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A STUDY ON ORGANIC FOOD MARKET DEVELOPMENT IN ROMANIA

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Abstract:

This paper aims to provide an analysis of available data on organic food market in Romania given the premises and with its growth insights.

As it is known, organic agriculture is a sustainable form of agriculture, a production system implemented in accordance with the principles of the lasting development as well. The organic farming in Romania has been officially recognized and regulated since 2000. An overview on Romanian organic farming is introduced and the data show organic market has increased in Romania in the last decade, but its sales volume was not so significant raised as in other European countries. Beyond that organic production as quantitative registered data is lower, still is mostly imported foodstuffs, with higher added value, while the Romanian exports consist mainly of raw materials. Although it is considered organic food industry as an evolved industry globally, in Romania is not sufficient developed.

In this regard the national market for organic food is still at an emerging stage of development. Nevertheless, the same main constraints for the organic market development have been identified, demonstrating that management and marketing tools should be adapted for organic growth in the food chain.

Key words: *organic farming, organic food, food market, Romania*

JEL Classification: M31, Q11, Q13

1. Introduction

Organic agriculture is a sustainable form of agriculture, an agricultural production system implemented in accordance with the principles of the lasting development. Although the scientific basis of farming ecologically type has been done during 1920...1960s, as agricultural practice it was used from ancient times (Toncea et al 2010).

Biological technologies are applied in organic farming and succeed to harness the agricultural potential in terms of biodiversity conservation and environmental protection. Organic production involves implementation of all those agricultural procedures, which consist of eliminating the use of synthetic chemicals (fertilizers, pesticides, hormones, antibiotics, stimulants and growth regulators etc.); but without genetically modified organisms, nor other complementary substances or chemical additives. Although there are sensitive differences among the concepts of "organic agriculture", "ecological farming" and "biological agriculture", in accordance with Regulation (EC) 834/2007 and Regulation 889/2008 of the Commission, it is accepted a common terminology with similar meanings in the UE countries. For example, in Romania it has been agreed and used the term „ecological farming”.

Organic agricultural production and distribution of the organic crop areas related to total agricultural lands varies from one continent to another by regions and from country to country. In this respect, in a ranking by continents Europe is in second place after Oceania with a share for organic area of 27 percent and 11.5 million hectares. But by regions with the largest areas of organic agricultural lands Europe follows in the third place after Africa and Asia (Willer & Lernoud 2015). Available data (Willer & Lernoud 2015) show that the largest organic producers from the European Union (EU) reported in 2013 based on agricultural surface cultivated and certified organic (over 9 percent) are: Austria, Sweden, Estonia, Czech Republic, Latvia, Italy and Finland.

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Although organic farming systems have beneficial effects on environmental recovery or protection, inclusive contribute to biodiversity conservation, it has found that these agricultural activities are less efficient from economical point of view especially in the short term. Therefore, to foster organic production in the European Union a specific financial support scheme for organic farming is provided through Common Agricultural Policy (CAP) transposed into national and European regulations. Since 2004 European Action Plans for Organic Food and Farming (2004; 2014) have been established, as specific tools for sustainable development of the organic agro-food sector as whole as well as addressing to organic food market through information and promoting activities.

Production and trade of organic food have been self-regulated in the EU, US, Canada, Japan and other countries aiming to ensure transparency of the organic food market. Consequently, food may be marketed as "bio" only if they are obtained in accordance with organic production procedures and are properly certified. Regional and national laws concerning organic food comprise requirements relating to: define the production methods and food processing in organic agri-food system; labeling of organic food; trade, including the import of organic products from third countries; inspection, control and certification system for operators involved in organic farming.

2. Organic farming in Romania

Organic farming in Romania has been officially recognized and governed starting with 2000. Registration of the producers in organic farming is mandatory; and ecological agriculture must cover two stages: conversion to organic production and its certification afterwards. Thus, registered operators in the organic farming undergo a process of converting agricultural system under strict organic production rules. Management of organic units involves planning, monitoring and control of agro-food production, but also specific techniques of agri-business to be use. For instance, the business of organic food requires planning and adequate managing of acquisitions and sales through selection of suppliers and customers, distribution channels and other marketing actions. Organic food goods are labeled specific with logos for identification of ecological certified products.

The control and certification of organic agro-food products in Romania are made by inspection and certification bodies as private ones and approved by the Ministry of Agriculture and Rural Development (MARD) in accordance with the provisions of Order no. 181/2012 and Regulation (EC) no. 834/2007; for example 14 such certification bodies have operated under the umbrella of MARD in 2015 (MARD 2015).

According to data given from the inspection and certification bodies, the number of registered operators in organic farming has remained relatively constant in 2006-2010 within limits of approx. 3100...4200, then increased rapidly until 2012, year after what the figures gradually began to reduce (see Table no. 1).

Table 1. The number of operators certified in organic farming (Romania, 2010-2014)*

Year	2010	2011	2012	2013	2014
No. operators	3155	9703	15544	15194	14470

* Source: MADR, 2015b

Majority (95 percent) of the registered operators in agricultural farming are producers, either in crop production, livestock and aquaculture or wild collection. Figures on processor operators, retailers and importers / exporters are much lower. For instance, organic food processors represented about 2 percent of registered operators in 2010, and their share reached only 0.7 percent in 2012. Regarding food importers, in the year 2012 only three specialized operators were registered, but their number is not relevant in terms of the sales volume. It is

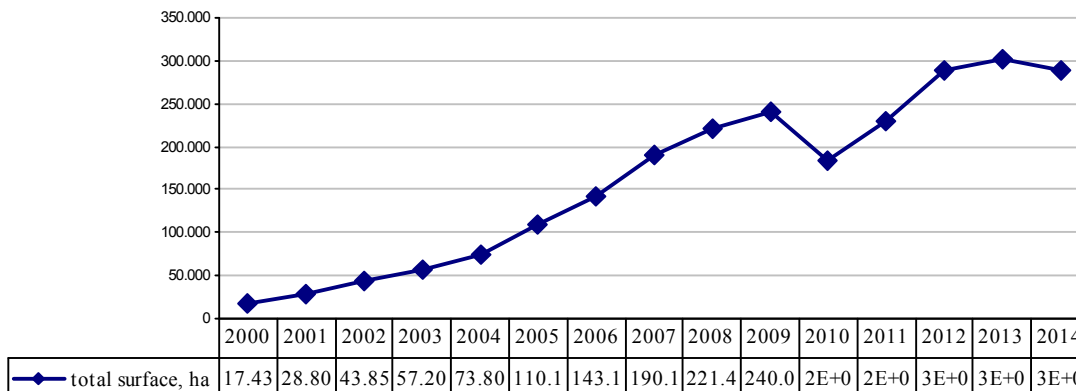
worth mentioning that, in accordance with the provisions of Order MARD No. 1253/2013 for approval the rules on the registration of operators in organic farming, certain retailers who sell pre-packaged organic food are exempt from registration in organic farming system, with condition to declare its own activity at County Agriculture Directorates. Probably this is an additional reason for what the total number of registered operators has decreased since 2013.

Despite the fact that operators' number is not relevant for assessing the total trade volume of organic food, it can be said that the structure of operators gives certain information about food production in terms of its type as range or quality, meaning that in Romania are produced mainly agricultural products of vegetal or animal origins, namely crops and other plants, livestock, aquaculture products or through valorization of wild collection, which are sold especially as raw materials, the secondary processing sector being insufficiently developed to manufacture organic food with higher economic value.

Organic farming in Romania has experienced a sinuous evolution in general, but obviously with a relative upward trend. As a share, Romanian organic farming represents around 2 percent, taking into account its agricultural potential and certified organic surfaces. At European level, based on this criterion namely the share of organic farming, Romania ranks 25th among the EU-28, followed by Bulgaria, Ireland and Malta (Willer & Lernoud 2015).

Evolution of the agricultural sector expressed by the total area cultivated in organic farming for the 2000-2014 period is depicted in graph no. 1. Except for period 2010-2011 when the certified organic surfaces have decreased due to the economic crisis that affected the national economy as a whole, organic farming has had a constant growth rate. Obviously, the growth rate of organic lands was significantly higher in the period 2000-2009 because of reporting basis. For example, growth rate in 2013 reported to 2003 was 427 percent, while for the same year in 2013 compared to 2008 was only 36 percent. In 2014 the total organic surface was 289,251.79 hectares, significantly higher than in 2012 but lower than in 2013 (rate 2014/2013= -3.95%).

Graph no. 1. Total surface in organic farming (Romania, 2000-2014)

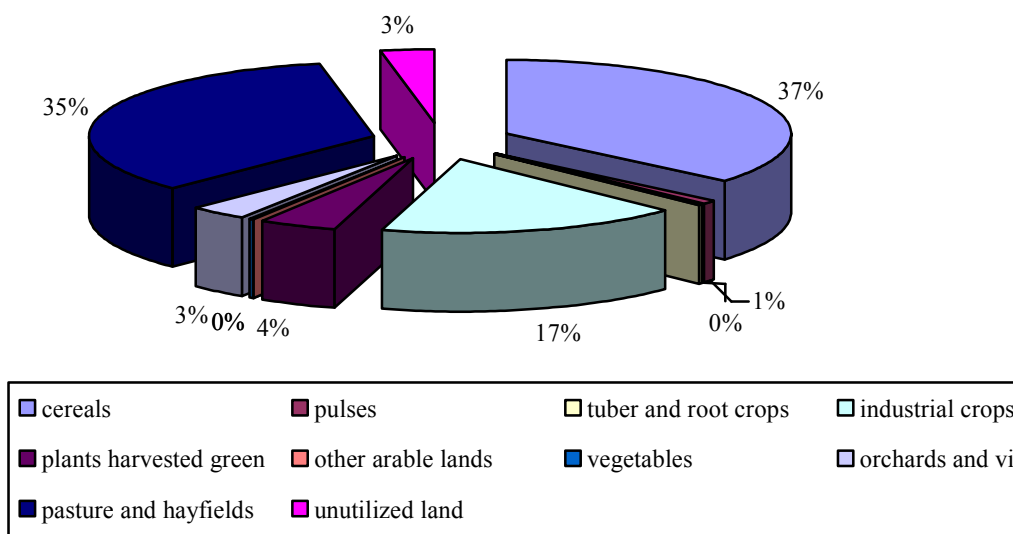


Based on information from certification and inspection bodies; source: MARD 2015b

Comparative analysis of organic crop production, expressed in tones, has revealed there is not a direct correlation between cultivated area growth and crop production, probably due to climatic changes from year to year and productivity. For instance, although the organic arable land used for cereals was almost the same in 2006 and 2009 (5114.4 to 5179.9 thousands hectares* / * MARD data), cereals production in 2009 was lower with 14 percent in comparison with harvest in 2006. But then the figures communicated by the certification bodies and available from the MARD indicated a total area of organic arable lands without mentioning in-conversion areas. According to data from Willer & Lernoud (2015) about half of total organic areas used for cereals has been in-conversion during 2013.

Distribution of organic arable lands by crop group shows the main cultivars reported, namely: wheat, rye, barley, oats, maize and sorghum, rice, sunflower, rapeseed, soybean, sugar beet, potatoes, vegetables (field and greenhouses), bearing vineyards and fruits (plums, apples, pears, peaches and nectarines, cherries and sour cherries, apricots, nuts, strawberries etc.). The data communicated by the certification and inspection bodies towards MARD indicated a fluctuation in the share of both croplands surface and production of the main agricultural products. However, more than one third of overall organic cultivated areas accounts for cereals, followed by industrial crops, plants harvested green (vegetables) and fruit production. Distribution of Romanian organic lands by types and crops categories in 2013 is illustrated in graph no. 2.

Graph no. 2. Distribution of main organic lands by types and crops categories (Romania 2013)



Based on data from certification and inspection bodies; source: MARD 2015b

A decrease of organic cropland in use for cereals has been reported in 2014 with 102,531.47 hectares, value even less than in 2012 but still with a share of over 35 percent compared to the total area under organic farming. Significantly higher croplands surfaces have been recorded in 2014 compared with 2013 for technical plants and vegetable in detriment of permanent crops and unused land. It should be noted that Romania is listed among the countries with the largest organic oilseeds areas (rapeseed, sunflower, soybean) together with China, Kazakhstan, United States, Ukraine and Canada since 2013, with an organic rate of 3-5 percent (Willer & Lernoud 2015).

Apart from total area of organic farming, wild collection surface plays an important role in Romania and has roughly increased twofold from 944,546.2 thousands hectares in 2013 to 1,787,548.25 thousands hectares in 2014, meaning almost 23 times higher than in 2010. Based on Organic statistics 2013 Romania has been ranked seventh in top ten countries worldwide with the largest areas of wild collection (Willer & Lernoud 2015).

Livestock production has fluctuated quite significant over the 2000-2014 period. Organic livestock sector developed in the private ownership system has begun to be more supported by state subsidies for agriculture in 2004 in the detriment of crop production. Consequently in 2007, a number of 2986 from a total of 3836 registered operators in organic farming (producers, processors and distributors) represented livestock farmers, most of them being cows' breeders.

Agricultural holdings with organic livestock in Romania are distributed by species on cattle, pigs, sheep, goats and poultry (laying hens). Potential organic livestock production has been assessed either by livestock (animals' population), live weight of animals intended to be slaughtered for consumption, or animal production expressed by milk, eggs or wool. According to MARD data, evolution of livestock has indicated an increment of livestock till 2006 especially in terms of cattle, swine and poultry, after which a gradual depletion has been registered towards 2010; but number of sheep and goats increased significantly after 2007. Data from 2010 was not completely updated to the public. It can be assumed that livestock decrement in 2006-2010 period is related to reducing areas of pastures and hayfields certified in organic farming. It is noteworthy that for the same reference period, European organic livestock has nearly twofold.

A particular attention should be granted to beekeeping because apiculture plays an important role; number of organic beehives exceeds 85225 and total production of honey bio has exponentially increased in the last decade. Thus, by the end of 2012 Romania has been ranked sixth in top 10 countries worldwide with the largest number of organic beehives following Zambia, Italy, Bulgaria, Brazil and France.

Organic fisheries and aquaculture is not enough assessed; data driven analysis cannot be used to diagnose adequately its trends.

3. Aspects of business management in organic production

In the last 15 years many specialists stated that organic farming is a viable alternative to intensive agriculture for Romanian farmers due to particularities of Romanian agriculture after 1990s and additional financial support through specific schemes for sustainable agriculture systems.

As mentioned previously, a shift of agri-food enterprises towards organic farming involves two main stages, namely: conversion to organic production and its certification afterwards. Therefore it is necessary to ensure a suitable allocation of all resources, such as material, financial, economic, informational and human ones; that requires an adequate management for both business and lasting development. Finding and applying the best technical and economic solutions in the management of these companies is not only a condition for judicious management of the company, but also a requirement for the proper carrying out of the process of inspection - certification.

Accordingly, any entrepreneur wishing to do business in organic farming should develop its policy and strategies on the basis of information aimed at internal and external environment of enterprises, taking into account the constraints and development opportunities. Regarding organic food production, different patterns of management approach have been defined, which are applicable from a careful analysis of all available information, taking into account both benefits and the strengths, but also difficulties and threats, including a creative- innovative approach. Whatever management approach, planning is an essential step. In this particular case, planning is not just a function of management, but also a requirement in view of conversion and certification processes for complete compliance with the standards of organic farming. For example, the agricultural unit conversion plan should be based on cross-examination of all existing data, taking into account the following aspects: history of the field / farm; soil fertility; social environment; level of theoretical and practical training of the producer; equipment and willingness to invest; constraints (Toncea et al 2012). Based on this analysis, the organic business is planned and technical solutions are established, which will be subsequently submitted for approval by the inspection body. The manufacturer in organic farming must prepare a report on the resources allocated (production units, conditions and areas for harvesting, storage and packaging); and annual plans and programs of production and / or processing, which will be approved by the inspection and

certification body. Following the approval of the production management plan, the operator already registered in organic farming will implement the approved management plan for conversion and certification in organic farming system. Certification system consists of audits (initial audit, certification audit and surveillance visits). Accredited inspection and certification body will assess and monitor the compliance of organic products and processes throughout all food chain.

As noted, driven management commitment is an essential feature of doing business in organic farming; and all activities are documented with the aim of verifying its compliance by inspection and certification bodies. Moreover, any substantial amendments to the annual plans of production and / or processing (as regards crops changing, surface or estimated production; or products which the operator intends to process directly or through third parties etc.) must be notified to the inspection and certification body by 31 May each year. All these requirements ensure a more rigorous control of organic production, but a less flexible system in terms of managerial decision.

Another important aspect of the management of organic agri-food units focus to an adequate and consistent management of all resources in order to achieve objectives. In this regard, a suitable budgeting is very important to be manage because materials and supplies used in the relevant sector may fluctuate during an agricultural year both in terms of availability and cost.

So it, a careful management of organic production requires not only adequate planning of activities and resources, but a proper selection of suppliers for the purchase of raw materials, technology etc. that must comply with Romanian and EU rules. It should be noted that the list of raw materials allowed to be used in organic farming can vary considerably from one European country to another country, because certain items from EU regulations are interpreted and implemented differently in Member States into national legislations. But these specific issues of national law must be taken in mind when organic production is expected to be harnessed to export.

Traceability is a component of quality management, but an explicit requirement in the organic food system allowing products certification, surveillance of organic market, and sustainability in a globalized food markets. In this respect, Mol and Oosterveer (2015) identified factors that determine and influence different four traceability systems, applied particularly in sustainable agri-food supply chains.

On organic food chain there are many management types and strategies that can be applied through using specific instruments. Based on studying of organic agri-food market in Germany, Muenchhausen and Knickel (2014) showed that business logic tends to rely on the set of values and initiatives taken by individual entrepreneurs on the organic market, and the development of the food chain depends largely on marketing strategies and tools which are used to differentiate their products and increase market share.

4. Premises and growth insights for organic food market in Romania

In a general sense, organic food are agricultural products (of vegetal or animal origin), unprocessed or processed, obtained by the organic production rules; in the case of processed food, they must contain organic ingredients min. 95 percent (reported mass). However, in regions and countries where organic farming is regulated, can be traded only food goods labeled organic, which are certified as such.

In last decades the organic agricultural production growth has created also conditions for the supply of organic food. Global organic food market has grown since the early 1990s; nowadays the demand is still greater than the supply. Obviously the largest organic producers by regions and countries are not necessarily the biggest traders or consumers, and the United States (US) is an example in this sense. Studying sales evolution of the organic food goods globally an increase of 170 percent in 2012 compared to 2002 was registered (Eco Advancing Agric. 2013).

As regards the European Union as a market, is at second place globally after the US with a market share of 40 percent. Sales volume in the EU at the end of 2013 was of 22.2 billion euro with an increase of 6 percent over the previous year (Willer & Lernoud 2015). It seems that the most traded commodities in the European organic food market are eggs, followed by baby food and meat substitutes (soy products).

Figures on import/export volumes by countries at European level are not always updated reason for which organic agri-food market development cannot be assessed properly in its entirety. However, the biggest European market in terms of sales of organic products is considered Germany (sales volume representing approx. 33 percent of total EU-28), followed by France, Britain and Italy. As noted, Germany is one of the major organic food markets in Europe but meantime represents a country with a significant production in organic farming. Nevertheless Germans import from other states from 6 to 94 percent of agri-food raw materials. For example, as regards of cereals which are subsequently processed in Germany, over a quarter of the wheat, respectively, more than half of the corn have been imported from countries such as Romania, Ukraine and Hungary.

In terms of organic food consumption in the EU, expressed by amounts allocated to purchase these products bio, Denmark, Austria, Germany and Sweden are on the top list as average expenditures per inhabitant.

Whilst Romanian organic farming has been developed as agricultural production, partially subsidized by the CAP intervention measures, organic food market has not experienced the same growth rate. If in terms of cultivated acreage, organic farming is approx. 2 percent of national agricultural production, organic food market expressed in sale volumes are below 1 percent on the domestic food market. As shown, although production in organic farming has increased in Romania in the past 15 years, the sales volume of organic food did not increase as significantly as in other European countries.

Demand for organic food is quite low on domestic market; but price of organic food is generally about 30 to 100 % higher than the price of conventional products. Therefore both market share of organic products on the Romanian food market and consumption per inhabitant have remained scanty. Yearly consumption of organic products per capita revealed that in 2013 a Romanian spent an average only 4 euros for organic products, while a Danish used 163 euros and a German had a budget of 93 euros on organic food.

Romanian trade figures in absolute values regarding organic food market vary from one source to another, but overall trends are similar.

Organic market has represented 1 percent of the food market in the 2008-2009; due to encouragement of the annual growth in the previous period it has been expected at that time an increasing tendency towards next 4-5 years to double market quota. The upward trend in organic food market in the period 2006-2009 has been justified by various reasons related to public health and welfare taking into account the need for environmental protection. Additional to these a long series of food scandals, including products withdrawn, has contributed so that the trust of conventional food has dropped. Studies on Romanian consumer demands for organic food choice highlighted that these products were preferred mainly based on the following criteria: food safety and product quality; social responsibility for sustainable development; adopting a healthier lifestyle; and belonging to a social group considered superior.

But economic crisis has come and organic food sector has been affected thereupon. Although this market is mostly addressed to people higher educated and with bigger incomes, organic food sales volumes declined after 2010 and then have stagnated, so as to yearly sales of approx. 80 million euros were estimated in 2011-2013. Afterwards market share of organic food retails reached 0.7 percent (reported to Romanian food market) in 2013.

In the 2002-2014 period the local organic agricultural production was valorised mainly for export. Thus, in 2003-2004 more than 90-95 percent of Romanian organic production was exported especially on the European market in countries such as Holland, Italy, France, Germany and Switzerland. But in 2007 organic products accounted for about 8 percent of the total agri-food goods exported by Romania (Toncea et al 2012). An increase of organic products volume for export was registered in 2009, which represented an increment in million euros up 20 percent compared to 2007. Value of export sales has increased in 2010-2013 to approx. 200 million euros, but main organic products exported remain agricultural products unprocessed and with a lower economic value. Among Romanian organic products, which are exported to the European market it mentions: cereals (corn, wheat), technical plants (rapeseed, sunflower, soya), fruits (apples, grapes, berries), wine, pork, vegetables - mushrooms, spices. In recent years a great success has registered honey and cheese (cascavalio, Schweizer and sheep cheese).

Whilst exports mainly consist of raw materials and half-finished products in Romania are imported preponderant organic foodstuffs with higher added value through processing, such as ground coffee, brown sugar, dessert products, prepared soymilk - tofu, creams, bakery specialties etc. Most imports of organic products come from the EU-15, excepting the coffee or sugar cane that are supplied by third countries.

Organic food industry is considered as an industry already evolved globally, but organic food production in Romania is not sufficiently developed. Reduced number of processors and their production capacities as well as lower volume of local organic food that are processed and traded in both domestic and international markets show that Romanian organic food processing is still developing. Basically, Romanian organic food market currently as a whole is in an emerging stage while most Western European countries have already reached a stage of maturity.

Organic food goods commercialised in Romania are labelled specifically namely additional organic logos (see graph 3) and information on traceability are provided. For example, logo „ ae " as property of MARD, ensures that respective food comes from organic farming and is certified as such by a certification authority approved by MARD. Obviously only registered operators in organic farming in Romania by MARD have the right to use the logo „ ae " for labelling organic products, which they achieve or sell. Since 2010 there is additionally an EU organic farming logo for pre-packed foodstuffs produced within the European Union through which certified organic foodstuffs are recognized in the whole EU.

Figure no. 1. Organic logo of food products in Romania



In order to ensure products traceability, usage of EU organic farming logo must be followed by mentioning where agricultural raw materials have been farmed and a code number of the control bodies.

Commerce with organic food products means it is made only by traders registered with the MARD (see exceptions according to Order MARD no. 1253 of 2013). Organic food products can be sold through different distribution channels from which Romanians use:

1. directly from farm;
2. box scheme;
3. through supermarket and hypermarket chains (DM, Carrefour, Billa, Metro, Kaufland etc.);
4. specialized stores/ organic shops (wholesale or retail);
5. organic online market;

6. trade fairs and exhibitions;
7. farmers' markets and seasonal ones.

Although existing channels have not been fully exploited still, in other European countries in last years have developed new distribution systems such as food service (Horeca type) through public institutions (with reference to social food service - canteens, schools, hospitals, military) or specific activities that promote organic farming in rural tourism.

Marketing studies have shown that choice of distribution channels is critical for business success at microeconomic level, but also macroeconomic one. Importance of marketing channels differs among Member States of EU. In countries such as Denmark, Finland, Sweden, United Kingdom, Iceland, Hungary and Czech Republic the highest sales (between 60 and 80 percent of the total) are made through supermarkets and hypermarkets as well as in non-specialized stores; while in other countries like Belgium, Germany, Greece, France, Luxembourg, Ireland, Netherlands and Spain the organic food market is dominated by direct sales and specialized shops. It is difficult to assess on which of these channels are most appropriate since both categories lies to leading countries with regards to consumption of organic products both in terms of quantity (sales volume) and growth rate of retail sales in last years. Perhaps consumption habits, traditions and national peculiarities are significant in this respect. However some specialists have formulated opinions on organic market that it will be developing faster and more sustainable if organic goods will be sold mainly through supermarkets in comparison with the direct sale and specialized shops. Indeed, the availability and purchase possibilities are easier to be accomplished in supermarkets and the offer of organic products can be more varied; but it should not be underestimated nor the advantages of direct distribution channels.

By comparing organic offer within supermarkets and specialized stores the organic assortment consists of thousands (1000-8000) products in Western European countries (Richter 2006), while in Romania are provided on shelves up to 30-50 organic products, which demonstrates a limited access to organic products on the Romanian market.

In Romania, like France, Germany, Belgium, Spain etc. direct sales in all forms represents the most used distribution channel for organic products, having many advantages for both consumers and farmers (best prices, acquisition of seasonal and fresh products, local products promotion, direct relationships between producers and consumers etc.). Direct selling can be achieved by two methods: "farmers to the city" (local markets, fairs, etc.) and "consumers to farm" (farm gate, agro-ecotouristic farms etc.).

It noticed that participation in trade fairs is essential for operators to promote organic food products and sign agreements. In Europe there are two yearly international agro-ecological fairs large-scale, namely BIOFACH Nuremberg (Germany) (<http://www.biofach.de>) and SANA Bologna (Italy) (<http://www.sana.it>). The most representative fairs for organic agricultural producers in Romania are IndAgra Food & Drink (<http://www.indagra-food.ro>) and IndAgra Farm (<http://www.indagra-farm.ro>) of Bucharest, AGRARIA Cluj Napoca (<http://www.agraria.info.ro>) and ExpoAgroUtil of Constantza (<http://www.expoconstanta.ro/expozitii/EXPOAGROUTIL/14/>).

Nationally there are several state organizations and private professional ones, which have been involved in promoting the principles and concepts of lasting development and organic farming. Among active organizations mention: Romanian Association for Sustainable Agriculture (ARAD), Organic Farmers Association of Romania "Bioterra", Bio-Romania Association, Resource Centre for the Promotion and Marketing of Organic Products (EcoR). Moreover, it should be noted that in order to promote organic farming products, the European Commission provides support of up to 50 percent of those organizations conducting outreach programs for promoting organic products on the internal market and in third countries (v. Reg. (EC) 501/2008 and Reg. (EC) no. 3/2008).

Although various outreach campaigns were done for training of producers and consumers to be encouraged to turn towards an organic supply, it was observed that these activities have mainly echoed among specialists and farmers. Information and promotion actions addressed to final consumers failed to have visible effects in terms of an adequate awareness of Romanians consumer about organic goods. Unfortunately, it is still widespread opinion that products from households or sold through farmer markets are organic products, which is not correct and moreover organic market development has been hampered by this misunderstanding.

Eco-marketing as a form of social marketing has not been used enough for improving the image of organic food in the Romanian market nor harmonization long-term interests of consumers in the context of sustainable development and environmental protection.

Richter (2006) has quoted five main constraints for the development of an organic food market that they have been estimated since the late 1990s as:

- 1) lack of professional marketing,
- 2) reduced role of conventional supermarket chains as potential promoters of the market,
- 3) lack of public support in marketing,
- 4) limited size of supply batches,
- 5) lack of market transparency.

As a consequence several European research projects have included recommendations aimed at improving the access on organic food market through policies of: pricing (cut prices for premium products), promotion (marketing plans well balanced) and distribution (increased availability through supermarket chains).

As is depicted foregoing, Romanian organic market is facing both with limited availability to a wide supply of food goods, lack of involvement and lower awareness of consumers regarding organic products, their socio-economic and environmental impact on long term, and many issues on management and marketing associated overall activity of registered operators in organic farming.

5. Conclusions

National market for organic food is still at an emerging stage. In this study the major constraints for development of Romanian organic market were identified as to the same which meet on mature markets, demonstrating that management and marketing tools should be adapted to increase the production of organic products in the whole food chain.

Future development of new markets for Romanian organic products, added value through processing of agricultural products from organic farming and / or increment of market share at national level create opportunities for many operators.

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IMPACT OF MONETARY POLICY REGIMES ON PERFORMANCE OF COMMERCIAL BANKS IN NIGERIA

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Abstract

This paper examined the impact of monetary policy Regimes on Performance of commercial banks in Nigeria. The paper used Descriptive and Ex-post Facto Research Design. It utilized time series data collected from Central Bank of Nigeria Bulletin. The study was divided into SAP Period (1986-1999) and Post SAP Period (2000 -2013). Eight Research Questions and eight Hypotheses were raised for the study. Regression and Pearson Product Moment Correlation technique were used to analyse the data collected while t-test statistic was employed in testing the hypotheses. Monetary Policy Rate was the independent variable while Total Assets Value, Deposit Mobilization, Loans and Advances and Credit to the Private Sector were the dependent variable in different regression equations. The study discovered that Monetary Policy Regimes during the SAP Period did not have significant impact on the Total Assets Value, Deposit Mobilization, Loans and Advances and Credit to the Private Sector. However, the study discovered that Monetary Policy Regimes during the Post SAP Period had significant impact on the Total Assets Value, Deposit Mobilization, Loans and Advances and Credit to the Private Sector respectively. The paper recommended that policy makers should administer the Monetary Policy Instruments to ensure they are effective in generating and invigorating the level of economic activity desired in the banking industry.

Key Words: Monetary Policy, Bank, Performance and Credits

Introduction

Commercial Banks are custodians of depositor's funds and operate by receiving cash deposits from the general public and loaning them out to the needy at statutorily allowed interest rates (Ngure, 2014). In a country where the financial sector is dominated by Commercial Banks, any failure in the sector has an immense implication on the economic growth of the country. This is due to the fact that any bankruptcy that could happen in the sector has a contagion effect that can lead to bank runs, crises and bring overall financial crisis and economic tribulations (IMF, 2001).

Banks play a major role in the economy through their economic function of financial intermediation that performs both a brokerage and a risk transformation function (**Hara, 1983**). Commercial Banks as financial Intermediaries perform financial intermediation function of mobilization and allocation of funds from the economic surplus (lenders) to the economic deficit unit (borrowers). This function is directly linked with banks profitability which encourages economic growth. According to **Wainaina (2013)**, profitability of banks has relationships with growth and development of the economy.

Deposit money banks are the most important savings and mobilization of financial resources and allocating them to productive investment and in return promote their performance **Victor (2013)**.

Interest rate however plays a vital role in how a bank makes money (**Haye, 2013**). **Hualan (1992)** found that interest rate is one of the most important factor that affect the bank

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financial performance. Interest rates are the reward paid by a borrower (debtor) to a lender (creditor) for the use of money for a period and they are expressed in a percentage, per annum (pa) to make them comparable. Interest rate are also quite often referred to as the price of money. **Corb (2012)** described interest rate as an economic tool used by the Central Bank to control inflation and boost economic development. Therefore poor decisions on an interest rate regime could spell doom for the financial system and the economy as a whole. Interest rate is a monetary policy tool used by the Central Bank of Nigeria to adjust the lending rates of financial institutions. **Giovanni (2006)** argued that high interest rate set by the Central Bank means that the other financial institution will have to charge high because they are all profit oriented. In Nigeria, since the inception of interest rates deregulation in 1986, the government has pursued a market-determined Interest rate regime, which does not permit a direct state intervention in the general direction of the economy (Adebiyi and Babatope, 2004). Rasheed (2010) states that Nigerian economy saw different interest rates for different sectors in 1970's through the mid 1980 (regulated Regime). Preferential interest rates were therefore applied to encourage priority sectors such as agriculture and manufacturing.

The establishment of the African Banks Corporation (ABC) now First Bank and establishment of other banks gave rise to the emergence of lending activities of banks. The lending practice of the colonial banks which granted loans discriminately to foreigners gave rise to the agitation of indigenous banks. This was not without its attendant challenges. The government thereby introduced a regulated interest rate regime. The introduction of SAP thereby relaxed many of the stringent procedures. Okafor (2011) identified five major reform cluster periods namely; pre and post-Independence era (1958-1969), indigenization era (1970-1976), Okigbo Committee era (1977-1985), SAP era (1986-1999), and Democracy or fourth republic era (2000-2010). However the banking is presently regulated by the Banks and other Financial Institutions Act (2004 as amended). In light of this, the study tends to highlight the impact of interest rate regime on the banks performance in Nigeria during the SAP era (1986-1999), and Democracy or fourth republic era (2000-2010) and make comparison.

Nigerian Commercial Banks dominate the banking industry. Their loans and credits form a major share of the total credit to the private sector. However, they still face major issues in relation to government regulations, institutional difficulties and other inherent related risks. This study therefore intends to identify the impact of the monetary policy tools on the performance of the banking industry. This would be of great assistance to the regulators in forming a favorable interest rate regime that would meet the macro economic objectives in Nigeria.

Review of Related Literature

Conceptual Framework

Interest Rates

Gilchris, (2013) states that although it is difficult to determine the direction of the relationship between interest rates and profitability, studies confirm that interest rates instability affects Commercial Banks' financial performance while other studies give contradictory findings. The Central banks also lends Commercial Banks funds. Money borrowed from the Central Bank is to be repaid at a particular interest rate (Monetary Policy Rate). This makes Interest rate a powerful government regulatory tool for determining other interest rates in the banking industry. Hualan (1992) stated that interest rate is one of the most important factor that affects the bank financial performance. (Corb, 2012), argued that interest rate is an economic tool used by the Central Bank to control inflation and to boost economic development. (Ngugi, 2004), explained that low interest rates and small spread promote economic growth in big ways hence encouraged. Crowley (2007) and Ngure (2014) defined interest rates as the price a borrower pays for the use of money they borrow from a lender (financial institution) or fee paid on borrowed assets. Sayedi (2013) expressed

interest rate as the percentage rate over a period of one year. Karl et al., (2009) posits that interest rates are derived from macroeconomic factors which agree with Irungu (2013) that interest rates are major economic factors that influence the economic growth in an economy. Inflation and inflationary expectations can press interest rate upward which affects lending rates resulting to reduce credit demand and lending ability of Commercial Banks (Keynes, 2006). Irungu (2013) states that interest rate is the price of money. Interest rates can either be nominal or real. Nominal interest rate can be measured in naira terms, not in terms of goods. The nominal interest rate measures the yield in naira per year, per naira invested while the real interest rate is corrected for inflation and is calculated as the nominal interest rate minus the rate of inflation (Pandey, 1999).

Bank Profitability and Financial Performance

The profitability of a bank is determined by interior and exterior determinants (Sattar, 2014) which agrees with (Ongore, 2013; Al-Tamini et al., 2010). The interior determinants are called micro or bank specific determinants of profitability because they are initiated from bank accounts like balance sheet or profit and loss account. While on the other hand, the exterior determinants are the variables which are not in the control of banks' management such as monetary policy interest rates. Chen et al. (1986) explained that these macroeconomic factors are significant in explaining firm performance (profitability) and subsequent returns to investment. Gilchris, (2013) agrees that the financial performance is commonly measured by ratios such as Return on Equity, Return on Assets. There are many different mathematical measures to evaluate how well a company is using its resources to make profit (Irungu, 2013). Financial performance can be measured using the following techniques; operating income, earnings before interest and taxes, net asset value (Gilchris, 2013). Irungu (2013) described financial performance analysis as the process of identifying the financial strengths and weakness of the firm by properly establishing the relationship between the items of the balance sheet and profit and loss account. It's the process of identifying the relationship between the component parts of financial statements to ascertain an organization position, performance and prospects. Financial performance analysis can be undertaken by management, owners, creditors, investors (Chenn, 2011). Quarden (2004) argued that financial performance analysis helps in short term and long term forecasting and growth and can be identified with the help of financial ratios such as asset Utilization/efficiency ratios, deposit mobilization, loan performance, liquidity ratio, leverage/financial efficiency ratios, profitability ratios, solvency ratios and coverage ratios can be used to evaluate bank performance (Bekant, 2011). The performance of banks gives direction to shareholders in their decision making (Panayiotis et al., 2006). Wainaina, (2013) says the effect of macroeconomic factors in other sectors of the economy will always affect the banking sector and what goes on in the banking sector will affect the other sectors of the economy. Chen et al., (1986) maintains that these macro-economic factors are significant in explaining firm performance (profitability) and subsequent returns to investors. Gilchris (2013) agrees that financial performance is commonly measured by ratios such as return on equity, return on assets, return on capital, return on sales and operating margin. A firm has several objectives but profit maximization is said to be paramount among these (Damilola, 2007; KPMG, 2005; Raheman and Nasr, 2007). Profit is a tool for efficient resources allocation because it is the most appropriate measure of corporate performance under competitive market conditions (Pandey, 2005). Conceptually profit connotes the excess of revenue generated by a firm over its associated costs for an accounting period. Operationally the term profit is imprecise, as many variants exist. The term profit could refer to profit before tax, profit after tax, gross profit, net profit, profit per share, return on assets, among other variants (Damilola, 2007; Pandey, 2005). This imprecision has often posed decisional challenges to researchers who must select an appropriate variant to proxy profitability. However, the most commonly used

variants as appropriate measure of profitability include Gross operating profit, Net operating profit, Return on Assets (Deloof, 2003; Teruel and Solano, 2006; Lazaridis and Tryfonidis, 2005; Raheman and Nasr, 2007). According to Okafor (2011) the profitability performance also can be accessed from both book value and market value perspectives.

Effect of Interest rate on Financial Performance

Financial performance is an indicator of how profitable a company is relative to its total assets (Irungu, 2013). Financial performance can be measured by Return on Asset (ROA). ROA is measured by dividing the net income by average total assets. Return on Assets formula looks at the ability of a company to utilize its assets to gain a net profit (Kiarie, 2011). Both the IMF report and Federal Reserve paper suggests possible effects of interest increases to net interest margin, balance sheet structure and values of interest sensitive assets and liabilities. If there is a steeping of the yield curve, the net interest margin would be expected to increase. Higher interest rate can result in slower economic growth and development because of high capital costs and defaults by individuals and firms who borrow from banks (Papa, 2014). Interest rates impact bank earnings through net interest margins/ net interest income which is a key factor driving bank earnings and stock performance (Hayes, 2013). When rates rise, banks NIM/NET 11 tend to decline and vice versa. Interest rates are also a key driver of loan yields (Hayes, 2013). Loan yields are generally from market interest rate. Higher rates at a measured pace are generally a positive for banks given the uplift to asset yield, deposit margin, along with generally improving macro conditions. Unexpected movements in rates and the yield curve can be negative for banks balance sheet, more specially, result in unrealized losses in accumulated other comprehensive income.

Theoretical Framework

The Theoretical framework is guided by the work of Bekaert (1998) which tries to analyze the influence of interest rates on bank performance. This section considers theories such as loan Pricing theory, firm characteristic theory, theory of multiple lending, the signaling approach, credit market theory, classical theory of interest.

Loan Pricing Theory

Banks cannot always set high interest rates. Banks should consider adverse selection and moral hazard because it is difficult to determine the borrower type at the start of the banking relationship (Stiglitz and Weiss, 1981). If interest rates are too high, it might cause adverse selection problems because only high risk borrowers are willing to borrow. Once they receive the loans they may develop moral hazard behavior since they are likely to take highly risky projects (Chodecai, 2004)

Loanable Funds Theory

This theory synthesizes both the monetary and non-monetary impact of the problem (saving and investment process) (Wensheng, et al., 2002). It assumes that interest rates are determined by supply of loanable funds and demand for credit. It recognizes that money can play a disturbing role in the saving and investment processes and thereby causes variations in the level of income. The theory suggests that interest rates equate the demand and supply of loanable funds. Loanable funds are the sum of money supplied and demanded at any time in the money market. Loanable funds theory has implications on banks savers and borrowers and each side is well compensated at equilibrium, Interest rate should be structured in a way every party feel comfortable (Emmanuelle, 2013)

Empirical Review

Gertler and Gilchrist (1994) conducted a study that specifically looked at how bank business lending responds to monetary policy tightening. They found that banks' lending does not decline when policy is tightened. They concluded that the entire decline in total lending comes from a reduction in consumer and real estate loans. In contrast to Gertler and Gilchrist (1994) study, Kashyap and Stein (1995) found evidence that banks' lending may respond to a tightening

of monetary policy. They found that when policy is tightened, both total loans and business loans at small banks fall, while loans at large banks are unaffected. The differential in the response of small banks may indicate they have less access to alternative funding sources than large banks and so are less able to avoid the loss of core deposits when policy is tightened.

Amidu and Wolfe (2008) examined the constrained implication of monetary policy on bank lending in Ghana between 1998 and 2004. Their study revealed that Ghanaian banks' lending behavior is affected significantly by the country's economic support and change in money supply. Their findings also support the finding of previous studies that the Central Bank prime rate and inflation rate negatively affect bank lending. Prime rate was found statistically significant while inflation was insignificant. Based on the firm level characteristics, their study revealed that bank size and liquidity significantly influence bank's ability to extend credit when demanded.

Gavin (2010) studied the factors affecting banking sector interest rate spread in Kenya. The study sought to investigate the factors responsible for interest rate spread in Kenya Commercial Banks. The study adopted a descriptive and quantitative research design on a sample of 15 Commercial Banks in Kenya which accounted 85 percent of all the loans disbursed between 2002 and 2009. The study used secondary data obtained from the banking survey publication. The study found out that capital adequacy ratio, treasury bills rate and discount rate have a significant impact on interest rate spreads.

Ngugi and Kabubu (1998) studied financial sector reforms and interest rate liberalization. It aimed at exploring the sequencing and actions taken in the liberalization process in Kenya. The study investigated the interest rate levels, spreads and determining factors as an indicator too financial performance in response to the process. The sample size was 20 banks in Kenya. The data source included the Central Banks reports. It found that the financial system was still characterized by repression factors such as negative interest rates, inefficiency and underdeveloped financial markets.

Felicia (2011) studied the determinants of Commercial Banks' lending behavior in the Nigerian context. The study aimed to test and confirm the effectiveness of the common determinants of Commercial Banks' lending behavior and how it affects the lending behavior of Commercial Banks in Nigeria. The model regressed the Commercial Banks loan advance with other determinant variable such as Volume of Deposits (Vd), Investment Portfolio (Ip), Lending Rate (Ir), Stipulated Cash Reserve Ratio (Rr) and Liquidity Ratio (Lr) for the period 1980-2005. The model hypothesizes there is a functional relationship between the dependent and independent variables and were found to have a significant relationship.

Nwakanma (2013) examined the impact of interest rate reform on the financial intermediation function of the Commercial Banks in Nigeria using the dummy variables approach to Chow test for structural stability. The cointegration and error correlation model were used to capture both the long run and the short run dynamics. The empirical results reveal that though the intermediation function of the Commercial Banks has significantly improved as a result of the deregulation of interest rates, it has not translated into improved standard of living of the populace as the incidence of poverty is still on the increase. Also the results show that lending rates do not influence demand for domestic credits in Nigeria unlike deposit rates which proved to be a major determinant for the amount of credit extended by the Commercial Banks. They concluded that though interest rates deregulation has improved credit extension to the domestic economy, the link between interest rates, domestic credit extension and economic growth is not automatic. They recommended a partial deregulation of interest rates that will ensure concessionary interest rates to the productive sector of the economy.

Udeh (2015) examined the impact of monetary policy instruments on profitability of Commercial Banks in Nigeria using the Zenith Bank Plc experience. The study utilized descriptive research design using time series data collected from published financial

statements of Zenith Bank Plc and Central Bank of Nigeria Bulletin from 2005 to 2012. The study used Pearson Product Moment Correlation technique to analyze the data collected while t-test statistic was employed in testing the hypotheses. They discovered that cash reserve ratio, liquidity ratio and interest rate did not have significant impact on the profit before tax of Zenith Bank Plc. However, minimum rediscount rate was found to have significant effect on the profit before tax of the bank. The paper concluded that a good number of monetary policy instruments do not impact significantly on profitability of Commercial Banks in Nigeria

Okoye and Eze (2013), examined the impact of bank lending rate on the performance of Nigerian Deposit Money Banks between 2000 and 2010. It specifically determined the effects of lending rate and monetary policy rate on the performance of Nigerian Deposit Money Banks and analyzed how bank lending rate policy affects the performance of Nigerian deposit money banks. The result confirmed that the lending rate and monetary policy rate have significant and positive effects on the performance of Nigerian deposit money banks. The implication of this is that lending rate and monetary policy rate are true parameter of measuring bank performance. The results agreed with Udeh (2015) that minimum rediscount rate was found to have significant effect on the profit before tax of the bank.

Enyioko (2012) examined the performance of banks in Nigeria based on the interest rate policies of the banks. The study investigated 2 Nigerian banks. Regression and error correction methods were used to analyze the relationship between interest rate and bank performance. The study found that interest rate policies have not improved the overall performances of the banks significantly.

Methodology

The research design employed Descriptive and Ex-post facto Research Design. Descriptive research design method helps in gathering information about the existing status of the phenomena in order to describe what exists in respect to variables. According to Coopers and Schindler (2008) descriptive studies are more formalized and typically structured with clearly stated hypotheses or investigative questions. This method is used because it addresses the objective of the study in investigating the relationship between the variables of the study. (Kothari, 2008). A census design was also applied where all the Commercial Banks were studied. A census is a collection of information from all units in the population or a complete enumeration of the population. A census design is used where the population is small and manageable (Mugenda&Mugenda, 2003). Regression and correlation analysis was used to determine the relationship between Monetary Policy Interest Rate and Performance of Commercial Banks. The study used time series data.

Analysis and Discussion

Research Question 1a: Did Monetary Policy Interest Rate have any significant impact on financial performance of Commercial Banks during the SAP period.

Table 1a. Showing the Regression Analysis between Monetary Policy Interest Rate and Total Asset Value of Commercial Banks during the SAP period (1986-1999)

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	232.346	355.541		.653	.526
MONETARY POLICY RATE (%)	4.766	22.296	.062	.214	.834

a. Dependent Variable: TOTAL ASSET VALUE (^b)

Source: Research Findings

The model developed from the coefficient in Table 1 is;

$$TAV_{sap} = f(MPR)$$

Therefore the regression Model

$$TAV_{sap} = \alpha + \beta(MPR) + \epsilon$$

Therefore;

$$TAV_{sap} = 232.346 + 4.766(MPR)$$

This model explains that MPR has a positive coefficient (4.766) and therefore an increase in MPR would likely lead to an increase in Total Asset Value. It explains that an increase in 1percent MPR would likely increase Total Asset Value by 4.766 (Billion Naira). However, the relationship shows a weak (not significant) correlation of 0.062 or 6.20%. The relationship is also not significant at a 5% and 10% probability level as evidenced by the student t test. Also P-Value (0.834) > 0.05 shows the relationship is not significant at a 5% probability level. Therefore, from our analysis, we conclude that MPR during the SAP Period had no significant impact on banking performance in Nigeria.

Research Question 1b. Did Monetary Policy Interest Rate have any significant impact on financial performance of Commercial Banks during the P-SAP period.

Table 1b. Showing the Regression Analysis between Monetary Policy and Total Asset Value of Commercial Banks for the Post SAP Period (2000-2013)

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	30.128	6.188		4.869	.000
MONETARY POLICY RATE	-1.644	.493	-.679	-3.332	.005

a. Dependent Variable: TOTAL ASSET VALUE (P-SAP) (N'tr)

The model developed from the coefficient in Table 2 is;

$$TAV_{p-sap} = f(MPR)$$

Therefore the regression Model

$$TAV_{p-sap} = \alpha + \beta(MPR) + \epsilon$$

Therefore;

$$TAV_{p-sap} = 30.128 - 1.644(MPR)$$

This model explains that MPR has a negative coefficient (-1.644) and therefore an increase in MPR would likely lead to a decrease in Total Asset Value. It explains that an increase in 1percent MPR would likely decrease Total Asset Value by 1.644 (Trillion Naira)

The relationship shows a strong, significant correlation of 0.679 or 67.9%. Also P-Value (0.005) < 0.05 shows the relationship is also significant at a 5% probability level. Therefore, from our analysis, we conclude that MPR during the Post SAP Period had a significant impact on banking performance in Nigeria.

Research Question 2a. Did Monetary Policy Interest Rate have any significant impact on Deposit Mobilization of Commercial Banks during the SAP period.

Table 2a. Showing the Regression Analysis between Monetary Policy Interest Rate and Deposit Mobilization of Commercial Banks for the SAP Period (1986-1999)

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	106.787	159.573		.669	.516
	MONETARY POLICY RATE (%)	2.194	10.007	.063	.219	.830

a. Dependent Variable: DEPOSIT MOBILIZATION (^b)

The model developed from the coefficient in Table 1b is;

$$DpM_{SAP} = f(MPR)$$

Therefore the regression Model

$$DpM_{SAP} = \alpha + \beta(MPR) + \epsilon$$

Therefore;

$$DpM_{SAP} = 106.787 + 2.194(MPR)$$

This model explains that MPR has a positive coefficient (+2.194) and therefore an increase in MPR would likely lead to an increase in Deposit Mobilization. It explains that an increase in 1percent MPR would likely increase Deposit Mobilization by 2.194(Billion Naira)

The relationship shows a weak correlation of 0.063 or 6.3%. Also P-Value (0.830) > 0.05 shows the relationship is not significant at a 5% probability level.

Therefore, from our analysis, we conclude that MPR during the SAP Period had no significant impact on Deposit Mobilization in Nigeria.

Research Question 2b. Did Monetary Policy Interest Rate have any significant impact on Deposit Mobilization of Commercial Banks during the P-SAP period?

Table 2b. Showing the Regression Analysis between Monetary Policy and Deposit Mobilization of Commercial Banks for the Post SAP Period (2000-2013)

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	16490.014	3876.270		4.254	.001
	MONETARY POLICY RATE P	-889.342	310.753	-.637	-2.862	.014

a. Dependent Variable: DEPOSIT MOBILIZATION (^b)

Source: Research Findings

The model developed from the coefficient in Table 2b is;

$$DpM_{P-SAP} = f(MPR)$$

Therefore the regression Model

$$DpM_{P-SAP} = \alpha + \beta(MPR) + \epsilon$$

$$\text{Therefore; } DpM_{P-SAP} = 16490.014 - 889.342 (MPR)$$

This model explains that MPR has a negative coefficient (- 889.342) and therefore an increase in MPR would likely lead to a decrease in Deposit Mobilization. It explains that an increase in 1percent MPR would likely decrease Deposit Mobilization by 889.342 (Billion

Naira). The relationship shows a strong correlation of 0.637 or 63.7%. Also P-Value (0.014) > 0.05 shows the relationship is significant at a 5% probability level. Therefore, from our analysis, we conclude that MPR during the Post SAP Period had a significant impact on Deposit Mobilization in Nigeria.

Research Question 3a. Did Monetary Policy Interest Rate have any significant impact on Loans and Advances of Commercial Banks in Nigeria during the SAP period?

Table 3a. Showing the Regression Analysis between Monetary Policy Interest Rate and Loans and Advances of Commercial Banks in Nigeria for the SAP Period (1986-1999)

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	139.095	146.148		.952	.360
	MONETARY POLICY RATE (%)	-1.602	9.165	-.050	-.175	.864

a. Dependent Variable: LOANS AND ADVANCES (N'b)

The model developed from the coefficient in Table 3a is;

$$LAd_{SAP} = f(MPR)$$

Therefore the regression Model

$$LAd_{SAP} = \alpha + \beta(MPR) + \epsilon$$

Therefore; $LAd_{SAP} = 139.095 - 1.602(MPR)$

This model explains that MPR has a negative coefficient (-1.602) and therefore an increase in MPR would likely lead to a decrease in Loans and Advance. It explains that an increase in 1percent MPR would likely decrease Loans and Advance by 1.602(Billion Naira). However, the relationship shows a weak correlation of 0.05 or 5.0 percent (%).Also P-Value (0.864) > 0.05 shows the relationship is not significant at a 5% probability level. Therefore, from our analysis, we conclude that MPR during the SAP Period had no significant impact on Loans and Advance of Commercial Banks in Nigeria.

Research Question 3b: Did Monetary Policy Interest Rate have any significant impact on Loans and Advances of Commercial Banks in Nigeria during the P-SAP period.

Table 3b. Showing the Regression Analysis between Monetary Policy Interest Rate and Loans and Advances of Commercial Banks in Nigeria during the P-SAP Period (2000-2013)

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	13542.636	2484.501		5.451	.000
	MONETARY POLICY RATE P	-745.898	199.178	-.734	-3.745	.003

a. Dependent Variable: LOANS AND ADVANCES (^b)

Source: Research Findings

The model developed from the coefficient in Table 3a is;

$$LAd_{P-SAP} = f(MPR)$$

Therefore the regression Model

$$LAd_{P-SAP} = \alpha + \beta(MPR) + \epsilon$$

$$\text{Therefore; } LAd_{P-SAP} = 13542.636 - 745.898(MPR)$$

This model explains that MPR has a negative coefficient (-745.898) and therefore an increase in MPR would likely lead to a decrease in Loans and Advance. It explains that an increase in 1percent MPR would likely decrease Loans and Advance by 745.898(Billion Naira). The relationship shows a very strong (significant) correlation of 0.734 or 73.4 percent. Also P-Value (0.003) < 0.05 shows the relationship is significant at a 5% probability level. Therefore, from our analysis, we conclude that MPR during the P-SAP Period had significant impact on Loans and Advance of Commercial Banks in Nigeria.

Research Question 4a. Did Monetary Policy Interest Rate have any significant impact on Commercial Banks' Credit to the Private Sector in Nigeria during the SAP period.

Table 4a. Showing the Regression Analysis between Monetary Policy Interest Rate and Commercial Banks' Credit to the Private Sector in Nigeria during the SAP Period (1986-1999)

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	410712.585	196843.041		2.086	.082
MONETARY POLICY RATE (%)	-10746.522	11763.553	-.349	-.914	.396

a. Dependent Variable: CREDIT TO THE PRIVATE SECTOR (N'm)

The model developed from the coefficient in Table 3a is; $CrP_{SAP} = f(MPR)$

Therefore the regression Model $CrP_{SAP} = \alpha + \beta(MPR) + \epsilon$

$$\text{Therefore; } CrP_{SAP} = 410712.585 - 10746.522(MPR)$$

This model explains that MPR has a negative coefficient (-10746.522) and therefore an increase in MPR would likely lead to a decrease in Credit to the Private Sector. It explains that an increase in 1percent MPR would likely decrease Credit to the Private Sector by 10746.522(Million Naira). However, the relationship shows a negative and weak correlation of 0.349 or 34.9 percent. Also P-Value (0.396) > 0.05 shows the relationship is not significant at a 5% probability level.

Therefore, from our analysis, we conclude that MPR had no significant impact on Commercial Banks' Credit to the Private Sector in Nigeria during the SAP Period.

Research Question 4b. Did Monetary Policy Interest Rate have any significant impact on Commercial Banks' Credit to the Private Sector in Nigeria during the P-SAP period.

**Table 4b. Showing the Regression Analysis between Monetary Policy Interest Rate and Commercial Banks' Credit to the Private Sector in Nigeria during the P-SAP Period (2000-2013)
Coefficients^a**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	15561.541	3087.421		5.040	.000
MONETARY POLICY RATE	-862.572	247.513	-.709	-3.485	.005

a. Dependent Variable: CREDIT TO PRIVATE SECTOR (N'b)

The model developed from the coefficient in Table 4b is; $CrP_{P-SAP} = f(MPR)$

Therefore the regression Model $CrP_{P-SAP} = \alpha + \beta(MPR) + \epsilon$

Therefore; $CrP_{P-SAP} = 15561.541 - 862.572(MPR)$

This model explains that MPR has a negative coefficient (-862.572) and therefore an increase in MPR would likely lead to a decrease in Credit to the Private Sector. It explains that an increase in 1percent MPR would likely decrease Credit to the Private Sector by 862.572(Billion Naira). However, the relationship shows a negative and strong(significant) correlation of -0.709 or 70.9 percent. Also P-Value (0.005) < 0.05 shows the relationship is significant at a 5% probability level.

Therefore, from our analysis, we conclude that MPR had a significant impact on Commercial Banks' Credit to the Private Sector in Nigeria during the SAP Period.

Discussion of Result

The study sought to determine the impact of monetary policy regimes on bank performances during the SAP and Post SAP era. The study found;

1. That MPR had no significant impact on banking performance in Nigeria during the SAP Period.
2. That MPR had no significant impact on Deposit Mobilization in Nigeria during the SAP Period.
3. That MPR had no significant impact on Loans and Advance of Commercial Banks in Nigeria during the SAP Period.
4. That MPR had no significant impact on Commercial Banks' Credit to the Private Sector in Nigeria during the SAP Period.

This study agrees with Udeh (2015) who found that a good number of monetary policy instruments do not impact significantly on profitability of Commercial Banks in Nigeria. The findings however agreed with Enyioko (2012) that interest rate policies have not improved the overall performances of the banks significantly.

Findings

The study however found;

1. That MPR during the Post SAP Period had a significant impact on banking performance in Nigeria.
2. That MPR during the Post SAP Period had a significant impact on Deposit Mobilization in Nigeria.
3. That MPR during the P-SAP Period had significant impact on Loans and Advance of Commercial Banks in Nigeria
4. That MPR had a significant impact on Commercial Banks' Credit to the Private Sector in Nigeria during the SAP Period.

The findings of this study also agrees with Okoye and Eze (2013) who found out that lending rate and Monetary Policy rate have significant and positive effects on the performance of Nigeria Deposit Money Banks.

Recommendation

Based on the findings of the study the following recommendations are put forward. First, that Monetary Policy Rate as a policy instrument alone may not be effective in generating and invigorating the level of economic activity desired in the banking industry. Also, policy makers should administer the Monetary Policy Instruments to ensure they are effective in generating and invigorating the level of economic activity desired in the banking industry.

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OPERATIONAL RISK & CYBERSECURITY

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Abstract

The impact of the Internet has had strong growth in the last two decades. The entire economy depends on ICT. The open and free cybernetic space, promoted social and political inclusion allowing easily interaction and exchange of information between communities and citizens from different countries. The Information and communication technology has become the backbone of our economy determining economic growth. Complex systems in key sectors of the economy such as finance, healthcare, energy and transport use powerful computer systems. Meanwhile many business models are built on the continuous availability of the Internet and the proper functioning of the informatics systems. The online environment requires high reliability, protection incidents, malicious activity or abuse. Cyber criminals are using increasingly sophisticated methods to steal critical data or economic espionage activities in cyber space. All these factors explain why governments worldwide have begun to develop strategies and act properly in cyberspace as an important international issue. The paper has a special goal, to approach informatical security segments concerning operational risks generated by the informatic systems used by regulated entities authorized / approved and / or supervised by the FSA.

Key Words: cybersecurity, operational risk

JEL Classification: L86, L96, M15

1. Introduction

For the cybernetic space to remain open and free, the same norms, principles and values that the European Union supports offline should also be supported online. The fundamental rights, democracy and the rule of law require protection in the cybernetic space. Our freedom and prosperity rely more and more on an innovative and robust internet, and it will continue to develop if the private sector and the civil society will sustain its growth. Online freedom means both safety and security. The cybernetic space should be protected from incidents, malicious activities and abusive use. In the past years it was found that the digital environment brings forth enormous benefits, but it is also vulnerable. The number of cybernetic security incidents, either intentional or by mistake, is rising at an alarming pace and this might disturb essential services which we take for granted, such as the supply of drinking water, electricity, healthcare or mobile phone services. EU's economy is already affected by cybernetic criminal acts targeted towards the private sector and individuals. Cybernetic criminals use methods that are more sophisticated in order to gain access to information systems, stealing critical data or asking for ransoms. The development in the cybernetic space of economic espionage and ordered state services represent a new category of threats towards national administrations and companies in EU.

Information regarding the cybernetic security now:

1. There are approximately 150.000 computer viruses in circulation every day and 148.000 computers compromised every day.
2. According to the World Economic Forum, there is a probability of 10% that in the next ten years there will be damage done to the critical information infrastructures, which could lead to 250 billion dollars in damages.
3. Cybernetic criminality is guilty of the biggest part of incidents regarding information security. Symantec estimates that the victims of cybernetic criminality worldwide lose 290

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billion EUR each year, while a McAfee study shows that the cybernetic criminality profits are estimated at 750 billion EUR each year.

4. The Eurobarometer survey regarding cybernetic security in 2012 showed the fact that 38% of the internet users changed their behavior because of their concerns about cyber security: 18% are less likely to buy goods online, and 15% are less likely to use online banking services. The survey also showed that 74% of the interviewees agreed with the fact that the risk to become a victim has risen, 12% of them have already been a victim of online fraud, and 89% avoid sharing personal information.

5. According to the public survey regarding security and information networks, 56,8% of interviewees suffered last year incidents in this domain, with a severe impact on their activities.

6. At the same time, the Eurostat numbers show that until January 2012, only 26% of the European companies have defined in a formal way a security protocol in IT&C.

2. Priorities and strategic actions

EU needs to safeguard an online environment that offers the highest possible level of freedom and security towards everyone's benefit. Acknowledging the fact that approaching the security challenges of the cybernetic space is the responsibility of the member states, this strategy proposes specific actions that can improve the global EU performance. These actions are planned for both short-term and long-term. It includes a series of political tools and involve various parties from EU institutions to member states and the domain industry. The EU vision, presented in this strategy, is contoured around the five strategic priorities and approach the challenges mentioned above:

1. Creating cybernetic resilience; In order to promote cybernetic resilience in the EU, both authorities and the private sector must develop their capacities and cooperate in an efficient manner. Starting from the positive results obtained through the activities conducted until now, and continuing to do so on a EU level can especially help fighting transboundary cybernetic risks and threats, contributing to contouring a coordinated response in emergency situations. This will represent a strong support towards the proper functioning of the domestic market and it will improve the EU internal security.

2. Drastic reduction of cybernetic criminality; Cybernetic criminality is a form of criminality with one of the fastest growth rate, with more than a million individuals becoming victims each day. Cybernetic criminals and cybernetic criminality networks are becoming more and more sophisticated and we need to own the operational tools and capacities to approach them. EU and member states need a solid and efficient legislation in order to counter cybernetic criminality.

3. Development of policies and defense capabilities regarding the Security Policy and Defense Policy. EU efforts in the field of cybernetic security also implies cybernetic defense. In order to improve the resilience of information systems and communications that support interests regarding the national defense and security of member states, developing cybernetic defense capabilities should concentrate on detection, reaction and reverting to the state of normality after the sophisticated cybernetic threats.

4. Developing industrial and technological resources regarding cybernetic security; Europe benefits from excellent research and development capabilities, but many of the world leaders that provide innovative products and services in IT&C are outside the EU space. There is a risk that Europe will become extremely dependent not only of IT&C products but also of security solutions developed beyond its borders. It is essential that the hardware components and software products produced in the EU and tertiary countries, that are used more and more for services and critical infrastructures for mobile devices are guaranteed to be trustworthy, safe and that they provide private data protection.

5. Establishing an EU coherent international policy regarding cybernetic space and promoting fundamental EU values. Maintaining a free, open and secure cybernetic space represents a worldwide challenge that EU should approach with its partners and the relevant international organizations, private sector and the civil society. With its international policy regarding the cybernetic space, EU will try to promote internet openness and freedom, encourage development efforts of rules of conduct and apply the existing international legislation in the cybernetic space.

EU cybernetic strategy sets the prevention and reaction strategy towards disruptions and attacks that affect the European telecommunications network.

The directive proposes imposing a minimal level of security for the technologies, networks and digital services in all member states. This also means that some companies and organizations should have the obligation of reporting significant cybernetic incidents. The list includes search engines, cloud-type service providers, social networks, public administrations, online payment platforms such as PayPal and major commerce sites, such as Amazon.

Ways of insuring a high level of security for networks and information

The EU cybernetic security strategy establishes that EU's approach is the best way to prevent and react to disruptions and cybernetic attacks. The strategy presents a series of actions in order to consolidate the cybernetic resilience of information systems, reduce cybernetic criminality and consolidate EU's international policy regarding cybernetic security and defense.

The directive regarding network and information security (NIS) is an important element of the cybernetic security strategy. This means that EU member states, main internet service providers and infrastructure operators, such as electronic commerce platforms, social networks and transport services, bank services and healthcare services guarantee a safe and trustworthy digital environment all across the EU. Taking into consideration the fact that the approach used now is reliant on volunteers, the national capacities and the degree of implication and knowledge of the private sector varies considerably from one state to another. The directive aims to create equitable competition conditions by introducing harmonized norms that should be applied in all of the EU member states. The proposed measures include:

- The request that EU member states will adopt a strategy regarding NIS and will designate a national NIS authority that will benefit from adequate resources in order to prevent, manage and solve NIS risks and incidents.

- Creating a cooperation mechanism between the member states and the commission in order to send early warnings regarding risks and incidents, trade information and counter NIS threats and incidents.

- The request for certain societies and digital services to adopt risk management practices and report major information security incidents to the national security authority.

The request of reporting information security incidents aims to develop a culture of risk management and to make sure that the information is shared between the public and private sectors. The request includes:

- Critical infrastructure operators from certain fields, such as financial services, transportation, energy and healthcare.

- Information services companies, including application stores, electronic commerce platforms, internet payment platforms, cloud computing platforms, search engines and social networks.

- Public administrators

Conclusion

Present information systems can be severely affected by security incidents, such as technical difficulties and viruses. These types of incidents, usually called information and network related incidents, are becoming more and more frequent and more difficult to approach.

Many companies and governments from across the EU rely on infrastructures and digital networks to provide essential services. This means that when there are NIS related incidents, they can have a huge impact by compromising services and interrupting the activity of companies. Additionally, with the development of EU's internal market, numerous networks and information systems are functioning beyond the borders. A NIS related incident in a country could have effects felt in other countries and even the whole EU. Also, security incidents undermine the consumer's trust in online payment systems and information networks.

By introducing additional risk management measures and a systematic incident report measure, the directive allows information system dependent sectors to be more viable and stable.

The NIS objective is to insure a trustworthy and safe digital environment in EU. Citizens and consumers will have more trust in the technologies, services and systems on which they rely daily. This trust will be represented into a more inclusion favorable cyberspace and a digital economy which is growing fast, helping with economic stabilization. Governments and companies will be able to rely even more on networks and digital infrastructure in order to provide essential services domestically and transboundary. Safer electronic commerce platforms could attract more clients and could create new opportunities. IT&C security service and product providers will also benefit because of the increase in the need for their products. EU economy will benefit because sectors that rely heavily on NIS will be better supported for offering a viable service.

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EXPLORING THE RELATIONSHIP BETWEEN TOURISM DEVELOPMENT INDICATORS AND CARBON EMISSIONS : A CASE STUDY OF TUNISIA

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Abstract

Tourism is viewed increasingly as an essential sector to local, regional and national reconstruction and development for economies at various scales. The objective of the study is to empirically investigate a two-way statistical relationship between tourism development indicators and carbon emissions in Pakistan over a period of 1991-2010. To recognize this relationship, a time series, co-integration and Granger Causality Tests have been employed. The study further evaluates four alternative but equally plausible hypotheses, each with different policy implications. These are: i) tourism indicators cause carbon emission (the conventional view), ii) carbon emission cause tourism indicators, iii) There is a bi-directional causality between the two variables and iv) both variables are causality independent (although highly correlated). The results reveal that tourism indicators significantly increase carbon emissions in Pakistan. The causality results, only moderately, support the conventional view that tourism indicators have significant long run casual effect on carbon emissions in Pakistan. The present study find evidence of unidirectional causality running between tourism indicators and carbon emissions while causal relationship running from carbon emissions to natural resource depletion and from carbon emissions to net forest depletion in the context of Tunisia.

Key words: Tourism, Carbon emissions, Natural resource depletion, Net forest depletion, Tunisia

Introduction

Over the past three decades, there have been many attempts in the literature of economy of energy in order to clarify the effects of energy consumption and emissions of CO₂ on economic growth. The CO₂ emissions used in literature as a proxy for the extent of climate change are the main concern of both the developing and the developed countries. The consumption of energy is considered as the main source of pollution and environmental degradation (Ang (2008) , Soytas and Sari (2009), Apergis and Payne (2010), Arouri, Ben Youssef, Me Henni, and Rault (2012)). However, the relationship between energy and climate change by taking into account the sectoral distribution of the economy deserves more attention. In such a perspective, the tourism sector can submit a field of study. In this sense, tourism present in our days one of the largest and most vibrant industries of the world. Besides, the recipe of international tourism in 2012 has reached a total of 1075 Billions of dollars generated by 1035000000 arrivals of international tourists (UNWTO, 2013) . Also, the World Tourism participates in the creation of 1 to 11 jobs and generates loans of 9% of gross domestic product (GDP) (World Tourism and Travel Council (WTTC), 2013). In this regard, any increase in number of international tourists leads not only to economic growth but also requires the consumption of additional quantities of energy (Liu I, Feng T, Yang X 2011). However, the development of tourism is also likely to make changes to the climate. In addition, the increase in tourism activities can contribute to the increase in the demand for energy in various functions, such as transport, catering, accommodation and management of tourist attractions (Becken S, Simmons DG, Frampton C(2003); Becken S, Frampton C, Simmons DG(2001), Gössling S.(2002)), which is also likely to lead to a degradation of environment and pollution. The consideration of the tourist sector as a source of pollution is well confirmed with the World Summit on Sustainable Development in Johannesburg in 2002 which recognized the international tourism as one of the major consumers of energy (Nepal 2008) .

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In general, taking into account of the quality of environment and analysis of the links between energy consumption, economic growth and emissions of CO₂ has been dealt with under various research axis. Some studies have analyzed the relationship between consumption of energy and economic growth (Odhiambo Nm(2009); Abosedra S., Dah, A.and Ghosh, S. (2009); Stern, D.I. (2011); Fuinhas, J.A. and Trademarks, A.C. (2011)), and have verified the role of energy to the contribution of economic growth. Some studies have analyzed the relationship between level of revenues and emissions of CO₂ through the Environmental Kuznets Curve(Dinda S.(2004); Luzzati, T.and Orsini, M. (2009); Costantini, V.and Martini, C. (2010); Fodha, M., & Zaghdoud, O. (2010)). Other studies have analyzed the linked relationship between energy growth and pollution (Zhang X-P, Chen X-M (2009); Arouri, M.H., Ben Youssef, A., M'Henni, H., Rault, C. (2012); SBIA, R., Shahbaz, M., Hamdi, H. (2014)).

In recent years, economists and politicians are concerned with environmental issues, particularly the issues related to tourism sector which witness ourdays a remarkable development. In fact, an increase in tourism activities is delivered with an increased demand for energy within various functions: the importance of energy for the tourism sector is undeniable. As well, the increase in consumption of energy due to development of tourism may have a negative impact on the quality of the environment. It is obvious that the degradation of the environment is likely to occur because of the development of tourism through construction of hotels and other tourist facilities to the detriment of green spaces and also via the additional consumption of energy. The literature of growth has indicated that most of tourist activities contribute to the pressure of the Environment (Day, J., & Cai, L. P 2012 and Duffy, 2001).

In the face of the environmental challenges of tourism a strand of literature is developed to analyze the effects of tourism on the quality of environment and climate changes. Some studies have sought the implications of tourism in relation to the environmental issues, such as its contribution to emissions of greenhouse gases and global warming (Becken S & al. 2003; Gössling S. 2002; Becken S. 2005; Bode S & al. 2003, Nielsen & al. 2010 , Simpson & al., 2008). Some studies have focused on the relationship between tourism and consumption of energy (Tabatchnaia-Tamirisa N & al. 1997; Gössling S 2000; Becken S, and Simmons DG 2002). Other studies have sought the effect of tourism industry on the quality of the Environment (Xuchao & al. (2010), Hsin-Jung Hsieh and Shiann-Far Kung 2013 and Jun Liu & al. 2011). Previously seen, we can conclude the effect of tourism sector in the phenomenon of climate changes. Recent literature confirms this finding. In this sense, Katircioglu (2014) studied the effects of growth of tourism on climate changes in the case of Turkey.He noted that tourism affects the growth not only through a considerable increase in the consumption of energy but also via considerable increases in climate changes. Referring to the data of Cyprus, an island of tourist destination in the Mediterranean, Katircioglu & al. (2014) have analyzed the effects of tourism's growth on consumption of energy and climate changes. This conclusion confirms that tourism's development is catalyst for carbon emissions and energy consumption is increase. Lee and Brahmasrene (2013) have used data from the European Union (EU) to study the influence of tourism on the economic growth and emissions of CO₂ using the procedures of econometric panel data. They have noticed that tourism brings a negative and significant impact on high emissions of CO₂.

Salih Turan Katircioğlu 2014 has examined the relationship between the development of tourism and emissions of carbon in Singapore by hypothesis tests of Kuznets environmental curve. These results show that carbon emissions and development of tourism are in a relationship of long-term balances. CO₂ emissions converges to its level of long-term equilibrium with an adjustment speed of 76.0%. This conclusion confirms that tourists' arrival has a negative and significant effect on the levels of carbon dioxide emissions in both short and long term.

1). Tourism in Tunisia

Tunisia is situated at the junction of the Eastern and western basin of the Mediterranean to the northern tip of Africa. It enjoys a pleasant climate during a good period of the year. This geographical position, has made Tunisia a crossroads of civilizations in the past. In fact, today it is a hub as well for investment and trade with other nations of Europe, Africa and the Middle East. Investment in tourism sector have experienced a remarkable increase. The average annual growth rate of hotels has reached 5% during the years 2002-2006, and the rate of annual occupation reached 57%. The accommodation capacity has evolved from 231838 beds in 2006 to more than 241.528 beds in 2010. To ensure and structure its market share of the Mediterranean, Tunisia seeks to reach a capacity of 400000 beds in 2020.

In Tunisia, tourism sector has made to increase the number of tourists. Indeed, from the beginning of the year until 20 August 2012, Tunisia has welcomed nearly 3.7 million of tourists of different nationalities against 2.8 million in 2011 and 4.6 million in 2010. This increase in the number of arrived tourists still remains with European dominance by a proportion of 50.6%. The European tourists increased by one million 309 thousand in 2011 to a million 972 thousand tourists in 2012. For the movements of tourists from Arab Maghreb and North America, the data published by the National Office of the Tunisian tourism (ONTT) indicate that they are rising, reaching, respectively, a million 621 thousand tourists in 2012 against 1 239 978 in 2011.

The increase in the influx of tourists, from 1 January to 20 August 2012, towards Tunisia has also concerned the Japanese (169.3% with 4 thousand 379 tourists), Brazilians (76% with a thousand 320 tourists) and Australians (38.5% with 1011 tourists). On the other hand, a decrease was recorded during the same period, at the level of the influx of tourists means- Oriental (-74,9%) with 23 thousand 406 tourists, Africans (-60,6%), or 22 thousand 732 tourists and Chinese (-78,8%), namely 2 thousand 296 tourists.

The development of Tunisian tourist sector increased the entrance of foreign currency from 945 million DT in 1992 to 2340,6 million DT in 2001 and 3471,9 in 2009. From 1st January to 20 August 2012, tourist revenues have improved, rising by 35.3% compared to the same period of 2011. But it falls to 14.9%, in comparison with the first eight months of 2010, as stated in the figures recently published by the Department of Tourism. The data of the Central Bank of Tunisia indicate that the cash receipts from tourism sector have reached 1.804,3 million dinars, during the first eight months of 2012, against 1.333,8 dot in the same period of 2011 and 2.121,4 MDT during 2010.

2) Data sources

Data used in this paper are annual figures covering the period 1972 – 2011, and the variables of the study are CO2 emission in (kt), TR is international tourist arrivals, and EC is energy use (kt of oil equivalent). Data were gathered from World Bank Development Indicators (WDI) and report of Ministry of Trade and Tourism : National Board of Tunisian tourism (2010).

3) Econometric methodology and empirical results

In our study, The starting point of theoretical setting is to consider the international tourist arrivals as a determinant of energy consumption and CO2 emissions too . Thus, the following “tourism-induced” functional relationships have been put forward in the present study.

$$EC_t = f(CO2_t, TR_t) \quad (1)$$

$$CO2_t = f(EC_t, TR_t) \quad (2)$$

CO2 is a proxy for climate changes in (kt), TR is international tourist arrivals, and EC is energy use (kt is oil equivalent). Equation (1) and equation (2) will be estimating tourism-induced CO2 emissions and energy consumption, respectively. The concept of proposed

functions in Eqs. (1) and (2) of the present study is similar to the literature of Alam and al. (2011) who have adopted dynamic modeling of causal relationship among energy consumption, CO2 emissions, and real income growth. The functional relationships in Eqs (1) and (2) can be expressed in logarithmic form to capture the tourism impacts on the energy consumption and environmental quality in long-term (Katircioglu S. 2010):

$$\ln(EC)_t = \alpha_0 + \alpha_1 \ln(CO2)_t + \alpha_2 \ln(TR)_t + \varepsilon_t \quad (3)$$

$$\ln(CO2)_t = \alpha_0 + \alpha_1 \ln(EC)_t + \alpha_2 \ln(TR)_t + \varepsilon_t \quad (4)$$

The dependent variables in Eqs (3) and (4) may not immediately adjust to their long-run equilibrium levels following a change in any of their determinants (Katircioglu S. 2010). Therefore, to investigate the long-run relationship between the variables, the Autoregressive Distributed Lag (ARDL) model is used. The ARDL cointegration technique is introduced by Pesaran and Shin (1999) and Pesaran & al. (2001). Pesaran & al. (2001) ARDL bounds test approach is more advantageous than the other tests based on Engle and Granger (1987), Johansen (1991) and Johansen and Juselius (1990) cointegration techniques. For example, The ARDL bounds test is based on the assumption that the variables are I(0) or I(1). Also, The ARDL approach efficiently adapts for possible endogeneity of explanatory variables, and estimates to show desirable small example of properties. Furthermore, the ARDL approach tolerates different optimal lags that the variables may have, while it is impossible with classical cointegration procedures. A final advantage is that the ARDL approach employs a single reduced form of equation, although the classical cointegration models estimate the long-run relationship within a context of system equation.

So, before applying this test, we determine the order of integration of all variables using the unit root tests. The objective is to ensure that the variables are not I(2) to avoid spurious results. In the presence of integrated variables of order two, we cannot interpret the values of F statistics provided by Pesaran & al. (2001).

3.1) Unit roots tests

In time series analysis, before running the causality test the variables must be tested for stationarity. In our study, The Augmented Dickey-Fuller (ADF) and Phillips-Perron (PP) Unit Root Tests are employed to test the integration level and possible co-integration among the variables (Dickey and Fuller 1979; Phillips and Perron 1988)

Table 1 gives ADF and PP unit root test results for the variables of the study. The CO2 emission seems to be stationary in ADF and PP test at level of 5%, but this is not justified at 1% level. Furthermore, EC is stationary at levels I(0). For the international tourist arrivals (TR), both tests reveal that this is non-stationary at the levels but stationary at the first differences I(1). Unit root test confirms that none of the series is integrated of I(2). Therefore, we may apply ARDL bounds testing procedures for establishing the long-run relationship between energy consumption, CO2 emission and tourism.

Table 1: ADF and PP unit root tests

Variables	ADF Test		PP Test	
	In level	First difference	in level	First difference
LN(TR)	-1.63[0]	-6.60[0]***	-1.91[12]	-6.90[7]***
LN(CO2)	-3.51[1]**	-6.80[0]***	-3.40[4]**	-6.78[3]***
LN(EC)	-4.01[1]***	-8.01[0]***	-	9.29[38]*** -7.82[2]***

SC is used to choose the number of optimal delays for the ADF tests, whereas « Bandwidth » is used for PP tests. The critical values related to ADF and PP tests were provided by MacKinnon (1996). The bracketed figures represent the delay levels based on the information criterion of Schwarz. Figures between square brackets represent Newey-West bandwidth's automatic selection using the Bartlett kernel. Note that only the constant is included in tests. (***) , (**) and (*) denote statistical significance at the 1%, 5% and 10% levels respectively

3.2) ARDL Bounds tests for cointegration

The ARDL model is based on two steps to estimate long-run relationship (M.H. Pesaran, Y. Shin, R.J. Smith 2001). First, we will examine the existence of long-run relationship among all variables in the equation. The ARDL model used in this study is expressed as follows:

$$\begin{aligned} \Delta \ln (EC)_t = & \alpha_{01} + \alpha_{11} \ln (EC)_{t-1} + \alpha_{21} \ln (TR)_{t-1} + \alpha_{31} \ln (CO2)_{t-1} + \sum_{k=1}^n \beta_{1k} \Delta \ln (EC)_{t-k} \\ & + \sum_{k=1}^n \beta_{2k} \Delta \ln (TR)_{t-k} + \sum_{k=1}^n \beta_{3k} \Delta \ln (CO2)_{t-k} + \varepsilon_{1t} \end{aligned} \quad (5)$$

$$\begin{aligned} \Delta \ln (CO2)_t = & \alpha_{02} + \alpha_{12} \ln (CO2)_{t-1} + \alpha_{22} \ln (TR)_{t-1} + \alpha_{32} \ln (EC)_{t-1} + \sum_{k=1}^n \beta_{1k} \Delta \ln (CO2)_{t-k} \\ & + \sum_{k=1}^n \beta_{2k} \Delta \ln (TR)_{t-k} + \sum_{k=1}^n \beta_{3k} \Delta \ln (EC)_{t-k} + \varepsilon_{2t} \end{aligned} \quad (6)$$

ε_{1t} is white noise term and Δ is the first difference operator ; $\ln (CO2)_t$ is the natural log of carbon dioxide emissions, $\ln (TR)_t$ is the natural log of tourist arrivals; $\Delta \ln (EC)_t$ is the natural log of energy consumption; ε_{1t} and ε_{2t} are serially independent random errors with mean zero and a finite covariance matrix.

The ARDL approach estimates $(p + 1)^k$ number of regressions in order to get the optimal lag length for each variable, where p is the maximum number of lags to be used, and k is the number of variables in the equality. An appropriate lag selection is based on a criterion such as Schwarz Bayesian Criterion (SBC).

The bounds test is mainly based on the joint Wald statistic or F-statistic that tested the null hypothesis of no co-integration. The first step in the ARDL bounds approach is to estimate the equations (5 and 6) by ordinary least squares (OLS). The estimation of the two equations by performing an F-test for the joint significance of the coefficients of lagged levels of variables we give, : $H_0 : \alpha_{1i} = \alpha_{2i} = \alpha_{3i} = 0$ against the alternative one $H_1 : \alpha_{1i} \neq \alpha_{2i} \neq \alpha_{3i} \neq 0$ for $i = 1, 2$. Pesaran & al. (2001) report two sets of critical values for a given significance level. The first level is calculated on the assumption that all variables included in the ARDL model are integrated of order zero $I(0)$, while the second one is calculated on the assumption that the variables are integrated of order one $I(1)$. If the computed F-statistics lie above the higher critical bounds, the null of no co-integration is rejected regardless of whether the series are $I(0)$ or $I(1)$, indicating co-integration. If the computed F-statistics fall below the lower critical value, we cannot reject the null hypothesis of no co-integration. Finally, if the computed test statistics lie between the bounds, a conclusive inference cannot be made without knowing the order of integration of the underlying regressors. Table 2 gives the calculated F-statistics.

Table 2: Results from bound tests

Dependant variable	lag selection	F-statistic	Decision
F(CO2\TR,EC)	(2,2,0)	0,6374	No co integration
F(EC\TR,CO2)	(2,2,2)	6,5498	co integration
Lower-bound critical value at 5%		3,88	
Upper-bound critical value at 5%		5,30	

Lower and Upper-bound critical values are taken from Pesaran & al. (2001), Table CI(i) Case I.

The results of computed F-statistics and critical values suggested by Pesaran and al. (2001) at 5% levels of significance are given in table 2. In equation (5), the F-statistics is well beyond the critical value at 5% level of significance. Therefore, this is an evidence of strong long run relationship among the variables. We also follow the same methodology for the equation (6) : It is evident that the F. calculated values are significantly lower than the lower bound of the critical value of Pesaran and al. (2001). Therefore, we conclude that there is only one co-integration vector from tourism to energy consumption.

We have established that it exists a long run relationship between tourism and energy consumption in Tunisia. However, the direction of causality is not clear from the ARDL cointegration test. Therefore, we shall conduct the Granger causality test for establishing the direction of causality. It is clear from table 3 that the null hypothesis of tourism does not Granger cause EC is clearly rejected at 5% but the null hypothesis of EC does not Granger cause tourism is accepted. This result concludes that causality runs from tourism to energy consumption and not vice versa in the case of Tunisia. Also the null hypothesis of EC does not Granger cause CO2 is clearly rejected at 5% but the null hypothesis of CO2 does not Granger cause EC is accepted. finally, non causality hypothesis for tourism and CO2 emission is clearly accepted at 5% level.

Table 3: Granger causality test

Null Hypothesis:	Obs	F-Statistic	Prob.
CO2 does not Granger Cause EC	38	2.91303	0.0684
EC does not Granger Cause CO2		3.36559	0.0468
TOURIS does not Granger Cause EC	38	3.38210	0.0461
EC does not Granger Cause TOURIS		2.61372	0.0884
TOURIS does not Granger Cause CO2	38	1.41104	0.2582
CO2 does not Granger Cause TOURIS		2.26003	0.1203

After determining the direction of causality, we estimate equation (5) and equation (6) following the ARDL co-integration technique for long run estimations. We estimated the model using the AIC Criterion and SBC Criterion to find the coefficient of the level of variables. The long run and short run results of all models were almost nearly identical. Therefore, we present only the results of the model that were selected on the basis of AIC criterion as Monte Carlo experiment of Liew (2004) documented that AIC is superior to other criteria, particularly when time span is less than 60 observations.

Table 4: Long run ARDL estimates

variable	Dependent variable EC		Dependent variable CO2	
	Coefficient	T-Ratio	Coefficient	T-Ratio
EC			.86701	1.2901
TR	.51105	1.7094*	.13434	.34413
CO2	.12477	.27244		
	LM Version	F Version	LM Version	F Version
χ^2 (serial correlation) ¹	.91514[.339]	.71011[.407]	1.5758[.209]	1.3345[.257]
χ^2 (functional form) ²	.0063429[.937]	.0048009[.945]	4.8826[.027]	4.5607[.041]
χ^2 (normality) ³	.34375[.842]		.82415[.662]	
χ^2 (heteroscedasticity) ⁴	.0020448[.964]	.0019343[.965]	.84989[.357]	.82285[.371]

(**) and (*) denote statistical significance at the 5% and 10% levels respectively.

1 The Breusch–Godfrey LM test statistic for no serial correlation.

2 The White's test statistic for homoscedasticity.

3 The Jarque–Bera statistic for normality.

4 The Ramsey's Reset test statistic for regression specification error.

The results of long run estimations are presented in Table 4. The coefficient of tour, which is 0.511 implies that 1% increase in international tourism arrivals leads to 0.50% increase in energy consumption in long run. This finding confirms tourism-led growth hypothesis, which states that, improvements in the unbound tourism activities may lead to higher level of energy consumption. These results prove that international tourist arrivals to Cyprus are a catalyst for energy consumption, which suggest that a change in tourist arrivals will precede changes in energy consumption in long-term. For example, an increase of tourism activities creates increased demands for energy at various functions such as transportation, catering, accommodation, and management of tourist attractions (Liu J. and al. 2011, Becken S. and al. 2003), which is also likely to lead to environmental pollution and degradation. The results of our study are in line with the empirical study analyzed by Salih T. K. and al.(2014).

In the next stage, conditional ECM regressions associated with the level of relationship should be estimated. The ECM estimations from Eqs (5) and (6) are provided in Table 5.

Table 5: Conditional error correction estimations under the ARDL approach

Dependent variable: EC				Dependent variable: CO2			
Lag structure: (2, 2, 2)				Lag structure: (2, 2, 0)			
Regressor	Coefficient	T-Ratio	p-value	Regressor	Coefficient	T-Ratio	p-value
\hat{u}_{t-1}	-.13361	-2.1965	.036	\hat{u}_{t-1}	-.084438	-.79230	.434
$\Delta \ln E_{t-1}$	-.56032	-4.9508	.000	$\Delta \ln CO_{2t-1}$	-.52440	-3.3285	.002
$\Delta \ln CO_2$	.30401	3.3501	.002	$\Delta \ln EC$	.92462	4.2098	.000
$\Delta \ln CO_{2t-1}$	.38239	4.3514	.000	$\Delta \ln E_{t-1}$	.91010	4.5573	.000
$\Delta \ln TR$	.067277	2.8196	.008	$\Delta \ln T$	.011343	.30716	.761
$\Delta \ln TR_{t-1}$	-.078518	-2.6895	.011				
				Adj. R2=.52870			
	Adj. R2=.75055						
	AIC=83.6070			AIC=64.6723			
	F-stat.=17.4512, F-prob.=0.000			F-stat.=8.6937, F-prob.=0.000			

The ECT terms in Eqs. (5) are (-.13361) statistically significant and negative. A result of Table 5 implies that energy consumption converges to its long-term equilibrium level by 13.36 percent speed of adjustment through the channels of international tourist arrivals and CO₂ emissions. In short-term, any increase in international tourist arrivals by 1% increases the energy consumption by 0.067%. Also an increase in energy consumption by 1% increases the CO₂ emissions by 0.924%.

Conclusion:

This study has analyzed the relationship of balance in long term and direction of causality between consumption of energy in tourism and environment's quality in Tunisia. Our analysis proves that the increasing number of arrivals of tourists requires more and more large quantities of energy to meet tourists' needs in the field of transport, air conditioning and leisure, which creates a gradual degradation of the quality of environment. We have used two induced models; the first model analyzes the relationship between consumption of energy as a dependent variable explained by the arrival of tourists and emissions of CO₂; in the second model, arrivals of tourists and consumption of energy are in a linear relationship with the dependent variable of carbon dioxide emissions. After you have verified that the order of integration of our variables is strictly less than two, the recourse to the test of hops has confirmed the existence of cointegration relationship in the first model and its absence in the second one. Tourism has a direct impact and statistically significant effect on consumption of energy for the future of the Tunisian economy. The short-term results indicate a bidirectional causality between energy consumption and emissions of CO₂ and also between consumption of energy and tourism, while absence of any causal relationship between emissions of CO₂ and tourism. Tourism affects the quality of the environment indirectly through consumption of energy. In fact, the increase of the number of tourists requires additional quantities of energy which affect the quantities of CO₂ emitted in the atmosphere. Therefore, the main conclusion of the current study of the econometric analysis is that the arrival of tourists is a catalyst for consumption of energy and thus long-term climate changes.

Through the results of the present study, we can draw some involvement: the government must take into consideration the international tourism sector when it establishes measures for the protection of the environment (control of climate changes). The protection measures in the tourism sector should be laid down. Sustainability in tourism sector is one of the major axis of debate on tourism development integrated in the environment. A side of national decisions, governments must take into account the effect of tourism on the consumption of energy and on the quality of the Environment in the international scale.

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THE SUMMIT MEETINGS FOR THE PROSPERITY OF THE PLANET

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Abstract

Summits of the Countries in Asia and Europe (The Asia-Europe Meeting - ASEM) is a year informal process of Dialogue and Cooperation Bringing together the 28 member states of the European Union (EU), two Countries that has not EU members, the Union Europe itself, with 21 Asian Countries, together with the secretariat of the Association of South East Asian Cooperation (ASEAN).

Level Dialogue ASEM has three pillars: political, economic and cultural, with the pursuit of Objectives Defining the relations between the two continental Regions of the world in the spirit of mutual respect and Equality to all our partners involved action. At summit meetings held Attended (in alphabetical order): Australia, Austria, Bangladesh, Belgium, Brunei Darussalam, Bulgaria, Cambodia, China, Cyprus, Korea, Croatia, Denmark, Estonia, Russian Federation, Philippines, Finland, France Germany, Greece, India, Indonesia, Ireland, Italy, Japan, Kazakhstan, Latvia, Lithuania, Luxembourg, Malaysia, Malta, United Kingdom, Mongolia, Myanmar, Netherlands, Norway, New Zealand, Pakistan, Poland, Portugal, Czech Republic, Lao People's Democratic Republic, Romania, the ASEAN Secretariat, Singapore, Slovakia, Spain, Sweden, Thailand, Hungary, the European Union and Vietnam.

Coordinators for Asia is Malaysia and Mongolia, and for Europe - European External Action Service and the country holding the rotating presidency of the Union.

Keywords: *economic cooperation, global development, Europe-Asia meetings ASEM*

JEL Classification: *E00, E02, E60*

1. Main features of the Asia Europe summit meetings

Asia-Europe summit meetings are forums for intergovernmental policy dialogue and cooperation on the bases, the strengthening of economic cooperation and promote mutual collaboration in areas of mutual interest. The process of dialogue and cooperation is based on equally reciprocal partnerships and arrangements, ASEM meetings being called upon to facilitate and stimulate progress in other areas of bilateral and multilateral cooperation of mutual Asia-Europe relations.

The features cooperation in accordance with ASEM process include: a) informality - the process begins with open forums bringing together politicians and officials, discussing political, economic and sociocultural of common interest. In this way, it is made duplicates activities already developed by existing bilateral or multilateral forum; b) multi-dimensionality - covering the full spectrum of relations between the two regions linked to political, economic and socio-cultural; c) emphasis on equal partnership relations in favor of a bi or multilateral best general process of dialogue and cooperation based on respect and mutual benefit; d) focusing dual, high-level, but also on the nation involved, through platforms for meetings with heads of state or government, ministers and other officials, with a growing emphasis on contacts that encourage relationships between all sectors regions or states involved.

Traditionally, each summit is conducted under strict confidentiality. At the summit participate only the heads of delegations national and translators, thus enabling a very open dialogue about the most pressing global issues.

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1.1. The history of the first five meetings of ASEM

The first summit was held in Bangkok (Thailand) in March 1996; At this summit was attended by presidents of the 15 EU Member States, 7 Asian ASEAN member countries, plus representatives from the leading of China, Korea's, Japan and the European Union. Then, the President of the Republic of Korea proposed a vision of the Europe-Asia Peak Group, which contained postulates, methods and ways of action of this summit. Summits of ASEM members should contribute to developing better understanding between Asian and European countries and vice versa, to propose ways to advance their future together.

The second summit was held in London (UK), 3-4 April 1998. It was attended by heads of state of 10 Asian countries and 15 European countries, European Commission President European advise President and Prime Minister of Great Britain; Summit's theme was "Strengthening the partnership between Europe and Asia" and was reviewed the progress since the first meeting. The aspects regarding the Asian financial crisis have dominated at that time the discussions of the participants and the future cooperation between the participating countries.

The third ASEM summit was held in Seoul (in South Corea) from 20 to 21 October 2000.

The fourth summit was held in Copenhagen (Denmark), 20-22 September 2002.

The first extension of the framework of states action at ASEM was at **the fifth summit** which was held on 8-9 October 2004 to Hanoi (Vietnam) where attended also the 10 new EU Member States (Cyprus, Estonia, Latvia, Lithuania, Malta, Poland, Czech Republic, Slovakia, Slovenia and Hungary) and three new ASEAN member countries: Cambodia, Laos, Myanmar, which officially became part of the ASEM process.

2. The last five meetings of ASEM

Sixth ASEM summit meeting was held in Helsinki (Finland), between 10 and 11 September 2006. The general theme of the Summit was "10 years of ASEM: Global Challenges Joint Responses", reflecting the common objectives and developments worldwide. Priorities of the Helsinki Summit were: 1. Support for multilateral international system; 2. Addressing security threats (including global health threats such as avian flu); 3. Questions of energy security and climate change; 4. Support for the conclusion of negotiations on the WTO / DDA; 5. Questions relating to globalization, competitiveness and structural changes in the global economy; 6. intercultural dialogue.

Ten years of ASEM cooperation was also one of the transversal themes of the meeting. Summit presented proposals to further develop ASEM cooperation and adoption of the Helsinki Declaration on the Future of ASEM. The report Finnish-Japanese joint research was titled: ASEM in the tenth year - Looking back, looking ahead, a precondition for discussions and decisions on the future of the process.

Along with India, Pakistan, Mongolia and the ASEAN Secretariat, Romania and Bulgaria were invited to join the ASEM process after the ASEM Summit in Helsinki (10 to 11 September 2006). From 1 January 2007, Romania has participated in meetings organized under the three pillars of ASEM at different levels of representation of governmental and civil society.

Strictly formal admission of our country took place in July ASEM Summit (Beijing 24-25 October 2008). Romania's active involvement in the process marks ASEM's interest to boost bi-regional dialogue between Asia and Europe and creates new opportunities for promoting bilateral relations with traditional partners in the region.

The seventh ASEM summit meeting was held in Beijing (China) 24-25 October 2008 marked the entry of six new members in the organization: Bulgaria, India, Mongolia, Pakistan, Romania and the ASEAN Secretariat, resulting in a total of 45 partners, members in ASEM. At this summit was attended by heads of state and government from 16 Asian countries and 27 European nations, European Commission President and the Secretary General of the ASEAN Secretariat, the

first gathering of leaders from 45 countries, ASEM partners, in the second round extension 2006. The meeting was chaired by Chinese Premier Wen Jiabao.

The general theme of the summit was "Vision and Action: Towards a win-win solution" and was held on the background of the global financial crisis, and other pressing issues such as energy shortcoming, food and natural disasters. This meeting of leaders representing more than half the world's population was submitted by 1,800 reporters from 51 countries around the world who were present in Beijing to report live from the summit.

The eighth ASEM summit meeting was held in the Royal Palace of Brussels (Belgium), 4-5 October 2010. On this occasion were received within organization three new Member States: Australia, New Zealand and the Russian Federation, bringing to 48 the number of Member States. The theme of ASEM 8, "Quality of life - towards greater prosperity and dignity for all citizens", had as main topics of common interest: governmental efficiency of the economic and financial crisis, sustainable development, global issues and regional, dialogue between civilizations, the visibility and ASEM future.

Like of any summit, key leaders said what was in the interest of the states they represented "ASEM can become an arena for close energy strategies of its members and the starting point for making the most important investment projects in Eurasia" Sergei Lavrov said. European leaders "reaffirmed their commitment to create new reform projects in the area of financial regulation and supervision" and established "to create a structural reform while making a reduction of excessive public deficits," said Herman van Rompuy . Separately, the Summit EU - China has not ended the dispute between the bloc and Beijing authorities on artificial undervaluation of the Chinese currency. At the end of the debate, European Council President Herman van Rompuy and European Commission President José Manuel Barroso, said that they did further pressure on the government led by Wen Jiabao for yuan appreciation. And Washington has strongly urged China to allow yuan appreciation, whose course dollar fell against the euro and favors Chinese exports to USA and EU.

At the Summit was taken in discussion also the human rights, an domain in which Premier Wen rejected criticism by Europeans. "They should stop to put pressure on the Chinese authorities", said the Prime Minister of China. Then European Commission President Jose Manuel Barroso stressed that summits like this are important for Europe and Asia because they represent the framework in which to analyze "how globalization can be better utilized for the benefit of European citizens and Asians."

The summit was ended with the Brussels Declaration on "global economic governance more effective", which refers to the need to reform the IMF, while the emerging and developing have asked for a better representation on the Board of Directors of court international. "This process should take into account the realities of today's world, the changes taking place and strong growth in emerging economies and those in countries' development, said at the press conference that followed the meeting, European Council President Herman van Rompuy.

The 9th Summit meeting of Heads of State and Government of the European and Asian states was held at 05-06 November 2012 in Vientiane (Laos People's Republic and Democratic), the country with over 6 million inhabitants, under communist rule from 1975 without economic infrastructure, but which was increased its reforms to be accepted into the World Trade Organization. On this occasion were received within organization the three countries - Bangladesh, Switzerland and Norway - which increased the number of partners to 51 on ASEM. European and Asian leaders, participants of this summit dominated by the consequences of the debt crisis, have committed to fight together against the economic crisis and rejected any protectionist measure. The year before, EU trade with the Asian countries which are part of the Asia-Europe forum climbed to 862 billion euros, of which 532 billion corresponded to imports of Asian products.

At the summit, the European Union said that maintain the debt crisis under control. The European delegation had the objective to deny the collapse of the Eurozone and to ensure that Asia will participate in efforts increase. Europeans also wanted to remember some rules of international trade. Ex-President of the European Council, Herman Van Rompuy has invited the officials to remain "faithful to open economies and world trade rules", saying that trade is one of the keys to global growth. "It remains still enormous potential to exploit in our bilateral trade. But to promote trade, the basis is not only regarding fostering domestic demand but also avoiding protectionism. We trust that our Asian partners will remain faithful to open economies and global trade rules recognized "said Herman Van Rompuy.

"The worst thing is the adoption of protectionist measures," said Spanish Foreign Minister Jose Manuel Garcia Margallo, who pleaded to "sign as soon as possible trade agreement between the two parties." "There is a commitment to expand trade and green technology to combat protectionism," confirmed Prime Minister of Malaysia, Najib Razak, who expressed satisfaction that ASEM leaders have said very clearly that „ I am against any form of protectionism ". "We are modest enough to do not think that ,we will be alone, a global growth engine. We are part of a larger system," he said on this occasion the Indonesian foreign minister, Marty Natalegawa. It has also expressed satisfaction with the "resilience" of which showed Asian economies in recent months. Europe "must look to Asia for a better economic activity," suggested the secretary of state Philippines, Albert del Rosario. "There is an opportunity here for both sides," he explained.

The tenth summit meeting of ASEM member countries was held in Milan, 16-17 October 2014. The theme of the summit was "partnership is responsible for growth and security" and reflected widening the goals of EU-Asia. The meeting provided a crucial opportunity to send a strong message of Europe's commitment to Asia: 1. Responsibility - both Europe and Asia should act responsibly, respecting the common commitment of their environmental protection, social dialogue, poverty eradication, promotion and protection of human rights, etc. 2. Partnership - ASEM moving increasingly more towards a partnership based on a broader approach on common global and regional challenges; 3. Sustainable Growth - there is a common interest in strengthening economies and further structural reforms in Europe and Asia for economic support; joint commitment to strengthen mutual trade and investment; 4. Security - there is no growth or development without security more broadly - maritime security, non-traditional security, social security, food security, nuclear safety, etc. The EU underline the need to be perceived as a constructive and reliable player in the evolution of the regional security architecture.

This summit began by acceptance of two new countries in ASEM: Croatia and Kazakhstan. This positive start was followed by substantial discussions on major issues emerged recently. They were examined achievements and challenges in three key areas of cooperation: economic, political and socio-cultural.

The key concept and the thread that united throughout the meeting was the discussion connectivity. It was highlighted as a condition of joint economic prosperity and growth free movement of goods, investment, information and people. The need to improve transport links was highlighted in particular; Common commercial relations should become stronger and to improve infrastructure linking the countries. Also in this 21st century, digital connectivity is another key area for trade and for every area of future development.

Various initiatives are underway in these areas must be pursued further and ensure mutually reinforcing. A prosperous economy in Asia will contribute to a healthy European economy and vice versa.

2. 1. Other conferences parallel with ASEM meetings

In parallel with ASEM summit meeting, participating countries agreed to hold ministerial meetings with different purposes: foreign affairs, economic affairs, environment, culture and education, at which to participate the respective ministers of ASEM countries.

The most important meeting of culture ministers were organized: a) Beijing (China) on December 3, 2003; b) Paris (France) on June 6 to 7, 2005; c) Kuala Lumpur (Malaysia) - 21 to 24 April 2008; d) Poznan (Poland) - 8 to 10 September 2012; e) Jakarta (Indonesia) - 18 to 19 September 2014; f) Rotterdam (Netherlands) - 10 to 12 October 2014. Meetings important environment ministers were organized: 1. Beijing (China) on January 17, 2002; 2. Lecce (Italy) - 12 to 13 October 2003; 3. Copenhagen (Denmark) - 23 to 26 April 2007; 4. Ulan Bator (Mongolia) - 22 to 23 May 2012.

The most important finance ministers meetings were held: a) Kobe (Japan) - 13 to 14 January 2001; b) Copenhagen (Denmark) - 5 to 6 July 2002; c) Bali (Indonesia) - 5 to 6 July 2003; d) Tianjin (China) - 25 to 26 June 2005; e) Vienna (Austria) - 8 to 9 April 2006; f) Jeju (South Korea) on June 16, 2008; g) Madrid (Spain) - 17 to 18 April 2010; h) Bangkok (Thailand) - October 15, 2012; i) Milan (Italy) - 11 to 12 September 2014.

The most important meetings of Foreign Ministers were held in: 1. Singapore - February 15, 1997; 2. Berlin (Germany) March 29, 1999; 3. Beijing (China) - 24 to 25 May 2001; 4. Madrid (Spain) - 6 to 7 June 2002; 5. Bali (Indonesia) - 23 to 24 July 2003; 6. Kildare (Ireland) - 17 to 18 April 2004; 7. Kyoto (Japan) - 6 to 7 May 2005; 8. Hamburg (Germany) - 28 to 29 May 2007; 9. Hanoi (Vietnam) - 25 to 26 May 2009; 10. Godollo (Hungary) - 6 to 7 June 2011; 11. New Delhi (India) - 11 to 12 November 2013.

There were organized meetings of ministers of education - of which the most important were those of: a) Berlin (Germany) - 5 to 6 May 2008; b) Hanoi (Vietnam) - 14 to 15 May 2009; c) Copenhagen (Denmark) - 9 to 10 May 2011; d) Kuala Lumpur (Malaysia) - 12 to 14 May 2013, and the Labour Ministers: 1. Postdam (Germany) - September 3, 2006; 2. Bali (Indonesia) - 13 to 15 October 2008; 3. Leiden (Netherlands) - 12 to 14 December 2010; 4. Hanoi (Vietnam) - 24 to 26 October 2012.

This year, 2016 will be held **the 11th summit of ASEM in Mongolia.**

Conclusion

Summits above are part of the process of cooperation in many fields between the countries participating in ASEM of top conferences. The Forum of Peoples of Asia-Europe Business, The Forum Asia-Europe and Asia-Europe meetings with the partners are held in parallel with those meeting of heads of state and government. ASEM institution, the presidency Asia-Europe Foundation (ASEF) actually connects civil societies in Asia and Europe, connected to shared goals and objectives as discussed at the summits above.

Future development depends on the quality education that encourages innovation and employment thus contributing to economic growth. Cooperation in this key area is also an investment in the development of joint cross-fertilization of ideas and a better mutual understanding.

Exchange of views on global issues, the challenges should face together is very important. Have held the summits on these issues, such as UN conferences on small island states and developing climate change, reducing emissions of greenhouse gases.

Also, in these summits has been reaffirmed their joint commitment to fight hunger and poverty worldwide. The European Union remains the largest donor and many Asian countries have been helped to lift its population from poverty. Joint action should be continued through a program of sustainable development significantly post-2015, and the fundamental values and human rights will be protected and promoted globally.

Since lately globally are many security threats were analyzed a wide range of these challenges: food and water security, energy security, traditional and non-traditional. Also

there were exchanges of views on regional security, in particular on current areas of immediate instability. It reached a mutual agreement regarding international law and the need to resolve conflicts peacefully. Only through cooperation and mutual understanding can lead to true and lasting security.

Over the last meeting it was reviewed and how ASEM should develop itself and the framework for cooperation. It underlines the importance of the three fora ASEM: parliamentary, business and civil society. They extend beyond the scope of ASEM governments by representatives of citizens and other private actors.

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BUSINESS REPORTING LANGUAGE – A SURVEY WITH THE ALBANIAN COMPANIES AND INSTITUTIONS

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Abstract

Financial reporting is a crucial element in providing long term success to a business or an institution. As the need for faster, safer, more accurate and reliable information is increasing with rapid pace, the companies are exploring innovative technological tools to provide such kind of information. One of the newest concepts which have already gained credibility amongst business environment is the Extensible Business Reporting Language, XBRL. This is a tool that allows a certain company a multi-platform reporting and that may overcome the much debated problems of information format compatibility among different companies or different industries. XBRL is already endorsed in a lot of countries worldwide and, the International Financial Accounting Federation has for several years now, included this concept in its agenda. Through this paper we try to analyze the current status of XBRL in Albania, and to give an overview of how much this concept is known by the accountants and auditors in our country. We conduct a survey to collect their opinions and we find that they mostly get information about new concept in accounting and/or auditing from after graduating studies than from professional trainings offered by the accounting/auditing associations. We also find that the respondents consider XBRL to have a lot of potential benefits but they also know it may be too costly to be implemented by the companies they work with. Regarding the current status of XBRL in Albania, we find that none of the companies, organizations or institutions has started to implement or plan to do it in the near future.

Keywords: XBRL, financial reporting

JEL Classification: M41

Introduction

Extensible Business Reporting Language (XBRL) is a language pertaining in the XML-Extensible Markup Language family. XBRL is defined as a standard which simplifies the exchange of the financial statements, performance reporting and accounting data. Even though XBRL is derived from XML, it is easily usable software and it does not require previous knowledge about XML or Information Technology (IT). Virtually, any entity is free to use XBRL to communicate its financial information and financial statement, because it codes the data of these statements and tags the items of the reports in a way that they can be read automatically by different programs and applications. Simply stating, the XBRL is a tool which increases the benefits of the financial statements users.

For more than 15 years, since its first introduction in year 1999, the XBRL is revolutionizing the business reporting features. It facilitates the communication, transportation and information access with a cost-effective manner with no need for intervention by a user and regardless the type of operating system or platform in use. It also minimizes the human errors coming by manual entering or coping the information, thus making the information sharing, processing and the decision making process itself, faster and more reliable.

The XBRL is said to have revolutionized the business information reporting through internet and other digital media the same way as the Hypertext Transfer Markup Language (HTML) did for internet use many years ago. HTML is developed for formatting and showing the information substance, whereas XBRL, a XML derivate, is being developed not only to show the information, but also to keep and preserve the information context by tagging it with

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special tags, part of XBRL taxonomy. This is a very important feature about the XBRL, because even though internet research facilitates obtaining information, without the appropriate context this information is not readily used and requires a lot of time and resources to process it and to prepare it to be used for special analyses.

Charles Hoffman, CPA is the person who first introduced the XBRL concept. He has worked with the XBRL project in AICPA (the Association of International Certified Public Accountants) since its inception in 1998. In 2006, he was honored by AICPA, for his important contribution for XBRL project advancement. Raynier van Egmond is another distinguished researcher with a great contribution for the XBRL project. He is an IT specialist having more than 25 years of experience in ICT and who is an expert in the financial and production industries projecting and researching. Since the beginning, he has been part of XBRL project.

While it may seem that the concept of using XBRL for business reporting purposes is widely covered in international empirical and theoretical studies, there are only a few references in Albania (Lamani D; Cepani L, 2011. Shkurti R, Demiraj R, 2013. Gruda S, 2014. Zyberi I, Rova L, 2014.) Nevertheless, the above mentioned papers do not specifically address the XBRL concept (except for the last paper), but just mention the concept somewhere in the article body. The introduction of XBRL to the Albanian accountants and auditors may come, not only from academic papers but also through other sources, such as academic textbooks, professional trainings or individual research. Therefore, the main purpose of this study is to investigate about the current status of XBRL application in Albania and to research the level of information that the accountants and auditors in Albania have about the XBRL language.

The rest of the paper is organized as follows: In the first part we will present a brief literature review on the concept of XBRL. The literature review is exclusively based on international publications only, as Albanian authors have not touched upon this new concept yet. In the second part of the paper we lay out the methodology we have used to conduct the research. Next we present and discuss the detailed results of the analysis and in the end we summarize our main findings and conclusions.

I – Literature Review

Along the last fifteen years there are a lot of papers that touch upon the concept of XBRL. The first study is Cohen et.al, (1999) who suggests that XML offers a lot of potential benefits for accountants. In the same year, we find a lot of studies regarding XML in the Journal of Accountancy (Anonymous 1999; Anonymous 1999; Fleming 1999; Harding 1999; Hoffman, et al. 1999), The CPA Journal (Anonymous 1999; Honig 1999; Kepczyk 1999; Schmidt and Cohen 1999), Practical Accountant (Anonymous 1999; Anonymous 1999; Anonymous 1999; Anonymous 2000), Business Wire (Business 1999; Business and High Tech 1999; Business Editors 1999; Business/Technology 1999), and Computerworld (Hoffman 1999).

The first journal that published about XBRL was the International Journal of Digital Accounting Research which. In 2001 it was published the research of Bonson Ponte “The role of XBRL in Europe”, where the author argues that XBRL is the answer of the needs for information in the new century and that XBRL will facilitate the communication of information in a homogeneous way. Since that time there have been a lot of publications in a variety of academic journals what suggest that, the academia (at least) is completely committed to develop and manage a new technology for business reporting that will affect the way the financial statements are prepared, presented and delivered to potential investor in a real time manner.

Roohani et.al (2010) in an analysis about the XBRL literature during the decade report that from 1998 up to 2008 there have been published more than 53 papers about the XBRL

language with an increasing trend during the latest years. We may only imply that the same trend is still going on after 2008. During this time frame different authors attest the significant theoretical and practical development of XBRL. Baldwin et.al, (2006) in their study argue that XBRL will both simplify disclosure and ease the communication of financial information to users, analysts, and regulators via the Internet. But Boritz and No (2005) state that the development of XBRL until that phase was not sufficient to guarantee information integrity and security. Still, XBRL allows such diversity that few other schemes have considered before (Williams, Scifleet and Hardy, 2006). Yet, internet reporting can help companies to move far from traditional reporting towards a sustainable and advanced communication of information (Isenmann, Bey and Welter, 2007).

In 2007 the International Federation of Accountants performed a survey with the accountants, auditors, as well as with standard setting and regulatory bodies. The results revealed that during the last five years the participants perceived that the corporate governance mechanisms, the financial statement preparation and the financial statement auditing processes had been significantly improved, but that the financial reports themselves have not become more useful to them. The same survey also pinpointed a great support from the academics and accountants all over the world toward XBRL, especially from the European and Asian academics and accountants. In the same year the study of Gunn, (American Accounting Association, 2007) discusses about the benefits and opportunities in relation to the use of XBRL. One year later, in 2008, a study from Premuroso and Bhattacharya found that the decision to use XBRL format to report financial information is positively correlated with its corporate governance.

In 2009 Ristenpart et.al described XBRL as “a free kingdom, open for software using XML to describe financial information for public and private companies”. This description confirms the similarity of XBRL with XML in that it can be used to describe financial information based on data tagging. Another important fact from this description is that XBRL is an open and free standard in that there is no license to be paid in order to make use of it. Often XBRL is also referred to as “interactive data” (Garbellotto, 2009a, pg. 56). This means that the data is used under a new and innovative way and that using XBRL, the data exchange and processing is improved.

Pinsker and Li (2008, pg. 47-48) included the non-financial information in their description of XBRL by stating that XBRL is a web-based XML derivate, used to tag and add meaning to the financial and non-financial information. But, the web-based part is probably wrong, because being a XML derivate; the XBRL does not depend on web to storage and manipulate the data.

In the same year (2008), Dzinkowski compared the XBRL technology with the barcoding regime (the Universal Product Code) concluding that the XBRL is an information technology language; it is not a barcoding regime specifically designed for a better financial information management. XBRL is similar with UPC, in that it represents a form of standardization which in turn enhances the necessary efficiency during the process. UPC facilitates a better inventory management, thus reducing its overall costs, whereas XBRL facilitates a better information management for company.

There are several difficulties and even threats regarding the long term survival and application of XBRL. The unsafe internet environment and the opposing accountants and auditors are just a few of these threats. The studies in the future may want to focus on finding out how to enhance the security during XBRL application projects, or even how XBRL taxonomy may be adopted in different jurisdictions, helping the worldwide financial reporting environment.

II – Methodology of the study

The main purpose of this paper is to collect information in order to assess the level of information and knowledge that the Albanian accountants and auditors have, regarding the XBRL concept. To achieve this objective we have used a survey through which we aim to answer questions related to XBRL, such as the source/s of information regarding this concept, possible implementation in Albania, the institutions which may be held responsible to introduce and implement the XBRL taxonomy, the impact it may have on the accounting and financial reporting standards, the types of companies that might use and benefit from it and the possible reasons it is not yet implemented.

In order to perform this study through the survey tool we first defined what would be the population of the study. We decided to include in the population the chartered accountants, the certified auditors, the accounting academics and professors, the accounting and financial officers, as well as master level accounting and auditing students who had part-time or fulltime jobs. Next, out of this population, we identified a random sample of 300 individuals and sent the survey to them using electronic way of delivering. We assume that studying the selected sample will reveal the level of knowing the XBRL concept by the population.

The survey was electronically sent to all the certified auditors of Albania registered in the registrar of the Institute of Certified Auditors in Albania, by the time of the study; to the professors of accounting, auditing and finance of the University of Tirana and of some other non-public universities; to some internal auditors working in several banks in Albania; to some auditors working for the big four auditing companies in Albania; to some accounting and financial officers working for several Albanian companies in the services sector and to some of the master in accounting and auditing students who are also working in profession. We got back 75 completed questionnaires out of 300 sent out which represents a response rate of about 25 %. According to Nulty (2008) on line and electronic questionnaires usually have a lower response rate (from 20% to 30%) compared to paper-based questionnaires, but this does not imply that they are to be considered less accurate, only that they have been completed by the individuals who really are attracted to the subject of the survey. Therefore we consider a response rate of 25 % to be an acceptable and reliable statistics to perform the analysis of the collected data.

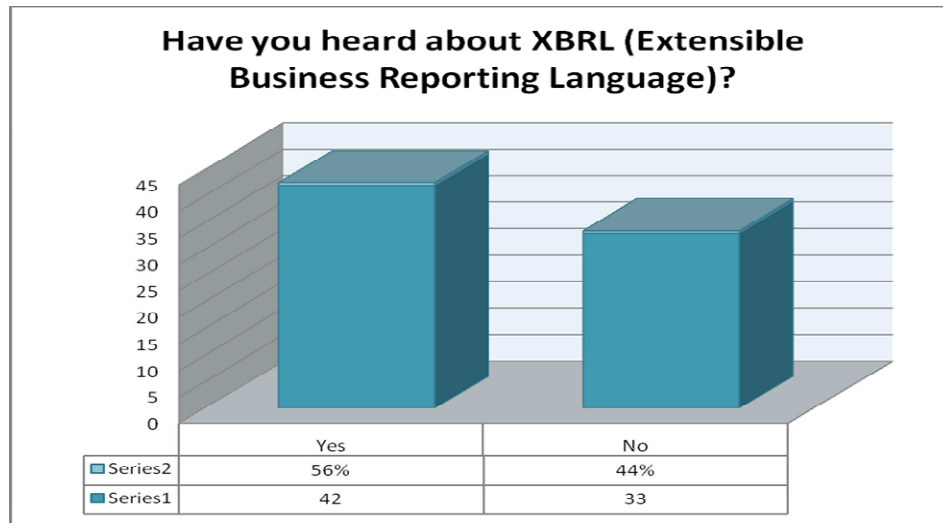
The questionnaire consists of ten questions, each of them short and concise because we believe that long electronic questionnaires with ambiguous questions are overlooked by the respondents, therefore not yielding reliable conclusions. In average it took three minutes to the respondents to complete the questionnaire. We used the Survey Monkey website to compile and process the questionnaire. The survey was conducted for a period of five weeks.

We encountered several difficulties during the phase of completing the survey such as, choosing the most reliable way to deliver and complete the questionnaires, defining and expressing the simple and direct questions, the definition of the population of the study, the selection of the sample, delivering and then gathering and finally processing and analyzing the completed questionnaires. We relied exclusively on the Survey Monkey tools and Excel to conduct the analysis of the questionnaire.

III – Results of analysis

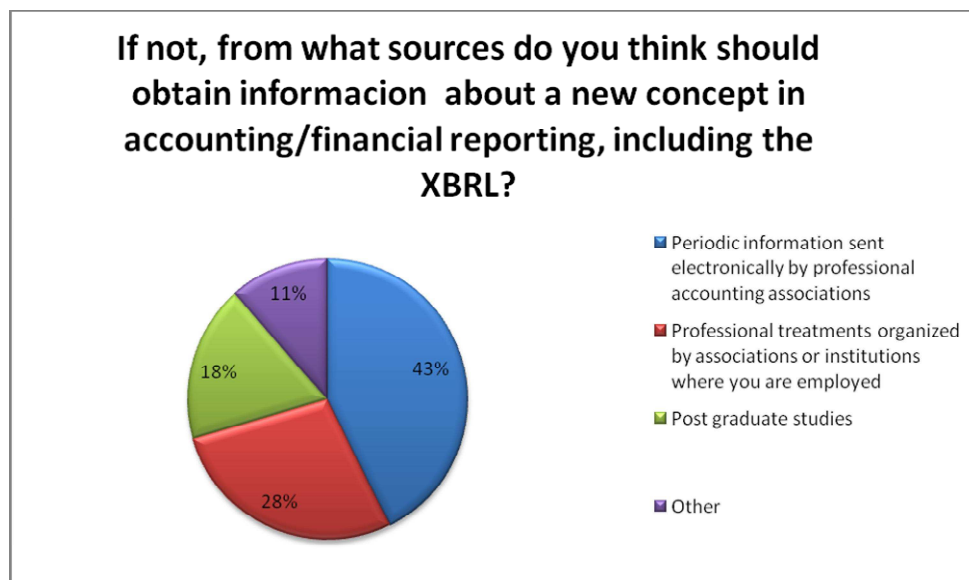
We start the questionnaire by asking the participants in the study whether they have ever heard about the XBRL during their professional career or not. Based on their answers we can categorize the respondents in two preliminary groups. In graph 1 we see that 56 % of the respondents have some level of knowledge about the XBRL concept, whereas 44 % of them have never heard about XBRL before. Because more than half of the sample has some sort of knowledge with this concept we continue asking and gathering some other information from them.

Graph 1: Familiarity with the XBRL concept



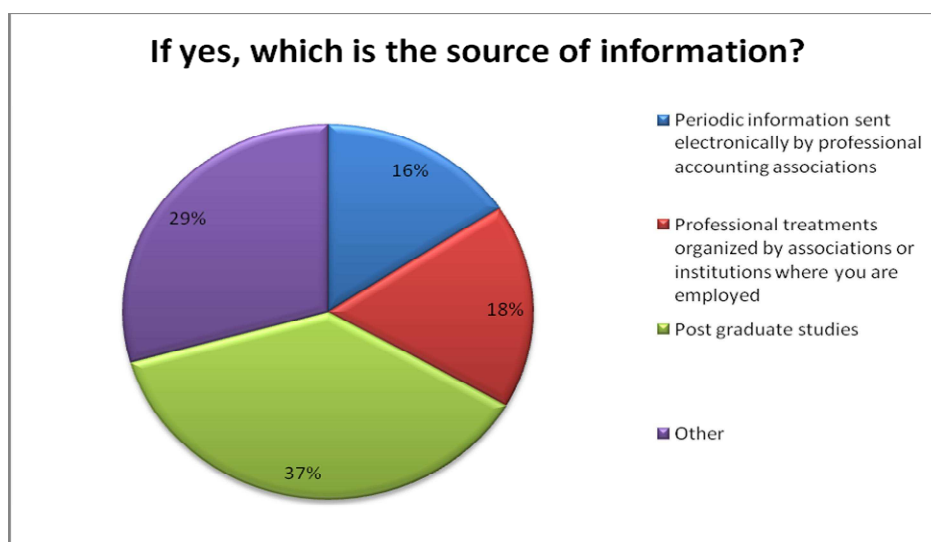
We ask the respondents who had never before heard about the XBRL, which is the primary source, they think they should obtain information about a new concept in accounting/financial reporting. This is a multiple question with several options such as: periodic information electronically sent from accounting professional associations, professional trainings organized by the affiliation institutions, post graduating studies, or another option left blank so that the respondents could answer. With a result of 43 % we find that periodic information electronically sent from accounting professional associations is considered the most important source of information. This may be due to the exceedingly high expectations that the accounting professionals have from the association/s they are affiliated to. The second most important source, getting 28 % of the answers, is the institutions where the respondents currently work in, whereas the third comes the post graduating studies, with 18 %. Graph 2 represents the results of this question.

Graph 2: The primary sources to obtain information about new concepts in accounting / finance; subgroup 1 (did never hear about XBRL before).



The same question was made to individuals who had knowledge and information about XBRL. The results are represented in graph 3. We found that this group regarded as primary source of information the post graduating studies with 37%. Next come the other sources¹ with 29 % of the answers; third, with 18 % comes the professional trainings organized by the institutions where the respondents currently work in, and 16 % is represented by periodical information sent electronically by accounting professional bodies. We may see a difference exist between the two subgroups of the sample. The individuals who have never heard about XBRL before are more focused to obtain new information from periodical information sent electronically by accounting professional bodies, whereas the individuals who had some level of knowledge about XBRL (no matter how deep this knowledge is), are more prone to look for updates in post graduating studies. An important conclusion we may draw is that the XBRL concept is well defined and explained in academic curricula, but not well presented in the professional trainings delivered by professional accounting bodies in Albania.

Graph 3: The primary sources to obtain information about new concepts in accounting / finance; subgroup 2 (have some level of information about XBRL).

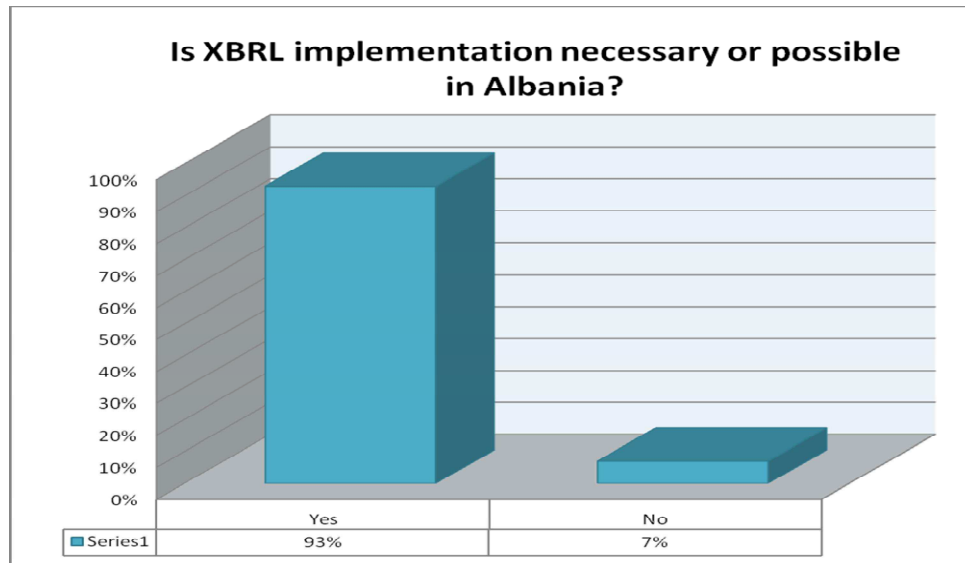


After the first three questions which are presented and analyzed in the above paragraphs, we have continued the survey counting on the answers of the second subgroup only (the individuals we had some degree of information about XBRL). It is obvious that we cannot analyze information and answers coming from respondents for whom XBRL was a totally new concept.

The fourth question focuses on the implementation of XBRL taxonomy in Albania, whether it may be possible or even necessary. 93 % of the respondents have answered positively stating that they saw a lot of potential implementing this new technological tool in Albania. Only 7 % think XBRL is not yet necessary to be presented and implemented. We may argue that the professionals who have answered positively may notice the need to prepare financial information in the same standards as their foreign counterparts and colleagues do. Therefore they consider it very important to unify and standardize the information flow in order to guarantee integration and cooperation across all levels of financial administration.

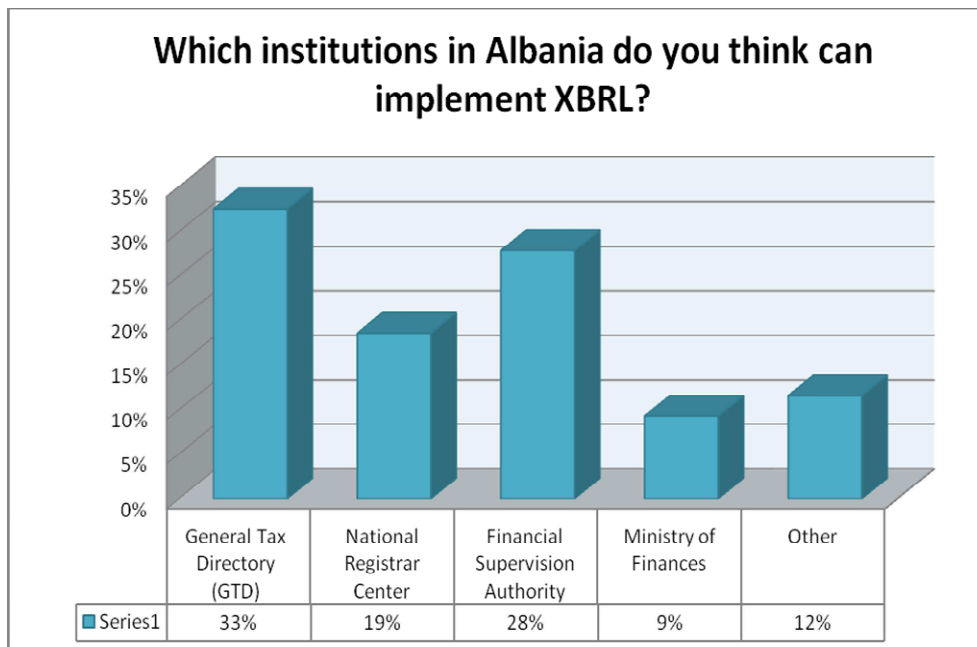
¹ This represent sources that may come across an individual during his everyday job or study and the respondents have stated several such as internet research, foreign clients of the company the individual is currently working, IASB website, etc.

Graph 4: Is XBRL implementation necessary or possible in Albania?

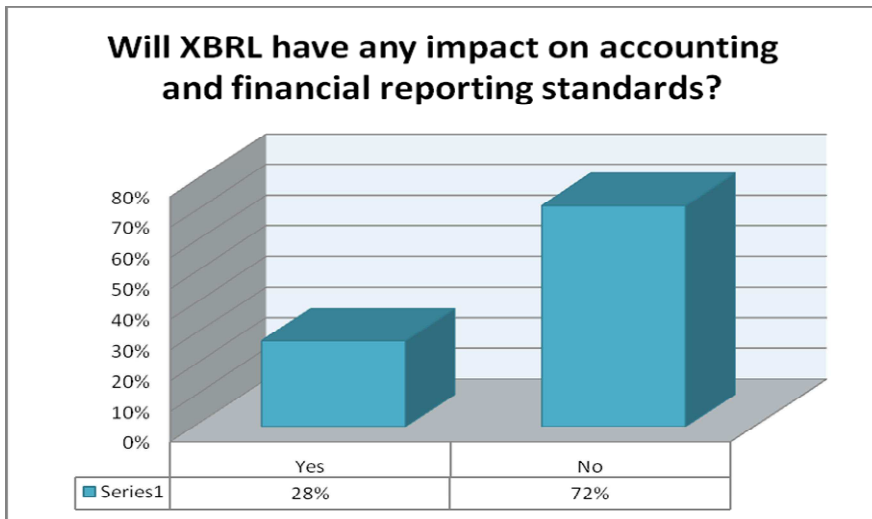


As a considerable majority of the sample has responded positively that XBRL implementation is possible and necessary in Albania we try to reveal who they perceive is the right institution(s) to undertake such a project. We depict their answers in graph 5. 33 % of the respondents think this the General Tax Directory (GTD) is the structure that should take the initiative to first implement the XBRL taxonomy in Albania. 28 % of the respondents think it should be the Financial Supervision Authority, 19 % have selected the National Registrar Center, and 9 % are for the Ministry of Finances, while 12 % have chosen the Institute of Statistics and National Council of Accounting. We may notice that GTD is considered a possible institution by many of the respondents because they view the tax information as very important and therefore it should be gathered and processed with an innovative platform such as XBRL which facilitates better controls and real time reporting.

Graph 5: Albanian Institutions that may implement XBRL



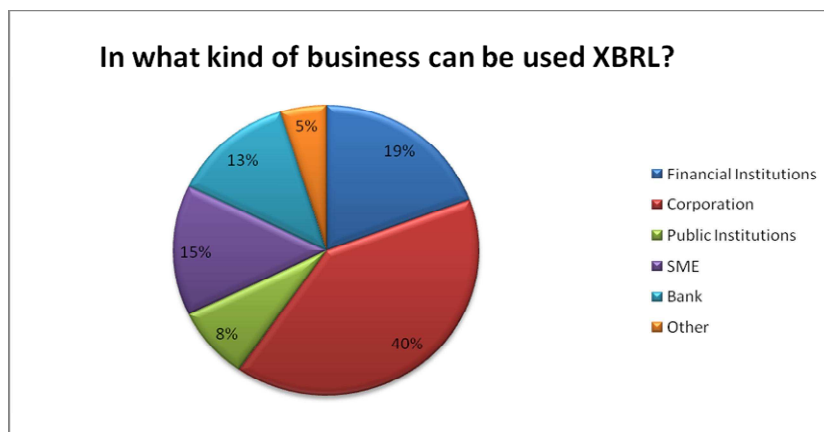
Graph 6: Will XBRL have any impact on accounting and financial reporting standards?



In the sixth question of the survey we turn to ask the respondents if they perceive that XBRL taxonomy will impact the accounting and financial reporting standards. In graph 6 we may see that 72 % of the respondents have answered negatively, stating that they do not expect XBRL to have any impact on financial reporting standards. Struggling to rationalize on their answer, we turn to the literature review conclusions where we may see that several authors report that XBRL, as much as it transforms and revolutionize the financial information reporting does not, impact any of the local or international accounting standards.

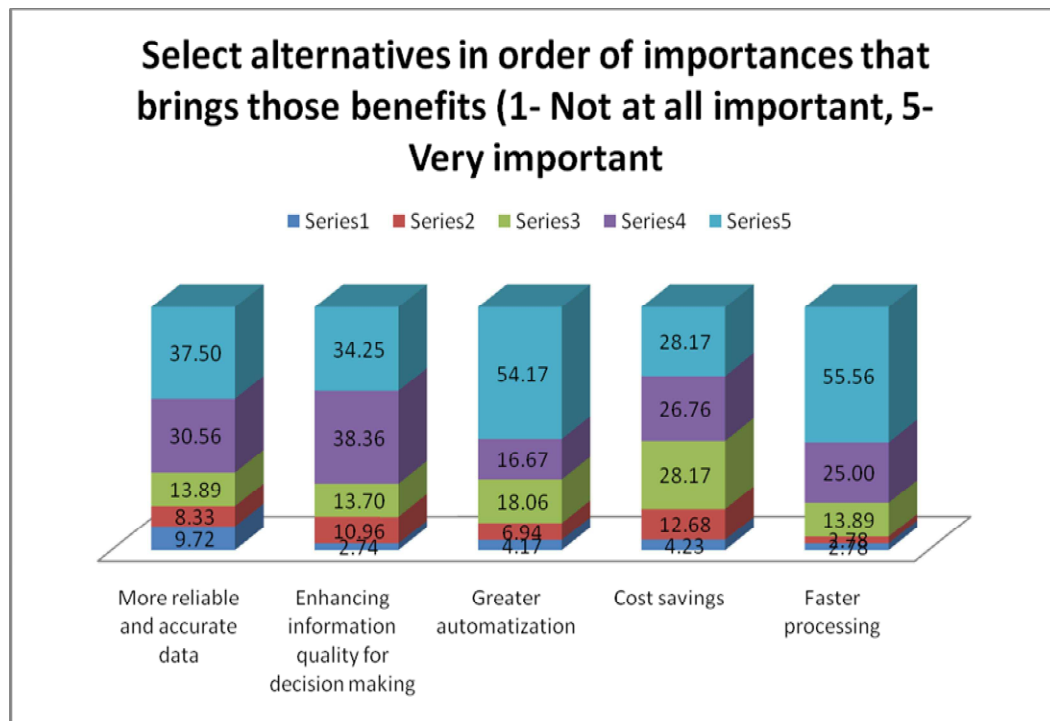
The seventh question in the survey was an open ended one because we tried to gather the respondents' opinions on which may be the industries and companies that might benefit from using the XBRL platform and taxonomy. 40 % of the respondents say that the big public companies may benefit from implementing XBRL, and they argue their opinion stating that these companies need timely and transparent reporting. 19 % of the respondents say that the financial institutions would greatly benefit from using XBRL because these companies need to prepare their financial reports in an efficient manner and because they need to report to many parties (local supervision authorities, tax authorities, parent companies, etc.) probably XBRL would facilitate the multi-fold reporting process. We may see in graph 7 that 8 % of the respondents think that the public institutions could also benefit from implementing XBRL and they base their opinion in the need to improve efficiency, cost savings and timely communication of the information.

Graph 7: Companies and industries which may benefit from using XBRL



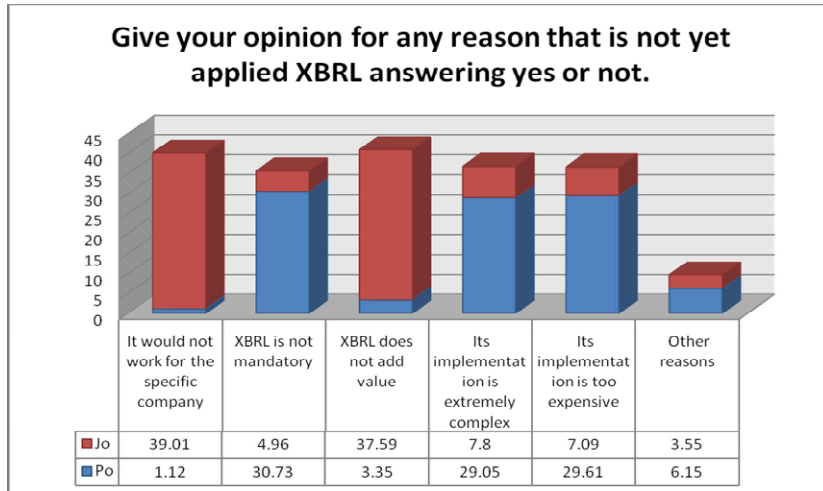
We also try to collect information on the perceived benefits from implementing XBRL. This question is designed with several listed benefits from which the respondents could choose through a five level Likert scale. The listed benefits included as options in the questions were: (1) more reliable and accurate data; (2) enhancing information quality for decision making; (3) greater automatization; (4) cost savings and (5) faster processing. In graph 8 we may see that more than half of the respondents think that faster processing of data is one of the greatest benefits from XBRL implementation, probably because of the importance of exchanging information on a timely manner in order to gain competitive advantage. More than half of the respondents have regarded automatization an important benefit as well. Cost savings is not regarded a major benefit, probably because of the huge initial investment in such an advanced technology.

Graph 8: Benefits from XBRL implementation



It is interesting to witness so many benefits of XBRL tool and to not have it implemented yet. Therefore the next question in the survey asks the respondents why they think XBRL is not yet applied in Albania, in the institutions that they think would benefit from using this tool. Several options have been provided for which the respondents would answer whether positively or negatively: (1) it would not work for the specific company; (2) XBRL is not mandatory; (3) XBRL does not add value; (4) its implementation is extremely complex and beyond the organization's capacities; (5) its implementation is too expensive; and (6) other reasons. From results in graph 9 we may see that most of the respondents think that XBRL is not yet implemented because it is not mandatory by law. (Also, other reasons as presented in this graph.)

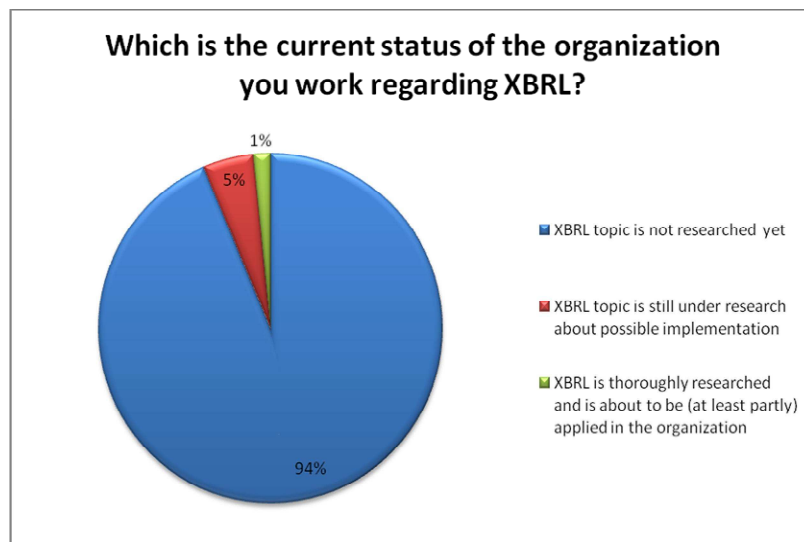
Graph 9: Reasons why XBRL may not be implemented yet



The last question in the survey, addresses the current status of XBRL in Albania, in the respective organizations where the respondents are currently working. They are asked if in their organization the XBRL is: (1) XBRL topic is not researched yet; (2) XBRL topic is still under research about possible implementation, or (3) XBRL is thoroughly researched and is about to be (at least partly) applied in the organization.

As expected, 94 % of the respondents have answered that the organizations they work with have not yet started to research the topic of XBRL. Only 5 % of the respondents answer that their organizations have already started to research about the possibility to apply XBRL. We may further add that the latter part of the respondents are mainly employees of the big four auditing companies operating in Albania. Only one of the respondents has stated that his organization has already applied the XBRL tool. (We further researched who this answer came from and we found that this individual was working for a company which provides accounting and financial software for the Albanian market. To avoid any confusion we contacted the company offices and further investigated about the XBRL feature. As a conclusion we were confirmed that the company was actually offering an accounting software which possessed the XBRL feature, but currently this feature was not activated or in use by none of its Albanian clients, because of its high cost and because none of the companies saw it as a necessary tool).

Graph 10: The status of your organization regarding XBRL application



IV – Main findings and conclusions

XBRL is a very important tool for efficient and fast information reporting. It is being used in many countries and by many institutions and companies to unify the reporting platforms and to convert multi-reporting platforms in a unique reporting language. A lot of benefits are often associated with this reporting language, but it is also costly to be implemented, as any other advanced technological innovation. Despite its considerable costs, the XBRL has already gained a lot of supporters and is endorsed by a lot of countries. As it is not expected to require changes or adaptation in the financial reporting standards it has also attracted attention on behalf of the IFAC, and for some years now, the Federation has included the XBRL in its agenda.

In this paper we try to collect information on the current status of XBRL in Albania. Whether this is a new concept for the accounting and auditing professionals or they already have any information about it. How do they perceive this new tool, regarding its benefits and costs? We also try to analyze if there are any companies or institutions in Albania, which, by the opinion of the respondents may benefit from implementing the XBRL.

We use a survey to control for the above research questions. The survey was electronically sent and processed and each of the ten questions of the questionnaire is analyzed in details in this study. We found that most of the accounting and auditing professionals in Albania have already some degree of information about XBRL. Nevertheless we also found that a good part of the sample had never heard before about this tool. The most important source of information is the post graduating studies, whereas the professional trainings offered for the respondents never even mentioned the concept. Therefore we conclude that it is time that the training programs of the accounting association include this new concept as well as other concepts in what they offer for their participants.

We also find that the professionals perceive that XBRL potential implementation is characterized by a high cost and a lot of benefits. The respondents consider it a possible business reporting language to be used by the General Tax Directory, National Registrar Center, or even by big companies and financial institutions in Albania, because of the rich and wide information they have to process and archive. We also tried to study the current status of XBRL in Albania, and we found that none of the companies, organizations or institutions has started to implement or plan to do it in the near future. Therefore, this concept is still under discussion only in a theoretical level.

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LITERATURE REVIEW ON RESPONSIBLE PROCUREMENT PRACTICES

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Abstract

Ethical supply management is a critical issue due to the strategic dimension that is of the purchasing function within the company. The management of the supply chain must integrate issues related to sustainable development in procurement management. This article will seek the main levers of supply chain fair and ethical basis to establish, firstly, to promote best practices in supply management in the one hand and to assist procurement personnel to respond effectively to undesirable situations from an ethical point of view in the other hand. The paper also illustrates the problem of the selection of responsible suppliers through the application of the TOPSIS's method.

Keywords : responsible procurement, sourcing, green supply chain , sustainability

1. Introduction

Wanscoor (2010) develops the approach that the supply chain must go beyond logistics integration involving the coordination and planning in the sequence of the execution of operations. According to him, the supply chain will be more sustainable and ethical. Indeed, ethics is the most popular competence among buyers (Giunipero and Handfield, 2004). For thirty years, the purchasing function dominates thinking in strategic management and seeks to highlight the issues:

- What are the main challenges of ethical sourcing?
- The various players have an impact on the integration of ethics in procurement?
- The measures to be implemented to achieve ethical sourcing?

Barney (1991) indicates that the contribution of a function can be measured by the increased competitive sustainable advantage that it can provide to the business. This finding was supported by Richard Calvi et al. (2010) who state that procurement practices in companies are definitely geared towards reducing costs. Furthermore, Philipp Goebel et al. (2012) believe that companies are increasingly held responsible for actions of their suppliers and must, therefore, ensure a conduct of those compliant with ethical standards. In this context, the supply chain appears as an essential factor in protecting organizations of being accused of irresponsible and unethical behavior. Jaideep Motwani et al. (1998) concluded that the cause of conduct contrary to the ethics is not necessarily the absence of moral standards of the individual but the nature of the action of the manager, the ethical climate within a business and the absence of company policy addressing this issue are factors which contribute towards unethical behavior.

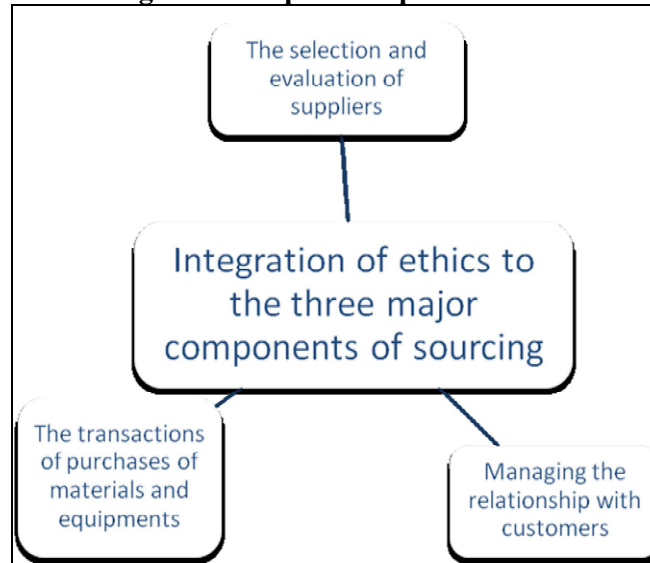
The purpose of this article is to understand the importance of ethical behavior in the purchasing function in maintaining relationships with reliable suppliers ethically and, therefore, satisfied customers. Indeed, identify elements, that influence ethical behavior in sourcing, are a particularly important step in the strategy for sustainable decision making.

2. Responsible procurement

Ethics is a critical challenge in supply chain management and procurement function is certainly the most vulnerable function in unethical practices. Jean Nollet and Christine Ouellette (2007), define ethics as the widespread and systematic integration of ethical variable to the various components of procurement management (Figure 1).

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Figure 1: Responsible procurement



The integration of responsible procurement is a delicate due to the involvement of several practices. Jean Nollet and Christine (2007), Cooper et al. (1997) list the parameters influencing these practices, most frequently observed on three levels:

- Preferences of senior management: to choose the preferred suppliers by management without consideration of objective criteria for the selection of suppliers;
- Purchasing Manager's personality: these authors consider that any unethical behavior is primarily a matter of individual;
- The timeliness and honesty: to meet the needs and queries of customers with honesty, integrity and professionalism while ensuring a responsible supply management whose objective is the general interest and compliance with laws.

Are there specific levers to ethical sourcing? Ethical sourcing is therefore a way of thinking and doing, to be well integrated. Indeed, the intense competition forces companies to focus on cost reduction than on the issue of ethics (Ramsey, 2003). Indeed, many goods are now produced in economies in transition, resulting in low production costs. At the same time, the chains of globalized supply pose new risks and challenges of environmental orders such as waste reduction, recycling, product design, and social issues such as child labor, working conditions and corruption.

The Quebec Area Consultation on Responsible Supply Practices ECPAR distinguishes two complementary approaches to responsible procurement process:

- Product approach aims to select goods with the best environmental and social performance throughout their life cycles;
- Supplier approach is to ensure that the company does business with responsible suppliers. In other words, promote the selection of suppliers with ethical practices.

Opt for ethical sourcing is particularly challenging (Harwood and Humby, 2008) because it leads to a dilemma for purchasing managers. These must now reconcile the search for the lowest possible price purchases and the consideration of social and environmental dimensions in making purchasing decisions. Jiang (2009), the lack of knowledge of the environment in which the products are manufactured for each supplier and the specific characteristics of each product encourages the responsible sourcing to lean more towards the providers that offer lower purchase price from a group of potential suppliers. Ethically, the choice of responsible procurement could be considered "partially correct" if he chooses the supplier offering the lowest purchase price and the savings on lower costs contribute to the sustainability and economic viability enterprise (Philipp Goebel et al., 2012).

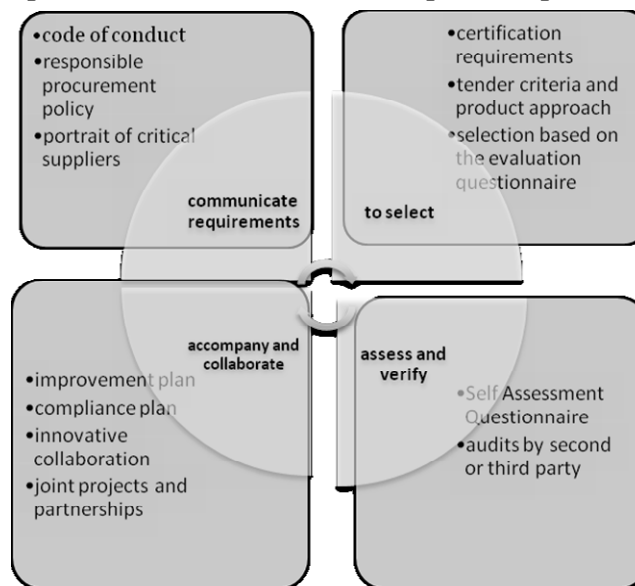
3. Selection of suppliers as a lever of responsible procurement

Svensson et al. (2009) argue that we can't have sustainable business practices without being really focused on being ethical and therefore on ethical behavior and sustainability. These two concepts are highly related, because if we adopt ethical behavior then we can naturally do business sustainably. Philipp et al. (2012); Harwood and Humby (2008) consider purchasing managers often have performance-related pay systems that are based solely on cost savings and do not have the means or margin to assess and ensure supplier compliance to ethical standards. Ethical culture is part of the organizational culture and is considered the means and the result of the social interaction of the company. Gonzalez et al. (2008) estimate that the presence of an appropriate ethical culture determines the way in which the purchasing managers assess the potential compromise between ethics and economics. Indeed, our research is mainly directed towards the impact of the perception of this ethical culture by the head of supplies on the selection of suppliers.

We have previously stated that a responsible procurement policy comes in two complementary approaches. By focusing on products designed and manufactured ethically in social and environmental conditions that meet the standards, the purchasing manager encourages suppliers to improve their practices. The product approach is so an easy lever to highlight social responsibility in the supply chain. The selection of suppliers is a key activity of the supply chain, and one of the most important lever for building a sustainable supply base (Schiele, 2007). Indeed, the supply may take a protective role when selecting suppliers on the basis of a certain number of criteria, that related to environmental and social sustainability, has been predefined well. For example, The responsible of procurement should refrain from buying from suppliers who fail to meet the conditions and labor laws, nor that harm the environment. But it is undoubtedly important to note that this approach is contrary to the strategic role of the purchasing function indicated by Calvi et al. (2010) which is to identify and develop suppliers inaccessible to competitors and buy a hardly imitable way.

To guide the responsible of supply side to arbitration indicated earlier in the selection of suppliers between the economic criteria of suppliers on one hand, and the social and environmental criteria on the other side, the company can press different elements to improve the ethics and decision making. The EPCAR proposes to encourage the improvement of supplier practices, integrating the principles and sustainable development issues in the analysis tools, evaluation, development and customer relationship management (Figure 2).

Figure 2: Implementation shutters of an responsible procurement policy



Source: EPCAR

Philipp Goebel et al. (2012) studied the influence of the ethical culture of the selection of socially and environmentally sustainable suppliers and they have concentrated not only efforts on the links between these and the ethical behavior of senior management but also the influence of incentives officials supply managers to act in a way that is ethical or unethical. The impact was also analyzed in the case of the establishment of a code of conduct and obedience to authority as having considerable influences on unethical behavior.

It was seen that procurement officers and senior management who face ethical problems and determine the ethical level of the company by their choice. When choosing suppliers, are ethical variables taken into account by the responsible purchasing? Jean Nollet and Christine Ouellette (2007) believe that ethical sourcing can only be achieved by individual responsibility and that it is essential to have awareness. As for the results obtained by Philipp et al. (2012) show that the senior management of the company doesn't reflect ethical behavior through specific actions and socially responsible, and that the use of traditional economic criteria dominates criteria integrating ethics. These results confirmed the finding of Maignan et al. (2002) that have sustainable procurement as overworked employees and explain the difficulty in integrating sustainable development into procurement practices. Indeed, an ethical sourcing strategy should be determined by the companies. This strategy should highlight the environmental objectives for each supplier and a regular audit of supplier's practices.

4. Conclusions and implications

The purpose of the article was to present the strategic nature of supply management for corporates and also evaluate the integration of responsible behavior in the procurement function. Maignan et al. (2002) indicate that ethical behavior in the specific context providers selection remains linked to senior management guidelines knowing that purchasing managers are overworked and without clear guidance. Goebel et al. (2012) show no significant influence of a code of conduct on the selection of socially responsible suppliers.

Based on all the conclusions we can draw some implications for reaching ethical sourcing. Nollet, and J. Ouellette, C. suggest that the starting point for ethical sourcing is to assess the state of the current situation and set goals. As such, we propose that senior management must lead by example through fair management of the company to encourage responsible purchasing to opt for ethical procurement and especially in the selection of suppliers.

The limit of this article is the choice of evaluation criteria that can be different for responsible purchase to another depending on the perception granted by each manager. Finally, analysis of questions on ethical sourcing can be different depending on the nature of organizations, a study on responsible sourcing in government or clinical seems very promising.

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CONSUMER PERCEPTION REGARDING CORPORATE RESPONSIBILITY. CASE STUDY: THE ROMANIAN OIL FIELD

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Abstract

This paper intends to measure consumers' perception of social responsibility that they have to their companies. We have identified experimentally the independent variables that influence the dependent variable - consumer perception. The model is based on an econometric equation through which highlights the links between the independent variables (price, quality, protection, perception, information). The existing correlation is tested between the dependent variable and the independent variables, the intensity of the links created and how each independent variable influences the dependent variable. Knowing the way consumers perceive corporate social responsibility in a sensitive area such as that of fuel allows the extrapolation of research in other areas of interest with significant impact on the relationship between companies and consumers.

Keywords: corporate social responsibility, consumer perception, consumer perception variables, the econometric model of perception.

1. Introduction

Nowadays, under the strong impact of increased competition on the market, the consumer is the one who strongly influences the business environment. If until recently quality was the watchword that made a difference and influenced the purchasing decision, today, the corporate image and the corporate identity have become the key issues in the selection of the modern consumer, increasingly sensitive to the social and ethical issues of companies. Success in business seems to become less important as compared to the respect of the community (consumers), so companies are committed to the society in which they operate, through various actions regarding the business performed, which means that they become socially responsible. But while consumers are much more interested in the level of corporate social responsibility, one can notice a series of vulnerabilities, sometimes generated by the incomplete and incorrect information on the accomplishments and difficulties which they must face in their work, by the gaps in education and consumer awareness of health and safety in order to be able to make informed choices; sometimes by the refuse to pay higher prices for goods and services provided by some companies involved in social responsibility. Thus, some of these become the precursors to consumers' information and education for sustainable and more responsible consumption. Sometimes, in practice, there are differences between the consumers' expectations and what they perceive to be the real business conduct. This situation is caused by the irresponsible behavior cases regarding the consumers' protection and safety, post - sales service, support or resolution of complaints and disputes; the way in which some companies exaggerate their merits in the social or environmental domain.

According to the international law, companies should have a social responsibility strategy and relate to certain international CSR standards. The European Commission conducted a survey in November 2012-January 2013, on a sample of 200 companies from 10 EU countries (Denmark, France, Germany, Italy, Netherlands, Spain, Sweden, United Kingdom, Czech Republic, Poland) with more than 1,000 employees each, of which 150 people worked in another country. Of the total sample, 40% referred at least once to the international CSR standard. The study shows that the most popular international CSR standards were: UN Global Compact (32%) and the Global Reporting Initiative - GRI (31%)

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and the UN Principles on business and human rights, ISO26000 and OECD Principles for Multinational Enterprises were the least used (European Commission, 2013). Also, the number of companies with more than 10,000 employees who have used at least one international CSR standard was three times higher than the others, and Denmark, Sweden and Spain were the countries with most companies that used CSR standards.

Currently, the specialists' favorite topic revolves around corporate responsibility to consumers. Although they identify the key areas that can make organizations become socially responsible to customers/consumers, although organizations have implemented CSR policies in their development strategy, consumers seem to have become indifferent and skeptical of brands, due to the lack of a positive impact in their lives. This is the conclusion of a report published in August 2013 by Havas Media, an international communications consultancy which sought to evaluate the consumers' relationship with brands, analyzing the consumers' attitudes towards brands, on one hand, and, on the other hand, the benefits that companies bring to increase the consumers' quality of life (health, happiness, financial situation, relationships, community development, environment, employees' welfare, etc.). The research included 700 brands, more than 134,000 customers, 23 countries, 12 industries (Havas Media, 2013). The results of the report findings highlight a high lack of consumers' confidence (54%) in brands, especially in the developed countries. Only 32% believe that brands communicate honestly about commitments and promises. Although 71% of companies should be involved in improving the people's quality of life and welfare, only 39% really do it. Most consumers said they did not care if the next day more than 73% of the brands on the market were no longer active. Basically, the benefits that consumers get from brands are far lower than their expectations. Only 20% of the analyzed brands have a significant positive impact in the consumers' lives. These have increases of more than 120% on the stock market, enjoying a big market advantage, such as Google, Samsung, Microsoft, Nestle, Sony, Ikea, Dove etc.

Practically, corporate responsibility to consumers should cover at least the main areas related to human rights, labor practices and labor employment, sustainable consumption, environment protection, the fight against fraud and corruption, etc. The EU recognizes the ability of companies to voluntarily engage in various activities to meet the social and environmental objectives, and employees' volunteering becomes thus an expression of CSR.

The objective of this research is to create a model that highlights the underlying determinants of consumer perceptions about the responsibility they have to their companies. The research methodology includes: exploratory research of literature, quantitative analysis, model creation and interpretation of data obtained.

2. Theories and concepts regarding corporate social responsibility

Since space does not allow a thorough analysis of the evolution of the concept of CSR, our goal is to identify the origin of the term and the main evolutionary stages, with a major impact on the further development of the concept. The term of corporate social responsibility (CSR) has a long and varied development, being intensely debated in the literature, especially starting with the '50s, when modern times of this concept opened their way. The first formal research evidence of evolutionary and conceptual research emerged in the twentieth century in the United States, a considerable amount of literature was accumulated, due to the particular interest shown by American authors.

Archie B. Carroll noted that references to a concern for social responsibility have appeared earlier, especially during the years '30 – '40 (Archie, 1999, p.268). He identified several authors concerned at the time of the social business component and who became famous over time through their works: Chester Barnard's (1938) - *The Functions of the Executive*, J. M. Clark's (1939) - *Social Control of Business*, Theodore Krepes (1940) - *Measurement of the Social Performance of Business*. Furthermore, the references of that time

show that CEOs were interviewed by Fortune magazine about their social responsibilities starting with 1946. Research shows that Howard Bowen is the promoter or the parent of the concept of CSR, prominent in the book *Toward Social Responsibilities of the Businessman* (1953), an international reference work and an outstanding bibliographic source for the analysis of the concept. Bowen said that corporate social responsibility actually refers to the business people's obligations to follow policies, take decisions or follow those directions that are approved in terms of values and goals by our society (Bowen, 1953, p.44).

In the 60s, the literature on CSR developed considerably, mostly promulgated by academia and the names that seemed to dominate that period have included Davis, Frederick, McGuire, Walton, Peterson, Alchian. The most involved in the area of corporate social responsibility in this period was Keith Davis, who defined the concept considering that business people's decisions and actions are performed for reasons at least partially, related to direct economic and technical interests. Moreover, according to his opinion, social responsibility in business should be proportional to their social power (Davis, 1960, p.74).

CSR definitions have experienced the most accelerated dynamic in the 70s when they became more specific, and the most important contributions were made by the works of Johnson, Davis, Steiner, Sethi, Preston, Post, Carroll, Shubik, Friedman, Hedrik.

Friedman (1970) gave a narrow meaning to the concept, limiting it to the range of activities that generate increased profits due to the use of available resources, without fraud or deceit. In his view, only people can have responsibilities. A corporation is an artificial person which means that responsibilities are artificial, too. Social issues are the responsibility of the state and they do not regard corporate managers. According to his theory, the social responsibility in business aims to increase profits. Jensen and Meckling supported Friedman's theory, considering that the only obligation of the company is to increase profits for their owners and shareholders (Jensen, Meckling, 1976, pp. 305-360).

During the '80s, although we have seen a stagnation of the original definitions, there is a concern focused on the research of CSR and on alternative thematic frameworks such as the theory of interested parties (stakeholders) or the company's participatory theory, the theory of business ethics, corporate citizenship, corporate social performance, etc. In terms of the contribution to the definition, there were numerous reference works written by Jones, Drucker, Wartick, Wood and Cochran. During this period Thomas M. Jones extends corporate obligations beyond shareholders, consumers, employees, customers and community. He states that obligations must be voluntary and not generated by law or a framework contract, and companies should constitute society groups (Jones, 1980, pp.59-67). Wood and Cochran (1984) highlighted the importance of corporate involvement in social responsibility activities which helps them become more profitable as a result of the increasing consumer confidence in their products and services.

In the '90s, although the concept of CSR was not rejected, it seems that they did not add any new definitions to the existing body of literature (Archie, 1999, p. 268), but they continued the trend of conceptual usage of CSR and other concepts consistent with the theory of CSR were created, with reference points in the alternative themes such as the report of social performance - economic performance. Thus, Elkington (1997) identifies three key elements to define corporate social responsibility, known as Triple Bottom Line, which provide economic prosperity, social equity and environment protection: the people, the planet and the profit. These three elements refer to social responsibility, environmental responsibility and economic responsibility. A year later, Hopkins (1998) focused on the application of ethical and responsible behavior towards the interested parties (stockholders) for human development.

The 2000s brought a new approach to corporate social responsibility as a result of the development of entrepreneurial culture. Younkins (2001) extended the concept towards the social direction, focusing on the employees' individual rights and the company's commitment

to them, to suppliers and customers. He analyzed social responsibility from two opposite perspectives: communitarianism and individualism.

According to Nicolescu, Năstase și Popa (2006, p. 74), CSR becomes a firm obligation beyond the legal obligations or those imposed by the economic restrictions, to pursue long-term goals to the benefit of shareholders, customers, suppliers, employees, government agencies, lenders, local community, public opinion.

Under the strong impulse of competitiveness growth on the market and the new international legal approaches, increasingly more corporations include CSR in their strategy of management development. In turn, organizations accentuate corporate involvement in volunteering as an expression of the degree of social responsibility. Richard Howitt (2013) stated that for EU companies, corporate social responsibility should be a way out of the crisis, not a cost to the business.

EU Strategy 2011-2014 for Corporate Social Responsibility aims to encourage the adoption of CSR practices in Europe as a tool to restore confidence in the European economy, creating jobs and fostering the competitiveness of European companies. Furthermore, the EU seeks to promote a sustainable business environment concerning three major areas: economic growth, social development, environment protection.

Corporate social responsibility (CSI/CSR) was initially defined by the European Commission (2002) as a concept applied to companies in order to voluntarily integrate social and environmental concerns in their business activities and interaction with stakeholders. In 2011 the Commission published a new policy of corporate social responsibility, which redefines the concept as corporate responsibility for their impact on society. To fully meet their social responsibility, enterprises should implement, in collaboration with the stakeholders, a process of integration of social, environmental, ethical human rights and consumer concerns in their business operations and core strategy (European Commission, 2011). Thus, firms must respect the law, on the one hand, and the collective agreements with the social partners, on the other hand. The term corporate social responsibility is often alternatively used with other terms, including corporate citizenship, business in society, social enterprise, sustainable development, Triple Bottom Line, social added value, strategic philanthropy, corporate ethics and, in some cases, corporate governance (Nelson 2004, p.6).

In January 2013 the European Parliament published a report regarding CSR, which require European companies to act in order to combat the consequences of the crisis, creating jobs for young people, preventing the exploitation of labor in supply chains and identifying new markets through the economic and social products and services (European Parliament, 2013).

Since the theory develops and conducts research, scientists can revise and adapt the existing definitions of CSR or new definitions can appear in the literature; however, it is difficult to imagine today that these new concepts could develop separately and distinctly from the foundation that was established more than half a century ago. In the future, we will witness the expansion of corporate social responsibility and the new emerging technologies, commercial areas and applications. In this context, the concept of CSR approaches and captures the most important concerns of the public regarding the level of business and society relations.

In Romania, the concept of corporate social responsibility emerged and evolved after 1990, and after 2000 many large companies and small and medium enterprises (SMEs) have been involved in social responsibility actions, aimed especially at the environment protection, adopting some social measures for employees and developing collaboration with local authorities.

The proliferation of the concept has brought major changes in the development strategy of the Romanian companies, in their vision and mission to become more involved in the community, in their relation with the employees, suppliers and customers, more careful in business development and increasing socially responsible.

Practically, the international law and EU legislation influenced and also forced Romanian companies to become part of this development. The National Strategy to Promote Social Responsibility 2011-2016 is the document in which this area becomes a priority for Romania, aimed at raising awareness about the importance and benefits of applying social responsibility and increasing the involvement of the public sector, of Romanian companies, multinational companies and the civil society in implementing social responsibility in Romania (Romanian Government, 2011). Three major areas of action are identified: 1)creating an appropriate framework for CSR development. This is the responsibility of public authorities and regards both the local and central level;2)promoting the application of CSR in all organizations in Romania;3)active involvement of the public sector in CSR initiatives;

Basically, every actor involved should be aware of the importance and the benefits of adopting responsible business behavior and engage in various social responsibility programs and activities. It is a change of perception that many Romanian companies still face as they confuse CSR with philanthropy to obtain good references in the media. It is very serious that the social impact of projects is not evaluated. Although substantial budgets are allocated for CSR programs, they are not evaluated, do not have a strategic dimension, are not designed in accordance with the development objectives of the companies with the industry specific, with the expectations of the interested groups.

3. The model and the empirical research

Presently, due to the complex activities, transnational companies generate a series of effects on both national economies and consumers. We speak more often of their role in sustainable development, social responsibility that they must assume, of intelligent growth. In the context in which they have a significant impact on consumers, it is necessary to analyze how they relate to such companies, the perception they have on their activities, the products offered and how they look at the relations between the company and the consumer. In this context, it is necessary to create a model that shows how consumers perceive these companies.

The proper research involves the following steps: Step 1. The identification of the specific categories of variables and the components that define them; Step 2. The construction of the econometric model, Step 3. The empirical research by the introduction and validation of the time using the model built and interpretation of quantitative results obtained.

Step 1. Identification of the specific categories of variables

In order to identify the variables that make up the model, the authors undertook a study based on a questionnaire. The study comprised 530 subjects coming from different environments, with different training and income. The sample was structured to be representative. Consumers, in the case of the study – the subjects, were asked to determine the criteria by which they select a product and a company when making a decision to buy. Also, they were asked to identify the criteria that a company should consider when defining its responsibility to the consumer. The study focused on the following areas: auto (car owners), pharmaceutical, food, fuels (owners of cars with different fuel feeding). The result is that there are five variables: price, quality, protection, perception and information that consumers consider when purchasing a product, while they determine the level of perception of corporate responsibility to consumers. Thus 98.3 % of consumers stated that when purchasing a product or service considering price, quality, protection provided by the product or service, the perception about the product, the manufacturer or dealer mark and information about the product or service. The price is the fundamental component that takes into account consumer when buying a product interviewed (31.8 % for those who would buy a car, 48 % on the purchase of food, fuel 45.7%). Only regarding drugs (pharmaceutical), price ranks third (15.2 %) after protection. Also, quality, the price is a fundamental element of producing or distributing company policy. From this perspective, the price is viewed as the responsibility of

the consumer in the set based on economic principles. Thus the consumer will "charge" companies that do not set their selling price effectively on economic principles, non prohibitive allowing consumer access to the product. The consumer will manifest an adverse reaction to the products and the companies that set prices on the non-economic criteria, which are based only on achieving high returns with low intake from them.

Quality is another attribute targeted by both parties: consumers and businesses. Consumers will always prefer quality products if access is not restricted by price. Thus, 28.2 % of those who would purchase or have purchased a vehicle say that the most important factor in their choice of quality, while 35.8 % of those who would buy or buy drugs put this variable first. Regarding food, 21% of respondents this variable is the most important of the five, while 26.3 % of fuel buyers have appreciated the quality primarily when at the pumps.

Protection was another element that interviewees highlighted when they were asked to identify items by characterizing the care that a company has to its customers. Protection is an item that consumers take into account when choosing a product or service. Naturally, consumers will prefer products that give them the greatest protection of both active and passive, but as with all the quality of the item price is determined in the final choice. The study that led to the identification of these variables, over 78 % of those surveyed said they would choose a car model that first 5-star EuroNCAP test, safety test, if cars were not so expensive. Only 11 % have a primary ergonomics and other aspects of car gadgets offered.

Perception is the fourth independent variable that is the basis of the model. By perception, the consumer understands the image that a company or product created in the market. In some cases the consumer chooses a product for that 'cool' or because he heard that it is good. It is recognized that when talking about German cars, their perception of the consumer is a very good opinion. In some cases, the consumer may have a negative perception of the type of business conducted by the company. An example may be the perception of fur coats manufacturers due to the fact that they do not protect wildlife.

Information is the last variable included by the subjects among the variables that are used in the model. The consumer wants to be informed about the product he consumes or the company producing although in the final choice this variable has a less important weight. Only consumers with financial potential and a high level of training focus on information.

In conclusion, the independent variables having a direct impact on the dependent variable - consumer perception related to corporate responsibility are: price, quality, protection, awareness and information.

Step 2. Creating the econometric model

The construction of the model requires that the expression of consumer perception regarding social responsibility (PCRS) as the dependent variable in accordance with the independent variables: price, quality, protection, perception, information.

In this context: $PCRS = (selected\ dependent\ variables)$; $PCRS = (price, quality, protection, perception, information)$ where price – P; quality – C; protection – PRT; perception – PER; information - INF

In this context one can use a multiple regression function to characterize the phenomenon.

$Y_t = a_0 + a_1X_{1t} + a_2X_{2t} + \dots + a_kX_{kt} + e_t$, $t = 1, 2, \dots, n$; where: a_0 – is the constant value, $a_1 - a_k$ equation parameters, and $x_{1t} - x_{kt}$ variables of the function, e_t – standard error.

In our case the function is written:

$$PCRS = a_0 + a_1(P) + a_2(C) + a_3(PRT) + a_4(PER) + a_5(INF) + e_t$$

In these circumstances we can quantify the influence of each indicator on GDP in each country that was analyzed.

Step 3. The empirical research by the introduction and validation of the data using the model built and interpretarea rezultatelor cantitative obținute.

The analysis of consumer perception on producer responsibility and fuel traders from Romania towards them is based on multiple reasons. These authors enumerate: the sensitive sector of the economy, with strong fluctuations caused by the changes and the events produced worldwide; the largest company in Romania works in this field; in the top 20 companies for 2012 there are still two such manufacturers and traders missing; the structure of offer and demand; big increases in prices of petroleum products in recent years.

In this context it is proposed to analyze consumer perception related to fuel producers and traders' responsibility towards them. At the basis of the analysis, the authors found a study based on a questionnaire. They interviewed a total of 500 people over 5 days in which 486 people responded to all questions in the questionnaire, they were considered valid responses underlying the analysis. All persons who were handed the questionnaires supplied with fuel at one of the stations: Petrom - OMV, Agip, Rompetrol and Lukoil. The questionnaire consisted of two parts. In the first part there were general questions. The second part contained questions that tested consumer perception about the responsibility they have to their producing companies.

Regarding the chapter on the general information, the respondents provided the following information:

- 293 live in urban areas and 193 in rural areas;
- 167 subjects use less than 20 liters of fuel per month, 185 subjects have a quantity between 20 and 30 liters per month and more than 134 subjects 30 liters per month;
- 314 of the interviewed subjects have high school or vocational school, 146 are graduates, 26 Master's degree.
- the majority of respondents (295) stated an income per family member less than 800 lei, 123 stated income per family member between 801 and 1200 lei, 49 respondents stated income per family member between 1201 lei and 1600 lei 13 subjects have a family member income between 1601 lei and 2000 lei and 6 subjects reported higher revenues 2,000 lei per family member.
- about the age of the respondents, 37 were aged between 18 and 25 years, 290 were aged between 26 and 35 years, 98 said aged between 36 and 45 years, 45 subjects aged between 45 and 60 years and 16 subjects over 60 years of age.

Regarding the importance of the independent variables tested, all the respondents (486) agreed that these variables influence their perception of the social responsibility of companies operating in this field. Asked to prioritize these variables, 202 (41.56 %) stated that the manufacturer and trader price mainly need to focus attention consumer, 179 (36.83 %) of respondents said they have to put the focus primarily on quality, 58 (11.93 %) say it is the most important variable is protection especially regarding the environment, 39 (8.03 %) of respondents said that mainly manufacturers and traders must turn attention to perception, while 8 (1.64 %) respondents stated that producers and traders have to lean primarily on information.

The dependent variable, consumer perception on social responsibility, of fuel producers and traders was measured in the questionnaire developed. The respondents were thus asked to evaluate on a scale from one to ten - from very unfavorable to very favorable – the perceptions of social responsibility that companies show respect for them. Similarly, there was the case for other independent variables that are used in the model.

In this regard, the respondents were encouraged to comment on the independent variable price taking into account: the size of the price of fuel, the price justification; the profit of the manufacturer; the report expenses with fuel/family budget consumer, taxes paid.

We used a scale from one to ten, one expressing the appreciation of very unfavorable and ten being a favorable appreciation.

Defining the independent variable quality was achieved through three types of information: fuel quality, the quality/price, the manufacturer regarding quality. The consumers were asked to express their opinion on the quality of fuels sold in Romania using a scale from one to ten, one expressing the appreciation of very unfavorable and ten as a very favorable appreciation.

The third independent variable protection was defined by three components: the environmental protection, consumer generated problems, damages. And then proceeded to express appreciation on a scale from one to ten, one expressing a very unfavorable appreciation, while ten a very favorable appreciation.

The fourth independent variable - perception - reflects the company's image in the eyes of the consumer. The expression of the appreciation was done on a scale from one to ten, one expressing a very unfavorable assessment, while ten a very favorable appreciation.

The last independent variable - information - was described by three elements: consumer, information campaigns, direct information. And then proceeded to express appreciation on a scale of one to ten, one expressing a very unfavorable assessment, while ten very favorable appreciation. The quantitative analysis of the data drawn from the completed questionnaires involved: statistical analysis, the correlation analysis between the dependent variable and independent variables and the analysis of the regression equation obtained.

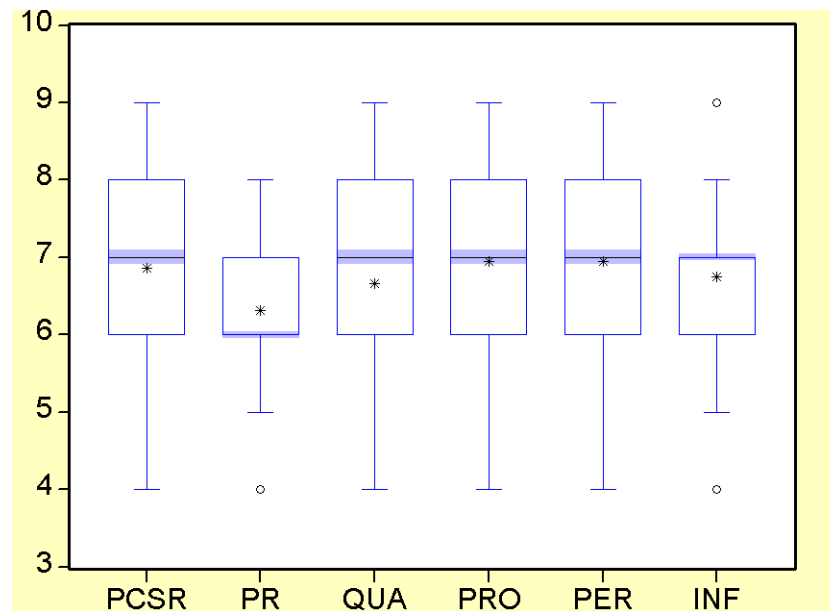
Table 1. Descriptive statistics

	PCSR	PR	QUA	PRO	PER	INF
Mean	6.860082	6.314815	6.664609	6.944444	6.944444	6.744856
Median	7.000000	6.000000	7.000000	7.000000	7.000000	7.000000
Maximum	9.000000	8.000000	9.000000	9.000000	9.000000	9.000000
Minimum	4.000000	4.000000	4.000000	4.000000	4.000000	4.000000
Std. Dev.	1.184510	1.052080	1.257006	1.085519	1.128360	1.027821
Skewness	-0.130441	-0.377825	-0.384086	-0.160821	-0.132175	0.011882
Kurtosis	2.366813	2.552243	2.358393	2.875214	2.522514	2.888426
Jarque-Bera	9.496949	15.62275	20.28542	2.410266	6.031958	0.263521
Probability	0.008665	0.000405	0.000039	0.299652	0.048998	0.876551
Sum	3334.000	3069.000	3239.000	3375.000	3375.000	3278.000
Sum Sq. Dev.	680.4856	536.8333	766.3313	571.5000	617.5000	512.3621
Observations	486	486	486	486	486	486

The statistical analysis of questionnaires - authors calculation using Eviews 5

The statistical analysis shows a standard deviation close to the value of one, indicating a relatively small change. The core values of the answers given by respondents' ranges (6.31 to 6.94), the lowest value being assigned to the variable price while the highest value is assigned to protect the independent variables protection and perception. The lower the rating, on a scale from one to ten is four, common to all variables. The highest grade is new for all variables except for the independent variable price which gained maximum rating eight.

Figure 1. Boxplots of descriptive statistics



Representations of medians and means - authors calculation using Eviews 5

Regarding the analysis of the distribution - skewness - there is a right angled distribution with more extreme values to the left if the dependent variable and independent ones, less the variable information whose value is positive indicating a left angled distribution with extreme values to the right. Regarding the degree of flattening of the statistical series, there is a series platikurtic distribution for all variables.

Table 2 Matrix correlation

	PCSR	PR	QUA	PRO	PER	INF
PCSR	1.000000	0.806423	0.890684	0.927208	0.939827	0.880062
PR	0.806423	1.000000	0.778478	0.804303	0.732081	0.713192
QUA	0.890684	0.778478	1.000000	0.891445	0.845970	0.758705
PRO	0.927208	0.804303	0.891445	1.000000	0.898065	0.829960
PER	0.939827	0.732081	0.845970	0.898065	1.000000	0.892674
INF	0.880062	0.713192	0.758705	0.829960	0.892674	1.000000

The intensity between variables - authors calculation using Eviews 5

Regarding the correlation matrix, it highlights the intensity of the links between variables, especially between the dependent variable and the independent variables. There is a strong positive correlation between the dependent variable and the independent variables. The lowest value of 0.80 units is recorded for the independent variable price, while the highest value of 0.93 units is recorded for the independent variable perception.

The regression equation resulting from the application of the model by using the program Eviews 5 is:

$$PCSR = 0.1260 + 0.1671 PR + 0.4213 QUA + 0.2226 PRO + 0.1589 PER - 0.5947 INF$$

Table 3. The regression equation

Dependent Variable: PCSR
 Method: Least Squares
 Date: 01/31/14 Time: 15:28
 Sample: 1 486
 Included observations: 486

Variable	Coefficient	Std. Error	t-Statistic	Prob.
PR	0.126082	0.022771	5.536886	0.0000
QUA	0.167160	0.025463	6.564823	0.0000
PRO	0.222617	0.036799	6.049511	0.0000
PER	0.421385	0.035598	11.83738	0.0000
INF	0.158988	0.030321	5.243421	0.0000
C	-0.594743	0.096699	-6.150483	0.0000
R-squared	0.936135	Mean dependent var	6.860082	
Adjusted R-squared	0.935470	S.D. dependent var	1.184510	
S.E. of regression	0.300898	Akaike info criterion	0.448177	
Sum squared resid	43.45896	Schwarz criterion	0.499858	
Log likelihood	-102.9070	F-statistic	1407.180	
Durbin-Watson stat	2.080015	Prob(F-statistic)	0.000000	

Dependent variable followed by list of regressors including ARMA and PDL terms

This reflects the impact of the independent variables on the dependent variable. There is a coefficient of determination (R -squared) and Adjusted R -squared of 0.93, very high, indicating that the phenomenon is explained by the independent variables in a very high percentage. In this context, the sample and the variables can be considered representative to render reality as concise as possible. F - is statistically less than 5 % , so as the statistical regression model is valid.

We found that the lowest weighting of the independent variables occurs when the price variable is equal to 0.12. Such change of the price with one unit leads to change in the same direction of the phenomenon analyzed by 0.12 units. Changing the unit of perception regarding the quality of products offered by companies to amend the same general sentiment on corporate responsibility with 0.16 units, while a unit change of the variable protective phenomenon would lead to changes of 0.22 units. The strongest change would occur with the variable perception. This produces an effect in the same sense on the analyzed phenomenon by 0.42 units per one unit. The change of the consumer information related to fuel, leads to the modification of the analyzed phenomenon in the same direction by 0.15 units.

Conclusions

The way in which consumers perceive their responsibility to their companies in the contemporary economy is a particularly important topic to be analyzed for the effects produced.

The present study aims at testing consumer perceptions in a sensitive area, the fuel consumption. We experimentally tested with the help of an econometric model the consumer perception about corporate social responsibility. We identified the variables that make up the model; we analyzed the correlations between them and the dependent variable. We observed that the price, quality, protection, awareness and information are attributes that companies should take into account when setting targets for consumers. The most sensitive variable of the fuel market is the price. Its size and orientation represent the key element that the companies should consider when selling such products. Its elasticity thereof is low. Buyers consider that the price of fuel is high as compared to their income. Due to the low elasticity, price change leads to a low change in consumer perception. The other independent variables

produce larger changes than the price. This highlights the fundamental characteristic of the Romanian market which is still governed by the size of the price. This aspect is understandable due to the low purchasing power of the population focusing on the choice according to the price. The model can be easily extended to other economic sectors. Thus, we can achieve in this respect the development of extensive studies testing consumer perception on certain aspects related to companies, traders, marketing mix

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CUSTOMERS' ATTITUDE TOWARDS PLASTIC MONEY

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Abstract

The economic development of a country is dependent on how sound its financial system is. In a country like India where society is highly diverse economically, it makes very difficult for the policy makers to achieve the target of inclusive growth. The financial activity in India has observed increased amount of activity in the recent time. One of the areas which have seen increased focus is cashless transaction and plastic money. In a country where Rs 21,000 crore is spent on currency operations annually, plastic money and cashless transactions can make significant difference not only economically as well as sociologically.

Rise of private sector banks in recent times have paved a way for implementing new and sophisticated technologies to help the increasing the non-cash transactions medium like EFT, Debit Card, Credit Card etc. Though the acceptances of non-cash transactions have been steady between 2007 and 2012, still the potential is huge. The launches of Jan DhanYojana and RuPay debit card have made the debit card availability very easier for every section of the society.

Though the scope is virtually limitless but we need to ensure that the idea of financial inclusiveness is dealt sensibly. The user point of view should always be kept in mind when it comes to plastic money. This paper will try to identify the major concerns and area where finance sector can work. Apart from this we will also try to find the major challenge that might acting as a barrier in opting plastic money

Keywords: Plastic money, Debit Card, Credit Card, Paper Money

Introduction:

The concept of using money instead of barter trading system has a long history. It started from using coins made out of gold, silver, bronze etc, to today's currency notes. As the banking system started with people using it as a safe place to keep their saving to becoming the backbone of large project by providing crores or rupees in terms of loan. With the help of new technologies, the banking system is continuously becoming stronger than ever before. The country is now increasingly adopting the concept of plastic money, and with this there are various concerns that arises in the mind of consumer some genuine and some arises because of lack of awareness. In this paper we are trying to identify the customer attitude towards plastic money as well as the risks that affect the consumer's decision while choosing various option of credit/debit card available.

Objective of the study

- To study the features of credit cards offered by banks.
- To know different types of plastics money offered by banks.
- To evaluate the risk involved in the credit card usage.
- To find out the customers attitude towards plastic money.

Hypothesis

H0: There has been no significant relation between customer gender and type of plastic money used.

H1: There has been significant relation between customer gender and type of plastic money used.

Literature Review

The behavior and the attitude of the consumer towards the use and acceptability of credit cards differ for psychographic reasons (Yang, James and Lester 2005). Xiao, Noring and Anderson (1995)

Many consumers value uncollateralized credit lines for making purchases when they are illiquid (i.e. before their incomes arrive), even at relatively high interest rate. Because of

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limited alternatives to short- term uncollateralized credit, the demand for such credit may be fairly in- elastic with respect to price (Brito and Hartley 1995)

Ausubel (1991) suggest that consumers may not even consider the interest rate when making purchases.

Stavins (1996) argues that consumers are somewhat sensitive not only to changes in the interest rate but also to the value of other credit – card enhancements such as frequent –use awards, expedited dispute resolution, extended warranties, and automobile rental insurance.

Research Methodology

The study being undertaken is Descriptive in nature. The sample size was so selected that it could be adequate enough to represent the whole population. The total sample size was restricted to 95 consumers of Udaipur. The primary data was collected by administering structured questionnaire to the investors.

Analysis and Interpretation of Data

Table 1 Demographic Profile of Respondents

Particulars	Classification	Frequency	Percentage
Gender	Male	61	64.21%
	Female	34	35.78%
Age Group	Below 25	12	12.63%
	26-36	24	25.26%
	37-45	31	32.63%
	46& Above	28	29.47%
Profession	Students	15	15.78%
	Salaried	32	33.38%
	Entrepreneurs	38	40%
	Senior Citizen	10	10.52%
Monthly Income	Below 5000	04	4.21%
	6000-20,000	12	12.63%
	21,000-35,000	35	36.84%
	36,000-50,000	21	22.10%
	50,000 &Above	23	24.21%

As revealed from the Table 1, it has been observed that 64.21% respondents are male and rest is female. In the parameter of age group 32.63% of the respondents have 37-45 years, 29.47% are ranking from 46 & above ,25.26% are ranking from 26-36.

40% respondents are entrepreneurs, 33.38% are salaried, 15.78% are students and 10.52% respondents are senior citizen. Also, it has been found that 36.84% have their monthly income as Rs. 21,000-35,000, 24.21% respondents have their monthly income above 50,000, 22.21% respondents have their monthly income as Rs. 36,000-50,000.

Table 2 Do the Customer carry Plastic Money

Response	No. of Respondents	Percentage
Yes	72	75.78%
No	23	24.21%

As observed from the table 2, 75.78% of the respondents carry plastic money and remaining 24.21 % of the respondents do not carry plastic money.

Table 3 Type of Plastic Money

Type of Plastic Money	No. of Respondents	Percentage
Credit Card	38	40%
Debit Card/ ATM	45	47.36%
Specific Outlet Card	12	12.63%

As observed from the table 3, 47.36% of the respondents use debit card/ ATM, 40% of the respondents use credit card and 12.63% of the respondents use specific outlet card.

Table 4 Most Convenient way to pay

Most Convenient way to pay	No. of Respondents	Percentage
Cash	25	26.31%
Plastic Money	70	73.68%

As observed from table 4, 73.68% of the respondents use plastic money and 26.31% of respondents use cash.

Table 5 Preference towards Plastic Money

Preference towards plastic money	No. of Respondents	Percentage
Security	25	26.31%
Convenient	45	47.36%
To do not carry paper money	17	17.89%
Risk of carrying paper money	08	8.42%

As observed from table 5, 47.36% of the respondents

Table 6 Safest mode of transaction

Problem faced while using cards	No. of Respondents	Percentage
Lack of trust while making transaction	24	25.26%
Unacceptability at retail outlet	18	18.94%
High Interest rate	35	36.84%
Complexity of term and condition of bank	10	10.52%
Technology linkage issue	8	8.42%

Response	No. of Respondents	Percentage
Yes	58	61.05%
No	47	49.47%

According to table 6, 61.05% respondents do agree plastic money is safest mode of transaction and rest 49.47% do not agree its safest mode of transaction.

Table 6 Problem faced while using cards

When asked about problem faced while using cards, majority of respondents (36.84%) said that due to high interest rate they don't use to prefer plastic money. According to 25.26% respondents due to Lack of trust while making transaction and according to 18.94% respondents due to Unacceptability at retail outlet, they don't use plastic money.

Table 7 Future prospect of plastic money

Future prospect of plastic money	No. of Respondents	Percentage
Rapid Growth	33	34.73%
Steady Growth	19	20%
Stagnant	25	26.31%
Can't predict	10	10.52%
Decline	08	8.42%

34.73% respondent said that plastic money will grow rapidly, while according to 26.31% respondents the growth of plastic money will be stagnant. Only 8.42% respondents opined that net plastic money will not grow in future.

H₀: There has been no significant relation between customer gender and type of plastic money used.

Chi Square Test

Gender	Type of Card used			Total
	Credit Card	Debit Card/ ATM	Specific Outlet Card	
Male	22	31	8	61
Female	16	14	4	34
Total	38	45	12	95

Calculation of Chi-Square

O	E	(O-E)	(O-E)²	(O-E)²/E
22	24.4	-2.4	5.76	0.236
31	28.89	2.11	4.45	0.154
8	7.7	0.3	0.09	0.0116
16	13.6	2.4	5.76	0.423
14	16.1	-2.1	4.41	0.273
4	4.29	-0.29	0.084	0.0195
				1.1171

Tabulated value = 5.99

For 2 degree of freedom and at 5% level of significance the calculated value is less than tabulated value, which leads to the acceptance of hypothesis. So it can be concluded that there is no significant relation between customer gender and type of plastic money used.

Conclusion

More transactions take place in plastic money than paper notes because paper money are more risky than plastic money. People can enjoy benefits of credit period. It is also observed that there are frauds in plastic money some of them can be solved and some of them cannot be solved. Consumers prefer these cards mostly for online shopping. At last it is concluded that plastic money has a very bright future in the coming years because of the increasing trend of e-commerce.

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