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JOHN MARANGOS¹ AND ELENI SAVVIDOU²

PRELIMINARY OF THE PROJECT: UNIVERSAL BASIC INCOME-LIVABLE INCOME AND THE GENDER PERSPECTIVE

Abstract

This research delves into the rationale behind implementing a Universal Basic-Livable Income (UBLI), while utilizing a gender-oriented approach. The UBLI concept entails the provision of a regular income, irrespective of conditions or contributions, which is granted to every individual regardless of their earnings or employment status. Functioning as a social policy, the UBLI is designed to provide each citizen with a foundational level of economic security. Moreover, it strives to foster a fairer, more inclusive distribution of income, concurrently with opportunities for employment and remunerative labor. Adopting a gender-focused lens, the UBLI holds the potential to address undervaluing and invisibility of the wide spectrum of roles undertaken by women in both productive and domestic domains. These encompass care-related responsibilities and activities related to societal reproduction. Particularly in the present landscape, investigating the rationale for implementing a UBLI assumes a sense of timeliness and urgency. This is attributed to the substantial socio-economic challenges precipitated or exacerbated by the Covid-19 pandemic, which have ushered in shifts in work dynamics, substantial job losses, heightened job insecurity, a resurgence of personal debt, and new gender-based divisions. Within this context of escalating instabilities and disparities, the global stage is further complicated by geopolitical tensions that introduce another layer of unpredictability and vulnerability. Escalating energy expenses and escalating food costs have propagated energy and food deprivation across the globe. The argument advocating for the implementation of a UBLI is amassing augmented support, particularly when scrutinized through the lens of gender equality.

Keywords: Universal Basic-Livable Income, gender, poverty

JEL Codes: J16, E02, I30

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1. Introduction

The recent years have witnessed an unprecedented surge of challenges stemming from the Covid-19 pandemic and the concurrent economic, environmental, and geopolitical crises. In light of these circumstances, it becomes imperative to engage in a profound reevaluation of the functioning of our societies and economies. We must craft policies and institutions capable of effectively responding to these persistent crises. This imperative unfolds in different critical dimensions: initially, we must devise strategies to safeguard the most vulnerable among us and ensure the well-being of the broader population, which has seen its stability gradually erode. Furthermore, we must instill resilience into our

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social and economic systems, both to prevent the occurrence of crises and mitigate their economic aftermath, as well as to mount robust responses when they do transpire.

Universal Basic-Livable Income (UBLI), is a potential program that has gained traction since 2008, provides recurring, unconditional payment to all citizens (Macdonald, 2018). The arguments for implementing a UBLI can comprehensively address these concerns, while also addressing and alleviating gender disparities. It is crucial to emphasize that effectively addressing these emerging and enduring challenges demands innovative analytical and methodological approaches. These approaches should bring existing theoretical and political dialogues into alignment with contemporary issues, relationships, and processes. By revisiting and reevaluating ongoing policy debates in light of the evolving societal landscape, and by employing new analytical and conceptual frameworks, research has the potential to generate both scientific and social value. This research can yield theoretically grounded analyses capable of informing urgently needed policy proposals and recommendations for addressing pressing issues.

The argument for UBLI has been thoroughly documented in research, and there is an ongoing and spirited debate regarding its potential and constraints (King and Marangos, 2006; Marangos, 2004, 2006, 2008, 2014). Additionally, a growing body of literature has scrutinized the potential positive impact of such a policy innovation on women and its role in advancing gender equality. This ongoing project seeks to build upon the existing discussions while simultaneously refreshing and expanding them. It does so by shifting the focus of the UBLI discourse to the post-pandemic landscape, specifically exploring how this policy can contribute to addressing the new challenges confronting women in the post-pandemic era. In doing so, the ongoing research project aims to generate scientific and social outcomes that are not only pertinent but also capable of swiftly addressing some of the most pressing gender equality issues facing contemporary societies.

The aim of this ongoing research project is to generate social impact through three main objectives: revisiting the argument for a UBLI in light of the novel and persisting crises catalyzed by the Covid-19 pandemic; reassessing the pertinence of the UBLI in the context of women and gender equality, employing a gender literature review and methodology to inform this analysis; and addressing the questions of whether, how, and under what conditions the UBLI can effectively address and mitigate the new and persistent challenges faced by women in the post-pandemic era, ultimately transforming it into a policy instrument for promoting gender equality worldwide.

The paper and the ongoing research project aim to enrich the continuing public and political discourse on the UBLI by providing insights into how this innovative social policy can effectively tackle the increasing post-pandemic disparities, particularly from a gender equality standpoint (Weeks, 2020). This will be accomplished through a well-informed theoretical discussion that delves into its policy ramifications within the post-pandemic context.

The paper is structured in the following manner: Section 2, presents the basic tenets of the UBLI; Section 3, links the UBLI with gender issues; and Section 4, concludes.

2. Universal Basic-Livable Income

Based on Weisstanner's (2022) assessment, it was found that no national government had implemented a UBLI program. However, it is worth noting that there were experiments with guaranteed minimum income programs conducted in the 1970s. As such, this paper is based primarily on theoretical reflections as well as being informed by empirical research on gender equality and policies.

A universal basic livable income can be defined as the payment of a regular sum by a government to all individuals citizens over an adult lifetime, without imposing means tests or work requirements, in other words, with no conditions attached (Francese and Prady, 2018; Johnson and Roberto, 2020, p. 232; Van Parijs and Vanderborght, 2017; Pateman, 2004, p. 89). A UBLI program can alleviate poverty, spur economic growth, generate entrepreneurial activity, and replace jobs lost due to technological innovation. UBLI programs should meet three criteria as follows: (1) distributed to individuals, (2) not means tested, and (3) no attached requirements to receiving the payment (Johnson and Roberto, 2020, p. 232). The market functionalist rationale regards basic income as an ideal tool for unlocking the productive potential of a market economy. The social integrationist argument supports basic income as an essential agent for modernizing the welfare state. The transformative perspective sees basic income as a tool for bringing about significant changes in the fundamental structures of capitalism (Ketterer, 2021, p. 1311). Although not a novel concept, the proposal for a basic income represents one of the few truly revolutionary overhauls of existing welfare systems that is currently being discussed across the entire political spectrum.

A fundamental distinction between the UBLI model and most contemporary social welfare schemes lies in the fact that individuals considered to be of core working age, capable of actively seeking employment, would receive these payments without undergoing means tests or adhering to work requirements. This would encompass parents and other caregivers (Van Parijs and Vanderborght, 2017). At its core, this concept advocates for liberation and the attainment of "real freedom" for all members of the society (Van Parijs and Vanderborght, 2017, p. Chapter 1). The potential benefits attributed to a UBLI are multifaceted. Advocates argue that it could alleviate poverty, eliminate benefit traps, streamline bureaucratic processes, adapt security systems to better align with shifts in the workforce, boost wages, foster creativity, and entrepreneurship, reduce unhealthy dependencies within relationships, enhance overall well-being, and the list goes on. Some proponents also contend that a UBLI could contribute to reducing gender inequalities in society. It is important to note that a UBLI only replaces benefits up to a certain amount and does not replace existing services. Under almost any conceivable basic income reform, women would stand to benefit significantly more than men, both in terms of income and expanded life choices (Van Parijs and Vanderborght, 2017, p. 185).

Findings from numerous established UBLI programs indicate that they could serve as a valuable complement to other efforts aimed at reducing poverty and enhancing global health outcomes (Patel and Kariel, 2021, p. 1). UBLI programs aim to create a safety net that prevents individuals from falling into economic hardship by offering unconditional payments to a specified population. This concept is not a recent innovation, as it has been a topic of discussion in both economic literature and in the context of addressing health disparities (Patel and Kariel, 2021, p. 1)

The intertwining of poverty and stagnant income growth with adverse health outcomes is well-established. Research indicates that reducing poverty can have a positive impact on mental health and ensure better access to adequate nutrition (Patel and Kariel, 2021, p. 1). In 2020, a comprehensive review of studies examining the effects of UBLI on health was published. Out of the 27 studies analyzed, a consistent pattern of health benefits emerged, including reductions in mortality rates, improvements in adult health, and enhanced provision of nutrients for low-birth-weight infants (Patel and Kariel, 2021, p. 1). Concerns have been raised about whether universal basic income might discourage individuals from seeking employment. However, a review of several unconditional cash transfer programs found limited evidence to support this concern, with minimal impacts on labor supply (Patel and Kariel, 2021, p. 1).

Advocates of UBLI view it as a tool for enhancing individual freedom (Painter, 2016). If a basic income were to inadvertently reinforce existing gendered patterns, it would do so within the framework of promoting positive freedom. In other words, a basic income aims to expand the range of options

available to individuals. When a lack of income serves as a constraint on the exercise of freedom, the logical solution is to distribute resources more equitably and efficiently, enabling more people to exercise their choices more fully. UBLI reduces workers' dependence on the market. When people can meet their basic needs without having to sell their labor for wages, employers have less power to dictate the terms of employment. UBLI achieves this by providing a regular source of income. So UBLI “doubles as an unconditional and inexhaustible strike fund” (Macdonald, 2018). For proponents of UBLI, this translates into the provision of payments that are individualized, universal, and unconditional.

The fundamental idea behind basic income is to support individuals in pursuing their ambitions without imposing predefined roles or dictating how they should use their freedom. It operates on the assumption that the shift in power dynamics resulting from individualized payments can empower women to negotiate different domestic arrangements, and that societal norms can adapt to accommodate a broader and less gender-biased spectrum of life choices. Essentially, a UBLI promises "real freedom" or freedom from external dictates. “An argument in terms of individual freedom as self-government, a basic income as a democratic right, and the importance of the opportunity not to be employed shows how a basic income can help break both the link between income and employment and the mutual reinforcement of the institutions of marriage, employment, and citizenship” (Pateman, 2004, p. 89).

Furthermore, technology is undergoing a profound transformation in the nature of employment. Automation is projected to replace 15% of the global workforce by 2030 and contribute to the completion of approximately 30% of tasks in many other occupations (Johnson and Roberto, 2020, p. 234). While technology is expected to eliminate routine and elementary tasks from human jobs, it is also anticipated to generate more employment opportunities than it displaces. This shift underscores the need for a different approach to training, whether vocational or educational, to prepare individuals for the jobs of the future (Johnson and Roberto, 2020, p. 234). UBLI programs could play a crucial role in facilitating the transition of many individuals from basic, unskilled work to acquiring the necessary training for a more automated work environment. By offering a reliable source of foundational income, potentially supplemented by part-time jobs, individuals may be more inclined to embark on and complete educational or vocational programs. These programs have the potential to enhance an individual's knowledge, skills, and capabilities, thereby granting them access to more financially rewarding employment opportunities and ultimately improving their economic well-being. It is essential to also consider the potential impacts of UBLI on crime, healthcare, and family dynamics (Johnson and Roberto, 2020, p. 234).

However, the question arises: what role should the government play in this context? The interaction between social policies and societal norms is a central focus for social scientists and policymakers. Macdonald (2018) argues that UBLI should be understood as a political perspective with both reactionary and revolutionary potential. While UBLI has the potential to redefine the boundaries of state intervention, which may appear intuitively positive to many, it also raises concerns. If the state does not actively intervene to promote gender equality, gender norms will likely be shaped by other, less visible forces, such as power dynamics within households. It is plausible that a UBLI holds the potential for empowerment across the board, but to realize this potential, careful attention must be paid to its possible gendered outcomes. Furthermore, self-government necessitates that individuals engage in their daily activities within democratic systems that empower their independence and that they possess the opportunities and resources, to cherish and protect their freedom. A UBLI, when set at the appropriate level, is a better policy option because it contributes to the conditions necessary for democracy and individual self-governance (Pateman, 2004, p. 91).

Establishing, executing, and overseeing a UBLI program has the potential to mitigate inefficiency, duplication, and the expansion of government bureaucracy. Eliminating other social programs would

result in a reduction in the number of government departments and the associated administrative overhead spread across multiple agencies. This streamlined approach would simplify the benefit distribution process for recipients, who would only need to engage with a single entity instead of potentially interacting with several to access various existing forms of assistance (Johnson and Roberto, 2020, p. 234).

Simulation results indicate that implementing a substantial UBLI set at a specific threshold, such as 25 percent of the median market income per capita, would yield a notable and positive influence on income distribution. However, it is crucial to carefully evaluate essential trade-offs in program design and resource allocation when making comparisons among existing programs or alternative schemes, along with their associated funding mechanisms (Francese and Prady, 2018, p. 4).

3. Gender and Universal Basic-Livable Income

At its present trajectory, the global gender gap is projected to require 135.6 years for complete closure (Crotti *et al.*, 2021, p. 5). Specifically, within the Gender Gap Index's four key categories, Economic Participation and Opportunity stands as the second-largest gap. The latest index reveals that 58% of this gender gap has been bridged thus far. While there has been minimal progress since the 2020 report, this pace suggests that it will take an additional 267.6 years to reach full closure (Crotti *et al.*, 2021, p. 5). Examining regional disparities, gender gaps could potentially close in 52.1 years in Western Europe, 61.5 years in North America, and 68.9 years in Latin America and the Caribbean. Conversely, in all other regions, it will take over a century to achieve gender parity: 121.7 years in Sub-Saharan Africa, 134.7 years in Eastern Europe and Central Asia, 165.1 years in East Asia and the Pacific, 142.4 years in the Middle East and North Africa, and 195.4 years in South Asia (Crotti *et al.*, 2021, p. 7). It is worth noting that these rankings are based on a consistent sample of 107 countries, spanning from the 2006 edition to the most recent 2021 edition of the Global Gender Gap Index. In the 2021 rankings, Cyprus has risen by 8 places to occupy position 83, Greece has dropped by 14 places to rank 98, and the position of Turkey has dropped by 3 places to rank 133 (Crotti *et al.*, 2021, p. 10).

In order to attain the research objectives and address the primary research questions outlined, the ongoing research project will utilize gender methodology. This research involves a comprehensive examination and analysis of the gender economics and political economy literature regarding various iterations of the UBLI and its relevance to women's labor, care work, and the broader concept of social reproduction. This examination serves as the foundation for developing a theoretical framework for the UBLI from a gender equality perspective.

Initially detected in China in late 2019, the COVID-19 pandemic has resulted in a global health crisis and financial hardship for countless individuals. By July 17, 2020, there were 14 million confirmed cases worldwide, with 3.6 million cases in the United States (Johnson and Roberto, 2020, p. 232). At the outset of the COVID-19 pandemic, governments grappled with the dual challenges of managing the healthcare crisis and swiftly evolving economic circumstances. These circumstances compelled governments to contemplate substantial economic relief initiatives. In the United States, Congress authorized a relief package exceeding \$2 trillion to counteract the severe economic downturn (Johnson and Roberto, 2020, p. 232). Insights derived from these preceding analyses inform a reevaluation and theoretical exploration of the role of UBLI in the post-pandemic era, from the perspective of gender equality. Additionally, these insights contribute to the formulation of policy recommendations. The debate centers on how UBLI can function as a public policy solution to the COVID-19 pandemic and its associated consequences (Johnson and Roberto, 2020, p. 232).

In light of the aforementioned developments, it becomes imperative to reassess and enhance the discourse surrounding the UBLI. This involves not only reevaluating its relevance in the present post-

pandemic era but also reexamining its potential impact from the vantage point of gender equality. There is a growing body of literature within the gender tradition that explores the gendered dimensions of the UBLI, as well as emerging research that connects the UBLI to contemporary societal challenges in the post-pandemic landscape. Nevertheless, there remains a noticeable absence of studies that scrutinize the role of the UBLI through a gender equality lens while incorporating the specific challenges faced by women in the post-pandemic era. The research project endeavors to bridge that gap by cultivating a theoretically informed discourse that provides fresh insights into the gender empowerment potential of the UBLI. Furthermore, it seeks to elucidate the policy implications of the UBLI within the context of the post-pandemic era, with a focus on gender equality.

Early signals indicate a potential regression in the progress made toward achieving gender equality in the economic sphere. Across various economies, the existing gender disparities have been exacerbated by the disproportionate impact of the pandemic, particularly concerning employment and labor force participation. In specific industries heavily affected by COVID-19, we have observed an exacerbation of gender disparities. Additionally, a more pronounced gender gap has emerged, manifested by a reversal of gender parity in leadership roles. As employees adapt to the challenges of remote work, preliminary evidence suggests that both male and female workers are exhibiting new behavioral patterns. Furthermore, tentative data suggests that these shifts in behavior may be affecting wages and opportunities for career advancement, with women being notably less inclined to seek promotions or salary increases compared to men in the current environment.

The pandemic has disrupted childcare support for families, placing a significant burden on working parents. Working women with children have borne the brunt of this impact, as they often continue to shoulder a larger share of caregiving responsibilities within their households (Crotti *et al.*, 2021; Flor *et al.*, 2022). This crisis has underscored the urgent need for resilient and sustainable childcare systems. Policies aimed at recovery must take these lessons into account and prioritize investments in childcare infrastructure while reforming the care services sector to provide a broader array of options. Recognizing the care economy as a job-generating sector, investments in this domain can yield substantial social and economic returns. It represents a crucial form of social infrastructure investment that can benefit both the economy and society at large.

A substantial body of research has demonstrated that the direct health impacts of the COVID-19 pandemic have disproportionately affected men, with higher incidence rates, hospitalizations, and death rates observed among men compared to women across various regions (Flor *et al.*, 2022, p. 2382). Conversely, the indirect consequences of COVID-19 have had a disproportionate impact on women. In some countries, the economic repercussions of the pandemic have hit women harder than men, largely because women are overrepresented in sectors severely affected by COVID-19, such as the hospitality industry and the informal job sector, including domestic work. Additionally, prior to widespread vaccine distribution, there was a higher prevalence of vaccine hesitancy among women compared to men. The data also indicate that women have experienced higher rates of employment loss, increased domestic chores, and the need to forgo work due to unpaid caregiving responsibilities compared to men. These findings raise serious concerns, as the economic downturn has the potential to reverse the progress toward gender equality achieved in many countries. In this context, we present evidence of gender disparities across various dimensions, including health, social factors, and economic aspects, with women bearing a disproportionate burden (Flor *et al.*, 2022, p. 2382).

Of all the indicators examined, the most pronounced and enduring gender disparities have been observed in workforce participation and unpaid labor. Moreover, although data on learning loss are limited, our findings underscore the alarming risk that increased school dropout rates and limited access to remote learning technologies may exacerbate existing educational disparities. These adverse consequences of the pandemic underscore the urgency of addressing gender equality in health. As we prepare for the

coming years, it is imperative to develop gender-responsive preparedness plans that consider the intersecting needs of women, men, and gender minorities. Unlike previous economic downturns, the sectors most severely impacted by the COVID-19 pandemic, such as retail and hospitality, have traditionally been female-dominated. While evidence is scarce, it is likely that immigrants, individuals from minority ethnic backgrounds, and women living in poverty are among the most severely affected, given their disproportionate representation in low-wage and informal jobs, often with limited social support. Furthermore, entrenched gender norms in many societies allocate household and childcare responsibilities primarily to women, reducing their time and opportunities for paid work. In the ongoing discussion about UBLI, gender considerations have been limited, primarily focusing on the potential to increase the income of the poorest individuals, a group in which women are often overrepresented (Koslowski and Duvander, 2018).

Having an autonomous source of income is a positive step toward achieving freedom, but it alone does not constitute a complete solution for confronting deeply entrenched norms and prevailing gender-based structures. Gender, to a significant extent, is rooted in societal norms and structures that require active challenge and transformation. In this context, UBLI, as a gender-neutral concept that does not inherently address gender disparities, might be considered a necessary prerequisite, albeit insufficient on its own, to facilitate a shift toward gender equality. It serves as a foundational condition, but not a comprehensive solution, for reshaping behaviors and norms, ultimately propelling us closer to the goal of gender equality. Meanwhile, "... a basic income is not a panacea. In itself, a basic income would not, for instance, provide an adequate stock of affordable housing, sufficient good quality education, adequate health care, an end to racism, or violence-free neighborhoods. Yet if a genuinely democratic society in which the freedom of women is as important as that of men remains an aspiration, it is hard to see that there is a substitute for an unconditional basic income" (Pateman, 2004, p. 103).

4. Conclusion

This paper provides preliminary results of an ongoing research project that is poised to make a significant scientific contribution by undertaking several key initiatives. The paper and the ongoing research project revisited the existing UBLI literature, with a specific focus on gender equality, and conducting a comprehensive analysis of the gender-feminist literature related to the UBLI. Furthermore, it rejuvenates these dialogues by contextualizing them within the current post-pandemic landscape and reevaluating their pertinence in this new era. Moreover, the paper and the ongoing research project enhances and enriches the UBLI literature by cultivating an up-to-date and theoretically grounded discourse. This discourse centers on the contemporary and persistent challenges faced by women and how the UBLI can effectively address them within the post-pandemic framework.

The paper is the initial output of an ongoing project that makes significant contributions to the fields of gender studies, as well as to the existing theoretical and policy discourse surrounding the UBLI. This is achieved through a reimagining and conceptual refinement of the argument for a UBLI, approached from the perspective of gender equality and its policy implications in the post-pandemic era. Furthermore, the project's potential for social impact becomes apparent in its decision to reassess the case for a UBLI in light of the emerging societal challenges brought about by the Covid-19 pandemic and the enduring crises of our time. By reevaluating the relevance of this innovative and extensively debated social policy in the context of women and gender equality worldwide, this ongoing research project has the capacity to address whether and how such a policy can effectively respond to the continuing and newly emerging gender disparities stemming from or exacerbated by the social and economic consequences of the Covid-19 pandemic.

The paper and the ongoing research project actively participate in the public and political discussions surrounding the UBLI by addressing the question of how this innovative social policy can effectively

tackle the growing post-pandemic inequalities, all from a gender equality standpoint. It does so by engaging in a theoretically grounded discourse that explores the policy implications of the UBLI within the context of the post-pandemic era. Additionally, this project seeks to function as an initial exploration to assess the feasibility and viability of a larger-scale research endeavor in the future. This may involve additional methodological approaches such as survey research and/or qualitative fieldwork, offering the potential to generate more substantial and enduring scientific as well as social impact.

The debate surrounding UBLI takes gender into account primarily by recognizing its potential to improve the economic circumstances of the most economically disadvantaged individuals, a demographic in which women are often overrepresented. Consequently, the implementation of an UBLI could contribute to reducing gender-based economic inequalities. However, it is important to emphasize that proponents of basic income do not claim it to be a panacea for all social issues. In our discussion of the concept of UBLI from a gender perspective, the outcomes, and implications of such a policy can vary significantly from one country to another, depending on the progress already achieved toward gender equality. It is recognized that a UBLI alone is unlikely to fully achieve gender equality. While it can serve as a crucial "instrument of freedom" by providing a financial foundation, money alone may not be sufficient to challenge deeply ingrained societal norms.

Other structural changes are also necessary. UBLI can be viewed as a project aimed at enhancing individual freedom. However, the critical question is whether monetary support alone is enough to secure such freedom. While having a financial safety net certainly helps, it may not, by itself, disrupt prevailing societal norms. Gender policymaking and scholarly contributions have highlighted the importance of certain structural elements that enable freedom of action. These structures often require state intervention or regulation. While it may be impossible to completely break free from the norms that govern our behavior, we can, and often do, leverage state intervention to shape new, more equitable norms. In our exploration, we consider which of these "structures" are conducive to advancing the cause of gender equality and assess their compatibility with the implementation of an UBLI. "As Brian Barry has stated, 'Basic income is not just another idea for rejigging the existing system'. Rather, it has the potential to lead to 'a different way of relating individual and society'. Or, at least, it has that potential if it is argued for in terms of democratization and women's freedom" (Pateman, 2004, p. 92).

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MARIA LIASHENKO¹

DEPLOYMENT OF WIKI SITES FOR MEDIATION ACTIVITIES IN LANGUAGE LEARNING AND TEACHING AT UNIVERSITIES

Abstract

The research is aimed at exploring the process of using an educational wiki site to create conditions for mediation activities in learning English as a foreign language at university. Mediation activities include mediating text, concepts, and communication. The paper describes a mixed method approach to explore students' perceptions of using a wiki site. The research design consists of two stages when firstly quantitative data were used to inform the design of the sites and then qualitative data were gathered through a series of oral and written interviews to explore the students' experiences of using wiki for mediation activities. At the quantitative stage TAM (technology acceptance model) was used to measure perceived usefulness and easiness of the platform. The research resulted in the conclusions that the wiki is perceived easy and useful for English studies. The second stage was focused on designing wiki sites and their deployment which was followed by the qualitative stage at which 25 students volunteered to take part in the interview. The paper presents the findings from the thematic analyses of the students' feedback. The author identified the challenges and the advantages that students can have in the process of wiki mediated learning. The paper concludes by providing the implications for the teachers who would like to deploy wiki in their teaching practices.

Keywords: Mediation in language learning, a mixed method approach, wiki, mediating text, mediating concept, mediating communication

JEL Codes: Z00, Z10

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1. Introduction

Information communication technologies have become an integral part of our lives as they penetrated all spheres of human activity. There is a belief that computer mediated technologies facilitated the paradigm shift in the culture of communicating, working, and learning (Harasim 2000). These significant changes affected language learning and teaching that are underpinned nowadays by more complex and dynamic action-oriented approaches based on the ideas of mediation across cultures, worlds, and media (Piccardo et al. 2019). The concept of mediation is not new for language learning. Mediation is viewed as a key skill for learning languages because it can happen in any context where people communicate or produce or perceive information. Being revised and updated in 2018, the Common European Framework of References for Languages (CEFR) describes new approaches with the focus on the mediation and interaction of learners as social agents (CEFR/CV 2018). As a multifaceted phenomenon, mediation is presented as the fourth mode of communication and a key factor in the language learning process. Mediation activities encompass mediation of the text, concepts and communication with the illustrative descriptors for the teacher to choose from according to the relevance of the local context and the learner's needs centered around the required level of language proficiency. It is stated that these activities are appropriate for "small groups, collaborative tasks" that engage

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learners in sharing and explaining information, working together to achieve a goal (CEFR/CV 2018, p 34). With the new updates to the CEFR, there arises a need to explore how language teaching and learning, which are guided by new strategies, can be mediated through technology. This research proposes the deployment of a wiki site as a “learning platform” (Passey 2011) to enhance involvement of students in mediation activities and online interaction. The effectiveness of using wiki tools for learning languages as a second one (L2) is well documented in the literature (Lin 2012). Wiki sites create learning communities where collaborative goal-oriented practices can take place (Henderson et al. 2015). There is the necessity to research how exactly a wiki site can be deployed as a learning platform to enhance students’ involvement into mediation activities that can take place in on-line interaction and how new mediation wiki-enhanced activities are perceived by students in their learning.

2. The research context

Since the publication of the CEFR in 2001 it has been used as an international standard to show the learners’ progress or a reference level in language learning. The learners’ skills are assessed using the levels measuring language proficiency. The CEFR describes the levels from A1 to C2 using the descriptors for each skill. So, language learning process is oriented at achieving a certain level of a language proficiency. The required level is viewed as a learning outcome for the program or a course in language training. The level can be different as an entry requirement at university depending on the specifics of the program and the level of education. The level framework allows to choose the textbooks and the learning materials according to the expected learning outcomes.

The research took place in two Russian universities at a bachelor level program. One of the universities is a pedagogical university where students study English for two years and the entry level is basic (A1 according to the CEFR). The other university expects students to have B1 as an entry level for studies. The 2nd year students from different faculties (design, economics, IT and management) participated in the research. The goal was to achieve higher than entry levels in language proficiency. Despite the differences in the programs and the entry level, the requirements of the language training are quite similar: students need to acquire language skills to work with the spoken and written texts, to produce academic writing (essays/graph descriptions/reports), to be able to work with projects individually and collaboratively with the help of ICT, and finally to pass oral and written exams based on the international standards. These requirements are aligned with the mediation activities for text, concepts and communication which can be trained in a wiki-mediated interaction. According to the CEFR, text mediation involves processing, relaying, responding to or describing the text presented in speech, writing or visually. Mediation of the concepts related to collaborating in a group or leading group discussion. Mediation of communication is aimed at viewing the learner as a “cultural mediator” in different formal and informal situations (CEFR/CV 2018 p 106),).

The formal training is arranged using traditional face-to face weekly class meetings (two or four hours per week) and a learning management system (Moodle). The system offers obvious advantages and benefits, but it is unwillingly accepted by teachers and learners (Lyashenko 2016), so an “appealing approach” can be a “hybrid course site” that would be linked to the formal context but will be openly accessible (Godwin-Jones 2016 p 347). My personal motivation is to “bridge organization and individual levels” by deploying a less hierarchical and multi modal wiki- based learning environment to scaffold various students’ language skills outside the classroom to meet the institutional exam requirements. Wiki technology is deployed as a transition zone between the university with its formal approach and life-worlds of students (Bergold 2012). The alignment between different levels of the problem under consideration can be presented visually where at the global level the CEFR demands for a paradigm shift in language education, consequently affecting the institutional level at which learners have limited opportunities for exam training and teachers must cope with new challenges of more descriptors and fewer teaching hours. The need for technology integration with everyday teaching

practices requires further investigation towards finding possible solutions that would be relevant to my professional context to address the challenges.

The rationale for conducting the research is twofold: 1) to enhance mediation activities and online interaction via a wiki outside the classroom; 2) to explore students' experiences of using wiki sites for mediating the text, concepts, and communication. The research focuses on describing the themes that describe the experiences of the learners to understand the process of wiki deployment better and provide some implications for the teachers willing to use it in their teaching.

3. Brief literature review

3.1. Importance of the CEFR in language education

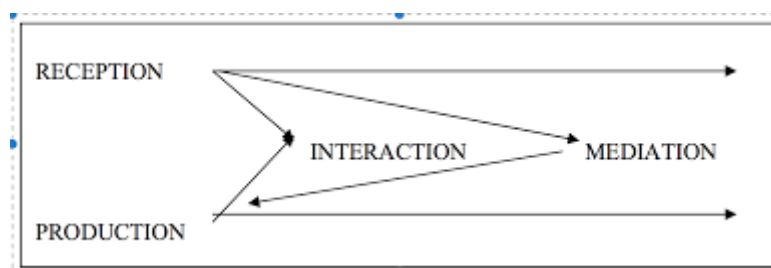
The CEFR has a significant impact on language learning and teaching. Cambridge exams use the illustrative descriptors for language proficiency levels from A1 (basic user) to C2 (proficient user). Being very flexible and adjustable, the CEFR was designed as “a basis for reflection and communication ...a common point of reference” (Saville 2005). There is a scope of research into the ways how the CEFR underpins language education (Harsch 2014). It is beyond the scope of this study to explore the relationships between the exam training and the CEFR as they are very complex (Taylor 2006).

There has been much critique since the introduction of the CEFR in 2001 to refine it by paying more attention to the descriptors, strategies, individual contexts and local learning needs (North 2007). During its development, the CEFR has undergone a series of revisions (1996, 1998, 2001) with the descriptors being more clearly defined and the strategies and concepts being specified and broadened (Piccardo et al. 2019). In 2018 the new volume was published where profound changes were presented with the focus on mediation (the CEFR/CV 2018). The new companion volume companion (CV) refined the general pedagogical vision of the framework and made it more understandable, clearly, and flexibly applicable for teachers to use in everyday class practices. On the other hand, it broadened and deepened the interpretation of mediation and interaction (Piccardo 2017; Piccardo & North 2019).

3.2. Mediation in language learning

The concept of mediation was not new for the CEFR as it was presented in the previous volume in 2001 (Little 2007). Being used in a variety of contexts from political discourse to multicultural studies, this concept was reconsidered and reconceptualized in the new vision of strategic approaches to teaching and learning languages (North & Piccardo 2017). Mediation is considered as the fourth mode of communication alongside reception, production, and interaction (Council of Europe 2001).

Figure 1. Mediation in the CEFR, 1998 edition



Source: CEFR (2018).

Mediation is viewed as a social process where it is used for scaffolding, enhancing communication, solving conflicts, or co-constructing the meaning (Wood et al. 1976). According to the CEFR/CV, mediation is a more complex multifaceted phenomenon which should not be restricted to the process of transmitting the information or counselling in solving conflicts. The mediation is viewed from two categories which depict its dual nature: relational mediation (establishing and managing interpersonal relationships) and cognitive (enhancing access to knowledge) (Piccardo et al 2019). In the context of education, it involves engaging and scaffolding students in the process of appropriating knowledge in interpersonal relations based on collaborative goal-oriented tasks. The meaning is co constructed in interaction where learners are social agents who constantly move between individual and social levels that makes understanding of mediation close to social constructivism theories (Piccardo 2012). Overall, the approach to mediation has been broadened: in addition to text mediation, the new volume provided the scales for mediating concepts and communication which are 19 in number with 5 scales for mediating strategies.

There is a scope of research devoted to the concept of mediation in language learning in general (Brown 2002; Thompson 2013) where mediation is viewed from socio cultural perspective and underpinned by the categories of scaffolding, collaborative interaction (Vygotsky 1981, 1986; Lantolf 2000 cited in Gibbons 2003 p 248). Much research has explored the role of technology as a mediation tool in language learning (Li 2006; Thorne 2008; Hung 2009; Levy 2013) and particularly wiki mediated environments in L2 (Storch, 2011; Li 2012; Lee 2013). Overall, much focus is made on teacher's role in creating mediated environments (Gibbons 2003) and wiki technology for collaborative writing (Miyazoe 2010; Lin 2011).

3.3. Wiki as an educational technology for English teaching and learning

Wiki-technologies have been actively used by teachers to achieve the aim of collaboration and active equal participation in English learning activities (Li 2012). Wiki sites are proposed as an effective scaffolding platform to support language teaching and learning (Chao & Lo 2011; Lin & Yang 2011). Scaffolding is a form of learner support provided in a variety of ways, assigning several roles and responsibilities for students and other participants in the educational environment. Wiki sites can be used to solve various teaching problems: support of collective cognition; collaborating for language learning and peer activity; collaborative writing and students' interaction (Lin & Kesley 2009; Miyazoe 2010; Lin 2011). The technology provides participants with the opportunity to download and upload the information, to generate and edit the content, to get an easy access to the materials, to do projects collaboratively (Kessler 2009). Speaking generally, wiki creates "architecture of participation" in shared learning spaces (O'Reilly, 2004) or some type of community of practice where the knowledge is developed collectively, and the practice can be improved due to collective sharing (Warschauer 2007). Being underpinned by the idea of collaboration, wiki sites are an open multimodal space where mediation activities can be designed by the teacher and practiced by learners. As Achterman (2006) noted, the structure of a wiki provides meaningful interaction among students, content and teachers (cited in Lin 2011 p 90). In other words, wiki collaborative environment gives an opportunity for students to learn how to work with others and how to create a community (Kessler 2009; Reinhardt 2019). The examples of this type of deployment are web-quests, wiki-sites or Google forms which can be used to support an English course and facilitate (teacher- students) T-S interaction (Hu & Johnston, 2012; Hung, 2015; Li, 2017). Google sites, as a free open tool, are used for educational purposes, though there is little research reporting the deployment of this technology. Despite a shift of current research in L2 towards social media (Reinhardt 2019), there is scarce literature to inform about the mediation aspects of wiki-enhanced learning, (Lin& Yang 2011; Piccardo 2019). It implies addressing the issue of how exactly a wiki site can scaffold students' mediation activities and tasks designed intentionally by the teacher to increase collaboration and more student engagement in online interaction.

4. Methodology and methods

The research was centered around two wiki sites that were created using Google platform which is chosen for its ease of use, availability, the participants', and my personal experience of using Google products (Lyashenko 2016). The design strategy involved numerous mediation activities (text, concepts, communication) embedded into the main context of the curriculum and online interaction mediated with a wiki site. Firstly, the students' needs were explored using the survey and following the necessities, lacks and wants. The participants were 2nd year students from various faculties (Management, Economics, IT, Design) who demonstrated a good command of the English language (intermediate and upper-intermediate levels). They were invited to join the community on a voluntarily basis. The rationale for joining and the potential learning benefits along with the design of the learning community were explained in advance and one week was given as a trial period to decide on joining or not. The sites were used as supplementary to traditional offline teaching and offered students the opportunity to have extra practice in meditation activities.

4.1. Data collection methods and analysis

The research strategy lies within a pragmatic paradigm and requires collecting two diverse types of data. The rationale for choosing a mixed methods approach as a methodological strategy was, firstly, the necessity to conduct a needs assessment at the preliminary stages using a quantitative tool and to find out the acceptance of the technology by students and then to gather and analyze multiple perspectives from the participant using a qualitative analysis of the interviews. The dominant research method is a qualitative approach, while a quantitative approach plays a supportive role to be embedded to inform the design (Creswell 2014; Jones 2015). The data were gathered through surveys and interviews (oral and written). At the preparatory stage, the students were asked to answer closed questions via SurveyMonkey to determine students' needs and expectations from the project. The questions were designed to cover the design of learning tasks (specification / frequency of submissions/ skills etc.). Besides, Technology acceptance model (TAM) was used to explore students' acceptance of wiki-based products in general. The findings of the quantitative surveys informed the design of the site in terms of the structure, the tasks and the degree of students' readiness to be involved in the project. The qualitative stage was conducted at the end of the semester after the examination session to avoid any pressure on the participants or biased feedback. The students were sent the invitation to take part in the research on a voluntarily basis. The participants were offered to go either through oral interviews or provide written feedback in any language they will choose (Russian or English). If they agreed to participate, they should text back to the researcher and identify what form (oral or written) and what language would be preferable for them. The author designed a questionnaire based on the descriptors of mediation activities and asked the participants to describe the general understanding of the learning task, the approaches used, comparison with the previous experiences, the outcomes and their experiences of mediating text, concepts or communication on the wiki sites. Each oral interview was transcribed and translated into English in case of the Russian language used in the interview. Sample.

Overall, 25 responses (both written and oral) were gathered for a further qualitative analysis. There were 8 written responses and 17 oral interviews conducted using Zoom or Skype according to the preferences of the participants. There were 5 male students and 20 female students who agreed to share their experiences. The participants showed a variety of preferences how to present their responses: oral interviews were conducted using Zoom and Skype, and written answers were sent using social networking sites, in the form of a file or even as a text message.

4.2. Data analysis

The data were analysed manually in an iterative manner to describe the set of themes unpacking different meanings and different ways of experiencing wiki mediated learning and collaborative tasks (Akerlind 2005). The analysis started with transcribing and translating oral interviews verbatim, the written comments in Russian were also translated into English. The oral interviews provided richer source of data in comparison with the written ones. To manage the data, the large oral transcripts were analysed using the codes for mediation activities and their descriptors too. For example, mediation text as an activity was given number one and its descriptors were given the following codes: 1. Mediating text: 1.1. relaying specific information; 1.2 explaining data; 1.3 processing text etc. The other two activities (mediating concepts and communication) were coded using the same method. During the analysis the focus was on the pool of meanings to find the similarities in students' experiences to develop categories or themes. Multiple readings were used as an effective strategy to explore new perspectives to emerge, while holding the other aspects frozen in mind (Bowden 2000; Marton and Booth 1997).

5. Findings

The research resulted in the variety of the themes that can be used to understand the way how mediation activities via wiki are perceived by students. Besides, the qualitative data analysis and the rich description helped identify the factors than can either enhance or impede students' involvement into mediation activities on the wiki site. The research enabled to describe the process of wiki deployment for mediation activity as an interconnected process where not only the factors are linked and interrelated to each other but also the stages of the design process can be viewed a cyclical model.

5.1. The factors influencing students' participation in mediation activities

As a result of the analysis of the students' perceptions of their experiences on the wiki site several factors were identified that can have an impact on students' learning process on the site. Four factors are reported to affect student learning: technical, motivational, educational, and psychological. The first and foremost factor is the technical one because the research is about technology enhanced learning. This aspect is characterised from positive and negative points of view. As for the positive features of the wiki mediated learning, the platform offers certain advantages that enhance learning: access any time and place, flexibility, easiness, individualized learning, editing functions, compatibility with Google docs. However, certain disadvantages were identified as the result of the research: security issues, asynchronous communication, many styles of editing, no ability to edit from a mobile phone. The second factor relates to psychological issues which can also have either a positive or a negative impact. The positive aspect mentioned by the learners is underpinned by the following themes: feeling of freedom and independence, sense of inclusion, personal changes in the way how to do things, building relationships with peers and the teacher. On the other hand, the research showed that many students experienced negative feelings when working on the wiki site. These negative experiences relate to the fears of sharing and editing, lack of direct communication, unwillingness to participate. Both factors, technological and psychological are interconnected because the disadvantages create some psychological barriers for the users/ learners to be more involved and engaged. For example, easiness of editing can cause some fears of deleting or changing someone's comment or a post on the wiki. The educational factor includes such important aspects of teaching and learning as assessment, teaching resources, context, learning outcomes, the teacher's role. It is also interconnected with the technological and psychological themes. Motivational factor is described by the themes related to engagement, interest, confidence, a sense of community. All these themes are linked not only to favorable psychological conditions but also have a direct impact on education learning outcomes. The educational and motivational factors are interdependent too because increased motivation leads to the quality and the efficiency of the educational process as a whole.

5.2. Implications for the teachers

The process of wiki deployment to enhance mediation activities can be viewed as a cyclical process which starts with the analysis of the teacher-students readiness to use the technology. This stage can include diagnostic research to find out the learning needs and the readiness and intentions of the learners to use the technology. These findings inform the design stage and give the data for creating favorable conditions for effective deployment. At the stage of launching a wiki-based community it is important to consider the factors that can impede or enhance the learning process and strategies to overcome any barriers or challenges during the implementation process. The teachers' role is of a paramount importance as the teachers acts as a designer, a facilitator, and an expert in choosing relevant learning materials and providing assessment. It is worth mentioning the fact that the wiki site will not function automatically without the interaction between the teacher and the students. The learners perceive the site as a semi-formal academic environment and many of them rely much on the teachers' initiative, active participation and feedback. The wiki site is characterized by a great flexibility in terms of adaptability to certain learning aims. It means that site can be adjusted to the learning process and evolve along with the process of teaching. The reflective approach is important not only in the end of the deployment but during the whole process of integrating wiki with learning and teaching to scaffold learners in their learning demands.

Conclusion

The findings from the research are believed to contribute to different aspects of language learning. The wiki enhanced educational environment provides students with more opportunities to meet the exams standards by engaging them in new forms of mediation activities and online interaction. The research addresses the necessity and describes an attempt to transfer mediation activities for exam training into non-traditional informal settings in the university educational environment. It is underpinned by the CEFR and pedagogical values and beliefs. The study is expected to contribute to the field of research by describing the students' experiences and presenting a holistic view on students' perceptions of using a wiki-based learning community in academic language training.

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ARE WEAK INSTITUTIONS RESPONSIBLE FOR CROWDING OUT PRIVATE INVESTMENT BY PUBLIC INVESTMENT IN AFRICA?

Abstract

Private investment plays a pivotal role in fostering sustained economic growth, not only through its direct impact on economic output but also by driving technological advancements critical for enhancing total factor productivity. This study employs system GMM estimators, to explore the influence of public investment and institutional quality private investment in GDP within African nations. Furthermore, it examines how the interaction between institutional quality measures and public investment influences private investment. The key findings reveal that, across most specifications, an increase in the share of public investment tends to lead to a reduction in private investment—indicating a crowding-out effect of public investment on its private counterpart. However, the study highlights a positive relationship between institutional quality and private investment when paired with public investment. In essence, higher institutional quality serves as a catalyst, causing public investment to stimulate private investment—a phenomenon referred to as crowding in.

Keywords: Private investment, public investment, institutions, Africa

JEL Codes: E22, H54, O17, O55

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I. Introduction

Private investment plays a crucial role in driving long-term economic growth. The nexus between private and public investment has been a prominent body of research in the literature, with infrastructure characterized as being a paramount catalyst to private sector expansion. To optimize public infrastructure standards while minimizing the burden of public investment, institutional factors have consistently emerged as key determinants of efficiency and effectiveness (Feng, 2001; Keefer & Knack, 2007; Grigoli & Mills, 2014).

Private investment carries substantial direct implications for growth in developing nations (Khan & Reinhart, 1990)³. Thus, evaluating the role of public investment in shaping private capital formation is a matter of great concern to both scholars and policymakers. The primary objective of this study is to investigate whether public investment displaces or enhances private investment in the African context in different institutional environments.

Against this backdrop, private investment in Africa remains notably lower when compared to other global regions. According to the World Bank, the average private investment ratio in sub-Saharan Africa represents only 13 percent of GDP in 2020, while the global average is 22 percent (World Bank, 2023a). Moreover, private investment in Africa tends to be concentrated primarily in sectors such as natural

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³ However, the authors found that in some specifications, public investment had a negative impact on economic growth.

resources and extractive industries, but insufficient in manufacturing and services. These latter sectors are often more conducive to structural transformation and productivity growth (UNECA⁴, 2023).

With that in mind, it is worthwhile to examine the factors influencing private investment levels in Africa and how policies can influence the decisions of private investors. This work is an empirical investigation into the influence of public investment on its private counterpart and the mediating effect of institutions in African context. Such an analysis can offer insights into the opportunities and challenges related to private sector development in Africa, ultimately yielding evidence-based recommendations for policymakers and practitioners (World Bank, 2023b).

Several institutional measures will be taken into account in this analysis, including the influence of political stability, control of corruption, quality of bureaucracy, the rule of law, etc., on private investment as well as their interaction with public investment. These factors shape the risk-return profile for private investors and affect their access to financial resources and markets. For instance, recent research by the International Monetary Fund (IMF) demonstrates that improving the business environment in sub-Saharan Africa has the potential to increase private investment by 3 percent of GDP by 2030 (IMF, 2021).

Conversely, if improved institutional quality leads to reduced levels of public investment but simultaneously enhances infrastructure quality (Keefer & Knack, 2007; Grigoli & Mills, 2014), then it frees up more resources to the private sector. This, in turn, promotes increased private sector investment, creating a virtuous cycle of economic growth.

This work delves into these intricate relationships, offering empirical insights into how public investment and political institutions influence the GDP share of private investment in Africa. Additionally, we examine the interactions between various dimensions of institutional quality and the level of public investment. The key findings of our research make important contributions to the existing body of knowledge and provide valuable guidance for policymakers.

The subsequent sections of the paper are structured as follows: Section 2 outlines the empirical methodology and presents the primary findings of our analyses, while Section 3 provides concluding remarks.

II. Investment in Africa: a brief review of the literature

Private investment is a key pillar of economic growth, particularly within developing and emerging economies. Nevertheless, our understanding of the determinants of private investment is incomplete. This literature review seeks to establish a comprehensive overview of existing research on private investment, with a focus on Africa. We present some stylized facts of private investment in Africa, review some empirical findings of the preceding literature about the determinants of private investment.

1. Private investment, growth and institutions

The body of research pertaining to the impact of public investment on its private counterpart is extensive, constituting a longstanding debate between proponents advocating increased government involvement in development strategies and their counterparts advocating reduced government intervention. This discourse has primarily revolved around the effectiveness of both forms of investment in fostering economic growth.

⁴ United Nations Economic Commission for Africa.

Private investment is an essential driver of long-term economic growth. Beyond its immediate impact on economic output, it incorporates technological advancements that significantly influence total factor productivity. Consequently, it plays a key role in determining the rate of per capita output growth in the steady state. In this context, the inadequacy of private investment emerges as a prominent factor contributing to the persistent economic disparities and slow convergence observed in African countries (UNCTAD, 2021)⁵.

As highlighted by Anyanwu (2006), investment levels in Africa—whether originating from domestic or foreign sources—are distressingly low. Anyanwu’s research stresses that various factors, including policy uncertainty, limited resources and human capital mobilization along institutional issues such as governance challenges and weak corruption control, act as impediments to the capital formation process.

Institutions not only enhance investment incentives but also facilitate the functioning of the private sector by providing a business-friendly environment. Therefore, the inclusion of institutional quality measures into empirical analyses allows to shed light on their influence on private investment. Additionally, examining their interaction with public investment can provide insights into how their simultaneous evolution impacts private investment.

Advocates of pro-market reforms have made a compelling case for an expanded role of the private sector in driving economic growth. They draw upon the findings of growth accounting studies, such as the work of Khan and Reinhart (1990), which demonstrate that private investment makes a more substantial contribution to GDP growth compared to its public counterpart. However, it is worth noting that while public investment could have a direct negative impact on economic growth, it may still exercise a positive influence through indirect channels. For instance, investments in public education can enhance human capital. Thus, it is challenging to assess the indirect effects of public investment on economic output.

A study by the World Bank (1999) shows empirical evidence that insufficient public capital has a notable adverse impact on firms’ productivity. Public capital formation has the potential to reduce the costs associated with private investment, thereby increasing its rate of return. Nevertheless, it also diverts available resources away from the private sector, potentially leading to a crowding-out effect on private investment. The ultimate effect depends on the magnitude of these opposing forces.

The primary channel through which public investment can enhance private investment lies in the improvement of public infrastructure, encompassing vital aspects like transportation networks, electricity grids, and telecommunications systems. Keefer and Knack (2007) shed light on how the effectiveness of public investment in enhancing infrastructure is constrained by institutional quality. They incorporated measures of political institutions by PRS-ICRG⁶ as explanatory variables for the proportion of public investment in GDP. Their findings indicate that higher levels of institutional quality tend to decrease the share of public investment in output, yet they positively impact infrastructure quality.

Moreover, Keefer and Knack (2007) highlight that inadequate political institutions tend to inflate the share of public investment without delivering corresponding improvements in public infrastructure. Weak institutions foster rent-seeking behavior and wasteful spending on projects with limited potential for high returns. This is often because bureaucrats prioritize projects that serve personal enrichment over resource allocation to productive assets (de la Croix & Delavallade, 2009). Consequently, low-quality

⁵ Economic Development in Africa Report (2021).

⁶ The “Political Risk Services - International Country Risk Guide,” is a product of the PRS Group. The International Country Risk Guide (ICRG) provides assessments of geopolitical risk in 141 nations. It is updated on a monthly basis and encompasses risk factors that influence a nation's security and stability across financial, political, and economic dimensions.

institutions may undermine the potential of public investment to enhance the stock of private capital and, by extension, its productivity.

Khan and Reinhart (1990) employ growth accounting techniques to examine the influence of private and public investment on growth within developing countries. Their findings reveal a significant disparity, with private investment making a notably greater contribution to output growth compared to public investment. In contrast, the contribution of public investment, as per their study, is characterized as negative.

In a similar vein, Nazmi and Ramirez (1997) estimate a standard Cobb-Douglas production function including both public and private investments. Their analysis in the context of Mexico does not reveal any statistically significant difference in the contributions of private and public investments to growth. Nevertheless, their findings suggest that while public investment positively affects growth in their estimates, it concurrently exerts a crowding-out effect on private investment. They further emphasize the complexity of drawing precise conclusions from aggregate data, highlighting the potential divergent effects of various types of public investment on both private investment and overall economic growth.

Subsequent literature has shifted its focus toward examining private investment and the factors that influence it. In a study spanning from 1975 to 1987 within developing countries, Greene and Villanueva (1991) delve into the determinants of private investment. Their findings align with expectations, revealing that the growth of both GDP and per capita GDP positively influences the share of private investment in GDP. Conversely, the interest rate, inflation rate, and debt-to-GDP ratio exhibit negative correlations with the private investment-to-GDP ratio.

Private investment is influenced by various other factors, including trade openness, the real exchange rate⁷, financial development, and government expenditures, among others. For instance, Servén (2003) conducts empirical research to explore the impact of real exchange rate uncertainty on private investment. His findings underscore the significant and adverse influence of real exchange rate volatility on private investment, even when controlling for other crucial determinants. Additionally, his empirical results emphasize that this effect is more pronounced in countries with less developed financial systems.

In the evolving literature on economic growth, institutions have gained prominence as fundamental drivers. As alluded to in the opening quote of this paper, institutions play a fundamental role in capital accumulation and, consequently, economic growth. Feng (2001) conducts an examination of the effects of political institutions—specifically, political freedom, political stability, and policy certainty—on private investment in developing countries. His research reveals that political freedom positively impacts private investment by enhancing human capital. Conversely, political instability and policy uncertainty wield negative influences on private investment.

Aysan et al. (2007), in their attempt to investigate the factors behind the relatively low levels of private investment in the Middle East and North Africa, employ a simultaneous equations model. Their findings highlight the role of governance as a determinant of private investment. Particularly, they show that control of corruption, political stability, and law and order significantly enhance the private investment-to-GDP ratio. Furthermore, economic factors such as financial development, trade openness, and human capital exhibit positive influences—both direct and indirect—on the decisions of private investors.

In a parallel line of argument, Stasavage (2002) contends that while checks and balances indeed have a positive impact on private investment, they are insufficient, on their own, to drive enhancements in the

⁷ Some papers use the exchange rate volatility as an explanatory variable of private investment on grounds that it is a proxy for economic uncertainty.

levels of private investment. Similarly, Emery (2003) asserts that private investment is directly influenced by the quality of governance. Moreover, he emphasizes that private investment stands as a significant contributor to economic growth, poverty reduction, and improvements in overall welfare. He further highlights that the mechanism through which the quality of governance influences private investment is the reduction in administrative regulations that foster corruption.

2. Private investment in Africa

Private investment in Africa has exhibited a consistent pattern of being both low and subject to volatility when compared with other global regions. According to the World Bank's data for 2019, Sub-Saharan Africa recorded an average gross fixed capital formation of 19.8% of GDP, below the global average of 23.1% and the average for developing regions at 25.2%. Furthermore, private investment in Africa has been subject to recurrent shocks and fluctuations attributable to factors such as political instability, macroeconomic uncertainty, institutional fragility and external dynamics (Aboagye et al., 2008; Ndikumana, 2000; White, 2005).

Similarly, private investment manifests a significant degree of heterogeneity among African countries. Besides, it is unevenly distributed across sectors. These differences in the levels of private investment in African countries may be due to several factors, such as natural resources, governance, infrastructure and human capital. For instance, resource-rich countries like Angola, Botswana, and Nigeria exhibit higher private investment rates in comparison to resource-poor nations such as Burundi, Ethiopia, and Malawi (World Bank, 2021). Additionally, private investment in Africa exhibits concentration within select sectors like mining, oil and gas, telecommunications, and financial services, while sectors such as manufacturing, agriculture, and social services remain comparatively underinvested (African Development Bank, 2017; UNCTAD, 2019).

The dynamics of private investment in Africa are influenced by the interaction of both domestic and foreign factors. The literature points out to a plethora of determinants that operate at micro and macro levels, including factors such as output growth, public investment, interest rates, inflation, exchange rates, credit availability, trade openness, fiscal policies, political stability, governance quality, property rights protection, control of corruption, regulatory environments, infrastructure quality, human capital development, and investor confidence (Ababio et al., 2022 ; Batu, 2016 ; Dang et al., 2020 ; Ndikumana & Verick, 2008). Furthermore, private investment in Africa is significantly influenced by external factors, including global economic conditions, commodity prices, official development assistance (ODA), remittances, and external debt (African Development Bank, 2017; UNCTAD, 2019).

3. Factors influencing private investment

Various conceptual frameworks have attempted to explain the factors driving private investment. For instance, the Crowding-In/Crowding-Out Hypothesis, proposed by Blejer and Khan (1984)⁸, explores the dynamics between public and private investment, and whether they complement or substitute each other. The Policy Uncertainty theory, introduced by Serven (1998), delves into the impact of macroeconomic instability and unpredictable policies on private investment, increasing risk premiums. Additionally, the Rent-Seeking theory, stressed by Murphy et al. (1993), studies how corruption and rent-seeking activities distort private investment incentives by creating inefficiencies within the market system. Finally, the Market Size theory, as postulated by Harrison et al. (2014), evaluates how trade openness and regional integration can enhance private investment by expanding market opportunities and reducing costs.

⁸ Blejer, M. I., & Khan, M. S. (1984). Government Policy and Private Investment in Developing Countries. Staff Papers-International Monetary Fund, 379-403.

4. The influence of natural resources on growth and private investment

A growing body of research argues that the abundance of natural resources can have detrimental effects on economic development. According to the World Bank (2012), between 1960 and 2010, resource-rich countries in sub-Saharan Africa experienced an average annual growth rate of 0.2 percentage points lower than that of their resource-poor counterparts. The study also revealed that countries with high endowments of natural resources were more susceptible to economic instability and boom-and-bust cycles.

Several factors may hinder economic progress in resource-rich countries. First, many of these nations tend to have weak institutions, which results in an environment that is conducive to corruption, rent-seeking and poor governance. These issues can discourage investment and distort resource allocation.

Second, the phenomenon known as the “Dutch disease”, which occurs when the discovery of new natural resources increases exports, leading to an appreciation of the currency and thus of the economy competitiveness. Thus, resource abundance leads to a reallocation of resources away from key economic sectors like manufacturing and agriculture.

Third, the abundance of natural resources is likely to fuel political unrest. Resource-rich nations are often more prone to experiencing military coups and other forms of political turmoil, thus disrupting the business environment and deterring investment. A Collier & Hoeffler (2002) found that countries with substantial natural resource rents were more susceptible to civil wars and military coups.

The availability of substantial natural resources can exert a profound influence on the evolution of political and economic institutions, especially in an environment characterized already by poor governance such as Africa. In resource rich countries, the evolution of strong institutions is possible if governments use rents from natural resource to invest, for instance, in education, healthcare, or infrastructure (Robinson, 2010). Conversely, when governments are plagued with corruption and not held accountable to their citizens, an abundance of resources is likely to lead to the emergence of weak institutions.

According to the World Bank (2005), sub-Saharan African countries endowed with abundant natural resources tend to exhibit weaker institutions compared to those with fewer resources. Besides, resource-rich nations often grapple with issues such as corruption, rent-seeking, and various forms of mismanagement (World Bank, 2005).

It is crucial to recognize that there is no consensus to the complex relationship between institutional development and natural resource endowments. Nevertheless, it is clear that the availability of resources can significantly shape the trajectory of political and economic institutions in African nations.

How the presence of natural resources may be a source of conflict and thus of political instability can be due to several factors. First, the availability of resource rents can provide rebel organizations with a significant source of financing, facilitating their ability to mobilize and engage in warfare. Second, elites within resource-rich nations may develop a sense of entitlement due to these rents, increasing their willingness to resort to violence in pursuit of their interests. The people left with no slice of the pie from natural resources might rebel against the ruling regime, thus paving the road into internal conflict. Lastly, the presence of resource rents can foster networks of corruption, further undermining political stability.

Table 1. Political institutions in Africa in 2021: Selected countries

Country	Voice and Accountability	Political Stability	Government Effectiveness	Regulatory Quality	Rule of Law	Control of Corruption
Angola	-1.28	-0.88	-0.97	-1.04	-1.18	-1.23
Botswana	0.64	0.75	0.67	0.67	0.66	0.65
Congo	-1.33	-1.29	-1.32	-1.38	-1.42	-1.46
DRC	-1.08	-2.12	-1.63	-1.58	-1.65	-1.59
Ghana	0.55	0.13	0.03	0.06	0.01	-0.02
Guinea	-0.77	-0.85	-0.86	-0.87	-0.92	-0.94
Liberia	-0.01	-1.07	-0.87	-0.81	-0.83	-0.79
Nigeria	-0.74	-2.26	-1.02	-0.94	-1.09	-1.15
South Africa	0.45	-0.34	-0.01	-0.05	-0.11	-0.22
Zambia	-0.03	-0.31	-0.37	-0.39	-0.42	-0.47
Developed	0.55	0.21	0.33	0.31	0.28	0.22
Developing	-0.74	-1.29	-1.04	-1.01	-1.09	-1.09

Source: World Bank (World Governance Indicators).

5. Political institutions in Africa

Political institutions encompass a wide spectrum of elements, including constitutions, legal frameworks, political parties, electoral processes, legislative bodies, judiciaries, bureaucracies, traditional governance structures, civil society organizations, and media outlets.

One of the most major challenges in studying political institutions in Africa is the presence of parallel governance systems that often exist alongside or compete with one another. These systems encompass state institutions inherited from colonial or external models and traditional institutions deeply rooted in pre-colonial or indigenous cultures and values. Colonial powers have interrupted the spontaneous evolution of institutions, imposing a *de jure* influence on the organization of society.

The interplay between these two systems is intricate and dynamic, with instances of cooperation, contradiction, or mutual influence varying across contexts and timeframes. For instance, traditional authorities such as chiefs and elders may assume roles in local governance, service provision, conflict resolution, or electoral processes either collaboratively with state institutions or in opposition to them (Mengisteab, 2019).

Another notable challenge encountered when examining political institutions in Africa is the continent's diversity and heterogeneity. Africa comprises 54 distinct countries, each marked by unique colonial

legacies, post-independence trajectories, and contemporary circumstances. Within each nation, a multitude of ethnic, religious, linguistic, and regional groups possess distinct identities, interests, and aspirations. This diversity and heterogeneity present hurdles for generalization, comparison across cases, and the identification of the most suitable institutions for each context. For example, some countries have adopted federal or decentralized governance systems to accommodate ethnic or regional diversity, while others have opted for unitary or centralized systems to promote national unity or state control (Cheeseman, 2018).

Despite these challenges, there is a burgeoning body of literature that delves into the origins, variations, and consequences of political institutions in Africa. This academic literature encompasses several critical themes and subjects, including:

- The historical legacies of pre-colonial and colonial institutions and their influence on the contemporary political landscape (Riedl, 2018).
- The processes of constitutional design and reform and their impact on power dynamics, rights protection, and conflict management (Ndulo, 2018).
- The examination of electoral systems and regulations and their effects on party systems, minority representation, and the quality of democracy (Horowitz, 2018).
- The roles played by political parties and civil society organizations in voter mobilization, interest articulation, and government accountability (Arriola, 2018; Resnick, 2018).
- The assessment of state institutions' performance and challenges in delivering public goods, upholding the rule of law, and ensuring stability (Pitcher & Teodoro, 2018; Medie, 2018).
- The exploration of traditional institutions' impact on local governance, development outcomes, gender dynamics, and social cohesion (Boone, 2018; Baldwin, 2018).
- The analysis of the intricate interplay between formal and informal institutions and their effects on political behavior, outcomes, and change (Kelsall, 2018; Khan, 2017).

III. Empirical investigation

1. Data

We use the IMF Investment and Capital Stock Dataset, 2020. This data set provides the private and public investments, as well as estimates of the private and public capital in 2017 constant dollars. As for measures of the quality of institutions, we use the PRS ICRG dataset of political institutions. The following table provides the definitions and sources of each variable used in our empirical specifications.

Variable	Source	Definition
Public investment	IMF	Share in GDP Investment and Capital Stock Dataset, 2021
Public investment	IMF	Share in total investment and Capital Stock Dataset, 2021
Public investment	IMF	Share in total investment and Capital Stock Dataset, 2021
Political risk rating	ICRG	Additive index of five governance variables from the ICRG database, namely, bureaucracy quality, democratic accountability, law and order, corruption, and checks and balances
Checks and balances	Database	Measures the checks and balances of power within the government. Low values indicate that legislatures are not elected competitively. Otherwise, there are strong checks on the legislature.
Corruption	ICRG	A measure of corruption within the political system, detrimental to foreign investment, impacting the economic and financial environment, government and business efficiency, and inducing political instability.
Law and order	ICRG	Law measures the strength and impartiality of the legal system, while order measures the public observance of the law.
Democratic	ICRG	Accountability refers to the responsiveness of government to the people.
Bureaucratic	ICRG	A measure of the degree to which revisions of policy are minimized when governments change.
Price of capital	Penn World	Natural logarithm of the price of investment goods.
GDP	WEO	Gross national product, used to calculate the shares of public and private investments.
Government consumption	World Bank	Government consumption share in GDP.
Trade openness	World Bank	The share of overall exports and imports in GDP (%).
Real exchange rate	World Bank	Real effective exchange rate.
Credit to the private sector	World Bank	Monetary sector credit to the private sector share in GDP. It is a proxy for financial development.

2. Empirical specification and results

For our empirical estimation, we employ the system GMM estimator as developed by Arellano and Bond (1991). This method serves a dual purpose. First, it provides consistent estimates when the lagged dependent variable is included among the exogenous variables. This inclusion of the lagged dependent variable helps capture the persistence in the behavior of private investment. Second, it enables us to control for the simultaneity between private and public investment because private investment can also influence public investment. The primary equation to be estimated is as follows:

$$\left(\frac{I^P}{Y}\right)_{i,t} = \rho \left(\frac{I^P}{Y}\right)_{i,t-1} + \alpha \left(\frac{I^G}{Y}\right)_{i,t} + \beta' X_{i,t} + \mu_i + \varepsilon_{i,t},$$

where I^P is private capital formation, I^G is public capital formation, Y is output, X is additional controls, that is, measures of institutional quality, the price of capital formation, the real exchange rate, the credit to the private sector to GDP ratio, government consumption share in GDP and trade openness. μ_i is the country fixed effect and $\varepsilon_{i,t}$ is an identically and normally distributed noise term. As in Cavallo & Daude

(2011), we estimate the above equation using system GMM developed by Arellano & Bover (1995) and Arellano & Bond (1991). We use two lags of the dependent variables as instruments to remedy for the serial autocorrelation of first and second degree.

To get rid of the country specific effect, we take first differences of the above equation, which yields:

$$\Delta \left(\frac{I^P}{Y} \right)_{i,t} = \rho \Delta \left(\frac{I^P}{Y} \right)_{i,t-1} + \alpha \Delta \left(\frac{I^G}{Y} \right)_{i,t} + \beta' \Delta X_{i,t} + \varepsilon_{i,t},$$

The error term is, by construction correlated with the lagged dependent variable. To remedy this issue, the GMM estimator uses lags of the dependent variable, namely first and second lags. We use the two lags because they are a priori not correlated with future error terms.

Table 2. Baseline model

Dependent variable: Private investment/GDP	(1)	(2)	(3)
Lagged private investment/GDP	0.725***	0.578***	0.582***
Public investment/GDP	-0.014	-0.287***	0.583*
Price of capital formation (in logs)	-0.711**	-1.320***	-1.359***
Credit to the private sector/GDP	-0.024	0.040***	0.042***
Real exchange Rate	0.000	-0.000	-0.000
Political risk rating	-0.157*	2.243	
Political risk rating*Public investment/GDP			0.600
Constant	2.393***	2.904**	3.793**
Number of observations	619	406	406
Number of groups	17	13	13
Number of instruments	120	103	104

Source: Authors

Incorporating the lagged dependent variable into the list of exogenous factors accounts for the persistence observed in private investment behavior. The baseline model regresses the private investment share of GDP on its lagged value and includes the public investment share along with other determinants. The results from Table 2, presented in the first column, show that the public investment share in GDP is not a statistically significant determinant of private investment. As anticipated, the price of capital formation is statistically significant at a 5% significance level across most model specifications, exerting a negative influence on the private investment share in GDP (a 1% increase in the price of capital formation leads to a -1.32% decrease in the private investment share of GDP). While credit extended to the private sector, serving as a proxy for financial development, significantly impacts the investment share (as demonstrated in Table 2, columns 2 and 3), the effect is relatively modest. Specifically, a 10% enhancement in the private sector's access to credit as a share of GDP corresponds to approximately a 4% increase in the private investment share of GDP.

After accounting for political risk ratings (as shown in Table 3, column 2), the significance of the public investment share emerges. A 10% increase in the public investment share of GDP leads to a 2.87% decline in the private investment share. Interestingly, financial development becomes statistically

significant, with a one standard deviation increase in credit to the private sector relative to GDP resulting in a 0.04 percentage point increase in the private investment share of GDP.

Counterintuitively, political risk ratings (where higher values indicate lower political risk) exhibit a negative association with private investment, although this relationship is not statistically significant, it is consistent with the findings of Cavallo & Daude (2011). However, the interaction term between political risk ratings and the public investment share in GDP, while positive, fails to attain statistical significance.

Table 3. Additional controls: government consumption/GDP

Dependent variable: Private investment/GDP	(1)
Lagged private investment/GDP	0.604***
Public investment/GDP	-0.509
Price of capital formation (in logs)	-1.759***
Credit to the private sector/GDP	0.035***
Real exchange Rate	0.002
Political risk rating	-1.315
Political risk rating*Public investment/GDP	0.433
Government consumption/GDP	-0.004
Constant	2.959
Number of observations	319
Number of groups	10
Number of instruments	105

Source: Authors.

Unfortunately, due to the suspension of data on paved roads by the World Bank’s World Development Indicators and the limited number of observations available for assessing overall infrastructure quality, we were unable to include these factors as additional controls in our study.

In our empirical findings, the coefficient associated with the government consumption share of GDP is negative but not statistically significant, as indicated in Table 3. Similarly, Cavallo & Daude (2011) also report a negative, albeit insignificant, impact of government consumption share of GDP on private investment levels. In theory, government consumption tends to reduce the disposable resources of the private sector without contributing to the enhancement of public services that could potentially boost productivity. There exists a body of literature that supports the assertion of a negative impact of government consumption on economic growth. For instance, Dowrick (1996) provides theoretical arguments for this relationship, and there is empirical evidence showing a negative association between government consumption and economic growth.

Table 4. Private investment and institutional measures

Dependent variable: Private investment/GDP	(1)	(2)	(3)	(4)
Lagged private investment/GDP	0.574***	0.577***	0.551***	0.683***
Public investment/GDP	-0.518**	0.552***	-0.146	-0.177*
Price of capital formation (in logs)	1.486***	1.366***	1.246***	-0.872**
Credit to the private sector/GDP	0.036***	0.042***	0.035**	-0.025
Real exchange Rate	0.000	-0.000	-0.002	-0.000
Bureaucracy Quality	-0.113			
Bureaucracy Quality *Public investment/GDP	0.159**			
Democratic accountability		-0.323		
Democratic accountability*Public investment/GDP		0.104*		
Law & order			-0.545	
Law & order*Public investment/GDP			-0.040	
Checks and Balances				0.846***
Checks and Balances*Public investment/GDP				0.093**
Constant	2.642***	3.533***	4.780***	4.381***
Number of observations	406	406	406	600
Number of groups	13	13	13	17
Number of instruments	104	104	104	122

Source: Authors.

Upon including measures of political institutions as additional controls to assess the robustness of our previous findings, we observe that public investment as a proportion of GDP continues to exert a negative impact on the private investment ratio across all specifications (columns 1 to 4). Specifically, bureaucratic quality alone does not emerge as a significant determinant of private investment. However, the interaction between bureaucratic quality and the share of public investment in GDP demonstrates a positive effect on private investment. A 1% increase in this interaction term corresponds to an approximately 0.16% increase in the private investment share of GDP. These results align with the findings of Cavallo & Daude (2011).

Similarly, the interaction between public investment and democratic accountability yields a positive impact on private investment. A 10% increase in this interaction term results in a 1.04% increase in private investment as a share of GDP, although this coefficient only achieves statistical significance at the 10% acceptance threshold. On the other hand, law and order do not exhibit any significant impact on private investment, whether directly or through their interaction with public investment. However, the interaction of checks and balances with public investment is positively associated with private

investment. A 10% enhancement in this interaction term leads to a 0.93% increase in private investment. These findings confirm that in the presence of high-quality institutions, public investment plays a positive role in promoting private investment in Africa. In summary, when strong institutions are in place, public investment complements and supports private investment, but in the absence of robust institutions, public investment tends to displace private investment.

Table 5. Interaction with Trade Openness

Dependent variable: Private investment/GDP	(1)	(2)	(3)
Lagged private investment/GDP	0.758***	0.694***	0.558***
Public investment/GDP	0.026	0.773***	-0.162
Price of capital formation (in logs)	-0.776**	-1.069***	-1.368***
Credit to the private sector/GDP	0.015	0.019	0.035***
Real exchange Rate	0.000	-0.000	-0.000
Trade openness	0.035***	0.089***	0.072***
Trade openness*Public investment/GDP		-0.012***	-0.009***
Political risk rating		-4.284	
Political risk rating*Public investment/GDP		1.052	
Constant	-1.073	-3.968***	0.767
Number of observations	489	489	352
Number of groups	13	13	11
Number of instruments	121	122	106

Source: Authors.

We examine the influence of the interaction between public investment and trade openness on private investment. Our findings suggest that trade openness, when considered independently, has a positive effect on the private investment share of GDP. However, when it interacts with the public investment share in GDP, it results in a decrease in private investment's share. In essence, within African countries, those with higher public investment shares in GDP that are also more open to trade tend to exhibit lower levels of private investment. Moreover, the interaction term between political risk ratings and the public investment share, while accounting for trade openness and its interaction with the level of public investment, maintains a positive contribution to the private investment share.

Discussion and policy implications

Our primary empirical findings underscore an interesting phenomenon observed in Africa: as supported by evidence across various model specifications, an increase in the share of public investment is accompanied by a decrease in the share of private investment. This aligns with prior research, indicating a crowding-out effect of government expenditure on the private sector. Nevertheless, our analysis underscores a critical nuance in this relationship by emphasizing the moderating role of institutional quality.

Indeed, the connection between institutional quality and public investment is of crucial importance. Enhanced institutional quality mitigates the crowding-out effect, fostering a scenario in which public investment can complement private sector activity. This highlights the significant role that institutions play in shaping the effectiveness of public investment and its impact on private investment levels. These insights corroborate the findings of Cavallo & Daude (2011), who stress the fundamental importance of institutions in shaping the influence of public investment on private investment.

Our findings also shed light on the assertion that institutions do not exert a significant impact on private investment when considered in isolation. Rather, their value emerges as they act as mediators of the effects of public investment, transforming it from a potential obstacle to private sector involvement into a catalyst.

Our findings have clear and significant policy implications. Governments seeking to promote private investment must recognize that solely increasing state investment levels may not yield the desired outcomes. Instead, the emphasis should be on enhancing institutional quality, as this will concurrently enhance the efficacy of public investment and stimulate the growth of the private sector. Essentially, a potent engine for economic development in Africa can be forged through a successful partnership between public investment and robust institutions.

Our study underscores the intricate nature of the interplay between public and private investment within the African context. It highlights the paramount role of institutional quality in shaping the impact of public expenditure on private sector engagement. Taking into account these insights, African policymakers can design policies that leverage the interactions between public investment and robust institutions, thereby fostering an environment conducive to the flourishing of private investment and making a substantial contribution to sustainable economic development.

Concluding remarks

Private investment serves as a pivotal driver of long-term economic development. Beyond its direct impact on output, it serves as a vehicle for technological advancements that enhance total factor productivity. The intricate interplay between private and public investment has garnered substantial attention in economic discourse. While it is undeniable that fundamental infrastructure is essential for private sector functionality, thereby attracting both domestic and foreign investors and enhancing the returns on private investments, it is equally evident that channeling resources from the private to the public sector exerts a crowding-out effect on the former. In this context, institutional factors are recognized as potential enhancers of public investment efficiency, leading to reduced levels of public investment and improved public infrastructure quality (Feng, 2001; Keefer & Knack, 2007; Grigoli & Mills, 2014).

This study embarked on an empirical investigation into the impact of public investment and political institutions on the share of private investment in GDP, employing system GMM estimators to analyze the case of African countries. Additionally, it explores the interaction between various institutional quality measures and the level of public investment. One main finding reveals that, across most specifications, an expansion in the share of public investment in GDP for the case of African countries is associated with a reduction in the share of private investment in GDP—a phenomenon known as public investment crowding out private investment. However, the presence of high-quality institutions interacts positively with public investment, indicating that higher institutional quality reverses this crowding-out effect, effectively crowding in private investment. These outcomes are in alignment with the research conducted by Cavallo & Daude (2011).

Our empirical results emphasize the notable crowding-out effect of public investment on private investment in Africa. Yet, the synergy between public investment and high-quality institutions demonstrates an avenue for enhancing private investment. Importantly, our analysis reveals that institutions, in isolation, do not wield a significant influence on private investment. The pivotal policy implications stemming from our findings are as follows: Governments aspiring to bolster private investment should shift their focus away from merely augmenting public investment levels. Instead, they should direct their efforts towards improving institutional quality, recognizing it as the linchpin for advancing private investment in their economies.

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A FOCUS ON SMES' INTERNATIONALISATION AID PROCESSES AS A LEVEL FOR PERFORMANCE?

Abstract

This article proposes an evaluation of export subsidies as a performance lever for small and medium-sized enterprises. By comparing the impact of export subsidies on both economic and financial performance and using the ordinary least squares (OLS) and generalized method of moments (GMM), our results show that using export subsidies has a positive impact on both the economic and financial performance of companies. When we focus our analysis on very small enterprises (VSEs), we find that only economic performance seems to be significantly and positively impacted. These results provide food for thought for the political debate as to what aid should be deployed and its benefits, as well as for the various stakeholders involved.

Keywords: Walloon SMEs, Internationalisation, Economic performance, Financial performance, AWEX

JEL Codes: B23, F14, F41

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1. General context

Defining internationalisation is no easy task. Indeed, the literature does not offer a unanimous definition of internationalisation. However, some common points can be drawn from the literature, and we can establish that internationalisation represents the fact that nations are interconnected. In economic terms, internationalisation can be understood as a company's development strategy beyond its national market and can range from selling goods and services in several national markets to setting up production units in other countries (Kouamen Tatkam, 2019).

Milliot (2013), identifies four internationalisation strategies using a matrix that represents the intersection between the degree of interdependence of activities and the level of dispersion/concentration of decision-making power:

- The global or regional strategy, involving concentrated decision-making power and strong interdependence of activities;
- Transnational strategy, involving dispersed decision-making power and strong interdependence of activities;
- International strategy, involving concentrated decision-making power and low interdependence of activities;
- Multinational strategy, involving dispersed decision-making power and low interdependence of activities.

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Milliot (2013) also highlights three axes: the reference market, the priority development mode (which may be standardization, adaptation, or the hybrid approach), and the preferred entry mode(s) (in which we find firm sales, direct investment, and limited-term partnerships).

Exporting can be seen as a type of internationalisation and represents the action of selling abroad part of the production of goods or services of an economic unit, country, or region (Bongolomba, 2017). Youg et al (1989, in Leonidou and Katsikeas (1996)) define it as the transfer of goods or services across national borders by direct or indirect means. Indirect exporting is the action of exporting with the help of a local or foreign intermediary to ensure entry into the target market, whereas direct exporting is carried out by a company without an intermediary.

One of the most important factors when it comes to exporting is size. Indeed, SMEs will find it more difficult than larger companies to expand into international markets. Pacitto (2006), points to various studies (Calof, 1994 and Wagner 2001) that point to the size criterion as a deterrent in the export decision for these companies. VSEs are less likely to export (Pacitto, 2006), but this factor is limiting rather than disabling (Calof, 1994). However, it is also a proportional factor: when VSEs start exporting, they will export proportionally more than small companies, and small companies will tend to export proportionally more than medium-sized companies (Wolff and Pett, 2001). SMEs face several difficulties in the export process, such as access to financing and the risk of non-payment by customers (St-Pierre, 2003). Choosing a mode of entry is very important for the SME, and this choice will depend on the extent of the international risks it perceives (Bouveret-Rivat et al., 2020). There are different modes of export. The weaknesses, human and financial, faced by SMEs will often explain why they choose a less capital-intensive mode of entry such as exporting (Bouveret-Rivat et al., 2020). Indeed, banks restrict access to financing for VSEs because of their size and lack of resources compared to their competitors (St-Pierre, 2003). VSEs will therefore be more affected by the choice of entry mode.

In addition of being a more accessible mode of entry for very small enterprises, exportation offers macro and micro-economic benefits for both the country and the firm. The former stem from the fact that exports improve the trade balance of deficit countries. St-Pierre (2003) points out that governments believe that exports enable them to ensure their economic growth when economic outlets are complicated. Exports enable companies to trade larger volumes, which in turn creates new jobs and raises household living standards. With exports, the country will benefit from an inflow of foreign currency, enabling governments to build up a currency reserve that will ultimately support the value of their country's currency and avoid devaluation. Belgium can be seen as an economy open to exports and imports (University of Ghent and Leuven, 2008). Most trade takes place within the European Union, accounting for 77% of total Belgian exports. In 2020, the Walloon Export and Foreign Investment Agency (AWEX) reports a slight drop in exports for 2019, certainly linked to the COVID-19 crisis. Also, according to AWEX (2020), Wallonia recorded €47.3 billion in exports.

Among the microeconomic benefits, Rahariniaina (2012) mentions that exports stimulate company growth at various levels: sales, business volumes and number of employees. They will improve the company's competitiveness through the sharing of know-how that the company can give to host countries. According to Czinkota and Ronkainen (1997) and Albaum and Duerr (2008), exporting gives a company a competitive edge, as it enables it to prove its ability to adapt and survive in a new, uncertain, and complex environment. By entering a foreign market, the company develops its knowledge of the competition and becomes more sensitive to the different demand structures and cultural dimensions of the destination (Czinkota and Ronkainen (1977)). According to Albaum and Duerr (2008), exporting will enable the company to gain in efficiency and productivity.

SMEs will have to finance this export process. For this purpose, they have various options, such as capital increases, bank loan financing and export financing lines (Benyetho and Dinedine, 2020).

However, given their problem in making use of some of these possibilities (Belletante, 1991 and Belletante and Levratto, 1991), another type of financing is available to SMEs (Msskini and Maa, 2016). This lever is financing with export subsidy programs.

Among the existing levers, financing with export subsidy programs Maskini and Maa (2016, pp.467) define the export subsidy program as "a financial instrument that aims to support, prepare and adapt the company to the requirements of free trade. The measures included in such a program are intended to remove certain constraints that alter the business climate, to encourage companies to become competitive in terms of costs, quality, innovation and, finally, to strengthen their sales capacity on international markets". The effectiveness of this export program remains a controversial topic in the literature (Dominguez, 2017). Indeed, authors such as Gentçtürk and Kotable (2001), Lederman et al. (2006), Leonidou et al. (2011), show in their studies that export programs contribute to company development at different levels. These include levels of financial performance, attractiveness, and competitive development. However, other studies contradict the former. Stöttinger and Holzmüller (2001) found a limited and negative impact in their research, while Wilkinson and Brothers (2000) demonstrated that some programs can be useless.

Our article is original because, there are few rigorous studies on the impact of these aids on the financial and economic performance of SMEs. To our knowledge, few studies have examined the impact of export programs on economic and financial performance at the same time, and none have used the GMM. What's more, we have analyzed the 2 performances separately and not across the board, as Wilkinson and Brouthers (2000) and Alvarez (2004) have done.

This article attempts to answer the question: "Does the support offered to SMEs for their international development have an impact on the performance of the companies that use it? We attempt to answer this question with a particular focus on the Walloon Export and Foreign Investment Agency (AWEX⁴) grants as it is one of the most widely used export subsidy programs in the Walloon region.

The next section of this article (Section 2) discusses our research methodology, while Section 3 presents our results. Finally, Section 4 discusses these results and concludes.

2. Methodology

2.1. Performance measurement

The first methodological step in this article is to define the notion of performance. Based on the idea that a company's financial performance has an impact on its longevity, the main studies of the 1980s found that high-performing companies (i.e. those operating in their market for more than ten years) appear to record higher levels of financial performance (Bouquin, 1986; Bescos et al., 1993; Bourguignon, 1995; Lebas, 1995; Bessire, 1999; Cheriet et al., 2007; Douhour and Berland, 2007). However, since the early 1990s, researchers have moved away from the monolithic vision of performance and begun to analyze non-financial performance indicators (Cauvin and Bescos, 2004). Research then moved towards a more strategic vision of corporate performance, focused on value creation or economic performance (Dixon et al., 1990, Crozet et al., 2011). So, we'll be working with two types of performance. Firstly, financial performance (ROE), which is obtained by dividing the company's net income by shareholders' equity. Secondly, economic performance, which represents average value added per worker. It seems, then, that these two measures of corporate performance are used to assess the health of the company (de Wet & du Toit, 2006).

⁴ A public interest organization (OIP), its main objective is to help Walloon companies wishing to expand internationally, by providing a wide range of solutions in terms of human support, setting up a program of actions abroad and purely financial aid.

2.2. Econometric specification

To examine the impact of export subsidies on firm financial and economic performance, we use a double specification aggregated at the firm level. Specifically, we estimate the following performance equations:

$$\ln ROE_{j,t} = \beta_0 + \beta_1(\ln ROE_{j,t-1}) + \beta_2 AIDE_EXP_{j,t} + \beta_3 X_{j,t} + \gamma_t + \vartheta_{j,t} \quad (1)$$

$$\ln VA_{j,t} = \beta_0 + \beta_1(\ln VA_{j,t-1}) + \beta_2 AIDE_EXP_{j,t} + \beta_3 X_{j,t} + \gamma_t + \vartheta_{j,t} \quad (2)$$

In these equations, $ROE_{j,t}$ represents the financial performance of firm j at time t , measured by return on equity (Equation 1) and $VA_{j,t}$ is the economic performance of firm j at time t , measured by average value added per worker (Equation 2); $AIDE_EXP_{j,t}$ is a binary variable representing whether firm j uses export aid at time t ; $X_{j,t}$ is a vector representing the aggregate characteristics of firm j at time t : the amount of debt due in more than one year, operating profit, solvency ratio, amount of working capital, working capital requirement, net cash, level of gross margin on sales, and number of workers; γ_t is a set of 9 annual binaries; and $\vartheta_{j,t}$ is the error term⁵.

These equations therefore investigate the relationship between the use of AWEX export assistance by Walloon companies wishing to export and both their economic and financial performance, controlling for the time effect and average company characteristics. The inclusion of the lagged dependent variable among the regressors considers the potential state of dependence of firm performance and aims to improve the parameters of interest in our chosen specifications.

2.2.1. Estimation techniques

These two equations were estimated using different methods: the ordinary least squares (OLS) method and the generalized method of moments (GMM) developed by Arellano and Bover (1995) and Blundell and Bond (1998). The OLS estimator with standard errors robust to heteroskedasticity and serial correlation is based on cross-sectional variability between companies and longitudinal variability within companies over time.

However, this OLS estimator suffers from a potential heterogeneity bias, as firm performance may be linked to time-invariant firm-specific characteristics that are not measured in micro-level surveys (e.g., advantageous location, firm-specific assets such as patent ownership, or other firm idiosyncrasies).

One way of eliminating unobserved company characteristics that remain unchanged during the observation period is to estimate a fixed-effects (FE) model. However, neither OLS nor the FE estimator consider the potential endogeneity of our explanatory variables (for a review of OLS and FE biases, see for example Van Beveren, 2012). To control for this endogeneity problem, in addition to the dependent state of firm performance and the presence of firm fixed effects, and rather than including only the relevant variable lagged by one period as Diaw et al. (2014) did, we estimate equations (1) and (2) with the dynamic GMM system (GMM-SYS). This estimator consists of simultaneously estimating a system of two equations (in level and first differences respectively) and referring to internal instruments to control endogeneity.

This implies that our covariates are instrumented by their lagged levels in the difference equation and by their lagged differences in the level equation. Indeed, the implicit assumption is that differences in performance over a period, while correlated with contemporaneous differences in covariates, are not

⁵ The set of control variables corresponds to the elements taken into consideration by credit organizations to assess a company's probability of accessing financing.

correlated with their lagged levels. Furthermore, differences in covariates are assumed to be reasonably correlated with their past levels.

2.2.2. Data

Our empirical analysis is based on panel data on Walloon SMEs, to create this panel, we extracted from the AWEX website a list of companies listed as having already received assistance. As we had no certainty, we contacted each company individually, to obtain confirmation of the amount of aid received and the year in which it was received. Our data relates to aid provided between 2010 and 2020. We created 2 groups of companies: those that had used export aid, and those that had never used aid (control sample). Finally, a set of financial data from Bureau Van Dijk's Belfirst database was compiled for both types of company. Our final sample is therefore made up of 1,040 Walloon SMEs, 450 of which used AWEX assistance over the period 2011-2020.

Descriptive statistics for these companies are given in Table 1, and show that, on average, these companies have a net value added of 13,725 k€, an ROE of 74.46% (which implies that, on average, the companies in our sample generate a profit of 74.46 € for an amount of equity capital of 100 €), average sales of 172.4 k€, and employ an average of 44 workers. Finally, 43.27% of companies called on AWEX over the period studied. By subdividing the sample according to whether they used export subsidies, the descriptive statistics show that companies using export subsidies are smaller overall, less successful economically and financially, and have much lower sales. They do, however, have less short-term debt and a higher solvency ratio.

Table 1. Descriptive statistics for selected variables, 2011-2020

Variables	Mean	Standard.dev	Mean	Standard.dev	Mean	Standard.dev
	Overall sample		Not using export aids		Using export aids	
Average value added per worker (k€)	13 725	37 684	22 575	50 032	3768.08	4115.44
Average value added per worker (ln)	7.96	1.86	8.22	2.28	7.68	1.17
Return on equity (ROE)	74.46	207.03	135.24	276.19	14.40	51.75
Return on equity (ROE, ln)	2.97	1.78	3.33	2.17	2.62	1.18
Sales (k€)	172 495	236 998	273 697	257 548	16 661.17	22 625.42
Current portion of amounts payable after more than one year (k€)	2324.17	15 211.69	4222.73	20 823.52	226.71	295.36
Operating profit/loss (k€)	3905.05	12 518.89	6686.14	16 666.06	783.70	1657.12
Solvency ratio ((equity/total liabilities)*100)	35.09	27.79	25.96	27.25	45.35	24.68
Net working capital (k€)	5020.86	54 452.21	6570.60	74 588.10	3281.50	7017.95
Working capital requirement (k€)	6565.03	52 572.21	10 708.25	72 016.92	1914.87	3107.84
Net cash position (k€)	-1549.32	22 330.03	-4163.85	30 073.90	1366.66	5561.86
Gross margin on sales (%)	10.11	15.44	9.67	18.16	10.78	9.97
Number of employees	43.97	44.26	51.39	53.11	36.07	30.40
Number of firm-year observations	1040		590		450	

Source: Authors.

3. Results

We first estimate equations (1) and (2) using ordinary least squares (OLS) with standard errors robust to heteroskedasticity and serial correlation. The results, presented in the second column of Table 2, show firstly that a higher ROE last year has a significant and positive influence on current ROE. Secondly, having recourse to export subsidies does not appear to exert a positive or negative influence on the company's financial performance, the corresponding coefficient being positive but not significant. Next, the results relating to economic performance (third column) show that past performance will have a significant and positive effect on present performance. However, once again, the use of export subsidies does not significantly influence a company's economic performance.

Table 2. Impact of AWEX export subsidies on financial and economic performance (OLS)

Dependent variable:	ROE	AV
Lagged dependent variable (in ln)	0.386*** (0.106)	0.698*** (0.065)
Export assistance (binary)	0.209 (0.469)	0.035 (0.089)
Control variables ^a	YES	YES
Annual binaries (9)	YES	YES
Sig. model (p-value)	0.000	0.000
R ² adjusted	74.00	97.11
Number of observations-firm year	105	105

Source: Authors.

Note: Standard deviations are reported in brackets.***, **, *: significant at 1%, 5% and 10%, respectively.
^aIncluded in the control variables: amount of debt due in more than one year, operating profit, solvency ratio, amount of working capital, working capital requirement, net cash position, level of gross margin on sales, and number of employees.

However, these estimates suffer from the fact that unobserved, time-invariant firm characteristics are not controlled and may influence the estimated relationships. They may also be inconsistent due to the endogeneity of certain variables. To control for these potential biases, we therefore re-estimate equations (1) and (2) using the dynamic GMM-SYS estimator.

We first examine the consistency of our estimates by applying the tests of Hansen (1982) and Arellano-Bond (1991). Our results show that we do not reject the null hypothesis of valid instruments and absence of second-order autocorrelation, at 5% and 1%.

Our results, presented in Table 3, show firstly that current performance is positively and significantly related to past performance, both economic and financial. Secondly, about our variable of interest, the results show that the use of export subsidies now exerts a significant and positive influence on our dependent variables. More specifically, the second column of Table 3 shows that benefiting from AWEX expertise in the export process can improve financial performance by 195%. Concerning economic performance, the third column of Table 3 shows that calling on export aid can improve economic performance by 42%.

Table 3. Impact of AWEX export subsidies on financial and economic performance (GMM-SYS)

Dependent variable:	ROE ^b	AV ^c
Lagged dependent variable (in ln)	0.466*** (0.141)	0.503*** (0.131)
Export assistance (binary)	1.951*** (0.67)	0.420** (0.206)
Control variables ^a	YES	YES
Annual binaries (9)	YES	YES
Sig. model (p-value)	0.000	0.000
Hansen Statistics	11.86	12.41
p-value	0.60	0.99
Arrelano-Bond statistics (AR2)	-1.88	0.37
p-value	0.06	0.71
Number of observations-firm year	105	105

Source: Authors.

Note: Standard deviations are reported in brackets.***, **, *: significant at 1%, 5% and 10%, respectively. a Included in the control variables: amount of debt due in more than one year, operating profit, solvency ratio, amount of working capital, working capital requirement, net cash, level of gross margin on sales, and number of workers. b First lags of explained variables are used as instruments in the GMM-SYS specification, excluding annual binaries. c First and fifth lags of explained variables are used as instruments in the GMM-SYS specification, excluding annual binaries.

What about the size effect?

Analyzing the impact of external export aid such as that proposed by AWEX on a company's performance could differ according to the size of the organization, the smallest structures being those most in need of export aid and therefore, for whom we can expect a beneficial effect of export aid to be all the greater. To analyse this impact on economic and financial performance in more detail, we propose to subdivide our sample in two according to company size, isolating VSEs (i.e., very small enterprises), i.e., companies with fewer than 10 employees.

Focusing on the GMM-SYS estimator, the most advanced estimator, we find that the positive impact of export subsidies on economic performance is greater the more the company belongs to the VSE subgroup. However, the opposite is true for financial performance, where the impact of these aids remains significant and positive, but lower than in our overall sample. This could be explained by the fact that larger companies are more efficient and financially more mature before the export process begins (Bellone et al., 2010), and could therefore more easily leverage the financial impact of export assistance.

Table 4. Impact of AWEX export subsidies on financial and economic performance, by company size (GMM-SYS)

Dependent variable :	Very small companies	
	ROE ^b	AV ^c
Lagged dependent variable (in ln)	-0.074 (0.188)	0.508 (0.420)
Export assistance (binary)	0.606** (0.182)	0.762* (0.424)
Control variables ^a	YES	YES
Annual binaries (9)	YES	YES
Sig. model (p-value)	0.000	0.000
Hansen Statistics	0.00	0.51
p-value	1.00	0.99
Arrelano-Bond statistics (AR2)	-0.13	-1.01
p-value	0.89	0.31
Number of observations-firm year	13	90

Source: Authors.

Note: Standard deviations are reported in brackets.***, **, *: significant at 1%, 5% and 10%, respectively. aIncluded in the control variables: amount of debt due in more than one year, operating profit, solvency ratio, amount of working capital, working capital requirement, net cash, level of gross margin on sales, and number of workers. b First and third lags of explained variables are used as instruments in the GMM-SYS specification, excluding annual binaries. c Fifth lags of explained variables are used as instruments in the GMM-SYS specification, excluding annual binaries.

4. Discussion and conclusions

The globalized world in which we live is not sparing SMEs. These companies are going to have to adopt new behaviors and strategies to be able to continue their operations, but above all to grow. Internationalisation is a strategy for SMEs, and in Belgium, and particularly in the Walloon Region, SMEs are an essential part of the economic fabric. By 2020, Walloon exports will be worth almost 47.3 billion euros.

The aim of this research was to analyze whether the assistance offered to SMEs in their international development had an influence on the economic and financial performance of the companies that made use of it. We found that this is indeed the case, and that the assistance offered to SMEs has a positive and significant impact on their economic and financial performance.

Using the GMM-SYS estimator, we found that a company could expect its economic performance to improve by 42%, and its financial performance by 195%, when it used export aid. By refining our analysis to the size criterion, we were able to observe a strengthening of this effect for economic performance alone. Indeed, the improvement in the economic performance of very small companies can reach 76.2%, while the effect on financial performance remains positive, but less so than for our overall sample. Alvarez (2004), in his study of the impact of export promotion instruments, pointed out that

these could have an impact on company performance. This finding reinforces the results found by other authors such as Wilkinson & Brouthers (2000).

These findings allow that export aid for internationalisation can be very useful for SMEs in general, and VSEs in particular, in terms of economic performance.

Given the paucity of literature on regional export subsidies, these results can feed into the policy debate and be useful for many stakeholders.

From a political standpoint, exports exert a definite macroeconomic influence. Some authors have argued that SME exports not only improve the balance of trade of a deficit country, but also ensure the country's economic growth (St-Pierre, 2003). What's more, they enable companies to trade larger volumes of products, encouraging them to hire more and thus support regional employment, ultimately helping to maintain living standards (St-Pierre, 2003). These points should not be overlooked, as governments need to support SME exports, as these companies represent an important part of the economic fabric not only of Wallonia, but also of Europe.

From a company's point of view, although exports stimulate growth at various levels (Rahariniaina (2012)), they also enable them to demonstrate their level of competitiveness in the marketplace, and their competitive edge by proving that they are capable of adapting, but above all to survive change ((Czinkota and Ronkainen (1997) and Albaum and Duerr (2008)), this export process also requires them to make changes within their organization ((Czinkota and Ronkainen (1997) and Albaum and Duerr (2008)). We can make a link with external stimuli, which mention government support as an incentive for SMEs to expand into international markets (Brush, 1993; Kaynak et al., 1987; Thibodeau, 1994). It should be added that, in addition to stimulating SMEs to expand and supporting them in their international development, they also have a positive impact on company performance, and therefore intervene in a positive way at different times. It is therefore necessary to give greater prominence to the assistance offered by various bodies (such as AWEX, for example) to companies wishing to expand internationally.

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IRINA ANA DROBOT¹

THE PLAY FRESHWATER: THE CHALLENGING OF READERS' PERCEPTION ABOUT VIRGINIA WOOLF

Abstract

The purpose of the present paper is to analyse the play Freshwater by Virginia Woolf and to compare it to the image we have of both her other work we have been taught about and of herself as a writer. Any play can imply social observation, but also extraversion, of both characters and writer, since the staging needs to express what the characters believe. Some characters can be characterized by the way they behave in society, and by the way they interact with others. Here, in this play, we find a facet of Virginia Woolf which is not remote or isolated from social life and its issues. Just like in some of her other works, e.g. Night and Day, here she deals with the conflict between the individual wishes of young women characters and the societal pressures, in the case of arranged marriages. Woolf may have become famous in highschool and university textbooks for her stream of consciousness and concern with the inner life of characters. A play which she has written can challenge the readers' perception, as a play relies mainly on external action, on the language of gestures, and on the way the characters interact. Yet, even in the novels concerned with inner life and considered as staples for this aspect, such as Mrs Dalloway, we can still reconstitute the external part of the story from the characters' inner confessions.

Keywords: Drama, action, traditional plot.

JEL Codes: Z10, Z11, Z13

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Introduction

We have formed an image of Virginia Woolf in school and at university which, if we keep studying her work further and read further about her life, can be contradicted and even abandoned altogether. Her image as a Modernist (Goldman, 2010; Parsons, 2014) and as a representative of the stream of consciousness technique (Boci, 2018; Humphrey, 1954; James, 1892) becomes for us predominant as we graduate school and university. If we look beyond this image, we are going to be surprised to see how everything we had imagined about her and about her work falls down and appears to change into an illusion. Not all her works are focused completely on the inner world, and not all her stories are told in the apparent manner of focus on thoughts and not on external action.

Woolf has experimented with various techniques throughout her life, and we can see her as both traditional and modern, since we can find examples of both aspects in her work.

She has, indeed, struggled to leave the traditional way of writing and of telling a story behind, to the point where she wanted to create a novel that could be more like a poem. This has been referred to as poetic prose (Kopley, 2021). We could claim that, through her innovatory technique, Woolf has tried to challenge the readers' perception of what we have been taught to see as a novel. Our expectations are

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challenged once we see what we can call her lyrical novel. The chronological way of telling a story is challenged to the maximum level.

It is not only her novels that become completely unexpected, but also her play *Freshwater*. As we look at her work we could claim that our perspectives on Woolf are challenged as well. We may not have expected Woolf to have written novels that are so imaginative and so apparently, present day fantasy-like the way *Orlando* is. The action looks like contemporary fantasy films, since it is about the change of an immortal person from man to woman throughout history. Yet, it does have moments of lyricism, when we feel as if we read poetry, not prose, the way we picture it commonly as telling a story about external events and actions mostly. Even more surprising and contemporary may be the novel *Flush*, a fantasy written from the perspective of Elizabeth Barret Browning's dog. We can be surprised at Woolf's imagination in this novel, as we may have pictured her being concerned only with common everyday aspects like in the staple Modernist novel *Mrs Dalloway* (Simion, 2014) presented in textbooks. *To the Lighthouse* has also formed us with the same image of Woolf, as preoccupied with little action and focus on inner reality, to the point where we feel there is no story at all, due to the slow progress of action. The stories in *Mrs Dalloway* and *To the Lighthouse* feel static, even if, once we as readers look back on the incidents, we realize that, in fact, we can put together an entire story, since externally as well a lot happens (Drobot, 2014). Woolf challenges, thus, even the perception of nothing happening, apparently, in these novels due to the slowing down on time which is due to presenting the reflections of the characters. In the end the readers constantly feel that each and every one of their impressions was wrong, while another impression takes its place. Readers are never left to rest in their questions and dilemmas. Nothing much feels like happening in these two staple novels, while fantasy novels like *Orlando* and *Flush* offer us a completely opposite image of Woolf, namely with an imaginative, rich in action side, which, however, does not leave aside moments of lyricism. Moments of lyricism are present even here (Drobot, 2014).

Night and Day looks as if written, up to a point, by someone else, since it is so much focused on social reality and on the interaction between four young people who break and form couples. Yet, there are also moments of reflection and lyricism there as well (Drobot, 2014). *The Voyage Out* is also focused on social reality, and interaction among characters, yet the readers' expectations of Rachel falling in love with and marrying Terence are challenged. The novel also contains moments of lyricism to a larger extent than traditional novels. Thus, in this novel, too, after all, which has an apparently strong traditional side, we find a side based on lyricism as we read it. The so-called marriage plot (Froula, 1986) is challenged and the readers' expectations are strongly contradicted when Rachel dies instead of marrying in the end (Hesjedal, 2001; Quigley, 2020). The marriage plot can be connected, by knowledgeable readers, with Jane Austen's novels, with which *The Voyage Out* has been compared. While this is true, to some extent, the novel by Woolf takes, after making us think of a marriage plot, a completely different course (Simpson, 2012). The novel resonates with a tragedy, yet it is not a tragedy coming from love which is not accepted by the family or by society, which again contradicts the readers' established patterns and expectations about the plot of such novels.

For the play *Freshwater*, we can see a similar mechanism used by Woolf of challenging the readers' expectations. We can also see common aspects in the play that have been dealt with in her novels, such as issues concerning marriage, which have been raised in *The Voyage Out*, but which are treated in a comedy-like manner, simply poking fun at the plots of young girls rebelling against their arranged marriages, or against the marriages they have entered and are not happy in. The manner of dealing with unhappiness in marriage in *Freshwater* is simply dealt with by the young woman breaking free from it, while not caring what the others believe and say about it. The issue of freedom from marriage has also been raised in Woolf's novel *Mrs Dalloway*, where Sally and Clarissa, when they are young, dream about not having to marry. Marriage was, before Modernism, the expected way of life for women, in the Victorian times included. With the modern times, this tradition and way of life for women begins to be

questioned, and young women rebel against the very idea of marriage, as well as against the idea of arranged marriages, which we can find in *Night and Day*, where the couples take the matter into their own hands regarding the person they believe that suits them to marry. The element of personal choice regarding marriage can be correlated with the rising dimension of individualism, at the expense of collectivism, when the family was arranging and deciding on the marriage of their children.

The issue of remaining stuck in an unhappy marriage is also raised in Woolf's work, in particular in *Freshwater*, in the couple Ellen – Mr Watts. Mrs Dalloway from the novel with the same title also feels neglected by her husband, and from here she remembers her youth and her fantasies of not ever marrying. It may even sound strange for readers to see Mrs Dalloway as a character in *The Voyage Out*, telling Rachel that she is expected to get married, once readers have known about Mrs Dalloway's past fantasy of never marrying from her discussion with her friend Sally Seaton. Both Clarissa Dalloway and Sally Seaton could be cast in the role of the young girls with rebellious attitudes against the conventions in Victorian novels. Yet, for Rachel, the rebellious attitude is not lighthearted, but tragic in the end. For Ellen, the rebellious attitude remains humorous and lighthearted, as she end up choosing a young man she falls in love with, defying what society expects of her in a completely unrealistic manner, however, which can be tolerated for its lack of realism only in a comedy such as a play like *Freshwater*. *Freshwater* creates a completely different world which looks, at best utopic, and, at worst, absurdist. The comic effect relies on the utopic, absurdist, as well as fantasy aspect.

Freshwater resonates with a fantasy world similar to the ones described by Woolf in *Orlando* and *Flush*, due to the absurdist and strange elements present in the habits of some of the characters. The world in *Freshwater* is extremely removed from reality, since conventions and social expectations are defied in an extremely simple way which is, after all, totally unrealistic, even in early Modernist times, when traditions were starting to become questioned, together with everything which was believed to be static and unchangeable in society and not only, as the domains of science and literature were also involved. We can see Woolf's different approach to literature regarding the way the boundaries among various genres are challenged as an example. What we expect, as readers, to be static and not dynamic, in both novels and theatre plays such as *Freshwater*, is challenged, and we are proved wrong in our assumptions and expectations based on previous experience. The fact that lyrical moments and even poetry fragments are present in *Freshwater* does not make the play seem static and boring. While, in the novels, moments of lyricism slow the action down, they do not cancel the fact that there are incidents occurring in the novel.

Woolf continues to surprise us with works which are not present for study in the mainstream curricula, such as the play called *Freshwater*. We may have not expected to find out she has written a play. Additionally, we expect a play to be very dynamic and focus on action and interaction among characters. We may find that the dimension of extraversion and of a communicative and lively author can be associated with someone writing a play. We may believe that Woolf is not suitable for this role, of writing a play. Yet, she will continue to surprise us all along, to the point where our perceptions of her as a writer will be challenged again, as well as those of the way a play can be written and the way it can look like. The play *Freshwater* is a mixture of genres, including prose, poetry and action, very much like the way all of Woolf's novels are written. The characters seem to be caught up and isolated in their own world, taking their art and their own interests seriously. While we could associate poetry, visual arts and unhappiness in marriage with a serious outlook on such life issues, Woolf manages to combine seriousness with fun. Various jokes and funny situations, as well as not taking such situations seriously, but with humour instead, show us a happy side of Woolf. We may have seen her as taking life too seriously due to the image we have of her ending her life in the river Ouse. However, in her youth, she was a happy and entertaining girl with a good sense of humour to organise evenings for the fun of her family and friends with her sister Vanessa. What is even more surprising about *Freshwater* is that, if we read, at least, the version published by Mariner Books in 1985, which is the one that the analysis in the

present paper relies on, we realize that Woolf has written two variants of the same play, each of them entertaining. The first version (1935) is based on short dialogues and statements, while the second variant (1923) is based on longer prose genre, including inner thoughts of the characters under the form of monologues, reminding of the main form of characters' means of self-expression in Woolf's novels.

Materials and methods

The play *Freshwater* can be seen as having its starting point an absurdist perspective starting from the reality and persons around Woolf. Thus, the play is set in the place of the Isle of Wight, which was "the holiday residence of Woolf's great-aunt, Julia Margaret Cameron," and all the other characters were based on real-life versions, e.g. Alfred Lord Tennyson, the painter George Frederic Watts and his wife, actress Ellen Terry, who were part of a change in times and traditions "between stuffy Victorianism and an encroaching Bohemian world" (Palmer, 2023). The Bloomsbury group is the reference made by the group of characters in the play *Freshwater* (Palmer, 2023). We can, thus, see how Woolf has started from the reality around her, based on what she knew, to create the play *Freshwater*. She relies on previous knowledge and observation of the reality around her to create her fictional world, much like the same as readers to when they try to understand the fictional world created by any writer. First of all, they try to relate it to the real world they see around them, in their own times, or based on what they know of the past times that are referred to by the writer.

The main idea, however, is that Woolf referred to a group of artists in *Freshwater*, and to the way they could live in a world that was changing, from a traditional way of life towards a Modern way of life, defying conventions. Stereotypically, we as readers can witness the perception of modern adepts as rebels, if we consider various characters rebelling against conventions, and who seem to have a very natural attitude and a fresh way of viewing reality, which contradicts the set ways of the previous mindset, of the older generations.

The absurdist perspective of the play can be regarded as the source of humour, to the point where serious issues are treated in a lighthearted manner. The combination of serious issues and humour could be seen as contradictory and incompatible, yet Woolf manages to challenge the boundaries between these two poles of life experience. By imagining that we are watching this play, since the play is visual in spite of the apparent static aspect that could be the result of the presence of poetic reflections and thoughts in prose, the humour does not deny the serious part of certain life situations, but simply teaches us to take a more detached perspective. We may have become, without realizing it, caught up in a certain manner of viewing life. Traditions and conventions may lead to this. By challenging them, we may get a different outlook on the respective situations and start reflecting on them from fresh perspectives. We can grow more detached from the usual solutions or lack of solutions and have some fun or ignore them and move on with our lives. Social pressure from a traditional, conventional mindset can limit our sense of personal freedom.

We can see how Ellen Watts breaks free from her unhappy marriage and from social pressure and decides to leave, following a bold decision, with the young man she falls in love with. Ellen looks very natural and honest. Other characters may be surprised about her decision, yet this does not stop her. Ellen reminds us of the rebellious heroines in Victorian fiction. As an example, Jane Austen has many young girls and young men behaving in a way to defy conventions, through the way they think and behave. They contrast with the rigid norms of Victorian society.

Ellen, in the second version of *Freshwater*, describes the routine she notices in the house where she lives, which contrasts with her expectations of living together with an artist:

O how usual it all is. Nothing ever changes in this house. Somebody's always asleep. Lord Tennyson is always reading *Maud*. The cook is always being photographed. The Camerons are always starting for India. I'm always sitting to Signor. I'm Modesty today - Modesty crouching at the feet of Mammon. (Woolf, 1985, p. 69)

Ellen shows us how even the most strange habits can become commonplace once we are living the same routine every day, again and again. For readers, this reality can seem special and out of the ordinary, yet, for a character such as Ellen, it has become part of everyday life routine.

We can recall Shklovsky's theory of defamiliarization (Pangborn, 2010), claiming that the purpose of art is to present reality from a fresh, unexpected perspective at all times. Otherwise, we can fall into routine as we get used to the same approach of representing reality, which, in the case of Ellen, has already happened. Ellen is waiting for something else to take the place of the newly established routine. For the readers, the world in which Ellen lives may seem strange enough since it is only that they have stepped into an unfamiliar world created by the setting of this play.

The readers may disagree with Ellen, since they have a different perspective, We could speak here of the way reader-response criticism can imply that the readers will always have their own way of making up the meaning of the text (Fowler, 2008).

Readers, just like characters in a fictional work, react to the fictional world described and to the way various characters act. They are never without reaction, and, from this point of view, we could claim that a dialogue is established between the text and the readers (Probst, 1988). This sense of dialogue is in line with the way Modernist literature relies on an active reader (Hollis, 2009) with whom the author of the text can engage with. Modernist literary works prompt readers to ask themselves further questions and to consider various problematic issues. Modernist authors such as Woolf do not have, as a purpose, only to create surprising fictional works, characters and plots in order to entertain their readers.

Lack of communication (Singh, 2005), resulting in the characters' feeling isolated in their own world and not understood by the others are serious issues, leading to tragedy in the case of Septimus, a soldier suffering from shell shock killing himself in *Mrs Dalloway*. Yet, in the play *Freshwater*, these issues are a source of humour. The poet Tennyson always recites from *Maud*, the artists Mrs C and Mr Watts taking their art seriously contrast with their common everyday preoccupations and routines. Mrs C photographs her maid in very artistic postures which are related to high art, while, behind the scenes, comically common life episodes occur. Ellen is unhappy regarding her personal life, but both Mr Watts and Mrs C want to use her in their art, painting and photography, respectively, as if she were special. In the meantime, she does not feel she is special, and she does not feel comfortable with the life she leads. When it is announced that Ellen has disappeared and maybe died, the artists are concerned with the consequences of this on their own art. They remain focused on their own preoccupations.

In fact, the death of Ellen is only a figure of speech, referring to the illusions of Watts about his image of her that has been broken and contradicted, to the point that he feels he has been deceived by his own, personal impressions and perceptions of Ellen.

Strange habits, such as those of Mr and Mrs C, which involve having his hair washed when talking about going for a trip to India and their plans to take their coffins with them on the trip to India represent a source of humour. In real life, we can frequently encounter laughable habits and routines of various people.

The play appears to fall into the fantasy realm, reminding knowledgeable readers of Woolf's novel *Orlando*, in the moments when Mrs C dresses Ellen as a man in order to photograph her. From this point

of view, we could talk about intertextual references (Ott & Walter, 2000), which Woolf sets up with respect not to any other texts, but with her own texts.

Intertextuality can be a source of humour (Norrick, 1989). We can see this idea at work when, in the play *Freshwater*, Victorian conventions are challenged.

The play takes place in a community of artists, which makes us expect a free from judgement and creative atmosphere. However, we realize how there are both imaginative moments, moments of poking fun at reality, moments of creativity and of breaking free from conventions, as well as falling into routine. The high ideals of art lead to forming unrealistic expectations. Watts sees Ellen as a muse, as a pure girl, yet she dreams about adventurous love and escapes from her marriage to the painter. She finds her life with him boring, as she needs to pose for his paintings for hours in the same position. Mrs C also treats her art seriously, yet she also has her strange habits in her life together with Mr C, her husband. Using the maid for her art may seem contradictory, since a maid is at the lower end of the social hierarchy, yet this is what art is all about, namely challenging our expectations.

The artists are both valuable, and, to some extent, they end up having their moments of leading common lives, at some point even being caught up in daily routines. From this point of view, the play is realistic, since it presents both sides of an artist's life. The way the public sees artists and their works, such as those exposed in museums and galleries, is unrealistic. The public imagines the models for the works are perfect and lead happy lives when, in fact, the process of creating art is lots of hard work and may include lots of conflicts in personal life.

The break with conventions for Woolf as a writer and her reach towards experimenting with the literary genres can be seen as starting with her intention to challenge men as writers, as well as their social roles and lives, as well as their privileged position. This challenge is in line with the tendencies of the age, when women had started supporting the women's suffrage movement. Women had restricted access and rights to public education, and Woolf experienced this in her life. She and her sister Vanessa were educated at home. Only their brothers received public education.

The men are challenged by Woolf regarding the way previous literature that is part of the mainstream trend has been written by them. From her perspective, men are considered synonymous with conventions. They are seen as the ones making up all the rules according to which women write and live their lives (Adolph, 2001).

Freshwater has been read in this context as having as a main topic "the discontent of women and the disruption of gender," during the time of "a Victorian world envisioned in 1923-35" (Swenson, 2017). Ellen Terry is interpreted by Swenson (2017) as a symbol of "generational change and the desire for artistic freedom." Ellen literally breaks free from her marriage to the older artist Mr Watts and decides to leave him for a young man she has fallen in love with. We can see in this play this breaking free of Ellen as implying a strong suspension of disbelief. Her behaviour is taken to criticism for a very short while. Then the photographer Mrs C only cares about finding a model for her art which had been Ellen. Then, if she was dead, she would have no more model. Mr Watts directly states that his muse is gone, and with it his image of Ellen as pure. He directly expresses his disappointment with her real self vs her imagined self by him. We could see here a reference to the way men cast in real life women to behave in a certain way and create an image of women that should be the ideal for them to follow. This is in line with the way Woolf believed that men create society's rules and conventions. She attributes to men the way women are supposed to act, a belief which Woolf illustrates in *Freshwater* by means of the way Mr Watts puts Ellen to wear a veil to represent innocence and purity, while he also puts her in a submissive position where she is at his will while modelling for him for long hours.

The fantasy world we see in *Freshwater*, like in *Orlando* and *Flush*, is correlated with an utopic world where women break free from conventions and from the roles they are expected to play.

Orlando plays two roles, first man, then woman, throughout centuries. Elizabeth Barrett in the novel *Flush*, which is written from her dog's perspective, breaks free from the authority of her father and of the rules he draws up for her. For Elizabeth Barrett, conventions had negative effects on her health, while breaking free got her healthy and happy, while leaving her home with Robert Browning, a poet she fell in love with. Similarly, Ellen is portrayed as having happier thoughts after breaking free from her marriage. The suspension of disbelief comes from the fact that the world where women can do as they please is utopic, at least for Woolf's times, when they depended on the family and husbands, and their wealth was administered by them. Women had not much opportunities for public education and for having a proper job in public institutions. The question that would come to mind would be: what would these women live off? Woolf crates a fairy-tale world free from the requirements of everyday life, completely leaving out any rules and conventions. The community of artists in *Freshwater* is also utopic, since they all seem so far-removed from the laws of everyday life. They only do as they please. Mrs C and Mr Watts seem so much absorbed by their art, that they consider Ellen their right to cast her as a model in the roles they want. They see their art everywhere. Mrs C even sees her maids suitable for being introduced into her art. Tennyson, the poet, walks about reciting lines and stanzas from his works. Art and the everyday life have their boundaries challenged, to the point where they become very thin.

The challenging of boundaries is not remote from reality and from the way our mind actually works as readers and as human beings. We may be surprised as to how much fiction is part of our lives, and as to how we find it natural to start thinking in patterns, based on previously acquired knowledge, through which we try to make sense of the world. For example, we hold illusions psychologically regarding the persons next to us, just like Mr Watts does for Ellen in the play *Freshwater*. We can also have set expectations regarding the genre to which a theatre play belongs, which is based on drama and lots of external action. Woolf upturns these expectations related to genre. She uses mixture of genres in all her works, starting from novels, going on with short stories, and ending up with her only play, *Freshwater*, where she combines apparently incompatible genres such as novels and poetry, on the one hand, and drama with poetry, on the other hand. Poetry, if introduced in novels and theatre plays, is expected to slow the action down, since readers want and expect to hear an interesting story based on external incidents and action, a story which is entertaining and where lots of incidents can happen. We expect lots of interaction on the part of the characters in both novels and theatre plays. Suspense is an expected element in both novels and theatre plays. The novels, apparently, elude the idea of suspense, yet, if readers think back, while they play an active role putting the story together, they may notice certain more tensed episodes.

The same could be said about *Freshwater*, where, at first sight, the poetic reflections should slow the play down. While we read a play, we are not dependent on a person directing the play, so we can imagine it as readers the way we can and want, as well as the way our psychological mindset has been formed. We cannot help being influenced by previous knowledge regarding the way a play should be like. We also always add in a personal, subjective element, regarding the way we actually experience a play, as compared to the way a director and some actors can hold up their vision of the play and of the characters. Still, *Freshwater* is a very dynamic and entertaining play in spite of the time it gives to lyrical reflections and to moments of introspection.

Woolf never ceases to surprise us, in the case of the play *Freshwater*, with respect to the boundaries of drama, action, and, in her novels, with respect to the traditional plot, the latter of which is considered to be placed in chronological order.

Results

We could summarize the following results after the analysis of the play *Freshwater* which was done in the present paper:

- The theory of defamiliarization can account for the approach of the suspension of disbelief and of the challenge towards conventions established until a certain moment, and which are visible in the play *Freshwater*. Everyday life reality can be seen, as depicted in the present play, as unexpected and fresh by the audience, while, for characters such as Ellen, everything can be part of everyday life routine.
- The relationship with conventions is also seen through the lens of intertextuality, where dealing with conventions can take up a humorous, comedy-like aspect.
- We can see how Woolf challenges all of readers' set notions about plays, in the case of *Freshwater*, through the mixture of genres present in the play. While the play includes poetic moments, it also a very visual and dynamic play.
- Looking at the way the readers react to a certain text such as this one, of the play *Freshwater*, can make us aware of the dialogue that can be established between readers, or communities of readers, and authors of a certain text. These dialogues and relationships that can be established can lead to interpreting the texts in a certain way, which can be influenced by the values or mindset of these readers or reading communities. The interaction with a text can follow the rules of the interaction with a real person, since we always form an image that may be more or less true to reality about our interlocutor.
- Challenging conventions can also lead to the readers' questioning certain rules and conventions regarded as the truth up to some point. As an example, the fact that a play should be dynamic and focused on external reality can be the norm for plays can be questioned by bring in Woolf's play *Freshwater* to contradict this assumption. In spite of the poetry introduced into this play, the play can still be visualized and enjoyed by an audience passionate about external incidents in a work of fiction.

The main results listed above show how defiance of conventions can be related to the way in which readers respond to a certain suggested type of reading approach, or towards the author's challenging of previously established conventions.

Discussion

One Virginia Woolf Annual Conference held in Glasgow, in 2012, was based on the theme *Contradictory Woolf*. The author of the present paper can speak from experience, as she has attended this conference, on the variety of topics that have been tackled. Indeed, we could view Woolf as contradictory, as belonging to both tradition and experimentalism. She surprises us and challenges our expectations with each and every genre she takes on, including the one of drama, present mainly in *Freshwater*. All her novels, short stories, essays, and her only play, *Freshwater*, deal with a surprising mixture of genres, where our knowledge and perception of the respective genre are challenged. Her novels mix poetry, prose, and even drama, the latter being visible in *Between the Acts*. The play *Freshwater* is, itself, a mixture of narrative, poetry and drama. Comedy, tragedy, and aspects of the routine of daily life coexist harmoniously.

Woolf was situated at the changing point of a time period, between Victorianism, a period of conformism and conventions, as well as a time when traditions were followed without being questioned, and the time of Modernism, when the questioning mood and the experimentalist moods set in. *Freshwater* was intended as a satirical play towards the conventions of the Victorian age (Woolf, 2017). Her works follow the same two paths, of Victorianism (Flint, 2010) and Modernism. This tendency of being torn

between the need to change and the struggle to let go of conventions is very much visible in her play, the comedy *Freshwater*. While all this breaking away from norms and conventions, and going towards a new approach and a new perspective cannot be effortless, the play *Freshwater* inspires us to take any change from a humorous and detached perspective.

Readers can easily sympathize with the characters in the play *Freshwater* and find this play relevant at times when society is struggling with change. Nowadays, we feel that we are always struggling with constant change. One constant change is the difference between generations, when younger and old generations begin to have different values, different expectations from life and different mindsets, as well as different lifestyles.

Conclusions

The present paper has shown how Virginia Woolf can challenge established traditions and conventions through her use of a mixture of genres, as well as through her use of readers' expectations. Readers always have a set model in mind for the way certain genres should look like. Woolf shows us how the boundaries between genres can be challenged. At the same time, Woolf shows us readers how we can question beliefs and practices which could have been regarded as well-established and as the norm. What we call conventions can always be subject to questioning, yet the readers' expectations should also be kept fresh at all times in order to surprise them. If we look at Woolf's literary genres experiments, we could claim that such experiments can keep the readers' minds fresh from falling into routines and common practices, since they ensure a certain element of the unexpected.

The readers are also going to engage with the author of the text's intention or with the text itself, to the point where the readers will always show that they have a reaction towards the literary work. Woolf seems to rely on this natural tendency on the part of readers as human beings when she tries to challenge their expectations, freeing their judgements from any previously established image of the way a literary work should look like. Once we see a literary work in a certain way, it may seem refreshing to look at it from a completely different perspective. The play *Freshwater* is not only made up of external action, but also of lyrical moments, just like Woolf's novels are created to work. The poetic element does not necessarily slow the action down, at least in the case of the play, but has the role to make readers sympathize to a larger extent with the characters. Through poetic texts, we can engage, as readers, more at the emotional level with the author of a text. The play *Freshwater* proves to be an exception since it is not only about external incidents as we would expect from a play, but also about various emotional issues. All plays have been about this, yet Woolf raises the issue to the point where she underlines it so that the readers cannot ignore it.

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MEHMET GOKHAN OZDEMIR¹ AND HACI BAYRAM ISIK²

BIBLIOMETRIC ANALYSIS OF PEER-REVIEWED LITERATURE ON “CLIMATE CHANGE” AND “AGRICULTURE”

Abstract

In this paper, it is aimed to investigate "climate change" and "agriculture" literature progress by using R software to see paradigm shift on the field. By doing so, "bibliometrix" package has been used. For this, in the systematic literature scan, an exploration strategy for literature has been developed, written in English on the Web of Science database about "climate change" and "agriculture". This study intends to find key growth trends, highly impacted intellectual structures and conceptualize them within qualitative skimmed results. The most cited core 1642 papers have been selected by applying Bradford's law. 8 most sources have been detected. Most cited authors have been stressed out. Trends on the issues have been highlighted.

Keywords: Climate change, agriculture, bibliometric analysis, network analysis

JEL Codes: Q54, C45, O13

Ozdemir, M. G.& Isik, H. B. (2023). Bibliometric analysis of peer-reviewed literature on “climate change” and “agriculture”. In Conference Proceedings: Full Paper Series of MIRDEC 21th - Barcelona 2023 International Academic Conference on Economics, Business and Contemporary Discussions in Social Science, pp. (66-84). 21-22 November 2023. Barcelona, Spain. <https://www.mirdec.com/barca2023proceedings>.

1. Introduction

There are many publications written on industrialization and human factor, CO₂ emissions, global climate averaging temperature growth and fossil fuels. Almost all these studies have stressed that the climate extremes were caused by humans. Such a shift on weather anomalies would affect social behavioral organizations and bio-diversified ecological systems.

This study's main goals are to close a gap in the area and provide an alternative theoretical framework to the mainstream economic research. To fill the gap in the literature, ecological economics will be used to solve the problem. For topological analysis, the identification of important research subjects, interrelations, and collaboration patterns, established and emergent research clusters were found using rigorous bibliometric approaches. This comprehensive field mapping provides a visual representation of the evolution of publications through time and identifies areas of current research interest as well as promising routes for future study. The conclusions offer a strong road map for additional research in this area.

The primary instrument of science, quantitative analysis, is reversed in bibliometrics. In its simplest form, bibliometrics is the application of quantitative analysis and statistics to work like journal articles and the citation counts that go along with them. Today, practically all scientific domains use quantitative analysis of publication and citation data to assess a community's growth, maturity, top authors, conceptual and intellectual frameworks, and trends.

In addition, policymakers, research directors and administrators, information experts and librarians, as well as academics themselves, employ bibliometrics to evaluate the effectiveness of their own research,

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particularly in government and academic labs. A set of tools for quantitative research in bibliometrics and scientometrics are provided by the Bibliometrix package (Aria Massimo & Cuccurullo, n.d.).

R's '*bibliometrix*' package works with data extracted from the four main bibliographic databases: SCOPUS, Clarivate Analytics Web of Science, Digital Science Dimensions, The Lens, Cochrane Database of Systematic Reviews (CDSR), and RISmed PubMed/MedLine. In this study, Clarivate Analytics³ Web of Science Bibliographic Database were used. Biblioshiny, a web-based interface for bibliometrix, was also used to build a network and a conceptual map of co-citations.

Bibliometric study of a published dataset, building matrices for co-citation, coupling, cooperation, and co-word analysis, and data import and conversion to R format are the three main steps of analysis supported by the Bibliometrix software. Network analysis, multiple correspondence analysis, and other data reduction techniques all use matrices as their input data.

The Clarivate Analytics WoS Field Tag codify is used to name the columns in data frames. Primary field tags include as follows:

Table 1. Data Frame Columns of Clarivate Analytics Web of Science Field Tag

Field Tag	Description
AU	Authors
TI	Document Title
SO	Publication Name (or Source)
JI	ISO Source Abbreviation
DT	Document Type
DE	Authors' Keywords
ID	Keywords associated by SCOPUS or ISI database
AB	Abstract
C1	Author Address
RP	Reprint Address
CR	Cited References
TC	Times Cited
PY	Year
SC	Subject Category
UT	Unique Article Identifier
DB	Bibliographic Database

Source: Authors.

The purpose of this review is to provide overview available research evidence without producing a summary answer to a discrete research question. So, the aim is to distinguish "What information has

³ Clarivate Analytics Web of Science (WoS)³, owned by Clarivate Analytics, was founded by Eugene Garfield, one of the pioneers of bibliometrics. This platform includes many different collections.

been presented on this topic in the literature?" and to gather and assess information prior to conducting a systematic review.

The review addresses the following research questions (RQ) (Punnakitikashem & Hallinger, 2019):

- RQ1: What are the key growth trends in research on climate change and agriculture?
- RQ2: What authors and documents in the literature on climate change and agriculture have had the greatest impact on citations over the past 30 years?
- RQ3: What is the intellectual structure of the knowledge base on climate change and agriculture?
- RQ4: What topics in the climate change and agriculture have been studied with greatest frequency and are currently attracting greatest attention?

Analysis on "Climate Change" and "Agriculture" was revisited by using Web of Science database. 4,958 results from Web of Science Core Collection were obtained in order to use PRISMA statement (Page et al., 2021).

2. Literature review: Bibliometric analysis

The first step is to perform a descriptive analysis of the bibliographic data frame. An object of class "bibliometrix" is a list containing the following components:

Table 2. List of Elements and Descriptions

List element	Description
Articles	the total number of manuscripts
Authors	the authors' frequency distribution
AuthorsFrac	the authors' frequency distribution (fractionalized)
FirstAuthors	corresponding author of each manuscript
nAUpperPaper	the number of authors per manuscript
Appearances	the number of author appearances
nAuthors	the number of authors
AuMultiAuthoredArt	the number of authors of multi-authored articles
MostCitedPapers	the list of manuscripts sorted by citations
Years	publication year of each manuscript
FirstAffiliation	the affiliation of the corresponding author
Affiliations	the frequency distribution of affiliations (of all co-authors for each paper)
Aff_frac	the fractionalized frequency distribution of affiliations (of all co-authors for each paper)
CO	the affiliation country of the corresponding author
Countries	the affiliation countries' frequency distribution
CountryCollaboration	the intra-country (SCP) and inter-country (MCP) collaboration indices
TotalCitation	the number of times each manuscript has been cited
TCperYear	the yearly average number of times each manuscript has been cited
Sources	the frequency distribution of sources (journals, books, etc.)
DE	the frequency distribution of authors' keywords
ID	the frequency distribution of keywords associated to the manuscript by Web of Science databases

Source: Authors.

2.1. Descriptive Analysis

Descriptive analysis is a sort of data analysis that aids in accurately describing, displaying, or summarizing data points so that patterns may appear that satisfy all the data's requirements.

Table 3. Descriptive Analysis for “Climate change” and “Agriculture”

Description	Results
Timespan	1989:2022
Sources (Journals, Books, etc.)	490
Documents	4958
Average years from publication	6.17
Average citations per documents	28.14
Average citations per year per doc	3,359
References	208,179

Source: Authors.

In Table 3, 4958 documents were examined between the years of 1989 and 2022. It was also discovered that 490 sources were used to compile the literature review. There were 6.17 publications on average each year. Documents showed that 28.14 citations were issued. Authors cited 208,179 references in this period.

Referring to Table 4, 394 materials were labeled as either articles or book chapters, whereas 4420 items were categorized as unique articles. Subsequently 2 data paper, 57 early access manuscripts and 85 proceeding papers were classified the rest.

Table 4. Document Types and Contents for “Climate change” and “Agriculture”

Document Types	Numbers of Documents	Document Contents	Numbers of Documents
article	4,420	Keywords Plus (ID)	9,697
article; book chapter	394	Author's Keywords (DE)	13,210
article; data paper	2		
article; early access	57		
article; proceedings paper	85		

Source: Authors.

The words or phrases that commonly appear in the titles of an article's references but do not exist in the title of the article itself make up the data in KeyWords Plus. KeyWords Plus extends the capability of cited reference by searching across disciplines for all the articles that have cited references in common. KeyWords Plus is based on a proprietary algorithm that is specific to Clarivate databases (KeyWords Plus Generation, Creation, and Changes, n.d.). In the Web of Sciences Database, it was founded that, 9,697 publications that made use of the frequency distribution of keywords connected to the above articles. The frequency distribution of authors' keywords was counted as 13,210.

Table 5. Authors and Authors Collaboration

Authors	Number of documents	Authors Collaboration	Number of documents
Authors	17,298	Single-authored documents	383
Author Appearances	23,442	Documents per author	0.285
Authors of single-authored documents	337	authors per document	3.51
authors of multi-authored documents	17,061	Co-authors per document	4.73
Collaboration Index	3.73		

Source: Authors.

The **Collaboration Index** (CI) is calculated as Total Authors of Multi-Authored Articles/Total Multi-Authored Articles. In other words, the Collaboration Index is a Co-authors per Article index calculated only using the multi-authored article set (Elango & Rajendran, 2012; Koseoglu, 2016).

2.2. Filtered data with Bradford's law

Bradford's law describes the relationship between the distribution zones of science articles by journals. According to Bradford (1934) depending on the ratio of scientific articles (P) and journals (J), one can identify three zones, in which the same number of articles is distributed by a different number of journals (Yatsko, 2012).

Table 6. Filtered Descriptive Analysis after Bradford's Law

Description	Results
Timespan	1991:2022
Sources (Journals, Books, etc.)	8
Documents	1642
Average years from publication	6.63
Average citations per documents	39.85
Average citations per year per doc	4.567
References	78,826

Source: Authors.

By filtering data, it was retrieved that 1,642 out of 4,958 documents were in core zone. In the 490 different sources, 8 of them were core sources. In the table 6, the documents were reduced to between the years 1991 and 2022. It was also discovered that only 8 core sources were used to compile the literature review. There were 6.63 publications on average each year. It showed that even in core papers average year of publication was almost the same as unfiltered data (i.e., 6,17). Documents showed that

39.85 citations were issued. Authors cited 78,826 references. 4.567 average citations per year per document were issued.

Table 7. Document Types & Contents: It's Classification as Number of Publication with Bradford's Law Application to the Data

Document Types	Numbers of Documents	Document Contents	Numbers of Documents
article	1,615	Keywords Plus (ID)	4,530
article; proceedings paper	27	Author's Keywords (DE)	5,865

Source: Authors.

Referring to table7, 27 submitted materials were labeled as either article or proceedings paper, whereas 1615 items were categorized as article. In the Web of Sciences Database, it was founded that, 4,530 publications that made use of the frequency distribution of keywords connected to the above articles. The frequency distribution of authors' keywords was counted as 5,865.

Table 8. Authors and Authors Collaboration with Bradford's Law Application to the Data

Authors	Number of documents	Authors Collaboration	Number of documents
Authors	7,171	Single-authored documents	60
Author Appearances	9,225	Documents per author	0.229
Authors of single-authored documents	54	Authors per document	4.37
Authors of multi-authored documents	7,117	Co-authors per document	5.62
Collaboration Index	4.5		

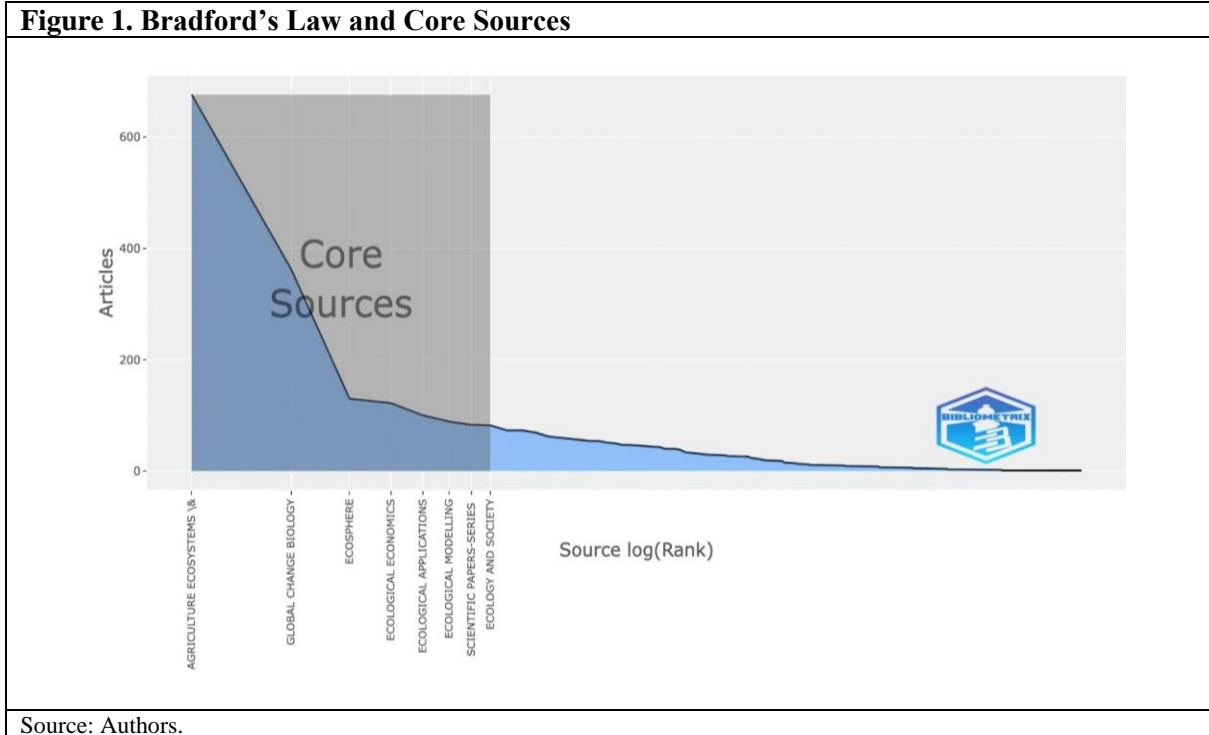
Source: Authors.

We have filtered the number of authors 7,171 out of 17.398.

2.3. Most influential sources after Bradford's law application

Bradford's Law of Scattering is a law of scattering and declining returns. According to Bradford, who developed the law in 1948, "there are a few very productive journals, a greater number of more middling producers, and a yet larger number with steadily falling output" for a particular topic area.

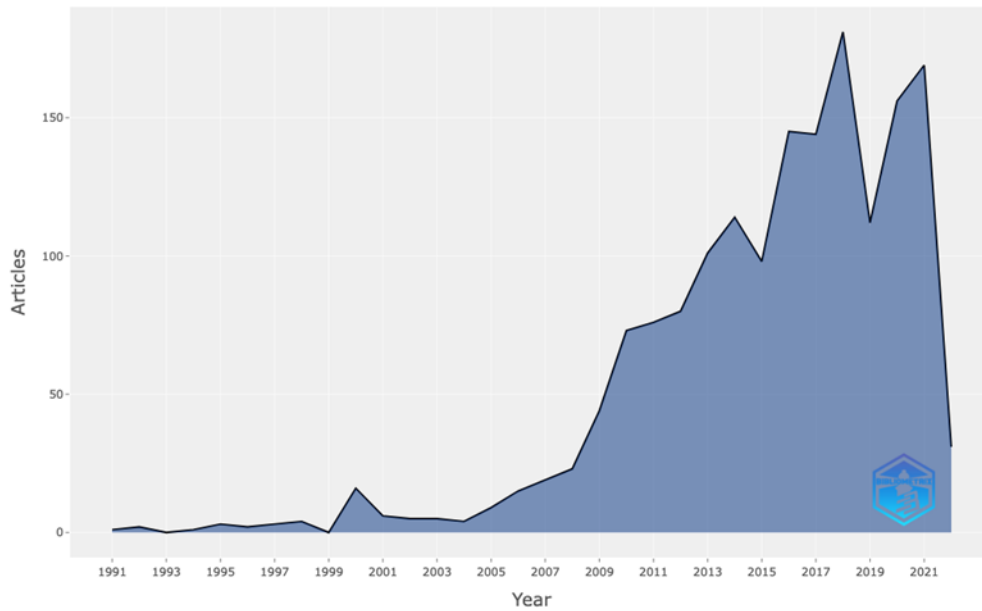
Figure 1. Bradford's Law and Core Sources



Source: Authors.

Figure 1 explains that the most influential sources of intersected research areas were submitted to sources as follows: Agriculture Ecosystems & Environment, Global Change Biology, Ecosphere, Ecological Economics, Ecological Applications, Ecological Modelling, Scientific Papers-Series Management Economic Engineering in Agriculture, Ecology and Society, respectively.

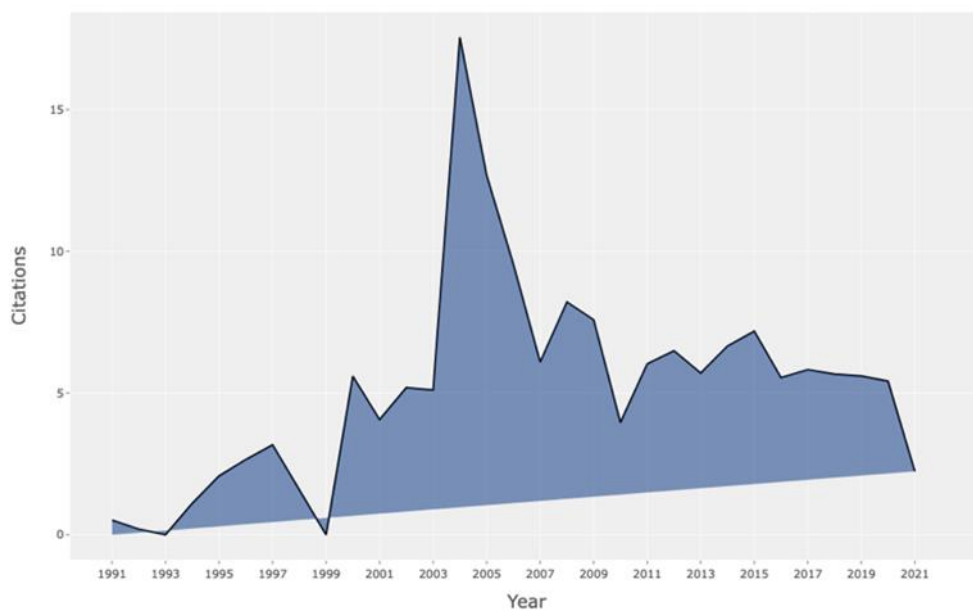
Figure 2. Annual Scientific Production



Source: Authors.

Figure 2 shows annual scientific production. It can be inferred from the figure that scientific production increased exponentially after 2005 to 2020. The year 2020 was the most published year with almost 180 articles per year.

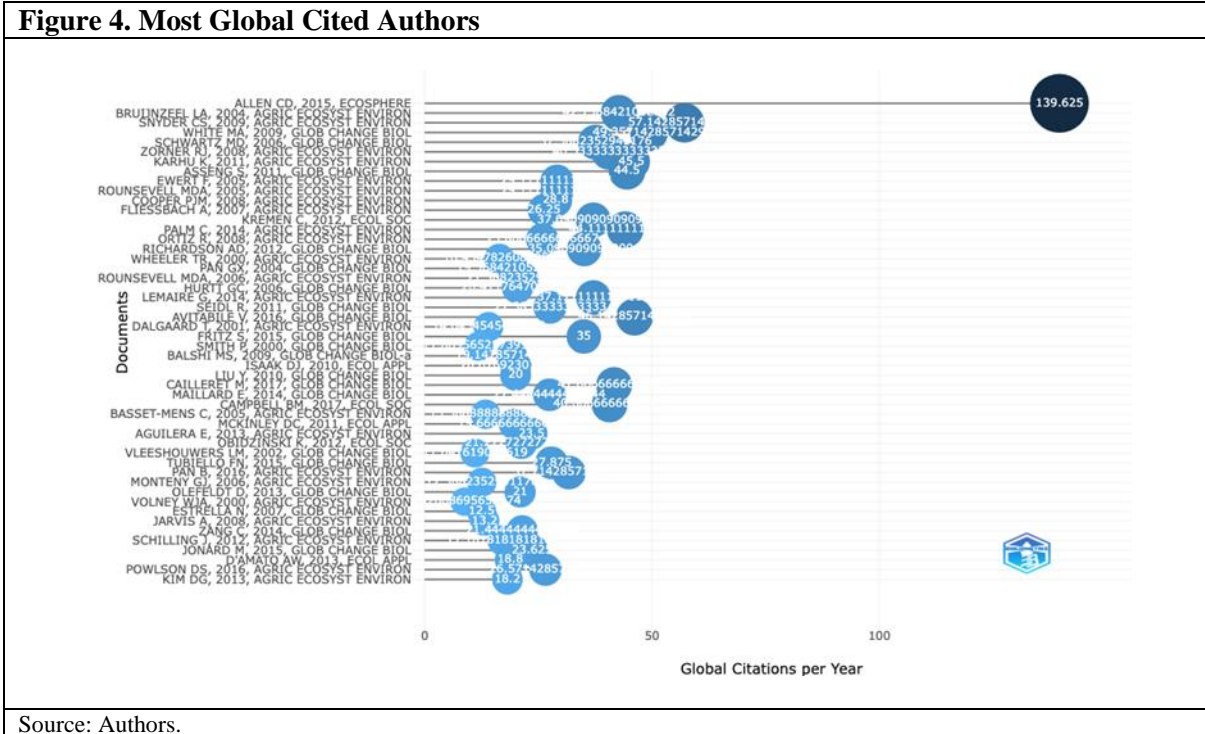
Figure 3. Average Article Citations per Year



Source: Authors.

Analysis from the bibliometrix R package showed that the field of climate change and agriculture had a 12.57% annual growth rate of scientific production from 1991 to 2022 (Figure 3).

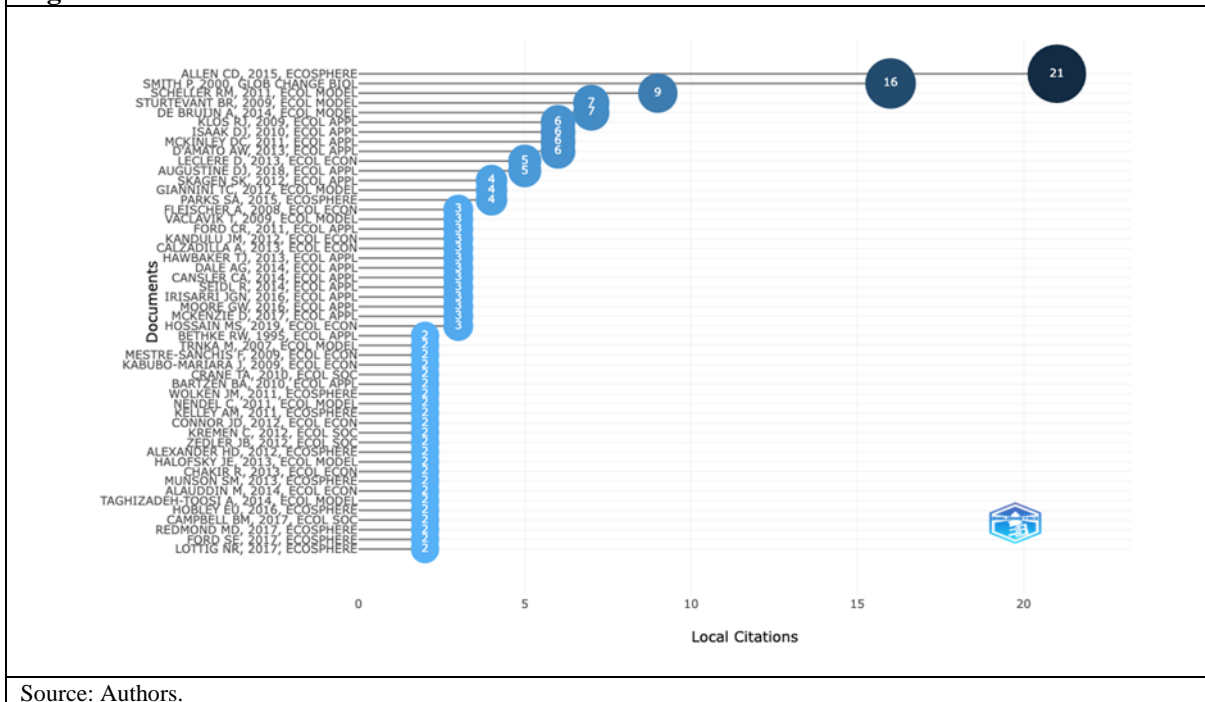
Figure 4. Most Global Cited Authors



Source: Authors.

Analysis of citations can offer a historical view on the development, progression, and fields of research. Global Citations (GC) refers to the total number of references an article in your collection has in documents that are indexed in an **entire** bibliographic WoS database. As a result, GC tracks citations for a chosen article from "all over the world". For many documents, other fields may account for a sizable portion of global citations. Allen's (2015) got cited the highest with 139.625 global citations, followed by Bruijnzeel LA (2004), Snyder CS (2009), White MA (2009) and so on (Figure 4).

Figure 5. The Most Local Citations Per Author



Source: Authors.

The local citations, or citations that a reference (a document contained in at least one of the bibliographies of the articles in your collection) has received from documents in your collection, are what Bibliometrix counts when calculating the Most Cited References. All documents from bibliographies are included in the reference lists because many of the references would not be in your collection otherwise. A reference is referred to be a "Cited document" if it is also included in your collection. Local citations are hence citations that a reference article has got⁴.

In year 2004, average article citations per year peaked with more than 18 citations. The trend of average citations indicated almost 3 citations per year from 1991 to 2021. Most local citations calculate the local citations (LCS) of authors and documents of a bibliographic collection. Allen's (2015) get cited the highest with 21 local citations, followed by Smith P (2000), Scheller (2011), Sturtevant (2009) and so on (Figure 5).

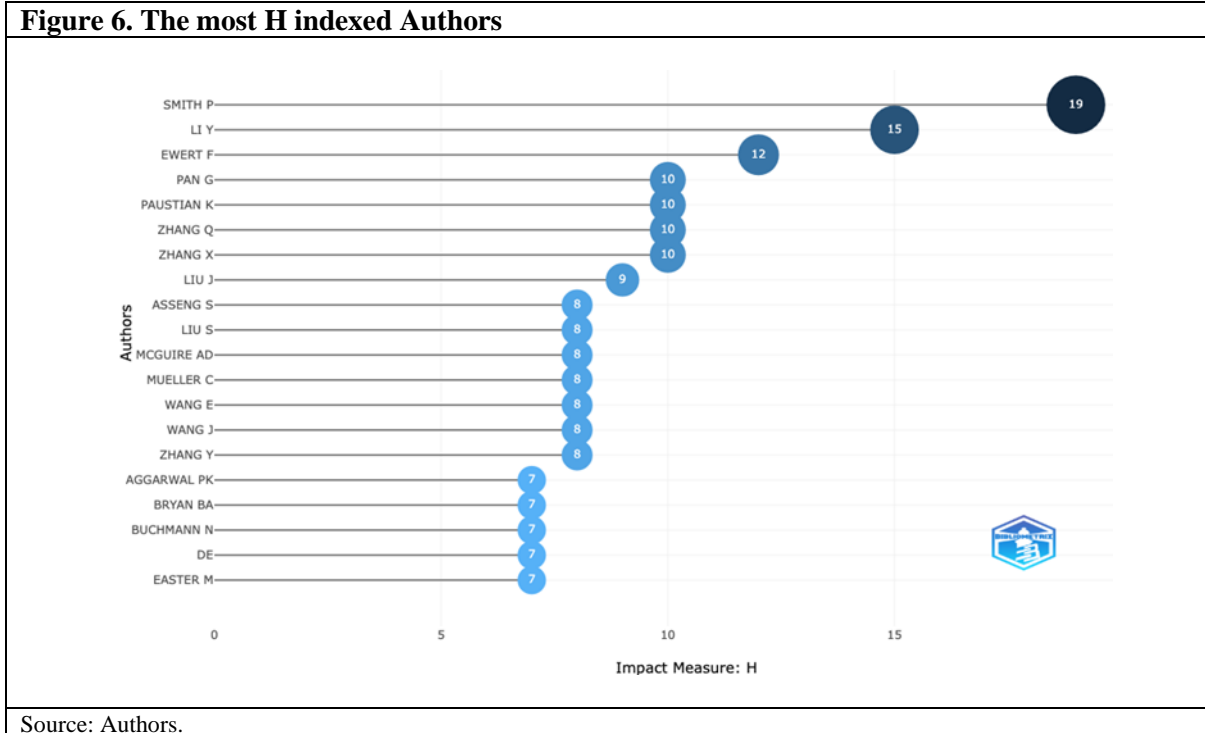
2.3.1. Author local impact by H index

J.E. Hirsch made the h index suggestion in 2005 and it was published in the American Proceedings of the National Academy of Sciences. The h index is a quantitative tool used to "evaluate the importance, significance, and broad effect of a scientist's cumulative research contributions" based on an examination of publication data utilizing publications and citations. The h index is defined by Hirsch as follows: "A scientist has index h if h of his or her N_p articles have at least h citations each and the other (N_p - h) papers have h citations each."

The h-index is an author-level metric that attempts to measure both the productivity and citation impact of the publications of a scientist or scholar. The index is based on the set of the scientist's most cited papers and the number of citations that they have received in other publications.

⁴ (Keynote, n.d.) can be revisited.

Figure 6. The most H indexed Authors

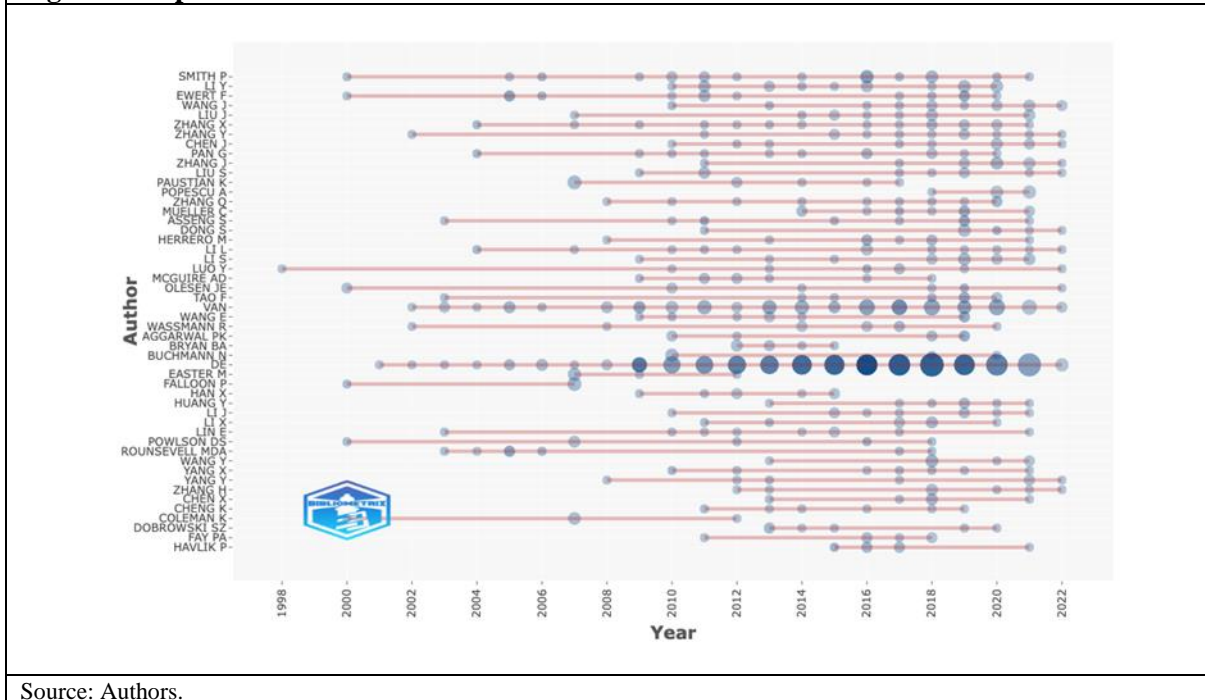


Source: Authors.

On the one hand, the h index measures quantity with quality by comparing publications to citations. It is a tool for assessing the overall influence of an author's scholarly production and performance. The h index balances out the publications with a high citation count or those that haven't been cited yet. Numerous sources use the h index calculation into their citation reports for writers. On the other hand, the h index is a metric for evaluating an author's whole body of scholarly work; it is not intended for a particular timeframe. Both publications that are regularly cited, like reviews, and publications that are infrequently cited, like meeting abstracts, are unaffected by the h index. Accurately creating citation information for a certain author is difficult due to author name variant difficulties and different editions of the same work. The context of the citations is not provided by the h index. The h index is not regarded as a universal statistic because it is challenging to compare authors from various disciplines or levels of seniority.

All in all, in any case, the most h indexed researchers in the field can be seen in the above, as follows: Smith, Li, Ewert, Pan, Paustian, Zhang Q and Zhang X, Liu J and Liu S, Asseng, McGuire, Mueller, Wang E and Wang J and the rest are the high impacted authors in the field (Figure 6).

Figure 7. Top-Author's Production over Time



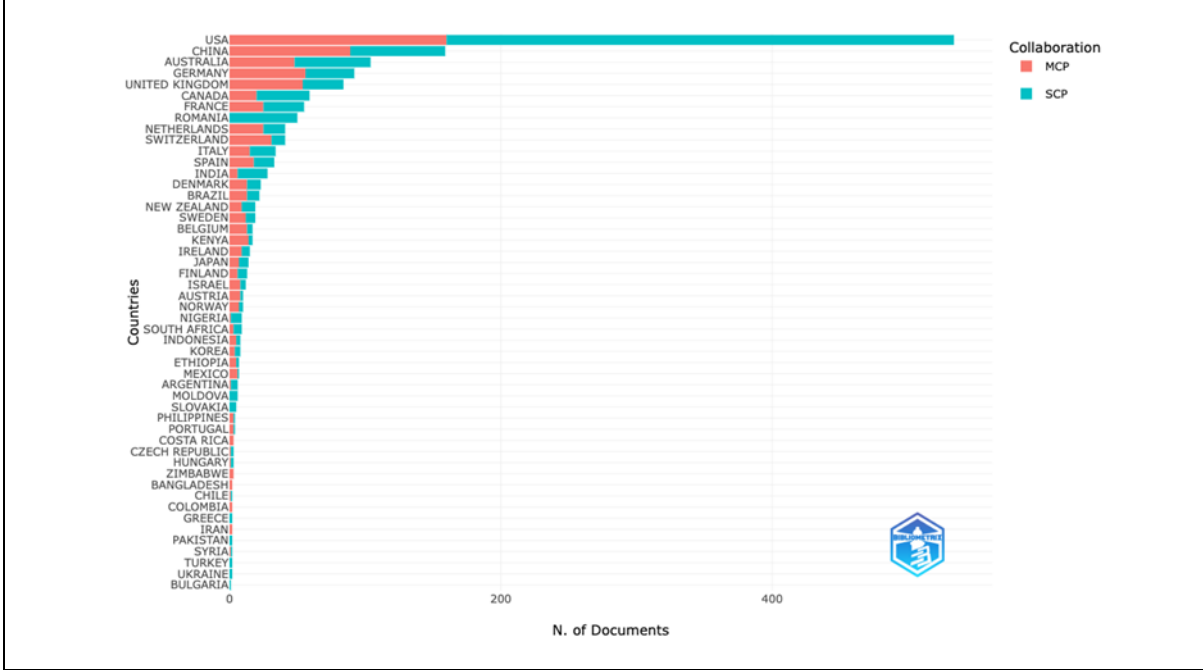
Source: Authors.

Moreover, it can be seen top author's production over time. This subject's time interval within reputable authors was in between 2000's and 2020's. With recalling 'DE' as the frequency distribution of authors' keywords; we can say that in between 2012 and 2020, top authors frequently used similar keywords. The year 2016 has been the highest common keywords selection year (Figure 7).

In addition to all, there are two types of articles in terms of country origin publications: single country publications (SCP) in which all authors belong to the same country and such publications represent intra-country collaboration; and multiple country publications (MCP) in which authors belong to different countries and such publications represent inter-country collaboration i.e. international collaboration.

It can be clearly seen from the figure 8 that corresponding authorship was mainly studied with/without collaboration in the USA. It is followed by China. In any case USA surpassed China and the rest with regarding to collaboration studies with/without multi country publication in terms of number of publications in this field. It can be clearly seen that Australia, Germany and United Kingdom were the followers of these two countries. Subsequently scientific studies with/without collaboration as follows: Canada, France, Romania, Netherlands, Switzerland, Italy, Spain, India, Denmark etc.

Figure 8. Corresponding Author's Country

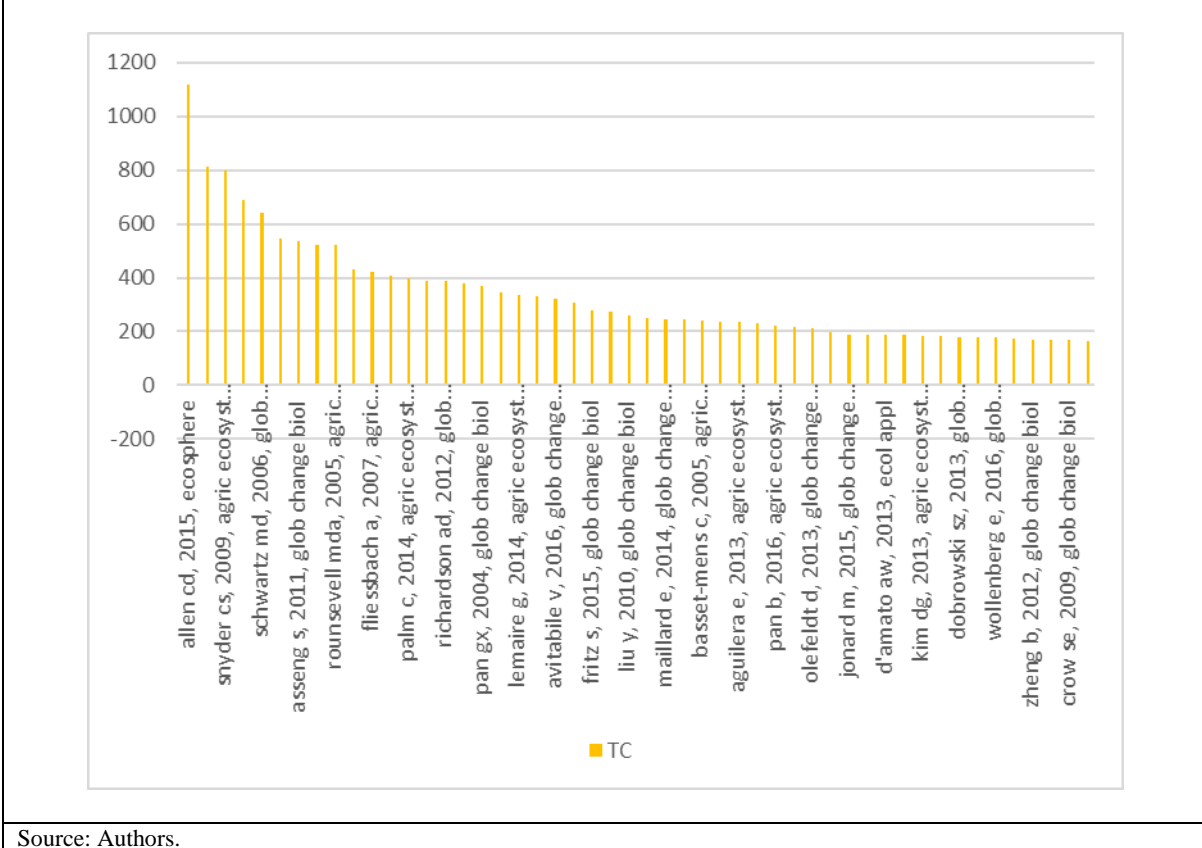


Source: Authors.

2.3.2. Co-word analysis on climate change and agriculture

Co-word analysis examines the conceptual framework of a research field using the most significant words or keywords from documents (Callon et al., 1983). The previous methods connect papers indirectly through citations; this method creates a similarity measure based on the actual content of the documents.

Figure 9. Co-word Factorial Analysis Articles By Cluster

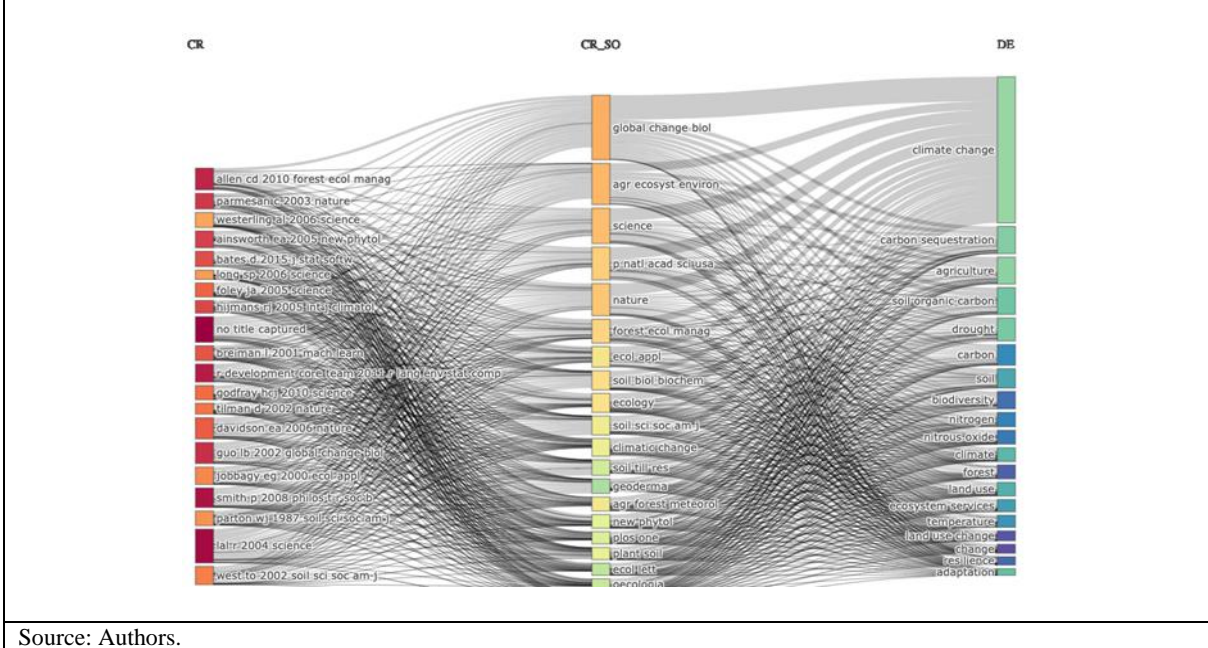


Source: Authors.

Co-word analysis creates semantic mappings of a field that make its cognitive structure easier to understand. It can be used for document titles, summaries, or entire contents. Instead of a document, author, or journal, the unit of analysis is typically a notion or phrase. Co-author analysis, which looks at the authors and their affiliations to study the social structure and collaboration networks, is another popular bibliometric approach (figure 9). (Peters & Van Raan, 1991; Glanzel, 2001).

Tree fields plot refers to Sankey diagram to show the key components of three fields (such as authors, keywords, and journals) and their relationships.

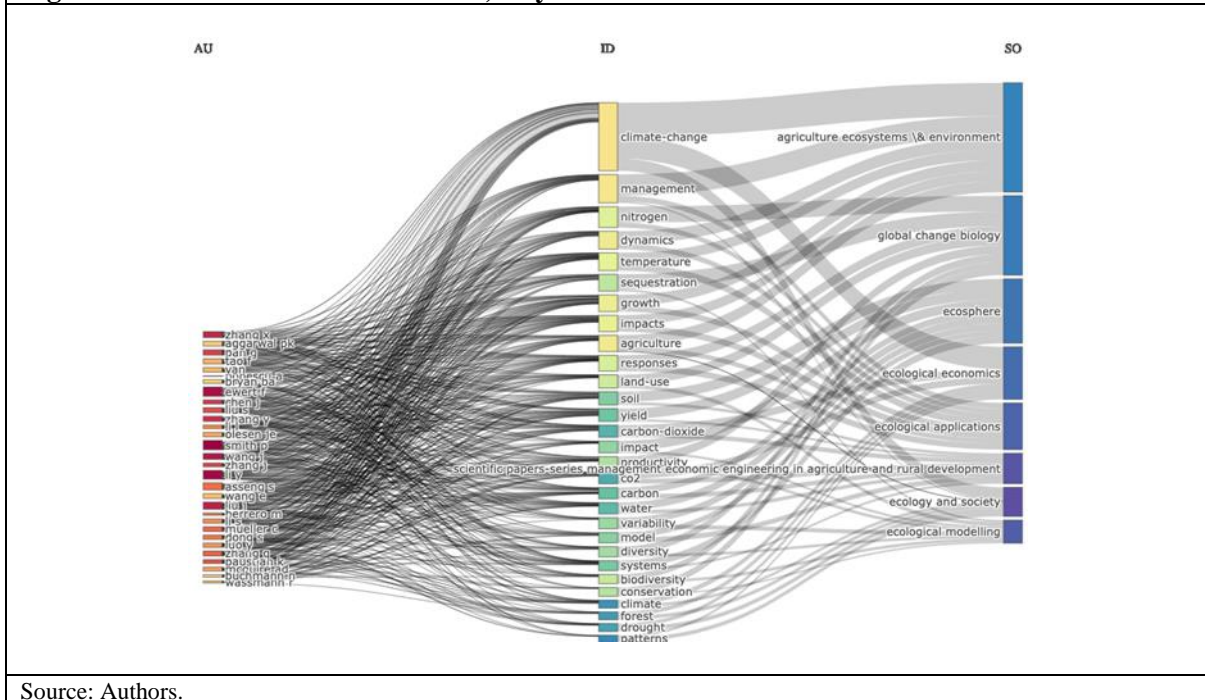
Figure 10. Tree-fields Plot on References, Cited Sources and Keywords



Source: Authors.

It can be seen from the figure that as a keywords climate change highly used by authors and mainly published in global change biology journal. Carbon sequestration was the second vital keywords that used and surpassed the terms such as agriculture, soil organic carbons, drought, and biodiversity. In addition, agricultural ecosystems and environment, science, and nature were the ones which were selected by reputable authors in order to publish for the most common sources for submission (Figure 10).

Figure 11. Tree-fields Plot on Author, Keyword Plus and Sources

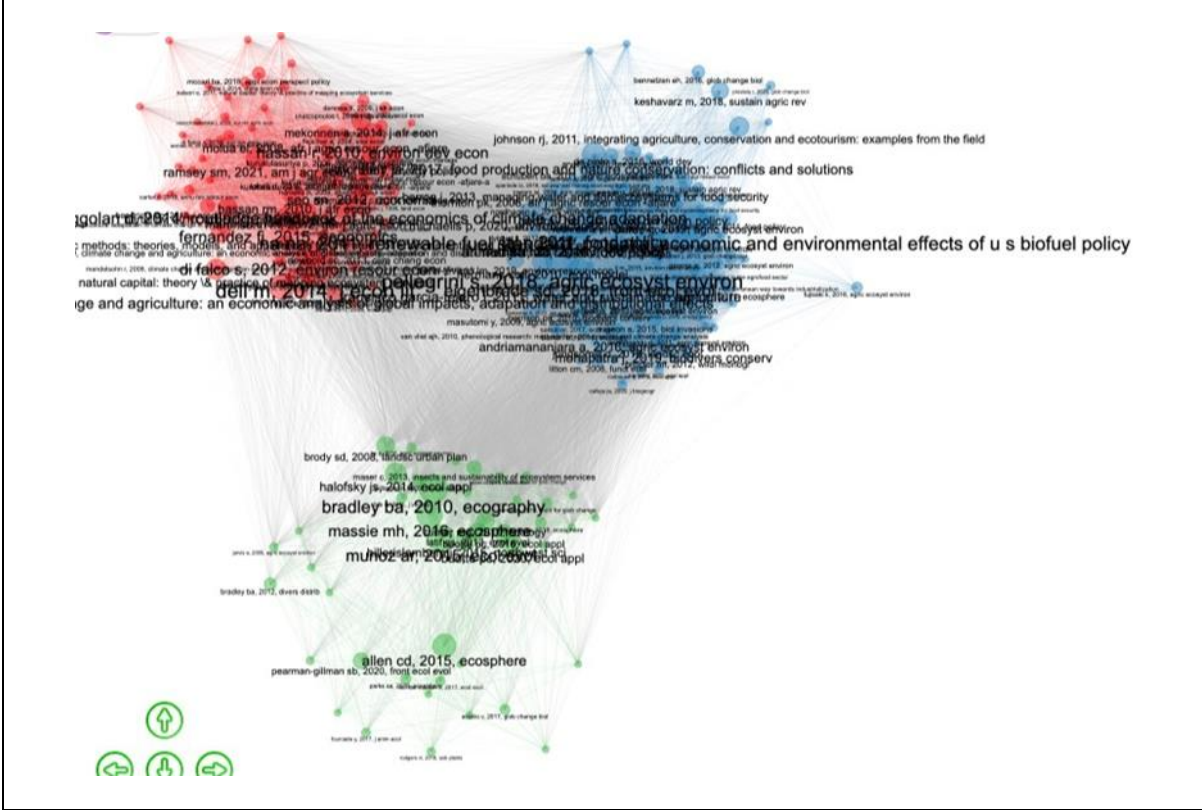


Source: Authors.

Authors, the frequency distribution of keywords associated to the manuscript by Web of Science databases, sources distribution also gives another perspective to infer from the research that frequently keywords stressed out as follows: climate change, management, nitrogen, dynamics, temperature, sequestration, growth, impacts, agriculture and so on (Figure 11).

Clustering and mapping are complementary techniques. A bibliometric network's structure can be shown in considerable detail by mapping. However, the picture will typically be limited to simply two dimensions for practical reasons. As a result, relationships in dimensions beyond two are typically invisible. Contrarily, clustering is unaffected by dimensional constraints. The drawback is that clustering only works with binary dimensions, not continuous ones. Thus, clustering typically gives a rough impression of the structure of a bibliometric network. In Figure 12, there are 3 main zones shows us that the blue zone (right upper one) is the combined while the rest has still gaps to be studied.

Figure 12. Clusters and Source Concentration



Source: Authors.

The study's ultimate goal is to use bibliometric analysis to identify patterns in recent publications on "agricultural" and "climate change" issues.

3. Results and conclusion

All in all, annual scientific publications on climate change and agriculture have increased dramatically after 2005. Most highly cited 30 authors has mostly used 'climate change' as keyword plus and 'agriculture ecosystems and environment' as source. Global change as cited source and climate change as keywords are closely related to references. Most relevant author is Popescu A. Most local cited document is Allen CD, ecosphere. Most Global Cited Document Per Year is Allen CD, ecosphere. Most relevant source is agriculture ecosystems and environment. Top authors' publications increased substantially in recent years. Smith P has the highest local impact by H index. The USA has the highest SCP and MCP by far.

This study contributes to the literature in terms of basing the selected analyzes on more than one keyword from which the data are obtained. This study is limited in terms of the used keywords and referenced database. For the further studies, analyzes on the basic methods and instruments of sustainability, ecological footprint, carbon financing can be made. Further studies need to expand with this kind of scope to improve research area.

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GIORGI KATAMADZE¹ AND BADRI GECHBAIA²

MOUNTAIN ECONOMY AND THE VILLAGES OF HIGHLAND MUNICIPALITIES OF AJARA A.R.: DEVELOPMENT PROCESS, STRATEGIES AND PERSPECTIVES

Abstract

"Mountain economy" is a term that, in our opinion, will be a key, trendy phrase for future economic researches; from the second half of the twenty-first century it will be widely used in scientific and non-scientific circles as the most relevant.

The "Mountain Economy is the future, the perspective, the sustainability, and the progress. It refers to all economic effects that a specific geographic area experiences as a result of tectonic, erosional, or volcanic activity.

In modern Georgia, the leading economic processes take place mainly in large cities, among them trade, production, services and other areas; however, the country's legislation includes very interesting and useful tools that business entities should be able to use properly. One of such important instruments for Georgia is the Law of Georgia "On the Development of High Mountainous Regions" as of 16/07/2015, which is the basis for significant economic stimulation, but what is happening in Georgia 7 years after the adoption of this law? This is the very aim of our research to assess the perspective of what benefits the country's economy could have with this law and finally to give answer to the question: does the term "mountain economy" have a basis for its existence and any perspective in Ajara A.R.?!

Keywords: Mountain economy, village, rural development, strategy, Ajara

JEL Codes: Q00, Q10, O10

Katamadze, G. & Gechbaia, B. (2023). Mountain economy and the villages of highland municipalities of Ajara A.R.: Development process, strategies and perspectives. In Conference Proceedings: Full Paper Series of MIRDEC 21th - Barcelona 2023 International Academic Conference on Economics, Business and Contemporary Discussions in Social Science, pp. (85-91). 21-22 November 2023. Barcelona, Spain. <https://www.mirdec.com/barca2023proceedings>.

The theoretical framework of the article has been based on fundamental, conceptual studies of Georgian and foreign authors in the direction of our research, namely: Hefner, R. W., Brush, S. B., Godde, P., Papava, V., Petrova, M., Tsiklashvili, N., Gechbaia, B., Narmania, D., Katamadze, G., e.t.

The research methodology was determined based on the research objectives and included the following methods: in-depth interviews, survey, questionnaire, statistical data analysis, official documentation analysis and correlational analysis.

We collected the primary statistics of the information required for the research in the mountainous municipalities of Ajara A.R. through structured, pre-developed questionnaires and in-depth, face-to-face interviews. This allowed us to estimate the amount of acceptable data and decide on the next steps for the analysis. Key issues covered by the study included the question whether the population of highland villages of Ajara was aware of those benefits available, was engaged into the entrepreneurship, the major

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type of their activity, have access to the financial resources, and the obstacles preventing them from starting business.

Georgia is divided administratively into several autonomous republics, cities, towns, villages, and other municipal units; nevertheless, because of the country's geographical location, a sizable portion of the population resides in mountainous regions, with the majority of Ajara villages being situated in the highlands. Every year, the villages of various municipalities celebrate large-scale traditional festivals in an effort to increase local popularity. In addition, Georgia has been officially celebrating December 11 as International Mountain Day since 2018, along with many other countries worldwide.

Under the Organic Law of Georgia Local Self-Government Code Article 4 (1)(a):

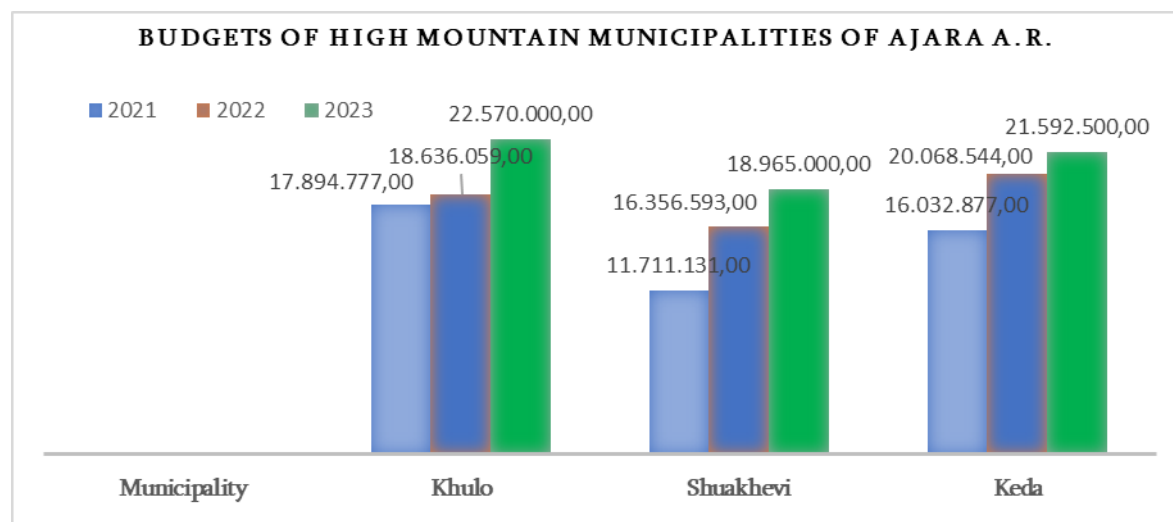
A village – a settlement the boundaries of which mainly include agricultural land and other natural resources, and the infrastructure of which is essentially focused on carrying out agricultural activities

The powers of municipal bodies in Ajara Autonomous Republic shall be determined by the Constitutional Law of Georgia on the Ajara Autonomous Republic, taking into consideration the provisions of the Organic Law of Georgia on the Approval of the Constitution of Ajara Autonomous Republic and of Organic Law of Georgia Local Self-Government Code (Parliament of Georgia , 2014).

The government prioritises rural development, and the budgets of both central and local municipalities include the necessary initiatives and programmes. The budgets of the various self-governments are included in Georgia's economic framework, which is the national budget; these budgets are set with consideration for the socioeconomic conditions of the various territorial divisions.

The volume of the budgets of the highland municipalities of Ajara is as follows:

Table 1. Budgets of High Mountain Municipalities of Ajara A. R.



Source: Council Decrees of Khulo, Shuakhevi and Keda Municipalities.

As we can see, municipalities' budgets are nearly equal, and their growth is following the same pattern. It may be concluded from a thorough analysis of each municipality's programmes and sub-programmes that almost equal financial resources are allocated to the primary directions (infrastructural projects, socio-cultural projects and others).

If we look at the dynamics of changes in the volume of budgets, in the case of Khulo, the increase from 2021 to 2022 is about 4%, and in 2023 - about 21%. In Shuakhevi case, the increase from 2021 to 2022 is 40% approximately, and 16% in 2023. As for Keda, the growth is some 25% between the 2021-2022, and 8% in 2023. In all three of the highland municipalities, it can be said that municipal budgets are increasing and that the trend of recent years has been steady.

As part of the support for the rural population, the National Agency of Public Registry of Georgia's Ministry of Justice is implementing a significant and extensive programme - systematic land registration reform - starting from January 1, 2022. Over a period of three years, land plots in 59 municipalities around the nation (apart from occupied areas and self-governing cities) would be progressively measured and recorded in private, state, and municipal ownership. The real estate market will grow and an ideal cadastral and legal database will be established. To participate in many rural development projects, the population must own registered land.

Apart from ensuring a pleasant and standard of living for the population, the development of agriculture and its modernization and equipping with contemporary technologies require access to adequate water, gas, power, internet, and communication networks. It is noteworthy that Georgia is actively engaged in a number of infrastructure regulation and rehabilitation projects, all of which are part of the state's clearly defined agenda. In Ajara Highland Municipalities The Ajara Rural Water Supply and Wastewater Treatment Program should be noted, being implemented in the framework of the German – Georgian Financial Cooperation with additional Financing by the European Union. The program will significantly improve the economic development of the population in rural Ajara.

The municipalities of Ajara A.R. have made considerable improvements to their road infrastructure in recent years, however improving the roads in hilly communities remains difficult. The development of any territorial unit is connected to the developed road infrastructure. The road is extremely important from both a social and economic perspectives, since it not only makes it easier for locals to move around, but it also makes it easier for goods and services with any kind of economic significance to travel. Good roads also reduce the costs of any goods or services. The aforementioned issues are the essential, fundamental ones that guarantee the village's adoption of entrepreneurial activity, which is relevant and somewhat of a trendy path in modern life.

Ajara's location near the Black Sea coast and mountain resorts make it a highly sought-after tourist destination. Diverse business sectors are emerging concurrently with all of this, despite the fact that other business directions' dynamics are not expanding as quickly as those of tourism.

Any regulation concerning the mountainous areas should ensure the socioeconomic development of the area, prevent population migration from the mountains, promote the development of entrepreneurial endeavours, rationally utilise municipal local resources, and increase employment opportunities for the local population.

Under the Law of Georgia On the Development of High Mountainous Regions as of 16 July 2015, Article 5 – Tax privileges in high mountainous settlements, Business entities which, in accordance with the legislation of Georgia, have been granted the status of high mountainous settlement enterprise shall be exempt from taxes under the terms and rules defined by the Tax Code of Georgia.

Under the Tax Code of Georgia (as of 17 September 2010), Article 82 (z8c) exempted from income tax should be the “income earned from the activity carried out within the status of a high-mountain settlement enterprise by an individual entrepreneur who enjoys the status of a high-mountain settlement enterprise – for 10 calendar years after the granting of the relevant status (including the calendar year in which the status was granted)” (Parliament of Georgia, 2010);

In total 90572 entities are registered in Ajara A.R., among them 25685 entities are active (National Statistics Office of Georgia , 2023). General picture of business registration data for Ajara highland municipalities is as follows: Khulo-648, Shuakhevi-268, Keda-278 entities.

The dynamics of granting/registration of the enterprise status of the highland settlement are as follows according to the years: in 2016 - 149 business entities; in 2017 - 142 business entities; in 2018 - 65 business entities; in 2019 - 57 business entities; in 2020 - 33 business entities; in 2021 - 36 business entities; in 2022 - 37 business entities (Revenue Service , 2020).

As we can see, registrations were granted actively in the first two years following the law's enactment, and the final three years are with the minimum number of registrations. In total, 532 business entities with the status of enterprises of high mountain settlements are registered throughout Georgia.

It is crucial to take into account the turnover of business entities (enterprises) following the adoption of preferential legislation in order to compare general data and dynamics. In this regard, figures from the National Statistical Service of Georgia (GEOSTAT) up to 2020 show that both the number of items launched and the turnover of businesses have increased. We believe that the new, advantageous regulations play a major role in this beneficial dynamic here, in addition to all the other factors. Tables N7 and N8 provide a thorough comparison.

Table N7. Turnover of enterprises in Ajara A.R. (million GEL)

Municipality	2016	2017	2018	2019	2020
Keda	25,7	22	27,2	29,3	31,6
Shuakhevi	255,4	105,2	63,8	163,6	69,5
Khulo	21,3	18	25,6	33,1	36,4

Source: National Statistics Office of Georgia.

Table N8. Release of products in Ajara A.R. (million GEL)

Municipality	2016	2017	2018	2019	2020
Keda	22,1	14,5	19,9	29,1	28,5
Shuakhevi	250,8	98,9	62,2	161,5	57,8
Khulo	16,1	14,1	19,7	30,9	29,8

Source: National Statistics Office of Georgia.

Recalling its resolution 53/24 of 10 November 1998, in which it proclaimed 2002 as the International Year of Mountains, December 11th was officially declared as International Mountain Day by the United Nations General Assembly Resolution 57/245 in December 2002 (United Nations, 2023).

The spontaneous decisions double the risk of strengthening the factors triggering the crisis (Katamadze, 2022) question related to the reasons of child labour exploitation in the village – 76% of interviewed

pupil think that the reason is caused by economic status of a family (Katamadze, Tavgiridze, Bolkvadze, 2023).

It is necessary to promote both state and international projects supporting small and medium-sized businesses, spread information through various communication channels and increase access to financial resources, which will further strengthen this segment and increase their contribution to the country's economy (Katamadze , 2023). Indicators of economic activity in the regions of Georgia are very different from each other. These figures are affected by the decision of the population and the business sector about their place of residence, work, and sphere of economic activity. Consequently, the possibilities for sustainable development of regions should be determined not by the principle of territorial similarity, but by the spatial characteristics of territorial units (Gechbaia, Kharashvili , Mushkudiani , & Goletiani, 2021).

The role of regions and municipalities in implementation of grocery provision policy is extremely weak. Activating grocery policy on local level will facilitate formation of new attitudes between the government and the society (Gechbaia , Kharashvili , Mamuladze, & Goletiani, 2019). The well-developed infrastructure in rural territories is a driving force for diversifying the functional use of the territory and the optimal utilization of available resources, ensuring not only economic progress but also sustainability in the development of rural territories (Lazarova, Pavlov, Petrova, & Shalbaeva, 2023).

Conclusions:

- As our research has revealed since 2016 there have been an increasing number of business entities, turnover, and favorable dynamics associated with commercial activities in the Ajara highland municipalities. There has been an increase in the number of businesses and their turnover, as well as in the number of employees and volume of production.
- Generally speaking, a village's business activity and development are greatly influenced by its location (relief, proximity to a central road, proximity to a river, distance from the centre, etc.), population, infrastructure, developed agricultural sectors, and, on an individual basis, the tourist and cultural sites within the village, the outbound tourists on routes, information accessibility to the villagers, etc.;
- As the study made it clear, the highland municipalities of Ajara A.R. lack any kind of systematised, periodically updated document where the current issues and proposed course of action are documented; there is no individual village development strategy;
- Agriculture is the primary activity and source of income for the locals. In the highland Ajara villages, viticulture, tobacco cultivation, horticulture, and most product sales are done at wholesale to the central Batumi agrarian market.
- As the research revealed, there is a lot of room for growth in the areas of tourism, winemaking, and tobacco production in the hilly municipalities of Ajara. We believe that in order for them to flourish quickly and sustainably, the infrastructure must first be organized, with natural gas, the Internet, and water supplies serving. Maintenance of the settlements' internal roads is also crucial.
- The population is unable to begin entrepreneurship due to difficult access to financial resources. According to the research, the majority of the public lacks the knowledge and abilities necessary to develop projects and find the necessary information, and they are also poorly informed about local and international grant programmes.
- To foster entrepreneurship in the village, it is necessary to guarantee financial resources' availability, disseminate, and provide information about grant programmes. Simultaneously, the population must be trained to acquire the skills required to complete grant applications;

- The highland municipalities' inhabitants are eager to take part in the fundraising competition, but they must receive the necessary training to correctly prepare their applications in accordance with the funds' requirements;

Based on the outcomes obtained, we have developed some recommendations that we believe will have significant impact on social-economic development of the highland municipalities of Ajara A.R.

- There is a need for a good information campaign about the possibilities and benefits of the "Law of the Mountain"; an information campaign can be organized both through physical meetings with the population, as well as through the involvement of social media and television. It is desirable that all the residents are familiar with the opportunities that the state offers to the highland regions;
- In order to properly and fully use the opportunities intended for highland residents, it is necessary to develop the entrepreneurial skills of the population, to raise their awareness in order to encourage the development and preparation of various business ideas;
- Having strengthened the skills of providing information and generating ideas, it is also necessary to improve the skills of writing projects of the population to independently participate in grant projects and to facilitate access to financial resources; this will be a decisively important stage to get a real result;
- In general, with the aim of strengthening the business opportunities of the highland regions, it is necessary to carry out a complex study of the entrepreneurial potential of all municipalities individually and to prepare a map of potential business opportunities;

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JAN POKORNÝ¹

PENSIONS AND SAVINGS: BIBLIOMETRIC ANALYSIS

Abstract

Population ageing is the one of the current important development. This topic is closely connected with pension and savings. In macroeconomy, savings can lead to the economy development which are allocated on investments. The aim of paper is to identify the overview and especially the main topic connected with pension and savings in current economic research. The paper is fulfilment based on bibliometric analysis. This approach is focused on bigger number of publications with using of quantitative analysis. Publications are selected from database Web of Science based on the define criteria (category: Economics and Business Finance, language: English, document type: Article). VOSviewer is used for this analysis. Following step is to define the main research themes, which reflect areas of research interest. The limitation of paper is restriction on one database and narrowing of the range of publications. Further research can be focused on empirical analysis of pension savings and its role in economy based on different approach by states.

Keywords: Pension, savings, bibliometric analysis, VOSviewer

JEL Codes: E21, J32, O16

Pokorny, J. (2023). Pensions and savings: Bibliometric analysis. In Conference Proceedings: Full Paper Series of MIRDEC 21th - Barcelona 2023 International Academic Conference on Economics, Business and Contemporary Discussions in Social Science, pp. (92-100). 21-22 November 2023. Barcelona, Spain. <https://www.mirdec.com/barca2023proceedings>.

1. Introduction

Population ageing is a societal process with consequences on financial and social levels. This process affects pension policy, health, social and long-term care and others because it is not just about quantitative factors. However, it is about qualitative factors too (subjective health status, financing of non-basic needs, etc.) by Šimková & Langhamrová (2017).

This population development is primarily connected with Europe, Japan and the USA. However, other countries have a similar problem. The relative share of older people is not so high, but the trend is clear. Malaysia is one of these countries. In 1970, Malaysia had 5.2 % of older population (over 60 years). The share was 6.6 % in 2000 and 11.3 % in 2020. 4.7 percentage points during 20 years. Based on this issue, Ismail et al. (2021) define the main themes of the population ageing impact. It is:

- family changes,
- migration of youth,
- support and care,
- health problems,
- housing problems and
- financial security.

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The topic of this paper is a connection between pension and savings. Deferred consumption represents savings which can be used as the investment source. Moreover, this is about the life-cycle model (Ando & Modigliani, 1963).

The issue of pension and savings is primarily connected with financial security by themes of Ismail et al. (2021). However, it is also closely connected with housing or health.

Due to the definition of this topic, the aim of the study is defined. The aim of the paper is to identify the overview and especially the main topic connected with pension and savings in current economic research.

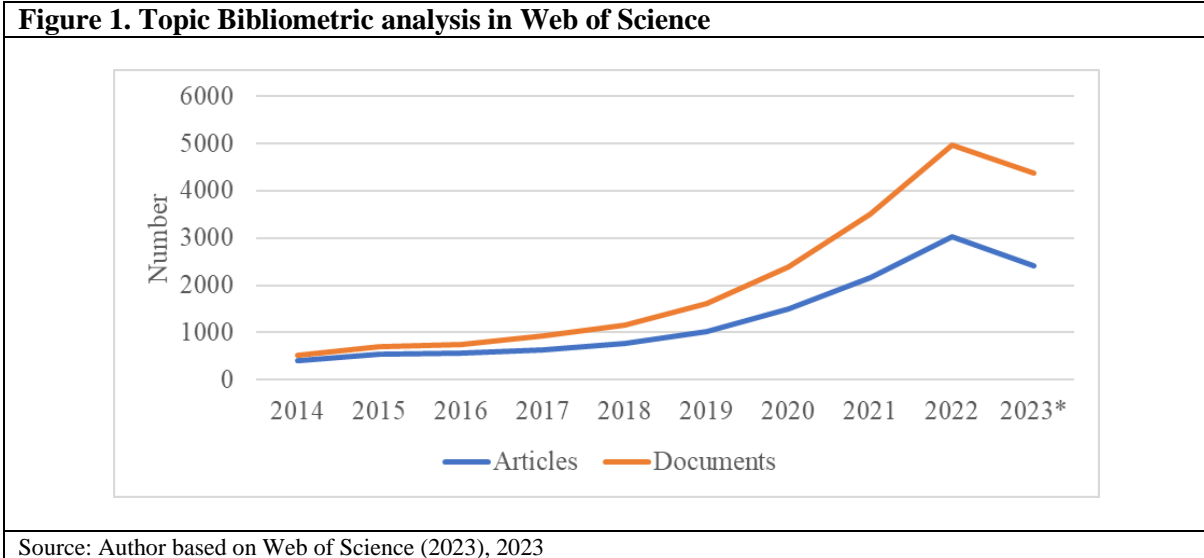
This study is prepared based on the bibliometric analysis described in section 2 Data and Methods. Section 3 defines the results of bibliometric analysis with a thematic focus. Lastly, the Conclusion summarizes this study.

2. Data and methods

The aim of the paper is to identify the overview and especially the main topic connected with pension and saving in current economic research. This aim is fulfilment based on the bibliometric analysis.

The bibliometric analysis is the statistical analysis which uses document types like articles, books, conference proceedings, etc. This approach is focused on bigger number of publications with using quantitative analysis of publication characteristics as authors, keywords, publication year and source, citation etc. (Bhandari, 2022; Alshater, Atayah & Hamdan, 2023).

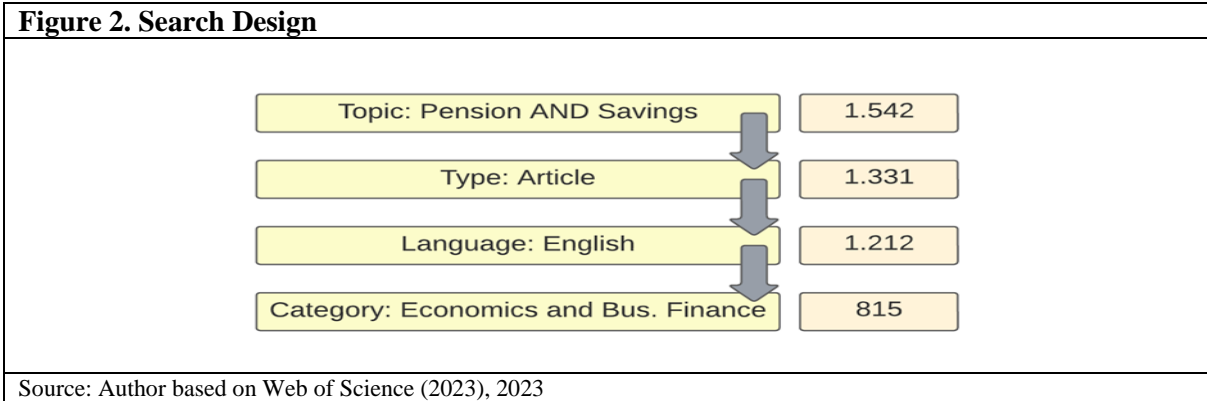
This type of research is often used in the last year. Figure 1 shows the development of Bibliometric analysis as the topic in the database Web of Science. There is a very clearly visible trend which is focused on the growth of this issue. There is continually increasing. Based on the data, there is an average yearly increase of 28 % from 2014 to 2022. The last year is captured only partially.



The bibliometric analysis in this article is provided based on inspiration by Hyk, Vysochan & Vysochan (2022), Martínez et al. (2021), Blanco-González-Tejero et al. (2023), Bucher (2017), and Singh et al. (2022).

The tool of bibliometric analysis is VOSviewer (Van Eck & Waltman, 2010), which is used for data processing from the database Web of Science (8th November 2023). The data (document results) are selected based on the following criteria in Figure 2. Firstly, the topic is selected. Thus, the combination of two terms is used for searching (pension and savings) because it is the topic of the study. Based on this, 1.542 documents are selected.

Then, the document type is used when articles are only used. This step leads to the elimination of other types (such as proceeding papers and book chapters). Web of Science (2023) shows 1.331 documents. The following step is selection based on language (only English) with 1.212 documents. Lastly, two categories are used (Economics and Business Finance). The final output is 815 documents.



This output is used for the bibliometric analysis, and its results are presented in the next section.

3. Results

The results are organised as follows: annual scientific production, categories, countries and affiliation, authors, journals, citations, references, and themes.

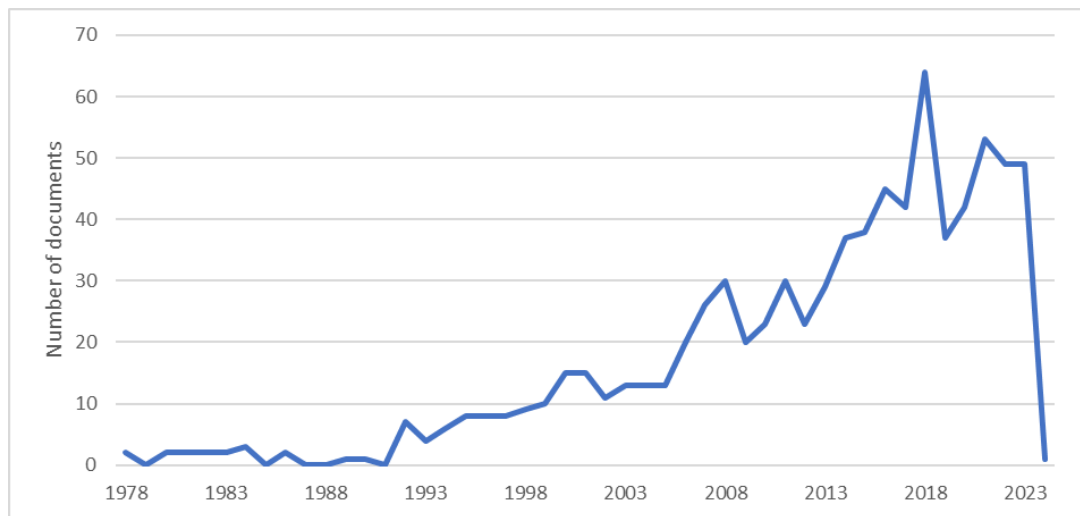
Figure 3 shows the development of publication activities based on criteria. The oldest are two documents from 1978. The publication activities were low up to early 1990. Then, the number of documents is increasing. The issue of interest is more enormous after the financial crisis, especially from 2015 to 2018.

The publications can be divided on the category. Based on the selection in section 2 Data and Methods, two categories are selected (Economics and Business Finance). Nevertheless, the journal can be included in other categories. Figure 4 shows the share of documents in the first 10 categories.

Firstly, Economics (86 %) and Business Finance (29 %) have the first positions. It means that 15 % of documents are included in both categories. Then, other categories have the share smaller than 5 % of selected documents. The third position has Demography because pensions is closely connected with ageing and longevity (De Freitas & Martins, 2014; Van Praag & Hop, 2021).

Similarly, Social Sciences Mathematical Methods and Mathematics Interdisciplinary Applications are not surprising. The research in these categories is focused on the mathematical expression of the issue (Iskhakov & Keane, 2021; Roeder, 2014).

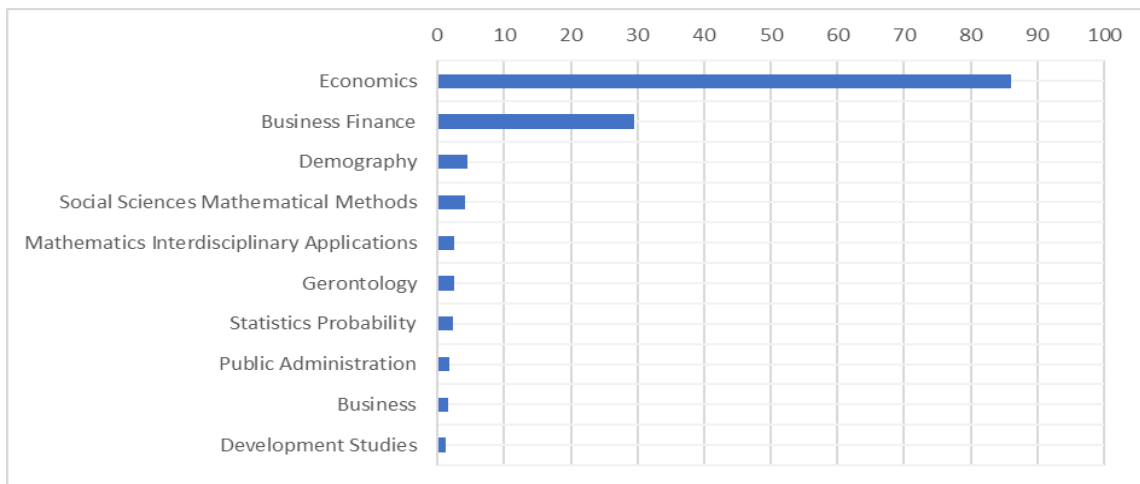
Figure 3. Annual Scientific Production



Source: Author based on Web of Science (2023), 2023.

The highest share of documents is connected with the USA (27 %), United Kingdom (15 %) and Germany (11 %). These three countries have a share of 53 %. However, there is a difference when the results are compared based on affiliations because the highest share is Tilburg University (6 %) in the Netherlands, which has 9 % of documentation like Australia. This means that this institution has the majority of publication activities in this field in the Netherlands. The second position is connected with the National Bureau of Economic Research (5 %), followed by the University of London (4 %).

Figure 4. Category



Source: Author based on Web of Science (2023), 2023.

Table 1 continues with the analysis of documents based on authors. The TOP 6 authors, based on their productivity, are captured with their current countries and number of documents. Olivia S. Mitchell occupies the first position from the USA, who published 15 documents (almost 2 % of output).

Table 1. TOP 6 authors

Author	Country	Number of documents
Olivia S. Mitchell	USA	15
Hazel Bateman	Australia	9
Susan Thorp	Australia	8
Axel Börsch-Supan	Germany	7
Richard Disney	United Kingdom	6
Pierre Pestieau	Belgium	6

Source: Author based on Web of Science (2023), 2023.

The two following positions are connected with Hazel Bateman and Susan Thorp. Both are from Australia. Then, Axel Börsch-Supan from Germany is the fourth and last two authors with six documents: Richard Disney from the United Kingdom and Pierre Pestieau from Belgium.

Similarly, it is surprising that the TOP 6 authors are not partly authors from the Netherlands, specifically from Tilburg University. However, there are representation countries with a higher share of publication activity. Bateman and Thorp are from the same country and these authors cooperation on five documents.

Table 2. Documents with the greatest citation

Author(s) and year	Title	Journal	Citation
French, E. (2005)	The effects of health, wealth, and wages on labour supply and retirement behaviour	Review of Economic studies	336
Lusardi, A., & Mitchell, O. S. (2011)	Financial literacy and retirement planning in the United States	Journal of Pension Economics & Finance	322
Case, A., & Deaton, A. (1998)	Large cash transfers to the elderly in South Africa	Economic Journal	257
Scholz, J. K., Seshadri, A., & Khitatrakun, S. (2006)	Are Americans saving "optimally" for retirement?	Journal of Political Economy	202
Beshears, J. et al. (2008)	How are preferences revealed?	Journal of Public Economics	187
Banks, J., & Oldfield, Z. (2007)	Understanding pensions: Cognitive function, numerical ability and retirement saving	Fiscal Studies	152
Bloom, D. E. et al. (2007)	Demographic change, social security systems, and savings	Journal of Monetary Economics	146
Engen, E. M., Gale, W. G., & Scholz, J. K. (1996)	The illusory effects of saving incentives on saving	Journal of Economic Perspectives	143

Source: Author based on Web of Science (2023), 2023.

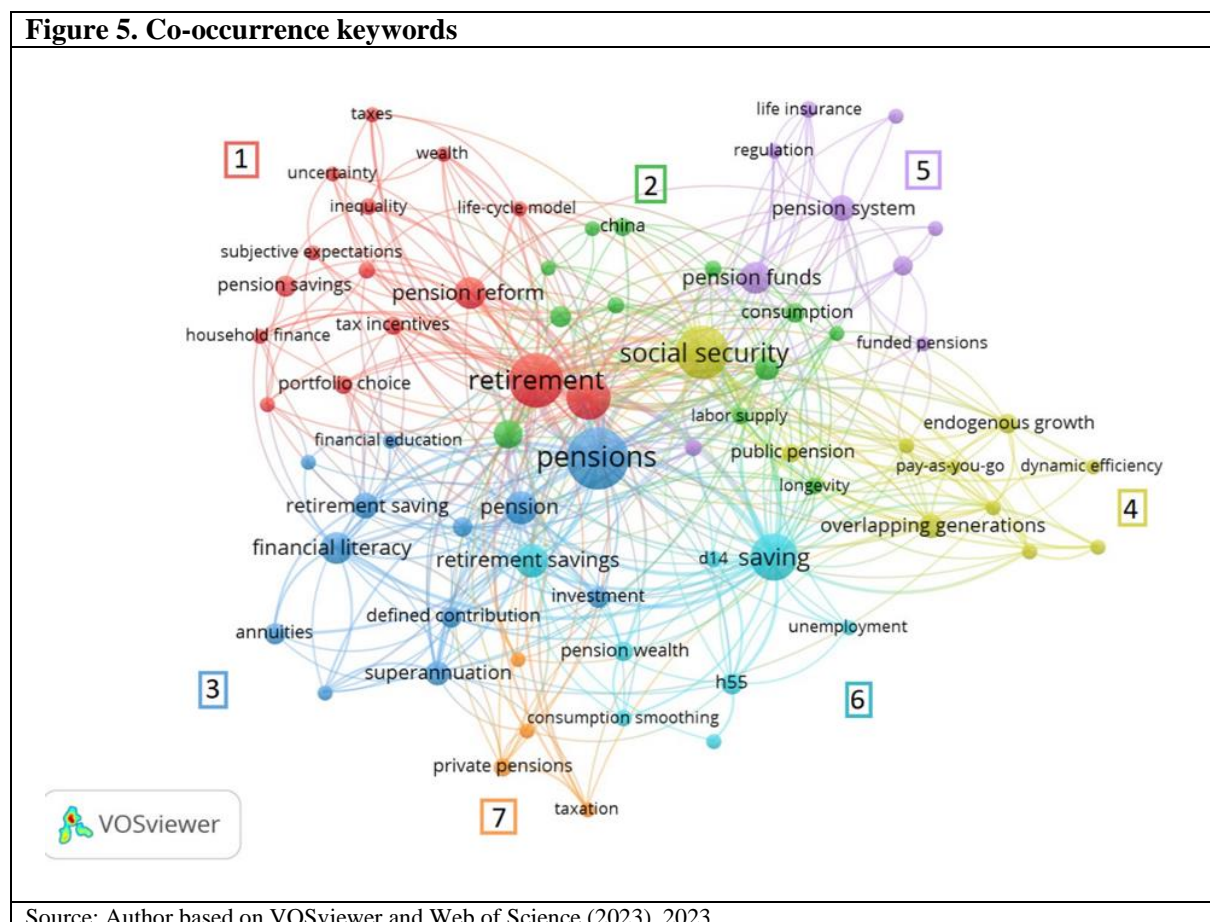
The next part of the analysis is publication titles. Journal of Pension Economics & Finance has the highest share of documents, almost 6 %. This journal is followed by the Journal of Public Economics (4 %), the Journal of the Economics of Ageing, the Journal of Population Economics, and Insurance Mathematics Economics (2 %).

Research impact is also important part of the bibliometric analysis. It is analysed based on the citations. All documents have 10.605 citations. It means that average number is 13 citations. However, 141 documents (17 %) do not have citation. One citation is connected with 10 % of documents. Five or less citations have 57 % of documents. TOP 1 % of documents have from 143 to 336 citations. Table 2 shows these 8 documents.

Before defining the main research themes, the next part of the analysis focuses on the source of documents. The cited references cannot be found in the database Web of Science. The highest participation on cited references have Feldstein (1974) with 10 %, then Madrian (2001) with 8 % and Yarli (1965) which has almost 6 %.

Feldstein (1974) reflects the effect of social security on private savings, and his paper is one of the bases. Madrian (2001) discuss the impact of automatic enrolment of savings and behaviour. Lastly, Yarli (1965) describes a model of the demand for life insurance.

The main research themes are shown in Figure 5. The themes are divided into seven clusters with 70 items (word or phrase). Cluster 7 has the smallest number of items (four) and cluster 1 has the biggest items (fifteen).



Cluster 1 has 15 items, such as retirement, pension reform, portfolio choice, household finance, annuity, life-cycle model, uncertainty, wealth, etc. This is the cluster with the highest number of items. These terms are connected with the theory of the life-cycle model and its impact on portfolios, household model, and wealth.

Cluster 2 (12 items): (population) ag(e)ing, consumption, household saving(s), public pensions. This cluster is focused on demographic trends and savings connected to consumption. This cluster is closely linked with others. It looks like a connecting element focused on the primary topic for the search.

Cluster 3 (12 items: annuities, defined contribution, financial education and literacy, investment (choice), retirement planning or savings. This cluster is aimed at education in the area of finance. Savings and investments are closely connected to education and literacy.

Cluster 4 has 10 items, including demographic change, life expectancy, regulation, and risk sharing. Demographics are an important part of this issue. It is shown in Figure 4, where this category has the third position.

Cluster 5 (9 items): demographic change and economic growth, funded pension, life insurance and expectancy, pension funds and system, and regulation. This cluster is close to cluster 4. However, there is an important connection between economic growth and private fund activity, while cluster 4 is focused on the general demography view.

Cluster 6 with 8 items: consumption smoothing, (retirement) saving, unemployment. Saving is associated with consumption in retirement in this context. This cluster looks like a connector with a specific theme: unemployment. This topic is important because the savings possibility is limited during unemployment.

Lastly, cluster 7 has only four items: private pensions, taxation, trust and welfare state. This cluster shows the cooperation between the public and private sectors because the redistribution function affects taxation and the welfare state. There is an important public-private mix.

4. Conclusion

Population ageing is one of the crucial processes in society. This topic impacts public finance, especially the pension system and its financing. Private pension fund represents the alternative. This topic is closely connected with savings in the economy and its consequences. The theory expects its effect on economic development.

This study is focused on analysing research trends of pension and savings. Based on it, the bibliometric analysis is provided in the field of Economy and Business Finance. VOSviewer is used for this approach. The bibliometric analysis shows an increasing trend since the 1990s. At the same time, the documents have an impact on other fields (Demography, mathematical sciences, etc.). The highest number of documents are from the USA, United Kingdom and Germany. However, Tilburg University is the institution with the highest number of documents. From the perspective of authors, Olivia S. Mitchell from the USA has the highest documents.

The following step was to define the main research themes, which reflect areas of research interest. The results verified that the thematic overlap (demography or social policy) is present. However, other classic themes are the life-cycle model, portfolio, household and its savings, population ageing, investment and savings, financial education and literacy, and public-private mix. A less common topic might be unemployment, but this theme is also important with the effect on savings and the life-cycle model.

The limitation of the paper is the restriction on one database and the narrowing of the range of publications. Further research can be focused on empirical analysis of pension savings and its role in the economy based on different approaches by states.

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DANIELA LYUBOMIROVA YORDANOVA¹

THE EMPLOYEES IN THE PUBLIC ADMINISTRATION IN BULGARIA: ROLE AND OPPORTUNITIES FOR IMPLEMENTING EFFECTIVE PUBLIC DECISIONS

Abstract

The state administration plays a decisive role in economic development, as its structure, vision and the quality of administrative services predetermine to a large extent the effectiveness of the country's institutions. The business environment in the economy depends on the work of the institutions of the state apparatus, which is decisive for its competitiveness. A professional and efficient public administration means competent, motivated and impartial civil servants working in a system dedicated to serving the public interest. Their qualifications largely determine the quality of implemented public decisions in the state.

In the article, based on theoretical knowledge and the legislative base, the role of civil servants in Bulgaria is presented. The types of civil servants in the management of the administration in Bulgaria are presented. Good practices for the management of the state administration are indicated. The research methods are the following: general theoretical methods, research of the scientific literature and the legislative base in the field of public administration.

Keywords: Employees in the public administration, Bulgaria, role and opportunities

JEL Codes: H70, H83

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1. Introduction

In recent years, there has been an increased emphasis on the role of civil servants in policy making and implementation, as well as their contribution to the development of government. Civil service management systems play a vital role in ensuring that government is able to attract, develop and retain the talent it needs to deliver high-quality public services. The role of civil servants is to provide effective and efficient government services to the public. (The Role of Civil Service Management in Government, 2022)

Administration is the engine that must coordinate and guide public efforts for a better life, to ensure a favorable business environment and economic growth. The quality of public administration has a direct impact on the economic environment and is a key factor in promoting productivity, competitiveness and economic growth. (Strategy for the development of the state administration 2014 - 2020, p. 3) Government leaders must understand how to manage risk within their respective organizations. This requires them to be aware of societal conditions that may affect the ability of their organizations to function optimally. Thus, managers can take preventive measures to reduce the identified risks and prepare their staff. State leaders work with citizens and public organizations to keep state programs running smoothly. They perform tasks such as coordinating human resources to support specific projects

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or helping certain communities secure the necessary funding to implement government programs. (Hughes, 1992).

2. The civil servant in the management of the Bulgarian administration

The qualification and expertise of civil servants largely determine the quality of public decisions implemented in the state. They must serve society and the law, protect the population, and function in a sustainable manner. (Demmke, C., Moilanen T., 2010)

Today, the functions and role of the state administration are very important. They are expressed in the following: (Borisov, 2018)

- basis of state management;
- a tool for change in society;
- a vital role in people's lives;
- instrument for implementation of laws, policies, programs of the state;
- a stabilizing force in society, as it ensures continuity;
- a tool for national integration.

In Bulgaria, the civil service has a coordinating role and consists of ministries, regional structures and decentralized agencies that serve for the benefit of the people. (Kandeva, 1998)

The civil servant is the main human resource in the central and local public administration. Traditional disclosure of the issue of the status of civil servants includes the presence of elements such as rights, obligations, restrictions, guarantees, encouragement, responsibility. Thanks to these elements, the activity of the civil servant, his functioning in the civil service system, professional and personal development, the disclosure of professional, creative and personal potential are ensured.

In Bulgaria, the number of public sector employees was 569,521,000 in Jun 2023. The data reached an all-time high of 938,556,000 in Jan 2000 and a record low of 537,317,000 in Aug 2016. d. The data are categorized in Bulgaria on the Global Database - Table BG.G011: Number of employees.(Bulgaria Number of Employees: Public Sector)

According to the Civil Servant Law, "a civil servant is a person who, by virtue of an administrative act of appointment, holds a paid full-time position in the state administration and assists a body of state power in the exercise of its powers", as civil servants are also the persons to whom a special law grants the status of a civil servant subject to compliance with the requirements of this law. (Law on the Civil Servant, Art. 2, para)

According to this law, the civil servant may participate as a representative of the state or the municipality in the management or control bodies of the legal entities established in accordance with the law. The civil servant may participate in councils, committees, audit commissions, working or expert groups, management or control bodies of funds and others, which are not legal entities, for which he does not receive remuneration. The civil servant may participate as a representative of the state or the municipality in the management or control bodies of commercial companies with state or municipal participation in the capital, as well as in the management or control bodies of their subsidiaries, for which he receives remuneration. (Law on the Civil Servant, para. 3) It is characteristic of civil servants that, in the performance of their official duties, they must be guided by: the law and the legal acts of the state authorities; the observance and protection of the rights, legitimate interests and freedoms of citizens; the interests of the state. (Law on the Civil Servant, Art. 4, para. 1)

The performance evaluation system in the Bulgarian administration is regulated in the Ordinance on the conditions and procedures for evaluating the performance of employees in the state administration.

The main objectives of employee performance evaluation and civil service promotion of civil servants are:

- creation of conditions for effective performance management at the level of administration, administrative unit and individual employee to achieve the goals of the relevant administrative structure;
- evaluating the contribution of the individual employee to the fulfillment of the goals of the relevant administrative unit and administrative structure;
- fair determination of employee remunerations in relation to their achievements;
- determination of the development needs of each employee and improvement of his competencies;
- improvement of working relationships, including between managers and subordinates;
- creation of conditions for the implementation of fair and transparent procedures for professional and career development.(Ordinance on the terms and conditions for evaluating the performance of employees in the state administration)

In terms of their duties to citizens, public officials are required to act without delay on the request of citizens, and also public officials must satisfy accurately and promptly those of them that are lawful and assist in the recognition of their rights and legitimate interests. (Law on the Civil Servant, Art. 20, para. 1) In addition, "the civil servant is obliged not to show rudeness, rudeness and disrespect to the citizens he serves.

It should be borne in mind that not every person who carries out an activity related to the functioning of the state administration is a civil servant. According to the current Bulgarian legislation, the Prime Minister, Deputy Prime Ministers, Ministers and their deputies are not civil servants. Regional governors, deputy regional governors, mayors of municipalities, regions, town halls and mayoral deputies have all rights in employment law, except those that contradict or are incompatible with their legal status. (Arabadzhiiski, 2010: 8-9)

3. The types of civil servants in the management of the administration in Bulgaria

According to the Civil Servant Act, there are different types of civil servants. (Law on the Civil Servant, Art. 2, para. 2) The positions held by civil servants are defined in the Classifier of positions in the administration. (Classifier of positions in the administration) It states:

- the names of the positions in the administration;
- their distribution by job levels;
- the minimum educational level for occupying a position in the administration;
- the minimum rank required to occupy the positions designated for civil servants;
- the minimum professional experience necessary for holding the position;
- the type of legal relationship under which the position is held.

Classifier of positions in the administration applies both to the administration of the executive authorities and to the municipal administration. It regulates the allocation of positions by job levels depending on the knowledge and skills necessary to perform the functions of the position, the freedom of decision-making, the influence of the decisions made and the skills to work with people.

According to the Ordinance on the Implementation of the Classifier of Positions in the Administration, civil servants hold the following positions: management positions; expert positions with analytical and/or control functions; other specific positions. According to her, the employees in management positions in the administration: (The Regulation on the implementation of the Classifier of positions in the administration)

- manage, including planning, organizing, controlling and coordinating, the relevant administration and/or structural unit;
- are responsible for the performance of the tasks of the administration and/or the structural unit before the relevant state body;
- report the achievement of the goals and activities of the administration and/or the structural unit to the relevant state body;
- manage the work of their directly subordinate employees in the relevant administration and/or structural unit.

According to the Ordinance on the Implementation of the Classifier of Positions in the Administration, the performance of expert positions with analytical and/or control functions is related to:

- preparation of opinions on projects of normative acts, strategies, concepts and problems;
- participation in the development of projects of strategies, concepts, programs and normative acts;
- preparation of analyzes and forecasts;
- collection and processing of information, maintenance of registers and databases;
- implementing legislation, analyzing and developing proposals for solutions to management problems;
- implementation of control functions both in relation to the activity of the administration and in relation to the activity of other natural and/or legal persons, when this is determined by a normative act;
- preparation of analyzes of the practice of applying normative acts and of proposals for solving problems that have arisen;
- provision of administrative services.

The Ordinance on the conditions and procedure for evaluating the performance of employees in the state administration, determines the conditions and procedure for evaluating the employees in the state administration for the performance of the positions held by them and for the promotion of employees in the civil service. (Ordinance on the terms and conditions for evaluating the performance of employees in the state administration)

The Code of Conduct for Civil Servants "sets out the rules for the ethical conduct of civil servants and aims to increase public confidence in their professionalism and integrity, as well as to raise the prestige of civil service". (Code of conduct for employees in the state administration) According to him, managers in civil services should support the activities of the civil service, as well as take the necessary actions to overcome conflicts between employees and eliminate the conditions for their occurrence.

Bulgaria managed to build an integrated model, in which the central and territorial administration apply the same positions, have the same internal organizational structure, form the remuneration in the same way, and the employees have the same status. At the same time, the decentralized principle of personnel management is preserved, with each separate administrative structure appointing, evaluating and training its employees. This model allows highly qualified employees to enter both expert and managerial positions in the administration. In this way, the expert capacity of the institutions is significantly increased, and the employees become the most valuable resource available to the administration. (Strategy for the development of the state administration 2014 - 2020, p. 11) Performance evaluation is carried out on the basis of: the achievement of predetermined goals or the fulfillment of direct duties and assigned tasks; demonstrated competencies. (Yordanova, 2018:110)

4. Good practices for state administration management

The quality of a country's public administration and governance is a key factor in its economic performance and the well-being of its citizens. Effective public administrations respond to the needs of citizens and businesses. It is very important that public authorities can adapt to changing circumstances.

The Commission helps EU countries to undertake public administration and management reforms by providing them with technical support in several areas: public administration and better policy-making, digital public administration, human resources and others: (Public Administration and Governance, European Commission)

Public administration and better policy making

The Commission's technical assistance is aimed at improving the work of the public administration. Effective, flexible and efficient administration is a prerequisite for the good governance of a country and the main driver of growth.

Examples of support:

- Ensuring coordination between ministries in order to improve the dialogue between government departments in the preparation and implementation of public policies.
- Improving structures and processes to ensure sound public policy making based on facts and analysis.
- Codification and planning of laws to ensure proper drafting of the legal framework.
- Control of the implementation of the reforms by developing a stable management and monitoring system.

Digital Public Administration

Digital transformation of public administrations is a way to provide faster, cheaper and better services. Electronic management improves efficiency and increases usability and accessibility. It also helps promote ethical practices and reduce the risks of corruption. The implementation of a solid e-governance system is the foundation of building e-governance.

Examples of support:

- Helping administrations to take advantage of new digital technologies in order to overcome the lack of interoperability of IT systems.
- Improving the services provided by the administrations of the EU countries to citizens, companies and other administrations, using information and communication technologies, such as artificial intelligence.
- Designing digital management systems and implementing an appropriate management framework.

Human Resources

Budgetary constraints put pressure on government departments to use scarce resources efficiently. At the same time, states must respond to the changing needs of their citizens. EU administrations are therefore encouraged to improve workforce planning and create HR systems that stimulate opportunities for learning and professional development.

Employee development tools are a key element in building quality public administration and promoting economic growth.

Examples of support:

- Determination of processes and procedures for depoliticization and professionalization of the selection of senior managers.
- Preparation of good practices for ensuring internal staff mobility.
- Use of performance appraisal systems for civil servants, including review of appraisal systems.

- Introducing a workforce planning process in the public administration to meet future human resource needs.

- Implementation of change management activities, including development and implementation of organizational strategies.

Employees are the main asset of public organizations. This requires quality leadership that engages all staff. Some specific opportunities for organizational development include: (European Semester - thematic information document. Quality of public administration, 2017:12-13)

- workforce planning to improve efficiency;

- attracting new employees to public administrations by building better talent management;

- creation of opportunities for mobility within the institutions and between them;

- expanding the role of the leader to act as a mediator and supporter of the team;

- use of quality management systems for the purpose of self-improvement;

- encouraging teamwork and cooperation;

- recruiting employees based on competencies;

- creation of a broader framework for performance management in accountability and achievement of results.

The COVID-19 pandemic has contributed to the practical implementation of the tools and processes for working with big data, which reflect the key technological trends of state and corporate development and have the greatest potential impact on the competitive advantages of countries and organizations in the future. According to the Organization for Economic Co-operation and Development, a mature digital state is a data-driven state and calls for a shift from information-driven states to a data-driven public sector. In real life, the implementation of big data technologies in public administration faces three main problems: (OECD Working Papers on Public Governance, No.31, 2019)

- technical and practical problems (insufficient amount of quality data, lack of common standards and level of interaction between different public and private ICT systems, etc.);

- limited resources and opportunities (insufficient funding for necessary research, low qualification of civil servants and digital literacy in society, etc.);

- the presence of barriers in society and the state (institutional, legislative, cultural, etc.).

To improve the aforementioned practices, the Organization for Economic Co-operation and Development recommends that countries develop strategies to support public sector development. They must be data-driven and focus on three main areas: the needs of citizens and society; receiving, analyzing and making decisions based on big data; mobility and speed of big data sharing and decision making. In addition, the state focuses on using them to create social value by predicting and planning possible changes, improving the quality of public services, implementing public policy and responding to public requests, as well as evaluating and monitoring their use. A government's capacity to provide quality services to its citizens depends on the professionalism and integrity of its civil servants, who must be managed in accordance with international standards and EU practices that recommend: (OECD. Civil service and public administration organisation and functioning)

- effective and efficient institutional structure with well-defined roles and responsibilities;

- HR policies and strategies that are applied fairly and consistently;

- recruitment and promotion based on merit, transparent and fair remuneration and system for professional development of civil servants;

- political neutrality.

Public administration must develop in accordance with clear policies and rules to ensure a rational, effective and efficient institutional structure. This is essential for increasing citizens' trust in public institutions.

5. Conclusions

Bulgarian administration develops and adapts to the dynamic environment, while at the same time preserving stability and continuity in its activity. The pursuit of continuous development and improvement requires the identification of existing problems, the overcoming of which will help to further increase the effectiveness and efficiency of its work. The quality of a country's public administration is key to its economic performance and the well-being of its citizens. An efficient public administration serves the needs of its citizens. It is essential that public bodies and their managers are able to adapt to changing circumstances, especially in times of crisis. Ordinary citizens are becoming increasingly concerned about the effectiveness of their governance at all administrative levels. At the same time, government leaders must promote learning and career opportunities, build and maintain a quality workforce in the public sector.

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MICHAL BITNER¹ AND JACEK SIERAK²

THE IMPACT OF DEVELOPMENTAL EXPENDITURE ON THE COMPETITIVENESS OF LOCAL GOVERNMENTS

Abstract

Development policy in Poland is based on various strategic documents, and it utilizes both the national resources and the European funds. Managing development at the local level is an important element of this policy. Many facets of this management are of incessant interest to the theory and practice of public finance. One of undisputed findings is the relationship between development and increase in competitiveness. However there are no studies showing the relationship between the shape of local government expenditure policy and increase of competitiveness at the local level.

The paper is focused on demonstrating the importance of specific groups of public expenditure implemented by local government units for development processes at the local level. The authors try to answer the question whether the implementation of certain local budget expenditure positively impacts the level of local government tax revenue, which determine the ability to provide public services, while creating a boost to the growth of competitiveness.

On the basis of international consensus on the impact of individual factors on the competitiveness measured at the regional level, the authors propose the concept of public developmental expenditure and they adjust it to current standards of budget reporting. In turn, the indicator of tax revenue per capita was chosen to measure the achievement of the objectives of development policy at the local level. The study covers all major cities in Poland (poviat-cities). The authors calculate the volume of the developmental expenditure over the reference period in each city covered by the study as well as the average dynamics of tax revenue per capita. Regression analysis constitutes the essential part of the study.

The observations that had been made, allowed to draw some conclusions regarding both the usefulness of proposed classification of developmental expenditure for the processes of planning, monitoring and evaluation of development strategies and the importance of developmental expenditure for the growth of competitiveness. The proper allocation of budgetary resources in developmental projects should lead in the long run to the growth of local economy and thus also to increase in local budget revenue.

Keywords: Development policy, local government budgets, developmental expenditure, competitiveness, tax revenue

JEL Codes: H72, H50

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Intorduction

The concept of development is one of the key notions in economics. As a result of development processes there is a shift from the current situation to a better, more desirable one from the point of view

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of the proper functioning of society and the economy. The importance of quantitative and qualitative changes taking place in a given sphere (e.g. social, economic one) is emphasized in each definition. Development is a certain sequence of targeted and irreversible changes taking place in the structure of complex objects, i.e. systems (Krajewski, 1997, p. 26). It can be considered from various points of view – microeconomic (enterprise, municipality development), mesoeconomic (regional development) and macroeconomic (development of a state, or groups of states). Both public and private entities participate in shaping of development processes, and specific groups of expenditure (“developmental expenditures”) are very important tool applied by them.

The subject of the analysis contained in this article is developmental expenditure borne by major Polish cities, ie. the cities with county rights (poviat-cities), that satisfies the need to ensure a sufficiently high quantitative and qualitative level of provision of various public services to residents and enterprises. Urban developmental expenditure is primarily infrastructure investment characterised by high capital intensity, limited divisibility, a long implementation period and high costs that usually exceed the financial capacity of the annual budget. Their implementation is a condition for the growth of the local economic base and a factor attracting new investors, which in the longer run leads to an increase in the income capacity of the budget. Another important developmental expenditure group are measures increasing social capital, dedicated to education, health, culture and sport. Undoubtedly, developmental expenditure also contain spending to finance scientific research and implementation work aiming at making use of innovations, but due to the legal nature of the tasks of cities with county rights their significance is limited in practice.

Cities creating the optimum mix of location factors, increasing their attractiveness as places of investment, and improving living conditions of the residents simultaneously create favourable conditions for businesses. The ability of a territorial unit to build a permanently attractive environment for activity of enterprises as well as work and life of people is defined as territorial competitiveness (Meyer-Stamer, 2008, Dijkstra, et al., 2011, Schwab, 2012). New investments of enterprises (and of households – houses and flats) result in an increase in the tax base. In turn, new jobs, especially in high value-added sectors, raise the purchasing power of the population, which in turn stimulates the creation of additional supply. Theoretically, an external manifestation of this process should be an increase of the budget income of cities resulting from certain taxes. It is therefore necessary to examine the occurrence and intensity of the relationships between the value of developmental expenditure and the rate of changes in tax revenue collected by the cities. The results of such a study are important for constructing realistic and measurable goals of local development strategies.

Developmental expenditure and competitiveness – theoretical background

The authors understand public developmental expenditures as the money spent on development policy by central government and local governments (excluding transfers between them), leading to positive socio-economic changes, in particular a rise in productivity and an increase in social and economic cohesion. Adopting the criterion of functionality, the authors divided developmental expenditure aimed at increasing the competitiveness of cities into the following three groups:

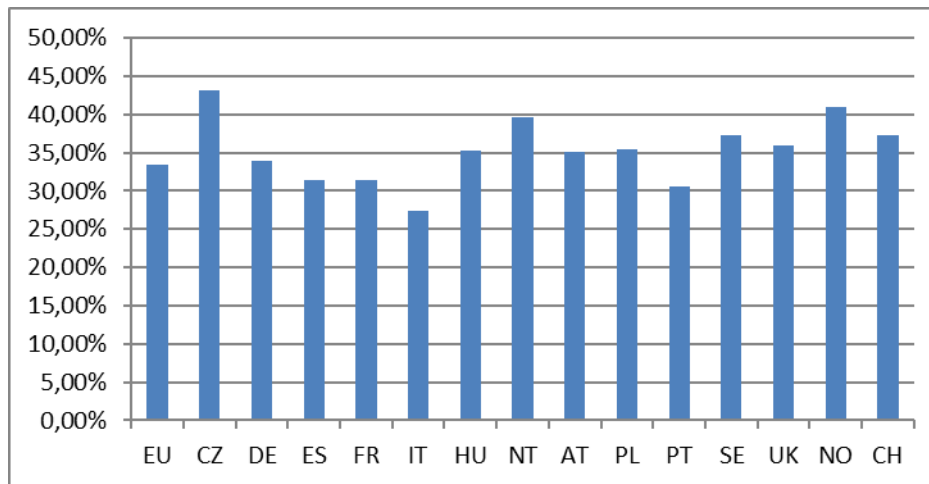
- Group I – expenditure generating high value added (knowledge-based economy), which include projects directly contributing to the creation or enhancement of productivity-increasing factors. This group covers expenditure that finances research and development, science and the use of advanced technology both in business and administration (especially digitisation processes).
- Group II – material, human and social capital crucial for development processes – covers financing of technical infrastructure necessary for the functioning of all sectors of the economy and the acquisition of the necessary qualifications by people involved in the processes of the creation of value added. This group includes, in particular, expenditure on the construction, extension and

modernization of transport routes, telecommunication infrastructure and other public utility infrastructure, as well as expenditure on higher education and life-long learning meeting the needs of the economy.

- Group III – expenditure covering the social-economic base of development process – covers measures that can be considered a precondition to implement development policy in the long run. These are primarily expenditure on general and vocational forms of primary and secondary education, health care, culture, sports and tourism.

The role developmental expenditure plays in the economy of the European countries can be roughly presented by approximate transposition of the above mentioned concept to the Classification of the Functions of Government (COFOG). The following COFOG groups and divisions should be considered developmental: basic research (01.4), research and development groups in all of the divisions, fuel and energy (04.3), mining, manufacturing and construction (04.4), other industries (04.7), waste management (05.1), waste water management (05.2), pollution abatement (05.3), water supply (06.3), the entire divisions “health” (07), “recreation, culture and religion” (08) and “education” (09). Using COFOG data one can compare various indices, for example the share of developmental expenditure in total expenditure of the general government sector.

Figure 1. The share of developmental expenditure in the total expenditure of the general government sector



Source: Authors' own calculations.

As can be seen, the share of developmental expenditure in the total government expenditure in Poland (37,6%) is nearly the same as the average value for the EU (36,7%) and it may be compared to the analogous share calculated for Germany (36,6%), Austria (36,9%) or the United Kingdom (38,8%). What should be mentioned is the share of development expenditure calculated for the Czech Republic (49,3%) and the Netherlands (44,2%), which is substantially higher not only than the EU average but also higher than the share calculated for the richest European countries – Norway (43%) and Switzerland (40,1%). On the other side in some member states of the “southern” flank the share of developmental expenditure in the total government expenditure is considerably lower than the EU average (in Italy 32,3%, in Portugal 32,9%).

Referring to the concept of territorial competitiveness, as the ability of a territorial unit to create a permanently attractive environment for activity of enterprises and work and life of citizens, or the ability to generate high and rising incomes and to improve the living conditions of the inhabitants - it is possible to characterise development expenditure as expense aimed at strengthening of so-called competitiveness factors. Nowadays, the competitiveness of a given territorial unit (a city, a region, a state) is increasingly determined by its ability to create an environment conducive to innovation and the knowledge-based economy. Among development expenditure, these classified in group I are of fundamental importance in this respect. The innovativeness of a region can be described as its ability to introduce changes, reforms, innovative solutions in various spheres of socio-economic life and to improve the way of functioning of development mechanisms (Chądzyński, Nowakowska and Przygodzki 2007, p. 144). Already J.A. Schumpeter, considered one of the creators of the theory of sector polarisation, pointed to the importance of innovation in development processes (Schumpeter, J.A, New York, 1961). He adopted a very broad definition of innovation, assuming that it is in principle any new combination of broadly understood factors of production (Schumpeter, 1964 p. 100 ff.). He attributed key importance to so-called base innovations, which according to him were periodically occurring technical achievements. As basic technical and technological changes, they determine the sectoral structure of the economy, and evolving over time they are able to change this structure. The importance of research and innovation was also highlighted in the concept of the learning region (Floryda, 2000). According to this concept, the main development factor is the continuous process of the creation and implementation of innovations and the ability to adapt innovations to changing market conditions.

Discussing the importance of expenditure belonging to the second group (group II developmental expenditure), reference should be made to the theory of the economic base (North D.C., 1955 pp. 243-255, Rittenbruch K., 1968). The development of this base produces multiplier effects, contributing to the development of related areas, including the market of local and regional services. Recommendations formulated in the field of development policy point to key development factors, i.e. implementing projects that attract investors, supporting export production and rendering services that can promote technological changes (North D.C., 1955 pp. 243-255). One should also mention the idea of sectoral and regional polarisation (Hirschman A.O. 1958), according to which economic development is uneven and it tends to concentrate in so-called geographical growth centres. In order to carry out effective development policy, proponents of this theory recommend the use of such factors which promote the development of central areas and support diffusion processes and instruments (e.g. by building transport infrastructure). The impact of infrastructure on economic life is multifaceted. Feedback is a term that seems to reflect the interdependence of the economy and infrastructure in a proper way (Sadowy, 1995 p. 24). Nowadays, great importance is also attached to basic infrastructure serving environmental protection (RCI, 2016). It should be stressed that the existence of the “traditional” negative trade-off between competitiveness and environment protection has long been questioned (Porter, v. der Linde, 1995). The literature on the impact of public investment on economic growth was extensively referred to in the 4th Cohesion Report containing an analysis of the importance of promoting public investment in EU cohesion policy, indicating the existence of a broad consensus in this respect (in the latest literature see especially Romp, de Haan, 2007).

The third group of developmental expenditure encompasses mainly financing of human capital and social infrastructure. One can refer here to the theory of endogenous growth, proposed by Barro, Lucas and Romer. Barro dealt with new, endogenous development factors, with particular emphasis on the role of human capital as a resource of knowledge. Increasing its level in underdeveloped areas should lead to a reduction in distance from developed countries or regions, assuming the similarity of other determinants of growth and economic development (Barro, 2003). The relationship between technological progress, economic growth and the level of human capital was also emphasised in Romer’s model (Romer, 1986). Both models highlight the relationship between education and economic growth – if public spending on education is complementary to private expenditure, then the public

sector, by increasing the accumulation of human capital, can have a significant impact on economic growth. It will be manifested in the development of social potential and suitably qualified workforce. An equally important role should be assigned to health infrastructure. The impact of health of the workforce on the production growth should be emphasized in particular (Bloom, Canning, Sevilla, 2004; Barro, 1996). It is noteworthy that, unlike employee health factors, studies on the relationship between expenditure on education and economic growth often yield less unequivocal results (Khalifa Al-Yuosif, 2008, Mallick et al. 2016). According to the current trends in thinking of socioeconomic development, especially the theory of sustainable development, it is crucial to maintain a balance between the promotion of these two types of infrastructure (i.e. technical and social infrastructure).

Analysing the role of developmental expenditure, we should also refer to the achievements of territorial competitiveness researchers in determining development factors. The best known initiative reflecting the key consensus on identifying competitiveness factors is the Global Competitiveness Report (GCR), based on an index developed by Sala-i-Martin and Artadi. In turn, the GCR methodology has been applied to construct the Regional Competitiveness Index, used by the European Commission to measure regional competitiveness. One can even talk about a certain “fashion” for proposing of various competitiveness indexes, including the competitiveness of cities. However, due to a strong theoretical foundation, the most important is the GCR methodology and the RCI methodology based on it. The purpose of both the GCR and the RCI is to assess the status quo in individual states or regions in terms of previously identified competitiveness factors: the methodology is therefore based on the identification of indicators that enable standard measurement of the intensity of individual factors and then on the construction of a single index aggregating the results of these measurement.

Method of the research

The aim of the study is to determine the relationship between developmental expenditure borne by cities with county rights and the relative wealth of individual cities, which is measured by the amount of tax revenue per capita. The study covered all self-government units which in the whole period 2005-2022 had the status of cities with county right (66 units). The choice of cities with county rights seems to be justified for the following reasons: firstly, it is a homogeneous group in terms of their tasks and funding system; secondly, with the exception of Silesian voivodship, cities with county rights are relatively scattered territorially; thirdly, analysing all units of a given type removes the difficulty connected with a random sample selection. In order to determine the amount of developmental expenditure we analysed the budget statements of cities with county rights in each year of the period 2005-2015. Since developmental expenditure related to R&D and innovations (i.e. expenditure belonging to the first group – according to our classification) was incurred only by some cities and not in each of the years under the study, the research was limited to developmental expenditure belonging to groups 2 and 3. For each city, the average intensity of developmental expenditure was calculated as the share of developmental expenditure belonging to a given group in total budget expenditure. The amount of tax revenue per capita was chosen as a measure of relative prosperity of cities. This indicator covers basic types of income of local government units, whose size results from the broadly understood economic base of a given government (e.g. financial outcome of companies located in particular jurisdiction is a “base” of the share in CIT paid to this jurisdiction, the income of residents is a “base” of the share in PIT, book value of some fixed assets owned by enterprises is a “base” of the property tax, etc.). For each city we calculated the average dynamics of the indicator in the period under consideration assuming the shift over time of tax revenues in relation to the incurred developmental expenditure.

The relationship between the values of the variables discussed above can be expressed in the most general form in the following formula:

$$\Delta Dpc_{(o)} = \alpha * (W1_{(o-n)} + W2_{(o-n)} + W3_{(o-n)})$$

where:

ΔDpc – increase in tax revenue per capita in the period o ;

α – the parameter of the impact of developmental expenditure on the change of tax revenues per capita;
 $W1_{(o-n)}$, $W2_{(o-n)}$, $W3_{(o-n)}$ – the share of developmental expenditure of the i -th group in total expenditure in the period $o-n$;

n – the assumed time shift of the impact of developmental expenditures;

and

$$\alpha = \Delta Z * \Delta B$$

where:

ΔZ – increase in the number of tax payers (as a result of incurred development expenditure);

ΔB – increase in the tax base (as a result of incurred developmental expenditure).

Results

Figure 1 presents the results of a regression analysis that shows the relationship between two variables – the share of developmental expenditure in group II and the dynamics of tax revenue per capita. Its purpose was to demonstrate in a general way the relationship between the averaged share of developmental expenditure of group II in total expenditure and the averaged change in tax revenue per capita for the period under analysis in each of the 66 cities with county rights. Thus, each of the 66 points in Figure 1 reflects the average share of developmental expenditure of group II in the budget (X axis) and the average change in tax revenue per capita (Y axis) in a given city with county rights. The location of the points representing the cities shows that units with a higher average share of group II developmental expenditure in the budget had also a slightly higher average rate of increase in tax revenue per capita.

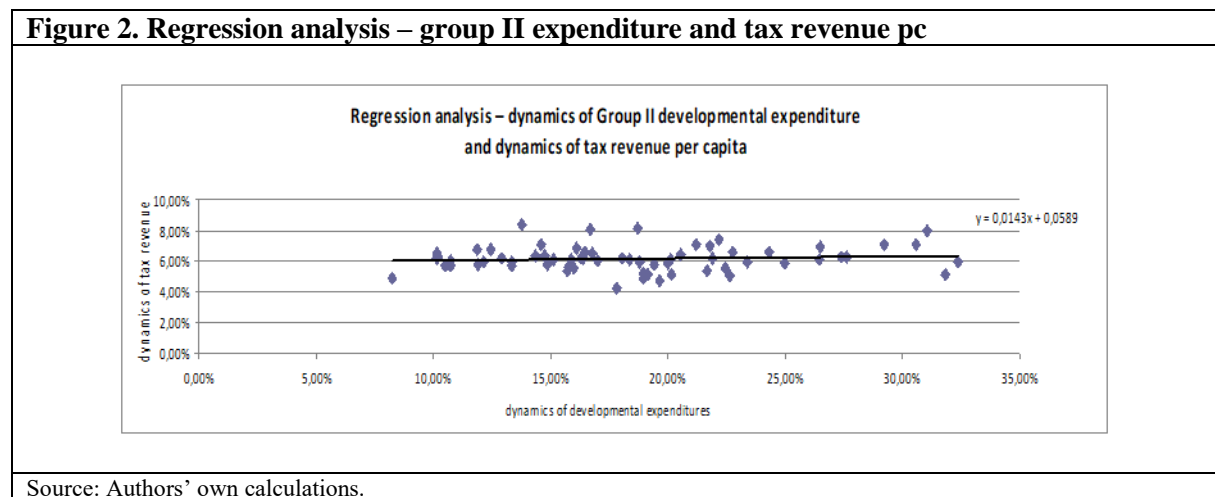
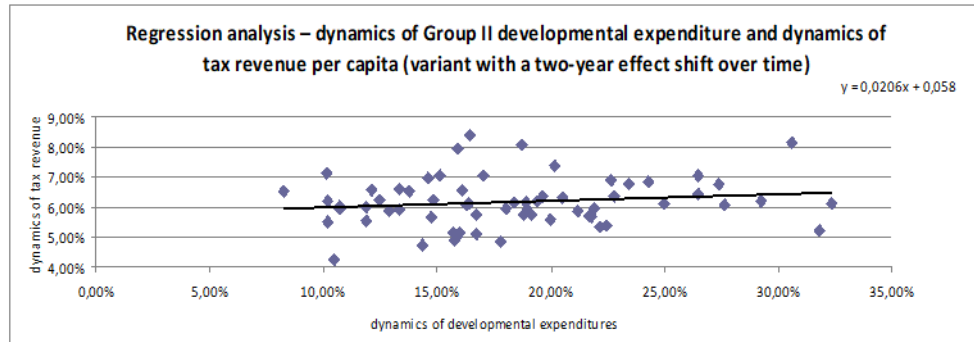


Figure 2 presents the results of the regression analysis for the variant assuming a two-year shift in the impact of developmental expenditure on the dynamics of tax revenues collected by the examined cities.

Figure 3. Regression analysis – group II expenditure and tax revenue pc (variant with a two-year effect shift over time)

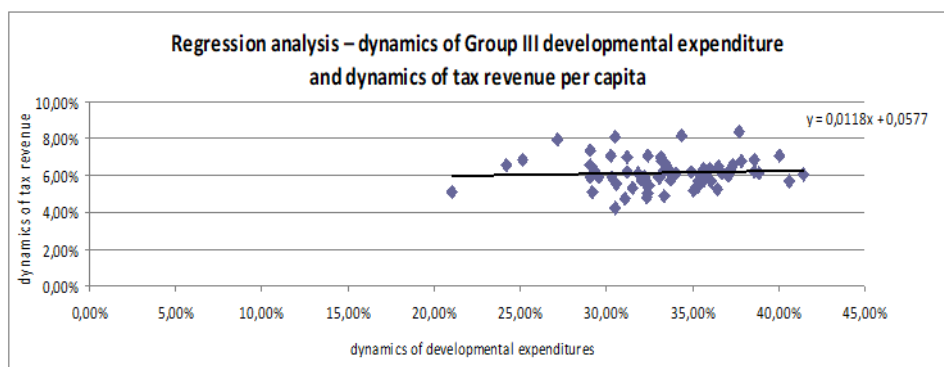


Source: Authors' own calculations.

The analysis of the relationship based on the comparison of changes in the share of group II expenditure in the budget and tax revenue pc shows a weaker correlation than is the case of the comparison of the data with the assumed shift in tax revenue per capita by 1 or 2 years. In the latter variant, there is a stronger link between the increase in expenditure in group II and the increase in tax revenue pc. These results are a logical consequence of the specifics of investments in technical infrastructure, the financial and economic effects of which appear belatedly in relation to the completed investment process.

Figure 3 presents the results of a regression analysis showing the relationship between the share of group III expenditure in the budget and the dynamics of tax revenue pc.

Figure 4. Regression analysis – group III expenditure and tax revenue pc



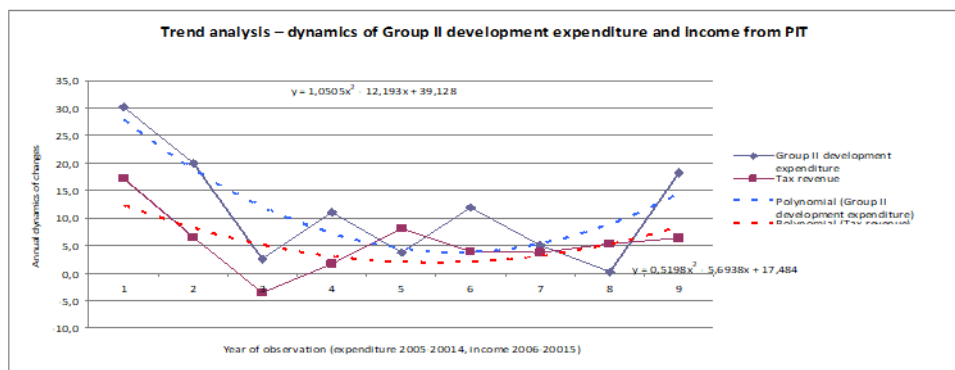
Source: Authors' own calculations.

The location of the points representing the cities shows that in the governments that had a higher share of group III developmental expenditure averaged for the analysed period, there was also a higher average rate of increase in tax revenue per capita for the same period. In comparison with the corresponding summary containing group II expenditure, these links are significantly weaker. The results seem to be a logical consequence of the specifics of the social infrastructure investments, whose financial and economic effects appear later than in the case of the technical infrastructure.

In order to confirm the presented relationships resulting from the regression analysis, we analysed the co-occurrence over time of changes in the share of development expenditure of group II (and separately

group III) in the budget with tax revenues pc. The lines of the polynomial trend for both these values, i.e. group II expenditure and tax revenue pc, show a high degree of co-occurrence of both analysed variables over time (see Figure 4), which confirms the thesis on the impact of development expenditure on the tax revenue observed with the time shift described earlier. This relationship occurs throughout the analysed period – to some extent independently of the fluctuations in the business cycle – confirming the importance of public developmental expenditure as an instrument of a stabilising function of public finance.

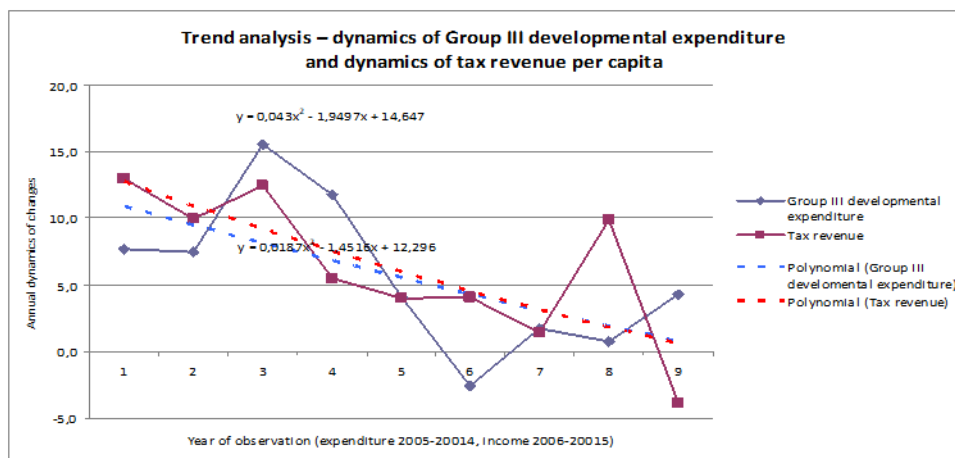
Figure 5. Trend analysis – group II expenditure and tax revenue pc



Source: Authors' own calculations.

Analogous conclusions can be drawn from the analysis of relationships of the above values referring to group III expenditure (see Figure 5). Relationships visible in this case have a different form – developmental expenditure of group III show a decreasing trend of changes in the analysed period. A similar trend was noted in changes in the dynamics of tax revenue per capita. One should also emphasize a strong correlation between the analysed variables, which finds its expression in the polynomial equations of the trend line.

Figure 6. Trend analysis – group III expenditure and tax revenue pc



Source: Authors' own calculations.

Conclusions

There is a general consensus in the literature on the importance of certain factors for territorial competitiveness understood as the ability of a given territorial unit to offer a permanently attractive environment for activity of enterprises and work and life of citizens. On this basis, various recommendations are made for directions of public intervention aimed at the creation or improvement of business conditions and the development of human capital. Incurring of developmental expenditure on the basis of specific development strategies is one of the essential elements of this intervention. In turn, the local government sector, and above all - local government units - is the largest spender of public developmental expenditure. However, the analyses we carried out, indicate that no measurable economic effects of developmental expenditure intervention can be expected in the short (or medium) run. Although it is possible to distinguish among developmental expenditures those, whose impact on the level of economic activity is revealed earlier than of the others, this does not mean that these expenditures are "more important" from any point of view. The deferred impact of public developmental expenditure points to the need to build development policies on long-term strategies and to the necessity to look for short-term measures of the effectiveness of public fund management.

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ANA MARIA QUARESMA¹ AND SANDRA RIBEIRO²

PILLARS OF CORPORATE GOVERNANCE: A POSITIVE EXTERNALITY OR NOT?

Abstract

Corporate Governance is based on pillars of Transparency, Fairness, Responsibility and Accountability. Companies listed on the Stock Exchange are subject to high corporate governance requirements, which are reflected in their good, or bad, performance in their share prices. In Microeconomics, Externalities is the word used to describe the effects related to the production/consumption of a good/service that are not captured by the market, more specifically by the price system.

This exploratory study aims to review the literature to show whether the pillars of Corporate Governance can be considered as a positive externality. Regarding Transparency, Fairness and Responsibility it was not possible to verify that they represent a positive externality because their adoption is reflected in the share prices, however, and given that Accountability is mandatory in listed companies, it would be impossible for organizations to remain listed on the Stock Exchange if they did not comply with the requirements imposed. Thus, we conclude that this pillar can be considered a positive externality, allowing all economic agents to benefit from the financial information of the organizations.

Keywords: Corporate governance pillars, positive externalities, accountability

JEL Codes: M10, M16

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1. Introduction

Good Corporate Governance Practices are pillars for the success of companies, and for the market valuation of listed companies in particular, contributing strongly to investors' confidence.

According Hussains (2018) the global discussions about corporate scandals have recently escalated the need to investigate corporate policies, strategies, and practices.

Good corporate governance practices are to be stranded on a clear and dynamic legal and enforceable and backed by effective execution organizations (OECD, 2004a). The OECD Principles of Corporate Governance establishment of an effective system of inspections and equilibriums between boards and management. To avoid possible abuses, professional managers should be effectively monitored by the board. The board is in turn responsible to the shareholders, who should be able to exercise their fundamental ownership rights, including appointing and removing board members. Lastly, to effectively use ownership rights to monitor and influence the board needs essential requirements of disclosure and transparency (OCDE,2004b).

The OECD principles focuses on six key areas of corporate governance. Table 1 summarizes the main areas of OECD Principles with short descriptive explanation. (OECD, 2004b).

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Table 1. Principles of Corporate Governance

I. Ensuring the basis for an effective corporate governance framework	Good practices of corporate Governance should promote transparent and efficient markets, be coherent with the law and clearly articulate the division of responsibilities among different supervisory, regulatory and enforcement authorities.
II. The rights of shareholders and key ownership functions	Good practices of corporate governance should protect and facilitate the exercise of shareholders' rights.
III. The equitable treatment of shareholders	Goode practices of corporate governance framework should ensure the equitable treatment of all shareholders.
IV. The role of stakeholders in corporate governance	Good practices of corporate governance should recognize the rights of stakeholders established by law or through mutual agreements and encourage active cooperation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises.
V. Disclosure and transparency	Good practices of corporate governance should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company.
VI. The responsibilities of the board	Good corporate governance practices should ensure compliance with organizational strategy, effective management control by the board of directors and management accountability.

Source: Principles of Corporate Governance (2004b).

The basis of the above-mentioned principles are the pillars of good corporate governance (accountability, transparency, responsibility, and fairness): which will be analyzed in section 2.1.

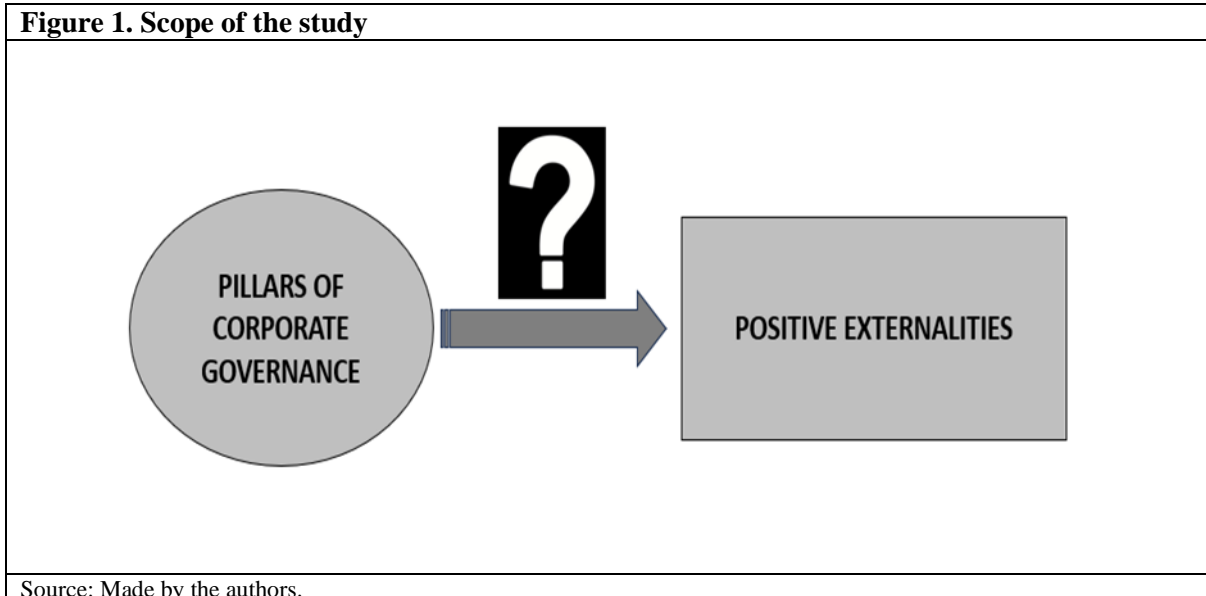
The other theoretical framework exposed on this study is the positive externalities. Externalities is the word used to describe the effects related to the production /consumption of a good/service that are not captured by the market, more specifically by the price system (Pindick et al, 2018).

Positive externality can be associated with good corporate governance practices. The understanding of the positive impact of these practices on society, bringing beneficial effects that affect all individuals in general, even those who are not shareholders and even stakeholders of the organization.

The main proposal of this study is understanding which pillars of corporate governance can be considered a positive externality. For this comprehension, in section 2.2 we will theoretically expose the

externalities. The scope of this study is to understand which pillars of corporate governance can be considered positive externalities (see figure 1) that will be discussed in the final considerations.

Figure 1. Scope of the study



Source: Made by the authors.

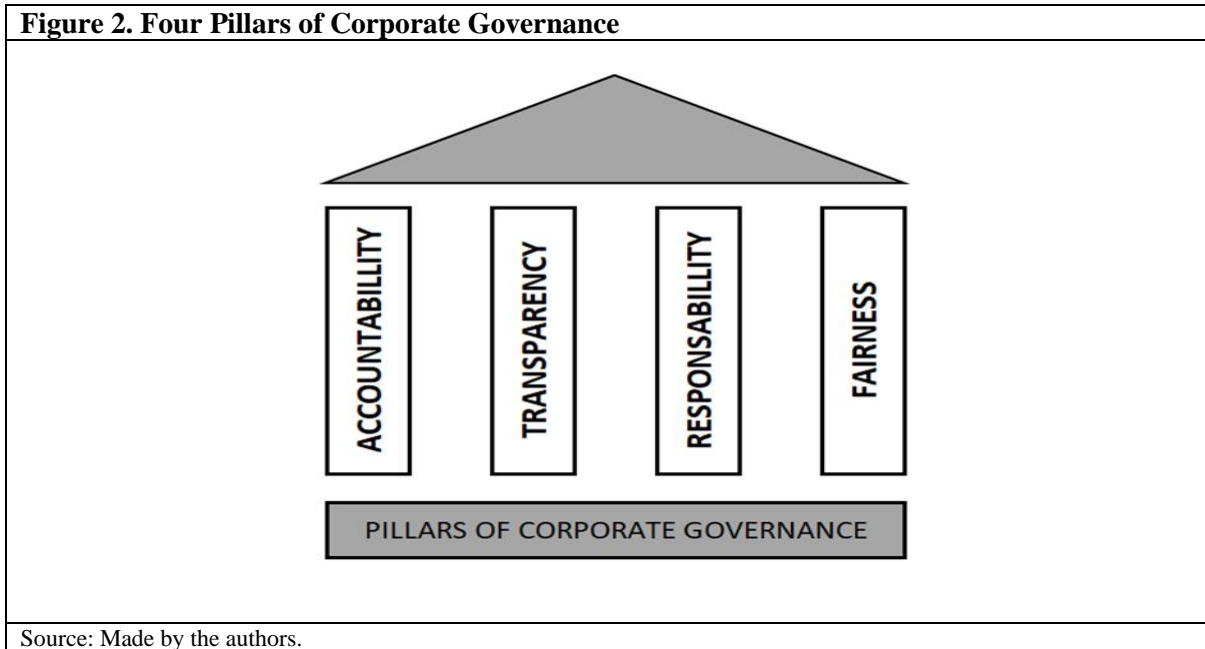
2. Theoretical Background

In this section the theoretical fundamentals for this study will describe. By one hand the companies, in particular listed companies, must comply with the principals of good Corporate Governance, sustained by four pillars (see section 2.1), on the other hand we try to understand the positive impact on the society in general. The scope of the study is the comprehension if this positive influence can be considered, or not, a positive externality.

2.1. Pillars of Corporate Governance

The four pillars of corporate governance (see figure 2) provide a framework for good corporate governance by organizing transparency, accountability, fairness, and responsibility in companies' behaviors. The adoption of these principles, organizations can increase stakeholder trust, mitigate risks, and achieve sustainable growth.

Figure 2. Four Pillars of Corporate Governance



Source: Made by the authors.

Accountability: involves holding company management and the board of directors responsible for their actions and decisions. This includes ensuring that they act in the company's and its shareholders' best interests and that they are held accountable for any breaches of laws, regulations, or ethical standards. The term accountability is associated with attributing to someone the consequences of their actions. Stakeholders need to feel that if something goes wrong, or if it does, managers will have to be accountable for their actions. Investors are driven to invest in organizations with the knowledge that future actions, whether successful or unsuccessful, are properly accountable. This pillar promotes transparency and integrity in the management of organizations, fostering stakeholder trust. The management of organizations is responsible for their financial performance and following the law (OECD, 2023).

For listed companies is **mandatory by law publishing the Financial Accounts** who must be Certificate by an External Auditor.
 The companies must Comply or Explain.



Transparency: this is another crucial pillar of good corporate governance, which underpins that the management of organizations must act in an open and transparent manner, providing the necessary information for stakeholders to monitor corporate life. Transparency is not only revealed in the disclosure of financial information, but also in business operations, risk, corporate structure, and other matters that can influence the opinion of interested parties about corporate management. Transparency and accountability are two fundamental pillars of good corporate governance, but while transparency is guided by good practices and, obviously, if it is not complied with, the impact on the market price of shares is negatively affected, accountability adds that this disclosure is required by law.

This pillar promotes transparency and integrity in the management of organizations, fostering stakeholder trust. The management of organizations is responsible for their financial performance and following the law.

Companies must be open and willing to provide timely information on the company's financial, social, and political position to shareholders, stakeholders, customers, and the public. The management reveals good corporate transparency with a functioning audit committee, routine external audits, and objective, accurate yearly reports (OECD, 2023)



Responsibility: focuses on organizations that act in a socially and ecologically responsible manner. The management of organizations must consider that their decisions affect society, the environment and future generations. In this way, ethical and sustainable corporate practices, such as minimizing negative environmental impacts, promoting diversity and inclusion, defending human rights and improving the well-being of the community are aspects that fall under this pillar of corporate governance. Responsibility also entails interacting with stakeholders and responding to their questions and requirements, leading to the creation of corporate governance (OECD, 2023).

Responsibility moreover involves interacting with stakeholders and responding to their questions and requirements, leading to the creation of communication channels between the organization and stakeholders. Organizations must be transparent about their social and environmental performance and progress towards sustainability goals and be willing to be held accountable for their actions. This pillar is also associated with the social responsibility of organizations, which leads to greater community support, branding and customer loyalty, and the valuation of organizations in the market revealed by the price of their sharescommittee, routine external audits, and objective, accurate yearly reports.



Fairness: Fairness means “treating all stakeholders equally and ensure their rights. The good practices of corporate governance should protect shareholder rights and ensure the equitable treatment of all stakeholders, including minority and foreign shareholders. Organizations should respect the right of shareholder and encourage them to exercise their rights. Fairness is a crucial tenet of corporate governance because it guarantees that businesses including shareholders, employees, clients, suppliers, and communities (OECD, 2023).

Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders of listed companies, also known as the Shareholder Rights Directive, was a milestone in the regulation of corporate governance in the European Union. It recommends that listed companies allow each share to be assigned one vote, encouraging the participation of minority shareholders in general meetings.



2.2 Externalities/Positive Externalities

The conceptualization of externality is not absolute. However, they are costs or benefits resulting from an activity and that they are imposed on third parties, but they are not part of the market mechanism. Externalities occur when an agent improves or worsens the situation of another agent, but without assuming the benefits (in the case of improvement) or the costs (in the case of worsening) of doing so (Varian, 2006).

In perfectly competitive markets, there are no externalities. Externalities are present in a market if the actions of consumers or producers generate costs or benefits that are not reflected in the price of the product in the market. With the costs and benefits that affect at least some decision-makers differ from those of society. The market price may not reflect the social value of the good, and the market may not maximize the total surplus. Because they result in economic inefficiency, public goods and externalities are often identified as sources of market failures. Externalities can be negative or positive and can be caused by producers or consumers. if they impose costs on, or reduce benefits for, other producers or consumers (Varian, 2006).

We can identify externalities that occur on the production/consumption side of a good/service.

Examples of negative externalities of production are pollution of a company in the community and negative consumption, listening to loud music and bothering neighbors, smoking in restaurants, etc. In contrast, examples of positive externalities of production are, for example, the development of a new technology, such as the laser benefits not only the inventor but also many other producers and consumers in the economy and as a positive externality of consumption A positive externality of consumption is, for example, when a child is vaccinated to prevent the spread of a disease from increasing, that child

receives a private benefit, because immunization protects you from contracting the disease. In addition, because it decreases the likelihood of her transmitting this disease, the other children in the community also benefit (Besanko, 2020)

It is not the purpose of this study to make an in-depth microeconomic analysis on this topic, but rather to relate the concept of externality with the pillars of corporate governance discuss on the next section.

3- Final Considerations

Analyzing the issue of externalities:

- Negative externalities occur when the effects not considered when the decision to produce/consume are negative and affect third parties who are not related to it. **According to this Corporate Governance Pillars are not a Negative Externality.**
- Positive externalities, in contrast to the previous ones, in which the effects not considered are positive and should therefore be encouraged. One of the most common examples is support for research, the results of which can contribute to improving certain aspects of the surrounding society.

Pillars of corporate governance are, or not, positive externalities?

According with the previous expose we consider that regarding the pillars Transparency, Responsibility and Fairness was not possible to verify that they represent a positive externality because their adoption, or not, is reflected in the share prices.

Accountability is mandatory in listed companies. It would be impossible for organizations to remain listed on the Stock Exchange if they did not comply with the requirements imposed. Therefore, we consider that for this mandatory imposition the pillar of accountability is considering a positive externality.

These considerations are based on understanding whether the pillars of governance can have a positive impact on the community and not only on its stakeholders, plus the fact that this impact is not manifested in stock market prices (see table 2).

Table 2. Final Considerations

PILLARS OF CORPORATE GOVERNANCE	Positive Impact on the Economy	Impact on Market Prices	Mandatory by the law (listed companies)	Positive Externality
Transparency	YES	YES	NO	NO
Responsability	YES	YES	NO	NO
Fairness	YES	YES	NO	NO
Accountability	YES	NO	YES	YES

Source: Made by the authors.

All the Pillars of Corporate Governance have a positive economic impact, as their adoption by companies has a beneficial effect on economic agents, however the conduct in terms of **Transparency, Responsibility and Fairness** impact the share price and thus we **do not consider it a Positive Externality**.

Accountability, as it is mandatory by law in listed companies, the price of the shares is not influenced, since its non-adoption would invalidate the company's permanence on the Stock Exchange and, therefore, we can conclude that it **is a positive externality**.

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TAMER BUDAK¹ AND SERKAN BENK²

TAXATION OF BANKS: COMMENTS ON BANKING AND INSURANCE TRANSACTIONS TAX (BITT) IN TURKEY

Abstract

The banking sector, an important part of the financial sector, is important due to its economic size and being an indispensable actor in the money market. Hereafter the 1929 economic crisis, which started in the stock exchange and affected the entire world economy, taxation of the financial sector and banking sector came to the agenda. The first and most important person in this field is Keynes. Keynes' contribution to the taxation of financial transactions was a milestone. Today, many countries are implementing tax practices regarding the taxation of financial transactions. It should be noted that there is no tax practice that everyone around the world accepts in this area. Many tax practices that can be applied in this field have come to the fore. It can be seen that there are three practices in the taxation of finance especially the banking sector in Turkiye. The most important among these is the Banking and Insurance Transactions Tax (BITT). The subject of the BITT is transactions and services performed by banks, bankers and insurance companies. Taxpayers are banks, insurance companies and bankers. BITT is not only a tax applied only for income purposes but also a guiding tax and is used as an important financial tool in times of economic instability. In this context, BITT applied in Turkey is both a financial transaction tax and an important financial instrument.

Keywords: Tax, financial transaction, banking, Turkiye

JEL Codes: H20, G21

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1. Introduction

This study deals with the taxation of the banking sector, which is the most important factor in the financial sector. When we look at the theory of taxation of the finance and banking sector, it is noteworthy that financial transactions are collected under the umbrella of financial transaction taxes. The idea of financial transaction taxes (FTT) is not a new tax. For many years, various discussions have been on the agenda for the implementation of FTT as a solidarity tax, especially on a global scale (Wahl, 2016).

Financial transaction tax, which has been discussed extensively recently, has focused especially on the taxation of securities transactions. It is important to reduce or eliminate financial crises caused by the banking sector and financial markets both in the USA and other countries. Financial crises not only negatively affect the relevant countries, but also the entire world's financial markets. For this reason, FTT has always been a tax that remains on the agenda. In particular, the financial transaction tax aims to prevent speculative short-term and high-volume trading in securities markets, thus directing capital to long-term investments. It is stated that FTT will reduce the volatility and unnecessary bubbles in asset prices, which carry high risks and harm the national economy by negatively distorting investment decisions. Financial transaction taxes on securities are considered to serve two main purposes. Firstly,

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the financial sector contributes to state revenues through taxes, and secondly, it prevents or reduces short-term financial activities for speculative purposes (Pekanov & Schratzenstaller, 2019).

There are taxes applied under various names as financial transaction taxes. In this context, taxes such as "Financial Activity Tax", "Financial Stability Contribution Fund", "Insurance Premium Tax" and "Financial Transaction Tax" are applied. If we look at the literature on the taxation of financial transactions, we see that there are many studies in this field. The majority of these studies are aimed at taxing financial assets traded on stock exchanges. At the same time, a significant part of these studies are studies on the economic analysis of financial transaction taxes and their effects on investor preferences. This study differs from the studies in the literature in terms of its content. This study deals with the Banking and Insurance Transactions Tax (BITT), which is one of the financial transaction taxes applied in Turkiye.

The topic is discussed under various headings. First, the brief history of financial transaction taxes and country practices are briefly explained. Under the next title, BITT, which has an important place in the taxation of banks in Turkiye, will be briefly examined.

2. Financial Transaction Taxes

The fluctuations that emerged with the onset of the global economic crisis in 2008 and the financial transaction taxes that came to the agenda to overcome the debt crisis have been discussed extensively. The global economic crisis has disrupted the balance of public finances not only in the American continent but also in Europe. Although it came to the agenda intensely after the 2008 economic crisis, the history of the debate on financial transaction taxes dates back to earlier times.

One of the first and most important proponents of the financial transaction tax was Keynes (Matheson, 2011). According to Keynes, the very low level of transaction costs in financial markets causes many investors to enter the market and make transactions. This situation causes an abundance of liquidity in financial markets, and increasing speculative movements create serious instability. A tax that is a financial transaction tax for all financial transactions will put an end to speculative movements in the market. According to Keynes, a financial transaction tax will discourage short-term investments but encourage long-term financial investments (Keynes, 1976). Tobin, a Keynesian economist in the 1970s, suggested imposing a very low tax on spot foreign exchange transactions to prevent instability in exchange rates and create a safe environment for international trade. The financial transaction taxes suggested by Keynes and Tobin were not popular enough (Şen & Tokathoğlu, 2016). However, financial transaction taxes came back to the agenda after 2008 and were discussed very intensively.

It is possible to divide the taxation of the financial sector into two basic tax categories. One of these is Financial Transactions Tax (FTT) and the other is Financial Activities Tax (FAT). FTT is applied to all financial transactions, particularly those carried out on organized markets such as the trade of equity, bonds, derivatives, currencies, etc. FAT is applied to the sum of profit and remuneration of financial institutions (European Commission, 2010).

Financial Transaction Tax (FTT) – A tax on the purchase and sale of either a stock or bond or other financial contracts such as options and derivatives. Securities Transaction Tax (STT) is the tax collected during the purchase and sale of securities traded on stock exchanges. Stamp Duty is a tax applied to various documents executed in accordance with the law (Dowd, 2020).

In this context, financial transaction taxes have various types such as foreign exchange transactions tax, capital increase tax, securities transactions tax, banking transactions tax and insurance premium tax. In

practice, there are financial transaction taxes applied under various names in various countries. Table 1 below shows the different financial transaction taxes applied in various countries.

TYPES OF TAX	EUROPEAN COUNTRIES	NON-EUROPEAN COUNTRIES
TRANSFER TAX	Belgium Poland	Philippines
SECURITIES TRANSACTION TAX (STT)		India South Africa South Korea Taiwan
FINANCIAL TRANSACTION TAX (FTT)	Finland France Italy	Brazil Venezuela
PROPOSED FTT	Hungary Portugal Spain	
STAMP DUTY	Cyprus Ireland Malta Switzerland United Kingdom	China Egypt Hong Kong Pakistan Singapore Thailand Trinidad & Tobago

Source: BNY MELLON, (2019) "A Global View of Financial Transaction Taxes (FTT): An Overview of Requirements And Compliance." Global Tax and Regulatory Service. BNY Mellon, <https://www.bnymellon.com/content/dam/bnymellon/documents/pdf/emea/global-view-of-financial-transaction-taxes.pdf.coredownload.pdf>.

When the table is examined, it is seen that there is no tax accepted by everyone for the taxation of financial transactions. The taxes applied are noteworthy as transfer tax, securities transaction tax (STT), proposed FTT and stamp duty. Of course, these taxes do not cover all financial transaction taxes applied in the world.

When we look at the taxation of companies in the financial market, these companies are subject to not only general taxes (such as income taxes) but also many sector-specific taxes (Burman et.al, 2016). These taxes include stamp duty on share purchases and sales of locally registered companies in the United Kingdom, bank debt tax in Argentina, banking and insurance transaction tax in Turkiye, and various transaction taxes in Brazil (IMF, 2010).

2.1. Some Selected Countries with Current Financial Transaction Taxes

Argentina: It is applied a Financial Transaction Tax in Argentina. The financial transactions tax of 0.6% on debits and credits in current accounts. A 1.2% tax applies on any transactions made in a bank without using a bank account.

Brazil: Financial Transaction Tax is applied in Brazil. The Maximum tax rate of 1.5%, on the spot-purchase of foreign currencies in cash a rate of 1.10% is now imposed.

Cprus: Stamp duty is imposed in Cyprus. Stamp tax is mandatory in written contracts regarding the purchase or sale of property or assets. Stamp duty rate: 0.15% on transactions between €5,001 and €170.00, 0.20% on transactions over €170,001 (Dowd, 2020).

Finland: Financial Transaction Tax is applied in the country. The rate of 1.6% levy on the transfer of certain Finnish securities, mainly equities such as bonds, debt securities, and derivatives.

India: It is imposed a Securities Transaction Tax (STT). The STT on the purchase and sale of shares at a recognized stock exchange, which also applies to bonds, debentures, derivatives, units issued by any collective investment scheme, equity-based government rights or interests in securities, and equity mutual funds. The tax rates lay between 0.001 and 0.125.

Poland: Transfer Tax is implemented in the country. 1% Tax applied on the sale of securities and derivatives, at the same time, Treasury bonds, treasury bills, and other specified securities were exempted.

United States: Financial Transaction Tax is imposed in the country. A tax levied on security futures transactions will remain unchanged at \$0.0042 for each round-turn transaction (Dowd, 2020).

3. Taxation in the Banking Sector in Turkiye

According to the Turkish legal system, banks must be established as capital companies. Banks, which are corporate taxpayers in the Turkish tax system, have kind of tax duties as both taxpayers and tax-responsible parties. Under this heading, the taxes that banks have to pay as taxpayers are taken into account.

In general, the taxes and fees that banks are subject to are Corporate Tax, Banking and Insurance Transactions Tax, Motor Vehicles Tax, Real Estate Tax, Stamp Tax, Advertisement Tax, Environment Tax, and various fees collected within the scope of the Law on Fees.

3.1. Corporation Tax

The profits of capital companies, cooperatives, economic public institutions, economic enterprises belonging to associations or foundations, and business partnerships are subject to corporate tax. Corporate tax, calculated on the income earned by banks, is one of the biggest financial burdens for banks. The general corporate tax rate is 25%. However, for 2023, the tax rate for banks, electronic payment and money institutions authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies has been determined as 30%.

3.2. Motor Vehicle Tax (MVT)

MVT is a tax imposed on wealth. Payers of MVT are real persons and legal entities in whose names motor vehicles have been registered. Banks are subject to Motor Vehicle Tax due to the vehicles registered in their inventory. The tax rate for motor vehicle tax is not standard. The amount of tax to be paid is determined according to the tax definitions in the law. The amount of tax to be paid is calculated by taking into account many factors such as the type, age, price and engine volume of the motor vehicle. The amount of MVT to be paid for each motor vehicle is determined by the tariffs set in the Law.

3.3. Real Estate Tax (RET)

Banks have to pay property taxes for the real estate they own to carry out their activities. RET is a tax imposed on wealth. Land and buildings within Turkey are subject to RET. RET arises on ownership, usufruct rights and possession as an owner of real estate. The owners having the usufruct rights or the persons of enjoying the same benefits as land or building owners are responsible for the payment of

RET. RET is calculated over the market value of the land and buildings within the scope of RET (Banks Association of Turkiye, 2002).

3.4. Advertisement Tax (AT)

AT is calculated over all kinds of advertisements in the municipal boundaries. Banks spend significantly on advertising activities both to acquire new customers and to promote new products. Banks have to pay Advertisement and Advertisement Tax due to their advertisements. Banks are citizens of AT related to all advertising made on their behalf, including advertisements sent from abroad. If the Banks carry out their advertisement facilities through a professional third party, then the third party becomes responsible for the payment of AT on behalf of the bank. Relevant taxes for the advertisements within the scope of the AT are determined by tables set out in the relevant law.

3.5. Banking and Insurance Transactions Tax (BITT)

BITT is a tax imposed on transactions. Income generated by banks from both banking and non-banking activities is subject to BITT regardless of the nature of the transaction.

3.6. Stamp Duty (SD)

SD is a tax imposed on transactions. SD is calculated over the documents in the table appended to Stamp Duty Law. For example, agreements, contracts, letters of commitment, deeds of assignment, proposals, promises of guarantee, surety and pledge, arbitration and compromise agreements, notice of termination, bills of exchange (excluding cheques), promissory notes representing goods, commercial documents such as letters of credit, receipts and declarations are subject to SD. SD is calculated on a percentage or fixed amount basis, depending on the nature of the document (Banks Association of Turkiye, 2002).

4. Banking and Insurance Transactions Tax (BITT) in Turkiye

The subject of tax is the transactions and services performed by banks, bankers and insurance companies. Taxpayers are banks, insurance companies and bankers. All transactions and services performed by banks and insurance companies are subject to BITT, regardless of the nature of the transaction. Taxes will be collected from the money they collect under the name of interest, commission and expenses due to the services they provide on their behalf. Some transactions and services of bankers specified in Law No. 6802 are subject to tax. Other transactions of bankers are subject to VAT. Transactions of banks and insurance companies are exempt from VAT, but they are subject to BITT due to the profits obtained from the transactions of these companies. The general BITT rate is 5%, and some special transactions are taxed at 1%. In addition, between 2008 and 2020, foreign exchange transactions have been subject to 0% BITT by the Decision of the Presidency of the Republic. In BITT, the taxation period is every month of the calendar year (TRA, 2015).

Income obtained by banks from both banking and non-banking activities are subject to BITT, regardless of the nature of the transaction. However, within the scope of the Financial Leasing Law, the income earned by banks from financial leasing transactions is not subject to BITT. BSMV is applied if the bank generates (realizes or accrues) income from transactions. BITT is calculated based on the amount of income earned by banks from both banking and non-banking activities. In foreign exchange buying and selling transactions, BITT is calculated on the amount of foreign currency sold. Some of the BITT exemptions that are relatively more important for banks are listed below (Banks Association of Turkey, 2002);

- Transactions made with branches or agencies of banks located in Turkiye and income obtained from transactions made between these branches and agencies,
- Income obtained from transactions made between Turkish branches or agencies and headquarters of banks located abroad,
- Dividends, coupon payments and interest income of tax-exempt bonds and bills by special laws,
- Cash obtained by the bank from its customer and transferred entirely to the third-party service provider to pay the service fee on behalf of the customer,
- Income from arbitrage transactions,
- Emission premiums produced by banks,
- Foreign exchange transfer obligations to the CBRT,
- Dividends obtained by banks from their subsidiaries,
- Income obtained by investment and development banks due to investment loans,
- Income obtained from mergers and acquisitions within the scope of Provisional Article 29 of the Turkish Code of Obligations,
- Income obtained by banks from investment loans to be used in investments in the regions within the scope of the State of Emergency Governorship within the scope of Law No. 4325,
- These are the income obtained by banks from their transactions within the scope of Export Promotion and Investment Incentive Legislation.

Table 2. BITT / Total Tax Revenues in Turkiye

	2022	2023
Total Tax Revenues	1.430.041.337.000-TL	1.650.363.931.000-TL
BITT Revenue	34.566.923.000-TL	38.389.888.000-TL
BITT / Total Tax Revenues	0,024	0.023

Source: <https://www.sbb.gov.tr/wp-content/uploads/2022/01/3a-Genel-Butceli-Kamu-Idarelerinin-2022-Yili-Gelirleri-ile-2023-2024-Donemi-Gelir-Tahminleri.pdf>.

As it is seen the Table 2, Turkiye's total tax revenue according to the 2022 central budget law is 1,430,041,337,000 TL. The share of banking and insurance transactions tax in these tax revenues is 34,566,923,000 TL. In other words, BITT's share in total tax revenues was approximately 2.4%. However, the estimated total tax revenue for 2023 is 1,650,363,931,000 TL. The share of banking and insurance transactions tax in these tax revenues is 38,389,888,000 TL. The share of BITT in tax revenues for 2023 is approximately 2.3%. It is noteworthy that BITT revenues are at a significant level within general tax revenues. BITT is included in the indirect taxes group, and its collection and taxation processes continue to exist as an effective tax.

BITT is calculated based on banks' statements. The taxation period is one month. The general current rate of BITT is 5%. In foreign exchange transactions, BITT has been implemented at a rate of 0.2% on the amount of foreign currency sold since September 30, 2020. Banks are required to submit their returns to the local tax office within fifteen days following the end of each year moon. BITT payments are made on the same date as the tax returns are submitted to the relevant tax office (Banks Association of Turkiye, 2002). At the same time, effective as of July 7, 2023, the BITT rate, which was applied as 10 percent on interest, commission and fee income, has been increased to 15 percent. Both tax rate changes are related to reducing economic instability and decreasing foreign exchange purchases.

5. Concluding Comments

The idea of taxing the financial sector and financial transactions, which came to the agenda, especially after the 1929 economic crisis, was first proposed by Keynes. Following Keynes, many authors proposed financial transaction taxes to serve this different but same purpose. The common feature of these taxes is to generate revenue for the public budget, but most importantly, to prevent the buying and selling of short-term and high-risk securities. Thus, speculative investments in the market will decrease, paving the way for long-term investments. When we look at the taxes for the financial market and the banking sector, it is possible to see taxes applied under many different names. There is no globally agreed tax practice regarding the taxation of finance and banking. For the taxation of banking transactions, each country imposes one or more taxes following its economic and social structure.

There are three applications for taxation of banking activities in Türkiye. These are BITT, Resource Utilization Support Fund, and Stamp Tax application. BITT is a tax imposed on transactions. BITT is applied both as a revenue-generating tax for the budget and as a guiding tax. During periods of instability in the economy, the government tries to stabilize the economy by making changes to the tax rates, exemptions, and allowance rates of the BITT tax. In this respect, in Türkiye, BITT is an important fiscal instrument

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ARIAN DEDEJ¹

IMMIGRATION AND SECURITY IMPLICATION: THE CASE OF ALBANIA

Abstract

International migration is a complex phenomenon that touches on a multiplicity of economic, social and security aspects affecting our daily lives in an increasingly interconnected world. Migration has helped improve people's lives in both origin and destination countries and has offered opportunities for millions of people worldwide to forge safe and meaningful lives abroad. Not all migration occurs in positive circumstances, however. We have in recent years seen an increase in migration and displacement occurring due to conflict, persecution, environmental degradation and change, and a profound lack of human security and opportunity. While most international migration occurs legally, some of the greatest insecurities for migrants, and much of the public concern about immigration, is associated with irregular migration.

International Organization for Migration (IOM) defines irregular migration as migration that takes place outside the regulatory norms of the sending, transit and receiving countries. It has been noted that the number of irregular migrants have been growing, and it is the result of several trends. The first one is increased mobility as a result of globalization, and advances in transport and communications, and indeed also the general growth of migration. The second one is the increasing limitation of legal migration possibilities, as governments respond by restrictions. The third is that there is substantial mismatch between the supply and demand sides for labour. And the fourth is that cases of mass migration often result from mass infringements of human rights and conflict, such as is the case in Syria, Libya, Iraq or the Middle East.

Under this general framework, this paper aims to present the irregular migration situation in Albania and possible national security issues related to this issue. The paper gives a general overview of this phenomenon; second, it highlights some important security problems; and third, it discusses what are the measures of taken by the Albanian government to counter the negative effects of irregular migration.

Keywords: Migration, security, human rights, Albania.

JEL Codes: J60, J61

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1. Migration and security nexus: An international overview

1.1. Definition of migration

IOM defines migration as “[t]he movement of a person or a group of persons, either across an international border, or within a State”. The United Nations Recommendations on Statistics of International Migration defines an international migrant as any person who has changed his or her country of usual residence, distinguishing between “short-term migrants” (those who have changed their country of usual residence for at least three months, but less than one year) and “long-term migrants”

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(those who have done so for at least one year). In 2015, there were an estimated 244 million international migrants globally (3.3% of the world's population) — an increase from an estimated 155 million people in 2000 (2.8% of the world's population).² International migration is probably one of the most cited, yet also most contested, areas of the so called new security agenda, which emerged at the end of the Cold War, and resulted in a broadening and deepening of our understanding of what constitutes a security threat or challenge. Migration tends to be viewed as a security issue in security studies since the 1980s. 'The duality of threats apparently caused by migration to both national sovereignty and human security are largely reflected in much of the recent academic literature.'³

Migratory flows, such as the flows of asylum-seekers, labour migrants or irregular migrants, have been associated with various problems, including terrorism, criminality and social unrest.⁴

1.2. Migration and security nexus

The migration-security nexus focuses to a large degree on security challenges to developed countries as countries of destination, but the transit or the country of origin is usually neglected. Real or imagined links to terrorism, organized crime and health threats are at the core of the perception of irregular migration as a security threat. The notion of immigration as a threat to internal security has been present since the 1980s.⁵ As highlighted by Huysmans, the Schengen Agreement and Convention of Dublin connected immigration to terrorism, international crime, and border control.⁶ Since the terrorist attacks of September 11, immigration has featured prominently on the counter-terrorism agenda; governments have tightened immigration policies, linking immigration with terrorist activities.⁷ There are evidences that there exist the risk of infiltration with asylum and migrant flows of terrorists. In April 2016, reports surfaced and have since been corroborated that a man arrested in 2015 at a refugee camp in Salzburg was part of the original group of terrorists that carried out the November 2015 attacks in Paris, France.⁸ Also, there seems to be a link between migrants, violent extremism and social exclusion. According to research collected by New America, "every jihadist who conducted a lethal attack inside the United States since 9/11 was a citizen or legal resident."⁹ An overwhelming majority of Americans charged with engaging in terrorist acts (domestically or internationally) during this time period are/were permanent, legal residents, and many are the children of first-generation immigrants. Some of the most fatal recent terrorist attacks have been perpetrated by second-generation immigrants. Some analysts have focused on structural level drivers to radicalization among migrants and their descendants, although these alone are not usually sufficient to explain individual radicalization. In the cases of Belgium and France, for example, it has been suggested that the political culture, an overly secular manner of governance, has ostracized some minority communities, in particular Muslims of North African lineage. According to some analysts:

² International Organization for Migration, "WORLD MIGRATION REPORT 2018" Geneva, Switzerland. https://publications.iom.int/system/files/pdf/wmr_2018_en.pdf.

³ Caryl Thompson, "Frontiers and Threats: Should Transnational Migration Be Considered a Security Issue?" 20 November 2013, <https://www.globalpolicyjournal.com/blog/20/11/2013/frontiers-and-threats-should-transnational-migration-be-considered-security-issue>.

⁴ Myron Weiner, "Security, Stability, and International Migration", *International Security*. Vol. 17, No. 3 (Winter, 1992-1993), The MIT Press.

⁵ Jef Huysmans, "The European Union and the Securitization of Migration", *Journal of Common Market Studies* December, 2000, Vol. 38, No. 5. Blackwell Publishers Ltd 2000.

⁶ Jef Huysmans, "The European Union and the Securitization of Migration", *Journal of Common Market Studies* December, 2000, Vol. 38, No. 5. Blackwell Publishers Ltd 2000.

⁷ Alexander Spencer, "Questioning the Concept of 'New Terrorism' Peace Conflict & Development" Issue 8, January 2006

⁸ International Organization for Migration, "WORLD MIGRATION REPORT 2018" Geneva, Switzerland. https://publications.iom.int/system/files/pdf/wmr_2018_en.pdf.

⁹ <https://al.usembassy.gov/wp-content/uploads/sites/140/ALBANIA-2018-TIP-Report.pdf>

As with the Francophone finding overall, we're left with guesswork as to why exactly the relationships between French politics, urbanization, youth unemployment, and Sunni militancy exist. We suspect that when there are large numbers of unemployed youth, some of them are bound to get up to mischief. When they live in large cities, they have more opportunities to connect with people espousing radical causes. And when those cities are in Francophone countries that adopt the strident French approach to secularism, Sunni radicalism is more appealing.¹⁰

According to Daniel Köhler, Director of the German Institute on Radicalization and De-Radicalization Studies, "...over the last few years, counter-terrorism strategy in Germany has focused massively on working with families to prevent radicalization taking place. Preventing radicalization amongst refugees, however, will require lots and lots of catching up".¹¹

2. Migration situation in Albania

2.1. Emigration of Albanian citizens

The massive migration of Albanians from 1990 until present suggests that Albanians sees migration as the only hope for a better life. During 28 years of democracy our country has been involved several times in mass migration.

Under the communist regime, Albania was very isolated and the phenomenon of migration almost did not exist. The massive emigration characterizing the post-communist period began in July 1990. Chaos leading up to Albania's first democratic elections led to the first 'boatpeople' exodus to southern Italy in March 1991 where 25,000 migrants were accepted by the Italian authorities and were settled in various parts of the country. The economic situation in Albania deteriorated further as strikes paralyzed the country, which was nearing total collapse.

Illegal migration rose sharply in later years but anyway migration suffered a decrease during 1992-1996. The reason was the attribute of improving political stability and socio-economic situation.

In spring 1997 a mass emigration following the 'pyramid crisis' occurred because of high insecurity in the country. This chaos produced another boat exodus to Italy in early spring 1997. Initially 10,600 Albanians were accepted by Italy, but further sea-borne migrations were repulsed. Sometimes these resulted in the tragic death of dozens of emigrants.¹²

In 2015 it was reported that 53,805 Albanians submitted an application for asylum in Germany. There were 23,300 final decisions regarding asylum protection taken from German authorities in 2015, but only 55 positive decisions were taken. From January to October 2016 there were submitted 34,000 asylum requests but only 10 asylum requests were approved and zero working permission delivered.¹³ Like never before, even Albania was not in a war situation, Albanians chose to leave. Young workers, unemployed, all wanted to leave Albania. Figures for massive escapees were alarming, and many also called exodus the migration to Germany and France. Albania was the country that competed with Syria, which was in a civil war. In Albania there were no life threatening circumstances deriving from war but again many people wanted to leave as soon as possible. Poverty and unemployment were the main causes.

¹⁰ <https://al.usembassy.gov/wp-content/uploads/sites/140/ALBANIA-2018-TIP-Report.pdf>.

¹¹ <https://al.usembassy.gov/wp-content/uploads/sites/140/ALBANIA-2018-TIP-Report.pdf>.

¹² www.migrationdrc.org/publications/working_papers/WP-C5.pdf.

¹³ <http://cdinstitute.eu/web/wp-content/uploads/2016/12/Factsheet-1.pdf>.

Migrants have often been the focus of political debate in Albania. The government's migration policy agenda, however, is not responding to that of Albanian emigrants. Political and governmental rhetoric has focused on issues such as migrants' right to vote in destination countries. Meanwhile, emigrants and returnees have sought more support for their economic and social integration as well as legal and fiscal incentives to invest their financial, social, and human capital gained abroad in Albania's development. At this stage there are insufficient legal, policy, and institutional measures to support the government's goal of synergy between migration and development. Albania has placed great focus and made strides in migration management since the fall of the communist regime. Continued instability in the neighborhood and the ongoing migration crisis in the main destinations of Italy and Greece may challenge the country's existing management framework as thousands of emigrants return and economic growth stagnates. The government's ability to successfully design and implement policy to tap into the financial and social capitals of migrants to aid Albania's development remains to be seen.¹⁴

2.2. Immigration to Albania, Albania as a host country

Four categories of foreigners are residing in Albania i) legal economic immigrants and ii) immigrants for other reasons; iii) students, asylum-seekers; iv) and naturalized foreigners. At the end of July 2018 Albanian authorities reported 1,358 irregular entries in the Gjirokastër region. Available data indicates an eight times increase compared to the 178 reported in the same period 2017 and a four times more than the 370 registered by the end of July 2016. Albania is commonly used as a transit country for refugees and asylum seekers.

During this reporting period (1–31 July) a total of 125 irregular migrants were registered entering the country, three times increase compared to 42 reported in June this year. In addition to that, 150 irregular migrants were intercepted while trying to exit the country towards Montenegro in the north of Albania, Shkodra region, almost half the 285 reported previous month. Between March and July 2018, there were estimated 740 attempts to exit the country.

The Syrian Arab Republic was the most common nation of origin reported by registered irregular migrants, declared in 55 per cent of cases. The remaining 45 per cent of the caseload reported belonging to more than 15 different nationality groups, including Pakistan (10%), Iraq (8%), Algeria (6%), Morocco (5%), Libya (4%), others (12%).¹⁵

3. Security implication of migration. Albanian Case

The irregular migration leads to human trafficking, drugs, and other crimes that pose a security threat both to the Albania and the EU. What the state has done to combat both foreign immigrants using Albania as a transitory territory and illegal immigration of Albanians to the EU still do not meet standards according to the 2018 Trafficking in Persons Report of U.S Department of State. In July 2018 a migrant suspected of being part of terrorist groups in Syria and arriving in Albania has been detained by the police. A source from the prosecution reported that he was about a 35 year old person who entered Albania with a group of migrants trying to go to EU countries.¹⁶

Albania is a source, transit, and destination country for men, women, and children subjected to sex trafficking and forced labor. There were also instances of children forced to work in cannabis fields in Albania and some traffickers are likely involved in drug trafficking. Albanian victims are subject to sex trafficking in countries across Europe, particularly Kosovo, Greece, Italy, Belgium, Germany,

¹⁴ <https://www.migrationpolicy.org/article/embracing-emigration-migration-development-nexus-albania>.

¹⁵ http://migration.iom.int/docs/Flows_Compilation_Report_July_2018.pdf.

¹⁶ <http://shqiptarja.com/lajm/u-fut-nga-kapshtica-me-grupin-e-refugjateve-arrestohet-terroristi-qe-ka-luftuar-ne-siri>.

Switzerland, Macedonia, Norway, the Netherlands, and the United Kingdom. Middle Eastern, Central Asian, and African migrants transit Albania to reach Western Europe and are vulnerable to trafficking.

The Government of Albania does not fully meet the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. The government increased funding for victim protection, and identified and assisted more victims. The government, in cooperation with NGOs, reactivated mobile identification units in three regions and strengthened child protection within the criminal justice system. However, the government did not meet minimum standards in several key areas. The government continued to penalize victims for unlawful acts committed as a direct result of being subjected to human trafficking. The government reported fewer prosecutions and convictions, and authorities continued to investigate and prosecute some traffickers for the lesser crime of exploitation of prostitution. The government delayed funding to NGO-run shelters and did not consistently apply victim-centered investigations and prosecutions. Police did not consistently identify trafficking victims among individuals in prostitution, and the labor inspectorate lacked the training to identify victims of forced labor. Identification efforts for forced begging remained inadequate, particularly among unaccompanied children, street children, and children moving across the borders for begging.

Albania has completed the necessary legal framework and updated the Law on Asylum in October 2014 supported by EU Directives. Moreover, it is supplemented by decisions of the Council of Ministers and other legal acts, on biometric identification card for all those who have attained refugee status. The Ministry of Interior as well as other authorities has extensive relationship and cooperation with international organizations and civil society as UNHCR, the Red Cross or RMSA.

The government increased efforts to prevent trafficking. The government allocated 5.7 million lek (\$51,540) to the Office of the National Anti-Trafficking Coordinator (ONAC) in 2016 and 2017. Observers reported prosecutors rarely attended NRM meetings. Twelve regional anti-trafficking committees (RATC) comprising local officials and NGOs worked on prevention and victim assistance. The prime minister issued an order to strengthen the RATCs by mandating the government agencies required to participate, including social services, law enforcement, labor inspectors, and health representatives. ONAC and national anti-trafficking coordinators from Montenegro and Kosovo signed a joint declaration ensuring the application of a unified SOP for victim protection and assisted voluntary repatriation. ONAC, in cooperation with civil society, conducted a month long awareness campaign and separate awareness campaigns targeting students and teachers. ONAC also conducted informative meetings with representatives from the Romani and Balkan Egyptian communities. The government did not make efforts to regulate or punish labor recruiters for illegal practices that increase migrants' vulnerability to exploitation abroad. Labor inspectors did not have authority to inspect informal work activities, including unregistered businesses. The government conducted awareness campaigns on sex tourism but did not take steps to reduce demand for forced labor. The government provided anti-trafficking guidance for its diplomatic personnel, and the national coordinator briefed Albanian diplomats stationed in nine cities on human trafficking regulations.

4. Conclusion

Migration poses a number of challenges to receiving states. Migratory flows, such as the flows of asylum-seekers, labour migrants or irregular migrants, have been associated with various problems, including terrorism, criminality and social unrest. Migration, as a critical global, national, European, and regional problem, is very critical when concerning Albania's relations with neighboring countries, EU Member States as well as other countries in general relations with neighboring countries, EU Member States as well as other countries in general. It is also a serious challenge in the context of Albania's efforts towards gaining European Union membership. Generally, Albania is still considered a country of origin as well as a transit, and destination country for economic immigrants, asylum-seekers

and refugees. Migration in the Albanian context is mostly characterized by the emigration of the local population internationally and less so by immigration of foreigners in the country. Among the main factors of emigration of Albanian citizens, those of an economic nature, including unemployment and poverty, are the prevailing ones.

The evidence on the risk of infiltration by terrorist groups is currently slim, it is necessary to enhance the effectiveness and efficiency of migration management and inter-State collaboration, including via appropriate pre-screening of candidates for refugee resettlement and migration, enhanced intelligence-sharing among governments and the appropriate usage of biometrics.

The Government of Albania does not fully meet the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. Albania over time has taken steps forward to combat both foreign immigrants using Albania as a transitory territory and irregular immigration of Albanians to the EU. Albania has completed the necessary legal framework and updated the Law on Asylum in October 2014 supported by EU Directives. Moreover, it is supplemented by decisions of the Council of Ministers and other legal acts, on biometric identification card for all those who have attained refugee status. Furthermore, the Ministry of Interior as well as other authorities has extensive relationship and cooperation with international organizations and civil society as UNHCR, the Red Cross or RMSA.¹⁷

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¹⁷ <http://eurokonventa.al/en/challenges-of-migration-and-asylum-in-albania/>

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