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CONTENTS

IULIANA MADALINA LICA	<i>DRIVING CIRCULARITY AT A METROPOLITAN LEVEL: LONDON'S AMBITIONS OF BECOMING A CIRCULAR CITY</i>	7
ABRAHAM BABU	<i>FOREIGN DIRECT INVESTMENT- ECONOMIC GROWTH NEXUS: EVIDENCE FROM INDIA</i>	13
MIHAI CHIȘU	<i>RISK AVERSION AND FINANCIAL EFFECTS INTO THE ASSET MANAGEMENT INDUSTRY</i>	25
JIHÈNE SBAOUELGI	<i>THE IMPACT OF CORRUPTION ON ECONOMIC GROWTH IN MENA REGION</i>	40
IULIANA MADALINA LICA	<i>CITIES OF THE FUTURE: CIRCULAR PARIS. VISIONS, STRATEGIES AND PARADIGMS</i>	55
CRISTINA NICULESCU-CIOCAN	<i>"SOCIAL" AND "CULTURAL": A CASE OF SYNONYMY OR HYPONYMY IN THE FIELD OF TOURISM?</i>	63

ALINA-GABRIELA NEACSU PATRICIA DODU	<i>THE DEVELOPMENT OF ECOTOURISM IN PROTECTED AREAS</i>	74
GHEORGHE CAMELIA MARINESCU IOANA- VALENTINA-ALEXANDRA NEACȘU LARISA - ANDREEA	<i>ORGANIZATIONAL CULTURE: A CASE STUDY OF THE IMPACT OF ETHICAL ORGANIZATIONAL CULTURE ON THE EFFICIENCY OF ACCOR HOTELS</i>	86
ALEXANDRA MĂRGINEAN	<i>SYNTHESIZING VIEWS ON TOURISM AND CULTURAL PROFILES – JOJO MOYES' THE SHIP OF BRIDES</i>	97
IOANA GABRIELA GRIGORESCU	<i>THE CREDIT OUTLOOK FROM THE BCR AND BT PERSPECTIVE BETWEEN 2010-2017</i>	109

DRIVING CIRCULARITY AT A METROPOLITAN LEVEL: LONDON'S AMBITIONS OF BECOMING A CIRCULAR CITY

Iuliana Madalina Lica*

Abstract

In the last years, new economies have emerged in Europe as an attempt to solve societal and environmental challenges that the Old Continent faces. One example is the circular economy whose large spectrum of solutions attracts both public and private sectors. This new economic model is followed in many European countries, their cities having already integrated circularity in their municipal agendas. Public institutions, SMEs, large businesses, organizations, academia and research centres are involved in the process of transition to a circular economy. The United Kingdom has shown its interest in these plans, supporting several projects in the field accross the country. This paper deals with London's strategies to attain the objective of becoming a circular city. The measures planned by the municipality and their impact on London's economy are explored.

Keywords: circular economy, circular city, transition, recycle, reuse

JEL Classification: Q20, Q28, Q55

Introduction

In December 2018, the United Kingdom's Government published a report on new strategies for resources and waste management. This plan mainly focuses on circular economy initiatives in England and sets ambitious goals in this respect. The government's agenda includes the following key objectives: find solutions for waste crime, raise awareness among citizens, promote sustainable consumption and production, reduce food waste, save resources, solve waste issues, invest in research, engage at an international level, finance innovation, tackle pollution and assess progress (2).

London ranks 6th in the world's top biggest urban economies and is the largest city in the United Kingdom and the European Union (3). Today, London's population counts about 9 million people (6) and is expected to reach 11 million by 2050 (3), while 21 million tourists per year will visit the capital by 2022 (3).

In 2015, the London Waste and Recycling Board (LWARB) established that circular economy would thrive in several fields. Thus, special attention would need to be given to the plastics, textiles, construction, electricals and food value chains, as they are economically profitable, offer a wide range of possibilities to reuse the materials and products involved in their processes and have a significant impact on the environment (3).

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Circular economy would be supported by the government, media, digital instruments, universities, finance and service (3).

For a proper implementation, circular economy needs planning, organization and support. As all new economic models, the circular one has to be tested, adjusted and scaled up. LWARB considers that London will make a successful transition to the circular economy through a couple of enablers that could facilitate the process. These enablers consist of changing policies, financing circular businesses, communicating efficiently across sectors, offering support to companies, fostering innovation, developing circular procurement, enhancing cooperation between economic actors and showcasing projects (3).

Strategies and measures

LWARB proposes a Route Map with a series of strategies and actions for the implementation of circular economy principles in the five value chains identified as key enablers in the transition process. These measures, as well as their impact on London's economy, are briefly described in Table 1. The complexity and diversity of actions proves that London's municipality makes efforts to accomplish its transition goals successfully.

Table 1: Key actions for a circular economy in London (4)

Field	Strategy	Actions	Expected results
Construction	Design	Stimulate the use of innovative technologies for circular construction Support circular construction projects Educate university students about circular design	More buildings designed according to circular economy concepts More circular business models implemented More professionals trained in the circular economy field
	Materials management	Foster the reuse of building materials	Less use of resources
	Buildings operation	Propose circular business models in the operation of buildings	Optimization of resource use
Food	Reduce food waste	Create a campaign called Love Food Hate Waste Research conducted related to food waste management and reduction in various sectors Promote policies regarding the demand for spaces to store food waste	More informed citizens Reduction in food waste resulted from companies Enhanced amenities in neighbourhoods

	Reuse food waste and surplus	<p>Raise awareness on social media in order to guide people through the process of food waste recycling</p> <p>Collect food waste from citizens</p> <p>Redistribute surplus food to people in need</p> <p>Support businesses in their efforts to create circularity in the food sector</p> <p>Foster innovative technologies related to circular economy</p>	<p>Boost recycling rates</p> <p>Reduce CO2 emissions and quantity of resources used</p> <p>Set up more social supermarkets</p> <p>Economic profits for companies</p>
	Facilitate urban production	<p>Enhance the municipal plans regarding local production sites and protection of land</p> <p>Involve citizens in the production of their personal food.</p>	<p>Additional sites for food growing, more food produced locally, less transport of imported food which implies less CO2 and greenhouse gas emissions, less pollution</p> <p>Strengthen the regional food growing system</p>
Textiles	Design	Organize circular economy courses and contests for design students and experts	Creation of an academic background for the circular textiles sector
	Adopt circular economy principles	<p>Propose the adoption of extended producer responsibility schemes</p> <p>Develop circular procurement and business models</p>	<p>Textiles waste reduction, more recycling and less use of resources</p> <p>Economic benefits for public and private sectors</p>
	Recycle and reuse	<p>Create a campaign called Love your clothes to reduce waste and promote reuse; scale up and support the campaign, make it visible</p> <p>Improve the infrastructure necessary for the implementation of the</p>	<p>Less resources used, less CO2 emissions, less waste resulted from the textiles industry, more recycled clothes</p> <p>Better management of resources and waste, increase in the</p>

		circular economy in the textiles value chain	quantity of textiles collection and recycling
Electricals	Design	Implement circular economy principles in the product design and business models Cooperate with other cities Teach circular economy lessons to university students in the electronic engineering field	Resource use and CO2 emissions reduction Enhanced partnerships Trained professionals
	Extend products life	Create a campaign to raise awareness among citizens about sustainable use of electricals Develop a tracking system for electricals Support companies, innovative projects and instruments for a circular electricals market	Reuse, repair and recycling of electricals, less waste, less use of resources Better use and access to products in order to facilitate repair and reuse Additional circular businesses
	Collect and recycle	Build a resilient recycling system	Reduction of CO2 emissions
Plastics	Recycle and reduce	Categorize plastics to be recycled and educate citizens in this matter Reduce disposable packaging made of plastic Set up a start up incubator for the plastics businesses working in the circular economy field Explore the New Plastics Economy developed by the Ellen MacArthur foundation	Less contaminated plastics, less waste, increased recycling rates Less use of raw materials, reduced CO2 emissions New innovations and business opportunities

The savings estimated to result from the performance of all the actions proposed in the Route Map are worth around £2.8 billion (4). Other data based on a more prompt effect of the measures show that savings could reach about £1.2 billion, while bolder estimates anticipate more than £7 billion of monetary savings under a scenario of significant impact (4).

Employment in the circular economy

According an evaluation conducted in 2015, around 46,700 employees already worked in the circular economy field in the British capital in 2013 (5). Most of these jobs were related to rental, leasing, waste management, treatment and recovery activities (5). The average gross salaries for circular economy jobs in 2013 in London can be found in figure 1.

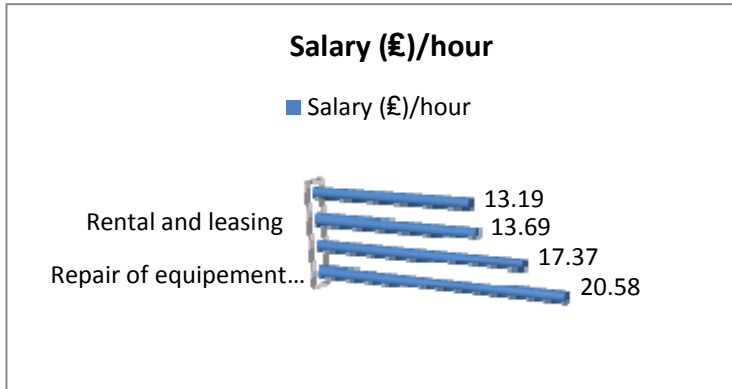


Figure 1: Average gross salary/hour for circular economy jobs in London (5)

A report assessing the potential benefits of the circular economy for the job market identifies three scenarios relation to the job creation in London. Under the first scenario which implies a steady state with no additional activities and projects, the market would benefit from the creation of 1,100 new jobs in the circular economy field by 2030 (5). If the present measures are continued in the same way until 2030 (2nd scenario), 5,500 new jobs would be created (5). The third scenario assumes that circular economy initiatives would be developed at a large scale until 2030, adding 12,000 new jobs to the market (5). Figure 2 summarizes the three scenarios for the creation of circular economy jobs in London.

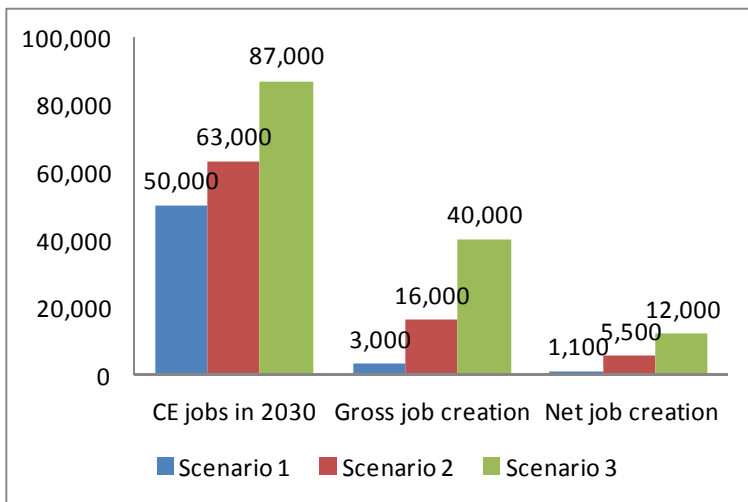


Figure 2: Possible circular economy contributions to the London job market by 2030 (5)

Conclusions

We explored the municipal measures planned to be taken in London and their impact on the economy and environment. Several value chains are considered to create the proper background and facilities for a circular economy: construction, food, textiles, electricals and plastics. The strategies that will be adopted are more or less the same for all value chains, ranging from circular design, reduce, reuse to the product life extension and waste recovery. The planned actions are expected to have positive economic, social and environmental impact in the London region. Moreover, if the most optimistic scenario becomes reality, around 87,000 circular economy jobs will have been created by 2030. It is a promising forecast for the future circular city.

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FOREIGN DIRECT INVESTMENT- ECONOMIC GROWTH NEXUS: EVIDENCE FROM INDIA

Abraham Babu*

Abstract

Foreign direct investment inflows were steadily increasing in India since 1990s and the impact on the economic growth was more or less ambiguous. This paper attempts to examine the nexus between foreign direct investment and the economic growth in India during the period 1990-91 to 2014-15 (post reform period). From the results it was observed that, at the aggregate level, foreign direct investment does not have a positive effect on the economic growth in India. It was also found that economic growth was influenced by domestic investment and not by foreign direct investment in the post reform period.

Keywords: Foreign Direct Investment, Economic growth, Stationarity, Cointegration

JEL Classification: F21, F43, C32

1. Introduction

The past two decades saw the increasing presence of foreign direct investment (FDI) especially in the developing world. FDI inflows has numerous positive effects on the development process of the host country [Lipsey, (2000)]. FDI brings in the required capital, managerial inputs and the latest technology into the country. The importance of FDI becomes more pronounced when it generates employment, enhances productivity and competitiveness in the industry. It promotes linkages with the local firms, which can be beneficial to the country. Due to these facts, the developing countries have formulated policies to encourage FDI inflows. As a result, these countries were successful in attracting substantial FDI. Most of them still continue to vigorously pursue policies aimed at encouraging even more FDI inflows.

The Indian economy is no less different. The post reform period, (since 1990s), saw India evolving from a relatively closed economy into an emerging market economy. The Liberalisation, Privatisation, Globalisation era which ensued opened its doors wide open to foreign trade and investment. With the economy opening up, there was substantial inflow of capital over the years. There has been a spurt in capital inflows into India, especially, FDI. There was a phenomenal growth of FDI over the years. This was made possible by the comprehensive reforms in the economic policies. The economic policies have been tailored to fit the new regime. This gush in FDI inflows, due to the liberalised regime, must have

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definitely spurred growth in India by providing a favourable environment. This may have led to changes in India's macroeconomic variables. The shortage of capital, technology, managerial skills and entrepreneurial capabilities experienced by the Indian economy till then, would have been offset by the FDI inflows.

However, the macroeconomic fundamentals became stronger over the years. The result was quite obvious, especially in terms of the growth of the Gross Domestic Product (GDP) that followed. The growth rate was seen cruising over 6 to 7 per cent per annum in the 1990s. Later on, the growth momentum strengthened even further and the growth rate hovered over 9 per cent per annum till 2008. Thereafter, the growth rates have been fluctuating. This achievement was probably due to the surging FDI inflows which was observed to be the most significant among the other inflows. The impact of FDI on economic growth was elusive. Many applied papers have examined the FDI - Economic growth nexus, but the results have been inconclusive. Mostly, all existing studies on the FDI- growth nexus have concentrated on the aggregate growth effects of FDI on economic growth. Despite the absence of any robust conclusions and in spite of the theoretical nuances and ambiguities, FDI inflows and studies on FDI- growth have continued over the recent decades. The role of FDI can be positive, negative or insignificant. In this paper, the FDI- growth nexus in the Indian context is being examined. An important question posed here is whether FDI has led to economic growth in India? This paper scrutinizes the FDI and economic growth relationship by studying the role of FDI inflows in promoting growth. The positive effects of FDI on the host economy might depend not only on local conditions and policies but also on the sector into which FDI flows.

A comprehensive review of the voluminous literature on FDI and growth is beyond the scope of this paper. However, recent empirical studies on the FDI inflows and economic growth linkages and some general findings are highlighted in section 2. Trends, model specification and the results are summarised in section 3. In the final section, the concluding remarks are presented.

2. Empirical Studies on the FDI-Growth Nexus

There are so many empirical studies based on this area. Most of them are widely cited. Reis (2001) investigated the effects of FDI on economic growth when investment returns were repatriated. It was observed that after opening up to the FDI, domestic firms were replaced by foreign firms in the R&D sector. Domestic welfare was likely to decrease because of the transfer of capital returns to the foreign firms. The model also explained that the effects of FDI on economic growth depended on the relative strength of the interest rate regimes. If the world interest rate was higher than the domestic interest rate, FDI had a negative effect on growth. Again, if the world interest rate was lower than the domestic interest rate, FDI had a positive effect on growth.

In contrast, Carkovic and Levine (2002) utilized both OLS and Generalised Method of Moments (GMM) to study the relationship between FDI inflows and economic growth. Both panel and cross- section data from 72 developing and developed countries for the period 1960 to 1995 were used. It was concluded that for both developed and developing countries, FDI inflows did not influence economic growth independently. Economic policies may stimulate economic growth and FDI.

Bengoa and Sanchez-Robles (2003) estimated the interaction between economic freedom, FDI and economic growth. Panel data for a sample of 18 Latin American countries over the period 1970 to 1999 was analysed. It was found that FDI had positive and significant impact on economic growth in the host countries. It was inferred that the host country required adequate human capital, economic stability and the liberalisation of capital flows to benefit in the long run.

Li and Liu (2005) investigated the endogenous relationship between FDI and economic growth. Panel data for 84 countries over the period from 1970 to 1999 was used. Both single equation and simultaneous equation system techniques were applied. FDI indirectly influenced growth through its interaction terms. In developing countries, it was found that there was a strong positive effect of FDI on economic growth through its interaction with human capital. However, the interaction of FDI with the technology gap had a significant negative impact.

Choe (2003) explored the interaction between FDI and economic growth in 80 countries during the period 1971 to 1995. Bi-directional causation between FDI and economic growth was detected and the stronger effects were more apparent from economic growth to FDI rather than from FDI to economic growth.

Some studies have highlighted the importance of spillover effects of FDI. Bende (2001) studied the impact of FDI through spillover effects on the economic growth of the Association of South Eastern Asian Nations (ASEAN) during the period 1970 to 1996. It was found that FDI influenced economic growth either directly or through spillover effects. The impact of FDI on economic growth was found positive and significant for Indonesia, Malaysia, and Philippines. A negative relationship was identified in Singapore and Thailand.

Similarly, Marwah and Tavakoli (2004) scrutinised the effect of FDI on economic growth in Indonesia, Malaysia, Philippines, and Thailand. Time series annual data for the period 1970 to 1998 was analysed. It was found that there was a positive correlation between FDI and economic growth in the above mentioned nations.

Helpman (2004) opined that the endogenous growth theory highlighted the possibilities of how investment influenced economic growth. It was through the impact on the range of available products and also the impact on the knowledge available for research and development activities.

Again, the impact of FDI on exports was not observed in the region. Dritsaki, Dritsaki and Adamopoulos (2004) investigated the relationship between Trade, Foreign Direct Investment (FDI) and economic growth in Greece over the period from 1960 to 2002. Cointegration analysis results suggested that there was a long-run equilibrium relationship between these variables. The Granger causality test results inferred that there was a bi-directional causal relationship between exports and economic growth. There was a uni-directional causal relationship between Foreign Direct Investment and economic growth with direction from FDI to GDP.

Kinoshita and Lu (2006) related FDI inflow and economic growth among a group of 42 emerging and developing countries. Panel data for the period 1970 to 2000 was analysed. It was observed that FDI alone failed to affect economic growth. It was significant in countries with sufficient infrastructure. It was concluded that FDI and infrastructure complemented each other in promoting GDP growth.

Iqbal, Shaikh and Shar (2010) examined the impact of FDI on economic growth and exports in Pakistan. The empirical analysis was carried out with quarterly data for the period from 1998 to 2009. A VAR model framework was used. It was however concluded that in Pakistan, there was a positive effect of FDI on economic growth and exports.

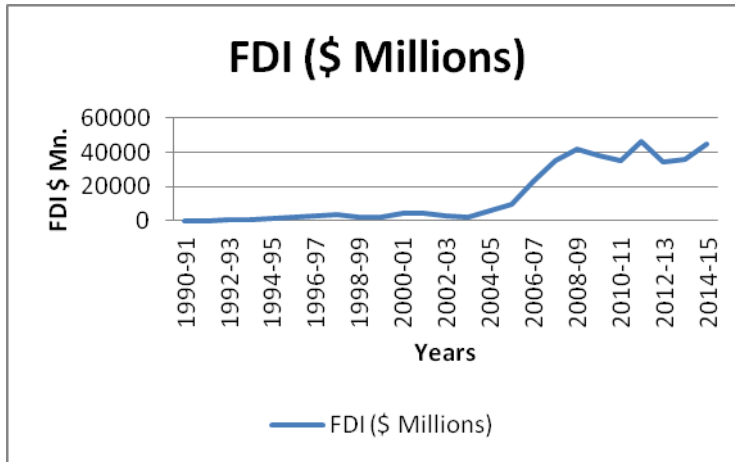
Szkorupová (2014) studied the causal relationship between foreign direct investment, economic growth and export in Slovakia. Quarterly data for the period from 2001 to 2010 were used. The co-integration method and vector error correction model were applied. The results confirmed the existence of long-term causal relation between the variables. There was a positive impact of both foreign direct investment and export on gross domestic product.

Fadhil and Almsafir (2015) analysed the role of FDI inflows in promoting economic growth in Malaysia. Annual data for the period 1975 to 2010 was used. An endogenous growth model was adopted. Unit root test and Johansen Cointegration test showed that the time series data was stable and the linear combination of the variables were stationary. Hierarchical Multiple Regression Analysis was also done. The results showed that the FDI inflows together with the human capital development contributed to the economic growth.

The role of FDI in the economic growth process of the host country has been a debatable issue in the literature for a long time. Most of the studies provide only a descriptive discussion of FDI and economic growth. Some of the available studies have used cross section regression methodologies. However, the time series studies do not conform to the FDI led growth hypotheses. Several other studies explore the direct and indirect relationship between FDI and growth. The empirical evidences from recent studies gave mixed results. Some studies even found that there was no causality between FDI and growth, while yet other studies found uni-directional relationship between FDI and growth. Many other studies reported bi-directional relationship between FDI and economic growth. The heterogeneous results that were observed in these studies may be due to the selection of the specific country and adoption of different methods, specifications and techniques used in the analysis. Even though several studies on FDI and growth in developing economies exist, comparatively, only a few studies have been done on India. In India, FDI inflows may directly influence growth or it may indirectly influence variables that affect growth. The country's policy changes and higher economic growth rates may provide the favourable business environment and attract further FDI inflows. A bi-directional causality between FDI and growth can also be expected. This implies that there could be a two-way causal link between FDI and economic growth in India. Hence, it becomes very important to establish the exact causal relationship between FDI and economic growth in India.

3. Trends, model specification and results

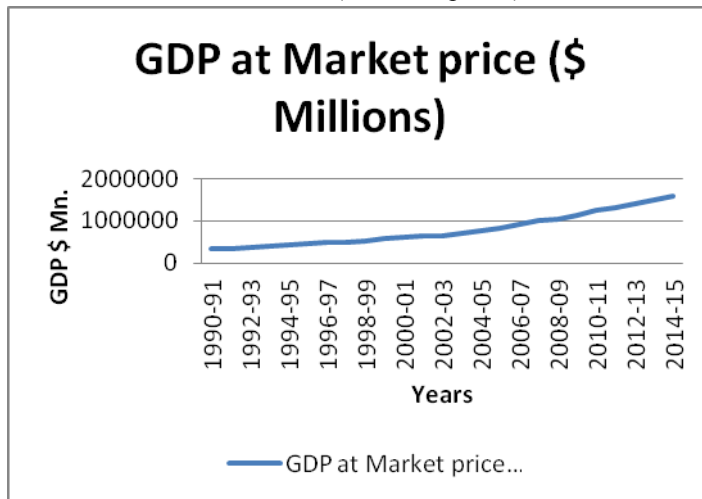
The trends of the variables viz., FDI, GDP and FDI as percentage of GDP are examined initially. The level of FDI in India from 1990-91 to 2014-15 is shown in figure no.1.

Figure no. 1 Trend of Foreign Direct Investment in India from 1990-91 to 2014-15

Source: Reserve Bank of India (RBI): Handbook of Statistics on Indian economy, various issues.

It can be observed that in 1990-91, FDI in India was just \$ 97 million. There was a spike in the inflows during 2003-04 to 2008-09. It reached \$ 41873 million in 2008-09. This was because of the changes made in the liberalisation policies made during the early 2000s. Since then, it was seen to fluctuate violently. The maximum was in 2011-12, when it reached \$ 46553 million. It can be understood that the business environment was favourable for more FDI inflows. From 2007-08 till 2014-15, it was above \$ 34000 million and it reached \$ 45148 million in 2014-15.

The trend of GDP at market prices in India from 1990-91 to 2014-15 is shown in figure no. 2.

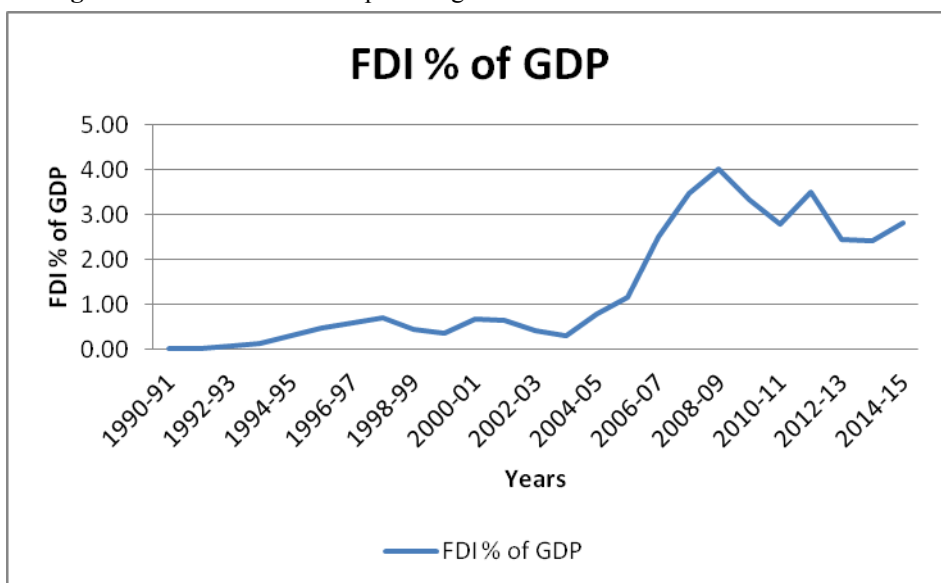
Figure no.2 Trend of Gross Domestic Product (at market prices) in India from 1990-91 to 2014-15

Source: Reserve Bank of India (RBI): Handbook of Statistics on Indian economy, various issues.

In 1990-91, GDP at market price was \$350241 million. It reached \$ 1000835 million in 2007-08. The rise in GDP at market prices was steeper during from 2002-03 to 2007-08. This era can be considered as the boom period in India. After this, GDP in India was rising but at a decreasing trend. Fluctuations in GDP of India were rampant. By 2014-15, it became \$ 1598324 million. On the whole, GDP at market prices showed a positive trend and was increasing steadily over the period from 1990-91 to 2014-15.

FDI as percentage of GDP in India from 1990-91 to 2014-15 is shown in figure no. 3.

Figure no.3 Trend of FDI as a percentage of GDP in India from 1990-91 to 2014-15



Source: Calculated by the author

It can be seen that in 1990-91, FDI as a % of GDP was as low as 0.03%. It was seen to fluctuate over the years and reached the peak in 2008-09, when it reached 4.03%. There was a steep rise from 2003-04 to 2008-09. This was the period when India was experiencing a period of boom and the conditions for FDI inflows were favourable. Thereafter, the variation was more irregular. The slumps experienced were because the Indian economy was facing recessionary pressure during those years. By 2014-15, it became 2.82%. Overall, FDI as a % of GDP was seen to fluctuate over the period from 1990-91 to 2014-15.

Having observed the trends, the next step is to do an empirical analysis to determine whether FDI influences the country's growth. Following Carkovic and Levine (2002) and Alfaro, Chanda, Kalemli and Sayek, (2004), the direct effect of

FDI on India's economic growth was analysed. The data on FDI inflows, however, includes foreign investment in all sectors of the Indian economy, viz. primary, manufacturing and service sectors. It has been mentioned previously that FDI generates externalities in the form of technology transfers, transfer of managerial know-how and access to markets. Understanding the relationship between inflation and real growth has always been a key concern in macro-economic research. According to Rangarajan (1998) the question in essence, presupposes a possible trade-off between price stability and growth either in the long or short run. Further, empirical evidence tends to show that in the long run more outward-oriented countries register higher economic growth [Dollar and Kraay, (2004)]. Hence, inflation and trade openness have been added as variables in the growth equation. Inflation and trade openness are control variables that are expected to have an influence on growth. Inflation is expected to reduce growth hence will have a negative sign for the coefficient. Trade openness is expected to enhance growth by making trade as an engine of growth and hence the expected sign is positive.

The time series data for the following variables viz., Gross Domestic Product, Foreign Direct Investment, Gross Domestic Capital Formation, Exports, Imports and Inflation rate for the period from 1990-1991 to 2014-2015 were sourced from various issues of Handbook of Statistics on Indian Economy and Economic Survey 2014-15. Dritsaki, Dritsaki and Adamopoulos (2004) studied the causal relations between Foreign Direct Investment, economic growth and exports. On similar lines, this study examines the causal relation between the variables by using the model in the following form:

$$\text{GDP} = f(\text{FDI}, \text{INVST}, \text{INFL}, \text{OPEN}) [1]$$

Here, the proxy for economic growth is GDP (Gross Domestic Product). The independent variables are the following: FDI (Foreign Direct Investment), INVST (Domestic Investment), INFL (Inflation rate) and OPEN (Degree of openness).

It is assumed that there might be a long-term link between these variables. The aim is to analyse long-term causal relations between FDI and economic growth. FDI and its subsequent effects are considered to be one of the major determinants of economic growth. The channels could be through exports or openness of the economy. This might in turn lead to the growth of output levels and thereby enhance the growth of the economy.

It is important to ensure that the variables are integrated of the same order say one i.e., I (0). Therefore, a unit root test is conducted for each variable in the model. Augmented Dickey Fuller test is the most popular test for stationarity [Dickey and Fuller, (1979)]. This test is performed for verification of the ADF results. Unit root test is performed on the time series macroeconomic variables

which have been taken. This is because most macroeconomic time-series data have unit roots. Regressing non-stationary series on each other is bound to yield spurious regression results. Again, the determination of whether a variable shows a unit root indicates whether the variables exhibit certain characteristics such as mean reversion characteristics and finite variance, transitory shocks with the autocorrelations dying out with the increase in the number of lags under the alternative hypothesis of stationarity. So the initial step is to test the nature of the time series so as to determine whether it is stationary or non-stationary and also their order of integration. The order of integration helps in determining the subsequent long-run relationship among the variables. In order to test the long-term relations between the selected variables, it is necessary for the logarithmised time series to be stationary on the first differences I (1) and nonstationary on its own values. Stationarity test is performed with Augmented Dickey – Fuller test (ADF test) and the results are given in Table no.1.

Table no.1 Results of ADF test

Variable	Augmented Dickey-Fuller test results				
	ADF without trend		ADF with trend		
	Level	1 st Difference	Level	1 st Difference	
LNGDP	1.235423	-3.885711*	-1.705049	-4.010241**	
FDI	-0.922319	-3.652481**	-2.250877	-3.557038***	
INVST	-1.348034	-4.534082*	-1.530506	-4.484602*	
INFL	-3.544064**	--	-3.5618***	--	
OPEN	-1.117684	-4.191753*	-1.430085	-4.199811**	

Note: LNGDP, FDI, INVST, INFL and OPEN represent log of GDP, FDI (% of GDP), investment, inflation rate and trade openness, respectively. * Represents significance at 1% level, ** Represents significance at 5% level, *** Represents significance at 10% level.

Source: Author's own estimation based on data obtained from the Reserve Bank of India, Handbook of Statistics on Indian Economy and Economic Survey 2014-15.

The results of the ADF test are shown in Table no.1. The first part of the table contains data showing the value of tested non-stationary time series at their values and the second part of the table records data indicating the stationarity of time series at first differences. This indicates that all the variables (LNGDP, FDI, INVST and OPEN), except inflation (INFL) are integrated of order one i.e. I (1). Whereas, the variable inflation is integrated of order zero i.e. I (0). In other words, the results show that while all the variables are non-stationary at their level but stationary at first difference, only inflation is stationary at its level form.

Testing the unit root properties of the variables is considered as the necessary condition for doing the cointegration test and also to avoid the problem of spurious regression. The ADF unit root test is used to check for the order of integration of the variables used in this paper. The assumption for further test for

long term relationships between the specified variables is met since the time series stationarity was proved in the first differences. The results show that all the variables, except inflation, are stationary at first difference.

This allows us to apply the Johansen co-integration test for the variables with integration of same order. Cointegration shows the presence of a linear combination of non-stationary variables that are stationary. Also, the presence of cointegration implies that a stationary long-run relationship among the series is present. If cointegration does not exist, it implies that the linear combination is not stationary and the variable does not have a mean to which it returns. The procedure adopted in this paper was developed and expanded by Johansen and Juselius (1990). It is a representation of the approach of analysing multivariate cointegrated systems. The advantage of the Johansen Vector Auto-Regressive (VAR) procedure is that it allows the simultaneous evaluation of multiple relationships. Again, it does not impose any prior restrictions on the cointegration space. The Johansen cointegration approach tests for the cointegration rank for a VAR process. It estimates the TRACE and LMAX stats, the Eigen values, and the eigenvectors also. It sums up the long-run equilibrium coefficients, the adjustment coefficients and the covariance matrix of the errors. The R-squares for each of the equations in the VECM can also be found. Again, linear restriction on the long-run equilibrium coefficients is also tested. In this context, the Johansen cointegration test is used among LNGDP, FDI, INVST and OPEN since these variables are integrated of the same order i.e. I (1).

3.1. Long term relationship test between FDI and GDP

Johansen- Juselius test for cointegration was used to test long term relationships between FDI, GDP and the other variables. It is necessary to define appropriate time lag length within this test. Here, an Akaike criterion was used while determining the appropriate lag length, which was applied for the non-differentiated VAR model estimation. Two periods with an appropriate lag length was proved. Long term relationships test between FDI, GDP, INVST and OPEN was performed on the basis of the following equation.

$$LGDP = \alpha + \beta_1 LFDI + \beta_2 LINVST + \beta_3 OPEN + u \quad [2]$$

The dependent variable is gross domestic product and independent variables are foreign direct investment, domestic investment and openness. Long term relationships between the variables in Johansen test are examined on the basis of two tests, Trace test and Max-eigenvalue test. Table no.2 shows the cointegration test results.

Table no. 2 Results of Johansen cointegration test

Trace statistics			
Null	Alternative	Statistics	95% critical value
$r = 0$	$r \geq 1$	81.61280*	47.85613
$r \leq 1$	$r \geq 2$	46.14323*	29.79707
$r \leq 2$	$r \geq 3$	14.50877	15.49471
Maximum eigenvalue test			
Null	Alternative	Statistics	95% critical value
$r = 0$	$r \geq 1$	35.46957*	27.58434
$r \leq 1$	$r \geq 2$	31.63446*	21.13162
$r \leq 2$	$r \geq 3$	14.50810*	14.26460
$r \leq 3$	$r \geq 4$	0.000667	3.841466

Note: r stands for the number of cointegrating vectors; the lag length is determined by the optimum value of Akaike Information Criterion and Schwartz Bayesian Criterion. * Denotes rejection of null hypothesis at 5% level of significance.

Source: Author's own estimation based on data obtained from the Reserve Bank of India, Handbook of Statistics on Indian Economy and Economic Survey 2014-15.

The Trace statistic as well as the maximum-Eigen value statistic reject the null of no-cointegration among the variables. Trace test indicates 2 cointegrating equations at the 0.05 level, whereas the Max-eigenvalue test indicates 3 cointegrating equations at the 0.05 level. Further, while the former statistic shows that there is the existence of the two cointegrating vectors, the latter shows that three cointegrating vectors exist in the model. In other words, the results show that the variables are cointegrated or there exist long run equilibrium relationship among the variables. Table no. 3 shows the normalised cointegrating coefficients.

Table no. 3 Normalised cointegrating coefficients

LNGDP	FDI	INVST	OPEN
1.000000	14.34050	-0.026521	5.622281
	(1.77653)	(0.00873)	(0.33210)
	[8.07219]	[-3.03791]	[16.92948]

Note: Standard error in () and t- statistics in []

Source: Author's own estimation based on data obtained from the Reserve Bank of India, Handbook of Statistics on Indian Economy and Economic Survey 2014-15.

The normalized cointegrating coefficients represent the long run relationship between economic growth and the independent series in the model. It can be observed that FDI and openness have a negative impact whereas Domestic investment has a positive impact on economic growth respectively.

From the results presented in the above tables, it can be inferred that growth is influenced by domestic investment and not by FDI and openness.

4. Conclusion

The economic and technological factors in the host country have a significant influence on the growth of international production. Moreover, FDI inflows and the liberalised trade policy regime promote this growth. Given this context, globalisation provides an unparalleled opportunity for the developing countries to achieve faster economic growth through enhanced trade and investment. Among these, international trade was considered more important during the 1970s. Hence, international trade grew more rapidly than FDI. However, after the 1980s, this position changed radically, since the global FDI flows started to rise sharply. This was the period when the enhanced global FDI flows started transferring technologies significantly. FDI inflows enabled the foreign investors to utilise the assets and resources more efficiently. The host countries acquired the state of the art technologies. As a result of this, procurement, production and marketing techniques became more efficient. This paved the way for more international production and trade.

In India, before the 1990s, the FDI inflow was insignificant. This was due to the fact that there were a lot of policy restrictions and the government was more concerned about the impact FDI had on the economy. Post 1990s, with the new economic policy, the Indian government began to ease restrictions on FDI. Incentives were offered in an effort to attract investment. Overall, the business environment was made conducive and with this, FDI in India grew significantly. The government policies and the overall attitude towards FDI as well its characteristics have changed considerably since then.

The review of literature, in general, found a positive effect of FDI inflows on the economic growth in different countries. There were also studies with contradicting opinions. However, this study examined the causal nexus between FDI and economic growth in India from 1990-91 to 2014-15. The impact of FDI on economic growth in India since 1991 was also investigated. GDP growth was employed as a measure of economic growth. It was found that at the aggregate level, FDI does not appear to have a positive effect on the economic growth in India. The effects of FDI on economic growth might vary across sectors, but no aggregate effects were found. The data series were checked for the stationarity using Augmented Dickey Fuller (ADF) Test. Johansen Cointegration test was used to find out the level of consistence of cointegration. It was found that economic growth was influenced by domestic investments and not by FDI. The empirical evidence presented in this study suggests that India should consider more carefully whether a policy of subsidising more FDI inflows is indeed beneficial as a means to enhance growth prospects. Further research could suggest whether better policies should be formulated and the conditions to maximize the benefits from FDI inflows to appropriate sectors should be improved.

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RISK AVERSION AND FINANCIAL EFFECTS INTO THE ASSET MANAGEMENT INDUSTRY

Mihai Chişu

Abstract

The risk concept is multi-dimensional in terms of the approach taken in the context of studies on financial investor behavior. Risk assumption is context-dependent and, at the same time, subject to observation. Risk attitude is important to explain why an investor is interested or not to invest in capital markets, but also to determine the amount of money it invests. Studies on investor perceptions about risk and return on ordinary financial securities reveal significant differences between professional and non-professional investors. That's why investors' willingness to take risks needs to be analyzed and evaluated in context. There is no best or only way in which attitude to risk can be assessed or predicted, anticipated. This is why specific context-sensitive tools are needed. Depending on economic dynamics, political, social, environmental or demographic changes, the management of the investment portfolio will constantly require careful monitoring and continued adaptation to the requirements or expectations of the financial market.

Keywords: risk aversion, asset management, portfolio, behavior finance

Introduction

In the fever of finding "logical" explanations of how decisions are made and the financial markets are operating, the countless evidence of irrational investor behavior has gradually led to the abandonment of the dominant concepts of neoclassical finances. Moreover, the idea that the 21st century would be "behaviorist" or not (Thaler, 2000) was accredited. For now, one thing is certain: Behavioral finances are "under construction" and set up as solid support for the vast financial sector.

Studies conducted over the past decades have made behavioral finances incorporate standard finances, re-introduce them into new concepts, and establish connections between theory, demonstration, and practice. Statman (2014) notes an essential aspect: Behavioral Finance puts normal people in place of rational people in standard finances.

Behavioral Finance is trying to explain what it is, why, and how it operates in the field of finance from a human point of view, given the limited ability of people to make judgments or optimal choices at all times. Behavioral Finance discovers investor sentiment patterns, including emotional processes, and the degree to which they influence the decision-making system, with direct effects in managing financial portfolios.

Investors' risk behaviors

Kahneman and Tversky (1979) have been the ones who have shown in their research that people are looking for the risk when facing loss situations or when they are below expectations. According to the Theory of Prospectus ("The Prospect Theory" in English) developed by the authors, risk preferences are a behavioral mix of risk-seeking

and risk aversion. The theory describes how people systematically violate the axioms of expected utility theory. The difference from expected utility theory lies in the fact that the probabilities are substituted by the weight of the decision, and the function of the value is defined by gains and losses against the reference point and not by the final benefit / wealth. The authors say people are going through two distinct stages when they have to decide between risky options. In the first phase, it is assumed that decision-makers are willing to formulate a complicated decision through a simpler one, where usually the gains from losses are specified. The purchase of a book, for example, is simplified in the formula for losing the amount of 10 lei and winning a book, while the purchase of a lottery ticket is simplified in the loss of 10 lei and the minimum chance to win 100.000 lei. An essential feature of this decision-making phase is how a decision can vary from moment to moment, depending on the situational circumstances. A person can think of a lottery as a chance of 0.001% to get a 100.000 lei or a 99.999% chance of losing 10 lei. In the second phase, the decision maker chooses between the options available to him. This choice is based on two dimensions, the apparent value of each option, and the weight (similar, although not identical, with the objective probability) attributed to that value or options. These two characteristics are then combined by the decision maker and the option with the highest combined value is chosen.

The two phenomena observed by Kahneman and Tversky, the preference for certain results and the preference for risk when facing losses, could explain some premises of irrational behavior of investors. Because the value point of reference always is correlated with wealth, to stay at the current perceived level of utility investors will have a negative attitude to risk. This proves that people take risks when faced with losses but are reluctant to risk when it comes to winnings. Potential losses or gains, even if they are of equal magnitude, do not have the same impact on the decision; the losses create a psychological discomfort much higher than the emotional satisfaction gains (at least 2.25 times, proven empirically). This phenomenon, called aversion to loss, along with aversion to regret and mental calculus are typical states of mind that affect decision-making processes.

Risk attitude is important to explain why an investor is interested in or not to invest in capital markets, but also to determine the amount of money it invests. McMillan et al. (2011) define risk attitude through the two alternatives an individual has: one is safe to receive £ 50, and the other one is a 50% chance of winning 100 pounds and 50% chance of winning nothing. The expected value in both cases is 50 pounds, one with certainty, the other under the sign of uncertainty. How will the investor behave, do authors ask? There are three options: to choose the game, to choose the 50-pound sum or to remain indifferent. An investor who chooses the game is one that is said to love the risk, is in his search ("risk seeking"). This means that the investor also receives "utility" from the uncertainty associated with gambling. He will accept a lower yield because of the risk associated with gambling. An investor who is indifferent to gambling or guaranteed results is defined as neutral ("neutral risk" in English). McMillan et al. (2011) give the example of a billionaire who can be indifferent in choosing a gamble or an earned 50 pounds. However, if the investor chooses the guaranteed gain, he can be said to have risk aversion because he does not want to take any risk if he receives nothing in return.

Depending on the level of risk aversion, he may want to accept a safe gain of 45 pounds instead of gambling, where he would have the chance to win 50 pounds, but also to lose. As a rule, say the authors, investors stay away from risky investments preferring the smallest but guaranteed yields. They want to minimize their risk for the same amount of return and maximize profitability for the same amount of risk.

Studies undertaken in this field illustrate the difficulty of the comparative definition of individual risk aversion according to individual preferences or circumstances. Numerous applied research conducted in areas related to behavioral finance - psychology, sociology, neurology etc. - illustrates that risk tolerance is a topic explored with much interest. Despite this, there are many authors (Cooper et al., 2014) who came up with arguments about the lack of coherence in how the individual attitude to risk was defined, interpreted and measured, in this case, risk tolerance financial. In addition, Gärling et al. (2009) argue that risk assumption in a given field rarely has relevance, proximity to risk tolerance in another field. In other words, assuming risk in the financial field is rarely associated with risk-taking in the social field, for example. Slovic (1964) handled a battery of nine different measures on the risk taken by a group of subjects in different areas and found no significant correlations between the different measures. Additional evidence on the same issue came from Weber, Blais and Betz (2002), which measured risk-taking in five areas: financial decisions (separately for investment and gambling), health / safety decisions, decisions in the field recreational, ethical and social decisions. Respondents assessed the likelihood that they would engage in risk-specific activities. The results of these studies support the idea that specific risk assessment measures are needed to accurately determine an individual's attitude to specific risks.

Other authors distinguish between subjective risk and objective financial risk tolerance (Van de Venter et al., 2012). Subjective financial risk is defined as the risk an individual prefers to accept, while objective financial risk is defined as the risk an individual is able to take. Cooper et al. (2014) extend the scope of analysis, considering that risk tolerance can be divided into four key elements: attitude (desire to attract a monetary risk, for example, as measured by responses to hypothetical investment scenarios), predilection (behavior the risk observed in naturally occurring situations), capacity (financial ability to bear risks) and knowledge (eg risk-profitability compromises). Paun (2012, p. 11) says that investors could adopt three different attitudes to risk in investment: aversion, indifference and preference. "Different utility functions are associated with anticipated returns (using probabilities) to explain these attitudes (aversion to risk meaning that investors will associate greater utility to losing money from a risky investment alternative compared to those investors who prefer risk and therefore associate greater utility for potential gains than potential losses). "The author states that there are families of utility functions proposed to describe such behaviors: logarithmic functions are used to describe investor aversion to risk, linear functions for indifferent risk and exponential functions for investors who prefer risk.

Sitkin and Pablo (1992) suggest that risk tolerance is characterized by risk preference, risk perception, and risk mood. The authors distinguish between the three characteristics by defining risk preferences as a personality trait to be attracted to risk while the perception of risk as an individual's assessment of a specific risk situation and the inclination towards risk

as the objective probability of individual assumption or avoidance of risk. Weber and Milliman (1997) explain risk preference as a feature of stable personality, which, according to their study, implies that it can be explained as a variable constant in different areas. A contrary statement, in fact, the one made by Gärling et al. (2007).

Aversion to loss is an argument for understanding and explaining the tendency of investors to keep their losses and to sell their gains too early. Shefrin (2000) called this distortion (bias) "mood effect". The hypothesis was supported empirically by data collected by Odean (1998), which analyzed transactions for 10,000 accounts from a retail brokerage house. The results showed that the investors kept the shares on the loss for 124 days on average, while the earnings shares were kept on average only 104 days. With an experimental call market, Heilmann et al. (2000) were able to demonstrate that the number of assets offered and sold was higher during periods of increase in trading prices than in periods of declining trading prices. This risk aversion to gains, which leads to a hurried sale of shares, directly leads to a fall in prices relative to the fundamental values. On the other hand, the fall in share prices will cause investors to resist too long in making a trading decision, which will cause stock prices that have had a negative momentum momentarily to exaggerate their core values. Studies show that the level of risk tolerance of the investor fluctuates with changes in the stock market. As a rule, investors use the open market price to build their attitude of risk tolerance.

The disproportionate aversion to losses also has an effect on the way choices are made in the decision-making process, i.e. how alternatives are "framed". Matching a decision concerns the way in which a problem is seen and the possible outcomes. The decision frame is undoubtedly influenced by the perceptions and personal characteristics that determine the tolerance to risk. The amount of risk that an investor is willing to expose at any given time is determined by the maximum level of uncertainty accepted in making the decision. The trend towards market prices and other related data and information on monetary growth and Gross Domestic Product (GDP) are the main reasons that influence stock prices and determine constant behavior, high risk tolerance and market anomalies. Research shows that financial decision and emotional behavior are affected by capital market anomalies. The existing relationship between return on equity and risk tolerance explains why investors buy risky assets, which illustrates gregarious behavior when market prices increase. The phenomenon of the "herd" also manifests in the opposite direction: when prices fall, investors tend to sell. A study on consumer credit (Yao et al., 2004), through cross-sectional research over the period 1983-2001, allowed the testing of changes in the financial risk tolerance of investors when yields and prices fluctuated. The authors were able to see that the level of tolerance of financial risk increases when yields of shares increase and vice versa. The study also showed that the correlation between tolerance to financial risk and price fluctuation is negative.

Although the importance of assessing financial risk tolerance is well documented, in practice, the evaluation process tends to be very difficult due to the complexity of the concept and the subjective nature of risk taking. Carducci and Wong (1998) conducted a research to identify personality factors that can influence the assumption of financial risk. They have suggested that investigating the factors that determine financial risk and risk tolerance can be extended beyond testing purely psychological factors. Demographic,

socio-economic and attitudinal characteristics are essential factors to consider in determining how a person's behavior influences the financial risk assumption.

Specialist literature supports this idea with countless results related to factors of influence such as gender, age, education, marital status, occupation, income, race, ethnicity, etc. Slovic (1966, p. 169) says that "*a predominant belief in our culture is that men should, and even do, take higher risks than women.*" Numerous studies show that the level of tolerance to risk is inversely proportional to age, but directly proportional to the increase in the level of studies and incomes. Wang and Hanna (1997) examined the relationship between risk and age tolerance based on data collected from the consumer credit survey between 1983-89. The authors developed a life-assurance hypothesis by measuring the risk tolerance by the ratio between asset risk and total wealth / wealth. This has been defined by combining human capital and net worth (human capital and net worth). By analyzing descriptive tools, the authors suggest that risk tolerance increases with increasing age.

Individuals, compared to married ones, have a higher level of risk tolerance, as are people with a high occupational status or a higher level of knowledge in the field of investment. Based on these differentiations, Carducci and Wong (1998) identified two types of personality: A and B. Type A, characterized by increased risk tolerance, but also with higher levels of education, financial knowledge, income and occupational status. Achieving financial success from this perspective can only be explained with caution, because the demographic, socio-economic, and attitudinal factors used in the Carducci and Wong study (1998) explained only 22% of an individual's tolerance risk.

Other authors (Harlow, Brown, 1990) have attempted to demonstrate by empirical measurements that there is a significant relationship between certain psychological and biological characteristics and aversion to risk. Harlow's studies of biological behavior show the interaction between neurochemical processes and human behavior. The whole neurotransmission process, described as the activity of catecholamine systems, appears to be closely associated with characteristics of individual personality. Various behavioral traits, such as risk-seeking, impulsiveness, extrovert attitude, etc. have been shown to be related to this biochemical activity. The obtained results reveal neurochemically clear differences between extroverted individuals, characterized by a high level of risk sensation, impulsivity, and those at the opposite end. The first is willing to take on financial risks, but interesting is the fact that the sensation of seeking the risk diminishes according to the aging (the level of monoamine oxidase MOA increases) "*All these findings are in line with the empirically observed characteristics of individuals' perception of risk and the degree of risk management of the equity portfolio. Studies have shown that investors with higher risk tolerances are usually younger. Moreover, individual portfolios tend to be less risky as people age.*" (Harlow, Brown, 1990, p. 47). The authors conclude that the levels of MOA and other components of the neurological system seem to have a strong genetic influence on individual behavior versus risk in general and financial risk in particular. The study of human behavior from a neurochemical perspective highlights the heterogeneity of individuals' economic preferences and risk aversion, but also how these differences can change over time.

The effects of risk aversion on the management of financial portfolios

According to the opinions formulated in both profile literature and financial specialists (Reilly, Brown, 2012), portfolio management focuses primarily on risk management rather than on yield management. The first step in the management of a portfolio, whether we are talking about the investor on our own or the one assisted by the financial consultant, is the development of an investment policy. The investor has to establish from the very beginning what kind of risks he can assume, what are the goals he is pursuing and what are the constraints to which he is exposed. The investor's needs and financial market expectations are the focus of the investment strategy. Depending on economic dynamics, political, social, environmental or demographic changes, portfolios management will constantly require careful monitoring and continuous adaptation to the requirements or expectations of the financial market. Investment policy will allow for an accurate analysis and assessment of the performance gained in this management, by reference to the benchmarks adopted: the benchmark portfolio or the standard performance objectives. The reference portfolio reflects the investor's risk preferences and appropriate return requirements. In turn, standard investment performance should be compared to this benchmark portfolio. For example, an investor seeking low-risk and high-risk investments should compare the standard investment performance set to that of a low-risk and high-risk portfolio.

Asset allocation is an essential component in the process of managing a financial portfolio. In its simplest form, the allocation of financial assets is the process of determining the categories and number of classes of financial assets that will be included in the investment portfolio, as well as the percentages that each class will represent in the portfolio. Asset allocation is the most important decision an investor makes when designing its investment portfolio in terms of expected or anticipated performance. Allocation of assets is a step taken by all scientific rigors (it is a quantitative approach), but also a subtle one from a qualitative perspective (it is an art). Most of the time, in this process, there is a tendency to pay more attention to the quantitative aspect - the expected yield, the effective border, percentages etc. as inputs in the asset allocation selection process - and less to the elements that refers to the subjective part of an investment. However, in the efficient management of the portfolio, subjective factors - psychological distortions, risk tolerance, investor typology etc. often have a huge impact on the asset allocation decision.

A principle that has "made a career" in the history of decision making theories dates back to 1738, and we find it in the work of Daniel Bernoulli. According to the Swiss mathematician's observations, people show aversion to risk at least for mixed outcome earnings decisions that include both earnings and losses. At the time, Bernoulli noted that people are already beginning to show a marginal utility for money in terms of earnings. In other words, a \$ 10 gain is less important for a rich person than a poor person. Second, people show aversion to loss, which means that a certain financial loss has a greater impact than the same amount won. These general trends, well documented over time in research literature, have led to the conclusion that they can lead to aversion to risk in the financial decision-making process.

However, even if people generally show aversion to risk, it is equally obvious that attitude varies considerably depending on the degree of financial risk they are willing to

bear. In the early version of the theory of expected utility promoted by Bernoulli, these differences in risk predisposition are attributed to the differences in investor wealth, with wealthy investors willing to bear a higher risk, according to the Swiss scholar. Subsequent studies have highlighted a whole series of situations that have led to the assumption that people show different attitudes to risk independently of their financial situation and that of course these attitudes affect investment behavior. Different explanations have been advanced to justify these differences in attitude to risk. For example, the theory has advanced that the feature that characterizes the willing person in the investment field may be associated with a general personality characteristic, such as investors exhibiting a common availability to tolerate anxiety or a normal need to seek out the excitement states (Zuckerman, 1994). On the other hand, there are other categories of people characterized by the willingness to focus on potential losses rather than earnings, a behavior that psychologists label as a "focus on prevention". This attitude may vary from person to person (that is, be a personal feature) but may also vary with the same person or over time, depending on various circumstances.

The effects of risk and uncertainty on asset prices, rational decision-making rules used in the selection and management of securities portfolios have attracted more attention in recent years to economists, financiers and other categories of professionals in capital markets. A whole series of economic and financial theories imply that investors act rationally and rapidly arbitrate any price differences. This implies that prices fully reflect all relevant information. However, investors act in accordance with the "feelings" of the market, many of whom follow their personal (intuitive) feelings when making financial decisions. The logical question is, of course, what happens if the number of "emotional" investors dominates? In this case, price distortions would be common and could be used to build portfolios that are superior to passive management. Expert literature abounds in examples demonstrating that emotional crowds dominate market pricing as well as volatility. They drive prices based on the latest pessimistic or optimistic scenarios. Because the traded shares are practically free, there is little natural resistance of the shares, which amplifies these "emotional" movements of the price. Rational data-based investors are able to build portfolios to take advantage of these distortions as they are eventually corrected by the market either rationally or simply because the crowd is moving in another direction.

The most appropriate allocation of assets within a portfolio (i.e. which asset classes and in what amounts) depends on the investor's objectives and the inherent constraints, so as to ensure the necessary congruence with the allocation characteristics (strategic and tactical) and his behavior. Normally, an investor's ROI should be the starting point in the process of building up and then managing the asset portfolio. These should be defined both quantitatively and qualitatively, with emphasis on the quantitative side. The profitability objective has a significant impact on the asset allocation decision. If the profitability target is high, then a mix of assets will be selected focusing on higher returns and higher risk asset classes. If the profitability target is low, of course, the opposite option will be used. Asset allocation within the portfolio, both strategic and tactical, is typically routed through a modeling process that is based on assumptions of profitability, risk, and asset class correlations. In the example below, you can see Merrill Lynch's recommendations to his clients about asset allocation by category, depending on risk.

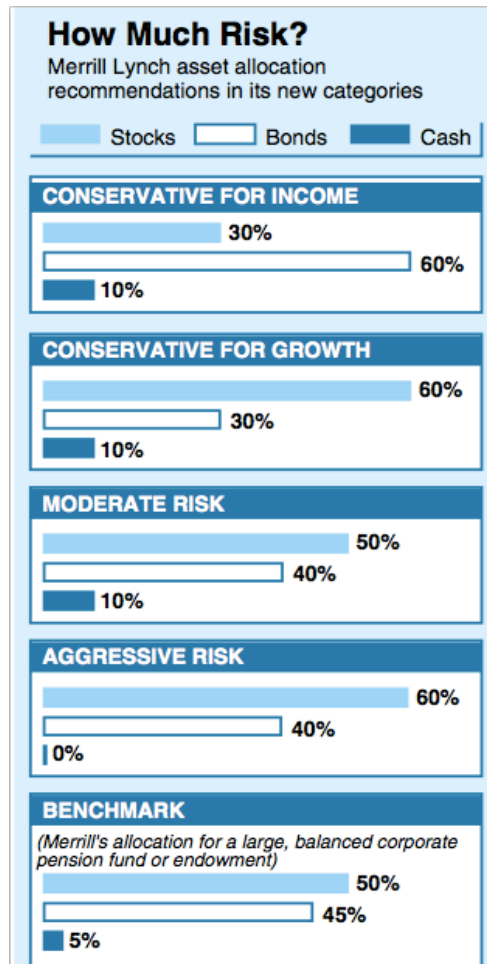


Figure 1. Risk categories and suggestions for asset allocation for Merrill Lynch customers
Sursa: Reilly, F., K., Brown, K., C. (2012), *Investment Analysis & Portfolio Management*, 10th Ed., South-Western, Cengage Learning, p. 43

In most cases, the portfolio options observed are not consistent with the standard asset allocation models. As a consequence, several studies have focused on analyzing empirical failures of portfolio optimization theory. The biggest failure is generated by the fact that most individuals do not have fully diversified portfolios, even if the percentage of individual investors who have risky assets has increased over the last decade. Studies conducted in recent years show that some individuals, especially young investors and entrepreneurs, have a higher share than expected in safe-fit financial assets in their portfolios, in order to diversify the risk of business and illiquid personal projects.

An important factor, which is related to the client's mental mood and can significantly influence aversion to risk, is the tendency to aggregate the results within the asset classes. Studies have shown that aggregating results over longer or multi-asset

classes tends to reduce investors' risk aversion, a finding that has a major impact on how counselors or financial institutions can choose to present their portfolio performance. Whatever the cause of risk aversion, it is important to be able and to assess the individual differences in attitude towards risk. It is already unanimously accepted that investors' risk attitude is a key predictor of their level of comfort with different investment strategies and perhaps their level of worry-freeness if unfavorable investments result.

The traditional finance approach seems to play a limiting role in understanding and interpreting certain aspects, such as how investors choose and build their portfolios to be able to meet their personal goals and constraints, or why yields sometimes differ so quickly, for reasons other than those related to risks. Over the past eight decades, capital market theory has seen two reference paradigms and is currently facing the emergence of the third. Each paradigm in part tried to explain as much as possible the capital market prices movement.

The first model of capital market analysis was the one launched by Graham and Dodd in 1934, by publishing the book *Securities Analysis*, which provided the first systematic approach to analyzing investment in shares. Graham and Dodd have tried to come up with convincing arguments in support of the idea that portfolios with higher values can be built on a thorough fundamental analysis and a set of simple rules on decision-making. The authors' rules were based on emotional mistakes made by the market, mistakes that could be identified through fundamental analysis. The approach of the two reputed economists was successful, especially since the book was published even at the end of the great economic crisis, a depression that shook the entire capitalist world. The paradigm has been replaced by only four decades later with the modern portfolio theory that focused on the idea that there are many emotional investors but also enough rational investors able to arbitrate far from pricing mistakes according to the principle that stock prices are including all the existing information. The axioms of the utility theory claim that investors are (1) fully rational, (2) able to cope with complex choices, (3) risk aversion, and (4) eager to maximize wealth.

The modern theory of the portfolio had as a basic idea the determination of a profitability model, with a special emphasis on the determination of the investment risk and the efficiency border. Markowitz's approach to optimizing mid-range variance as an effective tool for investors and professionals was the main part of asset allocation practices, many investors and financial advisers using this financial instrument to deliver portfolios corresponding to the level of tolerated risk individual. In determining the performance of portfolios of financial assets for risk quantification, the standard deviation of portfolio profitability (Sharpe Indicator) and covariance between portfolio returns (Trynor or Jensen's indicator) are typically used. These measurement systems are frequently used by financial advisors, as many investors are trying to get the highest Shape ratio in portfolios by minimizing volatility per unit of yield based on diversification into multiple asset classes. Practitioners estimate inputs for each asset class of expected return, yield volatility, and correlation between all asset classes. Then optimizes the mix of asset classes to create an effective boundary, representing the best possible risk and profitability combinations for a particular set of asset classes.

The modern theory of the portfolio has encountered problems quite quickly from publication. Basu (1977) attempted to demonstrate in the study *Investment Performance of Common Stocks in Relation to Their Price-Earnings Ratios* that the shares with a low price-earnings ratio exceeded shares with a high price / earnings ratio. Another economist, Banz (1981, pp. 4-5), showed on the basis of the analysis that the small shares exceeded the large shares: "*The results show that between 1936 and 1975, joint ventures of small firms had, on average, risk-adjusted returns higher than joint ventures of large firms. This result will now be referred to as the "dimensional effect"*". Without explaining these records, the modern portfolio theory has described anomalies as "yield factors". But with the increase in the number of "nonconformities" highlighted by other studies, the need to explore how individuals make investment decisions has become increasingly apparent.

Many financial practitioners start the risk assessment process by filling a risk tolerance questionnaire that evaluates the quantitative and qualitative risk tolerance factors of an investor. Malkiel (1999, p. 360) is of the opinion that "*The risks that you can afford to depend on your overall financial situation, including types and sources of income other than income from investment.*" Applying risk tolerance questionnaires, usually classify the investor in one of four or five risk categories, depending on the expressed wishes and the ability to take risks. But it is particularly important to evaluate behavior, as investors often overstate their risk tolerance. The same Malkiel (1999, p. 363) comments several pages further in his paper: "*But, the key to determining which asset allocation is advisable for you is if you sleep at night. Risk tolerance is an essential aspect of any financial plan and only you can assess your attitude towards risk.*" Behavioral finance focuses on individual, psychological, or other attributes that shape financial and investment practices. Unlike traditional assumptions about maximizing expected utility for rational investors in efficient markets, behavioral finance assumes that people are normal.

Managing the financial portfolio is essentially the construction and maintenance of a set of investments in such a way that the choice of the different asset categories gives the investor the guarantee that the total risk of the portfolio is minimized while expecting a maximum profit. This approach mainly involves reducing risk, rather than increasing profitability. This component is obviously important, but the ultimate goal of the portfolio manager or the direct investor is to reach a certain level of profitability by taking the lowest possible risk.

Despite the great interest in this area, risk remains a complex notion, if only viewed from the perspective of the different measurement methods used in the financial practitioners community: the Sharpe ratio (average yield obtained in addition to the risk-free rate per unit of volatility or total risk); VaR (the maximum loss that is not exceeded with a given probability, defined as the confidence level over a certain period of time); pure risk based on aspiration criteria and likelihood of failure; other risk measures that include standard volatility / standard deviation, maturity risk, expected shortfall etc. Even financial theorists do not fully agree on the basis of measuring the underlying risks, usually examining the useful measures for applicability in financial practice, without explicit connection with the normative decision theories (Valev, Chater, Stewart, 2009).

Tolerance to financial risk is defined as the maximum amount of uncertainty that one is willing to accept in the process of making a financial decision. Although the

importance of assessing financial risk tolerance is well documented, in practice, the evaluation process tends to be very difficult to achieve because of the subjective nature of risk-taking (the willingness of investors to recognize and disclose their risk tolerance), but also objective factors (Grable, Lytton, 1999, 2001).

Observations on how capital market investments are made have highlighted the fact that high-income people often have greater tolerance to risk. Conservative investors are usually people who want to have a portfolio that provides a consistent source of inflation-adjusted income. They opt for a balanced portfolio with assets that do not include any risk or low risk. Moreover, this type of investor tends to overshadow the small possibility of risk, which will increase risk aversion. In return, investors with high risk tolerance opt for risky asset classes, such as a sector, small businesses, and rising mutual funds. (Vlaev, Chater, Stewart, 2009).

In traditional financial advice, young investors are usually encouraged to take a higher risk than older investors, and similarly older investors are usually encouraged to hold more bonds in relation to the number of shares, than younger investors. The reason behind this advice is that young people benefit from a higher investment horizon than older people, so they have enough time to deal with ups and downs of the market, or they can adjust their job offer in response to uncertain investment returns (Campbell, 2003). This advice is economically valid as long as investor wealth is not correlated with the returns of shares. However, some specialists have the opinion that the distinction between a short-term and long-term investment horizon may not make sense, under certain performance sharing conditions and utility functions. Indisputably, the length of the investment horizon affects the portfolio's risk, so short horizons usually lead to rather conservative portfolio strategies. More specifically, when investor aversion to risk does not systematically depend on their wealth, and when investors have only a balance between income and financial wealth, they should behave with "extreme care" and their portfolio should meet the best short-term characteristics (Campbell, 2003).

In making investment decisions, practice often illustrates that investors compromise between risk and profitability. Depending on the actual market situation and the behavioral particularities, investors who are willing to risk and are concerned about high returns are likely to have a low perception of risk, while those who have aversion to risk have a perception on much higher risks, which, of course, influences the decisions on return on investment (Rana et al, 2011).

Considering the complexity of choosing an appropriate investment portfolio to suit the circumstances and personal preferences for risks, it is not surprising that people tend to follow simple or heuristic strategies. The study by Benartzi and Thaler (2002) on asset allocation decisions in pension funds shows surprisingly that investors do not have well-defined preferences. Despite the fact that the survey participants received clear information on the distribution of the results they could achieve in their own built portfolios, clear information being also available for the average portfolio chosen by the experts, the majority even among those with well-diversified portfolios, tended to prefer the average portfolio instead of self-built portfolios. The results obtained indicated that "*most participants simply lack the skills and / or information available to choose portfolios that align with their risk attitude.*" (Benartzi, Thaler, 2002, p. 4). In terms of

differences of opinion, the authors note that while the participants have different views on future returns, these differences do not have a significant impact on the choices made within the portfolio. Benartzi and Thaler found that when individuals have three options ranging from low risk to high risk, there is a significant tendency to choose the middle way. *"For example, people who see options A, B and C will often find that B is more attractive than C. However, those who see options B, C and D will argue that C is often more attractive than B. Simonson and Tversky (1992) illustrated similar behavior in the context of consumer choice, which they called aversion to extremes"* (Benartzi, Thaler, 2002, p. 4). These preferences reveal that the elections are not rational, with no support based on standard economic criteria. The authors of the study are of the opinion that when problems with choices are difficult, people usually resort to empirical processes, such as the rule of thumb (for example, in order to cope with pressures).

Without a doubt, investors' decisions are affected by a whole range of objective factors, traditional theories, some of which have won Nobel prizes, classifying financial risk as quantifiable, so measurable by yield volatility and individual trade-off between risk and profitability. Numerous studies show, however, that risk perception and risk predilection are the most important variables. Sitkin and Pablo (1992) identified a number of contradictions in past successes that led to investors' willingness to engage in risky behaviors and proposed an alternative model of the determinants of risky behavior. The authors have suggested that risky behavior is determined by two individual factors, namely the predilection of risk and the perception of risk. The prediction for assuming risks refers to investors' tendencies to take or avoid actions that they feel risky. Sitkin and Pablo (1992) have argued that the relationship between risk-taking predisposition and risk behavior is mediated by risk perception. Risk perception is a source of communication that can prepare investors to plunge at a certain level of risk, depending on their understanding and the psychological factors that characterize them (Rana et al, 2011).

Although there is little research in the field, the idea that risk perception plays a particularly important subjective role in determining the best alternative in different investment decisions has gained more ground in research. The decision-making behavior is affected by the attitude towards risk, as well as by the way in which the investment risk is perceived by the investor. Depending on the level of risk perception, the investor will make certain decisions about his investments. Therefore, measuring individual attitudes towards risk has become an important goal for many professional investors, financial advisers, profile institutions and, of course, for researchers. The latter consider that there are some important theoretical aspects that need to be dealt with in order to decide how to assess risk tolerance in the most appropriate way. The first problem is the consistency of risk attitudes and behaviors in a given area. In the study by MacCrimmon and Wehrung (1990), regarding the assumption of managerial risk, three different types of risk predisposition measurement are based on: a) behavior in hypothetical risk situations; (b) relevant attitudes towards risk deduced from behavior in naturally occurring risk situations; c) self-reported attitudes of risk. The authors identified higher correlations within the same type of assessment than according to the types of measurement and concluded that assuming risk predisposition is a multidimensional system. Weber, Blais and Betz (2002) consider that it is important to distinguish individual differences in risk

perception and differences in risk behavior. The authors note that if the goal is simply to predict the future risk behavior of individuals, the degree to which risk predisposition is due to perception or behavior can not be crucial. Cordell (2001) proposes that risk tolerance in investment be divided into four components: a) risk predisposition (in the sense of risk behavior observed in naturally occurring situations); b) behavior (in the sense of a wish to attract a monetary risk, as measured, for example, through replies to hypothetical investment scenarios); c) Capacity (financial capacity to bear risks) and knowledge (for example, compromises between risk and profitability).

In their research, Vlaev, Chater, Stewart (2009) also identifies some concrete ways of risk perception by investors. They found that: a) capital loss; b) below-expected yield; c) Economic uncertainty is the most frequently associated with investment risk. These situations are associated with knowledge deficits and the sense of lack of control, which illustrates that risk is perceived not only quantitatively but also qualitatively.

Conclusions and implications

Risk tolerance is the attitude of a person to taking risks. This is important because it has implications for both financial service providers (asset management or financial advisors) and investors. Risk tolerance is a subjective but also relevant factor because it can determine the appropriate composition of more assets in a portfolio to be optimal but also to satisfy investors in terms of risk and profitability in relation to individual needs. For this reason, it is essential to recognize how individual investors, who have different perceptions of risk and risk tolerance manifestations, make their choices about products in the investment portfolio.

Studies have highlighted a particularly important aspect, namely that qualitative elements (predictors such as knowledge, concerns, control, etc.) play an important role in assessing the risk even for financial experts, not just for individual investors. This is why the successful investment is emotionally difficult.

Proper understanding of the types of risks, knowledge of their behavior, and the use of specific management tools to measure risk factors allow the investor to more accurately manage the portfolio of assets in order to improve the likelihood of anticipated results. In order to be a successful investor, it is necessary to make a conscious decision to redirect natural impulses and concentrate on a careful and well documented analysis.

Although the theory of traditional finance implies that investor decisions always rely on objective risk assessment and expected returns, psychological factors show that risk perception often plays a vital role in investor capital market decisions. Behavioral finances have emerged to respond to such issues, questions and help to understand how individual investors behave in choosing and appropriately allocating assets within a portfolio.

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THE IMPACT OF CORRUPTION ON ECONOMIC GROWTH IN MENA REGION

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Abstract

This paper examines the impact of corruption on investments and economic growth of countries from the MENA region over the period 1990-2017. The extent of corruption and the practice of democratic life are often cited as the main factors that affect the volume of public and private investments. For this work, we use a dynamic panel data model. According to the results, we show empirically that political institutions have a positive effect on investment and growth moreover corruption has a negative effect on economic growth through its effect on investment.

Keywords: Political institutions; corruption; public and private investment; simultaneous equations; panel data

JEL Classification: O43, C33, H54, R42, D73

1. Introduction

Despite a broad consensus within the scientific community about the negative effects of corruption on economic growth, some economists still defend the argument that the effects of corruption on growth are contextual and related to factors such as the frame legal, quality of governance and the type of political regime. They conclude that, in some highly regulated countries but lacking effective institutions and systems of governance, corruption can offset the institutional weaknesses and the effects of a heavy bureaucracy and "stimulate" the economy.

This argument fails when we consider the longer-term impact of corruption on economic growth, equality and the quality of governance and the institutional environment of a country. Most data indicates that corruption is likely to have a long term negative effect on economic growth through its effects on investment, taxation, public expenditure and human development. Corruption also risks undermining the legal framework of a country and the efficiency of public institutions, insofar as the search for immediate individual profits distorts public decision making. Corruption affects not only the economic development through its effects on efficiency and economic growth; it affects also equitable income redistribution, widening income inequality, undermines the effectiveness of social programs and results, ultimately, in the lower levels of human development. This can, in turn, erode development sustainable, economic growth and equality of the citizens.

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2. Literature review

If corruption represents a democratic imperfection, the phenomenon in developing countries refers to heavier and more alarming findings (Transparency International Report, 1996). The military, customs, police, justice, tax administrations and labor inspection are frequently corrupt. Moreover, corruption is present in the specific programs developing such international assistance, support for land reform, and the fight against poverty. Myrdal (1968) evoked the "folklore corruption" in recognition of his massive and unavoidable presence and, more recently, Rose Ackerman (1997a) described a "corruption trap" to express the fact that corruption feeds on itself. Whatever their political regimes, developing countries have fragile corruption than developed countries simply because failures of the state and the market are higher and they lay violent distortions (Stern, 1989, p. 615-622). Essentially, economic studies of corruption make the assumption that transactions are commercial, while most political scientists rather describe institutionalized social exchanges (see Padioleau, 1982 and Médard, 1995 the differences between "corruption-barter" and "social corruption-trade"). The new institutionalism or new institutional economics is a set of currents of thought which contributed to the renewal of the economic analysis of institutions in the 70s. It's about a set which includes heterogeneous works that have in common to question the role of institutions in economic coordination. This is specifically for the set of rules and standards that govern and regulate the behavior of individuals and businesses (Williamson, 2000). From this point of view, there is no unanimity as to the mode of supervision and regulation of behavior and especially in setting rules. Gabrié and Jacquie (1994) have highlighted the weaknesses of the theoretical foundations of the new institutional economics. Similarly, there is a relevant statement of the limits of this theory in the work of Maucourant (2003).

Beyond all these oppositions of ideas and currents of thought, the theory of institutions provides tools and avenues for economic analysis to better understand the evolution of many aggregates and explain their interrelationships. In this dynamic, we teach economic literature on the limits of public investment, private initiatives and credibility of institutions?

Scientific contributions relating to the nature and specificity of investment are many. Pereira and Flores de Frutos (1999) emphasize the complementarity between the public and private sectors that significantly contribute to the improvement of the indicators of economic performance of the United States of America. The rules and public expenditure disbursement procedures are subject to strict control and regular monitoring by competent structures (Pereira, 2001). Private sector actors are moving in a defined register and their economic activities are governed by the texts of all known and respected by all. While corruption exists and affects the quality of public investment, but globally, the US authorities have reason to be satisfied (Pereira, 2000). This assertion is defended by Podrecca and Carmeci (2001) that led reflections on the positive impact of public investment and private economic growth. Productive investments are characterized by positive externalities on the evolution of economic growth and unemployment. For many economists, corruption and weak democratic life are among the main reasons for the failure or the overestimation of investments (Feng, 2003; Knack, 2003; Johnston,

2005). Studies of Burguet and Che (2004) show that the corruption has damaging effects on free competition and the quality of products provided by a company selected following a tender for example. The issue of interrelations can exist between foreign direct investment and corruption was addressed by Habib and Zurawicki (2002) and by Larrain and Tavares (2004). These authors show that corruption has a negative impact on cooperation, whatever the direction of investments: whether the donor or the recipient country. They all stress that corruption is the basis of inefficient investments. In a study highlighting the negative effects of corruption, Fedeli and Forte (2003) explain that in the absence of corruption, the performance of a centralized system and a decentralized system are identical in co-financing of private projects. However, leading the reflection from a monopolistic competition analysis to Chamberlain by the introduction of corruption in the model, the centralized plan has the largest dysfunction as it meets favorable conditions for widespread corruption. At the macroeconomic level, the scientific literature shows generally that corruption has a direct negative impact on growth and development. Corruption has also an indirect effect on efficiency economic of a country, its impact on several factors that drive economic growth, such as investment, taxation and the level of public expenditure, distribution and their effectiveness. Economists have long identified a number of channels through which corruption correlate negatively to economic growth (see in particular Mauro, 1995; Tanzi, 1997; Gupta, 2000; Gyimah Brempong 2001): Corruption distorts the incentives of economists and market forces, leading to a misallocation of resources. Corruption is like an inefficient tax on business, increasing costs reducing production and profitability investments. Corruption may also reduce productivity investment by weakening the quality of resources. For example, interfering in the quality and quantity of health services education, corruption decreases capital human of a country. Macroeconomic studies, using national data to explore the variations between countries for economic indicators and governance indicators, conclude systematically that corruption reduces growth and economic development. The comparative data thus indicate that the corruption is systematically correlated with particularly low levels of the main economic indicators - growth rates, GDP per capita, human development - and to a high rate of economic inequality (Rothstein & Holmberg, 2011). Similarly, a systematic review of data available on the impact of corruption on economic growth in 2011 confirms that corruption has a direct negative effect on Growth in low-income countries (Ugur & Dasgupta, 2011). This analysis of corruption has also indirect effects through investment, human capital and finance. The negative effects of corruption are likely to be more significant in countries with high per capita income and a strong institutional structure.

3. Causes of corruption in developing countries

The interpenetration between the economic and political orders fosters relationships incestuous. The mixed economy facilitates legal and illegal trade in resources between these two spheres. Microeconomic researches on the causes of corruption traditionally rely on the information economy flows. The political and social universe of developing countries has prompted, more recently, researchers to emphasize the weakness of governance and economic delays for the origin of corruption.

3.1. Weak governance and degraded property rights

Three factors explain how bad governance is at the root of the expansion of corruption.

1 / Weak powers-cons: Property rights are often the cause of corruption (Jagannathan, 1986). According to the political legitimization systems based on the charisma and the rationality of goals are more permeable to corruption than systems based on skills and performance. In authoritarian regimes, systems of control and power-cons are precarious because there is no tradition of separation of powers nor the expertise or culture use of freedom of the press or of mobilizing and speaking (Report on World Development 1997). The weakness of independent mediators and modes of representation increases the discretion of political intermediaries, and the cost of the information in time and money can become prohibitive (Alam, 1995).

2 / The construction of difficulties: We have observed that political systems, even when they are democratizing, still rely on patronage and patrimonialism or corporatism (imperfect political market). The collected bribes, when awarding large contracts, serve both for the personal enrichment of the elite and the redistribution of clientelistic networks that enable political authorities remain in power by buying political support. A high degree of ethnic and religious split highlights the importance of network informal redistribution and their connections through alliances.

3 / Inadequate right: The formal rules of functioning of society should be constantly evolving to adapt to rapid changes. More formal rules are vague, rigid or inappropriate, more informal arrangements conduct the actions and choices of economic agents. Furthermore, many formal rules are put in place to allow predation (finicky regulations or procedures perceived as illegitimate by citizens). The development of informal rules takes place in opacity and without control procedure of their global effects. A labor law of the level of economic development or an excessive tax burden on new business promotes informal and corrupt arrangements necessary for its operation (Tanzi, 1983; De Soto, 1994; Mello et al. 1995). Arbitrary behavior and weak legitimacy of many states - which do not protect the economic agents do not organize negotiation between these actors - give way to alternative systems of protection or resourcefulness which are based on micro-legitimacies such as family, clan, ethnic group, region, the criminal organization, guerrilla warfare ... These systems are exclusionary for those whom do not adhere to local protection networks.

The feeling of inequitable initial distribution of private and public ownership (or a closed access accentuating the marginalization) or allocation of new rights to foster the emergence of elite raises the question of standards justice. If the legal distribution of favors to certain fractions of the elite do not indirectly benefit the entire population, through creation of mechanisms or redistribution of income, the risk is great to see the development of lack loyalty actors for the standards Public power (Cartier-Bresson, 1995b).

3.2. Economic Delay, scarcity of public goods and poverty

The role given to the State in developing countries remedial strategies and the weakness of its means determine a breeding ground for corruption. Five situations encourage corruption.

1 / The exploitation of strong natural resource endowments can be a source of annuities since they are sold at a price well above their cost. The payment of bribery is common when selling concessions. Many observers and explained that the discovery of oil and the explosion of corruption went hand in hand with Mexico and Nigeria (Diamond, 1993).

2 / Develop-mentalist policies are based on a multitude of transfers' annuities that fostered corruption (cf. Vornetti in this development in Worlds number). The weakness of the class of productive entrepreneurs then explains the relationship between primitive accumulation of capital, the allocation of public resources for these entrepreneurs and corruption (Khan, 1996). The trade restrictions by quotas give value of import licenses to importers competing for the buy, while taxes protect producers operating in the country and block foreign companies (Krueger, 1974). Industrial policies based on subsidies, tax rebates or input price control even create rents for the sector private. Major infrastructure works give rise to procurement contracts very high value and it is in this context that international corruption has flourished (Transparency International Report, 1996, 1997).

3 / The scarcity of public goods in developing countries creates creating queues. More these are important and the property is essential (housing, a phone line commercial, a place in the hospital, a scholarship, water for irrigation), more economic agents will be willing to pay a premium for privileged access. In the presence of free prices (on an official or parallel market) and administered prices (interest rates, exchange rates, currency allocation, commodities subsidized housing), goods that sell to administered prices below the free market price are rare and the competition between economic agents favors corruption (Roemer and Jones, 1989). Corruption reintroduced competition and discrimination by consumer prices. The price of subsidized food items including a bribe may remain lower than it would in a free market, and in this case the liberalization strategies have little chance of getting a popular support if they do not integrate social objective (Bardhan, 1997).

4 / If the reforms to reduce the weight of the public sector and policies regulations should in the long run reduce the opportunities of corruption issues develop-mentalist, the transition to the new standards favors new illegal arrangements. Privatisation (Rose-Ackerman, 1996) and the banks creation permissions are two examples of the new corruption. Furthermore, establishment in the future of competition policy through the development regulatory agencies may allow, in the context of poor governance, the emergence of a new large-scale corruption in the logic of the economy capture (Laffont, Tirole, 1993).

5 / Low salaries in the public sector largely explains the trivialization of petty corruption (Klitgaard, 1989; Besley and McLaren, 1993; and Flatters McLeod, 1995; Mookherjee, Png, 1995). The higher level of civil service wage lower than in the private sector, the greater the temptation of illegal catching up (called rate temptation in the Development Report in the World, 1997) will be powerful (Gambia, Private sector wages are three to six times higher than in the public sector). The opportunities for corruption then become the main motivation for joining the public function. Given the fiscal crisis and adjustment policies, governments often preferred to let inflation reduce the level of wages, rather than decreasing the number of officials. In Latin America, real wages in the public sector fell from 30 to 40% since the early 80s, three times more than those in the

private sector (Naim, 1995). In Africa, in 1983, the real wages of senior officials represented only 5% those of 1975 in Uganda, 11% in Ghana, 30% in Nigeria, 45% in Zambia (Klitgaard, 1997). The power of information asymmetries or totally discretionary powers arbitrary in a context of poor governance, the massive presence of poverty and social violence will explain the importance of the consequences of corruption in developing countries. Causes and consequences are indeed intertwined since many sources of corruption are due to the adaptation of economic actors to the consequences of corruption earlier. Recent econometric studies attempt to address the new institutional concerns about the credibility of the adjustment policies. Besides the theories of endogenous growth stressing the importance of human capital and public capital to explain the good performance of certain countries, many studies have tried to find out what influence of political regimes and stability on the growth or the influence of the size of the government on economic expansion. This is in line these macroscopic methodological work on good governance that empirical comparative analyzes on corruption emerged. The reliability of the sources of data is the first problem with these analyzes. Indeed, data on corruption are fragile because the transactions are by definition secret. It is impossible from the judicial data because definitions of corruption and especially the strength of the enforcement vary widely from country to another. Econometric research has then used subjective data provided by Study agencies on risks posed by various developing countries for investments and loans. The various index rank, noting from 0 (totally corrupt) to 10 (totally clean), for sixty developed and developing countries. These data represent an estimate of the share of the business community. Biases are twofold: i) countries with good economic performance and high levels of corruption that are rated those with the same level of corruption but low growth; ii) internal corruption faced by citizens or local firms is not perceived.

3.3. The causes of corruption: interventionism and a weak judicial system

Ades and Di Tella (1995) examine the role of market structure on the level of corruption for 52 countries. Authors retain four variables to explain the origin of corruption: i) the probability of being politically sanctioned (loss of power), ii) the level of development (measured by GDP per capita) iii) the level of education (such as the capacity indicator to produce and use information). Finally, iv) the level of economic competition evaluated by three sets of data. They conclude that an increase of 4 400 \$ per capita income would improve the classification of the country in the two-point corruption index (ex. 6/10 instead of 4/10). Furthermore, an increase of one standard deviation of competition faced by firms in the country would improve the classification of the latter by 0.5 points (eg. 4.5 / 10 instead of 4/10). So they are the same as economic development and under similar conditions of political competition, corruption is higher in countries with markets dominated by a few firms or if domestic firms are protected from international competition. The authors then wrote "that a third of the difference of corruption between Italy and Austria is explained by the reduced exposure of Italy in international competition."

In another article, to capture the effects of repression on the level of corruption, Ades and Di Tella (1997b) try to understand the interaction between the degree of

openness of the economy and independence of the judiciary. The authors find that corruption is higher in countries that closed in countries open to international trade. It is also higher in countries where the legal system is undeveloped or poorly independent. But, the most important from their point of view is that the openness of an economy is particularly effective in the fight against corruption in countries where legal institutions are weak. In countries where the independence of the judiciary is above average, an increase of one standard deviation of competition reduces corruption by 0.4 points, while in countries below the average, the same operation would improve by 2.3 points (eg a score of 6.3 / 10 instead of 4/10).

Ades and Di Tella (1997a) analyze the same logic the effects of the degree of intensity of industrial policy (tax breaks or subsidies) on corruption. The negative effects of corruption (lower investments, Mauro see below) must be subtracted from the positive effects of industrial policy. By integrating data on preferential practices to support national champions on the purchase of property by public authorities, they found that an improvement of a standard deviation of an index on preferential policies would sharply reduce corruption the country concerned. The authors conclude that "Almost half of the efforts of industrial policy and to persons engaged in Research & Development is lost by the distortions involved in the corruption." Similarly, the Report on World Development (1997), by regressing Variables on a corruption index, emphasizes four factors associated with low Corruption: i) Lack of distortions due to economic policies; ii) A system predictable legal; iii) recruitment of civil servants on merit; iv) A small difference between salaries in the private and public sectors. This questioning of the state is tempered by Kimberly work (1997) for 83 countries show that there is a positive correlation between corruption and low level of central government spending. In the 16 countries most corrupt, the average percentage of central government expenditure to GDP is 21%, a ratio below the sample average (32%).

3.4. The consequences of corruption: low investment and growth

Keefer and Knack parallel to (1995) quantifies the impact on investment of more or less respect for property rights, the quality of administration and intensity of corruption, Mauro (1995) highlights a negative correlation between corruption and the rate of investment and between corruption and growth rates for 67 countries during the period 1960-1985. The author found that if a country like Egypt improved its administrative efficiency and reduce its corruption to bring it to the level of that of Argentina (which corresponds to a standard deviation of the index, that is to say a 6/10 instead of 4/10), the rate investment would increase by 3% and its growth rate of 0.5%. According to Mauro, the result is not different if we regress the small or grand corruption (investment improvement respectively 2.6% and 3.4%), there is no support to the explanation of the beneficial effects of petty corruption as a factor of acceleration of administrative procedures. Mauro (1996) writes that "an improvement of one standard deviation of the index allows a 4.2% increase in the investment rate and 0.6% of GNP per capita". The author shows that parallel corruption promotes public spending leading to transactions corrupt. Typically arms expenditure to the detriment of education spending. In a recent contribution, Wei (1997) jointly studied the effects of a tax increase or corruption on investment by multinational

companies from fourteen countries towards forty five host countries. According to the author, increasing the tax rate on companies making direct investments has a significant negative effect on the amount of these investments. He continues "an increase in corruption from a zero level as that of Singapore (rated 10/10) at a high level as that of Mexico (rated 3.25 / 10) is equivalent to an increase in the rate of 21% tax "and therefore greatly reduces the direct investment flows. Brunetti (1995), constructed from data on 28 countries, shows that this is more the uncertainty related to the instability of administrative rules (which corruption is only one element among others) that negatively affects investments as corruption itself. Thus, countries with endemic but predictable corruption (Thailand and Indonesia) do not undergo reduction in investment or growth. The Report on World Development (1997) brought this logic a clue about the stability of corrupt transactions in 69 countries (the predictability of the additional amount to be paid and the benefits resulting from this installment). For the same level of corruption, countries with a more predictable system of corruption have a higher level of investment. By crossing the two parameters (level of corruption and predictability) have obtained four situations each corresponding to an investment rate including: i) Strong unpredictable corruption (12.3%); ii) Strong predictable corruption (19.5%); iii) Low unpredictable corruption (21.3%); iv) 'Low predictable corruption (28.5%). The debate from the econometric work on corruption has finally started, but it is not sure it can be more conclusive than the one on the relationships between democratization and growth. While comparative econometric analyzes have some interest, they also have many limitations, the authors are cautious indeed aware. The direction of causality is obviously the first problem because of «statistical associations» does not give the direction of effects and the more so that models underlying growth are not explicit. Thus, in the new empirical analysis, the fundamental relationship between growth and investment remains problematic, and doubts persist about the relationship between the economic policies conducted and growth. It is difficult to know if these are the characteristics of underdevelopment that foster corruption (the wealth of a country and its growth would explain the weakness of the corruption and its perception) or whether it is corruption that keeps the underdevelopment (less corruption would allow better performance). To avoid these problems Kaufmann (1997) began more modest econometric studies by region (ex. Ukraine) based on responses to detailed questionnaires. Furthermore, regarding the causes of corruption, econometric analyzes seize the moment after the old corrupt interventionist state. They do not explain the new forms of corruption that can thrive with democratization and transition to market economy regulated by the law. Finally, the work does not include as explanatory variables of the diversity of causes of corruption of data on income distribution structures and on the consequences of corruption.

4. The Methodological Framework

4.1 The basic model

To appreciate the impact of corruption on investment, several authors have proposed various theoretical and empirical models that rival relevance. For information, one can refer to the recent contributions of Mauro (2004), which analyzes the relationship between corruption and economic growth. Through a microeconomic approach, it shows that the lack of incentives is a resistance factor enables the corruption that is itself the cause of low

growth. Similarly, Correani (2005) argues that it is difficult to overcome corruption in an environment characterized by great poverty which encourages opportunistic behavior. Like the authors of the above, very few studies that highlight the direct link between the level of corruption and public investment in the empirical literature.

Our analysis for the following model:

$$pubinv = \alpha_0 + \alpha_1 cpi + \beta X + \varepsilon (1)$$

Where *pubinv* means the share of public investment in GDP and *cpi* is the Corruption Perceptions Index provided by Transparency International. As noted above, it is a composite indicator based on surveys of individuals and organizations. He is between 1 and 10. This indicator is important, so that a high score indicates high corruption perception thus facilitating interpretation. Thus, we define the variable $corr = 10 - cpi$. “X” a vector of control variables. As we said, to capture the effect of corruption, we have used the Corruption Perceptions Index (CPI). It is an indicator that has been the subject of much criticism in the economic literature. So Williams and Siddique (2008), believe that the limits of the CPI lies in the variability of the questionnaire and the sample countries. They then questioned the credibility of an indicator which varies in time and space? Beyond these shortcomings, Lambsdorff (2004) argues that over time, we can consider that the observed changes in the methodology do not affect the robustness of this indicator. We share this idea because CPI is now used in almost all scientific work fit corruption in their analysis (Swaleheen, 2009 and 2007). α and β represent parameters and ε represents the stochastic perturbation. The matrix X consists of explanatory variables such as economic growth rate (GDP), the degree of openness (trade) calculated by the sum of imports and exports relative to GDP, the share of private investment in GDP (*priinv*) and external debt to GDP (*exd*). Macroeconomic data, which cover the period 1990 to 2017, are from the World Development Indicators Database (WDI) of the World Bank.

The structural form of the model is then:

$$pubinv_t = \alpha_0 + \alpha_1 corr_t + \alpha_2 GDP_t + \alpha_3 trade_t + \alpha_4 priinv_t + \alpha_5 exd_t + \varepsilon_t (2)$$

This equation highlights the impact of corruption on the volume of public investment and we are particularly sensitive to the sign and value of the coefficient of private investment. Equation (3) that allows to link corruption and private investment presents itself as follows:

$$priinv_t = \beta_0 + \beta_1 corr_t + \beta_2 GDP_t + \beta_3 trade_t + \beta_4 pubinv_t + \beta_5 mmo_t + \beta_6 bco_t + \delta_t (3)$$

Where “mmo” and “tb” represent respectively the money (M_2) and the trade balance. The variable *mmo* represents paper money, bank deposits and negotiable debt, all of which may be used immediately as payment. The other variables are defined as above. It may be noted here that among the explanatory variables of the model, there is no delayed value of private investment, as is the case in several studies such as Mo (2001) and Dusek (2005). These economists have shown that there is a very strong correlation

between the volume of private investments in the year (t) and year (t-1). Similarly, there is evidence that it is entirely appropriate to consider only the investments of the current year which have statistically significant effects on economic growth. The main reason for this option is that there are only twelve observations for each variable and it costs in terms of degrees of freedom. The other variable the model are observable over a long period. The objective of this study was to analyze the impact of corruption on the public and private investment and beyond to determine their effects on the level of economic growth, it appears appropriate to specify a model of simultaneous equations. Besides the two above equations, we take a third equation in which economic growth is explained by public investment, private investment and the rate of inflation (ri). The latter variable is calculated based on the consumer price index.

The third equation is as follows:

$$GDP_t = \nu_0 + \nu_1 pubinv_t + \nu_2 priinv_t + \nu_3 ri_t + \theta_t \quad (4)$$

Finally, the simultaneous equations model (SEM) we choose to verify the research hypothesis is as follows:

$$\begin{aligned} pubinv_t &= \alpha_0 + \alpha_1 corr_t + \alpha_2 GDP_t + \alpha_3 trade_t + \alpha_4 priinv_t + \alpha_5 exd_t + \varepsilon_t \\ priinv_t &= \beta_0 + \beta_1 corr_t + \beta_2 GDP_t + \beta_3 trade_t + \beta_4 mmo_t + \beta_5 tb_t + \gamma_t \quad (5) \\ GDP_t &= \nu_0 + \nu_1 pubinv_t + \nu_2 priinv_t + \nu_3 ri_t + \theta_t \end{aligned}$$

4.2 The statistical properties of the variables and the estimator of SEM

The table below provides a summary of the analysis of the descriptive statistics of the model variables (5). With the exception of variables (GDP) and (ri), all other variables are expressed as a percentage of GDP.

Table 1: Descriptive statistics of variables

Variables	Symbol	Average	Maximum	Minimum	Standard-Deviation
Public investment	<i>Pubinv</i>	6,0	11,9	3,0	3,8
Private investment	<i>Priinv</i>	6,3	14,1	5,1	4,6
Growth	<i>Gdp</i>	4,4	8,4	2,3	8,4
Trade openness	<i>Tradeu</i>	45,6	74,7	27,9	4,4
External debt	<i>Exd</i>	72,3	93,6	69,6	4,5
Corruption	<i>Corrr</i>	8,5	6,2	4,9	0,8
Money (M2)	<i>Mmo</i>	13,8	34,4	24,7	2,2
Trade balance	<i>Tb</i>	19,1	31,6	8,9	5,6
Rate inflation	<i>Ri</i>	6,3	24,8	1,7	6,6

Source: Author's estimate based on WDI data and TI.

Overall, it can be noted that the standard deviations are low; which means that the variances are minimal between the variable values. It is therefore not necessary to perform a logarithmic transformation thereof as is often the case for normalizing the series. Regarding the statistical properties of the variables, issues related to the autocorrelation and heteroscedasticity arising in the model of equation (5) were resolved by the respective implementing Baltagi and Li (2001) tests. We verified that the variables are stationary in first differences within the meaning of Im, Pesaran and Shin (2003). The small number of observations does not allow us to consider a long-term analysis through a cointegration test. Like any estimate a simultaneous equations model, it is important to solve the problems of identification. The econometric literature states that identified model is estimable or just identified by the double least squares (DLS) or triples least squares (TLS). However, a model sub-identified (more parameters than equations) remains difficult to estimate (Greene, 2005). A necessary condition for identifiability for a structural equation is that the number of absent exogenous variables thereof is equal to (or greater than) the number of endogenous model variables minus one. In the case of our study, the calculations indicate that the model is identified because the number of endogenous variables is less than the number of excluded exogenous variables:

$$G_1 - 1 < K - K_1 \quad (6)$$

G_1 is the number of endogenous variables, K the number of equations and K_1 is the number of exogenous variables. We can therefore use the (DLS) to the estimator estimates. This estimation method, which is present in two steps, first we estimate the reduced form of the model by ordinary least squares (OLS). Then, we replace predicted values of the coefficients in the initial structural shape to obtain the estimated values of the model (5). The results of the estimates are set forth in the next section.

5. Empirical results

The empirical results of our study are presented in Table No.2. This table shows the results of the estimation of the model with simultaneous equations. The results inspired several comments. Only the main findings and lessons learned are discussed in this section. When considering the results of the first equation of SEM (Simultaneous Equations Model), we can note that all the model coefficients are significant at the 5% level. Corruption contributes to a public investment. This is consistent with the findings of Everhart (2010) and Burguet and Che (2004).

Table 2: Estimation results of the SEM

Estimation with OLS						
	Coef.	Std. Err.	T	P> t	[95% Conf. Interval]	
pubinv : dependent variable						
Corr	2,64	0,4	6,5	0,013	-1,64	-1,56
GDP	4,05	0,3	4,7	0,011	0,37	0,83
Trade	2,77	0,2	5,1	0,039	0,08	0,92
Priinv	-2,11	0,5	-0,42	0,056	-0,12	0,14
Exd	-7,54	0,1	-2,41	0,009	0,27	1,27
_cons						
invpri : dependent variable						
Corr	3,43	0,6	2,5	0,054	1,20	2,56
GDP	3,51	1,6	6,0	0,074	2,47	4,35
Trade	1,883	0,3	1,5	0,093	1,72	3,95
Pubinv	-4,06	0,2	-2,34	0,032	3,54	5,46
Mmo	4,53	0,1	6,0	0,013	-6,45	-2,76
Tb	-0,45	0,7	-2,52	0,853	3,42	6,22
_cons	-2,94	2,5	-6,62	0,045	-8,45	-2,34
GDP : dependent variable						
Pubinv	0,23	0,2	-6,13	0,003	-1,45	-1,23
Priinv	0,17	0,1	3,6	0,012	0,76	0,78
Ri	-5,27	0,5	2,1	0,024	0,13	0,45
_cons	12,12	0,1	-0,76	0,345	-0,43	0,23

Source: Author's estimate based on WDI data and TI.

It is then possible to support a climate of widespread corruption pushes agents to overestimate the volume of investments in anticipation of their profit margin, provided that all funds are not spent on construction of the infrastructure for example. Considering the results of the third equation, the positive sign and the low value of the public investment ratio shows that these investments have a low value on the level of economic growth. This result confirms the idea that corruption has perverted the evolution of GDP. Mauro (2004) and Mo (2001) arrive at the same results in their studies. The situation is the same when considering the effect of corruption on private investment and on economic growth. Corruption affects positively and significantly the investments of private operators who are not carriers of economic growth. The fierce fight against corruption will then continue to clean up the management and allocation of public

finances. It is also noted that, whatever the variable considered explained or explanatory, the coefficient linking public and private investment has a negative sign. This could partly explain the eviction that the private sector is the result of a state intervention. Corruption exerts a negative impact on the economic growth of the sample countries subject of our study. This finding is the same result of Levine (1993) who has studied the effect of financial development on the economic growth. The main result is that financial development leads to produce a positive impact on growth and on the global productivity factors. Finally, corruption is correlated negatively to economic growth of countries of MENA region essentially through its effect on investment.

6. Interpretations and discussion

This study aimed to determine the effect of corruption on public and private investment in countries of MENA region, to examine their different impacts on economic growth. It also had the ambition to analyze the effect of the economic and political crisis on the evolution of these aggregates. The main results of this study are to highlight three points. The first is that corruption has led to increased public investment which has not, itself, had positive and significant effects on the economic growth of countries studied. This confirms the argument that corruption is an evil that must absolutely fight. So this is the place to invite governments to establish a national authority which would be endowed with exceptional powers of sanction. The second point is that economic and political crisis has profoundly destabilized and undermined the financial system of MENA region and highlighted the corruption phenomenon. The recent remarkable development in the informal and semi-formal sectors with the promotion of micro-finance institutions allowed thousands of citizens to better cope with poverty. However, the negative effects of corruption and socio-political instability have affected the management of the resource mobilization structures and diminished private investments of households. The third point is that public investment has an eviction effect on private investment. Yet, it is acknowledged, in the economic literature and in practice, that the private sector has an important role on economic growth. In light of these conclusions, governments should establish strong and credible institutions to better fight corruption. This could be achieved by developing a plan outreach director of all political and economic actors to harm of corruption in these countries. This plan could be revised and improved every decade depending on the evolution of the Corruption Perceptions Index.

7. Conclusion

Economic analysis shed light on the causes of corruption using concepts of asymmetric information, discretion, and monopoly and annuity research. However, the logic of agency models poorly explains the presence of honest economic agents. Similarly, analyzes rent seeking are suitable only illuminate the failures of public policies and not success stories. Various models have also exposed the ambivalence of the consequences of corruption, and so question the reformers on the priorities of the fight against corruption. In addition, the early economists discussions on political systems of developing countries to better understand the diversity of the configurations of corruption from the market power of ideas or social networks. It seems precisely that the first results

of econometric analyzes still suffer from not integrate sufficiently the influence of the variety of political regimes on corruption. Yet it is, with different types of structures economic markets and the degree of poverty, the origin of the variety of configurations of corruption. The future economic research should then make an effort in a more historical leadership and institutional to explain the variety of socio-political transactions that grow in developing countries and explain specifically how the most corrupt Asian countries have nevertheless developed rules law and sound macroeconomic management. They should likewise continue to integrate normative equity concerns to better grasp the relationships maintained by economic rationality, political and social (and not always to the disadvantage of the latter two) in periods of transitions. It is already in the sense that the concern of international institutions, for corruption, has increased thanks to the new role given to the "good governance". This inflection approach offers hope for administrative necessary reforms from a broader spectrum than the withdrawal of the State advocated previously, strengthening research on social sustainability of reforms. However, strategies to improve governance may not offer the least developed countries from the time when the solution strengthening state action capacity is a cost that may be inconsistent with the adjustment policies. The question of the effectiveness and equity of development strategies then remains full for least developed countries.

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CITIES OF THE FUTURE: CIRCULAR PARIS. VISIONS, STRATEGIES AND PARADIGMS

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Abstract

France is one of the European countries that integrated circular economy policies and strategies in its national agenda. Paris is the first city in France which adopted an official circular economy plan. Thus, its aim to become a circular city is clearly defined and expressed through the actions already in place. This paper examines the municipality's programme for a circular Paris, which can be taken as an example by other cities willing to make the transition to the circular economy.

Keywords: circular economy, circular city, urban metabolism, territorial innovation

JEL Classification: Q57, Q58

Introduction

How will cities look like in the future? Smart cities, green spaces, zero waste...all these concepts are already part of the modern world. Circular cities are starting to emerge and could serve as a reference for future generations.

France expressed its intention to make the transition to a more circular economy at a Conference on Climate in 2013 (1). The energy transition law adopted in 2015 includes the aim to establish a circular economy in France.

In the analysis conducted, we develop a case study of the French capital as a future circular city.

Strategies

The White Paper on the Circular Economy of Greater Paris, drafted by the Paris City Hall, proposes 7 strategies and 65 proposals for the transition to the circular economy in the French capital and its metropolitan region. These strategies were elaborated during several months in 2015 by the General Assembly which gathered a group of researchers, companies, public institutions, organizations, etc.

The first strategy, entitled "Encourage and support economic players", focuses on circular procurement, the product-as-a-service model, ecological design of products, extended producer responsibility schemes, donations and repair of products, an increase in the taxes on polluting activities, financing circular businesses, energy recover and ecological construction (3).

"Innovate and experiment" is the second strategy which intends to foster industrial and regional ecology, support research in the field of circular business models, set up

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business incubators for ecological design projects, finance innovation, use contaminated soils to produce energy and develop sustainable projects (3).

The third strategy intends to "scale up and establish regional momentum", through initiatives that create a framework for industrial and regional ecology like action plans and committees in charge of management and supervision, urban planning, sharing of spaces, protection and support of local agriculture, stimulate partnerships for waste management, recycling and reuse of materials and products, facilitate the transportation of donations (3).

Another strategy has in view to "change attitudes and practices" and proposes to design digital platforms related to circular economy, put labels on products that are conceived according to circular economy principles in order to raise awareness among consumers, inform the stakeholders and citizens about renewable energy, food waste, sustainable products, construction and resources, introduce a circular economy curriculum in schools, teach professional staff the new circular models regarding sustainable design and ecological construction, reuse and repair practices (3).

The fifth strategy intends to "involve local authorities, businesses and citizens", focusing on the reduction and recovery of food waste and unsold goods, the reduction of disposable products like packages and public transport tickets, the support of composting at a local level, the life-cycle extension of products and a better management of recycling and sorting (3). "Create a network linking players" is the sixth strategy drafted by the General Assembly, aiming at connecting people in order to exchange goods and make donations, thus giving products a second chance to be used, build up a social network related to waste, reuse of materials and resources, set up platforms for food waste collection and dialogue about renewable energy (3). The last strategy is to "change legislation" on agriculture, reuse and recycling procedures and construction (3).

Municipal plans

The Paris Circular Economy Plan, proposed by the Paris City Hall, identifies the most urgent issues that the circular economy should address. According to the action plan, the food sector needs restructuring with special focus on the management of waste that it generates, organic waste has to be recovered, the construction chain should be evaluated for improvement, the products supply chain has to be more organized so as to increase transparency, the sharing principles could be applied to the land planning, innovative projects ought to be financed and short production chains need to be promoted first (4). Territorial innovation and urban metabolism are two of the core instruments that will be developed with the aim of achieving circularity in Greater Paris. Territorial innovation refers to new methods to tackle issues within a given region, in a way that supports sustainability and prosperity, involving local stakeholders and citizens for the sustainable development of the territory and creating sustainable economic models (8). The urban metabolism encompasses the processes through which cities manage, consume and process the natural resources that they use on their territory and that they import or export (2).

The Paris City Hall adopted the first roadmap on circular economy in 2017 and the second one in 2018. Each roadmap includes a set of 15 actions to be performed during the 2017-2020 period. Table 1 (5) contains the 15 actions proposed in the first roadmap.

With the adoption of the Circular Economy Plan and roadmaps, Paris is now the first city in France to propose an official strategy for circular economy (6).

In Paris, circular economy generated 66,500 direct jobs (equivalent to full time) in 2016, which represent 2.9% of the total jobs in Paris and create a value added of €7 billion/year (7). These jobs are related to the following activities: responsible consumption, repairing, reuse, collecting and treatment of waste, recycling, recovery and selling of raw materials, renewable energies, transport, energy control, waste incineration and recovery (7).

	Actions	Methods	Performance indicators	Impact indicators	Prospects	Period
1.	Organize the recovery and reuse of building materials	Project team, data-sharing IT tool	Percentage of parisian area covered	Quantity of resources exchanged (in tonnes), CO2 avoided, money saved	Implement operational instruments, as well as a dynamic map of storage and reconditioning facilities by 2020	2017-2019
2.	Building sites – evaluation, sorting and recovery of site resources	Project team, financing the projects	Number of pilot sites identified, duration and funding of experiments, financial and human resources engaged in the action	Quantity of recovered resources through reuse and recycling (in tonnes), CO2 avoided, money saved	Conclude experiments, make resources performance diagnosis compulsory through construction and demolition permits as of 2020	2017-2020
3.	Sustainable and circular construction	Cooperation between departments	Number of stakeholders engaged in experiments and number of projects developed	Not yet determined	Not yet determined	2017-2020
4.	Reduce packaging waste	Feasibility studies, communication campaign, funding for the Bento Box food container	Quantity of food containers (bento boxes) distributed and quantity of model households used	Total waste avoided by the two projects	Implementing the Bento Box and deposit system in the region	2017-2019

5.	Support the repairing of products through additional measures	Organize teams, build recycling centres, inform via campaigns	Number of repair cafés and their members /year/district, number of recycling (with repairable products) and repairing centres	Quantity of products repaired at repair cafés (in tonnes), quantity of products redirected/repair ed from recycling centres (in tonnes)	Repair cafés in each district by 2019	2017-2019
6.	Reuse – workshop for the reuse of construction materials	Set up the workshop, teams, IT tool for stocks and orders	Workshop's operation	Quantity of materials collected and reused (in tonnes), money saved	Open the workshop to other project owners	End 2016-2019
7.	Remanufacture – set up charity shops and reuse centres	Teams, financing, investments, technical support, cluster	Number of reuse centres, launch of the studies for the cluster	Quantity of products collected and recovered (in tonnes), quantity of waste avoided (in tonnes)	Foster communication between reuse centers and clusters	End 2016-2019
8.	Build an innovation incubator for circular economy projects	Financing the incubator every year	Operation of the platform, number of events and startups	Number of economic stakeholders engaged, number of synergies	15 innovative solutions and around 200 innovative businesses	End 2016-2019
9.	Facilitate sharing of spaces for circular, solidarity and new economies stakeholders	Digital tool, identification and communication campaigns	Number of workshops and meetings, functioning of the platform	Number of visitors, projects and offers on the platform	Share spaces owned by the city and extend to all owners identified	2017-2019
10.	Raise awareness - set up a meeting point in Paris for circular, solidarity and new economies stakeholders	Investment, financing, support in logistics	Opening and functioning of Les Canaux	Number of events, participants, international delegations and publications	Foster dialogue and create a hub for exchanging knowledge	End 2016-2020
11.	Stimulate cooperation between companies	Studies, teams, projects	Number of pilot projects and coordinators	Number of economic stakeholders involved, number of synergies developed	Network of local coordinators	End 2016-2019

12.	Develop an online platform for dialogue related to circular economy	IT tools, platform	Online platform for circular economy	Traffic on the platforms	Create a community of circular regions	2017-2019
13.	Acquisition of sustainable and ecological products; integrate functional economy in public procurement	Purchasing techniques	Percentage of circular economy contracts, percentage of contracts with ecological clauses	Percentage of contracts with ecological materials and contracts which take into account end-of-life management	-	End 2016-2019
14.	Life extension and recovery of personnel's clothing	Co-fund the OREE study with €10,000	Create collection points and repair workshops	Quantity of clothes recycled annually (in tonnes), number of fashion products repaired annually, savings made	Encourage personnel to repair and recycle clothes, use collection points and repair workshops	End 2016-2018
15.	Encourage responsible and circular consumption	Teams, groups for responsible consumption	Number of redistribution and recovery actions, food processing facilities	Quantity of food waste avoided (in tonnes), number of jobs created	Network of stakeholders	End 2016-2020

In 2018, the Paris City Hall evaluated the Circular Economy Plan and the first Roadmap published in 2017, with the aim of assessing the evolution of the actions proposed in the plan and roadmap. The assessment shows that all actions presented in the roadmap have been initiated in 2017, 5 of them are still in the development phase, while the other 10 are already in the completion phase; the results of this evaluation are presented in Table 2 (6).

	Actions	Results	Highlights	State of progress
1.	Organize the recovery and reuse of building materials	The Paris City Hall performed a study on the recovery of excavated lands in 2017. An evaluation of the sites and of the current solutions for the depositing and recovery of the construction waste is underway.	80% of the excavated lands in Paris are non-hazardous	Development phase
2.	Building sites – evaluation, sorting and recovery of site resources	Identification of 14 pilot sites with the aim of conducting experiments related to recycling and reuse The Directorate for housing and habitat included circular economy clauses in the demolition contracts.	98% (more than 1000 tonnes) of the materials resulted from the demolition of the Bourdan nursery were recycled	Development phase
3.	Sustainable and circular construction	Working groups on the integration of circular economy in the construction sector	Environmental study for the building of a college	Development phase
4.	Reduce disposable packaging waste	The Zero Waste House project was initiated in 2017, promoting activities and products related to zero waste. The City Hall supports the opening of 5 shops which sell bulk products.	30 families engaged in the project "Zero Waste Families"	Completion phase
5.	Support the repairing of products through additional measures	A Bricothèque (a do-it-yourself library) was opened in the 3rd arrondissement, where people can borrow tools for free and take part in DIY workshops. Other Bricothèques are planned to open.	13 new repair workshops and spaces in Paris	Completion phase
6.	Reuse – workshop for the reuse of construction materials	New workshop and shop for reuse activities	-	Completion phase
7.	Remanufacture – set up charity shops and reuse centres	6 recycling centres have been opened in Paris since 2017	2673 tonnes of waste avoided in 2017	Completion phase
8.	Build an innovation incubator for circular economy projects	The incubator for circular economy was opened in 2017. It is in charge of support for start-ups dealing with circular economy.	37 start-ups were supported	Completion phase
9.	Facilitate sharing of spaces for circular, solidarity and new economies stakeholders	In 2018, the project Circular businesses was initiated. A platform for the sharing of spaces called "Vite, un lieu" (Fast, a space) was created.	36 new places for responsible consumption since 2014	Development phase

10.	Raise awareness - set up a meeting point in Paris for circular, solidarity and new economies stakeholders	The Maison des Canaux (House of Canaux) was opened in 2017, a place which hosted 25 training workshops, more than 150 businessmen. 95% of the building waste resulted from the restoration was recycled and transformed.	450 international delegations and events	Completion phase
11.	Stimulate cooperation between companies	The first circular neighbourhood, Les Deux Rives, the 4th business district in Paris, 100,000 jobs. Workshops for synergies between economic actors	40 economic actors of the neighbourhood involved in the project	Development phase
12.	Develop an online platform for dialogue related to circular economy	The digital platform www.grandpariscirculaire.org was launched. It contains information, instruments, initiatives, actors, news and events regarding circular economy in Greater Paris.	6th digital platform of the International Web of Circular Economy	Completion phase
13.	Acquisition of sustainable and ecological products; integrate functional economy in public procurement	39.4% of the contracts concluded with the Finance and Purchasing Directorate include a circular economy scope.	61% of the contracts concluded with the Finance and Purchasing Directorate include an environmental clause or criteria	Completion phase
14.	Life extension and recovery of personnel's clothing	In 2018, clothes were collected in 88 places during 2 months. The deposits are planned to be centralized in a single system of sorting and then recycle them.	4,5 tonnes of professional clothes collected	Completion phase
15.	Encourage responsible and circular consumption	Two project calls related to food waste 4 responsible businesses were launched Responsible and sustainable Christmas Market in 2017 at the Maison des Canaux Two project calls entitled "Solidarité Paris-Campagne" (Solidarity Paris-countryside) supporting solidarity between Paris and its nearby rural regions.	97 initiatives for responsible consumption have been supported since 2014	Completion phase

Conclusions

We explored the strategies, actions, methods, indicators and prospects of the Circular Economy Plan for Paris. Furthermore, we summarized the most important results of the actions which were all initiated in 2017, some of them being in the development phase, while others in the completion phase. We can conclude that the main focus is on the reuse, repair, recycling and remanufacture initiatives, as well as on sustainable consumption, production and construction.

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“SOCIAL” AND “CULTURAL”: A CASE OF SYNONYMY OR HYPONYMY IN THE FIELD OF TOURISM?

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Abstract

The current paper aims at analyzing specific terms which we have identified in tourism and at establishing the semantic relations that define these terms. We will focus on terminology from specialized texts, more specifically on terminological syntagmata including the two adjectives as determinants. “Social” and “cultural” are key determinants in sociological terminology, but they are also engaged in specialized syntagmata belonging to other fields such as tourism, arts, communication, journalism, etc. We will analyze their immediate context, the nature of the complex units, the way the forms occur in tourism texts and the way they are used in normative and descriptive sources, and the semantic consequences that they bring upon the field and semantics of tourism.

Keywords: terminology, tourism, syntagmata

JEL Classification: Z30

1. Introduction

The field of tourism has experienced an increasing interest and development as far as both specialists (in Economics, in the tourism and travel industry, etc.) and non-specialists are concerned. This is basically why the terminology of tourism has been subjected to evolution, as well. The aim of the current paper is to identify syntagmata in tourism specific texts and contexts and analyze them so that a clear answer to the following questions: What is the linguistic relation of the adjectives “social” and “cultural”? What is the exact terminological status of the two adjectives in tourism?

2. Tourism and terminology – academic resources, connections, methodology

First of all, we have decided to look into the definition of the field to better understand it from a conceptual perspective. We have come across a wide variety of definitions of tourism, and we shall provide some examples, as follows:

- “the commercial organization and operation of holidays and visits to places of interest” (<https://en.oxforddictionaries.com/definition/tourism>);
- “the business of providing services such as transport, places to stay, or entertainment for people who are on holiday” (dictionary.cambridge.org/dictionary/english/tourism);
- “the business of providing services for people on holiday, for example hotels, restaurants, and trips.” (www.collinsdictionary.com/dictionary/english/tourism);

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• “Tourism science is designed to provide a theoretical understanding of tourism. Tourism studies (as the applied study of tourism) are designed to enhance our ability to effectively manage the destination and, in doing so, enhance the well-being of the residents of a tourism destination.” (<https://journals.openedition.org/teoros/1621>).

Considering the high variation in the conceptual representation of the field under discussion, we have been forced into deciding upon one of these definitions as an indicator of semantic precision, stability and appropriateness. Starting from the scientific perspective of the current research, we shall take into consideration the fourth definition regarding “tourism science” all throughout this paper.

Terminology had its starting point as a mere branch of applied linguistics. Nevertheless, it has greatly developed over time as a consequence of “the simple human need to name and identify” (Sageder 2010: 123). Nowadays terminology can be perceived as: a useful resource for specialists in various fields of knowledge, a set of methodologies and procedures to be used while creating this resource, a communication factor, a community of actors in a specific field of knowledge, or, last but not least, an academic discipline that studies terms associated with various areas of specialist information (Bidu-Vranceanu et al 2005: 535; Valeontis 2006: 1; www.computing.surrey.ac.uk/ai/pointer/report/section1.html).

It seems rather difficult to connect two dynamic fields of study (terminology and tourism) in order to retrieve correct information and draw accurate conclusions. This is why we will approach this topic from the clearly established perspective of descriptive terminology, which allows a proper identification and analysis of the terms in this domain as terminological units engaged in tourism-specific contexts. We are going to rely on the linguistic theoretical framework regarding semantic relations and further apply in onto the specialized syntagmata considered as real terminology¹ actively (and perhaps even dynamically) functioning in texts of tourism.

3. Terminological criteria and semantics

The nature of the connection between term and the concept that the term generates a series of felicitous/infelicitous semantic relations. Terminologically speaking, it is of great importance that the process of disambiguation regarding the specialized meaning of terms meet the criteria of precision, non-ambiguity, and monoreferentiality (according to Bidu-Vranceanu 2007: 33). These criteria differentiate terminological units from lexical units and are considered clear indicators for simple, compound, or even complex terms.

We have placed the following under the category of felicitous semantic relations: *antonymy*, *hyponymy*, *lexical and semantic fields*². Even if antonymy is still debatable as far as its use, possible ambiguity, and the alleged primitiveness are concerned, once the exact criterion of the semantic opposition is clearly established and researched, it may generate disambiguity and even help while setting hyponymic relations in a clearly-stated terminology. Lexical and semantic fields help to further organize terms in a specific field.

On the other hand, we have labeled *polysemy*, *synonymy*, *paronymy*, and *homonymy* as infelicitous or rather inadvisable semantic relations in the case of terminological research. They are all sources of unspecificity and impreciseness, which

¹ Also see Thoiron & Bejoint 2003: 3-4 and Bidu-Vranceanu 2007: 148.

² Also see Bidu-Vranceanu 2007: 112-125.

do not belong to terminology as an academic discipline, a field of study or simply a reliable resource for specialists.

4. Sources for terminological research

As we have previously mentioned, the method we propose for our current research is a descriptive one, which allows us to synchronically study the terms, namely as they are actively and actually used nowadays in real texts of academic nature. The twelve texts have been issued starting 2014 until 2017 and further information (such as full title, authors, etc.) can be found in the category of references from the field of tourism at the end of the paper, in the order they have been read and their terms have been taken into account for the current analysis.

To get appropriate results, we have used Google search engine³, but we have also included certain criteria to refine the results. The first criterion which has been applied to the automatic text search is the nature of our sources, as they need to be tourism-based texts. Then there is the compulsory use of the two adjectives which function as key terms in this case, namely “social” and “cultural”. The third criterion refers to the recent publication years. The following criteria that have been implemented refer to the density of compound terms including the two adjectives stated above and to the academic nature of the text. These last stages have required special attention and thorough reading, as we have required dense terminological sources and we have been looking for the specific structure and information provided by specialized texts in the field of tourism.

5. Tourism-specific compound terminology

5.1. Compound terms with the determinants “social” and “cultural”

Compounds in tourism behave as syntagmata, in the sense that the constituents – the determinant and the determinatum – are clearly connected. In the case of this paper, the determinants to be analyzed are “social” and “cultural”, while the determinatum is provided by a wide range of possibilities, as the study of the specialized texts will show.

We shall begin with the definitions of the two key-words which are sometimes used interchangeably.

The definition of “social” is not to be found in DLTT, DTT or MDT. In DTTH we find syntagmas such as “social tourism” (DTTH 2003: 153, 171) or “social cost” (ibid. 153), but the adjective alone is not defined.

The other adjective, “cultural”, is defined as: “relating to the works of art produced by a particular nation or group of people or to their customs and traditional way of life” (DLTT 2006: 82). In DTTH we find syntagmas such as “cultural heritage”, “cultural relativism”, or “cultural tourism” (DTTH 2003: 48), but the adjective alone is not defined in DTTH, DTT or MDT.

Unfortunately, dictionaries of tourism do not provide much (semantic) information regarding these two words, but they do include syntagmata which are relevant to the field.

“Social” as an independent adjective is defined in general dictionaries as: “relating to society or its organization; needing companionship and therefore best suited to living in communities” (<https://en.oxforddictionaries.com/definition/social>), “relating to

³ <https://www.google.com/>

activities in which you meet and spend time with other people and that happen during the time when you are not working; relating to society and living together in an organized way” (<https://dictionary.cambridge.org/dictionary/english/social>), “1: enjoying other people; sociable a *social* person. 2: relating to interaction with other people especially for pleasure a busy *social* life. 3: of or relating to human beings as a group” (<https://www.merriam-webster.com/dictionary/social>).

General dictionaries define “cultural” as: “relating to the ideas, customs, and social behaviour of a society” (<https://en.oxforddictionaries.com/definition/cultural>); “relating to the habits, traditions, and beliefs of a society” (<https://dictionary.cambridge.org/dictionary/english/cultural>); “of or relating to a particular group of people and their habits, beliefs, traditions, etc.” (<https://www.merriam-webster.com/dictionary/cultural>).

The terms which have been retrieved from the twelve texts for this study are compound terms used in the scientific field of tourism which necessarily include the determinants “social” and “cultural”.

The results of the terminological study of the first series of twelve texts show that:

- there are over 150 compound terms which have been identified in the twelve texts;

- we have come across contextual liberty as far as the analyzed syntagms and simple terms are concerned (“social life” [2⁴], “social events” [3], “cultural activity” [3], “cultural issue” [10] for instance), but there are definitely rigorous terminological units, as well (“social prejudices” [5], “social revitalization” [7], “cultural resilience” [3], “heritagization” [6], “cultural adherence” [11], etc.);

- some texts are defined by high terminological density triggering “social”/“cultural” compounds: [1] – with 15 compound terms (12,30% of all compound terms), [3] – 28 compound terms (22,95%), [4] – over 22 compound terms (18,03%), [6] – over 14 compound terms (11,48%); this way, only two texts - [3] and [4] - include over 40% of all compound terms and all four texts represent 64,76% of the studied terminology, which includes 122 compound units – 49 units based on the first determinant plus 73 units including “cultural” as their determinant;

- there are fewer terms of the type “social”+noun (55) than “cultural”+noun terms (87);

- there are also cross syntagmas among these terms which highlight various instances of interdisciplinarity between tourism and:

- a. economics: “cultural and economic ties”[1], “economic and social benefit”[2], “social capital”, “cultural production”[3], “social fund”[5], “cultural economics”, “cultural supplies”[6];

- b. history: “cultural and historical processes”, “cultural and historical potential” [1], “cultural and historical identity” [3], “social anachronism” [12];

- c. sociology: “social media”, “social memory”, “social networks” [3], “social inclusion” [7], “social order” [11];

- d. psychology: “social psychology”, “social prejudices” [4];

⁴ This represents the number of the corresponding text, as marked in the tourism reference section, for example: [2] refers to Lussetyowati, T. 2015. Preservation and Conservation through Cultural Heritage Tourism. Case Study: Musi Riverside Palembang. In: Procedia - Social and Behavioral Sciences 184 (2015) 401 – 406.

e. anthropology: “cultural resilience”[3], “cultural traditionalism”[4], “cultural anthropology”[6];

f. management: “cultural ranking”, “social objectives” [4], “social organization” [12];

g. medicine: “social diagnose” [4], “social revitalization” [7];

h. common language: “cultural roads” [1], “social events”, “cultural work” [3], “cultural buildings” [5], “cultural issue” [10], “cultural aspects” [11];

- there are terms which occur only once in these texts (e.g. “cultural anachronism” [12]), but there are also highly frequent compounds including the determinant “cultural”: “cultural heritage” occurs several times in eight texts [1,2,4,5,6,7,9,10], “cultural tourism” can be identified in seven texts [1,2,4,5,6,7,10], “cultural resources” can be read in five texts [1,2,4,7,10], “cultural value” and “cultural events” occur in three sources [1,3,7]/[5,6,7], and the rest can be found in two sources, according to table 1;

- the form generates situations in which the same compound term can be identified with both singular and plural: e.g. “cultural difference” [7] and “cultural differences” [11];

- there are complex terms which combine the two determinants: “social and cultural activity” [3], “social and cultural groups”, “social and cultural objectives” [4], “social and cultural phenomena”, “social and cultural protection” [6], “social/cultural impacts”, “social/cultural environment”, “social/cultural impacts” [8], “social/cultural benefits” [9], which shall be further analyzed in the paper;

- there are six common determinatums which prove the conceptual connection between the two determinants which constitute the main topic of this research: “social benefit” [2] – “cultural benefit” [9], “social development” [3] – “cultural development” [1], “social interactions” – “cultural interaction” [4], “social indexes” [4] – “cultural index” [5], “social practices” [6] – “cultural practices” [3], “social work” [10] – “cultural work” [3]. We clearly perceive that two of these pairs of syntagms have a slight variation in number (interaction-interactions, indexes-index), but this is not semantically embedded and it generates no conceptual change. It is merely an issue of context and of author’s/ authors’ choice. “Interaction(s)” takes both determinants within the same text – text no. 4. Except for this instance, the source-texts for the syntagms which share the two adjectives are different, so texts cannot be subjectively considered the common ground or the source, the cause of these situations.

All these aspects have been captured, interpreted and then schematically presented in the following table:

Table 1. The compound terms identified in the specialized texts of tourism [1] – [12]

COMOUND TERMS IDENTIFIED IN TEXTS [1] – [12]	
“SOCIAL” + NOUN	“CULTURAL” + NOUN
<p>social opportunities [1]; ~ life, (economic and) ~ benefit [2]; ~ events, ~ media, ~ formation, ~ memory, ~ capital, ~ networks, ~ development [3]; ~ positions, ~ conflict, ~ objectives, ~ tensions, ~ prejudices, ~ premises, ~ groups, ~ interactions, ~ indexes, ~ psychology, ~ capital, ~ actions, ~ impact, ~ diagnose [4]; ~ fund, ~ change [5]; ~ practices, ~ communities, ~ identity, ~ status, ~ theories, ~ reality, ~ standards [6]; ~ revitalization, ~ inclusion [7]; ~ exclusion, ~ progress [8]; ~ fabric, ~ carrying capacity [9], ~ ill, ~ work, ~ development [10]; ~ order, ~ etiquette [11]; ~ equality, ~ phenomenon, ~ anachronism, ~ integration, ~ organization [12]</p>	<p>cultural corridors, ~ development, ~ phenomenon, ~ exchange, ~ (and economic) ties, ~ roads, ~ path, ~ (and historical) processes, ~ space, ~ basis, ~ monuments, ~ (and historical) potential, ~ festivals [1]; ~ assets [2]; ~ activity, ~ resilience, ~ practices, ~ functions, ~ remit, ~ production, ~ repertoires, ~ aspects, ~ work, ~ initiatives, ~ territory, ~ artifacts, ~ stakes, ~ traditions, ~ (and historical) identity, ~ transference, ~ knowledge, ~ material, ~ expression, ~ currents, ~ geographies [3]; ~ profile, ~ taxonomy, ~ representativeness, ~ shock, ~ similarity, ~ interaction, ~ traditionalism, ~ ranking, etc. [4], ~ buildings, ~ index [5]; ~ anthropology, ~ geography, ~ economics, ~ infrastructure, ~ supplies, ~ experience, ~ surprises, etc. [6]; ~ management, ~ experiences, ~ difference, ~ diversification, ~ monuments, etc. [7]; ~ preservation, ~ foundations, ~ benefit, ~ expressions, ~ elements, ~ taboo, ~ sites [9]; ~ boost, ~ issue [10]; ~ differences, ~ behavior, ~ adherence, ~ aspects [11]; ~ division, ~ significance [12]</p>
<p>social science [3,6], ~ relationships [4,11], ~ systems [3,12], ~ structure [4,12], ~ life [2,12], ~ distance [4,12]</p>	<p>cultural heritage [1,2,4,5,6,7,9,10], ~ resources [1,2,4,7,10], ~ tourism [1,2,4,5,6,7,10], ~ value [1,3,7], ~ events [5,6,7], ~ identity [1,4], ~ objectives [4,5], ~ sector [2,5], ~ goods [5,6], ~ consumption [6,7], ~ purpose [3,7], ~ festivals [6,10], ~ understanding [3,11], ~ conflict [4,11]</p>
<p>social and cultural activity [3], ~ groups, ~ objectives [4], ~ phenomena, ~ protection [6]</p>	
<p>social/cultural impact, ~ environment, ~ impacts [8], ~ benefits [9]</p>	

If we take a look at the recurring syntagmata, we notice that “social” and “cultural” do not overlap, that is they do not share any determinatum. While “social” takes “science”, “relationships”, “systems”, “structure”, “life”, and “distance” in forming these frequent syntagmas, the other adjective accepts the neighborhood of “heritage”, “resources”, “tourism”, “value”, “events”, “identity”, “objectives”, “sector”, “goods”, “consumption”,

“purpose”, “festivals”, “understanding”, and “conflict”. “Cultural” generates more and more frequent syntagmas in the texts that the current research relies on.

We can draw the conclusion that “social” generates expectable syntagmata, namely phrases which are often used in sociology. “Cultural” on the other hand forms interdisciplinary compounds, because of the determinatum which derives from anthropology (“cultural heritage”, “cultural identity”), economics (“cultural resources”, “cultural value”, “cultural sector”, “cultural goods”, “cultural consumption”), tourism (“cultural tourism”, “cultural festivals”), management (“cultural objectives”, “cultural purpose”), military (“cultural conflict”), and even common language (“cultural events”).

As it can be noticed in the table above, there are also various combinations of the two adjectives, which turn into complex terms with more than two constituents. There are two instances:

- “social and cultural”, which clearly indicates a mix of the semantic features (semes) of the two adjectives, although it is unclear which semes are incorporated in these terms;
- “social/cultural”, which requires and engages readers’ capacity of choosing between the two determinants, as if they were synonyms or at least used interchangeably within the provided context(s).

5.2. Compound terms with determinants representing different combinations of the adjectives “social” and “cultural”

Starting from the ambiguity and heterogeneity of the pragmatic status and contextual use of the two terms, “social” and “cultural”, which share certain determinatums and which are sometimes used interchangeably without being possibly considered synonyms, we need to study the semantic consequences of this different conceptualization. Their status is sometimes interpreted as “either...or...” (in the form of “/”), which automatically appeals to people’s choice regardless of their specialization and knowledge, and some other times as co-occurrence (marked by a conjunction - “and”).

Taking into consideration the terminological data from texts [11] – [14] which include combined forms of “social” and “cultural” we have found the following results:

Table 2. The compound and complex terms identified in the specialized texts of tourism [11] – [14]

COMPOUND AND COMPLEX TERMS IN TEXTS [11] – [14]			
“SOCIOCULTURAL” + NOUN	“SOCIO-CULTURAL” + NOUN	“SOCIAL-CULTURAL” + NOUN	“SOCIAL AND CULTURAL” + NOUN
sociocultural phenomenon, ~ value, ~ nature, ~ experience, ~ planning, ~ environment, standards [13]	socio-cultural impact(s), ~ and economic impacts, ~ aspects, ~ perspectives [11]; socio-cultural expanse, ~ environment, ~ heritage, ~ component, ~ phenomenon, ~ context [12]; socio-cultural characteristic, ~ potential, ~ environment, ~ planning, ~ project, ~ dialogue, ~ potential, ~ need, ~ situation, ~ functions, ~ information exchange [13] socio-cultural impact(s), ~ effects, ~ sphere(s), ~ tourism impacts, ~ harm, ~ structure(s), ~ impact items, ~ dimension, ~ costs [14]	social-cultural and economic impacts, social-cultural cost [11]	social and cultural aspects, ~ impact [11]; social and cultural traditions [12] social and cultural needs, ~ policy [13]

Even though there is a total of only 31 terms, we may draw certain terminological conclusions regarding tourism-specific texts. It is obvious that the form “socio-cultural” is prolific, thus rendering most syntagmata in the entire list of possible forms (17 syntagms, which represent almost 55% of all syntagms). The fact that this hyphenated compound can be encountered in all four texts which have been subjected to this study proves that “socio-cultural” is objectively the preferred adjective form of these authors. At the opposite extreme, “social-cultural” generates only 2 syntagms, one of which is a complex term including actually three determinants (“social-cultural and economic impacts”).

Dictionaries mention “socio-cultural” and “sociocultural” are synonyms⁵. The third form, “social-cultural” is not defined in general dictionaries, but it is encountered in many specialized texts pertaining to sociology, history, anthropology, and the list may go on. “Social and cultural” are defined as separate units, yet are not recognized as a fixed

⁵ Also see <https://dictionary.cambridge.org/dictionary/english/sociocultural>.

syntagm in the dictionaries. It is clear that terminology in its usage is sometimes more powerful despite the lack of term entry in the dictionaries. These terms exist and are used not only in common language texts, but also in specialized texts, such as these fourteen tourism-based examples.

6. Conclusions

There are variations in the definition of tourism, but its definition as a field of science, and the social reality within higher education support its existence and even its development. There is a clear interrelation with other domains, as in the case of all weak terminologies. They refer to economics basically, but also to management, culture, history, anthropology, sociology, psychology, and, terminologically speaking, we are also interested in the interrelation with the common language. There seems to be a wide interest in tourism from specialists in other fields and laypersons altogether and there is a so-called approachability for a wide audience that makes tourism desirable and interesting. Besides, there are two terminological trends which appear in knowledge dissemination: the democratization and popularization of knowledge, which create a strong relation between scientists or specialists and laypersons or people who are specialized in totally different fields of science.

There is a wide range of linguistic resources regarding this domain. There is a number of prescriptive sources to take into account; we have relied on four specialized dictionaries and three general dictionaries. Nevertheless we cannot leave aside the descriptive sources, namely the texts, which sometimes provide a richer terminology than dictionaries. There are texts to illustrate all specialization levels: specialized, didactic and informative texts. We have only chosen specialized texts for the current study.

The syntagmata using the determinants *cultural and social*, which are pivot terms of tourism specialized texts, do not always meet the criteria of terms. Some syntagmas are specialized units, some are cross-terms used in several related areas, but there are also cases when they are used as linguistic units in texts.

Both the democratization and popularization of knowledge have a strong impact upon these tourism-specific syntagmas, but the strength of the terminological unit provides the future status and stability within the field for the term.

“Social” and “cultural” are semantically connected, but their semantic features simply overlap in some areas and particular contexts. Tourism has developed a strong interdependence with certain fields of science and it sometimes borrows terminology from sociology and culture, alongside other social sciences. There is no real synonymy and no real hypernymy to be found in all or most syntagmata that occurs in these 14 texts that we have analyzed.

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THE DEVELOPMENT OF ECOTOURISM IN PROTECTED AREAS

STUDY CASE: COMANA NATIONAL PARK

Alina-Gabriela Neacsu, Patricia Dodu*

Abstract

It has been proven in the last years, that integrating the ecotourism as an instrument of sustainable development of protected areas represent a beneficial method in the management of the latter, including results regarding the economic prosperity of the local communities, besides important results obtained at the level of protection and conservation of concerned areas generated by tourism revenues.

In other words, additionally to a positive environmental impact, the proper handle of ecotourism, generates direct effects on the economic progress, education and the perception regarding the identity of surrounding communities, creating interdependence win-win relationships between the protected area and the inhabitants.

In Romania, a country with a high ecotouristic potential, the official steps taken by the authorities in implementing this form of tourism either are delayed, or have been adopted in a declarative way, which is why Romania has only two declared destinations of ecotourism. Comana National Park is a treasure on the Romanian land, with a rare biological diversity, fully deserving the title of "The second Romanian Danube Delta" and the enrolment on the UNESCO World Heritage list. The Comana National Park case, in which the ecotourism expansion strategy has obvious lacks respecting a practical point of view, is one of the protected areas in which ecotourism may become a real balance factor among conservation and sustainable economic evolution.

Keywords: Sustainable development; Ecotourism; Protected Areas; Comana Park

JEL Classification: Z30

Introduction

Not often tourists visiting a protected area are passionate about nature or amazed by its biodiversity. It happens quite often that the people visiting the Comana Natural Park forget to respect nature and offer it what deserves: life and cleanliness.

Natural areas are true oasis of life. Life in a protected area never ends even though any being cease of live at some point. Biodiversity is what supports this idea of life without death within protected areas. Moreover, the connection between man and nature can only be realized in nature, which is why the observation of the protected areas must be an objective of the authorities.

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The benefits that come from protected areas are numerous. First of all, protected areas support biodiversity and all that involves it, from ecosystems and species to the smallest organisms that form an ecosystem, thus shaping the diversity of life.

At the same time, the importance of conservation areas can be found in the fact that they encompass significant areas from a cultural, historical, educational and even medical point of view.

Natural areas at international level

The concept of setting up national parks and protected areas took shape in educational and social terms, initially developing in advanced industrial countries. Over time they have spread across all regions of the globe and currently United Nations registers 2600 national parks or biosphere reserves, in 124 countries. (UICN, 1992, OMT, 1993)

Conservation areas requires a subtle involvement, rather than a very extravagant one, which can differ from country to country. Also, the touristic equipments found in natural parks are different in every country, those fitting in the margins established by the ecosystem. Respecting those margins is extremely important in protected areas, any imbalance causing disturbance or even destruction of their stability.

Ever since ancient times people defended and conserved nature. Therefore, those notions are not recent. The idea of national park, however, originally appeared on the territory of the United State of America, in 1832, where George Catlin was committed in protecting the Native Americans culture, fearing that the impact of others on this civilization and everything surrounding them (plants, animals, wildlife) could destroy this perfect and harmonious ecosystem.

Among the oldest protected areas in Europe is the one found in Grand Paradiso, Italy. It was born in 1856 as a refuge for wild animals. Not long after, in 1909, Swedes are the one who create the first national parks in Europe.

Yearly, there is an increase in both the number and the surface of the protected areas worldwide. World Database on Protected Areas provides every five years data regarding the growth recorded in protected areas. In 2016 there have been registered 202,467 areas¹, with a surface of 19,8 km² representing 14,7% of the cumulated surface of national territories.

¹ Protected Planet Report 2016, p. 30.

The development of ecotourism in protected areas; Evolution at international level

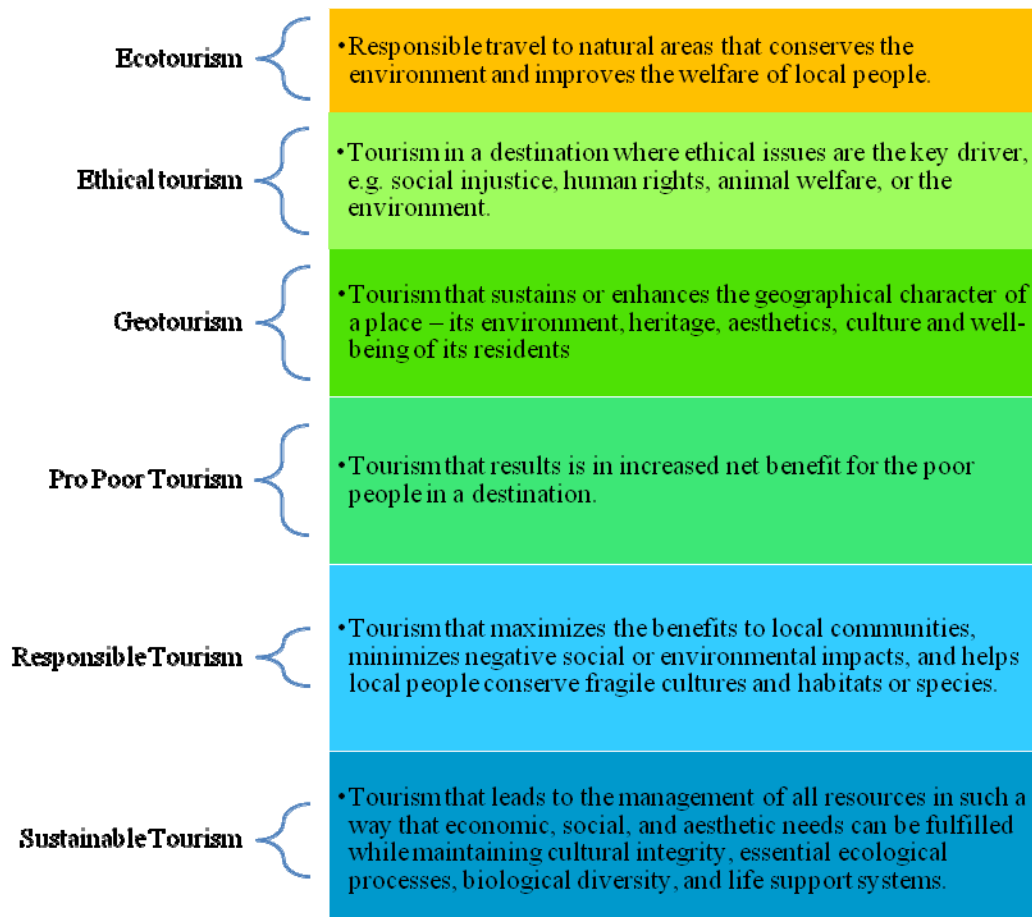


Figure no. 1: Tourism forms

Source: The Case for Responsible Travel: Trends & Statistics 2016

Regarding ecotourism, it has been observed that it is difficult to be measured and did not carry out accurate analyzes defining the clear number of tourists that who would be really motivated by the principles of practicing it. However, it is noted that ecotourism is the part of tourism that is developing the fastest.

Lately, ecotourism has grown internationally, particularly in Europe, Asia and North America, but the difficult part intervenes in the way of providing ecotourism products and their impact on the environment and economy. On this line, Blue Flag² and Green Flag International³ have been created, actions that fight and contribute to the optimization of the environment.

² <http://www.blueflag.global/>

³ <http://internationalgreenflag.org/about.php>

The ecotourism in Romania and protected areas

The territory of Romania has 1,395 protected areas⁴, which can be translated into a concrete percentage of 24,46% of the country's surface. These protected areas are included in the National Protected Areas Network.

Both the position and the geographical conditions, but also the natural environment facilitates the improvement of flora and fauna diversity on our country. From a geographical point of view, Romania is the only country that holds five of the eleven biogeographical areas met in Europe, fact which is clearly indicating the wealth and prosperity of Romania's ecotourism areas.

The most important wetland in Europe (the Danube Delta), the Carpathian Mountains (more than half of their surface), virgin forests, all these are found on the territory of Romania.

The richness of our country is constituted by these elements, which together with the history, traditions and authenticity of the area turn Romania into one of the richest countries in Europe in terms of biological diversity and wildlife.

Tables no. 2 contain information regarding the numer of habitat types and plant species on Romania's territory. Furthermore, table no. 3 presents the situation of protected areas in Romania (areas of national, regional and international importance) along with the specific categories of each area and the number encountered on Romania.

Almost 47% of Romania's territory is represented by natural ecosystems⁵. Protected Areas also represent an important percent of Romania's surface, more exactly, 25%.

Table no. 1: Types of habitats and plant species on Romania's territory

Types of habitats	Plant species
13 – costal	23 – monuments of nature
143 – wetlands	39 – endangered
196 – pastures and meadows	171 – vulnerable
206 – forestry	1.253 – rare
90 – dunes and rocky areas	
135 – farmlands	

Source: Adapted from the National Strategy for the Development of Ecotourism in Romania 2016-2020, p. 32

⁴ <http://www.wdpa.org/country/RO>

⁵ Fundația Centrul Național pentru Dezvoltare Durabilă, Natura 2000 în România, București, 2012, p 6

The first column of table no. 2 represents the types of habitat found on Romania's surface. These cover a total of 783, shared on 261 sectors surveyed. The second column represents the plant species in our country and how are they divided.

Besides the richness of the flora, fauna and biogeographical framework, there are important historical events, traditions and old customs, that standeth giving the country both a mystical and authentic air.

The link between conservation areas and ecotourism is unavoidable, even overlapping at a certain point. The National Institute for Research and Development in Tourism has discovered due to a research project several ethnographic areas specific to Romania. Several areas of the previous are very close to protected areas, contributing and creating the opportunity of expansion for ecotourism.

Tabel no. 2: Protected areas in Romania

	Categories	Number
Areas of national importance	National Parks	13
	Scientific Reserves	36
	Natural Reservations	539
	Natural Parks	15
	Nature Monuments	172
Areas of regional importance	Sites of Community Importance	383
	Special Protection Areas (Birds Directive)	148
Areas of international importance	Ramsar Sites, Wetlands of International Importance	19
	World Heritage	1
	Reservations of the Biosphere	3

Source: Adapted from Protected areas in Romania: Introductory notions, p. 31

Identification of protected natural areas. Problematic.

The central purpose of the protected areas, is as it is already understandable from its name, the protection of the natural environment. In the same time, they represent an attractive point for the tourism industry. However, the problem arises when humans intervene, therefore allowing tourists to visit the natural protected areas is not always an advantage. There are a lot of protected areas, natural or national parks which are not maintained, mostly administratively, according to the proper standards which also brings a series of other problems.

One of the problems that contribute to the depreciation of the protected areas is represented by traffic, and not only touristic. In a lot of areas cars and busses are going through the protected areas (Switzerland, France and Italy, have a large number of protected areas where traffic is permissible). Clearly there can be no benefit, on the contrary, the negative effects are even more devastating.

First and foremost, the existence of automobiles in protected areas pollute the environment implicitly, they contribute to the relatively slow but certain destruction of the ecosystem. The imbalance and disruption of the habitat, fauna and flora take place as a negative effect of traffic. In the same time, it would be ideal for all people that visit a

protected area to be interested and to support the development of zonal ecosystem or even re-construction of it in some cases.

Circulation issues also arise in protected areas that are crossed by national roads or highways. Obviously, roads, national roads have a very important purpose in facilitating access from one area to another, but often do not bring a real benefit to a protected area, contrary to the overcrowding that brings about a decrease or even loss of beauty of the area.

We can also talk about the deterioration of the protected areas and the different types of accommodation structures. For example, a hotel of large size is not the best accommodation structure that could be implemented in a protected area, as tourist traffic would be excessively amplified, which would have negative effects on ecosystems.

Last but not least, it has been found that over the years, one of the causes that have greatly contributed to extinction was hunting. The best example is Western European countries. On their territory there were problems with the wolves wading the reindeer herds, so it was decided that the wolf hunt would be an advantage. Instead, the result was the extinction of the species. Hunting is currently prohibited in protected areas, at least theoretically.

Comana Natural Park. History.

Comana hides an impressive history that involves the name of a feared ruler: Vlad Țepeș. During his reign, Vlad Țepeș founded a wooden church that later became the Comana Monastery, building around the history, economy and culture of the area, followed by the evolution of the area. Archaeological finds attest to the fact that the region has been inhabited since Neolithic times. Besides these discoveries of the archaeologists, 12 tombs were found in the courtyard of the Comana Monastery, hiding very old coins, which led the researchers to support the idea that the original wooden church built by Vlad the Impaler was then surrounded by walls, in a monastic settlement with the role of protecting the Romanian Country⁶.

Comana Natural Park was founded in 2004, Giurgiu County, at a distance of almost 30 km from Bucharest. According to the studies and research carried out by the Institute of Biology, there is a large number of species in Comana. The first discoveries at this site took place in 1800 and were made by doctors and botanists of the Romanian Academy such as Dimitrie Brândza and Dimitrie Grecescu, indicating that Comana has a great potential in terms of biodiversity.

According to Comana Natural Park Management Plan, at the moment, the total surface of Comana park is 24.963 hectares, covering ten protected areas .

Wetland of international importance

Wetlands have stretches of different types of water (standing, flowing, sweet, salted) and swamps, where many bird and animal species build their habitat⁷. These are the most fertile ecosystems in the world, so wetland maintenance and protection is

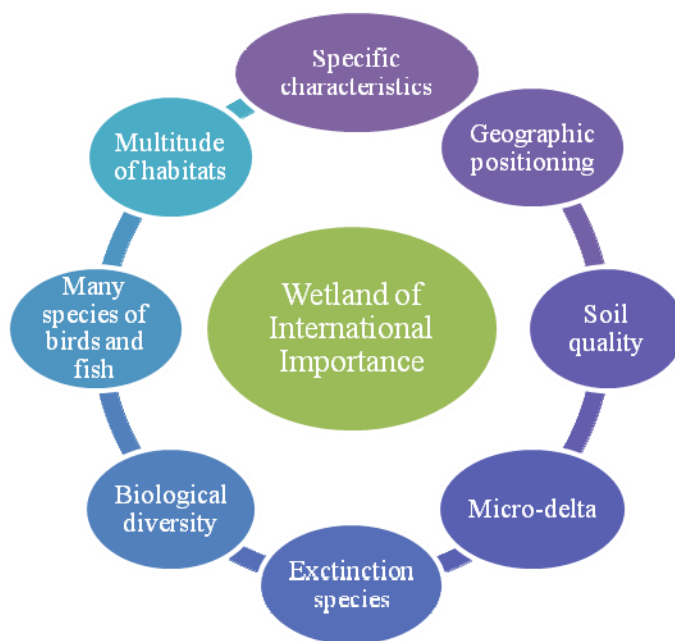
⁶ <http://www.manastireacomana.ro/index.php>

⁷ <https://dreptulmediului.wordpress.com/2013/05/11/conventia-ramsar-asupra-zonelor-umede-de-importanta-internationala-in-special-ca-habitat-al-pasarilor-de-apa-2/>

essential. According to the Protected Planet⁸, Romania has 19 wetlands of international importance, including the Comana Natural Park.

Firstly, for an area to be considered a wetland of international importance, it must have specific wetland characteristics. Both the *geographical location* of the Comana Natural Park and the *soil quality* were key points in declaring this area a wetland of international importance. The Comana Pond is an extremely important factor, first of all in the Comana Park, being considered as a "*micro-delta*", presenting specific features unchanged since 1953. A lot of migratory birds species and not only come back year after year, reason for which this area is considered extremely important in terms of feeding and multiplication of species. Another criterion that a wetland of international importance must meet is the *existence of extinct species*.

Figure no. 2: The wetland features of the Comana Natural Park



Source: Adapted from the Comana Natural Park Management Plan, p. 55

Therefore Natural Comana Park meets the necessary requirements of a moist area of international importance, being registered in 2011 on the Ramsar List⁹.

⁸ <https://www.protectedplanet.net>

⁹ <https://mpgeneva.mae.ro/local-news/1394>

Tabel no. 3: Species currently encountered in Comana Natural Park

Species	Number
Birds	212
Reptiles	9
Fish	30
Amphibians	10
Plankton	34
Mammals	37

Source: <https://www.comanaparc.ro/docum/continut.pdf>, p.39

In 1974 a group of botanists carried out several examinations and studies that demonstrated the existence of more than 1,200 plant species. The absence of laws and regulations to protect the area at that time led to a decrease in the number of plant species over time to 1,153 plant species. The realization of the need to protect the area has turned into the creation of the Comana Natural Park.

Tabel no. 4: Rare / Endangered species found in Comana Natural Park

TOTAL: 1153 plant species of which:		
69 species have varying levels of danger	Rare at national level	52 species
	Rare at international level	3 species
	Vulnerable	11 species
	Extinction	3 species

Source: Adapted from the Management Plan Comana Natural Park, p. 56

The Comana Natural Park also fulfills this criterion, observing, according to the previous table, that within the park there are encountered both endangered and rare species at national and international level, as well as vulnerable species.

In the same time, Comana has a distinct biological diversity, which places it on the second place after the Danube Delta, and in terms of surface, it is appreciated as the third wetland of international importance in the south of our country, on the first two places being the Danube Delta and the Brăila Small Lake¹⁰.

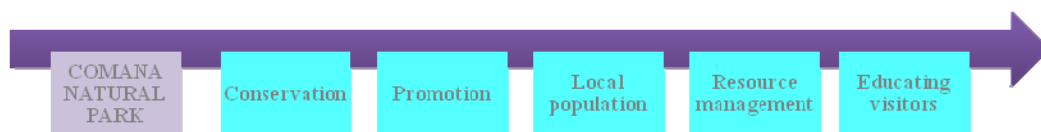
The existence of *numerous bird and fish species* in this area has also been an extremely important point in positioning the Comana Natural Park on the Ramsar list. A large number of birds are migrating and overwinter here, which is due to the location. Moreover, along the river courses they have made *a lot of habitats* that facilitate the presence of rare fish species, which constitutes another specific characteristic that indicates the character of the wetland of international importance.

¹⁰ [https://rsis.ramsar.org/ris-search?page=1&f\[0\]=regionCountry_en_ss%3ARomania&pagetab=1](https://rsis.ramsar.org/ris-search?page=1&f[0]=regionCountry_en_ss%3ARomania&pagetab=1)

The main management objectives of Comana Park

According to the Visit Strategy of the Comana Natural Park, the objectives that the Park administration is considering are those listed in the previous figure.

Figure no. 3: Fundamental objectives of the analyzed areas



Source: Adapted from Comana Nature Park visiting strategy, p. 10 and the Plitvice National Park Management Plan, p. 53

Protecting and preserving intact both the ecological systems, implicitly the species that are found within them, as well as the elements related to the naturalness of the area (views, panoramas) outline the first objective of the protected area. The development and promotion of natural heritage along with the habits of the area and the proper capitalization of renewable resources, together with the education of visitors and of the local population regarding the need to protect and preserve the area sites are also important objectives set within the administration of Natural Park Comana.

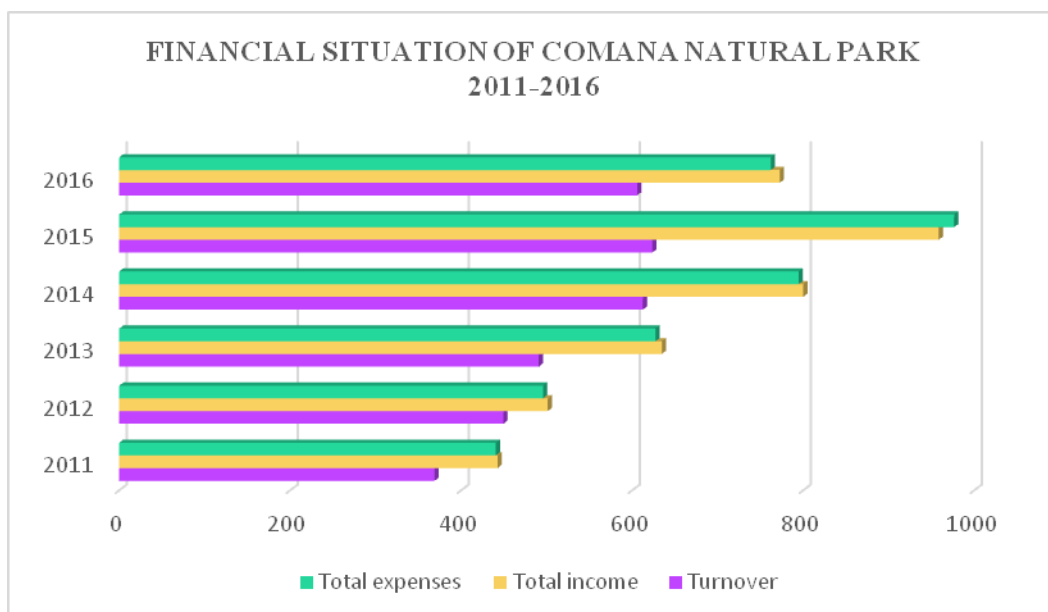
Financial situation of the Comana Natural Park

Tabel no. 5: Financial situation of Comana Natural Park 2011-2016

Year	Indicators						RON
	2011	2012	2013	2014	2015	2016	
Turnover	368,852	449,216	490,747	612,482	623,468	605,786	
Total income	442,520	501,230	634,693	800,036	958,557	772,539	
Total expenses	440,527	495,720	627,311	794,613	976,553	761,992	

Source: Adapted based on the processed data on <http://mfinante.gov.ro/infocodfiscal.html>

During the analyzed period, within the Comana Natural Park, there have been significant increases in all the analyzed areas. If in 2011 the turnover was 368,852 lei, until 2015 this doubled.

Figure no.4 : Financial situation of Comana Natural Park 2011-2016

Source: Adapted based on the processed data on <http://www.mfinante.gov.ro>

The reasons for which the turnover increased significantly during the period 2011-2015 are mainly due to the investments that have led to a large flow of tourists. In 2011, massive investments were made in the four observatories in the Comana Natural Park, built to provide tourists with the opportunity to watch birds and animals in the area. Besides this important investment, in 2013, the Ministry of Tourism granted funds from the state budget for the restoration of Comana Monastery. Comana Park also contributed to the increase in turnover.

Possible solutions and conclusions

In conclusion, the topic addressed is a topical issue that should be treated more carefully by the authorities. Protecting areas with rare and very rare species of extinction is extremely important in creating optimum conditions for the reproduction of these species.

Comana Natural Park is a treasure on Romania's territory, of a rare biological diversity, which deserves its status as the "Second Delta of Romania" and the inclusion on the UNESCO World Heritage List.

The development of tourism in the protected area in Comana can be an important tool in promoting the area, educating the locals and raising funds in order to sustain this activity within ecological limits inside the area, having real opportunities to become a recreation center for the capital's inhabitants, but also an educational and informational center on the importance of protecting and preserving the environment.

However, the valences that tourism may bring to the protected area of Comana, must be carefully studied and implemented, requiring the pursuit of a coherent and reasonable strategy tourism development. At the moment, we consider the tourist activities carried out in the area to be beneficial on one hand, enrolling in the right tools of development, but the lack of an effective control can lead to many inconsistencies with the concept of conservation and protection.

For example, the unrestricted access of cars and tourists, the lack of an applicable conduct code inside the protected area, the acceptance of open fire and grills for the usual Romanian picnics, the lack of noise threshold regulations lead to the aggression of habitats of numerous species, contrary to the proposed conservation and protection desideratum of Comana area.

However, we believe that some important developmental initiative in the area, which have maximum implementation chances in a protected area, are considered the best ecological tourism instruments: equestrian tourism and biking.

The Horses Kingdom Hippodrom of the Comana Adventure Park is a point of interest for many tourists visiting the area, with carriages (from 50 to 120 lei/hour depending on the route chosen)¹¹.

We support the development of riding paths classified by difficulty (except for fragile areas and reserves in order to avoid the disturbance of the ecosystem), where tourists, along with a guide or a specialist, can walk in nature or ride.

As previously mentioned, Comana has a great potential which is not "exploited" to its real value. Even though the possibility to rent a bicycle to explore the parc for a few hours - 15 RON/hour, or all day - 50 RON, tracks and cycling tracks are not brought to their full potential. Usually, tourists are left to follow easy tracks, accompanied by track signs, and in specific times of the year they have the opportunity to participate in competitions such as Comana Bike Fest.

Tracks for cyclists can be better introduced as a part of Comana and also as a part of natural reserves, resulting in real beautiful cycling tracks (without modifying the ecosystem) which can benefit the tourists. At the same time, forming an organization with which Comana Park administration can collaborate would increase the number of tourists, which would implicitly lead to the development of local communities, but also the economic development.

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ORGANIZATIONAL CULTURE: A CASE STUDY OF THE IMPACT OF ETHICAL ORGANIZATIONAL CULTURE ON THE EFFICIENCY OF ACCOR HOTELS

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Neacșu Larisa-Andreea

Abstract

Top organizations can be differentiated due to the organizational culture that they promote, not only for the safety and high-quality services offered. One of the top companies in tourism, which pays a great attention to the norms and expectations that encourages the behavior oriented to performance is Accor. With an over 50-year experience, Accor represents one of the most important organizations at world level in the tourism sector, operating in 100 countries, containing over 30 brands and having over 250 000 employees with unique skills and competencies. This article aims to analyze the organizational culture in Accor company, through a research with the purpose of identify the opinions of former and current employees in Accor company regarding the quality of the implemented procedures in the company, of the management and existent leadership, but also of the method of spreading the information from the management and non-management. Accor employees are directly influenced by organizational culture of the company, so their opinion at working place is important to create a functional business that develops by adapting to the new tendencies and entirely respects the human resource that also makes the potential of the company. Each employee desires to be appreciated for his qualifications and for the work he provides to the company, expressing his views in certain situations, giving him the opportunity to develop into a better employee with performance and also giving him the feeling that he is part of a valuable team.

Keywords: Accor Hotels, organizational culture, ethics, opinions, employee

JEL Classification: M14, Z30

1. INTRODUCTION

The organizational culture is represented by a common system understood by the members of the organization that differentiates the organization from other organizations, and the main features that help to substantiate the organizational culture are: attention to detail, orientation to people, teams and results, innovation and risk taking, aggression and stability (Stephen P. Robbins, Timothy A. Judge, 2015).

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According to Ronald Jeurissen, ethics management analyzes and seeks to straighten out or remedy all organizational structures and procedures and decision-making processes, so that the activities of the organization have a stronger connection with ethical principles, while the primary tool used is the ethical code followed by ethical audit but also other management strategies that can help the organization to respect morality (Ronald Jeurissen, 2005).

As employees understand more and more that their work supports the achievements of the company they work in, the more they identify with their values, goals and mission (Wright & Pandey, 2011). According to Meglino & Ravlin (1998), it is highlighted that the values of an organization can be extremely important for a person who is committed to or not; and in the greatness of the cases, employees attach themselves to the organizational values they appreciate and can refer to. In order to achieve an ethical organizational culture, managers must follow certain steps and adhere to certain principles such as: the manager must be a staff member, communicate ethical expectations, provide ethical training, recognize ethical acts, and sanction them on the unethical ones, but also to provide protection mechanisms where employees can communicate the problems encountered (Stephen P. Robbins, Timothy A. Judge, 2015).

The authors Desmidt and Prinzie (2009) point out that in order to stimulate communication processes such as the transfer and convergence of information within an organization it is necessary to establish a written statement of a mission. In order for employees to live up to organizational values and to put them into practice and to live them, there is more to be done in the company, not just placing posters on the walls or on the company's sites, so proper managerial support is needed to the values and mission of the organization to not just remain on paper (Hassan, 2007). Garnett, Marlowe and Pandey (2008) highlight the fact that in a company communication acts as a mechanism for the dissemination and formation of organizational culture.

Corporate Social Responsibility represent a concept in which the organization must act responsibly in creating strategies for customers, employees, suppliers, shareholders, and business decisions (Moravcikova K., Stefanikova L., Rypakova M., 2015). Gray (2005) defined the corporate social responsibility report as a process of notifying the environmental and social impacts caused by the company's economic activity to certain interest groups. Nowadays, prestigious companies are changing their operating mode in an impressive time, now they are focusing on human resources, knowledge sharing, and even the cooperative way within the organization.

The creation of an ethical organizational culture within the Accor hotel group is an important starting point for top management staff and non management staff. The impact of organizational culture can be viewed from the power that it currently holds, and it can be noticed whether there is a high or low level of employee performance and satisfaction. Researching the opinion of employees or former employees of the hotel group was made to discover elements related to the organizational culture of one of the most important companies in the tourism and travel industry, namely Accor. The survey of employees' opinions was conducted on a sample of 100 respondents, people that work or people who are still working at Accor. The research has taken into account the opinions of online

respondents on websites such as: www.indeed.co.uk, www.indeed.co.in, ww.cariereonline.ro, www.seek.com.au and www.trendshrb.ro.

One of the most important companies in the tourism industry and in the hospitality industry worldwide is Accor Hotels, a company that was founded in August 1967 in France by Paul Dubrule and Gérard Pélisson. At the moment, the Accor hotel group employs 250 000 people and is the main hospitality operator in North America, Latin America, the Caribbean, Africa, the Middle East, Europe and in Asia Pacific, covering over 4 500 hotels, 650 000 rooms all in 30 brands and 100 countries. Globally 2 375 hotels are operated with a management contract, and 2 155 hotels are operated with a franchise contract. Hotel brands owned by Accor can be divided into two categories, namely luxury brands, premium brands and middle economic brands. The premium luxury brands are Raffles, Orient-Express, Banyan Tree, Sofitel Legend, Fairmont, SO/Sofitel, Sofitel, Rixos, Mantis, MGallery, Pullman, Swissôtel, Angsana, 25hours, Art series, Mövenpick, Grand Mercure, Peppers and The Sebel. The middle or economic brands consist of Mantra, Novotel, Mercure, Adagio, Mama Shelter, Breakfree, ibis, ibis Styles, ibis budget, JO&JOE, and hotelF1. Accor also owns brands other than hotel services for some services such as: *Thalassa* sea & spa wellness services, *onefinestay* private rental services, coworking rental place by *Mama Works* and *Nextdoor*, concierge services represented by *John Paul* and *AccorLocal*, event services represented by *Groupe Noctis* and *Potel et Chabot*, and digital solutions offered by *Availpro*, *Fastbooking*, *Gekko*, *VeryChic*, *Adoria* and *ResDiary*.

For Accor, organizational culture is a very important topic in to their activity, because it shows how employees understand the characteristics of the organization's culture. Managers represent the main ambassadors of the values they promote, while ensuring that the principles and commitments resulting from values are duly respected and applied. The most important principles that Accor takes into account are: increasing agility as well as capacity, willingness to demonstrate transparency, encouraging employees' responsibility, recognizing and rewarding talented people, and opening up new ideas from them. Within the Accor hotel group, there are six core values that are also reflected in the code of conduct, these values generate a strong sense of belonging, helping to maintain and stimulate hospitality around the world regardless of country, culture, people, or workplace. The six values that use as a common language and which form the basis of ethical commitment while expressing uniqueness in Accor are:

Passion for guests - the guests are the leaders of their decisions and actions, they are the first, they care about the guests, more precisely if necessary they make a special effort to accomplish or to meet any requirements;

Sustainable performance - Accor Hotel Group believes that long-term value creation is needed;

Spirit of conquest - hotel group guests are often traveling to different countries and so are they. Hotel staff explore, initiate and develop; are ambitious for their guests, make it impossible, while having fun;

Innovation - Accor employees transform the impossible into possible and exist to bring guests dreams to life, they like to do what they dream, being curious, and open to new ideas and free to try, to test, and to learn;

Trust - they believe in natural goodness, support and appreciate every person, recognize the value and fulfill their commitments;

Listen - they are connected to the world, enjoy the mixture of cultures, are proud of the differences they respect and respect and cherish.

The values of the hotel group are embodied every day in their behavior and relationships, both inside and outside the organization. Accor expects employees and future employees to understand that these values are the foundation of the hotel group's attitude, at the same time understanding, embracing, expressing them, and sharing them. The Accor Group has committed itself to supporting the ten fundamental principles of the United Nations Global Compact, which are universally accepted and, in some countries, are stricter than current legislation. By adopting the United Nations Global Compact, they reaffirmed their dedication to clearly focusing their attention on people, employees, the environment and integrity. By implementing ethical commitments Accor ensures compliance with the rules following fundamental documents such as: the principles of the Universal Declaration of Human Rights of 1948; the fundamental conventions of the international labor organization and OECD guidelines for multinational enterprises issued by the Organization for Economic Cooperation and Development. By setting a good example, each employee has an essential role in turning these values into an intense and dynamic influence in the corporate community of the hotel group.

Accor's human resources policies are guided by the key concepts of professionalism, recognition, diversity and mobility. Professionalism is a key to face-to-face jobs in an increasingly competitive market, where demanding customers make hotel staff constantly focus on adapting to their needs. Diversity of human resources is a major force in promoting team alignment, retaining and attracting talent, and cultivating the ability to innovate and accept change. The implementation of the Accor corporate social responsibility process is supported by a permanent dialogue with all of their stakeholders, including clients, employees, business partners, franchisees, hotel / investor owners. Discussions with stakeholders play a key role in identifying priority areas for action, thus contributing to the creation of a common value. In interaction with employees, the dialogue process consists of a set of well-established procedures from the very beginning designed to structure information exchange, discussion, consultation, mediation and negotiation, in which the interests of each party are protected. Dialogue policies are even implemented by managers who have the role of promoting the exchange of ideas with employees, organizing round tables or other events specifically dedicated to the dialogue.

2. THEORETICAL FRAMEWORK

Ethical codes are extremely important for international development because they are essential documents and provide the framework for fulfilling the responsibilities of Gilman S.C. (2005). In the view of Resnik D. B. (2011) the most used form of defining ethics is behavioral norms that differentiate unacceptable behavior from acceptable behavior. Another way of defining ethics can be based on disciplines that study behavioral standards such as law, theology, sociology, philosophy and psychology (Resnik D. B. 2011). Organizational culture is a highly meticulous and complex phenomenon that emerged from a multitude of different perspectives that later underwent

various interpretations (Perkins S. J. & Arvinen-Muondo R. 2013, pp. 209-236). Organizational culture is considered as a package of conceptions of norms, traditions, structures, values, artefacts, beliefs and customs (Schein, 2004). According to Todnem R.'s article (2005), ways to measure the success of organizational change management must be designed in an effective way to assess the value of any new frameworks.

In Kondalkar V. G. (2007) vision the scope of organizational behavior lies below “impact of personality on performance; employee motivation; leadership; how to create effective teams and groups; study of different organizational structures; individual behaviour, attitude and learning; perception; design and development of effective organization; job design; impact of culture on organizational behaviour; management of change; management of conflict and stress; organizational development; organizational culture; transactional analysis; group behaviour, power and politics; job design; study of emotions”. In opinion of Allen (2003), the organizational climate is another term used instead of organizational culture, and it also has an added significance that represents the employee's manifestation and perception of culture. In the opinion of Perkins S. J. & Arvinen-Muondo R. (2013, pp. 209-236) organizational culture plays a leading and important role in the performance of the organization. Regarding authors Smollan R. K. & Sayers J. G. (2009), organizational culture plays an extremely important role in triggering emotions and influencing expression during a change and also affective culture can help or hinder staff accommodation at the personal level. In Schein's view (2004), organizational culture requires engagement in learning or sharing experiences that lead to the declaration of assumptions by members of the organization or group.

According to Bukovec's article Success - Analysis of various models for organizational change management - the term success is defined broadly as a tendency to achieve expectations that we can not easily achieve, even if decisive changes can not be made at civilization, personal or organizational level. As stated by Perkins S. J. & Arvinen-Muondo R. (2013, pp. 209-236) members of an organizational culture can develop language and a set of rules that are not easy to interpret and resist. Among the most important values that need to be respected in a organizational culture are included:

Status-quo - organizational change explains the movement of an organization from the known situation (the current situation) to the unknown situation (the desired future situation). This happens because the future of this change is uncertain and can refer to the value of people, abilities and competences, so people in the organization cannot support change unless they are convinced against the status quo (Cummings & Worley, 2003). The organization could invest a lot in the status quo; consequently, the necessary steps must be adopted to motivate employees. Ethics of the leader may be one of the most important sources of employee change, as Durand and Calori (2006) established the role of leadership ethics in the process of change.

Change - during the last quarter of the 20th century the nature and organization of work in advanced industrial societ is said to have undergone a radical transformation, resulting from the emergence of forms of organizational innovation that are both quantitatively and qualitatively different than those that existed at the beginning of the century (Delbridge, 1998). The changes are said to provide businesses with the means to operate more flexibly to improve productivit, product quality and reliability, and therefore

customer satisfaction (Child, 2005). Change is about duality. The origins of the duality can be related to the Han dynasty in China and the early days of Taoism, when the Taoists believed that human situations could be balanced like yin and yang, two opposite elements that complement each other. In this dialectical view of reality, it can be the basis of all the changes (Morgan, 2006). The change factor changes the organizational structure to improve production and efficiency. The Change Agent uses operations research, system analysis, and other forms of analytical approaches to change the structure or technology of the organization (Lunenburg, 2010). The management of change as defined by Moran and Brightman (2001) as "the process of continuously renewing the direction, structure and capabilities of an organization to serve the diverse needs of external and internal clients." Change does not depend on size and age but exists in all businesses. The world is changing very fast, so organizations need to change quickly for the development and survival of the organization (Alvesson & Sveningsson, 2008). Organizational change is a kind of chaos, so the number of variables changes, changing the environment, the frequent change and resilience to change creates the confluence of the change process at the same time, it stimulates the prediction difficulties, but makes it impossible the control (Glieck, 1987). Research on organizational change approached resistance from two opposite perspectives; a visual resistance as a destructive force in any situation (Cummings & Huse, 1989), and the other visual resistance as a positive force (Perren, 1996). A big part of the resistance is determined by the socio-psychological needs for consistency of security, predictability and stability in life (Trice & Beyer, 2001). The change of leadership company actually refers to behavior that targets the specific change of vision, empowerment, monitoring, and help to adapt (Herold, 2008; Liu, 2010). There are two factors in Change Leadership, namely: a) changing leadership behavior in sales, an action that attempts to promote change during the defrosting phase, explains why change was necessary b) changing the implementation behavior of leaders, action that takes place to push for change and enhance success during implementation (Liu, 2010).

Employee Involvement (EI) was defined by Glew, Leary-Kelly, Griffin and Van Fleet (1995) as Employee Involvement aims to increase members' contribution to decisions that affect organization performance and employee welfare. Employee involvement is the oldest and most effective strategy in formulating planning and implementing change. Participation will lead to high-quality changes and will prevail over resilience during the implementation phase (Vroom & Yetton, 1973). Employee involvement will be more effective if employees are empowered in authority and responsibility (Mathieu, Gilson, & Rubby, 2006).

Management and Leadership are central to studying behaviour in workplaces. Leadership is concerned less with allocating world tasks than with energizing staff with a sense of direction and commitment (Knights and Willmott, 2007, p. 259). Appelbaum et.al. analyzed six empirical studies on the influence of leadership on employees' perceptions during organizational changes. The study has shown that the success or failure of any effort to implement change depends on the leader's ability to get support from his employees for change. Employees resistance is a major obstacle to implementing change (Klaus, 1997; Kumar and Kamalanabhan, 2005), and can be reduced by using a proper leadership style (Covey and Gullede, 1994). Pater (2011) said that leaders can

ensure clarity during organizational changes, stimulating successful implementation of change.

Training - effective training can increase employees' commitment during organizational change (Beer et al., 1990). Training helps employees overcome barriers of assimilation of knowledge that leads to employee obligations being increased during change programs (Robey et al., 2002, Shum, 2007).

Communication, decision making and negotiation are fundamental aspects of everyday life for all employees and all organizations (Martin, 2005, p. 670). Many management gurus, and also many academics, would without hesitation justify the role of teams in increasing and sustaining successful organizations (Knights and Willmott, 2007, p. 119). Communication is an important factor for the effective implementation of organizational changes (DiFonzo and Bordia, 1986-1998; Lewis and Seibold, 1993; Schweiger and Denisi, 1991). Research suggests creating an atmosphere in which reliable communication and collaboration can take place may be an important basis for achieving the goals of organizational change (Bocchino, 1993; Dutton, 1992; Weisbord, 1992). Also, research shows that up to 70% of the change programs fail (Senge et al., 1999; Beer and Nohria, 2000) and poor internal communication is considered the main reason for such failure (Murdoch, 1997).

Ethical issues are about rightness, wrongness, good and bad. This is as much applicable within organizational activity as it is in the field of politics or society as a whole. Ethics is not just about how people should behave within an organizational context (Martin, 2005, p. 474). There are many reasons why businesses take an interest in ethics like: response to pressure, pursuit of profit, stakeholders consider that it is right, following fashion, mixture of the reasons already given (Mahoney, 1997). Business ethics may be understood as the academic study and promotion of corporate social responsibility. This explores the ethical legitimations for, and effects of, a wide range of business practices (Knights and Willmott, 2007, p. 508).

3. METHODOLOGY

In the following, a study about organizational culture in Accor will be presented. This study was conducted on a sample of 100 respondents and is based on opinions expressed by people still working or people who worked in the Accor Hotel Group.

In order to achieve this goal, a qualitative research about the quality of organizational culture has been realised, especially have been analyzed opinions of subjects expressed in online on different sites or platforms, due to the fact that the employees of the company are subject to confidentiality contracts. In this study were used sites such as: www.indeed.co.uk, www.indeed.co.in, www.cariereonline.ro, www.seek.com.au and www.trendshrb.ro.

In the *Food and Beverage department*, can be noticed that the people who worked there have different opinions and 7 out of 10 employees have stated that the most difficult part of the job is to work under pressure and to be multitasking in a short time keeping professional and trustworthy attitude, as well as the fact that work in the hotel restaurant has been an extraordinary experience, as it has contributed to the development of many communication skills and increased trust in customer relations. 9 people remarked that

the team they were part of was a very good one, the staff is friendly, the opportunities are endless, there are also some discounts for the employees, another 5 people specified that the salary is not very advantageous, and too many working hours, as well as the minimal chances of promoting where disorder and stress are added.

Inside of the *Housekeeping department*, 22 opinions were taken into consideration, and because of cleaning high standards in the group, their opinions are different. Three out of 10 people think the job they have had was the most terrible due to lack of communication, improper manage of staff and improper treatment for the employees who have a short-term contract compared to the ones who have a long-term contract and of course small pay. The rest of the people considered the Accor Hotel Group has brought many benefits such as: free hotel stays, free meals and staff parties. They were also delighted with cultural diversity, friendly and encouraging staff, well organized management as well as family atmosphere at work.

In the *Front-Office department*, were analyzed 32 opinions, out of which 5 persons reported problems they had registered, namely lack of training or guidance, lack of breaks and lack of communication within the department; 16 people said the staff were friendly and working, especially those who were directly responsible for the guests, and the fact that the Accor Group provides safety at working place, support and trust and is open to all people who wish to form a career in the hospitality industry.

Another 8 people have noted the existence of many trainings that offer them the opportunity to develop personally and professionally, the opportunity to develop their career, and the fact that they are willing to change. 3 people were unhappy because they do not do enough to keep their quality employees, and the management does not care about the employees. Inside of the *Reservations department*, 3 views of the managers of this department were analyzed, and 2 out of 3 people appreciate the organizational culture because they learned how to act in different situations, encouraging each employee to think creatively and lead to constantly improve employees success, but noted that there is a small but clear gap between management and non-management employees.

The *Technical department* took into account the opinions of 6 respondents of which 5 said that in the Accor Group people are friendly, the program is flexible, the team is able to work without interruption in order to accomplish its goals but sometimes has to work over the program, have been instructed to perform reactive maintenance checks, namely checks of heating, fire alarm, sanitary and electrical repairs as well as painting, decorating, repair of locks and furniture, and 1 person stated that the program is not flexible.

The *Sales department* reviewed the opinions of 13 people. 10 respondents said they had been trained and provided with everything they needed to be able to carry out the tasks listed in the job sheet, and they learned what it means to offer high quality services with minimal resources, at the same time they declared the fact that the environment where they formed has given a perspective not only on the direction to which the hotel industry is heading but on the problems it faces.

Employees also enjoy discounts and have many opportunities to move and travel. Three others were dissatisfied with the company's small profit that they can not invest in technology, the unrealistic expectations, and the fact that the human resources department cares more about the company than about people.

4. RESULTS AND DISCUSSIONS

We have analyzed 100 opinions of employees who have worked or who are still working with Accor as a night auditor, food and beverage manager, bar manager, guest service assistant, housekeeper, receptionist, booking manager, and technical and sales department staff. Of course, opinions are divided and there are employees who have to reproach the hotels they worked for, but generally they are satisfied with the job.

As expected, not very good opinions about the hotels in the Accor Group come from former employees who said they were supposed to be multifunctional in the workplace, fulfilling attributes other than those found in the job description. Good opinions are multiple, encouraging those who want a career in the company. There are complaints about salary, but employees say they are happy because the group offers many others benefits to employees compared to other companies. Further, salary is compensated by something else, and employees feel good every time they come to work, knowing that their work is appreciated, so giving them a good psychological state.

Employees beliefs show that there is no discrimination in hotels, and an employee says they are "open to any kind of people," whether introverted or extroverted, of another nationality, color, origin, religion, etc. Freedom and privacy at work is another defining factor of the company, employees being free to expose their ideas and be encouraged to implement them if they are valuable.

5. CONCLUSIONS AND IMPLICATION

Organizational changes have the capacity to influence or change culture willingly or not influencing employees' emotional responses, so culture affect how employees respond at emotional level to change (Smollan R. K. & Sayers J. G. 2009).

Nowadays it is very important to create an ethical organizational culture within Accor, and this can be done in various and countless ways. First of all, founders, shareholders or company managers hire and retain only employees who feel and think the same way they do. Secondly, they teach and pass on their employees or future employees their way of thinking and feeling to get used and lean new techniques and tasks in the hospitality industry. Finally, managers' behavior encourages employees to identify with them and integrates their beliefs and values.

Organizational culture of Accor directly influences employees to have ethical behavior at work. This is made with the integrity of the company. Employees are influenced to have ethical behavior through the mission, values and goals of the company. The company's mission is a major pioneer to develop the employee's ethical character, depending on it's type.

Various ethical training help employees to develop as many ethical facts and actions as possible in the company, forming a team of people who are concerned about the company's moral principles and how they can help to develop it.

Anonymous on-line platform gives employees the opportunity to complain about the complaints or why not to praise the company, encouraging them to express themselves. Comments can be seen by anyone, especially managers, so action is taken on deficits in some departments, preventing proper functioning. The most courageous are encouraged by the company to report themselves boycott.

Meetings between employees and managers are intended to solve the company's internal problems, each being able to express their opinion on what should be improved to maintain the company's ethical standards. Superiors expect feedback from employees as well as full understanding of the company's aspirations. Accor follows a selection process that applies the same criteria to each applicant for a particular position; and will base its work on all employment decisions exclusively on professional skills and personal qualities, according to their needs and the applicant's own attributes. The way in which we communicate with people around us in our professional activity, and beyond, strikes the results obtained, and the quality of managerial communication is influenced by the way the human resource is used and the work productivity it produces.

In conclusion, Accor highlights the importance of organizational culture and emphasizes this by focusing on standards and expectations that encourage performance-oriented behavior.

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SYNTHESIZING VIEWS ON TOURISM AND CULTURAL PROFILES – JOJO MOYES' *THE SHIP OF BRIDES*

Alexandra Mărginean*

Abstract

*The paper analyzes the introductory part of the novel *The Ship of Brides* by Jojo Moyes, as, given its synthetic but inclusive nature, it provides relevant intimations in what regards issues pertaining to cultural profiling and identities, focusing on – but not reduced to – the Indian and British ones. Other interesting matters come to the fore, besides cultural traits, and the whole information is gathered around two cores on which the two main sections making up the body of the paper are built. In the first, we analyze various tourism trends and types, noticing the way in which the text tends to place most of them in oppositions and distinctions – mass versus individual or responsible tourism, real and surrogate tourism experiences, reality and construct, heritage versus poverty or black tourism, eurocentrism and exotic cultures, financially deprived versus consumerist countries. The following section focuses initially on cultural characteristics and stereotypes regarding age (the elderly and youth), social status, class society, dress codes for women and the perception of gender difference, then passes on to throwing a glance at the surrounding physical, spatial realities: the slum neighborhood, the industrialized areas, poverty, hygiene issues and smells, the social arena. The conclusions draw on the complexity of the aspects tackled in the novel prologue.*

Keywords: tourism trends, eurocentrism, India, age, gender

JEL Classification: Z10, Z30

Introduction

The historical fact that this book relies on is the transportation of British soldiers' Australian wives by the English ship *Victorious* on the 2nd of July 1946, on a six-week voyage to be completed with a sum of family reunions. As the Preface announces, there is a connection that the author's family has with this reality on a personal level, namely her grandmother, Betty McKee, who was one of the more than six hundred and fifty brides on board.

However, from the novel at hand, we are only looking at the introductory part, which is about thirty pages long, and functions as a prologue to the whole story. Since the novel then begins with a complete change of scenery, moving the background to Australia, and as the episode presented in the Prologue appears somewhat separate and intelligible by itself, it can function as a short story, having a unity of its own and thus justifying an approach to it as a whole.

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The action takes place in India in 2002. Jennifer, a British young woman, accompanied by her grandmother and her boyfriend Sanjay Singh, her college colleague of Indian descent, are returning, in the young man's family car driven by Ram Vaghela, the family chauffeur, from the Singh residence, a palace in Gujarat, heading for the airport in Bombay to fly back to Europe from a three-day holiday in India. They are traversing an industrial area at the periphery of Gujarat, which lines the seashore. On the way, the car makes a stop for the small stores by the road, where the young people enter to get some refreshments and the grandmother enjoys Indian tea. Right about when they are ready to go, Jennifer expresses her curiosity to visit the ship graveyard, and, despite Ram Vaghela's warnings and advice that she would be trespassing and that such a place is not fit for a lady, she enters the perimeter accompanied by Sanjay. Since they fail to return quickly, as they have promised, the elderly lady and the driver go looking for them on the beach and find them arguing with the owner of the industrial site, who is outraged by the young woman's presence there and the fact that she might be a reporter. Ram intervenes to talk to him and calm him down. While this happens, the old lady notices the name of the ship that is being dismantled there, which seems to bring back a distant memory, and the scene ends by her sitting on some metal scraps, deep in thought, remembering something from her past.

The reason why we have picked this prologue for an independent discussion is that the author manages to concentrate in it a great deal of details regarding various cultural profiles, suggesting the different cultural realities in a very synthetic and at the same time rather subtle manner, indirectly, from the characters' discussions and inner monologue. The cultural profiles we are referring to are the British (to some extent representing Europe), the Indians (to some extent standing for the Orient) and the Danish (symbolizing developed countries in which the state protects its citizens). Moreover, some lengthily debated issues come to the fore, such as the never-ending discussion on mass tourism versus other forms of tourism, the concept of financially disadvantaged countries and, by contrast, that of consumerist cultures, gender perspectives characteristic of India in opposition to those of Europe, issues pertaining to age and the generation gap, exoticism and attitudes to it etc.

Mass and individual tourism, eurocentrism and exoticism

Inside the story, we are witnessing, from the beginning, a bickering taking place between the group of characters which are metaphorically colorful (from the point of view of their background and interests). The elderly lady is woken up from dozing on the back seat of the car on a hot summer afternoon by the quarrel between her co-travelers. Among them, the most vocal from the group is her granddaughter, Jennifer, who is adamant about wanting to taste the local color of India instead of being taken to the usual monumental sights – temples and palaces. She is advocating this point to Sanjay (her boyfriend of Indian descent, who comes from a wealthy, respectable local family) and his chauffeur, Ram Vaghela, who offers to take her to his impoverished native slum and thus quench her thirst for seeing beleaguered, destitute people.

Some of the most important aspects connected with interculturality, cultural profiling and contemporary problems are already contained in this very first picture of the

novel. First of all, above and beyond the obstinacy of a young and perhaps a bit spoiled woman, which Jennifer indeed appears to be, there is a legitimate opposition set between the cultural concepts of mass tourism and individual tourism. While the former has been raised as problematic in modern discussions, the latter is usually introduced in the discourses of modernity as the more correct alternative. Big tourist parties on package tours are controversial, for various reasons, among which the disruption that they represent and the disrespect that they pay to local communities and identity, which we may go as far as to consider a threat to their authenticity and very existence, and the fact that the witnessing experience cannot be deemed as successful once it is not given proper time and attention, i.e. when the visit is done in a hurry by a stressed tourist who is usually on a clock. Moreover, the mass tourist's haste makes him/her come across as more aggressive and becomes offensive to the locals, as, while in a hurry, (s)he cannot grant enough attention to respecting the etiquette of the visited culture, and tends to impose on it the rhythms and attitudes of the culture of origin. Indeed, specialists studying mass tourism to the developing countries have noticed that, besides the potential economic advantages, it may also cause phenomena such as a loss of "innocence" for the local community, the reinforcement of "colonial" tendencies or values, the threat to sustainability and the environment, "commoditization" and "inauthenticity" (Harrison and Sharpley, 2017: 5). It has been put in opposition with "sustainable tourism" or "alternative" tourism (*ibidem*). Although we cannot speak of a seasonal movement in a large group when it comes to Jennifer and her grandmother, and thus two of the essential characteristics of mass tourism are not met (*ibidem*: 7), the conventionality of the tourist sights which the women have visited and the limitation of interaction with locals to a minimum, along with Jennifer's expressed feeling that she has not had a taste of the genuine local culture and her desire to remedy that nevertheless point to specifics of this type of tourism. However, we need to make one observation here, in connection to what we have mentioned above regarding wrong ways of visiting, out of which we gave as an example making the visit in a hurry or paying no heed to cultural etiquette. The demonization of mass tourism cannot and should not be made on principle, solely because of the large numbers of tourists, as other aspects (such as the ones mentioned in the previous sentence) may impact the visited culture more negatively than the big amounts of tourists, a point made by Harrison and Sharpley as well: "In the end, numbers are not the only factor: large numbers of tourists may be absorbed relatively comfortably, [...] whereas even a few visitors to destinations unaccustomed to tourists, *especially* those who want to understand local culture and meet local people, may be highly disruptive." (*ibidem*: 8). Jennifer's attitude of going on the construction site – a space where her presence is unwelcome and inappropriate – can be classified as a culturally disrespectful and thus "disruptive" manner of visiting.

As pointed above, the perception that the locals have of this mass tourism approach as offensive has something to do with the history of oppression that these cultures have experienced in relation to the cultures that the visitors come from. Especially when presented with what is called an "exotic" culture unfolding before us, this very name that we label it with is part of a patronizing attitude and type of thinking that become transparent in our approach of the context of tourism in that kind of region, even when we

are unaware of its existence. This mindset has been termed, more or less indirectly, eurocentrism, and has something to do with the consciousness of having the upper hand and a certain arrogance regarding the visited culture. This upper hand, or even superiority, comes from the higher life standards of the countries that the tourists come from, from better hygiene, the belief in what we term as open-mindedness in dress and habits etc., and this mindset puts its imprint on the way in which the act of tourism is gone about, whether the tourist is aware of it or not. Sometimes the European tourist cannot help but ooze the consciousness of superiority in his/her actions in the act of visiting. Sometimes, of course, the very act of tourism is fueled by a desire to witness Said's Other precisely because, deep down, the tourist deems himself/herself as superior and is curious to see how this exotic other survives according to its very different standards, even despite these, while for the onlooker it remains a peculiarity, whether (s)he is aware of this mindset or not. The eurocentrist stance has constructed the Orient in romantic terms, as "a place of romance, exotic beings, haunting memories and landscapes, remarkable experiences" (Said, 1980: 9). Even in the educated world, there is still a judgmental strain active in the approach of a lot of the most liberal and open-minded of people when it comes to the way they see exoticism. This mental attitude relies on the placement of Europe at the center of the world, claiming at the same time that it holds the universals according to which all the other countries can be judged (Sunar and Bulut, 2016: 5), and relying on dichotomies such as "East vs West, savage vs civilized, and progressive vs backward" (*ibidem*: 6). This is not to say that we do not notice the fact that "arrogant, self-interested and contemptuous evaluations have now lost their vanity" (Chakrabarty qtd. in Sunar and Bulut, 2016: 3), as the world has indeed progressed towards being open-minded and aware, but there is, still, an indeed much less powerful, but resilient underlying basic assumption there, even though subdued or kept in check.

All the ideas above are implicit in the conversation between the three characters – Jennifer, Sanjay and the elderly Ram. Jennifer opposes mass tourism and the conservative heritage tourism which only shows palaces and temples. However, her intention is not perceived as such by either Sanjay or Ram, as a genuine thirst to know how people really live in this country. Sanjay accuses her that she is interested in poverty tourism, or black tourism, just to be able to go back home and tell her friends about the terrible things that she has seen and about how they are ignorant of real suffering – whereas, obviously, at the same time suggesting that she has awakened due to what she has seen, which has opened her eyes. Sanjay's attack is not so obvious, but the implications that can be extracted out of his words are fairly serious. If we understand his reply as ironic, what we read into it is no longer comical, but downright face-threatening. Jennifer appears to be a snob capitalizing on other people's ailments, with no real regard for them, just in order to appear smarter, sympathetic, generous and sensitive, as well as, perhaps, enlightened. Also, she would, moreover, seem culturally aware, a citizen of the world. What Sanjay actually accuses her of is the vested interest of appearing as cultivated and profound before the others. The protest displayed by the young man at the girl's insistence subverts the image of a mature, empathetic traveler, trivializing it into pretense from her part. Although he does not really mean it this way towards Jennifer, the criticism (perhaps for others, if not necessarily for her) is still there. If she is not the target of his irony, some of

us, Europeans who organize compact packages to India expecting to see something exotic, are. Jennifer is therefore just a happenstance, pretext target for Sanjay's criticism, the real target being a significant segment of the European tourists.

European tourists are actually targeted by irony doubly, from the discourse of both characters. Jennifer criticizes mass tourism, while Sanjay criticizes the expectation of exoticism which does not take into account that India is a country of plural realities. The fact that Sanjay is bothered by this is also visible in the way he retorts to Jennifer, after she expresses the desire to experience the "real" India: that he is not a "virtual" Sanjay, meaning that he is part of the reality that she is looking for, genuinely, although he does not necessarily correspond to a "typical" Indian (Moyes, 2017: 11) (my translations). Here Sanjay is actually bothered by stereotypical thinking, which some people display and which he denounces with his remark, drawing attention to the fact that he is no less an authentic Indian just because he has spent a lot of time in Europe for his studies. What annoys him is, in this case, people's inability to go beyond stereotypical outlooks, and, secondly, that the stereotype includes or relies on the notion of poverty of means.

Among the wrongs of eurocentrism we have hinted at the neglect of sustainability and the negative impact on the environment and local communities through mass tourism and labeling. Part of it is also the capitalist-industrialist endeavor – otherwise yet another neglect of sustainable action, bearing, moreover, colonial overtones, which can be witnessed in the fragment under analysis in the very industrialization of the peripheral area, where every 400 meters the beach is set with a huge ship under deconstruction. Critics of Eurocentrism have referred to this industrialization tendency as a reminder of former empires colonizing the world. Kanth specifically refers to the concrete example of the British one in India, earlier or later in history, and rejects the inclusion of such tendencies in a theological discourse of the drive to know, progress and civilize, derisively calling it a "Deforming" instead of reforming (Kanth, 2005: 13), and as rather mirroring the "material greed" or "anthropocentric vanity" of the colonizer (*ibidem*: 14).

The society of affluence and mass consumption is hinted at when Sanjay patronizes Jennifer's wish to experience the real India, by jokingly saying that all that they could offer her was Coca-Cola and air conditioning – i.e., the very products that she has been used to from her own culture. The mention of the famous brand of soft drinks which has penetrated on most of the world markets points to consumerism, as well as to the concept of globalization. The irony is again directed both at the western world and their marketing and excessive consumption, and at the limited perceptions and expectations that some people may have on India and who lack the awareness that they live in a globalized world in which no pure culture exists anymore. Excess in consumption is reflected in the greed mentioned above, whereas the spread of brands would reunite both the vanity of the European-western world and its penchant towards the practical, business-like aspect of life – in opposition, for instance, to the spiritual one – pointing even to a kind of mercantilism that has penetrated all spaces of the world, even those where spirituality has a long tradition, leveling them as a result of capitalism and globalization, just as it happens in the industrialized periphery that the characters are traversing. Taking into account this last aspect, what he says reflects the plural reality of modern India, as well as its economic advancement and the way in which it has gradually become a world power.

Cultural profiling and stereotypes

Age stereotypes and cultural mindsets are also made visible subtly in the discussion. Firstly, both European and Indian perceptions seem to converge on the fact that the elderly need their rest and would profit from any given moment when they can steal a few moments' nap. As soon as she realizes that they have woken up her grandmother with their bickering, Jennifer asks her if she is alright. However, the Europeans seem to feel guilt for taking time to be inactive (and sleep), as the respectable lady excuses herself for her doze, whereas Ram reacts by telling her not to, since mature people should be allowed to take their time when they need rest. Hence, the respect granted for this specific age trait – the need for rest – is greater in India than in Europe, where inactivity is perhaps seen as a weakness, whereas in the other space it is a right that the person has gained due precisely to his/her advanced age. Elderliness is venerable in itself in India, and positively connoted with attributes of, for instance, wisdom, whereas in Europe it is respectable inasmuch as it can deny itself and emulate youth. In our mentality, in modern times when the cult of the body is very prominent, old age is admired according to how well it manages to be unlike itself and mask its advancement: the elderly are supposed to be fit, active, display positive thinking and optimism. The more they resemble the young, the better integrated and accepted they become. They should be able to overcome any difficulties that come with old age and prove themselves as active and useful to society. The greater respect that Ram enjoys due to his old age, and the fact that it comes with the apurage of wisdom, is proven by two facts. For one, even though he is a servant, so of a lower social rank, he is extended help by Sanjay, who offers to replace him in driving the car in case he is tired; although Sanjay is the son of Ram's employers, and thus his master, he does not perceive his offer as strange or inappropriate and does not hesitate to make it. Secondly, as Ram perhaps considers Sanjay's comments to Jennifer as a bit harsh and close to stepping over the line of respect, he allows himself to draw the young man's attention to his words by a very subtle irony meant to make Sanjay aware that he should mind his tongue so as not to go too far and offend Jennifer; the comment made by Ram is that he does not want to let Sanjay drive in his stead because he would not want to interrupt his brilliant discourse. As he says that, Ram also looks at Jennifer's grandmother in the mirror, taking the liberty of a side glance filled with significance and what appears to be a wink. This situation makes us understand that advanced age comes with a respect that allows such trespasses of rank and is therefore prioritized as more important than these, which makes it, by implication and deduction, particularly prominent since it surpasses class and hierarchy in a society which is known for the weight it puts on these.

There is another aspect to the construction of the cultural perception on old age put forth in the context above, namely its opposition to young age in terms of wisdom versus impetuosity. Ram's words put an end to the quarrel between young Jennifer and young Sanjay, showing how the elderly are characterized by temperance which may slow down the tumult and/or carelessness of youth. Thus, the profile of the young is also being contoured, step by step. The way Jennifer and young people are creatures prone to living the moment and not think of consequences, or long term, is proven by her tattoo, which her grandmother notices when a bit of the young woman's skin gets revealed by her

jeans, and which she does not remember being told about. A tattoo means a *carpe diem* perception on life, thinking short term, seasoned with a bit of nonconformist tendencies – just like wearing something that is deemed inappropriate in the culture where the tourist is paying a visit, jeans being a bit controversial for young women in public places in India. Recklessness is something that often accompanies passionate attitudes; it is, after all, what will get Jennifer into trouble on the construction site a bit later on. Jennifer is stubborn, as she would not give up her idea of touring. She is also self-righteous, as she would not listen to advice, even when her own grandmother is trying to slide it to her diplomatically, and a bit self-centered, as she insists not only on making a halt even though the old lady is obviously tired and would like to get to the destination without any more delays in the journey, but also on visiting the naval construction site by the road. From the Mr. Ram and Jennifer's grandmother's attitudes, though, we cannot help but notice that the deference that the elderly expect from the young is greater in India than in Europe, where a certain amount of leeway is granted.

Jennifer is intent on going to the beach to see the naval site despite being warned that it is not a place for tourists, let alone young women who also happen to look very differently from the locals, in terms of both physical appearance and dress. This brings us to the different perceptions on gender and dress.

We have already mentioned that Jennifer's jeans are out of place in the context, fashion-wise. While on the beach after having entered the construction site, the workers witnessing the fight between the tourists and the owner are elbowing one another in mock of her jeans trousers and vest. Jennifer's grandmother sees it, but is also made uncomfortable herself by the men's ostentatious looks, which means that the problem is not only what they consider inappropriate dress when it comes to women, but also something else. It can be that their different physical traits seem unusual and draw people's attention leaving them in awe. This is definitely one reason, as, before leaving the Singh luxurious home, Mrs. Singh, Sanjay's mother, insisted on lending them the family car and driver instead of letting them wander through stations by themselves, and pointed to Jennifer's blond hair while saying so. This was a hint at the marked way in which Indians react to a different set of traits or different attires than the ones that they are accustomed to.

Another reason why Indians tend to look at the two women suspiciously would be the fact that women are misplaced altogether in the public sphere, and should perhaps remain within the private one of the household. The partitioning of the spaces into gendered ones is illustrated by Ram's advice to Jennifer not to breach the perimeter of the construction site, and the motivations that he gives: that it was not a place for a lady and that it was a working area. The second reason also points to the fact that women are neither supposed to work for money, which is perceived as degrading, nor to be found in an area where paid work is unfolding. Even in what concerns the trip back from the Singh residence in Gujarat to the airport in Bombay, Sanjay's mother lends them the family car and chauffeur, suggesting that they should neither go by themselves to the train station, as the two women intended, nor travel unaccompanied by men even in car. This definitely points to the problem considered by women going out by themselves, without male company, into the public places. Moreover, it appears that women should not order or buy

things by themselves in public as well. The servant, Ram, is the one who ordered tea for the elderly lady as she decided to get out of the car and wait for her granddaughter on a tea shop terrace. Also, as Jennifer expressed her wish for a refreshment, Sanjay told her that he would buy some soft drinks when the car makes a halt near a store, but Jennifer corrected him, using the plural, saying they *they* would buy the drinks. This play upon grammar actually points to a discrepancy in perceptions when it comes to gender differences in situations involving public purchases.

The aspects connected with gender introduced by the text above have something to do with the way the emancipation of women has only seen later developments in India, in comparison with Europe. Thus, only as late as 1992 was the National Commission for Women set up by the government in order to check the adequacy of constitutional and legal provisions for women, followed, the subsequent year, by a decision to allot one third of the village councils seats to women, and then, in 1999, the same number “in state legislatures and the Parliament” (Dalmia and Sadana, 2012: XXII). The recentness with which these matters were addressed shows that women still have a long way in establishing equality of rights with men in this space, and explains the differences arising in perceptions when it comes to women’s place and attitudes in Indian society – reflected by the narrative facts above.

The poverty and lack of hygiene are hinted at as characterizing the world of Indian slums and outskirts. Grandma hesitates to go to the toilet, suggesting this very issue when saying that, with the exception of luxury hotels, going to the toilet was as traumatizing an experience as not going when one needs to. Moreover, while thinking about the experience in the country, the elderly woman describes it as a bombardment on the senses, despite the filter provided by air conditioners and upscale hotels, referring to the smells in the streets. Here, it is worth investigating a bit this annoyance that the character, and the Europeans that she mirrors have in relation with smells. One obvious reason would be that, to us, the fact that she is bothered by the smells is immediately understood, as a taken-for-granted idea that it is normal to be bothered by what we call foul smells. What we are not aware of, though, is that even this taken-for-granted category – of unpleasant smells – is a cultural construct. Secondly, it is perhaps part of our European-western mindset to consider smell as a second-rate sense, inferior in importance to sight and gaze (which have been dedicated a fair amount of literature), and usually unconsciously associated altogether with primitivism and the animal world; proof of this bias is encountered in Alain Corbin’s work on European and western perceptions of and on smell (Corbin qtd. in McHugh, 2012: 12).

Mc Hugh though, who analyzes smell and smells in the South Asian world, points out in his study the different perceptions on smell in the oriental space as well. Quoting Edward Washburn Hopkins, he reveals the fact that the Vedic texts mention the existence of sniffing as a replacer of kissing (*ibidem*: 13), then reminds us of the practice of smelling impure substances as part of religious rituals of penance (*ibidem*: 26); in traditional texts, the smells of fish, goat urine and cow urine are given as comparison indicators for others, of plants which are not deemed as foul-smelling, which shows that they “may well not have been perceived” as bad (*ibidem*: 67); also, some smells are not necessarily thought of as good or bad, but auspicious (*ibidem*: 73) or, on the contrary,

harbingers of death (e.g. a blooming or flowery smell), disease or the presence of demonization and good or bad spirit (*ibidem*: 76); fumigations – the smoke resulted from burning bad-smelling substances – are used to repel demons and illness, but a demon may be equally drawn by an unpleasant odor or chased away by a pleasant one (*ibidem*: 77-8); the fact that social castes used to be classified according to bodily aromas, by the association of character and personality features with certain scents (*ibidem*: 83-4) reveals the prominence and paramount importance of smells.

Mc Hugh concludes that, while for Europeans a smell is an individual, lonely experience, for the oriental it is relational; for us, smell is only meant to evoke, it has a mnemonic role, and is solitary, whereas for the oriental it triggers the desire to find its source and be united with it or experience it, thus always being interactive and social (*ibidem*: 101-2). If for the European a smell has no real meaning or reality beyond representing a trigger of memory and other realities, then that makes it a much drier cultural construct for us than for the oriental, whose perspective on it is thus considerably richer and more inclusive. On this principle, smells and aromas are part of Indian life to a greater extent – in perfumeries, cooking etc. This cultural difference makes the western visitor find the smells of India as burdensome and, although the tendency is to all-knowingly dismiss this perception by reducing it down to the fact that the smell may be unpleasant, or too much, it is perhaps explainable as much more than that, through the lens of the cultural differences and facts mentioned above. We understand from the insights offered by McHugh above that this dismissal is the result of arrogance and/or lack of awareness of how smell is culturally constructed in a drastically different manner in the two broad cultures at hand. Awareness of this fact might force us to question even deep-rooted ideas such as what is foul when it comes to smell, after all.

While looking through the car window at the industrial neighborhood unfolding before her eyes, Jennifer wonders aloud if that was a town built around a landfill or dump site. There is a typical scape of the Indian slum or peripheral area, characterized by an agglomeration of disparate elements, potholes and dirt roads. In car, they pass old decrepit homes, warehouses for wood and steel, the wall along the carriageable made up of metal panels with patches. Since it is an industrial area, next to a ship graveyard, the items lining the road are extremely diverse, consisting in various objects that can be found on ships and which are meant to be marketed after the vessels are disassembled, as well as the products of the developing industry: kitchen sinks, scooters, mattresses and operation tables. The road is blocked at some point by a cow passing, this animal being, of course, a representative one for the country, since it is considered sacred in India. All sorts of small shops can be found on either side of the street, among which a teahouse could not be missing. This is the place where the elderly lady enjoys some tea prepared with sugar, milk and spices (and which is ordered by Ram).

The questions that Ram Vaghela asks the elderly lady reveal his preoccupation with the poor rights and status of the working class members in his country, and the intention to take social action in order to change them for the better. Ram wants to know how many days off the venerable lady's servant (actually a cleaning lady) gets and if these are paid for, if she has her own room etc. He fishes for information so as to understand the differences existing between other, more civilized countries and his own

in granting more rights and privileges to the lower-class citizens, and thus see how to go about initiating the union he has in mind. The details that he gives – that a worker earns a pound a day, the lack of insurances and support from the government – point to the persistence of a layered society. On the other hand, his interest in promoting social emancipation for the lower classes also reveals that social distinctions are not as clear as they used to be, and that awareness of a different, more equalitarian mentality among the lower classes is present and active in their mindsets. This latter view is in agreement with Jaffrelot's contention that "caste identities are more malleable than many social scientists used to think until recently" (Jaffrelot, 2012: 96), which is a conclusion to his article that investigates the aspects that have powered social change towards democratization and a levelling of society since the beginnings of the British rule in India. Among these, the "ethnicization of caste", which began against the background of British industrialization (that increased the importance of the working class) with the introduction and development, during the 19th century, of the theory of a common Indo-European race migrating to India (*ibidem*: 82). Jyotirao Phule interpreted as implications of this theory the association of the Brahmins (the upper caste) with the white, Arian, invading race, and of the lower castes with the local, true, original inhabitants of the land, whom he called the Dravidians, and who had, in this light, the primacy of authenticity over the top castes (*ibidem*: 83). Later on, in the 1920s, Ramaswami Naicker (Periyar), disappointed in Gandhi and the Congress, launched the "Self-Respect Movement" which relied on the concept of equality (*ibidem*: 85). Caste associations for political reasons began to form (*ibidem*: 86), such as the Gujarat Kshatriya against the background of the 1947 democracy (*ibidem*: 87). Other measures into more modern times included the "positive discrimination" of the Untouchables group (which was originally outside the caste system, at the base of it) through the establishment of employment quotas for them (reserved workplaces) etc. (*ibidem*: 91). Ram Vaghela's concerns and attitude in the story echoes the spirit of these manifestations, and the fact that India has come a long way from its initial social order, but at the same time proves the fact that inequalities are still a thorny matter, since the character resorts to examples of other countries, such as England and Denmark, looking for suitable examples of more successful societies – from the point of view of the issues that preoccupy him.

However, the facts mentioned above in what regards the reality of modern India – the emergence of the working class, along with the appearance of heavy industrialization – have something to do with the relatively recent emergence of this country among the world's most developed economies, and the significant expansion that it is expected to produce in the following decades. A top ten of "the world's biggest economies", drawn based on data acquired from the International Monetary Fund places India on the seventh position, but even more interesting is the prediction that by 2050 it will become the second most developed nation, after China and before the United States (Smith, 2018). It is interesting how the country has turned its destiny around from being exploited colonially and providing cheap workforce to more developed state entities towards rising in a skyrocketing motion of self-assertion.

There is one last aspect which we need to touch upon before making the concluding remarks. It detaches itself from Ram Vaghela's attitude as he comments, to

his wife, on how stunned he was to see an old lady (Jennifer's grandmother) cry her eyes out in public and needing to be carried away and physically supported because she was overwhelmed by emotions upon seeing the metal skeleton of a particular ship (which brought back memories). He manifests to his spouse his displeasure at the old lady's reaction, saying that he would have expected more composure from a British woman, and an ability to keep her emotions in check. This difference arises from the broader one, of affective versus neutral cultures, mentioned by Trompenaars and Hampden-Turner in their studies. In a table displaying the degree to which certain countries would refrain from emotional response in percentages, India's repressiveness is translated in 51%, whereas the British dislike emotionality in a proportion of 45% (Trompenaars and Hampden-Turner, 1997: 70). Perhaps surprisingly, Indians look on expressing affect with more disapproving eyes than people from the UK, which we would not expect, given the plethora of emotions which we see in popular culture productions, which apparently counters the traditional ways and the core values of formal contexts.

Conclusions

This paper has investigated the introductory part of the novel *The Ship of Brides* by Jojo Moyes, as it represents a good referential piece for a set of distinctions that can be made in what regards, for instance, Indianness and Britishness, or mass tourism versus responsible tourism. We are provided with valuable information and illustrations of topics such as age perceptions, gender and dress codes, the appearance of specific scapes, as well as social and cultural issues concerning class and affect in India. Besides constituting an open mirror to Indian identity, the introduction to the novel occasions the approach of concepts such as eurocentrism and exoticism, plural visions, and their interpretations in context. We have also seen in the fragment the mirroring of some of the implications of the modern realities concerning India, such as the advancement of the working class and the emergence of its economy, announcing an even more auspicious perspective in the relatively near future, for a country that has already come a long way in terms of economic development.

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THE CREDIT OUTLOOK FROM THE BCR AND BT PERSPECTIVE BETWEEN 2010-2017

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Abstract

By associating with banking globalization, economic barriers have become collective due to the intensification of such diverse links. The banking system has supported access to the money markets as well as technological progress. Thus, the competition was also observed in the banking sector, as evidenced by the recommendations of the credit institutions, the diversity of products and services, but also by the claims and wishes of the clients, both legal and physical persons.

Banking associations in Romania are part of the group of commercial banks of general level that perform a variety of banking operations that mediate throughout the country. Given the desire to develop of the banks, they seek to evolve through the establishment of new branches throughout the country.

In this way, the article aims to analyze the evolution on the line of credit from the perspective of the first two players in the Romanian banking market, according to the market share of BCR and BT.

Keywords: banking system, competition, credits

JEL Codes: E51, G21

1. Introduction

The present gives us a globalized community with a wealth of opportunities of an economic nature, representing the favorable environment for conducting free trade. As far as the financial system is concerned, banking authorities are key elements both in terms of the good functioning of economic institutions and of the entire economic system. Thus, over time there has been a continuing concern for the creation of an operational banking system adequate to provide a multitude of products and services that are in line with customer requirements from the very beginning of banking and up to at the moment.

The topic of the article is up-to-date, being consistent with the more suggestive realities of the last two decades, as well as regarding the possibility of explaining the importance of the factors and processes that supported the innovation process in the Romanian banking market.

Competition is generally present in any community under all social agreements. The notion of "competition" indicates several concepts, but the defining field in which

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competition is the main one is the economic one. The development of economic activity is dependent on the presence of real and indiscriminate competition between competitors.

2. Literature review

The profitability of the banking system has been constantly analyzed by the literature. Important studies were conducted by: Sufian F. (2009), Hoffman P.S. (2011), Davydenko A. (2011), Trujillo-Ponce, A., (2013), Rachdi H. (2013). Typically, the determinants of a bank's profitability are analyzed by three types of factors, namely: specific bank factors, bank structure factors and macroeconomic factors. The earliest named factors and internal factors relate to the system and asset value, capital relevance, bank size, yield, and property structure.

The factors characteristic of the banking system and macroeconomic factors, also referred to as external factors, refer to: the tax rate, GDP growth, inflation rate and stock market capitalization.

Another study is conducted by Dietrich A., and Wanzenried, G., (2010) that analyzed Swiss banks between 1999 and 2008, noting that well-capitalized banks are more profitable. Similarly, if the amount of credit a bank grows faster than the market, the impact on the bank's profitability is positive. We will continue to analyze the two major players of the BCR and BT banking market from the point of view of crediting in 2010-2017.

3. The main aspects of the credit operation

The lending operation is a major activity of all institutions operating on the Romanian banking market. For this purpose, credits are attributed to individuals or legal entities in accordance with various regulations or internal lending provisions set by commercial banks under the control of the National Bank of Romania.

BCR (Romanian Commercial Bank) was established in 1990 by taking over the commercial activities of the National Bank of Romania and merged in 1999 with absorption with Bancorex. 2003 is an important year because BCR privatization takes place by the transfer of the shares to the EBRD and IFC, and in 2006 the acquisition of the Romanian Commercial Bank by the Austrian Bank Erste Bank takes place. It bought 61.88% of BCR shares from the Romanian Government.

Analyzing the indicators of BCR's activity, it managed to increase its total assets by 8.4% in 2010, reaching a market share of 19.8%, which led to the consolidation of market leadership by assets. Also in 2010, the level of lending shows a good evolution on the background of a low eligible demand.

Thus, BCR has slightly increased its market share in lending, reaching 22.2% at the end of the year, which overall led to a 1.2 percentage point increase in market share. As regards the amount of loans in RON in the portfolio of BCR it was 39.3% of the total loans and the weight of credits in foreign currency (with the main EUR currency, 58% of the total portfolio).

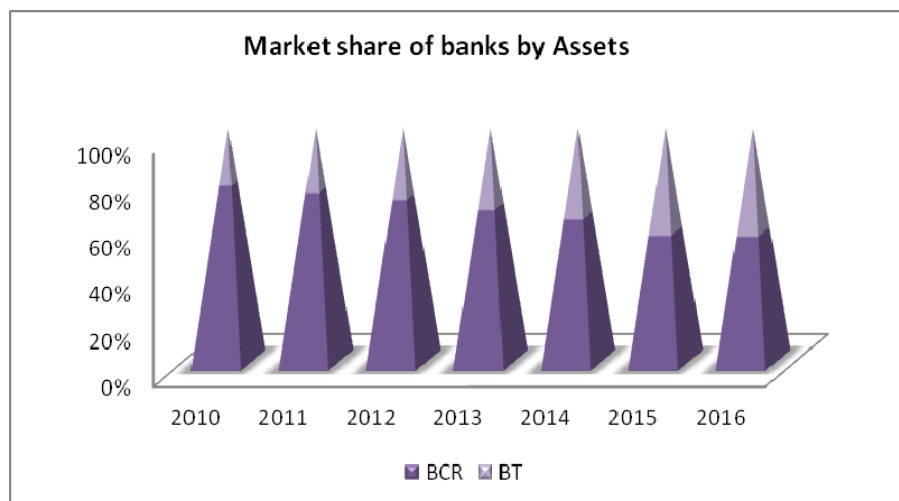
In 2011, from the perspective of the total assets of BCR, a gradual evolution of 4.3% was observed. The loan portfolio to customers increased by 2.2% in the case of a still modest eligible credit application. Thus, BCR has maintained its market leadership in

the lending sector with a market share of 22%. He can also be considered the leader in the "First Home" lending program, earning a market share of over 50% by supporting 8,800 families to buy their first home.

For 2012, BCR retained its position as market leader holding 19.3% of the market share of the assets, although there was a decrease in total assets as compared to the previous year. The aggregate volume of customer loans decreased by 0.2% due to the low demand of that period.

The year 2013 comes with a further decrease of 12.2% in terms of the aggregate volume of loans to customers. For this reason, the bank has proposed to pay more attention to RON lending so as to substitute the currency mix in the portfolio of long-term and medium-term loans and take advantage of the high potential for self-financing in RON. Although this year saw a 8.9% reduction in total asset value, the bank maintained its market leadership position.

The success of 2014 was the tripling of new mortgage loans and a 61% increase in consumer loans, as BCR has successfully completed a project to improve its branch network with the goal of increasing the quality of its services customers.



Source: BNR, Annual Report, 2016

The next year 2015 comes with other achievements for the Romanian Commercial Bank, namely the significant increase in the volume of new loans due to the first house loans, which increased by 29% compared to the previous year, but also the loans for personal needs, increased by 7% annually.

Compared with the previous year, 2016 brought new rewards for the Romanian Commercial Bank, as it managed to increase the volume of new loans, increase net profit, and last but not least, to keep its first bank status by market share.

Starting from these aspects, it can be noticed that BCR has developed a strategy of customer focus and business with them, and secondly they have invested in their own infrastructure to provide more flexible, reliable and affordable services. The main actions to achieve the strategy aim to encourage local and international capital, stimulate the stimulation of Romania's intellectual and entrepreneurial potential.

The year 2017 also brought numerous certifications for BCR: over 10,000 families decided to buy a house through the bank, opting either for the "Prima Casa" program or the BCR "Casa Mea" standard mortgage loan, the latter registering in the fourth quarter, a 77% increase in sales over the same period last year.

The second bank analyzed is Banca Transilvania, which was established in Cluj-Napoca in 1994 following some steps initiated by some businessmen from Cluj to form a local brand. The entrepreneurial spirit of the promoters led to the consolidation of the Bank's position, initially in Cluj, and then at regional and national level.

The Bank had as its first activity the SME sector and, thanks to market demands, started to pay attention also to the retail sector. Banca Transilvania was also the first banking institution in Romania, which was listed on the Bucharest Stock Exchange in 1997.

For 2010, Banca Transilvania had a market share of 6.31% and maintained its willingness to support customers to overcome the difficult economic climate by introducing new products into the Anti-Crisis Program, such as Credit Plan B - a loan refinancing of loans contracted to other banks.

As far as the bank's loan portfolio is 10% higher than in 2009, the balance of credits to individuals and companies increased by only 4.7%, the growth being mainly supported by the increase by 9.8% of foreign currency loans.

Year 2011 saw an increase of 0.96% on net assets, which reached the third position with a market share of 7.31%. The credit portfolio has increased regularly to 15% higher than the previous year and 2% above its value. In the following year, Banca Transilvania retained its third position in the asset ranking, reaching a market share of 8.08%, and the loan portfolio increased by 12% compared to 2011. Banca Transilvania and continued to grow in 2013, with market share reaching 8.9%. The year 2014 brought positive changes in the bank's evolution on the line of assets, reaching a market share of 12.4% in the retail sector, with the bank managing to allocate some 22,000 new loans.

As far as the year 2015 for Banca Transilvania is concerned, it can be considered a year of growth when it registered a growth of more than 10% in the lending activity and over 19% on the attraction of deposits. Thus, the bank has excellent financial statements this year with a market share of 12.6%, to which can be added the positive impact of the merger with Volksbank Romania. "

For 2017 it can be seen that Banca Transilvania maintains its positive focus on efficiency and plans for the digital banking area. Thus total assets increased by about 15%, the balance of total loans by 10%, and 190,000 thousand new credits were granted this year.

4. Conclusions

It can be noticed that the Romanian Commercial Bank maintains its market leadership in both the volume of credits granted and the total assets. If in 2010 the

difference in the total volume of assets between Banca Comercială Română și Banca Transilvania was 13.6%, we would reach 2013 where the gap would be only less than 8.6%, so that in 2016 it would be 3 13%. It is worth mentioning Banca Transilvania that exceeds the BRD in 2016.

In conclusion, it can be said that increasing competitiveness in the banking system leads to a permanent effort to adapt, preserve and strengthen the position on the market. The consistency and efficiency of these endeavors can only be achieved by reorganizing the business model through cost-effective management, but also by providing new client-oriented banking products and services.

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