



FACULTY OF FINANCE - ACCOUNTING

**THE JOURNAL
CONTEMPORARY ECONOMY**

Volume 3, Issue 2/2018

**REVISTA ECONOMIA
CONTEMPORANĂ**

Vol. 3, Nr. 2/2018

**”Independența Economică” Publishing
2018**

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The Journal is printed under the patronage of
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Pitești, Calea Bascovului no. 2A, Argeș County, Romania
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The Journal is currently indexing in the following international databases:
EconPapers (RePEc), IDEAS, BASE, SCPIO, OAJI, ResearchBib.

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STUDY REGARDING THE ASSESSMENT OF THE POSITION AND FINANCIAL PERFORMANCE OF THE COMPANIES THROUGH THE CAPITAL MARKET INDICATORS

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Abstract: *Evaluating the financial performance of a company it's important in taking the investment decision, by choosing correctly the financial titles in which it is intended to invest and the appropriate time to enter on the capital market in order to purchase the financial titles. The insecurity of the investors from the capital market, regarding the companies ability to adapt to the new conditions imposed by the economic and financial crisis, corroborated with the reduction of the activity of some of these companies, led especially from 2008 to 2014 to the depreciation of the financial performance appreciated from the point of view of stock market indicators, at the level of the Romanian capital market and of the manufacturing industry. Although in the last two years included in the research, the evolution of the indicators suggests that we are witnessing at an improvement in the financial performance of the companies from the manufacturing industry, its level is not the same as in the years before the beginning of the economic and financial crisis.*

Keywords: *financial performance, stock market indicators, Price Earnings Ratio, Price to book value, Dividend Yield, Turnover Velocity.*

JEL Classification: C10.

1. Introduction

Evaluating the financial performance is extremely important in order to perform an efficient management of the company and is imperative for making decisions that will make it possible to achieve appropriate economic results.

The topic discussed in this research is more relevant if we consider the evolution of the global economic and financial crisis, which has helped managers to become aware of the need to pay special attention in determining the companies financial performance.

Evaluating the titles financial performance is based on the capital market indicators. By determining those indicators it is possible to estimate the titles intrinsic value, and the theoretical course to be taken into account by investors when assessing the current market value of the financial assets.

2. Literature review

The stock exchange indicators of estimating the position and the financial performance of the economic entities listed on the Bucharest Stock Exchange

2.1. Price Earnings Ratio (PER)

It is the most popular exchange rate. From the point of view of Frederic S. Mishkin and Stanley G. Eakins, the Price earnings ratio (PER) highlights the price that the capital market is willing to offer for 1 \$ from a company's net profit per share (Mishkin and Eakins, 2012). A Price Earnings Ratio higher than the average of the industry, is seen in a positive way by investors, which suppose that a further increase in the net profit per share will happen and implicitly a decrease in the value of the Price earnings ratio.

From the point of view of Ivo Welch, the Price earnings ratio is higher at the companies with an important future economic growth (Welch, 2009).

Price Earnings Ratio can be determined with the following calculation model (Hillier et al., 2014):

$$\text{PER} = \frac{\text{The title's market price}}{\text{EPS}} \quad (1.)$$

In which,

$$\text{EPS} = \frac{\text{Net profit}}{\text{Number of shares}} \quad (2.)$$

Although according to the researchers in the field, the shares of the companies with a Price Earnings Ratio that has a value of over 20 are considered to be overvalued and those with a value below 10 should be part of the portfolio of investors being considered undervalued, many cases have been noted, in which between the level of this indicator and the one of the future growth of the company, there is a positive relationship.

2.2. Price to book value (PBV)

Price to book value highlights the investors perception regarding a company's future profitability. In general, the performant companies have a high level of this indicator, and the low-performing ones have a low level.

This market rate shows how much from a title's book value can be covered based on his price (Brezeanu, 2003). The indicator can be determined by applying the following formula (Gitman and Zutter, 2012):

$$\text{PBV} = \frac{\text{The title's market price}}{\text{The title's book value}} \quad (3.)$$

In which,

$$\text{The title's book value} = \frac{\text{Equity}}{\text{Total number of shares}} \quad (4.)$$

2.3. The Dividend Yield (DIVY)

It is determined as ratio between the dividend per share (Div) and the market price of the share (Cb) (Stancu, 2007).

$$\text{DIVY} = \frac{\text{Div}}{\text{Cb}} \quad (5.)$$

The dividend represents for the shareholder an income obtained from their investment and is determined as ratio between the net profit attributed to the shareholders and the total number of issued shares (<http://www.romcapital.ro/>). In general, the companies who offer higher dividends to shareholders, do not manage to achieve an increase in the price of their shares, due to the fact that giving the money to shareholders reduces the funds allocated for investments (Fernandez, 2004).

Numerous empirical studies demonstrate that the dividend yield indicator has an important prediction capacity regarding the titles rentability (Fama and French, 1988, 1989, 1993; Hodrick, 1992; Pontiff and Schall, 1998; Vuolteenaho, 2000, 2002; Ali et al., 2003a). In Peters J. opinion, over a longer period of time, an increase of the dividend will result in an increase in the share's value and implicitly in its profitability (Peters, J., CFA, Supplement to Morningstar Dividend Investor). Instead, other researchers are skeptical about the fact that obtaining high returns of the dividends would lead to higher returns (You, Lin and Hsiao, 2010). The Dividend yield gives to the investors the opportunity to determine the returns that they will obtain and to find out if there are more advantageous investment options (Rutterford, 2004).

2.4. Turnover Velocity / TV

This indicator highlights the titles's liquidity (BVB Monthly Bulletin, December 2014, <http://www.bvb.ro/info/Rapoarte/Lunare/Decembrie2014.pdf>) and it can be determined as ratio between the traded value and the market capitalization.

The value of the transactions performed at the Bucharest Stock Exchange halved in the years after the crisis, compared to their value in 2007. This is not due to the decrease in the number of transactions made on the stock exchange (as the number of listed companies increased in recent years) but rather to the decrease in the share price of listed companies.

Therefore, the liquidity of the Bucharest Stock Exchange did not reduced with the emergence of the crisis, the Romanian capital market still being attractive for the investors, due to the shares low prices (Geambașu and Stancu, 2010).

3. Study regarding the assesment of the position and financial performance of the companies from the manufacturing industry in Romania, listed on the Bucharest Stock Exchange

The main objective of this study is to evaluate the position and the financial performance from the perspective of the evolution of the capital market indicators at the companies from the manufacturing industry in România, as well as at the level of all Romanian companies listed on the Bucharest Stock Exchange, at premium and standard categories, during the period of time 2007-2016. In achieving this main objective, the following secondary objectives were considered:

O₁: Carrying out a comparative study regarding the performance of the companies from the manufacturing industry in Romania and the average annual performance of Romanian companies listed on the Bucharest Stock Exchange, at the premium and standard categories, through the capital market indicators: PER, PBV, DIVY.

O₂: The classification of the companies belonging to the manufacturing industry in Romania included in the research, according to the level of the indicators, compared to the average annual values of the indicators obtained by the companies from Romania, listed at premium and standard categories;

O₃: A comparative study between the Dividend yield (DIVY) at the level of the companies from the manufacturing industry in Romania and on the capital market and between the bank interest average annual rate;

O₄: Building a score model in order to estimate the position and the financial performance of the companies from the manufacturing industry, based on the capital market indicators.

The research starts from the hypothesis that the 35 companies belonging to the manufacturing industry in Romania, listed on the Bucharest Stock Exchange, at the premium and the standard categories, have faced in the period 2007-2016 with a decrease in the financial performance appreciated from the perspective of the capital market indicators.

The needed data for this research was taken from the reports published on the Bucharest Stock Exchange website (www.bvb.ro), as well as from the financial statements found on the websites of the 35 studied companies, belonging to the manufacturing industry in Romania, listed on the Bucharest Stock Exchange, at the premium and standard categories. In order to process the data and obtain the results, the econometric software EViews and the statistical and mathematical Excel software were used.

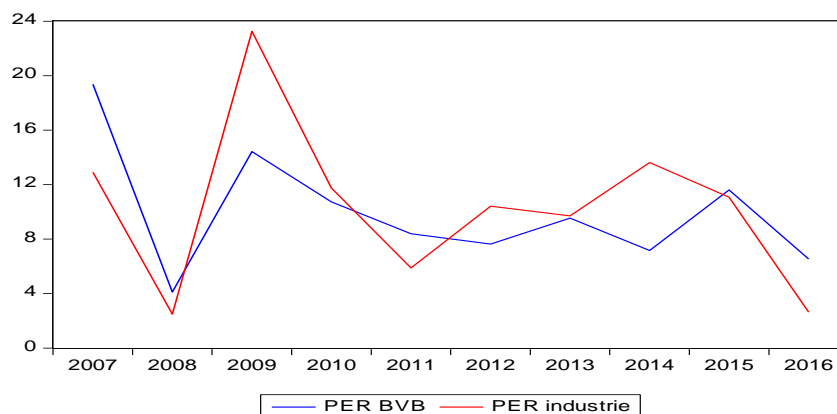


Figure no. 1. PER's evolution on the capital market and on the manufacturing industry (RON), 2007-2016

Source: Authors own processing, based on the data taken from the companies annual financial statements, available on www.bvb.ro

With the beginning of the economic and financial crisis in 2008, the value of the PER indicator is decreasing compared to 2007. Since 2009, its value has been rising, but it didn't reached until the end of the studied period of time, the level reached before the crisis.

The structure of the companies from the manufacturing industry, according with the PER's value, compared with its value at the level of the capital market, is presented in the Figure no. 2.

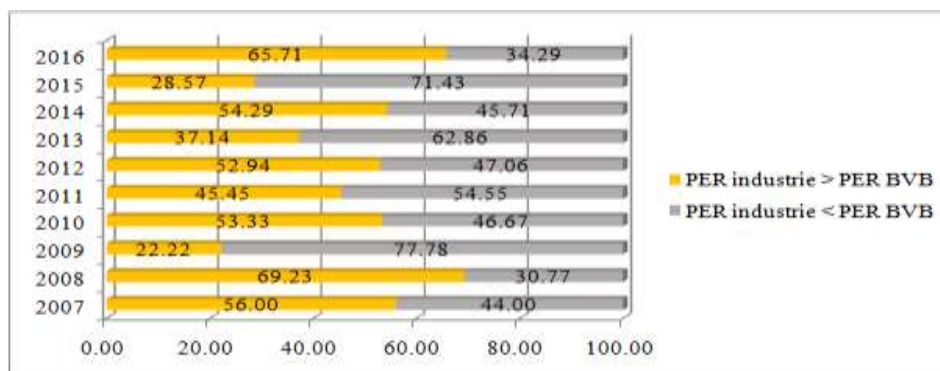


Figure no. 2. The structure of the companies from the manufacturing industry with a value of the PER indicator higher/lower than the value of the PER indicator registered on the capital market during the period of time 2007-2016 (%)

Source: Authors own processing, based on the data taken from the companies annual financial statements, available on www.bvb.ro

During 2007 and 2008, 56% and 69% from the companies from the manufacturing industry from Romania obtained a higher level of the PER indicator, compared to the one registered at the Bucharest Stock Exchange. This situation was mainly determined by the decrease of the PER indicator on the capital market with 70% in 2008 compared to 2007. In the following years, the average of the companies with a higher PER than the one registered at the Bucharest Stock Exchange was oscillating, having values between 22.22% and 65.71%.

The evolution of the Price to book value (PBV) indicator, on the Bucharest Stock Exchange, as well as on the manufacturing industry from Romania is presented in the Figure no. 3.

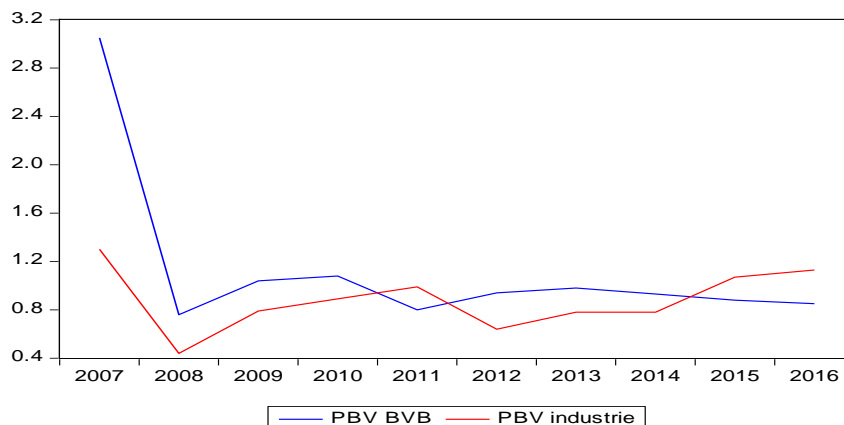


Figure no. 3. The PBV's evolution at the Bucharest Stock Exchange as well as at the manufacturing industry, during 2007-2016 (RON)

Source: Authors own processing, based on the data taken from the companies annual financial statements, available on www.bvb.ro

During the period of time 2007 - 2010, the PBV indicator follows the same trend at the level of the capital market, as well as at the level of the manufacturing industry. On the capital market as well as in the manufacturing industry, the PBV values decreased a lot beginning with the financial crisis, not reaching even in 2016 the value recorded before the crisis.

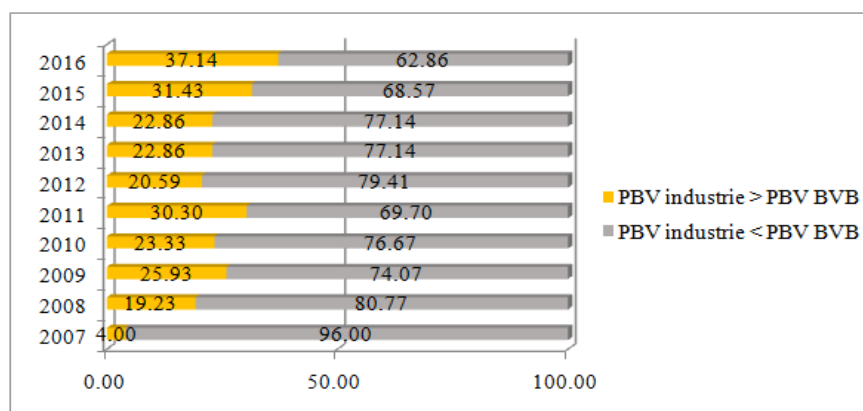


Figure no. 4. The structure of the companies from the manufacturing industry with a PBV indicator higher/lower than the PBV indicator from the capital market during 2007-2016 (%)

Source: Authors own processing, based on the data taken from the companies annual financial statements, available on www.bvb.ro

It can be noticed that in 2007, only 4% from the companies from the manufacturing industry obtained a PBV indicator higher than the one obtained on the capital market. In 2008, the companies weight increased significantly, reaching 19.23%. This evolution was determined by the beginning of the financial crisis, that affected the indicator's value at the level of the capital market, resulting in his reduction with more than 70% compared with 2007. In the last analysed years, it can be noticed an upward trend of the companies that recorded a Price to book value higher than the one registered on the capital market (between 22.86% to 37.14%).

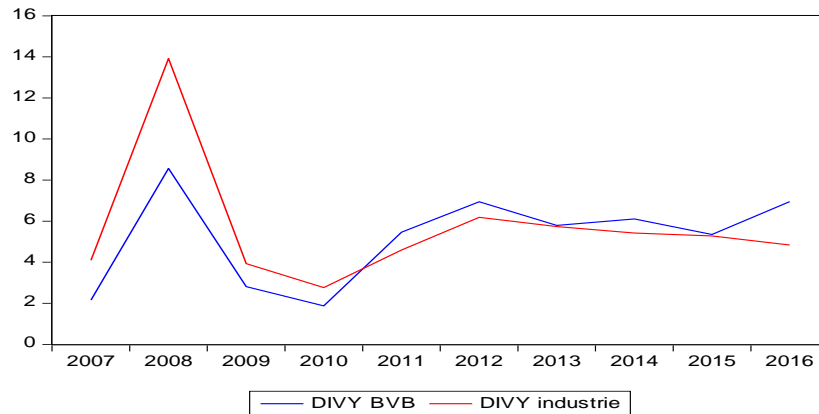


Figure no. 5. DIVY evolution on the capital market and on the manufacturing industry, during the period of time 2007-2016

Source: Authors own processing, based on the data taken from the companies annual financial statements, available on www.bvb.ro

At the level of the Bucharest Stock Exchange, as well as at the level of the manufacturing industry, the highest value of this indicator is recorded in 2008, in the following years, the value of the Dividend Yield (DIVY) decreasing significantly, reaching only ¼ from the value recorded in 2008. Since 2011, at the level of the stock market, the value of the indicator is increasing and at the level of the manufacturing industry, the Dividend yield has a decreasing trend.

The structure of the companies from the manufacturing industry, depending on the values recorded by the DIVY compared with the value of this indicator recorded at the level of all the companies listed on the Bucharest Stock Exchange, is highlighted in the Figure no. 6.

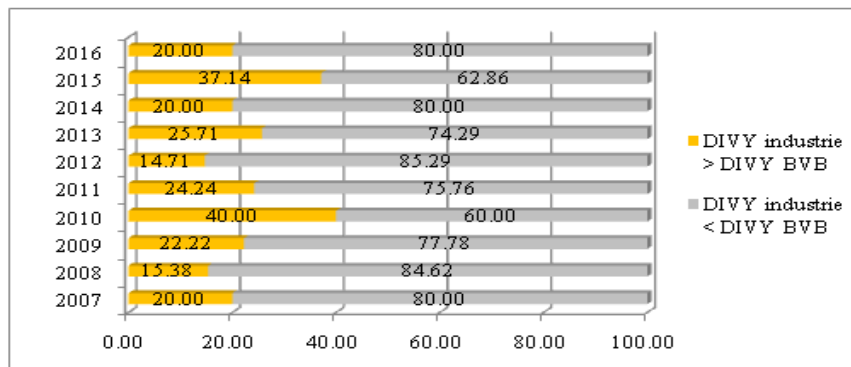


Figure no. 6. The structure of the companies from the manufacturing industry with a DIVY higher/lower than the DIVY from the capital market during 2007-2016 (%)

Source: Authors own processing, based on the data taken from the companies annual financial statements, available on www.bvb.ro

Over the entire period of time 2007-2016, between 60% and 85.29% of the companies belonging to the manufacturing industry, registered a DIVY lower than the one recorded on the stock market.

In the Figure no. 7, it is highlighted a comparison between the evolution of the Dividend yield on the capital market and at the companies from the manufacturing

industry, and the evolution of the bank interest rate applied by the commercial banks from Romania to the RON deposits.

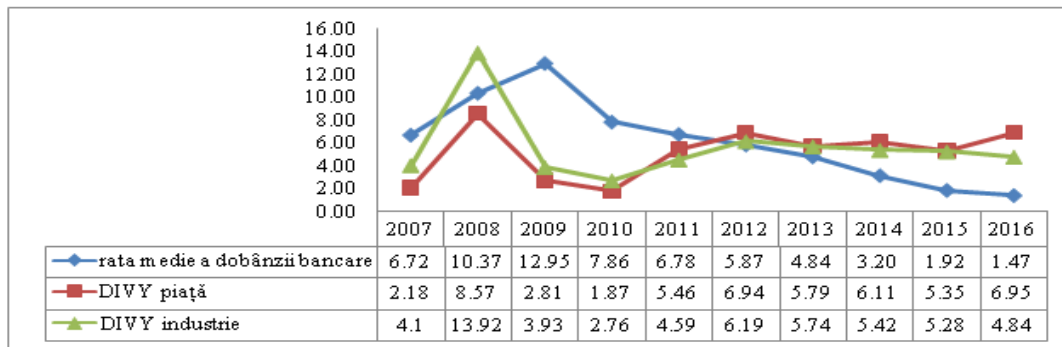


Figure no. 7. The DIVY evolution on the manufacturing industry and on the capital market, compared with the bank interest rate (%)

Source: Authors own processing, based on the data taken from www.bnr.ro and from the companies annual financial statements, available on www.bvb.ro

Starting from 2007 and until 2010, the Dividend yield of the companies from the manufacturing industry, is higher than the Dividend yield from the capital market, and in 2008 is also higher than the banks interest rate. Therefore, we can notice that in 2008, the investments in the companies from the manufacturing industry were more profitable than the ones from the money market. From 2009 to 2011, the effects of the economic and financial crisis on the capital market are visible, the investments on the money market being more profitable. Due to the fact that the investors' confidence in the capital market increased starting with 2012, until the end of the researched period of time, the capital market investments in the companies listed on the Bucharest Stock Exchange and in the companies from the manufacturing industry, brought a higher gain than the one obtained from the money market placements.

We also build a score model in order to evaluate the the financial performance of the companies from the manufacturing industry listed on the Bucharest Stock Exchange, depending on the values of the capital market indicators. As consequence, the companies from the manufacturing industry whose Price earnings ratio (PER) was higher than the annual average of the Price earnings ratio from the capital market, received 1 point and 0 points in the opposite situation. The same in the case of the indicators: Price to book value (PBV), Dividend Yield (DIVY) and Turnover Velocity (TV). The average annual scores of the indicators can be determined as below:

$$\text{Annual average score for PER} = \frac{\sum \text{PER score for "i" company}}{n}$$

$$\text{Annual average score for PBV} = \frac{\sum \text{PBV score for "i" company}}{n}$$

$$\text{Annual average score for DIVY} = \frac{\sum \text{DIVY score for "i" company}}{n}$$

$$\text{Annual average score for TV} = \frac{\sum \text{TV score for "i" company}}{n}$$

where “n” is the number of the companies from the manufacturing industry

The overall annual performance score was determined according to the model below:

$$\text{Score}_g = \frac{\text{PERScore} + \text{PBVScore} + \text{DIVYScore} + \text{TVScore}}{4}$$

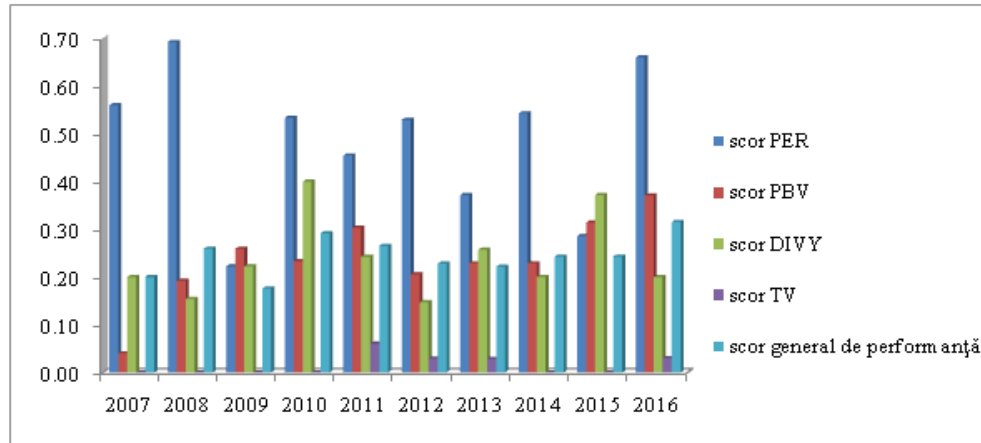


Figure no. 8. The evolution of the score of the capital market indicators and of the general performance score (2007-2016)

Source: Authors own processing, based on the data taken from the companies annual financial statements, available on www.bvb.ro

It can be noticed that the average annual score of the Price earnings ratio (PER) recorded the highest values over the whole studied period of time, compared to the other performance indicators. A score of 0.5 corresponds to a medium performance. Most of the companies from the manufacturing industry in Romania (between 84.85% and 100%) recorded during the period 2007-2016, an annual average of the general performance score lower than 0.5, meaning a relatively low financial performance.

4. Conclusions

The unfavorable macroeconomic conjuncture caused by the emergence of the economic and financial global crisis has significantly influenced the companies financial performance at the level of the Romanian capital market as well as at the level of the manufacturing industry.

In our empirical study, it was showed that the values of the Price earnings ratio (PER) and of the Price to book value (PBV) indicators significantly decreased in 2008 compared to 2007, at the level of the Bucharest Stock Exchange as well as at the level of the manufacturing industry. Although, since 2009, their value has been rising, this was largely due to the reduction of the Earnings per Share (EPS) and not to the increase of the shares market value.

At the same time, it was highlighted that in 2008, the investments in the manufacturing companies were more profitable than the ones on the money market, and from 2009 to 2011, the investments in the money market were more profitable. Starting with 2012 and until the end of the researched period of time, capital market investments, both on the stock market and on the manufacturing companies, brought investors a better rentability than money market investments.

The scoring model for assessing the financial performance according to the values of the capital market indicators, showed that most of the companies registered during 2007-2016, an annual average of the general performance score, corresponding to a relatively low financial performance.

Therefore, the study confirms the hypothesis according to which during the period 2007-2016, the manufacturing industry faced with a reduction of the financial performance appreciated from the perspective of the capital market indicators. Although in the last 2-3 years included in the research, the indicators evolution leads us to the conclusion that we are seeing a recovery of the financial performance of the companies from the

manufacturing industry, its level is lower than the one from the years before the economic and financial crisis.

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THE ROLE OF BUSINESS INCUBATORS AS INSTRUMENT MANAGEMENT IN CONTEMPORARY ECONOMY

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***Abstract:** The development of entrepreneurship in the economies of different countries is the driving force of the economic competitiveness, which ensure the innovation on the market of the product and service. In the literature there are different opinions about the role of business incubators in countries with a transition economy. This is confirmed by current economic development practice in European Union member countries. Using comparative management, the authors of this article have formed the theoretical concept on the role of incubators in society, and through mathematical instruments prove that in the contemporary economy they become important forms of entrepreneurial support at early stages of the business, being recognized as „ABC” in entrepreneurial skills training. Authors explain the special role of business incubators in creating conditions to explore the intellects of the unemployed, who were forced to invent workplaces in order to generate a multitude of the business ideas that favored their opening towards various approaches, perspectives, visions and which eventually helped them become entrepreneurs.*

***Keywords:** unemployed people, the business incubator, economic drivers, startup company, entrepreneurial skills, business efficiency, complex business environment, business cluster.*

***JEL Classification:** M1, M2.*

1. Introduction

World economy nowadays demands development of more and more businesses, but not all of them can survive and get big revenue from their activities. Recent research by world institutions have shown that first time entrepreneurs, whose business has been incubating business ideas in business incubation program, on average have a higher success rate than their competitors who are trying to increase their business and market themselves. Thus, the American Center's Startup Hub and Technology Incubator and The National Business Incubation Association (NBIA) have the mission of providing large quantity of information worldwide based on different examples of entrepreneurial education, the provision of legal assistance with examples of excellence in the process of helping small firms in the early stages of entrepreneurship. NBIA said that 87 percent of businesses that launched business in 2011 by incubating within Business Incubators (BI) continue to remain in the BI, because 9 out of 10 firms fail in the next 2-3 years, to launch into business environment. The biggest challenges businesses face today, NBIA says, is that each enterprise needs a certain type of support from a certain BI when it starts its entrepreneurial activity (NBIA, 2011).

2. The Purpose of Business Incubators

As we know, BI provides entrepreneurs with a favorable environment for the development of business projects and ideas. By delivering on-stop-services and allowing global costs to be reduced with sharing facilities, business incubators can significantly improve survival and the growth of start-ups and small start-ups at an early stage of development (NBIA, 2006).

The term "business incubator" is often used to describe a wide range of organizations that in one way or another help entrepreneurs to develop their idea from start to marketplace and launch a new business. First definition of the business incubator in the **European Union** was formulated in the workshop "Best Practices in Incubator

Infrastructure and Innovation Support" organized in 1998 by the European Commission in Helsinki. According to the definition of the European Commission, a "Business Incubator is a place where newly created businesses are concentrated in a limited space. The objective of the incubators is to increase the chances of growth and the survival time of these enterprises by providing them with modular spaces with common services (telecopiers, computers), as well as a service for the purpose of providing specific services. The focus is based on local development and job creation. Technological orientation is often left at a secondary level" (NBIA, 2006).

Another important definition for this concept is that of the National Association of Business Incubators of the USA (NBIA), according to which: "Business Incubators are a dynamic process of business development. This term covers a wide range of processes that helps to reduce the innovation failure rate in the initial phase and accelerate the development of those who have the potential to become jobs and generators for powering welfare. A business incubator is usually an area where small work units are located that provide support to entrepreneurs in the initial and middle stages of the business. Incubators offer three main elements for developing a successful business: business and environmental entrepreneurship training, access to mentors and investors, and market visibility" (Post-Privatization Foundation, 2009).

Based on the theoretical aspects of the Business incubator, the common element of these definitions, as well as others from other sources, is their purpose: *The Business Incubator is a management tool for economic development, designed to provide new business suport, oriented to achieve sustainable development, having its own internal organization and offering employment and managerial assistance, access to financial services and other important services related to technical support for business.*

The worldwide history of business incubator's development is reflected in Figure 1, where we can see the classification of business incubators.

The most recent types of incubators are the "new economy", which is based, in principle, on access to modern technology and activities related to the Internet. They are different from the traditional because their main objective is not about creating new jobs or providing physical space (Post-Privatization Foundation, 2009).

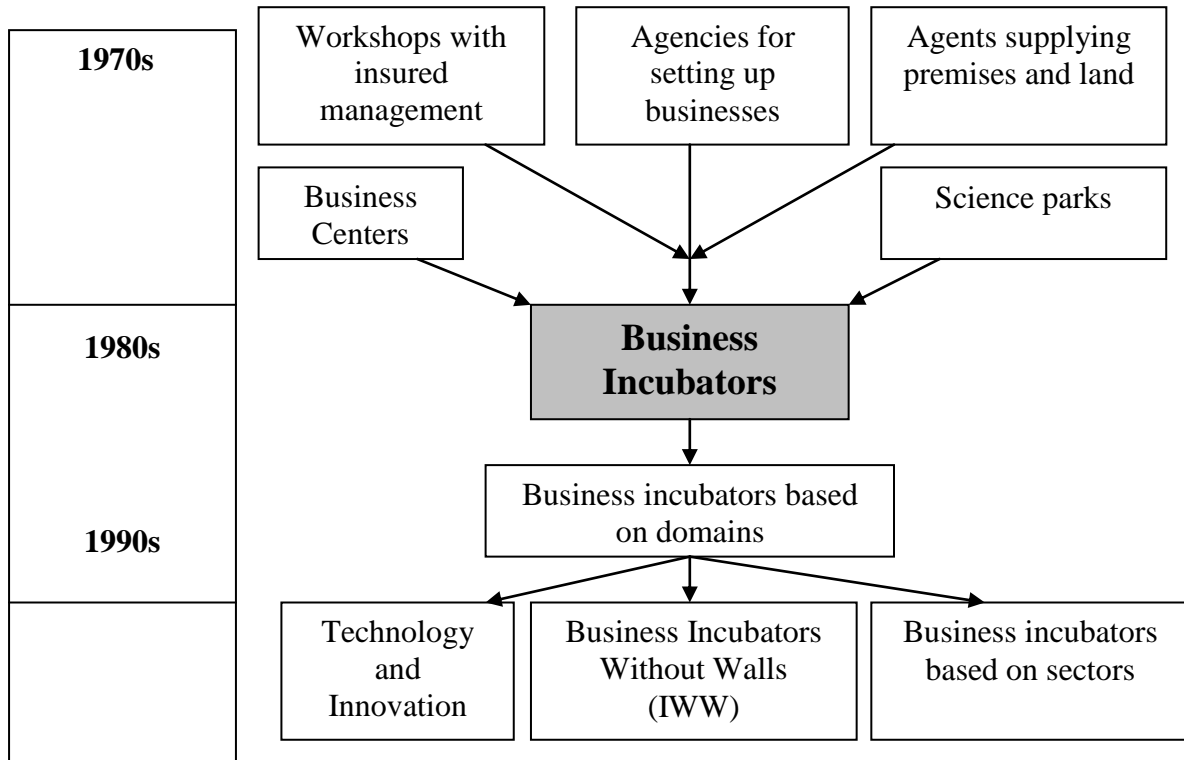


Figure no. 1. The History of Business Incubation

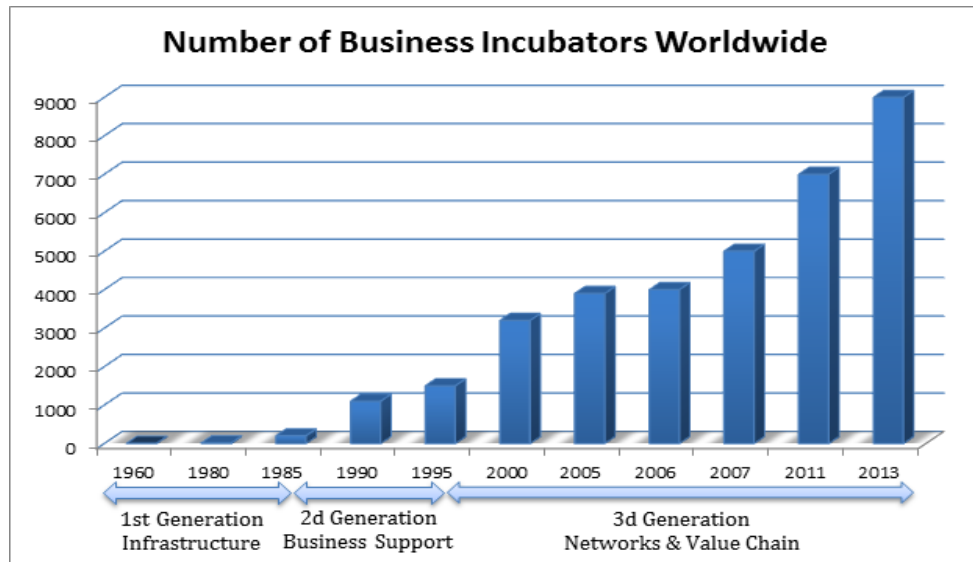
Source: Lalkaka and Bishop, 2000, pp.20-25

Traditional type of incubators aims to promote entrepreneurship and enhance innovation, increase employment, and are generally managed by local or national public authorities. Specialized technological incubators usually belong to universities, private sector organizations or partnerships between them.

3. International practices of business incubators

The concept of the BI in world is based on countries experiences that have given and continue to give permanent priority to the development of private initiative, small and medium-sized enterprises, such as Germany, USA, Great Britain, Hungary, Poland etc. In practice, business incubators have proven to be effective mechanisms for creating small and medium-sized businesses and new jobs. It has been proven that they increase the success rate of start-ups from 45% to 85%, while also having established best practices and business tests.

According to the latest statistical data, at the end of 2013 there were around 9000 incubators around the world, the number of which is growing steadily (Figure 2). In contrast, if in 2000, 3200 incubators were active, in 2007 the number grew to 5000.



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Figure no. 2. Dynamics of the number of business incubators in the world

Source: <http://worldbusinessincubation.wordpress.com>.

A significant increase in the number of BI has changed since the *first generation of business incubators*, which have provided huge affordable office space and resources for *second generation* when incubators began to provide additional business support services, such as training, coaching, mentoring and so on, until 1985. Later, the *third generation of incubators* took place with the main value of the network (Brunnel, Ratinho, Clarysse and Groen, 2012).

With reference to the above mentioned subject, we can mention the following evolution of business incubators:

- *For the first generation of incubators* it was characteristic to provide space and common facilities.
- *The second generation of incubators* is characterized by providing consulting for services, developing entrepreneurial skills, networking.
- *The new incubator model* provides the establishment of sector incubators.
- *The modern incubator becomes* a “spin-off” business generator with high added value and facilities for innovation and technology transfer, regional, national and transnational networking.
- *The future BI model provides* development and further integration of incubators in innovation policy.

Numerous investigations can not yet provide accurate information about the BI distribution worldwide. Figure no. 3 provides a rough estimate of the number of BIs in North America, Latin America, Western and Eastern Europe, Asia, Africa and the Middle East.

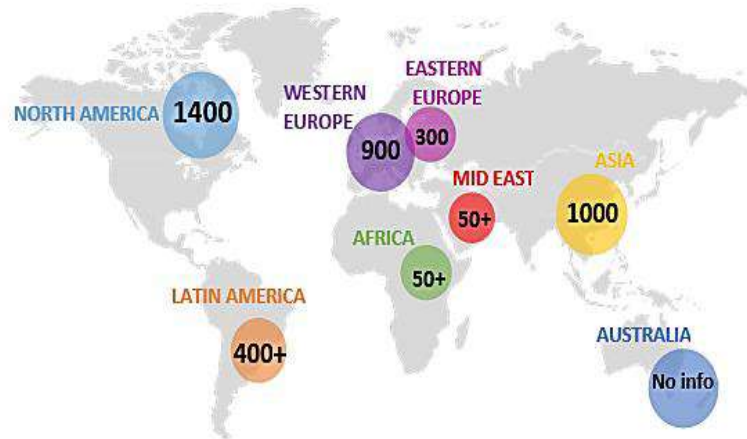


Figure no. 3. The distribution of business incubators based on geographical areas in the world

Source: NBIA, 2006.

In North America, there are over 1,400 BI, distributed as follows: 1250 incubators (NBIA, 2013) in the United States, 191 in Mexico, and 120 incubators in Canada. Most incubators are non-profit organization, affiliated with universities. Incubation programs in the US usually appear as local initiatives of economic development organizations.

The main reasons for creating these programs are creating local jobs (84%), promoting entrepreneurship (77%), selling technologies (54%), accelerating local industry growth (48%), encouraging female entrepreneurship and others (NBIA, 2006).

In Southeast Asia there are more than 1,000 BIs. There are 460 BIs in China, one of the developing countries has set the foundation for the largest incubation program. Most of China's BIs have been funded by the government, with very rare private funds being used. There are 203 business incubators in Japan, one third of which offers classical services. In the European Union, the first positions, taking into account the number of existing incubators, are occupied by Germany, France and the United Kingdom. At the end of 2013, according to the statistical data presented in (Table no. 1, BI benchmarking), the number of incubators in Germany was 300. There were 192 BI on France territory, and in the UK the BI number was 144 units.

Table no. 1. Benchmarking of Business Incubators in some parts of the world, 2013

Country	Number of business incubators	Country	Number of business incubators
Austria	63	Portugal	23
Belgium	13	Sweden	39
Denmark	7	Spain	38
France	192	Great Britain	144
Finland	26	China	460
Germany	300	Japan	203
Grecce	7	Korea	333
The Republic of Ireland	6	Taiwan	64
Italy	45	Singapore	55
Luxembourg	2	India	31
Netherlands	6	Rusia	150

Source: <http://worldbusinessincubation.wordpress.com>.

In Germany, BI started to appear in the economy much later than in other countries. The reason was that economic development policies at municipal level began to develop only in the 1980s (due to the limited influence of local authorities). However, a major restructuring of the market research industry has led Germany to become the leader of the development of the BI over the past 15 years. In Germany, the most important institution with a particular impact on business environment is the German Association of Innovation, Technology and Business Incubation Centers (ADT), which estimates that there are currently over 300 innovation centers and BIs in the country. Their objectives are as follows: supporting new companies focused on "spheres of the future" - cutting-edge technologies and services, helping the unemployed and encouraging their entrepreneurship; supporting technology transfer by promoting spin-offs and facilitating regional economic development, contributing to the growth of less developed areas. Most German BIs are nonprofit centers. To confirm all of the above, we should mention that startup companies oriented to modern technologies represents 77% of all companies in Germany's incubators (Gross, 1997).

The history of business incubators *in Russia* dates back 20 years. As in many other countries, incubators began to emerge during the global economic crisis, when institutional changes took place. The first business incubator - the Innovation Center (ITC) has been created since 1996 in Russia, working in close cooperation with universities. Their main focus was technology development and less - marketing. Currently, there are more than 150 business incubators in Russia, 58% of which are owned by the state, 32% have municipal and mixed ownership, and only 9% are private. The composition of incubators varies across regions, but on average, residents are mostly manufacturing enterprises - 74%, around 46% are incubators whose activity is based on research and development and nearly 60% - provide information technology services (Ernst & Young, 2014).

Creating business premises in terms of 2-3 years is based on the assumption that Moldova's economy is an integral system in which economic success in a field, sector or business will contribute to the improvement of other fields, sectors, businesses, supported, protected and favored by the state, which will later turn into driving forces for the rest of the forms of entrepreneurship. The vulnerable part of this hypothesis lies in the fact that, under open market conditions, the success of some national firms could stimulate the prosperity of foreign firms (Gorobievski, 2008).

Intramural connections in the country are greatly influenced by external goods and services flows. Moldova's economic system does not have an internal market capable of covering the supply of agricultural producers. Demand for consumers of industrial, pharmaceutical and other products exceeds domestic supply, and the level of domestic cooperation of domestic producers is very low. Consequently, the success of "incubators" as a form of business could be below the expected level if we do not take into account the seemingly provisional success of offering hundreds of jobs for the unemployed. The favors created by the state for some people, "beginners", can be interpreted as some implications of the state in economic competitions, the support of the "weak" and outdated moral ideas. Some of the "beginners" will please the favors of the state and turn into "eternal beginners", perhaps changing their business (Gorobievski and Cojuhari, 2011).

4. Applied methods

To avoid these risks in "incubating" business processes, there is a need for a concept through which incipient businesses can and must be sustained. This time, we will resort to a "metaphor" taken not from the "incubator", but from the way it organizes the operation of the computer. Many operations that your computer has to perform on a variety of

occasions are already scheduled, and these softwares are developed. These softwares can be categorized into: (1) - program-mode; (2) - programs-services in the processes of organizing the calculations; (3) - operational systems; (4) - computer hardware.

To use the already programmed potential, a process management mechanism from a complex, multi-hierarchical, multiconexional system called the driver (drivers) is programmed into the computer.

Driver (drivers) - has the function of acting as an interface between a particular hardware and software component. The hard drive commands come from various programs through the operating system, and the driver's role is to transmit commands to the hard drive. The better the driver is written by programmers, the better the performance and stability of the hard drive.

In computer, the problems and areas that need to be elaborated to create computational capabilities in the most diverse situations are established, which is why such a "driver" is also necessary to determine the activities to be included in the "incubator". The economic driver can not be defined, it can only be interpreted as a set of complex mechanisms that can trace the domestic demand for domestic products and many positive consequences on the level of social and economic development.

Economic drivers may have their own specific problems, but they have something in common they are aimed at solving vertical, horizontal issues related to internal market exclusivity, internal economic interconnections, multiplying indirect positive consequences on national economy, whole. Economic drivers must be productive, ensure the development of social infrastructure, logistics solutions, create a business-friendly environment, maintain a sustainable social and economic development in the territorial aspect, cross-border, interregional, inter-regional cooperation, social capital development, intellectual capacities of society (Catarniuc, Căpățînă and Maximilian, 2013).

Moldova's economic drivers must be used to solve the problems of rural areas, organize the processing of agricultural raw materials, diversify the final products created on the basis of local raw materials. Business start-ups, favored by the government, must be part of a major regional, national project. Mega projects can be developed in order to solve energy problems, rural space, population health protection, diversification of final products created from local raw materials, creation and use of communication, information, education, contemporary society (Catarniuc, Căpățînă and Maximilian, 2013).

The successes of functioning of driver-economic mechanisms can not be developed by democratic methods, by some governmental structures with poor intellectual training. In creating economic drivers, specialists from academia, universities, equipped not only with "diplomas", but also with valuable scientific publications, must be selectively trained. Economic drivers must also be geared to creating clusters of economic, industrial parks in the territorial aspect.

Businesses, SME (Small and medium-sized enterprises) must be clustered, focused on the principle of mutual benefit of products, mutual activities, creating a "microclimate" for increasing demand on the local market, reducing specific costs for the creation of common comfort (social infrastructure, productive). In such cases, economic drivers become coordinating mechanisms with various activities of small and medium-sized businesses, beginners in economic affairs.

The aim of the drivers is to develop the internal market, to create demand that makes it possible to develop local products for the local consumer, initiate and amplify, multiply the country's social and economic development, increase social and economic indicators, reduce unemployment, increase GDP.

If the activities of the self-employment population are at the discretion of the population, then the activities of the incubation system are managed by the public

authorities in the territory, being oriented towards solving some useful problems both for the individual and for the local, rayonal and municipal economy as a whole.

Business drivers allow a systemic approach to a sufficiently large number of businesses located in the commune, district, and city. No matter how necessary a business is, it's going to be "singular" in a locality, as a rule, it will not make any success. Businesses must be large enough for them to create their own entrepreneurial comfort, marketing of products and services, to complement each other, create supply, market demand, reduce the costs of productive, social, institutional infrastructure.

The authors believe that business, being deployed in a village, district or city, should constitute a Business Complex (BA). The BA includes: the activities of early-stage entrepreneurs (at the "incubation" level), these being small, medium-sized enterprises or corporations. The composition of CA may be unique, but it is not preferable to repeat it for all cases in territories.

BAs are set up to achieve goals, the realization of which requires the creation of the conditions for each form of activity and, first of all, the mutual complementarity of the activities. BAs must ensure a relatively independent economic and social functioning, performance conditions corresponding to the European standards for the organization of the production processes, the markets in the respective locality, including outlets outside the territory; conditions for horizontal economic development, by encouraging related services, consultancy services, auxiliary production trade for BA components - the conditions for making the innovations.

Thus, the BA of the Republic of Moldova can contribute to increasing the number of businesses, diversifying them, developing the companies in the respective territory, increasing the number of direct commercial contracts between the representatives of the local business environment and the foreign partners, increasing the number of exhibitions and fairs, reducing the level of unemployment, increasing social indicators (quality of life, living standards), reducing labor emigration.

However, not all unemployed, for various reasons, show their desire to start a firm. In the Republic of Moldova, a large part of the rural population mobilizes their physical and intellectual efforts to survive, overcome social, economic problems. It is about self-employment without being legalized. The positive side of this process would be that the population finds an alternative for survival; the weak part - the population does not participate in the creation of the social fund, so in this way many problems will arise during the retirement period. The evolution of self-employment efforts by the working population has not been monitored, supported by official structures. This development was generated by the unemployed.

The evolution of self-employment efforts in the workforce can be outlined schematically (Figure no. 4): (1) - needs in services lacking in society, demand - is, supply - missing; (2) - the individual-unemployed person establishes, on its own, its form of activity, provision of services; (3) - public structures favor the activities of the insurer with work; (4) - the activity of the individual is not always qualitative; (5) - activity is not always solved in the local market; (6) - the individual increases the quality of services, products; (7) - the individual establishes the legal form of his entrepreneurial activity; (8) - increasing the number of the employed population in the workplace; (9) - the structure of the company changes over time; (10) - increase social indicators; (11) - GDP growth; (12) - increases the standard of living; (13) - increasing demand for products and services on the local market; (14) - increase the supply of products and services; (15) - increase the professional level of the entrepreneurs etc.

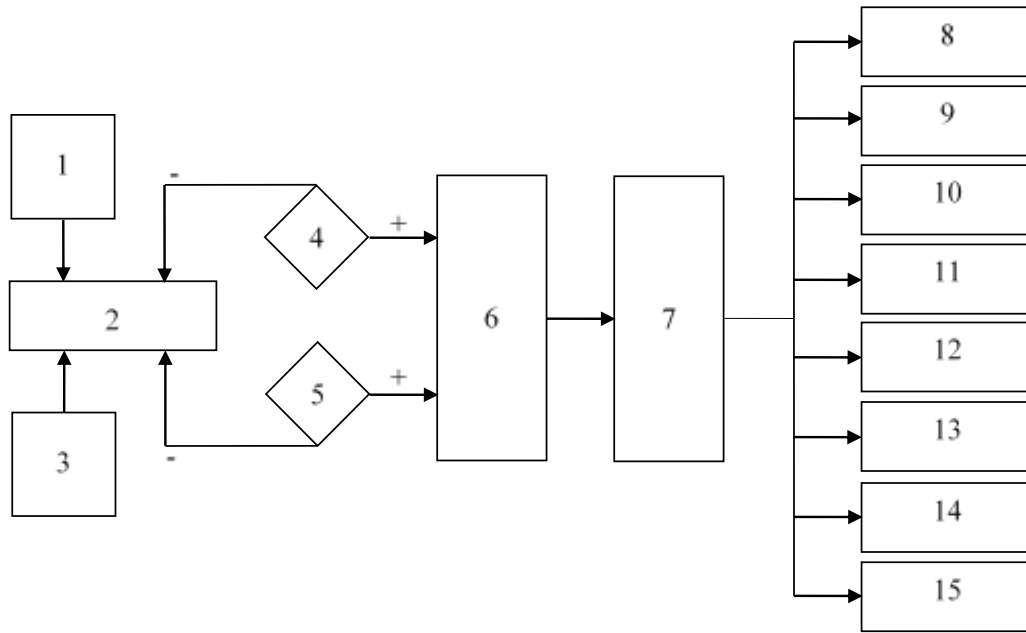


Figure no. 4. Block diagram of evolution process of the population self-insurance efforts with labour

Source: drawn up by authors

Some of the self-employment occupations in principle can serve as "ideas" for initiating, legalizing a firm, favored and supported by governmental structures, if they are part of the driver's mechanisms.

Business Incubators create a favorable environment for the unemployed in order for them to be able to start a business, a socially useful business. Businesses desired by the unemployed, at the initial stage, by far, can not be considered as (SMEs) (Taha, 2002).

The unemployed are looking for ways of doing things that would allow them to survive. At the initial stage, the unemployed in "incubators" are trained in the legal, fiscal, marketing „ABC”. The business tha unemployed are studying at the "incubator" may turn into a small or medium-sized enterprise. The success of the unemployed depends on the "quality" of their idea, their ability to turn idea into a profitable business.

Universities are not incubators, they have theoretical and practical programs for studying areas, technologies, sciences, etc. The incubator is a not very successful term of some centres for initiation in the knowledge needed to develop a business. Incubators do not have to be confused with technology centers and equipment centers within that enterprise. The unemployed are studying for a very simplistic program or the ABC of activities, so the technologies, principally new, studied by the staff of large corporations can not be studied in incubators. Incubator programs are limited to the minimum required for future entrepreneurs, while new technology study programs are complex, based on new theoretical concepts.

5. Research results

Incubators are ways to enable the unemployed to survive, and studying technologies and new innovations are ways of expanding knowledge. In the economic publications, the notion of "incubator", unmerited, has become a scientific category. Incubators do not have the goal of technology for businesses that are already in operation, but of providing some kind of service indemnity to unemployed people who have reached desperation.

Incubators contribute to reducing the number of unemployed by speed; where the rate of reduction of the number of unemployed is directly dependent: on the number of unemployed (n) who have already been included in the incubation processes; by the number of unemployed potential to be employed in incubation institutions, ie with $(N-n)$, where N is the number of unemployed; of the salary, the income that the former unemployed in the incubation system can achieve, ie bn .

In formal language, the dynamics described above can be expressed by a first-order differential equation with separable variables:

$$\frac{dn}{dt} = an \times (N - n) + bn, \text{ where:} \quad (1)$$

$\frac{dn}{dt}$ expresses the speed of reducing the number of unemployed;

an – number of unemployed that already activate in incubators;

$(N-n)$ – the number of unemployed who potentially can be hosted in incubators;

bn – the income of the former unemployed, already in incubators.

We transform the right side of the equation (1):

$$\begin{aligned} an(N - n) + bn &= anN - an^2 + bn = -a(n^2 - n(an + b)) = \\ &= -a(n^2 - 2\frac{n}{2}(aN + b) + (aN + b)^2 - (aN + b)^2) = -a((n - (aN + b))^2 - (aN + b)^2) = \\ &= -a(n - aN - b + aN + b)(n - aN - b - aN - b) = -a \times n(n - 2(aN + b)) \end{aligned} \quad (2)$$

The relation (2), being substituted in the differential equation (1) and as a result we obtain:

$$\frac{dn}{dt} = -a \times n(n - 2(aN + b)). \text{ Separate the variables:}$$

$$\frac{dn}{n(n - 2(aN + b))} = -adt \quad (3)$$

We reduce fraction:

$$\frac{1}{n(n - 2(aN + b))} = \left(-\frac{1}{n} + \frac{1}{n - 2(aN + b)} \right) \times \frac{1}{2(aN + b)} \quad (4)$$

Equation (3) can be transcribed:

$$\frac{1}{n(n - 2(aN + b))} = \left(-\frac{1}{n} + \frac{1}{n - 2(aN + b)} \right) \times \frac{1}{2(aN + b)} \quad (5)$$

Or

$$-\frac{1}{2(aN + b)} \left(\frac{dn}{n} - \frac{dn}{n - 2(aN + b)} \right) = -adt$$

$$\frac{dn}{n} - \frac{dn}{n - 2(aN + b)} = 2a(aN + b)dt$$

$$\int \frac{dn}{n} - \int \frac{dn}{n - 2(aN + b)} = 2a(aN + b) \int dt$$

$$\ln n - \ln|n - 2(aN + b)| = 2a(aN + b)t + C$$

$$\frac{n}{n - 2(aN + b)} = e^{2a(aN + b)t} \times e^C \quad (6)$$

At the initial stage, $t = 0$ the number of unemployed trained in business incubators is $n = n_0$. Relation (6) for $t = 0$ has the form:

$$\frac{n_0}{n_0 - 2(aN + b)} = e^{2a(aN + b) \times 0} \times e^C \text{ or } e^C = \frac{n_0}{n_0 - 2(aN + b)} \quad (7)$$

The relation (7), being substituted in the differential equation (6) and as a result we obtain:

$$\frac{n}{n - 2(aN + b)} = e^{2a(aN + b)t} \times \frac{n_0}{n_0 - 2(aN + b)} \quad (8)$$

From relation (8) we determine the variable n :

$$n = e^{2a(aN + b)t} \times \frac{n_0}{n_0 - 2(aN + b)} (n - 2(aN + b)).$$

$$n(1 - e^{2a(aN + b)t} \times \frac{n_0}{n_0 - 2(aN + b)}) = -e^{2a(aN + b)t} \times \frac{n_0(aN + b)}{n_0 - 2(aN + b)}$$

$$n = \frac{-e^{2a(aN + b)t} \times \frac{2n_0(aN + b)}{n_0 - 2(aN + b)}}{1 - e^{2a(aN + b)t} \times \frac{n_0}{n_0 - 2(aN + b)}} \quad (9)$$

For value $t = 0$ the value of the variable $n = n_0$. Indeed:

$$n = \frac{2(aN + b)}{1 - \frac{n_0 - 2(aN + b)}{n_0}} = \frac{2(aN + b)}{\frac{n_0 - n_0 + 2(aN + b)}{n_0}} = n_0.$$

For $t \rightarrow \infty$ $n = 2(aN + b)$.

The dynamic $n(t)$ of the employment of the unemployed in the initiation processes in the socially useful activities can be interpreted graphically as follows, Figure no. 5.

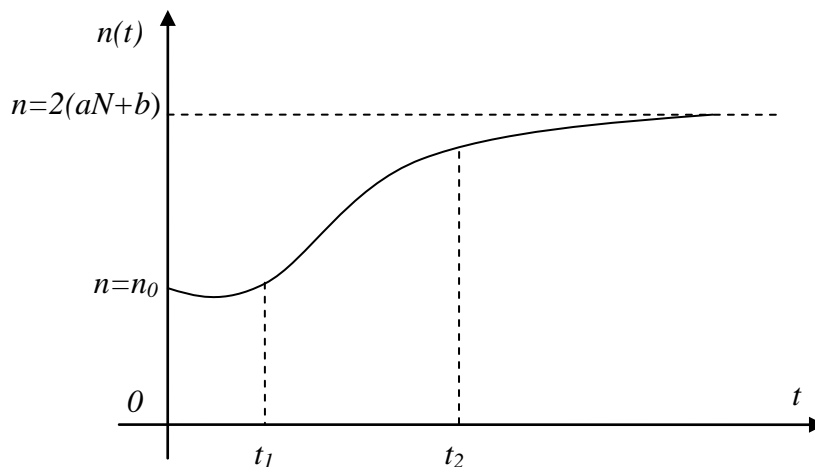


Figure no. 5. Dynamic of unemployed enrolment in incubation processes

Source: drawn up by authors

6. Conclusions

The intensity of using business incubators is not homogeneous, so it is not linear over time. Only in the range of (t_1, t_2) "incubators" are very useful.

The positive part of BI consists of: providing opportunities, variants and opportunities for the unemployed to survive; creating the conditions for exploring the intellects of the unemployed through the multitude of business ideas that may appear and highlighting the idea with the greatest prospects; stimulating businesses that drive people's income growth and increased market demand; improving the economy as a whole; performing activities, services that are more economically advantageous for small and medium-sized enterprises (SMEs); contributes to solving social problems (Taha, 2002).

The negative parts of the incubators are expressed by the fact that not all incubators "stand by" the implementation of technical and scientific progress - some activities, ideas implemented can be morally overcome, generating material losses for the state and material and moral damages for young entrepreneurs, frustrated by the idea of business.

Worldwide and national experience confirms that the average business incubation period lasts from three to four years. Thus, the concept developed by the authors of the article that the incubation period is limited and that this period is sufficient to select and implement a good business idea for the national economy.

At the same time, the development of business incubators is also possible in the context of the formation of economic clusters. Clusters include an essential number of different types of entrepreneurial structures that ensure entrepreneurial competition through its governing bodies, scientific institutions, brokerage firms, centers of standardization, trade associations, providing education, continuing specialized training, computerization, research and support technical.

Clusters are built on the principles of a sectoral or regional (interprofessional) association between members, based on vertical relationships between heterogeneous firms and on the interaction between innovative processes and the changing nature of market relations (Acayi, 2008).

In an innovative business cluster, high-tech companies, research and education centers, foreign investors play an important role. The best-known example of the innovation cluster is Silicon Valley in the United States. At the core of such a group, there is always a high-tech company that brings together a significant number of SMEs and business support institutions.

The rich international experience demonstrates the variety of forms of cooperation between large businesses and SMEs. For example, in Belgium, the Small Business Support Center, organized by 18 shareholders, including the "Volvo" and "Honda" companies, the five largest banks, the city administration, and various publicly funded organizations, operates. Thus, public authorities participate in the activity of the centers by creating funds to support small businesses. Large companies assume a part of the cost of the centers, help in organizing work. As business partners, universities can also be seen, which allows the upgrading of university specialists and the more efficient use of university skills.

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ROLE OF THE AUDIT IN OPTIMIZATION OF CORPORATE GOVERNANCE IN THE PUBLIC SECTOR

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Abstract. *In the last two decades the concept of "good governance" has come to vogue, which is synonymous with "administration" and means "leadership / organization", which presumes organization and management according to certain international / regional principles and standards and which have as objective the efficient management of resources in order to ensure high quality control and services. Governments, with the phrase "good governance", want to ensure the transition to better or ideal management. Today there are two camps approaching this concept: some who look like a miraculous potion for developing countries with little administrative and reforming capacities, and others who are more sceptical regard good governance as an ambiguous word, unnecessary. The values underlying the principles of good governance signify their consecration in the civic alienation of democracy and a shift to another way of administration.*

Keywords: *government, public, audit, entity, manager, control.*

JEL Classification: *M42, G34, H83.*

1. Introduction

Government programs of states usually assume the concept in the introductory sections the phrase "good governance" which implies the transition, at the level of common opinion, as an ideal or optimal type of government.

International reformist elites in the context of growing discontent with leaders and political practices in developing countries first embraced the concept of "good governance". The frustration of the reformist agenda been constantly fuelled by meeting with authoritarian, corrupt or demagogic leaders to mitigate the risks of wasting financial assistance through corrupt and corrupt mechanisms, followed by stagnation and impasse of reforms.

Some preliminary remarks are required. The concept of "good governance" or "corporate governance" appears in the late 1980s in the World Bank documents, and begins to emerge in the debates on the path of developing countries or liberated by socialist doctrine. After the collapse of communism, "good governance" becomes a pre-requisite for distributing international financial aid to developing countries. In other words, the relationship between the investor and the beneficiary country changes so that it emphasizes certain criteria that must be met, mainly political, economic or legal. Secondly, the term "government" is not limited to the idea of government or the exercise of political power in a state; it has wider implications and includes both the government's activities and other public or private organizations. The premise is that public policies and objectives require cooperation actions between different actors. The nation-state level is just a facet of wider governance. Concepts such as "global governance", "corporate governance", "good governance policies", "government without governments" signal both an over-national and an institutional or corporate level of the debate. International actors, the World Bank (WB), the United Nations Development Program (UNDP), and the Organization for Economic Cooperation and Development (OECD) have defined the term "G" by managing managers through resource management at all levels, economic and social development. Subsequently, political reformist circles dragged the concept into the midst of discussions on development policies that seek to reorganize how to lead a state by aligning itself with

external demands and meeting the new markets. In other words, "good governance" today treated as a state brand on the foreign market.

2. Corporate governance in public entities

Governance considered a way of guiding society towards a better order, which interpreted as a process that assures the leadership of society, just as the brain coordinates a whole body. The concept of "government" can be assimilated at all political and administrative levels (global, European, national, local) and used in various social, political, economic and social contexts (Figure no. 1).

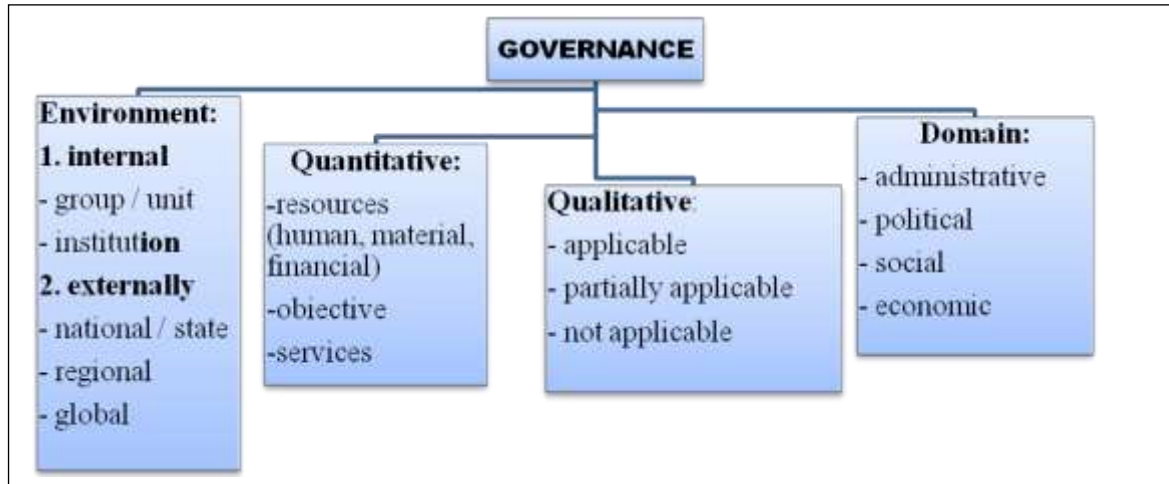


Figure no. 1. Semantics of the concept of governance

Currently, there is no unanimous and integral definition of "good governance" in the literature, just as there is no delimitation of its purpose, which implies universal acceptance. The term used with great flexibility, which can be an advantage, but also a source of operational difficulties. Depending on the objective of good governance, it will be based on full respect for human rights, ensuring the rule of law, effective participation, multi-stakeholder partnerships, efficient and effective public sector, legitimacy, access to knowledge, information and education, people, equity, sustainable development, attitudes and values that promote responsibility, solidarity and tolerance (Sefrats, 2015).

In 1992, the phrase "good governance" received one of the first definitions in the Governance and Development report - "a decisive factor in creating and strengthening an environment that fosters solid and equitable development, which is also an essential complement to robust economic policies" (World Bank, 1992).

In this report, which became the locus classics of the "good governance" debate, four areas of good governance are becoming priorities for the World Bank (BM), namely public sector reform, political responsibility, legal development, and information and transparency. The alarm on the partial failure of development policies triggered by external criticism, but also by internal assessments of B.M. The diagnosis called the "crisis of governance" and implied the idea that developing countries lack certain institutional conditions necessary for democratic mechanisms. A first affirmation of the principles of "good governance" started from this consensus, in the idea that international assistance requires some conditionality for the success of the reforms. The crisis of governance, or poor governance, has the following symptoms (World Bank, 1995):

1. The failure of public and private net separation, with the misappropriation of public funds to private gain;
2. The lack of a predictable legislative and governmental framework;
3. Excessive regulation;
4. Priorities inconsistent with the development and misallocation of resources;
5. Decisions taken in a non-transparent and narrow context.

In an attempt to identify the causes of underdevelopment, the World Bank has stagnated Africa's developing countries due to the crisis of qualified staff, corruption, concentration of political power and the legacy of the colonial past. Two years later, Development Report in Practice. Governance a B.M. since 1994 enshrines the principles of "good governance": "predictive, open, informed decision-making process (a transparent process); a bureaucracy with professional ethical standards; an executive responsible for its actions; and a robust civil society involved in public affairs; above all governing the rule of law. " The novelty consists in the emphasis placed on the role of civil society and, in the text of the document, on the importance of human rights. Today, there is a huge literature dedicated to "good governance," which has sparked profound perplexities, and much optimism. In the future, this body of texts is confident that we can determine good governance practices, development priorities and good sectoral policies.

Shortly after the appearance of the term, in the World Bank jargon, other international institutions take on the agenda of good governance, providing similar definitions. For example, the OECD launches the Participatory Development and Good Governance report in 1995, where "good governance" defined as follows (World Bank, 1995):

1. Rule of law;
2. Public sector management;
3. Corruption control;
4. Reducing excessive military spending.

The rule of law states that "a predictable legal environment with an objective, robust and independent justice system is an essential factor for democratization, good governance and human rights," the United Nations Development Program (UNDP) and he principles of good governance in 1994, using as the parametric definition the following conditions: [9]

1. Democratic pluralism;
2. Rule of law;
3. A less regulated economy, cleaner and less corrupt administration.

No beginnings of the principles of "good governance" should be regarded as rigid, fixed in the jargon of the reformist agenda. They bear the stamp of different institutional priorities, of the time when different lenses were drawn up examining the political and economic reality.

In the past two decades, literature on "good governance" has simply exploded, some voices being sceptical about inflationary approaches. Naturally, behind the dry and fade formulas, deeper assumptions about nation-state evolution, market economy, globalization, the role of corporations in the world order, the impact of civil society in democracies, etc.

As far as our literature is concerned, the subject did not give rise to a substantial interest, even though the values of good governance have always been on the public agenda. The development policies of a country depend, above all, on political institutions whose stabilization depends on economic institutions and investments (Pippidi, 2015).

Disputes around the content of "good governance" will not end too soon. Some voices argue that the reformist 'good governance' agenda remains too ambitious for developing countries; others say that the term has become a complex concept, and standards are a minimum set of instruments in the formation of effective institutions.

The opinion of some specialists on the opposite of the phrase "good governance" is harmful government, which implies a state anarchy, politicization of political power, endemic corruption, lack of human rights, electoral illegality, lack of transparency and consultation, harassment of civil society - becomes, in the current context political disillusionment, common enemy, etc.

The first state at European level to adopt a corporate governance guide is Britain (1992) later in France, Finland, Holland, Spain, Italy, Belgium and Portugal (1997-1999). States that have joined / will accede to the EU since 2000 been strongly recommended in the negotiations to elaborate and adopt them by the date of accession to comply with corporate governance codes issued by OECD, INTOSAI, EUROSAI, COSO, etc. Thus, by guaranteeing and unanimously accepting the conditions imposed by the external environment, the states led to the elaboration of codes of corporate governance / good governance through the implementation of reforms, involving the adjustment of legislation to international / regional codes and standards, the liberalization of internal markets, transparency in decision-making , and so on

The leading role in implementing good governance lies with top management, which is responsible for delivering effective and efficient public services. To achieve this, they need to recognize the relationship between resources and goals what is to be done efficiently and effectively. Moreover, the top manager has to organize the work in a rational way by ensuring that all the features of internal control exist and is functional, which presupposes that the delegation of tasks is structured and well delimited so as to cover both the efficient use the resources entrusted, and the effective achievement of the objectives.

In other words, accountability must be internal as well as external, where the institution will include internal control over the use of public and budgetary funds, and from an external perspective: the relationship with the administrative and political hierarchy, as well as the relationship with citizens. Implementing a well-balanced and sufficient mechanism is of major importance.

Depending on the type of entity and its field of activity, governance addressed based on a set of principles and codes designed to promote its achievements through respect and application.

3. The complexity of auditing in corporate governance in the public entity

The new approach to specialized literature, the audit of the entity's audit function involves a trilateral approach that combines: internal audit, audit committees and external audit, which is a first step towards effective and efficient corporate governance that recommended by codes of governance corporate (Figure no. 2).

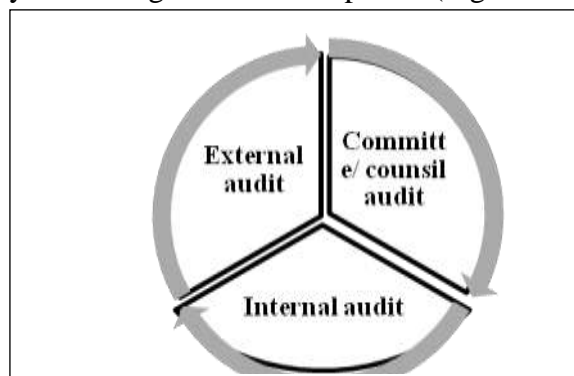


Figure no. 2. Auditing in Public Sector Corporate Governance

The relationship between the elements of the internal audit function and the external audit agreed because it reduces the audit costs, but we must not forget the differences between the two activities.

The Audit Committee has the purpose of collaborating with the two audit functions. Thus, the Audit Committee characterized as a body responsible for the appointment, reputation and active oversight of the external auditor.

By analysing the European directives, the audit committees ensure good organization, which leads to more efficient activity within the entity, more than the entities in Germany provide detailed information on how to organize and operate the audit committees. In Romania, the establishment of audit committees has been increasing since 2008 and had an upward trend in 2010 as compared to 2009, as shown by the results of our study, and in the Republic of Moldova the establishment of the Public Audit Board in 2017 and the audit 2007.

At present, a particular emphasis placed on internal audit, as it is the basis for ensuring internal control of public entities. Due to the complexity of the activity and the increasing importance that the audit is doing in the course of any activity, in time, it has become necessary to develop professional standards in the field, ensuring a minimum quality of the audit process and implicitly a certain degree of auditor profession.

In the literature, there is no unanimously accepted definition of internal audit because depending on the type of entity, the role and attributions differ. But the basic definition is given by the Internal Audit Professional Standards developed by the Institute of Internal Auditors, *"Audit internal is an independent and objective activity that gives an organization a degree of control over operations, guides it to improve its options and contributes to adding value. Internal auditing helps this entity achieve its objectives, evaluating in a systematic and methodical approach its risk management, control and governance processes by making proposals to enhance their effectiveness"*. The internal auditor's duty is to ensure by providing high-quality professional services in the assessment of goodwill and management's professionalism in the management of internal resources and risk management of the entity".

Internationally International Standards in Internal Auditing are the general framework and, at the same time, a working tool for both audit and management, thus regulating the degree of development and the services provided and the level of professionalism of the auditor. The complexity of the auditor's work is adapting and practicing in different environments and types of entities.

According to art.3 of the Law of the Republic of Moldova no. 229 / 2010 on public internal financial control, *"Internal audit is the independent and objective activity that provides managers with insurance and consultancy, developed to improve the activity of the public entity. This is intended to help the public entity achieve its objectives by assessing systematically and methodically the financial management and control system and providing recommendations for enhancing its effectiveness"*. Through its activity in the entity, it provides reasonable assurance to the management of the related entity to its functionality.

From this general activity of independent evaluator, two activities separated, such as the assessment of internal control and audit together with the assessment of internal control and audit. Often the concepts of internal audit and internal control that are used in the same sense are mistaken, they are not similar because it aims to certify or certify that the entity's financial and accounting records correspond to the valued processes while internal control. In the form of preventive and management financial control, indicates all the internal control procedures used to obtain a perfect command of its operation. In other words, internal audit assesses the processes and procedures of internal control, the entity's ability

to use the expected objectives effectively and effectively, and how to control the inherent, controlling and residual risks of its business. The internal audit function is particularly useful to the entity's management, providing advice and objective assurance by providing recommendations for improving it by contributing to improving the public entity's performance.

In the past, the role of internal audit was to represent the assurance by a series of sequences of the compliance of internal control with national and international regulations, at present the role is more complex through its valences. Currently, he takes the form of a valuable management consultant, focusing on assessing the entity's risks and issuing process improvement recommendations. Therefore, we see the change in the perspective of internal audit, from compliance audit to system audit, performance, financial and information technology.

3.1. Governance in the Public Sector in the Republic of Moldova

Good governance in public entities in the Republic of Moldova achieved through the implementation of the general objective of the Public Finance Management Development Strategy, which is to ensure (Government Decision no. 573 of 06.08.2013):

- Efficient and effective allocation of public financial resources to activities that contribute to the growth of the economy and development of the RM;
- Maintaining effective management of the use of public funds in all areas and sectors of the administration.

The realization of the strategy regulated by Law no. 229/2010 on Public Internal Financial Control (PIFC) and the PIFC in the Development Program (Government Decision no. 1041 of 20.12.2013) refers to the second objective and aims to "*strengthen managerial accountability for optimal management of public resources according to the entity's objectives, based on the principles of good governance, through the implementation of the Financial Management and Control System (FMC) and the Internal Audit (IA) activity in the public sector*". The principles of good governance aligned with the Public Administration Reform in general, focusing on transparency and accountability, legality and equity, economy, efficiency and effectiveness, ethics and integrity in the work of the public entity. In this context, managers are attributed managerial accountability to ensure the principles of good governance, thus giving them greater freedom and flexibility with regard to how they achieve their goals of ensuring compliance, quality of information, results and impact of services provided. Otherwise, it will radically change the culture of governance and the management of public funds. The advanced program was ambitious and did not fully achieve the overall goal of strengthening managerial accountability for optimal resource management in line with the objectives of the public entity, based on the principles of good governance. The monitoring and implementation measures under the program have not been sufficiently effective and the self-assessment and reporting processes are not yet producing reliable reports on the current situation. Thus, the analyses carried out by the Ministry of Finance in the Activity Reports of the Moldova (CCRM) and the Financial Inspection (FI) show that the FMC self-evaluation system of the entities does not work as planned and does not always reflect the situation real. Which confirms that there is stillroom for improvement and requires a longer period.

A recent study of development partners identified a number of system failures and obstacles and awareness of the importance of implementing FMC. As stipulated in the 2014 EU-Moldova Association Agreement, the Ministry of Finance (MF) will develop the PIFC development program 2018-2020 and will take into account (Parliament's Law no. 112 of 02.07.2014):

- More active involvement of top management in the reform, diminishing the misunderstanding or ambiguous interpretation of the concept;
- Creating a real connection between operational and support processes, with the aim of reducing bureaucracy and control on paper, for more efficient and effective public services;
- Clear division of political and administrative levels, with a subsequent specification of the roles in the FMC system for the central public administration (CPA) and local public administration (LPA) level II authorities;
- Clarification of responsibilities between different sectors of the administration, ensuring the necessary verification and control of these responsibilities;
- Clear segregation of responsibilities and responsibilities between different levels and subdivisions of public entities for operational, financial and budgetary processes and support;
- The introduction of a robust internal planning and control mechanism at the level of the entire public entity;
- Further development of the economy and finance subdivisions, in line with their role in the FMC system;
- Improving the function of IM as an insurance provider and management consultant in the configuration and operation of FMC systems.
- The plans and objectives must be financially sound and SMART
- Risk management is a constituent part of managerial processes.

Identifying a new way of organizing internal audit units (IAUs) and its activity, thus ensuring relevance and timeliness through the quality of the services provided and the professionalism, independence and objectivity of the internal audit function. The proposed objectives will achieve public tasks in accordance with the principles of good governance.

According to the reports on the organization and functioning of the FMC system (Order of the Ministry of Finance no. 49 of 26.04.2012) for the implementation of the actions of the IFPC Development Action Program (Government Decision no. 1041 of 20.12.2013) and the Internal Audit Report (Order of the Ministry of Finance no.113 of 15.09.2011) for the period 2014-2016, which were received by the to the FM, from the internal auditors of the public entities, the following were accomplished:

The 96 (100%) public entities operate 72 or (75%) IAUs out of which 24 or (25%) just created but did not filled with an internal audit unit. Of the 72 or IAUs - 24 or (33.3%), there are 2 and more auditors and 48 or (66.7%) IAUs - one auditor, which confirms the inefficiency of the audit activity in accordance with the International Auditing Standards and Standards (Figure no. 3).

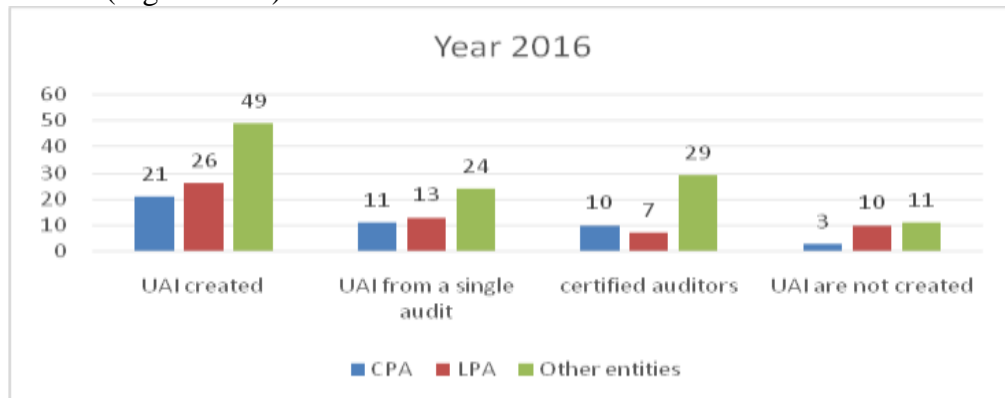


Figure no. 3. Audit activity in public entities

Source: Consolidated Annual Report on Public Internal Financial Control for 2016, elaborated by the Ministry of Finance of the Republic of Moldova

For the analysis of the 72 or (100%) functional IAUs, the MF does not have to report 7 or (9.7%) IAUs from the public entities, which subordinated to the Parliament of the Republic of Moldova, and from 65 or (90.3%) IAUs that are required to report to MF, 10 or (15.4%) of the IAUs did not report activity reports for 2016 for various reasons. Thus, the later information in this chapter based on the activity of 55 or (74.9%) IAUs who reported internal audit reports in the public sector, but because 18 or (33%) IAUs do not have a designated manager. The incomplete or insufficient IAUs is causing difficulties in the efficient performance of the internal audit activity, diminishing its quality. At the same time, there is an IAU, which besides the internal audit tasks indicated in the job sheet performs additional tasks. Thus, 4 IAUs of the LPA level II, in addition to the internal audit tasks, are involved in the entity's operational activities as indicated by the management, which does not ensure the implementation of the Internal Audit Code.

Regarding the planning of the internal audit activity, the situation in 2016 compared to 2013 has improved, in 2010, 31 IAUs hold Strategic Plan 3 or (9.67%) and 23 or (74.2%) Annual Plan, and in 2016 out of 55 IAUs hold 100 % Annual Plan and the Strategic Plan Only 31 or (56.36%) and the Quality Assurance Program 34 or (61.4%) IAUs reported (Figure no. 4).

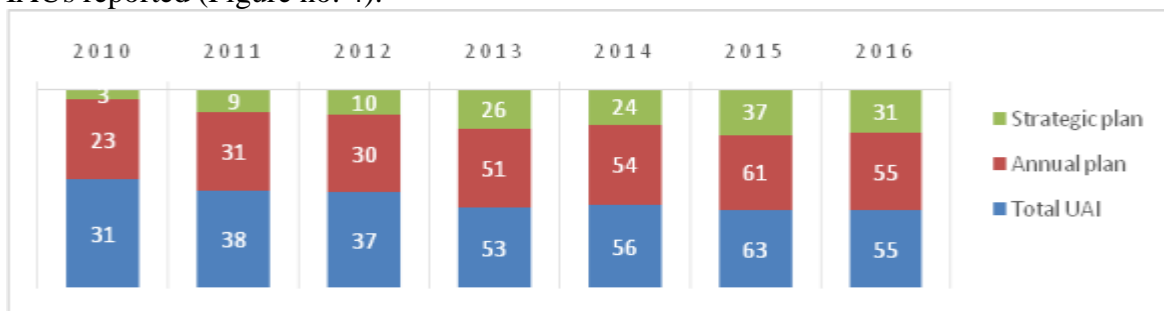


Figure no. 4. IAU Documentation

Source: Consolidated Annual Report on Public Internal Financial Control for 2016, elaborated by the Ministry of Finance of the Republic of Moldova

For 2016, the IAUs planned to carry out 327 missions (100%) audit, of which 238 or (72.78%), insurance missions and 89 (27.22%) missions counselling, which have not been completed 42 missions or 12.85% due to various reasons. The 285 audit missions performed by 116 auditors in total, representing an average of 2.46 missions per auditor.

The activity of the 55 IAUs largely focuses on compliance audits. At the same time, compared to the previous years, there is an increase in the number of performance missions, while IT audits are still a challenge for internal auditors (Figure no. 5).

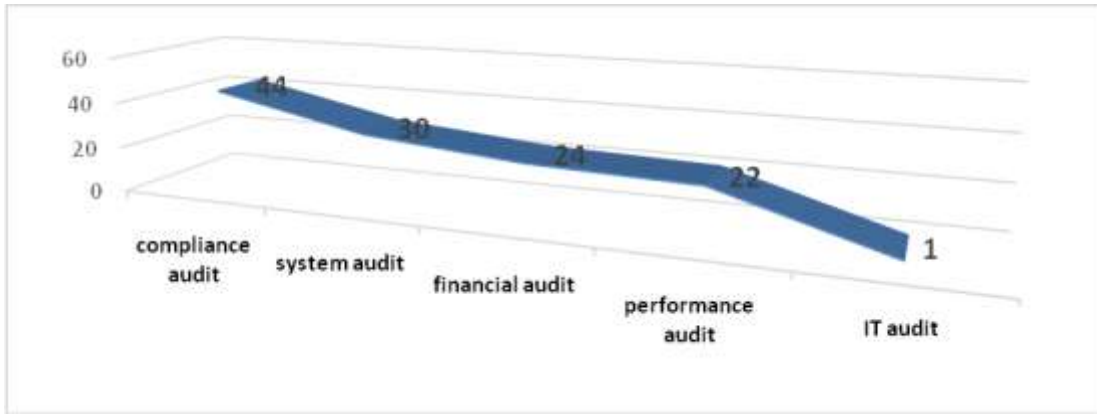


Figure no. 5. Types of audit missions in 2016

Source: Consolidated Annual Report on Public Internal Financial Control for 2016, elaborated by the Ministry of Finance of the Republic of Moldova

Each internal audit mission completed with the preparation of an Audit Report, which presented to the entity's manager, as well as an Action Plan on the implementation audit recommendations.

For the reporting period, the internal auditors provided 2702 or (100%), managers, of which, accepted recommendations, of which 2687 or 99.44% of the recommendations:

- Totally - 1735 or 64.57% recommendations were implemented;
- Partially implemented - 546 or 20.33% recommendations;
- Not implemented - 513 or 19.1% recommendations.

The recommendations have not been implemented for the following reasons: the imperfection of the regulatory framework related to the entity's activity; lack and / or insufficiency of financial and human resources; lack of relevance of the recommendation over time; lack of managerial will to implement audit recommendations; erroneous estimation of the implementation period of the recommendations.

The external audit states that the FMC system is not functional, that the concept of managerial accountability did not fully implemented, and that public entities must ensure that a management system is in place to achieve the objectives and ensure adequate management of the allocated public finances with the elimination of major risks and implementation focus on results.

Managers need to change their approach, moving away from a situation where the measures taken to organize the FMC system are most often formal and inefficient, being mere paper records that do not apply in practice. So some recommendations have been made to the Parliament of the Republic of Moldova, which through IFPC implementation will essentially contribute to improving the management of public funds and attracting foreign investments. Therefore, it has advanced a string of recommendations to the Parliament of the Republic of Moldova, which, through the implementation of the IFPC, will essentially contribute to improving the management of public funds and attracting foreign investments.

4. Conclusion

Thus concluded the conceptual model must be based on the analysis of the audit function as a whole and its components in corporate governance in three times in sequence: during planning, implementation and achievement of the strategic objectives of entities, which will put emphasis on the elements of internal control and on the financial management of resources. Special emphasis will be placed on the significant changes in the synergy of these elements that need to interact to play an active role in achieving

effective corporate governance. The role of the audit is to interlink the elements in the analysis to help streamline corporate governance within the entity. I believe that achieving effective corporate governance must be dealt with internally and externally, the internal one is the four elements of internal control, the Board, risk management and financial reporting / non-financial and external is represented by three elements: external auditor's opinion, investor confidence and transparency of information.

Thus each element shares will contribute to efficient corporate governance / good governance, where the view of the internal auditor will ensure the level of internal control efficient use of resources, the external auditor will certify the correctness of information provided by the entity so will boost investor confidence, and the audit report will help increase users' confidence in the financial and non-financial and transparency of the information provided and the audit committee will contribute significantly to enhancing confidence and reducing fraud.

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ANALYSIS OF THE COMPETITIVE ENVIRONMENT OF THE FOUNDATION OF SUSTAINABLE DEVELOPMENT

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Abstract: *The competitiveness of any economic activity is related to the development and implementation of effective strategies that maximize stakeholder profits. Strategies define the company's long-term direction and ensure the management of resources to achieve the objectives. Also, knowledge of the direction and steps to follow can lead to an essential reduction in the risks of operationalization of the company's strategies. Each factor is subjected to a specific analysis process to identify the characteristics and issues underlying the development of the economic strategy. This analysis is a managerial tool to examine the organization to identify the problems it encounters and to find solutions to solve it. On the basis of the theoretical aspects presented in the paper, a case study was carried out at Electrica Furnizare. Customer focus, service quality, constructive dialogue with customers, willingness to develop and innovate are aspects that Electrica Supply offers besides supplying electricity and perhaps supplying natural gas. On the basis of the analysis carried out, proposals and recommendations may be formulated to generate the sustainable development of the organization.*

Keywords: *competitive environment, sustainable development, strategy, strategic management.*

JEL Classification: *O12, Q56.*

1. Introduction

For organizations, it is very important to know your competitors. Identifying competitors helps determine the strongest. The information may come from the direct study of competitors, media and consumers (joint customers or customers who have switched supplier). The methods and techniques used to obtain information must be consistent with business ethics.

Types of competitors that a company may face:

- Direct competitors - offer similar or identical products. By addressing the same consumers, they are the most important competitors, making it difficult for the firm to attract new consumers even if they offer better products or lower prices.
- Indirect competitors - firms offering substitute products targeting the same category of buyers.
- Future competitors - companies that are not yet direct or indirect competitors, but could become at any time.

After identifying the main competitors, the firm has to reverse the roles, put competitors in order to figure out the goals they are pursuing, and initiate a set of assumptions.

A relevant hypothesis is that all competitors aim to maximize their profits by the importance of long-term or medium-term profits.

An alternative hypothesis might be that each competing firm is pursuing a combination of objectives: current profitability, positive cash flow, increasing market share, renowned.

A company that wants to expand and increase market share must keep in mind the expansion plans of its competitors.

If the strategies of two firms are similar, the competition between them is more aggressive. On the electricity market, suppliers are selling the same product, at the same quality and at about the same price, leading to fierce competition.

The bottom line is that if a new firm enters such a market segment, it will have chances of success only if it has strategic advantages in dealing with other competitors.

For effective strategy development, a firm needs to know its opponents well. Managers have to constantly compare their own resources with competition, discovering how to build competitive advantage. May prepare defensive actions to counteract competitors and launch in effective marketing campaigns against them.

Managers need to take action and be prepared to fight with their opponents and counteract newcomers.

2. Considerations on the liberalization of the electricity market

With a history of over a century and extensive experience in energy, Electrica SA has a clearly defined mission: to provide its clients with exceptional standards in safe, permanent, accessibility and sustainability.

At present, the Romanian electricity market is a challenge for all participants. They must strike a balance between maximizing earnings and minimizing risk. Electrica Supply Company has all the necessary resources in terms of competence and flexibility to provide its customers with competitive and stable sources of electricity.

Electrica Furnizare SA registered a turnover of 931 million euros in 2016. Year 2016, compared to 2015, supports a positive evolution of the company: 39 million euros net profit at the end of 2016 compared to 29 million euros net profit at the end of 2015.

The company operates through three subsidiaries, former subsidiaries of electric energy Some branches of electric energy Muntenia Nord Ploiesti Branch Electricity supply Transylvania North Cluj Branch Electricity supply Transylvania Sud Brasov in 18 counties under the License of Supply no. 1028 / 18.08.2011, with the right to supply electricity throughout the country due to the liberalization of the electricity market.

The number of places of consumption did not show a spectacular evolution in general if their situation is analyzed by society (Table no. 1).

Table no. 1. The number of consumer places in the end of 2014, 2015, 2016, served by Electrica Furnizare SA

Number of consumer places Electrica Furnizare	2014	2015	2016
Household Customers	3.359.038	3.381.457	3.380.554
Non-Household Customers	205.676	210.318	218.179
Total	3.564.805	3.591.775	3.598.733

Source: Processing after reporting Electrica Furnizare SA

The liberalization of the electricity market has led to the migration of consumers from the regulated market to the competitive market, especially non-domestic customers, by the beginning of 2016. Starting with the second quarter of 2016, when market liberalization reached 50% and for household customers, they have become interested in the new perspective and have opted for switching to the free energy market. Customers of the company opted for switching to the competitive market, but many opted for switching to the electricity supplier. At the same time, the company has attracted new customers from the areas where Electrica Supply is not a supplier of last resort but also customers who in the past have been clients of the company, through competitive prices, professionalism, customer assistance in solving problems in power supply and representation in relation to the network operator.

Table no. 2. The number of consumer places served by Electrica Furnizare SA on the competitive market, by categories of customers

Number of places on the competitive market	2014	2015	2016
Household Customers	5	19	30.612
Non-Household Customers	48.246	71.347	98.255
Total	48.250	71.366	128.867

Source: Processing after reporting Electrica Furnizare SA

Although the electricity market has been liberalized, Electrica Supply Company has been able to keep and attract customers, so that the total number of consumer places served has increased slightly in 2016 compared to the previous year.

3. Competitive environment analysis - case study conducted at Electrica Furnizare S.A.

There are two types of suppliers in the energy market:

- Supreme court vendors
- Competitive suppliers

The suppliers of the last instance are designated by ANRE in accordance with the applicable regulations and are obliged to ensure the supply of universal electricity to household customers who have not exercised their eligibility; non-household final customers who have not exercised their eligibility and who fulfill the conditions imposed by the legislation; household customers and non-household final customers who meet the conditions imposed by the universal service legislation and who have remained without electricity supplier for reasons beyond their control (the supplier went bankrupt or bankrupt, triggering legal proceedings to suspend or withdraw the license).

Electrica Furnizare SA is one of the providers of the last resort, having the obligation to ensure the supply of electricity to all household and non-household customers who have places of consumption in the Muntenia Nord, Transilvania Nord and Transilvania Sud distribution areas and have not opted to switch to competitive market to another supplier. At the same time, Electrica Furnizare is also a competitive supplier.

In the period 2014-2016, Electrica Furnizare lost 8,508 customers¹, of which 3,865 household customers only in 2016 and managed to bring into the portfolio 1,657 customers of which 1002 household customers. Although the number of customers taken from other suppliers was lower than the number of customers lost, the volume of energy sold was rising.

Electrica Supply has undertaken several initiatives to counteract increased competition:

- Retention / Reflow process implemented (19% success rate);
- Establishment of the sales force in Bucharest with notable results (to attract new customers from the distribution area Enel Distributie Muntenia, supplier of last resort Enel Energie Muntenia);

¹ The number of customers is not equal to the number of places of consumption. A customer may have from one to several hundreds of consumer places (eloquent example - stores with national coverage)

- Participation in all auctions on BRM platforms (Romanian Commodities Exchange) and SEAP (Electronic Public Procurement System) where the success rate was 15%. The most active suppliers on auction platforms: Enel, RCS & RDS, Tinmar and Hidroelectrica;
- He participated in all closed envelope invitations. Such auctions were held by consumers with many consumer places (Telekom, Lidl etc.), with the success rate being over 50%.

For the analysis of the competitive market, two major electricity suppliers were considered, which are at the same time suppliers and competitive suppliers, namely the Enel Group consisting of Enel Energie and Enel Energie Muntenia with a market share of 16.28% and EON Selling with a market share of 8.26%.

The analysis was based on the use of a management tool called an evaluation grid that highlighted the key success factors for the firms under review (Table no 3).

Table no. 3. The rating grid used to analyze the competitive position

Key success factors	Coefficients of weight G_i	n_i Notes granted			Weighted average score N_m		
		Electrica Furnizare	EON Vanzare	Grup Enel Energie	Electrica Furnizare	EON Vanzare	Grup Enel Energie
Company image	0,5	4	4	3	2	2	1,5
Human resources	1,5	5	4	4	7,5	6	6
Technology	1	3	3	4	3	3	4
Information system	0,8	4	4	5	3,2	3,2	5
Involvement in customer satisfaction	2	5	3	4	10	6	8
					25,7	20,2	24,5

For a good position on the competitive market, it is necessary for the suppliers to meet the customer, to help him solve the problems related to the supply of electricity or in relation to the distribution or transport operator.

The provider must have qualified, well trained and informed staff, good representatives in the customer interface.

Technology and the information system can not be left to the last level. The evolution of information technology in recent years forces electricity suppliers to keep pace with the latest developments in the field not just for the company's database or billing and contracting part. The customer wants to be able to see their billing data, invoices and payments permanently. Electrica Supply has first set up the Virtual Office, which has been operating since 2015, and the customer can create an account and learn news about payments and bills, and from the end of 2016, the online My-electrica platform has been set up, an application that can be downloaded even and on the phone.

It should also be noted that the main rivals of the Electricity Supply Company are also gas suppliers, providing customers with complete gas and electricity packages or other complex packages.

EON benefits from the largest portfolio of gas-electricity customers due to its historical position on the two markets - the supplier aims at expanding the common service packages throughout the activity area, the Transilvania Sud Braşov and Transilvania North Cluj Branches being the main target areas.

Engie has begun accelerating to consumers in the electricity market, including access to its own wind farms. Significant efforts

were registered in the segment of small and medium-sized companies. The "Smart Termo" service offered by Engie allows consumers to monitor and control their cell / tablet / laptop heating system. Engie also provides customers with heating and air conditioning maintenance, installation, revisions and checks of thermal power plants.

Enel launched the "Enel Assistance" service in 2015 to provide electrical service, locksmith repair, boiler repair and towing services through a monthly subscription. In partnership with eMag, Enel operates an online store for low-power electronics and home appliances.

Electica Furnizare has in its portfolio important customers with annual electricity consumption of over 80,000 MWh. These are the customers with the highest negotiating power. They, besides the energy price, negotiate the payment terms, the percentage of the penalty applied in case of delays in the payment of the bills, but may even demand performance guarantees in terms of continuity in the energy supply and mediation with the transmission or network operator, as the case.

Another category of clients who impose their own contractual conditions are budgeting. They are required by law to purchase electricity by auction. Auctions in general are made on the BRM or SEAP platform. The contractual conditions are found by electricity suppliers bidding before signing up. Effective bidding is a tacit acknowledgment that they assume the conditions imposed by the customer purchasing the energy in this way. The power of customer negotiation grew with the liberalization of the energy market and the increase in the number of electricity suppliers, and they could choose the electricity supplier according to their own principles.

From a strategic point of view, Electrica Furnizare turned its attention to the competitive suppliers with renown on the Romanian energy market, but from the middle of 2016 new suppliers on the market felt their presence.

New suppliers of electricity entering the market are likely to attack areas where traditional suppliers - suppliers of last resort operate, according to the decision of the National Regulatory Authority for Energy.

Sometimes, salespeople have aggressive ways to attract customers or even liar. Such a funder is Eva Energy, whose agents are given as representatives of the default provider. With the liberalization of the electricity market, the supplier is changed according to ANRE Order 105/2014. Failure to do so may result in the surrender of the electricity supply license for the supplier who repeatedly violates this order. This change does not involve costs from customers.

RCS & RDS is one of the new entrants to the energy market. With a market share of 3.61% at the end of 2016 and a market share below 1% at the end of 2015, it is a provider with a strong strategy. He offered at advantageous prices to non-household customers and offered Internet-TV-packets for household customers.

4. Conclusions

For organizations, it is very important to know your competitors. Identifying competitors helps determine the strongest. The information may come from the direct study of competitors, media and consumers (joint customers or customers who have

switched supplier). The methods and techniques used to obtain information must be consistent with business ethics.

For effective strategy development, a firm needs to know its opponents well. Managers have to constantly compare their own resources with competition, discovering how to build competitive advantage. May prepare defensive actions to counteract competitors and launch in effective marketing campaigns against them.

The case study conducted at Electrica Furnizare Company aimed to highlight the opportunity for sustainable development on the basis of a pertinent analysis of the competitive environment in which the organization operates. Increasing the company's efficiency should be at a low cost so that it remains a leader in the electricity market, meeting the needs and expectations of its partners through flexibility, modernization, innovation and social responsibility.

The organizational structure and the distribution of well-defined responsibilities in the company has as main purpose the maintenance of the portfolio of clients and the attraction of new clients. Each Subsidiary of the Electricity Supply Company has to deal with segmentation of customers based on average monthly electricity consumption. Their bidding will be at differentiated prices, depending on the average consumer and the recorded hourly profile. It is envisaged the formation of sales agents to attack areas with high and average density of potential customers. It is also a matter of relying on existing customers with significant consumption by awarding promotional prices for specified periods in which the price is guaranteed and the customer is not affected by fluctuations in the price of energy in the market.

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ACTUAL TASKS IN THE STRATEGIC MANAGEMENT SYSTEM OF AGRICULTURAL ENTERPRISES FROM THE MILK INDUSTRY OF THE AGROALIMENTARY COMPLEX

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Abstract: Nowadays there is much talk about the need to expand the activity of Agricultural Producers' Cooperatives on the opportunity to seek to increase the number of members in each of them through agricultural organizations, citizens, who own a peasant household. Many of them, namely with Cooperatives bind their expectations to solve many urgent problems. Today, cooperatives are the strongest economic, social and political institution without which the rural economy and the agricultural society can not be modernized, and first and foremost, the small and medium-sized businesses that form the basis of the cooperative movement.

Key words: efficiency, production cooperatives, agro-food complex, peasant households.

JEL Classification: M21, P13, Q 12.

1. General analysis of the links of activity of the milk industry in the Republic of Moldova

In the structure of the milk industry of the Moldovan agri-food complex we can distinguish two essential links:

- Primary milk producers - of which the largest production quota is represented by small farms, households and peasant households (farmer);
- Milk processors - the largest volume of production is provided by large households.

In order to get an effective result these two links in the dairy industry must work interdependently.

The efficiency of processing enterprises depends largely on the continuity of milk supply, on the quality of milk, which in turn depends on the efficiency of primary producers.

The efficiency of primary producers depends to a large extent on the opportunity of delivered goods, timely payment and pricing policy. The intrinsic relationship between the effectiveness of these two basic links in the dairy industry is determined by the need to find ways to achieve the balance of stakeholder interests and to find ways to facilitate the partners in difficulty. Under current conditions, the partners in difficulty are considered to be primary milk producers who are experiencing an acute shortage of own funds, and in this sense they are characterized by low solvency, which does not allow to the extent necessary the use of resources "expensive" credit.

In addition, primary milk producers are primarily exposed to natural, inflationary and foreign exchange risks. It is the fluctuation of feed prices for the sake of reducing yield due to unfavorable climatic conditions, resulting in the need to purchase imported fodder, which, among other factors, depends on the situation on the foreign exchange market. Rising feed prices should entail a rise in raw material prices - milk. However, from primary processors who buy milk, primary producers are under pressure. Primary producers often do not receive adequate compensation for increased costs as their situation continues to worsen.

Today, between the two links of the dairy industry, there is an imbalance in today's relations, which negatively affects the effectiveness of both parties.

These facts become one of the reasons for the insolvency of many and, above all, of small farms that cease to work.

It has long been recognized that cooperation is needed to strengthen the position of small farms. As the researchers see, in the context of World Trade Organization membership, stronger competition in global food markets for maintaining social stability and economic growth, it is important to involve all rural residents, farmers and agricultural organizations in cooperative relations.

2. The Importance of Creation and Activity of Cooperatives of Agricultural Production

Today there is much talk about the need to expand the activity of Cooperatives of Agricultural Production on the opportunity to seek to increase the number of members in each of them through agricultural organizations, citizens who have their own peasant household.

Many of them bind their expectations namely with Cooperatives to solve many urgent problems. Today, Cooperatives are the strongest economic, social and political institution without which the rural economy and the agricultural society can not be modernized, and first and foremost, the small and medium-sized businesses that form the basis of the cooperative movement.

Fiodorov N.F. highlights the following tasks, which are meant to solve the Agricultural Production Cooperatives:

- ✓ *Tasks of production*: processing and production of agricultural products; improving peasants' access to credit markets and technical and material resources; ensuring the rural population with commercial and social services; conservation of local food brands and popular recipes for food preparation;
- ✓ *Social tasks*: ensuring employment and increasing the incomes of the rural population; feeding the revenue side of rural budgets; providing low-income urban food groups with affordable food;
- ✓ *Political and geopolitical tasks*: training in a rural middle class society, especially villages and small villages (Fiodorov, 2013, pp.27-31).

Analyzing the above-mentioned tasks, we should draw attention to the first task group, which draws attention to the small producers' participation in the processing of agricultural products, the conservation of local food brands and popular recipes for food preparation.

Botov H.L. who recognizes the different forms of management and the need for their optimal combination, notes that the priority is to develop large-scale commodity production to ensure the efficient functioning of the agro-industrial complex of the region. At the same time, he notes, it is appropriate to create small enterprises for the processing of raw materials directly at the production fields (Savkin, Poluhin and Safronov, 2013, pp.36-43).

It should further be noted that, in order to improve the quality of products, emphasis should be placed on the integration of large and small associations for processing and releasing products under the brand of large processing enterprises. Small-scale households should be transformed into subsidiaries of large households. Such a way of organizing partnership will contribute to investments for the modernization of the technological lines of subsidiaries, intensification of control over the quality of manufactured products and ultimately to increase the competitiveness and economic efficiency of small households.

2.1. Obstacles of creation and development of integration associations in rural areas of Moldova

Analyzing the speciality literature, we can mention the following factors of training and activity constraints of the integration associations in the rural areas of the Republic of Moldova:

a. Absence or insufficiency of economic, ideological, informational and political conditions and support the formation of the agricultural co-operation system. Due to the lack of literacy of owners of small households, the ideology and accompanying methodology should come down from audit organizations or self-regulating organizations;

b. Inappropriate profitability of agricultural production and, in consequence, lack of means for agricultural producers to create and develop a cooperative system; difficulties in obtaining credit, and high interest rates on loans. The exclusion of this factor can be through the detailed integration of agricultural producers and processors, on the basis of which a reasonable and fair distribution of incomes should be made. In order to ensure the availability of credit resources, in practice a trustworthy guarantee of large households should be implemented for the small ones;

c. Fragmentation of existing agricultural producers and agricultural cooperatives, the absence of a single unifying center. So far, there are already a few issues of the cooperative movement, including those for which leadership functions are attributed, the low efficiency of which is due to the lack of clear methodology and working procedures. This issue remains open, which requires the elaboration and consolidation of regulatory results at the level of the normative documents;

d. Increased competition from large companies involved in the transportation, storage, processing and sale of imported agricultural products. Obviously, small households and cooperatives can not survive a competitive battle with big companies. Therefore, it is necessary to try to involve large and small farms in mutually beneficial terms in the integration process and to create motivating conditions for the participation of large enterprises in solving the problems of small owners. World experience shows that the developed countries' economy is based on large integrated cooperative structures, including farms, with which small and medium-sized enterprises interact;

e. The citizens' mentality does not contribute to the development of collective forms of household management. It would be more appropriate not to say mentality, but insufficient education and awareness of rural citizens, which is again linked to the inefficiency of the activities of the co-operative movement subjects entrusted with leadership.

A specific stimulus for the development of rural cooperation has been developed "The Story of Development of Agriculture and Rural Environment of the Republic of Moldova 2014-2020". Also, important for the development of small businesses in rural areas are various international projects such as: "COSME 2014-2020 Program", "RISP II Program", "FERMIER Program at FERMIER", "Food Production Growth Project" etc. All these programs have as main purpose the development of agriculture and food production in the Republic of Moldova and the extension of employment opportunities and the participation of small farmers in competitive agricultural supply chains through increased access to financial services for small owners.

Production cooperatives received access to short-term subsidies and investment loans. However, we must recognize that they are currently not fully committed to the tasks entrusted to them.

We can highlight the following reasons that stop the development of integration processes in the Agro-Food Complex:

a. Threat of autonomy loss of potential subjects of integration. Excluding the influence of this factor can only be through the detailed processing of the clauses of the contracts due to the integration base. The contractual clauses must be clear to reflect mutual partnership and the possibility for small households to retain their ownership. Taking into consideration that owners of small households, as a rule, have neither legal nor economic knowledge, it is important that an independent organization be involved in the preparation of these acts;

b. The imperfection of land relations, especially with regard to land shares, which, after the first stage of their distribution, were owned by new owners of the second generation, some of which are not related to agricultural production. The removal of this factor can only be done through the intervention of the state, regional and municipal authorities. The procedure for the use and disposal of agricultural land should be established. It is necessary for the owners of such land to be placed under the conditions in which, in case of non-use of the land mentioned by designation, they are obliged to transfer them to the agricultural producers. If this condition is not met, except for serious reasons, sanctions must be imposed on inefficient landowners;

c. Lack of budget support guaranteed by the state and regional authorities in the event of integration collapse (unification risk). In this issue, it is hard to recommend that we hope for state and regional support. As already mentioned, it is important to develop correctly the contracts that underlie the integration. In addition, it is important to develop an insurance system in the agro-industrial complex, to develop efficient insurance mechanisms involving large processing enterprises

2.2. Problem solving in the creation of integration associations in the rural areas of the Republic of Moldova

Despite the multiple nature of the cooperative system that has been formed in the agro-industrial complex and especially in the dairy industry, which is represented by the numerous varieties of participating actors, the modern cooperative system can not cope with solving the reported problems. It is necessary to reform the existing integration structure, especially in the dairy industry, which should be based on the following tasks:

1. Escalation of integration links between processing enterprises and primary dairy producers;
2. Improving the system of organizing the activity of credit cooperatives;
3. Improvement of the organization of the activity of the insurance cooperatives;
4. Improve the commercial and industrial policy of processing enterprises.

It is desirable to take into consideration the solution of the first task in terms of solving the other three problems, ie the mechanism of involving milk processing enterprises in the credit and insurance system of primary producers of dairy raw materials.

The role of the fourth task in this process is to find ways to harmonize the commercial and industrial policies of processing enterprises and primary producers, aiming at strengthening and increasing the effectiveness of economic links between them, thus improving the reliability of the agro-integration structure - enterprises specializing in dairy products from the agro-industrial complex.

The second task also requires involvement of banks in the integration process, with simultaneous participation of the state and regions. The purpose of creating Level 3 and 4 cooperatives, the associated members of which should become the banks, said scientists Savkin V., Poluhin A. and Safronov I. (2013, p.44). However, the methodology of organizing this process has not yet received sufficient attention from scientists.

The above-mentioned task solution predetermines the need to review the process of distributing financial results among actors involved in the integration of a new form. In

solving the second problem, Hairrulin A. proposes the following concept: the efficient operation of the dairy sub-complex of the Agro-Food Complex on the basis of an improved management based on the integrated development of all the elements of the technological chain of production, processing and bringing products to the consumer, distribution of funds according to the principle of maximum impact on the final result and the investment balance (Hairrulin, p.37).

Baturina I. proposes the mechanism of distribution of financial results between enterprises of integrated training that is proportionate to the production costs (Baturina, 2009, pp.14-16). However, an interesting idea supported by the scientists mentioned above is not supported by a clear scientific methodology and the necessary methods, even in the abstracted form from the features of the integration structures. Therefore, in the course of further research, it is important to pay particular attention to them.

3. Recommendations on the implementation of milk industry links

The key to the efficiency of the projected form of the integration structure in the dairy industry is the observance of a number of principles for building economic relations between the participating actors, among which:

- the corresponding costs of production of products (works, services) and investments with income from common activities;
- independent management by the participating entities of the profits generated by joint activities and proportionate contributions;
- the responsibility of the participating entities that are members of the integration association for the fulfillment of their reciprocal obligations.

With the above-mentioned tasks based on compliance with these principles, an effective mechanism for the integration of milk processing and milk producers with the involvement of credit and insurance cooperatives in this structure, based on the balance to the interests of all the actors involved and will aim at creating favorable conditions for the development of agricultural enterprises specialized in dairy farming of the agro-industrial complex.

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MILESTONES FOR THE DEVELOPMENT AND REPOSITIONING OF THE HUMAN RESOURCES DIVISION IN A HOSPITAL

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Abstract: *The preparation and modernisation of the human resources management policy in order to meet patients’ needs and to improve the career progress of health professionals in terms of quality and cost play a central role in the hospital reform strategy. Today it is necessary to make the transition from the human resources function based on the administrative management where quality is widely acknowledged, to the strategic approach focused on the acknowledgment and valorization of the human capital which is undoubtedly the factor that contributes to the creation of undisputable value in hospitals. This article is intended as a reflection on the primary milestones for development and repositioning of human resources – the key stake in hospital reform.*

Key words: *human resources management; development strategy; organisational performance; reposition; hospital reform*

JEL Classification: *O15.*

1. Introduction

After the 1980s, many specialised works discussed the changes in the views of public sector organisations regarding the place and the importance of labour in the performance of organisational entities in various areas of activity, including hospital services. Thus, the name “*Personnel Division*” evolved towards “*Human Resources Division*” and the concept of “*personnel management*” has been replaced by “*human resources management*”. This change in concept has occurred from the need to find the best match between human resources and the requirements of an organisation, both in terms of quantity and in terms of quality. The new concept of “*human resources management*” is supported by two aspects (UNESCO-IIEP, 2015): on the one hand, there is the fact that this management is strategic and drives personnel’s mobilisation, and on the other hand, there is the statement that employees are a resource that contributes a great deal to the success of the organisation.

From such a standpoint, an organisation, whether public or private, is considered as a “*new group of people who coordinate their work to accomplish specific goals*” (UNESCO-IIEP, 2015, p.5). This implies that the organisational system – which an organisation forms – no longer depends on one person or the person who directs/runs the organisation, but all the persons having the will, the determination and the understanding that they should “fight” for the goals to be achieved. Therefore, in order for an organisation to effectively reach its goals it should define clearly and realistically its different levels of organisational responsibility.

The strategic human resources management is defined by Bareil et al. (Bareil, Boudrias and Savoie, 2002, pp.64-73) as: “*all the activities of human resources function favouring the coherence of human resources management strategies and practices in relation to the organisation’s strategic stakes (vision, direction, values and great objectives)*”. This strategic aspect linked to the human resources management emerged as a result of Chandler’s works (1962) and developed in the 1970s and the 1980s (Vallejo, 2013). Chandler’s works have pointed out that the organisational success depends on a balance between the internal elements (structure, culture, human resources and management systems) and the external strategy (Guerin and Wils, 2002).

The introduction of the notion of “*strategy*” in the phrase “*human resources management*”, which defines a new theoretical model – “*strategic human resources management*” – results in considering the human resources function not only at operational level, but also at strategic level. Such an approach is evident with the introduction of the “*Human Resources Division*” in the Board of Directors to influence the general policy of the organisation (Storey, 2003, p.28).

The challenge is, therefore, to create human resources management that is proactive and oriented towards the key interests of the organisation (Bareil, Boudrias and Savoie, 2002, pp.64-73) based on flexible anticipation and adaptability (Guerin and Wils, 2002). This view takes into account that the strategic human resources management requires a coherent knowledge or vision of tomorrow’s demands (Guerin and Wils, 2002).

Human resources management is acknowledged as a major factor in the organisational performance compared to other factors (investments in research and development, quality of the products placed in the market etc.). The mechanisms of human resources development strategy impacting the organisational performance are (Guerin and Wils, 2002):

- creating the human capital: recruiting, selection, training, development;
- motivating the human capital: progress practices, career development, remuneration, relationships with employees;
- organising a work environment that allows the individual to make an effective contribution: work organisation, providing workplaces with proper equipment.

2. Evolution of concepts that operate in the field of human resources management from an epistemological point of view

From an epistemological point of view the field of human resources management has experienced major progress over the course of the last century, both from a theoretical standpoint, and from an empirical standpoint. Most human resources manuals outline five periods of conceptualisation of the subject related to the place and importance of personnel in the performance of an organisation. The first two periods are chronologically before the 1950s and the next three periods are after the 1950s. St-Onge, Audet, Haine and Petit (St-Onge, Audet, Haines and Petit, 2004) determined these periods according to the approaches to the field concerned:

1. The “*scientific*” or “*technicist*” perspective (or Taylorism) according to which the issues of the human factor result from inappropriate production methods. At the time, the principles of scientific work organisation were applied to find a better organisation that would allow the best possible capacity. By eliminating the employees’ contribution, incentive remuneration schemes and training programmes were designed, thus focusing on a set of work organisation rules or methods that would enable the achievement of expected results (St-Onge, Audet, Haines and Petit, 2004, p.13).

2. The “*psychological and human relations trend*” perspective in which the human resources management was approached from the perspective of human dynamism and considerable importance was attached to the abilities of managers in interpersonal relations. According to this perspective, the issues that occur between the management and the employees may be generated when the psychological needs of employees are not given the proper attention or when the management practices characterised by leadership, communication, acknowledgment and respect for individuals are not given enough consideration. During that time, researchers have focused their attention on the behaviours of individuals, small groups, interrelationships between groups and the global (systemic) phenomenon of the organisation (Lawrence and Lorsch, 1989).

3.The “*institutional*”, legal and political perspective, identified as being the perspective of employment relations and as being developed as a result of the imbalance of powers between employees and employers, of the authoritarianism of managers and of the economic insecurity of employees. During this period, the legal rules and the collective bargaining were given preference and the overall vision of the organisation was promoted (St-Onge, Audet, Haines and Petit, 2004, p.14).

4.The “*systemic*” perspective promoted the need for an analysis of the components of the organisational environment as they exerted their influence both on the resources dedicated to human resources management and on the activities and objectives pursued by the organisation. Human resources management is considered from this point forward a subsystem of an organisation (St-Onge, Audet, Haines and Petit, 2004, p.16).

5.The last perspective is the “*strategic*” perspective that emerged in the 1990s. It is characterised by the integration of a set of activities chosen according to the results to be obtained. In fact, it involves a process of putting into practice the suitable means aiming at achieving the goals of the organisation, thus completing its mission, in a turbulent environment faced with increasingly fierce competition (St-Onge, Audet, Haines and Petit, 2004, p.17). Applied in the field of human resources management, this perspective is ultimately about bringing the external environment in line with the internal environment and the strategy of the organisation, thus making up the basic model of the “*strategic human resources management*”.

There is a wide range of definitions related to the concept of strategic human resources management, but it should be pointed out that these definitions have similar foundations in the form of three principles applicable to the concept:

- a) the need for internal coherence of human resources management practices with each other and the need for external coherence with the company’s strategy (Arcand, 2000, p.52);
- b) the human resources become part of the organisation’s major strategic directions;
- c) the strategic human resources management has real meaning only to the extent that it contributes to the improvement of the various parameters related to the effectiveness of the organisation (Bernard, 2009).

3. Development and repositioning of the Human Resources Division – key stake in hospital reform

Hospital reform needs the support of strong human resources management. And the involvement of the Human Resources Division will increase as it is called to participate in the formulation of the (hospital’s) organisational strategy.

The issue of modernising the human resources policy in public health establishments is part of an evolving general context characterised by a series of challenges (Toupillier and Yahiel, 2011, p.3):

- responding to new patient expectations related to the transformation of the society;
- respecting patients in the health system;
- taking into account the aging of the population;
- noticing and anticipating public health issues;
- integrating the development of chronic pathologies and polyopathologies;
- adapting to scientific and technological progress;
- developing research and innovation.

Under these circumstances, the hospital system must simultaneously act firmly in the spirit of the implemented policy, adapt the organisation of healthcare services in order

to achieve the performance and patient safety indicators, and provide an attractive work environment for all health professionals.

Thus, the modernisation of human resources management of hospitals derives from two mandatory requirements (Toupillier and Yahiel, 2011, pp.3-4):

- responding to the abovementioned challenges;
- considering and providing better support to a series of reforms and changes probably unprecedented whose success is conditioned by the mobilisation of all categories of personnel involved.

In the steps taken in this process of modernising the human resources management it should be remembered that – and this should not be disregarded at all – today there are three categories of transversal needs that run up against the management of human resources (Toupillier and Yahiel, 2011, p.7):

- the search for a “meaning”, which renders it similar to the dynamics found in all complex public and private enterprises;
- the desire for a real autonomy within a framework where transformation is in full swing, because the rules regarding the personnel remain national by definition, while the control becomes very strongly anchored at regional level (which, considering the budgetary impact of the body of employees, is a central context element), whereas daily actions are taken closer and closer to hospitals, even closer to the ground;
- the need for adapted tools and procedures, including professional support for managers and people in charge of human resources management in what has now become a highly territorialised context.

The capacity of hospitals to provide quality health care to all the patients is based, above all, on competence, work and commitment. The major progress that has impacted the operation of hospitals over the past two decades make it necessary to renew the human resources management approach. Three main stakes need to be pointed out in particular (Toupillier and Yahiel, 2011, p.64):

- ✓ evolving towards more individualised management of skills and support for career path;
- ✓ constantly ensuring the consistency between the constant evolution of skill requirements within each hospital service and the actual skills available in other hospitals and territories;
- ✓ making use of the *savoir faire* in the human resources management policy, a decisive factor of hospital strategy and performance in all its dimensions, especially quality, internal efficiency and economic performance.

4. Conclusions

The mission of the Human Resources Division is difficult, but the work it carries out is passionate and complex. In delegating the management it will be vital to be able to preserve its expertise and control missions in the context of a clearly defined general hospital policy.

In order to support the human resources function towards higher performance it is necessary to maintain and increase the autonomy of the Human Resources Division in the organisational structure of the hospital.

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USING THE SPSS PROGRAM IN OUTLINING THE VIEW OF THE DAMBOVITA UNEMPLOYED OVER WORK

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Abstract: *The current paper represents a new approach to work, as it is a theme that will not be overcome. On the course of this scientific approach, are aimed credible conclusions that will increase the level of understanding and awareness of the current situation of work at Dambovita county, but from the view of the unemployed. In the part destined to the stage of knowledge are presented the essential concepts, and during the second part there is a direct research, an opinion survey having as instrument a questionnaire. The conclusion of the article is that the SPSS program is effective in analyzing work.*

Key words: *work, unemployed, computer, SPSS.*

JEL Classification: *J64.*

1. The stage of knowing the concepts

Work is the factor that contributes decisively to the creation, use and improvement of other factors of production. In its sphere it is determined the amount of the salary which by its implications, as an element of the production cost, becomes an essential factor in carrying out the economic processes. The labor market directly influences other economic subsystems and exerts action on the other components of social life (Cazes and Nesporova, 2014).

Functionality of the labor market is ensured by its components (Ștefan, 2009):

- *Bidders* - people who offer skills and professional competence for a price;
- *Applicants* - organizations (public and private);
- *Intermediaries* - legal persons specialized in intermediation services, between the bidders and the applicants of work force.

In democracy, the right to work, to the free choice of the profession and the place of work, are integrated into the fundamental human rights (Prahoveanu, 1997). People's exclusive attribute, work generates the consumption of intellectual and physical energy.

The main characteristics of the Romanian labor market (Pârâianu, 2003): *a labor market in development, a market with a limited area and compression trends, a tense labor market.*

2. Using the SPSS program in shaping the perception over work

Methodology of research

The aim of the research: Knowing the perception of the unemployed over work and its determinant factors.

Objectives:

O1: Knowing the motivation of looking a job;

O2: Observing the impact of environmental differences on job loss;

O3: Identify the impact of barriers in finding a job over the period since the respondents are not finding a job.

Hypotheses:

H1: For most unemployed people in Dambovita who have sought employment, the

main motivation was the salary.

H2: The time period since the respondent no longer has a job is influenced, at the same time, by the barriers to finding the job and by the last level of education completed by them.

H3: The effects felt of respondents as a result of job loss do not differ in urban or rural areas.

H4: There are no significant differences regarding the opportunity to run a business depending on the environment of origin.

The survey sample consists of 356 unemployed people at the time of the research, and they live in Dâmbovița County. This is a direct and explanatory research. The analysis and interpretation of the results took place in the SPSS statistical program. For the purpose of observing the extent to which the hypotheses formulated at the beginning of the investigation are verified or rejected, specific tests shall be used, as appropriate.

The first hypothesis

H1: For most unemployed people in Dambovita who have sought employment, the main motivation was the salary. We have chosen as a method of testing the association. The data that occurred, as a result of applying the method in the SPSS program, can be found in the following tables.

Table no. 1. Looking for a job after the determinant reason

		Reason job searching				Total
		salary	Social status	gaining new abilities	opportunity career advancement	
Job searching	yes	180	33	39	92	344
	no	3	1	1	3	8
	I don't answer	2	0	0	2	4
Total		185	34	40	97	356

The table is intended to allow the association to be identified based on absolute frequencies. According to the data in the table, out of the 356 people participating in the survey, for 180 respondents who sought to find a job, the main motivation was the salary, practically more than half of them.

Table no. 2. Applying association tests

	Values	Sig
Pearson Hi square	2.354 ^a	0.884
Rate of probability	3.029	0.805
Linear association	0.717	0.397
Number of valid cases	356	

There is a significant difference between the frequencies observed and those expected in the case of searching for the job, regarding the reasons for their search ($\chi^2 = 2,354$ for DF = 6 degrees of freedom and the significance level $p = 0,884$). The statistical value of the test shows that it is not significant, and there is no significant association

between the 2 (the search of a job and the reason for the search) variables analysed. Thus, the Hi square test is not relevant to identify and measure the association between the variables.

The null hypothesis states that salary does not influence the search for a job, and thus it does not check (fact supported by the data presented in table 4.100). The first hypothesis of research is checked.

The second hypothesis

H2: The time period since the respondent no longer has a job is influenced at the same time by the barriers to finding the job and by the last level of education graduated by them.

In this case, multiple regression was used as the method of testing. The data resulted from the test can be seen in the following tables.

Table no. 3. The model used

Model	R	R square	R adjusted	Standard error	R square	F adjusted	df1	df2	Sig. F
									adjusted
1	0.277 _a	0.077	0.071	1.143	0.077	14.654	2	353	0.000
a. Predictors: (Constant), graduated studies, barriers in finding a job									

Multiple correlation coefficient $R = 0.27$. The value of square R shows that 0.07% of the change in the time period since it is no longer working is explained by the variance of the other variables, a small value.

Table no. 4. Anova

Model		Amount per square	df	Average per square	F	Sig.
1	Regression	38.320	2	19.160	14.654	0.000 ^b
	Residual	461.531	353	1.307		
	Total	499.851	355			
a. Dependent Variable: period since it does not work						
b. Predictors: graduates studies, barriers in finding a job						

Only one regression model was used. This is effective (statistically significant because the Sig value is less than the statistical threshold value).

In the above situation Sig. = 0.000, which reflects the fact that the test is conclusive, but the result of the correlation ratio reflects the existence of a very weak link.

The period of time since the unemployed in Dambovită County no longer have a job is not influenced in the whole sense by variables. **The second hypothesis is not verified.**

The third hypothesis

H3: The effects felt by respondents as a result of job loss do not differ in the urban or rural area. For this situation, the comparison method was used. The null hypothesis states that the effects felt due to job loss do not show significant differences between urban

and rural areas. In the following tables we can see the data obtained following the application of the comparison method.

Table no. 5. Anova test

			Amount per square	Average per square	F	Sig.
Repercussions of lack of employment * the sex of respondents	Between groups	Combinations	3.283	3.283	7.195	0.008
	Outside the group		161.512	0.456		
	Total		164.795			

The sex of respondents contributes in proportion of 0.03% to the differences felt.

Table no. 6. The measure of association

	Eta	Eta per square
Repercussions of lack of employment * the sex of respondents	0.141	0.020

There are no significant differences, because the value of Eta is 0.140. According to this result, the proportion of variance in the dependent variable explained by the independent variable is small. **The third hypothesis is checked.**

Fourth hypothesis

H4: There are no significant differences regarding the opportunity to run a business depending on the environment of origin.

Table no. 7. The measure of association

	Eta	Eta per square
The opportunity of starting a business * the environment of origin	0.068	0.005

The Eta coefficient reflects the fact that there are no significant differences. The null hypothesis is checked, therefore hypothesis number four is checked.

The fifth hypothesis

H5: The optimism about remedying the situation on the labor market is not related to the job place, according to the specialization in the life of individuals.

Table no. 8. The correlation between the variables

			Optimism regarding finding a job	The importance of the workplace
Kendall's tau_b	Optimism regarding finding a job	Coefficient of correlation	1.000	-0.101*
		Sig. (2-tailed)		0.035
	The importance of the workplace	Coefficient de correlation	-0.101*	1.000
		Sig. (2-tailed)	0.035	

In the presented situation, the Kendall coefficient = -0.101, there is no direct correlation between the two variables analysed, the result shows a negligible and negative relation, a correlation between the frequency of optimism and the frequency of the workplace importance, the significance threshold is 0.035 and the number of subjects 356, proportions inversely proportional. The last hypothesis is checked.

3. Conclusions

The place of work in the life of any individual, implicitly, of the unemployed participating in the research carried out at the level of Dâmbovița County is important. The deficiencies at the level of employment affect the individual and the society.

The job can give the individual safety, self-esteem and well-being. Many of the respondents who sought to find a job had as their main motivation the pecuniary aspect. The lack of work generates negative effects for the individual: it lowers self-esteem, diminishes living conditions, and conflicts arise at the family level.

The most important conclusions, as a result of the research conducted during the scientific process, reflect that the SPSS program helps to an in-depth analysis of the work.

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MARKETING STRATEGIES AND POLICIES FOR DEVELOPING TOURISM IN THE CENTRE REGION

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Abstract: *Tourism is one of the economic branches that has expanded fast over the last decades. The motivation of tourists are very different: some tourists seek rest and relaxation, other adventure, some tourists prefer nature, while other tourists want to discover new places or are interested in historical, cultural objectives or cultural manifestations. Health rehabilitation also counts, among the frequently encountered tourist motivations. There is a quite well-structured segmentation of the tourism market according to the characteristics of tourists such as age, family situation, educational attainment, level of income.*

Key words: *promotion, marketing policies, tourism, SWOT analysis.*

JEL Classification: *M31, M37.*

1. Introduction – Types of tourism in the Centre region

Without trying a clear distinction between the forms of tourism in the Centre region, we consider their differentiated analysis useful. From most researches and studies that have been developed until now, it has been concluded that the forms of tourism with the highest development potential are: mountain tourism, spa tourism, cultural tourism and rural tourism (www.regio.adrcentru.ro).

Mountain tourism benefits from exceptional natural conditions in the Centre region, almost half of the area is covered by mountains. The Centre region includes significant parts of 6 of the 28 national or natural parks of Romania and includes many other protected areas and natural reservations.

Cultural tourism is favored by the existence of valuable objectives surrounding the territory of the region and some well-known architectural landmarks (fortified churches, Bran Castle, Sighişoara's Citadel, Sibiu, Braşov, Alba Iulia etc.) as well as prestigious traditional festivals (Pentecost pilgrimage from Şumuleu-Ciuc, Mount Găina Maidens Fair). The relatively small distance between the cultural touristic objectives favors their integration into different thematic circuits.

Spa tourism is beginning to be reconsidered and upgraded in recent years and is a preferred form of tourism in the counties of the Centre region, especially in the counties: Covasna, Harghita and Mureş. Romania owns one third of Europe's mineral water springs, many of which are located in the Centre region.

Rural tourism is preferred by families with children who seek relaxation in a peaceful and healthy environment. They are also interested in foreign tourists as a direct means of knowing authentic traditional civilization. In the last 20 years rural tourism has developed dynamically. The number of tourist and agrotourist pensions in the Centre region is over 800, and the number of accommodation places has reached almost 13,000.

Business tourism has grown mainly in big cities and several resorts that offer high comfort and accommodation and have the necessary technical facilities.

2. SWOT Analysis of the tourist destination, Centre region

The process of policy and strategy development should be based on an overview of the current situation of tourism in the Centre region. The utility of the SWOT analysis consists of identifying strengths and weaknesses, threats and opportunities in this region.

Strengths:

- Physical and geographical framework favourable to the development of human settlements, communication channels and economic activities;
- Rich forests, exploitable for economic purposes and with a role in preserving the regional ecosystem;
- Existence of important natural resources, including energy resources;
- The network of urban localities is balanced;
- The existence of a growth pole (Braşov) and two urban development poles (Târgu Mureş and Sibiu);
- Increase the proportion of employees who have graduated higher education institutions;
- Road network that allows access to all areas of the region and ensures a good connection of the Centre Region with the other regions of Romania;
- The Centre Region is crossed by the Pan-European Transport Corridor IV;
- The university network of 13 universities, university research centres in almost all scientific fields;
- Relatively balanced economic structure;
- Trendency to increase the shares of economic sectors with a high added value (services, certain branches of industry);
- Significant volume of foreign direct investment (2nd place after Bucharest-Ifov);
- The value of exports has grown 4 times over the past 10 years;
- I.M.M. have a significant share of staff and turnover;
- The presence of a business-supporting infrastructure;
- Clusters in training in the fields of wood processing, biomass, electrotechnics, food industry;
- Important tourist potential, diversified and spread across the region, increasing tourist flow;
- Significant agricultural potential, including organic farming.

Weaknesses:

- The mountainous terrain imposes restrictions on territorial, social and economic development;
- Only half of the water bodies in the Centre Region have a good environmental status;
- Large number of villages not connected to the public utility infrastructure;
- Demographic slowdown and the process of demographic improvement since 1990;
- High migration rate after 2000;
- Low rates of activity and employment of the working-age population, increase in intra-regional disparities as regards employment;
- Unemployment rate is higher than the national average;
- Insufficient technical condition of the road network;
- The lack of motorways and high capacity roads;
- Subdued investments in rail infrastructure maintenance;
- Residential, educational and poor health infrastructure in small towns and in rural areas;
- Continuing the tendency of economic polarization at regional level;

- The economic connection of the region with the European market remains relatively low, the reduced participation of the domestic companies in various economic cooperation networks;
- The underdeveloped and under-utilised business infrastructure;
- Tourist infrastructure is unequally developed at regional level;
- The access infrastructure to some areas with tourist potential is poor;
- Economic dependence on agriculture of most rural localities, low degree of agriculture technology;
- Small, economically unviable agricultural holdings;
- Ageing workforce;
- Unsustainable exploitation of forests.

Opportunities:

- Utilization of renewable energy resources (biomass, micro-hydro, solar);
- Polycentric urban development;
- Moderate improvement of certain demographic indicators;
- Increase the level of training of the labour force;
- Increasing the share of the employed population in the tertiary sector;
- Improving and expanding transport infrastructure, developing intermodal transport;
- Improving access to areas that currently have a poor road infrastructure, ensuring fast road links between the Centre Region and other regions of Romania;
- Expansion of passenger air transport and freight air transport, including the construction of Braşov - Ghimbav International Airport;
- Unleashing research potential and transfer of results to economy;
- Expanding business-supporting infrastructure, diversifying the range of services offered;
- Increasing the financing of the research - development - innovation sector, as a result of the European policies in the field;
- Increase of the tourist flow to the region;
- Agriculture's profitability, development of economic activities related to it;
- Creating viable economic alternatives in rural areas.

Threats:

- High negative impact of climate changes and non-rational exploitation of natural resources;
- Increasing disparities between large urban centres and small and medium-sized towns;
- Increasing demographic decline and accelerating the ageing rate of the population in the coming years;
- The increase of the external migration phenomenon, especially of the young and the highly qualified population;
- Educational issues in poor population groups, especially the Roma population;
- Non-correlation between educational opportunities with labor market needs, low labor participation in further training programmes;
- Overburdening European and national roads, continuing the degradation of

road transport infrastructure;

- Low road safety;
- Increased disproportion between road transport and rail transport;
- Unfavorable external economic developments can negatively impact the economic future of the Centre Region;
- Decrease in the attractiveness of the Centre Region for investment;
- Maintain a low degree of absorption of European funds;
- Increase in the area of unused agricultural land, non-rational exploitation of forests;
- Emphasizing economic and social problems related to poverty in small towns and rural areas.

Following this analysis and based on the information obtained from the marketing researches, a series of specific marketing mix policies will be proposed and strategies will be suggested in order to bring the Centre Region into a competitive position on the market.

3. Marketing mix of the tourist destination, the Centre region

The marketing mix for the Centre Region includes the following elements: product, price, distribution, promotion, personnel, partnerships, physical tests, process management.

3.1.Product policy

Romanian tourists choose the tourist destinations in Brasov, Alba, Sibiu for a limited time, usually a weekend, in the counties of Covasna, Harghita, Mureş. Romanian tourists and foreigners spend more time in spa treatments. In order to extend the stay of both foreign tourists and Romanian tourists, as well as to attract a larger number of tourists, it is advisable to design tourist products such as tours for 5-6 days to visit surrounding places, to contain an offer that is more complex and diversified by age. The aim of the tourist packages must be, besides visiting all the objectives, the discovery of specific customs and traditions to highlight the uniqueness of the Centre Region.

3.2.Price policy

In the case of this marketing policy, the main measure that has to be taken is to adjust the prices to the quality of the services so that the relationship between quality and price is considered right by the tourists.

Tariffs for access to cultural, religious, and historical objectives across the Centre Region are accessible to everyone. Even so, it is necessary to grant discounts to groups, pensioners, students, students and pupils.

As a price strategy in the Centre region, low price strategy can be used to win a market position and attract consumers. It would be an opportunity for the region to attract more tourists considering Romania's current economic situation. The recommendation is also the adjustment strategy for off-season tariffs (spring and autumn periods).

3.3.Distribution policy

In the Centre region there are several tourism agencies, as well as associations that promote tourism and participate in tourism fairs and represent each county in the region. Travel agencies prefer to organize package tours on demand rather than to arrange programmes internally and externally. Due to the poor infrastructure of the region, there are foreign tour operators who do not include the Centre region in their offers.

There is a very large and unexploited developmental opportunity through incoming tourism in the Centre region. It is necessary to contribute all the actors in the tourism field in order to establish tourism products of the type of tourist destination in the Centre region,

at an advantageous price, which will be distributed both to the travel agencies in the country and abroad. It is also necessary to collaborate with the big tourist operators in order to include these products in their offers.

Electronic distribution requires designing a single official web site that includes all the information a tourist needs when it comes to visiting the Centre Region. This web site may also contain an online booking system that includes accommodation in the region.

Because the Centre region intends to strengthen its position on the market, an intensive distribution strategy including the use of a large number of intermediaries is recommended. The tourist product from the Centre region should be placed primarily in the offers of the big international tourist operators, then in the tourism agencies and the domestic and foreign tourist information centers and to the electronic intermediaries.

3.4. Policy on promotion

There are several initiatives to promote this region due to its high attractiveness and diversity among the destinations in Romania. That's why the first step to start a promotional company is to establish an identity for this destination. An attempt to promote in Covasna county was "2017 - The Year of Tourism. Regional Balneoturismic Cluster – 2014".

In order to ensure effective promotion at the local level, the cooperation with all the actors in tourism and the support of the local authorities and of the destination management organization are necessary in order to:

- Design an attractive, interactive portal to show all the attractions of the Centre Region (for each county in the region), the activities that can be carried out here, and the opportunities for leisure;
- Produce various high-quality, attractive, well documented promotional materials such as brochures, leaflets, CDs, tourist guides, distributed free to tourists, information centers and travel agencies in the country and abroad;
- Include the tourist product on social sites and on the websites of different travel agencies;
- Design a brand for the Centre region to represent the identity of the tourist destination, including an advertising clip with the region's representative, unique objectives, a very concise presentation of traditions and leisure opportunities; a short message, easy to remember; promotional materials have to be promoted with a common message. This brand must be launched both on the national and international markets;
- Organize internationally renowned festivals;
- Organize info-trips for representatives of tour operators and travel agencies in order to gather information about the region;
- Participate in many tourism fairs and exhibitions with products from the Centre region;
- Attract personalities to support concerts, book presentations etc.

3.5. Staff policy

Both staff in tourism and the local population should be considered, as both categories contribute to the experience of tourists.

Most managers of the tourist accommodation units prefer to hire staff with professional experience rather than with knowledge accumulated in school.

Salaries in tourism are very low, the workload is high, that's why the employees are not motivated. Managers of tourism organizations in most cases adopt short-term strategies: not to hire staff for an indefinite period with low salaries and to change it periodically.

Job insecurity, low salaries manifest in the form of uninterest of staff in the tourism organization in which they work. Employee dissatisfaction is an issue that should not be forgotten, so urgent action is needed to improve the situation.

The precarious financial situation and the lack of jobs are factors that make the staff working in tourism to strive at work, to learn in the process of working, to be kind and always willing to help. This is confirmed by the opinion of the interviewed tourists in the quantitative research, according to which the respondents believe that the staff working in tourism in the region of Covasna are adequately trained.

Organizations active in the field of tourism must consider the following strategies to overcome the problems faced by the population engaged in tourism:

- Invest in the continuous development of staff;
- Managers should encourage quality and not quantity, appreciate and support training, and assign tasks to the future staff in the specialised field;
- Keep competent employees through loyalty, reward, information, investing in training, offering facilities, flexible working schedule etc.

These strategies should be applied in all tourism organizations in the Centre region and should be proposed and supported by the Destination Management Organization and local authorities.

The attitude of the local population towards the tourists is friendly, open, hospitable. It is a surprising aspect which is appreciated by tourists, most of them praise the local population in the region.

3.6. Process policy

Tourist packages are designed to attract tourists to a particular destination, extend the stay, and encourage tourists to come back to have the same experience.

In order to facilitate accommodation, boarding, transportation, guiding, tourists have to be organised in groups.

Local accommodation units and restaurants will be contacted to choose the most advantageous offer. In restaurants, animation programs will be contracted for each evening according to possibilities and in order to present local traditions. Local transport companies will be contracted to ask for their offers and opt for the most advantageous ones. Specialist guides will also be chosen to accompany tourists along the tour.

The idea of tourist packages will be proposed to the marketing organizations of destinations in the region to offer tourist packages to tourists who come to the Centre region.

3.7. Physical policy

This policy must be approached from the point of view of the staff's ability to provide the service and how the tourist found the delivery process.

In the Centre region, the staff who work in tourism are kind, therefore the quality of the tourist services process is generally considered satisfactory by tourists.

Most tourism organizations are aware of technological developments and are equipped with the newest equipment: card readers, online reservation systems etc.

Most tourism organizations apply the policy of generating and maintaining customer relationships by setting up databases with them and by finding their feedback important regarding the quality of the service.

The proposed management strategy for the future is aimed at tourism management organizations that need to invest in conducting market studies to determine trends in consumer behavior and tourists' expectations from offered services.

4. Conclusions

Marketing is essential to ensure the success of a tourist destination. This is a strategic mechanism whose main objective is the development of tourism in the respective destination, in accordance with the protection of the environment and the satisfaction of the needs of the actors involved in the tourism activity.

The first aspect that any marketing plan should start with is knowing and forecasting the dimensions of the tourist market, concepts that are a constant concern of tourism management organizations considering the dynamic of this market.

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THE ACTIVITY OF FINANCIAL AUDIT IN ROMANIA

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Abstract: *In a market economy in the midst of the globalisation era, being in a continuous evolution and being influenced by all the modifications which take place world widely, from an economical, political, social and technological point of view, the activity of financial audit is used as an instrument for increasing the level of trust of the users of economic information, provided by the entities which produce these information. Worldwide, there are organisations of accounting profession, specialized in adapting it to the new requirements which appear in the society, for keeping and increasing the level of trust of the users of the information provided by the entities. Such an organisation is The International Federation of Accountants (IFAC) which, through its projects, identifies the areas which require improvements within the accountant profession, thus responding to the public needs. In Romania, the professional organisation which is identified with the activity of financial audit, being a member of IFAC, which has as objective the continuous development of the financial auditor profession, and which offers a high level of trust in the activity that they develop by assimilating the International Audit Standards, and the Code of Ethics of Accounting Professionals provided by IFAC and ensuring the assimilation of all legislative modifications which appear in the European Union, is the Chamber of Financial Auditors in Romania (CFAR).*

Key words: *audit, financial audit, statutory audit, CFAR.*

JEL Classification: *M42.*

1. Introduction

Participating in the market economy after 1989 and being a Member State of the European Union starting from the 1st of January 2007, Romania had to offer its own economy, the strings needed for being able to realize this adaption. Financial audit is one of the instruments necessary to be used within the market economy, being a relatively new profession for our country. This has been constituted through OUG 75/1999 concerning the activity of financial audit, the professional organization which manages this activity has been appointed, namely the Chamber of Financial Auditors in Romania (CFAR).

According to ISA 200, the purpose of an audit is to increase the level of trust of the users regarded in the financial reports (IAASB, IFAC, CAFR, 2016, p.81). By offering this service, financial audit becomes an important instrument in the economic relations, offering the insurance on the fact that the information provided by the entities which produce them are in accordance with their specific reporting frame.

The audit process is made by natural or juridical person legally qualified, named auditors who revise and evaluate in a professional manner, the information referring to a certain entity, using specific techniques and procedures, in order to obtain samples, named audit samples, through which the auditors have emitted a document called audit report and an independent and responsible opinion, using the evaluation criteria which result from legal regulations or from well practices widely approved in the domain in which the audited entity develops its activity (Todea and Stanciu, 2009, p.218).

For offering the highest level audit services, it is necessary for the audit organization to permanently train its members on all the modifications which appear in the profession world widely and at the European level.

The purpose of this scientific approach is to present the moment after which the Chamber of Financial Auditors in Romania was constituted, the main modifications which the profession bore from a legislative point of view but also as a result of revising the International Audit Standards and the code of Ethics of Accountant Professionals, and to provide an analysis of the activity that it develops based on the annual reports of activity which are posted on the professional organization's website.

2. Methodology

The methodology of the scientific research used for accomplishing the intended purpose, implies the presenting of the circumstances after which the Chamber of Financial Auditors in Romania was constituted, the modifications which took place within the profession, by consulting the specialty literature, but also presenting an analysis on the activity of financial audit by analysing the data offered by the activity annual reports of CAFR, pertain to 2009-2016.

3. Activity of Financial Audit in Romania

The activity of financial audit in Romania appeared and was influenced by the country's economical – political affiliations, respectively after 1989, the economy has gone from a centralized one, controlled by the state, at a market one. Due to this change, the modification of the legislation was necessary in order to bring to the new economy the needed instruments for being able to function within a market economy in the globalization era.

The first moment of enactment of the financial audit profession in our country took place based on the Decision of National Conference of CECCAR no. 3 from October 1995, when a paper entitled: *Financial Audit Norms and Certification of the Balance Sheet* (Berheci, 2010, p.275). Four years after the decision of the National Conference of CECCAR no. 98/24 of 27 January 1999, the National Auditing and Related Services Norms, in which the International Audit Standards are almost textually poached, published by the International Federation of Accountants (IFAC) (Florea et al., 2008, p.139).

Due to pressing need of external financing, in May 1999, Romania's Government asks the World Bank a loan for structural adjustment (PSAL I), destined to increasing the role of private sector in the economy. For doing this, Romania's Government engaged in implementing the accounting and audit standards internationally admitted, and in parallel it engaged in constituting the Chamber of Financial Auditors. Therefore, as a response to these requirements, the enacting of the financial audit in Romania is finalized in 04.06.1999, through the releasing of Government Emergency Ordinance number 75/04.06.1999 concerning the activity of financial audit (Dănescu, 2007, pp.33-34).

Once with the constitution of Chamber of Financial Auditors in Romania (CFAR), based on OUG no. 75/01.06.1999, the actual audit activity is enacted and coordinated by a professional organisation, separate by CECCAR. Its Provisory Committee has decided to assimilate the International Audit Standards of IFAC, as a base of implementation of the financial audit in Romania (Berheci, 2010, p.277).

As a result of Romania's adherence in the European Union the amortization of audit activity with the requirements in the domain at the level of community, took place.

In the European legislation, through the eighth Directive, lately replaced by the Directive 2006/43/ CE, is acknowledged a single type of audit – statutory audit (legal audit). Thus, the concept of statutory audit was introduced by OUG no. 90/2008 concerning the statutory audit of the annual financial reports and of the consolidated financial reports, therefore transposing in the national regulations, in the requirements of Community legislation (Lapteş, Popa and Dobre, p.810).

The last major modification at the legislative level was made through law 162/2017 concerning the statutory audit of annual financial reports and of the consolidated annual financial reports, and of modifications of certain normative acts, published in MO no. 548 from the 12th of July 2017. This fulfils the alignment of the legislation with the new requirements imposed by the European Union, respectively, the implementation of the Directive 2014/56/CE which modifies the Directive 2006/43/CE concerning the legal audit of the annual financial reports and of consolidated financial reports and of the Regulation

(UE) no. 537/2014 concerning specific requirements referring to statutory audit of the public interest entities.

CFAR, in this period, has translated and published each modified edition of the Code of Ethics of Accountant Professionals, and of International Audit Standards realized by IFAC, therefore, their last translated editions were the ones from 2015. The modifications brought upon the audit standards had usability along with the elaboration of financial reports in 31.12.2016. These modifications aim the auditor’s report, intending a more detailed presentation of the major aspects discovered by the auditor in auditing the financial reports and a more evident presentation of his responsibilities, being necessary in order to help the final users of financial reports for ensuring a more complex understanding of the auditor’s activity.

4. Analysis of the Activity of Chamber of Financial Auditors in Romania

A modality through which an analysis upon the activity of financial audit in Romania can be made is studying the annual reports of activity CFAR, pertained to the period 2009-2016, these being available on the Chamber of Financial Auditors in Romania’s website.

A first important indicator in the analysis of the activity of financial audit is the evolution of CFAR’s number of members, legal or physical persons, and trainees this being presents in the Figure no.1.

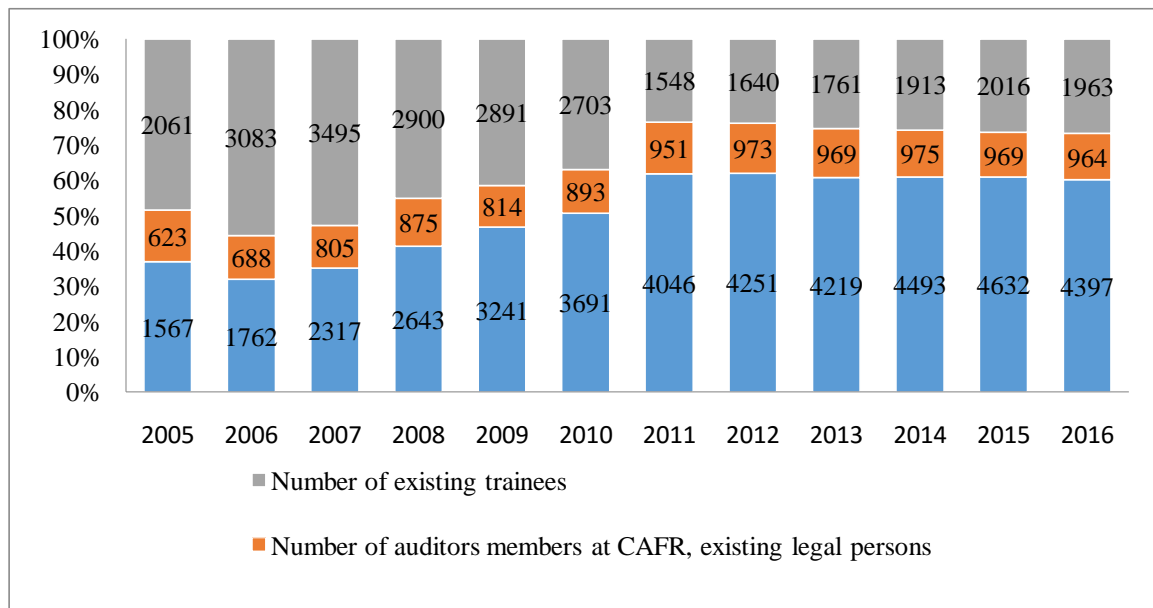


Figure no.1. Number of auditors members at CFAR

Source: Own processing based on CFAR’s Annual Reports 2009-2016, Chamber of Financial Auditors of Romania, 2018. *Professional education*. [online] Available at: <<https://www.cafar.ro/sectiune.php?id=491>> [Accessed 1 March 2018].

Concerning the number of the audit members, physical or juridical persons, we can observe a relatively constant increase along the analysed interval, respectively 2005-2016, 2015 registering the greatest number of CFAR members. Regarding the number of CFAR trainees, one can observe that 2005 – 2009 are the years when the most trainees have been registered, as reference being 2008 and 2009, thus reaching a number of 3000 trainees. In between 2010-2016, a smaller number of trainees have been registered, the greatest

number being in 2015. This evolution may be also owed to the fact that the profession is relatively new, and in this period, accountant professionals could observe the opportunities which come once with the affiliation to such a professional organisation. The market requirements for audit services have intensified as a result of Romania's Adherence to the European Union on the 1st of January 2007, but they may also be owed to the changes that took place in the Romanian economy for adapting to the requirements of a market economy in the globalization era.

After presenting the number of the chamber's probationers, another analysed important indicator, presented in Figure no.2, would be the status of the passing of the entrance examinations in the internship, but also the status of passing of the final examination, after which the probationers become financial auditors, CFAR members.

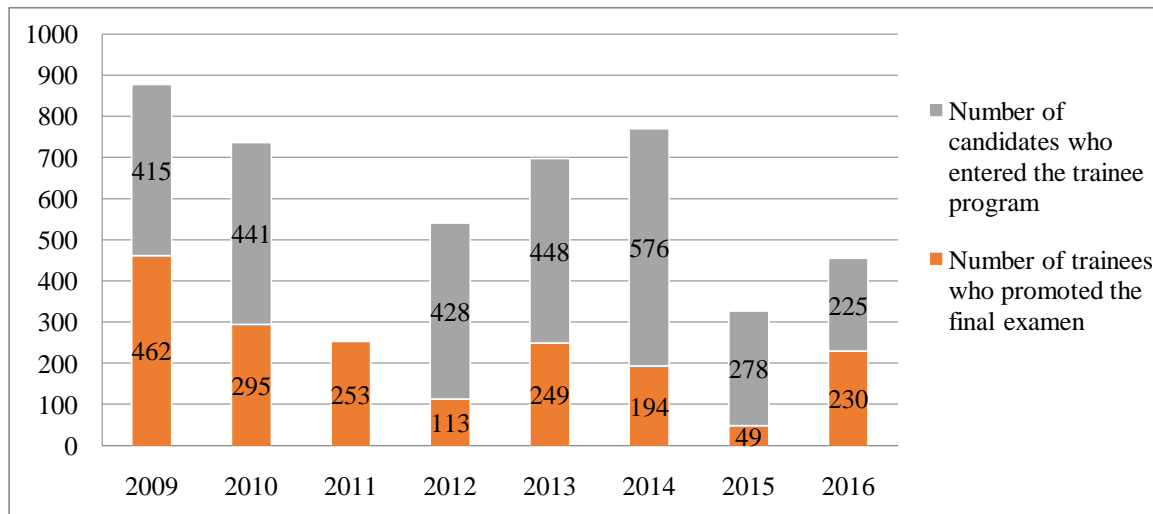


Figure no. 2. Exams passing

Source: Own processing based on CFAR's Annual Reports 2009-2016, Chamber of Financial Auditors of Romania, 2018. *Professional education*. [online] Available at: <<https://www.cfar.ro/sectiune.php?id=491>> [Accessed 1 March 2018].

In the analysed period 2009-2016, we can observe the fact that the greatest number of candidates which passed the entrance examination in the internship was registered in 2009-2014, and the years with the smaller number of candidates which have passed it was 2015 and 2016. The only year in which the report of activity developed by CFAR did not foresee this number was the year of 2011. Concerning the number of candidates who passed the final examination, we can notice that in the year of 2009 it was registered the greatest number of graduates, between 2010-2014 significant fluctuations have been registered among these, and in 2015 the smallest number of graduates have been registered, but starting 2016 it can be observed a much larger number of graduates as compared to 2015, increasing from 49 to 230. This thing is due to the probationers' training courses along the three years of the training stage as well as to the training corpus for this exam published by CAFR.

In each trimester, through the Monitory and competence Department of CFAR, a certain number of auditors are subjected to an inspection which considers the evaluation of the way in which the quality control is internally made, for ensuring the fact that the auditors respect the requirements of the chamber regarding the developed activity for providing some services with a high level of quality which are not to diminish the trust of the final users and not to damage the profession. Therefore, as a result of these inspections,

the auditors receive qualifiers, and in the case of Figure no. 3 there are presented the qualifiers obtained from the total amount of inspections realised during a whole year.

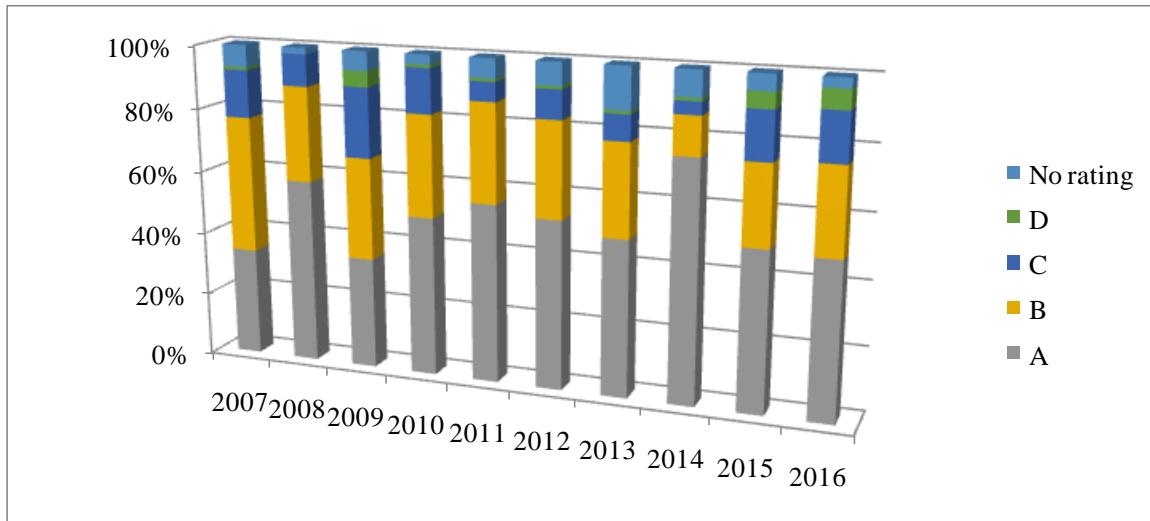


Figure no. 3. The percentage of qualifiers obtained from the total amount of the inspected auditors

Source: Own processing based on CFAR’s Annual Reports 2009-2016, Chamber of Financial Auditors of Romania, 2018. *Professional education*. [online] Available at: <<https://www.cfar.ro/sectiune.php?id=491>> [Accessed 1 March 2018].

Concerning the analysed period, respectively, 2007-2016, we can notice the fact that the most significant percentages from the total amount of obtained qualifiers are mainly the ones for the A qualifier, and then for B qualifier.

In the same time, in the case of inspections undertaken by CFAR, it is also important to analyse the total number of analysed auditors in this period. This situation is presented in Figure no. 4.

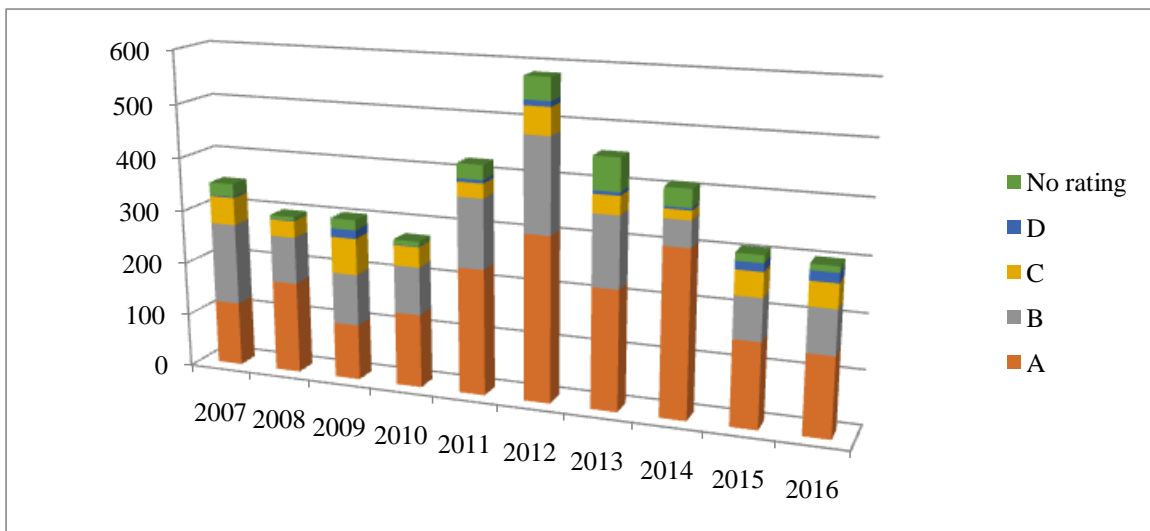


Figure no. 4. Number of qualifiers obtained from the total amount of inspected auditors

Source: Own processing based on CFAR’s Annual Reports 2009-2016, Chamber of Financial Auditors of Romania, 2018. *Professional education*. [online] Available at: <<https://www.cfar.ro/sectiune.php?id=491>> [Accessed 1 March 2018].

We can observe that from the total number of inspections, the most have been registered in 2012, and after this year, until 2016, a constant decrease have been registered. This depreciation was owed to the larger number of hours allotted for the verifications during the inspections, but also to modifications of revising norms of the activity developed by auditors, which have also anticipated the necessity of verifying the reasoning used by the inspected auditors for accomplishing the audit missions starting with the inspections made from the 1st of October 2016.

Another important aspect in realising this analysis is presenting the CFAR's patrimony evolution, and this may be seen in Figure no. 5.

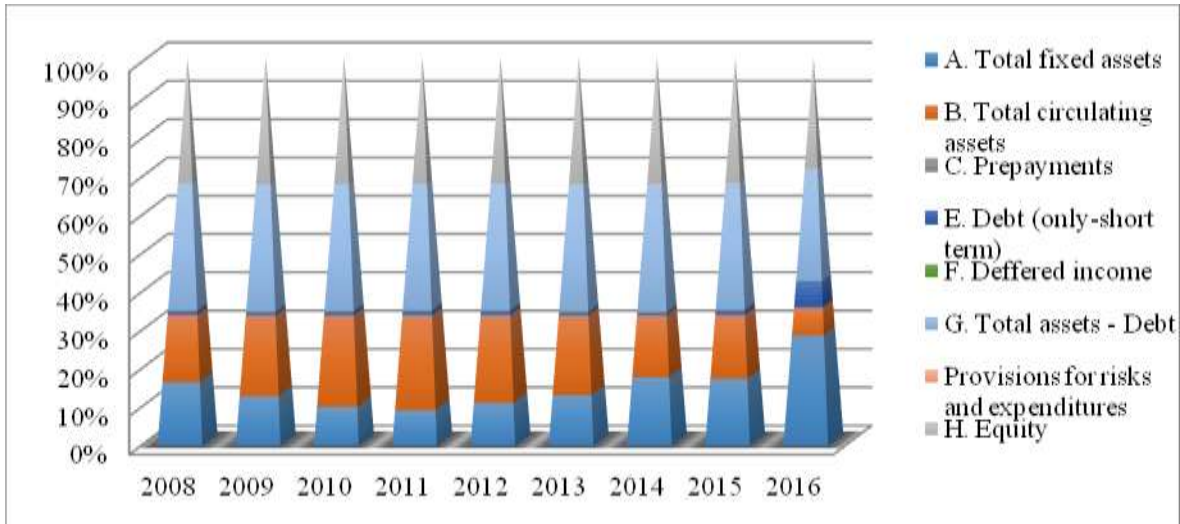


Figure no. 5. CFAR's patrimony evolution

Source: Own processing based on CFAR's Annual Reports 2009-2016, Chamber of Financial Auditors of Romania, 2018. *Professional education*. [online] Available at: <<https://www.cafr.ro/sectiune.php?id=491>> [Accessed 1 March 2018].

From the total analysed patrimonial elements we can observe the fact that the assets detain the most part. In 2008 the current and fixed assets register about the same values, then we can observe an increase of the current assets until 2011, and from 2012 a constant increase of fixed assets, registering the greatest balance in 2016. The smallest balance belongs to current debts, having a more significant percentage at the end of 2016.

An extremely important indicator in the reflecting the activity of financial audit in Romania is presenting the balance of the main types of incomes registered by CFAR, this being shown in Figure no. 6 in the period between 2008-2016.

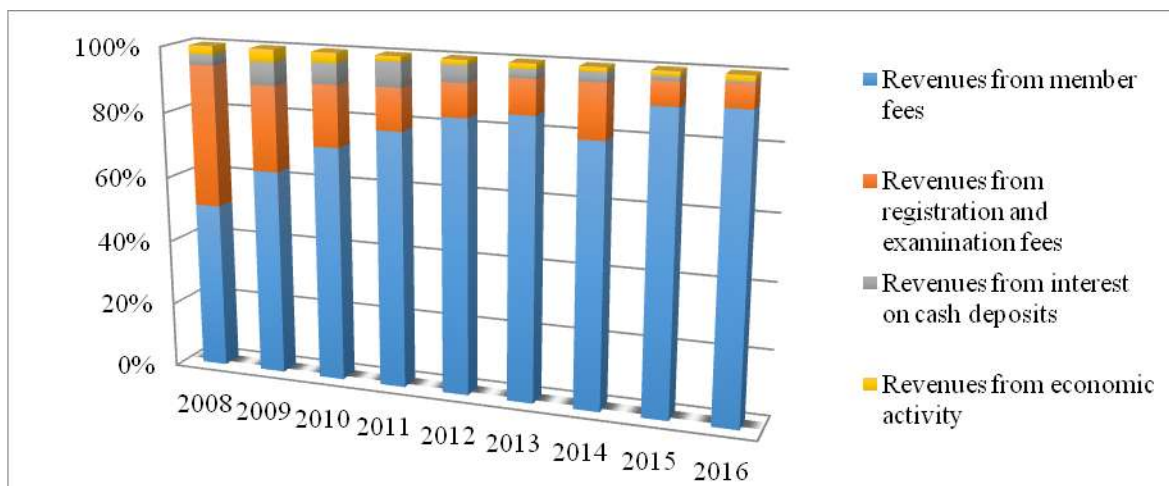


Figure no. 6. Main registered incomes

Source: Own processing based on CFAR’s Annual Reports 2009-2016, Chamber of Financial Auditors of Romania, 2018. *Professional education*. [online] Available at: <<https://www.cfar.ro/sectiune.php?id=491>> [Accessed 1 March 2018].

We can notice that in 2008 the incomes with the greatest registered balance are the ones coming from exams registrations and enrolment taxes, as well as from fees, then one can observe a constant increasing of fees incomes until 2016 and a major decrease of the ones resulting from registration and enrolment taxes. These modifications may be due to the decreasing of candidates’ number within CFAR, therefore a decline of exams registration and enrolment taxes, but also to the increasing of the number of members in the chamber within the analysed period. In the total amount of income we can also indentify, with a considerable small balance in the total income amount, incomes from economic activity and incomes from interests from liquid assets placement.

The last indicator taken into account is the one concerning the incomes and expenses evolution, all presented in Figure no. 7.

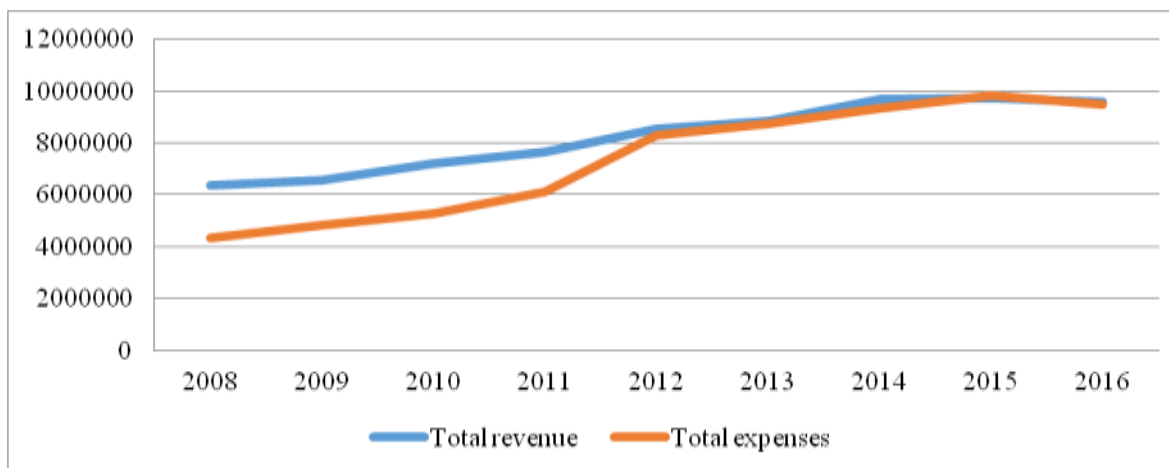


Figure no. 7. Incomes and expenses evolution

Source: Own processing based on CFAR’s Annual Reports 2009-2016, Chamber of Financial Auditors of Romania, 2018. *Professional education*. [online] Available at: <<https://www.cfar.ro/sectiune.php?id=491>> [Accessed 1 March 2018].

We can observe the fact that starting from 2008 until 2011 a significant difference has been registered between the total amount of registered incomes and expenses. From 2012 the expenses' value increased reaching an approximate equal level to the ones of incomes and maintaining this level until 2016.

5. Conclusions

Looking upon the history of our country we can notice the difficulty of economical adaptation from a centralized one from the communist period, led by the state, to a free one, a market one. One of the necessary instruments in order to function within a free market economy is financial audit. The professional organisation responsible with the activity of financial audit is the Chamber of Financial Auditors in Romania.

Analysing the CFAR's reports of activity between 2009 and 2016, we can see different aspects connected to the activity of financial audit. For instance, the fact that a major influence in the evolution of members' number were the opportunities that the accountant professionals have noticed that they could have from such a organisation, especially after Romania's adherence at the European union on the 1st of January 2007, when certain European funds needed to be audited. Regarding the periodical inspections made by CFAR to its members, we can observe that after 2012 the number of inspected members has constantly decreased due to the large number of hours allotted to these inspections, and from October 2016 the necessity of evaluating the auditors' professional reasoning within the audit mission, has also been added.

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ACCOUNTING FOR DISCOUNTS UNDER IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

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Abstract: Revenue is an important indicator to users of financial statements in assessing an entity’s financial performance. In May 2014, the International Accounting Standards Board issued IFRS 15 Revenue from Contracts with Customers which supersedes IAS 18 Revenue and IAS 11 Construction contracts. It applies to all businesses reporting under IFRS for periods beginning on or after 1 January 2018. IFRS 15 specifies the requirements an entity must apply to measure and recognise revenue and the related cash flows. This article considers the application of IFRS 15 and the impact it has on determining the transaction price, especially in case of variable consideration.

Keywords: IFRS 15, revenue, discounts, transaction price, variable consideration

JEL Classification: M41.

1. Introduction

Discounts are probably the most popular selling tool in business. Many companies reduce the price for their goods or services in various forms, for example: ‘buy 1, get 1 free’, bonuses for early payment or for cash payment, gift vouchers, ‘get 10% off for purchases over a certain amount’, and many others.

When a seller provides a discount to a customer, this directly affects measurement of various items in the financial statements and potentially the accounting treatment for the revenue.

IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers. It affects all entities that enter into contracts to provide goods or services to their customers (unless the contracts are in the scope of other IFRS requirements).

The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is based on a five-step model framework:

- Step 1: Identify the contract with the customer

IFRS 15 defines a contract as an agreement between two or more parties that creates enforceable rights and obligations. It also sets out specified criteria for every contract that must be met.

- Step 2: Identify the performance obligations in the contract

A performance obligation is a promise in a contract with a customer to transfer a goods or services to the customer. If the goods or services are distinct, the promises are performance obligations and are accounted for separately.

- Step 3: Determine the transaction price

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer.

- Step 4: Allocate the transaction price to the performance obligations in the contract

For a contract that has more than one performance obligation, an entity should allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the entity expects to be entitled in exchange for satisfying each performance obligation.

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

An entity recognises revenue by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service).

The revenue recognition model has changed from being focused on the transfer of the risks and rewards of ownership (in IAS 18) to being based on the transfer of control (in IFRS 15).

IFRS 15 is an objective-based standard, meaning that reporting entities have the flexibility to choose various methods based on the standard's principles and objectives. The reporting entity shall determine which methods provide the most relevant and useful information for its business and the external users of their financial statements.

2. The transaction price

The transaction price is the amount of consideration that an entity expects to be entitled to in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties.

The transaction price can be a fixed amount of customer consideration, but it may sometimes include variable consideration or consideration in a form other than cash.

The transaction price includes the effects of two factors: (1) *variable consideration*, which can be either explicit or implicit price concessions (i.e., discounts, rebates, refunds, credits, etc.), and (2) *the consideration of a constraint*. For the purpose of determining the transaction price, an entity assumes that the goods or services will be transferred to the customer as promised in accordance with the existing contract and that the contract will not be cancelled or modified.

2.1. Variable consideration

Entities often offer price concessions to their customers, which are items that cause variable consideration under IFRS 15.

Variable consideration is considered to be a component of the transaction price. The transaction price can vary because of discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties or other similar items.

Variability in consideration may be explicitly stated in a contract or may be implied. If either of the following situations exists, in addition to the terms of the contract, the consideration promised is variable:

- customary business practices, published policies or specific statements have created a valid expectation that the entity will offer a price concession,
- other facts and circumstances indicate that it is the entity's intent to offer a price concession when entering into the contract with the customer.

Under IFRS 15, an entity is required to estimate variable consideration using either the 'expected value' method or the 'most likely amount' method, based on whichever better predicts the amount of consideration to which the entity is entitled. The entity applies the selected method consistently throughout the contract and for similar types of contracts.

Expected value method – that is the sum of probability weighted amounts in a range of possible outcomes. This may be an appropriate approach if the vendor has a large number of contracts with similar characteristics.

Example 1 - Estimating variable consideration based on the expected value

Entity A enters into a contract with a customer to build an asset for CU 500,000 with a performance bonus of CU 50,000 based on the timing of completion. The amount of the performance bonus decreases by 20% per month for every month beyond the agreed-upon completion date. The contract requirements are similar to contracts Entity A has performed previously, and it concludes that the expected value method is most predictive in this case. Entity A estimates there is a 70% probability of completion by the agreed date, a 20% probability that it will be delayed by a month, and a 10% probability that it will be delayed by two months.

The transaction price is the estimate of the consideration entitled for the work performed. Probability-weighted consideration under the expected value method:

CU 550,000 (fixed fee plus full performance bonus) x 70% = CU 385,000

CU 540,000 (fixed fee plus 80% of performance bonus) x 20% = CU 108,000

CU 520,000 (fixed fee plus 60% of performance bonus) x 10% = CU 52,000

Total probability-weighted consideration is CU 545,000.

The total transaction price of CU 545,000 is based on the probability-weighted estimate. Entity A should update its estimate at each reporting date.

The expected value approach is applicable to the portfolio method of aggregating customer contracts. If management makes reasonable estimates and applies them to a large number of similar contracts, the aggregate amount of revenue should reflect the sum of all of the expected amounts of the individual contracts. The expected value approach is also appropriate in situations where there is a spectrum of amounts possible, as in the example above where there is a bonus for each period prior to a deadline that an entity completes a performance obligation (or a penalty for each period late).

Most likely amount method – that is the most likely outcome from the contract. This may be an appropriate approach if a contract has two possible outcomes, such as a performance bonus which will or will not be allowed (BDO, 2017, pp. 26).

Example 2 - Estimating variable consideration based on the most likely amount

Entity B enters into a contract with a customer to design the interior of an office building for CU 100,000. The terms of the contract include a penalty of CU 10,000 if the service is not provided by a specified date. In determining the transaction price, entity B considers that the most likely amount method is the appropriate approach.

This approach will better predict the amount of consideration that it will ultimately be entitled to. This is because there are only two possible outcomes; either the penalty will be applied or it will not.

The estimated amount of variable consideration is updated at each reporting date to reflect the position at that date, and any changes in circumstances since the last reporting date.

An entity shall apply one method consistently throughout the contract when estimating the effect of an uncertainty on an amount of variable consideration to which the entity will be entitled. In addition, an entity shall consider all the information (historical, current and forecast) that is reasonably available to the entity and shall identify a reasonable number of possible consideration amounts. (IFRS 15 par. 54)

These two approaches should not be applied simultaneously to the same source of variable consideration within a contract (or aggregate group of similar contracts). However they may be applied separately to different sources of variable consideration within the same contract. For example, if a contract included both a bonus for early completion of a

project, which scaled with the number of days ahead of schedule, and a quality bonus if a project exceeds certain specifications, an entity might choose to use the expected value approach for the early completion bonus, and the best estimate approach for the quality bonus, within the same contract (Riley, 2015).

2.2. Constraining estimates of variable consideration

Companies must adjust the estimated amount of variable consideration downward by excluding any amount that is probably subject to reversal in the future. Specifically, IFRS 15 requires the transaction price to include an amount to the extent that it is highly probable that a significant reversal will not occur. The determination of “highly probable” for IFRS purposes requires a careful evaluation of the uncertainty surrounding variable consideration.

An entity should include in the transaction price some or all of an amount of variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved subsequently.

The magnitude and possibility of the reversal in revenue should be determined in order to assess such probability. The risk of revenue reversal increases if the following factors exist:

- The entity has limited experience with similar contracts;
- The estimate is sensitive and can be impacted greatly by different factors outside of the entity’s control like as market volatility, legal and regulatory changes, internal factors, etc.;
- The contract has a large number and broad range of possible consideration amounts;
- The entity has a practice of either offering a broad range of price concessions or changing the payment terms and conditions of similar contracts in similar circumstances (Solanki, 2016).

These estimates should be revised at the end of each reporting period and any changes to the transaction price as a result of the change in estimate should be made in the reporting period.

The recognition of variable consideration is a significant change from prior accounting standard. In the past, entities were required to determine whether the amount of consideration was fixed or determinable, and only recognize the fixed or determinable portion. Under the new standard, the recognition of variable revenue is limited to the amount that is not expected to reverse, instead of being precluded entirely. This may lead to earlier revenue recognition for many entities.

Example 3 – Estimating the amount of variable consideration in case of additional services at discount

Entity C is a provider of digital cable TV and the price for 1-month service is CU 100. In order to increase the number of clients, it offers to each customer who enters in a 1-year contract one month of free service after 1-year period of paid services is over.

The performance obligations in this specific contract are as following:

- digital cable TV services, and
- 1-month of free service, that is the material right at the end of the 1-year period of paid services.

Entity C has to determine the transaction price and to allocate the transaction price to both of the performance obligations.

The transaction price is CU 1,200, as 12 months x CU 100 per month.

The transaction price has to be allocated to both performance obligations based on their relative stand-alone selling prices.

The stand-alone selling price of network services is CU 100 per month.

The stand-alone selling price of the 1-month of free service needs to be estimated based on the probability that the client will use the additional free service for one month. Assuming that the client would like to use services for 1 extra month at no cost, the probability is 100%.

This means that the stand-alone selling price of the 1-month of free service is CU 100, estimated as follows: 100% x the discount of CU 100 (equals the price of 1-month service).

The allocation of the transaction price of CU 1,200 to individual performance obligations under the contract based on their relative stand-alone selling prices (or their estimates) is presented in table no. 1.

Table no. 1. The allocation of the transaction price to individual performance obligations

Performance obligation	Stand-alone selling price (CU)	% on total	Revenue (CU)
Digital cable TV services	1,200	92.3%	1,108*
1-month of free service	100	7.7%	92*
Total	1,300	100%	1,200

* Revenue = CU 1,200 x % on total

The revenue is recognised as services are provided. The client pays CU 100 per month and Entity C recognises only CU 92 that is 1,108/12 as the revenue from digital cable TV services per month.

The journal entry that is recorded every month is as follows:

Debit Accounts receivables: CU 100

Credit Revenues from cable services: CU 92.33

Credit Contract liability: CU 7.67

Entity C makes the same entry each month during 12 months if nothing changes.

After 1 year, the revenue from digital cable services is CU 1,108 (as shown in the above table), but there is also a contract liability of CU 92 (CU 7.67 x 12 months).

The journal entry that is recorded for the 1-month of free service is as follows:

Debit Contract liability: CU 92

Credit Revenues from cable services: CU 92

Under IFRS 15, the reported profits are the same in total, but their pattern over time is different, as it can be seen in table no. 2.

Table no. 2. The revenue measurement under IAS 18 and IFRS 15

Performance obligation	Under IAS 18 (CU)	Under IFRS 15 (CU)
Digital cable TV services	1,200	1,108
1-month of free service	0	92
Total	1,200	1,200

The conclusion is that instead of recognising the revenue from 12 month services at 100 per month and then 0 for the free month, Entity C recognises the revenue from both 12 months of paid service and the material right.

3. Conclusions

The new provisions of IFRS 15 have impact on all entities, but the extent of the impact can vary significantly. The application of the prescriptive and detailed implementation guidance contained within the standard may change, considering the timing and/or the amount of revenue recognition, primarily arising from:

- the number of goods or services in a contractual arrangement over which revenue needs to be allocated;
- the manner in which revenue is allocated to these goods and services; and
- the timing when an entity provides the goods or services to the customer.

Option for additional goods or services at a discount is one area that is likely to require more judgment in the application of the additional guidance and possibly result in accounting changes (Deloitte, 2014, pp. 2).

However, all entities have to reassess their revenue recognition policies and consider whether revisions are needed, as well as to look carefully at the new requirements regarding the revenue measurement.

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THE IMPACT OF DIGITAL TECHNOLOGY ON THE BANKING ORGANIZATION

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***Abstract:** The impact of digital technology on the banking organization is mainly reflected in customer behavior (which has become increasingly demanding), but also in the transformation of retail banks in response to market developments that have led to the optimization of customer experience on the Internet, the transformation of operational processes, the evolution of all organizations, the internal mode of operation and the business model. The purpose of this study is to clarify what implementation of digital technology involves in banking organizations, but also to present current and future developments in the banking field with regard to the implementation of digital technology. Thus, in order to adapt to the market and new customer behaviors and perspectives, the banking organization engages in a digital transformation that focuses on four key areas: optimizing customer experience, redesigning business processes, changing the bank's internal mode of operation. and transforming the model business of the bank.*

***Key words:** automation, customer experience, digital technology, disintermediation, interactivity*

***JEL Classification:** M15.*

1. Introduction

Some researchers consider digital the "locomotive of the third industrial revolution" and "digital transformation" is the result or consequence of other revolutions that have taken place long before and which are now perfectly integrated into our way of life. Given that digital technology is already an integral part of the private sphere and is part of a natural evolution, increasingly penetrating the professional sphere, it is unanimously considered a necessity for increasing the performance of companies. In other words, digital has also a resonance in the current banking system, described by changes in customer experience optimization, redesigning business processes, changing the internal mode and changing the business model of the bank.

1. Evolution of Bank Customers' Behaviors and Expectations

In terms of behavioral evolution, it can be described by the expectations of the bank's customers regarding the interactivity, continuity and ease of use of the services provided by the banking organization.

Indeed, when everything is available on the internet 7 days a day, every 24 hours, it becomes more and more difficult for a customer to have direct contact with the bank (at the counter), often incompatible with professional activity. This need for interactivity has been felt since the 1990s, with the establishment and deployment of call centers or customer services. Currently, it is illustrated by on-line consultation of banks' institutional sites, first reinforced by the development of NTC equipment, and by the development of smart phones and related mobile applications.

On the other hand, customers are increasingly looking for simplified services. The search for simplicity is a fundamental trend that is partly responsible for the development of mobile applications, which the customer, by definition, can permanently use. This search for simplicity is also the origin of new product and service ranges.

The latter is characterized by a multi-channel distribution (which allows the customer to have continuous access to bank accounts and services) as well as a "disintermediated" communication.

The client wants to have services tailored to his needs without delays or complex procedures. In order to do this, it is ready to go beyond traditional / institutional intermediaries and negotiate its own contract clauses or solve a problem that has arisen.

The "self-service" phenomenon also contributes to disintermediation.

The client, more and more agile with the new technology, more informed and much more impatient, prefers to manage their simple (or so-called "low value") operations from home (via the computer, the smartphone) or near it (hate). Cash withdrawals, balance consultations and bank transfers are some of the most common operations affected by this disintermediation.

In addition, customer behaviors have changed significantly and have a growing tendency towards building deals tailored to their needs.

2. Digital transformation of retail banks

The bank evolves and engages in digital transformation to adapt to the market and new customer behaviors and perspectives. This transformation mainly targets four key areas: optimizing customer experience; redesigning business processes; change the internal mode of operation and transforming the business model of the bank.

2.1. Optimizing customer experience

The bank has a customer-oriented approach and strives to better understand their customers and preferences to meet their expectations.

Big data plays a key role in this goal of better customer knowledge and allows, optimizing customer experience.

These data can be collected internally, especially through computer systems, and will take the form of socio-economic data, customer information (address, income, etc.) or transaction history, transfers etc.).

They can also be taken from the outside via media, such as social networks, commercial sites, or blogs. Whatever its form, Big Data is a great opportunity for the bank, allowing it to move from a "typical customer" analysis to an "individual customer" analysis, thus enabling a personalized offer of products and services. It is therefore a considerable competitive advantage for the bank.

In addition, banks are committed to publishing and promoting brand image more effectively through social networks, the media. Virtual communities are evolving and allow the consumer to find information and advice, and banks can build their trusted capital.

The bank has, even internally, a comprehensive database of its client portfolio (consumer habits, professional and personal situation, capital, etc.) and should be able to capitalize on this knowledge to transform the experience customers.

Therefore, the quality of the counseling can be improved by digitizing the bank branch.

2.2. Redesigning business processes

The automation process is a powerful growth opportunity for the bank. This allows it to shorten and simplify bank procedures. The implementation of specific software (ERP, CRM) enabled the bank to achieve efficiency and quality in its transactional, financial and transaction processing processes.

The automation process also releases working time for back office teams that can be reallocated to higher-value tasks. This technological development also enables organizations to be more agile.

The decision-making time is shorter, allowing for better adaptation to changes in the banking market. Thus, banks have the means to better prevent, assess and control risks.

Document dematerialization also allows for significant gains in net banking product, low processing times, back office costs and security. This dematerialization can be illustrated in a number of ways and can go as far as it does not materialize:

- configuring mailboxes (automatic sorting and redistribution of all e-mail messages in electronic version);
- automatic indexing of customer documents;
- electronic archives, automatic document readout, etc.

Automating the sorting, indexing, data input, or processflow process allows for significant gains in efficiency and security because it replaces previous manual tasks, often source of error (as it involves manual reprocessing) and time consuming.

In addition, dematerialization allows for new monitoring and traceability of processes, contributing more and more to their security. The electronic safe deposit box is an example of the potential gains that technology and digital can generally have for banks: time savings, storage and sharing of secure documents, cost savings. In addition, the electronic vault presents new complementary sources of income: a fee based on the amount of files to be stored and additional services (electronic certification of the date of the deposit and its non-modification etc.).

2.3. Change the internal mode of operation

If it opens up new perspectives in terms of gaining market share and innovation, digital technology brings radical changes in business, organization, and ways of operating the organization. The exchange of information is a first key point of this transformation.

Digital business also involves changes in business interaction modes: instant chat implementation is an example. In general, the company's culture changes so that we can better understand the customer and his expectations.

Employee equipment is also evolving to meet these efficiency and agility goals. Computers, phones, personal tablets, and third-party tools (Dropbox, Doodle etc.) are increasingly coming into the business sphere, as the company always lags behind in integrating these tools and new technologies, particularly restrictive and regulatory imperatives.

Contrary to what one might think, the digital transformation of the company is less a question of reconciliation of generations than a cultural change.

2.4. Transforming the business model of the bank

As the retail banking network is an important part of its cost structure, and while the number of agencies continues to decline, most major players in the market have already launched optimization of their branch network, spending cuts, development synergies and achieving economies of scale.

Proximity is a competitive advantage that can be decisive, especially when opening a bank account. This is less about the drastic reduction in the number of branches of banks, but of refining the geomarketing tools' settings by highlighting the geography of the deposits in the implementation strategies.

Another development of banks is to revitalize the business and make the bank and its products and services more "easy to use". The Digital Integrator and the development of new technologies is a way to achieve these goals, and allows banks to develop simple applications (allowing customers to manage their accounts remotely, for example), or to develop and increase interaction with the client through via multi-channels.

Digital technology and new technologies are an opportunity for banks, allowing them to move from a product strategy to a service strategy.

3. Conclusions

Therefore, in order to better respond to customer needs and to keep up with the pace of their behavior, banks need first of all a review and adjustment of internal processes of communication, collaboration and reporting, through streamlining solutions made available by digital technology.

As regards the use of cloud services (online services) as part of digital technology, most of the customer's concerns focus on security and internal data protection. Any regulated entity will carefully evaluate the protection and security measures of the provider prior to the conclusion of the contract and to ensure that during the provision of the service it has the necessary leverage to monitor and continually evaluate the service and the provider. In other words, there is a concern about the degree of security and protection of information provided by NICT implemented in banking organizations.

In conclusion, the importance of digital technology is highlighted by the fact that it provides the possibility of anticipating the evolution of medium and long term behavior, as well as the risk associated with each client at the time of contracting. Thus, it is possible to act in a timely manner, both to counteract the risks and to capitalize on possible opportunities related to the portfolio of clients managed by the banking organization.

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THE MARKETING MIX IN A LUXURY HOTEL CHAIN

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Abstract: *The hospitality industry represents not only one of the most diverse and dynamic economic activity, but also one of the largest and fastest growing industry worldwide. It includes hotels, restaurants and resorts, and constitutes one of the major employers in the world. As one of the most visible sector within the hospitality industry, the luxury hotel industry has attracted more and more customers and investors in the past decades. The marketing mix being a key element of the wider marketing strategy of a company occupies a prominent place in the luxury hotel industry. This paper proposes to identify and analyze the components of the marketing mix in this industry by using the example of Ritz-Carlton Hotel Company, an American luxury hotel chain. The methodological approach is based on a case study.*

Keywords: *hospitality industry, marketing mix, services sector, Ritz-Carlton, luxury hotel chain, customer.*

JEL Classification: *M00, M31, Z39.*

1. Introduction

In the last decades services have played a key role in the economic growth of countries and have increasingly become an important sector of the world economy. The size of services sector has increased in all countries around the world, either developed or developing. The services sector highly contributes to gross domestic product (GDP), trade and employment (United Nations Conference on Trade and Development, 2017). The services export doubled its share in total goods and services export in the period 1970-2014 at a global level (Loungani et al., 2017) as trade in services proved to be more resilient than trade in goods (United Nations, 2017).

As two of the prominent domains of services sector, travel and tourism are connected with other domains (e.g., hotels, transportation, entertainment etc.). In 2016, the total contribution of travel and tourism to world GDP represented USD 7,613.3bn (10.2% of GDP) and to world employment 292,220,000 jobs (9.6% of total employment) (World Travel & Tourism Council, 2017).

The hospitality industry represents not only one of the most diverse and dynamic economic activity, but also one of the largest and fastest growing industry worldwide. It includes hotels, restaurants and resorts, and constitutes one of the major employers in the world. The market size of the global hotel industry grew from USD 410.36bn to USD 495.17bn in the period 2014-2016 (Statista, 2018). In 2017, the global performance in the hospitality industry increased in the majority of regions, especially in Africa, Canada and Europe (Smith Travel Research, 2017). Different factors, such as globalization, technology, innovation, terrorist attacks, cross-border investments or large-scale mergers and acquisitions, have changed the global landscape of hospitality industry (Ernst & Young, 2017).

As one of the most visible area within the hospitality industry, the luxury hotel industry has attracted more and more customers and investors in the past decades. Today's consumers have higher expectations than in the past and have the possibility to compare more hotel options than ever before (Deloitte, 2018). This is why the role of marketing is crucial for achieving business success and, therefore, the marketing mix being a key element of the wider marketing strategy of a company occupies a prominent place in the luxury hotel industry.

The purposes of this paper are to provide a conceptual framework of the marketing mix in the hospitality industry and to identify and analyze its components within an American luxury hotel chain. The research methodology is based on a case study. The rest of the paper is structured as follows. The next section deals with the theoretical foundation of the concept of marketing mix in the hospitality industry. The case of Ritz-Carlton Hotel Company is presented in the third section. The paper ends with conclusion.

2. Defining the marketing mix in the hospitality industry

In the 1960s the concept of marketing mix emerged in the marketing literature. There is no agreement on what exactly the marketing mix consists on. Some authors (e.g., N. H. Borden) consider the elements of the marketing mix as procedures, processes, and policies, whereas others (e.g., P. Kotler) view them as instruments, tools, and parameters (Waterschoot and Bulte, 1992). Neil H. Borden (1964) identified the following twelve elements of the marketing mix of manufacturers:

- Product planning (e.g., policies and procedures relating to quality);
- Pricing (e.g., policies and procedures relating to the price level);
- Branding (e.g., policies and procedures relating to the selection of trade marks);
- Channels of distribution (e.g., policies and procedures relating to the degree of selectivity among wholesalers and retailers);
- Personal selling (e.g., policies and procedures relating to the retail segment of the trade);
- Advertising (e.g., policies and procedures relating to the amount to spend);
- Promotions (e.g., policies and procedures relating to the burden to place on special selling plans);
- Packaging (e.g., policies and procedures relating to the formulation of label);
- Display (e.g., policies and procedures relating to the methods adopted to secure display);
- Servicing (e.g., policies and procedures relating to providing service needed);
- Physical handling (e.g., policies and procedures relating to warehousing);
- Fact finding and analysis (e.g., policies and procedures relating to securing the facts in marketing operations).

In comparison with Borden, Edmund J. McCarthy (1964) simplified the marketing mix to the so-called “4Ps framework”: product, price, promotion, and place. Each of the elements comprises a mix in itself (e.g., promotion mix, price mix, product mix).

Later, several modifications were made by various authors in order to incorporate the specific characteristics of services, seen as “products purchased through an exchange transaction that does not confer ownership but permits access to and use of a service, usually at a specified time in a specified place” (Middleton et al., 2009, p. 46) or as “performances, rather than objects” (Zeithaml et al., 1985, p. 33). Also, differences were revealed between corporate/traditional marketing and entrepreneurial marketing (Martin, 2009) and between traditional businesses and digital businesses (Dominici, 2009). This is why the traditional 4Ps of goods marketing seemed to be inadequate in the services marketing (Lovelock et al., 2015).

As a result, a new marketing mix appeared by adding another elements such as people, process, packaging, partnership, programming, practices, purpose or physical evidence (Middleton, 1988; Morrison, 1989; Bitner, 1991; Zontanos and Anderson, 2004; Hudson, 2008; Bowie et al., 2017). Thus, the extended marketing mix encompasses an expanded framework. The expanded marketing mix for services comprises the following 7Ps:

- Product, place, promotion, price, people, physical evidence, and process (Zeithaml et al., 2009);
- Product elements, place and time, price and other user outlays, promotion and education, process, physical environment, and people (Lovelock et al., 2009).

Applied in the hospitality industry the marketing mix presents specificities. During the time, several approaches related to the components of marketing mix in the hospitality industry have emerged in the literature as follows:

- The product service mix, the presentation mix and the communications mix (Renaghan, 1981);
- Product, price, place, and promotion (Kotler et al., 2010);
- Product-service mix, presentation mix, communication mix, pricing mix, and distribution mix (Reid and Bojanic, 2010- Table no. 1).

Table no. 1. The components of marketing mix in the hospitality industry

Product-service mix	Presentation mix	Communication mix	Pricing mix	Distribution mix
It combines all the products and services provided by the hospitality operation, including both tangible and intangible units (e.g., type of guest room, amenities).	It encompasses elements used by the marketing manager in order to increase the tangibility of the product-service mix (e.g., atmosphere, physical location).	It includes all types of communication that happens between the hospitality operation and the consumer (e.g., advertising, marketing research).	It comprises the consumer's perception of value (e.g., volume discounts).	It is related to all distribution channels available between the company and the target market (e.g., e-commerce).

Source: Reid and Bojanic, 2010

In essence, the marketing mix has to take into account that “creating customer value and satisfaction are at the heart of hospitality and travel industry marketing” (Dev et al., 2010, p. 459).

The marketing mix at Ritz-Carlton Hotel Company

Luxury represents a concept that is constantly evolving and has different meanings for different people. As services intensive, the luxury hotels constitute a part of the “experience economy” (Harkison, 2017), being defined by “their large size, tasteful aesthetics, cleanliness, high-quality food, and prime location, as well as the privacy and security they afforded and service marked by “faultless personal attention”” (Sherman, 2007, p. 26). The luxury hotels can be divided in the following three main categories: upper upscale brand, luxury major integrated chain, and luxury exclusive small/med size (Digital Luxury Group, 2013- Table 2).

The Ritz-Carlton Hotel Company operates The Ritz-Carlton luxury hotel chain. According to the 2018 Global Hotels Luxury Brand Status Index, The Ritz-Carlton, with a score of 7.95, earns the highest overall rating. The index scores range from 0-10, and are an average of consumers' degree of agreement with each of the following statements (Marketwired, 2017):

- "This hotel delivers consistently superior quality."
- "This hotel is truly unique and exclusive."
- "This hotel is visited by people who are admired and respected."
- "This hotel makes guests feel special across the full customer experience."

Albert Keller founded The Ritz-Carlton Investing Company in the United States. In the beginning of the twentieth century several Ritz-Carlton hotels were opened in Boston, Philadelphia, Pittsburgh, Atlantic City and Boca Raton (Ritz-Carlton, 2018a). By offering one of the finest luxury experience to its customers, The Ritz-Carlton, Boston succeeded in revolutionize the hospitality industry in America (e.g., private bath in each hotel room, fresh flowers in all public areas).

The Ritz-Carlton Hotel Company was established in 1983. Led by President Colgate Holmes, the American company expanded continuously and, at the end of 1992, operated 23 luxury hotels. After a successful activity the company was bought by Marriott International in 1998. Today, the company employs 40,000 people and owns 91 hotels worldwide in 30 countries and territories: Aruba, Austria, Bahrain, Canada, Cayman Islands, Chile, China, Egypt, Germany, India, Indonesia, Israel, Japan, Kazakhstan, Malaysia, Mexico, Oman, Portugal, Puerto Rico, Qatar, Russia, Singapore, Saudi Arabia, South Korea, Spain, Thailand, Turkey, the United Arab Emirates, U.S. Virgin Islands, and the United States (Ritz-Carlton, 2018b).

Acting in a highly competitive global luxury hotels market, The Ritz-Carlton Hotel Company has permanently tried to create and provide value for its guests through a superior service quality. During the time, the company obtained numerous awards such as the Malcolm Baldrige National Quality Award, Best Hotel Brand for Customer Service, Travel Weekly Reader's Choice Awards– Best Luxury Hotel Chain 2017 or AAA Four and Five Diamond Award (Ritz-Carlton, 2018c). For the American company high quality is "not defined by little details such as heated bathroom mirrors, but by consistent and consequent high-class service" (Bruhn and Georgi, 2006, p. 27). As a result, the company was rewarded with customers' loyalty that led to a high firm value.

Table no. 2. The luxury hotels categories

Upper upscale brand	Luxury major integrated chain	Luxury exclusive small/med size
Embassy Suites	Bulgari Hotels	Banyan Tree
Hilton	Fairmont	Four Seasons
Hotel du Vin	Grand Hyatt	Guoman
Hyatt	InterContinental	Loews
Nikko	JW Marriott	Lotus Resort
Pan Pacific	Park Hyatt	Mandarin Oriental
Pullman Hotel	Ritz-Carlton	Orient-Express Hotel
Radisson Blu Hotel	Sofitel	Regent
Sheraton	St. Regis	Shangri-La
Wyndham etc.	Waldorf Austria etc.	Taj Hotel etc.

Source: Digital Luxury Group, 2013.

The marketing mix at Ritz-Carlton Hotel Company occupies an important place in achieving business success. All its components are interconnected in order to provide a truly memorable experience to the customers (Table no. 3).

Table no. 3. The components of marketing mix at Ritz-Carlton Hotel Company

Products & services	Price	Place	Promotion
guest rooms food and beverage recreational facilities wellness facilities and services (e.g., the Rejuvenate You package) conference facilities swimming pools fitness centers spa services lounges gift cards parking facilities check-in, check-out services, etc.	premium price discounts, etc.	hotel website booking system reservations by phone booking hotel, airfare & car together travel agencies, etc.	brochures journals word-of-mouth advertising hotel pens & pencils Twitter channel Instagram Facebook page YouTube Google + page hotel website, etc.

By considering itself as an “experience and memory creator” (Nixon and Rieple, 2010), The Ritz-Carlton Hotel Company has fully embraced the marketing philosophy. In order to understand its guests and create superior customer value, the American luxury hotel chain has succeeded in designing and implementing a proper and profitable marketing mix.

3. Conclusion

The services sector has remained one of the most important sector of the world economy. Travel, tourism and hospitality are among its fastets growing domains. The last decades have witnessed the development of the luxury hotel industry all over the world.

The paper shows that the marketing mix constitutes a fundamental tool in today’s business world. Applied in a luxury hotel chain the marketing mix presents some specificities as all its components are interconnected in order to provide an unforgettable experience to the customers.

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THE USE OF RESOURCES OF THE IT SYSTEM IN THE SCHOOL WITH CLASSES I-VIII NO. 6 ȘERBAN CIOCULESCU

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Abstract: *The quality of the IT system within an organization, institutions, is directly influenced by human resources (information technology specialists), but also by hardware resources (computers, peripheral input and output elements, information storage elements). Based on the resources of the IT system, the article is divided into two sections: the theoretical approach of the concept under analysis and a part intended to study the quality of the information system resources within a school unit in Dâmbovița County. The main hypothesis from which the elaborated present is based is that both people and computers have a direct impact on the IT system.*

Key words: *computer system, education, resources, teachers.*

JEL Classification: *I20.*

1. Information system - theoretical approach

The information system can be defined as the link that is created between users, technology and processes, in order to achieve a specific objective. Specialists use hardware and software components, usually in a network format, to process raw data into useful information (Indrajit, 2010).

An information system is characterized by inputs, processing and outputs. Input category includes: data, information, and operations. Processes include: hardware and software. Outputs within a computer system are represented by reports, graphs and indicators (Waman, 2007).

The essential components of a computer system are represented by the following resources (human resources, hardware, software, data, networks, informational systems).

End-users are people who use information. They can be accountants, salespeople, engineers, officers, managers or simple clients. IT specialists are people who develop and exploit the information. In the category of hardware resources, computers and other equipment together with all data carriers, objects on which the data are recorded and saved, a variety of interconnected peripheral devices.

2. The study of the quality of information system resources

The methodological context

The subject of the research: The importance of the quality of the IT system resources within the I-VIII School no. 6 ”Șerban Cioculescu” Găești, Târgoviște.

The research aims to answer the following questions:

1. Does the information system provide the necessary human resource performance reports?
2. Is the quality of the information system reflected by human resources?
3. To what extent do hardware resources have an impact on the quality of the IT system?

The hypotheses and issues studied

H1: To a large extent, respondents believe that the IT system provides the necessary human resource performance reports.

H2: In the opinion of most of the participants in research, hardware resources have a significant impact on the quality of the information system.

H3: Respondents think that the quality of the information system is reflected by human resources in the organization.

All these hypotheses are intended to be confirmed / denied by the frequency of respondents' responses.

Method of research

The targeted collectivity: the human resources within a school unit in Găești. The sample size is represented by 46 people from the teachers. Sampling mode - Non-equitable sampling using odds based on 3 relevant criteria (age, gender and environment of employees) was used. The research was conducted through the opinion poll and is a quantitative research based on the questionnaire tool. The purpose of the questionnaire is to identify the importance of the quality of information resources within the school unit. In the questionnaire, nominal questions were used. How to apply the questionnaire - face to face. Identifying the level of importance of some criteria was achieved using the 5-step Semantic Differentiation Scale.

The processing of the questionnaire was done in the database created in the EXCEL program.

Question 1. Are there qualified staff for the collection, recording and electronic storage of data in the school?



<i>Response</i>	<i>Percentaje</i>
<i>yes</i>	<i>100</i>
<i>not</i>	<i>-</i>
<i>I don't know</i>	<i>-</i>

Table and Figure 1. The existence of qualified personnel for electronic data collection, recording and storage

Source: elaborated by the author

All individuals participating in the research have the opinion that within the school unit they are responsible for collecting, recording and electronically storing the data.

Question 2. Do you consider that the number of persons involved in the process of collecting, recording and electronically storing data is sufficient?



Response	Percentage
yes	40
not	60
I don't know	-

Table and Figure 2. Sufficient number of people

Source: elaborated by the author

The highest percentage of respondents opted for the option that there is a sufficient number of people responsible for collecting, recording and storing information.

Question 3. Is there a student management system in your school?



Response	Percentage
yes	100
not	-
I don't know	-

Table and Figure 3. Student Management System

Source: elaborated by the author

To this question the respondents responded unanimously to the fact that there is a student management system.

Question 4. Has the school unit completed computer and program maintenance and repair contracts in recent years?



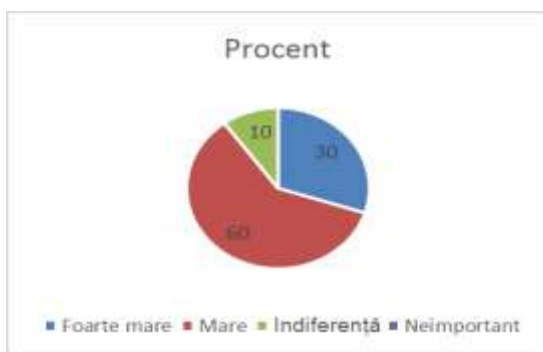
Response	Percentaje
yes	30
not	70
I don't know	-

Table and Figure 4. Conclusion of computer maintenance and repair contracts

Source: elaborated by the author

70% of the respondents answered affirmative and 30% negative.

Question 5. If your answer to the previous question is affirmative, I would ask you to specify the extent to which they proved to be effective.



Response	Percentaje
Very high	30
Great	60
Indifference	10
Unimportant	

Table and Figure 5. Student Management System

Source: elaborated by the author

To a large extent, the contracts concluded by the school unit with the organizations specialized in computer repair have proved to be effective.

Question 6. For the following criteria defining the quality of information system responses, please provide the level of importance.

6.1. IT training



Response	Percentaje
Very important	30
Important	60
Indifference	10
Unimportant	

Table and Figure 6. IT training

Source: elaborated by the author

IT training is perceived by 60% of respondents as important, 30% important and 10% indifferent.

6.2. The experience



Response	Percentaje
yes	40
not	60
I don't know	-

Table and Figure 7. Meeting the IT requirements of the institution

Source: elaborated by the author

Question 8. How many computers are installed for educational purposes in laboratories?

To this question, unanimously, respondents specified that 30 computers with educational role were installed in laboratories.

The last section of the questionnaire presents the elements of identifying the profile of teachers as an integral part of this research. The gender structure of unit staff shows that women predominate. Regarding the respondents' age, we can talk about diversity. The last segmentation criterion, the home environment of the survey participants, shows that urban respondents predominate.

3. Conclusions

Within the school unit the computer lab is equipped with computers and they are used with efficiency in the educational process. Also, the specialty teachers deal not only with the act of teaching-learning, but also with the good keeping of the computers and the programs.

In a large percentage, respondents believe that the IT system provides the necessary human resource performance reports, the first hypothesis is confirmed. In the opinion of most of the participants in the research, hardware resources have a significant impact on the quality of the information system, the second hypothesis is verified.

Respondents are of the opinion that the quality of the information system is reflected by the human resources of the organization, the latter hypothesis is verified. In conclusion, we cannot speak of a quality computer system if human and hardware resources do not have a high standard of performance.

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THE MAN - THE CENTRAL COMPONENT OF ANY ECONOMIC ACTIVITY

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Abstract: *This article proposes to emphasize the role of the human element in the sustainable development of the society. The man is behind all things! Thanks to his creative capacities we mention today all the most advanced technologies, more and more sophisticated products, the most surprising scientific and technical development, all designed to make easier our work and life as a whole. Between sustainable development and education there is a strong, interdependent and particularly complex connection. Education should be the one which provides the premises for the development of a competitive, sustainable, efficient society and able to offer to its descendants principles, values and resources of the inheritance of the nation. In the age of modern, advanced technologies when the companies are increasingly concerned about finding the most effective and practical solutions to deliver goods and services which ensure their profitability in highly competitive market, creativity becomes a defining element, a target of the current working environment. Because this is a strictly human characteristic, MAN becomes the central element of any economic activity, which provides the company's survival and prosperity. The man becomes the "locomotive" of sustainable development, being the brain of the process of innovation and also the one who must assume the responsibility for a cleaner, healthier environment to live.*

Keywords: *profit, sustainability, innovation, education, responsibility.*

JEL Classification: *Q56, O15.*

The reason for being of any economic agent is to earn profit. Only the profit is the one that ensures development, the expansion of the company and it is also the most important indicator, followed and evidenced by the company's accounting documents. The profit encourages entrepreneurs not only to achieve efficiently the production process, to diversify the assortment range and improve the quality of their offers, but also it encourages in the research-innovation process, in identifying and anticipating needs and satisfying them in superior conditions, which stimulate the progress, the technology and the evolution of the society overall. At the same time, the profit is also the main source of funding, each activity or lack of activity in a company having economic, financial and social implications.

But how can we make profit, finances, money to ensure the company's sustainability, economic performance and success on a market?

1. Introduction

The world where we live is in a permanent dynamics and successful organizations are in a continuous process of modernizing their own technologies just to capture the consumer's attention and interest. The consumer's wishes and preferences are changing with a stunning speed, and for gaining profit, the companies really need customers. But the customers migrate to those who offer more valuable deals. Hence the major concern of the successful firms to invest in research and innovation just to bring on the market more and more competitive, performing products and services. Strong organizations are realizing that it is not so difficult to create a product but it is a challenge to create the clientele.

In addition, the competitive environment puts more pressure on strong businesses and it determines them to decide too easily to redesign their technological lines, what it will affect the current products on the market. And through a well-thought-out promotion, sometimes aggressive one, they will catch the customers and generate trends with implications for the consumers' expectations, preferences and requirements. In their turn,

smaller firms have to keep up and offer also products according to customers' requirements.

Desiring to gain more profits, firms come on the market with products that are relatively similar to existing ones, "fooling" the consumer somehow and encouraging it to buy them, not just for the novelty of the product as for its attractive and modern design ... actually, another look.

And because any product or service is obtained by using resources, resources that are often not inexhaustible, the European Union adopts a series of measures on Innovation Policy and Sustainability.

Quality of life means, among other things, living in a clean, unpolluted, healthy environment. And globally, we face major environmental problems such as global warming/climate changing, the scarcity/penury of natural resources, air pollution and biodiversity loss, all of them having consequences sooner or later, more or less disastrous on life on Earth. To avoid or diminish as much as possible the impact of such issues, innovative and environmentally friendly technologies must be found and developed. Every company aims to maximize economic efficiency at all stages of its business, but does not on the environmental degradation but on the contrary, by adopting an innovation process to develop and bring on markets technologies, products and services that will reduce the overall environmental and quality of life negative impact.

The business community and innovation can together create sustainable solutions that make better use of precious resources and reduce the negative side effects of the economy on the environment. *Sustainability* has become today, the key word, the central element for many companies from Romania.

Six leaders of companies present on the Romanian market, spoke at an international conference on CSR (Corporate Social Responsibility) practices about what sustainability means for the companies they are leading (Responsabilitate Socială, 2018). So, I found out that:

➤ For Orange Romania, sustainability means, among other things: ensuring the safety of users' data; working with major competitors for energy efficiency; providing safe access to education and culture to disadvantaged or vulnerable categories, such as children, the elderly or people with hearing or seeing impairments.

➤ Danone Romania has integrated sustainability at 3 levels: At company level, it implements strategies to reduce greenhouse gas emissions; at the society level, develops support programs for Romanian farmers; at the consumer level, educates adults and children to adopt a healthy lifestyle; However, regarding the health of the consumers, it should be mentioned that, for the moment, the company does not offer yet bio products on the Romanian market.

➤ For Raiffeisen Bank Romania, the development of standards within the industry, to protect consumers is a priority; the bank also seeks to create long-term value by providing loans for sustainable investment.

➤ OMV Petrom focuses its sustainability efforts on energy efficiency and funding for entrepreneurs and NGOs; regarding the negative impact on the environment, it should be noted that the company's leaders are not currently considering the possibility of a transition to the production of energy from renewable sources.

➤ For URSUS Breweries, sustainability includes three aspects: reducing the resources used, especially the quantity of water, but also the waste produced, especially the packaging; and to all these is added the mission to promote responsible drinking.

➤ CA Prodplast Imobiliare is the developer of the Veranda commercial complex, an energy efficient complex, surrounded by ample green spaces.

Worldwide, a multitude of sustainability solutions have been implemented. An annual sustainability report, SUSTAINIA 100, list a top of 100 of eco-innovations for 2015, after more than 1,500 projects and businesses from six continents have been documented. The 100 case studies present a paradigm shift in eco-innovation: more than half of the selected innovations that year compete not only for the sustainability criterion but also for accessibility and comfort, especially as we are talking about new ways of product reuse, recycling and models to recover the products and put them into use. Arnold Schwarzenegger, former Governor of California and Honorary President of Sustainia 100, says *"The Sustainia 100 is fantastic because it shows how practical and affordable the sustainable alternatives are for everyone. In fact, anyone can be a champion of a healthy lifestyle and better communities, with better living conditions, while demonstrating the notion that neither of us should wait for governments to solve the big challenges. Thank Sustainia 100 for showing us that the time has come for action now! "*

"All problems can be solved. We have the knowledge, the means and the technology. The Sustainia 100 study shows what is possible when creativity and dedication are intertwined. I hope it will bring inspiration and give courage to those who have ideas and want to turn them into tangible solutions" says Georg Kell, Executive Director of UN Global Compact (CSR Report, 2018).

All this shows that man as a consumer or entrepreneur is responsible for sustainable development at least through the rational consumption of products and resources. Sustainable development cannot be thought of beyond the support of research and innovation. It is known that the adoption of technological progress and innovation are the most important leverage of economic growth and it is at the center of the competitive process. But who does research - innovation?

2. The man and creativity`s age

For an organization strongly influenced by the development of new technologies, it is essential to maintain the level of investment in research and innovation. But is it just for these organizations or for any company that wants to be successful on the market? As a consumer we can tell that today's famous pyramid of Maslow's needs is nowadays incomplete because each of the 5 major classes of needs identified by him (physiological, safety, affiliation, self-observation and self-realization) is cross-marked by another need: *the need for new!* Even in the most basic plan of the physiological needs, who does not bother to eat the same food endlessly, even if it is tasty and nutritionally good? We also want to renew our wardrobe from one season to the next, although the clothes are in perfect use. And the examples could continue. The need of the new is undoubtedly a fundamental need of people: we are curious and we get bored so quickly. New generations, under the impact of the avalanche of modern information and technology, get bored even faster!

What will the company do? ... will satisfy the wishes of its client. Creativity and innovation become in this way for many companies, more important than productivity and efficiency (Academia de HR, 2018).

Nowadays it's easier/cheaper to implement a new technology that puts even more pressure on the need to constantly innovate. This feature of the present is undoubtedly good news for the economy because it stimulates production and reiterates consumption of another sort: consumption of new/news! We want another phone not because the old one is defective, it's not working anymore, just because it's new and it is an upgrade which lets us run new apps. Even they have money or not, insensitive to the economic downturn, people are willing to spend more for having the latest products. We notice that "THE NEW" is an engine of the world economy. And this new one is created by the MAN.

Fortunately, creativity is a strictly human feature and it cannot be automated. The man is behind all things! Thanks to his creative capacities, we mention today all the most advanced technologies, more and more sophisticated products, the most surprising scientific and technical development, all designed to make easier our work and life as a whole. Even we often see humanoid robots at the inventions showrooms which will sooner or later take over from people's work, let's not forget that they are also created by man.

Over the time, practice has demonstrated the primordial role of the man - for example, when organizations exclusively based on computer programs ... the case of a hospital minicomputer which monitored a patient's recovery after a surgery, due to a bug, did not alert hospital staff that the patient had a crisis. As a result, the patient died. (Washington Post news). The machines, modern equipment is destined for frazzle and must be maintained, also by ...the man.

In conclusion, the human factor is not negligible. On the contrary, large corporations are aware of the importance and role of the people, the staff within the organization. There is a new area of HR (Human Resources), namely the management of creativity and innovation (beyond technical aspects). To encourage creativity, to enable a systematic manifestation of the creativity, companies need to develop a new organizational culture. People by their nature is creative, just need to ensure the conditions conducive to its manifestation.

From the perspective of HR, in order to establish such a culture, major changes must be made in all specific activities:

- ✓ recruiting by attracting candidates with a psychological profile different from the "integrate/follow the procedure/execution" profile into a "question/change/innovate" type;
- ✓ performance evaluation is done by reducing the partition of indicators to achieve objectives and adding the system to elements that encourage innovation and allow the error as part of creative development;
- ✓ reward creative initiatives.

The Human Resources Department must be one of the initiators, promoters and partners of organizational change towards a culture of creativity, because by definition the HR function covers the human dimension of the organization.

Europe 2020 is the European Union's development strategy for the next decade. In a changing world, the EU wants to become a smart, sustainable and inclusive economy. These three mutually reinforcing priorities need to help the EU and the Member States deliver a high level of employment, productivity and social cohesion.

In highly innovative economies, people are competent, stimulated, emancipated and demanding. Qualified activity, combining industry-specific general and general knowledge, is the engine for an innovative and quality manufacturing process. Man is at the center of entrepreneurship and social innovation. Effective public research organizations with institutional performance-based funding provide staff with a strong motivation to excel in education, research and knowledge transfer. Research and innovation policies that prepare for the future should take into account the idea of focusing strongly on research incentives and inventors alongside the accumulation of knowledge (Eta-2U, 2018).

3. Education - an essential element in the sustainable development process

Sustainable development of the society must not remain just an objective in European Union strategy but must represent our responsibility for all of us but especially for young people because they are the ones who will build the future.

We adopt easily products of human intelligence that change our lifestyle, the level of the good status, communication with others, and so the way of thinking and perception of things, of society. If firms are aware of the need for change, as a sine qua non condition for their success on the market, the education's system in Romania concern is still far behind. Shady steps were taken to reform the education system, but without results. Between sustainable development and education there is a strong, interdependent, very complex connection. Education is the one that provides the premises for the development of a competitive, efficient and sustainable society capable of leaving the heritage of a nation's principles, values and resources. There is a stringent reorientation of education towards sustainable development in Romania, because the vision needs to be changed, must be adopted new way of thinking and addressing the effects of pollution - the result of irrational use and carelessness of people. Those who develop education programs must find a balance between the knowledge of the future and those of the past, between innovation and tradition. The school has to bring its contribution to young people's development by laying the groundwork for knowing or deepening a field, but it is not enough because the world is changing and we need constantly learning during our lives. A surgeon who did graduate the faculty of medicine 25 years ago does not mean he is still operating with the bistoury because patients are reorienting to the less invasive techniques which modern technology promotes. It becomes essential the education through continuing training programs. In Romania, over the last decade, activities related to sustainable development have been continuously expanding, focusing on specific campaigns, diverse projects, partnerships between local authorities, NGOs, the private sector, schools, high schools, universities and the Ministry National Education. The role of NGOs as important providers of informal and non-formal education should not be ignored, being able to implement citizens' information processes and to integrate and transform scientific knowledge into easily understandable information. Their role as mediators between the government and the public is appreciated, promoted and sustained.

Also, the public-private partnership becomes a necessity in sustainable development. Through a permanent collaboration between the public and the private sector that has its own priorities, research projects with practical applicability motivating for companies as well as for the employed people, which can contribute not only to their welfare but also to their employees and the community they live in or the society as a whole. Through the social responsibility and performance campaigns we can develop young talents, specialists and especially by through communication, campaigns and good practices can be developed widely implemented projects and, very importantly, we can facilitate identification of people match to the right places (Invest Energy, 2018).

4. Conclusions

In the age of modern, advanced technologies, where companies are increasingly concerned about finding the most effective and practical solutions to deliver goods or services that provide them a chance for profit in a highly competitive market, creativity becomes a defining element, a target of the current working environment. Because this is a strictly human characteristic, MAN becomes the central element of any economic activity, which provides the firm its survival and prosperity. The man becomes the "locomotive" of sustainable development, being the brain of the process of innovation and also the one who must assume the responsibility for a cleaner, healthier environment to live.

People should understand that we need for ensure a better world, commitment and responsibility are required, knowing very well information applicable to different fields of activity, the ability to analyze and compare different interests, demonstrating rational judgment and respect for nature and its resources, to other peoples and their

civilizations. We can create, only through education, an appropriate support to provide the necessary inspiration, stimulate creativity, directing people towards critical thinking, cooperation in order to solve complex, real problems. By education, chaotic consumption of products or resources can be at least diminished by knowing its effects.

As conclusions, in order to ensure sustainability and innovation in economic performance, we need education, to educate ourselves first and then those who are next to us because there are always new things worth exploring and exploiting effectively.

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THE ROLE AND THE NECESSITY OF FINANCIAL AUDIT FOR ACCOUNTING USERS

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***Abstract:** Auditing is generally understood as the professional review of information in order to express a responsible and independent opinion on the financial statements in accordance with audit standards that are harmonized with international auditing standards by reference to a (standard, norm) criterion quality. The importance of the financial audit is to verify the credibility of the information in the financial statements, their true and fair view throughout the financial year. The review of the balance sheet at the end of the financial year is carried out by an independent auditor, a professional with a vast experience who participates in the achievement of one of the main qualities of the accounting information, namely its credibility. The faithful image responds to two imperatives: regularity and sincerity of financial statements. The financial auditor is required to express an independent opinion on annual information and statements in order to give equal consideration to the users of accounting information and the participants in economic and social life. According to the ISA 300 audit standard, the auditor should consider planning an audit activity so that the audit is conducted in an efficient manner.*

***Keywords:** audit, opinion, standards, credibility, statements.*

***JEL Classification:** M41, M42.*

1. Introduction

The financial audit is both important in the countries of European Union and also in the other countries, including Romania, where the audit was only enacted in 1999, knowing important steps through C.E.C.C.A.R, through the establishment of the Chamber of Auditors in Romania that has developed the Auditing Standards and the Code of Ethics in Financial Audit, according to IFAC.

The financial audit interposes between the conflict of interests between the preparers and the users of accounting information through the auditors as high-class professionals, with a superior theoretical training, with moral qualities and perfect professional ethics, as well as experience, competence and authority recognized in the field.

The most companies in Romania are audited only if they are required, but the obligation to conduct financial audit prevents bankruptcy, fraud and loss of financial resources through an undistorted, independent, correct auditor's opinion.

In general, financial audit has the role of controlling financial information that has both internal utility (enterprise management and management), and another external, third party information (ANAF, customers, suppliers, creditors, banks, etc.). Such control is in fact done in order to protect the patrimony and ensure the credibility of the information given to the public.

The final role of the financial audit is the verification and the certification of synthetic accounting documents.

I strongly believe that in order to carry out the financial audit, it is necessary to know in depth the accounting framework at national and international level, the accounting rules and regulations, the International Auditing Standards. Besides the theoretical knowledge, a vast practical experience is needed in the field.

2. Standards and regulations in the field of financial audit

The analyze of the financial audit only through the specialized literature is not enough. International Standards on Auditing (ISA acronyms) also offer a wider perspective for understanding the phenomenon, ensuring the comparability of financial audit data in various countries and, implicitly, increasing the quality of financial audit missions. The studies in the field of the financial audit and the decision-making have an extensive space in the international literature, but in the local literature they are quite limited. Although this topic raises many questions among the romanian auditors, the researchers have engaged in general studies without interfering the theoretical and legislative aspects with the involvement of practitioners in order to clarify the established problems.

3. Audit concept - short history and definition

The financial audit followed, among the time, the evolution of the accounting using the information produced by it. The term "audit" was known at the beginning of the eighteenth century, without knowing precisely the date or the geographical location.

The end of the nineteenth century marks the relationship between the auditors and the ones that are audited, chosen from the professional accountants or lawyers. Their main purpose was to certify the reality of the financial statements in order to avoid frauds of the people who manage the public money.

In the first four decades of the twentieth century, the audit was carried out by the professionals specializing in auditing alongside accountants. The works were commissioned by the state and the shareholders.

In the future, as a result of the development of the international exchanges, auditing was carried out by professionals in accounting and auditing, their objective being to certify the sincerity and the regularity of the financial statements. Due to the development of the accounting profession and of the influences on the conceptual accounting framework, the Anglo-Saxons are developing audit work on the European continent.

The "audit" term became popular in Europe in the 1960s thanks to the Anglo-Saxon accounting offices. In Romania, the audit word emerged after the 1990s, from the desire to harmonize with similar European and international regulations.

In the past, the objective of the audit was to preserve the integrity of assets, and then to certify financial statements over the years, and nowadays, its purpose is to express an objective view of the financial statements.

As far as the audit techniques are concerned, in the beginnings, the transactions were verified by the auditor, while in the present, the emphasis is set on the use of the survey, testing the efficiency and effectiveness of internal control.

Many authors in our country and also abroad have defined audit work as "the professional examination of an information in order to express a responsible and independent opinion in relation to a quality criterion."

Auditing is generally understood as the professional review of information in order to express a responsible and independent opinion on the financial statements in accordance with audit standards that are harmonized with international auditing standards by reference to a (standard, norm) criterion quality.

In the present, at international level, the audit activities take place within a set of rules developed by the International Federation of Accountants (IFAC). The stated purpose of the organization is to serve the public interest by strengthening the accounting profession and developing strong economies.

4. The role and the necessity of financial audit

The importance of the financial audit is to verify the credibility of the information in the financial statements, their true and fair view throughout the financial year. The review of the balance sheet at the end of the financial year is carried out by an independent auditor, a professional with a vast experience who participates in the achievement of one of the main qualities of the accounting information, namely its credibility.

The credibility is given by the moral-professional qualities of the producers of accounting information, the principles of sincerity, the correct application of the procedures used and the observance of the conceptual accounting framework.

The faithful image responds to two imperatives: regularity and sincerity of financial statements.

Regularity - complying with the generally accepted accounting principles provided by the IASCF's Comprehensive Financial Statements as well as the International and National Accounting Standards.

a. The principle of economic prevalence over the legal

According to this principle, all the information provided in the financial statements must reflect the economic reality of the transactions, not just their legal form.

b. The principle of significance threshold

As it concerned this principle, the materiality threshold shows the significant amount of all the items and any items that have significant value should be presented separately in the financial statements. The elements with insignificant values of the same nature or with similar functions does not need to be presented separately.

c. The principle of the intangibility of the opening balance sheet

The opening balance sheet shall be the same as the closing balance sheet of the previous exercise, except for the adjustments required by IAS.

d. The principle of non-compensation

Between the assets and the liabilities, it is not permitted the offsetting on the balance sheet, they are recorded separately in the balance sheet, as well as between the incomes and the expenses recognized in the P&L, excepting the offsets permitted by International Accounting Standards.

e. The principle of the separate valuation of the asset and liability items

For determining the total amount of a position in the balance sheet, the corresponding amount of each asset or liability item shall be determined separately.

f. The principle of the independence of the exercise

All the revenues and the expenses for the current financial year for which the reporting is made shall be taken into account, disregarding the date of the receipt of the amounts or the date of the payment.

g. The principle of the methods' permanence

This principle requires the continuity of the rules application and the norms on valuation, the accounting and the presentation of the property and the results, ensuring the comparability of the accounting information.

h. The principle of the activity continuity

It is assumed that the enterprise will normally continue its operation in a foreseeable future, without going into the impossibility of continuing the business or without significantly reducing it. If the company's managers have become aware of some uncertainties about some events that may lead to its inability to continue the activity, these elements should be presented in the explanatory notes.

i. The principle of prudence

Based on this, the value of any element must be determined. It is imperative to take into account several important aspects:

- only recognized benefits will be considered until the balance sheet date;
- all foreseeable risks and losses incurred during the current or previous years are taken into account, even if such liabilities or losses occur between the year-end and the balance sheet date;
- any value adjustments due to depreciations will be taken into account, even if the result of the financial year ends with losses or benefits.

Sincerity - requires the application with good faith of the accounting rules and the procedures, regardless the company's or group's interests, shareholders or associates.

The practice has shown that there has been a conflict of interest between those who collect and process accounting information and the users of this information. The information users need the accounting statements for their future decisions and manifest a lack of confidence in the information provided by accounting because the accounting information producers are not usually independent of the operations performed and the annual summary statements presented which casts doubt on the impartiality and the objectivity of the financial accounting system in the companies, therefore, the assessment of the financial statements must be carried out by an independent professional who performs his task without taking into account the conflicts between the information users and the audited entity.

The financial auditor is required to express an independent opinion on annual information and statements in order to give equal consideration to the users of accounting information and the participants in economic and social life (shareholders, state, employees, banks, stockbrokers, borrowers, clients, suppliers, creditors, national accounts and company managers).

The employees and the trade unions are seeking information regarding the stability and profitability of their enterprise. They are interested in information that allows them to assess the company's ability to provide remuneration, pensions, job opportunities, specializations, etc.

The managers with a leading position are responsible for preparing and presenting the company's financial statements. If they are not important shareholders, they want that through the financial statements to reflect a positive financial result so that their activity to be appreciated, but at the same time seeks to keep sources of self-financing to prevent the distribution of large dividends.

The clients are pursuing the company's continued activity if they are dependent on the enterprise and have long-term financial transactions.

The bankers assess the profitability of businesses and appreciate the risks of lending to them. The enterprise must have positive financial results, a high liquidity and, in general, a positive net treasury.

The shareholders and the associates want to know the inherent risk of transactions and the benefits of their investment. The shareholders want complete transparency in the terms of heritage status, size of profits and how it is distributed. A company that does not distribute sufficient dividends gradually loses the trust of the shareholders in the efficiency of the placement and, as a result, they express their dissatisfaction with the board of directors or try to disengage from the company. At the same time, the distribution of dividends leads to a diminishing of the financing sources needed for development.

The tax authorities are interested in the size of corporation tax and other taxes and the duties owed by taxpayers.

5. Drawing up the audit engagement plan

According to the ISA 300 audit standard, the auditor should consider planning an audit activity so that the audit is conducted in an efficient manner. "Planning" means building a general strategy and a detailed approach to the nature, the duration and the extent of an expected audit coverage. The auditor plans to perform the audit in a timely and efficient manner.

The auditor should prepare an overall audit plan that includes:

- a. Knowing the activity of the entity;
- b. Understanding the accounting and internal control system;
- c. The risk and significance threshold;
- d. The nature, duration and extent of the procedures;
- e. The coordination, guidance, control and review of information.

The overall audit plan must be designed in such manner to have sufficient details to facilitate the development of the audit program. The form and content may vary depending on the specific methodology, the audit complexity, the size of the entity, and the manner in which it is used. In this context, the financial auditor increasingly proves his role as a judge on managers' declarations of business, statements made in the financial statements. This role, seconded by the guarantor of the fidelity of the information in the financial statements, where the auditors conclude that the entities are doing well what they are doing and what they can do next, is an additional gain in the auditing process that calls for the application of the standards and regulations issued by International Federation of Accountants (IFAC), Chamber of Financial Auditors of Romania (CAFR).

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IS THE ADOPTION OF THE EURO A STORY OF SUCCESS OR FAILURE? AN ASSESSMENT UNDER ECONOMIC AND POLITICAL REFLECTIONS

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***Abstract:** The Maastricht Treaty, officially known as the Treaty on European Union, is one of the major elements of the great economic, political and legal integration movement in Europe. With this Treaty; the European Union was established, concept of European citizenship was generated, a common foreign and security policy was formed, a closer co-operation in police services and judiciary in criminal / legal matters was agreed, eventually the Economic and Monetary Union and the single European currency “the Euro” was created. With the creation of the Euro and the Monetary Union, economic, political, commercial and social characteristics of the Eurozone member countries, Europe-based global companies and lives of approximately 500 million Europeans were radically changed. Even, some of changes and effects of the Euro seem negative, harmful or disruptive from a perspective ; the merits and advantages of it clearly outweighs those disadvantages and drawbacks, particularly, by considering its impacts on inflation, levels of public debts, interest and exchange rates, global prestige and position in international markets, persuasive power upon other countries and the role for implementing the idea of the great integration of Europe. Overall, at the 20th anniversary of the adoption of it, evaluating the Euro as a story of success despite of its all drawbacks and disadvantages will be a rational and righteous statement.*

***Keywords:** European citizenship, Euro, Eurozone.*

***JEL Classification:** E42, E52.*

1. Introduction

The idea of creating a “United Europe”, a fully integrated economic, political and legal organization amongst European countries, kingdoms or principalities, is being debated by philosophers, lawyers, economists and statespersons for centuries. Time-to-time, European states took steps to be united against common threats or for common interests but these efforts could not reach to final stages. Even the Hanseatic League, the very first form of the European Union (hereafter “the EU”) that was established by a small group of kingdoms, principalities and city states in 14th century, could just become a very simple and elementary form of the idea. A systematic and legitimate union(s) that foresees complete economic, political and monetary integration and convergence could not be formed until the mid-20th century.

In 20th century, with understanding the real value of peace and tranquility after two bloodcurdling world wars, European countries decided to create an economic, political and legal union. The idea was implemented; in 1951 in Paris with the Treaty of Paris on establishing the European Coal and Steel Community, in 1957 with the establishment of the European Economic Community (hereafter “the EEC”) and the European Atomic Energy Community (hereafter “the Euratom”) via the Treaty of Rome and in 1968 with the formation of Customs Unions by members of the EEC to create a single market that facilitate free movement of persons, goods and capital. Eventually, in 1985 with the issuance of the Schengen Agreement and afterward with the signing of the Maastricht Treaty, officially known as the Treaty on European Union, in 1992, European states created an unprecedented form of European integration in economic, monetary, political and legal manners. The Maastricht Treaty predicted a comprehensive economic, political and legal integration and harmonization in Europe by establishing the European Union and forming a common currency, the Euro.

While the Euro put forward many revolutionary and outstanding impacts on European states and nations, it is still the subject of heated discussions amongst scholars, statespersons, politicians and European people after 20 years of its adoption.

In this paper, the most prominent economic, commercial and political reflections of the Euro will be discussed and the question of whether the Euro is a story of success or a story of failure will be investigated.

2. The Maastricht Treaty: Main Characteristics and Development Process of the Monetary Union

The Maastricht Treaty was signed in a quite tempestuous period. End of 1980s and beginning of 1990s are very turbulent times not only for Europe but also for the World. After the fall of Berlin Wall, reunification of Federal Republic of Germany and German Democratic Republic, dissolution of the Union of Soviet Socialist Republics and eventually, the end of Cold War created highly fragile and unpredictable conjecture for the whole World.

In such an atmosphere, especially with the pressure came from the European people, the members of the EEC decided to be united to protect themselves against the new, unforeseeable threats and preserve their 50-years-old economic and political acquisitions (Ludlow, 2013). This decision, however, was needed to be concretized with a common voice and legitimate and binding instrument as Fontaine (1995) remarked. The Maastricht Treaty was that legitimate instrument to create complete economic, political, legal and monetary integration.

With the signing of the Treaty, 12 countries including Belgium, France, Germany, Greece, Ireland, Italy, Grand Duchy of Luxembourg, the Netherlands, Portugal, Spain and the United Kingdom, put forth a solid intention to be unite and form a new stage in the process of creating an ever closer economic, political and legal union. In this path, as the most remarkable act, these countries created a new and common currency instead of their national ones and organize a “monetary union”.

According to the International Money Fund’ definition (2004), monetary union is an agreement among members of a union (countries or other jurisdictions) to share a common currency and foreign exchange policy. As Allen (1976) presented, monetary unions predict a sole and same currency or several currencies that are fully convertible on into the other, at immutably fixed exchange rates, control of high-powered money, consistent monetary policies, no national autonomy in monetary policy and convenient regulations affecting the commercial banks' ability to create money.

The idea of creating a common currency was on the table since 1950s. However, footsteps of this idea became more noticeable after the collapse of Bretton Woods. As Davulis and Šadžius (2013) stressed, in the contest of the international monetary system, formation of the Economic and Monetary Union in Europe is perhaps the most important event since the failure of the world monetary system that functioned on the basis of the Bretton Woods Treaty. After the collapse of Bretton Woods, U.S. dollar exchange rates started to be determined by market forces in Europe, nevertheless this situation raised some economic and political concerns. Eventually, a committee headed by Pierre Werner (The former Prime Minister and Finance Minister of Grand Duchy of Luxembourg) proposed “fixed intra-European exchange rates” and federated system of European central banks (Klein, 1998). Werner and his team’s efforts to fix intra-European exchange rates system had limited influence and were short-lived; therefore, a more comprehensive and detailed efforts for exchange rate system and inflation rate differentials were needed. By the 1980s, exchange rate system was settled, inflation rate differentials were narrowed and timing for a single European currency became opportune. In 1986, with the issuance of

Single European Act, another vital step for European economic, commercial, political integration was taken and a single currency with a new and completely independent institution which would be responsible for the Union's monetary policy and management of this currency, became a requirement (Verbeken & Rakić, 2017). These requirements were fulfilled by the Maastricht Treaty.

By the virtue of Article B of the Treaty; creation of an area without internal frontiers and establishment of economic and monetary union, including a single currency were predicted, and by the virtue of Article 109 – J, criterions that member states of the EU must follow to adopt the currency were specified. These criterions are, in summary; the achievement of a high degree of price stability, the sustainability of the government financial position, the observance of the formal fluctuation margins and the durability of convergence achieved by the Member State.

Except the Maastricht Treaty, “Council Regulation (EC) No 1103/97 of 17 June 1997 on certain provisions relating to the introduction of the euro” and “Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro” are other leading legal instruments that defines and illustrates the characteristics, structure and identity of the Euro.

3. The Euro and Current Conjecture

The Maastricht Treaty predicted a gradual introduction and implementation process for the Euro and the Monetary Union that consisting of three stages. At the end of Stage 3, July 1st, 2002, Euro notes and coins began to circulate as the sole official currency of the EU.

At present day, the Euro is the legal tender of 19 out of 28 EU member countries, including, Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Grand Duchy of Luxembourg, Malta, the Netherlands, Portugal, Slovak Republic, Slovenia and Spain.

About other EU countries, while Denmark and the United Kingdom are intentionally rejecting the Euro with opt-outs; Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania and Sweden are endeavoring to fulfill the necessary conditions to adopt the Euro. Among these 7 countries, only Romania has set 2019 as its target year to adopt the Euro, meantime others did not have such a target date for adoption, yet (European Commission, 2018).

4. Economic and Political Reflections of the Euro

Foundation of the European Union that is outcome of a long-running is integration and convergence process, is one of the most significant events in the political, economic and social sense, during history of Europe, as Davulis and Šadžius (2013) referred. In this integration process, the adoption of the Euro became the key and vital component.

The Euro appears as a specific and unique event in monetary history since never before a group of independent and sovereign states refused their national currencies that are symbol of national identity and sovereignty, with their own will and concurrently retained political independences. This condition determines quite a new combination of macroeconomic policy, based on general values and following the subsidizing principles. This unique situation composed deep reflections and impacts on the continent's economic, political, social, commercial and legal structure as well as allocation of resources and revenues, economic growth, labor, product, services, and finance markets.

After 26 years of signing the Maastricht Treaty and approximately 20 years of the adoption of the Euro, scholars, economists, politicians and lawyers are still debating over

the pros and cons of the Euro and trying to determine whether it is a story of failure or success.

4.1. Reflections on Economy and International Commerce

The Euro and the Economic and Monetary Union that were projected as devices to achieve price stability, eliminate the damaging effects of intra-European exchange-rate, decrease interest rates, promote investments in the EU, expand commercial affairs among Euro area member states and with third countries and, as summary, reap full benefits of the EU's internal market.

From the antagonistic and opponent perspective, these missions could not be completed.

As Krzysztof Rybiński, the former Deputy President of the National Bank of Poland, concentrated (2007), the Euro created asymmetric shocks and raised micro and macro scaled economic imbalances. Such failures are being considered as biggest threats to unions, since joining a common currency area substantially reduces the set of policy tools which could be used to mitigate the impact of the shock. However, according to Rybiński, a country that has its own currency, can use both monetary and fiscal policies to stimulate demand and reduce the impact of the shock on output and employment. He also focuses on economic imbalances that can take the form of lending booms, current account deficits or increasing inflation pressures. For instance, Spain, one of the countries most affected by the European debt crisis, experienced such excessive macroeconomic imbalances, in particular very high domestic and external debt levels continued posing risks for and financial stability (European Commission, 2014).

Another problem with joining a common currency area is the degree of real interest rates lower than the natural rate of interest in new members. As researched by Brzoza-Brzezina (2006) these kinds of problems may be the case for new EU members, where the natural rate has remained in the past above the euro area level. This problem caused people and enterprises to substantially increase borrowing and spend the loans on consumption and investment goods, as happened just before the European debt crisis.

Moreover, Fingleton et al. (2015), investigated whether regions within the Eurozone have become more or less similar in their economic vulnerability and resilience to financial shocks since the creation of the monetary union. They found out that common contractionary shocks had the biggest impact on the geographically isolated regions, principally located in those peripheral countries that suffered the most from the recent European debt crisis.

Furthermore, Pădurean (2016) addressed the “traps” of adopting the Euro. She stressed that the devaluation of the national currency is a usual practice in countries such as Portugal, Greece or Spain, in order to cover the gap in competitiveness and productivity compared to other countries such as Germany and after the introduction of the Euro, these gaps were filled by fiscal / financial facilities which were meant to replace the mechanism of devaluating the national currency, which is why these countries accumulated enormous foreign debts. As a result, the Euro allowed those countries to benefit of new credits, with no requirements of strict discipline, which supports an unprecedented level of indebtedness throughout Europe.

By considering aforementioned experts' and scholars' thoughts, it is possible to define that the Euro and financial, economic, commercial or sectorial differences amongst the countries that adopted the Euro are the main reasons of the 2008 debt crisis and other economic or financial misfortunes experienced in last 20 years related to productivity,

competitiveness, volume of commercial activities, the degree of investments and export performances.

However, the recent studies and researches show a reverse outcome as merits and advantages of the euro outweighs disadvantages of it.

As demonstrated by the Directorate-General for Economic and Financial Affairs of European Commission (2017), with the creation of the Euro; inflation has come down in the Eurozone from around %4 in the early 1990s to just above %1, the damaging effects of intraEuropean exchange-rate tensions that accompanied external shocks in the past and were often costly in terms of growth and employment has been eliminated, short-term nominal interest rates were fallen, common monetary policies became much credible, integration of national economies across the Union was significantly strengthened, the volume of commercial activities between the Eurozone countries has been rapidly expanded, the Eurozone countries' attractiveness as a destination for foreign direct and portfolio investments has been raised, prices for consumers and citizens became choice and stable, presence of the EU in the global economic sphere was intensified and finally a tangible sign, symbol of a European identity has arisen.

The official report of the Directorate-General was confirmed and supported by academic spheres as well.

As argued by Herwartz and Weber (2010), the impacts of the Euro should be viewed from the long-term perspective, as complementary to the Single Market. Short-term assessments are not appropriate to evaluate the real effect and value of the common currency, since fluctuations and surges can lead to incorrect judgments. In a supportive manner De Sousa (2012) suggests that effects of the Euro are mainly positive in general meaning; since, due to the impact of other factors related to globalization, it decreases over time. To be more specific, the following points should be taken into consideration to appreciate the real value of the adoption of the single currency.

As a well-known fact, in the system of floating exchange rates, the continuous and rough changes in exchange relations inhibit the trade, creating difficulties for exporters and importers. Finally, continuously fluctuating exchange relations between two or more currencies increases the uncertainty, insecurity and the risk for the firms engaged in foreign exchange and discourage the transfer of goods and services across national borders. From this point of view, adopting the Euro created an enormous advantage as contributing to financial integration amongst the Eurozone countries, thereby enhancement of trade and enhanced trade between Eurozone countries and the significant growth of their economies were became possible by suppressing the transaction costs generated by flexible exchange rates (Mursa, 2014). Therefore, the Euro has an undeniable role on reducing exchange rate risks.

The Euro and the Eurozone were also much more advanced and beneficial than the conventional fixed exchange rate regimes as highlighted by Barteczko and Tchorek (2016). Because of the Euro's irreversibility and greater institutional sophistication, this form of monetary unification within the EU contributed to enhanced economic and commercial cooperation and further economic and financial integration, thereby increasing trade. This deeper integration eventually increased specialization, augmented trade volume and made the Eurozone countries play an important role in the global economy since their GDP being the second largest in the world, according the database of the World Bank (2016).

The Eurozone has become one of the most important economic actors in the world with the United States of America and People's Republic of China. The EU now is the world's largest exporter of manufactured goods and services, and is itself the biggest export market for around 80 countries (Eurostat, 2017). Moreover, by cargo tonnages and total number of actual twentyfoot equivalent unit containers, many cities in the Eurozone such

as Hamburg, Antwerp, Rotterdam, Valencia, Piraeus and Marsaxlokk are now amongst busiest ports in the world (UNCTAD, 2017).

These arguments and findings were supported by the recent study of Glick and Rose (2016). They confirmed that currency unions increase trade on average by %100 and that the Euro has increased trade by a still-large 50%. Glick and Rose's findings can be seen as rational and righteous since EU members account for approximately %20 of global imports and exports, at present day.

Furthermore, according to Mancini-Griffoli & Pauwels (2006), the euro introduction ensured lower costs of financing accompanied by easier access to money, which spurred investment and increased production capacity. Bris et al. (2011) also confirmed that the single currency increased the level of investment in the countries that had previously weakened currencies, and that companies experienced financial constraints. In reality, due to the existence of the Euro, the EU countries enjoyed the investments. In 2017, the volume of international investments into the EU reached 5.4 Trillion EUR and directly supported 7.6 million jobs (Eurostat, 2017).

Another reflection of the Euro is about the Euro's international role as a reserve currency and the major EU cities' position as global financial centers. As a known fact, the U.S. dollar has served as the world's preeminent international currency during the past half century, thwarting challenges from several other currencies in the process (Tavlas, 1998) and the status of the U.S. dollar has remained unchallenged during several decades (WTO, 2012). However, with the inauguration of the Euro in 1999, it has become the most powerful potential opponent in the international monetary, financial and commercial markets (Wenhao, 2004). Matter of fact, the Euro kept its promise and showed its potential by becoming the second most important reserve currency after the U.S. dollar. Some features of the Euro such as its confidence in its value, its stable value, its price relativity to other globally known currencies and some characteristics of the EU's inflation performance, share of international trade and the total size of economy became the core underlying factors of this success. As mentioned by Mr. Mario Draghi (2017), the President of the European Central Bank, even there are some developments affected the international role of the Euro such as the Brexit, arrival of a new U.S. administration, rise of populist streams in European countries, rise of Chinese renminbi in global markets, foreign exchange turnovers and so on, the Euro's position as the second most important currency in the international monetary system is undisputed.

Besides, with the establishment of European Central Bank and adoption of the Euro, some cities in Europe such as Frankfurt, Luxembourg, Dublin and Paris attracted great attention. This situation led to aforementioned cities to be counted amongst global financial centers such as New York City and Tokyo.

After assessment of all these opinions and arguments, it is likely to remark that the Euro and the Monetary Union, even experienced some problems, are the elements that symbolize the success of the project of creating the economically and financially integrated Europe.

The Euro's and the Monetary Unions' merits clearly prevails their weaknesses.

4.2. Reflections on Politics and Populism

The Euro and Monetary Union affected not only the economic characteristics of the Union members and their people but also influenced their political and social characteristics as well. One of the most controversial and considerable socio-political subject in the Eurozone countries whether there is a direct correlation between the Euro and rising populism.

Many ruling and opposition parties in the EU countries that are adopting populist, ultranationalist and conservative ideas such as Alternative für Deutschland in Germany, Jobbik in Hungary, Chrysí Avgí in Greece, Movimento 5 Stelle in Italy, Sverigedemokraterna in Sweden and Prawo i Sprawiedliwość in Poland are consistently targeting the fundamental values of the European integration, globalization, Monetary Union and spreading anti-Euro / Eurosceptic propaganda, since they believe that financial, political and legal criteria and rules that predicted by the EU institutions and founding legal instruments are not compatible with their national characteristics.

While these political groups and their representatives are criticizing the creation of Monetary Union and integration of national economies, they are focusing on negative aspects of the Euro and assessing it as the main reason of debt crisis, structural unemployment, low degree investments, immigrant challenges and other socio-political problems in their countries. This political attitude is directly influencing of the people in those countries and unfortunately, causes the rise of populism as well.

As demonstrated by Algan et al. (2017), the rise of populism in the EU is important for many reasons such as decline of trust in the EU, the strong political campaigns of left and right wing political parties, cultural backlashes against progressive values such as cosmopolitanism and multiculturalism, shifting towards national identities and criticism of European supranational integration.

However, after the eruption of the sovereign debt crisis, the single currency became lightning rod for disillusion and resentment on both left and right-wing populist, authoritarian and majoritarian political organizations (Financial Times, 2017).

Since the recent debt crisis has divulged a number of shortcomings in the design of European economic and political institutions, governments and people of countries that bitterly experienced the disruptive effects of the Euro debt crisis, sought the main cause of the crisis. Apparently, the Euro became the first and easiest target for them. For instance, Movimento 5 Stelle in Italy that wants to abolish the Euro, the Spanish political organization Podemos is rejecting the view that EU-based fiscal consolidations are necessary, Syriza in Greece proposes to nationalize all banks and impose heavy taxes to higher income groups and Freiheitliche Partei Österreichs in Austria hold responsible the “eurocrats of Brussels” for the economic crises (Mavrozacharakis et al., 2015).

Nonetheless, as summarized by Dahrendorf (1995), rise of populist and authoritarian movements are natural outcomes financial distresses:

“(...) to stay competitive in a growing world economy, countries are obliged to adopt measures which may inflict irreparable damage on the cohesion of the respective civil societies. If they are unprepared to take these measures, they must recur to restriction of civil liberties and of political participation bearing all the hallmarks of a new authoritarianism (...)”.

By considering those, it is possible to emphasize that there is a correlation between the adoption of the Euro and populist streams in European countries. Nevertheless, this correlation is also artificial and inequitable. Since, almost all political organizations in distressed countries use the same method to exonerate themselves and stay in the rule, as Dahrendorf purported. In epitome, the adoption of the Euro should not be evaluated as the sole and main reason of rise of populism in Eurozone.

Based on an analysis of Euro-barometer survey data, Kriesi (1999) argues that among the populist supporters, people with lower educational attainment, farmers and low-skilled workers are disproportionately represented. In a supportive manner, Swank and Betz (2003) investigated whether the election results of populist parties are related to cultural and social reasons such as growing globalization that is increasing trade and migration. They consider the election results of populist parties in Western Europe in the

period from beginning of 1980s to end of 1990s and find that immigration waves and growing international trade are directly correlated with high levels of support for right-wing populist parties. However, according to some researches, the correlation is less significant in well-developed and prosperous states that internalizes the underlying values of the European integration (Andersen et al., 2017).

Swank and Betz's addressing seems to be highly acceptable when thinking populist parties' most preferred method (Kahn & Tananbaum, 2015): Promising simple solutions to complex problems.

As an instance, for European voters in debtor countries like Greece and Portugal, who have suffered from falling living standards with no end in sight, the resounding rejection of austerity seems the simplest, yet most viable, option. On the other hand, in well-developed and affluent countries such as Germany, the Netherlands, Belgium and France, parties are affording to offer more rational, reasonable and compatible-with-European-values solutions such as fixing the Euro and affording to maximize its pros while minimizing its cons.

In parallel study, Inglehart and Norris (2016) analyzed whether populist support is related with economic, social or cultural variables. They discovered that cultural value scales are highly consistent predictors of support for populist parties and this support is strengthened by antiimmigrant attitudes, mistrust of globalization, support for authoritarian values, and left-right ideological self-placement. Meanwhile, they reached that economic indicators are not reliable predictors:

“(...)Looking more directly at evidence for the economic insecurity thesis, the results of the empirical analysis are mixed and inconsistent. Thus, populist parties did receive significantly greater support among the less well-off (reporting difficulties in making ends meet) and among those with experience of unemployment, supporting the economic insecurity interpretation. But other measures do not consistently confirm the claim that populist support is due to resentment of economic inequality and social deprivation; for example, in terms of occupational class, populist voting was strongest among the petty bourgeoisie, not unskilled manual workers. Populists also received significantly less support (not more) among sectors dependent on social welfare benefits as their main source of household income and among those living in urban areas”.

For these reasons, ignoring other socio-cultural factors and considering the adoption of the Euro as the most important reason of populist streams can be not thought as a sensible idea. As pointed by Andersen et. al. (2017), economic policies of the EU institutions, the creation of the Euro, Union-scaled economic provisions predicted by the Maastricht Treaty have not directly led to a populist backlash; but they have just indirectly reinforced it.

Another point indicates that the Euro and Monetary Union are not directly related with the rising of populism is the number of EU member and non-member countries that adopted the Euro after the global debt crisis in 2008. As mentioned in previous pages of this paper, currently there are 19 countries adopted the Euro and 4 of them are Slovak Republic, Estonia, Latvia and Lithuania. The dates of adoption of the Euro in these 4 countries, respectively 2009, 2011, 2014, 2015, can be thought as a sign that shows the promising side of the Euro, since these countries chose to join the Eurozone despite the global financial crisis, its ongoing collateral damages and continued economic problems with surrendering control of one's domestic monetary policy (Campbell & Chentsov, 2017). These countries, their national parliaments and approximately 12 million people in total showed a strong will to integrate with the rest of Europe without any incertitude while they, legally, had chance to prefer an opt-out like UK in 1992 or go for a referendum like Denmark in 2000. In that manner, the continued growing of the Euro in these countries can

be contemplated as the proof of victory of the Euro over the populist / ultranationalist arguments.

As explained, the adoption of the Euro should not be seen as the sole reason of all financial, social and political problems in the EU as the rise of populist and nationalist streams in Europe are not directly related with the Euro and the Monetary Union.

5. Conclusion

The adoption of the Euro and the Economic and Monetary Union that were predicted on the Maastricht Treaty, are vital elements of the great European integration movement. With the Euro, financial and economic co-operation among the EU member was strengthened and main economic, political, social and legal features of countries, national institutions, private corporations and lives of approximately 500 million European citizens were radically changed. These changes and the new conjecture brought severe debates over pros and cons of the Euro. While a group of politicians, economists, lawyers and scholars are criticizing the Euro and the Monetary Union by focusing on disadvantages and imperfections such as asymmetric shocks, economic imbalances, contractionary shocks, weakening of national identities, abolishment of national control over national fiscal policies; other group of experts are supporting the monetary union by considering its positive effects such as elimination of exchange rate volatility and related fluctuations, decrease in inflation rates, providing stability on prices, remove of trade barriers inside the EU, prevention of competitive devaluations and speculations, increase in number of foreign direct and portfolio investments, recognition in global scale.

In this paper, the most cardinal effects of the Euro from the perspectives of dissident side and supporting side were analyzed and the question whether the Euro is a story of success or a story of failure was investigated. Ultimately, it was concluded that, even the dissident opinions have reasonable and righteous arguments, it is clear that the merits of the Euro are predominate.

As previously remarked, the Euro concept and the Economic and Monetary Union are core elements of the idea of establishing the one, united and fully integrated Europe. While this idea has now political, legal and economic infrastructure, the advantages and the role of the Euro should not be forgotten or ignored. All dissident and supporting parties including national governments, political families in the EU member countries, commercial companies and the European people should be aware of the Euro's potential for upcoming years and its successes in past 20 years.

Finally, it can be assert that even there are some economic, legal and political flaws about the adoption of the Euro, its role, function and successes on the great European integration are undisputable.

In this context, adoption of the Euro by the virtue of the Maastricht Treaty can and should be evaluated as a story of success.

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CRYPTOCURRENCY: DYNAMICS, STRUCTURES AND MARKETING

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Abstract: Until 2017 cryptocurrency meant Bitcoin, There Were although others besides it. What brought the year 2017 was that the Bitcoin, though it had incredible growths, has narrowed its share, dropping to less than half of the market. The gains to bitcoin investors were recorded in the other cryptocurrency, and the yield rates were much higher, as the other cryptocurrency started from lower price levels. Although the market has increased, cryptocurrency users continue to be a minority. But there is a market for cryptocurrency there are users, businesses with distinct activity profiles, with prices and taxes, with costs and revenues. There are also locations where cryptocurrency can be made cheaper than in others. Factors that determine the efficiency of cryptocurrency production are computer power, electricity prices and internet access costs. Start-ups are also turning to the new cryptocurrency market, using the "initial currency offer" tool, as market gains are more than beneficial for money-making firms here, because the cash is higher.

Keywords: cryptocurrency, bitcoin, litecoin, ripple, ethereum.

JEL Classification: G12.

1. Introduction

The year 2017 was the year of so-called cryptocurrency. The cryptocurrency number increased and the volume of transactions with cryptocurrency exploded beyond all prediction. Cryptocurrency is nothing new on the market, they already have almost 10 years of existence, the first of them, the Bitcoin was launched in 2009, but their precursors appeared in the mid 90's as E-gold (1996) in the USA, today extinct, or Webmoney (1998) in Russia and former Soviet countries, who currently functions as a system of online payments.

Table no. 1. Market dynamics of cryptoassets

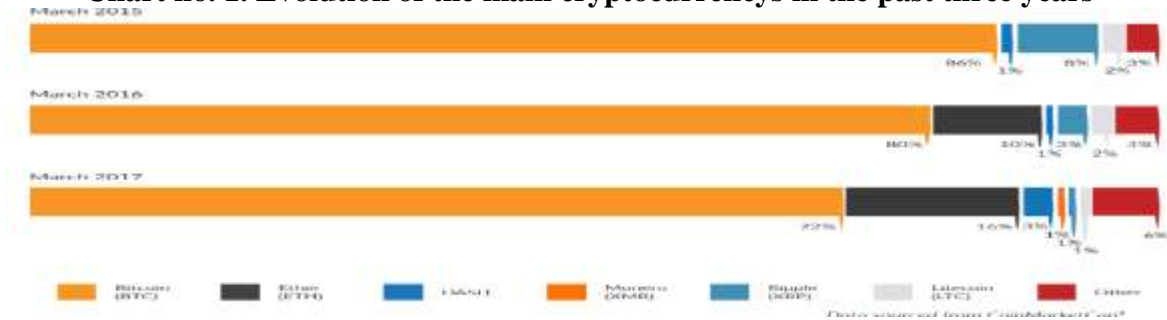
date	total		altcoins			date	total		altcoins		
	Nr. Curren cys	Capitaliz ation (million USD)	Nr. Curren cys	Capitaliz ation (million USD)	(mil.)% capital- lysing		Nr. Curren cys	Capitalizat ion (million USD)	Nr. Curren cys	Capitalizat ion (million USD)	% in capitali zation
28.04.13	7	1.596,0	6	92,0	6	26.6.17	871	109.199,0	870	66.270,1	61
30.6.13	26	1.148,0	25	63,0	5	24.9.17	1.055	129.694,2	1.054	67.907,3	52
29.9.13	36	1.802,0	35	177,0	10	29.10.17	1.183	170.394,3	1.182	74.153,7	44
30.12.13	66	10.059,0	65	1.235,0	12	26.11.17	1.249	283.363,4	1.248	133.972,1	47
30.3.14	207	6.753,0	206	706,0	10	3.12.17	1.273	334.051,1	1.272	147.199,3	44
29.6.14	336	8.378,0	335	601,0	7	10.12.17	1.274	383.158,4	1.273	150.310,4	39
28.9.14	464	5.890,0	463	575,6	10	17.12.17	1.325	590.282,8	1.324	263.240,5	45
29.12.14	506	5.514,0	505	1.198,6	22	24.12.17	1.334	538.191,1	1.333	302.595,3	56
29.3.15	523	3.996,0	522	527,5	13	31.12.17	1.335	572.873,1	1.334	351.969,2	61
28.6.15	544	4.285,0	543	704,6	16	7.1.18	1.355	823.705,0	1.354	536.122,7	65
27.9.15	586	3.993,0	585	562,0	14	14.1.18	1.391	725.075,1	1.390	488.396,0	67
27.12.15	562	6.840,0	561	588,0	9	21.1.18	1.444	597.126,9	1.443	389.840,4	65
27.3.16	532	8.114,0	531	1.688,3	21	28.1.18	1.474	578.685,5	1.473	380.976,0	66
26.6.16	564	12.532,9	563	2.232,8	18	11.2.18	1.486	396.549,5	1.485	258.894,7	65
25.9.16	637	12.083,0	636	2.505,0	21	25.2.18	1.491	431.865,7	1.490	266.554,3	62
25.12.16	644	16.106,7	643	1.991,0	12	3.3.18	1.522	456.564,7	1.521	265.944,2	58
26.3.17	726	23.338,1	725	7.637,8	33	10.3.18					

Source: Authors' calculations after: CoinMarketCap, 2018. *Top 100 Cryptocurrencies by Market Capitalization*. [online] Available at: <<https://coinmarketcap.com/>> [Accessed 3 February 2018].

Unfortunately, statistics are incomplete or in most cases do not contain data about the early years after the genesis and, anyway, the environments in which these cryptocurrencies are traded are quite opaque, the degree of transparency having a certain dose of probability. The statistics we have analyzed (mainly <https://coinmarketcap.com>) begin the history of cryptocurrency in late April 2013, so about five years after the genesis. At that time, the market was made up of a number of seven currencies: bitcoin, litecoin, peercoin, namecoin, terracoin, novacoin, devcoin with a market capitalization of 1.6 bln. USD. Although all 7 live today, between each there is a significant difference. The first two form about half of the market (bitcoin, litecoin), the following four are the margin of 0.1% of the market, and the seventh (devcoin) has a even lower share that the statistics no longer take it into account (This is another proof that statistics on this phenomenon should be viewed with caution) (Table no. 1).

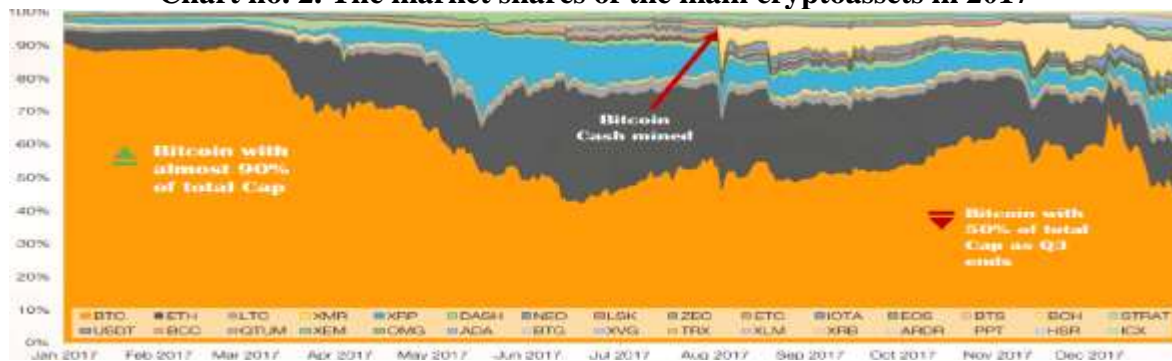
Currently (early March 2018), 1522 coins and tokens / chips are listed by statistics (895 cryptocurrency and 627 tokens / chips) and stock market capitalization was of 456 billion dollars (419 billion. USD for cryptocurrencies and 37 billion USD tokens / chips, noting that only for 499 of the latter statistics indicated a price in order to be able to calculate capitalization) (Table no. 1).

Chart no. 1. Evolution of the main cryptocurrencies in the past three years



Source: Hileman, G. and Rauchs, M., 2017. *Global Cryptocurrency Benchmarking Study*. Cambridge: University of Cambridge, Judge Business School, The Cambridge Centre for Alternative Finance.

Chart no. 2. The market shares of the main cryptoassets in 2017



Source: CoinGecko, 2017. *Year 2017, Cryptocurrency Report. Year in Review*. [online] Available at: <<https://www.coingecko.com/en>> [Accessed 3 February 2018].

The interest, purely speculative, in Bitcoin and alternatives more and more numerous made it so its market share to continuously decline (Chart no. 1). But 2017 has increased the deterioration of bitcoin's position and has brought significant structural changes in the cryptocurrency market. Firstly bitcoin is not the equivalent of the cryptocurrency market, which dropped below 50% of the market share, secondly, along with the bitcoin there are

some other significant crypto: ethereum, litecoin and ripple and finally, there is the crowd of cryptocurrency, by the thousands, as market niches (Chart no. 2). Thus, the bitcoin continually loses market share, but continues to dominate. By the decrease in market share of bitcoin takes advantage, firstly ethereum (which is an alternative to Bitcoin, not through technology but because it comes with added services, through this cryptocurrency - and inherently on the platform that this cryptocurrency is traded - being able to invest in many tokens / chips which were another event of 2017), then ripple and altcoin.

Deterioration of bitcoin's position was determined by the bifurcation of the chain of blocks of the original Bitcoin. The most important took place in July 2017 (the first block created on August 1, 2017), when the original block chain, came off starting with the block 478558, a new cryptocurrency, called later bitcoin cash. The cause of the bifurcation was the disagreement on increasing the block to 8 MB, traditionalists wanting to stay in the original size of the block's 1 MB, but alternatively also meant that traditionalists wanted bitcoin to remain at the profile of traded currency, while separatists wanted the currency to rather be an investment asset, a larger block size allowing inclusion in the block of more transaction and a smaller period of time for transaction validation (at bitcoin cash the time for hash - creating a block - is still of 10 minutes, but the block is 8 times larger), lower transaction fees (it seems that the ratio is 1 to 5 for bitcoin cash). Thus, the new currency managed to break about 30% of the market share of the original bitcoin (at the end of the period the market share of cash bitcoin was down to 15%). The success of the "fork" of bitcoin cash was contagious, by the end of 2017 can be counted another 15 junctions, causes, but also differences, being of informational and cryptographic nature (Chart no. 3).

Chart no. 3. Bifurcation of Bitcoin in 2017



Source: CoinGecko, 2017. Year 2017, Cryptocurrency Report. Year in Review. [online] Available at: <<https://www.coingecko.com/en>> [Accessed 3 February 2018].

Table no. 2. Bitcoin dynamics

Date	Capitalization (mil. USD)	Price (\$ USD)	Units in circulation (mil.)	Date	Capitalization (mil. USD)	Price (\$ USD)	Units in circulation (mn.)
28.04.2013	1.504,0	135,6	11,1	26.06.2017	42.928,9	2.616,0	16,4
30.06.2013	1.085,0	95,6	11,4	24.09.2017	61.786,9	3.725,6	16,6
29.09.2013	1.625,0	138,1	11,8	29.10.2017	96.240,6	5.779,5	16,7
30.12.2013	8.824,0	724,1	12,2	26.11.2017	149.391,3	8.944,6	16,7
30.03.2014	6.047,0	480,7	12,6	03.12.2017	186.851,8	11.177,8	16,7
29.06.2014	7.777,0	600,0	13,0	10.12.2017	232.848,0	13.916,8	16,70
28.09.2014	5.314,4	398,9	13,3	17.12.2017	327.042,3	19.528,9	16,7
29.12.2014	4.315,4	316,0	13,7	24.12.2017	235.595,8	14.057,2	16,8
29.03.2015	3.468,5	247,9	14,0	31.12.2017	220.903,9	13.170,2	16,8
28.06.2015	3.580,4	250,0	14,3	07.01.2018	287.582,3	17.131,3	16,8
27.09.2015	3.431,0	234,0	14,7	14.01.2018	236.679,1	14.086,6	16,8
27.12.2015	6.252,0	416,5	15,0	21.01.2018	207.286,5	12.326,6	16,8
27.03.2016	6.425,7	418,3	15,4	28.01.2018	197.709,5	11.747,0	16,8
26.06.2016	10.300,1	656,1	15,7	11.02.2018	137.654,8	8.165,7	16,9
25.09.2016	9.578,0	602,9	15,9	25.02.2018	165.311,4	9.790,5	16,9
25.12.2016	14.115,7	878,8	16,1	03.03.2018	190.620,5	11.280,0	16,9
26.03.2017	15.700,3	966,9	16,4	10.03.2018			

Source: Authors' calculations after: CoinMarketCap, 2018. *Top 100 Cryptocurrencies by Market Capitalization*. [online] Available at: <<https://coinmarketcap.com/>> [Accessed 3 February 2018].

Table no. 2 presents the Bitcoin evolution, from prices around 100 USD per unit in April 2014, to the threshold of almost 20.000 USD in December 2017 and then approximately in two months halving of the unit value. Capitalization has evolved in much the same proportions from about 1.5 billion USD to 330 bn. USD at the time of the boom to reach 137 billion USD at the time of landing. The process has not been supported by the quantity of units in circulation, because the mining process produces increasingly less bitcoin, in the same period being produced only 50% more units (at the time of the genesis there was determined the maximum amount of bitcoin that will be in circulation, of 21 million units, but the rate of creation decreases geometrically every 210,000 blocks).

Table no. 3. Dynamics of bitcoin, ripple, ethereum

Date	bitcoin				ripple				ethereum			
	Capitalization		Price-\$	Monetary unit. (10 ⁶)	Capitalization		Price-\$	Monetary unit. (10 ⁶)	Capitalization		Price-\$	Monetary unit. (10 ⁶)
	10 ⁶ \$	%			10 ⁶ \$	%			10 ⁶ \$	%		
28.04.13	74,4	4,7	4,3	17,2	0,0	0,0	0,000	0,0	0,0	0,0	0,0	0,0
30.06.13	53,6	4,7	2,8	19,0	0,0	0,0	0,000	0,0	0,0	0,0	0,0	0,0
29.09.13	50,5	2,8	2,3	21,7	110,0	6,1	0,014	7.818,0	0,0	0,0	0,0	0,0
30.12.13	549,6	5,5	22,6	24,4	212,7	2,1	0,027	7.818,0	0,0	0,0	0,0	0,0
30.03.14	358,5	5,3	13,3	27,1	78,8	1,2	0,010	7.818,0	0,0	0,0	0,0	0,0
29.06.14	272,4	3,3	9,2	29,7	31,4	0,4	0,004	7.818,0	0,0	0,0	0,0	0,0
28.09.14	143,6	2,4	4,4	32,4	137,1	2,3	0,005	28.989,0	0,0	0,0	0,0	0,0
29.12.14	96,2	1,7	2,7	35,1	737,1	13,4	0,023	30.978,0	0,0	0,0	0,0	0,0
29.03.15	63,2	1,6	1,7	37,7	280,4	7,0	0,009	31.909,0	0,0	0,0	0,0	0,0
28.06.15	124,0	2,9	3,1	40,3	362,3	8,5	0,010	31.909,0	0,0	0,0	0,0	0,0
27.09.15	122,6	3,1	2,9	42,5	210,5	5,3	0,006	32.488,0	55,9	1,4	0,8	73,5
27.12.15	150,3	2,2	3,4	43,8	206,9	3,0	0,006	33.537,0	64,5	0,9	0,9	75,8
27.03.16	146,7	1,8	3,2	45,1	277,8	3,4	0,008	34.440,0	856,7	10,6	10,9	78,5
26.06.16	194,4	1,6	4,2	46,4	226,0	1,8	0,006	35.108,0	1.151,4	9,2	14,2	81,4
25.09.16	181,1	1,5	3,8	47,7	262,1	2,2	0,007	35.459,0	1.093,6	9,1	13,0	84,3
25.12.16	213,2	1,3	4,4	49,0	229,7	1,4	0,006	36.003,6	635,8	3,9	7,3	87,3
26.03.17	204,0	0,9	4,1	50,4	353,4	1,5	0,009	37.388,9	4.600,5	19,7	51,5	90,1
26.06.17	2.323,8	2,1	45,0	51,7	11.781,3	10,8	0,310	38.291,4	30.219,2	27,7	325,7	92,8
24.09.17	2.564,1	2,0	48,3	53,1	6.758,2	5,2	0,176	38.343,8	26.967,2	20,8	284,5	94,8
29.10.17	2.940,8	1,7	54,9	53,6	7.778,8	4,6	0,200	38.531,5	28.494,6	16,7	298,7	95,4
26.11.17	4.675,5	1,7	86,6	53,9	9.681,2	3,4	0,250	38.622,9	44.175,6	15,6	460,4	95,9
03.12.17	5.443,1	1,6	100,6	54,1	9.850,3	2,9	0,255	38.622,8	44.944,3	13,5	467,7	96,1
10.12.17	7.571,2	2,0	139,6	54,2	9.121,0	2,4	0,235	38.739,0	42.921,6	11,2	446,0	96,2
17.12.17	17.329,5	2,9	318,9	54,3	29.249,6	5,0	0,755	38.739,1	69.354,0	11,7	719,5	96,4
24.12.17	15.053,3	2,8	276,5	54,4	42.496,3	7,9	1,100	38.739,1	66.472,3	12,4	688,6	96,5
31.12.17	12.000,9	2,1	220,0	54,5	82.199,9	14,3	2,120	38.739,1	69.767,5	12,2	721,7	96,7
07.01.18	16.400,5	2,0	300,1	54,6	123.601,4	15,0	3,190	38.739,1	106.276,6	12,9	1.097,7	96,8
14.01.18	13.826,1	1,9	252,6	54,7	75.120,9	10,4	1,940	38.739,1	132.809,8	18,3	1.369,6	97,0
21.01.18	10.979,3	1,8	200,2	54,9	57.332,6	9,6	1,480	38.739,1	107.468,0	18,0	1.106,6	97,1
28.01.18	10.180,1	1,8	185,2	54,9	49.538,2	8,6	1,280	38.739,1	113.010,2	19,5	1.162,0	97,3
11.02.18	8.131,3	2,1	147,4	55,2	38.016,9	9,6	0,975	39.009,2	79.578,8	20,1	815,8	97,5
25.02.18	11.575,3	2,7	209,1	55,4	37.186,9	8,6	0,950	39.094,8	82.562,8	19,1	844,0	97,8
03.03.18	11.560,4	2,5	208,2	55,5	35.314,8	7,7	0,903	39.092,0	83.215,6	18,2	849,4	98,0

Source: Authors' calculations after: CoinMarketCap, 2018. *Top 100 Cryptocurrencies by Market Capitalization*. [online] Available at: <<https://coinmarketcap.com/>> [Accessed 3 February 2018].

Table no. 3 presents the evolution of the other important cryptocurrency bitcoin, ripple, ethereum bitcoin.

Bitcoin, with an age of 7 years, which accounts for 2-3% of the market, increased in price from a few dollars at the beginning of the reviewed period, to a maximum of \$ 300, to be halved two months later, the growth copying bitcoin's development. Capitalization growth was due both to prices and number of units in the market, they tripled in the analyzed period, because it is created in proportion, though regressive, more than four times than the bitcoin.

Ripple has come to represent about 10% of the market, price increased from subunitary values to a maximum of 3 US dollars. Note that the maximum price of Ripple was registered in January 2018, one month after bitcoin reached maximum. Also in the

case of Ripple capitalization growth was generated by the rising price, and also by the units in circulation (ripple is not mined, but put into circulation according to projects funded by the issuing organization).

Ethereum the fourth important cryptocurrency has come to represent about 20% of the market, the price rose from about a dollar at issuance, in 2015, to a peak of almost 1400 \$ to fall further to \$ 850. Also in the case of Ethereum evolution was offset against bitcoin, the maximum being reached in five weeks after bitcoin reached the highest value. Price decrease for Ethereum was lower because it is widely used in most smart contracts/public offers of cryptocurrency. Capitalization was driven mainly by price, units in circulation generating less capitalization because Ethereum creation is uniform.

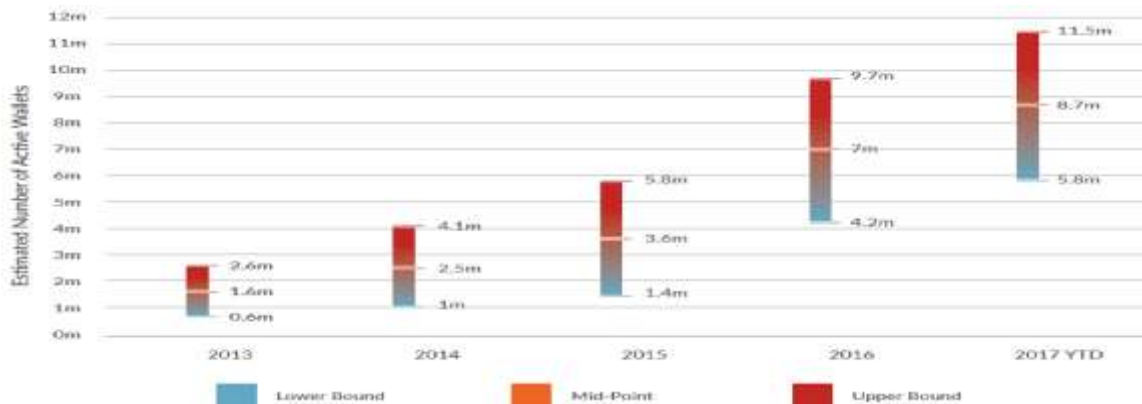
In total all three currencies make up, currently, more than one third of cryptocurrency market, worth in total over 130 billion dollars, about one third of the cryptocurrency market and half the altcoin market.

Chart no. 4. Estimates of the number of active users of cryptoassets



Source: Hileman, G. and Rauchs, M., 2017. *Global Cryptocurrency Benchmarking Study*. Cambridge: University of Cambridge, Judge Business School, The Cambridge Centre for Alternative Finance.

Chart no. 5. Estimates of the number of virtual wallets holders



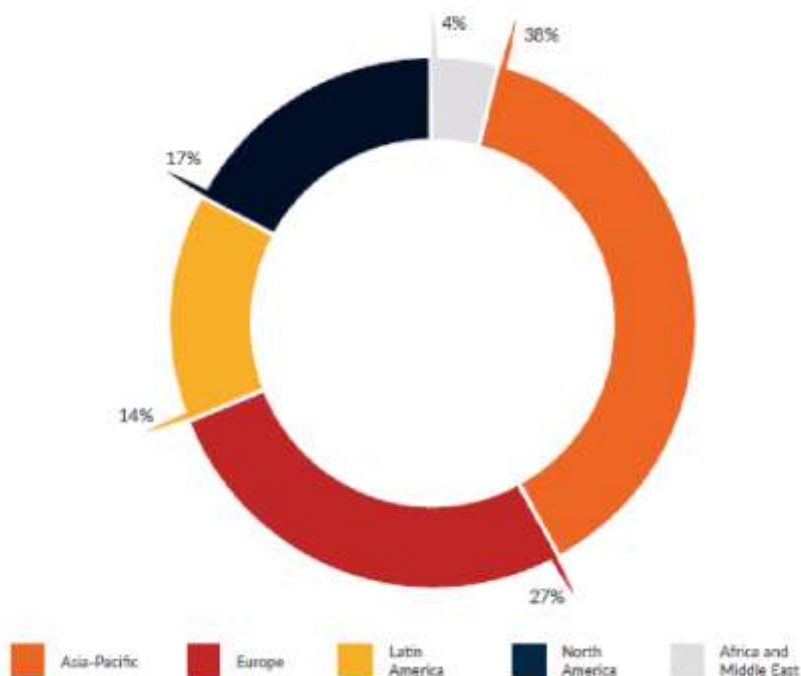
Source: Hileman, G. and Rauchs, M., 2017. *Global Cryptocurrency Benchmarking Study*. Cambridge: University of Cambridge, Judge Business School, The Cambridge Centre for Alternative Finance.

Regarding users of cryptocurrency, their number increased continuously, thus Global Cryptocurrency Benchmarking Study, estimates based on surveys of firms that have as a profile transactions with such assets, the number of investors reached about 4.3 million people in the first quarter of 2017 compared only 0.9 million in 2013 and probably doubled by the end of 2017 (Chart no. 4).

At the same time, because investors in cryptocurrency own several varieties, the number of virtual wallets was much higher. Estimates for the first quarter of 2017 for virtual wallets holders was 8.7 million versus 1.6 million holders in 2013 (Chart no. 5).

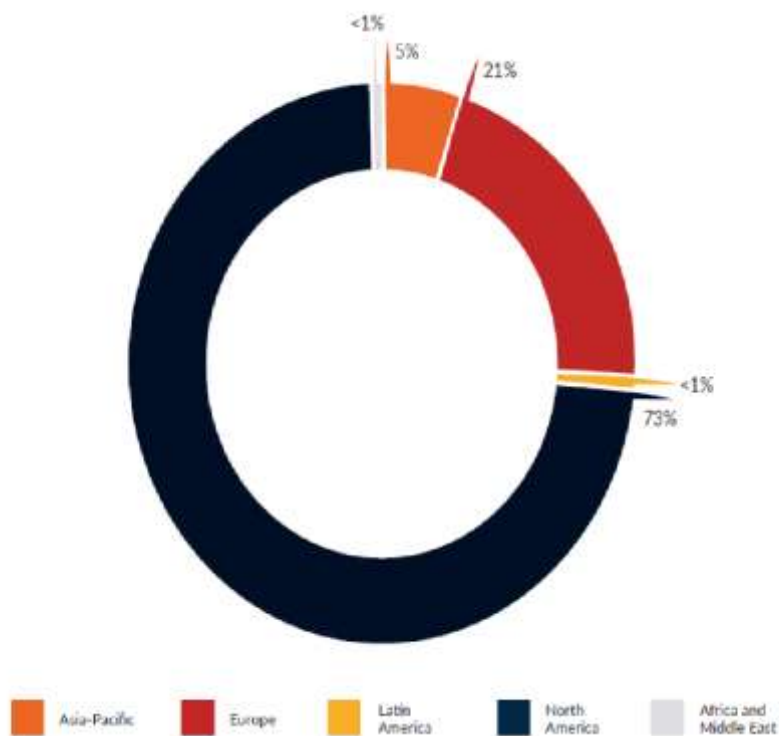
Most users of cryptocurrency are located in Asia-Pacific area, at a proportion of two out of five, then Europe, more than one fourth and one sixth are located in North America (Chart no. 6). But North America compensates by the fact that there located the majority of cryptocurrency ATMs (three-quarters of the total), followed by Europe, where there are 20% of total (Chart no. 7).

Chart no. 6. Estimates of the eographical distribution of users of cryptoassets



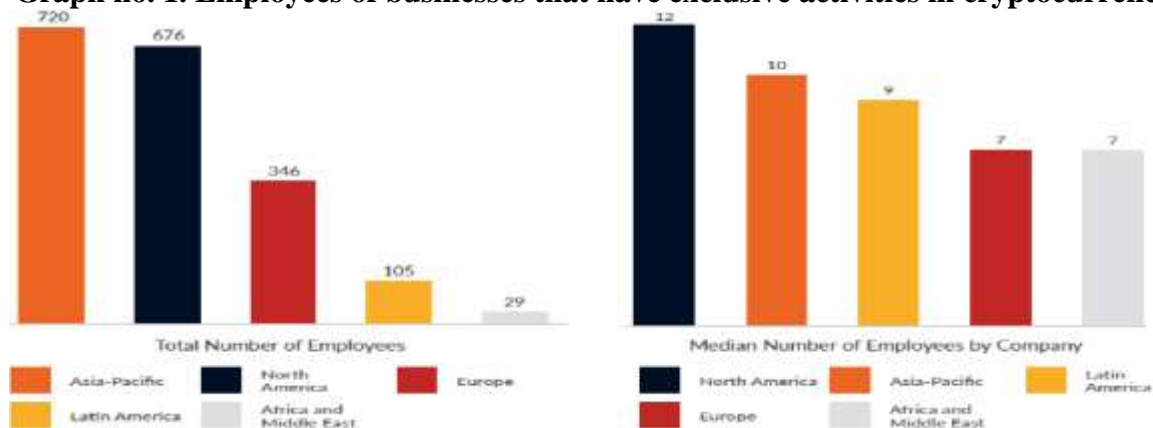
Source: Hileman, G. and Rauchs, M., 2017. *Global Cryptocurrency Benchmarking Study*. Cambridge: University of Cambridge, Judge Business School, The Cambridge Centre for Alternative Finance.

Chart no. 7. The geographical distribution of ATMs of cryptoassets



Global Cryptocurrency Benchmarking Study, estimated for early 2017 that in the companies that had as object of activity cryptocurrency were working full time about 1,900 employees, distribution by country being Asia-Pacific (40%), America (about one third), Northern Europe (20%) and on average in such a company were 9 employees (Graph no. 1).

Graph no. 1. Employees of businesses that have exclusive activities in cryptocurrency



Source: Hileman, G. and Rauchs, M., 2017. *Global Cryptocurrency Benchmarking Study*. Cambridge: University of Cambridge, Judge Business School, The Cambridge Centre for Alternative Finance.

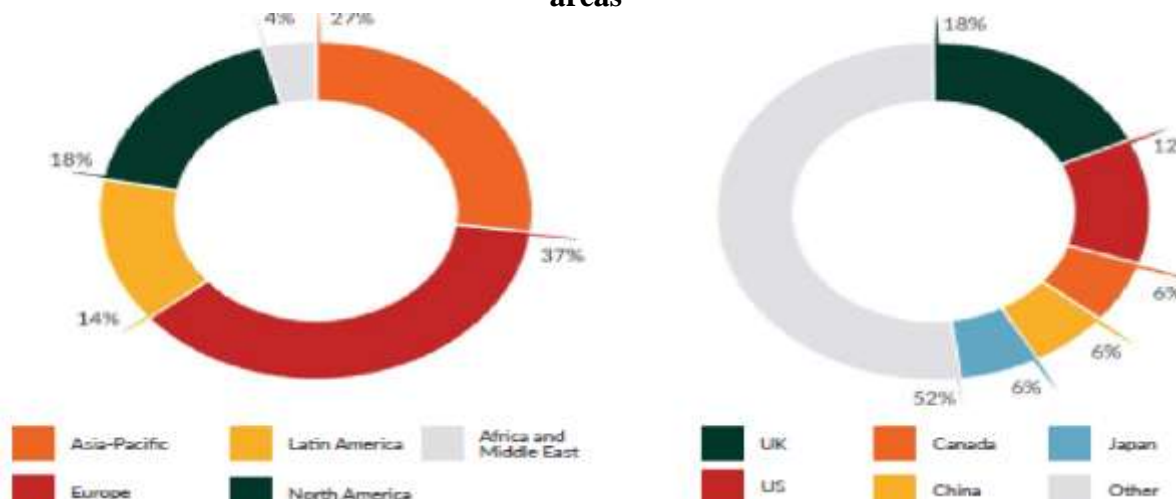
From research based on surveys of Global Cryptocurrency benchmarking Study resulted that in early 2017 the companies from the field of cryptocurrency conducted activities of:

- Cryptocurrency exchange: purchases, sales and transactions with cryptocurrency;
- Wallet of cryptocurrency: cryptocurrency preservation and storage;

- Payments with cryptocurrency: facilitate payments using cryptocurrency;
- Creation of cryptocurrency: mining and management of the lockchain.

The main activity of enterprises in the cryptocurrency field is the exchange one and occurs most often in the activity of those located in Europe (37%), and here the largest are located in the UK. Then comes Asia, where China detaches and North America here detaching US (Graph no. 2).

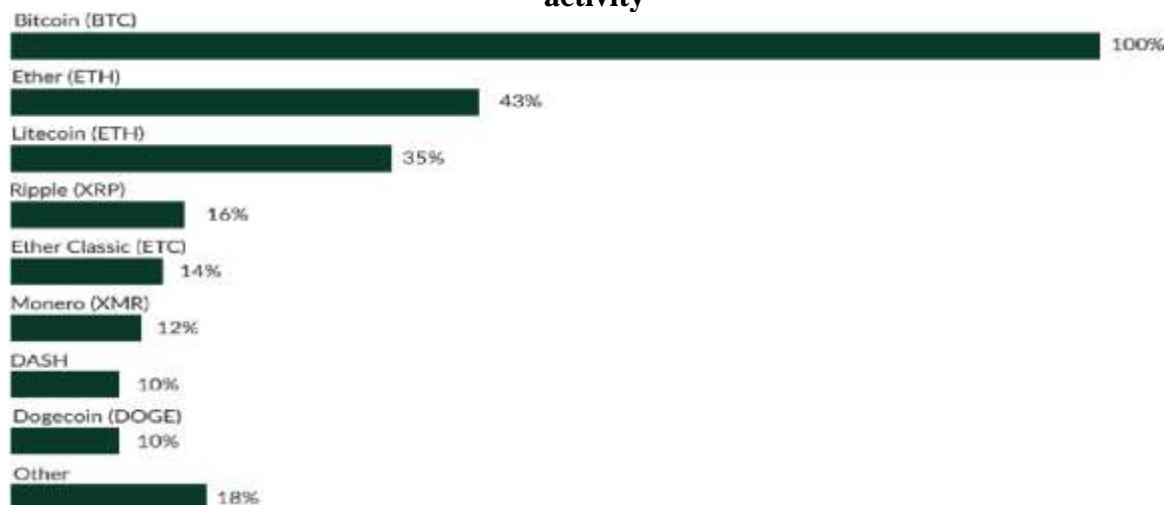
Graph no. 2. Exchange activity as object of activity of enterprises in cryptocurrency areas



Source: Hileman, G. and Rauchs, M., 2017. *Global Cryptocurrency Benchmarking Study*. Cambridge: University of Cambridge, Judge Business School, The Cambridge Centre for Alternative Finance.

Bitcoin is the cryptocurrency that is found in the offer of all cryptocurrency exchange companies (Chart no. 8), with it being more common the Ether, the Litecoin, Ripple, but also Monero, Dash, Dogecoin etc.

Chart no. 8. Cryptoassets which can be exchanged at companies with exchange activity



Source: Hileman, G. and Rauchs, M., 2017. *Global Cryptocurrency Benchmarking Study*. Cambridge: University of Cambridge, Judge Business School, The Cambridge Centre for Alternative Finance.

In Chart no. 9 is presented the turnover of the main companies in the field of cryptocurrency exchange, the source of these data is the annual report 2017 of CoinGecko. Notice that the first six have revenues from this activity of billions. Also it should be mentioned that many of them are in China.

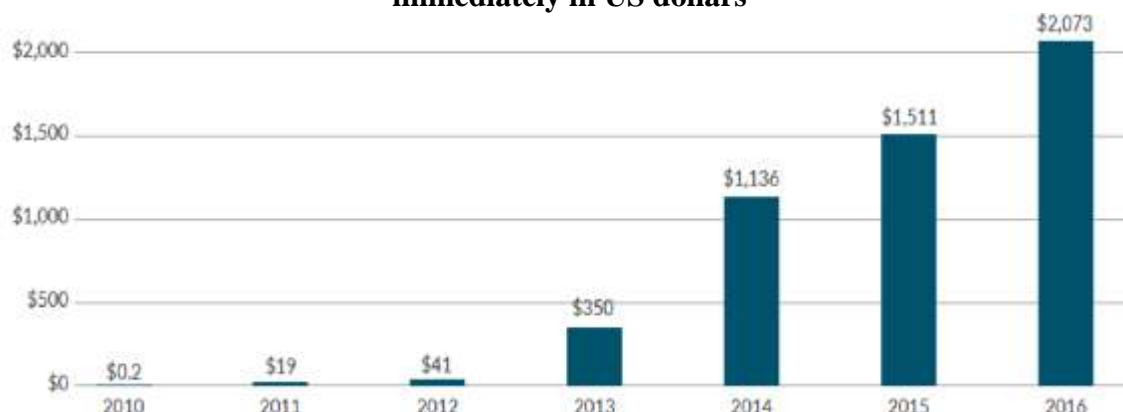
Chart no. 9. The turnover of the main companies in the field of cryptocurrency exchange



Source: CoinGecko, 2017. Year 2017, Cryptocurrency Report. Year in Review. [online] Available at: <<https://www.coingecko.com/en>> [Accessed 3 February 2018].

Global Cryptocurrency Benchmarking Study, estimated that second income producing activity for firms in the cryptocurrency field was the mining and the most income was generated by creation and transactions with Bitcoin, which had generated cumulatively by the end of 2016, over two billion dollars (Chart no. 10), but annual revenues are declining (Chart no. 11) and this is due to declining revenue from mining (reward for validating transactions halves from about four years, last fall took place in July 2016, when BTC reduced from 12.5 per block to 25 BTC as it had been to date. This reduction in income from mining tried to be compensated by increased trading fees. The latter increased both as result of the increased number of transactions but also because they increased as a percentage.

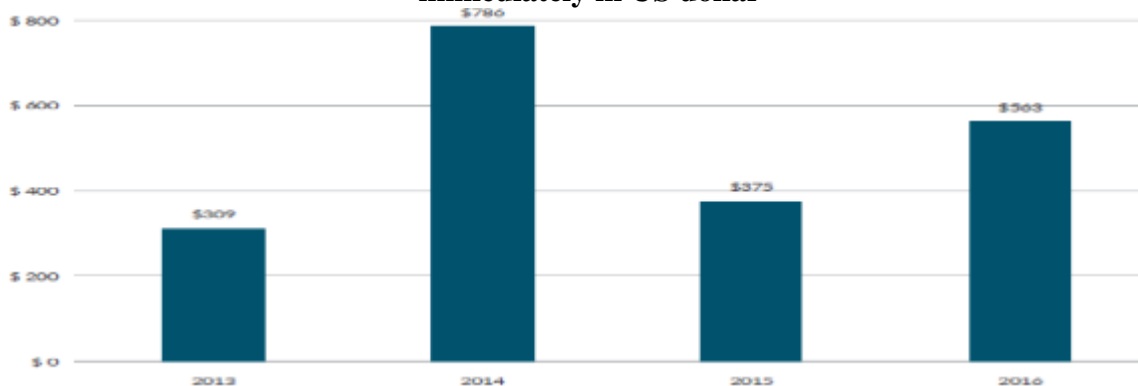
Chart no. 10. The cumulative revenues generated by the mining activities of Bitcoins (validation of transactions and producing of cryptoassets) if they were changed immediately in US dollars



Source: Hileman, G. and Rauchs, M., 2017. *Global Cryptocurrency Benchmarking Study*. Cambridge: University of Cambridge, Judge Business School, The Cambridge Centre for Alternative Finance.

For instance, according to <https://bitinfocharts.com>, trading fees were on average 0.0002 USD in 2010, reaching in 2015 to 0.05 USD, growing at 0.1 USD in 2016, 1 USD in the first part of 2017 to reach a level of approximately 55 USD in December 2017, at maximum (Graph no. 3). Thus, trading fees are increasing as a share, in total revenue made by Bitcoin (Graph no. 4), reaching a share of 6% in total, compared to values close to 1-2% by 2014 and certainly exceeded 10% in December 2017, the following average values supraunitary duty during 2017, which have made profitable the transactions with Bitcoin.

Chart no. 11. Dynamics of annual revenue generated from mining Bitcoins (validation of transactions and production of cryptoassets) should they be changed immediately in US dollar



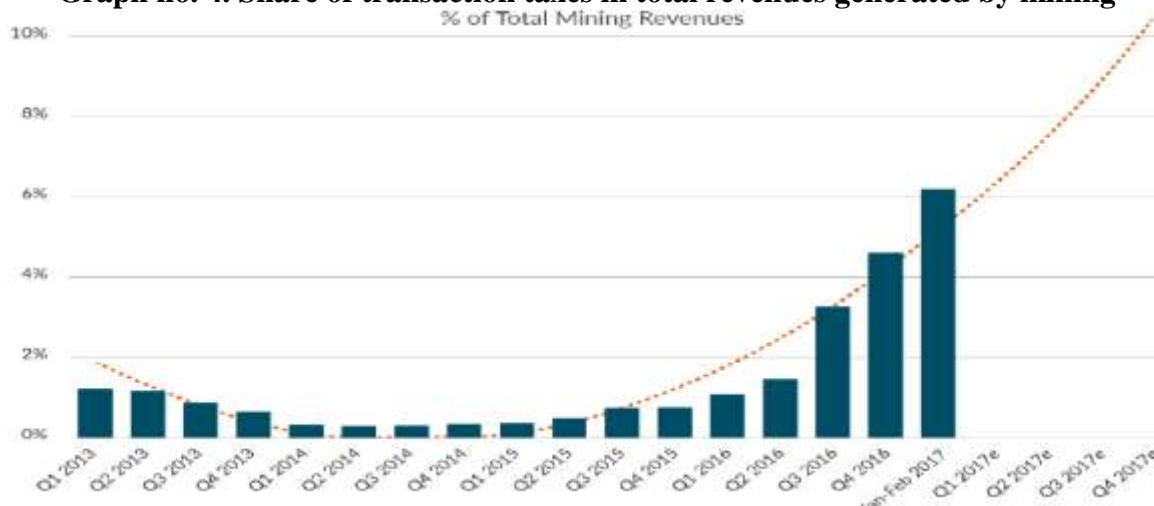
Source: Hileman, G. and Rauchs, M., 2017. *Global Cryptocurrency Benchmarking Study*. Cambridge: University of Cambridge, Judge Business School, The Cambridge Centre for Alternative Finance.

Graph no. 3. Dynamics of transaction taxes with Bitcoins (mil.)



Source: Hileman, G. and Rauchs, M., 2017. *Global Cryptocurrency Benchmarking Study*. Cambridge: University of Cambridge, Judge Business School, The Cambridge Centre for Alternative Finance.

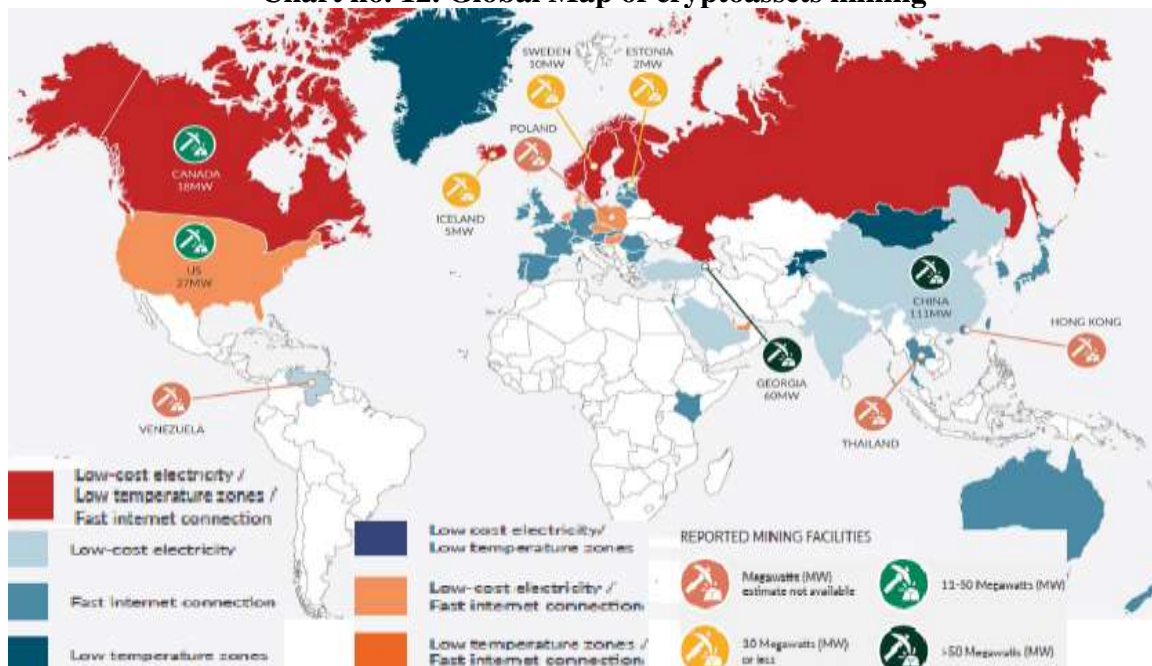
Graph no. 4. Share of transaction taxes in total revenues generated by mining



Source: Hileman, G. and Rauchs, M., 2017. *Global Cryptocurrency Benchmarking Study*. Cambridge: University of Cambridge, Judge Business School, The Cambridge Centre for Alternative Finance.

In fact, efficiency of creation of Bitcoin one of the current problems of this cryptocurrency and will probably appear soon in other cryptocurrencies. The problem is that the remuneration for block validation is reduced to about four years. As I said earlier presently it is of 12.5 BTC / block. But to produce Bitcoin costs involve (a) cheap electricity to operate computers, (2) again cheap energy for cooling / ventilation computer or climatic conditions to allow cooling / natural ventilation of computers (such as polar regions and sub-polar and high altitudes) and (3) high-speed internet. The more the area holds as many of the three previous factors, the more there may occur more Bitcoin production. Map of Chart no. 12 shows that Russia, Canada, Scandinavia and Iceland are countries that cumulate the three factors previously named, but China has the cheapest energy, here consuming, in 2016, the largest amount of energy, over 111 MGW, for the production of Bitcoin, although as it can be seen from the map in Chart no. 13, for most locations where Bitcoin is produced, there is no data available on electricity consumption for this purpose.

Chart no. 12. Global Map of cryptoassets mining



Source: Hileman, G. and Rauchs, M., 2017. *Global Cryptocurrency Benchmarking Study*. Cambridge: University of Cambridge, Judge Business School, The Cambridge Centre for Alternative Finance.

Chart no. 13. Map of cryptoassets mining in China

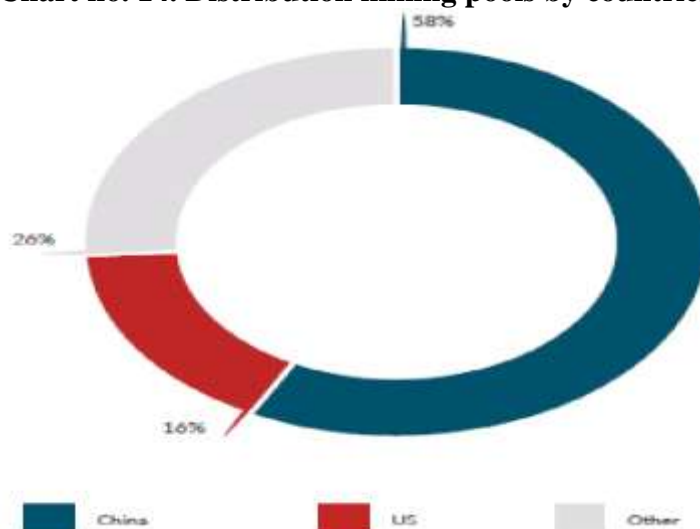


Source: Hileman, G. and Rauchs, M., 2017. *Global Cryptocurrency Benchmarking Study*. Cambridge: University of Cambridge, Judge Business School, The Cambridge Centre for Alternative Finance.

Also because the creative process of bitcoins implies that the power of computers used to validate the transactions with this cryptocurrency, be proportionately greater as the number of users increases, mining can't be done individually, but through collectives / groups, called mining pools, uniting increasingly more and more computers to solve /

decrypt hashes more and more complex of each transaction. Thus, Chart no. 14 shows that by far most such mining pools are found in China.

Chart no. 14. Distribution mining pools by countries



Source: Hileman, G. and Rauchs, M., 2017. *Global Cryptocurrency Benchmarking Study*. Cambridge: University of Cambridge, Judge Business School, The Cambridge Centre for Alternative Finance.

Lately, amid growing revenues generated by investments in these cryptoassets, and growing fraud or illegal economy which is possible due to the opacity of the area, it has been put increasingly more in question its legality. It must be said that there are few countries that have declared cryptocurrency illegal, the most opt for sector regulation either fiscally or investment wise. Chart no. 15 shows a group of states (made in CoinGecko, Year 2017 - Cryptocurrency Report. Year in Review) on two groups, one group in which the holding and trading is legal and a group of countries where trading is strictly prohibited, such as Nepal, Kyrgyzstan, Bolivia, Ecuador, Bangladesh, Morocco.

Chart no. 15. Where are cryptocurrencies legal



Source: CoinGecko, 2017. *Year 2017, Cryptocurrency Report. Year in Review*. [online] Available at: <<https://www.coingecko.com/en>> [Accessed 3 February 2018].

The year 2017 has brought a paradigm shift in the sense that many start-ups can turn to the market of cryptocurrency to obtain financing, successfully competing with traditional channels (Chart no. 16). In chart 20 is seen exponential growth in the value of ICO from insignificant in January 2017 to over 200 million USD in May. It must be said that values are monthly and are considering subscription prices lower than the market prices. In the box of Chart no. 16 are presented the biggest ICO launched in 2017. The current value is much larger. For March 2018, coinmarket.com establishes a total capitalization of all ICOs of 31.6 billion USD (Table no. 4).

Chart no. 16. The largest ICOs in 2017



Source: CoinGecko, 2017. *Year 2017, Cryptocurrency Report. Year in Review.* [online] Available at: <<https://www.coingecko.com/en>> [Accessed 3 February 2018].

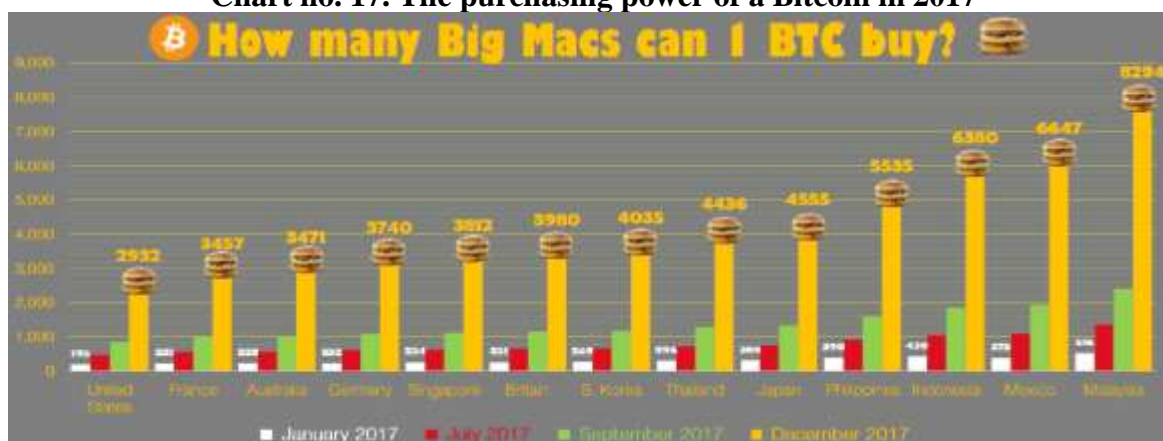
Table no. 4. Tokens / ICOs in March 2018

	Name	Platform	Market Cap (USD)	Price (USD)	Circulating Supply
1	EOS	Ethereum	4.567.019.862	6,39	714.160.371
2	TRON	Ethereum	2.462.559.100	0,037454	65.748.192.476
3	Tether	Omni	2.207.106.034	0,995474	2.217.140.814
4	VeChain	Ethereum	1.896.206.219	3,99	475.221.788
5	OmiseGO	Ethereum	1.436.953.010	14,08	102.042.552
6	ICON	Ethereum	1.120.622.447	2,9	385.966.359
7	Binance Coin	Ethereum	870.353.853	8,79	99.014.000
8	DigixDAO	Ethereum	808.784.000	404,39	2.000.000
9	Populous	Ethereum	605.730.017	16,37	37.004.027
10	Status	Ethereum	569.895.084	0,164212	3.470.483.788
11	Maker	Ethereum	541.053.161	875,17	618.228
12	RChain	Ethereum	531.152.993	1,48	359.409.272
13	Waltonchain	Ethereum	440.528.443	17,69	24.898.178
14	Aeternity	Ethereum	439.653.706	1,89	233.020.472
15	Augur	Ethereum	424.706.700	38,61	11.000.000
40	Bancor	Ethereum	163.152.411	4,18	39.064.387
44	TenX	Ethereum	152.241.388	1,45	104.661.310
650	*****	*****	*****	*****	*****
Total	-	-	31.645.597.293		

Source: Authors' calculations after: CoinMarketCap, 2018. *Top 100 Cryptocurrencies by Market Capitalization*. [online] Available at: <<https://coinmarketcap.com/>> [Accessed 3 February 2018].

Comparing data from the box in chart 20 with the values in Table 4, we observe that some tokens have registered very high growths, up to near a bubble. For example project EOS, which has proposed the creation of a new architecture of blocks designed to enable scaling vertically and horizontally of decentralized applications, aims to attract 183 million USD (by issuing 1 billion, token EOS - of which only 90% for sale - at a price of 0.99 USD / token EOS available through use of ethers, currently values 4.5 billion USD. But all the same, we can mention some 130 tokens for which although coinmarketcap.com displayed prices, they do not indicate that any transaction would be done for them.

Chart no. 17. The purchasing power of a Bitcoin in 2017



Source: CoinGecko, 2017. *Year 2017, Cryptocurrency Report. Year in Review*. [online] Available at: <<https://www.coingecko.com/en>> [Accessed 3 February 2018].

Finally, those from CoinGecko, correlate Bitcoin prices in 2007 with purchasing power and which is found in Chart no. 17. In principle, there isn't a notable change, the

purchasing power of a Bitcoin, amid rising prices of it, remains high in poor countries and much more reduced in rich countries, but if we look at things in time, we see that the price of Bitcoin in USA led to an increase of 15 times in the purchasing power (from 195 to 2932 Big Macs) , while in Malaysia the increase is of 16 times (from 516 to 8294 Big Macs), but certainly this is not due to the cryptocurrency but to economic conditions in the two countries.

4. Conclusions

Until 2017 cryptocurrency meant Bitcoin, although there were others outside of it. What 2017 brought was that Bitcoin although registered incredible increases had restricted its share, falling to more than half the market. Earnings brought to Bitcoin investors were registered also to other cryptocurrency, and performance rates were much higher, because other cryptocurrencies started from lower price levels. Although the market has grown, users of cryptocurrency still remain a minority. But there appears a cryptocurrency market, there are users, enterprises with different activity profiles, with prices and taxes, with costs and revenues.

There are places where you can produce cryptocurrency cheaper than in others. Factors determining cryptocurrency production efficiency are computer power, electricity prices and the cost of Internet access.

Start-ups also call to the new market of cryptocurrencies, using the instrument ” initial offers of currency”, market growths being more than benefic for companies who demand for money here, because regular liquidities are higher.

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