps) the organization needs to identify and correct (**SERVQUAL Measuring quality of service): Gap 1: Customer service expected vs. managers' perceptions of customer expectations; Gap 2: Manager's perception vs. current customer experience; Gap 3: design and customer service standards versus actual service provision; Gap 4: What is the client's experience vs. what / how to communicate with customers? Gap 5: customer perception of experience versus customer's expectations regarding the service offered.

The reasons for the emergence of gaps (** The Basis of the Servqual Model): GAP 1 Not knowing what customers expect; GAP 2 Service quality standards are wrong; GAP 3 Service performance is deficient; GAP 4 When promises do not match the service offered; GAP 5 Differences between customer perception and expectations.

Other methods used to measure the quality of tourism services and the hospitality industry are: *story-telling method* - customers are asked to freely tell, unstructured, without answering any specific questions about their past experiences with the company's offer of services cause; *the sequence scrolling method* - seeks to identify the strengths and weaknesses of each service delivery process by dividing this process into component elements, and then analyzing in detail each of these elements; *the critical incident method* - is based on highlighting events that the client feels, lives them either as being particularly pleasant or particularly unsatisfactory in their direct relationship with the provider. Following customer response analysis, a situation can be highlighted on areas where improvements are needed (Bruhn, 2001).

Thus, in summary, we must remember that the methods of measurement and control of the quality refer basically to the so-called *quality standards of the client*, namely *the quality standards of the bidder*.

The specialists in the study of consumer behavior appreciate that all recent research supports the idea that it is particularly important to know the satisfaction or dissatisfaction of potential consumers, as it severely affects their position on the market (Mihuț and Pop, 1996).

Therefore, the quality of the hospitality industry depends on the following determinants of the perception of the quality of a service, based on the criteria used by consumers for assessing the service (Parasuraman, Zeithaml and Berry, 1988): accessibility of the service; credibility; the degree of knowledge and understanding of the needs of consumers; trust in the service received; safety; the competence of the staff; correct communication of the content of the tourist service; courtesy of tourism staff; sensitivity of staff, hospitable, prompt and operative; ambiance, technical endowments, etc. However, the greatest influence in increasing the level of consumer satisfaction is determined by the characteristics of the hotel and the characteristics of the staff (Radojevic, Tijana; Stanic, Nemanja; Stanic, Nenad, 2017).

Considering these aspects, which the consumer takes in shaping the perception of the quality of tourism services and of the hospitality industry, it should be noted that, from the point of view of the supplying company, the quality management activity should be managed taking into account the collaboration between the following activities: development of tourism services; the support system for tourism services; the distribution system for tourism services. Without very good coordination between these types of activities, deficiencies in the provision of quality tourism services may occur.

According to the international report World Travel Market Global Trends (WTGT, 2014), most tourists demand more and more personalized services, being accustomed to finding various online options that open up a new, vast market. Consequently, according to the Euromonitor study, tourism future offers will contain tailored personalized services and concierge travel offers to the middle-income market, allowing industry players to differentiate their products at lower prices (WTGT, 2014).

In Romania, only 7% of the existing hotels are affiliated to international chains, compared to 22% in the European Union, so Romania offers good investment opportunities. The offer of luxury or medium - high hotels in small and medium-sized localities is much smaller than in the capital (WTGT, 2014). Nearly half of the hotel offers, or 1,104 hotels in all segments, is covered by two-star locations, which outlines an essential aspect of the quality level generally offered in Romania. (WTGT, 2014).

Also, to ensure quality services in the hospitality industry must be considered the level and quality of infrastructure, airline performance as well as the tourism development strategies implemented by the authorities. Although the development of tourism infrastructure is essential for increasing the competitiveness of the Romanian tourism industry on the international tourism map (Ministry of Tourism, 2016), at the level of the basic infrastructure, Romania occupies the 54th position in 2017, compared to the 50th position occupied in 2016 (IMD World Competitiveness Center, 2017). Also, regarding the number of registered tourists, Romania ranks 57th, being an indicator listed as a weak point in the analysis of competitiveness.

The competitiveness of companies active in the tourism and the hospitality industry in Romania can be increased by transferring technology and know-how, by implementing good practices in quality, by implementing quality management system procedures, by capitalizing on human, technical, technological and natural capacity.

4. Conclusions

Tourism and the hospitality industry are indissolubly linked to the concept of quality services. The assurance of quality is a long-term approach and managers should identify, analyze the cost-benefit impact, and prioritize improvements in service quality if they want to be competitive.

Although specialists identify a direct link between the quality of tourism services and the hospitality industry, there are gaps in the quantification of this issue.

After reviewing the methods of quantification of tourism and hospitality industry competitiveness on the basis of the World Economic Forum's tourism and hospitality industry competitiveness index, as well as the main methods of quantification of service quality in this industry with a focus on the SERVQUAL method, it was found that due to the particularity of the hospitality industry and especially of the subjective factors that determine the quality level experienced by the tourists, the standardization of the quantification of quality in this industry is still difficult. Also, even if we have identified in the literature a proposal to quantify tourism competitiveness and the hospitality industry including the Satisfaction of Visitors indicator, we have not found this indicator quantified globally up to this point.

As we have seen, there are various methods of quantifying the quality and perception of tourism services, but it is essentially known that tourists perceive the quality of hotel services, for example through price, comfortable rooms, friendly staff and a tasty menu. Also essential for the future of the hospitality businesses is customer satisfaction, customer retention and indirect advertising based on customer recommendations.

Both for existing businesses in the tourism and hospitality industry, and for those who want to invest and enter the market, the quality of the services offered must be a priority objective. Very strong competition, especially on developed countries but also on emerging markets, in the current context of globalization and access to information, calls for a level of quality that meets the demands of millions of tourists traveling every year in the world to destinations where they have certain expectations.

Each consumer has certain expectations that can be expressed by the desired level, while the accepted level expresses the level that the consumer considers sufficient. Firms offering services that do not meet these expectations will gradually lose their customers, with their market share shrinking, while firms that provide quality services to standards will be successful both in terms of customer loyalty, increasing market share and profitability.

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GEOGRAPHIC INFORMATION SYSTEMS AND BUSINESS ENVIRONMENTS

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Abstract: A Geographic Information System (GIS) is a tool used for correlating the information from a database with digital maps. The system offers advanced modelling functions, planning and design tools and advanced imaging e, analyze and visualize all types of georeferenced information. It allows observing, interpreting and visualizing capabilities. Although most of these functions can be found in other systems, GIS is unique because of its emphasis on the representation of cartographically accurate spatial system. The purpose of a GIS is to manage data in many ways that can reveal relationships, patterns and trends, as maps, reports and charts. GIS technology can be integrated into any company's information system. Even though GIS has been used in natural resource, logging and environmental industries for a long time, it is starting to be used for a broader array of management functions such as logistics, marketing, decision-making and planning. Fundamentally, GIS is important for business because most of the issues that an enterprise can encounter include a spatial component, and the system would allow decision-makers to use available resources in a more efficient way, according to the relevant spatial data. This study will present the way in which the system can influence different kinds of businesses and how a GIS is capable of improving or solving existent issues.

Keywords: Geographic Information System, georeferenced information.

JEL Classification: L86, L96, M15.

Figure 1. Introduction

GIS (Geographic Information System) is a tool used to link the information available in a database with digital maps. The system offers advanced modeling functions, planning and design tools and advanced imaging capabilities. Although most of these abilities can be found in other systems, GIS is unique because it emphasizes on representing objects in a precise cartographic system. The purpose of a GIS is to manage, analyze and graphically represent all types of geo-referenced information. It allows observation, interpretation and visualization of data in numerous ways which may highlight links, patterns and trends as maps, reports and tables. GIS technology can be integrated into any information system of a company.

Although GIS has been used for a long time in natural resource, forest and environmental industries, it is starting to be used for a wider array of management functions such as logistics, marketing, decision making and planning. Fundamentally, GIS is important for business because most of a company's issues include a spatial component and it allows the decision-makers to efficiently use available resources according to the relevant spatial data. This paper presents the way in which the system can influence various types of businesses (e.g.: optimizing routes for a transport company, impact analysis of a new supermarket being opened, criminality analysis in various neighborhoods of a metropolis, etc.) and improve or solve existing issues.

In 1960 the first operational GIS was launched in Ottawa, Ontario, Canada, developed by the Federal Forest and Rural Development Department. The system was created by Dr. Roger Tomlinson and it was called Canada Geographic Information System (CGIS). Its purpose was to collect information regarding the types of soil, agriculture, fauna, forests and land use at a scale of 1:50.000.

CGIS was a huge step forward compared to the cartography applications available at the time because it offered the possibility to do measurements, digitize and scan. It used a

national coordinate system which was used on the continent and it stored the properties of the elements and the location data in different files. CGIS survived until the nineties and with it, a vast database was created which stored digital information about Canadian lands. It was developed as a main information system whose purpose was to aid federal and local management departments and resource planning. Its advantage was the ability to analyze datasets collected from all over the continent. CGIS was never available to the public.

In the mid 1980's the first shapes of a spatial information framework was starting to form. The main reason of this evolution was that spatial information was valuable and a GIS ensured access to such information. At the same time, data needed to be collected once. In the United States of America, the Executive Order 12906 emitted by President Bill Clinton in 1994 would launch the creation process of a national GIS.

Geographic information is information that is related to specific locations on Earth. It covers a very wide array of data which includes the distribution of natural resources, the way we are affected by pollution, infrastructure description such as buildings, utilities and transportation, land-use patterns, healthcare, wealth, employment, housing, etc.

Most of human activities depend on geographic information more precisely, by knowing the positions of various objects and understanding how these interact with one another.

Many of the information systems used by companies and organizations, use information which contains a spatial component. Any database that contains addresses or postal codes contains spatial information but is not considered a GIS.

A few years ago the systems capable of sustaining and completing necessary GIS activities such as spatial analysis were not available or their prices were very high. The recent drop in prices of computers and the significant increase in performance have changed this in the last ten years and have made a GIS accessible. Applications that needed a well put together information framework before, now can be run on entry-level desktops. Suddenly, any organization can benefit from the advantages of a GIS.

2. Geographic Information System's advantages exemplified

2.1. Movia – Public transportation agency in Denmark

Movia is the biggest public transportation agency in Denmark, performing 214 million trips per year in Copenhagen and parts in eastern Denmark. Having 570 bus lines and 9 train lines in its coverage area, Movia struggles to meet the daily needs of 2.4 million inhabitants.

As a public transportation agency, planning and administering routes represents a very important aspect of this activity and up until now the workflow and planning procedures were not as efficient and simplified as it would have been wanted. The systems and internal procedures needed a technological improvement. The moment when employees needed vital information for planning transportation routes, such as demographic characteristics and institution's locations, the systems made the workflow and processes to be time consuming and way too complicated.

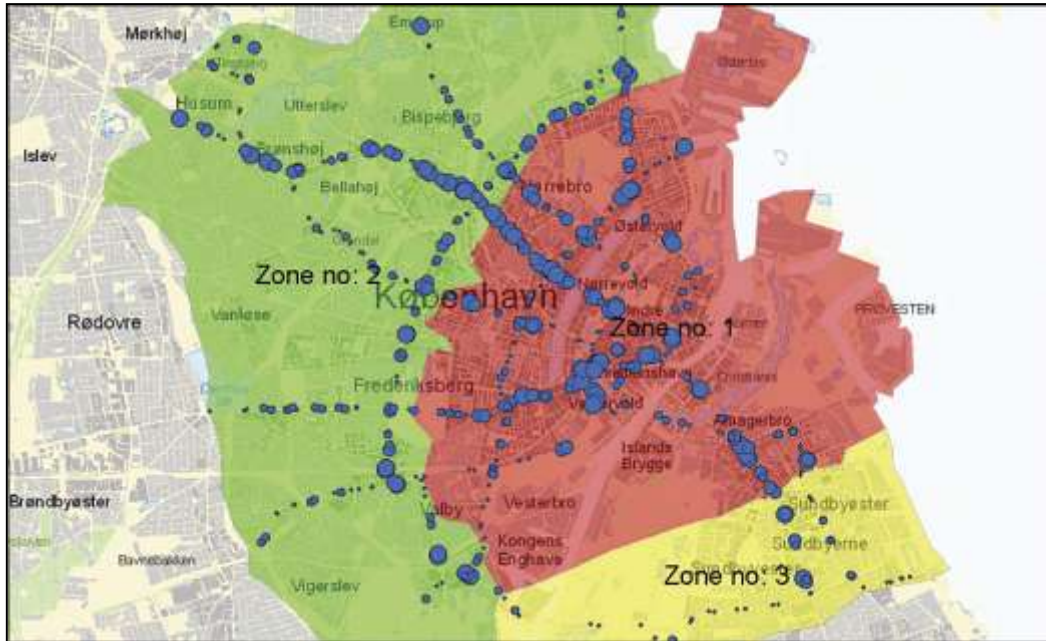


Figure no. 1. The analysis – number of passengers in stations

Source: <http://www.esri.com/news/arcnews/spring10articles/spring10gifs/p33p1-lg.jpg>

Movia working with InformiGIS and ArcGIS Server software developed GeoTransit, a suite of applications that brought together information from existent systems with tools for spatial analysis. GeoTransit system sustains business processes for the whole company offering the necessary tools for analyzing the spatial location of stops, routes and patterns while offering the possibility to integrate the schedule, passenger number, travelling time estimations and real time information regarding the road status. Before GeoTransit was developed, it could last for three days before a road plan could be attributed to a bus route through a certain area because information was needed that was spread in various systems that could not directly communicate. After the integration, the same procedure now does not last for more than a day. The process has become a lot easier to manage because the system grants direct access to all relevant information and using an efficient workflow and also the time required for training new employees has been shortened.

Using GIS as a central component of IT architecture, data and information that did not have a spatial reference can be linked in the system. This allows Movia to analyze stops more efficiently identifying passengers and their needs in a particular area of coverage. Additional useful information appeared after the identification of the most crowded stops and knowing the number of busses that would follow that particular route to ensure efficient activity. In order to estimate the time in which a bus will reach the stop, the system analyses travelling speed, and sends the data to information kiosks.

The GeoTransit system creates new possibilities and meets the requirements of a modern public transportation agency that aims to rival individual transportation means, such as automobiles. Also, the system and the information collected by it lead to an improvement of the services that are being offered and improving client satisfaction, which guarantees the fact that more and more people will consider Movia a viable transportation alternative. Having more than 15.000 bus stops, 112 train stations and 338 kilometers of railway loaded into the GIS, Movia has the capacity to collect and analyze data in order to plan, manage and monitor traffic in one integrated system.

2.2. Supply-chain

There are varied ways through which a GIS can help a supply-chain. Right now, the flow of goods across the world relies on bits and bytes transmitted between all of the computers on the planet. Every day, software and computers control trading of goods worth billions, between countries. These goods – which can be anything from livestock to mobile phones and coffee beans – travel from farms and manufacturing plants via trucks, trains, planes and ships. Supply-chains connect the whole population of the planet. Our lifestyle is dependent on the precise and efficient flow of such network, but also on its careful management.

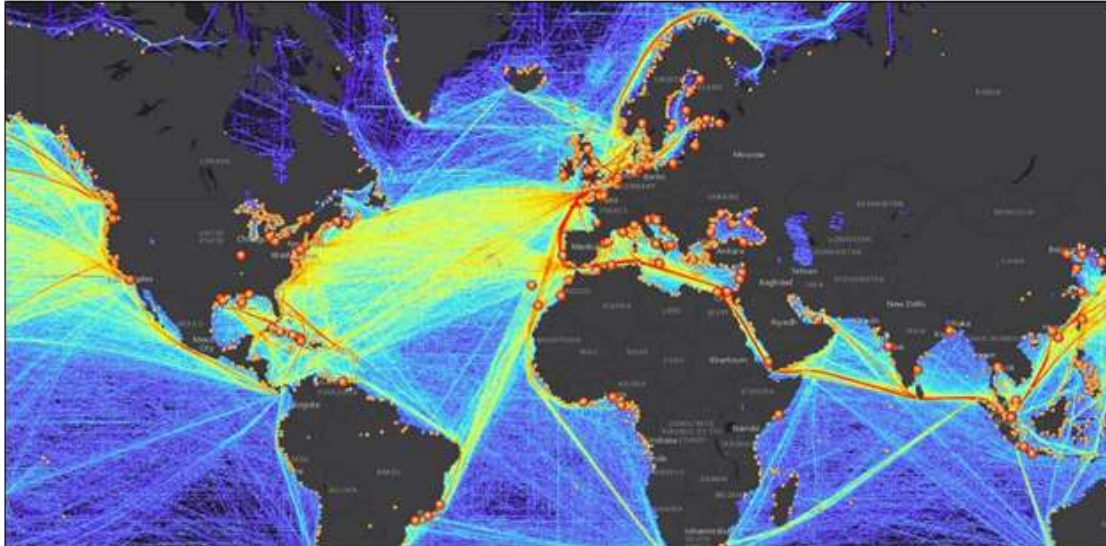


Figure no. 2. Logistics centers in the world

Source: <https://medium.com/esri-insider/seeing-is-believing-the-reach-of-supply-chain-management-81d5f7cf4d36#.g1fjojyqyc>

A supply-chain that is carefully managed is very important for the economy. Because of the high volume of transports and risks (weather, natural disasters, theft, etc.), efficient management is very complex and it requires the analysis of a lot of data.

Complex information becomes intuitive and easy to understand when it is visualized. Our brains have developed and gotten used to recognizing patterns which is why maps are an ideal choice for representing and communicating a complex scenario. GIS is the perfect tool to visualize the complexity of a business using advanced cartography methods and advanced analysis tools for understanding risks and the supply-chain's efficiency level.

Tracking transports in real-time while being able to predict traffic and weather helps with using resources smartly and ensuring efficient functioning of the supply-chain. Modeling and analysis of pauses allow for the understanding of the effects that are created and in the future, such effects in similar situations can be reduced or even avoided. Optimizing transport routes also helps with reducing emissions and pollutants.

3. Presentation of an existant GIS model in Ramnicu Valcea, used by the drinking water and wastewater company

There are numerous advantages in using a GIS in business, but in a company such as the regional drinking water and wastewater operator, the need of a solid, modern and efficient system is huge.

Approximately 80% to 90% of the company's data is in one way or another tied to a geographic location. The positions of pipes, valves, pumps and meters must be known along with other elements that belong to the drinking water or wastewater network. Also, the locations and use patterns of the clients must be known, along with the positions of the

response teams and equipment that might need maintenance. The information system allows the users to query and analyze information based on location but also based on the spatial link of it with other elements which at first sight might not appear to be connected.

Utility companies usually have many databases which have developed independently in time. Creating a link between the items in the databases and the geographic positions to which they refer, these datasets can be connected. For example, GIS applications can help identify trends in main-breaks in order to prioritize replacement or rehabilitation projects. Such projects are usually analyzed by taking into consideration various criteria, such as, pipe material, diameter, age, soil type, proximity to high importance buildings (e.g.: hospitals, schools etc.), main-break history, water quality and coordination with other utility projects. All these criteria can be spatially represented in a GIS and can be associated with pipes. This way the company can not only decide what improvements need to be done first but also the ideal moment to start them.

Once the implementation phase has been passed, a GIS can be enhanced to serve as a data analysis instrument, creating reports and interconnecting with other applications. Some examples will be presented below.

Field data collection – Collecting data is done with the help of hand-held units that have GIS/GPS capabilities that can be sent in the locations where it can support repair or maintenance activities for the drinking water network or wastewater network. This will avoid needing to manually introduce information gathered on field data collection forms, needing to consolidate the data, having to perform additional quality assessment checks or even revisiting the location. Portable hand-held units offer the following benefits:

- ✓ Immediate and precise determination of the location – If the localization of a network element that was located in the past is required because it can not be found in the present.
- ✓ Visualizing existing data – If information regarding the network's elements is needed, which could make the response team's work easier.
- ✓ Immediate validation of data – If confirmation and localization of two locations' altitude difference is needed to be known.

Integration with the customer support system. Establishing common connections between the GIS and the registered clients allows for the real-time association of client's needs with the digital model of the water network. This will help with creating the hydraulic model of the network but it will also help with other types of reports and analyses. Also, it can generate a simulation for the areas affected by valve closures and as a result, automated notifications can be sent to affected clients.

Another advantage of associating clients with the geographic location consists in having the possibility to further improve customer service quality. If there is a registered complaint, the customer support agent can quickly see the location of the complaint and if other complaints have been recorded in the vicinity, only one verification order can be generated. This way, only one visit for that area will be required and this will lead to faster interventions for all customers and an efficient use of the human resources.

Integration with hydraulic modeling of the drinking water network

Hydraulic modeling is usually used for the analysis of water networks – especially for the development of a Master Plan. This modeling activity allows the company to evaluate the performance of the system, identify the issues before they start to arise and generate emergency plans.

Although a lot of the data required for a hydraulic model can be stored within a GIS, hydraulic modeling and GIS have developed in parallel, but similarly. The main GIS objective is to create an accurate representation from a geographical standpoint of the

network. The main objective of a hydraulic model is that of creating a hydraulic accurate representation of the system and how it works in various conditions.

Recent software developments reduced this gap between the two applications. If it is built accordingly, a GIS can be efficiently used to develop a big part of a hydraulic model and the use of advanced spatial analysis modules of a GIS will enhance the results. For example *Fire flow analysis* – Most of the hydraulic analysis programs can calculate available flow through the network's nodes. Various land-use categories have different conditions. By associating these conditions with the land-use categories, GIS can evaluate the network's capability to reach the required conditions; *Drinking water source analysis* – Considering that the water is obtained from many sources, it is important to understand how it mixes in the network. This is especially important when the water quality level varies according to each source. Customers might want to know where their water comes from, but as time goes by, the same customer might receive water from different sources. Knowing and understanding the way the network behaves, the risk of distributing a mix of source-water can be compensated for, or eliminated completely.

3. Conclusion

Even though GIS and adjacent technologies have a major impact on the way infrastructure and operations are handled, there are still various ways in which the system can be improved. The greatest issue is given by the quality of the available data. Even in this age of information, most of the data is old, incomplete or incompatible. The positive aspect of this situation is that as long as low-quality data is validated, verified and migrated using GIS technology, the situation can only improve.

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THE PLACE AND ROLE OF FINANCING IN THE MANAGEMENT OF SMALL BUSINESSES IN THE TOURISM AND HOSPITALITY INDUSTRY

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***Abstract:** Tourism, through the variety of activities it encompasses, and its relations with other economic sectors, has the features of a branch of interference and synthesis. In this context, promoting Romania as a tourist destination, and increasing the number of tourists are objectives that can be achieved through the implementation of financing policies striving to increase economic competitiveness, in order to attract investors and entrepreneurs in the field of tourism and hospitality. In addition to improvements in the legislative department, funding plays an important role in stimulating and developing SMEs and supporting the business environment. The diversity of activities embedded in the tourism industry's content gives it its complexity.*

***Keywords:** tourism, hospitality industry, business, finance.*

***JEL Classification:** L83, M21, O16.*

1. Introduction: the tourism and hospitality industry

Tourism, through its content and the forms it takes, is a dynamic and competitive industry. Its main purpose is to provide customer satisfaction, safety, rest and relaxation, which is why a constant adaptation to their needs and desires is necessary. Continuous change in supply and consumer behaviour requires good knowledge of financing methods and tools.

Although each of us has been a "tourist" at one point or another, defining the tourism and hospitality industry is difficult, given the diversity of forms and offers today. Tourism is an economic and social phenomenon that has undergone continuous development and diversification over the decades, the tourism and hospitality industry becoming the fastest-growing sector, globally. The multitude of definitions shows its complexity: from “The totality of the relationships and phenomena resulting from the travel and sojourn of persons outside their place of residence (such as spending holidays or rest leave, attending various events, etc.)”, to “Tourism is the business of providing services for people on holiday, for example hotels, restaurants, and trips” (Cobuild Collins, 2017), “Tourism comprises the activities of persons traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes” (Cobuild Collins, 2017), and there is no consensus on the content and significance of tourism. The tourism and hospitality industry consists of a wide variety of sectors that offer visitors and local residents various products and services. These include activities that belong to other sectors, such as transport, travel, recreation and entertainment, accommodation, and food and beverage services.

Tourist activity, through its traits, gains the size of an industry, where capital factor costs are very high (infrastructure, equipment), and investment is slowing down, but on the other hand, it is an industry where the labour factor has a high contribution. Tourism is made up of a chain of SMEs, whose strategic role is in the harmonious development of this sector, and where family units and travel intermediaries that distribute the tourist package to customers have the preponderant (Oncioiu and Nedea, 2000).

Current trends in development and global forecasts show that: international tourism arrivals have seen a positive development, thus by 2015 the increase was 4.6%, 1.184 million, and by 2030, according to the UNWTO, would reach 1.8 billion (Vogeler, 2012).

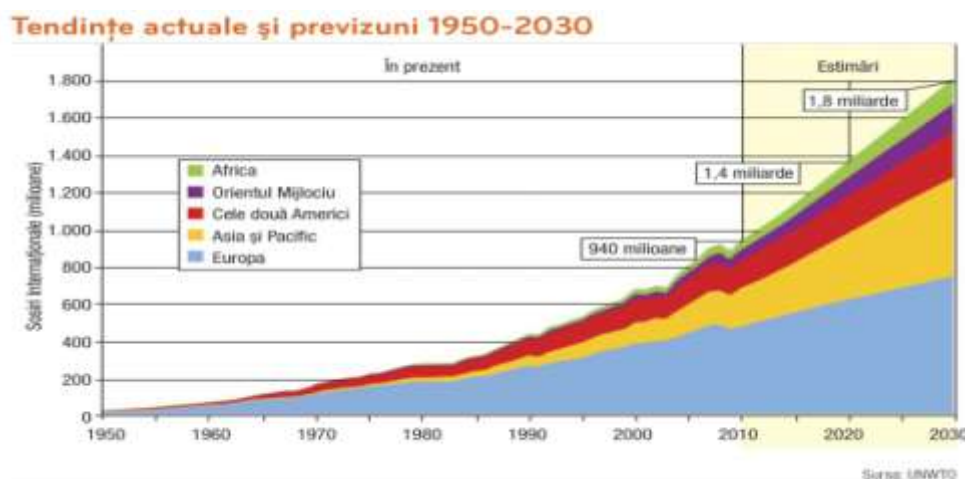


Figure no. 1. Current trends and predictions 1950-2030

Source: <http://www.trendshrb.ro/actual/2015-an-record-pentru-turismul-mondial>

In this trend, emerging countries are among the most favoured destinations (UNWTO, 2017), with the market share of these areas expected to rise to 57% by 2030, equivalent to over a billion international tourists (European Commission, 2014).

International arrivals rose from 25 million globally in 1950, to 278 million in 1980, reaching 1,113 million by 2014. Similarly, international tourism revenues have experienced an upward trend, from \$2 billion in 1950, to \$1,245 billion in 2015 (Orehov, 2016). Eurostat statistics show that European tourism revenue and expenditure increased slightly, with the balance of payments in 2015 being positive.

Table no. 1. Travel receipts and expenditure in balance of payments, 2010–2015

	Receipts			Expenditure			Balance (million EUR)
	(million EUR)		Relative to GDP 2015 (%)	(million EUR)		Relative to GDP 2015 (%)	
	2010	2015		2010	2015		2015
EU-28 (*)	76 117	115 808	0.8	86 503	101 026	0.7	14 783
Belgium	8 620	10 788	2.6	14 313	17 066	4.2	- 6 278
Bulgaria	2 574	2 838	6.3	626	1 006	2.2	1 832
Czech Republic	5 419	5 465	3.3	3 216	4 304	2.6	1 161
Denmark	4 420	6 028	2.2	6 809	8 042	3.0	- 2 014
Germany	26 159	33 265	1.1	58 934	69 859	2.3	- 36 594
Estonia	809	1 287	6.4	478	885	4.4	402
Ireland	3 106	4 320	1.7	5 358	5 121	2.0	- 801
Greece	9 611	14 126	8.0	2 156	2 038	1.2	12 088
Spain	41 218	50 892	4.7	12 788	15 654	1.5	35 238
France	35 464	41 387	1.9	29 016	34 628	1.6	6 759
Croatia	6 221	7 954	18.1	629	681	1.6	7 273
Italy	29 257	35 555	2.2	20 415	22 013	1.3	13 542
Cyprus	1 629	2 241	12.7	956	961	5.4	1 280
Latvia	484	807	3.3	490	554	2.3	253
Lithuania	729	1 040	2.8	644	858	2.3	182
Luxembourg	3 128	3 873	7.4	2 670	2 988	5.7	885
Hungary	4 235	4 797	4.4	1 821	1 649	1.5	3 147

Malta	814	1 247	13.4	234	332	3.6	915
Netherlands	8 850	11 907	1.8	14 473	16 138	2.4	- 4 231
Austria	14 027	16 420	4.8	7 717	8 206	2.4	8 214
Poland	7 259	9 440	2.2	6 505	7 154	1.7	2 286
Portugal	7 600	11 451	6.4	2 953	3 612	2.0	7 839
Romania	860	1 542	1.0	1 238	1 855	1.2	- 313
Slovenia	1 926	2 257	5.9	923	822	2.1	1 435
Slovakia	1 684	2 192	2.8	1 471	1 917	2.4	275
Finland	2 301	2 307	1.1	3 251	4 305	2.1	- 1 998
Sweden	6 324	10 201	2.3	9 172	12 997	2.9	- 2 796
United Kingdom	24 923	41 116	1.6	41 631	57 192	2.2	- 16 075
Iceland	:	1 459	9.6	:	901	6.0	558
Switzerland	11 128	14 756	2.4	8 461	14 458	2.4	297
Montenegro	:	813	22.4	:	40	1.1	773
FYR of Macedonia	:	240	2.7	:	144	1.6	97
Serbia	:	944	2.8	:	993	3.0	- 49
Turkey	17 202	24 004	3.1	3 923	4 842	0.6	19 162
Albania	:	1 352	13.2	:	1 116	10.9	236
Kosovo	328	717	12.3	105	176	3.0	541
(1) Extra EU-28 flows.							

Source: Eurostat (online data codes: bop_c6_q, bop_eu6_q and nama_10_gdp)

Tourism, as a cross-cutting sector, represents the third largest economic activity in the European Union, involving a wide range of services and professions that are mainly carried out by SMEs.

As the international community, through the UN General Assembly, adopted a new Agenda 2030 and the Sustainable Development Goals (SDG), a confirmation of the role of tourism in the global economy is also the fact that the United Nations (UN) has approved the designation 2017 as the International Year of Sustainable Tourism for Development. The resolution of 4 December 2016, as stated in a United Nations' World Tourism Organization (UNWTO) communique, recognizes "the importance of international tourism and, in particular, the designation of an international year of sustainable tourism, to promote a better understanding between peoples everywhere, and lead to a greater awareness of the richness of the heritage of different civilizations, and a better appreciation of the inherent values of different cultures, thus contributing to the consolidation of peace in the world" (Evisiionturism, 2016).

At the same time, Secretary-General of the World Tourism Organization Taleb Rifai points out that, in the context of "Tourism is today one of the main pillars of the EU's strategy for jobs and inclusive growth, this proclamation is a unique opportunity to expand the contribution of the tourism sector to the three pillars of sustainability (economic, social and environmental), as well as increasing awareness of the true dimensions of a sector that is usually underestimated" (Evisiionturism, 2016).

With an important role in development and economic growth, politics in tourism also contribute to overall political objectives in regards to employment. In 2016, the tourism sector had more than 1.230 billion tourists and generated about \$1,220 billion, 10% of the world's gross product, 7% of global exports of goods and services, and 1 in 10 jobs (UNWTO, 2017). By diversifying forms and increasing the number of new destinations, it can be considered a key factor for socio-economic progress. With an important business volume, he plays a special role in international trade, being a major source of income for many countries.

In this context, the development of global, regional and even local, national and international tourism, through small and medium-sized businesses, leads to increasing tourism's contribution to the economic well-being of the areas, and its flexibility in adapting to consumer needs and desires.

2. The European Union in the business financing process

One of the problems faced, in general, by small businesses is funding to increase economic competitiveness and strengthen the position of investors, entrepreneurs in the business environment. To ensure this, it is necessary to implement in tourism strategies sector-specific funding policies, to create jobs, stimulate and develop the SME sector, alongside legislative measures.

At European Union level, various direct and indirect funding instruments of the tourism sector have been created, given its importance, which, "in 2014, belong to one of ten non-financial enterprises in the European economy. These 2.3 million companies employed around 12.3 million people. Employees of enterprises in tourism related sectors accounted for 9.1% of the persons employed in the total non-financial sectors of the economy and 21.5% of the persons employed in the services sector. Percentages in the tourism sector, in total turnover and value added, were relatively lower, tourism sectors accounting for 3.7% of turnover and 5.6% of value added of non-financial sectors of the economy" (European Commission, 2017b). The WTTC estimates that, over the next decade, tourism will record world-class performance with an average increase of 4% per year (Agerpres, 2016). This data is further supported by other factors, income and workers, coming from tourism links with other economic sectors.

Indirect funding involves loans, equity financing, and guarantees provided by financial intermediaries for business initiation and development, especially SMEs. Direct funding is provided through grants to "co-finance projects in relation to EU policy objectives". For 2014-2020, the EU has added new funding programs, and some existing ones have been consolidated (Erasmus+, "Orizont 2020").

It is difficult to improve business, increase flexibility in meeting consumer requirements and wishes, or reduce seasonality, if the entrepreneur does not have the necessary financial means to allow for an assessment of global operations and information to make decisions, identify new opportunities to develop, or restructure the business. A safety measure in the funding process makes possible the formulation of a strategy with a good foundation that will lead the business to good results.

Europe has also adopted a new framework policy for tourism, the objectives of which are to make European tourism competitive, modern, sustainable and responsible by: boosting competitiveness in the European tourism sector, promoting the development of sustainable, responsible and high quality tourism, strengthening the image and profile of Europe, maximizing the potential of EU policies and financial instruments for tourism development (Camera Deputaților, 2010).

The economic impact of tourist activities at global and European Union levels is shown in the following tables:

Table no. 2. The economic impact of travel & tourism, at global level

WORLDWIDE	2010			2020		
	US\$bn	% of total	Growth ¹	US\$bn	% of total	Growth ²
Personal Travel & Tourism	3,111	8.4	1.6	5,793	8.8	4.1
Business Travel	819	1,3	-1,8	1,589	1,4	4,3
Government Expenditures	436	3,8	2,6	744	4,0	3,1
Capital Investment	1,241	9.2	-1,7	2,757	9,4	5,3
Visitor Exports	1,086	6.1	0.9	2,160	5.2	5.2
Other Exports	850	4.8	5.9	1,908	4,5	6,5
T&T Demand	7,543	9,4	1,1	14,950	9,5	4,7
Direct Industry GDP	1,986	3.2	0.7	3,650	3.2	4.0
T&T Economy GDP	5,751	9.2	0.5	11,151	9.6	4.4
Direct Industry Employment ³	81,913	2.8	-0,1	104,740	3.2	2.5
T&T Economy Employment ³	235,758	8.1	-0.3	303,019	9.2	2.5

¹2010 real growth adjusted for inflation (%); ² 2011-2020 annualised real growth adjusted for inflation (%);

³ ' 000 jobs

Table no. 3. The economic impact of travel & tourism, at EU level

EU	2010			2020		
	US\$bn	% of total	Growth ¹	US\$bn	% of total	Growth ²
Personal Travel & Tourism	1.008,5	9,7	0.1	1,478.6	10.3	2.8
Business Travel	225.9	1.3	-3.5	338.9	1.4	3.1
Government Expenditures	130.1	3.3	1.0	169.5	3.4	1.5
Capital Investment	289.8	8.8	-4.8	458.3	9.0	3.5
Visitor Exports	418.2	6.2	-2.0	698.4	5.6	4.1
Other Exports	341.7	5.1	3.4	625.1	5.0	5.3
T&T Demand	2,414.2	9.9	- 0.7	3,768.8	10.1	3.4
Direct Industry GDP	610.0	3.4	-1.2	887.6	3.5	2.7
T&T Economy GDP	1,699.0	9.5	-1.3	2,528.0	10.1	2.9
Direct Industry Employment ³	8,381.8	3.9	-2.9	9,408.4	4.2	1.2
T&T Economy Employment ³	22,211.0	10.3	-3.8	25,042.8	11.1	1.2

¹2010 real growth adjusted for inflation (%); ² 2011-2020 annualised real growth adjusted for inflation (%); ³ ' 000 jobs

Source: WTTC, 2010.

Starting 2013, the Commission has set up a virtual tourism observer to coordinate the collection and storage of information and to ensure greater synergy between the different levels of tourism policies.

The objectives of tourism and hospitality industry funding programs cover this wide range and focus on creating and maintaining jobs, increasing added value in tourism activities, creating and improving infrastructure, tourism reception facilities, information and promotion systems, and tourist services, making tourist activity more efficient by increasing the number of tourists and the duration of visits, by making better use of recreational facilities, natural areas of tourist interest, supporting and developing education, research, development and innovation.

Funding plays an existential role in managing any business, in the words of John Nessel, president of the Restaurant Resource Group, “If you can’t count it, you can’t manage it” (Fredman, 2017). Good management of financing activity will direct the course of the business in a favourable way. Most relevant funding programs allocated to the EU tourism sector are presented in Table no. 4.

Table no. 4. Most relevant programmes for the tourism sector in the EU

Area	MFF 2014-2020
Cohesion	Structural funds: ➤ European Cohesion Fund ➤ European Social Fund ➤ European Regional Development Fund ➤ European Territorial Co-operation
Environment, Agriculture & Marine and Fisheries Policy	➤ LIFE ➤ European Agriculture Fund for Rural Development ➤ European Maritime and Fisheries Fund
Research, Innovation and Competitiveness	➤ Horizon 2020 (Framework Programme for Research and Innovation) ➤ COSME (Programme for the Competitiveness of Enterprises and SMEs)
Culture and Education	➤ Creative Europe Programme ➤ Erasmus for All Programme
Employment	➤ EaSI (EU programme for Employment and Social Innovation) ➤ PROGRESS (Programme for Employment and Social Solidarity) ➤ EURES (European Employment Services) ➤ PROGRESS Microfinance Facility

Source: European Commission, 2014.

The European Parliament has adopted new perspectives and challenges for sustainable tourism in Europe, aiming to increase the favourable impact of tourism on regional development and promote tourist destinations, while combating the seasonality of tourism and establishing a “European brand of quality tourism” (European Parliament, 2017).

It also considers tourism investments to be linked to regional policy. Thus, the EU's allocations take into account the new policy offering a wide range of opportunities for sustainable investments in tourism.

Table no. 5. EU allocations, 2014-2020

Nr.crt.	Beneficiary	Billion EUR
1	Less developed regions	164.3
2	Transition regions	31.7
3	More developed regions	49.5
4	Cohesion Fund	66.4
5	European territorial cooperation	

	<i>Of which</i>	8.9
	<i>Cross border cooperation</i>	6.6
	<i>Transnational cooperation</i>	1.8
	<i>Interregional cooperation</i>	0.5
6	Outermost regions and northern sparsely populated regions	1.4
7	Youth Employment initiative	3.0
	TOTAL	325.1

Source: European Commission, 2014.

To finance business, the European Union endorses narrowing the gap in level of development between different regions through financial instruments.

In 2015, the European Parliament envisaged even creating a budget line for tourism in the next multiannual financial framework, in order to encourage action towards implementing the long-term strategy, launched in February 2014.

The tourism and hospitality industry is the beneficiary of these funds, their aim being to set up tourist objectives, better capitalize on tourist potential, and diversify the forms of tourism.

Romanian SMEs in the tourism industry can benefit from European funding under the Regional Operational Programme (ROP), tourist activities being eligible for a number of funding lines, which would also facilitate an upward trend in investment in the field, in a context in which, “tourism businesses have achieved significant profitability as a result of geopolitical conditions”.

3. Funding in small businesses

In order to meet the major challenges faced by the tourism sector, and to make the best possible use of their potential, companies need to assess all the economic aspects that characterize the environment in which they operate and, in particular, the issues surrounding the funding process. Access to finance is vital to foster the development of SMEs and entrepreneurship and to establish a competitive, innovative and sustainable tourism sector. For good business management, funding is of great importance. Virtually every firm and implicit entrepreneur must know the past, present and future of the business from a financial point of view.

Tourism and hospitality companies carry out various types of activities, funding acting to support investments or the development of the hotel and restaurant sector, of businesses in general, and of recreational activities. Financial management means the financial management of tourism and hospitality activities, aiming to maximize the current value of the company. Its role and importance is reflected in objectives that strive to: provide the necessary funds to obtain resources to achieve the objectives, control costs, establish and control effectiveness, profitability, substantiate the financial status to make effective decisions. In order to stimulate Romanian tourism, a series of fiscal measures for the creation of jobs, the strengthening of guarantee and counter-guarantee instruments have been adopted to stimulate investment in strategic sectors and develop the SME sector.

Understanding the role and importance of financing in business management as their core elements should be familiar to any entrepreneur aware of the functions and uses of funding instruments, eager to build on their knowledge.

Travel companies can mobilize different financial support to improve service quality, which acts as a lever for sector development. For SMEs in the tourism industry, financing needs are different and they face challenges specific to each stage of their life cycle.

4. Conclusion

Issues of funding are at the heart of business management. The existence of errors in the management and control of financial resources can cause a business to falter. Good management enables control of the business and provides entrepreneurs with confidence in strategic decision-making, and the favourable capitalization of opportunities. The needs of tourism companies are funded through various tools. To contribute to regional development, they should be offered under special conditions (lower interest rates, certain facilities), given that tourism SMEs have low capital, have long-term financing needs, and represent an increased risk for the financier. In the tourism sector, access to these funding methods remains lacking. UNWTO Secretary-General, Taleb Rifai, noted that Romania is attributed by the UNWTO with a high level of technical expertise, with a high level of hospitality and a very clear political determination in this area, but it should be emphasized that this requires extensive financial support through the implementation of special SME programmes (since the majority of tourism and hospitality businesses belong to this category) to improve the overall financing conditions.

The lack of general, long-term policies and of funding policies in the tourism sector has limited its development, by failing to capitalize on the full potential of natural, cultural, geographic, environmental, heritage and ethnographic resources. At the same time, the regulatory and legislative system, through its stance on small businesses in the tourism industry, has led to low productivity and innovation.

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CORPORATE MANAGEMENT AND BANKING INDUSTRY IN NIGERIA: EMPIRICAL CONSIDERATION

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Abstract: *This study ascertains the role of corporate governance in attracting banks' returns in Nigeria from 2006-2016 using panel regression technique. Data were collected from a sample of 21 banks listed on Nigerian stock Exchange. We found significant positive impact of board size, board composition, directors' equity interest on banks' performance in Nigeria. Decisively therefore, we recommend increase in size of management of board as one factor for inducing banks' return in Nigeria.*

Key words: *Corporate governance, banks' return, board size, board composition, directors' equity interest Nigeria.*

1. Research Background

Agency theory has been the most recognized theoretical view in corporate management (Singh and Daivdson, 2003). The fundamental issue in the agency theory is the separation of ownership and control of a firm. Small private firms 'go public' to expand ownership scope. Hence, it could an efficient avenue of raising interest-free funds to expand business. This therefore means businesses will have multiple owners or shareholders. These shareholders then agree on contract with the firm's managers to execute the corporation on their behalf.

On this note, the shareholders are Principals, while the managers are called agents. However, this power delegation can provide the managers opportunity to use the shareholder's funds to execute projects that will be to their benefits only. Consequently, to synchronize welfares of both the principal and agent, Bhagat and Bolton (2008) and Jensen and Meckling (1976) upholds the opinion of an effective corporate governance system.

In today's corporate world, the role of board of directors is very significant. This is because, they exercise control over highest management of firm, thereby maximizing shareholder wealth (Hanrahan et al. 2001). This research explores the role of corporate governance in improving the banks' return in Nigeria that consequently increases shareholders value.

Nevertheless, we hope to ascertain: *relationship between board size and banks' return in Nigeria, effect of board composition on the banks' return in Nigeria, relationship if any between directors' equity interest and banks' return in Nigeria.* The following null hypotheses will be tested. H_0 : Board size and banks' return are not associated, H_0 : Board composition and banks' return are not associated, H_0 : Directors' equity interest and banks' return are not associated.

2. Literature Review

Corporate governance comprises of structure of the board, board demographics, recruitment of the board, education and evaluation of the board, board member motivation and board leadership. Studies like Sheridan and Milgate (2005), Erhardt, Werbel and Shrader (2003), Callen, Klein and Tinkelman (2003), Kang, Cheng and Gray (2007) and Fitriya and Stuart (2012) found a positive relationship between board composition and banks' return. However, Garg (2007) and Rose (2007) found a negative relationship between board composition and the value of a firm.

For comparison between failed and successful firms, Chaganti, Maharjan and Sharma (1985) revealed that successful banks have bigger boards. Studies by Daily and Dalton (1992) and Coles, Daniel and Naveen (2008) found that complex firms have larger boards than simple firms. Based on agency theory, bigger boards are better. This is because, there are more people who are vigilant and are able to review the actions of management. From resource dependency perspectives, larger boards bring more opportunities and links for more resources. Looking at it from the stewardship theory angle, the ratio to inside and outside directors is of importance here. Because inside directors can bring valuable information for decision making to the board.

Board Composition

Empirical studies on the effect of board membership and structure on performance show mixed results (Coleman and Nicholas-Biekpe, 2006; Elujekor, 2016). Some studies found healthier performance with directors dominated by outsiders (Vafeas, 2003), others found no such relationship in terms of accounting profits or firms value (Elujekor, 2016; Bhagat and Bolton 2008).

This is also evident in the study by Bhagat and Black (2002). Like in many family-based Asian banks (Malaysian banks), boards dominated by insiders are not expected to play their role as effective monitors and supervisors of management. This is particularly when the board chairperson is also the firms CEO. In addition, outside directors provide firms with windows or links to the outside world, thereby helping to secure critical resources and expand networking (Daily and Ellstrand, 1996). Moscu, (2013) showed that the amount of stock owned by individual outside directors is significantly correlated with various measures of banks' performance as well as CEO turnovers in poorly performing companies. Hermalin and Weishbach (2003) showed that the market rewards firms for appointing outside directors.

Board Size

Loderer and Peyer (2002); Mak and Li, (2001), Bennedsen, Kongsted, and Nielsen (2004) and Bonn, Yoshikawa and Phan, (2004), found a negative relationship between board size and banks' return in Switzerland, Canada and Japan respectively. Muzhar, et'al (2013), their study confirmed that; limiting board size is believed to improve bank performance due to cumbersome decision-making process of larger groups. A large board majorly suffers from free-rider problems among directors in their supervision of management (Hermalin and Weisbach 2003).

Directors Equity Interest

The equity ownership of directors go a long way in determining performance of that firm (Forberg, 1989; Brickley, Coles and Terry, 1994 and Yermack, 1996)). Inter alia, when members of a board own equity in a corporation, it is in their best interest the firm performs creditably well. Uwuibge (2015) found positive relationship between directors' equity interest and the banks' return in Nigeria. He found the more equity directors own in a bank, healthier the ROE. This can therefore mean that directors that own equity in a firm would want such investment protected.

The board of directors that own equity in a firm will put up effective monitoring to achieve desired result. Their stake in the firm will make them to be more efficient in the discharge of duties thereby leading to an overall positive financial performance of the firm. Hence, directors' equity interest is the total shareholdings of directors in a firm.

Banks' Return

Bank return measures how banks utilizes their assets to generate revenue. The banks' return is used to ascertain how healthy financial wise, are Nigerian banks is per period of time. This study, adopt return on equity (RO), and return on assets (RA) in line with First

Rand Banking Group (2006). There are nonetheless other measures of bank return like the Net Profit Margin (NPM), Tobin's Q, etc.

Empirical Review

Mak and Li (2001) conducted an empirical analysis of firms listed on the Stock Exchange of Singapore and their study supported Healey (2003) that large groups are less effective than small groups in decision-making. Mak and Kusnadi (2005) also asserted an inverse relationship between board size and firm value. Satirenjit, Shireenjit and Barry (2015) did a study on 700 large listed Malaysian firms for the year 2009. This study found a positive relation between board size and performance of the firm.

Yermack has conducted his study on 452 US firms between 1984 and 1991 using Tobin's Q as an approximation of market valuation. He documented an inverse association between board size and firm value.

Also, the study found fraction of lost value occurs more when size of firm is increasing from small to medium (for e.g. from 6-12) as compare to the firm whose board size is increasing from medium to big (i.e. 12-24). As further observed, most prior studies on corporate governance and performance make use of the market based performance measure and not accounting performance measures.

Model Specification & Methodology

Banks' return is regressand and is proxied by RE and RA, RE measures how well banks used reinvested earning to create superfluous earning. It is calculated as profit before tax divided by overall equity. RA is profit before tax divided by total assets.

Corporate governance is explanatory variable and is proxied by these elements *board size (BS)*, *board composition (BC)* and *directors' equity interest (DE)*. Board size is total number of directors on the board, board composition is represented by BC which is defined as the ratio of outside directors to overall number of directors, while directors' equity interest is the total shareholdings of directors. Estimated models in this study are as follows:

$$\text{Model 1: } RE_{it} = \varphi + \delta_k X_{it}^k + e_i + u_{it}$$

$$\text{Model 2: } RA_{it} = \phi + \beta_k Z_{it}^k + \varepsilon_i + \mu_{it}$$

Where RE and RA as earlier defined X and Z are vectors of explanatory variables which include, BS is board size, BC is board composition and DE is directors' equity interest, e_i and ε_i are individual effects, u_{it} and μ_{it} are error terms.

Theoretically, positive relationship is expected between regressors and regressand. The study adopts panel data regression method. Out of 24 banks that finally made the consolidation deadline, 21 banks were used. These 21 banks are listed on Nigerian stock Exchange. The consideration of these banks was to enable us have access to their annual reports as sources of data. The researchers examine and analyze the books of these selected banks which comprise financial records of 8 years i.e. 2006-2013.

Empirical Results

From Table I below, the result shows that mean RE for banks within the sampled period is 0.58. This implies that banks' performance over period of review was relatively averaged ad this is satisfactory.

Table 1: Descriptive Statistics

Variable	Mean	Median	Std. Dev.	Skewness	J-B
RE	0.58	0.19	0.20	2.50	51.13
RA	0.30	0.43	16.18	4.05	32.91
BS	0.27	0.59	0.03	0.06	46.20
DE	2.35	12.32	2.71	0.02	29.81
BC	9.52	2.15	0.19	1.89	1.34

Result extracted from the Eviews 8.0 output.

Table 2 shows results of panel unit root tests for all variables in the model. The Im, Pesaran and Shin method test indicate that RA, BS and DE have a unit root but RE and BC have not unit root. ADF-Fisher test shows that only BS has a unit root while other variables namely, RE, RA DE and BC have no unit root. Similarly, the PP-Fisher test reveals that RA and BS have unit root at level. However, all the variables are stationary after first difference.

Table 2: Panel Unit Root Test Results

Variables	Level			Difference		
	IPS	ADF-Fisher	PP-Fisher	IPS	ADF-Fisher	PP-Fisher
RE	-4.57***	-5.59***	-29.795**	-7.26***	-46.53**	-29.75**
RA	-0.94	-32.27**	-3.580	-19.39**	-35.87**	-33.80**
BS	-1.35	-2.53	-0.349	-28.85**	-72.63**	-24.47**
DE	-2.17	-18.26**	-5.1398***	-7.39**	-56.40**	-54.21**
BC	-7.39**	-29.45**	-13.286**	-9.30***	-52.75**	-67.51**

*** significant @ 10%, **significant @ 5%

While Table 3 presents co-integration results for the null of no co-integration as against the alternative of co-integration with common AR coefficients within-dimension, Table 4 presents the results of the panel co-integration test for the null of no co-integration as against the alternative of co-integration with individual AR coefficients between-dimension based on Pedroni Residual Co-integration Tests. The results show co-integration of variables and so we reject the null of no co-integration.

Table 3: Pedroni Residual Co-integration Test Results

Statistic	Alternative hypothesis: common AR coefs. (within-dimension)	
	Coefficient	prob
Panel v-statistic	-2.67	0.54
Panel rho-statistic	-0.48	0.63
Panel PP-statistic	-5.95	0.00
Panel ADF-statistic	-2.37	0.59

Table 4: Pedroni Residual Co-integration Test Results

Statistic	Alternative hypothesis: individ. AR coefs. (between-dimension)	
	Coefficients	prob
Group rho-statistic	-0.16	0.92
Group PP-statistic	-4.08	0.00
Group ADF-statistic	-1.39	0.36

The Hausman test was conducted to ascertain the particular model between fixed effects or random effects to adopt for estimation in the study. The core was to test for incidence of conceivable association between individual effects and the explanatory variables. The results as shown in Table 5 provide evidence against association between the individual effects and the explanatory variables at the 5% level. Hence, we estimated the random effects model.

Table 5: Hausman Test Results

<i>Hausman Test: Fixed effects vs. random Effect @ 5%</i>		
<i>Null hypothesis</i>	<i>Statistic</i>	<i>p-value</i>
<i>Random effects</i>	<i>Chisq (χ^2)= 62.521</i>	<i>Prob > Chisq = 0.000</i>

Table 6 shows the adjusted R-squared of 0.5 indicating that over 50 percent of the systematic variations in return on assets is explained by the explanatory variables. The F-value of 16.5 is significant test at 1% level also indicates significant association between return on assets and all the board characteristics combined is significant.

Table 6: Regression Estimates of RA

<i>Explanatory Variables</i>	<i>with control for board size</i>	<i>without control for board size</i>
	<i>Random Effects</i>	<i>Random Effects</i>
<i>Constant</i>	<i>-0.59*</i>	<i>1.65*</i>
<i>BS</i>	<i>-</i>	<i>0.27*</i>
<i>DE</i>	<i>0.47*</i>	<i>0.43*</i>
<i>BC</i>	<i>0.38**</i>	<i>0.29*</i>
<i>Lagged Regressand</i>	<i>0.93**</i>	<i>0.35*</i>
<i>R²</i>	<i>0.56</i>	<i>0.57</i>
<i>Adj. R²</i>	<i>0.50</i>	<i>0.52</i>
<i>F</i>	<i>16.5</i>	<i>121.5</i>
<i>Constant</i>	<i>-0.59*</i>	<i>1.65*</i>

Table 7 shows an unadjusted R-squared of 59 percent and hence does not suggest any weakness in the estimates since pooled data is being used for analysis. The F value of 12.46 shows a high overall model significance.

Table 7: Regression Estimates of RE

Explanatory Variable	with control for board size	without control for board size
	Random Effects	Random Effects
Constant	0.33*	3.96**
BS	-	-0.12*
DE	-0.97**	-0.14*
BC	-0.25***	-0.51*
Lagged Regressand	0.13***	0.01*
R ²	0.59	0.47
Adj. R ²	0.35	0.36
F	12.46	32.5

Conclusion

This study used panel regression method to evaluate effects of corporate management on banks' return in Nigeria. The empirics demonstrated a significant relationship between return on assets and board characteristics. In effect, our null hypotheses is rejected. Hence, effects of size of board, board composition and directors' equity interest on RA is positive and significant.

Nevertheless, all board characteristic all shows significant but negative association with RE. Hence our null hypotheses is accepted. We consequently recommend need for the CBN to ensure mandatory acquiescence with program of board characteristic by developing an operationally legitimate structure that stipulates moralities and commitments of a bank and its board of executives and stockholders.

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STABILITY OF THE FINANCIAL BALANCE OF THE COMPANY BASED ON FINANCIAL ANALYSIS OF THE CASH FLOW

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Abstract: *The research made in this article is topical because the cash flow determines the viable activity of the entity. In this article, the authors investigate how to establish a financial balance based on the correlation between real and financial flows as a result of capital movements. The concept of cash flow is investigated, since cash is the most liquid asset of the entity, ensuring its activity continuously. The financial situation of the entity is analyzed on the basis of a system of financial indicators that underpin the financial manager's optimal decisions. The research topic is actual and necessary for any entity, ensuring a viable mechanism for profitable operation.*

Keywords: *cash flow, operational activity, financial balance, budget receipts and payments, budget balance.*

JEL Classification: *B21, B26, H69.*

**„The cash flow is the blood which irrigates the economic system
and the measurement of the value”
(P.A. Samuelson)**

1. Introduction

Money is the greatest discovery of humanity, coming after the discovery of the alphabet. Human ingenuity is the basis for the emergence of money. Money was the most important factor in the development of economic relations between people, states and continents.

Rightly, money is considered to be the blood that irrigates the economy, just as important is the cash flow for the entity's economic activity. Cash emerges as a result of numerous mutations due to endogenous and exogenous factors in the movement of goods and services, and money is instrumental in linking the process of these complicated exchange relationships.

Without the existence of economic relations between entities and even within each one, it is impossible to create cash flow.

In the literature, there are different views on the notion of cash. Thus, it is considered that cash represents, together with capital and specialization, the third major aspect of modern economic life. The cash flow is the blood that irrigates the economic system and the measure of the value (Samuelson, 1953).

The terms of cash flow, net cash flow and treasury flow are associated with the cash flow. The concept of cash flow is the difference between the receipts and withdrawals (payments) made by an entity over a period of time (day, month, quarter, semester, year).

Cash flows can arise from various activities of the entity, namely:

- Operational activities;
- Investment activities;
- Financial activities.

The basic activity of a producing entity is the operational activity. The cash flow from operating activity consists of current sales of products and services to customers, as well as recovering the value of previous sales on commercial credits, as well as flows of

payments to suppliers of goods, materials and services, salary payments, payments related to tax obligations to the budget.

The contents of the *treasury* can be analyzed from two points of view, namely:

1. Organizationally, as a department of the financial direction, with tasks and duties, has specialized personnel and operates according to established rules;

2. Structural, depending on the patrimonial elements, its components. From this point of view, the treasury can be defined as a set of available funds in current and / or home bank accounts.

The main objective of the entity's treasury is to permanently optimize the relationship between cash receipts and payments, ensuring the financial balance of the entity so that it can achieve its objective of activity in a rational and efficient manner. The construction of the treasury budget finally gets the following form presented in the table below (Table no. 1).

Table no.1. Forecasts of receipts and payments

PHASES	SYMBOL	OPERATIONS
1. Forecast of receipts and payments	A	Cash balance at the beginning of the reporting period
	B	(+) Receipts from operational activity: • Income from sales; • Other receipts.
	C	(-) Payments for operational activity: • Payments for purchased stocks and services; • Payments to employees and social and medical insurance bodies; • Interest paid; • Payment of income tax; • Other payments
	D	Net cash flow from operating activity D= B - C
	E	Receipts from investment activity • Proceeds from the sale of fixed assets; • Interest received; • Dividends received; • Other receipts.
	F	Payments for investment activity • Payments related to fixed asset entries • Other payments.
	G	Net cash flow from investment activity G= E - F
	H	Receipts from financial activity: • Receipts in the form of credits and loans; • Receipts from capital operations; • Other receipts.
	I	Payments for financial activity • Payments related to repayment of loans and loans; • Dividends paid; • Other payments.
	J	Net cash flow from financial activity J = H - I
	K	Net flow from economic and financial activity K= D +G+J

	L	Exceptional receipts Exchange rate fluctuations favorable (unfavorable)
	M	Total net cash flow $M = K + (-) L$
	N	<i>Exchange rate fluctuations favorable (unfavorable)</i>
2. Determination of the cash balance at the end of the reporting period	O	Cash balance at the end of the reporting period $O = A + (-) M + (-)$

Source: developed on the basis of the CNS "Presentation of Financial Statements"

After performing the revenue and payments forecasting operation, the two categories of flows are compared. Consequently, there is either a deficit or a cash surplus. Treasury surplus is the cash surplus resulting from the comparison of earnings with payments. The situation in which the payments are scheduled to take place over a certain period is higher than the projected earnings for that period, and the enterprise is experiencing a cash deficit that is threatening its financial steady state.

It is very important that the difference between receipts and payments is positive and high enough to cover the differences in operational, financial and investment activities.

In connection with this, it is to be noted that each commercial entity must draw up its revenue and payments budget in order to maintain its financial equilibrium.

The budget balance may be positive; this is a good financial condition of the entity. A negative budget balance demonstrates a state of financial resources shortage, which must be resolved by the entity. A budget balance of zero demonstrates a financial balance of the entity, that is, the receipts are equal to the payments.

But it is worth mentioning that the entity's cash is constantly moving, and it can very rarely happen that the inputs synchronize with the outputs (payments), that is, equality between them. This situation may be short-term.

Therefore, it is necessary to continuously perform the cash flow analysis and, based on these analyzes, the entity develops a sustainable medium- and long-term financial strategy.

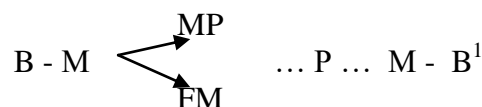
2. Cash Flow Analysis

An important component of the analysis of the financial and patrimonial situation is the research of the availability flow, since in the economic practice, it is considered that any activity has to "emit money" (to generate income), to result in a surplus of capital compared to the one invested in business.

A business entity may be profitable, but not solvent, due to a lack of liquidity due to the gap between earnings and payments made within the financial cycle.

We will try to define the financial cycle, which is a succession of financial phenomena, which is carried out in the evolution of a money-moving process, returning to the original position but with an increased value.

As a classic example, Karl Marx's (1945) money-to-capital conversion formula can serve us:



The financial money cycle, passing through coherent phases and shapes, returns to the original form of money, but has a higher value, by generating profits.

In the last 30 years, Western developed countries consider that the cash flow situation is one of the main financial statements of each entity. In the Republic of Moldova in 1998, the Cash Flow Report was implemented along with the reforms of the budgetary and accounting system. At present, the cash flow statement is prepared and presented in accordance with IAS; Presentation of financial statements, by type of activity.

The motivation for the entity to keep cash permanently is due to causes and circumstances, including:

- Ensuring current activity: paying suppliers, paying salaries, paying dividends, paying interest, paying taxes etc.;
- In order to be able to benefit from favorable circumstances: rebates granted by suppliers, cheap goods and services, profitable investments etc.;
- To make unforeseen payments: the appearance of additional orders;
- In order to have access to certain facilities granted by banks and to benefit from good scores if the entity wishes to contract bank loans;
- For caution, given the unpredictable nature of cash inflows and outflows.

Financially stable enterprises tend to form precautionary balances in the form of highly liquid and low-risk securities.

Large, dynamic entities prefer to hold liquid assets, easily negotiable than cash in the house or in the account. However, the determination of the minimum cash balance which, on the one hand, would ensure the ability of entities to pay in the event of irregularities in the revenue scheme or would make it possible to make unforeseen payments (the emergence of profitable investments), on the other hand, is a practice both in developed economies and in those in transition.

The amount of the optimal cash balance that an enterprise must own and which would minimize the losses incurred when the enterprise is experiencing cash shortages can be determined by applying the following models: Baumol and Miller-Orr.

The Baumol model (Baumol and Tobin, 1989) was developed in 1952, and balances the opportunity cost of the amount of earnings that would have been obtained if cash was invested in short-term securities with transaction costs stemming from either investment in cash in placement securities, or the sale of securities to take possession of the cash needed to operate the business. Determining the optimal cash balance begins with identifying the cost that businesses incur when acquiring cash and which may be related to obtaining a loan or making the securities.

This model balances the opportunity cost that arises as a result of having cash with the transaction cost incurred when paying out the funds.

The Miller-Orr model (Miller and Orr, 1966) was developed in 1966. The hypothesis behind this model is that the enterprise makes cash orders when the cash level is zero. In the model, the question arises: "How should an enterprise manage its cash resources so that its daily cash balances are known?". That is to say, once with the optimum cash balance and its constant consumption, day by day, up to exhaustion, immediate rebuilding of the optimal balance, and so on. In reality, the daily cash-flow variations cannot be predicted, which are characterized by a random variability measurable by dispersion. The Miller-Orr model assumes that the average of daily cash flow variations is considered to be zero and their dispersion is positive and of finite size.

Practically, the Miller-Orr model aims to find the upper limit of cash changeover and to capitalize on excess liquidity. In determining it, it starts from a lower limit, preset to zero or slightly above zero, and from the normal range to the upper limit.

Validity tests of the model yielded good results, but only for unpredictable receipts and payments (sales, supplies, etc.). Payments are of a well-defined nature both in terms of

volume and maturity: salaries, taxes, etc. For these, as for the earnings, the forecast is out of the Miller-Orr model.

The analysis of the patrimonial and financial situation pursues the purpose of making information clear and understood by all interested users.

Financial analysis establishes the strengths and vulnerabilities of financial management, based on certain rules and criteria, explains the reasons for unsatisfactory results and proposes measures to improve them.

Table no. 2. Structural analysis of the cash flow in terms of receipts and payments

Cash flows	2014		2015		2016		Deviations			
	Amount, lei	Share, %	Amount, lei	Share, %	Amount, lei	Share, %	2015/2014		2016/2015	
							Amount, lei	Share, %	Amount, lei	Share, %
Balance at the beginning of the period	38800	X	54122	X	72509	X	X	X	X	X
Cash receipts	6575504	100	7676214	100	8312176	100	1100710	X	635962	X
1. Cash receipts from sales	5741782	87.32	7060599	91.98	7592959	91.35	1318817	4.66	532360	-0.63
2. Other operating receipts	7499	0.11	107227	1.40	18223	0.22	99728	1.28	-8900	-1.18
4. Receipts in the form of credits	721077	10.97	508269	6.62	712990	8.58	-212808	-4.34	204721	1.96
5. Favorable exchange rate differences	10546	0,16	119	0.00	-11996	-0.15	-10427	-0.16	-12115	-0.15
6. Proceeds from the issue of own shares	94600	1.44	0	0	0	0	-94600	-1.44	0	0
Money payments	6560182	100	7682890	100	8256091	100	1122708	X	582201	X
1. Payments to suppliers	5442357	82.96	6822613	88.80	6928447	83.92	1380256	5.84	105834	-4.98
2. Payments to employees	97266	1.48	81516	1.06	142923	1.73	-15750	-0.42	61407	0.67
3. Payments on credits and loans	935792	14.26	710287	9.25	837351	10.14	-225505	-5.02	127064	0.89
5. Other operational payments	52857	0.81	40438	0.53	324485	3.93	-12419	-0.28	284047	3.4
6. Payment of interest	31910	0.49	28036	0.36	22885	0.28	-3874	-0.12	-5151	-0.08
Balance at the end of the period	54122	X	47446	X	122772	X	-6676	X	75326	X

Source: Calculations based on the Cash Flow Statement of the analyzed enterprise

Analyzing the receipts and payments in the table above, it can be concluded that the main share of the receipts is the sales receipts and the share of payments - the payments of the suppliers. In dynamics, there is a tendency to increase cash receipts.

The increased cash balance may lead to an additional production order; the granting of commercial rebates for the immediate payment of the goods, while the increased cash balance may bear the costs in the form of interest that would have been won if the funds were not blocked in the current account.

The small cash balance can avoid the opportunity cost associated with blocking cash and at the same time the cost of ordering (decision-making, brokerage, functional); increase in expenses related to the sale of securities; costs incurred in contracting a loan.

The development of the enterprise is related to ensuring financial equilibrium, which is a constituent part of the economic equilibrium expressed in value. Financial equilibrium expresses the equality and correlation between the need for financial resources and the possibilities of collecting these resources.

A tool for measuring financial equilibrium is represented by the working capital. Determining a minimum necessary working capital is a fundamental decision of financial policy, since it defines the conditions of global equilibrium and, consequently, the degree of autonomy of the enterprise.

The working capital represents the difference between permanent capital and fixed assets. The higher is the working capital the higher is the liquidity level, so it is a synthetic indicator of liquidity analysis, expressing a minimum funding.

Table no. 3. Financial Balance Analysis, lei

Indicators	2014	2015	2016	Deviations (+,-)		
				2015/2014	2016/2014	2016/2015
Net working capital	496980	254081	283456	-242899	-213524	29375
Own working capital	233902	233717	257962	-185	24060	24245
Foreign working capital	263078	20364	25494	-242714	-237584	5130
Gross working capital	787789	614487	435648	-173302	-352141	-178839

Source: Calculations based on the enterprise's Balance Sheet for the years 2014-2016.

With regard to net working capital, it is positive in all three periods, which shows us that the company has autonomy in terms of financing investments in current assets, as the equity itself fully covers the current assets.

The foreign working capital has a positive value in all periods, which shows that the company is out of the financial stability period, showing a growth trend.

The liquidity ratios of this enterprise will be analyzed below. Liquidity means the ability of an enterprise to convert its assets into cash and the degree of liquidity characterizes the ability of the enterprise to pay. The extent to which an enterprise can cope with short-term debt is called solvency, which is measured through liquidity rates.

Quick liquidity rate

The quick liquidity rate allows us to judge the debtors' ability to instantly repay, taking into account existing availability. This indicator shall be calculated according to the formula:

$$L_I = \text{Cash} / \text{Current Debt}$$

In the literature, it is estimated that a value of 0.2 - 0.3 would express the rationality of a well managed company. It is noted that this indicator in both years of management does not fall within the level set out above, but it is gratifying that the enterprise has receivables that can easily be converted into cash in accordance with the terms of payment of the bonds.

Relative liquidity rate

The relative liquidity ratio highlights the company's ability to pay its due debts without being forced to sell its stocks.

$$L_R = \text{Cash} + \text{Current Debt} / \text{Liabilities}$$

The level of this indicator should be lower than 1, but the realistic appreciation also requires a careful analysis of the achievable value in the short run, since it substantially contributes to the commercial credit policy promoted by the enterprise and to the financial standing of its clients. Incentives are the results obtained with this indicator during the 2014 and 2015 management periods.

Current liquidity rate

The current liquidity ratio reveals the company's ability to transform its current property assets into cash in the short run to make outstanding payments.

$$LR = \text{Current Assets} / \text{Current Liabilities}$$

The indicator highlights the importance and quality of the assets owned by the enterprise at a time when it can appeal when it is required to pay back the debts contracted in the short term. The level of this indicator must be greater than one. Worldwide practice considers that the minimum value of this indicator should be 1 and the values between 1.2 and 1.8 indicate a favorable financial situation that gives confidence to creditors.

Table no. 4. Presentation of liquidity indicators

Indicators	2014	2015	2016	Deviation			Norm
				2015/2014	2016/2014	2016/2015	
Quick liquidity rate	0.13	0.15	0.31	0.02	0.18	0.16	0.2-0.3
Relative liquidity	2.71	1.70	2.85	-1.00	0.14	1.14	< 1
Current liquidity ratio	2.71	1.70	2.86	-1.00	0.15	1.16	1.2-1.8

Source: Calculations based on the enterprise's Balance Sheet for the years 2014-2016

For the analyzed enterprise, the relative liquidity is higher than the permissible limit.

In order to avoid undesirable situations, it is necessary for the company to have an optimal level of money to avoid the financial jam, insolvency, bankruptcy. Worldwide practice has shown that the existence of 1 to 1.5% of the total assets in the company is sufficient to ensure immediate payments.

3. Conclusions and recommendations

Cash flow represents the difference between entries (receipts) and outflows (payments) made by an entity over a period of time (day, month, quarter, semester, year).

The main objective of the entity's treasury is to permanently optimize the relationship between cash receipts and payments that is to ensure the financial equilibrium of the entity so that it can achieve, under rational and efficient conditions, the strategic objective of economic development.

Achieving the financial balance by the enterprise is a fundamental goal, but to achieve it, the enterprise must have a firm position in the market, and customers must be chosen on the basis of certain criteria: responsibility, honesty and sustainability in relationships.

In the case of obtaining cash above the admissible norms, the financing manager must immediately invest these means, avoiding the freezing of capital. Capital must always be on the move, generating income.

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