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EVALUATION – KEY OBJECTIVE OF ACCOUNTING ACTIVITY. REALITIES PERCEIVED IN ROMANIAN ORGANISATIONS

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Abstract: One of the most controversial issues of accounting is related to the various evaluation options of assets, liabilities and capital. Moreover, a special problem arises from the need to assess the invisible intangible capital. We believe that accounting activity should seek, through the organization of evaluation, for the actual value. All other values derive from this, their differentiation being determined by the criterion of time, i.e. the time the assessment is made. The paper presents, on the one hand, a survey of opinions of experts, with references to legal regulations on evaluation, and on the other hand, views captured within some organizations in the Central Region.

JEL classification: M40, M41, M10

Key words: evaluation, management, intangible, cost, assets, liabilities, capitals

1. INTRODUCTION

The evaluation process consists of determining values at which the assets, liabilities, equity, income and expenses will be presented in the financial statements, seeking satisfaction of both management needs and those of decision. In conducting this process, it is absolutely necessary that certain accounting principles are met, such as: business continuity; evaluation methods can not be changed from year to year; prudence; intangibility of balance sheet; separate assessment of the assets and liabilities; costs and revenue for year accounts refer to must be taken into account, regardless of the date of payment or receipt (Baltes, Ciuhureanu, 2010, pp. 123-124). Time concerns the moment of placing the evaluation in the past, present or future (Oprea, Ristea, 2003, p 162). Any evaluation, by virtue of the continuity principle of the company’s activity, slides between the past, passes through the present time and cares for the reproduction of economic values in future time. We can say that the accounting activity of Romanian companies aims, by organizing evaluation, the following: obtaining real value; obtaining a value that satisfies the interests of managers / creditors / shareholders; achieving both real value and a value that satisfies the current interests of managers / creditors / shareholders.

2. RESEARCH OF SPECIALTY LITERATURE AND LEGAL REGULATIONS ON EVALUATION IN ROMANIA

Carrying out the evaluation process involves the selection of certain assessment bases. Most often, the elements presented in the annual financial statements are evaluated
on the basis of acquisition cost or production cost principle, which subsequently causes the historical cost.

According OMPF 3055/2009, the evaluation must be made at the following times, through the options corresponding to the economic character of movement:

a. **On the date of entry in the entity**, the goods shall be assessed and accounted at the input value called *book value*.

*Assets* are measured at the *historical cost* which may take the following forms, depending on the mode of entry into patrimony: *acquisition cost*, for assets acquired by onerous title, *cost of production*, for the assets produced by the company, *amount of contribution*, for assets representing contribution to share capital, *fair value* for assets acquired free of charge.

*Liabilities* are measured at *historical value*, namely the value of equivalents obtained in exchange for the obligation or the amount that is expected to be paid in cash or cash equivalents to settle the debt.

b. **At inventory and presentation of elements in the balance sheet**. Evaluation of tangible and intangible assets, when inventoried, the actual value is made (inventory value) of each element, determined depending on its utility, its condition and the market price. Assets such as stocks are valued at book value, less adjustments for found impairment. For receivables and payables their probable receivable value, their payment value respectively is taken into account. Cash and other similar values in foreign currency are valued at the exchange rate of the National Bank of Romania for the date of completion of the financial year. Short-term securities (shares and other financial investments) admitted to trading on a regulated market shall be valued at the quotation value on the last trading day, and those not traded at historical cost less any adjustments loss of value. Long-term securities (shares and other financial investments) are valued at historical cost less any adjustments for loss of value.

In the annual financial statements items of assets, liabilities and equity are reflected and evaluated at book value, updated with the inventory results. The book value of an asset is the amount at which it is recognized after deducting any accumulated depreciation, for depreciable assets and accumulated impairment adjustments or loss of value.

c. **On the date of exit from the entity at the release for consumption**, assets and liabilities should be valued at their book value (input value). Characteristics regarding the evaluation within this time appear to stocks, where we meet three evaluation methods: *the “first in, first out” or FIFO method*, *“last in, first out” or LIFO method*, *“weighted average cost” or WAC method*.

If regarding the evaluation of tangible assets, of liabilities a suitable solution could be found, *the issue of evaluating the invisible intangible capital* remains in the attention of specialists.

It is natural that in the general issue of assessing the company, the concerns for monitoring and evaluating this type of capital in the life and outlook of the organization intensify, given that innovation and learning are endogenous growth factors, intellectual-intensive processes and products continuously increase their share in developed economies and the performance of organizations depends, to a decisive extent, on the use of intangible capital (Dragomirescu, 2005).
Elements of intangible capital of an organization, closely related to their ability to be or not evidenced in the accounts and, therefore, in the balance sheet, comprise as components (Mironiuc, 2002): visible intangible capital, identified in terms of accountancy with the intangible assets and whose evaluation is subject to national and international accounting regulations; invisible intangible capital, which traditional accountancy have not yet found a relevant solution to, regarding the registration and evaluation, the issue becoming a subject of research worldwide.

In another approach, invisible intangible capital consists of: organizational capital (knowledge and skills), human capital (employee loyalty and cohesion), relational capital (credibility of the company) (Rusovici, Rusu, 2004, pp. 730-731; Kharat, Rusovici, 2000, p 101; Drăgănescu, 2005, pp. 74-75; Mironiuc, 2004, p 382).

Among the methods for determining the invisible intangible capital in relation to the legal provisions for the evaluation of intangible assets, in the specialty literature there are mentioned: book value relative to market value (market to book) (Ross, 2003), the calculated value of intangibles, Tobin “q” index (Rusovici, Kharat, 2001, p. 35), human resource accounting (HRA) (Ross, 2003). There should be noted that evaluation models of such capital are more diversified and complex.

The issue of invisible intangible capital is considered open and arouses intense interest to researchers concerned with developing a methodology for an objective evaluation, being convinced of the real benefits of such assessments and the consequences of this on the performance of modern organizations.

Another important aspect of evaluation in accounting relates to the re-evaluation. To re-evaluate means to replace in accounting the values of input with current or market values. Entities may revalue tangible assets existing at the end of the financial year, so they are shown in the accounts at fair value, reflecting the results of this revaluation in the financial statements prepared for that year. Since 1990, in Romania there have been issued some laws on revaluation of property, plant and equipment (GD no. 945/1990, Government Decision no. 26/1992, Government Decision no. 500/1994, Government Decision no. 983/1998, Government Decision no. 403/2000), some binding state-owned economic entities or mixed and optional for private economic entities. Under the Regulations on the revaluation of property, plant and equipment published as an annex to GD no.1553 of 18 December 2003 on the revaluation of property, plant and equipment and setting input value of fixed assets listed, property subject to this procedure are mentioned.

We believe that a revaluation can and should be made especially for internal information of managers, so that they know the real value of the assets of the company and to inform the owners. Revaluation results will not be presented in official documents but they will only serve as a source of information in the decision making process.

3. SELECTIVE RESEARCH METHODOLOGY, OBJECTIVES AND HYPOTHESES

This study aims to bring attention to how the evaluation is conducted in Romanian companies. Depending on the objectives, the investigation conducted included a descriptive quantitative research. Depending on the venue, the research conducted was a field research and, depending on the frequency, the research undertaken was occasional. The objectives and research hypotheses are shown in table no. 1.

Table no. 1. Objectives and hypotheses

<table>
<thead>
<tr>
<th>Objective</th>
<th>Hypothesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 – Perception of evaluation’s</td>
<td>H1 – Through evaluation, most companies seek to get a real value;</td>
</tr>
</tbody>
</table>
organisation

H2 – Most companies use as evaluation basis the historical cost;
H3 – Re-evaluation is carried is carried out under a statutory provision, the results being presented in the financial statements.

Q2 – Perception of invisible intangible asset evaluation

H1 – Most companies do not evaluate the invisible intangible capital considering that there is no legal liability or claim in this regard.

In order to determine the sample, the random sampling method was used which was based on a fixed sample with restrictions. We can say that the sampling method consists of combining multistage sampling method with the stratified disproportionate random sampling method. Data were collected from selected company headquarters or within events attended by the researcher. The sample included 263 companies in the Central Region.

In terms of field of activity, companies forming the research sample are distributed as follows: 40.9% belong to trade, 33.6% to industry and 25.5% to services. Regarding the type of company by size, from the total of 263 companies, 15.5% are micro enterprises (up to 9 employees), 47.3% are small companies, 26.4% are medium and 10.8% are large companies. Depending on the form of ownership, 2.7% of the total were fully state capital, 96.4% private and 0.9% joint venture.

4. CONCLUSIONS FROM THE SELECTIVE RESEARCH

4.1. Perception of the evaluation’s organisation

During the theoretical approach, we referred to certain aspects of the accounting evaluation, defining the purpose of the evaluation and presenting the evaluation basis with their effects and also the need for re-evaluation. The data collected in order to identify the main objective of the evaluation in the companies in the Central Region are summarized in table no. 2.

<table>
<thead>
<tr>
<th>Table no. 2 Objectives pursued by the organisation of evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
</tr>
<tr>
<td>263</td>
</tr>
<tr>
<td>obtaining a real value</td>
</tr>
<tr>
<td>satisfying some interests</td>
</tr>
<tr>
<td>real value and interests</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

The data shows that most companies (54.5%) seek, through evaluation, to get real value, 40.9% have as objective to obtain both a real value and a value that satisfies the interests of the moment, and only 4.6% of the companies included in the sample want solely to obtain a value that satisfies the interests of managers/ creditors/ shareholders. In conclusion, the advanced hypothesis (H1 - Through evaluation, most companies seek to get a real value) was confirmed.

Organizing the evolution involves choosing a certain evaluation basis. In order to know the companies’ option of choosing the evaluation basis, another question was raised in the questionnaire the data collected being presented in table no. 2.

<table>
<thead>
<tr>
<th>Table no. 2 We use as evaluation basis ...</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
</tr>
<tr>
<td>110</td>
</tr>
<tr>
<td>historical cost</td>
</tr>
</tbody>
</table>
The conclusions obtained from centralizing the information are the following: 30.9% of companies are opting for the historical cost, 15.5% use the fair value, 9.1% use the present value and 36.4% are opting for the historical cost combined with other evaluation bases, while 8.1% of the respondents say that they do not know. The hypothesis formulated before the research (H2 - Most companies use as evaluation basis the historical cost) is invalidated.

Another important objective relates to re-evaluation. Officially, in Romania, the decision of re-evaluation is taken under a statutory provision. Our opinion is that a re-evaluation can and should be made for internal information of managers and/or owners. Re-evaluation results will not be presented in official documents but they will only serve as a source of information in the decision making process. In order to know the companies’ option of choosing the re-evaluation of fixed assets, another question was raised in the questionnaire the data collected being presented in table no. 3.

**Table no. 3 Managers’ attitude on the re-evaluation of fixed assets**

<table>
<thead>
<tr>
<th></th>
<th>Percentage</th>
<th>Valid percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>110</td>
<td></td>
</tr>
<tr>
<td>legal provisions</td>
<td>57,3</td>
<td>57,3</td>
</tr>
<tr>
<td>legal provisions and internal information</td>
<td>42,7</td>
<td>42,7</td>
</tr>
<tr>
<td>Total</td>
<td>100,0</td>
<td>100,0</td>
</tr>
</tbody>
</table>

For most companies (57.3%) re-evaluation is carried out exclusively on the basis of a legal provision, the results being presented in the annual financial statements and for the remaining 42.7% re-evaluation is carried out both on the basis of legal provisions and for internal information of managers, the results being presented both in the annual financial statements and in the internal statements. In conclusion, the hypothesis mentioned before the research (H3 - Re-evaluation is carried is carried out under a statutory provision, the results being presented in the financial statements) is confirmed. Therefore, most companies prefer to do the re-evaluation only under legal provisions, the reasons being numerous: lack of staff, lack of interest, high cost, etc.

**4.2. Perception of the evaluation of invisible intangible capital**

As presented in the specialty literature research, management will need to give special importance to the promotion and evaluation of invisible intangible capital, in order to ensure true and fair view of the contribution of each type of capital to obtain the value. In order to establish the perception of managers regarding the evaluation of invisible intangible capital, we formulated another question the information obtained being presented in table no. 4.

**Table no. 4 Evaluation of invisible intangible capital**
From the analysis we note that for 41.8% of the companies surveyed management is involved in the evaluation of invisible intangible capital, while most companies (58.2%) do not provide such an evaluation. The reasons why companies achieve such an evaluation are presented in table no. 5.

Table no. 5 Reasons why invisible intangible capital is evaluated

<table>
<thead>
<tr>
<th>Reason</th>
<th>Valid percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. knowing the value of non-financial items is very important</td>
<td>54.3</td>
</tr>
<tr>
<td>b. profit predictions are more accurate</td>
<td>17.4</td>
</tr>
<tr>
<td>c. reflects better the real value of the company</td>
<td>37.0</td>
</tr>
<tr>
<td>d. provides a fair picture of the contribution of each type of capital to obtain the value</td>
<td>47.8</td>
</tr>
<tr>
<td>e. evaluation was requested in a growth strategy (merger, acquisition, etc.)</td>
<td>2.2</td>
</tr>
<tr>
<td>f. other reasons</td>
<td>4.4</td>
</tr>
</tbody>
</table>

We note that the motivations for which companies evaluate the invisible intangible capital are distributed as follows: 54.3% of respondents claim that knowledge of non-financial items is very important, 17.4% believe that earnings’ forecasts are more accurate, 37% believe that by assessing the intellectual capital, the real value of the company intellectual capital is better reflected, 47.8% say it provides a fair picture of the contribution of each type of capital to obtain the value, 2.2% explain that the evaluation was requested for a growth strategy and 4.4% stated other reasons (attracting investors was requested by a foreign partner). Analyzing the reasons for the evaluation of invisible intangible capital, the most often cited one is the importance of knowing the value of non-financial items (54.3% of respondents). Reasons for not making this evaluation are described in table no. 6.

Table no. 6 Reasons for not evaluating the invisible intangible capital

<table>
<thead>
<tr>
<th>Reason</th>
<th>Valid percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. there is no legal obligation</td>
<td>37.6</td>
</tr>
<tr>
<td>b. the company does not have intellectual capital</td>
<td>1.6</td>
</tr>
<tr>
<td>c. there was no request in this respect</td>
<td>42.2</td>
</tr>
<tr>
<td>d. our principle is: “you do not see a surplus, you do not collect; you do not see a minus, you do not deduct”</td>
<td>14.1</td>
</tr>
<tr>
<td>e. other reason</td>
<td>17.2</td>
</tr>
</tbody>
</table>

For companies that do not evaluate the invisible intangible capital, motivations are distributed as follows: 37.6% say that there is no legal obligation in this regard, 1.6% say that they do not have invisible intangible capital, 42.2% stated that there was no request in this regard (the request can be both from business partners and from legal regulations), 14.1% are guided by the principle of “you do not see a surplus, you do not collect; you do not see a minus, you do not deduct” and 17.2% of respondents offer other reasons (they do not have the necessary training, they did not think they should do such an evaluation, it is not required, there is no coherent system of indicators and appropriate information technology for the evaluation of invisible intangible capital). In conclusion, the hypothesis mentioned before the research (H₄ - Most companies do not evaluate the invisible
intangible capital considering that there is no legal liability or claim in this regard) is confirmed.

5. FINAL CONCLUSIONS

A first general conclusion drawn from the selective scientific research is that most organizations do not evaluate the invisible intangible capital (over 58%) being however surprised by the high percentage (41.8 %) of those who carry out such an evaluation. The situation can be explained as follows:

The methodology used for indexing and evaluating the invisible intangible capital should be permanently in the management’s attention. Accounting and evaluating the invisible intangible capital is not yet complete, neither conceptually, or practically. Therefore, the theoretical problem is to establish the conditions that determine when capital can be pointed out in the accounts. The practical problem, however, is more complex and refers, first, to providing a reasonable basis for evaluation, as well as to the necessary information to process or the reasoning of financial and accounting professionals. Traditional organizations were not built to manage invisible intangible capital, but to manage physical assets. These types of companies use accounting systems that reflect the cost of materials and labour, and measure the level of activity during the month, quarter or year. Modern organizations need to understand what is happening today, to be able to develop models that will allow them to find what are the costs of business or whether employees are fit for the jobs they are employed for.

Also, from the research there emerged the idea that, most often, managers seek, through evaluation, to obtain a real value. On the one hand, the purpose of the evaluation in accounting is to calculate the surplus created by the company, information important for current investors; on the other hand, the evaluation also aims to provide a basis for assessing the performances of the company as a support in the decision-making process of investors. These information needs are required both by prospective investors and existing ones, each of them being interested in information to substantiate their decision to buy, keep or sell the securities of a company. We believe that by undertaking evaluation, the determination of most real value should be sought. Also, when choosing the basis of evaluation, there must considered who is requesting it. The owners of the company and its prospective buyers want a more realistic estimation of equity, in terms of business continuity. Creditors would like a more prudent evaluation, based on the lowest estimation of the value of assets. Managers require a broader range of assessments that would provide insight into the future prospects of the company.

The selective scientific research has shown that, frequently, in the companies surveyed, the historical cost valuation combined with other evaluation bases are adopted as evaluation basis.

In general, one of the most controversial issues of accounting is related to different variants of evaluation of assets and liabilities and, therefore, of measurement of profit and capital respectively. The traditional model of evaluation - based on historical cost - was opposed to models based on present values, in order to adapt to the particular characteristics of the economic environment. It is recommended that management considers carefully all of the effects that the adoption of one or other of the bases of evaluation has, especially in terms of stocks, on the company’s value, earnings or income tax, before deciding which will be the basis of evaluation used, especially considering that
it is forbidden to change the method every year, depending on the preferences of managers and/or shareholders/associates.

The selective research has shown that, frequently (57.3%), the re-evaluation is done exclusively on the basis of a legal provision, the results being presented in the annual financial statements. We believe, however, that a re-evaluation can and should be conducted for internal information of managers and owners. Re-evaluation results should not be presented only in the financial statements, but they should also be a source of information in the decision making process. According to the information obtained from an evaluation, a number of strategic decisions may be taken, such as: the sale of an asset, given that it can get a higher price than the book value of the asset; the decision to retain the asset, if the purchase of a new one would require major costs and the asset is still competitive; the decision to sell the asset if it is believed that the company may acquire a similar one, but more efficient etc.

References


**Clusters describing IFRS adoption stage**

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„Aurel Vlaicu” University, Arad

**Abstract**: Financial statements are essential on capital investment decision, especially in the new context of a globalized world, increasing international capital market listing, or amplified commercial relation among national economies. The quality of financial information is the basic source of information on decision-making process. Consequently, all players have to cooperate in order to reduce international accounting differences and improve the accounting practices on the way of a more reliable and value relevant information. Our study aim to analyze the closeness of different IFRS adoption strategies, by creating four clusters, based on the level of IFRS adoption referring to consolidated financial statements, individual financial statements and simplified financial statements accounting regulation. The results reveal small differences between the clusters determined, leading to a promising future of the recent IASB projects of continuous improvement of existing standards and for new standards.

**JEL CLASSIFICATION**: M21, M41.

**KEY WORDS**: IAS/IFRS, accounting convergence, clustering, enforcement, standardization.

1. **Introduction**

Declared objectives of presenting financial position, financial performance and modification in financial position within financial statements has raised vivid debate among the researchers, especially in the past decades characterized by a strong will of reducing international accounting differences that affected seriously decision-making process. Most recent ambitious project of international accounting convergence, conducted by IASB in cooperation with FASB, supported by international professional organizations and local government institutions, has underlined not just the opportunity of improving financial information quality, but also has shown chances of cost reduction at firm-level and country-level as well. Thus, the growing confidence on the transparency of the process of normalization through the redesigned due process and the confirmed quality of the IFRSs has favored the process of deregulation and gave IASB the role of coordinating the main projects of international accounting normalization (Zeff, 2012).

Though the process of international accounting convergence seems to take a longer time than expected, the signals are positive as nowadays there are more than 100 jurisdictions that decided to adopt IFRS, opting for different strategies well known at international level. Full IFRS implementation generate a discussion around the cost and
benefits implied, whatever they refer to political, economic or cultural considerations. Once the capital markets have opened on international listing and foreign investments have increased exponentially, especially in the case of the emerging and economies in transition, the incentives offered for IFRS adoption have determined investors and international financial institutions to make pressure for IFRS adoption, against the political factor option (Burca & Cilan, 2013).

The project of international accounting convergence aim to get closer to the use of similar accounting standards on a worldwide scale, but most of the users and prepares of the financial statements follow a higher goal, namely, an international accounting standardization. The standardization of accounting regulation is supposed to conduct to an uniformity on the accounting policies. Unfortunately, even within countries with similar accounting systems, persist accounting differences caused by various factors describing the environment in all its aspects. The problem of overt and covert options permitted by IFRSs and the ambiguity on defining and utilizing various conceptual terms has led a more relevant financial information than the previous period of local GAAPs, but hasn’t solved completely the problem of opportune accounting strategies (Nobes, 2008; Doupnik & Perrera, 2012). Moreover, the new philosophy of principle-based accounting increase the importance of accounting rationale and the accounting estimates. On this context, the following measures that have to be implemented do not concern just the quality of revised or new accounting standards, but also have to focus on improving the enforcement effectiveness at firm-level, country institutional framework, a proper education, or a better capital market regulation regarding investors protection. Additionally we promote the strategy of more visible cooperation between IASB, IVSC and IAASB that can lead to a core project of accounting standards revision facing with difficulties of abstract conceptualization on areas of valuation and materiality.

On this article we attempt to make a classification of jurisdictions worldwide considering different strategies of IFRS adoption used, as the process of adoption described a gradual transition from local GAAP to IFRS. The global positive perception for IFRS adoption is valid, being reiterated by all accounting regulators. But there still persist reluctance on implementing IFRS for all financial statements for most of the jurisdictions. We subscribe to Christensen (2012) opinion who sustain that a cause may be the inconsistencies among the debate about the balance between benefits and costs of IFRS adoption revealed by numerous recent studies. This way, the practitioners chose to continue with local GAAP till IFRS adoption becomes mandatory. Moreover, there are signaled problems of duality of accounting system and the opportunity of IFRS for SMEs adoption.

2. Literature review

The step towards a unique set of international core standards has been promoted fervently by capital market actors, as the comparability and value relevance of the financial information is essential investment decision. The option for IFRS adoption is recommended in the light of the results of recent studies that envisage a more accurate reporting framework drawn by IFRSs, that improve significantly the quality of financial information (Daske et. al., 2008; Barth et. al., 2008; Ramana & Sletten, 2009; Chen et. al., 2010; Barth et. al., 2012; Daske et. al., 2013), leading to macroeconomic (FDI increase, capital markets integration, merger & acquisition transactions multiplication, transaction
costs reduction, increase in market capitalization) and microeconomic (cost of capital reduction, firm value increase, cost of preparation, audit and training reduction, productivity improvement; investment efficiency) positive effects (Soderstrom & Sun, 2007; Bruggemann et. al., 2010; Banker et. al., 2014; Biddle et. al., 2013). The new principle-based philosophy promoted by IFRS standards has given the professional the chance to disclose financial information getting closer to the main objective of the financial statements, namely the true and fair view.

Even if there were outlined serious compatibility issues between local accounting system and IFRS provisions, recent studies revealed that fundamental in the transition process to IFRS regulation is the power of will of change. Moreover, the discussion around the overt and covert accounting policy options seems to be more complex, underlining the trade-off between preparers and user of the financial information. Essential on this debate is the power of intention behind the accounting policies used by managers (Fields et. al., 2001; Jianu, 2012). The theory of behavioral corporate finance provide a wide range of approaches to explain the impact of an accounting of intention and the gaps between the distinct perceptions of providers and users regarding financial information utility.

It is less important that financial statement depict a faithful representation of the economic reality, as this can be easily set by the financial markets players, in the limits of market efficiency (Ball & Shivakumar, 2005; Nobes & Parker, 2008). Important is that the mechanism and tools of financial reporting to disclose any doubt of accounting manipulation. Here the role of the institutional framework of a jurisdiction and, complementary, a consolidated mechanism of corporate governance, have to bring their contribution to the proper enforcement of the new accounting regulation (Samaresekera et. al., 2012; Christensen et. al., 2013). This way the pressure on the auditors decrease, the cost of financial disclosures preparation decrease significantly, and the confidence of financial information users increase leading to a lower cost of capital, more liquid stock-shares, and real positive cash returns.

There is made clear distinction between the different amplitude of the informational and economic effects in case of voluntary IFRS adoption and mandatory IFRS adoption (Barth et. al., 2008; Daske et. al., 2013). There is, also, drawn evidence on the causal relation between the amplitude of the IFRS adoption effects and the existing level of accounting harmonization of local GAAP with IFRS (Soderstrom & Sun, 2007; Barth et. al., 2008). Also, the cultural factor reflecting the level of secrecy, prudence and compatibility of accounting practices in the context of a more principle-based accounting regulation, widely influence the professionals rationale (Gray, 1988; Ding et. al., 2005).

Most of negative perception translated in reluctance to IFRS adoption of some firms was mainly determined by the lack of prior studies, or insignificant reporting incentives provided by an emerging capital market. On this context it is essential that accounting standard-setters and local enforcement institutions to pay attention to the role of reporting incentives (especially the market-driven ones), cause the quality of the accounting standards does not necessarily traduce into qualitative financial reporting (Burgstahler et. al.2006; Jayaraman & Verdi, 2014).

The option for IFRS standards, but not for local GAAP, is not only a matter of a economic cost-benefits analysis, but also, a matter of politics of accounting standards. Ramanna (2013) has revealed different strategies of harmonization of accounting regulation with IFRS provisions, explaining these strategies by two factors: country’s
potential influence on IASB decisions and the proximity of the existing accounting system to the ones of the political powers at the IASB.

Nobes (2011) identify six ways of IFRS implementation:

- full adoption of IFRS, when the jurisdiction use the most recent versions of IFRSs, without passing the content of the standards though an endorsement process;
- insertion of IFRSs into law, which differs from first way by delaying the date of use of the new or revised standards;
- endorsing IFRS, which involves detailed scrutiny of all IFRS standards, leading many times to several carve-outs, altering the content quality of the original IFRS standard;
- full convergence with IFRS, with expressed intention of full compliance, which imply IFRS insertion into national regulation with several amendments leading to textual changes, several carve-outs, and early adoption banning;
- adapting IFRS, is the case of classic accounting harmonization, when a jurisdiction use IFRSs as a source of regulation;
- allowing IFRS, is the way jurisdictions preserve their power of accounting regulation for a restricted category of companies, as most of jurisdiction do currently when discussing potential IFRS for SMEs adoption.

National strategy on IFRS harmonization

A more visible option to use IASB standards is observed among financial statements settlers. In 2008, a study revealed that companies representing 33% of global equity market capitalization already used IAS / IFRS accounting standards, while 22% of them expressed their option to make the transition to IAS/IFRS, and only 10% were still using local accounting standards (Fosbre et al., 2009).

On European level, a recent study on the economic path recorded several milestones due to the adoption of IFRS on consolidated financial statements, by Regulation 1606/2002:
seen by investors, positive influence on the adoption of IFRS investment decision is only 41%, out of which only 10% confirms a notable influence, however, 63% of them confirm an increase in the quality of financial reports, out of which only 6% certified a significant increase, overall, 60% of them conclude on an improvement in comparability of financial information, but 49% put a warning sign of a lack of financial statements comprehension improvement;

- consolidated accounts setter confirm only in 31% a sensitive impact on economic performance indicators, but on enhancing the quality of financial reporting perception is reiterated by 60% of them, by improving comparability; a contradictory opinion to that of investors is that of setters which in a share of 42% confirm an improvement in intelligibility financial reports with the purpose of investors usage;

- auditors’ position is not surprising whereas 80% of them say that IFRS adoption translates into improvements in the quality of financial reports, mainly due to increasing international comparability, however, only 51% of them attest to the improvement of the understanding of the financial statements by investors (ICAEW, 2007).

IFRS are currently used in the consolidated financial statements in IFRS of over 100 jurisdictions. Adopting IFRS takes many forms. While some states choose to implement the full incorporation of IFRS into national legislation (Trinidad and Tobago - 1988, Bosnia - Herzegovina 1995 Vietnam - 2002 Bahamas 2007); or have successfully completed harmonization projects of local accounting standards with the international standards (China - 2006-2010 Algeria, India, Indonesia - 2012) most jurisdictions choose adopting IFRS in its original form, by limiting the applying sphere only to consolidated financial statements of listed companies. But currently, there are also jurisdictions (Cameroon, Congo, Senegal - 2014, Bolivia, Colombia -2015, US- 2016, Saudi Arabia - 2017) that did not appeal to the adoption of IFRS (around 15% of jurisdictions worldwide) but many of them have expressed their desire to conduct a future project for implementing IFRS.

3. Methodological research

The aim of the study is to classify different jurisdictions in order to observe a trend on the next future regarding IFRS adoption worldwide. The sample used consist of 57 jurisdiction, which can be split by region as the chart below show.

The information regarding regulation of financial reporting according to IFRS provisions are collected from multiple sources reminding here PWC (2013) study „IFRS adoption by country”, Deloitte website dedicated for IFRS concerns and IASB website relating jurisdictions’ profiles.

Making abstraction of the endorsement process used in case of some jurisdiction, as is the case of EU countries, the jurisdictions will be classified based on a score variable designed to describe the following strategies of IFRS, outlined by the international practice:

I. Group of listed foreign companies ($lfc = lfc_m + lfc_p + lfc_f$)
   
   I. 1. IFRS standards are mandatory ($lfc_m = lfc_{m_c} + lfc_{m_f}$):
      
      I. 1.a. on the consolidated financial statements level ($lfc_{m_c} = 3$);
I. 1.b. on the individual financial statements level (\(lfc_{m_i} = 3\));

I. 2. IFRS standards are permitted (\(lfc_p = lfc_{p_c} + lfc_{p_l}\));
   I. 2.a. on the consolidated financial statements level (\(lfc_{p_c} = 2\));
   I. 2.b. on the individual financial statements level (\(lfc_{p_l} = 2\));

I. 3. IFRS standards are prohibited (\(lfc_f = lfc_{f_c} + lfc_{f_l}\));
   I. 2.a. on the consolidated financial statements level (\(lfc_{f_c} = 1\));
   I. 2.b. on the individual financial statements level (\(lfc_{f_l} = 1\));

II. Group of listed domestic companies (\(ldc = 2 \cdot \left[ ldc_m + ldc_p + ldc_f \right] \)):
   II.1. IFRS standards are mandatory (\(ldc_m = ldc_{m_c} + ldc_{m_l} + ldc_f \)):
      II. 1. a. on the consolidated financial statements level (\(ldc_{m_c} = 3\));
      II. 1. b. on the individual financial statements level (\(ldc_{m_l} = 3\));
   II. 2. IFRS standards are permitted (\(ldc_p = ldc_{p_c} + ldc_{p_l}\)):
      II. 2.a. on the consolidated financial statements level (\(ldc_{p_c} = 2\));
   II. 3. IFRS standards are prohibited (\(ldc_f = ldc_{f_c} + ldc_{f_l}\)):
      II. 3.a. on the consolidated financial statements level (\(ldc_{f_c} = 1\));
      II. 3.b. on the individual financial statements level (\(ldc_{f_l} = 1\));

III. Group of unlisted companies (\(uc = 3 \cdot \left[ uc_m + uc_p + uc_f \right] \)):
   III. 1. IFRS standards are mandatory (\(uc_m = uc_{m_c} + uc_{m_l}\)):
      III. 1.a. on the consolidated financial statements level (\(uc_{m_c} = 3\));
      III. 1.b. on the individual financial statements level (\(uc_{m_l} = 3\));
   III. 2. IFRS standards are permitted (\(uc_p = uc_{p_c} + uc_{p_l}\)):
      III. 2.a. on the consolidated financial statements level (\(uc_{p_c} = 2\));
      III. 2.b. on the individual financial statements level (\(uc_{p_l} = 2\));
   III. 3. IFRS standards are prohibited (\(uc_f = uc_{f_c} + uc_{f_l}\)):
      III. 3.a. on the consolidated financial statements level (\(uc_{f_c} = 1\));
      III. 3.b. on the individual financial statements level (\(uc_{f_l} = 1\));

IV. Group of small and medium companies (\(sme = 4 \cdot \left[ sme_m + sme_p + sme_f \right] \)):
   IV. 1. IFRS standards are mandatory (\(sme_m = 3\));
   IV. 2. IFRS standards are permitted (\(sme_p = 2\));
   IV. 3. IFRS standards are prohibited (\(sme_f = 1\)).

Countries by region
The score uses a weighted approach as we want to emphasize the gradual transition to IFRS. Exactly, the dependent variable is the score of IFRS adoption relating information regarding the cumulative levels of adoption. It calculated separately for regulation regarding IFRS adoption for consolidated financial statements and individual financial statements for large companies, and separately for regulation referred to IFRS adoption for small and medium companies. For the treatment of prohibiting IFRS we consider the value 1, as for the treatment of permitting IFRS we use 2 and for the treatment of mandatory use of IFRS ($value_m$) there is allocated value 3. The scores used on the study are calculated as the relations below describe:

- **consolidated financial statements score:**
  \[ s_{cfs} = lfc_{m_c} + lfc_{p_c} + lfc_{f_c} + 2 \cdot (ldc_{m_c} + ldc_{p_c} + ldc_{f_c}) + 3 \cdot (uc_{m_c} + uc_{p_c} + uc_{f_c}) \]

- **statutory financial statements score:**
  \[ s_{sfs} = lfc_{m_i} + lfc_{p_i} + lfc_{f_i} + 2 \cdot (ldc_{m_i} + ldc_{p_i} + ldc_{f_i}) + 3 \cdot (uc_{m_i} + uc_{p_i} + uc_{f_i}) \]

- **simplified financial statements score:**
  \[ s_{sme} = 4 \cdot (sme_{m} + sme_{p} + sme_{f}) \]

The classification is realized using the *k*-means cluster analysis technique which have as variables the scores $s_{cfs}$, $s_{sfs}$, and $s_{sme}$. The cluster analysis technique has been recently introduced as a relevant tool used in accounting research.

Leuz (2010) has achieved to classify 49 countries into a small number of clusters considering a suite of factors concerning institutional characteristics, such as legal origin, disclosure requirements rule of law etc. Thus he showed the necessity of institutional reforms in order to achieve a real convergence of the accounting practices.

On the other hand, Nanda & Wysocki (2011) studied the causal relation between societal trust, firms’ voluntary and regulated financial reporting and disclosure quality. Later Nanda & Wysocki (2013) used the same method of clustering, this time to analyze
the relation between societal trust and firms’ financial transparency, and how firms’ external capital demand affects this relation.

4. DISCUSSION AND RESULTS

In our analysis we will consider the number of necessary clusters to be identified by analyzing graphically the positioning of all jurisdictions on a 3D graph describing all three above mentioned scores to be used (Field, 2009). The basic rationale of our approach is that all jurisdictions included on our sample differ more or less on the level of IFRS adoption. The evidence reveal a gradual IFRS adoption showing that on first stage the consolidated financial statements only are prepared according to IFRS.

On the second stage, the national regulators decided the extent of IFRS use to preparation of individual financial statements. This step depends strongly on how strong is the relation between accounting policies and fiscal rules, as the continental accounting systems are well known for fiscal economies obtained with the condition to comply with a prescribed formula of accounting registraction of different types of economic transactions (Lamb et. al., 1998; Cozdrioneau, 2013).

*Representation by type of financial statements regulation*

Source: projection with SPSS 20.0

The last stage is supposed to make the transition to IFRS of the small and medium enterprises, too. On this direction IASB has designed a simplified set of accounting standards, meant to respond properly to the lower demand of financial information.
implied. This way they have published the IFRS for SMEs¹ in order to eliminate the
duality of the national accounting system of jurisdictions that have already decided IFRS
adoption for listed companies. But, till now there is long debate around the opportunity of
this decision. For instance, the EU community has given great attention to this subject,
even revising the European directives regulating accounting treatments².

We have represented graphically the scores reflecting level of IFRS adoption by
type of financial statements regulation and by type of company analyzed as well. The
general conclusion is that jurisdictions expressed their will to adopt IFRS, but just for
consolidated financial accounts as they are not used on fiscal purpose, explained also by
the negative strong correlation of about -0.288.

Indeed, there is seen on last years a more clear direction towards extent of IFRS
use to individual financial statements. The statistics reveal a relatively high level of IFRS
adoption, but with higher variation within the sample. The focus for mandatory IFRS
adoption still continue to be in case of listed companies.

Descriptive statistics of different IFRS adoption level scores

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>consolidated financial</td>
<td>56</td>
<td>6</td>
<td>18</td>
<td>13.89</td>
<td>3.273</td>
</tr>
<tr>
<td>regulation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>statutory financial</td>
<td>56</td>
<td>6</td>
<td>18</td>
<td>11.23</td>
<td>4.165</td>
</tr>
<tr>
<td>statements regulation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>simplified financial</td>
<td>56</td>
<td>2</td>
<td>6</td>
<td>4.59</td>
<td>1.218</td>
</tr>
<tr>
<td>statements regulation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: calculation with SPSS 20.0

Representation by type of company group

Unlisted companies are rather permitted to use IFRS on statutory annual accounts,
but just as a second set of financial statements which lead to higher costs of preparation
implied by the reconciliation costs registered. This way, the voluntary adoption is really
low, even if the literature confirmed higher benefits of IFRS voluntary adoption than in
case of mandatory IFRS adoption.

¹ currently these standards are still under discussion, in order to be revised in the net period;
² we refer especially to the European Directive 2013/34/UE of European Parliament and of
European Council, which replace the Forth and Seventh European Directives, coming with several
changes simplifying financial reporting requirement for SMEs;
This trend can be mainly justified by the pressure exerted by investors and international financial institutions in case of developed countries, as they already have a solid knowledge in financial accounting regulation, with a strong financial education provided by well know universities, and a powerful accounting research tradition. But, jurisdictions perception on IFRS adoption depends especially on the ratio between similarities and differences between the local GAAP and IFRS standards.

Proportion of IFRS adoption

<table>
<thead>
<tr>
<th>Financial statements type</th>
<th>Company type</th>
<th>Treatment</th>
<th>Cluster 1</th>
<th>Cluster 2</th>
<th>Cluster 3</th>
<th>Cluster 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated financial statements</td>
<td>domestic listed companies</td>
<td>prohibited</td>
<td>5.56%</td>
<td>14.29%</td>
<td>5.26%</td>
<td>9.09%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>mandatory</td>
<td><strong>94.44%</strong></td>
<td><strong>57.14%</strong></td>
<td><strong>84.21%</strong></td>
<td><strong>90.91%</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>permitted</td>
<td>0.00%</td>
<td>28.57%</td>
<td>10.53%</td>
<td>0.00%</td>
</tr>
<tr>
<td></td>
<td>domestic unlisted companies</td>
<td>prohibited</td>
<td>33.33%</td>
<td>42.86%</td>
<td>21.05%</td>
<td>27.27%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>mandatory</td>
<td>22.22%</td>
<td>14.29%</td>
<td>21.05%</td>
<td>27.27%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>permitted</td>
<td><strong>44.44%</strong></td>
<td><strong>42.86%</strong></td>
<td><strong>57.89%</strong></td>
<td><strong>45.45%</strong></td>
</tr>
<tr>
<td></td>
<td>foreign listed companies</td>
<td>prohibited</td>
<td>5.56%</td>
<td>14.29%</td>
<td>5.26%</td>
<td>0.00%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>mandatory</td>
<td><strong>72.22%</strong></td>
<td><strong>57.14%</strong></td>
<td><strong>57.89%</strong></td>
<td><strong>90.91%</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>permitted</td>
<td>22.22%</td>
<td>28.57%</td>
<td>36.84%</td>
<td>9.09%</td>
</tr>
<tr>
<td>Statutory financial statements</td>
<td>domestic listed companies</td>
<td>prohibited</td>
<td>22.22%</td>
<td>28.57%</td>
<td>36.84%</td>
<td><strong>36.36%</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>mandatory</td>
<td>27.78%</td>
<td><strong>42.86%</strong></td>
<td><strong>42.11%</strong></td>
<td><strong>36.36%</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>permitted</td>
<td><strong>50.00%</strong></td>
<td>28.57%</td>
<td>21.05%</td>
<td>27.27%</td>
</tr>
<tr>
<td></td>
<td>domestic unlisted</td>
<td>prohibited</td>
<td>38.89%</td>
<td><strong>42.86%</strong></td>
<td>42.11%</td>
<td><strong>45.45%</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>mandatory</td>
<td>16.67%</td>
<td>14.29%</td>
<td>10.53%</td>
<td>9.09%</td>
</tr>
</tbody>
</table>

Source: projection with SPSS 20.0
Contrary, for the underdeveloped economies and economies in transition, the solution of fully IFRS adoption is more reliable as this would lead to significant government cost reduction through the deregulation process. Here potential issues can raise around the quality of training the professional on the IFRS hot topics.

**Correlation matrix for determinants of IFRS adoption in case of statutory financial statements**

<table>
<thead>
<tr>
<th></th>
<th>Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market capitalization</td>
<td>Pearson Correlation</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td>Uncertainty avoidance</td>
<td>Pearson Correlation</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td>Taxation</td>
<td>Pearson Correlation</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
</tr>
</tbody>
</table>

* Correlation is significant at the 0.05 level (2-tailed).

Source: calculation with SPSS 20.0

The same graph illustrate a persistent visible reluctance of jurisdictions towards IFRSs for SMEs adoption. But this reluctance is not valid only for the political factor, being shown by managers of SMEs as well. In the case of SMEs there is more visible the cultural component of managers behavior regarding financial reporting strategies. It seems that the fiscal factor remain a constant determinant of accounting practice differences. But there is also evidence of a stronger correlation between score of IFRS for SMEs adoption and level of uncertainty avoidance perceived.

**Correlation matrix for determinants of IFRS adoption in case of simplified financial statements**

<table>
<thead>
<tr>
<th></th>
<th>Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uncertainty avoidance</td>
<td>Pearson Correlation</td>
</tr>
</tbody>
</table>

Even if we refer to IFRS for SMEs adoption as the scenario in case of SMEs, there are cases which still use complete version of IFRSs for SMEs, probably till the debate around the opportunity for IFRS for SMEs adoption will end in favor;
Proceeding to clustering the sample, we have obtained four slightly equal clusters. They are different, especially based on the variations of treatment regarding IFRS adoption for consolidated accounts preparation and treatment regarding IFRS adoption for simplified accounts preparation.

The first cluster is dominated by the highest level of IFRS adoption, in case of all types of companies and all levels of financial reporting. This can be explained by the emergent capital markets, except the case of New Zealand which follow the way of IFRS cause of its common law origins.

The second cluster group jurisdictions which prefer IFRS adoption especially for the foreign listed companies, in order to support potential foreign investor, leading to a growing market capitalization. It is the case of USA who decided that from 2007 the reconciliation form will not be necessary anymore for the foreign companies listed on an American capital market. Even if market incentives are significant towards fully IFRS adoption, there still remained the polemics of the politics behind the process of accounting normalization coordinated by IASB.

The third cluster is mainly comprised by EU community jurisdictions, which are affected by the IAS regulation (1606/2002) which obliged listed companies to report under the IFRS provisions the consolidated accounts. This decision it welcomed as accounting policy uniformity expected from European directives implementation was not satisfactory for the decision factors (Flower, 2004).

The forth cluster contains countries that rather permit IFRS use than decide for mandatory adoption in most cases, especially in the case of unlisted companies and SMEs.

### Clustering results

<table>
<thead>
<tr>
<th>First group</th>
<th>Second group</th>
<th>Third group</th>
<th>Forth group</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa</td>
<td>China</td>
<td>Australia</td>
<td>Austria</td>
</tr>
<tr>
<td>Chile</td>
<td>Colombia</td>
<td>Bulgaria</td>
<td>Belgium</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>Hong Kong</td>
<td>Canada</td>
<td>Brazil</td>
</tr>
<tr>
<td>Ecuador</td>
<td>India</td>
<td>Czech Republic</td>
<td>Switzerland</td>
</tr>
<tr>
<td>Philippines</td>
<td>Indonesia</td>
<td>Denmark</td>
<td>France</td>
</tr>
<tr>
<td>Greece</td>
<td>Morocco</td>
<td>Estonia</td>
<td>Japan</td>
</tr>
<tr>
<td>Italy</td>
<td>Vietnam</td>
<td>Finland</td>
<td>Russian Federation</td>
</tr>
<tr>
<td>Jamaica</td>
<td>USA</td>
<td>Germany</td>
<td>Spain</td>
</tr>
<tr>
<td>Malta</td>
<td></td>
<td></td>
<td>Spain</td>
</tr>
<tr>
<td>New Zealand</td>
<td></td>
<td></td>
<td>Sweden</td>
</tr>
<tr>
<td>Pakistan</td>
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<td></td>
<td>Hungary</td>
</tr>
<tr>
<td>Panama</td>
<td></td>
<td></td>
<td>Uruguay</td>
</tr>
<tr>
<td>Peru</td>
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<tr>
<td>El Salvador</td>
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<td>Turkey</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Venezuela</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
Descriptive statistics by cluster

<table>
<thead>
<tr>
<th>Cluster</th>
<th>Descriptive statistics</th>
<th>consolidated financial statements regulation</th>
<th>statutory financial statements regulation</th>
<th>simplified financial statements regulation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Statistic</td>
<td>Std. Error</td>
<td>Statistic</td>
<td>Std. Error</td>
</tr>
<tr>
<td>first group</td>
<td>Mean</td>
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<td>.336</td>
<td>15.74</td>
</tr>
<tr>
<td></td>
<td>Median</td>
<td>18.00</td>
<td>15.00</td>
<td>.600</td>
</tr>
<tr>
<td></td>
<td>Std. Deviation</td>
<td>1.463</td>
<td>1.910</td>
<td>5.79</td>
</tr>
<tr>
<td></td>
<td>Minimum</td>
<td>18</td>
<td>12</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Maximum</td>
<td>18</td>
<td>18</td>
<td>6</td>
</tr>
<tr>
<td>second group</td>
<td>Mean</td>
<td>7.29</td>
<td>.606</td>
<td>6.43</td>
</tr>
<tr>
<td></td>
<td>Median</td>
<td>6.00</td>
<td>6.00</td>
<td>2.00</td>
</tr>
<tr>
<td></td>
<td>Std. Deviation</td>
<td>1.604</td>
<td>1.134</td>
<td>1.307</td>
</tr>
<tr>
<td></td>
<td>Minimum</td>
<td>6</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Maximum</td>
<td>9</td>
<td>9</td>
<td>4</td>
</tr>
<tr>
<td>third group</td>
<td>Mean</td>
<td>13.79</td>
<td>.338</td>
<td>11.53</td>
</tr>
<tr>
<td></td>
<td>Median</td>
<td>14.00</td>
<td>12.00</td>
<td>5.00</td>
</tr>
<tr>
<td></td>
<td>Std. Deviation</td>
<td>1.475</td>
<td>1.307</td>
<td>.597</td>
</tr>
<tr>
<td></td>
<td>Minimum</td>
<td>10</td>
<td>9</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Maximum</td>
<td>15</td>
<td>14</td>
<td>6</td>
</tr>
<tr>
<td>forth group</td>
<td>Mean</td>
<td>13.18</td>
<td>.423</td>
<td>3.73</td>
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<tr>
<td></td>
<td>Median</td>
<td>12.00</td>
<td>4.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Std. Deviation</td>
<td>1.401</td>
<td>.467</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Minimum</td>
<td>12</td>
<td>9</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Maximum</td>
<td>15</td>
<td>14</td>
<td>4</td>
</tr>
</tbody>
</table>

Source: calculation with SPSS 20.0

There are not major differences between the four clusters, which means that all jurisdictions tend to consider IFRS adoption as a viable scenario for future accounting regulation. The differences consist of the timeframe of the transition process, the date of implementation, the differences of level of local GAAP harmonization with IFRS etc.

Distances between Final Cluster Centers

<table>
<thead>
<tr>
<th>Cluster</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>13.723</td>
<td>5.328</td>
<td>10.605</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>13.723</td>
<td>8.516</td>
<td>6.024</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>5.328</td>
<td>8.516</td>
<td>5.633</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>10.605</td>
<td>6.024</td>
<td>5.633</td>
<td></td>
</tr>
</tbody>
</table>

Source: calculation with SPSS 20.0

27
All these clusters describe one general trend of IFRS adoption which predict a long way till full IFRS adoption worldwide is achieved. We tend to even think that this objective is impossible. But the interest for IFRS philosophy and rationale still remain high among the regulators. Thus, even if the process of international accounting convergence will not find a reliable solution for international accounting systems uniformity, the process of international harmonization will continue.

5. CONCLUSIONS

It is obvious that IFRS represent the global solution for a new era of an international accounting language. Just that the uncertainty for new of most jurisdictions is visible and the more flexible accounting philosophy promoted by IASB means the professionals rationale will become the center of the entire financial reporting process. Unfortunately, not all the time the preparers of the annual accounts prove to be honest and sincere, often making use of various creative accounting techniques, forced by economic context and cultural background. Adding to this reality the fact that, on an international capital market and a globalized economy, the international financial analyses are of high importance on decision-making, the quality of financial information being decreased drastically, as long as financial information is disclosed based on different accounting regulations.

If the contracting theory can’t be solved by specific regulation, just through an open negotiation language establishing the incentives area, the accounting differences were significantly reduced by the international accounting harmonization process, and after by the more ambitious international accounting convergence efforts. The evidence confirms as a general accepted solution worldwide the IFRS adoption on a gradual process of transition. Unfortunately, the reality reveal just a superficial success of the accounting convergence success as there is long way till all jurisdictions will decide to extend IFRS use not just in purpose of preparing the consolidated accounts. This is because of the reluctance of some players who are still not sure about the impact of IFRS quality on the economy and on the profound reform of the society.

We have revealed that the jurisdiction, even if differ based on the strategies of IFRS adoption, eventually have built a positive perception about IFRS quality and the necessity of international accounting practices comparability.
The complexity of the accounting convergence process explain the long timeframe necessary for full compliance with IFRS at a generalized level. The odds will be in favor of IASB project till the political factor will support IASB work. Otherwise, the limited legitimacy of IASB will not be enough for a proper IFRS implementation. We underline the fact that IFRS accounting quality does not transpose mandatory into qualitative accounting practices. There is necessary a continuous relation of communication between managers, shareholders and stakeholders as well, in order to build the bases of a confident business model which can be financed at a lower cost of capital, registering high rate of returns.

It is obvious that nobody expect that IFRS provisions will solve entire problems raised along the financial reporting supply chain. That is why preparers and users as well have to understand that their contribution to financial disclosures optimization is essential, especially through the voluntary financial reporting component.

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THE APPLICATION OF PROFESSIONAL JUDGMENT ON DETERMINING THE COST OF FIXED TANGIBLE ASSETS OBTAINED BY ONEROUS TITLE

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Abstract: The initial valuation of fixed tangible assets is a complex operation involving, among others, a rigorous application of professional judgment. This paper debates upon the specific aspects for determining the cost of acquisition, analyzing both the proper application of the related accounting treatment, and the fiscal implications in connection with it.

JEL classification: M40, M41, M48.

Key words: cost of acquisition, fixed tangible assets, professional judgment, accounting treatment, fiscal implications.

1. INTRODUCTION

Depending on the mode of entry into estate, for each tangible asset it is assigned a value, called an input value, established in accordance with specific accounting regulations. Once established this value, it will become the historical cost of the item in question or, in other words, the value at which it will remain registered and which should reflect reality as accurately as possible.

Moreover, historical cost is the key point that is taken into consideration in valuating at the balance date, operation involving the establishment of the value of fixed tangible assets in order to submit them in the annual financial statements, which is done in accordance with the initial cost or other value serving as a substitute for in from which there are deducted the amortization or the adjustments accumulated for depreciation.¹

The importance of an appropriate establishment of the cost of fixed assets is emphasized, among others, also by the fact that among the basic accounting principles

there is also the principle of valuation at the cost of acquisition or the cost of production, which states that all items that are part of the annual financial statements are valued based on these costs, or, where appropriate, at values serving as a substitute for these costs, as input value or fair value.

Within this context we support the views expressed in the specialised literature on the rigorous establishment of the cost of acquisition, among which we mention that of some prestigious specialists, stating that the recognition of fixed assets is conditioned by the credible valuation of its cost. After that, the need for credible valuation also intervenes in moments relating to inventory, at the year end and on the date of exit from the entity.  

Fixed tangible assets constitute an important group within the entity because they have a complex structure and significant values. They are owned by the entity for a period longer than one year, in order to be used in the production or supply of goods or services, in order to be rented by third parties or in order to be used for administrative purposes. They can be obtained in several ways, such as in the case of acquisition, production, contribution to social capital etc., but acquisition has a significant share among input modalities.

Considering all the aspects mentioned, as well as the fact that the acquisition is a process which requires, among others, the application of professional judgment into a significant extent by the accounting specialist, we consider it justifiably to debate upon the main relevant items in terms of establishment of the cost of acquisition of fixed tangible assets.

In this context we also mention the fact that the research undertaken is exclusively based on the accounting regulations related to the annual individual financial statements and annual consolidated financial statements, which, for reasons of simplification of the contents of this paper, will be called under the name of applicable accounting regulations.

2. Restrictions on the cost of acquisition of fixed tangible assets

The cost of acquisition is defined by the applicable accounting regulations as being “the price to be paid and any associated expenses minus any reduction in the cost of acquisition”. Thus, a fixed tangible asset purchased under an invoice will be recorded at the cost of acquisition, including the price shown on the invoice, less likely any reduction from the supplier, plus the expenses directly attributable to the asset in question, but only those that are irrecoverable at the same time.

To ensure that an expense is classified as being related to the operation of acquisition, directly attributable to the asset in question, respectively, the professional accountant should take into account several issues, as shown below.

The expense should contribute to bringing the asset into the place and working order in order to be used. Thus, there are included within this category the expenses on transport and handling to the place of use, inclusively in the situation when these

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services are outsourced, or are subject to a separate agreement, respectively. Similar expenses are represented by the duties on imports, except those recoverable, commissions, notary fees and those from obtaining permits, site improvement, where applicable, installation, mounting, etc.

In terms of costs on site improvement it should be also mentioned that, in the case of the acquisition of land on which there is a building, to the extent that the entity decides its demolition and the construction of new buildings, the expenses related to such operations are not a component of the cost of the earned asset but a current expense recognized, by its nature, in the profit and loss account.

Another aspect that needs to be given due consideration when applying professional judgment in the establishment of the cost of acquisition aims at the existence of a direct link between the expenses incurred and the asset purchased. For example, in the case of outsourced transport expenses incurred for the provisioning of a set of fixed tangible assets it is required their allocation for each asset apart, so that they can be considered components of the cost of acquisition. If such an allocation cannot be made, the cost of services of this nature is considered to be an expense of the entity duly reflected in profit and loss account.

The professional accountant should also take into account the fact that if the estimated costs would exist related to the removal of the asset on the expiry date of use, they are included within the cost of acquisition thereof to the extent that they represent an obligation of the entity, and the amounts in question can be reliably estimated.

In the same train of ideas, the application of professional judgment requires taking into account the status of irrecoverable fee in order to include such items within the structure of the cost of acquisition of a fixed tangible asset obtained by onerous title.

Since the component of the cost of acquisition which requires, in particular, the application of professional judgment in terms of valuation and accounting of fixed tangible assets analyzed is represented by the costs attributable to them we consider useful to present below the main issues of this nature.

3. THE ACCOUNTING MANAGEMENT OF THE EXPENSES ATTRIBUTABLE TO THE ACQUISITION OF FIXED TANGIBLE ASSETS

In practice the structure of the expenses attributable to the acquisition of fixed tangible assets is complex, being determined by the very multitude of situations that may be encountered. In this regard we take into account both the aspects relating to the applicable accounting treatment and the related fiscal implications, for which it is justified, in our view, their delimitation in the categories presented, briefly, below.

a. Irrecoverable fees

Although this category can include a variety of fees paid by the business entity and their recovery is no more possible, we present the main issues of this nature which aim at the customs duties, such is VAT.

Customs duties are included in import, export or transit of goods being sums of money collected by the government when carrying out such transactions. In the context of this paper is analyzed the import duty which is required to be included in the structure of the cost of acquisition.
Thus, we consider the following example in order to illustrate the application of professional judgment in its case: the entity A, having as object the production of fabrics in the clothing industry, carries out importation of some equipment from China in the following conditions:

- the price invoiced by the external supplier is of 50,000 dollars;
- the external costs of transport invoiced by a specialised company 2000 dollars;
- the exchange rate registered in the import customs declaration is of 3 lei / dollar;
- the customs duty for the asset purchased is of 10%.

The cost of acquisition of the equipment analyzed is determined by summing its value at customs and its related customs duty.

The value at customs shall be determined taking into account the price negotiated with the supplier and the cost of transport. In the chosen example:

The value at customs = 150,000 lei (50,000 dollars * 3 lei / dollar) + 6,000 lei (2,000 dollars * 3 lei / dollar) = 156,000 lei.

The customs duty is determined as a percentage applied to the value at customs, which corresponds to the sum of 15,600 lei (156,000 lei * 10%).

As such, the value of the cost of acquisition is of 171,600 lei (156,000 lei + 15,600 lei), thus including the customs duty which has the status of irrecoverable fee.

The accounting settlement of the transaction presented shall be:

- The registration of the external invoice of the imported equipment:
  
  \[
  \begin{array}{ccc}
    2131 & = & 404 \\
    \text{Plant and machinery} & \text{Suppliers of fixed assets / analytically distinct} & 150,000 \text{ lei}
  \end{array}
  \]

- The registration of the transport external invoice:

  \[
  \begin{array}{ccc}
    2131 & = & 404 \\
    \text{Plant and machinery} & \text{Suppliers of fixed assets / analytically distinct} & 6,000 \text{ lei}
  \end{array}
  \]

- The registration of the customs duty:

  \[
  \begin{array}{ccc}
    2131 & = & 446 \\
    \text{Plant and machinery} & \text{Other taxes and similar liabilities / analytically distinct} & 15,600 \text{ lei}
  \end{array}
  \]

In turn, value added tax can be listed as irrecoverable fee in situations arising from provisions of tax laws or from the category from which the entity makes part as taxable or tax-free in this matter.

Regarding the first aspect presented here, we can mention that we take into account those provisions relating to the theme of this paper, among which we remember those considered relevant depending on the frequency of their occurrence in practice. Thus, we remember the situations in which certain assets have special limiting regime of the right of deduction, such as those provided in Article 145^1 of the Fiscal Code according to which it is limited in a percentage of 50% the tax deduction on the
purchase, intra-community acquisition or importation of road vehicles weighing up to 3500 kg and a maximum of 9 seats if they are not exclusively used for business purposes, being excluded from this deduction those used for rendering paid services, for emergency services, security and protection services and courier services, those used by sales and procurement agents and also those used as goods for commercial purposes.

In these conditions, the cost of acquisition of such fixed assets will contain, in addition to the usual items and 50% of the VAT invoiced by the supplier or determined by the customs import declaration.

As example, we suppose carrying out the acquisition of a means of transportation in the category of those mentioned above, in the following conditions:
- the price invoiced by the supplier 200.000 lei with 24% related VAT;
- the car will be used both for the activities which are not included among the exceptions listed and also for those with exceptional character.

The application of professional judgment on valuation, as well as the accounting of such transaction shall be as follows:
- The registration of the invoice received from the supplier:

<table>
<thead>
<tr>
<th>%</th>
<th>Suppliers of fixed assets</th>
<th>248.000 lei</th>
</tr>
</thead>
<tbody>
<tr>
<td>2133 Motor vehicles</td>
<td></td>
<td>200.000 lei</td>
</tr>
<tr>
<td>4426 Input VAT</td>
<td></td>
<td>48.000 lei</td>
</tr>
</tbody>
</table>

The VAT registration included in the cost of acquisition:

<table>
<thead>
<tr>
<th>Motor vehicles</th>
<th>24.000 lei</th>
</tr>
</thead>
<tbody>
<tr>
<td>2131</td>
<td>4426 Input VAT</td>
</tr>
</tbody>
</table>

As regards the entity’s classification as taxable or non-taxable it is envisaged that the fee is considered recoverable for VAT taxable persons and irrecoverable for the non-taxable persons, thus VAT non-taxable persons must include this fee in the cost of acquisition of the fixed assets purchased by onerous title.

The reasons of such a solution are based on the fact that, in the case of VAT taxable persons, the fee shall be reflected separately through 4426 Input VAT account, which subsequently is deducted from the amount collected by the entity, giving it the status of recoverable fee. Alternatively, in the case of VAT non-taxable persons, there cannot be applied the deduction mechanism for this type of fee, and, therefore, having the status of irrecoverable fee that will be part of the cost of acquisition.

The accounting treatment in this situation has no difficulty items for the professional accountant, which is why we believe that detailed exemplification is no longer justified.

b. Other expenses attributable to the acquisition of fixed tangible assets

In this category there are included all the expenses carried out by the entity in order to put up the fixed tangible assets in the state to be used for the purpose for which they were purchased. We can mention in this context the costs generated by transport, inclusively in the case of outsourcing this activity, mounting, installation and other
similar operations, commissions, fees, notary fees, removal, transfer of assets and site improvement etc.

In order to illustrate this type of items in light of the related accounting valuation and reflection, we suppose carrying out the purchase of technological equipment used in the production activity of the entity, in the following conditions:

- the price invoiced by the supplier 300.000 lei plus 24% VAT;
- the costs of transport invoiced by a third party to 3.000 lei tax rate with 24% VAT;
- the fee for obtaining the authorization of site improvement 300 lei;
- the mounting performed by a specialized entity and invoiced at the value of 2.000 lei with 24% VAT;
- the equipment operation testing generates costs of 1.000 lei with 24% VAT, recorded within the invoice by a third party;
- in order to use the asset the entity offers qualification courses for employees invoiced by a third party at the value of 500 lei with 24% VAT;
- it is estimated that on the expiry date of the use of the asset the removal and restoration of the site will generate costs amounting to 4.000 lei.

The determining of the cost of the asset and the accounting of its components is done as follows:

The registration of the invoice received from the supplier:

<table>
<thead>
<tr>
<th>%</th>
<th>=</th>
<th>404 Suppliers of fixed assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2131</td>
<td></td>
<td>372.000 lei</td>
</tr>
<tr>
<td>Plant and machinery</td>
<td></td>
<td>300.000 lei</td>
</tr>
<tr>
<td>4426</td>
<td></td>
<td>72.000 lei</td>
</tr>
<tr>
<td>Input VAT</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- The registration of transportation costs:

<table>
<thead>
<tr>
<th>%</th>
<th>=</th>
<th>404 Suppliers of fixed assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2131</td>
<td></td>
<td>3.720 lei</td>
</tr>
<tr>
<td>Plant and machinery</td>
<td></td>
<td>3.000 lei</td>
</tr>
<tr>
<td>4426</td>
<td></td>
<td>720 lei</td>
</tr>
<tr>
<td>Input VAT</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Obtaining the authorization:

| 2131 | = | 5121 Cash at bank in lei |
| Plant and machinery | | 300 lei |

- Mounting:

<table>
<thead>
<tr>
<th>%</th>
<th>=</th>
<th>404 Suppliers of fixed assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2131</td>
<td></td>
<td>2.480 lei</td>
</tr>
<tr>
<td>Plant and machinery</td>
<td></td>
<td>2.000 lei</td>
</tr>
<tr>
<td>4426</td>
<td></td>
<td>480 lei</td>
</tr>
</tbody>
</table>
• Testing of the equipment operation:

<table>
<thead>
<tr>
<th>%</th>
<th>=</th>
<th>404 Suppliers of fixed assets</th>
<th>1.240 lei</th>
</tr>
</thead>
<tbody>
<tr>
<td>2131</td>
<td></td>
<td>Plant and machinery</td>
<td>1.000 lei</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Input VAT</td>
<td>240 lei</td>
</tr>
</tbody>
</table>

• Qualification courses for employees:

<table>
<thead>
<tr>
<th>%</th>
<th>=</th>
<th>401 Suppliers</th>
<th>620 lei</th>
</tr>
</thead>
<tbody>
<tr>
<td>615</td>
<td></td>
<td>Expenses for staff training</td>
<td>500 lei</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Input VAT</td>
<td>120 lei</td>
</tr>
</tbody>
</table>

• The costs of the dismantling, removal and site restoration:

<table>
<thead>
<tr>
<th>2131</th>
<th>=</th>
<th>1513 Commissions for the decommission of the fixed tangible assets and other similar actions related to them</th>
<th>4.000 lei</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plant and machinery</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

As for this last bookkeeping, we mention the fact that, in practice, few are the companies constituting commissions for the decommissioning of fixed tangible assets, since they are non-tax-deductible.  

5. Conclusions

Determining the cost of fixed tangible assets obtained by onerous title represents an approach which, in addition to strictly respecting the provisions of the regulations, requires the application of professional judgment in order to carry out its proper dimensioning.

As the balance value of the assets of this nature is the result of reducing the cost of their obtaining with the amortization recorded and any adjustments carried out for depreciation, we consider that the inappropriate application of professional judgment can constitute a significant risk factor regarding the credible informing of the accounting information users as regards the entity’s financial position. The eventual errors of application of the professional judgment may also have implications in terms of the financial performance reflected in the profit and loss account as well as fiscal implications by incorrect determination of the tax on profit or of the value added tax owed to the state budget.

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THE COST INFLUENCE ON DECISION-MAKING IN THE TOURISM ESTABLISHMENTS

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Abstract: These The individuality of the cost is the value of the consumption values determined objectively, and its size depends on the amount of consumed factors. As for products and services where notions of cost and value are no longer differentiating value of the service being given by the sum of the costs incurred for the provision. However the true value of tourist services is essential in the perception and appreciation of tourists stated purpose of tourism establishments customer loyalty.

JEL classification: M41, M42

Key words: costs; tourism; establishments; accounting, decision

1. INTRODUCTION

Regardless of the costs system used, specific costs are generated by the exploitation of tourism activities. Concerns about costs is a special element in the construction and implementation of decisions at every level.

2. OBJECTIVES

The costs play an important role in every organization in the decision making process. Knowing costs is a crucial factor in taking decisions and planning future activities. Cost analysis and recording past activity is only one aspect of cost accounting. The cost is articulated with management accounting, rather it is an integral part. Essentially, the role of information system costs of establishing budgets, standard costs and actual costs of operations, processes, activities or products.

3. METHODOLOGY

From the point of view of its role and importance of tourism activities drive system has both costs based decision-making and documentary feature. When the decision making, the performer needs a wealth of information, which it is procured in various ways, either their own records or the records of other stations within or external environment, information that can be collected both in the system management but occasionally, depending on the organization unit travel. To work on tourism benefits must well master the cost of the work. In this area costs face the following difficulty: some consumption activities are not necessary for the short term, arising from the operation of the activity, they are sometimes caused by an arbitrary decision, often there is a choice of unit capacities tour and the potential that the meetings have to be able to achieve certain performance.
4. ANALYSES

An ideal cost system involves achieving goals with beneficial effects on business. The characteristics of such a system are:
- correlation with activity, the nature, conditions, requirements and size.
Consequence: information provided in order to improve the business;
- flexibility. The cost calculation must be flexible to adapt to any changes. Must have the ability to expand or collapse without involving many changes;
- simplicity. The system must be simple and easy to understand and less qualified people;
- economic. The computation cost can be treated like any economic good that costs. The problem is how much the requirement is economic cost, in conjunction with the financial strength of the company;
- comparability. The system must ensure comparable items prior periods in other departments or other companies;
- ability to ant timely information to assist management in decision making to achieve the objectives;
- sectorization costs for correctly calculating the cost structure of collection, allocation, apportionment and absorption;
- correlation with the management of financial accounting;
- defining rights and responsibilities in cost accounting.

The successful use of the system requires work organization units cost travel cost center aiming at:
- determining the activities and areas of a cost, namely those areas where there are resource consumption;
- determination of responsibilities for each type of activity;
- organizing and managing more effectively the general activity of the company;
- substantiation of internal decision-making;
- achieving above average income recorded for the entire industry, because those producers who obtain goods and services at lower cost than the competition they can use this to determine the cost advantage of higher profit margins;
- occupying a position that is ahead of competitors and the resulting opportunity to compete based on price offensive for expanding business market segment covered and to defend themselves if the onset of a "price war";
- achieving a safe margins to customers stronger because their pressure drop in prices may be exercised only to the survival of the next competitor in the market;
- adopting an attitude offensive and strong supplier relationships. Greater efficiency that achieved will provide a broader range of negotiating prices for raw materials, materials, energy purchased;
- gaining a strong position in relation to potential entrants, as reduced costs is a strong entry barrier for them, but also a weapon to fight imbalances that can create new income market;
- possibility of using price reductions as a competitive weapon to defend effectively against substitute products or services offered by competitors at attractive prices.
Term cost system is widely used in organizations today. The costs describe activities and methods applied by managers in planning and control decisions on short and long term allowing to increase the commercial value of products and services and reduced costs. The cost has a wide scope. He is not practiced in an isolated manner but an integral part of developing and implementing overall management strategies. Some examples of such synergies are programs designed to improve customer satisfaction and service quality of tourist facilities.

Concepts relating to costs should not be misinterpreted because they normally require that analyzes and estimates to be made in the context of a specific situation in a specific time frame. Since completing these requirements that each system cost will be unique because it will have to meet the requirements of a particular organization.

In general, management accounting covers a wider scope and uses more advanced techniques than costing. However, a basic requirement for management accounting is the existence of a solid cost system, able to provide basic data.

If cost is a construction which is found instantly does not meet researching significant data management by using solid media, often to predict the future. In other words, if a cost is a construction term cost "real" is a bit ambiguous and relative, though it remains credible if the object reveals causal connections calculation.

Decision-making is an action that occurs at all levels of the tourism units covering both short-term perspective and the long term. Plans are activated by decision and a significant number of decisions required a contribution to a financial analysis or a quantitative one, as appropriate, in order to reach rational conclusions. Therefore, the cost system is deeply involved in decision making.

Regarding cost system, modern management is characterized by several aspects:
- Accountability and performance that are global collective
- The need for an economic vision more than just accounting (accounting unrecognized costs are affecting economic result);
- Calculated costs traditionally use arbitrary imputations, without regard to economic reality;
- It is necessary, in addition to economic vision to study organizational behavior;
- Deviations should refer to the action variables;
- Costs must be integrated within the concept of value.

Systems of accounting and costing of the tourism units record resource costs and track how these resources are then used. The registration of costs purchased and used resources allows managers to determine how costs evolve.

Tourism activity units is limited, in general, the sequence of supply - service-benefit. Depending on the specificity and structure at the level of each tour can distinguish different analysis centers. Corresponding previous sequence can be distinguished following types of costs:
- purchase cost;
- the cost of "service"
- distribution cost - benefit.

The acquisition cost includes both the total expenditure generated by the supply and the storage activity.

In the acquisition cost one can distinguish:
direct cost of inventories comprise the purchase price, trade discounts, transportation costs (if you can identify and assign directly), fees, duties etc deductible.; 
Indirect costs, costs include expenses incurred in the purchasing department and the handling, transport and storage of raw materials and purchased.
The cost of "service" consists of all costs are to transform raw materials stocks in services. The cost can be shared direct costs (raw materials and consumables, direct labor, other direct costs of production, etc.) and indirect costs (energy, water, lighting, heating, repairs and maintenance, depreciation, etc.).
Distribution costs - benefit reflects the organization’s overall effort to sell a certain quantity of goods and tourism services, and can be divided into two components:
- Direct selling costs include delivery charges, advertising costs, packaging costs (generally handling), transport and so on;
- Indirect costs of distribution that incorporates all costs related to the operation of a service department, storage, transport accommodation, marketing studies.
Costs, as the expression of the value of consumption of resources exploitation activities are predetermined, budgeted, highlighted, controlled, analyzed according to the internal accounting management organization and not only relating to financial accounting information on operating results.
Organization of activity related to the existence of costs must take into account four independent features, namely: the scope of the cost, content of the cost, their dependence on the volume of activity and their calculation time. In organizing activity-related costs should be pursued following: content, features and formation process of production costs, classification and spending behavior to determine factors that manifest in the activity of economic entities, specifying the level and structure of production costs in the forecast and the actual level both on product, work or service sectors and centers of responsibility, organization and management period, control and operational analysis of the observance of the level and structure of costs expected.
Cost reduction should not affect service quality, as any savings made at the expense of quality is a loss to the organization.
One of the directions to reduce travel costs within units represent, in my opinion, the improvement of the supply activity which can be achieved by promoting measures that have an effect on the level of costs in order to reduce their like:
- resizing stocks of raw materials;
- simplifying supply program;
- shorten distribution channels;
- establish contracts with suppliers that comply with quality.
Reducing the costs of disposal has contributions in minimizing costs by:
- efficient organization of receiving space;
- achieving profitable contracts with travel agencies;
- qualified staff in the field;
- establish a well-founded marketing policies;
- modernization of infrastructure.
Another problem that arises is to find ways of reducing costs, taking into account specific factors and internal factors affecting the profit in terms of cost-volume-price (Figure 1).
External factors:

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Internal factors:

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<td>The cost of tourist services (fixed costs + variable costs)</td>
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<td>Price on what the rate of investment returns</td>
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<td>Quality of raw materials and labor qualification</td>
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Fig. 1 Factors acting on the profit of the tourism units

5. Conclusions

In order to reduce costs, in the case of tourism establishments, it highlights the need to join efforts of those working in the business of design, creation, research, design, sales activity with finality.

Reduced costs for travel sales in units can be achieved mainly through the use of a trade policy based on good market research. It should be considered: allocation of tasks in the business of sales by each employee skills and inclinations; recruitment and training of staff able to negotiate; focus sales efforts on customers particularly important in pricing and attractive rates.

M. Porter believes that the relative cost position of a company is dependent on the "driving forces of the significant cost."

Generally speaking tour managers need to focus on measures how to increase the business performance based on cost structure and size and their measures should aim at:

- improved methods for selling their services;
- decrease specific consumption;
- increase profit;
- operative tracking of expenses based on activity places and ways of spending by determining of actual expenditure to predict and detect the causes that generated these deviations;
- use of cost information in making decisions based on detecting relevant costs, inevitable and cost analysis on the investment opportunity.
- identifying the causes of rising costs;
- absolute and relative savings in the cost structure without affecting quality.

The individuality of the cost is the value of the consumption values determined objectively, and its size depends on the amount of consumed factors.
As for products and services where notions of cost and value are no longer differentiating value of the service being given by the sum of the costs incurred for the provision. However the true value of tourist services is essential in the perception and appreciation of tourists stated purpose of tourism establishments customer loyalty.

In conclusion installing a cost system is dependent on objectives followed. As a result the system will be simple if it seeks only costing or developed if it desires to obtain information useful to assist management in controlling and elaborating correct decisions. In all cases cost is required to be accurate calculated.

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**WHY IS THE SOCIAL ACCOUNTING MATRIX IMPORTANT FOR THE REPUBLIC OF MACEDONIA?**

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**Abstract:** Economic planning has a key role in achieving sustainable economic development and needs proper tool for relevant quantitative analysis. Social accounting matrix (SAM) is such a tool that supports quantitative and qualitative policy-analysis. Hence, development planning methodology is of highest importance for the organization of efficient development planning system in the Republic of Macedonia. As a result, the social accounting matrix (SAM) for Macedonia (non-existent at the moment) will be a tool that provides solid support to scientifically based economic analysis and assessment of the current situation and future development. As such, it organizes the information on the economic, social and environmental structure of an economy in a certain period of time; provides schematic presentation of incomes and outlays in the economic system; and forms statistical foundations for macroeconomic models building.

**JEL classification:** O20, O21

**Key words:** social accounting matrix; Macedonia; planning; policy; analysis

1. **INTRODUCTION**

Economic planning is a process, implemented by policymakers, which ensures the generation, sharing, and consumption of wealth on national, regional and local level. Economic planning includes all aspects of society ambitions to encourage the country’s social, economic and environment development. Therefore, economic planning, the degree to which governments consciously interfere in the free market mechanism, has a key role to play in achieving a vibrant and sustainable economy. In other words, macroeconomic (or development) planning refers to macroeconomic policies and financial planning conducted by governments to stabilize the market, promote economic growth and structural transformation in the national economies. This involves the use of monetary policy, industrial policy and fiscal policy to "guide" the market toward targeted outcomes.

However, what is of significant importance is the fact that every system of economic planning needs adequate quantitative analysis of sectoral and macro-economic policy, based on reliable data and relevant analytical tools. Having this in
mind, one can confirm that social accounting matrices (SAMs) provide a coherent, detailed data base on major macroeconomic aggregates in the economy, which support macroeconomic and development policy making. As a result, the creation and implementation of SAMs contribute to the increased efficiency of economic policy making and implementation. Namely, the concept of a SAM goes further than the improvement of statistics. Consequently, the SAM is the common ground of economic planners and development economists, on the one hand, and statisticians, on the other. In addition, the SAM approach has proved to be a practical quantitative tool of significant importance for achieving the best use of available data and in providing a quantitative basis for analysis.

2. Basic Characteristics of the Social Accounting Matrix

The SAM is an organized national accounts framework, in a form of a square matrix, that presents the circular flows of all economic transactions and income for a given country. It represents the whole economic system (in a form of annual static data) of the national economy and highlights the inter-linkages and the circular flow of incomes and outlays among the various components of the system: goods, activities, factors, and institutions. In other words, “a SAM is a comprehensive, economy-wide database that contains information about the flow of resources associated with all transactions that have taken place between economic agents in a certain economy during a certain period of time. As such it presents a snapshot picture of the economy at hand.”

One needs information from different sources when constructing a SAM, which in most of the cases imposes certain level of mismatch between the incomes and outlays of separate accounts. Therefore, the construction of a SAM requires the availability of some key datasets, such as:

- input-output tables,
- household survey (incorporating a labour force survey),
- government budget accounts, trade statistics and balance of payments statistics, and
- national accounts.

Consequently, SAM for a certain economy involves three most important goals:

1. presenting information on the socio-economic and environmental structure of the national economy for a given time period;
2. presenting clear picture of the flows of receipts and payments in an economic system; and
3. creating a statistical basis for building macroeconomic models, in order to simulate the socio-economic impact of macroeconomic policies.

As a result, “the SAM framework can, on the one hand, give a "picture" of the economic system, at a particular moment when describing the functional and institutional relationships that happen in it, and, on the other hand, serve as a basis for the creation of a model capable of analysing the operation of the same system and

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1 Pauw, K., Social Accounting Matrices and Economic Modelling. PROVIDE Project, Elsenburg, 2003, p. 2
2 Lorenzo Giovanni Bellù, Social Accounting Matrix (SAM) for analyzing agricultural and rural development policies, FAO, Rome, 2012, p. 2
simulate the effects of the interventions of politics tending to alter it.”

The Social Accounting Matrix can be used for the national economy economic planning processes in two ways:

First, SAM provides a framework for the organization of economic, social and environmental information of a country’s economy. Hence, SAMs can improve the countries’ capabilities to produce descriptive analysis of the economy, presenting its income distribution patterns, institutional and industrial structure.

Second, SAM is a suitable database for a macro-economic model building and utilization for a given economy. It can help building a consistent data set coming from different data sources, since economic planning in many countries suffer from dealing with insufficient, unreliable and poor quality of data.

To conclude with, appropriately designed and disaggregated SAM presents a huge amount of details related to the structural features and interdependencies of every national economy. It is highly desirable that a SAM should be consistent with the national accounts, where an aggregate SAM is a unique way of representing the national accounts within a matrix framework. Hence, using SAMs for economic policy analysis contributes to the increased relevance (by combining economic, social and environmental indicators in a single disaggregated information system), reliability (by producing stable and consistent results) and efficiency (by using uniform units, classifications, and concepts throughout the system).

3. THE NEED FOR PREPARATION AND IMPLEMENTATION OF A SOCIAL ACCOUNTING MATRIX IN THE REPUBLIC OF MACEDONIA

Designing and implementing development planning methodology is of highest importance for the organization of efficient development planning system in the Republic of Macedonia. It should support methodological consistency in the evaluation process of the development conditions, problems and perspectives, the simultaneity of the planning process, as well as the mandatory preparation and execution of plans. In addition, various macroeconomic analysis and modeling frameworks have to be organized to support macroeconomic development planning and analysis. The need for implementation of development planning and policy is much more visible and urgently needed in Macedonia, as a transition and developing country, since it will support the national Government in implementing its medium and long-term development goals.

Yet, „with the increasing realization of the economic development and policy objectives, the social accounting matrix (SAM) has to be developed and constructed as a logical platform, and as a detailed feasible data framework, for developing and calibrating the much needed comprehensive socio-economic integrated and dynamic macroeconomic and fiscal management and planning models.”

Hence, it is almost impossible, without an adequate methodological tool, to assess the macro and micro economic impact of economic policies implemented in the

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national economy. Therefore, the social accounting matrix (SAM) for the Republic of Macedonia (non-existent at the moment) will be the methodological tool that can provide such an economic analysis and assessment.

Republic of Macedonia faces a number of serious policy challenges that call for detailed economy-wide analysis to support policy makers in their work. Examples of most urgent policy questions include: What specific policies are required to achieve the Macedonia’s own strategy goals? What are the potential impacts of different economic policy choices on economic performance, economic growth, socio-economic development and poverty reduction? That is what makes SAM adequate fit to address Macedonia’s development challenges: promoting sustainable economic growth and development, decreasing income inequalities and reducing poverty and unemployment. Consequently, one can say that „the SAM for the Republic of Macedonia would, mainly, have two basic tasks:

a) to enable presentation of information about the socio-economic structure of the national economy; and
b) to provide analytical and accounting framework as a basis for macroeconomic models building, that will be used for analyzing the national economy and the effects from the implementation of the macroeconomic and development policy measures.”

Therefore, the SAM can provide quantitative and qualitative answers to following types of questions:

- Will the dynamic growth of the most important sectors in the Macedonian economy sufficiently support the achievement of the desired (planned) level of GDP growth?
- Who will benefit the most from economic growth and development?
- Will the growth and development strategy significantly reduce unemployment and poverty?
- What type of education is needed in order to ensure that Macedonian workers are equipped with the right skills, to meet the requirements of the future labour market demand?
- How sensitive is the development strategy to external shocks (exchange rates deviations, energy prices trends, change in the trade regulations, impacts of the financial crises, etc)?

In our opinion, the SAM would be most beneficial if used to deal with the greatest problem in Macedonia – high and persistent unemployment. Namely, it is well-known that unemployment is the most complex socio-economic and political problem in Macedonia. Republic of Macedonia has persistently high unemployment which negatively affects the living standards of most of the population and has increased the level of poverty. The restructuring of the economy has led to an overall decline in the labor demand, as low growth dynamics and a poor business environment failed to create a sufficient number of job opportunities. Moreover, the Macedonian labour market is confronted with serious challenges: high inactivity among the working-age population, low employment rates, high (involuntary) unemployment, and

a large share of shadow economy employment.

It is well-known scientific fact that human capital is the most critical factor for the generation of social welfare in the national economies, especially in the case of Macedonia. However, traditional national accounts data do not distinguish between any type of labour. Consequently, what is needed is a link between labor market statistics and other economic and social statistics. Having this said, this obstacle can be overcome by the labour-oriented social accounting matrix, since it ensures consistency across a range of statistics from different sources, and also between the social statistics and national accounts.

Having this in mind, back in the early 1980s, an integrated framework of labour accounts, or labour accounting system (LAS) was created. Its aim was to “combine statistical data sources to enhance their strengths and overcome their weaknesses, to produce new series of superior quality to the original data. The choice of definitions enables direct connections with other statistical systems, such as the national accounts or demographic accounts. Labour accounts are a statistical framework describing relationships between units and core variables of labour. They are a set of tables providing a systematic and consistent overview of labour variables, at particular points in time, and over time.”

The SAMs and detailed labour accounts for the Republic of Macedonia will bring together a variety of data, such as: combined estimates from the national accounts data, basic statistics from central registers and censuses, and results from household and establishment surveys. A labour-oriented SAM for Macedonia will be a framework that supports and enables analysis of the relationships between common national accounts and labour accounts data.

Having this said, one can confirm that the inclusion and utilization of SAMs in the development planning process of the Republic of Macedonia will support the improvement of the social dialogue related to defining realistic and achievable development objectives and economic policy measures.

4. CONCLUSIONS

The Government of the Republic of Macedonia is in charge of the implementation of efficient macroeconomic and development policies. Such policies are the basis for the implementation of the development planning system in the national economy. Moreover, the macroeconomic policy is aimed at realising the strategic commitments to long-term and sustainable economic growth and development of the country. It is fair to say that “its implementation is looking for utilization of modern planning and forecasting techniques, as well as a developed information system as a basis for an efficient macroeconomic and development policy. This will result in permanent improvement of the economic policy instruments, as well as the other types of planning and programming of the national economy development.”

Having this in mind, one can support the fact that the SAM for the Republic of Macedonia (non-existent at the moment) will provide a solid basis for implementation

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of an integrated planning and modeling methodology that includes all national economy sectors, as consistent part of a dynamic and integrated complex framework.

The Social Accounting Matrix for the Republic of Macedonia (which is urgently needed in near future) will be used for elaborating a more realistic and empirically based development and macroeconomic policy and strategic vision for the national economy. Moreover, it will allow development planners and decision-makers to have clear picture of the socio-economic and environmental conditions and trends of the economy.

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TOURIST VALORISATION OF NATIONAL PARKS IN SPAIN AND CROATIA – COMPARISON BETWEEN THE NATIONAL PARKS OF CABRERA AND KORNATI

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Abstract: As a form of protected natural heritage, national parks have an important attraction role in tourism, as one of the leading world economic businesses. It is the planning itself of the concept, role and significance of a natural area which have a special importance in current national parks organisation. The goal of this paper is to note the importance of proper management of national parks by means of improvement of tourist results, while simultaneously improving the preservation of the environment. With regard to the analysis of the model of organisation of two coastal and island Mediterranean region national parks, located in two European Union countries, the hypothesis reads: tourist valorisation of Croatian national parks lags behind the organisation and positioning of the national leading Mediterranean destinations. The research opens new questions, but also offers qualitative solutions for the purposes of the best possible positioning and valorisation of sustainable tourism in protected areas.

Topic group: Industry, area or region specific studies

JEL Classification: L83, Q01, Q26

Key words: protected area, sustainable development, nautical tourism, national parks

1. SUSTAINABLE TOURISM OF NATIONAL PARKS

When considering the theme area, we should, first of all, refer to the research problem framework. It is presented in the introduction and illustration of the applied methodology and literature review follow. Thereafter, room for research implications is opened in the paper, its implementation and the discussion on the acquired knowledge.

1.1 INTRODUCTION

Since the very beginnings of the awareness of the idea about the need for protection and valorisation of specific nature areas, attitudes have been changing, as well as the motives and methods of management and utilisation of protected areas and the need for protection of specific parts of the country, in order to contribute to a quality cohabitation of men and nature, was recognised.

By means of tourist valorisation of national parks, areas with unique features and aesthetical values are presented to the tourist market and they are economically, socially
and ecologically exploited. The concept of sustainable tourism development represents a strategy of the equilibrium of men and nature in the tourist sector and the essence itself is a rational utilisation of resources, in order to prevent their exhaustion.

Together with the highly estimated resources for the development of summer holiday tourism, comparative advantages are also recognised for the development of special forms of tourism, so programmes are being prepared and niches occupied in the tourist market. This is the task of individual Croatian tourist promotional activities, with the aim to “prepare the ground” for the occupation of suitable market positions; above all, outside the spheres of mass tourism. Simultaneously, it is possible to use foreign tour operators as the largest, most productive and most inexpensive link between the Croatian offer, focused on the niches in the tourist market and the mass market of packages and tourist demand, on the other side. From the aspect of valorisation of tourist attractions and areas which develop tourism in Croatia, the following forms of tourism, as well as potentials for the development of its selective forms have been evidenced: nautical tourism, rural tourism, within which agritourism and hunting and fishing tourism are the most prominent, tourism in national parks, tourism of coastal and mountain resorts and thermal spas. The potential is recognised for the development of congress, sports and religious tourism.

The areas of a more preserved Croatian landscape and the national parks areas and parks of nature are valorised through their activity factors; however, they become endangered zones with big tourist migrations. Tourist, and all other activities, must be subordinated to the nature protection principles, so that tourism, with the necessary limitations, acts as a factor which will facilitate visiting, enjoyment and viewing of the protected nature areas, thus preserving their cultural and historical, scientific and wider social significance.

1.2. METHODS

In the scientific research, conducted on the comparison of the case studies of the Spanish National Park Cabrera and Croatian National Park Kornati, as well as in the paper formulation and presentation, numerous scientific methods were used in corresponding combinations, such as: the method of analysis and synthesis, the method of deduction and induction, the statistical method, the method of comparison, the method of description and the method of classification.

1.3. THEORY

Vidaković (2003) identifies the programme of arrangement which “synthesises protective, tourist and economic and cultural and historical aspects and the general and long-term concept of work and life in the national parks”, while Alfier (1977), through the pioneering considerations of the theme areas of tourism development and protection of areas in Croatia, appeals to mutual understanding of associations for nature protection and the tourist industry, of which the first one gravitates towards the intensification of nature protection and limitation of its exploitation, while the latter one, towards the intensification of economic activities. Carić (2006), Črnjar (2009) and Klarić (2011) point to the importance of strategic planning of sustainable development and protection of sensitive areas. Otero, Garrabou and Vargas (2013) study the problem areas of preservation of bio diversity in the protected areas, while Dudley (2008) considers the guidelines of management of specific protected area categories. Blažević and Knežević (2006) observe
the resource base of Croatian national parks and present the potentials of future
development and tourist valorisation. Casier (2013) concerns himself with that topic on the
example of Spain as a Mediterranean destination.

Sustainable tourism development is represented by the growth which closely
follows the responsibility towards the environment, society and also towards us. The
sustainability problem is a global problem, as it does not affect only a specific country,
region or continent. Modern and accountable society pays attention to the protection of the
environment and development of local communities. A generally accepted definition of
sustainable development was created on the occasion of the UN Conference on
Environment and Development, which was held in Rio, in 1992. According to the United
Nations’ report, named the Brundtland Commission Report, sustainable development is:
“development that meets the needs of the present without compromising the ability of
future generations to meet their own needs” (Brundtland, 1992). Sustainable tourism
development uses natural and cultural heritage for the purposes of increasing the number
of visitors and profits, but in such a way that it is kept also for future generations (Klarić,
2011).

Sustainable tourism principles include ecological sustainability which implies a
long-term development, harmonised with ecological processes, biological diversities and
resources, social and cultural sustainability, which emanates from the social tourism
functions and which is manifested through socialisation among people, as well as through
the economic sustainability principles, which are founded on healthy and economically
efficient development, which includes optimal resource management in the manner that
future generations can also use it. Such a development implies resource management in the
way that basic economic, social and aesthetic demands are met, while, at the same time,
preserving the cultural integrity, basic ecological processes and biological diversity
(Berger, 2008). Preserved resource diversity and attraction form the basis of the tourism
valorisation and future sustainable development.

There are approximately 10,000 protected zones in Europe; some of them are very
small, categorised as protected landscapes and some large, categorised as national parks.
The International Union for Conservation of Nature (IUCN) categorised the protected
zones into the following categories (Dudley, 2008):
1. Strictly protected nature reserves, which include strictly protected nature reserves and
wilderness areas,
2. National parks,
3. Natural monuments,
4. Wild animal habitats/species management areas,
5. Protected landscapes,
6. Reserves - sources,
7. Natural biological areas – anthropological reserves,
8. Managed sources,
9. World heritage centres.

The most numerous protected zones are protected landscapes; there are 1,097,
followed by managed nature reserves, 705, and national parks, 143. (IUCN)

There are several definitions of the term National Park, but the New Delhi one,
from 1969, is the most appropriate. It encompasses national park provisions/postulates and
criteria:
1. A national park is a relatively large area of exceptional beauty, where one or several ecosystems have not, in essence, been changed by human utilisation and where flora and fauna and geological and morphological features have a special significance for science, education and recreation.

2. The park is taken care of by the highest competent body in the state, taking measures to ensure that, in the entire protected area; colonisation and exploitation are prevented or limited, in order to preserve ecological, geomorphological and aesthetic features, which were the prerequisite for the establishment of the protected territory.

3. Visiting is permitted under certain conditions and it has a recreational, educational and cultural purpose.

   It was also stated that recreational activities which could cause harm to some strictly protected areas and disturb the biological balance must be excluded from the national park belts. (Otero, Garrabou, Vargas, 2013)

   Tourist and all other activities must be subordinated to the nature protection principles, so that tourism, with necessary limitations, acts as a factor which will facilitate visiting, enjoyment and viewing of the protected natural areas, thus preserving their cultural and historical, scientific and wider social significance.

   The degree of national park protection has its specific zones and, in each zone, purpose, capacity dimensioning, specific contents, conditions and visiting possibilities, i.e. generally speaking, the behaviour while visiting, are determined. The ecological policy contains the measures which have preventive, repressive and reparative functions: avoidance of further environmental endangerment, limitation of current pressure/strain and pollution, i.e. removal and reduction of already incurred damage to the environment (Črnjar 2009).

   Five zones are anticipated within the park protected areas. They are: (FNNPE, 1993)

   1. Forbidden zone – a zone which is strictly protected from any form of tourism.
   2. Quiet zone – a zone of limited access to individuals or small groups (up to 15 persons).
   3. Zone of limited tourism without additional development – tourist activities emerge, compatible with the tourist area type without additional infrastructural development.
   4. Zone of sustainable tourism development – a zone in which, according to the protected area type, tourism can be developed.
   5. Zone outside of protected areas – attractive zones in which a form of tourism can be developed with a higher degree of construction freedom, as opposed to the sustainable tourism zones.

   According to the WCMC (World Conservation Monitoring Centre), the general scheme for protected area planning would include, as the first element, the concept in which ideas about the importance of protection of specific areas are developed and in which an important role is played also by different associations and non-governmental organisations. In promotion, as the next planning step, it is necessary to present those ideas to the general public and to gain the confidence of the local population, local authorities and other organisations at the state level, in order for them to recognise the purpose of protection of a specific area. The subsequent planning course includes the formulation and the commencement of execution, which are sometimes processed simultaneously, thus collecting the data for the preparation of the project proposal, which must justify its financing and declaration of area protection, as well as the preparation of the pilot project. Execution, as the next planning step, begins much earlier, as early as in the preparation
phase and includes public relations, natural resource management and ecological education. The planning scheme concluding phase is the analysis, which is the basis for new concepts and which contains the analysis of the executed work so far, goal achievement and is used in protection of a specific nature area.

In the world, there are different strategies of protected area planning and the accent is put on the most favourable concept, which will unite the natural basis with a satisfactory level of economic features. For the planning of protected areas, a series of experts are needed, starting from geographers, geologists, economists and other, who will correctly consider different elements. When decision making, it is necessary to obtain the answers to the questions which will later contribute to an efficient protected area management, such as benefits for the local community, the significance of those benefits, which area would be protected, financial means needed to be invested and in what measure natural resources should be used and protected. Although the natural heritage values are immeasurable, it is still necessary to consider the justification for protection of the specific areas, calculate benefits and costs and benefit increase which is brought by protection for a particular country and local population.

The importance of Croatian national parks Brijuni, Risnjak, Slapovi Krke, Paklenica, Kornati, Mljet, Plitvička jezera and Velebit (Ministry of Tourism, www.mint.hr, 27th November 2013), which are situated in the vicinity of important tourist areas, is manifested in selective programmes and excursions, which is possible to link to hotel products and to place in the tourist market.

2. NATIONAL PARKS WITH THE PURPOSE OF TOURISM DEVELOPMENT

Strategic management of national park tourism includes optimisation of dynamics of the strain caused by tourist visits and equal distribution throughout the year, as well as intensification in the pre- and post-season. A good organisation of parks requires avoidance of concentrations by encouraging short stays in the areas of the highest sensitivity level, as well as directing visitors towards peripheral areas, to the established information centres, commercial offers and hostelry facilities. Adequate management ensures that development remains within the permitted and planned capacities of each part of the protected area, as well as retention of the environmental quality standard.

Hostelry and accommodation offers in Croatian national parks are of low quality. Apart from unfavourable economic conditions in which the state, as the owner of public institutions, struggles to set aside financial means for investment in order to improve the quality of accommodation, the problem area of economic and market aspects also emerges, with low return rates and, coupled with the protected area restrictions, limits the investment.

Croatian national parks record increased levels of organisation, they are more efficiently promoted and the number of tourist agencies which organise excursions to national parks or offer specialised tourist programmes, is also on the increase. The total number of visitors evidenced in the park is often the result of an estimate. Namely, while some parks are organised in a manner in which it is very hard to enter without paying for a ticket, in some other parks the visiting system is such that, officially, i.e. through the tickets sold, it is possible to evidence just some of the visits. The data on the total number of visitors is, therefore, a combination of realistic, evidenced visits and estimates of the total number of visitors. The entry tickets to national parks include parking, tours of the park itself, group guide services, use of panoramic trains or boats on the lakes for transport
and there are no limitations as to the number of visitors. The income of all national parks and nature parks is approximately 50 million euros or 375 million kunas and the money generated through tourism and accommodation facilities is, among others, utilised also for preservation of the parks (Ministry of Tourism, www.mint.hr, 27th November 2013).

By further analysis, categorisation of the protected areas in Croatia is considered, as well as the level of management and financing sources. The Croatian legislation classifies the protected areas into 9 categories, like the IUCN, with a small difference in the ranking and content description (State Institute for Nature Protection, Categories of protected areas in Croatia, http://www.dzzp.hr/zasticena-podrucja/kategorije-zasticenih-podrucja/kategorije-zasticenih-podrucja-u-hrvatskoj-255.html, 08.03.2013).

<table>
<thead>
<tr>
<th>Protection category</th>
<th>Purpose</th>
<th>Management level</th>
<th>Declared by</th>
</tr>
</thead>
<tbody>
<tr>
<td>STRICT RESERVE</td>
<td>Preservation of original nature, monitoring of nature condition and education</td>
<td>County</td>
<td>RoC Gvmnt.</td>
</tr>
<tr>
<td>NATIONAL PARK</td>
<td>Preservation of original natural values, cultural, educational and recreational</td>
<td>State</td>
<td>Croatian Parliament</td>
</tr>
<tr>
<td>SPECIAL RESERVE</td>
<td>Preservation of its uniqueness, rarity and is of a particular scientific significance</td>
<td>County</td>
<td>RoC Gvmnt.</td>
</tr>
<tr>
<td>NATURE PARK</td>
<td>Protection of biological and landscape diversity, cultural and historical and tourism and recreational purpose</td>
<td>State</td>
<td>Croatian Parliament</td>
</tr>
<tr>
<td>REGIONAL PARK</td>
<td>Protection of landscape diversity, sustainable development and tourism</td>
<td>County</td>
<td>County Assembly</td>
</tr>
<tr>
<td>NATURAL MONUMENT</td>
<td>Ecological, scientific, aesthetic or educational</td>
<td>County</td>
<td>County Assembly</td>
</tr>
<tr>
<td>IMPORTANT LANDSCAPE</td>
<td>Protection of landscape values and biological diversity or cultural and historical values</td>
<td>County</td>
<td>County Assembly</td>
</tr>
<tr>
<td>PARK - FOREST</td>
<td>Preservation of natural or planted forest of higher landscape value, relaxation and recreation</td>
<td>County</td>
<td>County Assembly</td>
</tr>
<tr>
<td>PARK ARCHITECTURE MONUMENT</td>
<td>Preservation of man made, which is of artistic, cultural and historical value</td>
<td>County</td>
<td>County Assembly</td>
</tr>
</tbody>
</table>

Source: Nature Protection Act (RoC Official Gazette nos. 70/05 and 139/08)

According to the Ministry of Environmental and Nature Protection Register of protected areas (situation on 12th July 2012), in the Republic of Croatia a total of 433 areas are protected in different categories, of which 5 areas are under preventive protection. Today, the protected areas cover 8.48 % of the total surface area of the Republic of
Croatia, i.e. 12.07% of the terrestrial territory and 1.94% of the territorial sea. The largest part of the protected surface areas are nature parks (4.77% of the total state territory).

3. VALORISATION OF THE NATIONAL PARK KORNATI AND THE NATIONAL PARK CABRERA – CROATIAN AND SPANISH MODELS

National parks and nature parks play an important role in the Republic of Croatia tourist offer. Management and work organisation in Croatian national parks are under the strict supervision of the Croatian Ministry of Environment and Spatial Planning. This state body is responsible for national parks, nature parks and other protected areas. Within the said ministry, there is Administration for nature protection, which is accountable for the management of all protected natural areas. Under this administration, there are also Department of protection of biological and landscape diversity, Department of sustainable use of natural resources and Department of preservation of natural values, which, under their authority have the Section for preservation of natural areas and natural heritage, as well as the Section for protection of non-living nature. National parks are directly managed by governing councils, appointed by the government of the Republic of Croatia and constitution and council legislation are illustrated in table 2, in which the comparison with the competitive model is also shown.

<table>
<thead>
<tr>
<th>Croatian constitutional model</th>
<th>Spanish constitutional model</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Ministry of environment and spatial planning</td>
<td>• Ministry of environment of Spain</td>
</tr>
<tr>
<td>• Administration for nature protection</td>
<td>• Ministry of agriculture, fishery and food (MAPA)</td>
</tr>
<tr>
<td>• Department of protection of biological and landscape diversity</td>
<td>• General secretariat of agricultural structure and Department of protected areas</td>
</tr>
<tr>
<td>• Department of sustainable use of natural resources</td>
<td>• National institute for protection of nature (ICONA)</td>
</tr>
<tr>
<td>• Department of preservation of natural values</td>
<td>• General sub-administration for natural areas and National parks council</td>
</tr>
<tr>
<td>• Section for preservation of natural areas and natural heritage</td>
<td></td>
</tr>
<tr>
<td>• Section for protection of non-living nature</td>
<td></td>
</tr>
</tbody>
</table>

Source: processed by authors according to Vidaković (2003)

The data shows that both destinations of the Mediterranean circle valorise national park resources as biologically sensitive areas, constituting administrative bodies dealing in legislation and implementation of related acts, directed towards their protection.

For each national park in Spain, a specific plan of use and management is prepared, where the manner of use and protection of forests and waters is especially elaborated, as well as the plan of park arrangement, in cooperation with local and state governmental bodies. Like in Croatia, the state reserves the right to manage parks, which are integrated in the state national park network, through the above mentioned plans of use and management, in which norms and instructions for use and preservation and zonification are determined, specifying the manner of public use of parks. These plans are approved of and periodically revised by the royal government decrees.
The importance of national parks grows parallelly with the growth of tourist demand for spending their holidays in nature, in quiet surroundings. There are eight national parks in Croatia, covering a surface area of 950 km², i.e. approximately 1.1% of the total surface area of Croatia. The basic characteristics of the parks in the Republic of Croatia are shown in table 3.

Table 3: Analysis of surface areas and founding of national parks of Spain and Croatia

<table>
<thead>
<tr>
<th>Name</th>
<th>Year</th>
<th>km²</th>
<th>Name</th>
<th>Year</th>
<th>km²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aigüestortes i Estany de Sant Maurici</td>
<td>1956</td>
<td>141</td>
<td>Plitvička jezera</td>
<td>1949</td>
<td>266</td>
</tr>
<tr>
<td>Cabrera Archipelago</td>
<td>1991</td>
<td>100</td>
<td>Paklenica</td>
<td>1949</td>
<td>102</td>
</tr>
<tr>
<td>Cabañeros</td>
<td>1995</td>
<td>390</td>
<td>Risnjak</td>
<td>1953</td>
<td>64</td>
</tr>
<tr>
<td>Caldera de Taburiente</td>
<td>1954</td>
<td>10</td>
<td>Mljet</td>
<td>1953</td>
<td>54</td>
</tr>
<tr>
<td>Doñana</td>
<td>1969</td>
<td>543</td>
<td>Kornati</td>
<td>1960</td>
<td>224</td>
</tr>
<tr>
<td>Garajonay</td>
<td>1981</td>
<td>40</td>
<td>Brijuni</td>
<td>1980</td>
<td>34</td>
</tr>
<tr>
<td>Guadarrama</td>
<td>2013</td>
<td>340</td>
<td>Krka</td>
<td>1985</td>
<td>109</td>
</tr>
<tr>
<td>Illas Atlánticas de Galicia</td>
<td>2002</td>
<td>90</td>
<td>North Velebit</td>
<td>1999</td>
<td>97</td>
</tr>
<tr>
<td>Monfragüe</td>
<td>2007</td>
<td>1,950</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordesa y Monte Perdido</td>
<td>1918</td>
<td>156</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Picos de Europa</td>
<td>1918</td>
<td>646</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sierra Nevada</td>
<td>1999</td>
<td>859</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tablas de Daimiel</td>
<td>1973</td>
<td>19</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Teide</td>
<td>1954</td>
<td>190</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Timanfaya</td>
<td>1974</td>
<td>51</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>5,525</td>
<td>TOTAL</td>
<td>950</td>
<td></td>
</tr>
</tbody>
</table>


The surface area of the Kingdom of Spain equals 504,030 km² and of the Republic of Croatia, 56,594 km2, which points to the fact that Croatia has 11.2 % of the surface area of Spain. Considered from the aspect of protected areas, it is evidenced that, in Croatia, 1.7 % of total territory is protected and valorised as areas of exceptional beauty and national protection. Considered from the territorial aspect the surface area of protected areas in Spain equals 1.1%, which points to the fact that Croatia:

a) Has a versatile resource basis, which is recognised as a sensitive area and which is protected as a national park
b) Croatian legislation and administration for environmental protection are more actively involved in taking care of the protection of areas and organisation of national parks

From the quoted indicators, it is evident that the Croatian parks are small in terms of their surface areas and that their mutual distances are negligible. For the purposes of a better organisation, their radical reorganisation is proposed, as well as their rationalisation
in the sense of the geographical and theme combining, for example, National park Kornati and Nature park Telašćica and national park Paklenica, National park North Velebit and Nature Park Velebit, given that they are all the components of the Velebit mountain.

Before the Homeland War, almost 2 million people visited the Croatian national parks, of which one half were foreigners. During the Homeland War, the number of visitors was, of course, considerably lower. Only in 2006, national parks attracted over 2 million visitors. In 2011, 2.26 million people visited the national parks in the Republic of Croatia (HINA, 2011) The annual growth tendency is evident from figure 1.

![Figure 1: Visitors to the national parks in the Republic of Croatia, 2004-2011](http://www.dzs.hr/Hrv_Eng/StatInfo/pdf/StatInfo2012.pdf/)

The data in table 2 shows that, in the period between the years 2004 and 2011, tourist visits in the Croatian national parks were on the increase, from 1.77 million to 2.26 million, which represents a growth of 27.68%. Foreign tourists dominate in the total number of visitors. In the period between the years 2004 and 2011, their number increased by 37.58%. In the total number of visitors in 2011, foreign visitors participated with the share of 85.84%. The data on attendance rate of national parks in the Republic of Croatia clearly point to their attractiveness (Plitvice Lakes National Park was added to the UNESCO World Heritage Register), as well as to their significance in the tourist offer of Croatia. According to the TOMAS research conducted in national parks, “the visitors were most impressed by the intact, preserved nature; they were impressed by the beauty of the waters and the richness and diversity of the flora and fauna. Visitors are particularly satisfied with cleanliness and arrangement of parks, professionalism and kindness of its staff and the system of park touring with interpretation, signalisation and the quality of the hostelry offer”. One of the reasons for the increase in the number of visitors in the parks is also the increasing trend in interest in natural areas and nature experience.

The Tomas (2006) analysis represents the data on the frequency of visits to national parks and it was recorded that, for the majority of visitors to parks, that was their first visit to the park (73%), while the share of repeated visits equals 23%. In respect of the
tourist motivation, as the main motives for visits to parks, the following were identified: familiarisation with natural beauty (50%), desire to visit the park (48%) and holiday and relaxation (29%).

The results of the information channel analysis show that visitors, in order to obtain information, use the Internet (33%) and printed materials – brochures, leaflets and advertisements (16%). As non-formal sources, friends and relatives prevail (38%), as well as their previous stays (22%). The main source for visitors to parks are transit tourists (38%) and stationery summer demand (36%). Approximately 13% of visitors were in a target visit to parks from their place of permanent residence and almost the same number of visitors toured parks within circular trips. Accordingly, the majority of visitors come to parks in their own cars or campers (70%), accompanied by a spouse/partner (42%), family (30%) or friends (24%). Visitors stay in the park approximately half a day (46%) or shorter (27%). One tenth of visitors stay in the park or its surrounding areas for several days, 4 days on an average and stays lasting several days are more frequent than the average stays in the National parks of North Velebit (21%), Kornati (15%) and Plitvice lakes (15%). The research points to the fact that visitors express a greater intention to, within the next two years, visit some of the Croatian national parks rather than its nature parks. The largest percentage intends to visit the national parks of Plitvice lakes (22%) and Krka (25%), followed by the island parks of Kornati (17%), Mljet (16%) and Brijuni (15%) in the next two years.

Considering qualitative solutions of the problem areas of tourist valorisation of national parks in Croatia, Vidaković (2003) proposes an individualised approach to each particular park with resource singularity to methods of its management and organisation, as well as detachment from the partnership between national park management and the political governing option, in the sense that national park management should be relinquished to educated professionals.

Importance of establishment of ownership and legal relationships in protected areas is emphasised, as well as relationships with the local population, which need to be harmonised before the specific area is declared as protected. It is also important to develop good relationships with both the local government and local population, who need to be acquainted with the significance of protected areas and given an active share in their management. Representatives of related scientific fields, tourist economy, local government, Croatian waters and park staff should be included on a voluntary basis in administrative councils in order for quality and professional decisions, directed towards the benefit of protected areas, to be made.

3.1. National Park Kornati

Kornati is the densest archipelago in the Mediterranean Sea. It consists of 150 islands and is situated in the aquatorium of surface area measuring 320 km². The Islands of Kornati and the south-east part of Dugi Otok (the bay of Telašćica), together with the sea belt measuring 30,000 ha, were declared to be national parks in 1980, on the grounds of a special law (National park Kornati, 2013). Following the amendments to the Law on the National Park Kornati (in 1988), the south-east part of Dugi Otok and the bay of Telašćica, surface area measuring 6,750 ha, were separated from the National park and declared to be a nature park.

For the National park Kornati and Nature Park Telašćica special legal norms are in force, by which preservation, authenticity and spatial unity are guaranteed:
The Republic of Croatia government established the public institution of National Park Kornati, with its headquarters in Murter and the public institution of Nature Park Telašćica, with its headquarters in Sali, whose task is preservation, maintenance and promotion of these protected areas.

The Kornati archipelago is a unique group of islands, not only in Croatia, but in the whole of the Mediterranean. All islands are classified into four island chains, distinctively situated in the direction of the geographical position of the Dinara mountain chain (north-west – south-east) and it was named after the largest island, the island of Kornat, which is, at the same time, the central structure of the entire archipelago. The Kornati archipelago spatial basis is made up of two groups – the Žutsko – sitska and Kornati group and, landscape-wise, it is the most precious unity of scattered external chain of islands. This area is unique in the Adriatic Sea and its geographical, ecological, morphological, geo-morphological, floristic and aesthetic values make it an exceptionally rare natural phenomenon. Archaeological excavations revealed the remains of an Illyrian settlement, a roman villa from the 1st century, a roman salt plant, a small church from the 12th and 16th centuries and an Illyrian fortress, which are the foundation for the cultural and historical valorisation.

Since the declaration of the archipelago as a national park in 1980, much scientific research work has been carried out, especially the work relating to the natural heritage. This research work brought into light numerous pieces of information on geological, meteorological, geographical, biological and other characteristics of the archipelago. According to the Tourist Organisation of the Municipality of Murter-Kornati, “up to now, 537 plant species on land, 226 types of benton algae, approximately 850 species of living organisms in the sea, among which 579 invertebrates, 160 kinds of fish, one turtle and three types of mammals have been recorded. It is anticipated that, with further research, the number of all living organisms in the sea, if researched, would range between 2,500 and 3,000. Equally, the described anthropological heritage of the archipelago has been insufficiently researched.” (TO Municipality of Murter-Kornati, 2013).

The tourist infrastructure in the park is organised to provide basic services to visitors, i.e. services for supervision and control of visitors’ behaviour, information and reception points. Visitors are permitted to walk around the whole park, apart from the areas around the island Purara and the rocks Mala Purara and Volić, which are declared to be a zone of special protection. Visitors to the National park Kornati at all times must appreciate and respect the fact that all of the Kornati islands, apart from the fact that they are protected as the natural heritage, are private property. On the territory of the National park Kornati there are eight arranged and marked hiking paths under the name of “Hiking
trail Kornati”, which lead to the viewing points from where it is possible to see the Kornati archipelago in its entirety, or some of its most attractive parts. In 2012, the National parks Kornati and North Velebit realised an increase in the number of visitors in comparison to other Croatian national parks. In 2012, almost 72 thousand people visited Kornati, which is approximately two thousand, or 2.8 percent more than in 2011 (RoC Ministry of Tourism, 2013 ). The data on the National park Kornati’s budget are unavailable to the general public and therefore it is not possible to compare them with the budget of the Spanish National park Archipelago de Cabrera. However, the key to the allocation of income generated by entry ticket sales is well known. In Croatia, the terms of utilisation of own income realised in the market are proscribed in the manner that at least 15% of that income must be channelled towards covering the institutional costs, at least 30% towards improvement of the institution activity advancement and up to 35% of income is spent on staff salaries.

3.2. NATIONAL PARK CABRERA

Cabrera is an uninhabited island in the Balearic Islands, which is situated in the Mediterranean Sea, on the south coast of Mallorca (Spain). The National park encompasses the maritime part (of surface area measuring 8,703 ha, or 87%) and, in its smaller part, a land belt (of surface area measuring 1,318 ha, or 13%). It is composed of vast sea areas surrounding small stone islands, on which Mediterranean undergrowth grows and the landscape is unbelievably similar to the Kornati archipelago (Vidaković, 2003). Cabrera is the largest island in the small archipelago which includes (from south towards north) the islands of Estells de Fora, L’Imperial, Illa de ses Bledes, Na Redona, Conillera, L’Esponja, Na Plana, Illot Pla, Na Pobra and Na Foradada. It was declared to be a national park in 1991.

The National park Archipelago de Cabrera has an interesting history and this can be seen in an interesting collection of castle ruins. These fortresses were built in order to protect the island and its inhabitants from pirates. Many people fled to the island seeking shelter from pirate attacks. During the Spanish Homeland War (1808-1814), 9,000 French prisoners were kept in remand in the said fortresses, of whom half never managed to return to their homes. There are numerous monuments all over the archipelago coastline which were erected in memory of the French prisoners. The Archipelago de Cabrera represents an excellent destination for history lovers. There are no inhabitants in this archipelago and it is in 100% ownership of the state, as opposed to the Kornati archipelago, which is, in its larger part, privately owned.

Due to its well protected landscape and a limited human presence, the National park Archipelago de Cabrera is home to many animal species. The most numerous animal species are dolphins, sea snails and turtles and, due to an abundance of fish, numerous seabird species also find their habitat in the archipelago. As a result, the National park is a special protected area for birds. Reptiles are also one of the important archipelago “inhabitants” and the species such as Sargantana lizards can be seen around the whole of the archipelago. The combination of numerous monuments, animal species and the archipelago uninhabited state still does not represent a sufficient motive for arrival of visitors, given that, out of all Spanish national parks, it records the lowest number of visits. 60,000 tourists visit the National park annually, of which 1,400 come for reasons of diving (Casier, 2013). The reason for the stagnation of the total annual number of visitors lies in the park’s restrictive policy, i.e. limitation of the number of daily visitors. The number of
people who can visit the National park in a single day is limited to only 200 and 300 in August. Visits to the archipelago using own vessel is possible only with special permission. Access to the archipelago by boat is also limited to only 50 boats per day. This national park is a forbidden destination for large cruising ships and boats are permitted to moor only in the island port. Diving is strictly limited and controlled; the license issued to divers allows diving for the duration of only one day. Hiking possibilities are numerous. There is a centre for visitors with a shop and a coffee bar, as well as a castle from the 14th century, where the museum is also situated. The “Museo de Cabrera” organises numerous presentations which describe the archipelago nature and etymology, as well as the way in which they work in order to preserve it. Within the museum, there is also a small botanical garden in which it is possible to see rare animal species, which form an integral part of the archipelago. The poor economic situation in Spain has affected the national park Archipelago de Cabrera, which is systematically neglected and disregarded by the state. Up to the year 2010, the National park budget equalled 5 million euros, only to be reduced by a significant 75% since then (Casier, 2013). Regardless of the reduced financial means and the business policy whose primary goal is preservation of the environment and animal species, the National park still realises a respectable number of visits. Comparing this data with realised visits to the Kornati archipelago, it is noted that the Kornati archipelago realises a mere 12% more visits. Realistically, the National park Kornati should realise a much higher number of visits, given the much greater importance of the National park Kornati for Croatian tourism and also given that the business policy is more oriented towards tourism than towards ecology.

By means of comparison with the Spanish model and Spanish national parks, a conclusion can be drawn that Croatian national parks still have a lot of room for advancement. Much more effort must be put into promotion, since they represent attractive destinations for the development of pre- and post-season tourism.

4. CONCLUSIONS

With regard to its surface area, Croatia sets up a large number of national and nature parks and, given their resource basis, many natural areas could also become such parks in the future. Protected areas have huge potential for the development of ecotourism and sustainable tourism, which represent the future of world tourism. World tourism trends show a large increase in demand for stays in nature and viewing of natural attractions, pointing to the potential of the development intensity, as well as the positioning in the very top of the world of selective forms of tourism. Area development also brings development of local family economies, which have direct benefits from such a form of tourism. Investments in sensitive zones must be in harmony with all regulations concerning preservation of protected areas and must not subordinate environmental protection to the desire for as large as possible profits. Management of the national parks in Croatia is not ideal and there are many irregularities in management, which points to the problem area of the managerial hierarchy and dependency on political options instead of respecting the profession and science.

In tourism valorisation of national parks, it is of a strategic importance to, in a balanced way, coordinate the relationships and measures of nature protection and tourism valorisation, bringing the central contrasts within permitted tolerances. In order to coordinate the interests of tourism protection, it is essential to link the basic zone of natural phenomenon in which natural values are found, due to which a specific territory is declared...
to be a national park, obtaining the status of a well and strictly protected natural facility and the zone of a mixed purpose, which envisages sustainable tourism and recreational construction, hotel zones and other accompanying facilities. A much higher number of tourist facilities should be located in the vicinity of protected areas in order to provide a better quality tourist offer to tourists, the offer which would, as a result, provide far better tourist expenditure. Accommodation facilities in and around protected areas are inadequate, of a low category, needing investment in quality improvement, which is the result of uneven investment, present in Croatian tourism, as well as the problem area of ownership.

It is unrealistic to expect tourism to pull the country out of long-lasting recession, but, by investment in protected, rural and continental areas, it can become one of the prime movers of development, which will, as a result, put the country into a better economic state.

References

2. Casier, R. Teaching Critical Thinking across Curriculum in New Directions for Community Colleges, 1992
Abstract: The energetic sector represents a basic strategic infrastructure of the national economy, which the entire development of the country is based on, supplying a general economic interest service. Moreover, the energy represents a public utility with a powerful social impact. Due to these considerations, the development approach of this important sector of Romania’s national economy, is made with specific mechanisms as for a public interest utility, which needs more competitive mechanisms, where the price is formed through a free competition between a diversity of suppliers and clients, which become gradually free to buy the energy they need, based on stable and transparent market mechanisms, supervised by the regulating authorities and trading agents.

JEL classification: D18, N74, P48, Q43, Q46, Q48, L95

Key words: general economic interest services, energy market, natural gas market regulated prices, vulnerable consumers, energy policy

1. INTRODUCTION

The economic and financial crisis has influenced the energetic sector in multiple ways. Thusly, the low GDP, leading to a decrease of demand for energy, especially for oil, where the market is entirely liberalized, and for electricity, where the market is partly liberalized; in the gas sector, the effects were determined, mainly by political actions. Numerous state companies from the energetic sector were crushed between financial issues caused by budget deficits and the austerity measures and delays from the government’s plans to increase the fees for certain categories of consumers. In addition,
their income has dropped on account of diminishing the energy demands.¹

2. Objectives

In the current evolution of the energetic sector it is necessary both to continuously renew the production structures as well as a superior training of the human resources. In the new context of renewals, the organizations need a specific sense of future; they claim a dynamic capacity of anticipation and prefigure the productive capacities based on new knowledge, aiming to rapidly react to changes. The reconfiguring technique of technologies and human resources must be based on:

- New generations of smart people, creators, pragmatics, non-conformists etc;
- Human resource with a new concept on the labor based on dynamism;
- Promoting an open structure and supporters of informatizations;
- Applying the principles of sustainable development so as to generate profit;
- Good professional training, proficient of foreign languages and supporters of authorities based on creative intelligence;
- Intensive approach of educating the entire human capital within the system leads to the idea of reshaping the training so as to continuously improve the performances;
- Promoting the management of knowledge and relations for the entire channel competition market production.²

The energetic sector is a major employer in Romania and the variation of results from the energetic sector in Romania in the next decade, may be very good in the context of increased investment, of new production capacities, which may provide an additional impulse to the contribution of the energetic sector, both for efficiency as well as for the occupation of the labor force, given the fact that the labor productivity is also improved.

In the national energetic system the human factor has a major role for the safe and efficient exploitation of the energetic system and for the efficient functioning of the electricity market. The main factors that create and decisively amplify the human capital, as some achieved aptitudes within the company, are: school of all grades, on the job training, achieving other knowledge and investment in the field of training and lifelong training.

Modernizing the economy structure and manufacturing technologies, including in the energetic sector, has led to the occurrence of a labor force excess which required the issuance of a new strategy of occupying in the EU and implication of national authorities in creating new jobs. As the market forces acquired the necessary effect the re-assigning of human resources occurred, not always according to the criterion of economic efficiency.

Science and technology no longer represent the privilege of developed countries, but they spread worldwide. The governments of many countries firmly developed multiple aspects of science and technologies in their development policies, to the extent to which they wished to build economies based on performance technologies and knowledge, in order to have an advantage in the competition from a globalized

¹ GEA Strategy & Consulting, Energetic industry, economic increase factor in Romania, Bucharest, 2011
² Sofronie C.A., Neurogenetic concept applicable to the performing management of holistic integrated systems, summary of doctor’s thesis, Transilvania University, Brașov, 2009
world. These policies include long term investment in the upper education in order to identify and form human talents, development of infrastructure, support for research and development, drawing of direct foreign investments and technologically advanced multinational companies and eventually, the development of high technologies local capabilities.3

3. METHODOLOGY

Providing labor force at the level of each structure certainly bears the transition period crossed by the Romanian economy but, especially, the consequences of the ample process of restructurization within the energetic sector. The effects of providing proper human resources from a quantitative and qualitative point of view are directly or indirectly spread on the labor productivity, turnover and namely the profit performed in the energetic sector.

4. ANALYSES

The economic development model has profoundly altered the actual market requirements, leading to the beginning of reform to deepen the problems to experienced human factor. Human capital is unique in terms of potential growth and development, human capacity to know and defeat its own limits, to meet new challenges or face future requirements. Human resources are valuable, rare, difficult to imitate and relatively irreplaceable. People have the potential to create material and spiritual values to satisfy new requirements or to respond better to the old requirements.

Upgrading of the economy structure and manufacturing technologies, including energy, has led to a surplus of labor which required the development of a new strategy for employment in the EU and involved national authorities in creating new jobs. As market forces have gained the necessary vigor a human resources reallocation was produced by the criterion of economic efficiency.

The field of industrial engineering has developed so fast that, currently, any engineer may face difficulties in staying in touch with the news occurred at present. This trend shall exacerbate in the near future, so that only those who know how to rapidly and efficiently inform shall have an increased efficiency, this thing implying the ability to innovate, speed for identifying the place and value in the human activity as a whole. They shall observe that, practically, each phase of the industrial engineering works refers both to people – both people who perform the related work, as well as people who are affected by it. Not randomly in its evolution, in the attempt to settle in the most proper home, the concept of the industrial engineering was also known under the name of human engineering.

Nowadays, the industrial engineering faces a new and huge challenge, determined by the effects of informational revolution whose characteristics impose a new type of management: contextual management characterized by an unprecedented speed in the human society, a speed that confuses both technical and economic structures equally as well as the human mind. The industrial engineering of the future shall aim to humanizing the technique, on one side, and making the human mind more

3 Mușatescu V., Leca C., Vlădescu A., Impact of investments from the energetic field on the economic increase , study within the project Improvement of institutional capacity, assessment and formulation of macroeconomic policies in the field of economic convergence of the Forecast National Committee with the European Union, code SMIS 27153, p. 202
technical, on the other side. The effects may be easily anticipated: an intelligent technology and an individual with an organized psychic universe becomes younger and with an increasingly more powerful resistance structure.

The personnel policy of economic organizations within the energy system is felt both at the level of the related units as well as at the entire national economy.

At the level of energy units the need to close tracking of costs, their allocation to specific jobs’ level is more strongly felt. This leads to a new vision of human resources usage, based on considerations that are mainly rational and less emotional, type of considerations that dominated the conception of personnel policies both until 1989 as well as in the early years after the revolution.

The future development of the energetic sector and, in particular, of the human resources employer in this sector may not be planned by extrapolating the past evolutions because these occurred under fundamentally different conditions of a centralized order economy. Furthermore, there are no development patterns possible to copy from other countries or sectors, because the similarities are accidental and irrelevant. Therefore, it is necessary to have an original contribution of the local specialists, however, for the original plans to stand a maximum chance of achievement, they need to be based on forecasts of the sector’s evolution context, achieved only by a core of forecast studies, independent, and well equipped with valuable specialists.

The activity of personnel policy encounters an unprecedented dynamics. Every time a new rule occurs, a new labor context, a proposal for a new organization diagram is brought forward. The strategy applied by the human resource unit has as main objective the establishing of the optimum number of personnel, with adequate training, motivated in order to provide the consumers with a modern, efficient and quality service. In the units of the national energetic sector, as they form the research objects of our doctor’s thesis, the achievement of this objects imposes the qualitative and quantitative provision of labor, correlated with the level of complexity degree related to facilities, modernization of the professional training system, maintenance, perfecting and diversifying of the professional training, as well as establishing and settling the personnel inside the national energetic system.

In the field of energetic objective design both the material wealth as well as the specialists’ ability to keep the information must be analyzed, as different studies need to be performed at national level indicating the issues faced by the energetic sector:

- Lack of an intensive training strategy of the human factor which needs to be involved in solving the issues occurred in the energetic sector and in the research of this sector’s evolution during the period 2020-2013;
- The concerns of human resources departments inside the enterprises with the energetic sector are strongly anchored in traditional, bureaucratic, working systems, neglecting the professional training of local specialists;
- Lack of executors, designers or old or new equipment fitters is significant and may lead to the refusal of agreement offered by other European companies due to the lack of specialists;

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4 POSDRU project – Development of entrepreneurial abilities in the energetic sector, Study "Connection of resources and services existing within the Energy System with the intent of initiating new business ", p. 121-122
The tasks undertaken by the human resources departments are often directed to the training at specialty high-school level, at the level of energetic profile faculties, masters and Ph.Ds, neglecting the performance of experience exchange with specialists from other countries.

In Romania, in the field of engineering and technological sciences, the number of researchers decreased in year 2010 to 11,718, compared to 13,040 in year 2005. An explanation is that this decrease reflects the migration of the research technical personnel to other countries due to sub-financing and represents a source of concern for the way in which Romania may transpose the engineering research in commercially successful products and services, namely it indicated the compromising of an instrument of economic improvement for Romania in the acute European and world competition. Nevertheless, Romania still owns human resources and tradition in certain areas of science and technology, and the national strategy should have created the premises of acknowledgment and stimulate their development. The managerial capacity and the lack of some minimal institutional resources for supporting some research laboratories have led to the inefficient functioning even where there once was an efficient infrastructure. The low usage degree was also determined by the reduced capacity to provide interest services, especially to the economic agents.

The lack of an important research activity, in general, and in the energetic sector in particular, is owed to:

- Lack of innovation and change culture, especially in the energetic sector at the level of political and economic environment;
- Lack of pragmatisms at the level of business environment and civil society in the energetic area (their position being often post-event);
- Lack of stimulating/penalizing legal framework for the economic and institutional environment;
- Lack of public policies.

After year 2012, the financing level had a favorable impact on the maintenance and development of research infrastructure necessary for advanced research, obtaining valuable results at international level as well as for the solving of complex issued, of economic and social interest at national level. The impact of international collaboration, participation in projects and European research networks, determined the increase in the number of researchers in the field of engineering and technological sciences to 13 110 persons at the level from 2013\(^5\), showing that the training of some young researchers in the country and abroad is an on-going development process in our country with good results if it hadn’t been sometimes darkened by the permanent leaving of those sent to specialization.

5. **Conclusions**
The scientific research with all its components (applicative research, development, innovation) constitutes one of the important factors in development in the energetic sector. The main strategic action directions in this field need to include:

- Valuing the existing human potential at present in energetic research, providing the stability and rejuvenation under the condition of increase of expertise level which allows the correlation of knowledge about the technical evolutions at

\(^5\) National Statistics Institute, Romania’s Statistics Yearbook, 2014
global level with particularization possibilities at national level;

- Creation of opportunities for stimulating the young specialists to stay in Romania and work for the Romanian energetic research in order to contribute to the absorption of European research funds;

- Promotion of some encouraging tools for the electricity production, transport and distribution companies for the financing of their own research-development programs and co-financing of energy specialized complex research projects;

- Consolidating a national structure, in charge with issuing of studies necessary to issue the energetic strategies and policies, for the founding of some decision in the field, for coordinating and even issuing some complex development projects at national, regional and cross border level.6

- The current development of energetic sector is necessary in the ongoing renewal of production structures and, especially, human resource reconfiguration. In the new context of renewal organizations need a specific sense of the future, they require a dynamic capacity to anticipate and foreshadow the productive capacity based on new knowledge, in order to react quickly to environmental changes. Reconfiguration technique and technology human resource is based on correlations of natural intelligence with artificial intelligence embedded in technological systems. The issue of training and skilled labor is not only in its formation generally, but also in providing knowledge and skills required of technical progress and its future evolution.

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5. ***, POSDRU project – Development of entrepreneurial abilities in the energetic sector, Study "Connection of resources and services existing within the Energy System with the intent of initiating new business"

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6 Romania’s energetic strategy, updated for the period 2011-2020, p. 77
AN INNOVATIVE MODEL FOR EVALUATING OF HUMAN RESOURCES

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Abstract: In the last few decades employees have been recognized as an
important resource for the organization. Now the debate has now shifted from
whether human resources are important to how valuable they are in
organizations. The knowledge that human resource bring to an organization is
believed to provide the organization a competitiveness advantage. Evaluation
of the human resources is an important activity for any organization operating
in a competitive market. The purpose of this paper is to design an innovative
model for measuring the value of the human resources. The model consists in
a qualitative and quantitative index system with the aim to provide a good tool
for organizations to manage their human resources. Through a case study, it
is seen the importance degree of the human resources for the organization.
Therefore organizations must manage and improve their human resources
from an integrative perspective.

JEL classification: C8, D8, I25, M5

Key words: human resources, evaluation, model, value, indicators

1. INTRODUCTION
This paper proposes a tool for evaluating human resources based on a specific
taxonomy that makes the difference between tangible assets and intangible. This approach
indicates that human resources contribute to create value of an organization. The value of
this intangible assets can be difficult to identify through financial transactions and the use
of nonfinancial indicators is a way to provide human resources measurement (Oleksak,
2010). This paper is organized in six sections. Section 2 is presented the concept of human
resource from the perspective of various specialists. Section 3 discusses the importance of
evaluating human resource. The Section 4 contains two subsections: the first is devoted to
the description of the model that has been developed to perform the evaluation and the
second is present the test and validation of the model in case study. Finally, Section 5
shows the preliminary conclusions. The paper ends with a list of the relevant bibliography
for the subject.

2. BRIEF DEFINITION OF HUMAN RESOURCES (HR)
Although human resources were correlated with the business processes of
organizations from the first period of economic development, the modern concept of

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1 This work was partially supported by the strategic grant POSDRU/159/1.5/S/137070 (2014) of the
Ministry of National Education, Romania, co-financed by the European Social Fund – Investing in
People, within the Sectoral Operational Programme Human Resources Development 2007-2013.
Human Resources was formed in reaction to the efficiency focus of Taylorism in the early 90s. Around the 1920s, psychologists and experts on the issue of employment in the United States started the human relations movement, which viewed workers/employees in terms of their psychology and their compatibility with the profile and objectives of the companies, rather than as interchangeable parts and simple resource (Manolescu, 1998). This movement has intensified in the mid-twentieth century, focusing on how leadership, cohesion, loyalty of employees and played an important role in organizational success. Since the 60s, this view has developed and refined continuously by the emergence and application of methods and quantitative, rigorous expense of qualitative approaches to human resources, and so the concept has gained a permanent role in the approaches organizations.

Therefore, in the following defining of this concept is presented from the view of several authors in the literature. At the dawn of this new age, the concept of human resources has become increasingly important from the moment it was observed that the strength of intangible assets increased more and more over time, so that we take part in a phenomenon in which the value of intangible assets of organizations can produce competitive advantage.

The *Explanatory Dictionary of the Romanian language* (DEX) defines human resources are all people who are capable of working age, and older people of working age who are employed or in a branch of economics (www.webdex.ro). This definition is formal emphasizing accounting perspective approach of human resources in organizations ignoring the socio-human perspective.

Another definition of human resources is given by *Webster Online Dictionary* which notes that human resources is a concept by which many organizations describe traditionally a combination of administrative personnel functions, performance management, employee relations and resource planning (www.websters-online-dictionary.org). This approach comes from area of social sciences and humanities, sociology, psychology and behavioral sciences in general.

According to this definition human resources has at least two interpretations depending on context:

- initial use comes from political economy and economics in general, where the concept has been traditionally associated with labor, one of the four factors of production;
- more frequent use by association with processes and activities within organizations (of all kinds) and refers to individuals (staff, employees) within them, and the corresponding aspects of organizational such as selection, recruitment, hiring, firing, training, and other personnel issues.

*Fisher et al.* defines human resources as people who work for an organization (Fisher et al., 2006). This approach sees human resource as an asset of the organization has, without putting emphasis on its contribution to value creation.

*Ovidiu Nicolescu and Ion Verbouncu* says that human resources are all human and material elements, real money that can be taken and used in the production of economic goods to satisfy social needs (Nicolescu and Verbouncu, 2000). He has a traditional attitude towards the human resources that we treat as mere expenses or costs must be kept as low and recovered quickly.

*Michael Armstrong* characterizing human resources as employees who work in a company not only in the physical sense, but in combination with the powers held and
necessary to fulfill the objectives of the organization (Armstrong, 2010). Armstrong's concern for human resource definition is summarized in figure no. 1.

**Figure no. 1 Summary defining human resource (adapted by Ispas, 2011)**

*From economic point of view*, the concept of human resource was often associated with the work force. Human resources differ from other resources, partly because individuals are endowed with different skill levels (including the skills, abilities and knowledge), there are differences in personality traits, gender, the role of perception and experience, and partly as a result of differences motivation and involvement (Contiu, 2010). This definition is assessed from two points of view (two groups of indicators):

- **quantity**: available working population, active population, working age population, working population, etc. (calculated in absolute and relative size);
- **quality**: level of education, health, weight of various professional categories in total, age etc.

*The management vision* - human resources are the people who work and operate in an organization. They are essential for achievement of the HR function (evolved from the office staff) implemented at the organizational level, by human resource department. It must meet a number of sub-functions that relate to the conduct of human resource management (Armstrong, 2003): human resource planning, recruitment human resources human resources selection, training, improvement, human resources, payroll, human resources motivation; HR assessment.

A deep research of the human resources essence was made by *Professor Anca Draghici* which defines human resource as the most valuable asset in any business,
something that can be used to gain competitive advantage and increase wealth (Draghici, 2007).

In my opinion, the human resource is the most important intangible resource that exists within the organization and their relationship should be win-win type, in order to create sustainable competitive advantage.

Over the last years have developed a lot of approaches of the concept of human resources and included various keywords that outline human resources. In figure no. 2 are seen the 30 keywords used in the definition of human resources in the definitions above.

![Figure no. 2 The most used 30 words in the definition of human resources](image)

From these definitions we can summarize that human resource can be characterized by:

- unique in terms of its potential for growth and development, and the impact on performance of the organization;
- it is essential resource, it is a powerful source of competitive advantage, the organization has in relation to the competition.

Human resources is actually a great potential, to be understood, motivated and involved as much, total, in achieving the organization's objectives. Therefore, decisions made by managers in human resources need to be adapted personality traits staff capacity to induce them to carry out effective and efficient, so high performance.

3. THE IMPORTANCE OF EVALUATING HUMAN RESOURCE

There is considerable interest in the measuring of intangible assets of organizations, especially those related to knowledge, which is also known as the human resources. However, the value of these intangible resources do not appear in the annual financial statement sand a lack of transparency, trust and the absence of a reference market, which makes difficult to done their evaluation (Lev and Zarowin, 1998).

Some specialists have demonstrated that human resources meet the criteria necessary to be considered the main source of providing competitiveness, as these resources are valuable, rare, difficult to imitate and relatively irreplaceable. All other resources of the organization are important and useful but the human resources are the cornerstone of the organization because (Sharma, 2009):
are only able to produce and reproduce all other resources available to the organization, is not only the creator but also permanent pacemaker inputs;
• the only factor of production directly or indirectly able to create new values;
• fulfill a crucial role in the ongoing transformation of nature into goods designed to meet the needs of the whole society;
• a decisive influence efficacy of material, financial and informational.

Emphasizing the role of human resources does not imply an undervaluation of other resources. Designing systemic financial and economic development work involves addressing the human factor interrelated material and financial resources, based on the fundamental objectives, implementation of which compete together, the essence of connections that exist between them. Some managers consider that it is not important a clear reporting of human resources value because it affects the relation between employees and leader. Knowing the value of human resources will help the organization in dealing with stakeholders and customers, but the evaluating human resources is not easy to do. The advantages that measuring human resources brings are (Barney and Wright, 1997):
• creating a human resource management with the aim to increase the capacity of the organization through a material superior capitalization of its human potential
• to know the quality and mobility of human resources pertaining to become a competitive advantage for the organization, just as with technological or market dominance.

Therefore, the success of organizations, their competitiveness, their progress increasingly depend on the quality of human resources, the level of creativity of their employees become the most valuable asset of an organization, because man sanctifies the place.

4. AN INNOVATIVE MODEL FOR EVALUATING THE VALUE OF HUMAN RESOURCES

The principal objective of creating this model is to help managers to evaluate to human resources, providing a clear picture of the value of this assets that exist in the organization. In the following I will briefly describe the indicators used to evaluate the human resources.

4.1 A brief description of model

The evaluation of the human resources demands good research methodology that improves the integration of theory construction and theory testing. For this purpose I developed a human resources measuring model that contain 7 quantitative and qualitative indicators, balance is determined by 3 perspectives (figure no. 3). This model is based on the results and synthesis of the literature review.
Figure no. 3 A proposed model for evaluating HR

Efficiency of the human resources highlights the performance of the organization work factor.

Competences of the employees are the base of human resources. It includes qualification, knowledge and aptitudes. Knowledge are the academic and technical information obtained through school education. Aptitudes represents capability to perform practical tasks (table no. 1).

Satisfaction of human resources is the soft part of human resources and include their motivation to work.

<table>
<thead>
<tr>
<th>Perspective</th>
<th>Indicators</th>
<th>Variable no. 1</th>
<th>Variable no. 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competences</td>
<td>➢ share of employees with higher education; ➢ share of employees with over 10 years experience; ➢ share of experts.</td>
<td>➢ number of employees with higher education; ➢ number of employees with over 10 years experience; ➢ number of experts.</td>
<td>➢ total number of employees; ➢ total number of employees; ➢ total number of employees.</td>
</tr>
<tr>
<td>Efficiency</td>
<td>➢ labor productivity; ➢ usability of the maximum time available.</td>
<td>➢ turnover; ➢ actual time worked.</td>
<td>➢ total number of employees; ➢ the time available annual.</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>➢ share of employees performing overtime; ➢ fluctuation of personnel.</td>
<td>➢ number of employees who work overtime; ➢ number of outputs of personnel.</td>
<td>➢ total number of employees; ➢ average number of employees.</td>
</tr>
</tbody>
</table>

The advantage of the proposed HR evaluation model lies in its ability to offer periodically, to the strategic management, information feedback, that enable corrective actions for the HR improvement with the aim that company to have sustainable competitive advantages through utilizing this intangibles assets.

4.2 Testing and validating the proposed model - case study

To implement the proposed model of the HR evaluation there have been developed a case study in the organizational context of a company that operate in the field water supply and sewerage, called X Company. This organization was founded in 1910 in Romania and has 386 employees (data available in the end of 2012). To operationalize and automate assessment/diagnosis there have been created a tool based on Excel software. For each perspective of the HR there have been defined a calculation sheet in order to capitalize quantitative and qualitative results. The results of each perspective were then summarized in a new sheet using a measurement scale: 0 - 100% (figure no. 4).
Then it has been define the total value added of the HR brought in the company. In the figure no. 5 is presented the value added of the HR. Company has skilled labor in the field. Creative employees are the most important part of the human resources. Every time an employee acquires new knowledge share that knowledge with the rest of the team on a quarterly basis. Another important aspect is that the organization spends considerable resources on employee training courses, thus encouraging innovation and continuous improvement. If these indicators are associated with the usability of the maximum working time available it seems that the company human resources was well productive and organized. Personnel fluctuation coefficient is insignificant due to the low number of personnel inputs and the personnel outputs. The company has a policy of reward by value brought in the firm, both at individual and team level.

5. CONCLUSIONS

This paper has presented a innovative model to evaluate HR. It is a growing need for tools to assess HR due to increasing importance of evaluating intangible assets; these assets must be valued correctly to avoid downside risk performance organization.

The proposed model help the company to the recognition de value added for the intangible assets, so as to discover the distance from its competitors. This model helps the company to apply knowledge management practices to each department in order to assess
their employees’ achievements by setting the aims in enhancing the value for each employee. However, I believe that HR evaluation model must be improved. This improvement will be required more indicators and aligned with global market changes. Conclusion is that HR measuring is an field with strong growth perspectives in the future.

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MARKETING MIX ELEMENTS IN HOTEL INDUSTRY. LOOKING FOR UNIQUE HOTELS

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Abstract: Tourism is a specific marketing area. The tourism sector can identify two main categories of the marketing mix. The first category includes classic marketing mix elements and the second category totals the extended marketing mix elements. In this paper those aspects that define the content of the marketing mix components in the hotel industry are presented. The paper also identifies the element of the marketing mix through which hotel services providers can differentiate from the competition.

JEL classification: L83, M31

Key words: touristic marketing, hotel, classic elements of the marketing mix, extended elements of the marketing mix, consumer behaviour

1. INTRODUCTION

Tourism marketing is a distinct "branch" of services marketing. Due to the specific features of tourism services, special attention should be given to those elements that allow differentiation of entities operating in the tourist market from competition. Tourism market offers many tourist accommodation structures which functions as tourist accommodation. But which is the component of tourist accommodation structures that enable competitive differentiation in a more stressed manner? In our opinion, the hotel is the structure of tourists' reception with functions of tourist accommodation that offers this advantage.

According to Cristina Cristureanu "As a term, the hotel has a generic sense throughout the world, applying to a wide variety of property types. Each country has its own set of rules, depending on the comfort, size, equipment, variety and services quality."

According to the specialized literature in technical and administrative terms the following types of hotels can be identified: airport hotels, congress hotels, business hotels, apartments hotels (or suites), highway hotels, resort hotels complex, casino hotels, cultural heritage hotels.¹

2. **Objectives**

The objectives of this paper are:
1. To identify the content marketing mix elements that make up the hotel industry, and
2. To determine that element of the marketing mix that with hotel industry, offers added value.

3. **Methodology**

In this paper, both the classic marketing mix elements and expanded marketing mix elements are analyzed in terms of hotels, as tourist accommodation structures with functions of tourist accommodation. Also, several hotels that are unique in terms of features / aspects that define both the external environment and the internal environment shall be presented.

4. **Analysis of Marketing Mix Elements within Hotel Industry**

Among the classic marketing mix elements in the hotel industry, there are the product (hotel service), price (rate), distribution and promotion. According to Middleton from tourist services provider’s perspective, the tourism product consists of several elements. In his view, these elements are nothing but levels of tourism product among which he identifies the following: (1) the core of the product, which is the basic service that in the hotel industry is the possibility to stay in a quiet and somewhat protected place (2) the specific product refers to that services package that the tourism services consumer expects. For hotels they are: the number of beds in the booked room, comfort, related hotel services (3) expanded product consists of the "extra" services that enable differentiation from the competition. In the hotel industry it is supported by the location of the hotel, a unique image, a special gastronomic offer and customized services.2

Due to the specific characteristics that determine hotel services, the rates used by these tourist accommodation structures are in fact an important clue on the level of hotel services in the hotel unit. According to research conducted in 2012, between May and July, among the most expensive hotels are: La Dune, Forte Village Resort (Sardinia), Royal Mansour (Marrakech), Hotel Patrizia (Sardinia and Paro), Hotel Cala di Volpe (Sardinia), Hotel Ramazzino (Sardinia), Maia Luxury Resort and Spa (Anse Louis), Southern Ocean Lodge (Kangaroo Isle), şi Lizard Island (Great Barrier Reef.)3 The research included only hotels that had at least 20 rooms.

The elements of the distribution system in the hotel industry include: hotel services provider, intermediaries and hotel services consumers. Certainly changes in the technological environment have also shaped the distribution policies formulated by

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3 http://www.turizmusonline.hu/aktualis/cikk/a_vilag_legdragabb_szalloi
hotel entities. It should also be noted that the consortium and franchise enjoy a high popularity in the distribution of hotel services. 4

For hotel industry, in the structure of marketing communication activities, "placement" of hotels in various movies plays a very important responsibility. Hidden advertising is also welcomed for hotels. We talk about hidden advertising when inauguration of a hotel appears as news on TV. For services, and by default, for services provided by various hotels, physical evidence (servicescape) and human resource are very important communication channels. 5

The elements of the extended marketing mix, in the hotel industry include: human resource, consumer, physical evidence (servicescape), ancillary processes and services. Human resource for hotels is analyzed through the following aspects: number of employees, qualification of employees, communication ability, leadership ability, employees training on specific issues, knowledge of different languages, physical appearance, clothing and metacommunication. 6

Hotel services are provided in a particular environment. Environment, in case of hotels, can be classified into three categories (1) the elements of external environment, (2) elements of the internal environment and (3) other tangible elements. 7

It can be noted that lately the number of those hotels that have an interesting, unique, unusual environment is increasing. This aspect can be explained by the fact that behaviour of hotel services consumer is changing. Continuous analysis of consumer behaviour for hotel services is extremely important. As Töröcsik Mary also states, the person who is attentive to each pulse of the living environment will find new and latest trends. 8 It is also known the fact that the concept of fashion is present in the touristic sector, implicitly in the hotel industry, but its life is greater than the physical products.

Tourists love to experience situations, moments during their leisure they avoid in everyday life. This explains the success of Het Arresthius hotel in the Netherlands. The hotel offers a unique experiment to those staying there because the hotel functioned as prison during the period 1863-2007. Both the external and internal environment has preserved those aspects that defined that prison. In the hotel guests can stay in apartment suites of which four are truly unique including: Manager’s apartment, Guardian’s apartment, Lawyer’s apartment and Judge’s apartments. It should also be noted that the hotel kept also the prison atmosphere through other tangible items such as the bathrobe, for example. The external environment, i.e. the interior design, of Magic Mountain Hotel in Chile looks just like a waterfall. V8 Hotel is a four star hotel near Stuttgart. The segment of tourists targeted by this hotel are those who feel a special attraction to luxury cars. Each room has a special atmosphere. Room furniture is designed from different parts of the luxury cars. Palacio de Sal Hotel is located near the town of Uyuni (Bolivia) and is made of salt. The interior design and the golf course is

4 Kovács, P. - Quoted work, p. 98
5 Veres, Z. - Services Marketing (Marketingul serviciilor), KJK-KERSZÖV Publishing House, Budapest, 2005, p. 54-55
6 Kovács, P. - Quoted work, p.162-164
designed of salt. The hotel is constantly changing, as after a heavy rain there are parts of the hotel that require "touch-ups". Ceasers Palace Hotel in Las Vegas is also a unique hotel both in external and internal image. The goal is to take the hotel guests in the world full of mystery that characterized ancient Rome. Because the hotel is in Las Vegas particular attention is given to the possibility to party, to entertainment.

Usually hotel service beneficiaries perceive the services provision system as an essential component of services. Consequently, the process is a variable that exerts a remarkable influence on the level of tourist satisfaction. The arguments that support the approach of auxiliary services as separate element of the extended marketing mix with hotel industry, are (1) increased demands of hotel services consumer, (2) increased elasticity of basic service demand based on the number and type of ancillary services, (3) increased competition, (4) by means of ancillary services, hotel services providers can gain a competitive advantage that can sustain a winning position.

5. CONCLUSIONS

Due to the specific characteristics that define the tourism sector, hotels should pay attention to identifying new trends in the behaviour of hotel services consumer that broadly define the hotel servicescape.

This element of the extended marketing mix enables hotel services providers to ease the penetration process on tourism market, obtaining substantial competitive advantages and the possibility of competitive differentiation.

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9 Veres, Z. - Quoted work, p.60
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“WORD OF MOUTH” AND CLOTHING BRANDS - PROMOTING INSTRUMENTS IN SOCIAL MEDIA

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Economist Mădălina LIVEDEANU²

Abstract: The purpose of this paper is to find out which are the instruments for promoting offered by Facebook to clothing companies which really helps them to increase awareness, sales, credibility and customer loyalty on the Romanian market.

JEL Code: M31, M37

Key words: “word-of-mouth”, brands, Social Media, promoting, awareness.

1. INTRODUCTION

Social Media Marketing (SMM) has grown in popularity in a surprising way, with the advent of numerous companies that develop strategies based on social platforms like Facebook, Twitter and others. According to recent studies, half of all Internet users now use social platforms. Among them, stands up Facebook considered to be the largest and most famous social network, with more than 1 billion estimated users by the end of 2014, 50% using the site daily.

Viral marketing refers to the promotion of a company, its products and services through a convincing message that is designed to spread online, from one person to another. It can be defined as "a part of a content that is so good that it deserves forwarded". Lörnell and Zetterlund concluded that there are several key factors for a viral marketing campaign to be successful: must stand out to capture the attention of consumers; it is important to be based on a good idea; the content must be interesting; creating ambassadors to try the product before all- they must have a strong position in a network, and is often heard by individuals.

Buzz Marketing or "Word of mouth" is the initiatives designed to make their consumers and the media to speak positively about the company and its products or services. Communication of "word of mouth" is an important feature of social networking sites. In the most cases, individuals have greater confidence in the opinions of the others when faced with a decision. When a person is satisfied with a product, tends recommending to the others. As radiation of a nuclear bomb, "word of mouth" is an invisible force. We can see the effects, but not directly. The properties of this type of marketing are: powerful force in marketing

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³ Bonello, D., Explore the online options, Journal: Marketing, 2006, p. 37-38;
⁵ Deighton, J., Kornfeld, L., The changing face of marketing, Strategic Direction- Emerald Group Publishing Limited, Vol. 26, Nr. 4, 2010;
environment, with the greatest persuasion; the mechanism for sharing experiences; independence and credibility; the fact that is part of the product itself; no limits for speed and purpose; efficiency in the report time spent / effect achieved.

**Targeting** is an advantage provided by SMM and no other media can achieve it at the same level. **The company may apply to a particular type of users** sort by different criteria: nationality, geographic region, type of computer used, taking into account personal preferences of each user that complete their personal profile with numerous data that allow the company to create a detailed database. Another advantage offers exclusively by SMM is **the space used**. The company can generate a much higher content by SMM than by traditional marketing where the space used by the company is limited, including only a few contacts and a company slogan. Very important is **the fast payment that attracts a specific public** on the net and no existing distances to get the brand. Electronic Wallet is an excellent innovation in this sense.6

A special interest from the companies is to loyal their customers. For example, the tourism companies believe they can attract a greater degree of loyalty while customers can make reservations online, or consult their websites, because involves them. We could say that there is “a competitive impact of online bookings on customer loyalty and business and communication strategies”7. Specificity cultural values and traits of a population worth to be taken into account when analyzing the impact of the instruments of social media.

However, the most remarkable aspect that it provides social media compared to traditional channels refers to **the level of involvement which it require**. In social media, **brand commitment can be immediate**. Facebook has become a favorable environment for the companies because it offers them two essential advantages: **raising awareness and building a long term relationship with the customer**. Monitoring and measuring the effects and impact of “word of mouth” advertising on the Internet showed that this impact can translate into **increased confidence to the brand, the formation of attachment to the brand** (brand engagement), **sales growth** and profitability, **increased market value of the brand** (brand equity) and **its reputation (prestige)**.

**2. Objectives of this paper are:**

1. Determination influence of the main promotional tools available on Facebook on the buying decision of the brands clothing trade online.
2. Establish how much the promoting for the companies trade clothing online, through the instruments available on Facebook, leads to increasing awareness, credibility of brands and sales.

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9 Powell, G., **ROI of Social Media: How to Improve the Return on Your Social Marketing Investment**, Wiley, 2011, p. 53
3. METHODOLOGY

Chosen methodology includes documentary search; qualitative research: vox plot; primary and secondary quantitative research. Documentary research was used to consolidate information from the literature. Data were collected using survey, and as instrument was used online questionnaire considered an effective technique. The sample consists of persons aged between 18-24 years, 49.3% women and 50.7% men. The questionnaire was applied during the period 3 to 10 June 2014 online free using Wix platform and introduced a link to it on Facebook. The questionnaire containing 16 questions was applied to a number of 150 people.

Data were imported into SPSS platform Survey Gizmo and Excel.

We focus on one area: trade clothing online. This was established as a result of the vox plot, in which found that most purchased items online in Romania, are clothings.

4. ANALYSES

Research hypotheses:

1. The instrument promotion on Facebook with the greatest impact on users is “the comments” of other users.
2. The presence of companies on Facebook has an impact on the sales.
3. Negative messages about a brand leading to increased its reputation
4. Women attach more importance to comments than men in buying decision.
5. There is a strong link between the comments and the amount spent by users to purchase brand.

Research Results

To the question: "What are the reasons that follow the brand on Facebook?" The following results were obtained:

Fig.1. The reasons underlying follow the brand on Facebook follow

According to data from Figure 1 the main reasons that underlying tracking a brand on Facebook are: finding the news about products, brand loyalty and tracking of special offers. In contrast, a small number of respondents follow a brand page on Facebook for reasons such as participation in competition, friends’ loyalty to the brand, curiosity about product and assistance.

For the requirement: „Established measures to which the presence of the firms in the online sale of clothing on Facebook influencing following aspects” we obtained:
Fig. 2. The extent to which the firms presence on Facebook influences loyalty, acquisition and brand trust

According to available data, the presence of companies on social network Facebook has an average influence on the factors taken into account, considering that the averages obtained was between 3-4 (neutral-over). It can be concluded that the presence of companies on Facebook primarily affects the perception of brand image through that lead to increased confidence in it and in a more reduced its purchase.

For Requirement: "Distribute 100 points among the following sources of information from which you use on Facebook about brands that sell clothes online" the results obtained were:

![Graph showing the influence of Facebook presence on brand loyalty, acquisition and trust.]

Fig. 3. The information functional sources on Facebook

According to Fig. 3, main sources of information used by users on Facebook are **brand page list** and **close friends**, which records the highest average of 22.73, and respectively 21.94. It is noted that the first mentioned source is brand page obtained and maximum: 75 points out of 100. The all friends list (12.48), ads (13.96) or direct messages (13.39) are considered less useful or reliable, because of the minimum values.

**On the requirement:** "Ranked by importance (1-least important, 6- most important) the following tools on Facebook led you to visit the page of a brand" we obtained the following answers:

| Table 1. FB promotional tools - Internet users - accessing brands |
|---------------------------------|-----------|-------|
| **Element**                     | **Total score** | **Rank** |
| Comments about brand            | 622       | 1     |
| Invitations to brand events     | 600       | 2     |
| Brand involvement in discussions on specific topics (Community Pages) | 570 | 3 |
| Tag brand in users' photos      | 521       | 4     |
| Commercials                     | 488       | 5     |
| Direct messages                 | 349       | 6     |
According to the data shown in Table 1, the most important promotion tools existing on Facebook are “the comments” on the brand. They counted a score of 622 points. Thus, they have the largest impact on users and lead them to visit the brand. On the 2nd place can be found “the invitations to events” organized by brand, followed by “brand involvement in issues related to work”. “Brand tag in the users photos” is on the ranks-4, followed by “commercials” and, the last is “direct messages”.

At the request: "Give a percentage measure that you were influenced by comments of users on Facebook to buy a product that sells clothes online brand" (100% - maximum influence; 1% minimum Influence) we obtained following answers:

Table 2. The “the comments” influence posted on FB on the decision to purchase

<table>
<thead>
<tr>
<th>The answer(%)</th>
<th>10</th>
<th>20</th>
<th>25</th>
<th>30</th>
<th>35</th>
<th>40</th>
<th>45</th>
<th>49</th>
<th>50</th>
<th>55</th>
<th>60</th>
<th>65</th>
<th>70</th>
<th>75</th>
<th>80</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pers.No.</td>
<td>2</td>
<td>6</td>
<td>2</td>
<td>36</td>
<td>10</td>
<td>35</td>
<td>7</td>
<td>2</td>
<td>21</td>
<td>13</td>
<td>7</td>
<td>2</td>
<td>4</td>
<td>1</td>
<td>2</td>
<td>43.22</td>
</tr>
</tbody>
</table>

As data shown in Table 2 we could see that respondents are influenced by “comments” on Facebook at the rate of 43.22%. It can be concluded that the posts on Facebook have a high impact on the purchasing decision.

On request: Express your agreement or disagreement on the following statement: "I gave the purchase of certain products on Facebook after reporting of some negative posts", we have obtained the following answers:

Table 3. The negative Posts - Sales decline

<table>
<thead>
<tr>
<th>Strongly disagree (-2)</th>
<th>Disagree (-1)</th>
<th>Neutral (0)</th>
<th>Agree (1)</th>
<th>Strongly agree (2)</th>
<th>S</th>
</tr>
</thead>
<tbody>
<tr>
<td>n</td>
<td>%</td>
<td>n</td>
<td>%</td>
<td>n</td>
<td>%</td>
</tr>
<tr>
<td>5</td>
<td>3,4</td>
<td>50</td>
<td>34</td>
<td>39</td>
<td>26,5</td>
</tr>
</tbody>
</table>

As data shown in Table 3, respondents expressing an average disagreement with negative posts that would influence the purchase of certain brands. So many respondents will continue to purchase clothing brand even if there are some negative comment sites.

Hypothesis Testing

1. Test t of Independence
Comparing the average percentage accorded by men to comments influence with that accorded by women

Hypotheses:

\( H_0 \): The average percentage accorded by men for comments influence on Facebook about buying decision is not significantly different from that accorded to by women

\( H_1 \): The two average differ significantly;

<table>
<thead>
<tr>
<th>Group Statistics</th>
<th>Genul:</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>The average rate for comments influence on Facebook</td>
<td>Masculin</td>
<td>76</td>
<td>38,87</td>
<td>31,782</td>
<td>3,646</td>
</tr>
<tr>
<td></td>
<td>Feminin</td>
<td>74</td>
<td>47,70</td>
<td>14,050</td>
<td>1,633</td>
</tr>
</tbody>
</table>
Independent Samples Test

<table>
<thead>
<tr>
<th>Levene's Test for Equality of Variances</th>
<th>t-test for Equality of Means</th>
</tr>
</thead>
<tbody>
<tr>
<td>F</td>
<td>Sig.</td>
</tr>
<tr>
<td>---</td>
<td>------</td>
</tr>
<tr>
<td>Equal variances not assumed</td>
<td>-2.211</td>
</tr>
</tbody>
</table>

Through an Independent Sample Test was found that the average percentage allocated by men to the comments influence on Facebook on the buying decision (38.87) differs significantly from that assigned by women (47.70).

T(df= 148)= -2.192, p=0.30

Therefore, the hypothesis H0 is rejected. So the difference is significant between men and women, the last one are more interested in comments about fashion brand.

2. Comparing the average scores given by men of different sources of information to those given by women

<table>
<thead>
<tr>
<th>Gender:</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>75</td>
<td>15.80</td>
<td>6.081</td>
<td>.702</td>
</tr>
<tr>
<td>Female</td>
<td>73</td>
<td>17.60</td>
<td>7.270</td>
<td>.851</td>
</tr>
<tr>
<td>Male</td>
<td>72</td>
<td>12.83</td>
<td>5.358</td>
<td>.631</td>
</tr>
<tr>
<td>Female</td>
<td>73</td>
<td>14.08</td>
<td>8.200</td>
<td>.960</td>
</tr>
<tr>
<td>Male</td>
<td>76</td>
<td>28.83</td>
<td>8.587</td>
<td>.985</td>
</tr>
<tr>
<td>Female</td>
<td>73</td>
<td>16.38</td>
<td>8.701</td>
<td>1.018</td>
</tr>
<tr>
<td>Male</td>
<td>75</td>
<td>17.79</td>
<td>6.282</td>
<td>.725</td>
</tr>
<tr>
<td>Female</td>
<td>74</td>
<td>26.15</td>
<td>8.719</td>
<td>1.014</td>
</tr>
<tr>
<td>Male</td>
<td>74</td>
<td>11.95</td>
<td>6.660</td>
<td>.774</td>
</tr>
<tr>
<td>Female</td>
<td>72</td>
<td>13.38</td>
<td>7.020</td>
<td>.827</td>
</tr>
<tr>
<td>Male</td>
<td>75</td>
<td>14.43</td>
<td>6.331</td>
<td>.731</td>
</tr>
<tr>
<td>Female</td>
<td>74</td>
<td>13.42</td>
<td>6.966</td>
<td>.810</td>
</tr>
</tbody>
</table>

Hypotheses:

H₀: The average score assigned by men to advertising on Facebook is not significantly different from that accorded to by women;
H₁: the two areas differ significantly;
Independent Samples Test

<table>
<thead>
<tr>
<th>Announcement type ads on Facebook</th>
<th>Levene's Test for Equality of Variances</th>
<th>t-test for Equality of Means</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equal variances assumed</td>
<td>F = .371, df = 147, Sig. = .544</td>
<td>t = 0.924, df = 147, Sig. = .357, Mean Difference = 1.008, Std. Error Difference = 1.090, 95% Confidence Interval of the Difference: Lower = -1.147, Upper = 3.162</td>
</tr>
<tr>
<td>Equal variances not assumed</td>
<td>F = .924, df = 145.285, Sig. = .357</td>
<td>t = 0.924, df = 145.285, Sig. = .357, Mean Difference = 1.008, Std. Error Difference = 1.091, 95% Confidence Interval of the Difference: Lower = -1.148, Upper = 3.164</td>
</tr>
</tbody>
</table>

By Independent Sample Test we found that the average score assigned by men (14.43) for the advertising on Facebook do not differ significantly from that assigned women (16.38), therefore we can not reject the hypothesis H0.

Through an Independent Sample Test we found that the average score assigned by men to advertising on Facebook (14.43) is not significantly different from that assigned by women (16.38), therefore we can not reject the hypothesis H0.

T(df= 147)= 0.924, p=0.357

ANOVA Test

Hypotheses:
H0: The average percentage for comments influence on Facebook over buying decision not differ significantly by level of education.
H1: percentage varies widely;

Descriptives

The influence of “comments” on Facebook over the decision to purchase a brand

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error</th>
<th>95% Confidence Interval for Mean</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Lower Bound</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gymnasiu m</td>
<td>3</td>
<td>36.67</td>
<td>11.547</td>
<td>6.667</td>
<td>7.98</td>
<td>30</td>
<td>50</td>
</tr>
<tr>
<td>High School</td>
<td>47</td>
<td>47.43</td>
<td>40.389</td>
<td>5.891</td>
<td>35.57</td>
<td>5</td>
<td>300</td>
</tr>
<tr>
<td>Graduate School</td>
<td>100</td>
<td>41.45</td>
<td>12.916</td>
<td>1.292</td>
<td>38.89</td>
<td>10</td>
<td>80</td>
</tr>
<tr>
<td>Total</td>
<td>150</td>
<td>43.23</td>
<td>24.996</td>
<td>2.041</td>
<td>39.19</td>
<td>5</td>
<td>300</td>
</tr>
</tbody>
</table>

Test of Homogeneity of Variances

The influence of “comments” on Facebook over the decision to purchase a brand

<table>
<thead>
<tr>
<th>Levene Statistic</th>
<th>df1</th>
<th>df2</th>
<th>Sig.</th>
</tr>
</thead>
</table>
The influence of “comments” on Facebook over the decision to purchase a brand

**ANOVA**

<table>
<thead>
<tr>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>1273,387</td>
<td>2</td>
<td>636,694</td>
<td>1,019</td>
</tr>
<tr>
<td>Within Groups</td>
<td>91820,906</td>
<td>147</td>
<td>624,632</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>93094,293</td>
<td>149</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Robust Tests of Equality of Means**

The influence of “comments” on Facebook over the decision to purchase a brand

<table>
<thead>
<tr>
<th>Statistic</th>
<th>df1</th>
<th>df2</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Welch</td>
<td>.685</td>
<td>2</td>
<td>.542</td>
</tr>
</tbody>
</table>

a. Asymptotically F distributed.

We made One way Anova test and it appeared that the average percentage given by individuals with different levels of education on “comments” posted on FB is not significantly different, thus confirming the hypothesis H0.

F(df bg=2, df wg=147)= 0,019, p=0,363

**Multiple Comparisons**

Dependent Variable: The influence of “comments” on Facebook over the decision to purchase a brand

<table>
<thead>
<tr>
<th>The last graduate institution</th>
<th>The last graduate institution</th>
<th>Mean Difference (I-J)</th>
<th>Std. Error</th>
<th>Sig.</th>
<th>95% Confidence Interval</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gymnasium</td>
<td>-10,759</td>
<td>14,883</td>
<td>.750</td>
<td>-46,00 - 24,48</td>
</tr>
<tr>
<td></td>
<td>Graduate School</td>
<td>-4,783</td>
<td>14,644</td>
<td>.943</td>
<td>-39,46 - 29,89</td>
</tr>
<tr>
<td></td>
<td>High School</td>
<td>10,759</td>
<td>14,883</td>
<td>.750</td>
<td>-24,48 - 46,00</td>
</tr>
<tr>
<td>Graduate School</td>
<td>Gymnasium</td>
<td>5,976</td>
<td>4,420</td>
<td>.369</td>
<td>-4,49 - 16,44</td>
</tr>
<tr>
<td></td>
<td>Graduate School</td>
<td>4,783</td>
<td>14,644</td>
<td>.943</td>
<td>-29,89 - 39,46</td>
</tr>
<tr>
<td></td>
<td>High School</td>
<td>-5,976</td>
<td>4,420</td>
<td>.369</td>
<td>-16,44 - 4,49</td>
</tr>
</tbody>
</table>

The influence of “comments” on Facebook over the decision to purchase a brand

**Tukey HSD**

<table>
<thead>
<tr>
<th>The last graduate institution</th>
<th>N</th>
<th>Subset for alpha = 0.05</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>I</td>
<td></td>
</tr>
<tr>
<td>Gymnasium</td>
<td>3</td>
<td>36,67</td>
</tr>
<tr>
<td>High School</td>
<td>100</td>
<td>41,45</td>
</tr>
<tr>
<td>Graduate School</td>
<td>47</td>
<td>47,43</td>
</tr>
<tr>
<td>Sig.</td>
<td></td>
<td>0.658</td>
</tr>
</tbody>
</table>

Means for groups in homogeneous subsets are displayed.

a. Uses Harmonic Mean Sample Size = 8,228.
b. The group sizes are unequal. The harmonic mean of the group sizes is used. Type I error levels are not guaranteed.

Post Hoc Comparisons based on Tukey test showed that the average percentage for the influence of “comments” on Facebook about buying decision by those with a medium level of educațiie- graduated from high school (M = 47.43%, sdev = 5.891) did not differ significantly from average percentage of those with a high school graduated (M=41,45, sdev=1,292).

**Bivariate correlation**

a. Hypotheses:

\( H_0 \): There is not a significant relationship between the percentage for influence commentaries and monthly average amount spent on purchasing brand

\( H_1 \): There is a significant relationship between the two variables;

### Correlations

<table>
<thead>
<tr>
<th>The influence of comments on the Facebook over decision to acquire</th>
<th>The average monthly sum spent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.131</td>
</tr>
<tr>
<td>N</td>
<td>150</td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.110</td>
</tr>
<tr>
<td>N</td>
<td>150</td>
</tr>
</tbody>
</table>

Following the bivariate correlation test, based on the Pearson coefficient, revealed that the two variables - the influence of “comments” on brand purchase decision and “the monthly average amount” spent on buying - there is a positive link, weak and insignificant. 

\( r=0.131 , n=150, p=0.110 \)

**Simple linear regression**

\( H_0 \): The regression model is not statistically significant

\( H_1 \): The regression model is statistically significant

### Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.131*</td>
<td>.017</td>
<td>.011</td>
<td>36,601</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), The influence of the comments on Facebook over the decision to purchase

### ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>3459,749</td>
<td>1</td>
<td>3459,749</td>
<td>2,583</td>
<td>.110*</td>
</tr>
<tr>
<td>1</td>
<td>Residual</td>
<td>198261,085</td>
<td>148</td>
<td>1339,602</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>201720,833</td>
<td>149</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: The average monthly sum spent

91
b. Predictors: (Constant), \( i \) The influence of comments on the Facebook over decision to acquire

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>( t )</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>The influence of the comments on Facebook over the decision to purchase</td>
<td>87,500</td>
<td>5,985</td>
<td>14,620</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.193</td>
<td>0.120</td>
<td>1.607</td>
</tr>
</tbody>
</table>

a. Dependent Variable: The average monthly sum spent

The coefficient of determination shows that the percentage of influence for the comments on Facebook about a brand in the online sale of clothing explains 1.7% of the variation in the amount spent on its purchase. Simple linear regression model explained 1.7% of the variation in the amount spent on buying the brand. The \( \text{sig} = 0.110 \) is not significantly \( > 0.05 \) → can not reject Ho.

\emph{Equation regression model}: average monthly amount spent = 87.5 + 0.193 \* percentage of influence of comments on Facebook.

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>0.137*</td>
<td>0.019</td>
<td>0.012</td>
<td>36,693</td>
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</table>

a. Predictors: (Constant), Close friends list

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>( F )</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>3765,770</td>
<td>1</td>
<td>3765,770</td>
<td>2.797</td>
<td>0.097*</td>
</tr>
<tr>
<td>1</td>
<td>Residual</td>
<td>197920,807</td>
<td>147</td>
<td>1346,400</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>201686,577</td>
<td>148</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: The average monthly sum spent

b. Predictors: (Constant), Close friends list

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>( t )</th>
<th>Sig.</th>
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<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Close friends list</td>
<td>83,079</td>
<td>8,219</td>
<td>10,108</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.583</td>
<td>0.349</td>
<td>1.672</td>
</tr>
</tbody>
</table>

a. Dependent Variable: The average monthly sum spent

The coefficient of determination shows that close friends from the list explains 1.9% of the variation in the amount spent on purchasing brand.

Simple linear regression model explained 1.9% of the variation in the amount spent on buying the brand. The \( \text{sig} = 0.097 \) is not significantly \( > 0.05 \) → can not reject Ho.
Equation regression model: $average\ monthly\ amount\ spent = 83.079 + 0.583 \times close\ friends\ from\ list$.

5. RESEARCH CONCLUSIONS

Primarily, the people questioned gave the highest score for the information available on the Facebook page of the brand dress, close friends were put in the place 2. Second, a regression analysis was performed and the result was that friends influence is low in purchasing amount for the brand, explaining only 1.9% of its variation. We wanted to analyze whether sources of information differ from one genre to another and we realized a One Independent Sample T test. We observed that, for women, the most important is the opinion of close friends from the list, which received an average of 26.15 while for men, the information on the brand’s page is essential, with an average of 28.83.

The main tool available on Facebook which influence the buying decision of the brand clothing online is the other users comments, which proved to be true based on the following considerations:

- When the respondents were faced with ordering tools on Facebook that makes them visit a page brand, they gave the best score of comments, followed by invitations to events organized by brand. Given that the two scores are pretty close in value, we conducted a Paired Sample T test which resulted in the two areas that are not significantly different.

- Average percentage obtained for estimating the influence of comments on the decision to purchase a brand clothes online trade reached 43.22, a figure quite high. This suggests that the experience of others largely determines the purchase decision. However, taking into account the fact that the negative posts that does not inhibit this decision, it can be concluded that the influence comes from the positive aspects of the brand, that experiences of friends and acquaintances who have had a pleasant stay.

Independent Sample t-test was used to see if comments influence in the same way purchasing decisions of women and men. In this case, the differences are significant, the comments on Facebook influencing in a proportion of 48% women and 38% men. Therefore, this tool is most useful on female persons who prove to be more impressed by the experiences and opinions posted. However, the impact of comments is not as profound, given that it not leads to an increase of the amount invested to purchase brand. We used bivariate correlation, based on the Pearson coefficient and found that the average percentage allocated on comments influence on the decision to purchase the brand and the average amount spent on buying it there is a positive relationship and weak, but insignificant. This conclusion is evidenced by the result of the simple linear regression analysis which showed that the variation of monthly average amount spent to buy the brand is explained only in a proportion of 1.7% of comments on Facebook.

We conducted a test ANOVA to determine if the average percentage for comments influence varies by education (last institution graduated). We found that the averages do not differ significantly by education.

The objective "Determining whether promoting companies with online clothing trade through promotional tools available on Facebook, lead to increased brand awareness and sales of their products" we followed two hypotheses testing. The first, "The presence of companies on Facebook has an impact on sales growth" is true, since the score given the impact of this firms on Facebook has on brand purchase exceeds the average, reaching the
value 3.22. We wanted to compare the amounts invested by women and by men in purchasing the brand clothes. Independent Sample T Test With it turned out that this doesn’t differ by gender. If it was expected that female to allocate an amount higher than the male, this proved to be false, both earmarking about 22 euro for buying brand clothes. The second hypothesis corresponding to this objective: "Negative messages about brand awareness increase its reputation" is true, since after posting on Facebook, the largest frequencies have been looking for as many product information and visiting its page. Accordingly, any positive or negative post entails a process of searching for information and, therefore, a better knowledge of the company. We observed that users share opinions about products not only when they are disappointed with the quality, but rather when they have news and they want to communicate it to the others. This is the main reason for posting on Facebook.

According to research, we found that buzz marketing is really an effective tool to promote business on social network Facebook in Romania. Thus, if the post as many opinions about the company, the number of fans and customers will increase as the user does not remain indifferent to what is visualized and immediately experiences a reaction. Whether visiting the brand page or search for more information about this or require the opinions of friends or even purchase it. Therefore, companies can successfully use this tool also taking into account some aspects: the comments must come from customers and their satisfaction; a satisfied customer will bring others. Also, negative posts should not be deleted, since it can undermine confidence in the company if they resort to this action. It was found that they can have a positively influence brand awareness and therefore have their usefulness. Viral marketing has proven to be less appreciated; direct messages were posted on the last places when it comes to the degree of influence the buying decision.

References
HUMAN CAPITAL IN ECONOMIC THEORY AND PRACTICE

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Abstract: In the current context, when the economic environment is marked by profound changes, the companies face a number of key issues like: globalization and thus increased competition, the development of information and communication technologies, change of consumer behavior, the greater role of intangible assets, all these factors affecting the competitiveness and development of firms. Human capital and its influence on economic growth and firm performance can contribute to strengthening the position of a country or company. In this article we focused on coverage over time, human capital in economic theory and practice of the factor of production to be minimized to internal resource of an organization that can provide a sustainable competitive advantage.

JEL classification: O15, E24

Key words: human capital, human development, knowledge economy, firms performance, economic growth, intangibles

1. INTRODUCTION

In the current context, when the economic environment is marked by profound changes, the companies face a number of key issues like: globalization and thus increased competition, the development of information and communication technologies, change of consumer behavior, the greater role of intangible assets, all these factors affecting the competitiveness and development of firms. Human capital and its influence on economic growth and firm performance can contribute to strengthening the position of a country or company.

It is obvious that through modern communication and information technologies, the rapid spread of knowledge will reduce temporal and spatial gaps in human activities and this process will affect human society in all its aspects: economic, social, political, cultural.

The economic activity specific for this stage of development of society is characterized by major change in comparison with traditional economy. It is an economy based on rapid exchange of information in real time. The term that defines this stage of development of the economy is "new economy", a term which first appeared in the mid 1990s, and is the result of all structural changes occurring in the
last decades of the twentieth century, mainly as a result of technological innovation and an effect of globalization.

2. INNOVATIONAL ECONOMY AND HUMAN CAPITAL DEVELOPMENT

The main feature of this new economy is that intangible assets become more important than the tangible. In the knowledge-based society, "the knowledge-based economy (digital economy, internet market) is very important, crucial, and essential and includes the use and management of existing knowledge in the form of technological and organizational knowledge ... a new economy in which the innovation process is decisive." (Drăgănescu, 2002)

In addition to this main feature, the new economy, also known as digital economy because is the result of the influence of communication and modern technologies on the existing economy, has other specific characteristics which differentiate it from traditional economy.

Due to these features, we can highlight that all fields of traditional economy will transform into electronic fields of activity because of the mobile communications and, in particular, the Internet. For example, we talk more and more about e-commerce, e-banking, e-business. These new types of business will require quite high investment at first, but the savings achieved thanks to these new technologies will make them more efficient than any activities existing in traditional economy.

Electronic commerce is currently the most developed area of the new economy.

The reason why e-commerce has a significant impact in modern society is that it meets the needs of consumers, for whom the lack of time is a constant issue due to extremely high dynamics of the activities in which they engage.

For a society where the lack of time is an increasingly stressful matter, e-commerce is an optimal solution.

Another feature of the new economy is the possibility of involving the consumers in making the products and services, ease of communication and access to information enabling clearer and more direct expression of consumer needs. Their access to information and communication with consumers has minimal costs due to the Internet, e-mail and mobile communications. In this context, it is considered that both consumers and producers can contribute actively to the development of products and services which have as final results the economic development.

The interaction between producers and consumers on the one hand, and internal interactions within groups of producers and consumer groups on the other hand, facilitated by easy access to information, have led to another feature of the new economy: the obligation of strengthening the cooperation between producers in the same industry.

This need arises because the use of information makes consumers to continuously modify their expectations, requirements and, not least, the level at which they want to satisfy their needs.

Those who hold the information in the new economy will continue to have power and manufacturers and service providers will be transformed into entities that will satisfy all customer requirements. This begins to take shape through mergers taking place in different areas - automotive industry, financial, telecommunications - , being formed true giant corporations operating on a global scale.
Another feature of the digital economy is the flexibility and the increase of opportunities for innovation, this requiring highly skilled workforce capable of producing a higher added value for various economic activities.

For this reason, companies may be confronted with a problem of human resource management in the sense of discovering and keeping those employees who are able to bring added value to an organization based on continuous learning. Employees of the new economy will be different from those working in traditional economy, since they will be subject to a continuous process of learning and life-long professional development. There will be increasingly more specialists in different fields who will provide consultancy services to several companies. The new economy employees will receive a greater degree of independence and self-confidence based on the knowledge and information in their possession.

Although the new economy is based on the use of information and the intangible assets will be more important than the tangible, property will however remain equally important in this new economy. The importance that people attach to their property can not be changed easily.

The fact that new economy is built on innovation, on efficiency by reducing resource consumption, increasing labor productivity and an unprecedented dynamics of economic phenomena is the argument for imposing the new economy as a higher phase of the economy.

This phase of economy is also characterized by the fact its evolution is based on the following principle: "the more people involved the bigger benefit for everyone involved)." (Pambuccian, 2003)

It is obvious that the development of innovative economy is impossible without the accelerated development of socio-economic sphere and investment in human factor.

3. HUMAN CAPITAL THEORY

Human capital theory has undergone several changes over time, being developed by specialists in economics and management.

In every stage of economic development, there have been approaches to human capital theory that contributed to improving human capital's definition. Although the first concerns in the sphere of human capital dates back to ancient times (Plato and Aristotle defined knowledge as "the mental faculty of man"; in 1776 Adam Smith defined as elements of capital the skills and knowledge that are "useful" for the human being), this concept is attributed to Theodore Schultz who defined human capital as "all attributes that are valuable and can be developed through proper investment" (Schultz, 1961). He demonstrated that investment in human capital through education and training is more effective than investment in physical capital.

One of the main problems in approaching the human capital was to separate this concept of the idea of gross work. Human capital has as essential feature profitability. According to Mincer (Mincer, 1958), the return on human capital equals with investment performed to obtain the amount of human capital. Another important feature of human capital is to be stored, which means that the extra investment in human capital, its value increases.

Th. Schultz (Schultz, 1963), along with Becker (Becker, 1962) and Ben-Porath (Ben-Porath, 1967) have argued that not only tangible assets but also human
capabilities can accumulate and become capital stock. Due to storage capacity, the knowledge of individuals, their skills and experience can accumulate and turn into sustainable capital. Ben-Porath model was one of the first models that incorporated a law of motion for human capital. Due to a storable human capital and constant returns in human capital, sustainable growth will be achieved.

In the theory of human capital, a special place is held by the economic efficiency of investment in human capital - education, which is analyzed considering the economic return on investment in human capital. This problem has been studied by Gary Becker (Becker, 1962), who discovered that income of individuals are dependent on their spending on education.

Further development of human capital theory turned to researching the role that it plays in economic growth.

The current theory of human capital and its influence on a company's performance suggests that a strategic approach to the development of human capital can contribute to organizational success. However, empirical research results achieved over time are contradictory, in the sense that certain human capital variables are found to have a significant influence on organizational performance in a particular context, while in another context the connection is insignificant.

In 1988, R. Lucas (Lucas, 1988) proposed a model in which allocations of human capital in various sectors are different, and the model suggests that there is a close connection between productivity growth and investment in human capital and not in physical capital.

This approach is significantly present in the specialized literature. Human capital was analyzed together with other factors (technical progress, education, health etc), which increased its importance as an additional resource in the process of economic growth.

S. Rebelo (Rebelo, 1991) elaborated a model taking into account the human and physical capital and demonstrated that the company will achieve the highest productivity if there is balance between the two types of capital. Recovery from a situation in which human capital is destroyed requires a longer period of time compared to recovery from a situation where physical capital is affected. This idea opens up new lines of inquiry in the field of human capital protection systems.

Contemporary economic theories treat the interaction between the economy and human health as a key factor in the quality of human capital, i.e. the actions of individuals in economic activity. Current concerns are turning towards investing in health which is carried out by both the individual and the state.

Theories on human capital and human resources have undergone many changes in recent decades, being integrated into both economics and management. The relationship between human capital and organizational performance has been researched over time in various forms, such as: analysis of company resources, theory of dependence of the firm on resources, institutional theory and others. In traditional economic theory, human capital is considered a production factor that needs to be minimized and human resources is much more, being considered a source of competitive advantage, difficult to replicate by competitors in the market. The current theory of human capital investigates its influence on company performance, the strategic approach to human capital contributing significantly to organizational success.
Contemporary theories also address the correlation between human capital and innovation. Human capital is associated with skills, knowledge and experience, capabilities that can be improved. Thus, human capital is a key source of competitive advantage for both individuals and economic entities or society, measured by level of education and investment in human capital: "human capital means all intangible assets people bring to their workplace "(Davenport, 1999). Addressing human capital from a functional perspective, we can say that it is an accumulation of skills, knowledge and motivations embedded in an individual, effectively used to increase revenues.

These capabilities and qualities of the individual have contributed to the emergence and development of new economy, opened new horizons in the perception of economic phenomena, based on innovative ideas that gave rise to innovational economy.

5. Conclusions

The central element present in most approaches the concept of human capital is that it is considered an important resource which depends on the collective skills and use them effectively lead to improved organizational performance.

The traditional theory of human capital was seen as a factor of production to be minimized, so that later, human capital is seen as a valuable asset to be developed.

In general, human capital refers to initiatives promoted to attract, develop, deploy and retain staff in an entity. More specifically, human capital refers to the combined knowledge, skills, experience, creativity labor, attitudes and motivations, all entities incorporated in collective ability to extract the best solutions. (Gates, 2010)

(Gates, 2010)Treatment of human capital as a resource organization has generated progress strategic management of human resources, focusing attention on people and issues such as knowledge, dynamic, leadership, as sources of competitive advantage, directing research at the intersection between strategy and human resources.

At the core of human capital as a resource vision of the company is convinced that companies can add value even if competitive barriers, only when they have resources that can not be easily acquired, copied, imitated and interchangeable. As a result, internal resources and competencies of a firm (abilities, organization, know-how, attitudes, etc.) are regarded as basic to ensure a sustainable competitive advantage.

Despite growing interest, both nationally and internationally, to quantify the efficiency and effectiveness of human capital management practices, and assess its influence on the overall performance of companies, there is a set of indicators to address these goals and agreed to be human.

References


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THE GROWING IMPORTANCE OF CAPITAL MARKET DERIVATIVES IN ROMANIA AND THEIR IMPACT IN THE EUROPEAN ECONOMY

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Abstract: The volume of transactions and the growing importance of derivatives on the capital market in Romania involve the growth of their influence and the markets they take part in. This implies a major study of their role in the economy, especially in the context of economic crises. The present paper will present a brief survey related to derivatives, their emergence and evolution history, types of instruments and how they are mainly used, major trends and their impact on the economy in general, and commercial and banking systems in particular. Thus, derivatives currently play a particularly important role in the global economic system. Nevertheless, their role and impact has not been studied at the same level as bond markets and shares, at a time when the influence of prices and relationships that form the derivatives market is not less, but, in some areas, it is much greater than the impact of traditional financial instruments.

JEL classification: G13, G15, G21

Key words: financial instruments, derivatives, crisis, banking system.

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1. INTRODUCTION

The study of economic systems is the analysis of organizing production, distribution, consumption and investment and the study of optimal resource allocation and institutional design. Traditionally, the study of economic systems was based on a dichotomy between market economies and planned economies, but nowadays, studies compare and contrast a number of different variables, such as ownership structure (Public, Private or Collective), economic coordination (planning, markets or mixed), management structure (Hierarchy versus adhocracy), the incentive system, and the level of centralization in decision-making.

Derivatives currently play a particularly important role in the global economic system. Nevertheless, their role and impact has not been studied at the same level as bond markets and shares, at a time when the influence of prices and relationships that form the
derivatives market is not less, but, in some areas, it is much greater than the impact of traditional financial instruments.

The great evolution of derivatives markets\(^1\) over the past 40 years, the continued growth of the share of derivative contracts in international financial circuits and the use of these tools already outside financial and banking institutions impose the need to study this subject at a more detailed level. This transformation has been both quantitative and qualitative, and it is the result of a number of structural developments that happened during the 1990s and 2000s. Among those we can mention a dramatic rise in global trade, market deregulation in the US, important technological and legal developments, increased liquidity and access to finance for commodity markets participants.

The present paper will present a brief survey related to derivatives, their emergence and evolution history, types of instruments and how they are mainly used, major trends and their impact on the economy in general, and in particular commercial and banking systems.

The objective of this paper is primarily to take notice of the important changes that happened in the commodities sphere over the last fifteen years and to convey the ongoing debate on risks arising from these changes. Further on, the present paper analyses current developments from a policy point of view and describes the state of play of regulatory reform of commodity markets in the EU.

\section{Objectives}

What are derivatives? Derivatives - in definition, are contracts whose value is derived from another asset, which can include stocks, bonds, interest rates, stock indexes quotations. The purchase of a derivative essentially consists in the arbitrage of future value as compared to the present value in order to ensure the risks related to price changes or in order to obtain profit. Derivatives include widely accepted financial products such as futures and options, forwards, swaps\(^2\).

As mentioned above, derivatives are contracts through which you can transfer risks related to changes in prices. In general, a derivative contract is a legal document concluded between two or more parties who contract the conditions of the contract, the operations volume, prices etc.

Derivative contracts can be derived from virtually any indicator that may be just measurable. Derivative contracts play a special role in ensuring risks related to changes in prices for primary commodities such as energy resources (oil, gas, uranium, ethanol, etc) food agricultural products (wheat, rice, soybeans, coffee, cocoa, meat, milk, juice orange, sugar, etc.) non-food agricultural products (cotton, wool, rubber, palm oil, etc.), industrial metals (steel, copper, lead, zinc, aluminium, aluminium alloy, cobalt, mobildem) precious metals (silver, gold, platinum, palladium)\(^3\).

Also in the result of the evolution of derivatives market, there are derivative contracts for currencies, stocks and even bonds, and a wide range of other instruments. The use of possibilities involves important advantages, but also risks\(^4\).

\begin{flushleft}
\footnotesize
\(^2\) Hull John C. - Options, Futures, and Other Derivatives (8th Edition) ( 2011)  \\
\(^3\) Deutsche Börse AG - The Global Derivatives Market (2008)  \\
\(^4\) Chernenko Sergey, Michael Faulkender - The Two Sides of Derivatives Usage: Hedging and Speculating with Interest Rate Swaps (2007)
\end{flushleft}
In general, derivatives are used to transfer, mitigate, control and eliminate financial risks related to possible changes in price, supply and demand fluctuations, etc. These operations are known as hedging. Through derivatives, it is possible to contract a risk or an insurance risk related to a specific asset or index at a fixed maturity date.

Thus, in order not to assume currency risks and the risk of changing prices, an exporter of grain may contract between two futures or options contracts for the delivery of goods that will establish a foreign exchange and fixed price which will be obtained by the export. His counter-agent can serve any person who wants to cover the equivalent risk, but the other way around (importer - consumer). In this example, both sides have used hedging and have totally or partly removed the risk related to the uncertainty of changes in prices and exchange rates.

Nevertheless, it is important to note that derivatives can also be used for other purposes such as speculation, and arbitrage. Speculation involves intentionally taking a risk through derivatives and involves the possibility of obtaining a considerable profit if price changes thanks to the change of prices of assets in a future period. Arbitration is a transaction or series of transactions carried out by financial instruments that secure the exploit of the differences between two or more markets, related to pricing, execution time, exchange rates, and interest differences. Although this type of operation involves less risk than speculation, the risk remains significant.

3. METHODOLOGY

The history of the emergence of derivative contracts has its roots in medieval times. Their appearance was simultaneously conducted in several regions, the common circumstances being related to the development of trade and credit operations and other financial relationships which involved the need for products and future harvests, mitigation and management of natural hazards and providing finance current activity.

The first prototype of derivative contracts are included in the Bible, dated approximately 1700 BC. But a closer variant to the modern form was simultaneously seen in two opposite sides of the world, namely Japan and the Netherlands in the 30s XVII.

In Japan, business operations were related to contracts regarding future harvests of rice and were concluded between feudal landowners who needed stable funding and did not want to depend on natural hazards that could strongly affect the yield and income respectively, on the one hand, and, on the other, wholesalers of rice (which at that time presented a benchmark and were related to the amount of currency in gold and silver) that ensured the delivery time, and tried to obtain additional earnings from price fluctuations. It is within this system that the Japanese trader Munehisa Homma first developed the analysis of price fluctuations based on the development of graphics called "Japanese candles." This was also the beginning of the technical analysis of financial markets.

In the Netherlands, the emergence and evolution of derivatives markets refers to tulip mania of the ’30s during the seventeenth century. In this period, derivative contracts were carried out for Tulips, depending on the apron and the price of each species. The price depended on the rarity of the tulip. One of the most expensive species was 'Semper Augustus.' In 1636, there were only two such tulips throughout the Netherlands. Derivative contracts in this market were not limited to the Netherlands. The London Stock Exchange quoted the forwards contracts. This craze ended in 1636-1637 and induced enormous loss of wealth, and loss of market formats.
The further development knew several stages, but one of the most essential is the stage which took place in the 1970s when the derivatives market expanded and began issuing currency derivative contracts related to stock market quotations, etc. During this period and until the liquidity crisis in the summer of 2007, this market saw unprecedented growth, widening its scope of coverage towards the mortgage debt, consumer credits through the process known as securitization that took place both in the US and in Europe\(^5\).

To compare correctly the size of commodity markets, it is important to use the right metrics. For exchange-traded derivatives: Open Interest is the key variable to measure size. Open interest is the total of all futures and option contracts entered into and not yet offset by any opposite transaction. The aggregate of all long (buy) open interest is equal to the aggregate of all short (sell) open interest. As commodity futures contracts are traded on organised exchanges, data on total open interest for particular commodity futures is available through the exchanges or financial data services providers.

For OTC derivatives: Notional amounts outstanding are the relevant variable to measure size. Nominal or notional amounts outstanding are defined as the gross nominal or notional value of all contract deals which will be settled in the future.

Ideally in the future, and in particular in the case of OTC markets, useful data to collect should include gross and net notional values, trade count and open interest, broken down by dealers/non-dealers and commercial/non-commercial from participants others than financial intermediaries, this is, the buy side. The data should also be grouped per commodity type, as different underlying commodities exhibit very different characteristics. These data could then be combined with the exchanges data to explore the links between OTC derivatives and their underlying commodities future markets. These data could help regulators to detect and monitor the presence of undesirable underlying market outcomes arising from OTC commodities drivers.

4. ANALYSES

The principal markets for derivatives and leading participants. The most important factors that determine the relations that set the evolution of the derivatives market are:

- Commercial banks - serving financial circuits and making the lending function involving a considerable number of risks, whose management is performed based on a risk management policy that includes extensive use of derivatives.
- Investment banks - institutions that most actively participate on the derivatives market, while they are used for hedging, speculation and arbitrage. The main aim is to ensure risks and or obtain profits through these tools. The work of each institution in this case depends directly on risk policy adopted and goals related to profit.
- Pension funds, insurance, investments, hedge - situation largely similar to investment banks for investment funds and pension funds, insurance companies and hedge - depending on the adopted risk and profit policy, but largely on hedge operations.
- Companies - especially companies that operate internationally through sales operations, purchasing, commercial lending, import/export, and manage risks

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importance. But also the use of derivatives to ensure levers of managing earnings, and tax planning, as well as an additional source of funding.

In connection with the purposes of using derivatives, more studies were conducted, such as Smith and Stulz (1985) Froot, Scharfstein, and Stein (1993), DeMarzo and Duffie (1995) (Bodnar, Hayti, and Marston (1998), Faulkender (2005) and Geczy, Minton, and Schrand (2007). Each of the studies presented research the detailed reasons and behaviour of entities in the operations with derivatives. The types of derivatives are a unique aspect of the area studied, because of a large number of scholarships that serve transactions with derivative contracts, such as: CBOT (Chicago Board of Trade), EURONEXT (Euronext NV - Amsterdam), ICE (Intercontinental Exchange), LME (London Metal Exchange) SCE (Singapore commodity Exchange). Each of these great scholarships either specialized and general, offers a wide range of derivatives such as Futures, Forwards, Options, swaps, etc. Each of them is contracted in a number of tools which, in turn, is classified and defined according to periods of time.

In relation to the banking system, it is important to note a significant share of transactions with derivative contracts from interests. On the derivatives market, they occupied a weight fluctuating around 60 % of the national amount of the contracts that reached $ 600-700 trillion every half year during the years 2010-2012.
Using open interests as measure of size, the commodity futures market grew from around $70 billion in 1998-1999 to $1307 billion in June 2008. Prior to the crisis growth was supported by the rise of commodity prices: between June 1998 and June 2008 the Dow Jones-UBS Commodity Index increased by 141%. The drop of total open interest during the second half of 2008, from $1307 billion to $519 billion in Dec 2008 (-60%) was in tune with the evolution of commodity prices (for the same period the DJ-UBS Commodity Index fell 50%) and suggests a large value effect at the time. Interestingly, since then, the aggregated open interest totally recovered to reach $1349 billion in Dec 2013, while the DJ-UBS Commodity Index stayed at the same level. The increase of open interest from 2008 until 2012 beyond the increase in the commodity index could be explained by the run out of financial markets at the beginning of the crisis accompanied by the increase of liquidity provided by central banks. Nevertheless, the change in the positive correlation between these two variables since 2012 is mostly explained by the “futurisation” phenomena (see next section).

Source: Bloomberg, EC calculation. Note: The chart above computes, for commodity futures markets, the worldwide sum of the aggregated (all maturities for any given contract) open interests in USD, taking into account only contracts with aggregated open interests in excess of USD 100 million in Dec 2013.

Figure no. 3. Evolution of future open interest versus DJ UBS Commodity Index

6 The Dow Jones-UBS Commodity Index (DJ-UBSCI) is a broadly diversified index that allows investors to track commodity futures through a single, simple measure. It is one of the two main commodity markets benchmark, the other one being the Standard & Poor’s Goldman Sachs Commodity Index (S&P GSCI). The DJ-UBSCI is composed of commodities traded on U.S. exchanges, with the exception of aluminium, nickel and zinc, which trade on the London Metal Exchange (LME). For more information see http://www.djindexes.com/commodity/

7 These figures are in line with the trend and figures reported by the industry. See for example J.P.Morgan, Global Commodities Research (3 January 2012), “Commodity Investment Flow Monitor” page 8 reporting the listed open interest of 43 commodity futures markets from 2000 to Dec 2011. At the end of Dec 2011 the open interest of this set of commodity futures stands at $ 873 bn and close to the 2008 peak ($ 975bn). It increases progressively from 2000 (below $ 100bn) and then strongly up to 2008.
When looking at the breakdown per commodity and per region, US exchanges currently hold the lion's share of the total aggregated open interest. This is especially true for energy refined products (gasoline, heating oil, RBOB gasoline, etc.) and natural gas, where the shares of US exchanges are 73% and 89.1% respectively. US exchanges also hold a very large share of the aggregated open interest for agricultural commodities such as soybean⁸, corn and wheat (61.7%, 88.4% and 75.8% respectively).

European futures exchanges exhibit sizeable market shares in crude oil (Brent crude oil and WTI crude oil futures contracts from ICE Futures Europe exchange⁹), with 53.7% market share, and industrial metals through the London Metal Exchange.

4.1 Critical

Case study losses on derivatives markets, Lenham Brothers, Societe Generale etc. Risky nature of these financial instruments was demonstrated by the financial market events of the past two decades. Consequently, over several economic cycles, the crisis of '90, '00, '08, some financial institutions were hit by losses on the derivative market. In the recent crisis, which has been the most acute in at least the last two decades, a number of financial institutions have gone bankrupt also as a result of financial operations derivatives markets. Although this problem seems simple and based on the tendency of obtaining profits even with increased risk, it is not at all like this, the real complexity of the processes being more advanced.

As a result of the crisis and the recession following it, a number of world-class institutions became insolvent, institutions such as Lenham Brothers, Merrill Lynch, Freddie Mac, Fannie Mae. Another financial institutions, both banks and non-banks, such as Societe Generale, BNP Paribas, Citibank have also suffered great losses.

Policies of investment and especially policies of investment and speculation in markets with a higher risk, as well as those of derivatives when used with other purposes besides hedging, are strictly in accordance with institutional risk management policies. They limit people in charge from trading, and that is the reason why the tendency of banks to blame its staff for fraud is far from the truth.

The crisis that occurred in late 2007 early 2008 was not the first crisis for the derivatives market. A similar, but smaller one occurred in the 90s. At that time, a number of financial institutions also suffered losses and some went into insolvency. Further on, in the period before the crisis, the economic situation was unstable, and the information related to imbalances on mortgage markets, share market and other markets, including the derivatives, was available to financial institutions and individual investors, which required strong changes in risk management policy.

Although the processes on the derivatives market considerably hit the profits of banks, their impact was relatively low compared to losses as a result of securing relative

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⁸ The aggregated open interest for soybean is for the soybean complex, i.e. including futures contracts for soybean, soybean oil and soybean meal.

⁹ Established in 1981 as the International Petroleum Exchange of London (IPE), and acquired by ICE in 2001, ICE Futures Europe is the largest regulated energy futures exchange in Europe, and the second largest in the world. Its Global benchmark ICE Brent Crude is relied upon to price two-thirds of the world's physical oil.
nonperforming mortgage derivative securities by mortgage giants Freddie Mac and Fannie Americans Mae and a number of commercial banks.

5. CONCLUSIONS

The field of derivatives is an area that has developed relatively recently, the impact and opportunities that developed induced by this development depending on the prudence of institutions and individual investors may favour or disfavour their position and even existence on the financial market. It is important to note that regardless of the type of derivatives, they are instruments, and particularly they are risk instrument with which this risk can be brought to minimum, or infinitely increased, the final outcome depending on how this tool is used. Media is usually increasing failures obtained and forgets the years when the same tools brought great profits. A number of profitable hedge funds prepared for the crisis have failed to register significant increases using the same tools and have gone unnoticed. But, as the crisis has shown us once again, instruments can be used differently. Not even the state guarantee on derivative contracts of bad loans can magically transform them into something powerful, a fact well-known in psychology, when people experience money management, risk and potential profit, most of them lose their control over emotions.

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7. *** http://www.djindexes.com/commodity/
TRADE EFFECT ON ECONOMIC GROWTH OF BALKAN COUNTRIES
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Abstract: Even though until now there does not exist a concrete economic theory stating that there is a link between trade and economic growth, some researchers have in fact found some evidences that underline a positive effect of trade in economic growth of a certain country. The aim of this study is to observe the case of Balkan countries, if there exist a positive relationship between trade and economic growth. The methodology used in this research is the estimation of panel data for years 1990 until 2013. Trade is measured by foreign direct investment, exchange rate and import-export. Contrary to the expectations, this study showed that there exists negative effect of trade on the economic growth for the case of Balkan countries.

JEL classification: F02, D74, H56

Key words: Openness of Trade, GDP Growth, FDI, Trade Volume, Exchange Rate

1. INTRODUCTION

This research paper shows and analysis the impact that openness of trade has on economic growth into ten economies in transition - Albania, Romania, Bosnia and Herzegovina, Croatia, Bulgaria, Macedonia, Slovenia, Montenegro, Greece and Serbia. Instability in political issues in the 1990s has provided many traces on the region of Balkan and unsettled political troubles have remained yet on the program. Even though Romania and Bulgaria became members of EU in 2007 and are nowadays more often defined inside the grouping of 10 latest member in EU states, the SEE(South East Europe) countries have a lot of familiar features as a consequence of a common past and alike transition economies.

The majority countries in Balkan have live out a high economical and political shakiness during 1990s, although the recoveries of the economy and transition regarding reforms done in the economy have been usually slower than the other part of Europe. (Kleine, Monastiriotis, White, & Gattermann, 2013) Regardless of a lot of positive developments through 2000s, countries of Balkan may yet have problem in their figure: mostly, for a lot of possible investors that come from different other countries, in many cases word Balkan shows worried images of conflict and war, more often than opportunities of investments and economic prospective. (Cviic & Sanfey, 2010)

This research paper provides the relation among the effect that openness of trade has on growth of the economy. Through estimations of econometrics methods, the
impact that trade will have on growth of the economy for 10 Balkan countries is calculated by testing the objectives that determine economic growth for each of these ten countries as a meaning of FDI, exchange rate, and trade openness expressed by volume of trade measured by exports plus imports.

The other part of the research shows literature review regarding trade and the impacts that it has on Balkan’s growth of the economy: Part 3 gives a explanation and some assumptions that are part of methodology, following by the data that were used together with their sources: in the part 4 are given the results of all the models used: and part 5 shows the conclusions that are based on all the answers that this paper has provide.

2. LITERATURE REVIEW

There are a lot of studies that show the relationship between economic growth and openness of trade. In trade hypothesis, the connection among openness of trade and economic growth is usually a complex issue. The gains taken from theories of trade” (e.g. Heckscher-Ohlin-Samuelson theorem) dispute that openness of trade contributes to growth on economy throughout comparative advantage and also gains from efficiency. On the other hand some structural theories that were pessimist theories” (Prebisch & Singer, 1950) argue regarding openness of trade that may provide losses to countries that are less developed in the long-run because of declining conditions of trade since these countries, export mostly main goods that have inelastic income. Nevertheless, the disagreement used to be moderately less as part of empirical literature. Trade of countries is not strong-minded exogenously; somewhat trade of one country is mostly determined by the overall economic policies of own countries which also gives direct impact on growth of the economy. As a consequence positive relationship among trade and growth does not involve openness to cause economic growth (Ahmed 2009)

The results from one study done shows that in some countries exports of products that have high quality grow faster. While is found a non-linear pattern between dependency ratio of the trade and the quality of the trade by arguing that trade may have a negative impact in growth for such countries that export more low quality products. So is found a non-linear relation among variety of exports, growth and ratio of trade by showing that those countries that export a huge volume of products will grow even more rapidly. (Huchet-Bourdon, Mouel, & Vijil, 2004)

Some other outcomes provide significant evidence by referring to the restrictions on trade that can support growth, mainly in the developing countries under some conditions. It is essential to note down that this study has provided no intention regarding establishment of a simple and positive relationship among barriers of trade and growth. (Yanikkaya 2002) Even though in another study is shown that a long-run relationship among economic growth and openness with a short-run alteration to the variation from the balance for both dependency directions. The long-run coefficients show a positive significant outcome referring from openness to the growth and vice versa, by representing that integration to the international area is a helpful strategy regarding long term growth.

On the other hand the short-run coefficients provide a negative short-run outcome, by arguing that openness of trade can be even painful for an economy. (Gries & Redlin, 2009) The other researches review by empirical analyses the connection
among economic growth and international trade and some more new empirical analyses that provide of the link among productivity growth and trade. They said as that there exist a positive relation among economic growth and international trade. (Andersen & Babula, 2008) Another author shows some empirical studies that provide a correlation among economic growth and trade openness which has been usually negative prior to WWII and optimistic after that. He has shown that diffusion of technology in an efficient way is the main determinant for the overall effects that trade openness has on growth. A quantitative analysis added a new evaluation regarding the impact that trade has to the U.S. economy and also some policy recommendations for the countries that are going on to an upper level of globalization. (Wang, 2012) The relation among openness in another research done is defined as total trade by calculating (the sum of exports and imports) and using it as a division of GDP, and on the other hand growth

Both sets of data used in this study have take in countries at a range of stages regarding development. The findings have shown that the effect of openness that has on economic growth is positive and significant, but even though it is substantial economically: an increase of trade calculated as a fraction of GDP by 10 percentage, permanently it shows to increases the real growth rate of GDP per capita by roughly 0.25 to 0.3 percent. (Karras, 2003) Openness of economy regarding some studies means more than liberalization according reduction or even elimination of tariffs or non-tariff kibarriers referring international trade, as the slow participation of a variety of parts of the economy that provides a macroeconomic profile to all the process. An improved level of openness can be quantify both throughout concentrated trade relationships and competitive input on markets that have potentially rising income of scale regarding to their extended proportions. The complementarily among external oriented trade policy and additional domestic economic policies can ensure a recovered macroeconomic supervision.

The findings of some other researchers advise that the effects of financial trade openness are optimistically linked to the of financial trade openness, representing that moderately closed economies may gain some benefit from opening up their capital and trade accounts. Thus, those findings have provided a partial support even by Rajan and Zingales hypothesis, which consider that both types of trade and financial openness are obligatory for financial development in order to take place. (Vaighan, Kazemi, Nezakati, & Haghighi Nia, 2010). Related to Foreign Direct Investments in Balkan countries some studies express that they have a self-determined negative effect regarding FDI in general. This show an indication because of unlucky history of political issues of the region, related to conflicts, disintegration and low level of growth. This has exercised a long-term and self-regulating effect on their forecast related to reception of FDI. The risk that derives from politician, deriving from a variety of troubled political issues in the counties, still seems to provide a negative outcome on FDI. (Estrin & Uvalic, 2013)

The foreign exchange regimes and monetary of Balkan countries are diverse. Albania has implemented a free floating regime of exchange rate; Serbia and Croatia have implemented a float regime which is managed; Bosnia and Herzegovina operates below the regime of the currency board with a fixed peg based from the currency which is national to the euro; Macedonia has implemented a regime which is de facto pegged; While Montenegro has a independent euroization. The capacity of the central banks in the countries like Albania, Croatia, Serbia, and Macedonia to carry out an optional
monetary policy is really narrow, and in Bosnia and Herzegovina it is removed by the Law of the Central Bank with an exclusion of the obligatory reserves policy. While Montenegro has adopted the euro as a way of payment, because the central bank has obligatory reserves as the single instrument of monetary policy accessible for implementation. (Causevic, 2012)

3. DATA

To calculate the effect of openness of trade on the economic growth of 10 Balkan countries, are taken data based on GDP growth which is the dependent variable while Exchange rate, Foreign Direct Investment and volume of trade as a result of the sum imports plus exports which are independent variables used in OLS model of regression analysis. The Balkan countries measured in this research are listed in the appendix. FDI was measured by inflow of investments in each country are shown in percentage of GDP were taken by website of World Bank.

Exchange rate was shown as a percentage of US$ according to the currency that each country has and data’s are taken from Penn World Table website. Openness of trade was estimated as the sum of exports and imports for each of ten country part of the study. This kind of measurement for trade openness is done since some of the countries may be just exporters and in this case they are not open toward trade. Data’s of exports and imports were taken by website of World Bank. All the data used are in percentage from website of World Bank.

In the figure below there are easily seen the trends of three variables: FDI, exchange rate and trade volume for all the countries. FDI, exchange rate and trade volume in most of cases have an upward trend while GDP is really volatile and is usually negative and in downward trend. So clearly can be seen that the ratio between GDP Growth and other three variables respectively FDI, exchange rate and trade volume is negatively related the effect for this not normal trend may be political and social instability in decades that are taken in this study.

Figure 1: Trends of FDI, Exchange rate, Volume of trade and GDP Growth for 10 Balkan Countries
So as we see some special cases that can evidently show the difference are FDI and Exchange rate that are really in low level in majority of countries part of this study. Meanwhile volume of trade is more positive in all cases. According to GDP growth rapid fluctuations and also negative periods are clearly stated. Uncertainties in Balkan
region have lead to these evidences to show that these countries have a transition economy in general even though some of these countries are part or are nearly integrating process in EU.

The method of this study is OLS regression analysis. If independent variables are correlated, the ordinary least squares (OLS) estimator model for \( \beta \) would be contradictory, so it is expected to treat the \( \mu_i \) (individual error component) as a further set of \( n \) parameters to be estimated. This is named the fixed effect (which is also known as least squares variables) model, generally projected by OLS on transformed data and this gives reliable estimates for \( \beta \). If the individual element is missing in general, pooled OLS is named as the most efficient estimator for \( \beta \). (Croissant & Millo, 2008) That’s why in this paper is used this kind of Regression model.

The model to be estimated is:

\[
GDP\text{growth} = \beta_0 + \beta_1 FDI + \beta_2 ExchRate + \beta_3 TradeVol + u
\]

(eq.1)

Where:

GDP growth represents the ratio of GDP growth for each Balkan country (%)

\( \beta_0 \) shows the intercept of GDP growth when all the independent variables are equal to 0

FDI shows Foreign Direct Investments (%)

\( \beta_1 \) represents the expected slope of how much GDP growth ratio will change for one percent of change in foreign direct investments rate.

Exchange rate shows currency converter ratio in (%)

\( \beta_2 \) shows the expected slope of how much GDP growth ratio will change for one percent of change in Exchange rate

Trade volume shows the sum Export + imports ratios in (%)

\( \beta_3 \) shows the expected slope of how much GDP growth will change for one percent of change in Trade volume.

After running the regression analysis by using Eviews program is presented following equation:

<table>
<thead>
<tr>
<th>Variables</th>
<th>Coefficient</th>
<th>t-Stat</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP growth(Depeand)</td>
<td>-1.26</td>
<td>-0.88</td>
<td>0.37</td>
</tr>
<tr>
<td>FDI</td>
<td>0.09</td>
<td>1.34</td>
<td>0.18</td>
</tr>
<tr>
<td>Exchange rate</td>
<td>0.02</td>
<td>2.87</td>
<td>0.004</td>
</tr>
<tr>
<td>Volume of trade</td>
<td>0.03</td>
<td>2.13</td>
<td>0.03</td>
</tr>
</tbody>
</table>

Source: Authors’ own elaboration based on data’s taken in World Bank website by using Eviews

<table>
<thead>
<tr>
<th>Variables</th>
<th>Coefficient</th>
<th>t-Stat</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>-6.36</td>
<td>-2.36</td>
<td>0.01</td>
</tr>
</tbody>
</table>

Table 2: Fixed Model
Economic Theories – International Economic Relations

<table>
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<th>Variables</th>
<th>Coefficient</th>
<th>t-Stat</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP growth (Dependent)</td>
<td>-2.51</td>
<td>-1.39</td>
<td>0.16</td>
</tr>
<tr>
<td>FDI</td>
<td>0.1</td>
<td>1.35</td>
<td>0.17</td>
</tr>
<tr>
<td>Exchange rate</td>
<td>0.02</td>
<td>2.19</td>
<td>0.12</td>
</tr>
<tr>
<td>Volume of trade</td>
<td>0.04</td>
<td>2.46</td>
<td>0.01</td>
</tr>
<tr>
<td>Cross-section random S.D =1.1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rho=0.05</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted Stat</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R squared=0.08</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F-stat=4.99</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Un weighted stat</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R-squared=0.08</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Authors’ own elaboration based on data’s taken in World Bank website by using Eviews

Which model is appropriate to define this case is used Housman test

<table>
<thead>
<tr>
<th>Variable</th>
<th>Fixed</th>
<th>Random</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>FDI</td>
<td>0.89</td>
<td>0.1</td>
<td>0.79</td>
</tr>
<tr>
<td>Exchange rate</td>
<td>0.013</td>
<td>0.029</td>
<td>0.62</td>
</tr>
<tr>
<td>Volume of trade</td>
<td>0.09</td>
<td>0.049</td>
<td>0.03</td>
</tr>
</tbody>
</table>

Source: Authors’ own elaboration based on data’s taken in World Bank website by using Eviews
Null Hypothesis is: Random effect model is appropriate
Alternative hypothesis is: Fixed effect model is appropriate

P value is 0.1224 or 12.24% more than 5% so we can not reject null hypothesis so we accept null hypothesis, so random affect model. So we run again random model which is the appropriate one.

Table 5: Random Model

<table>
<thead>
<tr>
<th>Variables</th>
<th>Coefficient</th>
<th>t-Stat</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP growth(Dependent)</td>
<td>-2.51</td>
<td>-1.39</td>
<td>0.16</td>
</tr>
<tr>
<td>FDI</td>
<td>0.1</td>
<td>1.35</td>
<td>0.17</td>
</tr>
<tr>
<td>Exchange rate</td>
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<td>0.01</td>
</tr>
<tr>
<td>Cross-section random S.D</td>
<td>=1.1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Authors’own elaboration based on data’s taken in World Bank website by using Eviews

GDP Growth = -2.5 +0.1 FDI + 0.029 Exchange rate + 0.049 trade volume + µ
(eq.2)

The results show that all variables have negative impact on GDP growth. So an increase in foreign direct investments rate, Exchange rate and Trade volume rate indicate a decrease in GDP growth ratio. Highest impact on GDP growth ratio has FDI ratio with 0.1% increase followed by Trade Volume of 0.049% and 0.029% for Exchange rate. The most significant variables in the model are Exchange rate with p-value of 0.029 and Trade volume with p – value 0.014 which shows that the relation between these two variables, Exchange rate and trade volume toward GDP growth is significant. While the variable of Foreign Direct Investments which is larger than 0.05
p-value indicates that the result is statistically not significant. Even more R2 which is equal to 0.086 % shows that these variables explain only 8.6 % of GDP growth in these Balkan countries.

4. CONCLUSION

Based on different studies and theories, an increase in FDI, exchange rate and trade volume has positive impact in the GDP growth of a certain country. The impact of a raise in openness of trade in a country case on the economic growth is much more higher when the society has stong and applicable laws and the goverment of that country is not involved in corruptive affairs.

Conversely to the expectations, our study finds an inverse relationship between all the above mentioned variables for Balkan countries. Almost all countries being part of this study have a negative trend of GDP growth followed by rapid fluctuations during the period of time from 1990 till 2013. The last year, which corresponds to year 2013, GDP growth shows a slight increase. Meanwhile, volume of trade even if it has a lot of fluctuations, it mostly shows a positive trend. On the other hand, exchange rate and FDI in the majority of Balkan countries is found to be constant with insignificant fluctuations.

Based on these observations, it can be said that the FDI can easily be established in Albania due to the fact that the Balkan countries have stable exchange rates, meaning low risk rates dor foreign investors.

The results coming out from the regression analysis provide a negative relationship such as the volume of trade, exchange rate and FDI are negatively related to GDP growth. Even if the result is found to be not as it was expected, it can be explained by the political and economical situation of Balkan countries.

These countries have suffered from different crisis during these last two decades. In addition their political and social instability have led to a really huge gap to recover. Even though these Balkan countries are trying to fulfill standards and become European members, such as Romania and Bulgaria, the undertaken reforms are still quite weak in order to reach the targeted results.

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TAX MEASURES FOR ECONOMIC RECOVERY IN EU

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Abstract: The main objective of this paper is to review the tax measures undertaken by the Member States between 2012-2013, measures aiming for economic recovery. According to the empirical results from the literature, shifting revenues from direct taxes to indirect taxes enhances economic growth. Our main findings show that: i) only a few Member States have taken measures aiming the reduction of personal income taxation (PIT); ii) the majority of the measures aiming corporate income taxation (CIT) are focused on narrowing the tax base, due to the prolonged effect of the crisis on private sector investment, and on decreasing the headline corporate tax rates; iii) property taxation was also subject to changes, more than a dozen of the Member States undertaking reforms, some of which targeting higher-end properties; iv) finally, consumption taxes and environmental taxes have been increased in many European countries, being considered least detrimental to economic growth.


Key words: personal income taxation, corporate income taxation, environmental taxation, property taxation, economic recovery.

1. INTRODUCTION

In the current economic context, in which Member States need to accelerate their consolidation efforts, taxation becomes undeniably important. Member States must consider measures for increasing the level of revenues, but they also have to preserve a current weak European economic growth.

As a response to the current economic challenges, the European Semester was set up in the EU in 2011, which is in fact a new framework for integrated economic policy coordination. Its main mission is to provide guidance on common steps towards more sustainable, growth- and job-friendly tax systems, and at the same time to ensure substantial fiscal consolidation, to remove distortions that could worsen macroeconomic imbalances and to preserve their redistribution function.

Regarding tax reforms undertaken in the Member States between 2012 and 2013, one can identify an increase in indirect taxes, together with a relatively high cost of labour. Measures aiming the reduction of personal income taxation (PIT) were taken by only a few Member States, while other countries are currently still increasing these taxes, despite the results shown in numerous studies, which clearly suggest that among income taxes, social security contributions and personal income taxes have the strongest negative association with growth (see Arnold et al., 2011 and Acosta-Ormaechea and Yoo, 2012, for a discussion). Among these latter measures we highlight
the introduction of new tax brackets, increasing top marginal rates or enlarging the tax base. Not only do we have an uptrend in PIT, but we can also notice that there is a growing progressivity due to lowering the tax burden on low income earners (a measure suggested by Heady et al., 2009), while increasing it on higher income earners.

According to the findings in the specific literature (Prammer, 2011; Heady et al., 2009; Acosta-Ormaechea and Yoo, 2012), consumption taxes and environmental taxes are considered less detrimental to growth. Accordingly, these categories of taxes have been increased in many European countries. VAT reforms were actually increases in statutory rates, while environmental taxes have been increased in far fewer cases.

According to the Annual Growth Survey 2014, which takes stock of the economic and social situation in Europe, the following fiscal priorities were identified: i) Fiscal consolidation should be a growth-friendly mix of expenditure and revenue measures, putting more emphasis on the quality of public expenditure, and the modernization of administration at all levels. Where greater fiscal room for manoeuvre exists, private investment and consumption should be stimulated, for instance through tax cuts and reductions of social security contributions. ii) Longer term investment in education, research, innovation, energy and climate action should be protected and the needs of the most vulnerable in the society should be catered for. iii) Tax should be designed to be more growth-friendly, for instance by shifting the tax burden away from labour to tax bases linked to consumption, property and combating pollution.

2. OBJECTIVES

The objectives of this paper can be summarized as follows:
1. to identify and describe the tax reforms related to personal income taxation undertaken in EU Member States.
2. to analyse the measures taken by some of the Member States concerning tax base broadening and competitiveness.
3. to highlight the progress made by some European countries regarding environmental and property taxation.

3. RECENT TAX MEASURES IN THE EUROPEAN UNION

Considering the necessity of fiscal consolidation and the difficult fiscal positions, many Member States have increased the overall tax burden. The increasing trend observed in Figure 1 applies for both direct and indirect taxes as a share of GDP, as well as for social security contributions.

Many Member States have increased the statutory rates related to personal income tax, along with the introduction of progressive “solidarity” contributions for high-income earners. Regarding indirect taxes, the increase mainly refers to different Member States’ decisions to augment the standard VAT rate and/or excise duties.
Given the crisis and massive unemployment, the distortive effect of high labour taxation threatens working and hiring incentives, and fairness as well. This is a delicate issue considering the continued uptrend in 2012 of the implicit tax rate (ITR) on labour, currently both the EU-28 and EA-18 averages having reached the pre-crisis levels (see Figure 2).

According to the European Commission (2014), of the EU-28 countries, 20 registered an increase in the ITR on labour in 2012, the largest rise being recorded in Greece (from 30.9% in 2011 to 38.0% in 2012), followed by Cyprus and Poland, each with increases of two percentage points. In Romania, Estonia and the United Kingdom, the ITR on labour fell by more than half a percentage point in 2012. The level of tax burden on labour varies substantially between Member States. The highest ITR on labour is found in Belgium (42.8% in 2012), Italy (42%) and Austria (41.5%), and the lowest in Malta (23.3%), Bulgaria (24.5%) and the United Kingdom (25.2%).

1 The ITR on labour is calculated as the ratio of taxes and social security contributions on employed labour income to total compensation of employees and payroll taxes.
In 2014, the top personal income tax (PIT) rate was 39.4% in the EU, 1.4 percentage points higher than its level in 2009. While top PIT rates have been increasing since 2010, there was a levelling off of the EU average in 2014 (see Figure 3). The top PIT rate varies substantially within the Union, ranging from a minimum of 10% in Bulgaria to more than 55% in Sweden, Portugal and Denmark. The lowest rates are registered in Bulgaria, Lithuania, Hungary and Romania.

When looking at decreasing PIT rates, we can observe that there are few countries that have taken such measures (e.g. Latvia and Malta). On the other hand, there are many states that continue to increase PIT, undertaking measures as follow: i) increasing the top marginal rates (e.g. Luxembourg and Portugal); ii) applying of a crisis surcharge (e.g. Czech Republic and Cyprus); iii) introducing new tax brackets (France and Slovakia); iv) broadening the tax base (e.g. Estonia, Greece, France, Luxembourg, Netherlands and Poland); v) increasing social contributions, either through a rate increase or base broadening (Cyprus, Czech Republic, Estonia, Ireland, Netherlands, Austria and Slovakia).

Most European countries admit that tax reforms should be aimed towards groups that are most responsive to tax changes, and not carried out at the expense of the poor. In this respect, efforts were made in order to relieve the tax burden on low income earners in general, but also on older workers (Belgium, Hungary, Portugal and Sweden), on the low skilled (Belgium and Hungary), on the young (Belgium, Italy and Hungary), on women (Hungary and Italy), on single parents (Denmark) and on those employed in disadvantaged geographical areas (Italy and Hungary).

Several other countries increased PIT on taxpayers with higher earnings, generating a greater progressivity and fairness of the taxation system. Also, on social equity reasons, some Member States, such as Italy, Hungary, France and Belgium introduced measures to increase the taxation of individuals’ capital income, rather than labour income.

Among the measures for tax reduction, some focused on the unemployed by offering tax breaks for new recruits. These measures generally concentrate on the

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2 E.g. the Portuguese Decree-Ruling No 97/2013, of 4 March 2013, which allowed employers to be reimbursed up to 100% of SSC paid for hiring workers older than 45.
employers’ tax burden and not directly on the employee/household taxation. Belgium and Hungary decreased employers’ social contributions, while France and Italy introduced or extended an employment-related deduction from corporate taxes.

3.2. Measures Concerning Tax Base Broadening and Competitiveness

Broadening the tax base has multiple purposes: increasing tax collection, decreasing tax rates and simplifying the tax system. In order to achieve certain objectives (social, environmental or economic), numerous tax systems provide exemptions, reduced rates, allowances and other specific regimes (known as “tax expenditures”). These might not always achieve their set objectives; for example, Mirrlees et al. (2011) enlighten the potential welfare achievements from base-broadening measures, related to certain VAT exemptions and reduced rates. Moreover, the existence of such allowances may generate differences in treating the taxpayers, increasing the system’s complexity and also the costs of compliance.

Increasing tax revenues is not the only reason for broadening the tax base; it also makes paying taxes easier for citizens and corporations, and tax collection simpler and transparent for administrations. Most measures taken for broadening the tax base are targeted towards simplifying the VAT system, while for PIT and CIT things are not so clear.

The VAT base was recently broadened in some European countries (e.g. Spain, Belgium, Luxembourg, Latvia, Portugal and Poland), by extending the application of the standard VAT rate. For example, in Spain there are services (e.g. artistic performances, cinemas, and theatres) that were previously subject to reduced VAT rates and now are subject to the standard rate of 21%. In contrast, Sweden decreased the VAT rate for restaurants and catering services in 2012, in order to stimulate job creation.

Furthermore, there are countries that made increases in their PIT bases (e.g. Belgium, Czech Republic, Greece, Spain, France, Luxembourg, Austria and Poland), and also in their CIT bases (Greece, Spain, France, Luxembourg, Austria, Portugal and Finland). Efforts to reduce tax expenditure were made by France, regarding certain tax benefits (e.g. the family quotient and the exemption for overtime wages were reduced or abolished) and Greece, which broadened the tax base at the beginning of 2013, by reducing special tax regimes and tax expenditures.

Given the competitiveness decline of companies, the majority of corporate taxation measures are focused on narrowing the tax base, with some exceptions, justified by the effort to reduce the debt bias through the limitation of interest deductibility (e.g. France, Portugal, Spain, Sweden and Finland). Many Member States have taken measures in order to mitigate the effects of the crisis (especially on small companies) and to stimulate private investments.

Regarding corporate income taxation, there has been a strong downward trend in top CIT rates in the EU over the last decade. The top rates decreased from an average of 35.3% in the mid-nineties, to 23.5% at present (Figure 4).

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3 Many corporate tax systems favour financing by debt, by allowing the deduction of interest costs, while there is no such treatment for equity returns. The effect is a corporate tax bias towards debt-financing.
As of 2013-2014 measures, the statutory rate was decreased in Sweden from 26.3% to 22%, in Slovenia from 18% to 17% and in the UK from 24% to 23% (and further to 21% in 2014). The UK will continue to lower the corporate tax rate to 20% by April 2015, while Finland will lower it from 24.5% to 20% in 2014. In Denmark, the corporate tax rate will be reduced from 25% to 22% as of 2016, the same as Estonia (from 21% to 20%) in 2015. On the contrary, Slovakia increased its top rate from 19% to 23% in 2013 (only to be followed by a decrease to 22% in 2014), as did Cyprus, from 10% to 12.5%, in 2013 (European Commission, 2013b).

Since the beginning of the crisis, most Member States have applied tax incentives in order to stimulate private research and development investment. The main effort in this respect, which continues nowadays, was to simplify R&D schemes and widen them. Almost half of the Member States made changes in their R&D tax incentives in 2012-2013, creating more generous schemes (Czech Republic, Ireland, Greece, Netherlands and Romania) or changing the eligibility criteria (Czech Republic, France and Hungary).

3.3. ENVIRONMENTAL TAXATION

The economic crisis generated many policy debates, which generated the opinion that environmental taxation is an important instrument for raising revenue in a beneficial way, improving the quality of the environment and also supporting labour tax cuts. The overall trend of environmental tax revenues, at EU level, can be seen in Figure 5: after falling between 2002 and 2008, environmental taxes (as a percentage of GDP) recorded an important increase in 2009, remaining stable since then, at a level of around 2.4% (EU-28 average). Environmental taxes include energy taxes (representing about 75% of EU-28 environmental tax revenues, of which transport fuel taxes

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4 The effective average tax rate (EATR) is a measure of the effect of tax on a non-marginal investment. A non-marginal investment is one that not only covers all of its economic costs but also provides an economic or above-normal profit to the investor. So the EATR is a measure of the difference between pre-tax economic profit and post- (corporate) tax economic profit of the investor. The methodology used for the calculation of EATRs is can be found in the ZEW report by Devereux et al. (2008).
represent more than three quarters), followed by non-fuel transport taxes (21%) and pollution/resources taxes (4%).


Figure no. 5 Environmental tax revenues, 2000–2012 (% of GDP)

Most of the 2012-2013 measures consisted in increases in excise duty on diesel and other forms of energy in more than a third of EU-27 Member States (e.g. Spain, Greece and Cyprus), and modifying of car taxation. Other European countries introduced new energy taxes: for example, Spain introduced a tax on the production of radioactive waste resulting from the generation of nuclear energy, while Hungary and Italy apply a surcharge on corporate income tax for companies operating in the energy and public utility sectors. However, it is unlikely that these measures will reduce energy consumption (still, they may have negative effects regarding investment in the sector).

As for car taxation, the purpose of the measures was the improving of its design. For example, The Netherlands reinforced the ‘green’ component of the car taxation system: in 2013, it reduced the upper CO₂ limit for exemption from vehicle tax and increased taxes on vehicles with higher CO₂ emissions. These measures generated important effects, by increasing the purchases of cars with efficient emission. Another example is Slovakia, where car registration fees for new cars have been related to engine power. Lithuania and Estonia remain the only two Member States which do not have any car taxation (Garnier et al., 2013).

3.4. PROPERTY TAXATION

Property taxes contain recurrent taxes on immovable property, which generally are paid annually and are linked to the value of the property, and other property taxes, which include taxes on property transfers and transactions. In the EU as a whole, recurrent property taxes hold the largest share, accounting for 1.5 % of GDP and 66.3 % of all property taxes in 2012 (see Figure 6).
Policy makers are paying increased attention to recurrent taxes on real estate property since they are susceptible of increasing revenues and are also viewed as being least detrimental to economic growth (given the immobility of the tax base). In this context, Lithuania and Latvia broadened their property tax base, while other Member States are determined to make property taxation more progressive by focusing on higher-end properties.

Consequently, in June 2012, Slovenia introduced a tax on higher-value immovable properties (properties valued over 1 million Euro are subject to the 0.5% rate, while properties valued over 2 million Euro are subject to the 1% rate). In a similar manner, the United Kingdom introduced a new annual tax for properties with a taxable value over 2 million GBP, whose owners are certain non-natural persons (companies, partnerships with a company member and collective investment schemes).

Another measure related to property taxation was the revaluation of cadastral values, taken by only a few Member States (Greece and Romania). Cyprus chose an alternative to updating property values, i.e. increasing property tax rates, as done as of 1st of January 2013. Recurrent property taxation (characterised by a stable and relatively immobile and visible tax base) is generally considered more efficient than taxing property transactions, since the latter tends to discourage transactions, efficient allocation of properties and labour mobility.

However, Finland and the Czech Republic increased property transfer taxes: the new rates are respectively 2% and 4%. In the UK, properties valued over GBP 2 million purchased by individuals and non-natural persons have been subject to higher
transaction tax rates (7% and 15% respectively) since March 2012 (European Commission, 2013b).

4. Conclusions

Considering the prolonged effects of the economic and financial crisis, European Union Member States are making considerable efforts for economic recovery. In this context, fiscal policy has aroused extensive debates regarding its role to stimulate the economy, both on the taxes side, and on the spending one. The main conclusions of the studies from the literature show that the most pronounced negative impact on economic growth belongs to personal income taxes (including social contributions) and corporate taxation, while consumption, property and environmental taxes seem to be the least harmful.

Overall, we notice that certain recent tax measures attempted to integrate these considerations. However, given the complexity and diversity of the challenges, further and stronger improvements seem indispensable to stimulate growth and jobs creation. Looking at EU as a whole, we can observe an overall increase of the tax rates. Labour taxes continue to be very high and might hinder growth and jobs. As for indirect taxes (VAT, environmental and property taxes), one can identify an uptrend in numerous Member States.

The majority of tax systems hold too many tax exemptions, allowances, reduced rates and other specific regimes. The tax base broadening and the simplification of the tax system, beyond the primary goal of revenue collection, could make paying taxes easier for citizens and businesses, and managing them simpler for administrations. Also, many Member States have changed or introduced tax reforms to stimulate investment and entrepreneurial activity (e.g. R&D tax incentives, new incentives for start-ups, incentives for investing in unquoted shares).

Finally, regarding environmental taxation, Member States took some initiative; nevertheless, green taxes measures seemed to be taken largely for fiscal consolidation purposes and Member States did not prove to be very sensitive to Country Specific Recommendations. The primary measures taken were excise duties on diesel increases and reforms of car taxation, but overall progress remained limited.

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References


NEW ISSUES OF ORGANIZATIONAL PROCESSES SECURITY IN ROMANIAN COMMERCIAL BANKS

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Abstract: The technological revolution has led to a reassessment of human perception of the surrounding world and the explosion of information technology has increased the number of communication methods between individuals. Romania is becoming more attractive to hackers and Internet fraud seems to stop anyone bypass. Last year, Romania has experienced forty two millions computer security incidents and was affected approximately two millions IP address. Most have focused on financial and banking system, public institutions and NGOs.

JEL classification: G21, M15, M38, C88, K14, K22

Key words: banking, security, computer science, organizational process, network, IT

1. INTRODUCTION

Access to information and rapid transmission from one continent to another, and still had both positive and negative consequences on the development of moral, psychological and social development of individuals, on the structure and functioning of society in general. With the increasing number of digital payments, grow and security issues. For this reason, you should increase the importance of information security related education both in schools and in the management of state institutions and private banking, who do not understand how cyber attacks can be dangerous, especially since many institutions have sensitive data that may reach the wrong hands.

2. SECURITY AND NON-SECURITY

Network security is now an integral part of computer networks and it involves protocols, technologies, systems, tools and techniques to secure and stop malicious attacks. Cyber attacks have increased significantly in recent years and according to Europol reports, crimes committed in cyberspace causes annual losses of over $ one trillion. Romanian Intelligence Service will launch early next year a program worth ninety seven million euros with which to protect at least state institutions cyber attacks. The money comes from European funds. In addition, companies that invest in cyber security could benefit from tax incentives.

Many network security attacks come from within. Internal attacks refers to theft of passwords (which can be users or sold), industrial espionage, disgruntled employees who tend to cause damage to the employer, or simply misuse. Most of these violations can be resolved by using corporate security officer who monitors the network users.

Computer security is a branch of computer science (computer science) that deals with identifying risks involved in the use of computers and their removal solutions. Information security is concerned with protecting information and information systems
from unauthorized access, use, disclosure, disruption, modification or destruction. The three components of information security are confidentiality, integrity and availability. Confidentiality is ensured by encrypting information. Integrity is obtained by dispersing mechanisms and algorithms. Availability is ensured by strengthening network security systems or networks and providing backup.

3. CYBER WORLD AND BANKS

Cyber security has become one of the major components of the Internet. Analysts have noticed this concept a contradiction between the need for communication and connectivity, on the one hand, and the need to ensure confidentiality, integrity and authenticity of data, on the other hand. Relatively new field of information security seek technical solutions to resolve this apparent contradiction. The speed and efficiency of communications and documents instant messaging gives many pluses of decision-making in a modern society based on competitive economy. But using email services, web, transfer funds, etc. is based on a feeling, often fake security communications that can transform potential earnings rapid access to information in major losses caused by data theft or insertion of false or distorted.

Information systems are under threat from both inside and outside. They may be well-intentioned people who are different operating errors or malicious individuals who sacrifice time and money to penetrate computer systems. Among the factors that allow cracks security techniques may be some errors of software processing or communication or computing defective equipment or communication lines. The lack of adequate training manager, operators and users of systems increases the likelihood of security breaches. Misuse of systems (hacking) is also one of the major risk factors of security systems.

Operational risk, the novelty brought by Basel II, is the risk of direct and indirect losses caused by internal factors and external factors. Operational risk is the most controversial, the least defined and most likely major evolve in the coming years. The impact of operational risk can affect relationships with customers and partners, and its implications values are difficult to measure accurately.

Among the internal factors that influence operational risk can include: conducting inefficient internal processes, inadequate staff training, quality systems used. Information security issues also come into the category of factors that have direct implications on operational risk: falls partial or complete systems, problems caused by attacks or intrusion, fraud, operating errors, off work for a certain period, and more. Corresponding operational continuity planning, policies, standards and procedures to ensure timely maintenance and resumption of operations in the event of interruptions help reduce risks and add value to its organization.

4. REGULATIONS

Credit institutions shall conform to laws, rules and regulations containing provisions on information security. Regulatory banking system are contained in the Banking Law and the rules NBR, and Rule 16/2004 on techniques for guaranteeing the authenticity of the signature, and Rule 17/2003 for the organization and internal control of the business of credit institutions and significant risk management. In the field of electronic payments, the most important regulations are MCTI Order 218 / 14.06.2004 and
NBR Regulation 6/2006 concerning transactions by electronic payment instruments and relationships between participants.

Other regulations refers to electronic signature (electronic signature Law 455/2001, Law 451/2004 on temporal) and electronic commerce (Law no. 365/2002, as amended by Law no. 121/2006). We have and legislation on preventing and combating cybercrime, Law no. 161 / 19.04.2003. A separate chapter is the law on privacy: Law 677/2001 on the protection of individuals with regard to the processing of personal data and Law 506/2004 regarding the processing of personal data and privacy in the electronic communications sector. To this, add a significant number of European Directives in the field of information security. Regulations only partially covers the spectrum of problems they raise information security, information technology control, risk management and quality services.

The lack of a systemic approach increases the capital required for the functioning of financial and banking institutions. To reduce it, according to Basel III, operational risk should be kept in check. Performance indicators should be collected and reported on a concept and a well-developed system. Leaks, even theft determine the need to actively prevent data loss. Computer applications require active monitoring systems availability must be real and carefully managed, and abnormal behavior is detected computer. User activity must be performed and recorded. IT and information security processes must be based on clear standards for type ITIL, ISO 27000 standard reporting systems COBIT, and these standards should be reflected in national regulations, in a complete and integrated financial sector specific.

Last but not least, the accession to the European Union, credit institutions may have access to regional infrastructure such payments TARGET2, TARGET2 Securities, EBA Clearing systems (EURO1, STEP1, STEP2) or other payments infrastructure which impose specific requirements security. Also in the Euro Zone, the SEPA project of the Single Euro Payments involves standardizing payment instruments in Euro and new requirements for infrastructure and payment with cards, including a strategy to prevent fraud with cards, by migrating throughout the Euro EMV and implement 3DSecure.

4.1. FIGHTING AGAINST MONEY LAUNDERING

Money laundering is the de facto financial crimes which all profit. It is the process by which criminals attempt to conceal the origin and actual possession of the income from their criminal activities. Therefore, more and more banking institutions in Romania, international standards are the basis of organizing activities and information security. Money laundering is the process or complex actions that criminals sometimes trying and failing to hide the origin and possession of real income from their illegal activities. This category includes money from fraud, robbery, theft, weapons smuggling, drug trafficking and smuggling. Criminals will try to use the banking system to hide the criminal origin of the money.

The bank prevents money laundering and terrorist financing, following the rules, procedures and related laws. Under EU law, the bank must have a good knowledge of the business and how they use bank services and products. This means that in some cases, to ensure total transparency and in order to comply with current regulations, the bank will require its customer’s information on their activities. Money Laundering Law requires banks to have a good knowledge of their customers' businesses.
Also, banks are required to understand the purpose of business relationships and transactions of clients. For this reason, the bank can require certain information to be always treated with the utmost confidentiality, subject to banking secrecy and confidentiality law and protection of personal data.

5. CONCLUSIONS

Being required to conform to the large number of regulations, standards and requirements, information security should be considered a general problem of organization requires involvement at the level of management must involve all departments and activities of an organization, from professionals in the field to information to users. Creating a culture of security is essential to the organization through continuous education of staff, permanent collaboration with partners in a common approach to security issues, but also through customer awareness of information security risks.

Information security requirements grow in the context of credit institutions to infrastructure connecting payment, settlement, the reporting system established at national, regional or global. Need to ensure security at the system level translates into minimum security requirements for each participant, a participant’s security problems can affect the functioning of the entire system.

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