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Fuzzy Multi-Period Model for Selecting Mixed Types of Stakeholder Engagement Strategies of the Company Taking into Account the Interrelations of Stakeholders

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Abstract  
The article describes a fuzzy multi-period model for selection of mixed types of stakeholder engagement strategies of the company taking into account the interrelations of stakeholders. Characteristics of relations between the organization and its stakeholder groups are verbally assessed and transformed into fuzzy sets in the model. A set of scenarios is set that define the dynamics of changing relations between the organization and stakeholders, as well as between stakeholders. At the same time, it is assumed that changing the properties (attributes) of stakeholders entails changes in the organization’s expectations for each of them in varying degrees, depending on the degree of mutual influence between them. "Ideal" and "real" fuzzy values of the appropriateness of the use of strategy types are calculated based on the evaluation of the characteristics of relations using fuzzy set operations. Then the Hamming distances between the "ideal" and "real" values of the appropriateness of strategies application are calculated, and the strategy of organization engagement with each stakeholder is chosen on its basis. Due to the fact that the corresponding characteristics of the relationship may differ significantly for various resource components involved in the resource exchange, a situation may emerge in which for different sets of resources, the organization should maintain strategies of different types in relation to the same stakeholder. Due to this, the article proposes a method of forming mixed types of strategies.

Key words: stakeholder groups; engagement strategies; fuzzy model; multi-period model; mixed strategies

JEL Classification: C69; L29

Introduction  
The stakeholder theory (stakeholder concept) is one of the most popular theories of firms today. Technically, the stakeholder theory of firm can be considered as an independent area in the general and strategic management research. The flow of publications of the relevant subject matter and content, persistent for more than a third of a century, demonstrates a theoretical and practical significance of this approach and its incompleteness and partial inconsistency at the same time (Tambovtsev 2008).

The starting point for the emergence of a stakeholder concept (as a full-scale, detailed theory) is generally considered to be the publication of a book by R.E. Freeman "Strategic management: A stakeholder approach" in 1984. In the book, the author introduces a new concept of a stakeholder, gives its definition (as "any individuals, groups or organizations that have a significant influence on decisions made by a firm and/or influenced by these decisions" (Freeman 1984) or as "any group or individual, who can influence or be influenced by the achievement of the organization's goals" (Freeman 1984)) and suggests an original model for consideration, in which the
company and its environment (external and internal) represent a set of parties interested in its activities, whose interests and demands must be taken into consideration and met by managers as formal (explicit) company representatives. R.E. Freeman has been following this definition until today (Freeman, Wicks and Parmar 2004).

This article appeared not without reason. Even earlier, in the works of other authors, there was a mention that the goals of the company were much broader than the creation of profit or wealth for owners (shareholders) and also care about welfare of a much wider range of agents (individuals and groups) (which, in fact, was the starting point of the theory). First of all, these were the works of Dodd (1932) and Simon (1952).

The theory took on a new lease of life after the publication of the work of Post, Preston and Sachs (2002), which in fact summed up the five-year (1995-2000) project “Rethinking the corporation,” supported by a grant from the Sloan Foundation, and laid the foundations for a "new stakeholder approach". According to the authors of the book, the modern corporation acts as a center of a network of interrelated elements (stakeholders), each of which contributes to its performance (voluntarily or compulsorily) and expects some benefit (or at least no uncompensated damage). As such, the "stakeholder system" first appears as an attribute of a corporation (and not just as a set of elements, whose interaction with the corporation must be taken into consideration) (Blagov 2003).

The popularity of this theory has been growing rapidly in recent years and is closely associated with the significant growth of uncertainty in the economy, which leads to the practical impossibility of proper setting of optimization tasks (maximizing profits, sales, etc.) and forces firms to use the satisfaction approach and solve the problems of finding strategic solutions acceptable to stakeholders (Gurkov and Saidov 2012). Multiple and conflicting interests of stakeholders has to be taken into consideration when solving such problems. In this case, the lack of ways to choose the proportions of meeting the competing interests of stakeholders (efficient distribution of value created with their participation) remains one of the key problems of the stakeholder theory.

The concept of stakeholders as "contributors" to the firm's resources has been gaining popularity in the last couple of decades. This allows to substantiate their claims for a direct or indirect impact on the company's strategic decisions prior to making these decisions, while the remaining actors of the strategic process protect their interests after making decisions, in the course of their implementation [ibid]. Due to this, the acceptability of strategic decisions for stakeholders (and for a firm) is usually interpreted from the standpoint of the sustainability of resource exchange between them (Gurkov 2011).

In the course of supplying the firm with resources and with aim to maximize the ratio of benefits from interacting with the firm to the costs incurred, stakeholders gain the ability to decide whether the company will receive resources and to determine how the firm will use the resources received. Having proposed the typology of the "stakeholder-company" relationships, which is based on the interdependence of stakeholders and firms (power over each other), J. Frooman formulated four types of strategies of the influence of stakeholders on the firm (Frooman 1999).

The strategy of the firm's actions in relation to the stakeholders is based on the same typology (Gurkov 2011) (as well as on the approach of Scholes (1998)).

The idea that the organization should not just use various strategies for interaction with various stakeholders but also different strategies for the same stakeholder at different times (Jawahar and McLaughlin 2002) is also based on the resource approach. It is assumed that at any stage of the organization's life cycle, some stakeholders have higher resource potential to meet the company's critical needs, and therefore will be more important than others. In this case, the relative importance of each stakeholder will change over time, along with the strategy of interaction. As a result, at each stage of the organization's life cycle – birth (creation), growth, maturity, revival (Drazin, and Kazanjian 1990, Gorshkova, Trifonov and Poplavskaya 2014, Miller and Friesen 1984, Su, Baird, and Schoch 2013), – an attempt is made to assign one of the four strategies proposed by Carroll (1979) – response, protection, adaptation and anticipation – to each of important stakeholders.

Another set of strategy types of interaction between the organization and stakeholders is proposed in the article (Solodukhin 2009): satisfaction of demands, protection, impact, cooperation. They are based on the typology of "stakeholder-company" relationships, which is based not only on the interdependency of stakeholders and firms (power over each other), but also the mutual desire for changes in relationships. It must be noted that the meaning of "desire for change" is close to "urgency" that is one of the three key attributes of stakeholders in the well-known
Mitchell model (Agle, Mitchell and Sonnenfeld 1999, Mitchell, Agle and Wood 1997). However, in this case, not only the desire for change (urgency) of the stakeholder in relation to the company is considered, but also the desire for the firm’s changes in relation to the stakeholder. At the same time, the degree of desire for change is a function of satisfaction with resource exchange and expectations about the counterparty.

The article (Gresko and Solodukhin 2015) describes the nature of each of the proposed strategy types in detail, substantiates the advantages of the proposed set of strategy types in comparison with the strategies of A. Carroll, and shows that the strategies of different types can come one after another. Later, the proposed set of strategy types was supplemented by the fifth type – restraint (Gorbunova, Gresko and Solodukhin 2016a).

Choosing the set of strategies of interaction with each stakeholder is determined by the organization's pursuance of long-term balance in relationships with all its stakeholders, for which the organization can consciously allow violation of the balance of relationships with any particular interested party in the short term. It must be noted that in the long term, pursuing the interests of one of the stakeholders to the detriment of other classes of stakeholders can lead to extremely negative consequences (such consequences are described in detail in the work (Gurkov 2011).

In its pursuance of long-term balance in relations with all stakeholders, the company cannot fail to take into consideration the relationships that have developed between the stakeholders. Possible changes in these relations (including in the resource exchange) can directly affect stakeholders’ relations with the organization. Accounting for these relationships will allow the organization to choose the appropriate type of strategy for each group of stakeholders more reasonably.

According to the logic described above, when the choice of the strategy of the organization's interaction with the stakeholder is determined by the characteristics of the relationships that have developed between them and are associated with the resource exchange between them in one way or another, the fact is missed that the company and stakeholders are exchanging bundles of resources in reality. At the same time, the corresponding characteristics of relationships (dependence, satisfaction, expectations, desire for change) can differ significantly for each resource component included in the bundle. Due to this, a situation may emerge in which the organization should maintain different strategy types for different sets of resources for the same stakeholder. As such, it becomes necessary to form the mixed strategies from the basic type strategies.

Relationships between an organization and stakeholders (as well as between stakeholders) change over time. Characteristics of the relationship (dependence, desire for change) may weaken or intensify, and not always monotonously. Due to this, a need emerges to develop multi-period models that allow to choose the most appropriate types of strategies for company interaction with each group of stakeholders.

The authors developed such multi-period models of two types earlier. Firstly, they are multi-period models that allow to choose the most appropriate strategy types for company interaction with each group of stakeholders, taking into consideration the relationships between stakeholders (Gorbunova, Gresko and Solodukhin 2015a). Secondly, they are multi-period models of the choice of mixed strategy types for the organization interaction with stakeholders (Gorbunova, Gresko and Solodukhin 2016b, Gorbunova, Gresko and Solodukhin 2015b). At the same time, the models of the first type did not consider differences in the characteristics of relationships between the organization and stakeholders by certain resource components, which prevented the formation of mixed strategies. The models of the second type, on the contrary, did not take possible changes in the relationships between stakeholders into consideration.

The purpose of this article is to develop a fuzzy multi-period model of the selection of mixed strategy types for interaction between the organization and stakeholders, taking into account the relationships between the stakeholders.

The use of fuzzy set tools in the development of the model is associated with the fact that the strategies are usually chosen in conditions of high uncertainty, lack of relevant information that is of nonprobabilistic nature (with a huge amount of ambiguous information that must be taken into consideration during decision-making at the same time). In addition, measuring the characteristics of relationships in linguistic scales greatly facilitates the work of experts and increases the accuracy of their estimates and forecasts.
Conclusion

The developed fuzzy model for selecting mixed types of stakeholder engagement strategies of the organization taking into account the interrelations of stakeholders allows to:

- take the possible changes in the relationships between stakeholders and the resulting changes in stakeholder relationships with the organization in consideration, when choosing the engagement strategies of the organization for each group of stakeholders;
- take the heterogeneity of the organization's relationships with each stakeholder (difference in the characteristics of the relationships for various resource components) into consideration; and
- form the strategies of a mixed type with a lower risk of use.

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References


Efficiency in Dual Banking System: A Non-Parametric Analysis

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Abstract

This paper is developed to investigate and compare the efficiency within Gulf Cooperation Council (GCC) based Islamic and conventional banks. The analysis is conducted over a sample of 49 banks for the period of 2006-2015. The paper is divided into two stages of analysis; the first stage was conducted to estimate and analyze the efficiencies of the sample using Data Envelopment Analysis Approach. The second stage was developed to assess the bank-level and country-level determinants of the efficiency through Random Effect Estimation Approach with Heteroscedasticity-corrected Standard Error. First stage of analysis suggests that Islamic banks tend to be more technically efficient than conventional banks due to their managerial efficiency in utilizing their resources and minimizing their waste of inputs. During the period of study, conventional banks tend to operate at 73% of decreasing return to scale and 14% of each increasing return to scale and constant return to scale. However, Islamic banks are operating at 33% of constant return to scale, 30% of increasing return to scale and 34% of decreasing return to scale. The second stage of analysis results indicates that efficiency is not affected by country-level and bank-level variables except the GDP growth rate.

Keywords: GCC; banking; efficiency; Islamic banks; conventional banks; DEA

JEL Classification: C14; D24; G21; N25

Introduction and research background

Financial sector in the Gulf Cooperation Council (GCC) countries - Kingdom of Bahrain, Kingdom of Saudi Arabia, State of Kuwait, State of Qatar, United Arab Emirates and Sultanate of Oman - generally dominated by dual banking system that is divided into conventional banks (CBs) and Islamic banks (IBs).

Recently the banking industry in the GCC has been facing tough years. The financial crisis, political uncertainty and shrinkage of oil prices have all resulted in limiting the banking growth and tightened its liquidity and excess capital (KPMG 2016). To overcome these challenges GCC banking industry emphasizes a greater focus on regulations, control and governance, in addition to taking a proactive approach to ensure the compliance of regulations and Basel III.

During the financial crisis of 2008, CBs faced with several complications unlike IBs that tend to shielded from the crisis (Willison 2009). This could have attributed to the nature of IBs' transactions in which it must be trade-
based and asset-linked and the prohibition of investment in certain types of instruments, which adversely affected the CBs during the crisis. The risk-sharing nature of Islamic finance considers one of the factors that reduce the effect of the crisis on Islamic banks (Hassan and Dridi 2010).

Barros (2004) emphasizes on the significance of efficiency evaluation approaches in assessing and identifying the most appropriate practice to improve performance and increase productivity. Technical efficiency is one of the main determinant of Islamic and conventional banks’ performance in microeconomic environment, which reflected on the macroeconomic environment (Jemric and Vujcic 2002).

The objectives of the current study are to (A) assess the overall efficiency within the Islamic and conventional banking systems, which are considered as an important issue for managers, investors and consumers and (B) examine the determinants of the efficiency to identify best practices to improve the performance and increase the productivity of the banks. The analysis conducted over a sample of forty-nine of CBs and IBs operating in the GCC for a period of ten years.

Evaluating the efficiency of the dual banking system can be criticized due to the differences between the business objectives of CBs and IBs. However, Warde (2010) argues, “a direct comparison is applicable between Islamic and conventional banks as both are operating and competing in the same market”. Majumdar (1995) favors applying estimation methods that allow for the differences between them such as the non-parametric approach; Data envelopment analysis and the parametric approach; Stochastic frontier analysis.

The current study contributes to the existing literature in several aspects. First, it examines the efficiency of GCC dual banking systems over 10 years during the period of 2006-2015 that includes 2008-2009 financial crisis. Second, based on the previous studies such as Al-Gasaymeh (2016), Mohanty et al. (2016), Johnes et al. (2014), Riaz and Mehar (2013), Akhtar et al. (2011), Ariff and Can (2008), Bader et al. (2008) and Mostafa (2007) in investigating the banks’ efficiency determinants, it focuses on both the bank-level characteristics along with the country specific characteristics, such as GDP and inflation through applying Random effects estimation approach with heteroscedasticity-corrected standard errors. Unlike, most of the existing studies that applied Tobit regression approach that treated efficiency score as a censored variable despite the fact that it is a fractional data. Third, the study adopts one of non-parametric approaches that is Data Envelopment Analysis (DEA) Compared to stochastic frontier approach. DEA has several advantages such as, it does not require any assumptions to be made prior to the study, minimal specification error and can be employed on multiple inputs and outputs resulted in detailed information about efficient units to be set as role models (Hawdon 2003). Moreover, it is easier in controlling variables and allowing for comparison between countries and between Islamic and conventional banks (Srairi 2010).

The rest of the study is constructed as following, methodology is described in the Section 1, Section 2 presents the variables and database, the empirical results are presented in the Section 3 and then the conclusion is drawn.
Conclusion

In this paper, we applied two stages of analysis over a sample size of forty-nine CBs and IBs in the GCC countries for the period of 2006-2015. In the first stage of analysis, we estimated the banks efficiencies in the sample using DEA approach. We found that under both CRS and VRS assumptions; IBs tend to be more efficient than CBs. During the period of study, the mean of technical efficiency of IBs reach its lowest score of 80.4% in 2009 and its highest score of 96.5% in 2014. This suggest that IBs are on increasing trend on improving their managerial efficiency and utilizing their resources. CBs` mean technical efficiency range between 78% (lowest) and 81.2% (highest) in which the waste of inputs used range between 18.8% and 22%. These results suggest that CBs in GCC countries failed to improve their technical efficiency and reduce their waste over the last ten years. Furthermore, we found that CBs tend to operate at 73% of DRS and 14% of each IRS and CRS while IBs are operating at 33% of CRS, 30% of IRS and 34% of DRS.

IBs tend to be operating more on IRS than CBs, this means that IBs could achieve a significant gains through internal growth or merger and acquisition, and it has an advantage over CBs in improving their efficiency and achieving substantial gains; therfore IBs tend to be more technically efficient than CBs due to the efficient use of inputs. In the second stage analysis, we found that efficiency is not affected by the country-level and bank-level variables which is in line with the conclusion of Besar (2016). These results concluded through applying random effect estimation approach with heteroscedasticity-corrected standard error.

References


*** KPMG. 2016. GCC listed bank results. kpmg.com
## Appendix. Return to Scale of CBs and IBs

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Notes: CRS: constant return to scale, IRS: increasing return to scale, DRS: decreasing return to scale
Financial Development and Monetary Policy in Sub-Saharan Africa. Dynamic Panel Analysis

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Suggested Citation:

Abstract
After the catastrophic consequences of the global financial crisis on the financial market, the effectiveness of the monetary policy in curbing price volatility and ensuring financial stability is in question. Therefore, the paper examines the impact of financial development on monetary policy in Sub-Saharan Africa (SSA). Unlike the previous studies, we attempt to capture financial reforms in different African countries from 1970 to 2016, including the banking crisis period. Using dynamic panel data analysis, our results show that there is a negative correlation between financial development and the monetary policy (lending interest rate used as a proxy) in SSA. As the financial sector develops, there is less distortion in the financial market, which leads to a decrease in the lending rate. This result applies irrespective of whether domestic credit to the private sector or money supply was employed as a proxy for measuring financial development.

Keywords: Financial development; economic growth; monetary policy; dynamic panel-analysis

JEL Classification: E44, O16; E52; C58

Introduction
The major roles of most central banks around the world are to ensure financial stability using direct and indirect instruments to ensure price stability, output growth, high employment, and exchange rate stability. However, given the complexity of the financial system and recent global financial crisis, the role of monetary policy has become more complex in the presence of illiquid market system, misaligned asset prices and credit crunch. Therefore, the level and structure of financial development are paramount to the effectiveness of monetary policy.

The financial system in Africa has developed and evolved over the years to withstand and survive series of banking crises. However, the pivotal role played by most central banks’ monetary policies are mainly hinged on the survival and development of the financial system. For instance, Ma and Lin (2016) suggest that any policy that affects the financial development will ultimately have a concomitant effect on the “transmission mechanism” of the monetary policy. Some studies have established that the strength of the monetary policy lies mainly on the stage and structure of financial development (Carranza et al. 2010, Krause and Rioja 2006). However, after the global financial crisis, many economies have adopted an expansionary monetary policy of low interest rate (and low inflation rate) but these policies have not induced the aggregate demand.

Therefore, the assessment of the nexus between the financial development and monetary policy becomes crucial to make aligned policies for many countries in Sub-Saharan African (SSA). The issue of monetary policy and financial development has received very little attention both empirically and theoretically. Unlike previous studies, we attempt to capture financial reforms in different African countries including banking crisis period. We deliberately did not include stock market as a proxy for measuring financial development because the stock market is still at a novel stage in most African countries.

The monetary policy mechanisms are instruments adopted by the central bank to influence investment spending and aggregate demand in an economy through the changes in money supply and policy induced interest
rate (Ncube 2008). Theoretical literature is abreast with the four main channels of monetary policy mechanism namely: interest rate channel; credit channel; exchange rate channel and asset price channel. However, most empirical literature is still concerned about the effectiveness of one channel over the other and predominance of one channel over the other in the financial system especially for a small open economy (Carranza et al. 2010). The traditional interest rate channel and the demand for money have not been an effective tool in Africa over the years because of the weak responsiveness of aggregate demand and level of financial development in most SSA countries (Khan 2011). Most theories have shifted focused on the credit channel away from the traditional monetary and interest rate channel. The credit channel of monetary policy seems to be more relevant and responsive in SSA such that it amplifies the impact of monetary policy shocks to the real sectors through the borrower’s net worth and the external finance premium. For instance, central banks still set a high spread between the deposit rate and lending rate and these to have a high implication for the borrowers (cost of borrowing) and availability of credit (especially to small and medium scale (SMEs) in SSA countries.

Many central banks in Sub-Saharan Africa have adopted different strategies to curtail price volatility and ensure financial stability. For many central banks in SSA, short-term domestic interests’ rates are being been mainly implemented to modify the household’s consumption and investment pattern. For others, it is the exchange rate and in countries with Islamic banking systems, the profit rate can be used as an operational target. South Africa, Ghana, and Uganda are the only countries that have adopted inflating targeting strategy to curb price volatility. Many Central banks in Africa are moving into the forward-looking monetary framework and greater monetary independence with little fiscal interruption (more flexibility in the exchange rate and discretionary policies). Some Central banks prefer dual objectives of price stability and high short run employment but there seems to be a conflict between these two goals since price volatility or high inflation distorts the real sector’s ability to invest or save which can ultimately affect economic growth. However, since most countries in SSA are still a small open economy, they are still vulnerable to external shocks (distortion in commodity prices; drought, exchange rate volatility, volatility in capital flows). Therefore, the paper examines the nexus between monetary policy and financial development across countries in Sub-Saharan African countries. Unlike the previous studies, we attempt to capture financial reforms in different African countries from 1970 to 2016, including the banking crisis period. Using dynamic panel data analysis, our results show that there is a negative correlation between financial development and the monetary policy (lending interest rate used as a proxy) in SSA.

The rest of the paper is organised as follows. Section 2 gives a brief summary of the theoretical literature on monetary transmission Mechanism and financial development. Sector 3 develops econometric models that enable the testing of the nexus between financial development and monetary policy. Section 4 concludes and discusses some policy implication.
Conclusion

The paper examined the relationship between the financial development and the monetary policy. The issue of monetary policy effectiveness has received very little attention by policy makers and in various theoretical studies. This study used dynamic panel data analysis to examine the nexus between financial development and monetary policy (lending interest rate used as a proxy) in SSA. Unlike the previous studies, we attempt to capture financial reforms in different African countries from 1970 to 2014, including the banking crisis period.

We deliberately did not include stock market as a proxy for measuring financial development because the stock market is still at a novel stage in most African countries except in some few SSA countries like South Africa and Mauritius. The financial sector responds positively by lowering the cost of lending and reducing the interest rate with ease. Considering the crucial role played by most financial intermediaries in developing countries, the result has some implications for different African countries especially for economies still undergoing different financial reform.

References


The Resource Potential of the Region and Tritorial differentiation in the System of the Emerging Markets

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Suggested Citation:

Abstract:
An attempt was made to investigate the influence of non-uniformity and asymmetry of development of Russian regions on resource opportunities in emerging markets in terms of macroeconomic constraints. Differentiation of resource market is presented in terms of economic dynamics. Exacerbated peripheralization in Southern Russian regions, as well as in the country as a whole is shown. The trends of the market in terms of regional asymmetries, imbalances spatial distribution of natural resources. We used quantitative and qualitative methods, institutional and comparative analysis. Empirical studies were supplemented by official data service Rosstat. It was found that the asymmetry of the resource development of the regions is defined by reproductive constants of spatially peripheral economies (access to natural resources, rent-seeking, deficit of own financial resources, multi-structural). Roll toward worsening of peripheralization regional economies strengthens resource constraints.

Keywords: regional economy, spatial development, institutions, resource markets, emerging markets, regional asymmetries

JEL Classification: R10

Introduction
Spatial non-uniformity and territorial heterogeneity become the inevitable attribute of development and economic growth in the evolution of any social-economic system. Russia makes no exception in this regard.

Asymmetry, as an organic feature of the internal organization of the vast economic space of Russia, poses additional threats to the social-economic development of the country, increases the imbalances. The effect of the peripheralization of Russian regions arises and escalates. According to some estimates, 70% of the territory of Russia can be attributed to the outer periphery and another 15% – to the internal (Druzhinin, Kolesnikov & Ovchinnikov 2014). To the greatest extent these processes are expressed in the development of the Southern Russian regions, first of all – the Russian Caucasus, where numerous threats and risks emerge, tension arises, and a conflictual social environment is reproduced.

The South of Russia as a model object for the study of regional asymmetry allows us to view the development of various resource markets through a prism of concepts of marginality, institutional imbalance, capitalization. At the same time, guidelines for convergence, an unevenness reduction, which is particularly customary for the French school of spatial economics, remain the leitmotif of any research in the field of spatial economics (e.g. Carrincazeaux, Lung & Vicente 2008, Fujita Thisse 2002, Fujita, Krugman & Venables 1999, Isard 1960, Krugman 1991, Lucas 2008). Such a concept also suggests the search for sources of competitiveness for emerging markets, without reducing the latter to only good geography or simple institutions (Bondarenko 2009, 2010, Busygina & Filippov 2013).

Thus, the aim of this paper is to investigate the impact of unevenness and asymmetry in the development of Russian regions on the resource opportunities of emerging markets under macroeconomic constraints.
Findings

Analysis of emerging resource markets and key indicators in the context of regional asymmetry allows to suggest that the most large-scale, significant and conditioned by the current phase of the economic cycle is the process of peripheralization of the regional space, taking place on the basis of unevenness and asymmetry of territorial development, integrating and adapting the territories to the territorial-economic structure being built by the center.

Spatial opportunities for the development of resource markets in the South of Russia are limited by fragmentation, multi-structure, small-scale of commodity systems. At the same time, the development of regional markets is subject to the impact of macroeconomic dynamics. This contradiction provokes regional asymmetry, general recession and stratification. Growth and development of markets become possible in conditions of regional alignment in given trajectories and in the absence of macroeconomic shocks.

The most important factor ensuring the smoothing of regional disproportions is the investment component. Current investment deficits exacerbate regional asymmetries, and the regional equalization transfer mechanism provokes dependent moods.

An analysis of regional imbalances and asymmetry of development in constant prices gives a significantly different trend in the variation of differentiation compared to analysis in current prices and characterizes the constancy of the technological structure of production. This indicates a significant impact of the price factor on regional disparities.

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Mathematical Model of Technology Transition

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Suggested Citation:

Abstract:
Technology transition is an innovation macro process where new technologies replace older ones. The dynamic of technology transition distinguishes the rise, stagnation and fall of technologies. We have developed a mathematical model of technology transitions based on sigmoid functions that describe limited growth. We are first who extended the model with stagnation and fall phase of technology transition process, by multiplying sigmoid function with decay function. The model was verified on a specific case from a transport sector. The case was technology transition from gasoline to diesel engines in Slovenia. Newly developed generic model is a good tool for monitoring technology acceptance on regional, national or international level.

Keywords: mathematical model; technology transition; innovation; sigmoid function; rise and fall of technology

JEL Classification: O33; O47

Introduction

In recent years in different scientific fields it leads to the unification of research approaches. During this period, scientists from different scientific fields have found out that science has been increasingly dealing with complex problems and, in order to solve them various models are used. Modelling has become an integral part of quantitative observation of economic phenomena. Model development generally requires in depth analysis and understanding of the existing, not yet investigated or insufficiently investigated areas and phenomena. One of them is the area of technology transition, where reviewing literature on innovation we have not found general mathematical models in this domain. Said transitions deal with the competition between the existing old technologies and the emerging new ones, as well as with the time path of their transition.

In recent decades, attention has been devoted to economic growth research and modelling, dissemination of technology, inventions and innovations, knowledge creation and its dissemination – but attention was not given to their decline, with some rare exemptions. We have filled this gap with our theoretical research and its practical verification.
Conclusion

In economic and innovation literature, the role of technology is rarely mentioned. Technology is somewhat more in the domain of engineers and sociologists. With this paper, we take a step in the direction of mathematical modelling and understanding of technology transition. With technology transition a social process of replacing certain existing technology with the new ones is meant. Our interest was not only the process of technology replacement, but also the impact of new technologies on the growth and decay of demand.

On theoretical level, we have developed and described a mechanism of technology transition: rise and decay of technologies. We described possible time paths of legacy and new technologies and the total volume of technologies.

Based on theoretical narrative we developed a mathematical tool founded on sigmoid function describing bounded raise and decay of technology quantity. Based on the review of literature where we did not find any evidence we can very surely claim the first endogenous equilibrium mathematical model on raise and decay in technology transitions.

We have postulated that sigmoid functions may constitute a very good element of mathematical modelling of technology transition. Sigmoid function is not only one, a few functions are quite frequently used in general modelling. For our case we have selected one sigmoid function and showed that technology transition can be modelled with it.

Model of technology transition was verified on specific case of Slovenia’s personal car technology transition, based on time series from reliable international institution.

It turned out that sigmoid function multiplied by corrective term for decay is qualified for modelling of raise and decay of technology transition.

Date were obtained from reliable sources. The model was verified for technology transition aimed at passenger cars in Slovenia. For the transition of cars, we worked out a basic model for replacing petrol-powered vehicles with vehicles powered by diesel or alternative fuel. We have found out that the car technology transition process in Slovenia is in progress and not yet completed.

The developed model was tested only on one sigmoid function. Model provides the framework for further investigations towards the use of other sigmoid functions and additional cases as well as towards the use of those sigmoid functions that enable the best fit of the model to the data.

References


Analysis and Prospects of Infrastructure Development of Innovation Regional Clusters in Russia through the Example of Specific Economic Zones of Industrial Production and Technology Innovation Types

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Abstract:  
In general, the cluster approach presupposes the existence of special structuring of the economic system, the clustered one, which means that the economic system is a particular combination of elements, where the key one is the core, which contains prime competitive benefits, and supporting industries, realizing these benefits. Innovative activities of enterprises and organizations within the territory of regional clusters in the Russian Federation is carried out within the framework of innovative development programs with participation of the state in areas such as reconstruction and modernization of fixed assets (preferred funding stream), conduction of research and development activities, advancing of the share of innovative products in the total output. The presence of specific economic zones for industrial use contributes to increase of intensity of enterprises and innovative activities of organizations within the territory of clusters. The performance indicators of specific economic zones (SEZ) of industrial production and technology innovation type are analyzed throughout their functioning in this article. Statistical methods of research have been used, comparison and clustering methods have been applied. As a result of study, it was identified that it is impossible to define zones as effective or ineffective categorically, as they differ in the period of functioning, industry activities and have their own specific character. Alabuga and Lipetsk are working effectively among industrial SEZ’s; and Saint Petersburg, Moscow and Moscow Oblast are those of technology innovation type. Such conclusions were made based on comparison of residents’ investment volume, investment from federal and local budgets for creation of infrastructure, amount of implemented objects in infrastructure. Study results can be used by authorities in decision-making, management companies of specific economic zones. In general, it is possible to say that support and development of SEZ’s is necessary, as they have development potential.

Keywords: economic development; innovation cluster; specific economic zone

JEL Classification: O3; O31

Introduction

The theoretical basis for appearance and development of modern concepts of economic development of the territories are scientific works of major researchers in the field of economics: Freeman (1982), Marshall (1890),
Menger (1976), Petty (1662), Schumpeter (1939). Further, the provisions of classical schools of the theory of value were reflected in works of national and foreign scientists, analysts and experts on formation of modern concepts of innovative development of territories, formation of the intellectual potential of the company in post-industrial economy.

The term knowledge based capital derives from the category of human capital, which was primarily used by classical political economists A. Smith, D. Mill, W. Petty asserting the existence of the quality effect of the human factor on the economy efficiency. Historically, mentioning of human capital for the first time takes place in the work of A. Smith, Wealth of Nations, where human capital is understood as a collective description of the quantity and quality of the human ability to work, which is an important source of income and a factor of labor efficiency growth. American economists, T. Schultz and G. Becker, are considered to be founders of the human capital theory. T. Schultz compares human with the material capital used in the production, noting that human capital has features of productive nature, and tends to accumulate and reproduce on the renewable basis. He notes the investment character of human nature improvement. G. Becker continued the study of T. Schultz in a broader context and goes to the macroeconomic level in studies. He gives the following definition: human capital is money invested in training of an employee or a family member, but not the man himself with his knowledge and skills; ... a functional element of the production process.


Problems and perspectives of innovative territorial clusters, tools for their support within the territory of Russia are reflected in works of Russian scientists Sibirskaya, Oveshnikova and Sosedov (2016), Tsertseil and Ordov (2016a, 2016b), Vershinina, Zhdanova, Maksimova and Perepelitsa (2015).
Conclusion

Thus, analysis of the efficiency of the specific economic zones does not permit a definitive conclusion about the efficiency and inefficiency of their operation. It is difficult to draw conclusions about the efficiency of the zones that have different operation periods, that are at different stages of their development. Nevertheless, it can be stated that in each analyzed group of zones of certain type, leaders are zones that have been operating for a long time as compared with others. It is impossible to compare the indicators of zones, established by the decisions made in 2012 and in 2006. Among the specific zones of industrial production type, we pick out Alabuga and Lipetsk SEZ that have already been formed and demonstrate high level of efficiency. Relatively equal performance indicators are among the zones of technical innovation type, except for the Innopolis SEZ, which is just in the process of formation. Here we can single out the zone in Saint Petersburg, which gives positive indicators of residents’ activities with lower funding from the federal budget compared with zones of Moscow and Moscow Oblast.

To conclude we may state that the analyzed zones of industrial production and technical innovation types in Russia need to be developed, taking into account their positive impact on the economy of regions and the country as a whole.

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Net Assets Valuation in Transformations of Czech Companies

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Abstract:
The paper analyses the company transformations which represent a specific group of mergers and acquisitions which took place in the Czech Republic in 2013. Based on the statistical sample containing detail data of 115 transformations, we analyzed important aspects of company transformations (M&A) such as accounting method applied, method of net asset valuation and the ownership structure of the participating companies. The research indicates that current regulation of accounting for company transformations in the Czech Republic (and possibly other Central and Eastern European countries) fails to respond to the fact that majority (96%) of company transformations (M&A) which took place in 2013 in the Czech Republic were in fact corporate holdings reorganizations rather than business combinations as defined by IFRS 3. The option to increase the equity of the successor company from the excess of fair-value over the historical prices during the transformation leads to severe distortion in faithful representation of the financial position of the successor company. Based on these findings, we identify the main risks for the external users of financial statements and suggest potential ways of revision of Czech regulation for company transformations accounting.

Keywords: company transformations; net assets valuation; accounting for business combinations; accounting regulation

JEL Classification: G34

Introduction

Valuation methods applied in financial accounting have a crucial impact on financial position as well as on the other financial indicators. Inadequate measurement of net assets of entity acquired in business combination may distort not only the faithful representation of financial position of the group at acquisition, but also the post-acquisition performance. Despite this enormous importance, research devotes only low effort to investigate the determinants of selected measurement bases and their impact on financial statements. M&A literature analyses predominantly business transactions of firms listed in the USA or in the EU, resting on the data from financial statements. These statements are prepared in compliance with US GAAP or IFRS, both systems follow a single concept of measurement in acquisitions. Furthermore, both sets of standards are grounded on the substance over form principle ensuring that financial statements portray economic consequences of the M&A truthfully. However, the presumption of substance over form does not hold in the countries with code-law tradition. In these countries, accounting guidance of M&A is usually tightly aligned with local corporate law. Furthermore, the accounting treatment of business combinations is commonly influenced by tax motives of participating parties.

To address the identified gap in research, the objective of this paper is to analyse common accounting practices of Czech companies engaged in M&A especially in company transformations, which can be defined as a subset of M&A. The Czech Republic was selected, as (a) its accounting law is underdeveloped and under relatively strong influence of tax rules; (b) corporate law dealing with company transformations stressed the legal form of the transaction rather than its economic substance; (c) the Czech Republic is still a transition country with significant

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lacks in its institutional background, which intensifies the information risks of users working with misleading financial statements. Using a sample of 115 company transformation transactions, we analyzed important accounting aspects of company transformation and found out that while the respective regulation of accounting is designed primarily for business combinations taking place among independent parties (Czech accounting regulation stipulates application of modified acquisition method for M&A accounting), majority of the company transformations (approximately 96% in 2013) were in fact restructuring of current corporate holdings. The option to increase the equity of the successor company from the excess of fair-value over the historical prices during the transformation (this option is incorporated in the Czech legislation) leads to severe distortion in faithful representation of the financial position of the successor company and can be misused to damage company’s capital facilities.
Discussion & conclusion

Our research provided several interesting findings. The most crucial ones were related to the ownership structure of the transaction and valuation of net assets during these transactions. The research showed that only the minority of the transactions analyzed were classified as transactions between independent parties in fact we found that 111 of 115 analyzed transactions were reorganization transactions of the current corporate holdings rather than business combinations appropriate for acquisition method application. This finding alone seems to be compelling enough to suggest that the regulation of accounting for the company transformation in the Czech Republic is not suitable and the revision is needed.

The need for the revision is somehow lessened but certainly not eliminated by the finding that the revaluation of the net assets transferred took place only in 26% of the transactions analyzed. This means that only in 26% of the transactions new equity items arose (or were increased) and/or a goodwill was recognized in the successor's balance sheet. In the other 74% of transactions the revaluation did not take place thus no new equity items nor goodwill were recognized in the successor's balance sheets. Which brings us to the conclusion that only in 26% of transactions analyzed the modified version of acquisition method was applied, while the rest (74% applied to much extent principles of the pooling-interest method).

Consequently, we analyzed the method of valuing and accounting for the transferred assets at the successor’s balance sheet. The successor is given a choice to either adopt the historical prices from the predecessor’s balance sheet or to account for the transferred assets (not liabilities though) at their fair values. We found that for the 81.7% of transactions the concept of adopting the historical prices were employed, which is in line with the findings regarding the valuation of net assets transferred and further bolster our conclusions regarding the application accounting methods for company transformation in our sample, which was discussed in the previous paragraph.

We examined closely the forms of ownership structures for the analyzed transactions and found, that approximately 30% of the transactions were classified as transactions under common control of an investor. Czech accounting regulation does not provide special regulation for holdings under the common control of individuals – investors. There are no special disclosure requirements nor other specific regulation for holding structures under the common control of investors even as the regular financial reporting is concerned let alone such unique and rather complex transactions as the company transformations are.

Czech national regulation for accounting and company transformation (as well as other national regulations in the Central and Eastern Europe, as shown in literature review) needs to be re-viewed and re-designed to properly incorporate the requirements for the application of the generally accepted methods for accounting for business combinations, especially adopt the prerequisites for acquisition method application.

Current inadequate regulation, specifically the insufficient limitation for acquisition method application which leads to revaluation of the net assets transferred, inherently causes a breach of some of the core principles of financial accounting, such as faithful representation, prudence and verifiability which may cause a serious distortion in the true and fair representation of the financial situation of the company. Our study provides a robust empirical evidence to the content analysis of the regulation and its shortcomings identified by Lasák (2010), Vomáčková (2007), Vomáčková (2012) or Žárová and Skálová (2012), Skálová and Mejlík (2015).

Moreover, the excessive and inadequate increase in the successor's equity may threaten the capital maintenance of the successor. In transactions like company transformations, the revaluation of net assets transferred leads to recognition of new equity items or increasing registered capital or retained earnings. We researched how the management deals with the option of distribution of the newly acquired equity value. We found that in most cases the value is allocated to registered capital and in some cases to the retained earnings. As the Czech legislation provides managers and owners with the choice on distribution of the “acquired” value, it is theoretically possible to put most of the “acquired” value to the retained earnings and distribute it through dividends later. Such action might not only lead to severe distortion of the faithful presentation of the company’s financial position, damage company's capital facilities but even damage the company itself as it may siphon the company off its monetary assets.
Our study has also some limitations. Firstly, because of time-consuming data collection, only a random statistical sample of business combinations announced during one year was analyzed. Future research shall attempt at examining the entire population of transactions, as well as the development and changes in accounting practices adopted by companies over the time. Secondly, an international comparison, e.g. with other countries from the CEE region, would be vital as well. However, a thorough investigation of valuations in M&A requires substantial knowledge of each national background to control for any cross-country differences in accounting standards and law regulations, which might be a source of distinct incentives of companies to manage earnings and other figures in financial statements through inadequate accounting for M&A.

Acknowledgment

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References


Impact of Selected Factors on the Formation of Regional Disparities in Slovakia

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Suggested Citation:

Abstract:
The purpose of this study is to perform the evaluation and quantification of the impact of factors contributing to the formation of regional disparities in Slovakia. The article discusses the impact of factors such as nominal wages, unemployment rate, variability of job vacancies, labour productivity, or foreign direct investment on the amount of household disposable income and generated savings within the period of eleven years, as well as the impact of these factors on the wealth distribution among the households which was identified while applying the Gini coefficient for each region. With regard to the data structure, the panel data regression was applied in the paper (a pooled regression model, a random effects model, and a fixed effect model). Analysis results confirmed significance of five hypotheses, i.e. a decrease in unemployment rates in regions with higher wages will result in lower increase in wages than in the remaining region groups; in regions with lower unemployment rates, an increase in job vacancies is associated with a higher increase in offered wages and an increase in the labour productivity in regions with lower incomes causes more uneven income distribution, whereas in the case of foreign direct investment, the effect is opposite.

Keywords: regional disparities; panel data regression; Gini coefficient; nominal wages; labour productivity; unemployment; income, foreign direct investment

JEL Classification: E24; R11; C33; J30

Introduction
The period of growing globalisation and mutual interconnection of economies of individual countries generate a growing pressure aimed at using accessible resources in a more efficient manner. Efficient and competitive economy contributes to achieving a higher quality of regional development which is related to various aspects, such as the infrastructure in a region and provided services, potential innovations and development, and, above all, the human capital. Therefore, not only companies but also individuals more and more often, and with less and less problems, tend to gather at places offering them certain benefits. Nevertheless, it is not merely a question of the amount of disposable income but also the structure of available jobs, infrastructure in a region, etc. Such uneven
distribution of available resources in the country often results in regional disparities that may lead to even bigger problems between individual regions.

The present paper is therefore primarily focused on the identification of the relationship between selected economic indicators with the assumed impact on the formation of regional disparities between the counties in Slovakia. The objective of the present paper is to verify eight significant hypotheses focused on the identification of the impact of selected economic factors (unemployment rate, variability of job vacancies, foreign direct investment, labour productivity, inescapable expenditures) on the amount and distribution of income and savings and thus their impact on the formation of disparities in Slovakia.
Conclusion

Regional disparities in economic growth of various degrees can be observed in many countries. The present paper is focused on the examination of determinants which directly affect the formation of disparities. The objective of this study was to quantify the impact of selected economic factors, including the unemployment rate, number of job vacancies, inflow of foreign investment, and labour productivity, on the amounts of income and savings and their impact on the distribution of wealth among the households, leading to the formation of regional disparities. For the purpose of confirmation or refutation of the defined eight hypotheses, the panel data regression was applied. As expected, a relationship between the income and the unemployment rate or job vacancies was confirmed; it was observed that a decrease in the unemployment rate in regions with higher wages will result in lower increase in wages than in other groups of regions and an increase in job vacancies in regions with lower unemployment rate is associated with a higher increase in the offered wages. However, it must be pointed out that our study does not consider voluntary unemployment; this provides a potential for further research in this area.

The impact of selected factors on the wealth distribution among the households was evaluated while applying the Gini coefficient in individual regions. In all three cases, directly proportional relationships were observed between the amount of disposable income and the value of this coefficient. Also, the analysis of the Gini coefficient confirmed the impact of the labour productivity and the foreign direct investment in regions with lower income on the formation of regional disparities. As for the productivity, there is a directly proportional relationship (increased productivity increases the disparities), whereas the FDI has the opposite (inversely proportional) effect.

Even though it was not statistically confirmed (due to the double effect) that the foreign direct investment affects the increase in wages, the study did not consider addition of domestic investments which might contribute to different findings. Also, in our study we were not able to verify the impact of an increase in job vacancies or unemployment rate on the formation or the elimination of disparities in low-income regions.

A partial objective of the study was also to outline the problem of disparities as such and potential reasons thereof. In the theoretical introductory section hereof we presented a relatively high interest in this topic and in finding a solution for regional disparities in the expert literature, not only in Slovakia but also in other countries. This interest is expected to persist, as despite the quantification of various factors affecting the formation of differences within the country and its countries, none of the analysed parties has managed to eliminate this problem. Another reason is also outlining potential directions for future research in this area, as mentioned in the present paper.

Acknowledgments

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References


## Annex

### Table 9. Constants of models of fixed effects for all panels

<table>
<thead>
<tr>
<th>Region</th>
<th>Panel A</th>
<th>Panel B</th>
<th>Panel C</th>
<th>Panel D</th>
<th>Panel E</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Whole dataset</td>
<td>Higher income</td>
<td>Average income</td>
<td>Lower income</td>
<td>Whole dataset</td>
</tr>
<tr>
<td>Bratislava Region</td>
<td>5.90160</td>
<td>6.02786</td>
<td>5.94119</td>
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Source: Own processing
Development of Human Resources of Agro-Industrial Complex

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Suggested Citation:

Abstract
The article investigates the distinctive features of the development of human resources of agro-industrial complex (AIC). The study determined the categorical nature of human resources, as a whole, and the author's vision of the resource capacity of AIC was offered, in particular. The detailed analysis of the development of human resources of AIC in Ukraine, Kazakhstan, Russia and Belarus through the prism of the study of the features of life, well-being and safety of the rural population was carried out. Particular attention is paid to the problems of staffing of AIC of the leading countries of the world, including EU countries. The results obtained allowed to establish the fact of the indirect identity of the main factors of reduction of the rural population in the considered post-Soviet republics and the depopulation of rural areas in the EU. On this basis, at the conceptual level the key tasks were identified, which resolution, as for Russia, Kazakhstan, Ukraine and Belarus, and for Europe, make prospects of development of human resources of AIC. Taking into consideration peculiarities of AIC of Russia, as well as specific, national problems of rural development, the article developed the concept of development of human resources of AIC of Russia. Apart, within the concept, measures for training and retraining of workers for agricultural enterprises of Russia were allocated, as well as a model of balancing supply and demand in the labor market in order to determine the number of specialists of specific specialties necessary for the development of AIC in the region was offered.

Keywords: agro-industrial complex; human resources; development; Russia; Kazakhstan; Ukraine; Belarus; EU

JEL Classification: R 13; R 23

Introduction
The current state of development of the society which is characterized by the crisis phenomena in economy, social contradictions requires close attention to a question of reproduction and development of personnel potential, especially
in agrarian and industrial complex. In the conditions of the market relations, the agrarian sector is considered as a key in the processes of revival of all national economy, as well as in rising the standard of living and welfare of the population (Rockström 2017).

World experience surely proves that today there is no alternative to the innovative and intensively way of development of agricultural industry which predetermines essential growth of requirements to skill level, professional skills, intelligence of specialists-landowners (Ruan 2017). In this context it is important to consider dynamics of changes in the needs of a human capital in agrarian production which is characterized by its reducing in developed countries as a result of implementation of intensive technologies based on the high-productive equipment.

Thus, the number of able-bodied rural population in the leading countries of the world since 1950 to 2015 has decreased from 137 to 32.5 million people or more than by 4 times, and in France and Germany practically by 8 times (Skinner, Hanlon 2015). Besides each able-bodied person, occupied in the village, in the developed countries has developed in 2015, on average 28.6 t of grain, nearly 3.3 t of meat and 12 t of milk against respectively 995,123 and 217 kg in developing countries (Agriculture, Rural Development, Food and Drug Administration, and related agencies appropriations bill, 2016).

At the same time, it should be noted that, despite such essential gap, modern practice of work with personnel of AIC in the states with transformational economy, which inefficiency is obvious, did not undergo radical changes. Thus, for example, after the collapse of the USSR in the conditions of insufficiently reasonable, quite often spontaneous reforming of AIC, a significant amount of the most qualified specialists of agricultural industry in the CIS countries passed to work in other industries, or emigrated abroad. Today in the post-Soviet republics against the background of reducing number of a rural population there is deterioration in high-quality composition of human resources, qualification and educational and cultural level of the population, performance of social labor. Those specialists, who remained in the village, lost substantially their qualification level; only their small part undergoes retraining in these or those forms.

Thus, in view of the foregoing, there is no doubt that for development of the main directions of agricultural policy it is necessary to develop new approaches to issues of staffing and development of human resources of AIC. Especially this question is urgent for CIS countries and other developing countries, as in conditions of scarcity of financial resources and impossibility in short terms to restore material and technical base, human resources becomes one of the main and most effective factors of stabilization and development of AIC.

Thus, the above facts cause the choice of the topic for research, confirm its theoretical and practical significance, as well as define the conceptual basis of the conducted research and appropriate tools of scientific knowledge.
Conclusion

This study presents the results of labor migration processes analysis in South Korea, including mobility indicators and the structure of expatriation. The importance and relevance of the issues of expatriate management in the international companies are examined and analyzed based on the industry field of South Korean companies. Static information was used to obtain the results, and questionnaire survey was conducted on the basis of a competency-based approach to the management of the international companies.

The research results confirm the hypotheses suggested, and develop the theoretical and practical provisions of earlier studies conducted by Kraeh, Froese, and Park (2015), Dowling, Festing, and Engle (2008), Kim (2013), Self, Self and Bell-Haynes (2011).

Interesting results were found in the research field reflecting the different levels of importance of competences in Korean companies on the part of managers and expatriates. The modern theoretical concepts of global human resources management, labor mobility and expatriation are analyzed, and the conducted study reflects the possibility of applying a competency-based approach to managing labor mobility. Various forms of expatriation, as well as strategies for managing human resources in an international company, and their impact on the processes of managing labor mobility have been discussed. Trends in the development of labor mobility in South Korea have been analyzed, tendencies of increasing the number of expatriates in Korean companies and the growing interest of Korean managers in shaping new strategies for expatriate management have been revealed.

This research has several limitations: first, the data for the last 2 years were used; secondly, two major international corporations of South Korea were chosen as the object of research; thirdly, two groups of personnel – expatriates and local managers – were chosen as the target group for the questionnaire survey. These limitations allow for further research on this subject, and the results obtained are possible for theoretical and practical application in the territory of other countries.

The result of the study is a new approach to expatriate management in the South Korean companies, which is provided by author. Further research will be devoted to the motivation of expatriates and a comparative analysis of the factors influencing the trends of expatriation in different countries.

References


Small Business Owners’ Optimism on the Economy: Are Certain Owners More Optimistic than the Others?

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Abstract:
In this study, we examine the relation between small business owners’ views on the economy and their characteristics like experience, gender, age, political view, education, and race. Our main question is this: “Do business owners with certain characteristics hold a more positive view on the economy?” Our nonparametric tests show that, in the states where business owners have a more positive view on the national economy, there are more female owners, owners tend to be younger, and they tend to support “other political” views (i.e. they are not independent, conservative, or liberal). At the same time, in these states, there are fewer middle-aged owners and fewer “strong conservatives” when compared to the other states. In these states, owners’ experience, education, and race are not significantly different from firms in other states. On the other hand, in the states where business owners have more a positive view on the state economy, there are fewer Hispanic owners and fewer middle-aged owners. In these states, the owners are less-experienced and there are fewer owners that are in the “Lean liberal” group. We also find that, in these states, there are more white owners and older owners, and there are more owners in the “Lean conservative” group.

Keywords: entrepreneurship; small business; state economy; national economy

JEL Classification: L26

Introduction
In this study, we examine the relation between small business owners’ views on the economy and their characteristics like experience, gender, age, political view, education, and race. Our main question is this: “Do business owners with certain characteristics hold a more positive view on the economy?”

Previous research shows that the state of the economy has a significant impact on entrepreneurship. There are two hypotheses that relate the state of the economy and entrepreneurship. The first hypothesis, the “Recession Push” hypothesis, states that entrepreneurship is countercyclical. According to this hypothesis, when the economy is doing well, increased employment opportunities in “salaried” sector leads to a decrease in entrepreneurial activity (because people prefer to work in wage employment and thus refrain from starting risky businesses). Congregado et al. (2012) discuss the “Recession Push” and the “Prosperity Pull” hypotheses as well as numerous studies supporting these concepts. Evans and Leighton (1989) and Constant and Zimmermann (2004) support this view and argue that during recessions, people are pushed into self-employment because of weak labor market opportunities. Moore and Mueller (2002) also support this hypothesis. In addition to these papers, Fairlie (2013) supports the “Recession Push” hypothesis in the context of the 2008-2009 “Great Recession”.

The second hypothesis, the “Prosperity Pull” hypothesis, on the other hand, states that entrepreneurship is countercyclical. This hypothesis states that during good economic times, the risks are lower for the entrepreneur, therefore entrepreneurial activity increases during these periods. First, if the business fails, the entrepreneur can easily find a paid job. Second, as Kim and Cho (2009) and Parker (2009) explain, during these times, new business opportunities will increase because market demand will be higher and venture capital will be more easily available. Cagetti and De Nardi (2006), Holtz-Eakin et al. (1994), and Blanchflower and Oswald (1998) also discuss about the relation between financing constraints in bad economic times and entrepreneurship. In fact, most of the papers on entrepreneurs’ access to finance support the “Prosperity Pull” hypothesis. These papers argue that, when the
economy is doing well, entrepreneurs have better access to finance, meaning that “entrepreneurship” is procyclical.

In this current study, we examine the issue from a different perspective. While the above mentioned papers examine the relation between the state of the economy and entrepreneurial activity, in this current study, we examine the relation between entrepreneurs’ perception on the economy and their characteristics. What kind of entrepreneurs are more optimistic on the economy? Knowing the answer to this question is important because knowing which groups are generally more pessimistic would help policymakers to devise strategies that support these groups first, in case of an economic recession. If certain business owners are generally more pessimistic on the economy, in case of an economic downturn, they would be the first to give up.

Our second contribution in this study is differentiating between entrepreneurs’ perception on the national economy and their perception on the state economy. What kind of entrepreneurs are more optimistic on the national economy? What kind of entrepreneurs are more optimistic on the state economy? Again, knowing the answers to these questions is important because both state policymakers and federal policymakers would benefit from this research.

Our paper proceeds as follows: Section 1 goes over the previous literature. Section 2 explains the data and the methodology. Section 3 shows the results. Section 4 concludes.
Conclusion

In this study, we examine the relation between small business owners’ views on the economy and their characteristics like experience, gender, age, political view, education, and race. Our main question is this: Do business owners with certain characteristics hold a more positive view on the economy? In other words, how are owner characteristics different in states where small business owners have a more positive view on the economy versus in other states? As we know, optimism on economy is related to firm growth, therefore knowing which groups hold a more positive view on the economy is important for policymakers. In case of an economic downturn, policymakers should know which groups to support more.

In our analysis, we use the “United States Small Business Friendliness Survey” done by Kauffman Foundation and Thumptack.com in 2013. This survey asks small business owners about their views on the national and the state economy. It also asks them questions about their experience, gender, age, political view, education, and race.

First, we divide the US states into two groups according to small business owners’ views on the national economy. The first group includes the states that have a high rating of the national economy. The second group includes the states that have a low rating of the national economy. Then, we do the same for business owners’ views on the state economy. Here, the first group includes the states that have a high rating of the state economy. The second group includes the states that have a low rating of the state economy.

Our nonparametric tests show that, in the states where business owners have a more positive view on the national economy, there are more female owners, owners tend to be younger, and they tend to support “other political” views (i.e. they are not independent, conservative, or liberal). At the same time, in these states, there are fewer middle-aged owners and fewer “strong conservatives” when compared to the other states. In these states, owners’ experience, education, and race are not significantly different from firms in other states.

On the other hand, our nonparametric tests show that, in the states where business owners have more a positive view on the state economy, there are fewer Hispanic owners and fewer middle-aged owners. In these states, the owners are less-experienced and there are fewer owners that are in the “Lean liberal” group. We also find that, in these states, there are more white owners and old owners, and there are more owners in the “Lean conservative” group.

We advise policymakers to take precautions before troubling times by formulating policies that will support certain groups of business owners. The governments will need to use their resources more efficiently and this study will help them allocate their resources more efficiently. Our study shows that, when formulating their policies, policymakers need to differentiate between the health of the national economy and the health of the state economy (because they have differing correlations with owner characteristics).

References


Business Environment in Russia and its Stimulating Influence on Innovation Activity of Domestic Companies

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Abstract:
The article shows the results of analyzing the business environment formed in the Russian economy during the period of 2011-2016 and worsened by the anti-Russian sanctions. It reveals the impact of macroeconomic factors on the state of the entrepreneurial environment in Russia that has features of stagnation, and basic geopolitical and economic events as a determinant of negative tendencies in the economic environment of the country. It gives the analysis of the dynamics of the entrepreneurial environment and the comparative analysis of the main problems of the Russian business, taking into account the temporal factor in the context of their dominating impact on Russian companies in terms of a region and a sector, as well as depending on the business size. The article considers the innovation environment of the Russian entrepreneurship, reveals basic barriers of the innovation activity of domestic companies. It shows basic areas of forming a new innovation reality of the Russian economy and makes the conclusion about the need of Russia to move to a new technological mode and existence of prerequisites of the Russian economy innovative development. It defines economic changes as a real implementation of the model of the country’s innovative development that takes into account the leading trends of the economic development on the national and global markets.

Key words: business environment; Russian economy; Russian entrepreneurship; macroeconomic factors; microeconomic factors; innovative development; stagnation; turbulence

JEL classification: O30; O31; O32

Introduction
Taking into account the high level of indefiniteness of the economic environment globally and nationally (Henley 2010), numerous interrelations in economy and political life (Szreter 2007), increasing role of the human factor in the scientific and technical progress (Šikýť 2015), in the nearest future Russian enterprises must, on the one hand,
analyze the global tendencies of developing new highly technological markets of goods and services, estimate and build up their potential opportunities on occupying leading positions on them, and, on the other hand, take into account a new geopolitical situation, changing benchmarks in the international economic integration, which has a direct impact on the uniqueness of the forming business environment in Russia.

The goal of this article is to research the business environment of the modern Russia, and to analyze the factors that determine its turbulent state. In the context of the indefiniteness of the environment and permanent crisis, many Russian companies do not merely “survive”, they continue developing, investing, implementing innovation projects, and tapping into new markets. This fact makes the research of the business climate in Russia urgent, taking into account the impact of macro- and microeconomic factors. The results of the research will be taken as a basis of offers on developing innovative entrepreneurship under the modern economic conditions.
Conclusion

Today Russia is under the conditions of forming a new economic reality caused by a number of processes:

- Instability of the global economic system as a consequence of a number of determinants, including geopolitical and geoeconomic,
- Increase in the global competition that goes beyond the limits of traditional markets of labor, capitals, technologies and covers the system of national management,
- Increase in the role of innovation processes in the social and economic development on the background of weakening impact of some traditional factors of economic growth,
- Formation of the human capital as the main factor of economic development (Šafránková and Šikýř, 2016), and
- Exigent need to move from the raw materials export model of the economic development to the model of sustainable development based on the innovative development, a new technological mode, and humanization of economy (Russia on Its Way to Modern Dynamic and Efficient Economy: Report/Edt. by Nekipelov, Ivanter, and Glaziev (2013)).

The factor that deepens this situation and at the same time gives Russia a chance to solve the whole range of the problems set by the reality is the placement of the Russian economy into the mode of sanctions by Western countries. Today in the context of a complicated geopolitical situation increasing the turbulence of the economy, the Russian business community worries how Russian enterprises will search for ways to get out of crisis and what actions the government will take under the pressure of global challenges in import substitution, declaimed innovative development, attracting investments and industrial modernization.

Analyzing possible scenarios of the innovative development in Russia and taking into account the current situation in the country and in the world that is characterized by the geopolitical and economic instability, the scenario of the leading development of the country is considered to be the most adequate. It includes a number of promising areas:

- increasing the power of the industrial and technological potential, first of all at the expense of developing the current and creating new highly technological productions,
- moving to the non-resources specialization of economy, including by creating highly technological processing productions on producing competitive products,
- implementing programs on import substitution supporting domestic producers, increasing the efficiency of export on the background of decreasing import, motivating the growth of internal consumer demand of the population for domestic products,
- increasing power and resources efficiency, efficiency of managing property, developing infrastructure that can minimize transaction expenses in all sectors of economy,
- creating zones of advanced development where it is possible to implement mega- and infrastructural projects,
- attracting internal and external investments on the basis of taking balanced decisions, implementing investment projects according to the principles of public and private partnership,
- creating stimuli for innovation activity of enterprises, decreasing polarization of regions based on developing the system of strategic management of region, increasing the potential of dotation regions,
- increasing the stability of the financial system, forming a flexible tariff, customs, and taxation policy, budgetary support for small and medium-sized business, and
- providing guarantees of the population’s social protection, solving demographic problems.

Thus, the set results in innovative development can be achieved subject to creating a favorable business environment to run business and innovation activity, increase in the prestige of science and attractiveness of highly technological sectors, increase in the Russian competitiveness through forming its innovation power, creating the economic environment that sets demand for innovations, and successful pursuing of innovation policy on the national and regional levels. In the context of risk and the environment turbulence, the implementation of the whole
complex of measures that can move the Russian economy to the innovational way of development must be based on taking balanced management decisions.

References


Entrepreneurship, Unemployment and Economic Growth: Evidence from Egypt

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Suggested Citation:

Abstract:
This paper focuses on studying whether entrepreneurship affects or is affected by unemployment, economic growth, and inflation in Egypt during the period 1993-2013. In the empirical analysis, an econometric time series model is presented by applying the Vector Autocorrelation (VAR) modelling approach in order to estimate the desired relationship and capture the short run dynamics. Self-employment rate is used as a proxy for entrepreneurship, and real GDP growth rate is used as a proxy for economic growth. Empirical results suggest that entrepreneurship has a significant positive effect on both economic growth and inflation, while it has a significant negative effect on unemployment; which supports the Schumpeter effect, but not vice versa.

Keywords: entrepreneurship; economic growth; unemployment; Egypt

JEL Classification: L26; J64; O43; O47

Introduction
Entrepreneurship is considered now one of the most important dynamics of the economy and is regarded as a substantial source of new job opportunities, innovation and economic growth (Morales-Gualdron and Roig 2005). Moreover, it is linked to the entrepreneurial activities which are the enterprising human actions done by entrepreneurs who are the business owners who target generating profit through the expansion of economic activities, and by identifying new products and markets (Ahmed and Seymour 2008).

The word “entrepreneur” is taken from the French verb “entreprendre” which means “to undertake” the risk of new firms and enterprises (Schumpeter 2011). A firm is created by an entrepreneur thus the operation of creation is called “entrepreneurship”. Modern economists evaluated entrepreneurship as a process and a journey that all successful entrepreneurs like Bill Gates (the founder of Microsoft), Steve Jobs (the inventor and CEO of the multinational technology company “Apple”) and others went through (Joshi 2016). Entrepreneurship is a multidimensional concept measured by different ways in all studies selected such as; start-ups, TEA¹, self-employment, etc.

¹ Total Entrepreneurial Activity index is the main indicator of GEM (Global Entrepreneurship Monitor).
It is important to mention that models of entrepreneurship are considered labor market theories of occupational choice; where individuals’ risk preferences, skills, entrepreneurial abilities and initial wealth differs from one person to another (Plehn-Dujowich 2012).

Entrepreneurship, economic growth, and unemployment affect each other in different ways, yet the literature has tackled two components only in most of the studies, without taking into consideration the third. So, this study has combined the three components together along with inflation, since they are considered the most important macroeconomic indicators in any economy. A model is formulated for Egypt, during the period 1993-2013, in order to know whether entrepreneurship affects or is affected by the other components.

This paper is organized as follows; the second section tackles a theoretical review of the relationship between entrepreneurship, unemployment and economic growth followed by an overview on entrepreneurship, economic growth, unemployment and inflation in Egypt. Section four presents the description of data and the empirical analysis using the VAP model and section five concludes.

Conclusion

In a regime of increased globalization, where the comparative advantage of modern economies is shifting towards knowledge based economic activity, entrepreneurship doesn’t only play an important role as being the core engine of a virtuous cycle that develops any economy and serves as a vehicle for innovation, but it also generates economic growth. That leads Holcombe (1998) to claim that “the incorporation of entrepreneurship into the framework of economic growth not only fills in the institutional details to help make the growth process more understandable, but also points toward more promising economic policy recommendations for fostering economic growth”. Hence, The development and sustainability of SMEs is of critical importance for both developing and developed economies (Hanadi and Busler 2010). Also, entrepreneurship affects the unemployment negatively as it creates new job opportunities not only for the entrepreneurs themselves but also for the unemployed in general. King and McGrath (1999) mentioned that "With small businesses increasingly becoming a major feature of economic development policy in both developed and developing countries due to their labor-absorptive capacity and their contribution to poverty alleviation and employment creation ".

Egypt’s young population gives it a strong entrepreneurial advantage; as it is considered a large market and the largest in the MENA region, thus there is a large opportunity for growth and innovation. Additionally, Egypt faces a lot of challenges that can be overcome with numerous of entrepreneurial ideas and activities. This paper studies the entrepreneurship in Egypt during the period 1993-2013 to know whether entrepreneurship affects or is affected by unemployment, economic growth, and inflation, As well as being aware of the obstacles and the difficulties that face entrepreneurs in Egypt and try to solve them by giving some recommendations; with knowing the applied policies and how Egypt tried to embrace and support the entrepreneurship, by The business incubators that provide a good platform for the convergence mechanisms for supporting knowledge-based enterprises (Olawale snf Garwe 2010), the role of non-profitable organizations and others is mentioned in section (3.4) in chapter 3. These recommendations should mainly focus on the entrepreneurship ecosystem that is needed to foster the growth of entrepreneurs, but unfortunately the burden is heavy on the policy makers to understand the key factors that help entrepreneurs to thrive and leverage the human capital and empower more people to participate in the unleashing potential.

The empirical results show a significant positive relationship between entrepreneurship and GDP growth rate and a significant negative relationship between entrepreneurship and unemployment. But there is an exotic positive relation between entrepreneurship and inflation which may be due to the limitations. On the other hand, GDP growth, unemployment, and inflation don’t affect entrepreneurship in the short run; which means that in the Egyptian case through the period mentioned above, entrepreneurship only affects the other variables but not the vice versa. Finally, quantifying these results will help policy makers and scholars in determining and taking the right economic decisions regarding the entrepreneurship sector in Egypt, knowing the great importance of this sector and how it develops the economic growth and enlarges the availability of job opportunities.
References


The Formation Prospects of the Command Culture of the Organization Management Thinking in the New Paradigm of Social and Economic Development of the Society

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Suggested Citation:

Abstract:
In spite of many theoretical and methodological approaches and methods set forth by both domestic and Western scientists, issues of formation of an effective team are still quite challenging in terms of organizational efficiency improvement. The paper critically examines existing concepts and terms of formation of a new structure of management of an enterprise (organization), based on a hierarchical team approach. The main methods of the study of this problem are the abstract and logic, dialectic, intuitive and prophetic, deductive, based on religious and philosophical, and socio-economic, system-situational approaches, making it possible to holistically consider the processes of formation and establishment of the system of one-level team management, based on a team culture of thinking. The authors made a conclusion about the narrowness of all works on the team culture of organization management in the tideway of the Western liberal market economy, and their low efficiency in the context of Russian cultural identity and self-determination. The paper reveals the reasons of insufficient efficiency of existing hierarchical team system. Article information may be of practical value to a new generation of managers who will build a new socio-economic culture of thinking, based on a new type of economy: person-oriented one.

Keywords: team building; management; person-oriented economy; justice

JEL Classification: M10; M12; M15

Introduction
Considering and studying the works of Russian and Western academic economists and sociologists who study the issues of the concept and meaning of the team (Argyris1985; Belbin 1981), team feeling (Blake and Mouton 1969), team spirit (McGregor 1960), team structure (Maximov and Khalikov 2016; Shaytura et al. 2016), it is determinately possible to say that in their methodology they do not go out of the framework of capitalist (liberal market) understanding of development of economics and management. Despite this, in general, in terms of the structural and functional components of the team activity of each division, department and particularly organization, it is quite obvious that the goals and objectives, personnel selection, distribution of roles and monitoring are necessary and constituent elements of formation of an effective team.
Conclusion

Let us consider, through the example of microeconomy, how these preconditions will improve the operation of the team. We will be based at that on egregorial-matrix approach based on the foundation of the collective mentality, which expresses the human type of psyche, sets of personalities of which is ensured by the construction of the internal unstrained systems of social activities, operating on the basis of the free will of all of its members.

We will mention only the main components of the formation of the team culture of thinking, in the case of this type of economy:

- recruitment for the company is carried out not on the basis of competency requirements for staff, but based on the desire of the person to work in this area, provided that he has necessary education chosen according to his genetically determined abilities and his creative development potential;
- there is no strictly fixed enterprise management structure. It consists only of the teams ensuring the carrying out of the activities (manufacturing, functional, etc.); each team has a leader, elected solely by the decision of the members of the team carrying out the selection of team decision, correlating it with the moral, sensitive-intuitive and intuitive-insight mindsets, according to the measure of understanding of Divine Disposal;
- the company's team system of management does not have formal and informal structures; everything is covered by one concept of team culture of thinking;
- in the company, each member of the team has the possibility to move freely, according to his own volition and common sense, from one team to another, up to the main leader, if approved by all the team members. The person is not only allowed, but even encouraged to do this, but only if he aspires to build the earthy heaven, and according to the members of the team, makes right decisions and does his best;
- when necessary, in case of new changes in the internal and external environment of the enterprise, a new team is formed to resolve the issue or to get a new opportunity for further development. In the case of the fulfillment by the team of its task, it is either disbanded for the sake of resource saving, and its members get transferred to other teams, or it receives the other tasks and objectives;
- this formulation of the issue of forming an effective team culture of thinking completely solves the problem (it is not even touched) of motivational component, as each member of the team is initially self-motivated on the basis of his worldview understanding of meaning of life;
- any team (project) initiative on the introduction of innovations (goods and services) is accepted for consideration and upon its approval is to be implemented according to the priority of achieving the existing objectives.

In conclusion, it should be mentioned that to achieve this team effect, a large complex of state measures needs to be implemented in the social, economic and political spheres. But first of all, it is necessary to carry out targeted awareness raising and trainings in the whole chain of educational services, starting from school education, in order to implant basic philosophical concepts to form a human type of mentality based on the personal rule of conscience and the moral and ethical principle of human behavior in society.

References


The Driving Factors, Risks and Barriers of the Industry 4.0 Concept

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Abstract:
The authors of this article were dealing with the questions of which features of today's business environment may become the driving factors in the implementation of Industry 4.0, and what risks and barriers are emerging on this way. The chosen method of research was a combination of the study of specialized reference sources with a research questionnaire probe conducted mainly in the conditions of industrial enterprises in the Czech Republic. The probe has shown that the significant factors influencing the company activity and thus the form and pace of the implementation of breakthrough technologies include the shortage of workers in the required qualification structure, unstable demand from customers, increasing requirements for product individualization, and increasing competitive pressure. In the next three to five years, the companies under examination are going to prefer the implementation of partial elements of digitization and automation rather than integrated systems. The risks of this implementation according to them include especially the shortage of skilled workers who will prepare, implement and use the new technologies. The companies do not want to act too quickly with implementation, while taking into account the financial demandingness of these measures. At the end of this article, the authors ask questions for further investigation, namely to what extent the pace of the replacement of people by new technologies will be influenced by the fact that the cost of labour in the Czech Republic is relatively low.

Keywords  advanced technologies; digitization; questionnaire survey; Industry 4.0; risks

JEL Classification: L26; M15; M21; O13; O33

Introduction

The term Industry 4.0 has become a fashionable word among the professionals as well as the public. From the information and thoughts presented by the media, it may appear that we will soon live in a fully digitized world. They create an image of the technological future where the supply, production and distribution processes in a high-tech company will be controlled automatically, without any human intervention. The main motive of the implementation of Industry 4.0 elements presented nowadays is the labour force downsizing, because people are expensive and their resources are limited. In addition, everything should happen quickly and on a mass scale.

The question is what does the real situation in specific company conditions, with regards to the determination and readiness to take just the road of the new technologies based on automation and digitization, looks like? This is also definitely related to the issue of human and financial resources necessary to design and implement the concept of Industry 4.0, as well as the ability to select the right technological variants for specific business conditions in order to ensure compatibility within the complex production and control systems, etc. The economic and social impacts represent other unavoidable issues. What are the expectations of the companies in this area and what are the risks of such an implementation they are afraid of?
The aim of this article is to present some of the aspects, risk factors and barriers of the Industry 4.0 concept, as opposed to the expectations of the enterprises and the risks they are afraid of. The chosen method of research was a combination of the study of secondary sources and the questionnaire survey itself having a character of a research probe. The paper is namely focused on a description of the procedures of the executed research probe and an analysis of the acquired findings.
Conclusion

The agenda necessary for the execution of the concept of Industry 4.0 is quite comprehensive and raises a number of open questions concerning not only the business activities, but also the social area, ecology, training and education, and other parts of the life of the human society. The authors of this article have focused their attention only on a particular segment in the area of predominantly industrial enterprises in the Czech Republic. They have attempted to identify some factors or attitudes of companies and the risks of the implementation of new or advanced technologies affecting the business performance.

Despite the fact that we were working with a relatively small sample of respondents, the research probe has indicated that the shortage of workers in the required qualification structure, unstable customer demand, increased requirements for product individualization, and increasing competitive pressure may become strong risk factors and barriers to the viability of companies over a period of the next 3-5 years. On the one hand, the concept of Industry 4.0 assumes releasing the workers from the production, service and support processes, where they should be replaced by new technologies, robots and automated management systems. On the other hand, the companies are concerned that the implementation of the elements of Industry 4.0 will be facing a shortage of workers with the required qualification structure and new competencies. The risk of the lack of preparation and the necessary qualification structure of the employees has absolutely dominated among the anticipations of the respondents. It is particularly visible in the enterprises that use the "ongoing" strategy to respond to the emerging technological changes within the existing organizational structure, characterized by assigning additional tasks.

Companies feel the need to implement new technologies but do not act hastily, and they are pragmatically considering the economic efficiency of the solutions and are afraid of the financial demandingness of their execution. As far as the Industry 4.0 concept is concerned, the intentions of the respondents were not strictly defined. They depend on the conditions the companies are in, on their development phase, the field of activity, the size of the company, and the influence of the owners, etc. The companies are rather hesitating with respect to the 3-5-year horizon. They are more interested in certain elements of Industry 4.0 rather than in comprehensive concepts.

The drawbacks of the questionnaire method resulting from the fatigue of the practitioners due to the excessive number of questionnaire events and their alertness towards the possible leak of sensitive information became evident during the research probe. It has been implicitly revealed that when it comes to questioning related to a sensitive topic, people from companies with a more open atmosphere are more willing to be involved in the questioning. In companies with foreign owners, there are stricter rules and the employees in managerial positions are less willing or even afraid of providing information the owners were not officially informed about or were not directly asked to provide. This official way of directly addressing the owners is time-consuming and, as a rule, less feasible.

If we put the findings acquired from the conducted study of the secondary sources, from the research probe, and from the contacts with the selected companies in the Czech Republic together, it will be possible to deliver a hypothesis for further research stating that, due to the cheap labour force in the Czech Republic, the probability of the implementation of the elements of Industry 4.0 concept in advance is lower than the visions and wishes of the authors of Industry 4.0 appeals.

Acknowledgement

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References


Study of the Relationship between Value Orientations and Consumer Preferences of Young Consumers in Russia

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Suggested Citation:

Abstract:
In the context of growing competition, companies are becoming increasingly interested in the segment of young consumers, the dimensions of which are significant and interesting to many sectors of economy. Student audience can be considered the most active group of young consumers, influencing consumer behavior of the entire youth segment. The influence of the consumers’ system of values on their consumer preferences is an important issue for the marketing impact on the youth segment. This paper studies the influence of the system of “human values”, as the values of a higher level according to Schwartz, on consumer preferences of the young audience using p-Spirman’s rank-correlation coefficients. The purpose of this research was to study the relationship between the values of the higher level and consumer preferences of young consumers as the basis for determining the degree of expression of higher level values that affect consumer preferences. The survey was conducted online by means of a structured questionnaire, developed by modifying and supplementing Schwartz’s questionnaire. 239 respondents aged from 17 to 22 took part in the study. This study confirms the possibility of applying Schwartz’s value theory for ranking the young audience’s values of the higher level. The obtained results demonstrated the possibility of obtaining a significant motivational value, which determines consumer preferences of the young audience in the selected product categories (markers).

Keywords: marketing theory; human values; consumer value; activity reference point; value reference point; consumer preferences; young audience; Schwartz’s value theory; Rokeach’s value theory; marketing 3.0.

JEL Classification: M30; M31; D11; D12

Introduction
This study deals with the influence of young consumers’ “values” on their “consumer preferences”. The category of “value” is regarded here as “Human Values” (Schwartz 1994b), based on the theory of marketing formulated by Kotler et al. (2010). The structure of higher level values and “sub-values” (values of a lower level than the higher level values) was viewed as a complex hierarchical model of “Human Values” based on the value theories suggested by Rokeach (1973) and Schwartz (1992a). The methodology proposed in the study made it possible to avoid analyzing the whole system of “Human Values” hierarchy in determining its motivational influence on consumer preferences and thus to use only higher level values (according to Schwartz), which is considered to be “value guidelines”. The hierarchy of “sub-values” and interrelations between them was considered to be a “black box” area of consumer values. The obtained results made it possible to determine the range of reference points significant for young consumers on the ranking of the higher level values. The obtained ranks of higher level values are related to the activity reference points of young consumers when they were assessing the categories of marker products proposed by researchers.
Conclusion

Thus, when forming marketing activities and the communication policy, companies can be guided by the obtained results. In particular, when developing marketing programs aimed at young people aged 17 to 22 years old, it is necessary to rely on the dominance of such values as “hedonism” and “independence”. At the same time, the conducted study leaves open the question of how the rating of values will change as respondents move to other age groups. This opens opportunities for further studies based on wave cohort studies that will provide an answer to this question.

The limitations, adopted by the authors while forming the sample for the study (age, level of education, educational institution), aimed at solving the problem of the unity of socio-cultural meaning in describing and perceiving respondents’ higher level values are simultaneously a restriction for transferring the results to other social groups where other interpretations of values may be required. While continuing studies in this direction, it is necessary to develop research tools and sampling criteria that will help to solve this problem.

Returning to the question of the influence of utilitarian values, the study of consumer decision-making in the following connection “higher level values” and “utilitarian values” is an interesting task.

Another interesting direction for continuing the study can be an ethno-cultural analysis of the higher level values. Our study does not allow us to definitely apply the results to other countries. In particular, this is due to the influence of “socio-cultural codes” of different countries that determine the characteristics of consumer behavior. Therefore, it will be interesting to conduct similar studies in other countries.

The study suggests a method of marketing research that allows you to link the values of the higher level (according to Schwartz) to marker product categories. An original questionnaire was developed for the value-based evaluation of marker product categories, which allows you to substantiate the influence of higher level values on consumer preferences. Schwartz’s value survey (SVS), a method for identifying values, was adapted for marketing research, which makes it possible to simplify the acquisition of the most significant values to be used by companies while working with young audiences. As a result, a significant connection was established between the respondents’ chosen values, which they are guided by as life principles, and the values which determine their consumer preferences.

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Insolvency Risk and Problems with Receivables Payments in the Environment of the Slovak Small and Medium-sized Enterprises and Young Entrepreneurs

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Abstract:
European surveys declare the problems with defaulters are one of the most intensive of barriers of small and medium-sized enterprises (SMEs), including Slovakia. More than third of the companies state the insolvency risk and problems with receivables payments have strong impact on their growth and employing. The aim of this paper is to bring the statistical evidence that such factors as the age, the gender, the firm’s size and the region where the company is located have a significant impact on the problems with receivables payments, defaulters and insolvency risk. The research uses the results of two studies, that involved 762 of traditional Slovak SMEs and young entrepreneurs in years 2012 – 2016. The data were analysed by method of Pearson’s chi-square statistics, which allows confirm statistically significant dependencies between the chosen factors and the existence of the insolvency risk. The basic findings of the research team confirm statement the firm size and the gender are the factors with statistically significant impact on the problems with paying receivables. In the case of the age and the region the research team didn’t find relevant evidence.

Keywords: payment management; defaulters; insolvency; SMEs; receivables payments
JEL Classification: G11; G32; L26; M21

Introduction
However, the SMEs are an important part of the market economy (Ewoudou 2010, Frei et al. 2010, Garwe and Fatoki 2012, Merková at al. 2012, Kljucnikov and Junger 2014, Mama and Nkundabanyanga et al. 2014, Bylok 2016, Dolobac et al. 2016, Korcsmaros and Simonova 2016, Sobekova Majkova 2016, Koraus et al. 2017, Strakova et al. 2017, etc.) they face the special types of the business and financial risks because of their characteristics including insolvency risk more than large companies. The SMEs are less protected and less informed about the tools of the protection before defaulters (Paul and Boden 2011, Kubickova and Soucek 2013, Sauka and Welter 2014, El Kalak and Hudson 2016, Intrum Justitia 2016). Problems with defaulters and payment risk are not rare among Slovak SMEs and also young entrepreneurs (Jakubec et al. 2012, Sobekova Majkova et al. 2017). The aim of the paper is to bring statistical evidence that insolvency risk is an important problem needed the solution because problems with defaulters are an important factor causing the secondary insolvency of the company. The aim is to prove the factors as the age, the gender, the firm size and the region of the company have significant impact on the insolvency risk of the company and problems with receivables payments. The fact that this paper is based on two similar researches, where the first was conducted in 2012 and the second in 2016, allows the research team to show the gradual development of the insolvency risk of the SMEs in Slovakia. The first survey was carried out among young entrepreneurs and the second one was focused on the traditional Slovak SMEs.
Conclusion

The main objective of the paper was to bring scientific evidence that the factors as the age, the gender, the firm size and the region of the company have significant impact on the insolvency risk of the company and problems with receivables payments among the Slovak SMEs and young entrepreneurs. The basic findings of the research team confirm statement the firm size and the gender are the factors with statistically significant impact on the problems with paying receivables. In the case of the age and the region the research team didn’t find relevant evidence. However, the problems with insolvency are much alarming (two third of entrepreneurs have problems with defaulters), we believe that by adopting single prevent tools companies can decrease their insolvency risk.

The results of the paper indicate that insolvency risk and the problems with the payments of the receivables are significant for the SMEs in Slovakia. In order to find a solution, the researchers identified that the smaller the company is, the more intensive are the problems with the defaulters. Our data show that small companies do not devote a sufficient attention to the control of their receivables and to the evaluation of their customers before they sell them the products or services. We assume this to be the biggest problem with the most significant impact on the occurrence of these risks. SMEs should use such preventive tools as the evaluation of the financial health of the customers and the insurance of the receivables much more intensively. Many online registers evaluating the companies and their financial health, that could be good assistants for the entrepreneurs, have appeared in the recent years. The entrepreneurs may also use the offer of the educational programs in the field of finance, available with the state support, or provided by state and private educational institutions. An improve in the level of the financial literacy may substantially reduce the losses of SMEs in Slovakia and the other countries.

We consider the size of the sample and its homogeneity for the strength of the survey. The biggest weakness was the fact that many of questionnaires were fulfilled online and not in person. The plan of the research team is to carry out the research about the financial risk among the SMEs as the comparative analysis among the V4 countries.

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Analysis of Using Accrual Based Accounting System by the Theoretical Approach of Technology Acceptance Model 3

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Abstract:
The purpose of this study is to examine the use of accrual-based accounting system with the behavior of the theoretical approach of Technology Acceptance Model. The population of this study was 345 Heads of the Regional Team Work Unit (SKPD) in Java and Sumatera. The sampling method was done by using purposive sampling technique with judgment sampling criterion. This research used Structural Equation Modeling (SEM) with Amos program to test the proposed hypothesis. The results show that the external variables in the theory of Technology Acceptance Model have no effect toward the perception of acceptance of accrual based accounting system implementation. This research also proves that intrinsic motivation in Technology Acceptance Model theory influenced the perceptions of acceptance of accrual based accounting system implementation. Other results indicate that system quality (System Quality) influences the perceptions of ease of use of accrual-based accounting system. Commitment systems to use are proved to influence the perception of benefits accrual based accounting system. This study has limitations in terms of indicators because the formation of research variables is relatively small. The future research is expected to use more variables forming indicators, adding literature by integrating other theories and developing the research models.

Key words: accrual based accounting system; Technology Acceptance Model theory; system quality; commitment system to use

JEL Classification: M41, O33

Introduction
Technology Acceptance Model or TAM is a theory that was first introduced by Davis in 1989. The theory of Technology Acceptance Model describes the relationship between perceptions of acceptance of system implementation. They are considered from two sides: perceived usefulness and perceived ease of use. Both of them will affect the behavioral intention, and the actual use of the system or it is called use behavior.

The research of the factors that predict the acceptance of information technology and system implementation gets a lot of attention because many companies adopt and use information technology and system implementation using TAM concept (Mohd 2011). The phenomena concerning the perception of benefits and perceptions of ease of system operation also occur in some organizations as expressed in Ndubisi (2005), Ozag and Duguma (2007), Yin (2010), Eikebrokk (2007) and Kira et al. (2007). Overall, the study has concluded that the perception of benefits and perceptions of ease of operation of the system impact on the willingness of employees in using the new system.
In the government sector, research using TAM applications has not been done. However, research on TAM applications is widely used in industry, education, service companies in overseas. It can be seen on research resume of Chuttur (2009) as follows:

Table 1. TAM application along 2003th - 2008th

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variation of TAM application</td>
<td>Email, voicemail, fax, dial-up system, e-commerce application, groupware, word processor, spreadsheet, presentation software, database program, case tools, hospital IS, decision support system, expert support system, telemedicine technology</td>
</tr>
<tr>
<td>Country</td>
<td>USA, UK, Taiwan, Hong Kong, Switzerland, Japan, Australia, Turkey, Canada, Kuwait, Nigeria, France, Singapore, China and Finland</td>
</tr>
<tr>
<td>Research type</td>
<td>Lab study, Field Study dan Web surveys</td>
</tr>
<tr>
<td>Participant</td>
<td>Students, graduated student, private employees, physicists, banking managers, programmer analyzers, IT specialists, computer programmers, internet users, stockbrokers, and sales assistants</td>
</tr>
</tbody>
</table>

Source: Chuttur 2009

From the table above, it can be seen that so far the participants in TAM research are not included the government sector employees. The average research using basic TAM is done in private industry. In Indonesia, the research in the government sector that uses the concept of TAM is also still not much done (Setiadji, 2013). Further Setiadji (2013) revealed that research using TAM applications is largely done in the private sector and banking.

Based on the previous researches such as Ndubisi (2005), Ozag and Duguma (2007), Y Zi (2007), Elkebrokk (2007), Kira et al. (2007), Kartika (2009), Kristiyanto (2013), Hwang et al. (2003) gave different results. It shows that there is still a research gap in the use of Technology Acceptance Model theory.

The different results of these studies are due to the previous researches that were done based on the parallel hypothesis considerations with the TAM framework only. These studies only concern at individual behavioral factors in the acceptance of system implementation, regardless of the inputs available from a system implementation process (Berliance 2015). In addition, according to Maholtra (2005) generally the researches that use the concept of TAM only use the core concept of TAM without considering the core commitment that shapes the individual's desire to meet different personal goals.

So, this research will pay attention to the variables related to the implementation process of system usage. It is system quality variable or system quality consisting of response time, reliability, flexibility, and security. Thus, the core commitment that shapes the individual desire is proposed by commitment to system use variable. Commitment to system use is a development of social influence factors developed by Maholtra and Galletta (1999).

Specifically this research is motivated by the following factors: First, since the enactment of the Government Regulation (PP) of the Republic of Indonesia No. 71 of 2010 concerning Government Accounting Standard (SAP) regarding the implementation of new authority structure model and the design of new accounting system throughout Indonesia, The Regulation of the Minister of Domestic Affairs No. 64 of 2013 on the implementation of accrual based accounting standards in local governments, the Indonesian government has taken several steps to improve the performance of public sector. Secondly, there are still a few researches about the implementation of new accounting systems in non-profit organizations. Thirdly, there are still few researches using TAM 3 about the implementation of the new system.
Conclusion

Theoretical implications

This study has broad implications in the future, especially for research relating to the relationship of behavioral factors in the implementation of a new system. Based on the findings of research results and the conclusions on the hypotheses and research problems, it can be explained that applying a system must pay attention to the socialization of cost and benefits to employees if they use the new system. In addition, the new system should also be designed in a friendly way to be easily applied by employees, so that the application of the system should only be considered on the ease of factual rather than perception, because the perception of difficult or easy system can be overcome by training and socializing new system.

The results of this study support that intrinsic motivation in TAM theory is an important component that must be considered in the implementation phase of the new system. It can be seen that there is a positive and significant correlation between intrinsic motivation variable to perception of benefit and system usage. This study is also expected to provide an overview to the government agencies that the success of the system implementation is not only determined by technical factors and funds, but the behavioral factors of the users also need to be considered.

The results of this study also indicate that the external variables in the TAM theory have no significant effect on the perception of the use and the benefit of the system.

Research limitation

This study has several limitations to consider in evaluating the research results. They are as follows:

- The measurement instrument of research variables is used by translating the previous research instruments conducted abroad and in the private sector, so there may be differences in cultural background, and the characteristics of respondents that lead to differences in understanding. It is also possible that the respondent misinterpreted the true intention so that future research needs more in-depth study.
- This research uses data in the form of respondent answers to the questions posed in the research questionnaire. Collecting data using mail surveys can implicate meticulous answers or they may not be serious in answering to the question of the questionnaire.
- Some indicators forming research variables are elaborated in few questions only, and it affects the accuracy of indicators in forming of variables that result in the degree of perception index to respondents. Therefore, it may not deal with the expected goal from this study.
- This research is only done at one time (cross sectional) so that there is possibility of individual behavior change by over the time.

References


Analysis of Kazakhstan’s Transport Infrastructure in the Context of the Silk Road Economic Belt Development

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Abstract:
This study examines the political and economic realities of the international transportation corridor “The New Silk Road”, analyzes trends in the development of transport infrastructure and transportation from China to the EU in terms of types of transport using the financial indicators of the projects being implemented. Temporal and spatial aspects for transport operations in the economic corridors are considered. Based on the SWOT analysis, the main obstacles and advantages of developing the transit potential of Kazakhstan in comparison with other transit routes are identified, taking into account transport potential, geographical, demographic and economic characteristics. The transport potential is assessed with regard to the socio-economic and natural conditions of Central Asia.

Keywords: SWOT analysis; transport infrastructure; Silk Road Economic Belt; transit hub

JEL Classification: F15; F5; L9; P52; R10; R41

Introduction
The Government of Kazakhstan pays special attention to the development of transit potential within the framework of international transportation corridors, which is reflected in the “Nurly Zhol” State Program for Infrastructure Development for 2015-2019. The program is aimed at increasing the volume of freight turnover (by 1.6 times) and the volumes of in-transit freight transportation (by 2 times) by 2020. In general, the state program provides for the implementation of 15 infrastructure projects in the transport sector (CFM, 2014).

“Nurly Zhol” State Program for Infrastructure Development is intended for the period of 2015-2019 and stipulates the development of transport, housing and industrial infrastructure. The budget of the program is about USD 24 billion, of which 9 billion dollars were financed in the form of loans from the World Bank, the European Bank for Reconstruction and Development, the Asian Development Bank, and the Islamic Development Bank (CFM, 2014).

Transportation corridor across Kazakhstan has a potential for further development due to the fact that Western regions of China are developing within the framework of the "Go West" program. This program encourages the increase in the volume of trade and transport operations. Thus, in 2015, the Chinese share in Kazakhstan’s trade turnover amounted to 17.5% (USD 23.98 bln), reaching the level of the Russian Federation that is 17.4% of the total foreign trade turnover of Kazakhstan (USD 23.85 bln) (RK CS, 2017).
Conclusion

The present study identifies a list of political, economic, social, and technological factors that characterize the internal and external environment of the strategy for the development of transport corridors in Kazakhstan.

Applying SWOT analysis for the main factors of transit hub assessment, such as: cost, quantity and time of cargo transportation, the share of services produced in this segment of the market, the transport network density per 1000 sq. km, density of cargo mass in the region, etc., results were obtained that are important in practical terms and are used for scientific provision of rational and efficient management of large transit transport projects.

Thus, the authors revealed that:

- It should be recommended to coordinate the construction of transport corridors in Central Asia with the geographic location of natural resource deposits. This could lead to an increase in demand for transportation on transport routes.
- Deliveries of cargoes from Europe to China and back through Kazakhstan have a number of advantages in comparison with other transit ways. When carrying out the communication between Europe and China through Kazakhstan, the haulage distance is reduced by half compared to the sea route and by one thousand kilometers compared to the transit through the territory of Russia. This circumstance makes it possible to forecast the growth of cargo traffic in the direction of China – Europe through Kazakhstan.
- Cross-border commodity flows of long-term effect (gas and oil pipelines, transport hubs, power networks, and communication systems) will lead to a general increase in the welfare of peoples living along the highway. This is the way to a geo-economic partnership in the world trade, to an increase in the use of production capacities through the provision of sustainable sales of products in foreign markets. The eastern part of the route attracts the Asia-Pacific economic circles, and the Western part is connected with the European economic circles.
- Joint projects are successfully implemented in the transport and communication sphere in Kazakhstan’s section of the Western Europe - Western China highway. Together with “Kazakhstan temir zholy” National Company a railway construction project will be implemented that will allow Kazakhstan to reach the Pacific coast. Kazakhstan acts as a country for natural gas transit from Central Asia to China via the gas transportation network.

The authors conducted a comparative analysis of temporal and spatial aspects and assessed the transport potential of the economic corridor. The analysis and model assessment confirmed the main hypothesis of studying the impact of socio-economic and natural indicators on the development of the transport potential of economic corridors. Cargo transportation costs are a significant category in the choice of transportation routes. Geographic, socio-economic, demographic characteristics of the countries of Central Asia were also indirectly expressed in the level of the transport infrastructure development.

Thus, it can be concluded that Kazakhstan has a potential for developing transit transport infrastructure. This is evidenced by the availability of transport potential, favorable geographical location, high level of development of economic sectors and favorable socio-political situation in the country.

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Community-Based Acceleration Model of Entrepreneurship Growth and Development on Telematics Creative Industries in Malang Raya Indonesia

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Abstract:
The current economic era has shifted from the information economy to the creative economy. The creative industry is one of the important contributors to the economies of countries in the world. The purpose of this research is to develop community-based acceleration model of entrepreneurship growth and development on Telematics Creative Industry (TCI) in Malang Raya. This is an exploratory research. The subjects of the research are communities and actors on telematics, local government organizations, business/industry, and academics. Data collection techniques used interview, Focus Group Discussion, Direct Observation and Documentation. Research data was analyzed by using qualitative descriptive analysis, SWOT analysis, and Analytical Hierarchy Process (AHP). The research concludes that the model that can be developed to increase the role of creative industry is Quadruple Helix model with optimization of each party's role to achieve synergy. Coordination is important for each region and among stakeholders. To improve the development of entrepreneurship in the field of Telematics Creative Industry in Malang Raya needs real actions from various parties, especially in the form of training, mentoring, facilitation and assistance.

Keywords: acceleration model; entrepreneurship; creative industries of telematics; Indonesia

JEL Classification: L26; F63; M13

Introduction
The creative industry is one of the important contributors to the economies of countries in the world. This evidence began from England in 1997 in which the development of its creative industry has driven a significant contribution from the industry to the state economy beyond the contribution of other conventional industries. Britain’s success in developing its creative industry has been a driving force for similar efforts in other countries such as New Zealand, Norway, Sweden, Singapore, etc.

In Indonesia, the creative industry becomes a new economic power with its significant contribution to Gross Domestic Product (GDP). By 2015, the contribution of the creative industry to GDP is about 7.5% and is predicted to increase to 8% by 2016 (Wicaksno 2015). The creative economy is also proven to contribute to the employment of 10.65% of the total national workforce (Ariyanti 2015).

Government of East Java in order to develop the growth of new entrepreneurs engaged in the creative industry to formulate the Grand Strategy which since 2010 have been directed every development programs towards the realization of the East Java region as: “the leading center of the development of creative industries electronics and telematics, competitive, and sustainable towards an increasingly prosperous East Java”. The growth potential of the electronics and telecommunications industries in East Java is also very high and is expected to continue to grow over the long term. The community's need for the telematics industry and its derivatives is increasing in line with the development of investment, technology and management. All these things are needed as a primary need, not just a mere lifestyle. This is also supported by the growing population of East Java, thus
forming a potential market for electronics and telematics products. East Java is also one of the provinces that occupy the top three national GDP (Strategic Plan of Ministry of Tourism and Creative Economy, 2012). The high PDRB is related to the purchasing power of creative industry products.

Nevertheless, the development of creative industries in East Java as in Indonesia generally faces various obstacles: (1) The development of creative industries that have not been optimum due to industry attractiveness factor, the dominant position of creative business, creative industry business model, and business risk to be faced; (2) The development of creative content, creation and technology has not been optimum due to inadequate internet infrastructure, performance building infrastructure has not met the standards, expensive production machines, expensive software product and creative services, lack of content research, lack of content archiving activity; (3) Lack of market expansion and penetration for creative products and services at home and abroad due to lack of appreciation of local creativity, lack of national distribution channels connectivity, overseas market concentration, high promotion costs, lack of online payment system, low monitoring royalties, licenses, copyrights; (4) Weak creative industry institutions due to factors; (5) lack of access to financing of players in the creative economy sector; (6) The development of creative economic resources is not optimal because of the low utilization of natural resources and the low utilization of human resources (2012-2014 Strategic Plan of Ministry of Tourism and Creative Economy, 2012).

Malang is one of the important cities for the development of creative industries both in East Java and national level. The development of creative industries in Malang is also growing very rapidly. In 2016, Malang became the center of the 2016 Indonesia Creative Cities Conference (ICCC) event which became the gathering place for creative economic entrepreneurs from all regions in Indonesia.

It is important to make efforts to develop the creative industries so that the goals set can be fulfilled. This research is intended to fill the gap by focusing on the preparation of acceleration model to cultivate and develop entrepreneurship in the creative industries of telematics in Malang Raya (Malang City, Malang Regency, and Batu City). The purpose of this study is to develop a community-based acceleration model of entrepreneurship growth and development in the Creative Industry of Telematics in Malang Raya.
Conclusion

The research has resulted in the following conclusions: (1) Malang Raya has great potential for the development of Telematics Creative Industry due to government, private, intellectual and community support, broad market, the number of educated and skilled human resources, affordability of telematics equipment, business incubators; (2) Obstacles to the community-based growth and development of telematics creative industries in Malang Raya is the spread of uneven distribution of TCI, content has not become the main product of TCI in Batu and Malang Regency, capital difficulties, qualified telematics human resources migration from Batu and Malang Regency to Malang City, government support is not strong enough in Batu and Malang Regency, taxation regulation is considered not favored micro and small scale creative effort in telematics field, public awareness of TCI is still low, TCI contribution to regional development yet accurately measured; (3) A model that can be developed to enhance the role of the creative industry is the Quadruple Helix model by optimizing the roles of each party in synergy.

Based on these conclusions, the researchers recommend to the local government of Batu and Malang Regency to give more attention to Telematics Creative Industry in its territory so as not to be left behind by Malang City. Coordination is important for each region and among stakeholders to generate synergy. To improve the development of entrepreneurship in the field of Creative Telematics Industry in Malang Raya need concrete actions from various parties especially in the form of training, facilitation, facilitation and assistance.

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Trade-Volatility Relationship in the light of Nigeria and the Euro Area

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Abstract:
In this study, the impact of exchange rate volatility on Nigerian exports to Eurozone countries is investigated. Monthly export data from January 1999 to December 2016 was used. This study utilizes the bounds test approach to cointegration to analyze how exchange rate volatility exerts influence on Nigeria’s export to the Euro Area. GARCH (1,1) is employed to measure the volatility of the Naira/dollar exchange rate.

In the considered model, Nigeria’s export to the Euro Area is taken as the dependent variable, whilst the independent variables include income of the Euro Area, price and the volatility measure. Given that the variables are a combination of I(1) upper bound and I(0), (lower bound the bounds test is used to test for cointegration. After confirming the existence of cointegration, the short-run and long-run coefficients are estimated. The short-run result shows that price and volatility have negative and positive lagged effects on Nigeria’s export, respectively. In the long run, coefficients of price and volatility are significantly positive. The income of the Euro Area has no significant impact on Nigeria’s exports in both the short and long run. The study recommends that Government subsidies and a floating exchange rate system are implemented.

Key words: volatility; export; GARCH; bounds test; exchange rate

JEL Classification: F31; F10

Introduction
The shift from a fixed exchange rate system to a floating exchange rate was one of the beneficial policies adopted in the Bretton Woods system in 1973. However, this shift had a price, which was the uncertainty in the exchange rate movements. The uncertainty in turn exerted an effect on international trade.

Adoption of a floating exchange rate had no direct effect on volatility; whether the exchange rate is fixed or floating, volatility still exists in global trade. An IMF study in particular revealed the considerable impact of volatility on world trade. This research was produced for World Trade Organisation (WTO, formerly GATT) on the effects of exchange rate volatility in global trade and contributed to the understanding of the effects of floating and fixed exchange rates on world trade. According to the findings of this study, there were less effects and there is no unambiguous relationship between exchange rate and volatility (Raghuram Rajan 2004).

Researchers use various measures of volatility as a construct for this uncertainty. The results of various studies on the subject of the trade-uncertainty link or the trade-volatility link are mixed. Some authors have established a negative relationship, while others have been positive. In addition to this, some studies found no
linkage at all. Hence, this study joins other similar studies in a quest to determine the link between trade and exchange rate volatility.

This is the first study of its kind to employ a blend of GARCH and ARDL methods to investigate the relationship between exchange rate volatility and Nigeria’s exports to the Euro Area. The choice to examine the impact of exchange rate volatility on Nigeria’s exports to the Euro Area is governed by the fact that Europe is Nigeria’s second largest trade partner.

A limited number of scholars have established theories and models explaining the relationship between exchange rate volatility and trade. The scholars are of the consensus that there is a negative link between exchange rate volatility and international trade (Bloom 2009, Doğanlar 2002, Arize 1997). The empirical literature suggests that this theoretical argument might not always be true (see Kroner and Lastrapes (1993) and Baum and Çağlayan (2010)). In light of this contradictory empirical and theoretical evidence, the main objective of this research is to examine the impact of exchange rate volatility on Nigeria’s exports to the Euro Area.
Conclusion

This study used the estimated data and the bounds test approach to cointegration for analyzing the effects of exchange rate volatility on Nigeria’s exports to the Eurozone, where GARCH (1,1) was employed for measuring the volatility of Naira/dollar exchange rate towards to the Eurozone trade, and the following findings have been concluded. In the unit root tests, ADF and PP, all considered variables are I (1), except for volatility which is I (0). The short-run result shows that price and volatility affect Nigeria’s exports positively and negatively, respectively, when a one-month lag is considered. Their coefficients are consistent with their respective economic postulates. On the other hand, the long-run coefficients of price and volatility are significantly positive. The former is consistent with economic theory, while the latter is not. There are two reasons for the contradiction; one is risk attitude supported by De Grauwe (1988) and the other is the hedging possibility. The income of the Euro Area does not affect Nigeria’s exports in both the short run and long run.

Since price affects Nigeria’s export positively, both in the short run and long run, the government has to ensure that the prices of its export commodities are competitive. In addition to this, the government has to embark on trade policies that will ensure the immediate response of exports to any increase in price, rather than taking a month to respond. This could be achieved by providing subsidies on export. Due to the fact that volatility affects Nigeria’s exports positively in the long run, a floating exchange rate regime will be a more effective alternative than a fixed exchange rate regime.

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Investments of Innovative Type as the Most Important Condition for the Neoindustrial Development of the Russian Economy

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Abstract:  
The article substantiates a new approach to the study of the essence of investments, according to which they are supposed to be considered as one of the key categories of the economic paradigm core (industrial, postindustrial, neoindustrial), reflecting not only qualitatively new conditions of social reproduction, but also the role of a person in the modern world. Active development of the human component of intellectual capital and the formation of innovative technical and technological resources are considered as the main priorities of innovative investments. A complex criterion reflecting the state of investment in the innovative type can be the norm of gross accumulation, which, with respect to the Russian economy, in the conditions of a capital-intensive and innovative nature of investments, should not be lower than 28-30% of GDP. The purpose of the article is to disclose the content of innovation type investments aimed at continuous scientific and technical modernization and large-scale labor saving in order to meet the modern material, social and environmental needs of society, in the conditions of the formation of the neoindustrial economic paradigm. The methodological basis for the study was formed on the principles of an integrative approach and rational (limiting) criteria for economic security. On their basis, the conclusion is drawn that the main constraint of innovative type investments in the Russian economy is the imbalance between the accumulated human potential, on the one hand, and the state of technical and technological resources and innovative systems (national and regional), on the other hand. Proposals on intensification of investment activity and transformation of investment policy in the Russian Federation were developed.

Keywords: neoindustrial economic paradigm; innovative type; intellectual capital; deindustrialization; investment policy

JEL Classification: E22; O15; O38; O43; O47

Introduction  
The global financial and economic crisis of 2008-2009 emphasized the attention of scientists and practitioners on the search for mechanisms for overcoming it in relation to the changed conditions of economic life. It also forced to recall the concept of the paradigm shift which actively discussed earlier in scientific communities, advanced in the 1960s by American historian and philosopher Kuhn (2014). It should be noted that the paradigm that prevails today in the world economic science (liberal, market) was formed in the XVIII–XX under the influence of the classics of economic science. However, it ceases to correspond to the needs of the economic and social progress of society. In this regard, it is appropriate to recall the statement of Porter, who in 1990 in his book "International Competition: Competitive Advantages of Countries" wrote: "... the world is becoming increasingly convinced that the prevailing paradigm of economic success ... does not meet modern requirements" (Porter 2016).

In conditions when the scientists of all countries have an urgent task of developing adequate to the challenges of the XXI economic paradigm, in our opinion, the neoindustrial concept of modern development, formed
by Russian economic school in 2007-2014, evokes undoubted scientific interest. Its founder is Professor S.S. Gubanov, who laid out his fundamental program of new industrialization in the monograph "State Breakthrough. Neoindustrialization of Russia and vertical integration" (2012) and series of articles (Gubanov 2011).
Conclusion

At present, the macroeconomic and institutional conditions formed in Russia under the influence of the export-raw model of the national economy do not make a proper contribution to increasing investment activity and intensification of investment activities of economic entities, which ultimately restrains the reindustrialization of the productive forces and fixes the technological and economic backwardness of the Russian Federation from developed countries.

In this situation, it is obvious that there is a need to change the economic paradigm, to implement the accelerated modernization of the economy on the basis of innovative type investments, with a view to the subsequent transition of the Russian Federation to neoindustrial development. The driving force of such development is called upon to be the most educated part of society, which is the bearer of key competencies and world-view attitudes. In this connection, the importance of the relevant transformations in the system of education and retraining of personnel is growing.

Acknowledgments

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Effect of Marketing Strategy and Experiential Value on Behavior Intention of Community in Dealing with ASEAN Economic Society

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Abstract  
The purpose of this research is to know and analyze the influence of product, price, place, promotion, service excellence, servicescape, and playfullness toward behavioral intention of society in face of ASEAN Economic Community competition. The population in this study is the community of UMKM product users with the number of samples of 100 respondents selected by using Purposive Sampling technique. Primary data collection using questionnaires and secondary data collection using literature study. Hypothesis testing in this study using multiple linear regression analysis with significance value \( a = 5\% \) (0.05). The results show that product, price, place, promotion, service excellence, service escape, and playfullness have positive and significant influence toward behavioral intention of society in facing ASEAN Economic Community. The value of Adjusted R Square obtained by testing the Coefficient of Determinant \( (R^2) \) is 0.559 means that 55.9% of the behavioral intention of the community in facing the ASEAN economic community competition as dependent variable can be explained by the independent variables i.e, product, price, place, promotion, service excellence servicescape, and playfullness while the remaining 44.1% can be explained by other variables not examined in this study.

Keywords: product; price; place; promotion; service excellence; servicescape; playfullness; behavioral intention  
JEL Classification: M0; M30; P33; R58; D78

Introduction  
Entering the era of ASEAN Economic Community (AEC), it encourages people to create businesses that will support their income besides working. The ASEAN Economic Community (AEC) is a manifestation of the ASEAN 2020 vision which affirms that ASEAN will create a stable, prosperous, and highly competitive ASEAN Economic Zone characterized by freer flow of capital, equitable economic development and reduced poverty and socio-economic disparities, accelerating the trade liberalization in the field of services, and increasing the movement of professionals and other services freely in the region.

The Indonesian government’s efforts in reducing poverty and socio-economic disparities is by focusing on boosting the creative economic growth through Micro, Small, and Medium Enterprises (MSMEs) that have international competitive quality standards (Muda et al. 2016). The Indonesian government encourages the...
productivity of Indonesian people to innovate their business development to meet the needs and demands of the market (Sirojuzilam et al. 2016; Tarmizi et al. 2016, 2017). MSMEs should understand the needs of the target market and create value for customers by setting marketing strategies aimed at understanding customer satisfaction better than competitors. The percentage pattern of the people in spending their income for consumption and investment. Table 1 explains that at average consumers spend most of their income to buy commodity in food and beverage category, which is equal to 13.37%. Meanwhile, from other sector, Indonesian people mostly spend their income in the form of investment and consumption in housing sector and household facilities, which is amounted to 20.75%. The consumption of various kinds of goods and services is amounted to 12.35%. It indicates that the food and beverage sector is one of the highest sectors and the most demanded by Indonesian consumers.

Changes in lifestyle, habits, tastes and the way to enjoy and consume food in urban communities make culinary entrepreneurs become more creative in pouring new ideas to create food and drinks which are more creative, modern and preferred by consumers. Location, price, taste of food, and quality of service are no longer be the main reason of the consumers in choosing the type of food they want to consume. It is seen from the proliferation of businesses that offer ready food and beverages, whether they are typical food or beverage of certain areas in the form of ice cream, cakes and chips, hangout place, cafe, or restaurant that offers fast food.

Globalization removes the barriers of trading, creating a wide space for the business world. Technological developments make people familiar with the various types of food that exist all over the world, whether it is a new type of food product or the development of existing food product which is created more attractive in accordance with the wishes of modern people that is not limited through social media. According to Chris Brogan (2010), in his book entitled Social Media 101 Tactic and Tips to Develop Your Business Online, social media is defined as a new set of communication and collaboration tools that allow many kinds of communication with various interactions that previously were not available to ordinary people. Meanwhile, according to Dailey (2009) social media is an online content created using publishing technologies that are highly accessible and scalable. The most important thing from technology is the shifting way of people know, read, and share news and search for information or content (Muda et al. 2017, Sadalia et al. 2017). Recently, there is a lot of social media content to connect one person or more with other people who exist in various places around the world. The popular social media nowadays are Instagram, Facebook, Twitter, Path and so forth.

Social Media connects all types of people and all types of businesses to inform various things in the world. In addition to seeking information and communication, social media is also used as a promotion media by businessman/ businesswoman to provide information about the products for consumers (Sadalia et al. 2017). Promotion means the activities to convey the benefit of the products and persuade the customers to buy it (Kotler and Armstrong 2008). Promotion in the current digital era should not just be done in a traditional way namely Word of Mouth anymore. Through social media, the promotion tends to be more significantly known by consumers. Just like the power of mouth to mouth, social media has a similar way of working, such as Instagram uses the sign # or commonly called hashtag which refers to the activity being done, place, or something that is used or that will be shown by the Instagram user. It is an activity or something new and is being hotly discussed/trending topic to be shared or disseminated. This is the opportunity that marketers need to catch in order to start a new business or to expand their business. The marketing strategy that is done through promotion in social media has a big influence on today’s society behavior of modern economics. The marketing strategy is the marketing logic where the business is expected to create value customers and achieve a profitable relationship (Kotler and Armstrong 2008). Furthermore, the business unit can design an integrated marketing mix consisting of several factors under its control namely product, price, place, and promotion.

According to Kotler and Armstrong (2008) the marketing mix itself is a collection of tactical controlled marketing tools that is combined by the company to produce the desired response in the target market. These various possibilities can be categorized into four groups of variables called 4P. They are Product, Price, Place, and Promotion. Such a marketing strategy can be utilized by businessman/businesswomen, especially for Micro, Small, and Medium Enterprises or commonly referred to as MSMEs. Recently, the development of MSMEs becomes the main focus of creative economic growth that is being optimized by the Indonesian government. The rate of growth and development of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia in 2012-2013 keeps increasing.
Conclusion

The results show that product, price, place, promotion, service excellence, service escape, and playfullness have positive and significant effect on behavioral intention of the society in facing ASEAN Economic Community. The value of Adjusted R Square obtained through Coefficient of Determination ($R^2$) test of 0.559 means that 55.9% of the society’s behavioral intention in facing ASEAN economic community competition as dependent variable can be explained by the independent variables namely product, price, place, promotion, service excellence, servicescape, and playfullness while the remaining 44.1% can be explained by other variables not examined in this research:

- for the Government and the public, it is expected to provide information on the marketing strategies and experiential value of MSMEs as input to formulate strategic policy in facing ASEAN Economic Community;
- as a reference material for further research, it is suggested to enrich the knowledge of marketing strategy and experiential value of MSMEs as an input to formulate strategic policy in facing ASEAN Economic Community;
- for the researcher, this research provides insight and deep understanding about the influence of marketing strategy and experiential value of MSMEs as an input to formulate strategic policy in facing the ASEAN Economic Community.

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On Equilibrium of the Financial Flows within the System of Compulsory Pension Insurance in the Russian Federation

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Abstract:
The widening imbalances in the financial flows of the Russian State Pension Fund was caused by such factors as: narrowing of the base for compulsory insurance premium collection due to the economic problems, dynamically changing the structure of the labor market, rising labor migration within the country and overseas, the steady aging of the population.

This article reviews the suggestions on elaborating the policy of compulsory pension insurance rates in the Russian Federation aimed at enhancing the equilibrium of financial flows within the system and providing exercise of pension rights without attracting the lacking funds from the federal budget. Authors suggested that the problem of financial stability of pension system in the short run has to be solved only by changing the pension insurance tariff policy, i.e., due to the growth in pension system's revenues. We believe that the current government proposals, aimed at settlement of the mandatory pension insurance system’s expenditure (i.e. by decreasing the size of pensions and their indexation) lead to falling of pension insurance coverage.

Keywords: public pensions; financial sustainability; compulsory pension insurance system; state pension fund; reform

JEL Classification: H55; H69; J26; J38

Introduction

Recently, national pension systems of a number of countries have faced with common challenges, which can have described as dilemma: “how to ensure financial sustainability of the pension system together with the adequacy of pensions?” The search for ways for overcoming these challenges have already leaded many countries to various pension reforms. During the last 5 years, efforts were mostly driven by the widespread need for fiscal consolidation, and a majority of countries indeed implemented reforms to improve the financial sustainability of their pension systems. Some countries have done so while maintaining or improving retirement income adequacy, at least for some population groups.

The system of compulsory pension insurance is unique and cannot be replaced by analogues. Despite its inertness—the system is related to demographic processes that cannot be fast-paced by their nature – it might be sensitive to changes in social and economic conditions: for instance, in crises basic pensions (as a rule, funded by the government budget) take on a greater importance while during the period of economic growth and improvement in people’s welfare their significance decreases.

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Conclusion

The transition to the new tariff policy starting from 2020 will secure the long-term financial sustainability of the pension system, decrease its dependence on the federal budget, increase the transparency of the formation of the budget and its expenditure items and it will also allow providing clear long-term conditions for creating pension rights of the insured parties and running a business activity.

Reconsideration of the tariff policy will not influence the future pension rights of the insured persons directly. This is due to the points system of compulsory pension insurance that is in effect in Russia where only wages and pension insurance record have impact.

It is necessary to stop considering the pension system as an institute of fiscal load on the budget system and employers and to transform all decisions regarding its modernization from the perspective of encouraging investment in human capital, alleviation of poverty of the future pensioners and increasing their purchasing power. Due consideration for these criteria in the pension plan will employ its resources for stimulating the economic growth in Russia.

In this regard the authors point out the possibility of saving the compulsory funded pension even if with the minimum 1-2% rate of contributions from the payroll budget. In the future in case the real earnings of population recover up to the level of 2013 the introduction of the voluntary pension saving system is possible both in the framework of corporate pension plans and personal decisions made by individuals. This measure will allow attracting additional resources to the financial market in order to fund the long-term investments which under conditions of relative stabilization of the ruble exchange rate will secure a higher level of their profitability and higher returns on investment of pension capital as a result. According to the evaluation of the National rating agency, as a result of extension of the moratorium on pensions in 2017 the Russian financial market loses capital in the amount of 700-800 billion with capital multiplier effect taken into account. Considering the average rate of gross capital accumulation in Russia being 21.3% the fixed capital formation losses only for 2017 will amount to RUB 150-160 billion. Due to that the use of pension savings in the federal budget for further funding of the transfers to the Pension Fund of the Russian Federation without restructuring the pension system encourages consuming the future potential of human capital and is therefore unacceptable.

Along with that the OECD points out that the low interest rates decrease the capacity of pension funds and life insurance companies to deliver on their promises regarding the pensioners and pension savers in the defined benefit pension plans.

Taking into account the social focus of the pension savings as well as a rather limited range of income sources of the senior citizens and on the basis of a modest list of facilities for investment of the pension savings and significant limitations in respect of building of investment portfolios, the authors believe that the matter of including or excluding the compulsory funded element from the pension system should be considered only in the framework of a certain country, as the generalized international recommendations are unproductive in this case. In addition, if a decision is taken in favor of the compulsory funded level, it will be more advisable to develop it alongside the distributive level, not instead of it.

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Latin American Integration Effects on Trade Relationships: Survival, Growth and Initial Volume

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Abstract:
In this paper, we analyze the effects of economic integration agreements on trade survival, initial volumes of trade, and export growth. We focus on annual trade data at the 5-digit SITC level for Latin America exports to over 150 countries from 1962 to 2009 and examine whether these effects differ depending on the required depth of the agreement. We also test whether the quality of trade agreements has an impact on the survival of trade relationships. Results indicate that the effects of trade agreements in Latin America differ from those found in previous studies; that those effects are also different depending on the trade agreements depth, and that higher quality agreements lead to higher increases in the survival rate of trade relationships.

Keywords: economic integration agreements; Latin America; trade survival; random effects probit

JEL Classification: F14; F15

Introduction
In a previous work (Besedes et al. 2015), from now on referred to as BMN, have studied the effects of trade agreements on the survival of trade relationships. Their results, however, must not necessarily be homogeneous across regions as aggregation may hide different trade reactions to economic integration agreements.

For example, (Florensa et al. 2014 and Florensa et al. 2015) have found that in Latin America, EIA’s effect on the intensive and extensive margins of trade, and the effect of institutional variables and the quality of trade agreements differ markedly from those found for the whole world. Whereas (Florensa et al. 2011) on the survival of trade relationships in Argentina’s provinces-obtain results that are in line with the ones found for developed countries.

In the present paper we focus on Latin America with the objective of testing whether the effects of Economic Integration Agreements (EIAs) on trade survival are similar to those described for the whole world. To this aim, we have applied BMN’s methodology.

Our main contributions are the expansion of BMN’s work by examining whether these effects differ according to the kind of integration agreement and by analyzing trade duration, growth and initial value sensitivity to trade agreement quality.

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Conclusions

In this paper we have applied (Besedes et al. 2011) methodology to test the effects of Latin America Economic Integration Agreements (EIAs) on trade survival, initial volumes of trade relationships and export growth. We have found that their results do not necessarily hold when examining the Latin American experience, as several of their dummy variables reverse their signs. We have also found that the effects on trade depend heavily on the depth of the agreements considered for this region. These results should warn us against conducting worldwide analyses, as regional differences may be lost when aggregating, especially in regions with fewer spells. Our empirical analysis allows us to conclude that:

- economic Integration Agreements have a positive effect on the survival rate of trade; however, this effect is lower for deeper trade agreements. Therefore, countries which have signed an EIA face a lower risk than those that have not.
- for spells started before the agreement signing and continued afterwards, the effect depends on the depth of the agreement: only agreements that are FTAs or deeper have a significant positive effect.
- spells started after an EIA has been signed face a low risk of trade ceasing, however the magnitude of this significant effect depends on the depth of the integration agreement.
- the hazard rate decreases as time elapses since the signing of an EIA both for those spells which were already ongoing at the time of the signing and for those that started afterwards.
- regarding the effect of trade agreements quality, higher quality agreements lead to higher increases on the survival rate of trade relationships.
- when trade growth is taken as a dependent variable, the estimated coefficients suggest that countries that signed trade agreements are those whose trade has already had a high growth rate. The signing of an EIA has a positive effect on growth, though this effect decreases overtime.
- finally, the evaluation of the effect on the initial volume of trade shows that countries that have signed an integration agreement have lower initial volumes of trade. However, for spells that started before the agreement and continued afterwards, the effect depends on the depth of integration: for shallower ones the effect is positive whereas for deeper EIAs it is negative.

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References


