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CONTENTS

MIHAELA CIOBANU	<i>ENGLISH TERMS HIGHLY USED IN ROMANIAN AND SPANISH TOURISM TERMINOLOGY</i>	7
IULIANA MILITARU ANTONIU PREDESCU DANIELA BOJAN	<i>IMPLEMENTING SINGLE RESOLUTION MECHANISM – ADVANTAGES AND CHALLENGES</i>	17
CONSTANTIN SECĂREANU CATRINEL RALUCA DRIDEA	<i>FROM GOVERNING TO GOVERNANCE</i>	28
ELISABETA ANDREEA BUDACIA	<i>ORGANIZATIONAL CULTURE AS AN INSTRUMENT OF THE QUALITY MANAGEMENT WITHIN COMMERCIAL FIRMS</i>	40
FLORINA-MARIA BOBEȘ	<i>EVOLUTION AND CURRENT TRENDS IN THE STRUCTURE OF THE MAIN NATIONAL BUDGETARY INDICATORS IN ROMANIA</i>	50
BRUNILDA DURAJ ELVANA MOCI	<i>FACTORS INFLUENCING THE BANK PROFITABILITY – EMPIRICAL EVIDENCE FROM ALBANIA</i>	60
FIONA TODHRI	<i>DIMENSIONS AND SOCIAL CONSEQUENCES OF SMOKING AND ALCOHOL USE</i>	73

ELISABETA OSMANAJ NEVILA KOÇOLLARI FURXHIU	<i>ROMA DIVERSITY, DYNAMICS OF FAMILY AND COMMUNITY AS THE BASIC ELEMENTS OF SOCIAL SUPPORT IN THE EDUCATIONAL LIFE OF ROMA CHILDREN IN</i>	89
EVANA NUSRAT DOOTY SYEDA TAMANNA FAHIM ISRATH SULTANA	<i>A COMPARATIVE ANALYSIS ON EMPLOYEE SATISFACTION: A STUDY ON CONVENTIONAL AND ISLAMI BANKS OF BANGLADESH</i>	99

ENGLISH TERMS HIGHLY USED IN ROMANIAN AND SPANISH TOURISM TERMINOLOGY

Mihaela CIOBANU¹

Abstract:

Qualitative variables have a big importance in economy, being associated to a big number of economic processes and phenomena. In economic-mathematic modeling process, the main problem which needs to be solved is to express numerically the level of such variables, especially if their importance is big, or if qualitative effects worth to be considered. Measuring of qualitative variables give the chance of input them in quantitative kind models that would help mostly to reduce the degree of indetermination and therefore, to a fuller explanation of the evolution of economic phenomena.

An important number of terms currently used in tourism are of English origin. If we consider Romanian and Spanish tourism terminology, although there are corresponding terms in these languages that express the same concept in tourism, the present-day tendency is to prefer and use the English terms at all levels of specialization. This preference is an image of globalization, a sign of the international and worldwide features of today's tourism.

From the quantitative point of view, the English influence in tourism terminology is significant, especially at the mass-level communication.

Despite their extensive use, Anglicisms do not make difficult the decoding of the message, sometimes being used together with explanations, terms or equivalent syntagms, all these facilitating the access to the specialized meaning in tourism.

Key words: *tourism terminology, Anglicisms, specialized syntagms*

JEL Classification: Y80

The insertion of foreign words is a very common and frequent process for any living language. English has the biggest influence in the world, thus leading to linguistic interrelation.

We used the method of combining the onomasiological approach with the semasiological approach, by semantic disintegration of tourism terms. The

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description of these English terms follows the two semantic dimensions, the paradigmatic and the syntagmatic axes.

In the most specialized level of tourism communication/terminology, there are many English terms that are widely used in Romanian and Spanish tourism terminology: ALLOTMENT, BACK-OFFICE, BOOKING, BRUNCH, CARAVANING, CATERING, CHECK-IN, CHECK-OUT, FRONT-OFFICE, GATEWAY, HALL, HANDLING, HIKING, HUB, INTERHOME, LAYOVER, LOW-COST, OVERBOOKING, PACKAGE, PLANNING, RACK, RAFTING, RAPPEL, RELEASE, RESORT, ROUTING, RUNWAY, SHUTTLE, SINGLE, SLIP, SLOT, STAND-BY, STOPOVER, TICKET, TRANSFER, TREKKING, TWIN, VOID, VOUCHER, WALK-IN, WINDSURFING etc. (according to DTUR, DTTO, LTT, DTT).

We will try to illustrate some semantic relationships between terms by presenting a complex relation of synonymy and some relevant terms, together with some explanatory examples extracted from different types of texts. The analysis we present is based on the information provided by the Spanish and Romanian general and specialized dictionaries, as well as by the media, tourism literature and newspapers.

For example, BOOKING, an English term highly used in tourism, has a wide thematic variety of uses. It can be applied to more tourism sectors: one can book a restaurant seat/meal in a restaurant, a room in a hotel, a seat in the theatre, a flight, a train ticket etc. (according to DTTO). While referring to the equivalent terms in Romanian and Spanish, this term is used in a relation of synonymy with the Spanish term RESERVA and the Romanian term REZERVARE. This is a term taken from the common vocabulary and, after being extensively used in tourism, it acquired a specialized meaning in this field.

Some of the syntagms that employ this term developed a sectorial specialization: for the accommodation sector: RESERVA POR GRUPOS/RESERVA ANTICIPADA, RESERVA POR CUPOS o CONTINGENTES etc.; for the transportation sector: RESERVA DE CUPOS, RESERVA ANTICIPADA, etc.

Talking about all the above-mentioned formalities, these are done by the CENTRALES DE RESERVA (*“empresa o departamento de un hotel o cadena de hoteles, encargada de gestionar las reservas”*) (Blasco 2006: 82). This is a fixed specialized syntagm, also registered in tourism dictionaries, and intensely used in this terminology, in the accommodation sector. For the transportation sector, this “booking” is normally done by the SISTEMAS INFORMATIZADOS

DE RESERVA (loan translation of CRS = *Computer Reservation System*), a fixed syntagm that is mainly used in this sector, as well as in the accommodation sector.

Another fixed syntagm, a quasi-synonym of the above-mentioned one, is SISTEMA GLOBAL DE DISTRIBUCIÓN (loan translation of GDS = *Global Distribution System*). This one is registered in the tourism specialized dictionaries and has the characteristic of “*que reúne a los distintos mercados nacionales en un único centro donde concurren oferentes, en particular proveedores de servicios turísticos y de viajes, tales como compañías aéreas, establecimientos hoteleros o agencias de viajes mayoristas, y demandantes, donde el usuario final es un intermediario, esencialmente una agencia de viajes minorista*” (DTUR 1998: 330). All these fixed syntagms reveal and prove their specialized use from the user’s point of view, who is a tourism professional, and not the tourist himself.

From the point of view of the relation of synonymy, and by language separation, we have identified examples of interlinguistic synonymy: BOOKING = RESERVA (En. - Sp.) / BOOKING = REZERVARE (En.- Ro.), used in free variation, which is also used at the syntagmatic level: COMPUTER RESERVATION SYSTEM = SISTEMA INFORMATIZADO DE RESERVAS = SISTEM DE REZERVARE COMPUTERIZAT(Ă); GLOBAL DISTRIBUTION SYSTEM = SISTEMA GLOBAL DE DISTRIBUCIÓN = SISTEM DE DISTRIBUȚIE GLOBALĂ.

OVERBOOKING is another widespread English term in tourism. Because of its extensive use, it has already been registered in the Spanish general dictionaries (Romanian general dictionaries do not register this term yet): “*Venta de plazas, especialmente de hotel y de avión, en número superior al disponible*” (DRAE 2001: 1641). It is used in the accommodation and transportation sectors, in syntagms with specific determiners: OVERBOOKING AÉREO², OVERBOOKING HOTELERO³. It refers to a

² “Para justificar el *overbooking aéreo*, el más habitual, las líneas aéreas alegan que un elevado número de clientes reservan vuelos que finalmente no toman, con los consiguientes perjuicios económicos que esto supone para ellas.” http://revista.consumer.es/web/es/20040501/economia_domestica/68788.php [March 14, 2014].

³ “La crisis aérea desatada por la decisión de los controladores de abandonar masivamente sus puestos de trabajo ha provocado en Canarias un ‘*overbooking*’ hotelero en el que se solapaban los turistas que llegaban desde este pasado sábado, la mayoría extranjeros, con los que aún no habían podido irse y habían optado por ampliar sus reservas, según explicaron a Europa Press varios responsables y representantes de cadenas hoteleras presentes en las islas.” <http://www.20minutos.es/noticia/895305/0/> [March 14, 2014].

very wide tourism practice, which is the desire/need to fully occupy all tourist services (rooms in hotels, seats in airplanes, etc.).

The specialized Spanish dictionary DTUR includes the English term OVERBOOKING, as well as its Spanish equivalent SOBRECONTRATACIÓN, and defines it as “*exceso de contratación o admisión de un número de reservas mayor que el de plazas disponibles*”. Then it explains it as “*la contratación, reserva y venta de una misma plaza de transporte o alojamiento a dos o más clientes*” (DTUR 1998: 332), thus adapting it to both sectors that we are considering here, accommodation and transportation. In tourism practice and communication, there are other synonyms used to express the same concept: SOBRE(R)RESERVA, SOBREVENTA and SOBREOCUPACIÓN (these terms are confirmed by their use in texts with different levels of specialization).

SOBRE(R)RESERVA is a term that is not registered in the general or specialized dictionaries, but it is confirmed by its use in the texts: “*El overbooking o SOBRESERVA tiene lugar cuando se confirma una plaza al pasajero implicando que el número total de reservas efectuadas para ese vuelo sobrepasa la cifra que corresponde a la capacidad real del avión*” (Mapelli López 1991: 475).

The specialized dictionary DTTO includes the synonym SOBREVENTA, which is also confirmed by field literature: “*El overbooking o SOBREVENTA de billetes por parte de las aerolíneas afecta a 250 000 viajeros de los 250 millones de pasajeros que sobrevuelan cada año el espacio aéreo de la Unión Europea*” (de Juan 2013: 156). This term is mainly used when it refers rather to selling plane tickets/flights than to booking rooms, thus indicating a slight preference and specialization for the transportation sector: “*El nuevo reglamento comunitario establece indemnizaciones de entre 250 y 600 euros para los pasajeros afectados por SOBREVENTA de billetes de avión (overbooking) o retrasos, unas compensaciones que hasta ahora ascendían a 150 y 300 euros y sólo eran efectivas para vuelos superiores a 3.500 kilómetros*”⁴.

SOBREOCUPACIÓN is another term used in tourism terminology, a synonym of the above-mentioned ones, according to CLAVE general dictionary. Its tourism use is also confirmed by the (specialized and non-specialized) texts: “*El sindicato CCOO de Girona ha alertado de que los hoteles de Lloret de Mar permiten la SOBREOCUPACIÓN de las habitaciones, es decir, que haya más camas de las permitidas y de dejar de contratar a gente ocupando estos*

⁴ <http://www.elmundo.es/mundodinero/2005/02/16/Noti20050216205233.html> [March 12, 2014].

puestos de empleo con becarios”⁵; “*Infracciones graves: [...] g) La reserva confirmada de plazas de alojamientos en número superior a las disponibles, siempre que se produzca una SOBRECUPACIÓN efectiva*”⁶, but it is confined to the accommodation sector (we have not identified any example in reference to the transportation sector i.e. SOBRECUPACIÓN AÉREA, but there are numerous examples of SOBRECUPACIÓN HOTELERA, thus confirming its use at the syntagmatic level: e.g. “*La sobredemanda del mercado ruso hacia Turquía, así como del francés, alemán y británico en Túnez, ha provocado que estos dos países competidores de Mallorca vayan a registrar una situación de «overbooking» en junio, julio y agosto (SOBRECUPACIÓN HOTELERA), lo cual va a provocar desvíos de grupos de turistas hacia Mallorca, principalmente, y en menor medida hacia Menorca y Eivissa*”⁷).

We have also identified another synonymous syntagm in the legislation and the mass media, large coverage texts: EXCESO DE RESERVA(S): “*vuelo con EXCESO DE RESERVA, todo vuelo en el que el número de pasajeros que tengan una reserva confirmada y que se presenten al registro dentro del plazo y de las condiciones requeridos sea superior al número de plazas disponibles*”⁸; “*e) No existirá obligación de indemnizar en los siguientes supuestos: [...] 2. Cuando la cancelación del viaje, salvo en los supuestos de EXCESO DE RESERVAS, se deba a motivos de fuerza mayor o causa suficiente, entendiéndose por tales aquellas circunstancias ajenas a quien las invoca, anormales e imprevisibles, cuyas consecuencias no habrían podido evitarse, a pesar de haber actuado con la diligencia debida*”⁹.

As a sign of this complex and vast relation of synonymy, we have found a term that can be seen as a quasi-synonym of OVERBOOKING, that is DENEGACIÓN DE EMBARQUE¹⁰. In fact, it implies a relation of hyponymy

⁵ http://www.hosteltur.com/161880_ccoo-alerta-hoteles-lloret-mar-sobreocupan-habitaciones.html [March 12, 2014].

⁶ Ley 6/1989, del 3 de mayo, sobre la función inspectora y sancionadora en materia de turismo.

⁷ <http://ultimahora.es/mallorca/noticias/local/2012/72441/overbooking-turquia-tunez-garantiza-optimo-verano-turistico-mallorca.html> [March 12, 2014].

⁸ REGLAMENTO (CEE) N° 295/91 DEL CONSEJO, de 4 de febrero de 1991, por el que se establecen normas comunes relativas a un sistema de compensación por denegación de embarque en el transporte aéreo regular.

⁹ The catalogue *Paradores 2014* of VIAJES EL CORTE INGLÉS, page 64.

¹⁰ “Overbooking, su traducción al castellano sería sobreventa de billetes o *denegación de embarque*, es una práctica lícita seguida por la práctica totalidad de las compañías aéreas y que más de un usuario habrá tenido que padecer. Para justificar esta práctica, las aerolíneas alegan que un elevado número de clientes reservan vuelos que finalmente no toman, con los consiguientes perjuicios económicos que ello les supone.” http://www.acutavc.com/index.php?option=com_content&task=view&id=22&Itemid=40&lang=spanish [May 8, 2014].

at the significance level, this referring to a consequence of the “overbooking”: *“Habitualmente la DENEGACIÓN DE EMBARQUE se produce por el fenómeno del overbooking. El overbooking es una situación permitida por las leyes que se da cuando el número de pasajeros es mayor que el número de plazas del avión. Esto puede deberse a diversas causas, como el retraso de un vuelo de conexión, la cancelación de un vuelo anterior, la sobreventa de plazas en previsión de pasajeros que no se presentan o cancelan sus reservas, etc.”*¹¹. This fixed syntagm is also used in specialized texts (i.e. tourism legislation), where it is defined as *“la negativa a transportar pasajeros en un vuelo, pese a haberse presentado al embarque en las condiciones establecidas en el apartado 2 del artículo 3, salvo que haya motivos razonables para denegar su embarque, tales como razones de salud o de seguridad o la presentación de documentos de viaje inadecuados”*¹². This definition indicates its highly specialized nature, and it has been transferred to mass-level communication, because of its direct impact on the passenger: *“La compañía aérea Ryanair ha abonado la cantidad de 250 euros a una socia de Facua-Málaga tras sufrir una DENEGACIÓN DE EMBARQUE. La afectada tenía contratado con la compañía aérea el vuelo Valencia-Málaga para el día 27 de mayo de 2012”*¹³.

In conclusion, we have identified the following types of synonymy:

Intralinguistic quasi-synonymy: SOBRECONTRATACIÓN – SOBREVENTA – SOBRECUPACIÓN - EXCESO DE RESERVA; it is also used in specialized syntagms, where this relation is established for each sector individually: SOBREVENTA AÉREA¹⁴ - SOBRECONTRATACIÓN AÉREA¹⁵, and SOBRECONTRATACIÓN HOTELERA (DTTO) - SOBREVENTA

¹¹ http://www.seguridadaerea.gob.es/lang_castellano/particulares/pasajeros/dchos_pax/denegacion_embarque/over_booking.aspx [March 12, 2014].

¹² REGLAMENTO (CE) No 261/2004 DEL PARLAMENTO EUROPEO Y DEL CONSEJO de 11 de febrero de 2004 por el que se establecen normas comunes sobre compensación y asistencia a los pasajeros aéreos en caso de denegación de embarque y de cancelación o gran retraso de los vuelos, y se deroga el Reglamento (CEE) no 295/91.

¹³ <http://www.laopiniondemalaga.es/malaga/2014/05/29/ryanair-abona-usuaria-250-euros/680966.html> [May 30, 2014].

¹⁴ “Las líneas aéreas europeas regulares y chárter que operen en la Unión Europea deberán doblar el año próximo las indemnizaciones a los pasajeros a quienes se niegue el embarque pese a tener billete, según el acuerdo final entre el Consejo de Ministros de la UE y el Parlamento Europeo para modificar el actual reglamento de sobreventa aérea.” *El Periódico de Catalunya* [Spain] 16.10.2003, page 37.

¹⁵ Ignacio Moralejo Menéndez (1999) “Notas en torno a la sobrecontratación aérea “Overbooking”” in *Estudios sobre consumo*, No. 48, pages 177-181.

HOTELERA¹⁶ - SOBRECUPACIÓN HOTELERA - SOBRESERVA HOTELERA.

Interlinguistic synonymy: SOBRECUPACIÓN = OVERBOOKING (Sp. - En.); SOBRECUPACIÓN = OVERBOOKING (Sp. - En.); SOBRESERVA = OVERBOOKING (Sp. - En.); SOBREVENTA = OVERBOOKING (Sp. - En.); SUPRAREZERVARE = OVERBOOKING (Ro. - En.), also present at the syntagmatic level: SOBRECUPACIÓN AÉREA = OVERBOOKING AÉREO; SOBREVENTA AÉREA = OVERBOOKING AÉREO; SOBRECUPACIÓN HOTELERA = OVERBOOKING HOTELERO; SOBREVENTA HOTELERA = OVERBOOKING HOTELERO; SOBRECUPACIÓN HOTELERA = OVERBOOKING HOTELERO.

Another term that is commonly and almost generally used in tourism terminology is TICKETING (Sp. BILLETAJE, Ro. TICKETING). This term is circumscribed to the transportation sector. Despite of its tourism specialization, the specialized dictionary DTUR does not include it. In Romanian we have identified it in just one of the two specialized dictionaries we have consulted, that is the LTT, where it is defined as “*emiterea biletelor la tariful corespunzător pentru transportul de pasageri*”. The non-inclusion of this term in either Romanian or Spanish general dictionaries (DEX, DEXI, DRAE) illustrates its specialized nature.

The field literature identifies this term by a number of actions that make up this process: “*Procesul de ticketing reprezintă o înșiruire logică de acțiuni în vederea determinării celor mai potrivite tarife, realizării rezervărilor de transport aerian și emiterii biletelor de avion. [...] identificarea acelor zboruri care întrunesc în totalitate cerințele pasagerilor, [...] determinarea tarifului optim pentru fiecare rută, [...] emiterea biletului de călătorie*” (Gheorghe 2010: 103), thus emphasizing its complexity at the specialized level. The contexts clarify its use and its semantic structure which the specialized definition does not cover (the definition of LTT is limited to the action of issuing tickets).

¹⁶ “SOBREVENTA HOTELERA (OVERBOOKING). PROMETOUR España S.L. se reserva el derecho de alojar a sus clientes en otros hoteles o chalets de similar o superior categoría si por motivos particulares ajenos a nuestra voluntad, los hoteles o establecimientos utilizados, rechazan nuestras reservas a causa de sobreventa (overbooking).” http://www.prometour.es/es/download/clusulas_y_condiciones_2007_2008.pdf [March 12, 2014].

In Romanian and Spanish the term used to refer to this process is mainly the English one. In particular, we can identify interlinguistic synonymy (we indicate just the Spanish term BILLETAJE, because in Romanian there is no equivalent term), or intralinguistic synonymy (BILLETAJE¹⁷ and its periphrastic synonym EMISIÓN DE BILLETES; in Romanian we use the English term TICKETING or the Romanian periphrastic synonym EMITERE DE BILETE), in a free variation use. In the mass-level communication and texts, this term is used mainly in reference to the issuing of tickets¹⁸, as it is the most visible level or part of the entire ticketing process.

The general dictionary DRAE includes the term BILLETAJE and defines it by the *genus proximus* “collection”: “Conjunto de los billetes o boletos que autorizan el acceso a un teatro, un tranvía, etc.”. This definition describes this term as belonging to the general language and not as a specialized term in tourism. This specialized meaning is recovered in the texts (specialized, field literature or general/mass media).

The position of some of these terms in the tourism field is very relevant for the conceptual level, as well as by its frequency of use in the specialized language. This position is strengthened by their inclusion in the general and specialized dictionaries. Some of these terms are included only in the specialized dictionaries (i.e. ALLOTMENT, BOOKING, BRUNCH, CARAVANING, GATEWAY, HANDLING, VOID etc.), but others are also defined in the general dictionaries (i.e. CATERING, OVERBOOKING, VOUCHER etc.). On the other hand, some terms with high frequency in use (with specialized and figurative significance) like BACKPACKER, TICKETING etc. are not included yet in the general or specialized Romanian and Spanish dictionaries.

From the quantitative point of view, this English influence in the tourism language is very high, especially in mass media texts. Although there are

¹⁷ Term registered in the DTTO and confirmed by texts “Viajes Extremo Oriente, integrada en Airmet, está especializada en *billetaje* aéreo y en viajes organizados.” *Hosteltur* [Spain] No. 236, March 2013, page 8.

¹⁸ “EasyJet es la primera compañía que se convierte en una aerolínea de **light ticketing** dentro del sistema Amadeus, lo que mejora considerablemente el modo en que los agentes de viajes acceden, reservan y prestan servicios al vender vuelos de la aerolínea. Se espera que esta mejora incremente el número de reservas de easyJet por el canal de las agencias de viajes gracias a las nuevas funciones de fijación de precios, *billetaje* y reserva, que ofrecen al agente la misma experiencia de usuario que con la reserva de las aerolíneas tradicionales.” http://www.hosteltur.com/110800_easyjet-primera-aerolinea-adoptar-mejoras-tecnologicas-amadeus-reservas-vuelos-low-cost.html [April 2, 2014].

corresponding terms in the target languages (Spanish and Romanian, with a higher frequency in Spanish) that express the same tourism concept, there is a preferential use of the English terms that demonstrates their global and worldwide use. Romanian proves to be more open to the assimilation of Anglicisms. Tourism information texts explicitly reflect the linguistic and extralinguistic dynamic and play an important role in the evolution of terminology.

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IMPLEMENTING SINGLE RESOLUTION MECHANISM – ADVANTAGES AND CHALLENGES

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Abstract:

Banking system of European Union was unsettled by present economic and financial crisis, and also both principle and effectiveness of Banking Union of EU. In effect, Banking Union confronts with risk aversion, bank run and financial disintegration, which explains why it was decided, for EU's Banking Union, to build European Banking Union (EBU), as key element of European Monetary Union (EMU).

EBU must be a comunitary tool for monitoring and harmonising banking system of EU, with three main components; implementin gespecially one of these, Single Resolution Mechanism (SRM), is most important, but very difficult. Why? Firstly, implementing SRM requires several measures under taken by EU, in order to override defend of sovereignty, for allowing a better functioning of Single Market.

This may not be interpreted simply as complementary action of national prudential supervision, but as acts which are about to confer to European Commission supplementary powers. On the other side, an existent SRM is likely to induce at least appearance of difficulties or flaws in what concerns the other economies, namely the key economies from Euro-zone area (Germany, UK, etc.). And, in addition, SRM will have to adjust itself with and for the existent European Stability Mechanism (ESM).

Key words: *banking union, banking system, Single Resolution Mechanism*

JEL Classification: *E50, E58, G20, F30*

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1. Introduction

Present economic and financial crisis – still under way, now, in fall of 2014 – caused, in 2008, in general, to the economy of European Union (EU) many a difficulty, and none too few damages. One of most important components of this economy which took quite some damage in this manner is *banking system* of European Union.

That is, EU's banking system faced – and, in part, still faces – a number of issues, most important of them being:

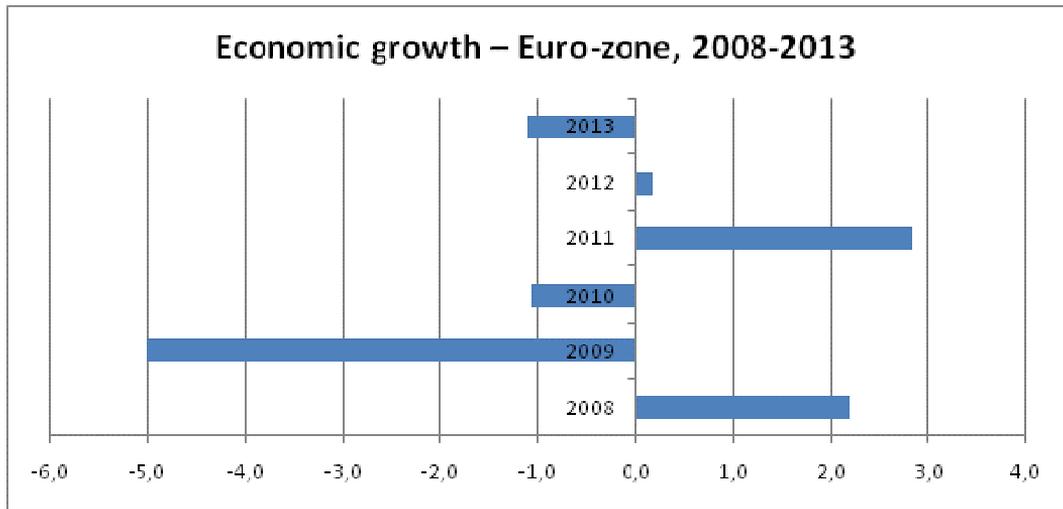
1. Rise in amplitude of non-performing loans portfolio;
2. Existence of a *very large* size of banking sector in small economies inside *Euro-zone*;
3. Extensive interconnection of banking system at European level;
4. Insufficient adaptation of banking sector at *Euro-zone* periphery;
5. Size of public debt;
6. Hesitant feature of reform of banking system, at European level.

2. Content

Reforms assigned to *banking union* in EU, adopted lately, form one of biggest achievements since introduction of single currency, but all these problems are plagued by a (somewhat) lack of sound design. Essential problem member states of EU face led to a under-than-useful reaction as involves banks' legacy assets, not to mention the lack of a standard market, as essential as it can get for bank environment and especially more so given this *single* currency does exists – to a best a level as EU was able to make it to be.

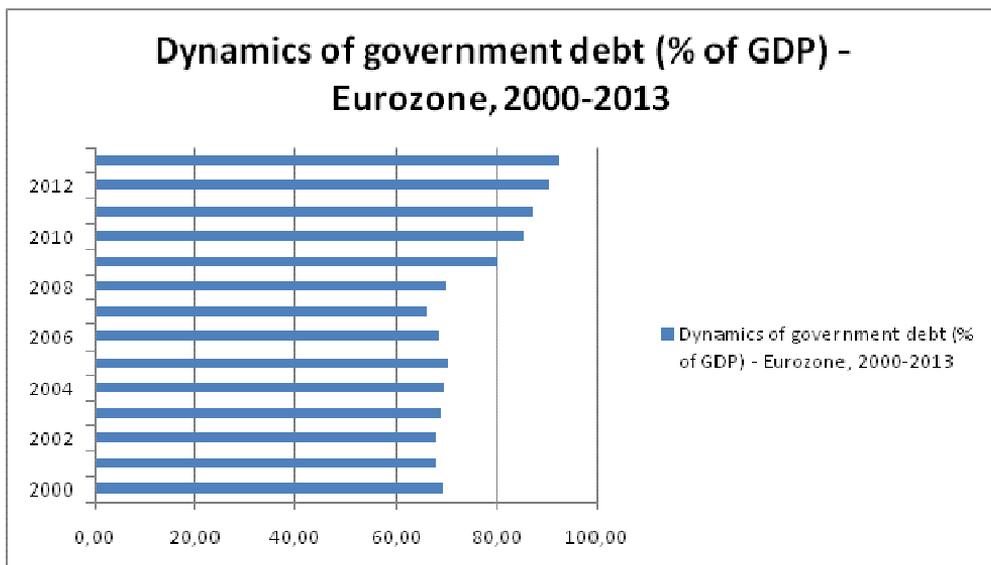
These reforms are all the more important, as general economic conditions that prevail in European Union these days are hardly glorious: in the first place, economic growth was, *exempli gratia* in period 2008-2013, anything but constant; if fact, it was, as anyone knows it today, *the* period of greatest economic and financial crisis in almost 40 years.

Recorded levels of economic growth, in Euro Zone, prove assertion stated above crystal clearly, so to speak – as figure below shows it:



Source: authors' own computations, based on data from <http://epp.eurostat.ec.europa.eu>

Likewise, dynamics of government debt fared, in Euro Zone, almost as bad, and, of course, it couldn't have been far better anyhow, given the state of EU's banking union around 2008, and even before 2000. The following figure helps assembling a proper picture of the *background* of designing and implementing Single Resolution Mechanism in European Union:



Source: authors' own computations, based on data from <http://epp.eurostat.ec.europa.eu>

As a result, banking union faces (at least) three possible ‘market defaults’:

1. risk aversion;
2. bank *run*;
3. financial collapse.

This dynamics can be, perhaps, better symbolized using the following summary table:

Drawbacks	Causes	Effects	Behavior	EU'scures	EU Dimension
Risk aversion	Public guarantees	Asset bubbles	Banks' moral hazard	SRM and SSM	Single Market
Bank run	Lack of trust	Lack of liquidity / insolvency	Avoidance of deposit losses	SRM and DGS	Single Market
Absorbtion deferral of legacy losses	Capital migration	Financial collapse	Governments' moral hazard	SRM	Single Currency

Source: Diego Valiante “Framing Banking Union in the Euro Area: Some Empirical Evidence” CEPS Working Document, No.388/February 2014, p.12

If first two drawbacks – risk aversion and bank run – are simply shortcomings that characterize any market, in what concerns economic mechanisms of money and banking system (Diamond and Dybvig, 1983, Akerlof and Romer, 1993, Stiglitz, 1993), the third issue – which brings about financial collapse due to governments' moral hazard– is a market mishap brought forth by the mechanisms of single currency.

In an usual financial system public intervention is necessary, so that bank location (and *not* bank assets) does **not** affect lending and financing costs of the government – at least, in, let's say, normal circumstances. In this respect, prohibiting use of state aid funds (blamed for distorting and destabilizing EU's financial systems) will not be credible if financial help is also missing.

At EU level, a prudent and institutional design of financial support gives European institution many an option, such as access to European Stability Mechanism (ESM), which is able to help institutions which (e.g. desperately) need unrestricted financing, *when* public financial or private resources are insufficient, whenever supplied (only) by open markets.

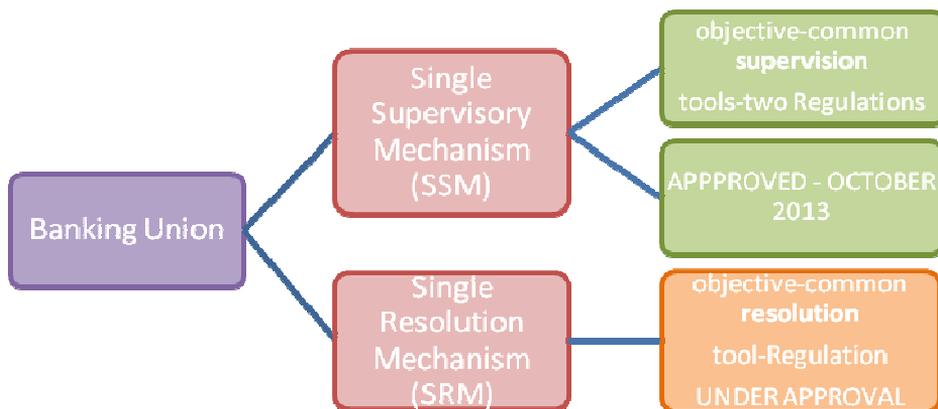
In order to make right, both these issues, and other issues that might come about – in other words, not only those with which governments confront

with now, as consequences of *present* crisis –,in European Union it was decided to put together European Banking Union (EBU), as essential component of European Monetary Union (EMU).

EBU is meant to be an EU tool for monitoring and **harmonizing** banking system of European Union, tool composed of three components:

1. *Single Surveillance Mechanism* (SSM);
2. *Single Resolution Mechanism* (SRM);
3. *Single Deposit guarantee Mechanism* (SDM).

The present structure of EBU is described best by figure below:



Source: made by authors

EBU is, though, a thing of the future, so to speak; for the present, European Central Bank (ECB) does exist, and so anyone in need of ECB' services must do whatever needs to be done in order to really benefit from them: this is because, whilst recapitalization of banks from *Euro zone* cannot be practically achieved without intermediation being carried out by (national) governments and political institutions – both deeply involved in bank governance, one way or another –, everywhere *inside* European Union, ECB will soon become responsible for supervision of most of European banks. This is indeed the case, considering lately one can observe with ease a rise in importance of banking union for *Euro zone*' financial system.

Firstly, it should be noted that, as early as the beginning of financial crisis, that is in 2008, European Commission put forth a number of proposals for reforming banking system and for reviewing and updating legislation, so that,

by end of June, 2012 the first set of guidelines was issued, as concerns setting up a banking union, first step of which is *Report of Four Presidents*² (of Central European Bank, European Council, European Commission and Eurogroup); the second step was a more detailed communication of the Commission, in September³ of same year.

After this communication, in order to complete common procedures proposed before through Directive from June 6th, 2012, as completion regarding G20 Committee for crisis management, a unique supervision of European banks was proposed, and likewise the idea of existence of a Single Resolution Mechanism (SRM). Through second Report of the *Four Presidents*, implementation of single resolution authority at European level was proposed, but, from the moment of proposal until moment of approval, in March 2013, banking crisis developed in Cyprus, this requiring for a corrective intervention in whole of European Union, intervention which involved bail-in of depositors.

Fear that situation in Cyprus would led to disasters in financial markets also in the realm of lending costs concerning banks and governments alike led to stepping up negotiations for building up of SRM⁴. European Commission offered in July 10th, 2013 the proposal of constituting a Single Resolution Board (SRB), for governing bank resolution in member states of EU, as component of a Single Supervisory Mechanism⁵ (SSM).

First component, SSM, is fully functional – at least on paper, anyway – from fall of this year (2014). But, on the other hand, what can be said about SDM is that, for the time being, its core already exists from December 2010, when it enacted existence of Deposit Guarantee Fund for all depositors, guarantee amounting to 100, 000 EUR per person/bank.

But, in terms of establishing SRM, technical difficulties of calibrating this tool so as to be as effective in present day Euro-Zone are significantly higher, matching amplitude of the disagreement between Euro-zone member states in this perspective – which is, to say this much, strong enough. Or, in this paper, our intention is to outline real ways in which SRM, and so EBU can be materialized.

Therefore, it is worth underlying materialization of these tools can, however, gain momentum only if it *based on* an (inter-)institutional analysis of

² European Council, 2012a

³ European Commission, 2012b

⁴ Legal basis-Treaty on the Functioning of the European Union (TFEU), article 114

⁵ Legal basis-Treaty on the Functioning of the European Union (TFEU), article 127.6

this issue, inclusively in terms of monetary and banking dynamics of money, in particular, and of economic dynamics, in general – at the European Union level. And this is, because dynamics to which we refer are, at least to some extent, simultaneously the cause and the effect for which, existence of EBU – and therefore SRM – proves to be necessary.

An institutional analysis of sorts has been carried out: European Commission presented a legislative proposal for introducing SRM from July 10th, 2013, to the effect SRM will function as a complement to SSM. In respect of this, SRM is designed to have two main functions:

1. "connection" to it of all states participating in SSM (i.e., all member states of Euro-Zone, to which can be added any state asking for it) for the supervision and management of the European banking system, so as it will/would reach the same ('European') level;
2. "connection" to it of all banks operating in countries participating in the SSM.

The central concept, i.e. SRM central utility, resides in calibration of banks resolution so this will be transferred to European level, unlike current situation, in which these operations take place within each state.

In order to attain this goal, projected structure of SRM comprises the following components:

1. European Central Bank (ECB);
2. Single Resolution Board (SRB) – in other words, a *new* agency of European Union, which comprises representatives of ECB, European Commission and relevant national authorities, all these specialists being entrusted with putting through process of *bank resolution*;
3. Single Bank Resolution Fund (SBRF) – this fund will be controlled by SRB in order to submit a medium term finance support, as a component of the process of bank restructuring.

It must be observed SBRF is, too, as well as the other components of SRM, to replace funds of this type that, in the present, exist at national level, in European Union, and, respectively, to amount to more or less 1% of total value of all insured deposits existing in all functioning banks in the space covered by SBRF.

What is worth mentioning here, though, is the fact until SRM will eventually materialize a long way must be tramped. First of all, it must be underlined the fact that, legally speaking, SRM *can* be materialized: according

to European Commission, legal basis for SRM is Article no. 114 of TFEU, which gives the possibility to take action in order to better adapt existent national regulations so as to allow a better performance of internal market.

In respect of this, SRM is a tool designed specifically for sustaining performance, at high levels, of internal (bank) market. But in this point there is a major difference between SSM and SRM: on one side, SSM – respectively, SSM Directive – is meant to work, using a *single set of rules*, which, in its turn, is designed to work together with the one and only SBRF – and *vice versa*.

On the other side, SSM – and, respectively, SSM Directive – has as goal reaching a high level of *harmonization*, but this *on the background of maintaining flexibility level*, in other words *tolerating a certain degree of fragmentation of EMU management approach* through actions undertaken in this sense, independently, by each state in turn.

SRM focuses on getting rid of competitive *disadvantage* as regards banks comprised in SSM, and which belong to member States of euro-zone, as compared to banks that function in states which are *not* members of euro-zone. But, all these reforms must be approved by European Parliament, and here opinions are split, if anything.

Objections brought against SRM are rational, and, more than that, mostly objective. For example, German authorities consider SRM, once instated, will confer to European Commission supplementary powers, as compared to powers it already has, through implementing EU Treaties. If the latter will remain unchanged in order for SRM to acquire a *legal existence strict sensu*, German authorities are of the opinion only cooperation between states, in *Euro-zone*, is able to replace SRM tool.

And management of German banks also shares this vision, in this case due to economic and financial rationale as well: in other words, ‘Europeanization’ of banking resolution through SRM *would be a bit too costly* for banks from states with a sound banking system, such as Germany itself, especially when these banks would have to support, within the framework of EBU – and, as such, of SRM –, banks which simultaneously are in distress and also in states whose banking systems are, at least comparatively, poorly structured and poorly led.

Resolution of banks, i.e. the sum of all measures taken, procedures enforced and applied for the benefit of banks in distress is, must be underlined, already a reality, but not – not yet, that is! – a reality of SSM type. More

specifically, in European Union, finance ministers of all states members of EU – that is, ECOFIN – decided, in June 27th, 2013 to adopt a common position for this matter, by proposing a European Directive for a proper and legal regulation of this common position.

But, in this case too, according to Article 116 TFEU, for all this it is required a majority vote in European Council, in other words a favorable vote given – in majority – by European Parliament. And, according to European Commissar for Internal Market, Michel Barnier (2013), it may be considered ECOFIN understanding from June 27th, 2013 is ‘the first step’ of SRM materialization.

Moreover, the consequences economy of European Union records even today (2014) due to the still unfinished economic and financial crisis are reasons more than enough to analyze further this dilemma, whether national approaches *or* EBU – and, therefore, SRM – mechanisms are *better* able to stabilize a banking system in (great) distress, especially, and an economy in recession, in general. This problem must be solved quickly, given concrete examples showing us this *is* indeed the case, in the midst of European Union, respectively *Euro-zone*, such as Greece, Cyprus and Spain.

But, on the other side, the dilemma mentioned above must transform itself, so to speak, into a *clear* answer, at least in order to prevent appearance of difficulties or flaws in what concerns *the other* economies, namely key economies from *Euro-zone* area.

All these dynamics and mechanisms must be analyzed, though, inclusively from the perspective, or in other words in the environment in which these dynamics and mechanisms exist and work: which means it can be observed, thus, the fact EMU and SRM, whether they *will* exist, will have to adjust, for a properly function of *whole* macro-mechanism, along with existent European Stability Mechanism (ESM).

ESM is a permanent mechanism of clearing out crisis resolution, designed for states part of *Euro-zone*, mechanism funded at February 2nd, 2012 and dedicated at October 8th, 2012; through issue of debt instruments, ESM finances loans, mainly, as well as other forms of financial assistance for these states.

Or, it is put forward, whether, given the fact through use of ESM, costs of operations used in banks’ salvage will be borne *not* by banks themselves, but by the very states *in* which these banks work, if a ‘pure’ ESM solution would not be more efficient – e.g. cheaper, in long term – than SRM solution.

It must not be forgotten, however, the fact SRM has, among others, the major advantage of functioning so as to break the link between banks and states, or, in other words, between lenders and the *sovereign debts* this lenders made possible in the first place. And, there is one more benefit: lessening of cost *per state* of ‘mending’ the banking system of a state through the fact *all states* from *Euro-zone* which are and, respectively, will be included in EMU and SRM will defray the respective (total) costs.

Thus, we are able to conclude *proposal* of instituting these two main components of Banking Union (SRM and SSM) was effected in last two years, respectively that lack of seamless understanding of problematic of banking system can bring about, through contagion, a disaster at European level.

In spite of repeated action adopted by European Central Bank in order to avoid dysfunctional dynamics occurring in market, and of two official reports of presidents of European Central Bank, European Council, European Commission and Eurogroup with the goal of establishing reforms in *Euro-zone*, initiatives of EU institutions taken in order to build up a *banking union* intend to assure cohesion of Single Market through tools made ready by EU treaties.

3. Conclusions

Today’s frame of Banking Union denies *Euro-zone* of support and demands national salvage plans as last available means. That is to say, interest rates will reflect rather bank location than monetary policy of European Central Bank. A resolution fund, if a credible common backup is blatantly lacking, seems too much like a deposit guarantee scheme usable whenever bank resolution might endanger protected deposits – of 100,000 € or less.

Given the fact of existence of a Single Market Mandate, the steps needed for achieving a banking union possess nearly form of a *conclusion*, and not necessarily for financial integration, steps materialized in a credible common recapitalization, on one hand, and resources furnished by banks with great support from states themselves.

In fact, it is really difficult to justify these situations, whilst an ‘umbrella’ of Single Market does exist, given fact national banking systems *outside* Euro-zone act as marketing institutions EU-wide, but act accordingly to national monetary policy and credible aid which, in long run, are at the disposal of national governments sustained by their own central banks. In this context, maintain national aid near reasonable level makes its best to avoid indirect cession of sovereignty of fiscal and monetary policies to EU institutions.

We can underline, as a conclusion, that measures undertaken by EU in order to override defend of sovereignty through means of a more encompassing support and supervision framework at European Union level may not be interpreted as complementary action of national prudential supervision so as to allow a better functioning of Single Market.

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FROM GOVERNING TO GOVERNANCE

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Abstract:

The last two decades are characterized, on global settings, by social, economic and technological transformations unprecedented in magnitude and depth. As a consequence – in the present – economics, in general, and the business world, in particular, find themselves in continued change, being exposed to risks and uncertainties. Future trends reinforce the belief that we are going through a period of permanent turbulences, in which the business administration at all levels must be realized in a new vision and framework. In this context, the concept of Governance is more and more discussed, as a new way of governing at different levels (global, national, regional etc.), which must be connected to the government sector and all private actors and civil society.

In the economic practice of Romania, the notion of Governance – although frequently mentioned – is less understood in term of conceptual, methodological and applicative approaches. This study aims to clarify these aspects.

Key words: *Tourism, Governance, Governing, National policy in tourism, public-private partnership*

JEL Classification: *H10*

1. Introduction

A recent study [O. Nicolescu, 2013] realized by the National Council of Private Small and Medium Enterprises from Romania, researches the overall situation of economic environment based on the perceptions and assessment of Romanian entrepreneurs. On this occasion, respondents from all economic areas are expressing, among others, their disbelief in regard to the public authorities' capacity to counteract the negative effects of the current economic crisis, and therefore, the fast revival of the Romanian economy.

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An extreme situation can be found in the case of tourism business, sector in which the share of small and medium enterprises is overwhelming:

- None of the investigated persons confirm the fact that the public administration would have a high capacity to counteract recession;

- 22% appreciate that authorities have a medium potential to contribute to improving the economic situation;

- 48% consider that public institutions have limited possibilities to face the negative contextual evolutions;

- 30% believe that public entities lack of the necessary qualities and competencies to combat the economic downturn.

Among the causes that lead to this negative perception of the minor impact, even insignificant one, of the governmental policies on business travel, are according to the business persons, the following factors: excessive taxations (62%), evolution of the legislative framework (55%), excessive controls (52%), bureaucracy (38%), corruption (25%) etc. In this context, the study aims to investigate the role of state in the development and promotion of tourism.

2. State intervention in the economy

Understanding and applying the state role in the economy [I.Vacarel, 2013] has registered a certain evolution in time, but also with important spatial differences from one group of countries to another, even from one country to another.

In this context, there can be identified several steps:

A. Until the beginning of the 20th century – in the period of ascending capitalism – it was considered that the state should have *a minimal intervention in economy*, especially by: realizing public works from which benefits the entire community (construction of roads, ports, dams etc.), without according a privileged position to a specific sector of the economy, as well as creating the legal framework in which individuals can enjoy the freedom and private initiative principle.

The main representatives of this classic ideology (Adam Smith, John Stuart Mill, Leon Walras) reflect the liberal doctrine in the economic development of society, in which the influence of government should concentrate only on the traditional functions of the state (maintaining the public order, ensuring the national defense and extern relations, administrating of justice, the mandatory education of young people etc.) without interfering with the self-regulating balance of competition markets.

In this period, until the First World War, some countries (especially from Europe) have outlined their particular specialization in the tourism area, in regard to their geographical potential and their economic possibilities. Gradually, tourism development begins to appeal not only to private investors from this sector, but also to the specific *associations and local communities* that conduct limited activities of recommendation and coordination of tourism activities, as well as incipient tourism promotions for the benefit of profile corporations. The public authorities are unaware, yet, of the importance of the tourism sector as an accelerator of economic development and a source of foreign exchange revenues.

B. Together with the extensive and profound manifestation of economical phenomenon generated by the big crisis from 1929-1933, *the concept of state intervention in economy is applied*, having John Maynard Keynes and, later, Paul D. Samuelson as main promoters. According to these, the public authorities can and must play an active role in the economic life. By budgetary fiscal policies applied with new mechanisms and instruments (creating public or mixt enterprises, development of public investment programs, providing grants for private firms, modifying/differentiation of tax rates, social protection measurements etc.), the state aims to influence the economic processes towards a favorably trend regarding economic growth, reduction of inflation, diminution of unemployment, correction of the economic cycle.

Under the impact of Keynes theory there are beginning to appear (in the 3rd and 4th decade of the 20th century) the first forms of state intervention, also in tourism. Therefore tourism is regarded, more and more, as area of interest and the tourism policies become an important component of general economic policies, being elaborated by specialized structures in the development of tourism, supported and defended by the state, with the goal of protecting and consolidating the tourism competitiveness.

In Romania, the beginnings of organizing tourism at national level date from 1924, when it was established the National Tourism Office (ONT), incorporated, over time, in different ministries.

C. After the year 1970 it is developed a new thinking theory – neoliberalism – with the American economist Milton Friedman as a representative; this is in favor of *restraining the government intervention*, based on the idea that governmental intervention is inefficient and, besides, it affects the principles of liberty. The periods of decline and economic recession are not

the result of inherent instability of the private economy, but rather, the effect of weak governance, based on discretionary policies.

As a result, the direct intervention of the state in the economy must be limited to establishing the legal context of competition, ensuring the proper functioning of price mechanism and the prevention of monopolies abuses, therefore concentrating on establishing, arbitrating and applying the “rules of the game”.

D. At the end of the 20th century, there were two concepts confronting, especially on theoretic level, in reference with the political options of the state authorities:

- Some economists admit the importance of government intervention role in the economic life, in the conditions of imperfect markets. This is the option for the *Keynes economic policies, in which the state has an active role in the economy*;

- Other economists consider the market as self-regulatory and the directing activities should be replaced more and more, with stimulating the initiatives and decentralization of decisions; this option consider the *liberal economic policies, that promotes the minimal intervention of the state* and the neutral economic policies.

Although, practically, in the majority of countries, the economic role of the state has maintained high importance, as long as 20-50% of GDP are redistributed through public administrations.

In this period, with differences from one country to another, referring to the objectives, there are several functions of the state, in economic policies including the tourism sector [C.Cristureanu, 2006]:

- *Regulation function* aiming to create a stable environment and stimulating for tourism business, by elaborating and applying laws and specific regulations.
- *Coordination function* by establishing coherent and unitary policies in the tourism sector and by integrating the tourism development strategies in the general country's strategies.
- *Stimulation, adjustment and stabilization function* of developing the sector, by practicing fiscal and credit policies favorable for investors and using a specific budgetary policy to allocate public resources (public investment in infrastructure, funding large scale tourism objective).

- *Promotion function*, specific to the tourism segment, to support tourism operators by allocation of public funds for promotion, research and tourism marketing.

The confrontation between the two options neokeynesism and neoliberalism can be synthesized in two apparently contradictory conclusions:

- On one hand, the demand and especially the offer in tourism can be influenced by the actions and governmental policies;
- On the other hand, the discretionary intervention of the state should be reduce and even eliminated.

As a consequence, in the last two decades there has been reconciliation between the two trends, by accepting *a new approach of the state intervention in the economy*. More frequently, the term of Governing (specific dirigisme) is usually replaced in economic, social, politic analysis with the term of Governance (especially good Governance), at different levels (international, European, national, regional, local), but also in different specific areas (fiscal governance, tourism governance etc.)

At the beginning, the term of Governance was mentioned relatively frequent, but many times, in a vague context, hard to understand. This can be explained by the fact that the concept development was in an early stage, with high accent on the importance of Governance on development, as a result of government actions, by efficient usage of administrative, institutional and fiscal-budgetary resources.

3. Governing versus Governance

The economic, social and technologic transformations without precedent, analyzed in the last two decades have caused difficult problems for the government capacity to solve them, for the interest of society. The solution was building and applying the concept of Governance.

Governance *is a new model of governing* [C. Duran, 2013], based on new institutional forms, modern mechanisms and instruments, with multiple levels of decision making. Therefore, the government gives autonomy, centralization and control over the economic and social dynamics, creating a framework for collective independent and associate management, as a condition for social management.

The traditional model for governing contains, usually, unidirectional flows, only hierarchical from the public authorities to other non-state actors, as an

effect of assimilating all the institutional resources with the financial-budgetary ones, their movement being from “top to bottom”. But the state, as shown, doesn’t have all the administrative, legal, informational etc. resources needed for solving complexes, dynamic and divers problems through unidirectional actions.

The Governance is based on a bidirectional model, by interactions between governors and governed, an exchange of resources, dialog regarding the distribution of objectives and responsibilities.

In consequence, Governance is a management process that aims to solve the collective problems, seen as public interest and, at the same time, a social phenomenon attended by many actors with different functions and responsibilities:

a. *Public sector*, as main issuer of public policies (development, planning, cohesion, education, transport, fiscal etc.) translates into a large number of interconnected organizations:

- at the same levels of governing (ministries, departments, agencies) that compose the horizontal dimension of the sector (sectorial);

- at different levels of governing (national, regional, local) that compose the vertical structure (territorial).

b. *Business sector* as main producer and offering of goods and services, compressed into a variety of firms with different sizes and areas of activity, with tight interactions.

Facilitating the connection and dialog between the business sector and the public authorities’ representatives is achieved through associative organizations and structures (professional, local etc.) as non-governmental structure representing the business sectors’ interests.

c. *Civil society* is composed of host community of tourism destinations (social sector, as individuals and as collectivity) more and more interested in the development of tourism activities, considering the effects and benefits for the long run: increasing the number of jobs available, promoting the entrepreneur spirit, programs for protecting and capitalizing the natural environment and the cultural heritage etc.

The complexity of the tourism sector, generated by the fragmented characteristics, determines a new way of governing – *Governance network* – which takes into consideration two essential elements:

- New forms of *associate actions* (cooperation and collaboration) and implicitly decisions decentralization;

- New forms of *actions coordination* between the government bodies and business organizations.

The new forms of association, by cooperation and collaboration must take into account the existing interdependencies and interactions both between the three sectors (public, private and social) and those existing within (sectorial and territorial of the government structures; economic, technologic and others within the entities of the private sector).

A different vision would allow the collection, accumulation, transfer and capitalizing of all resources (of all forms including information, knowledge, experience) needed in directing, elaboration and implementation of public policies in the sector. Also, it would ensure the decision transparency and the identification of responsibilities in an extended, complicated and scattered network.

This complex network requires coordination. In the middle of the network there is the Government, in a different position and action from the traditional hierarchy. The Government must have *administrative capacity* oriented in two directions:

- To ensure the articulated operation of the network by creating the institutional and legal framework, organizing the intergovernmental relations, on one hand, and the relation from the public sector and the private sector, on the other hand, as well as implementing the new mechanisms and instruments of intervention;
- To direct, organize, harmonize and influence the efforts of the entire inter-organizational network, decentralized, by supervising the evolution and evaluating the progress of priority policies in tourism (in the context of general policies) and the impact (benefits and harms) on the social, economic, natural and cultural environment.

4. National policy in tourism. Mechanisms and instruments of intervention

The result of structuring and applying of such a networking Governance – based on coordination, cooperation, collaboration between the three sectors – must be, at first, elaborating and applying a unitary and coherent *national tourism policy*, harmonized and integrated with the European and international policy in this sector.

The national tourism policy has the mission to answer to three major issues:

A. *The place of tourism in the national economy.* Is tourism a priority, a strategic, viable and efficient strategy of economic policy? Are the factors endowment (natural potential, historical, artistic and cultural heritage, human resources, capital, and infrastructure) and the comparative costs determining competitive advantages for Romania that stimulates the process of tourism specializing? The answer to these questions determines the next important issues.

B. *The direction of tourism development.* Based on quantitative and qualitative analyses of the medium and long term prognosis of studies regarding the trends and restructurings identified worldwide, there can be established the development types of tourism, the growth rate, the location of tourism offer and, finally, the impact on the economic growth, the effect of stimulating generated and on economy, society and environment level.

C. *The involvement of Government* as level of representation and as volume of public resources for tourism development. The particularity of tourism, given by the inter-sectors and inter-territorial connections involves solving a complex issue. The tourism policy is fragmented, dispersed in different sectorial policies: regional, environmental, landscaping, transports etc., policies represented at different levels in the Government. From this point of view it is difficult to reconcile, often, divergent interests. Adopting a unitary and coherent tourism policy at national level requires the existence of institutional structure as specialized public authority, responsible for tourism areas, organized at minister, department or agency level, with clear competencies and responsibilities in coordination national tourism, ensuring legal convergence, efficient and transparent allocation of budgetary resources.

The Governance implies the *consolidation of institutional capacity* by creating a modern and efficient legal and regulating framework capable of ensuring the formulation, implementation and application of public policies in tourism, by intervention of coordination, cooperation and collaboration mechanisms that incorporates multiple and varied instruments, methods, techniques and procedures. Each of these perform certain functions that contributes to reaching certain objectives, by correlated engagement in the operational mechanism of the sector and of the entire economy, with positive influence on different levels of economic activities: favoring the development of

tourism and directing its evolution, attraction and employing the human resources, maximizing the social-economic effects (direct and indirect), creating a favorable environment for business and investments development, correcting of malfunctions in the sector and regarding the sector and other responsibilities.

For this there must be identified efficient mechanisms and specific instruments used, such as:

- I. Coordination mechanisms of the sector, by conferring authority;
- II. Cooperation and collaboration mechanisms, by decentralization;
- III. Financial mechanisms, by fiscal-budgetary policy instruments.

I. Creation of a coherent mechanism of coordinating the public initiatives in tourism; The National Authority in Tourism must have the necessary competencies, functions and resources for exercise the coordinator role in the sectorial and territorial government structures, with impact on the public policies in tourism, structures existing at different hierarchic levels (minister, state secretary, state sub secretary, prefect). Their responsibilities must be clearly distributed in order to avoid the inefficient overlapping.

The main instrument used is represented by the inter-ministerial and inter-institutional work groups able to solve, among others: the capitalization of cultural and historic heritage (in partnership with the Ministry of Culture), the development of spa tourism (in partnership with the Ministry of Labor and the Ministry of Health), the rejuvenation of student and school camps (in partnership with the Ministry of Education), the facilitation of granting visas (in partnership with the Ministry of Foreign Affairs) etc.

II. Creating the cooperation and collaboration mechanisms that aim to decentralize the action of decision –making and their execution, by increasing the competencies of non-governmental actors;

This objective consists in establishing and developing the cooperation, collaboration and consulting relations between the government's structure (central and local), on one hand and the private sector and the social one, on the other hand.

Harmonizing and integrating the particularity interests and adjoining the available resources take place by creating a functional partnership (public-private-local community-academia and research environment), cooperating agreements, consultative council, experience exchange networks, social dialog group, including outsourcing.

Therefore, there are promoted commune projects on different intervention areas of the state, projects that respond and offer benefits for all in the context of increasing co-responsibility in decision making, transparency of activity and using specific procedures for monitoring and evaluation the results. The areas of intervention are: the participation to underlining, elaboration and implementation of government development and promotion policies in tourism, of national and regional strategies and of annual and multiannual programs; the strategically, tactical and operational *planning* should become the principal instrument, based on quantitative and qualitative models, rationale and flexible ones, adapted to the local, regional and national particularities, connected to the inter-conditionality relations from the macroeconomic and world economic system; the decentralization of authoring and control activities in the tourism field, taking into consideration the unitary criteria, procedures and methodologies elaborated by the national authorities; the *quality standards* should become the principal instrument for control of the state, realized at different levels by delegation in a series of domains, such as: the certification of tourism resorts, the classification of tourism accommodation units, the licensing of travel agencies, the authorization of specialized personnel; the accreditation of tourism information and promotion centers; the development of systems for regularly collecting and analysis of statistics and market studies;

III. Fiscal policy instruments; These must overcome their simple role in finding, collecting and developing the public financial resources through taxing, transforming itself in guidance, stimulation and correction instruments of tourism activities by: exemption from income tax for a specific period of time for new investments in some subsectors of the tourism activity (for instance: spa tourism, parks etc.); exemption from reinvested income tax , with the condition of realizing investments for the development and modernization of activities; the reduction of VAT for some tourism operators; including the social contribution in the public budget in case of employing vulnerable types of employees (for example: under the age of 25 years old); offering fiscal facilities to tourism operators that provide the ecologic label for their accommodation units etc.

The instruments of budgetary policies are focusing on the improvement of access to alternative funding sources for investment and development, in the condition of respecting the community regulatory framework regarding the state aid.

The budgetary instruments are concentrating on replacing the administrative repartition of the financial public resources towards different beneficiaries (by allowances, transfers and grants) with new forms of funding based on transparency, predictability, competition, responsibility, market criteria, demand and offer and economic efficiency.

The new generation of financial instruments ensures the increase of funding accessibility through:

- The *diversification* of instruments for the tourism sector;
- The *complementarity* of instruments in the context of tourism development policies, but also for the regional development;
- The creation and development of *new state aid schemes* (microcredit etc.) through which firms benefit from preferential terms: bonus for the interest paid to commercial banks, larger refund duration etc.;
- The creation of *collaboration partnerships* between the Government and other actors (including the bank system, insurance, credit guarantee funds) for increasing the access to European funding (structural funds, cohesion funds), by ensuring project co-funding through credits based on state guarantees and on simplifying administrative procedures in the evaluation and implementation stage of the projects;
- The development of tourism by *indirect support* by funding the transport infrastructure, the rural development programs, town planning etc.

5. Conclusions

The results of investigation of the actual situation of policies applied in the Romanian tourism and the comparative analysis regarding the mechanisms and instruments of sectorial policies from other countries with experience in tourism, determines a series of conclusions, as follows.

The necessity of adopting a *new Law of Tourism* and other regulatory acts of the particular activities in tourism should encompass, among others, a series of provisions that refers to: the role, competencies, attributes and responsibilities of the National Authority in Tourism in coordinating the sector, in ensuring the cooperation and collaboration of the governmental and nongovernmental relevant actors; the decentralization activities by using a new model of organizing based on the System of Local/Regional Tourism; this provisions must consider the authorities and control activities based on the quality standards in tourism; the fiscal facilities for tourism investment and specific forms of public-private

partnership in the area of developing and promoting tourism; these must be in accordance with the basic laws of the entire economy (fiscal code, law of public-private partnership etc.) as well as with the European laws in this field.

A high importance is represented by elaboration of *new development and promotion strategies* for the long run (or actualization of the strategies in use) for capitalizing in an integrated system, not only of natural, cultural, heritage, ethnographic etc., but also the institutional resources. The national strategy must reflect the local and regional specific elements and also the fundamental components, like:

- the development and promotion of tourism products that generates great added value (ecotourism, health tourism, cultural tourism and event tourism);

- the encouragement of structures that represent growth poles and external competitiveness (inbound tourism);

- the support of the innovative spirit of business tourism based on a new culture of services quality and on the promotion of entrepreneurial culture, facilitation the access of tourism operators to quality information, technological and managerial consulting.

It is necessary to ensure the *institutional stability of the National Authority in Tourism*, from the point of view of position and subordination in the structure of the Government. In the last 25 years, the limited political and economic interests for the circumstantial advantages have determined the National Authority in Tourism to suffer multiple organizational modifications, with usually negative effects on the development of the sector.

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ORGANIZATIONAL CULTURE AS AN INSTRUMENT OF THE QUALITY MANAGEMENT WITHIN COMMERCIAL FIRMS

Elisabeta Andreea BUDACIA¹

Abstract:

In the knowledge economy, the management efficiency is determined by a series of essential aspects. The modern management followers consider that we should take into account the presence of an integrable theory of management which allows the strategic orientation of firms through planning, organization, coordination and control.

There is a strong connection between the managerial concepts and the culture of commercial firms, given the fact that the organizational culture represents a premise and also an instrument for the ensurance of an efficient leadership of the respective firms.

As an answer to the challenges of the growing globalization of the market, the system of quality has been developed, as it was defined by the Standardization International Organization, in the series of standards no. 9000. The aggressive battle to attract clients on a national scale, but also on an international level, has resulted in an intense preoccupation for the ensurance of the product and service quality. Among the specialists in the TQM field, the general tendency is to take into account an entire culture of quality, due to the inportance of total quality for the consumer.

Key words: *organizational culture, quality management, quality culture*

JEL Classification: *M1*

Introduction

From a systemic point of view, management can be defined as science, art, profession, discipline and it includes a series of concepts, principles, methods and techniques which are specific for the leadership position in order to efficiently administer an enterprise. Peter Drucker, the creator of modern management, views efficiency as the quality through which the leadership is

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distinguished. In the knowledge economy, the efficiency (the ability to reach and eventually surpass the established goals) of management is determined by five major aspects: time management, focus on the contribution to the firm's activity, identification of the moment and of a way to capitalize on the strong points in order to obtain a maximum effect, establishing adequate priorities and combining all these elements with an efficient decisional process². Therefore, the modern management followers (P. Drucker, R. Owen, E. Mayo, H. A. Simon, Th. Peters, R. Waterman, H. Mintzberg, K. Ohmae, R. Mathis)³ consider that we should take into account an integrable theory of management which allows the strategic orientation of firms through planning, organization, coordination and control.

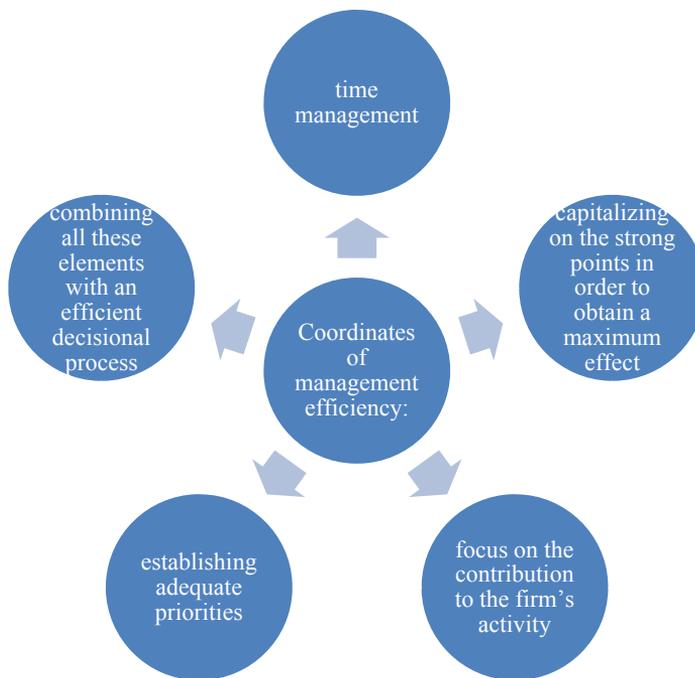


Fig. no. 1

The coordinates of management efficiency in the knowledge economy

² Drucker P., „Despre decizie și eficacitate”, Editura Meteor Press, București, 2007

³ Hinescu A., „Management-marketing”, Tipografia Departamentului pentru Învățământ la Distanță a Universității „1 Decembrie 1918”, Alba Iulia, 2007, p. 11; Nica P. C., Sasu Ctin., Prodan A., Iftimescu A., Coste V., Ciobanu I., „Managementul firmei”, Editura Condor S.R.L., Chișinău, 1994, p. 37

The modern society has become a society made of organizations of the type company-project and of enterprise networks, which should ensure the increase of life quality by promoting total quality within their activities; also, the innovating spirit and creativity are just as important as leadership. Within this framework, the major objective of commercial firms leadership is in fact their fundamental resource: the employee as a culture bearer. The leaders should act in such a way that the values, aspirations and traditions become productive in order to obtain performance. Hence, although there are concepts and principles of leadership, however, leadership represents also culture (managerial culture) and a system of values and ideas⁴.

1. The coordinates of organizational culture within commercial firms

There is a strong connection between the managerial concepts and the culture of commercial firms, given the fact that the organizational culture represents a premise and also an instrument for the ensurance of an efficient leadership of the respective firms. Managerial culture is not identified with management, but serves as an essential tool in the increase of its efficiency. Management as the art of accomplishing things through people⁵, can profit from the scientific acquisitions of organizational culture by knowing, explaining, predicting, changing and controlling the behaviour of people at work.

The organizational culture, form under which a commercial firm manifests itself, can be viewed in two ways: as a *product*, result, expression of the respective firm, as a creation, move, action, symbolizing the active role of individuals within a commercial firm, aware of the conflict of interests and of their situation in the respective organization and also of the major changes that take or can take place⁶.

Most specialists agree regarding certain composing elements that define the complex phenomenon of organizational culture, namely values, beliefs, attitudes, expectations, norms, rules, myths, heroes, role models, artificial products. In this sense, the definition provided by O. Nicolescu is edifying: "the

⁴ M. Popescu, in the work „Tratat de Management Comercial”, coordinated by D. Patriche, Ed. Universitară, București 2007, p. 283

⁵ Gary J., „Comportament organizațional”, Editura Economică, București, 1996, pp. 9-10

⁶ Popescu - Nistor M., „Cultura afacerilor”, Editura Economică, București, 2003

organizational culture is found in the ensemble of values, beliefs, aspirations, expectations and behaviours outlined throughout time within each organization, which prevail in the respective organization and which directly and indirectly condition its functionality and performances"⁷.

Influenced by a series of internal (owners, founders, work groups, managers, organizational characteristics, beneficiaries, tradition, the firm's past, motivation system) and external factors (national culture, economic, political, technological, demographic, social and cultural, natural and institutional factors), the organizational culture is more than the sum of its components⁸.

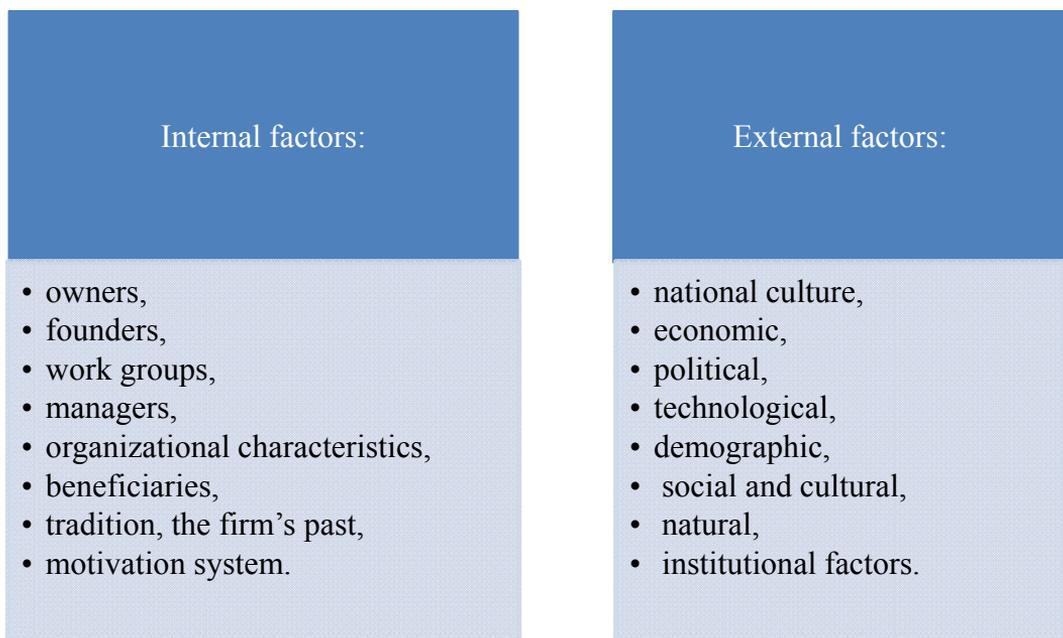


Fig. No. 2

The typology of factors which influence the organizational culture

2. The Management – Quality – Organizational Culture relationship within commercial firms

As an answer to the challenges of the growing globalization of the market, the system of quality has been developed, as it was defined by the

⁷ Nicolescu O., Verboncu I. „Fundamentele managementului organizației”, Editura Tribuna Economică, București, 2001, p. 273

⁸ Popescu - Nistor M., „Cultura afacerilor”, Editura Economică, București, 2003, p. 33

Standardization International Organization, in the series of standards no. 9000⁹. The aggressive battle to attract clients on a national scale, but also on an international level, has resulted in an intense preoccupation for the ensurance of the product and service quality. Therefore, knowing the consumers' needs and especially satisfying these needs is an important competitive advantage. In this sense, a proactive behaviour is needed from the part of the firms, as well as the prediction of the needs, prior to the sale process, during and especially after the sale. Thus, the client becomes an equal partner of the manufacturer and merchant, being the main supplier of the demands which a product or service should reach. In order to obtain these advantages, many organizations have started to obey and apply the principles of the management of quality or even to have an approach concerning total quality.

In the literature we find many definitions for the management of quality. J. Juran¹⁰ defines the management of quality through its functions. In the opinion of J. Kelada¹¹, the management of quality represents the ensemble of planning activities, coordination, organization, control and quality ensurance, aspects which have as a goal the accomplishment of the established objectives by optimally using the resources. This specialist considers that firms have certain strategic objectives which are reached through accomplishing the operational goals, such as: obtaining the products which correspond to the demands, in the solicited quantity, at the established deadline and which are available on the desired market, but in the conditions of minimum costs. In his opinion, each of the firm's functions should try to meet these objectives.

Taking into account all of the above, we can state that the management of quality is an important component of the firm's management and the organizational culture is an instrument of the management of quality. In other words, within the managerial culture there is a quality subculture.

Among the specialists in the TQM field, the general tendency is to take into account an entire culture of quality, due to the importance of total quality for the consumer. The quality culture¹² comprises a series of quality norms, the

⁹ Păunescu C., „Quality management”, Editura ASE, București, 2006

¹⁰ Juran J. M., „Handbuch der qualitätsplanung” (p. 20-26), in M. Olaru, „Managementul calității”, Editura Economică, București, 1995, p. 53

¹¹ Kelada J., „La gestion integrale de la qualite, pour une qualite totale”, Edition Quafec, Quebec, 1990, p. 27

¹² M. Popescu, in the work „Tratat de Management Comercial”, coordinated by D. Patriche, Ed. Universitară, București 2007, p. 303

necessary technologies in order to make certain products with a quality that meets the demands, ceremonies and rituals necessary to the organization and the planning of the quality, heroes in ensuring the total quality, slogans regarding the total quality of the firm (for example, "zero flaws"), symbols, myths and events concerning the ensurance and continuous enhancement of quality, value systems, which influence the firm's concept of total quality.

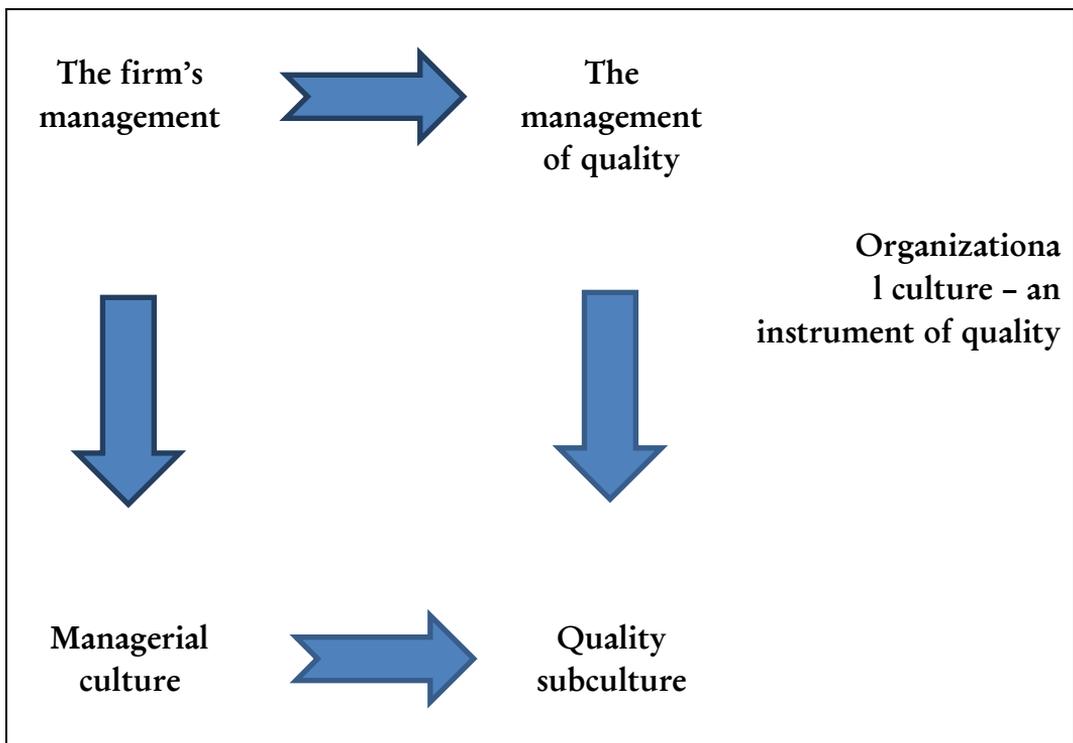


Fig. No. 3

The Management - Quality - Organizational Culture relationship

For the vast majority of authors, TQM represents a new philosophy, a new model of culture for the commercial firm, having as a goal the client orientation of all its activities and processes and their optimization, so that it contributes to the increase of the firm's efficiency. In this aspect, the client becomes the main preoccupation of the entire staff, starting with the managers and collaborating with all the firm's partners. Therefore, the repositioning of the client in the center of the commercial strategy becomes necessary, through the realization of the main functions of the quality and consumption leadership. The ways in which this desideratum is realized include: being at the client's

disposal, participating in the elaboration of quality standards for products and services, seeing that these standards are respected and reacting to their violation, trying to permanently satisfy the client.

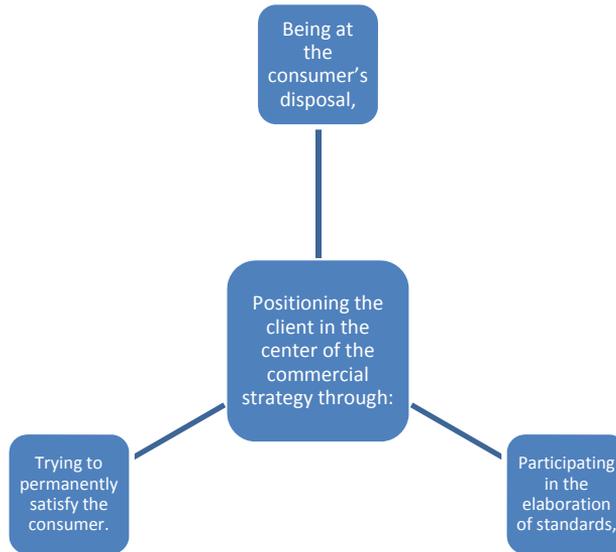


Fig. No. 4

Key elements in the positioning of the client in the center of the commercial strategy

- *Always being at the institutional or individual consumers'/clients' disposal* means that certain mechanisms function in order to ensure the permanent dialogue with them and to make possible the highlight of the present and future demands, on the long and short run. Such mechanisms refer to: studying the suggestions, the client's complaints by creating and promoting some international circuits (well printed addresses of the suppliers of products and services on the packages, advertising messages, suggestion and complaint notebooks), the direct contact with clients in the retail commercial units, public alimentation units, service provider units, the permanent dialogue with the consumer associations, local, regional and national public authorities for consumer protection, making periodical marketing researches in order to measure the client satisfaction.

- *Participating in the elaboration, infliction and sanctioning of the quality standards violation* for products and services involves: elaborating the tasks and

standards for projecting the products and services, seeing that these normative acts are obeyed, respecting the procedures and work methods in the operative commercial units, permanently analyzing (by sampling) the quality of the products in specialized and impartial labs, compensating and informing the clients in accordance with the damage, taking off the market the flawed products or taking action in order to modify them, permanently offering objective information to the consumers regarding the composition, functioning and usage of the products through the label, assembling instructions, etc.

- Consequently, *permanently satisfying the client in enterprises represents a component of the management of quality*. The respective objective of commercial firms' culture can be realised through: permanent professional training and perfecting the personnel in enterprises by organizing module courses (consumer's rights, hygiene and quality, politics, tactics and enterprise strategy in this field, etc.), informing the staff regarding new normative acts resulted from the study of consumer complaints and suggestions, the main results of the marketing research concerning the consumers' present and future behaviour through monthly bulletins, specialized magazines, researchers' reviews, articles, excerpts from the legislation, the periodical study of the commercial units' image in the consumers' opinion, using certain evaluation criteria for the assessment made through consumer segments or ensemble.

The concept of quality culture is more and more frequently encountered within enterprises which promote the total quality in the service of the consumer. In this spirit of all of the elements presented above, **the culture of quality comprises the ensemble of the components of an organization, which places the client at the center of its preoccupations, in order to obtain, ensure, enhance and continuously redesign the quality**. The commercial enterprises for which the quality culture is a desideratum should accomplish certain goals: their entire activity is focused on the client, the care for their own employees, their resources and the promotional policy should reflect the reality.

It is important to highlight a certain fact, namely that the cultural change within firms, in order to place the total quality at the consumer's disposal, cannot be realized in a hostile business environment and it needs a large amount of time, depending on the way in which the past has been put aside. In this sense, for a relevant culture change within an enterprise, some steps should be taken: identifying and understanding the history of the present

culture (past, tradition, policy towards clients and employees, etc.), enhancing the present systems within the firm (firstly understanding the way in which work is done within the firm, what is done wrong, why and how it can change), listening and carefully observing any phenomenon, process, action, manifestation within the firm, involving in the change process all those who are affected by it.

Table no. 1 The coordinates of the enterprise which has as a desideratum the "culture of quality"

The characteristics of the enterprise which has as a desideratum the "culture of quality"	<i>Focus on the client</i>	<ul style="list-style-type: none"> ~ treating the clients as partners with full rights; ~ permanently studying the needs and the wishes of the clients; ~ informing the consumers regarding the new products;
	<i>Care for the employees</i>	<ul style="list-style-type: none"> ~ educating and training the employees in order to obtain quality; ~ compensation and promotion based on the employees' contribution to the continuous enhancement of quality and putting it at the consumer's disposal; ~ involving and authorizing employees; ~ team work;
	<i>Judicious allocation of resources</i>	<ul style="list-style-type: none"> ~ allocation of sufficient resources where and when it is necessary in order to permanently ensure the enhancement of quality; ~ always checking the way in which the resources have been used;
	<i>Promotional policy reflects reality</i>	<ul style="list-style-type: none"> ~ the firms messages and slogans reflect the reality.

Understanding by organizational values those principles that guide the policies and the processes of the organization, the result of the cultural change of enterprises should include in its organizational values the total quality in the service of clients. Therefore, the enterprises, their partners and their clients will always be pleased and satisfied by the results of their collaboration. Satisfied clients mean a bigger profit for firms and viceversa, the big profit allows, among other things, adopting a client oriented policy and the total satisfaction of the clients/consumers respectively.

Conclusions

Hence the idea that there are no organizations as such, but individuals, namely individuals who have national, professional, economic and social

particularities and who are at a precise moment in their existence. So, *any firm has its own identity because the personality and the image of each organization are mainly created by the people who form it.* They come into an organization with their own values, beliefs, attitudes towards the world and life and meeting the values, beliefs, attitudes, habits, norms from the organizations, they either assimilate them or impose their own. However, it is certain that from the mix of values, beliefs, norms, ideals, behaviours, etc., the culture of the organization is born and developed. Therefore, developed from a variety of sources, the culture of the organization reflects more often than not the direction and image of the individuals involved in the firm's activities. The culture of the organization exists to satisfy numerous human necessities, such as: the need to mean something, the need to believe in something, to have a goal, a direction, a meaning in life, the need for stability and to feel secure, the need to control individual life.

Comparing the individual's personality and the personality of the firm, we can state that what gives a firm vision, essence, direction and synergy for vitality and evolution is the culture of the organization.

The concrete ways in which the client can be repositioned in the center of the commercial strategies of firms are possible if the managers identify and know the culture of the firms that they lead. Simply defined by some managers as the every-day manifestation of the enterprise, through which its values and traditions are highlighted, the culture of the organization, by its elements (values, rituals, habits, symbols, slogans, role models, etc.) can contribute to the permanent satisfaction of the client under all its aspects (product quality, informing the consumers, protecting the consumers, etc.).

EVOLUTION AND CURRENT TRENDS IN THE STRUCTURE OF THE MAIN NATIONAL BUDGETARY INDICATORS IN ROMANIA

Florina-Maria BOBEȘ¹

Abstract:

The budget is not just an act emanating from an organ of the state authorities, but it is a coherent set of plan indicators, in which are enlisted the public revenues and expenditures of the state for a specified future period, usually a year. Starting from this premise, in all countries with a market economy it is considered that the public finances represent that area of the social and economic life, in which it is required a planned action, through which it should be foreseen, in a precise manner, the incomes and expenses of the respective state, on a future time period. Starting from the state budgets programmed for a period of 5 consecutive years, I tried to analyze the evolution of the level and the structure of the main budget indicators.

Key words: *budget, public expenses, public revenues*

JEL classification: *H20, H50, H61*

1. Introduction

For a proper and smooth coordination of all operations that activities in public finance involve, the state is legally required to manage through the Government the budgetary activity. This requires on the one hand developing and implementing the financial and budgetary legislation and the effective management of specific activities that actually require implementation of the law, on the other hand. Carrying out the state's tasks in the economic and financial domain is possible due to *the budget* - the document through which income and expenditure are provided and approved each year.

The need of the state's budget must be linked with the public economy's goal of meeting the collective needs and in this respect imperatively requires a *program* to provide the revenues needed for ensuring and covering the general

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needs of the society. In order to achieve this objective in the public finances field managed by the state, all tax obligations imposed on the citizens, predominantly in the form of tax levies, are related to the general priority needs claimed by the society imposed by the public expenditure through the financial process of the state's budget.

2. The budgetary classification of public revenues and expenses

The design and execution of the budget are possible due to a strict succession of papers and operations, legally regulated, called *budget process*, which is done by going through several stages: the preparation of the budget project, its approval, the budget execution and the closing of the budgetary exercise, and also the control of the budgetary execution.

To meet the budgetary procedure it takes three calendar years, one preceding year for the year when the budget is made (the development and /or approval of the budget), one implementation year and the next year when it is made the closing of the budget exercise and the control of the budgetary execution.

Regarding the structure of the budgets, revenues and expenses are recorded in the budget based on budgetary classification, as it is established by the provisions of the public finances law. According to the legal definition, the budget classification represents "grouping the budgetary revenues and expenditures in a compulsory order and after uniform criteria." Therefore, the budgetary classification means clustering, numbering and naming the revenues and expenditures. The current budget classification is determined separately both for revenues and for budget expenditures. The classification gives codes both to incomes and expenditures in order to facilitate the processing of information about them.

According to the budgetary classification revenues are divided into chapters and subchapters, after their fiscal or non-fiscal content and after their source.

Regarding the classification of the budget expenditures it should be noted that this is much more complex due to the practical needs of budgetary planning and of budgetary accounting. It includes both a functional classification that states the parts, chapters, subchapters and paragraphs of budgetary expenditure and groups the expenses according to their destination in order to evaluate the allocation of the public funds of some activities or goals

that define the public needs and also an economical classification that groups the expenditures according their nature and their economic effect in titles, articles and paragraphs.

In the virtue of the economic classification that highlights the nature of the expenses financed out of public resources, the budget includes two basic types of expenses that correspond to the two main directions of economic activity, respectively the current activity and the development or investment activity. Thus, we can distinguish current expenses which include staff costs, material expenses, service expenses, the interest on the loans contracted, transfers and subsidies. They represent a final consumption of gross domestic product.

The capital expenditures are based on the needs for development and modernization, and are resulted in the investment expenditures and in the expenditures for the state reserve. They represent an advancement of the gross domestic product.

According to the functional classification, the budgetary public expenditure are grouped as follows:

Part I General Public Services

Part II Defense, Public Order and National Security

Part III Cultural Social Expenditures

Part IV Public Services and Development, Housing, Environment and Water

Part V Economical Actions

In the case of the state budget, the expenditures are arranged by the functional classification, and within it each level is explained by the economic classification.

The budgetary classification proves its usefulness both in the budgetary planning and in the budgetary accounting, and also in the detailed knowledge of the state's budget content.

3. The structure and the dynamics of the budgetary expenses

The public expenditures express social and economical relations in cash form, which occurs between the state, on the one hand, and individuals and businesses, on the other hand, with the allocation and use of the state's financial resources in order to fulfill its functions. (Văcărel, 2002, pp. 147)

They refer to all the expenses incurred by the public institutions (state apparatus, social-cultural institutions, military, internal order and national security) which is either covered by the budget or by the extra-budget funds or from the budgets of institutions based on the revenues obtained by them. It is necessary in this regard to distinguish between public expenditures and budgetary expenditures, which have a narrower scope than the first, being contained within them.

The budgetary expenditures refer only to the public expenses that are covered from the public resources provided in the state budget, local budgets, the social insurance budget and the budgets of the autonomous public institutions. (Moşteanu, 2008, pp. 56)

Whatever the theoretical and legal classifications, the budget expenditures of the states evolve over time, registering changes in annual cash amounts, having different determinations and proportions from one year to another. Both a global analysis of the budgetary expenditures (based on their total level) and also according to their structure on expenditure category can be made.

Performing an analysis of the public expenditure budget structure based on the functional classification, one can observe the existence of some important differences between the developed countries and the developing countries in economical terms. Thus, while in the developed countries the share of the public expenditure is represented by the expenses designated for the social state insurances, for the social assistance and protection, and for health and education, in the developing countries, the first places we can find the expenses that are purely economical and only after them we can find the social and cultural expenses.

Regardless of the share held by some categories of expenditure in the total public expenditures in all modern states it is obvious and highlighted a dynamics of the public budgetary spending. This dynamic is an ascending one, and it can be noticed the increase of the public spending from one year to another. The increase of the public spending is determined by demographic, economic, military and social factors. However, it is also drawn in most contemporary states by the gradual depreciation of national currencies, coupled with rising prices and wage rates. For a proper assessment it is necessary to at least make a theoretical distinction between the nominal and real growth thereof.

Following some comparative analyses, in the doctrine it is stated that both for the developing countries and the developed ones, the characteristic phenomenon of the evolution of public spending is their growth reflected both

in GDP and also in the faster growth rate than GDP. From the analysis of the share of the public expenditure in GDP performed in several countries resulted a general phenomenon of increase of the public spending in GDP regardless of the degree of development of the state. (Minea, 2008, pp.158)

Further, starting from the key indicators of the program-budgets (to ensure a fair and pertinent comparison of the indicators we analyzed the initial program budget enacted and the corrections of the budgetary programs) enacted for a period of 5 consecutive years, i.e. the years 2010-2014, I conducted the analysis of the level, structure and dynamics of the public expenditure categories in our country, according to the functional classification criterion.

Table no. 1: Evolution of the state budget expenditures in the period 2010-2014 – thousand lei –

Indicator name	Program 2010	Program 2011	Program 2012	Program 2013	Program 2014
Total expenses – State Budget	101.678.400	108.481.950	112.920.380	116.359.340	119.254.648
Part I General Public Services	32.639.623	42.106.387	43.198.998	48.130.084	47.442.946
Part II Defense, Public Order and National Security	15.756.360	14.604.872	15.327.511	16.860.288	17.907.335
Part III Cultural Social Expenditures	30.579.238	26.087.319	26.699.242	26.531.483	26.668.642
Part IV Public Services and Development, Housing, Environment and Water	2.707.090	3.024.291	3.922.803	2.896.993	4.713.893
Part V Economical Actions	19.996.089	22.659.081	23.771.826	21.940.492	22.521.832

Source: Law no. 11/2010 regarding the state budget in 2010, published in *în* M.O. no. 60/27.01.2010; Law no. 286/2010 regarding the state budget in 2011, published in *în* M.O. no. 879/28.12.2010; Law no. 293/2011 regarding the state budget in 2012, published in *în* M.O. no. 914/22.12.2011; Law no. 5/2013 regarding the state budget in 2013, published in *în* M.O. no. 106/22.02.2013; Law no. 356/2013 regarding the state budget in 2014, published in *în* M.O. no. 805/19.12.2013.

Analyzing in detail the 2014 program, it appears that in the first part the costs represented by the general transfers between different levels of

government (transfers from the state budget to the state social security, the unemployment insurance budget and the social insurance health fund budget) totalling 16.158.394 represents the largest share of 34%.

Then, the spending of the public authorities and external actions (mainly represented by the executive and legislative authorities spending and the contribution to the EU budget) amounting to 13.840.914 thousand lei and the transactions regarding public debt and loans amounting to 13.442.063 thousand lei have significant shares of 29% each. These are followed by other general public services materialized mainly in the budget reserve fund at the disposal of the Government, the intervention fund at the disposal of the Government, the national fund that reaches a much smaller value of only 2.284.866 lei, respectively the fundamental research expenses and development research in the amount of 1.716.709 and that have the lowest share in the total of this part of 3,62%.

Part II includes two main groups, namely Defense and Public Order and National Security (public order, police, gendarmerie, national security, guard and border surveillance, prisons, etc.), which represent the largest share in this part according to the 2014 program of 71,46% and an absolute value of 12.796.537 thousand lei.

In the case of the Social and Cultural Expenses and in the case of our country, the security and welfare have the biggest expenses in the amount of 17.816.956 thousand lei (66,81%), followed by the education expenses amounting to 4.188.714 (15,71%). It should be noted that almost half of these expenditures are designed for higher education. The program budget for the year 2014 only provides 2.921.401 thousand lei for health (10,95%), and on the last place we can find the expenses for culture, recreation and religion in the amount of 1.741.571 thousand lei. The two categories of expenses, namely housing, public services and public development amounting to 2.589.584 thousand lei and the Environmental Protection in the amount of 2.124.309 thousand lei record almost equal shares of under Part IV.

The last part includes the major sectors of the economy: the transport chapters recording in the 2014 year program the highest value, respectively 12.503.267 which represents over 50% in the expenditure allocated for this part. For agriculture, forestry, fishing and hunting it is provided the amount of 6.398.091 thousand lei, much smaller amounts being provided to the general economic, commercial and labor actions – 2.961.312 thousand lei, to the extractive Industries the value of 174.977 thousand lei, and to communications 136.821 lei.

4. Evolutions in the level and the structure of the public budget revenues

The public budgetary revenues are achieved according to the repartition need of the national income, to the structure of the economy, to the degree of spatial development of the country and to the level of development of the productive forces. Depending on the regularity of their collection, public resources can be ordinary or current and extraordinary or exceptional.

The current public revenues typically include the resources received under normal conditions, establishing a permanent budget source. Along with taxes (which may be direct and indirect) and the insurance contributions, which form the category of tax revenues, from the category of these current resources also take part the non-tax revenues, meaning the ones obtained by the state from the businesses and from its fields.

The extraordinary public revenues include those resources to which the state calls only in exceptional cases meaning in those situations when funds from current resources cannot fully cover all budgetary expenditure and mainly take the form of state loans , the supplementation of money in circulation, transfers, foreign aid and donations.

In Romania, the public financial resources are structured by economic criteria, in accordance with the structure of the budgetary system as follows:

Table no. 2: Synthesis of the indicators regarding the state budget revenues - thousand lei -

Indicator name	Program 2010	Program 2011	Program 2012	Program 2013	Program 2014
Total revenues – State Budget	66.654.311	80.802.121	95.757.094	98.182.530	100.932.274
I. Current Revenues	63.321.742	74.852.350	85.120.294	91.427.712	92.529.909
A. Tax Revenues	54.215.972	67.619.696	75.726.894	83.443.762	85.728.709
B. Insurance Contributions	471.400	377.073	343.800	175.000	173.500
C. Non-tax Revenues	8.634.370	6.855.581	9.049.600	7.808.950	6.627.700
II. Capital Income	50.069	59.879	932.700	319.400	279.600
III. Financial Transactions	2.500	6.392	6.800	6.118	6.125
IV. Revenues Received from the EU/Other Donors	3.280.000	5.883.500	9.697.300	6.429.300	8.116.640

Source: Idem source Table 1

The analysis of the income structure in 2014 shows that the current revenues obtained from the tax revenue, from the insurance contributions and from non-tax revenue accounted for 91,67% of total budgetary revenues. A significant contribution to the formation of the tax revenues - materialized in direct and indirect taxes – is brought by the indirect taxes.

The non-tax revenues represented by taxes and duties total 6.627.700 thousand lei, representing 7,16% of the category they belong to and 6,57% of the total budget revenues. The insurance contributions, respectively the payments made by individuals or legal entities in order to form special purpose funds for ensuring social protection and embodied in the state budget in payments from businesses for unemployed persons with disabilities have such a minor share both in the budget income components and in the category to which they belong.

The capital income derived from the development of some property or stocks owned by the state or by some territorial-administrative units bring in 2014 to the state budget the amount of 279 .600 thousand lei, which results in a share of only 0,28% of total revenue.

Revenues from borrowings (financial transactions) record values and shares that are insignificant of 0,01% in total revenues and an absolute value of 6.125 thousand lei.

Revenues in form of donations, respectively the amounts received from the EU/other donors in the account of the payments made are in the amount of 8.11.664 thousand lei and hold a share of 8,04% of the total government revenue.

5. Conclusions

As noted, the upward dynamic of the public expenditure evidenced at the level of all modern states is determined differently from state to state, depending on certain factors. Among these we mention the increasing demographic factors and the increasing demand of the population towards society, increasing the military spending, the increasing number of the state apparatus, the development of the public institutions (education, health and culture, the development of the insurance system, health and social protection), infrastructure development (by increasing the motorways, roads, airports, modernization of transport), systematization of the territory, environmental protection, etc. Some of these factors have a greater influence than others in

increasing public spending, mainly depending on the degree of economical and social development of the country, differently stated in direct relation with the general priority needs claimed by the society.

Summarizing in nominal values the key indicators included in the state budgets in the period subjected to analysis we see that even in the case of our country, the total public expenditure know an upward dynamic. In a detailed analysis, it can be seen that this ascendant dynamics is not kept from year to year in the five parts of expenditure, which is a normal situation explained by the necessity of the society's needs in those years.

According to analysis made in the structure of the public expenditure based on the functional classification, we conclude that financing the General Public Services (Part I) represents an expensive task of the state, this recording the first place throughout the period under review with shares between 32% - 41% from the total public expenditure. These are followed by the social and cultural expenditures (22% -30% of total expenditure), in which the social assistance is a significant category of expenses incurred at central level. The next position in the budget is occupied by the expenses of Part V, respectively by the economical actions that have shares ranging 19-23%. The last place in the budget is held by Part IV with a share of no more than 4 percentage points in the year 2014. It should be noted that this structure of expenditures is maintained throughout the analyzed period.

Regarding the total government revenue it is observed that this also has increased from one period to another, so that the incomes recorded in the year 2014 foresee an increase of 51% compared to the beginning of the analyzed period 2010. If in the year 2010, the current revenues obtained on the tax revenues, on the insurance contributions and on the non-tax revenues accounts for a share of 95% from the total budgetary revenues, in the following years their share decreases reaching 91.68% in 2014.

In the analyzed period the structure of the current revenues has not recorded significant changes, the largest share being held by their tax revenues.

Analyzing the low share of the other income categories of the budget, respectively of the capital income, of the financial transactions and of the amounts received from the EU, it can be concluded that the largest share in the case of the public financial resources of the state is held by the resources that came from sampling with mandatory character (tax revenues), established on the account of taxes and contributions of individuals and businesses.

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FACTORS INFLUENCING THE BANK PROFITABILITY – EMPIRICAL EVIDENCE FROM ALBANIA

Brunilda DURAJ¹
Elvana MOCI²

Abstract:

Commercial banks play a vital role in the economic resource allocation of countries. They contribute to economic growth of the country by making funds available for investors to borrow as well as financial deepening in the country. Corporate performance has been one of the most important issues of managers, investors, and analysts. This concern is connected to the significant role of the profitability of corporate organizations in general, and the banks in particular, on the potential growth of the economy as a whole. A study of the determinants of corporate profitability, therefore, could assist management, investors, and government to forecast and deal with the rising uncertainty of the globalised environment. The issue of the determinants of bank profitability is studied by different authors and academic and the purpose of this paper is to investigate the profitability behavior of bank-specific, industry related and macroeconomic determinants. The primary objective is to investigate the determinants of the profitability and to present all the debates through the literature review on the profitability of these important financial institutions, the banks. An important element of the macro-prudential analysis is the evidence of the internal and external factors and their relationship to the profitability of the banking sector and how this relationship is affected by institutional and structural characteristics. On the other hand internal factors of the banks influencing in the profitability are analyzed.

Key words: *Bank Profitability, Banking Sector, Liquidity*

JEL Classification: *G21, G1, G3*

1. Introduction

Commercial banks play a vital role in the economic resource allocation of countries (Ongore, 2013). They contribute to economic growth of the country

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by making funds available for investors to borrow as well as financial deepening in the country (Otuori, 2013). The financial system of the South Eastern European (SEE) countries is characterized by the dominant role of the banking sector, with the capital market segment for long-term finance being illiquid and, in some cases, underdeveloped, while non-bank financial intermediaries, such as life insurance companies and private pension funds, are still at an embryonic stage of development (Athanasoglou - 2006).

This paper seeks to examine the effect of bank-specific, and macroeconomic variables on the profitability. It focuses on two main directions: Firstly, the literature review on the bank profitability explains why banking activities and performance have attracted the attention of practitioners, policy makers, and researchers alike, making the investigation of bank profitability relevant issue today than in earlier times, secondly an overview of the banking sector in Albania and statistically it proves if the factors taken in analysis are significant and their relation to profitability.

Although net income gives us an idea of how well a bank is doing, it suffers from one major drawback: It does not adjust for the bank's size, thus making it hard to compare how well one bank is doing relative to another. A basic measure of bank profitability that corrects for the size of the bank is the return on assets (*ROA*). Although *ROA* provides useful information about bank profitability, we have already seen that it is not what the bank's owners (equity holders) care about most. They are more concerned about how much the bank is earning on their equity investment, an amount that is measured by the return on equity (*ROE*), the net income per currency of equity capital (Stanley G. Eakins, Frederic S. Mishkin).

2. Literature Review

Determinants of bank profitability can be divided in internal and external factors. Internal factors of bank profitability can be defined as those factors that are influenced by the bank's management policy objectives and decisions. Management effects are the results of differences in bank management policies, decisions, objectives, and actions reflected in differences in bank operating results, including profitability. Zimmerman (1996) has mentioned that management decisions, particularly regarding loan portfolio concentration, were an important factor contributing in bank performance. Researchers frequently attribute good bank performance to quality management. Management

quality is assessed in terms of senior officers' awareness and control of the bank's policies and performance.

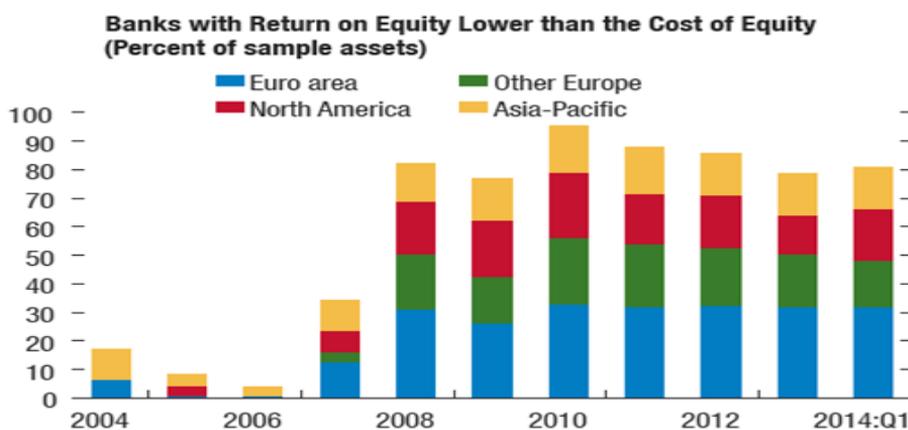
Haslem (1968, 1969) computed balance sheet and income statement ratios for all the member banks of the US Federal Reserve System in a two-year study. His results indicated that most of the ratios were significantly related to profitability, particularly capital ratios, interest paid and received, salaries and wages. He also stated that a guide for improved management should first emphasize expense management, fund source management and lastly funds use management. Wall (1985) concludes that a bank's asset and liability management, its funding management and the non-interest cost controls all have a significant effect on the profitability record. A number of studies have concluded that expense control is the primary determinant of bank profitability. Expense management offers a major and consistent opportunity for profitability improvement.

The level of staff expenses appears to have a negative impact on banks ROA in the study of Bourke (1989). However, Molyneux (1993) found a positive relationship between staff expenses and total profits.. External determinants of bank profitability are concerned with those factors which are not influenced by specific bank's decisions and policies, but by events outside the influence of the bank. Several external determinants are included separately in the performance examination to isolate their influence from that of bank structure so the impact of the formers on profitability may be more clearly discerned.

The use of GDP growth as a variable does not feature extensively in the literature. However, Hoggarth et.al. (1998) conclude that the behavior of real GDP fails to explain the greater variability of banking sector profits in the UK than in Germany. But they do not say that GDP variability did not affect profits, only that they could not use it to explain different UK/German banks performance. If this variable is not statistically significant in explaining profitability, then the conclusions of the authors are reinforced. Otherwise, the expected sign should be positive since higher growth implies both lower probabilities of individual and corporate default and an easiest access to credit. The effects of inflation can be substantial and undermines the stability of the financial system and the ability of the regulator to control the solvency of financial intermediaries. Revell (1979) noted that variations in bank profitability can be strongly explained by the level of inflation.

3. The current situation internationally

According to Global Financial Stability Report 2014, until now, banks have focused primarily on raising capital and derisking their balance sheets to meet risk-based requirements. Their focus, however, has now broadened to include other elements of the Basel III regime, often ahead of the mandated schedule (Figure 1). For example, the LR and the supplementary leverage ratio in the United States (both mandatory beginning January 2018), which penalize size, will make it more costly for banks to hold lower-risk assets. New liquidity requirements, such as the liquidity coverage ratio and the net stable funding ratio will induce banks to hold more liquid (low-risk) assets and to rely more on stable funding sources. In this new paradigm—in which banks are facing a combination of low profitability and new regulatory requirements—banks need to change the way they operate to ensure that they can build and maintain capital buffers without taking excessive risk and still meet credit demand. During the past few years, banks have undertaken a number of measures to address these challenges. They have raised capital. They have also worked in other areas, including running off portfolios, selling noncore businesses, and cutting operating costs. But there may be only limited room left for further gains in these areas and more needs to be done



Sources: Bloomberg L.P.; and IMF staff calculations.

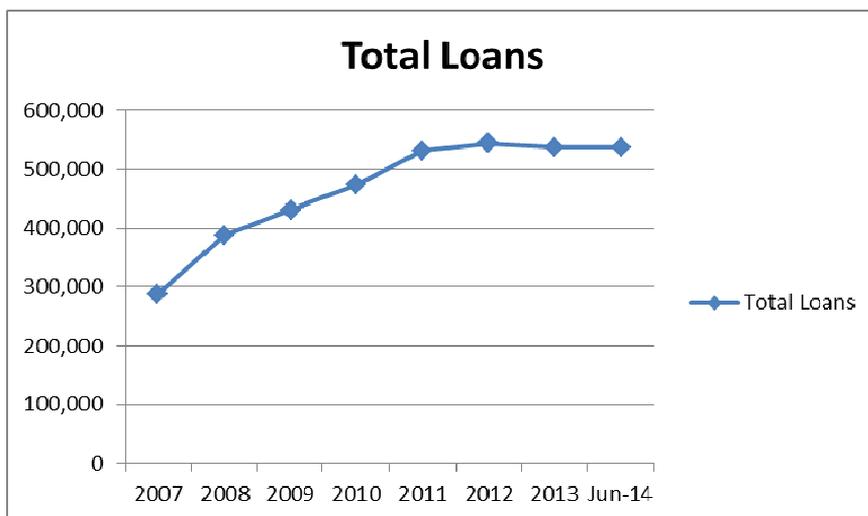
Note: Based on a sample of about 300 large banks.

Figure 1: Bank Balance Sheets and Profitability

4. The bank profitability in Albania

The profitability of the banking sector in Albania results to be high, compared with the Western Balkan countries. The values of the indicators of

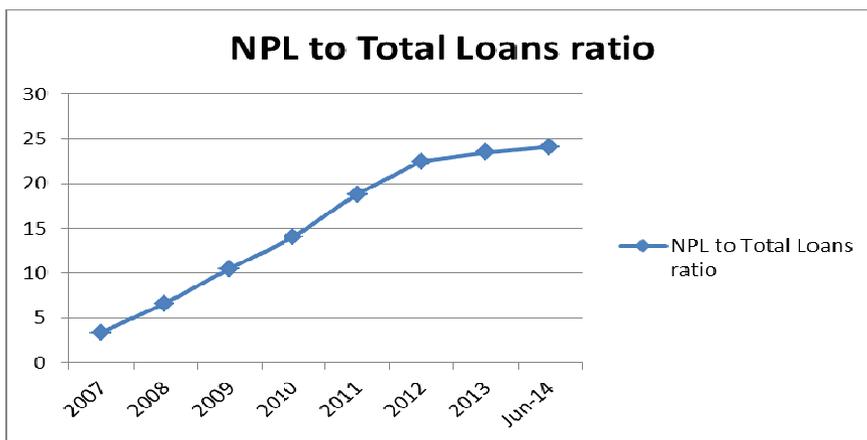
return on assets (ROA) and equity (ROE) remain significantly above the regional average, respectively 0.88% and 8:04%. The level of capitalization of our banking sector is satisfactory, and the capital adequacy indicator turns close to the regional average (17.5%), which is characterized by high values of this indicator. Meanwhile, asset quality remains a major problem as the banking sector and for a part of the Western Balkan countries. However, in our case, the index of non-performing loans resulting on average in the region of 16.2%. In the following part of the paper the empirical result of the banking system indicators of performance and factors influencing in it are presented. Most of the banking literature agrees that a bank's profitability is expected to increase as its portfolio of loans grows in relation to other more secure assets. This greater relative proportion of loans in the portfolio of the bank is usually coupled with a greater liquidity risk arising from the inability of banks to accommodate decreases in liabilities or to fund increases on the assets side of the balance sheet. In Albania the level of total loans has increased during the years (graphic below). According to the literature that should be accompanied with an increase of performance or profitability because higher levels of loans means higher incomes from the loans interest. In our country the result is negative. The figures shows that the increase of the loans' level is not accompanied with the increase of profitability. This might be explained with the increase of the NPL ratio and provision expenses.



Source BoA, amounts in mil ALL

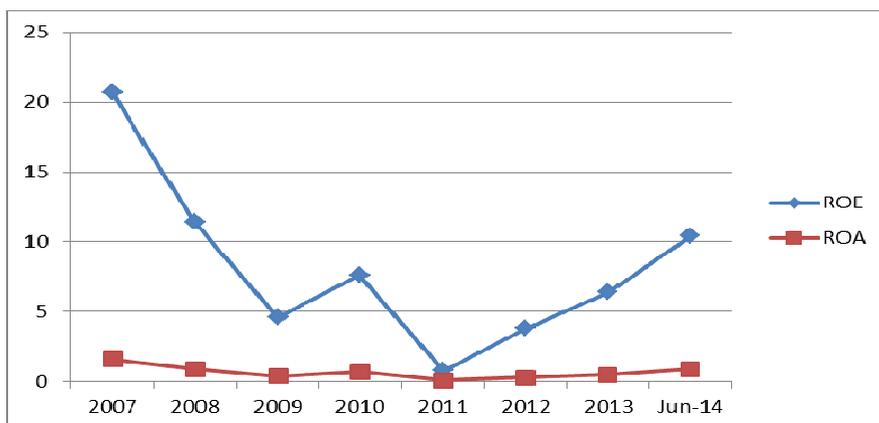
Graphic 1

The level of non performing loans has increased dramatically over years. The increase of the NPL is accompanied with increase of provisions from the bank resulting in the decrease of profitability. Even if we take in consideration the literature on the issue on the relationship that exist asset quality and profitabilty there appears to be a consensus that bank profitability is directly related to the quality of the assets on its balance sheet; which means poor credit quality has a negative effect on bank profitability and vice versa. This relationship exists because an increase in the doubtful assets, which do not accrue income, requires a bank to allocate a significant portion of its gross margin to provisions to cover expected credit losses; thus, profitability will be lower.



Source BoA

Graphic 2

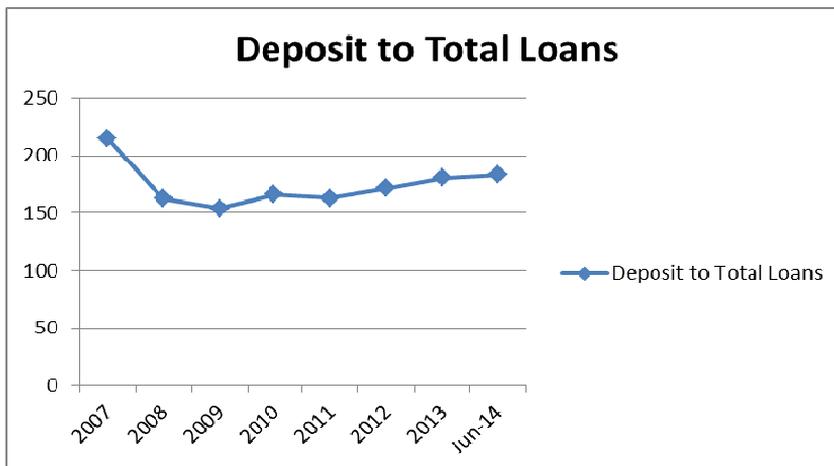


Source BoA

Graphic 3

According to the literature a higher share of customer deposits in bank liabilities should increase a bank's profitability, considering that deposits constitute a cheap and stable financial resource compared with other financing alternatives (Claeys and Vander Venet, 2008; García-Herrero *et al.*, 2009) Thus, we examine whether there is a direct relationship between the proportion of customer deposits in a bank's total liabilities and the bank's profitability.

On the other hand, an aggressive competition policy could lead banks to pay higher rates to attract deposits from competitors (the so-called “deposit war”), thus squeezing bank margins. If we analyze the ratio of the deposit to total liabilities of the bank (graphic below) we see that this ratio has been volatile through the years. Both the theories apply in the Albanian banking sector. The “deposit war” has happened among the banks effecting the bank margin. On the other hand this deposit war has happened because as it is explained in the literature the deposits constitute a cheap and stable financial resource. Though we expect that this factor should not explain the change of profitability or said in other words in the future empirical and econometric analysis it is expected that the factor of deposit to total liabilities of the bank to be not significant.

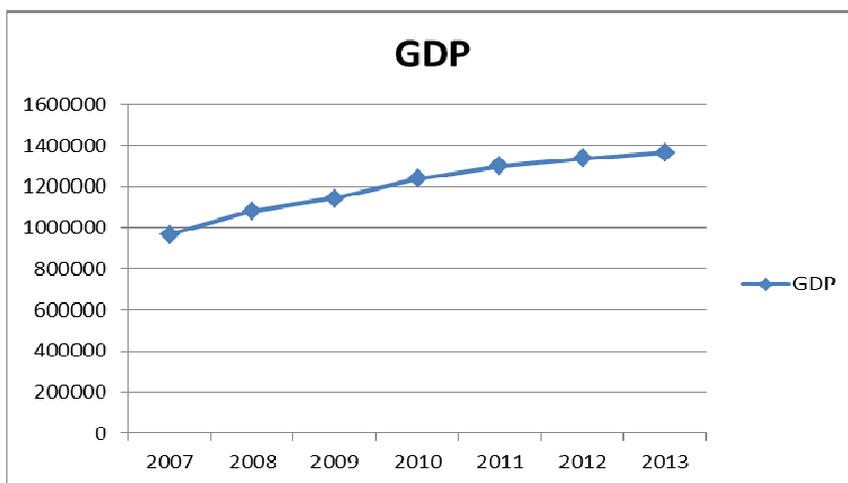


Source BoA

Graphic 4

According to the external factors that influence the banking sector we analyze the GPD and inflation rate.

During the years the GDP of the country has had an upward slope even though the increase has been in low levels. According to the literature it is expected that the relationship between GDP and profitability to be positive. Poor economic conditions can worsen the quality of the loan portfolio, generating credit losses and increasing the provisions that banks need to hold, thereby reducing bank profitability. In contrast, an improvement in economic conditions, in addition to improving the solvency of borrowers, increases demand for credit by households and firms with positive effects on the profitability of banks.

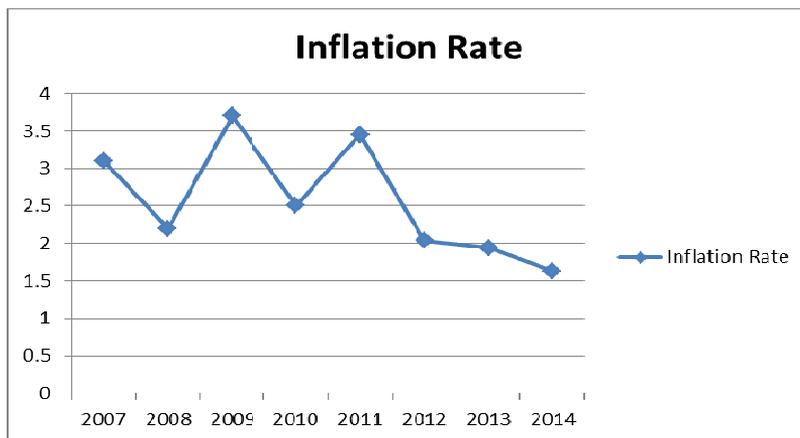


Source BoA

Graphic 5

According to the literature, Revell (1979) introduces the relationship between bank profitability and inflation, stating that the effect of inflation on bank profitability depends on how inflation affects both salaries and the other operating costs of the bank. In this context, Perry (1992) concludes that the extent to which inflation impacts bank profitability depends on whether the extent of inflation is fully anticipated. If the inflation rate is fully anticipated by the bank's management, the bank can adjust interest rates appropriately to increase revenues faster than costs, which should have a positive impact on profitability. Also Demirguc-Kunt and Huizinga (1999) notice that banks in developing countries tend to be less profitable in inflationary environments, particularly when they have a high capital ratio. In these countries, bank costs actually increase faster than bank revenues

The bank of Albania has tried to maintain the level of inflation between some target points. As it is seen from the graphic through the period 2007-2014 the range level of inflation rate has been 1.63-3.6%.



Source BoA

Graphic 6

5. Regression Analysis

$$\text{Profitability (ROE)} = \beta_0 + \beta_1 \text{LQR} + \beta_2 \text{NPL} + \beta_3 \text{LN} + \beta_4 \text{GDP} + \beta_5 \text{INF} + \varepsilon$$

Profitability is the dependent variable of this study. Explanation of dependent and independent variables along with their proxies are specified in Table 1

Table 1: Explanation of variables

Variables	Symbol	Equation
Return on Equity	ROE	Net income / Total Equity
Non performing loans rate	NPL	Non-Performing Loans /Total Loans
Liquidity risk	LQR	Deposit to Loans ratio
Total loans	LN	
Gross Domestic Product	GDP	
Inflation	INF	

We performed multi linear regression analysis with secondary data using a sample of data from 16 banks in the period 1999 – 2014. The confidence level used is 95% testing the below hypothesis :

Table 2: Hypothesis List

Null Hypothesis	Alternative hypothesis
H0- There exist no relationship between NPL Ratio and profitability.	Ha- There exist relationship between NPL Ratio and profitability.
H0- There exist no relationship between Deposit to Loans ratio and profitability.	Ha- There exist relationship between Deposit to Loans ratio and profitability.
H0- There exist no relationship between GDP level and profitability.	Ha- There exist relationship between GDP level and profitability.
H0- There exist no relationship between Inflation and profitability.	Ha- There exist relationship between Inflation and profitability.
H0- There exist no relationship between Loan level and profitability.	Ha- There exist relationship between Loan level and profitability.

The R square of 99.7% shows that the model is significant and that the 99.7% of the variability of the bank profitability measured through the ROE is explained through the variance of the factor we took in our study as determinant in the bank profitability.

Table 3

<i>Regression Statistics</i>	
Multiple R	0.998487452
R Square	0.996977192
Adjusted R Square	0.989420171
Standard Error	0.006292862
Observations	24

Source: Authors calculations

From the analysis of the ANOVA we see that significance of the total regression appears to be significant, presented from the F statistic:

Table 4

ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	5	0.083059	0.016612	64.08086621	2.86714E-07
Residual	10	0.002592	0.000259		
Total	15	0.085651			

Source : Authors calculations

In order to test which of the factor were significant for the model we did the P –test with 95 % confidence level :

Table 5

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>
Intercept	0.017029169	0.09052	0.188126	0.854540227	-0.184661475	0.21872
NPL Ratio	-3.09345E-05	0.000499	-0.06195	0.951825158	-0.001143588	0.001082
Deposit/Loans	0.000317256	7.4E-05	4.287617	0.001592171	0.000152388	0.000482
GDP	7.30377E-07	1.41E-07	5.185931	0.000409546	4.1657E-07	1.04E-06
Inflation	-0.014986301	0.006237	-2.40287	0.037133122	-0.028882834	-0.00109
Loans level	-1.81373E-06	2.45E-07	-7.39424	2.33065E-05	-2.36027E-06	-1.3E-06

Source : Authors calculations

The results shows that expect the NPL ratio , all the factors were significant, whereas the sign of the relationship between the dependent and the independent variable is explained as below.

- NPL ratio: The result of the multi linear regression model shows that this factor is not significant to explain the bank profitability. The banks in Albania have had a high level of NPL ratio in the recent years, meaning a bad quality of the loan portfolio. This is associated with an increase of the expenses for provisioning and lower ROE. Statisticly this factor is related negatively to the ROE which is relevant. As we explained before the literature shows that this factor is significant to explain the profitability of the banks but in the case of Albania it is not. This is because the loan portfolio quality has been deteriorated in the recent years and even though the increase rate of NPL was smaller compared to previous years , it was because the decrease of the credit in the economy. In the same time , banks to improve the liquidity has had in focus to increase the deposits which we see in the factor we had included in our study, the ratio deposit to loans.

- Deposit/Loans ratio: the result of the regression analysis shows that this factor is significant and related positively .We included this ratio in order to see the impact of the liquidity of the banks in the profitability. The beta coefficient is relatively small but positive meaning that if the banks increase the financing of the loans with deposits it will impact positively the ROE.

- GDP level : The GDP is a factor that is significant and related positively to the profitability. In our analysis , GDP is an external factor , and for its relevancy it is considered as important to be taken in consideration. The increase of the GDP of the country has positive impact in the profitability of the banking sector in Albania associated with the other internal factors that are analyzed.

- Inflation rate: The inflation appears to be significant and related negatively to the profitability. we mentioned that the results of the other authors were mixed for the impact of the inflation to the profitability. In the Albanian financial sector it appears that with the inflation the operational costs are increased more than the effect of the interest rates resulting in lower profitability for the banks.

- Loans: The total loan level appears to be a significant variable in determining the ROE with negative sign. This is because the impact of the bad quality of loans portfolio which we mentioned is a problematic issue in this market with high level of NPL and high level of provision expenses.

7. Concluding Remarks

We believe that testing for the robustness of banks performance over time and space should shed light on policy debates, and on the assessment of banks performance. In addition, we believe that the work has some relevance and importance for the ongoing wave of consolidation banking markets and for the well functioning of it. A linear function of a multiple regression equation, on a pooled cross section time series sample, *is utilized in the desperation of the thesis to test the effects of firm and market specific variables on bank profitability*. A number of studies have examined bank performance in an effort to isolate the factors that account for interbank differences in profitability. These factors are either internal or external. Individual bank characteristics such as the portfolio composition, and the scale and scope of operations, can affect the costs at which banks produce financial services. We perform time series regressions and year-by-year cross sectional regressions. The estimated results suggests that the profitability of Albanian banks is influenced not only by factors related to their management decisions , internal factors, but also to changes in the external macroeconomic environment. The type of explanation for the level of profitability would determine possible policy implications and ought to be taken seriously. Since very little empirical work has been undertaken investigating the competitive behavior of Albanian banking systems, an empirical investigation like the one conducted above may yield insights that could be of interest to academics, bankers, and policy makers.

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DIMENSIONS AND SOCIAL CONSEQUENCES OF SMOKING AND ALCOHOL USE

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Abstract:

Alcohol, smoking and other drugs usage (ASOD) poses a major risk to society. According to World Health Organisation (WHO), alcohol and smoking is among 10 major health risk factors worldwide, while illegal drugs usage is among 10 major health risk factors in developed countries. Beside health problems, psycho-active substance usage is reflected in many severe social problems. Interpersonal violence related to ASOD usage includes crimes, violence on a sexual background and a wide range of family violence. Consequences of child violence and their neglect as a result of substance abuse also influence their longterm sequela and eventually, on society as a whole. Crimes committed to provide or deliver illegal substances pose another serious threat to community well-being. Social harm related to illegal drugs usage such as crime, public disobedience and workplace problems affect individuals, community and the whole society in different ways. Some of these problems are consequence of psychopharmacological effects of the used drug, which as you may recall, are included in the first category described by (Goldstein, 1985). Problems for other people, which are related to drug usage, include even injuries or harm as a result of vehicle accidents and violence.

Key Words: *Social consequences, community, smoking, alcohol use.*

JEL Classification: *I1, Z13*

1. Introduction

Long transitional period in Albania in the last two decades has been associated with a constant political, economical and social crisis, causing great changes and historic overturns to its all society. The fall of the previous regime in the country and immediate connection to other countries brought about a

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thorough change in values and beliefs, breaking and degenerating of social and education services, higher unemployment rates and poverty, increase of past problems and other problems development such as: drug abuse and trafficking, children and women trafficking, illegal emigration, spread of HIV/AIDS, criminality and suicide increase, birth rate decrease and infant mortality increase, increase of dropouts from school and the spread of sexually transmitted infections. All of the above-mentioned problems have caused a complicated, chaotic and frustrating situation for Albania in general, and for the Albanian youth in particular.

Like any other country in Europe and in the world, even in Albania people use a variety of psychoactive substances, including both legally available substances like alcohol and tobacco and those substances which are not allowed or forbidden by law to be used. As it was considered thoroughly above, the majority of psychoactive substance users consists of young and middle-aged adults. Also, experimenting with psychoactive substances at a young age is in itself a risk factor to continue and abuse with them later in life. For this reason, it is very important to monitor the tendencies of psychoactive substances use among teenagers and adults. One of the most sensitive and dangerous problems to the Albania youth today is drug abuse and trafficking. Taking into consideration that Albania is a transiting place, and sometimes a place where drug is produced, there is data and reports which show that the number of drug users is increasing. And the youth are the most vulnerable by this tendency.

According to the report of the Interior Ministry a number of around 25 000 – 30 000 people use drugs currently, mainly young people, of which 10 000 dwell in the capital. So, Tirana gives more opportunity to limit or hide the identity of drug users, or narcotic substances users in many public places such as cafes, nightclubs, pubs and discos. However, this can serve as a clear reference to types, drug kinds and the frequency of their use.

2. Situation related to alcohol, tobacco and illegal drugs use in Albania

In recent years some research has been carried out to evaluate psychoactive use prevalence, mainly among the youth. Here, ESPAD and Youth Risky Behavior Survey (YRBS) can be mentioned. ESPAD study was carried out in 2011 in a large sample representative of 15-16-year-old students attending the school, whereas the last YRBS study was carried out in 2009 and

targeted a large sample of students aged 15-19 in Albania. The two studies have provided a clear view on the prevalence of psychoactive substance use among the youth in secondary and high schools in Albania, being a valid monitoring tool to the dynamics of psychoactive substance use and risky factors for their use throughout time. In this aspect, our study is important as it contributes to the continual monitoring of these tendencies and the dynamics of drug use in Albania, providing a useful aid to the appropriate policy drafting based on scientific facts. Besides, this study includes even people aged 19-34, a cohort less studied since most of the serious studies in Albania aim secondary and high school students. Also, our study employs the same definitions of alcohol use, smoking and other illegal drugs which are recommended by EMCDDA and have been used in other studies carried out in Albania. As a consequence, our results are easily comparable to those reported by other studies of this kind in our country.

If alcohol, smoking and other psychoactive substances have been studied in a satisfactory way among the youth at schools, mainly secondary and high schools, information related to alcohol use, smoking and especially illegal psychoactive substances among young adults is less studied. Studies on illegal drug use among people aged 15-64, which are reported in EMCDDA, are based on a variety of resources and actors that provide the information related to these aspects, including the Interior Ministry, Department of Clinical Toxicology and Addictology in “Mother Teresa” University Hospital in Tirana, Forensic Medicine Institute, Public Health Institute and a large number of non-governmental associations, which have different functions related to pharmacological, psychological and social support to drug users.

Regarding alcohol use prevalence, YRBS study among students aged 15-18 concluded that 71.1% of high school students had used at least one kind of alcohol drink in their lifetime in 2009, whereas ESPAD study in students aged 15-16 reported a prevalence of 72.4% in 2011. On the other hand, lifetime prevalence of smoking was 59.1% in 2009 according to YRBS study and much lower in ESPAD study (39.7%).

It should be kept in mind that the number of illegal drug users usually represents an assessment and not a precise measurement, since these phenomena reporting is a very sensitive issue and for this reason a wide variety of indirect techniques are used to evaluate this number (capture-recapture, snowball). According to the latest assessment, the total number of people aged 15-64 who

had tried an illegal drug at least once in their lifetime, varies from 40 thousand to 60 thousand (lifetime prevalence between 2% and 2.8%), showing a considerable increase compared to 1995 (182). YRBS study reported that 7.4% of the students aged 15-19 had experimented with cannabis, 4.2% with ecstasy, 1.2% had tried heroine and 3.2% had tried cocaine at least once (183). While ESPAD study reported slightly lower prevalence among students aged 15-16 and actually lifetime prevalence of cannabis use was 4.4%, followed by ecstasy with a prevalence of 3.5%, whereas cocaine use prevalence was 1.6% (Hibell, et al., 2011). While the number of problematic users of the drug is estimated to be between 4 thousand and 6 thousand. The prevalence of illegal drug use in the general population is reported as following: 2.9% cannabis, 0.3% heroine. 1.7% cocaine (EMCDDA, 2011).

Law perspective on policies related to drug is rich. Albania has adhered in three UNO conventions related to drug through some specific Acts (182). Also, different forms of punishment are predicted by law for those participating in activities related to illegal drugs. For example, punishment for the production, purchasing, distribution and possession of illegal drugs varies between 5-10 years imprisonment, whereas it's trafficking is punished with 7-15 years imprisonment. Other forms of punishment are applied to the cultivation of narcotic substances and trafficking of substances that help psychoactive substances production. But possession of only a single dose for daily use is not punished in law.

Legislation enforcement related to illegal drugs is under the supervision of the Division against Narcotic Substances, as part of General Directory of Police. Also, in 12 districts of the country Sections against Narcotic Substances function. For the law enforcement order police officers, border police officers and customers police officers have been engaged. Then, General Directory of Police cooperates with the Prosecution in different aspects of drug-related crimes, sentencing the wanted people, etc. (EMCDDA, 2011). In Albania drafting of the strategy against drug 2012-2016 has finished, a contribution of an interdisciplinary group work, including WHO consultants, civic society representatives and experts from various fields. This strategy is based on the legality principal, respecting the basic human rights and freedom, lifesaving, individual health and safety, community and application of balanced and integrated models based on responsibility taking and partnership.

Regarding the social and economic consequences of psychoactive substances use in Albania, there isn't still any study of this kind, which can

document direct and indirect real cost to the government, family and society. However, based on the international literature and other countries experience, it can be said that definitely social and health cost related to psychoactive substance use is a huge burden to the finances of the Albania government.

3. Smoking and alcohol consumption models in the international arena

Alcohol use models have been widely studied and reported. Prevalence of alcohol use, in general, is higher among males and females (SAMHSA 2006; Moore AA, 2005; Dawson DA, 1995; Fillmore KM, 1987; Pomerleau J, 2005; Leifman H, 2002). For example, one study concluded that, among the youngsters of age twenty, the ratio males/females of daily alcohol use during 2001-2002 among American males and females, over the age 18 were very similar (44.4% and 43.2%, respectively) (Falk DE, 2006). National Cohort Study on Alcohol Epidemiology in the USA in 1992 reported that 44% of adults in the USA consumed alcohol (Dawson DA, 1995) and, alcohol consumption at the moment was higher among males, among people who had been to school (SAMHSA 2006; Dawson DA, 1995), among those who currently had a job (SAMHSA 2006), among those with high incomes and among unmarried people (Dawson DA 1995). Another American study showed that in 2001-2002 two third of American adults used alcohol (Falk DE, 2006). Three years later, National American Study in 2005 reported that more than half (51.8%) of the Americans over 12 years old were current alcohol users.

It has been reported continuously and consistently that, smoking prevalence is higher among males than females (SAMHSA 2006, Tobacco use among adults – United States, 2005; Vardavas CI, 2006; Ismail Sh, Rosen B. Smoking Among the Arab Population in Israel; Global Youth Tobacco Survey Collaborating Group, 2003; Samet JM, 2001; Gilmore A, 2004). In the USA for example, males were 1.3 times more likely to smoke currently, compared to females (respectively 23.9% versus 18.1%) (Tobacco use among adults – United States, 2005). Male-female difference related to smoking prevalence is higher in some countries compared to the USA. For example, in Greece about 40% of adults were smokers and the prevalence was higher among males (57%) than among females (23%) (Tobacco use among adults – United States, 2005). In some cultures (i.e Islamic culture), smoking by females is unacceptable and thus, smoking prevalence in this population is much lower (Ismail Sh, Rosen B.

Smoking Among the Arab Population in Israel). There are many other studies which have not evidenced statistically significant differences related to smoking prevalence.

An American study reports that, smoking prevalence was very similar among males and females (Falk DE, 2006). Smoking Global Study among the youth showed that, among people aged 13-15 there was no statistically significant difference in smoking prevalence in most of 121 centers, in 76 countries, where the study was conducted (Global Youth Tobacco Survey Collaborating Group, 2003). It is likely that the lack of gender difference for smoking reported by the last study, is explained by the great effects the tobacco advertisement has on females in developing countries, as well as great efforts of large tobacco industries to target this part of population in these regions (Samet JM, 2001). General tendency related to smoking prevalence shows that, it is higher among younger ages and middle ages and decreases with age (Falk DE, 2006; Tobacco use smoking adults – United States, 2005; Gilmore A, 2004, 63). In the USA, smoking prevalence is higher among people aged 18-24 and those aged 25-44 (respectively, 24.4% and 24.1%) and decreases among people aged over 65 (about 8%-9%) (Tobacco use among adults – United States, 2005). In Russia and other countries of former Soviet Union, smoking prevalence shows unclear trends among males and females aged 18-59, but after that, the prevalence decreases considerably with age (Gilmore A, 2004). Studies in the USA showed that, smoking prevalence was negatively linked with education level (SAMHSA, 2006; Tobacco use among adults – United States, 2005; Giovino GA, 1995); higher among divorced or married people (Giovino GA, 1995) and among unemployed compared to those who had a job (respectively, 44% versus 27%) (SAMHSA 2006). The study conducted in Russia and in some countries of former Soviet Union noticed that, in general, most of the males started smoking before age 20 and smoked more than 10 cigarettes a day, whereas a lower number of females started smoking before age 20 and most of them smoked less than 10 cigarettes a day (Gilmore A, 2004).

4. Dimensions and social consequences of smoking and alcohol use

In some cases alcohol is the main cause of certain social events, like road accidents. Alcohol is a chemical substance with some certain properties. Alcohol influences our behavior through changes in biochemical, metabolic, psychomotor and cognitive processes, which are later responsible for a variety

of social consequences caused by alcohol use. Alcohol toxicity causes psychomotor damages, slower stimuli reaction, judgment worsening, emotional changes and decrease of response to social expectations. The consequences of psychomotor capability damage are not merely health consequences. Alcohol is a considerable contributor to a wide variety of negative social events for the individual and society as a whole, even though it rarely defines in itself these negative conditions. As a result, alcohol is usually considered to be a substance which increases the risk of negative events.

The way alcohol is perceived varies considerably, while individuals progress through their life course and social norms to its acceptability change. Alcohol consumption could be an independence or rebellious behavior sign in adolescents, but different societies in the world are worried about harmful consequences of alcohol use in youth. Therefore, the majority of the society, even that following the most liberal policies, has agreed upon the idea that alcoholic drinks could be unavailable to children and adolescents.

Also, cultural meaning of alcohol consumption is different for males and females. Although alcohol consumption has been mainly a male “domain”, in many countries of Europe gender difference of alcohol consumption prevalence is not great (Simpura & Karlsson, 2001).

Today, females consume one fifth to one third of alcohol in the majority of developed countries (Bloomfield, Gmel, Neve, & Mustonen, 2001).

The decrease in prevalence of alcohol use with age is even a reflection of social norms. The elderly are not supposed to attend events where people get drunk or do “non-appropriate” acts to society. This activity could be more acceptable by the youth. However, with the increase of lifespan and health improvement, these perspectives related to alcohol consumption by the elderly can change.

On the other hand, production the purchasing of alcoholic drinks is an economically important activity for many countries, generating incomes for the producers, marketers and funders. As such, it creates workplaces and generates money for the government through taxes. As a result, alcohol is an important good with a complex chain which creates workplaces and incomes with a broad spectrum of actors of society. But, as it was observed previously, economical benefits that come from the production, purchasing and alcohol use are accompanied by an extraordinary cost on the society. The dual nature of

alcohol as a good with economical value and as a main source of harms should be taken into consideration (Edwards, Arif, & Hodgson, 1981).

5. Alcohol consumption and social harms

Apart from negative consequences directly related to individual health (heart diseases; cancer: head, neck, breast cancer, etc; neuropsychiatric harms: alcohol abuse, depression; infective diseases: tuberculosis, pneumonia; birth-related maternal undesired conditions: low birth weight, fetal alcohol syndrome; accidents: road accidents, falls, drowning, burning, workplace accidents; self-injuries: suicide and violent deaths) (Lonroth, Willimas, Stadlin, Jaramillo, & Dye, 2008), alcohol is related to a wide variety of social problems or harms.

Before considering social problem treatment, we will observe the suicide problem as a phenomenon frequently encountered in our country. The relationship between alcohol and suicide is proved well among those consuming large amounts of alcohol (Rehm & Rossow, 2001). Although the strength of this relationship varies according to different cultures, studies show that “explosive” models of alcohol use (spur, irregular consumption) are related to a higher incidence of suicide. Some studies report a linear relationship between the amount of alcohol consumed and toxicity frequency from alcohol and risk of suicidal behavior (Dawson, Grant, Chou, & Pickering, 1995) and (Rossow, 2001). Probable hypotheses about this relationship are social disintegration, which is caused by alcohol and social losses and mental conditions play the role of mediating factors (Murphy, 2000).

Although public controversy is usually focused on health effects of alcohol, the latter is related to its social consequences, which are usually called “the forgotten dimension” (Klingemann & Gmel, 2001). In this dimension are included:

- a) Violence
- b) Vandalism
- c) Public disobedience
- d) Family problems: divorce/marital problems, child abuse.
- e) Other interpersonal problems
- f) Financial problems
- g) Problems at work, apart from accidents
- h) Educational difficulty
- i) Social cost

Clearly, alcohol consumption causes harm not only to the individual who consumes alcohol, but is accompanied even by external consequences (for the others) through the above mentioned points.

a) Violence: Different studies prove a causal relationship between alcohol consumption and violence (Pernanen, 2001); (Room, 2001), whose bond depends on the culture where it is encountered. Models of alcohol consumption, especially alcohol toxicity, play a major role in violence generation. Violence to intimate partners is strongly related to the amount of alcohol used.

b) Divorce and marital problems: epidemiological data on a causal relationship between alcohol consumption and family problems such as divorce are few. In many countries, binge drinking by the male partner is used as a justification for divorce (Rehm, Frick, & Bondy, 1999). But facts about a causal relationship between these two phenomena are very few. Different studies have shown significant, positive relationships between binge drinking and divorce (Leonard & Rothbard, 1999).

c) Child abuse: Different studies have shown that, violence and abuse is greater in children whose parents use large amounts of alcohol (Barber & Gilbertson, 1999).

d) Work-related problems: There is a relationship between alcohol consumption and different consequences at workplace such as lack of a job, including exhaustion and early leaving of the workplace because of disciplinary measures or decrease of productivity at work; stealing and other crimes; bad and unprofessional relationships with colleagues and poor morale at workplace. Most of the findings show complex interactions between individual characteristics and environmental factors, including work characteristics as responsible for these relationships and consequences (Rehm & Rossow, 2001).

e) Social costs: Studies related to social costs of alcohol report direct costs that are related to health costs of alcohol users and indirect costs or social services, which are used by people who have alcohol-related problems. It is believed that social cost to cope with these situations is greater for the social welfare system and justice system, than for the health system. For instance, one study has shown that health care cost on alcohol-related problems are about \$160 million , social service costs are about \$140 million and justice and firefighting system costs are estimated to be about \$400 million (CATALYST, 2001). Whereas in another study, people with “problematic alcohol use” who ask help in one of the systems, are distributed like this: 41% for treatment in

justice system, 8% in social services, 42% in primary health care, 3% in mental health system and 6% in public agencies for drug and alcohol treatment (Weisner, 2001).

Another way to assess social costs is through individual reporting by alcohol user or their relatives. One study through telephone, for example, showed that, 7.2% of Canadians were hit or attacked by someone who had drunk alcohol, 6.2% had broke up friendship with someone as e consequence of another person who used alcohol and 7.7% claimed to have family or marital problems caused by alcohol consumption by their partners and/or other people (Eliany, Giesbrecht, Nelson, Wellman, & Wortley, 1992).

Other illegal psychoactive substances. Like alcohol and smoking, other illegal psychoactive substances have a common feature: the great potential to create addiction to them. The effects these substances have on the individual or society will depend on various factors, including pharmacological characteristics of each drug, the way they enter the organisms, their cultural meaning in everyday life, the reasons for their use, as well as harms related to their abuse. Public controversy about policies of psychoactive substances should take into consideration these complex elements, because simplistic thought that “all the drugs are the same and are equally dangerous” limits the understanding of the problems related to drug, as well as our ability to develop appropriate policies to respond to these worries.

Great developments in many life aspects, such as psychiatry, psychology, neurobiology, cultural anthropology, epidemiology and other disciplines have considerably added our knowledge about psychoactive drugs, their actions and abuse.

To better understand the complex nature of drug use, we should refer to three important distinctions. The first distinction is if a certain drug is natural or synthetic. Until XIX century, almost all psychoactive substances were used in their natural form. With the development of modern chemistry it was possible to identify active components of these natural products. This knowledge led to powerful extract production such as morphine and cocaine. Then it was possible to create synthetic forms of many psychoactive substances such as heroine and heroine crack, and to produce one or more very powerful substances, like lysergic acid diethylamide (LSD), benzodiazepines and opioides. Similar to distilled alcoholic drinks, the ability to produce very concentrated forms of natural substances increased considerably the availability, distribution and addiction-creator potential.

Second distinction: when we talk about psychoactive substances we refer to the way they are administered. The most usual manners of drug intake are: orally in their natural form (coca leaves) or synthetic products (i.e. drugs used as pain relievers); mucosal membranes absorption, like cocaine in dust form, heroine through nose; substance inhalation, like cannabis and crack inhalation; and through intravenous injection, like heroine. Drugs that can be injected intravenously spread immediately in organism and have a quicker effect, which increases considerably the potential for their abuse, addiction to them and various harms.

Third distinction is related to the fact whether a certain psychoactive substance has a medically acceptable use or not. Many of the substances listed below (i.e. sedatives and opioids) were initially developed for medical purposes. In many countries, their use has been limited by law and they have been sold only as prescribed by the physician. Some of these substances continue to be available as legal medicine, but in a monitored way (e.g. morphine, amphetamines and barbiturates). Others are not considered medicine anymore, regardless of the fact that initially they were developed for therapeutic purposes (i.e. LSD, cocaine and heroine). As it will be seen below, substances which can be used only as prescribed by the physician in fact, have been used for purposes and other manners or in greater amounts than those recommended by the physician. In these cases, their use presents the risk of physical, psychological and even legal problems.

On the other hand, the classification of substances that is used by these international conventions reflects historical settings, cultural factors and scientific facts. For these reasons, not always there is an agreement between expert opinion and laws, or national and international conventions regarding the risk or harms that certain substances cause. For instance, many experts think that tobacco products represent a greater risk than cannabis, but again tobacco is legal in most of the countries, whereas cannabis is not.

Three above mentioned distinctions are necessary, but not enough to understand the complex nature of drug use. For this, diversity, role and specific risks of different models of drug use, and combined effects of drugs should be taken into consideration, overdoses or risky situations (i.e. driving after a long stay in a club, exhaustion after stimulant use, etc) and participation in risky behavior (i.e. having unprotected sex during the “well-being” phase after cocaine use).

6. Models of concomitant alcohol use and smoking

Although alcohol and smoking are two of the most widely used substances (and which are mostly abused with, too) at all times, only a few studies have studied models of concomitant alcohol use and smoking, compared to the great number of researches that have studied models of alcohol use and smoking separately. An American study in 2005 declared that, 61% of the people over 12 years old who use considerable amounts of alcohol, smoke as well, compared to 17% smokers among those who do not use alcohol. Among current smokers, 68% use alcohol concomitantly, compared to 47% smokers among those who do not use alcohol (SAMHSA 2006). Another study noticed that, 22% of American adults aged over 18 used alcohol and smoking concomitantly (Falk DE, 2006). Males were more likely than females to use both substances (28% of males and 16% of females used alcohol and alcohol) (Falk DE, 2006). The prevalence of both substances use (alcohol and smoking) is higher among people aged 18-24 (35% of males and 26% of females used alcohol and smoking) and the prevalence decreased with age (Falk DE, 2006). Also, smoking prevalence increases with alcohol use increase in both genders and being lower among those who never used alcohol (13% of males and 8% of females who did not use alcohol, smoked) reaching a climax among those who used great amounts of alcohol (66% of males and 60% of females who used a lot of alcohol smoked, too) (Falk DE, 2006).

Similar positive trends between alcohol use and smoking have been seen even related to alcohol amount and daily smoking. Greater amount of alcohol consumption is significantly related to greater number of cigarettes in that session (Falk DE, 2006). Another study related to the way nicotine intake affects alcohol use, evidenced that, nicotine effects change considerably among males and females regarding consumed alcohol amount. Nicotine increases alcohol consumption in males and decreases its consumption in females (Acheson A, 2006). Besides, a research that concentrated on alcohol use and smoking during adolescence, concluded that, using alcohol but no smoking is usual, smoking and not using alcohol is very rare (Orlando M, 2005).

7. Conclusions

The study noted the opinions of the participants related to ASOD usage, perceived risk of their usage, easiness to find them and problems that may result from ASOD usage through a ne technique, which allows description of

opinion trends according to different risk factors and analysing of the link between these.

The prevalence of use of alcohol, tobacco and illicit drugs in Albania in general is comparable with other countries in the region, but lower than European Union countries.

Despite the existence of a comprehensive legal framework on limiting the use of alcohol, tobacco and illegal drugs ban, adolescents and young again able to obtain these products.

Vulnerable groups in the use of alcohol, tobacco and illegal drugs are males. Aged 19-34 years, residents of large urban centers and those with high monthly income. Education connection is inconsistent: higher education is a risk factor for smoking, drugs, but not for alcohol, cannabis and other types of illegal drugs.

Men, 19-34 years old persons and residents of large urban centers tend to accept more risk behaviors related to the use of psychoactive substances. This group age have it easier to find these substances in general and therefore engage in addition to these situations, having a higher risk to get involved in problems of different nature. Therefore, possible interventions should target these population groups.

Alcohol use, smoking and illegal drugs prevalence in Albania in general is comparable to other regional countries, but lower compared to EU countries.

Despite the existence of a complete legal frame related to smoking and alcohol use limitation and banning of illegal drugs, again teenagers and youth are able to find these products.

High-risk groups for alcohol use, smoking and illegal drugs are males, aged 19-34, living in large urban areas and those with high monthly incomes. Relation to education is non-coexistent: high education is a risk factor for smoking, sedatives, but not for alcohol, cannabis or other types of illegal drugs.

In Albania, in years a low prevalence (compared to European countries) of psychoactive substances among teenagers has dominated and continues to dominate, fluctuating slightly from 2005 to 2011.

On the other hand, prevalence of psychoactive substances' use among adults has been increasing over a 10-year period of time in Albania. Lifetime smoking prevalence has increased over 30% in 2011 compared to 2001, while data on smoking prevalence trends are very few. Also, assessment of illegal drugs use trends is difficult because of few official reliable resources. Compared

to 2010, it has been noticed a slight increase in the prevalence of illegal drugs use among the youth in our country.

Alcohol, smoking and cannabis use prevalence monitoring is very important, because smoking and alcohol onset is usually followed by cannabis use, which then could lead to experimentation with other “heavy” illegal drugs such as amphetamines, heroine and cocaine, as suggested by “pathway” theory. In this context, taking measures to strengthen the law, regarding teenagers’ access to alcohol and smoking products is an imperative duty of public authorities. On the other hand, one in ten teenagers aged 13-34 have used cannabis at least one. This level of prevalence is translated into thousands individuals, exposing those to increased risks to experimentation with other illegal drugs according to pathway theory. Thus, monitoring and keeping under control of this narcotic substance should be a center of attention for corresponding authorities.

A considerable percentage of individuals aged 13-34 started experimentation with alcohol at the age of 12 or younger. Since starting alcohol and smoking at a younger age implies a greater likelihood to continue using them, their abuse and starting other illegal drugs is more likely. According to pathway theory, it is necessary to regulate preventive programs at schools so that average age at the onset of these substances increases.

Main places where alcohol, smoking, ecstasy, cocaine and heroine are used are undoubtedly cafes or different clubs in the country. Since alcohol should not be served to individuals under 18 and smoking is not allowed to be used by all ages in public places, it is implied that law is not in its highest level. Since studies showed that strict law can lead to the reduction of these substances, then this represents a relatively simple and effective way in this direction.

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**ROMA DIVERSITY, DYNAMICS OF FAMILY AND COMMUNITY
AS THE BASIC ELEMENTS OF SOCIAL SUPPORT
IN THE EDUCATIONAL LIFE OF ROMA CHILDREN
IN ALBANIA**

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Abstract:

Historically, in Albania, as in other European countries, Roma people have had very low levels of education. Nomadic traditions and distinctive ways of living, poverty and discrimination are some of the main factors that explain this situation. In the 1930s of the last century, describing the Roma nomadism, Hasluck noted that they sometimes "settle in a city for a few months", but then turned back again to "tent life". In these circumstances, the education of children was something difficult. In the life of Roma, Gypsy and pilgrims - everything is about the family. It is the basic unit of social structure that makes up family groups; it is an economic entity in which work is done and a solidarity environment related to work is found; as well as an educational unit that ensures the fact that society reproduces itself and provides security and protection for the individual. In a world of change and unpredictable situations, the family is a feature of sustainability, synonymous with stability. The family is not simply the gathering of individuals within it; is a whole with its rights, an organ composed of members of the family, in solidarity to other families and foreign. Through qualitative method this study will identify the importance of the Romani family in the life of Roma children. The aim of the study is to observe how the relationship within family affects the educational life of Roma children and all relationship within the community.

Key words: *Roma community, family, diversity, dynamic, social structure, education*

JEL Classification: *Z1*

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Roma diversity and organizational features of their life in the community

Roma people live in Albania for more than 600 years (Fonseca I., Among the Gypsies, *The New Yorker*, 25 September 1995). They came in Albania before the Ottoman conquest. From the conducted studies, it is assumed that they came from India, then through the Balkans to Europe. Their origin is not known due to accurate historical evidence, but mostly from linguistic analysis. At the era of the Ottoman occupation for security reasons, Roma have changed their religion to convert to the Muslim. During the World War II, Romanis in Albania were not persecuted in the death camps as happened in many countries of Eastern Europe. After WWII, the Albanian government pursued a policy of assimilation and homogenization of the Albanian nation, considering this community as part of the Albanian population.

In the socialist period (1945-1990), Roma community had significant improvements in shelter, education, health care and social services. Like the Albanians, Roma enjoyed full employment, despite some of them worked as unskilled workers (Fonseca I., Among the Gypsies, *The New Yorker*, 25 September 1995). In villages, they worked in agriculture and livestock. While in the city, Roma citizens worked in construction, public services and handicraft (Taho B., *Document on the Situation of Roma in Albania*, 2002).

In addition, when private economic activities, especially after the 1976 Constitution were punished by law, many Roma carried on small businesses, which included the purchase of horses, craft items and other products they bought in the city and sold in village and vice versa, playing the role of mediator between urban and rural areas (Courthiade M., Duka J., A Social and historical profile of the Rroms in Albania. 1990s. A draft paper provided by the authors). Participation in these informal activities provided supplementary incomes and were privileged in comparison with other groups. Therefore, their status, relative in comparison to Albanian population, became to progress.

During the transition post socialist period, Roma people, because of the collapse and closure of state-owned enterprises, low education and discrimination passed from relative prosperity to extreme poverty. They are actually the poorest and the most marginalized ethnic group in Albania (De Soto H., Gordon P., Gedeshi I., Sinoimeri Z., Poverty in Albania. A Qualitative Assessment, The World Bank, Washington D.C., 2002). Studies have shown that their poverty is almost two times higher than the Albanians and this

situation has been worsened (According to studies, approximately 75% of Romani families are "very poor", while the Albanian population this figure is 28.8%. The Roma community is distinguished by two extremes: 80% of households rated as poor and very poor, while a minority of 5% has a relatively good economic condition). Even though Roma population has historically been poor in Albania, the decline of living standards in post socialist transition was much faster than some other population groups. This has created a vicious circle which reproduces illiteracy and low level of education among the Roma, which deepens their marginalization in society.

As a result of the created poverty, with minor exceptions, a new generation of Roma children is unable to attend school to be work hard for their families. Roma children have become beggars and victims of various trafficking and prostitution. At present, the economic situation of Roma in Albania and living conditions are very poor due to unemployment that is several times larger than the rest of the non-Roma population. Health and shelter conditions are very bad. Today it is estimated that the growth rate of the Roma population is 3%, which was higher than that of the Albanians (Decade of Roma Inclusion, the National Action Plan 2009-2015, Tirana, 2009). Roma population live in almost all areas of the country. However, the largest number of Roma is concentrated mainly in Central and Southeastern Albania: Tirana, Durrës, Elbasan, Fier, Berat, Korça, Pogradec, Bilisht, Gjirokastra, Delvin, Kruja, Shkodra etc. Roma live either in major cities, mostly in separate neighborhoods or villages near the cities.

Roma in Albania are known by different names. In the north, they are known as gypsies, in the south as arixhinj (gypsies) and in the southeast (in Korçe, etc.) as kurbatë (Marcel Courthiade, gypsy meaning "foreigner", while naming "kurbate" connecting it with the Turkish word kurbet, ie. emigration). Despite the names, Roma have played a role not less important in society.

Roma are organized in groups or tribes that can be distinguished from each other by the time and route of their arrival in Albania; from their socio-economical professions, the lifestyle, customs, language, dialects, etc. They are Mëçkar, Karbuxhinj, Cërgar (Rupan and Skodrara), Bamill and Kurtofë (Courthiade M., Duka J., A Social and historical profile of the Roms in Albania; De Soto H., Gedeshi I., Dimensions of Romani Poverty in Albania, Roma Rights, Number 1, 2002, Quarterly Journal of the European Roma Rights Center, Budapest, Hungary; Barjaba K., Recent Implications of Inter-Ethnic

Relations in Albania, Anthropological Journal on European Cultures, Vol. 4, Number 1, 1995) who form, according to Liegeois's expression, a mosaic of diversified groups (Liegeois J-P., Tsiganes, La Decouverte, Paris 1983).

Meçkar are the Roma's second largest tribe, and most well integrated and located for centuries in Albania. They represent about 32 percent of Roma and were located mainly in the field of Myzeqe. At present, they are in Fier, Lushnja, Vlora, Berat, Tirana and Durres. Meçkars are traditionally involved in agriculture and livestock (Milaj J., Albanian races, Tirana 1943), a profession that is rarely encountered in the Roms of the Balkans. Courthiade and Duke notice that their language has many borrowed words and various dialects of Albanian language, which shows that they are braided for a long time in Albania before being fixed in the actual settlements (Courthiade M., Duka J., A Social and historical profile of the Roms in Albania. 1990s. A draft paper provided by the authors).

Karbuxbinj (self called Erli) are the largest tribe and represent about 51 percent of Roms. The word "Erli" comes from Turkish and means "local resident" or "not nomadic". They migrated from Turkey and Greece to Albania during the exchange of populations in the 1920s of the last century between Turkey and Greece (Hasluck M., The Gypsies of Albania, Journal of the Gypsy Lore Society, 17 (2): 49-61, 1938). Courthiade and Duke notice that their language is archaic and has more Turkish borrowings than that of the Albanian language. Located mainly in the region of Korca, then they migrated in direction of Pogradec, Elbasan, Tirana, Durres and Fushe-Kruje. Their traditional occupations have been buying-selling of horses, crafts and mainly birch working.

Cergar migrated from Montenegro and Serbia and settled in Shkodra during the 1920s to escape Yugoslavs attacks (Kolsti J., Albanian Gypsies: The Silent Survivors, in Croë and Kolsti eds., The Gypsies in Eastern Europe, Armonk, NewYork: Sharpe, 1991). Men's occupation was mainly with the sale of horses, while women's with divination. (Taho B., Document on the Situation of Roma in Albania, 2002, AT, Magjypët of Shkodra, Leka magazine, N. 7, 1943). They now located in Tirana and Durres.

Bamills are a small group of Roma, who came from Ioannina (Greece) in the years 1945-1946 together with Cham refugees and are mainly located in Zinxhiraj Gjirokastra and in Levan, Fier. They were tinsmith and made kebab, pots and caldrons for rakia, profession that have been saved until nowadays.

While Kurtofs came in the years 1930s of the last century from Bitola Macedonia and settled in Fier. Some of them continued to be semi-nomadic even during the socialist period.

Research method used

In this study, it was used the qualitative methods as the most appropriate, because the study has to do with understanding of the 'inner experiences of subjects' and 'forms of social interaction' between them and society, seen through the point of view of representative participants and based on 'cultural understanding' that they give these experiences (Joseph Silverman, Marc Hindry, *Diophantine Geometry: An Introduction*, (Springer-Verlag, GTM201, 2000), p. 89).

The analysis of secondary data, as the second phase of the study, focused on reviewing and examining of the literature on theoretical and practical context, has included studies, reports, assessments on the situation of Roma education in Albania. Qualitative methods of data collection in this study helped to explain the reason why Roma children are less educated than the rest of the children, describing the present situation in a natural way.

In the focus of the study were the parents of Roma children (their mothers and fathers), who in some cases were also introduced as grandparents, despite of their young age. The number of people engaged in the focus was a group of 39 participants, of whom 21 participants were women.

The study was conducted in five cities of Albania. The selected districts were: Tirana, Fier, Elbasan, Korca and Berat. The main reason for the selection of these cities was based on the high percentage of Roma population in these areas, without leaving aside the fact that the Roma community is more organized in these areas, and finally based on the geographic location of these areas, which gives us the opportunity to expand the study geographically (Census, INSTAT, 2011). Sampling has been such that it can provide answers to research questions raised by the researcher. The sample is a subset of the study population to answer research questions. Usually samples in qualitative research are smaller than in quantitative research (Louis Cohen, Lawrence Manion, Keith Morrison, *Research Methods in Education*, Routledge, 2007, p. 143).

The results of the study

The study showed that an important factor was migration and emigration, movement within the country and abroad, which is seen to have taken place during the transition to the 1990s of the last century. These chaotic

movements which have emerged from economic reasons "for a better life" as define by the parents themselves in the study, has negatively impacted not only the educational lives of children, but also the community itself, which until the '90s resulted to be more educated than today. In other studies is shown that parents leave their children with grandparents or with mothers and leave to neighboring countries to provide better economic income for their children (Karaj T, Adem Tamo, Education Situation, 2007, p. 42).

After 1990, the Albanian population began to emigrate massively to Greece, Italy and further. In this context, even Roma individuals and families immigrated. Greece and Italy represent the most frequent destinations for them. Studies show that when Roma men migrate, their children were left behind in the care of mothers or grandparents; but they came out of control, left school or dealt with work to provide personal or family incomes. Almost the same was the situation of those who emigrate as a family. Children interrupted school and went abroad to the families. Overseas they are not involved in any educational activity (Karaj T, Adem Tamo, Education Situation, 2007, p. 54). This clearly emerges in our study: Roma children in case they would be registered in kindergartens or in schools. They constantly move and this causes difficulties in registration into another school or /and lack of control by governmental institutions regarding the control that they can make on the situation. Furthermore in the study it is clear that Roma themselves encounter difficulty when returning home and have difficulties to enroll their children to school, because the registration procedure in civil institutions is long and has high costs for them.

Another finding of the study is the marriage at an early age Roma and such phenomenon which affects more girls, who as stated by the parents but also by teachers and representatives of education, are less educated and fewer in number in terms of education. Roma marry early and it mainly makes girls leave school at a very young age to gain a new status, that of a woman of the house. Besides the negative consequences on physical and psychological health, marriage at an early age deprives girls from education and qualifications and reduce the perspective of their employment opportunities (ERRC, Submission to the Joint CEDAW-CRC, General Recommendation /Comment on Harmful Practices: Child Marriages among Roma, 9 September 2011). This finding is also supported by the findings of other studies in this field. Roma children, especially girls, leave school at a relatively young age because of early marriage, or for

some prejudice of their parents. This one comes as a result of patriarchal beliefs according to which girls should not be associated with the boys when they reach the first years of adolescence, and schools were regarded as places where this unwanted socialization will occur. However from the beginning of fifth grade, many girls are kept at home because their parents want them to get married, so from fifth grade to eighth grade there are not Roma girls in school (UNDP, *At Risk*, p. 27).

An important discovery of our study was the role of the community in education of Roma children. The study has emerged a very interesting finding, the discrimination within group. Roma themselves are biased to one another when it comes to education of children, especially girls. According to them, an educated girl is not worthy for their community. This directly affects the disconnection of girls from school. It is also noted in the study that the girls are not considered as important as boys.

Hygiene is another finding of our study. Many Roma parents understand the reason why their children unlike from the majority of population, prefer not to socialize. According to them, the low level of hygiene in their children is due to the poor conditions where they live, lack of detergents for washing, drinking water shortage, etc., affect socialization. Lack of hygiene is observed even by educators and teachers; as this is often an obstacle to the socialization of Roma with the rest of the children. Teachers are often found in difficult situations, when asked by parents of non-Roma children, that their children should not sit with Roma children in the same bank. In other studies, hygiene is not included on the obstacles of Roma education, but is treated as a problem of the community in general. The presence of toilet inside the house is another useful indicator to assess the living conditions of Roma families. Lack of toilet inside the house is another major problem, because the lack of drinking water can bring to the spread of various infections (UNDP, *At Risk*, p. 46).

The low education level of the Roma parents themselves is another finding of the study. A Roma parent not only have a low educational level and in most cases they are not literate, but characteristic is the young age of some parents who have brought to life their children. In other studies is emphasized that the low educational level of parents and low perception of the benefits of education is another obstacle in the education of Roma children (Iilir Gedeshi, Hartësimi, p. 39). It is known that many new mothers are children themselves and they lack every kind of knowledge concerning the upbringing of children

(Hermine De Soto, Beddies S., Ilir Gedeshi, Roma and Egyptians in Albania: From social exclusion to social Inclusion, The World Bank, Washington DC, 2005, p. 89). Inadequate literacy and education of the mother-child today affects children's education tomorrow. The survey findings also showed that language problems faced by Roma, are more pronounced in compulsory education, mainly for those Roma who have not attended preschool. But Roma children who attend preschool have trouble communicating in Albanian with other children and educators, who have difficulty in understanding these children. In this context, the conducted studies emphasize the linguistic difficulties faced by Roma in several large Roma communities: children talk more among them in Romani. Consequently, many of them have difficulties in first grade, being taught in Albanian language, which encourages them to leave school.

Recommendations for Roma parents

- Roma parents as legal responsibilities to their children based on the right to education that every child has a constitutional right, must exercise their parental responsibility and to provide their children the necessary education.

- Roma parents need to iron barriers raised by them and become part of the educational lives of children, giving them the right support in the realization of this important process for life and their social integration.

- Exclusion of Roma children by parents, in performing difficult and detachment from the banks of the school, remains certainly a big responsibility of Roma parents.

- Professions such as begging, washing car windows in the street should not be considered professions from parents for their children. They should not force these children to exercise such professions getting disconnected from school.

- Parental engagement should be higher for children to attend preschool education as a very important process for their ongoing education.

- Roma parents should support their children by cooperating more with teachers and school administrators; cooperation should be at higher levels.

- Roma children are eligible to enroll in the civil registry offices without exception. This remains an obligation for Roma parents, who for various reasons do not register children becoming a major obstacle even for the attendance of different educational cycles later.

- During travels within the country or abroad, it remains the duty of parents to enroll their children in schools where they go and make the separation of children from actual schools, while not distracting children from school.

- Early marriages of Roma children must be restrained by parents, as this remains a major obstacle to children, who marry at an early age. Parents should not force their children to marry at a young age against their will.

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A COMPARATIVE ANALYSIS ON EMPLOYEE SATISFACTION: A STUDY ON CONVENTIONAL AND ISLAMI BANKS OF BANGLADESH

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Abstract:

The present study was designed to undertake a comparative study regarding employee satisfaction between conventional and islami banks of Bangladesh. Job satisfaction, compensation and benefit, promotion, supervision, communication, career development, work environment and work-life balance were selected as indicator of employee satisfaction. The sample was collected from five islami banks and five conventional banks. Fifty sample was collected from each type of bank. The study was conducted through a self-structured questionnaire. The results of the study indicated that the employee satisfaction is almost same for the both type of banks. However, the satisfaction is higher in conventional banks in case of job satisfaction and communication indicator.

Key Words: *Employee satisfaction, Islamic bank, conventional bank, Bangladesh*

JEL Classification: *C12, G21, J28, M54*

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1. Introduction

Employee satisfaction is crucial issue for today's organization. Extensive study has shown that employee satisfaction has a direct impact on the performance of employees in different profession. In Bangladesh, the demand for financial services has increased dramatically in recent years. For this reason, there is a rapid growth of private commercial bank has taken place. Moreover, there is an increasing trend in Islamic banking in Bangladesh. That is why, Islamic banking operation has occupied a greater place in banking sector of Bangladesh. Contemporary banking business considers the job of satisfying their employees most important for retaining their valuable skilled workforce (Islam & Hasan, 2005). The study tries to make a comparison between satisfaction level of employees of conventional and Islamic banks.

2. Literature Review

Although there is a large body of literature job satisfaction, the literature that particularly focuses on employee satisfaction of conventional bank compared to Islamic bank in Bangladesh is relatively smaller. However, we are going to review several studies that seem to be close to our study.

Shaheen and Nokir (2012) measured the job satisfaction of the bankers of Janata Bank Limited. They found that the job satisfaction of bankers mainly depends on salary, promotion, promotion, supervision, benefits, rewards, operating procedure, co-worker, nature of work, communication etc.

Masud, Hemanta and Sampa (2006) identified the important job satisfaction factors that are associated with the overall satisfaction of bank employees. Factors including payment, healthy relationship with colleagues, sense of personal accomplishment, adequate information available to do job, ability to implement new ideas and overall job satisfaction are found important for improving job satisfaction of bank employees in Dhaka city.

Professor Herzberg , Mausner and Synderman in 1959, after conducting a massive study developed 'Two Factor Theory' that identifies two set of factors contributing to Job satisfaction and dissatisfaction . Those are (1) *Hygiene factors*: salary, relation with superior and peer, quality of technical supervision, company policy and administration, working condition etc. and (2) *Motivation factors*: Achievements, recognition, work itself, responsibility, advancement and possibility of growth.

3. Objectives

The present study is aimed at making comparative analysis about satisfaction of conventional bank employees and Islamic banks employees of Bangladesh.

More specifically we can furnish the objectives as follows:

- To find out overall job satisfaction of conventional and Islamic bank employees.
- To identify the factors responsible for satisfaction or dissatisfaction of the employees of conventional and Islamic banks.

4. Methodology

4.1 Data and Information

The study is conducted based on information collected from primary sources. Data were collected from personal interview through a self-structured questionnaire.

4.2 Sample size

Fifty sample was collected from islami banks and also 50 sample was collected from conventional banks. Sample was collected randomly on the basis of availability.

4.3 Statistical tools used

- a) Descriptive statistics: Mean, standard deviations were calculated through SPSS software.
- b) Z-test: Z-ratio was computed to find whether the the difference between those banks are statistically significant.

4.4 Analytical Framework

Mean and standard deviation was calculated for each indicator separately for both type of banks. Then to compare the mean value of each indicator Z-test was used. From the test the findings wasdrawn whether the difference of mean value is statistically significant.

5.Result analysis

Table 1

Parameter	z value (calculated)	Remarks
Job satisfaction	-6.181*	Null hypothesis rejected.
Compensation and benefit	0.419*	Null hypothesis accepted.
Training and development	-0.0675*	Null hypothesis accepted.
Promotion	0.8625*	Null hypothesis accepted.
Supervision	0.9128*	Null hypothesis accepted.
communication	-1.3452****	Null hypothesis rejected.
Career development	-1.2475*	Null hypothesis accepted.
Work environment	-0.1692*	Null hypothesis accepted.
Work-life balance	0.2822*	Null hypothesis accepted.

Note: * stands for 99% confidence level ($\alpha = 0.01$), ** stands for 95% confidence level ($\alpha = 0.05$), *** stands for 90% confidence level ($\alpha = 0.10$), **** stands for 80% confidence level ($\alpha = 0.20$)

5.1 Job satisfaction

	Islamic bank	Conventional bank
Mean	4.2	4.436
Standard deviation	1.095	0.844
Sample size	50	50

From the table 4.1.1, it has been seen that the null hypothesis is rejected. The observed value of z is -6.181 which falls in the rejection region and thus we reject H_0 at 99% confidence level and conclude that the job satisfaction of Islamic bank and conventional bank differs significantly. That means the job satisfaction of conventional bank is higher.

5.2. Compensation and benefit

	Islamic bank	Conventional bank
Mean	3.91	3.815
Standard deviation	1.1085	1.156
Sample size	50	50

From the table 4.1.1, it has been seen that the null hypothesis is accepted. The observed value of z is 0.419 which falls in the acceptance region at 99%, 95%, 90% and even at 80% confidence level and conclude that the compensation and benefit of Islamic bank and conventional bank don't differ significantly.

5.3 Training and development

	Islamic bank	Conventional bank
Mean	4.18	4.193
Standard deviation	0.956	0.967
Sample size	50	50

From the table 4.1.1, it has been seen that the null hypothesis is accepted. The observed value of z is -0.0675 which falls in the acceptance region at 99%, 95%, 90% and even at 80% confidence level and conclude that the difference of training and development between Islamic bank and conventional bank is statistically insignificant.

5.4 Promotion

	Islamic bank	Conventional bank
Mean	3.96	3.76
Standard deviation	1.179	1.1363
Sample size	50	50

From the table 4.1.1, it has been seen that the null hypothesis is accepted. The calculated value of z is 0.8625 which falls in the acceptance region at 99%, 95%, 90% and even at 80% confidence level and conclude that in case of promotion the difference between Islamic bank and conventional bank is statistically insignificant.

5.5 Supervision

	Islamic bank	Conventional bank
Mean	4.136	4.296
Standard deviation	0.955	0.7858
Sample size	50	50

From the table 4.1.1, it has been seen that the null hypothesis is accepted. The calculated value of z is 0.9128 which falls in the acceptance region at 99%, 95%, 90% and even at 80% confidence level and conclude that in case of supervision the difference between Islamic bank and conventional bank is statistically insignificant.

5.6 Communication

	Islamic bank	Conventional bank
Mean	4.01	4.245
Standard deviation	0.854	0.8898
Sample size	50	50

From the table 4.1.1, it has been seen that the null hypothesis is rejected. The observed value of z is -1.3452 which falls in the rejection region and thus we reject H_0 at 80% confidence level and conclude that the difference between Islamic and conventional bank is statistically significant. That means the satisfaction regarding communication of conventional bank is higher.

5.7 Career development

	Islamic bank	Conventional bank
Mean	4.135	4.375
Standard deviation	0.9875	0.9205
Sample size	50	50

From the table 4.1.1, it has been seen that the null hypothesis is accepted. The calculated value of z is -1.2475 which falls in the acceptance region at 99%, 95%, 90% and even at 80% confidence level and conclude that in case of career development the difference between Islamic bank and conventional bank is statistically insignificant.

5.8 Work environment

	Islamic bank	Conventional bank
Mean	4.11	4.145
Standard deviation	1.0528	1.0128
Sample size	50	50

From the table 4.1.1, it has been seen that the null hypothesis is accepted. The observed value of z is -0.1692 which falls in the acceptance region at 99%, 95%, 90% and even at 80% confidence level and conclude that the satisfaction with work environment of Islamic bank and conventional bank don't differ significantly.

5.9 Work-life balanc

	Islamic bank	Conventional bank
Mean	3.272	3.206
Standard deviation	1.3136	1.0024
Sample size	50	50

From the table 4.1.1, it has been seen that the null hypothesis is accepted. The observed value of z is 0.2822 which falls in the acceptance region at 99%, 95%, 90% and even at 80% confidence level and conclude that the difference of

satisfaction regarding work-life balance between Islamic and conventional bank is statistically insignificant.

6. Summary and conclusion

We found that among 9 indicators of employee satisfaction, only 2 indicators (job satisfaction and communication) differ significantly between Islamic and conventional bank and in both case the satisfaction is higher in case of conventional bank. On the other hand, the rest 7 indicators don't differ significantly. The difference is very slight that we can draw a conclusion that the employee satisfaction of Islamic bank and conventional bank is almost same. However the Islamic banks should concentrate more to raise job satisfaction and communication among employees.

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